

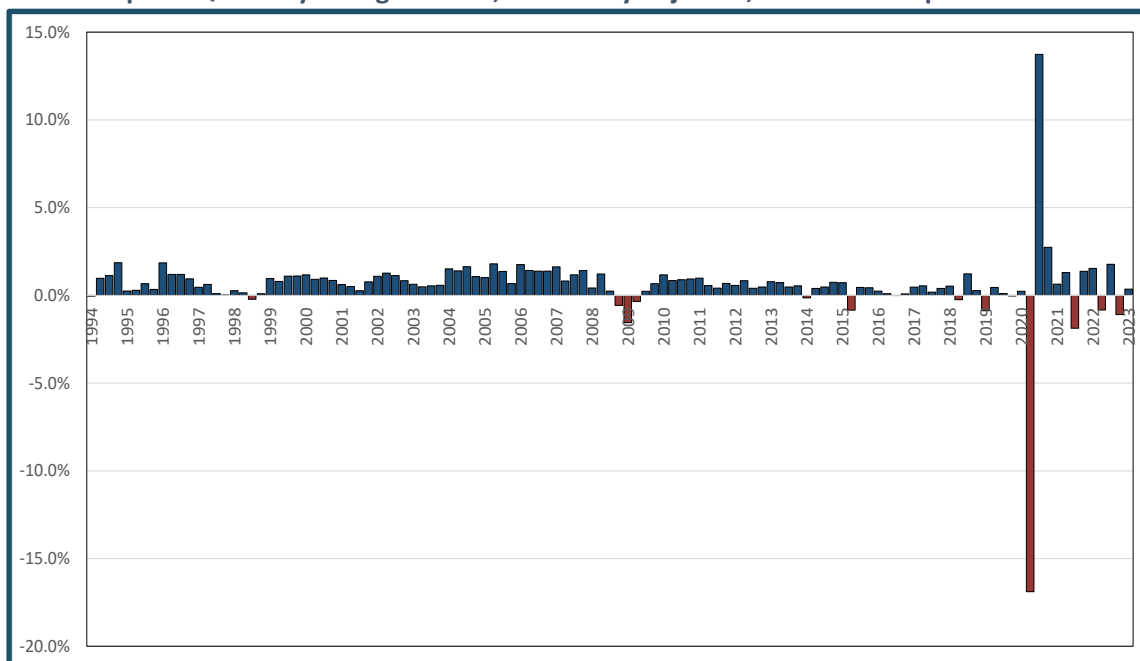
## GDP growth

The economy grew by 0.4% in the first quarter of 2023, reversing the decline in the previous quarter. Still, the growth is slow, so the economy grew only 0.2% in the year to March 2023. Lower export prices and pro-cyclical fiscal and monetary stances were compounded by loadshedding. National electricity generation is now around 25% below 2007 levels. That said, Eskom increased generation by 7% in March and April, and auto sales were up by 29% for the quarter.

The GDP grew 0.4% in the first quarter of 2023, with the decline in the previous quarter revised from the originally reported 1.4% to 1.1%. (Graph 1) Still, GDP growth for the year to the first quarter was near zero. Moreover, in the first quarter of 2023 the economy was only 0.2% larger than in the first quarter of 2020, just before the pandemic lockdown. (Graph 2) In other words, the pandemic essentially cost South Africa three years of economic growth. That means production per person is down by around 3%, as population growth has also slowed to just over 1% annually.

