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NYDA Monthly Economic Intelligence Brief

Covering selected high-frequency data released in August 2026

Contents

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Purpose of the Publication

The NYDA Monthly Economic Intelligence Brief provides timely insights into the South African economy, with a strong focus on how current economic conditions affect youth employment, enterprise development, and economic participation, based on high-frequency monthly economic data. It goes beyond simply reporting data by explaining what is happening in the economy and why it matters for young people and for the work of the NYDA.

The publication links broader economic trends, such as changes in demand, the rising cost of living, business conditions, and access to finance, to the everyday realities young people face. It emphasises how these shifts influence job opportunities, the sustainability of youth-owned businesses, and young people's ability to earn an income. It also highlights deeper structural challenges that continue to restrict youth participation in the economy.

Within the organisation, the Brief supports better decision-making by helping managers and leadership understand the economic environment, enabling more responsive, targeted, and effective programmes while strengthening the NYDA's ability to anticipate and respond to change.

Key Highlights

- The Absa Purchasing Managers' Index (PMI) declined further to 46.8 in July 2026, down from 47.3 in June, marking a second consecutive month of contraction and pulling the index deeper below the neutral 50-point level.
- Statistics South Africa (Stats SA) reported that manufacturing production fell by 1.7 per cent year-on-year in June 2026, easing from a 4.4 per cent contraction in May.
- Mining production contracted by 4.0 per cent year-on-year in June 2026, although the pace of decline moderated from the 5.1 per cent contraction recorded in May.
- South Africa's annual consumer inflation rate decelerated to 4.3 per cent in July 2026, compared to 5.0 per cent in June.
- Retail trade sales increased by 1.6 per cent year-on-year in June 2026.
- South Africa's new vehicle market maintained strong growth in June 2026, with domestic sales reaching 54,482 units, an increase of 15.3 per cent year-on-year.
- The food and beverages sectors showed a modest improvement in June 2026, with real income increasing by 1.0 per cent year-on-year, following declines of 2.4 per cent in April and 0.6 per cent in May.

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Key Highlights (Cont.)

- The South African Reserve Bank decided to keep the repo rate unchanged at 7.0 per cent in July 2026.
- Wholesale trade sales weakened significantly in June 2026, declining by 6.8 per cent year-on-year, following a 7.1 per cent contraction in May. This marks a sharp deterioration from growth recorded in March and April, indicating weaker demand and challenging trading conditions across supply chains.
- Private Sector Credit Extension (PSCE) edged up to 7.8 per cent year-on-year in July 2026, from 7.7 per cent in June 2026.
- Annual producer price inflation eased to 5.7 per cent in July 2026, down from 7.5 per cent in June 2026, marking a second consecutive month of moderation in headline producer price growth.
- The South African Chamber of Commerce and Industry (SACCI) business confidence index rose to 125.4 in July 2026, the highest reading since March, up from 123.5 in June.
- Overall, July 2026 economic data show a cautious improvement but remains uneven, with weak industrial production balanced against easing inflation, steady consumer activity, and stronger business confidence. For the Agency, this signals a need to focus on turning these gains into real youth employment and enterprise opportunities.

1. Industrial Conditions and Implications for Young People

1.1. ABSA Purchasing Managers' Index (PMI)

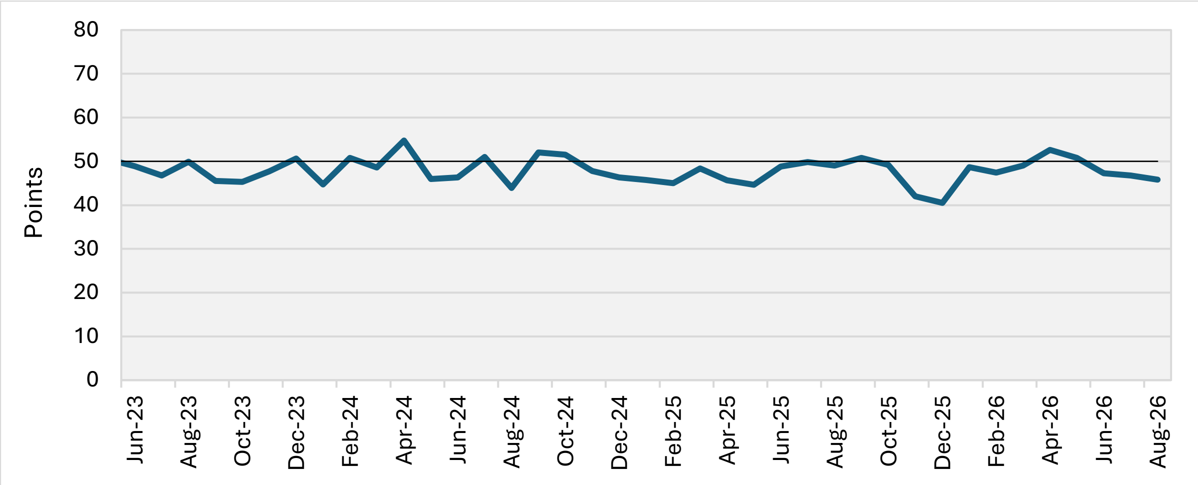
The Absa Purchasing Managers' Index (PMI) declined further to 46.8 in July 2026, down from 47.3 in June, marking a second consecutive month of contraction and pulling the index deeper below the neutral 50-point level. This suggests that the brief stabilisation seen earlier in the year has given way to renewed weakness in manufacturing sentiment.

Domestic demand and production continued to recover, with shorter supplier delivery times. Inventories declined further as firms remain uncertain that strong demand will persist, although some firms could be delaying purchases expecting lower input costs in the future. Input cost pressures remain elevated relative to the pre-war period, with increases in diesel prices expected to put renewed pressure on costs. Nevertheless, peak inflationary pressures have likely passed, barring any further upsurge in global energy costs. Looking ahead, firms expect business conditions to weaken as renewed tensions in the Middle East push oil prices higher, raising questions about the durability of recent improvements in activity.

The details behind these results offer a more mixed picture than the drop alone suggests. This means the contraction is not simply a story of collapsing activity, but it reflects firms navigating a more cautious operating environment rather than an outright downturn. For young people seeking entry-level manufacturing roles, this distinction matters as a recovering production base could still support hiring even while the composite index remains below 50.

Inventory behaviour reinforces this cautious posture. Stock levels declined further in July, suggesting firms remain unconvinced that current demand strength will hold. Some of this drawdown may also reflect firms deliberately delaying purchases in anticipation of lower input costs ahead. In any case, the signal is one of businesses holding back on commitments, indicating a pattern that typically precedes hesitancy around new hiring and capacity expansion, limiting near-term opportunities for youth entry into the sector.

Figure 1: ABSA Purchasing Managers' Index (PMI)



Source: ABSA

Cost conditions have also eased somewhat compared with the sharp pressures earlier in the year. However, input costs remain elevated relative to the pre-war period, and higher diesel prices are expected to place renewed pressure on manufacturers' operating costs. This creates a difficult environment for businesses, particularly smaller and youth-owned enterprises, which have limited capacity to absorb increases in transport, energy and other input costs.

Employment conditions remain an important concern. Although some underlying activity indicators improved, the recovery has not yet translated into a meaningful expansion in manufacturing employment. This supports the risk that firms may increase activity cautiously without expanding their workforce. For young people, who often depend on manufacturing and related value chains as entry points into the labour market, this limits the employment benefits that could otherwise arise from an improvement in domestic demand.