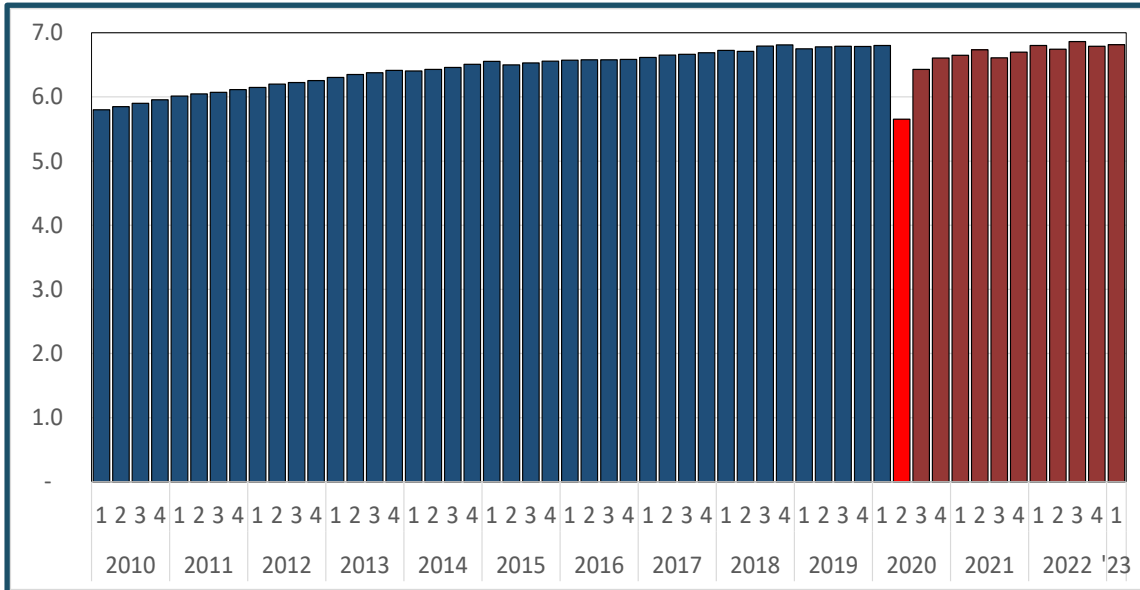
Growth has remained extraordinarily volatile since the pandemic, as shown in Graph 2. The recovery has been marked by substantial swings in quarter-on-quarter figures within the trend toward slower growth overall.

**Graph 1. Quarterly change in GDP, seasonally adjusted, 1994 to first quarter 2023**



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2023Q1.  
Excel spreadsheet.

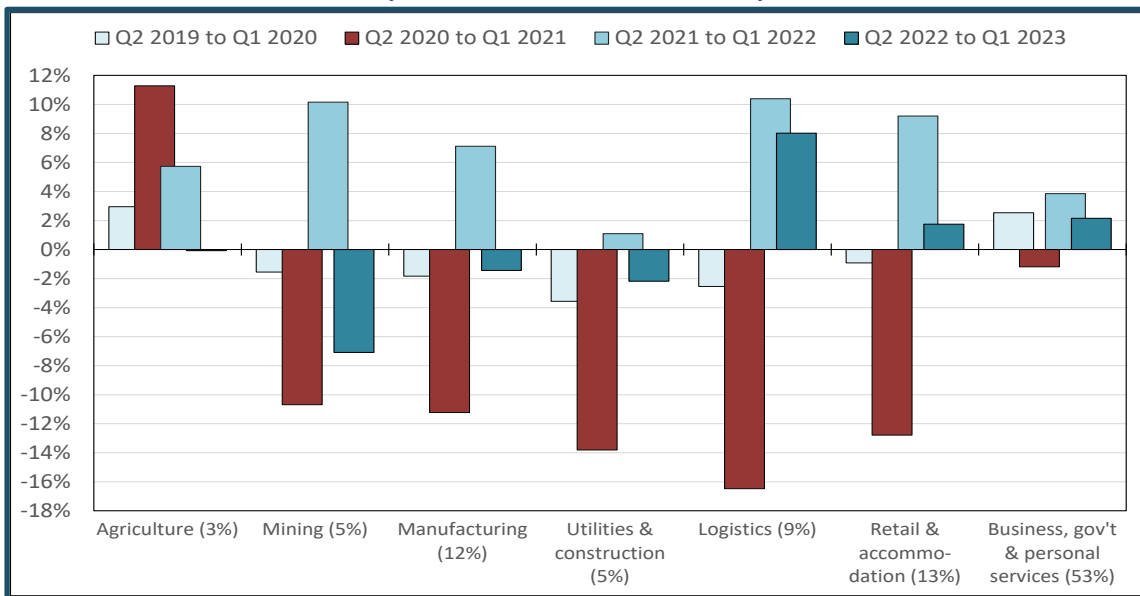
**Graph 2. Quarterly GDP in trillions of constant (2023) rand (a) from 2010**



Note: Reflated using implicit GDP deflator rebased to first quarter 2023. Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2023Q1. Excel spreadsheet.

Growth in the first quarter of 2023 was driven primarily by manufacturing and business services. Still, over the two years to March 2023, the real economy saw recovery stall. Relatively rapid growth in 2021/22 following the pandemic downturn gave way to near-zero expansion in the next two years. In contrast, logistics and other services continued to grow in the year to March 2023, although at a slower rate than in 2021. (Graph 3)

**Graph 3. Annual growth in gross value added by sector, year to March, 2020 to 2023 (share of total GDP in brackets)**



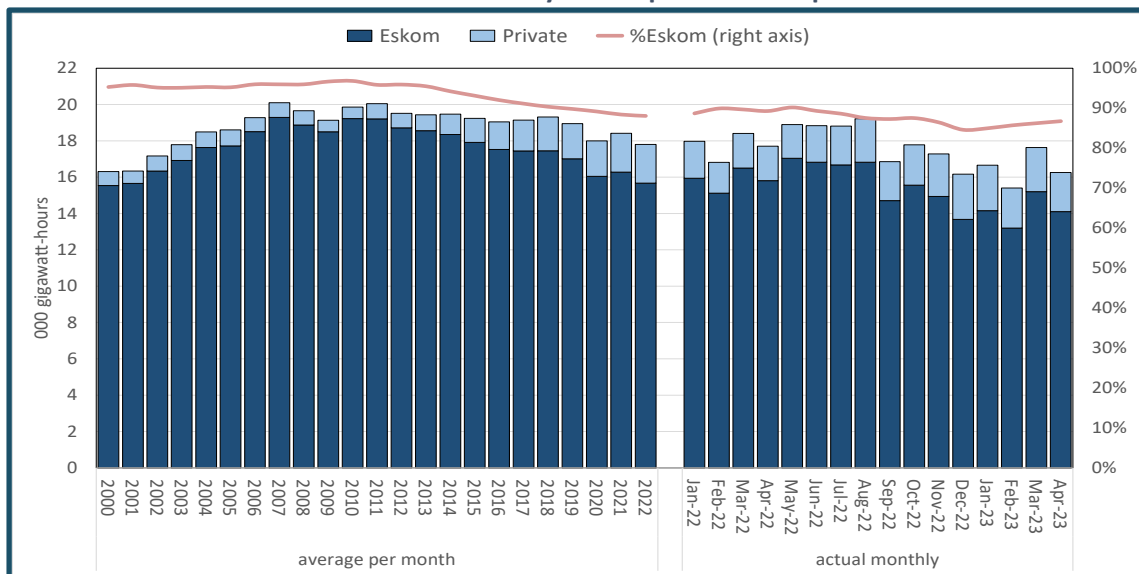
Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2023Q1. Excel spreadsheet.

Slow growth reflected deep-seated structural constraints in South Africa, aggravated by international economic and political volatility. Heavy and prolonged loadshedding and falling export prices proved particularly damaging. They were aggravated by pro-cyclical fiscal and monetary policies; the latter is discussed in the briefing note *Why inflation targeting does not work in a highly unequal country*.

The very high levels of loadshedding over the course of 2022 inevitably undermined growth. As Graph 4 shows, the national electricity supply reached a low point in February 2023, at 8% below a year earlier. It was around 25% lower than the monthly average in 2007, when South Africa’s electricity supply peaked. In March and April, Eskom’s electricity supply recovered by 7% over the previous two months. Nonetheless, in April 2023, Eskom’s electricity output for distribution was more than 10% lower than a year earlier, and 27% under the monthly average in 2007. Moreover, private generation fell slightly in the first four months of 2023. Still, in April 2023 it was 14% higher than a year earlier, and exceeded its 2007 levels by over 150%.

Loadshedding let Eskom effectively externalise the cost of its inability to maintain generation. That made it difficult to measure the full impact. It entailed a wide range of social and economic harms, ranging from breakdowns in substations and production equipment to traffic jams as robots failed and night-shift workers like nurses made their way home in the dark.