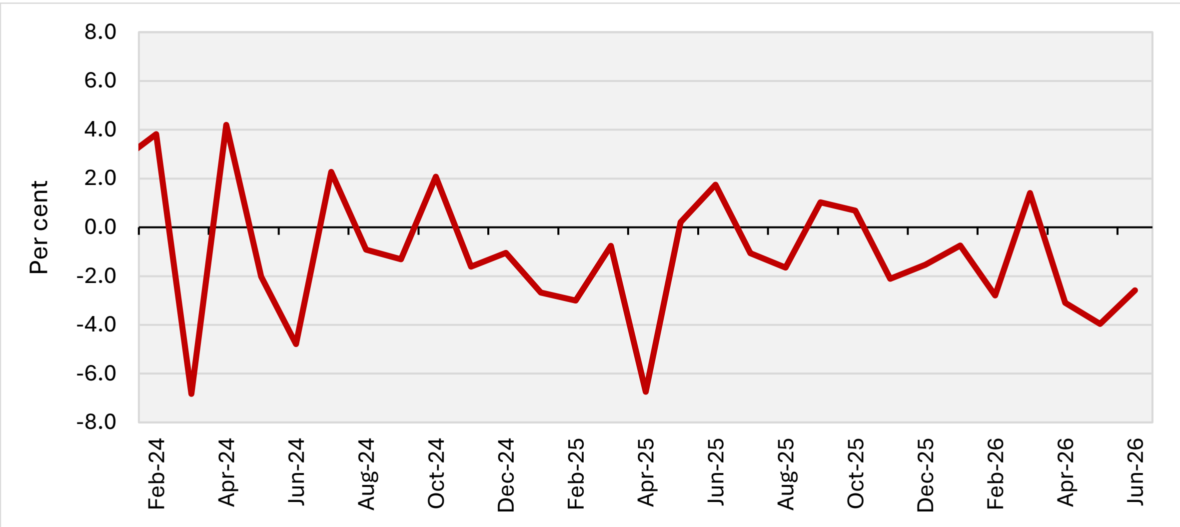
Looking ahead, the outlook for the manufacturing sector remains uncertain. Manufacturers continue to contend with weak export demand, subdued confidence, and elevated input costs, amid persistent uncertainty about whether the recent recovery in domestic demand can be sustained. Renewed geopolitical tensions and volatility in global oil prices pose an additional risk, with the potential to drive up production and transport costs and lead to weaker business conditions. Accordingly, the recent improvement in domestic activity is best understood as an early and fragile recovery, rather than evidence of a sustained upturn in manufacturing.

Overall, the latest July PMI data highlights a fragile and uneven industrial recovery, with improvements in underlying activity constrained by rising cost pressures, subdued business confidence, and heightened exposure to external shocks and global economic uncertainty. While improving domestic demand may create opportunities for youth-owned enterprises and workers, the continued contraction in overall manufacturing activity and limited employment response suggest that support should focus on enterprises with viable market linkages, particularly those connected to domestic supply chains, logistics, maintenance, and other manufacturing-related services. This will help young people participate in emerging areas of activity while reducing exposure to the risks associated with a still-weak industrial environment. This strengthens the need for the Agency to approach manufacturing as a sector offering cautious rather than assured opportunities, with support for youth-owned enterprises focused on strengthening cost resilience, adaptability, and business sustainability rather than assuming a sustained expansion in sectoral activity.

1.2. Manufacturing Production

Stats SA reported that manufacturing production fell by 1.7 per cent year-on-year in July 2026, easing from a 4.4 per cent contraction in June. This suggests some moderation in the pace of annual decline, although output remained below year-earlier levels. On a month-on-month basis, seasonally adjusted production increased by 0.9 per cent in June, following a 1.0 per cent increase in May. The consecutive monthly gains provide some evidence of stabilising activity, even as the annual comparison continues to reflect subdued conditions across the sector.

Figure 2: Manufacturing production (year-on-year)



Source: Stats SA

Several major manufacturing divisions weighed on the annual performance. Food and beverages production fell by 3.9 per cent, contributing 1.0 percentage point to the overall contraction. Wood and wood products, paper, publishing and printing recorded an 8.9 per cent decrease, contributing 0.9 percentage points. At the same time, motor vehicles, parts and accessories and other transport equipment fell by 5.3 per cent, contributing 0.4 percentage points. The persistence of declines across these divisions points to continued pressure on both consumer-oriented and industrial manufacturing activities.

The quarterly trend also points to continued softness. Seasonally adjusted manufacturing production fell 1.5 per cent in the second quarter of 2026 compared with the first, with seven of the ten manufacturing divisions recording negative growth. The largest negative contributions came from food and beverages (3.0 per cent), furniture and other manufacturing (9.3 per cent), and basic iron and steel, non-ferrous metal products, metal products and machinery (1.2 per cent). The breadth of the decline across divisions suggests that the month-on-month improvement recorded in June has not yet translated into a broader recovery in production.

Manufacturing sales also weakened in June 2026. Seasonally adjusted manufacturing sales fell by 1.6 per cent month-on-month, following a 1.5 per cent decline in May, while sales were 2.3 per cent lower year-on-year. Sales nonetheless increased by 0.6 per cent in the second quarter compared with the first quarter, supported mainly by the petroleum, chemical products, rubber and plastic products division and the motor vehicles, parts and accessories and other transport equipment division. The figures suggest that manufacturing demand remains fragile on a monthly basis, even as the broader quarterly picture shows a modest improvement.

The manufacturing sector remains strategically important due to its potential to generate employment, stimulate industrial development, and create opportunities for youth-owned enterprises across interconnected value chains. However, continued weakness in food and beverages, wood products, and motor vehicle manufacturing may constrain opportunities for young people in production, logistics, maintenance, and related support services within these industries. By contrast, the relative resilience of petroleum, chemical products, rubber and plastic products indicates areas where employment and enterprise opportunities may remain more viable. Overall, the uneven performance across manufacturing subsectors suggests that the sector's recovery remains fragile and warrants a cautious approach to youth-focused economic and enterprise development interventions.

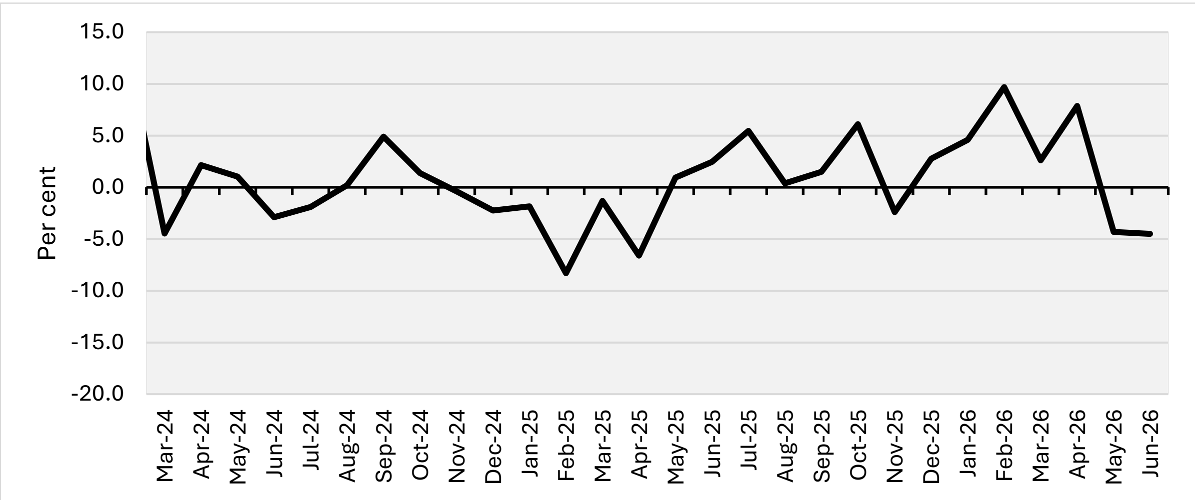
The latest production figures indicate that the manufacturing sector is still facing significant constraints. The consecutive monthly gains in production provide some encouragement, but the contraction in annual output and the broad-based quarterly decline point to continued softness in underlying activity. This picture is consistent with the June Absa PMI, which showed a renewed contraction in manufacturing activity, weaker new sales orders, and subdued employment, placing further pressure on manufacturers.

1.3. Mining Production

Mining production contracted by 4.0 per cent year-on-year in June 2026, although the pace of decline moderated from the 5.1 per cent contraction recorded in May. The continued weakness was primarily attributable to declines in platinum group metals (PGMs), coal and iron ore. PGM production decreased by 8.4 per cent, subtracting 2.4 percentage points from overall mining output, while coal production declined by 6.6 per cent, contributing a further 1.7 percentage points to the contraction. Iron ore production fell by 10.2 per cent, reducing overall growth by 1.5 percentage points. These declines more than offset continued increases in the production of selected minerals, particularly chromium ore and manganese ore, highlighting the uneven performance across South Africa's mining sector.

Performance across South Africa's major mineral groups remained uneven, with selected commodities providing some support to overall mining activity. Chromium ore production increased by 8.6 per cent year-on-year, while manganese ore and gold production grew by 13.3 per cent and 6.2 per cent, respectively. These gains, however, were insufficient to offset the continued weakness in PGMs, coal and iron ore. The divergent performance across mineral groups reflects varying commodity-market conditions, as well as persistent operational and structural challenges affecting mining activity across the sector.

Figure 3: Mining production (year-on-year)



Source: Stats SA

On a month-on-month basis, seasonally adjusted mining production increased marginally by 0.3 per cent in June 2026, following a significant 5.2 per cent contraction in May. Despite this modest monthly improvement, the broader quarterly performance remained subdued, with seasonally adjusted mining production declining by 2.7 per cent in the second quarter of 2026 compared with the first quarter. The decline was primarily driven by weaker production in platinum group metals (PGMs), which contracted by 1.8 per cent, followed by manganese ore (0.4 per cent), gold (0.3 per cent), and iron ore (0.3 per cent). These trends indicate that the slight recovery recorded in June has yet to translate into a sustained improvement in mining activity, with continued weakness at the quarterly level pointing to persistent constraints within the sector.

The June mining data presents a mixed picture of the sector. The easing in the annual contraction and the modest month-on-month recovery in production offer some encouragement, while the broad-based quarterly decline points to continued pressure on mining activity. Mineral sales at current prices, by contrast, increased by 27.2 per cent year-on-year in June, driven mainly by sharply higher gold and PGM prices, though this reflects price gains rather than a recovery in underlying volumes. Sustained growth in mining production, together with greater downstream beneficiation and local value addition, will be important for strengthening the sector's contribution to economic growth and translating mineral resources into wider employment and economic opportunities for young people.

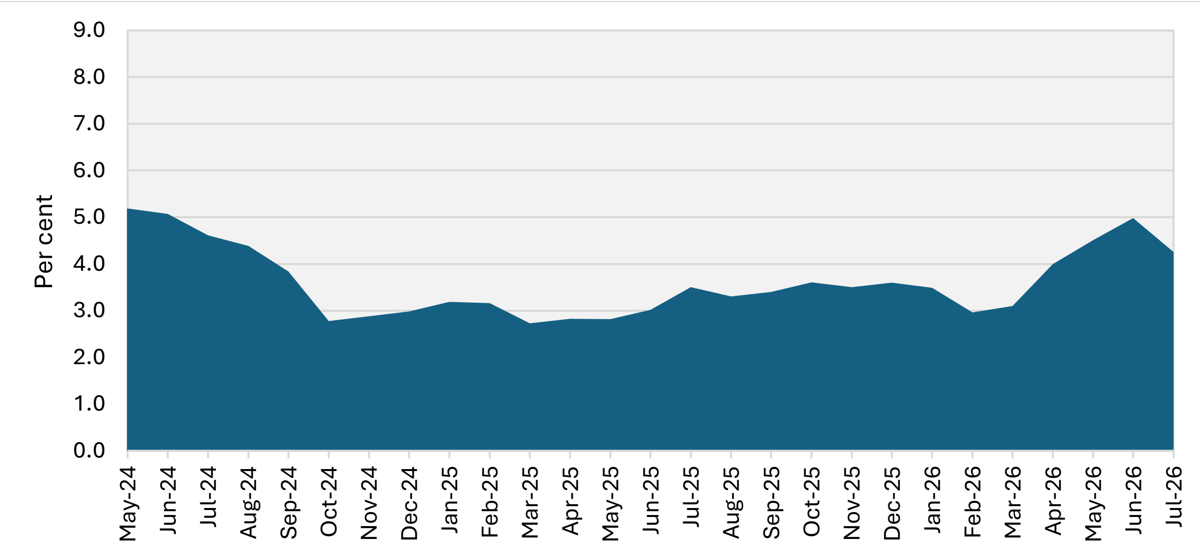
2. Consumer Spending Trends and Implications for Young People

2.1. Consumer Price Index[1] (Inflation)

South Africa's annual consumer inflation rate decelerated to 4.3 per cent in July 2026, compared to 5.0 per cent in June. This marks the first reduction in headline inflation after five consecutive months of increases. The Consumer Price Index (CPI) increased by 0.2 per cent month-on-month in July, compared with a 0.7 per cent increase in June. The moderation in inflation was mainly driven by softer food and non-alcoholic beverage prices, lower municipal tariff increases and a decline in fuel prices.

Transport inflation also moderated significantly, declining to 8.9 per cent in July from 12.7 per cent in June. Lower fuel prices largely drove this during the month. Petrol prices decreased by 7.1 per cent and diesel prices by 11.7 per cent between June and July, resulting in the annual fuel inflation rate declining from 34.3 per cent in June to 20.6 per cent in July. Despite this moderation, fuel prices remained considerably higher than a year earlier, with petrol prices 19.3 per cent higher and diesel prices 28.8 per cent higher year-on-year.

Figure 4: Consumer Inflation (year-on-year)



Source: Stats SA

[1] The Consumer Price Index (CPI) measures the average change over time in prices paid by consumers for a basket of goods and services, serving as a key indicator of inflation. It is used to adjust income payments, analyse economic stability, and guide monetary policy by central banks.

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Food inflation provided further relief to households. Annual inflation for food and non-alcoholic beverages declined to 0.9 per cent in July, from 1.6 per cent in June. This was the lowest food inflation rate recorded in more than 16 years. The moderation was mainly supported by lower inflation in cereal products and meat. Cereal products recorded annual deflation of 2.0 per cent, while meat inflation slowed to 1.5 per cent from 5.1 per cent in June.

The latest inflation figures have important implications for young people and youth-owned enterprises. The moderation in headline, food and transport inflation provides some relief to household purchasing power and the cost of economic participation. Lower food inflation is particularly relevant for unemployed and low-income young people, who tend to allocate a larger proportion of their income to essential goods. Similarly, the decline in fuel prices may reduce some of the costs associated with commuting, job searching, accessing education and training, and operating small businesses.

However, the improvement in headline inflation should be interpreted with some caution. Although fuel prices declined during July, petrol and diesel remained substantially more expensive than a year earlier. This means that young jobseekers, entrepreneurs and youth-owned enterprises may continue to face elevated transport and operating costs. For businesses that rely heavily on transportation, fuel and logistics, the year-on-year increase in fuel prices may continue to affect operating margins and the cost of delivering goods and services.

Overall, the July 2026 inflation figures indicate an improvement in South Africa's cost-of-living environment, with headline inflation declining to 4.3 per cent and food inflation reaching its lowest level in more than 16 years. The moderation in transport and food prices provides some relief to households and businesses. Nevertheless, persistent increases in fuel and utility costs continue to place pressure on household budgets and the operating environment for small enterprises. For the Agency, these developments remain important for monitoring the affordability of economic participation among young people, particularly those seeking employment, pursuing education and training, or operating youth-owned businesses.