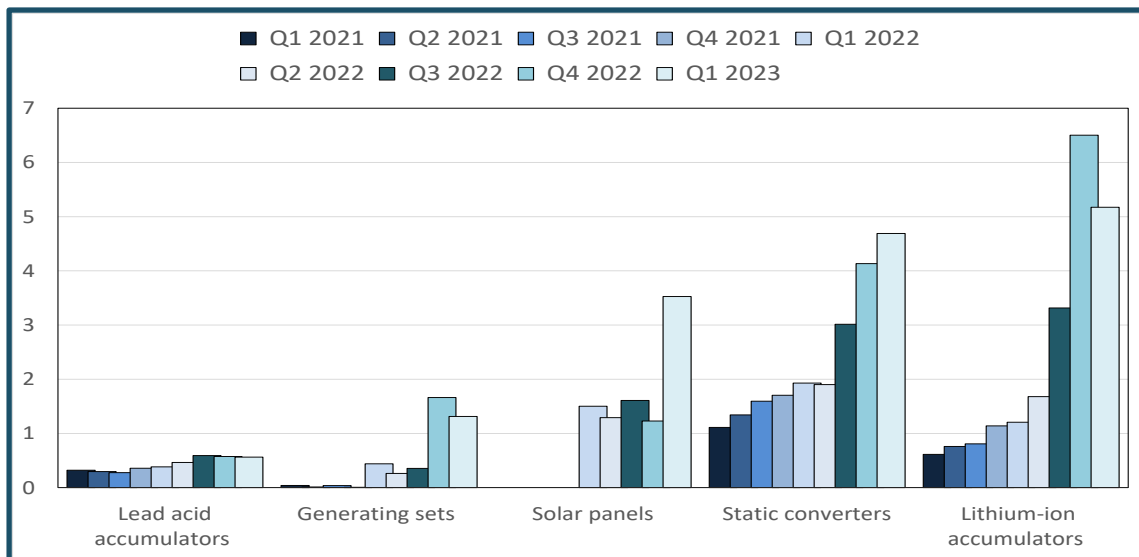
**Graph 4. Electricity available for distribution in GWh and share of Eskom in total electricity supply through the national grid, average of monthly figures from 2000 to 2022 and monthly from April 2022 to April 2023**



Source: Calculated from Statistics South Africa. P4141. Electricity generated and available for distribution. Excel spreadsheet.

The costs of loadshedding were illustrated by soaring imports for electrical equipment, with the bulk apparently for renewable energy. As Graph 5 shows, the value of imports used in generating or storing electricity doubled from mid-2022. Diesel imports also climbed sharply, but in part the increase reflected a sharp fall in domestic refining capacity. As a result, diesel imports largely replaced crude oil, making it difficult to evaluate the amounts used for generation by Eskom and private users. A similar surge emerged in imports of electrical equipment, with the bulk apparently going for renewable energy, as Graph 5 shows.

**Graph 5. Quarterly imports of electrical equipment, first quarter 2021 to first quarter 2023, in billions of constant 2023 Rand**

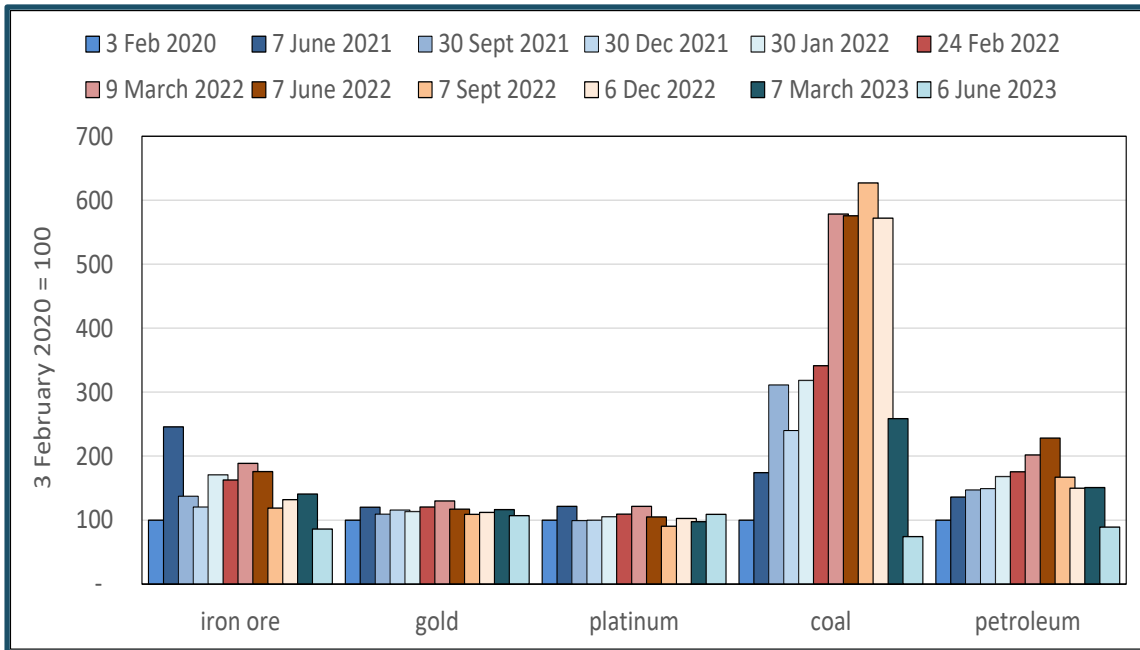


Note: (a) Reflated with CPI rebased to 2023. (b) Trade data was not reported for solar panels for 2021.