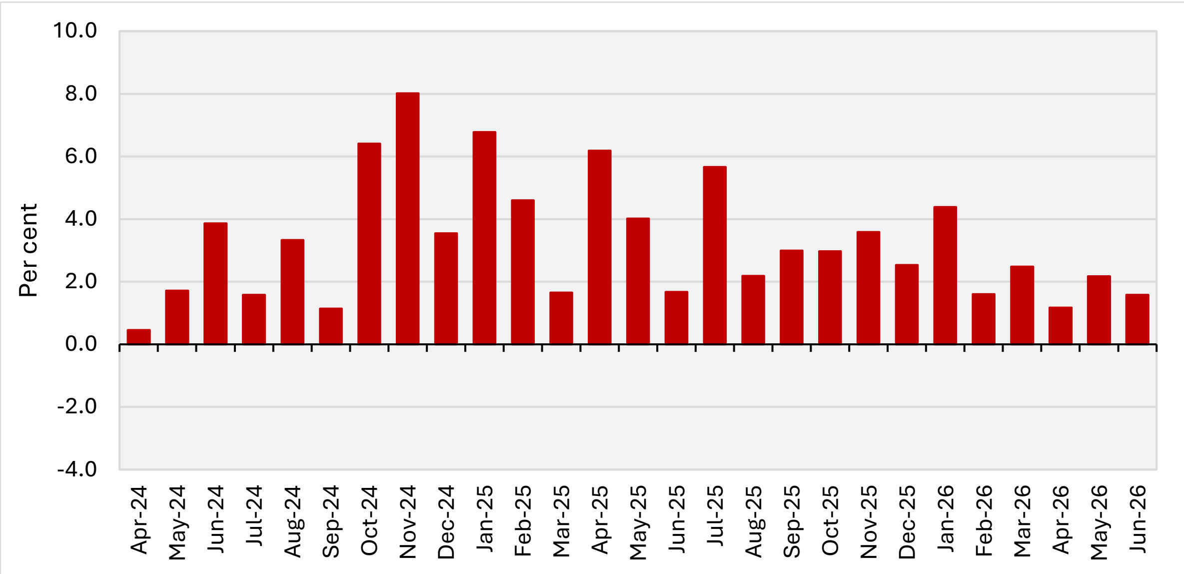
2.2. Retail Trade Performance

Retail trade sales increased by 1.6 per cent year-on-year in June 2026, although the pace of growth remained moderate and slowed from the 2.2 per cent recorded in May. The increase indicates that consumer spending continued to expand despite ongoing pressure on household budgets and the cost of living. However, the moderation in annual growth, together with a decline in seasonally adjusted sales during the month, suggests that momentum in consumer activity remained relatively subdued. Retail activity remains an important indicator of domestic demand, providing insight into household spending patterns and the resilience of consumer activity across the economy.

The increase in retail sales was driven primarily by all other retailers, which grew by 7.5 per cent and contributed 0.8 percentage points to overall growth, and general dealers, which increased by 1.8 per cent and contributed a further 0.8 percentage points. Retailers of food, beverages and tobacco in specialised stores increased by 3.0 per cent, contributing 0.2 percentage points. In contrast, pharmaceuticals and medical goods, cosmetics and toiletries increased by 1.4 per cent, contributing 0.1 percentage points. These gains were partly offset by declines in textiles, clothing, footwear and leather goods, which decreased by 2.2 per cent, and hardware, paint and glass retailers, which declined by 4.0 per cent. The uneven performance across retail categories indicates that consumer demand remained resilient in selected segments but continued to vary across the sector.

On a seasonally adjusted basis, retail trade sales decreased by 0.6 per cent in June compared with May, following no change in May and growth of 0.8 per cent in April. Over the second quarter of 2026, retail trade sales increased by 1.7 per cent compared with the second quarter of 2025. The largest positive contributors were all other retailers, which increased by 6.2 per cent and contributed 0.7 percentage points, and general dealers, which increased by 1.2 per cent and contributed 0.5 percentage points. On a quarter-on-quarter basis, seasonally adjusted retail trade sales increased by 0.4 per cent in the second quarter of 2026 compared with the first quarter, indicating that retail activity maintained modest growth despite weaker monthly momentum in June.

Figure 5: Retail sales (year-on-year)



Source: Stats SA

The retail sector remains an important source of employment and is particularly relevant to youth labour market participation. Retail businesses provide entry-level opportunities in sales, customer service, merchandising, logistics, warehousing, distribution and digital commerce. Continued growth in retail activity could therefore create opportunities for young people to enter the labour market, particularly in segments where consumer demand remains resilient, and businesses can sustain or expand their operations.

The latest retail performance also presents opportunities for youth entrepreneurship. Growth among all other retailers and general dealers, which were the largest contributors to overall retail sales growth in June, may create opportunities for young people as suppliers, distributors, digital marketers, delivery-service providers and small retailers. The continued expansion of retail activities also creates scope for youth-owned enterprises operating through e-commerce, township-based retail, last-mile delivery and other emerging distribution channels.

The June retail sales data present a cautiously positive but mixed picture of domestic consumer activity. At the same time, retail trade sales continued to increase year-on-year, recording growth of 1.7 per cent in the second quarter; the decline in seasonally adjusted sales in June points to a loss of short-term momentum. The continued resilience of key retail categories suggests that household demand remains supportive of economic activity, although affordability pressures may continue to influence consumer spending decisions. Sustained improvements in consumer activity could support broader economic growth and create additional employment and entrepreneurship opportunities for young people, particularly in labour-intensive retail and related service activities.

2.3. New Vehicle Sales

South Africa's new vehicle market maintained resilient growth in July 2026, with domestic sales reaching 57,708 units, up 11.9 per cent year-on-year. The performance marked a positive start to the second half of the year, supported in part by substantial fuel price reductions during July, which provided relief to households and businesses despite the full reinstatement of the General Fuel Levy. Lower fuel costs helped ease pressure on household and operating budgets and created a more supportive environment for vehicle demand. However, persistent inflation and elevated financing costs continued to constrain overall affordability.

The increase was broad-based across the major vehicle categories. Passenger vehicle sales increased by 12.5 per cent to 40,912 units, representing the strongest monthly passenger vehicle sales performance since September 2014. Light commercial vehicle sales, including bakkies and minibuses, increased by 10.6 per cent to 13,710 units. Medium commercial vehicle sales recorded particularly strong growth of 19.4 per cent to 843 units, representing the segment's strongest monthly performance since March 2023, while heavy trucks and buses increased by 7.0 per cent to 2,243 units. The continued growth in commercial vehicle sales is particularly relevant as demand for these vehicles is closely linked to freight movement, logistics, construction, mining and agricultural activity.

Domestic vehicle demand was predominantly driven by dealer sales, which accounted for an estimated 84.8 per cent of total domestic sales, equivalent to approximately 48,949 units. The vehicle rental industry accounted for a further 11.2 per cent, while government purchases represented 2.2 per cent and industry corporate fleets accounted for 1.8 per cent. The composition of domestic demand highlights the continued importance of retail and fleet-related activity in supporting the local vehicle market. At the same time, export performance remained under pressure, with vehicle exports declining by 11.6 per cent year-on-year to 32,801 units, compared with 37,114 units in July 2025. The divergence between resilient domestic sales and weaker exports continues to highlight the relative strength of the local market alongside ongoing challenges in international automotive demand.

The automotive sector remains strategically important to South Africa's manufacturing base, contributing 5.2 per cent of GDP and 23.8 per cent of manufacturing output. In 2025, vehicle and automotive component exports reached a record R291.0 billion, equivalent to 15.6 per cent of South Africa's total exports. The manufacturing segment employs approximately 113,000 people, while direct and multiplier effects sustain around 498,000 jobs across the formal economy. The industry also exports vehicles and components to 154 international markets. These linkages make developments in vehicle sales particularly relevant for employment, investment, manufacturing activity, exports and opportunities across the wider automotive value chain.

A notable development in July was the continued acceleration of New Energy Vehicle (NEV) adoption in South Africa. During June 2026, NEV sales reached 3,045 units, representing a 104.2 per cent increase compared with the 1,491 units recorded in June 2025. NEVs accounted for approximately 6 per cent of total domestic new light vehicle sales, indicating that roughly one in every seventeen new light vehicles sold was electrified. Traditional Hybrid Electric Vehicles accounted for the largest share of NEV sales at 1,488 units, followed by Plug-in Hybrid Electric Vehicles at 990 units and Battery Electric Vehicles at 419 units. On a year-to-date basis, NEV sales reached 13,193 units, reflecting growing consumer adoption of alternative propulsion technologies and a gradual diversification of the automotive market.

The expansion of the NEV market also presents emerging opportunities for youth employment and enterprise development. The transition towards electrified mobility could create opportunities in vehicle maintenance and servicing, charging infrastructure, electrical and technical services, component manufacturing, software and data services, logistics and specialised automotive support activities. The continued development of these capabilities could provide opportunities for young people and youth-owned enterprises to participate in new segments of the automotive value chain as South Africa's mobility system becomes increasingly technology diverse.

The July vehicle sales data point to continued resilience in domestic economic activity, despite persistent inflationary pressures and elevated financing costs. Strong demand for passenger and commercial vehicles, together with accelerating adoption of new energy vehicles, supports the automotive value chain and creates emerging opportunities for employment, enterprise development, and technological innovation. However, the continued weakness in vehicle exports remains a concern for manufacturing and trade performance. Sustaining domestic demand, improving export competitiveness, supporting the transition towards new energy vehicles and expanding participation across automotive value chains will be important for translating continued vehicle market growth into broader economic and employment opportunities for young people.

2.4. New Food and Beverages Sector Performance

The food and beverages sector showed a modest improvement in June 2026, with real income increasing by 1.0 per cent year-on-year, following declines of 2.4 per cent in April and 0.6 per cent in May. The return to positive growth suggests some recovery in consumer demand across the sector, although the pace remained relatively subdued compared with the stronger growth recorded at the beginning of the year, when real income increased by 5.7 per cent in January and 4.2 per cent in February. The June performance therefore indicates an improvement in momentum, but conditions across the sector remained uneven.

The improvement in June was supported primarily by restaurants and coffee shops, where real income increased by 1.3 per cent year-on-year, contributing 0.6 percentage points to the overall growth. Catering services also recorded a 3.1 per cent increase, contributing 0.4 percentage points. In contrast, takeaway and fast-food outlets recorded no year-on-year growth, following a 2.5 per cent increase in May. Within the industry, food sales remained the main source of growth, increasing by 2.7 per cent year-on-year and contributing 2.3 percentage points to overall income growth. This was partly offset by continued weakness in bar sales, which declined by 11.9 per cent, weighing on overall performance.

Table 1: Change in food and beverages income at constant 2019 prices by type of enterprise (year-on-year)

Type of enterprise	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Restaurants and coffee shops	7.7	8.5	2.8	4.6	5.4	-0.9	-3.5	-1.7	1.3
Takeaway and fast-food outlets	8.8	4.2	6.4	9.1	4.1	5.8	0.0	2.2	0.0
Catering services	-0.6	3.1	-12.4	-0.5	0.2	2.5	-3.0	-2.9	3.1
Total	**7.0**	**6.1**	**2.5**	**5.7**	**4.2**	**2.2**	**-2.1**	**-0.3**	**1.0**

Source: Stats SA

The performance across the different segments highlights continued opportunities for youth-owned enterprises in the food economy. While takeaway and fast-food outlets recorded no year-on-year growth in June, their relatively stable performance compared with other segments suggests continued demand for affordable and convenient food options. This creates opportunities for young entrepreneurs in food preparation and sales, delivery services, digital ordering platforms, food production, packaging, catering, and related supply chain activities. The recovery in catering services in June may also provide opportunities for youth-owned businesses involved in events, hospitality and institutional food services.

The continued weakness in bar sales, which declined by 11.9 per cent year-on-year in June, also points to ongoing pressure on discretionary consumer spending. At the same time, the stronger performance of food sales, which increased by 2.7 per cent, suggests that consumers may continue to prioritise essential food consumption while remaining more cautious about discretionary spending. This distinction is particularly relevant for smaller and youth-owned enterprises that depend on consistent consumer demand and may be more vulnerable to changes in household purchasing behaviour.

Despite mixed performance, the food and beverage sector remains an important source of employment and entrepreneurial opportunities, particularly for young people. Restaurants, fast-food outlets, coffee shops, catering companies and related hospitality businesses provide entry-level employment opportunities in areas such as food preparation, customer service, administration, logistics, marketing and business management. The sector also has relatively low barriers to entry for small businesses, creating opportunities for youth entrepreneurship across both formal and informal markets.

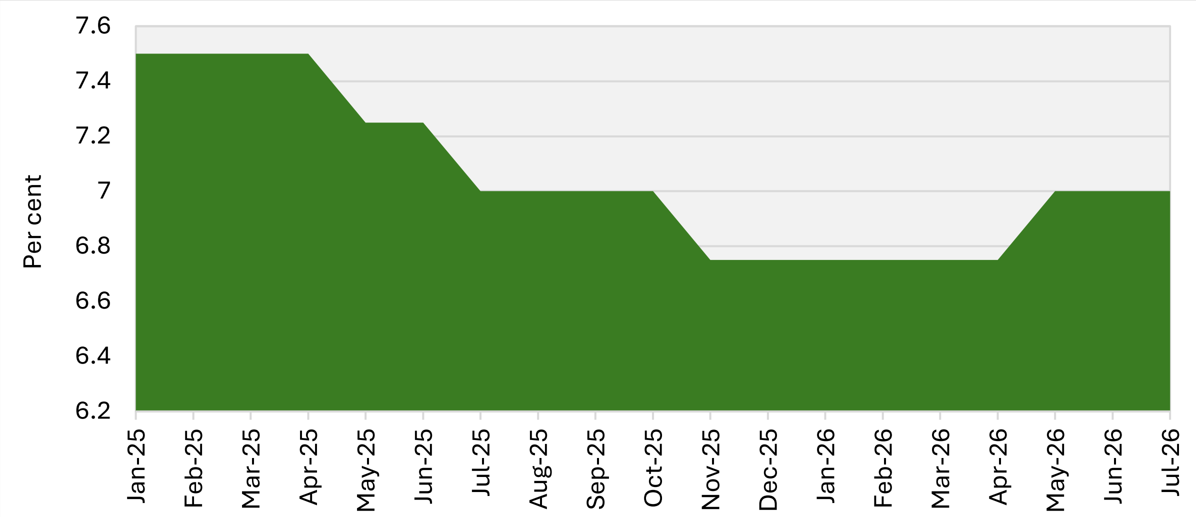
The June data, therefore, present a cautiously improving but still fragile picture of the food and beverage sector. The return to positive year-on-year growth is encouraging following two consecutive months of contraction. Still, the decline in seasonally adjusted income and the 0.7 per cent contraction in the second quarter indicate that the sector has not yet achieved a sustained recovery. Continued improvements in consumer demand, together with opportunities in affordable food services, catering, delivery and related activities, could support employment and entrepreneurship opportunities for young people.

2.5. SARB's Interest Rate Decision

The South African Reserve Bank decided to keep the repo rate unchanged at 7.0 per cent in July 2026, reflecting a cautious approach in an increasingly uncertain global environment. This decision comes against the backdrop of a crisis in the Middle East that has entered a new, volatile phase. Traffic through the Strait of Hormuz has picked up and then fallen again. Oil prices, which had declined to about 70 dollars a barrel earlier in July, have now rebounded to roughly 90 dollars a barrel.

Rising producer price inflation, elevated fuel costs, and a still-fragile growth outlook characterised the monetary policy environment entering July. The pause in the repo rate was announced against a deteriorating domestic price picture. Stats SA reported headline inflation of 5.0 per cent in June, up from 4.4 per cent in May and the highest reading since June 2024. Producer price inflation reached 7.8 per cent in May before easing marginally to 7.5 per cent in June, and this acceleration was driven largely by fuel, energy, and commodity-related inputs, which continue to pose upside risks to the consumer inflation outlook, confirming that upstream cost pressures are still working their way through domestic value chains. Against this backdrop, the SARB is likely to remain vigilant in guarding against second-round inflation effects, particularly any spillover into wage settlements and inflation expectations.

Figure 6: Repurchase (repo) rate set by the SARB



Source: SARB

SARB continued to signal a data-dependent approach, indicating that future decisions would depend on inflation trends, global oil prices, and exchange rate movements. The decision to keep interest rates unchanged reflects a delicate balance. On the one hand, stable interest rates help avoid further pressure on households and businesses, particularly young entrepreneurs who rely on credit to start or expand businesses. On the other hand, the expectation that rates may remain higher for longer, or even rise if inflation increases further, suggests that borrowing conditions will remain tight. The impact on young people is significant. Higher fuel and transport costs will increase the cost of living and the cost of doing business. At the same time, weaker economic growth reduces job creation and limits opportunities for youth employment. This combination of rising costs and limited opportunities creates a more challenging environment for youth economic participation.

Overall, strengthening support for youth-owned enterprises, facilitating access to markets and productive assets, and leveraging partnerships to expand economic opportunities for young people in a more constrained economic environment are very important. For the Agency, this strengthens the need to support young people in navigating a high-cost, low-growth environment, while ensuring that programmes are responsive to changing economic conditions.

3. Trade and Business: Implications for Young People

3.1. Wholesale Trade Sales

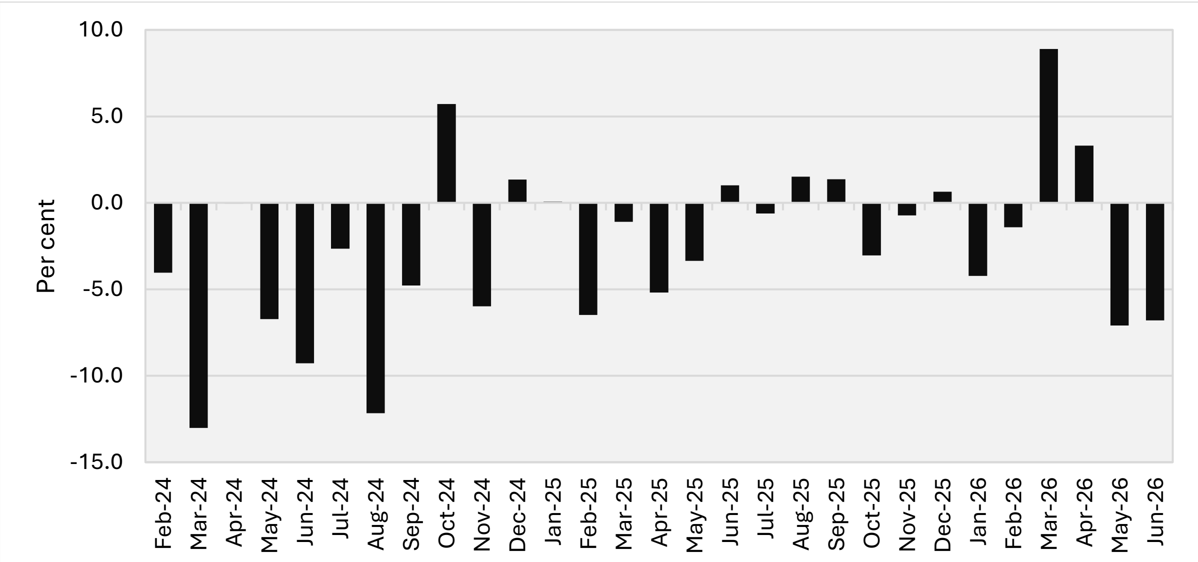
Wholesale trade sales, an important indicator of demand conditions, supply-chain activity and broader business performance, weakened further in June 2026, extending the sharp contraction recorded in May. In real terms, wholesale trade sales fell 6.8 per cent year-on-year in June, after a 7.1 per cent contraction in May, compared with growth of 3.3 per cent in April and 8.9 per cent in March 2026. On a month-on-month basis, seasonally adjusted wholesale sales fell 3.4 per cent in June, following a substantial 7.4 per cent decline in May. At the quarterly level, sales contracted 4.2 per cent in the second quarter of 2026 compared with the first quarter.

The continued decline across monthly and quarterly measures points to a broad-based weakening in wholesale trading activity and suggests that demand conditions across supply chains have deteriorated significantly. The persistence of consecutive monthly contractions indicates that the sector is facing increasingly challenging trading conditions, with potential implications for business turnover, inventory management, and employment across the broader distribution and supply chain ecosystem.

In nominal terms, wholesale trade sales increased by 2.7 per cent year-on-year in June 2026 compared with June 2025, a further slowdown from growth of 3.7 per cent in May, 10.9 per cent in April and 10.0 per cent in March. The main positive contributor was again dealers in solid, liquid and gaseous fuels and related products, which grew by 11.2 per cent and contributed 2.6 percentage points to overall growth.

Notable weakness was also evident in precious stones, jewellery and silverware, down 20.1 per cent, and in fee- or contract-basis trade, down 6.7 per cent, while food, beverages and tobacco wholesalers contracted by 1.9 per cent. Sales of machinery, equipment and supplies also fell by 2.7 per cent, demonstrating signs that investment-related momentum may be losing steam. For the second quarter, nominal wholesale trade sales were 5.7 per cent higher than in the same quarter of 2025, again driven mainly by fuels (22.6 per cent, contributing 5.2 percentage points).

Figure 7: Wholesale Trade Sales (year-on-year)



Source: Stats SA

The June 2026 results point to a clear weakening in underlying wholesale trade activity, notwithstanding continued growth in nominal sales. This divergence between nominal and real sales suggests that higher prices are sustaining transaction value without a corresponding increase in the volume of goods traded. This pattern is consistent with elevated fuel and transport costs, which place additional pressure on wholesalers and distributors, raise operating costs, and erode the purchasing power of both businesses and consumers.

This weakness is not confined to a single month. Real wholesale sales have now declined for a second consecutive month, suggesting the deterioration reflects broader softening in demand

and trading volumes rather than a temporary fluctuation. The 4.2 per cent quarterly contraction recorded in the second quarter of 2026 asserts this concern, indicating that the decline has become sufficiently persistent to outweigh the stronger performance earlier in the year and to reverse the growth observed in March and April.

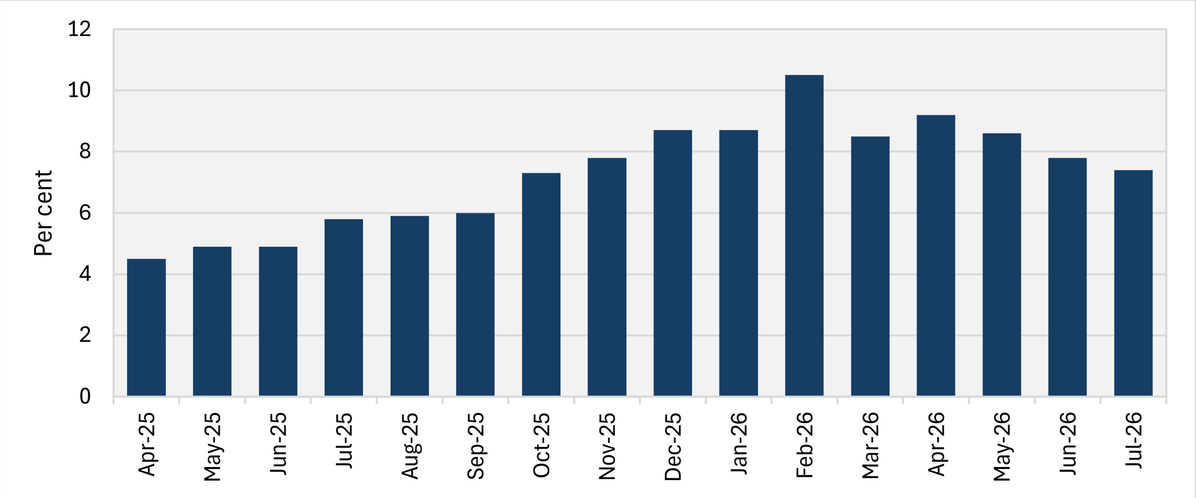
Taken together, these trends suggest that the improvement in wholesale activity seen at the start of the year has not been sustained, likely reflecting a combination of weaker demand, rising input and distribution costs, tighter operating margins, and mounting pressure on businesses to manage inventories and cash flow more conservatively. Smaller businesses and youth-owned enterprises operating within the wholesale and distribution value chains are likely to be disproportionately affected, given their comparatively limited capacity to absorb rising costs or sustain volumes amid weakening demand.

The implications extend well beyond the wholesale sector itself, given its role in sustaining employment across transport, warehousing, delivery, and other logistics-related services. A sustained decline in trading volumes could therefore reduce working hours and short-term employment opportunities for young people, with effects likely to emerge before they are visible in aggregate employment statistics.

3.2. Private Sector Credit Extension

Private Sector Credit Extension (PSCE), which measures the amount of credit provided by banks and other financial institutions to households and businesses, edged up to 7.8 per cent year-on-year in July 2026, from 7.7 per cent in June 2026. Despite this marginal increase, growth remains well below the 10.1 per cent recorded in February 2026, a cumulative slowdown of 2.3 percentage points, and close to the softest pace recorded over the past year. While credit growth remains comfortably above inflation (i.e 5.0 per cent), the small rebound suggests that the earlier deceleration in borrowing activity may begin to stabilise, even as financial conditions remain relatively tight.

Figure 8: Private sector credit extension (year-on-year)



Source: SARB

Total loans and advances remained broadly stable at 7.3 per cent year-on-year in July 2026, unchanged from 7.3 per cent in June 2026, reflecting sustained demand for credit to support business operations and household expenditure. Broad money supply (M3) eased further, from 9.3 per cent in June 2026 to 8.6 per cent year-on-year in July 2026, pointing to some moderation in liquidity growth within the financial system even as it continued to support lending activity. Claims in the domestic private sector continued to exceed R5.3 trillion, reaching R5.37 trillion in July, underscoring sustained access to credit for businesses and households.

The marginal uptick in credit growth in July suggests that the sharp deceleration recorded earlier in the year, partly driven by the unwinding volatility in the bills and investments category, may be tapering off as base effects continue to fade. Moreover, this also suggests that while borrowing by households and businesses remains elevated relative to a year ago, the pace of credit expansion has stabilised somewhat following a prolonged period of moderation.

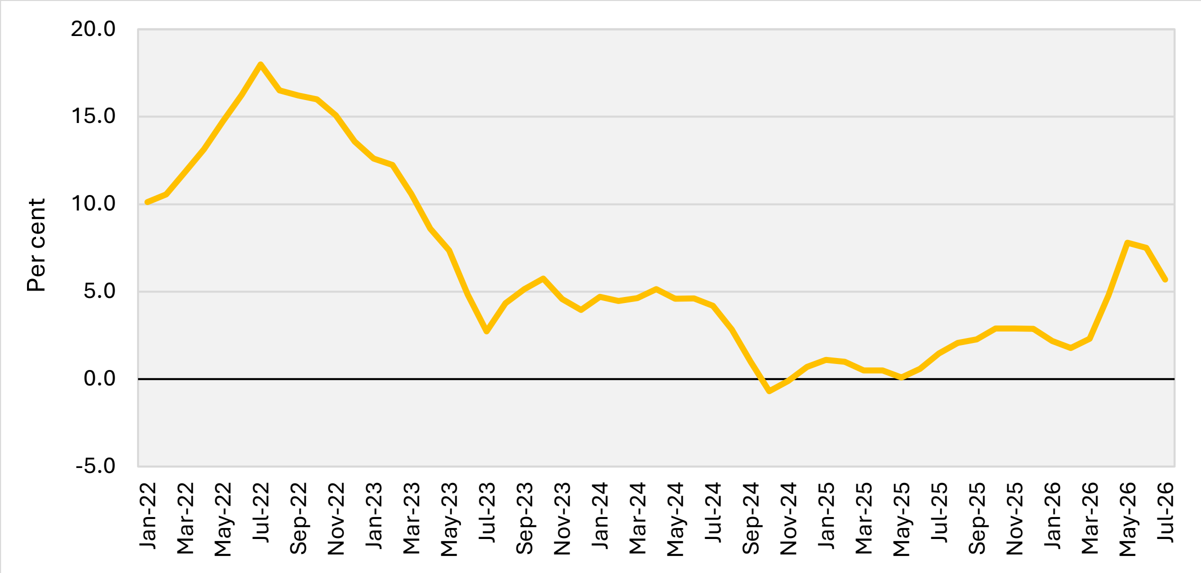
The elevated borrowing costs and tighter credit conditions continue to present challenges for young people seeking to establish, sustain or expand businesses. This highlights the importance of strengthening targeted financial and non-financial support, including grant funding, financial literacy, business development support, mentorship and market access. NYDA interventions should focus on improving the financial readiness, resilience and sustainability of youth-owned enterprises, enabling them to manage higher financing costs and better position themselves to access commercial funding when conditions improve. Ultimately, support should go beyond addressing immediate financing constraints and focus on building productive, competitive and employment-generating youth enterprises that can contribute meaningfully to inclusive economic growth.

Overall, credit conditions appear to be stabilising in July 2026 after cooling steadily from an unusually strong start to the year, against a backdrop of persistent inflation and a central bank still weighing further tightening. For the Agency, this signals a continued need to closely monitor how the pace of credit growth feeds through to business investment and youth employment prospects over the coming months, particularly if the SARB is compelled to raise rates further in response to persistent inflationary pressure.

3.3. Producer Price Inflation

Annual producer price inflation eased to 5.7 per cent in July 2026, down from 7.5 per cent in June 2026, marking a second consecutive month of moderation in headline producer price growth. On a monthly basis, producer prices decreased by 1.0 per cent, a further pullback following softer movements in recent months. The annual rate continued to be driven primarily by coke, petroleum, chemical, rubber, and plastic products; food products; beverages and tobacco products; and metals, machinery, equipment, and computing equipment. The July outcome therefore represents a notable shift in producer price dynamics, indicating that some of the substantial cost pressures experienced earlier in the year are beginning to unwind.

Figure 9: Producer price index for final manufactured goods (year-on-year)



Source: Stats SA

However, the composition of the July inflation rate indicates that cost pressures have not disappeared entirely. Coke, petroleum, chemical, rubber and plastic products remained the dominant contributors to annual producer inflation, increasing by 15.7 per cent year-on-year and contributing 3.4 percentage points to the headline rate. This means that although the overall PPI rate has moderated, energy- and chemical-intensive production costs remain considerably higher than a year earlier. Food products, beverages and tobacco products increased by 1.9 per cent, contributing 0.6 percentage points, while metals, machinery, equipment and computing equipment increased by 3.8 per cent, also contributing 0.6 percentage points.

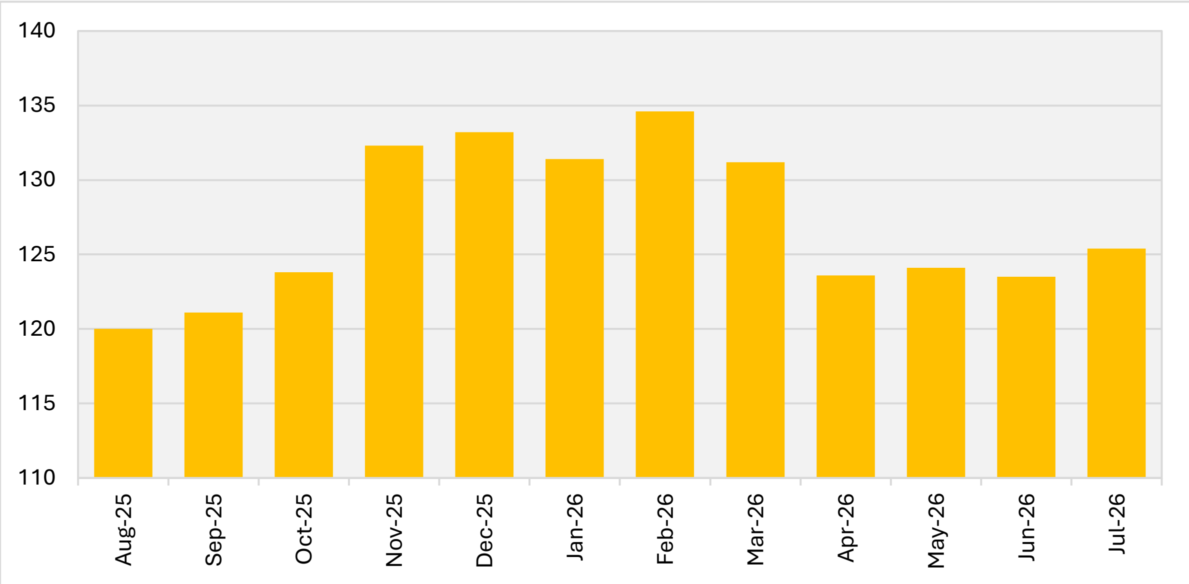
The monthly data, however, provides a more encouraging signal. Prices for coke, petroleum, chemical, rubber, and plastic products fell by 3.9 per cent in July, making this category the largest negative contributor to the monthly PPI, at -0.9 percentage points. This reversal is consistent with the easing in fuel prices observed at the consumer level during July. Stats SA reported that petrol prices declined by 7.1 per cent and diesel prices by 11.7 per cent between June and July, following the sharp fuel price increases earlier in the year.

Overall, the July PPI data suggests a clear improvement in the producer cost environment, but not a complete normalisation of input costs. The sharp monthly decline and consecutive moderation in the annual rate point to a reduction in near-term cost pressures, particularly as fuel prices retreat. Nevertheless, the continued double-digit annual increase in petroleum- and chemical-related products means that manufacturers remain exposed to elevated input costs relative to a year earlier. For businesses, this creates a more favourable cost environment than that prevailing in May and June, but one in which margins and pricing decisions are likely to remain sensitive to developments in fuel, exchange rate and commodity prices.

3.4. SACCI Business Confidence Index

The South African Chamber of Commerce and Industry (SACCI) business confidence index rose to 125.4 in July 2026, the highest reading since March, up from 123.5 in June. Higher new vehicle sales, stronger merchandise export volumes, and lower energy prices supported the improvement, while higher inflation and lower precious metal prices weighed on business confidence. SACCI added that the number of foreign travellers to South Africa remained a positive factor despite short-term instability linked to the Middle East conflict. The ongoing war in the Middle East and its destabilising effects on crude oil prices, as well as its impact on fuel supply, are weighing on global economic prospects.

Figure 10: SACCI Business Confidence Index



Source: South African Chamber of Commerce and Industry

Despite this positive movement, the index remains constrained by persistent headwinds. Elevated inflation continues to raise input, transport, and utility costs, while weaker precious metal prices are limiting export earnings and dampening activity in parts of the mining sector. These pressures fall disproportionately on smaller and emerging enterprises, which typically have less capacity to absorb rising costs or withstand fluctuations in demand. Externally, the ongoing conflict in the Middle East continues to threaten global oil prices and fuel supply, creating uncertainty for business planning and raising the risk that renewed volatility could erode the gains recorded in July.

The improvement in business confidence provides an opportunity to strengthen youth employment and entrepreneurship outcomes. Increased activity in sectors such as automotive, trade, logistics, tourism, exports and business services could create opportunities for young people and youth-owned enterprises to participate in private-sector value chains. However, stronger business confidence does not automatically translate into employment creation, particularly given persistent structural unemployment and the capital-intensive nature of some sectors. Therefore, the Agency should focus on converting improved business sentiment into tangible opportunities through stronger private-sector partnerships, supplier development initiatives, market access, and support for finance and business development.

Overall, the July 2026 data present a genuinely positive signal. Still, its long-term significance will depend on whether improved business sentiment translates into tangible gains in youth employment and enterprise participation, while safeguarding against renewed cost pressures and geopolitical shocks.

4. Conclusion

The economic indicators for July 2026 point to a mixed but cautiously improving outlook, with significant implications for youth employment and enterprise development in South Africa. Industrial conditions remain fragile: the Purchasing Managers' Index fell further to 46.8, manufacturing production contracted 1.7 per cent year on year, and mining output declined 4.0 per cent, reflecting persistent weakness in sectors that have traditionally absorbed youth labour. This weakness is partially offset by encouraging developments on the cost-of-living front, with headline inflation easing to 4.3 per cent from 5.0 per cent in the preceding month, supported by moderating transport and food price pressures. This provides some relief to young consumers and youth-owned enterprises. However, the South African Reserve Bank's decision to maintain the repo rate at 7.0 per cent indicates that elevated borrowing costs remain a constraint on access to finance.

Consumer-facing sectors demonstrated relative resilience over the period under review, with retail trade sales increasing by 1.6 per cent, new vehicle sales sustaining strong growth, and income in the food and beverages sector improving modestly. These trends point to continued opportunities for youth participation in retail, hospitality, and automotive-related enterprises, including the expanding New Energy Vehicle segment. This resilience was, however, tempered by continued softening in wholesale trade activity and subdued growth in private-sector credit extension, both of which suggest tighter operating conditions for young entrepreneurs reliant on supply-chain participation or external financing.

Business confidence rose to its highest level in several months, representing a genuinely positive signal for the domestic operating environment. Nonetheless, caution is warranted: the improved sentiment has not yet translated into meaningful job creation, particularly given persistent structural unemployment and the capital-intensive nature of several recovering sectors. Taken together, these findings indicate that the Agency's strategic focus should remain on converting improving macroeconomic conditions into tangible outcomes for young people. This requires the continued strengthening of supplier-development initiatives, market access facilitation, and finance and business development support, while maintaining close monitoring of ongoing weaknesses in manufacturing, mining, and wholesale trade. Concurrently, the Agency is well positioned to build on the more concrete opportunities emerging within the retail, food and beverages, automotive, and business services value chains.