Source: Calculated from South African Revenue Service data.

Through mid-2023, export prices continued to decline for most of South Africa’s dominant mining exports with the exception of gold, as Graph 6 shows. Minerals and metals still account for over half of South Africa’s total exports. Their prices surged immediately after the pandemic, and then again after Russia’s brutal invasion of Ukraine. Coal showed the steepest spike by far, but from late 2022 to mid-2023 fell back below pre-pandemic levels. Iron ore also fell below its February 2020 levels. The loss of export revenue was offset in part by a steep fall in the price of petroleum, reflecting slower than expected global growth as well as the price cap imposed by Europe and the United States on Russian oil exports. The disappointing recovery in China and rising interest rates in the Global North helped burst the speculative bubbles that boosted commodities prices during the pandemic and the invasion of Ukraine.

**Graph 6. Indices of current US dollar prices for South Africa’s leading exports plus petroleum, 3 February 2020 to 6 June 2023 (3 February 2020 = 100)**

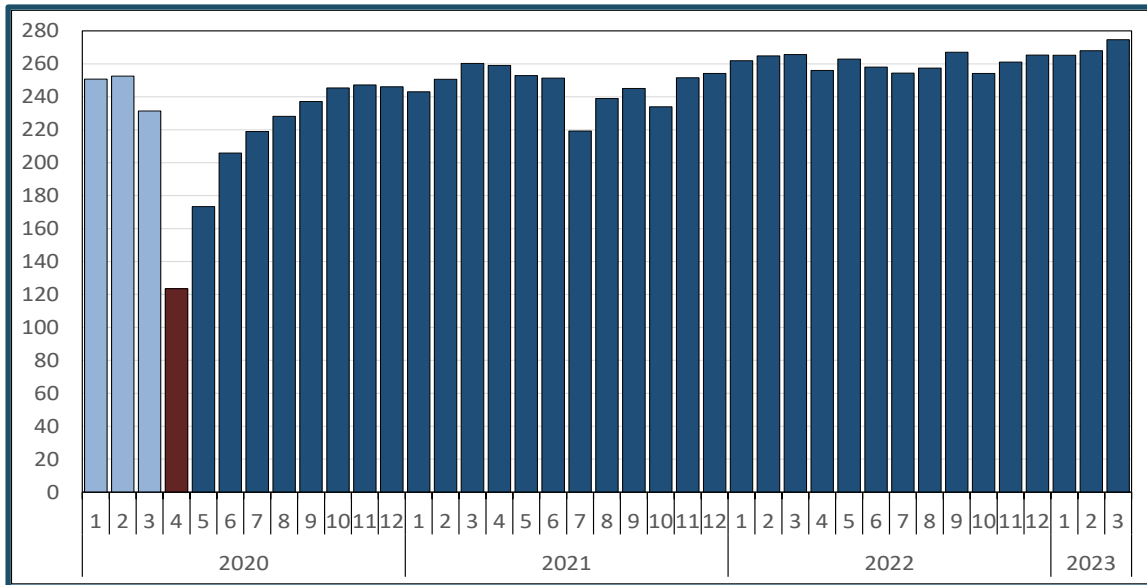


Source: Trading Economics. Interactive database. Accessed at <https://tradingeconomics.com/commodities> on 7 March 2023

The soaring coal price bolstered South Africa’s trade surplus in 2022, and its fall was an important factor behind its dissipation, as discussed in the section on international trade below.

The picture for manufacturing in the first quarter of 2023 proved mixed. Although manufacturing value added stagnated, its gross sales have grown in constant rand terms for the past six quarters. In 2023 rand, manufacturing sales grew by 3% in the first quarter of 2023, climbing to R807.8 billion from R780.6 billion in the previous quarter. Overall, manufacturing sales are 10% higher than in the first quarter of 2020, before the pandemic, and have recovered some 60% above the pandemic low in the second quarter of 2020. (Gra[h 7])

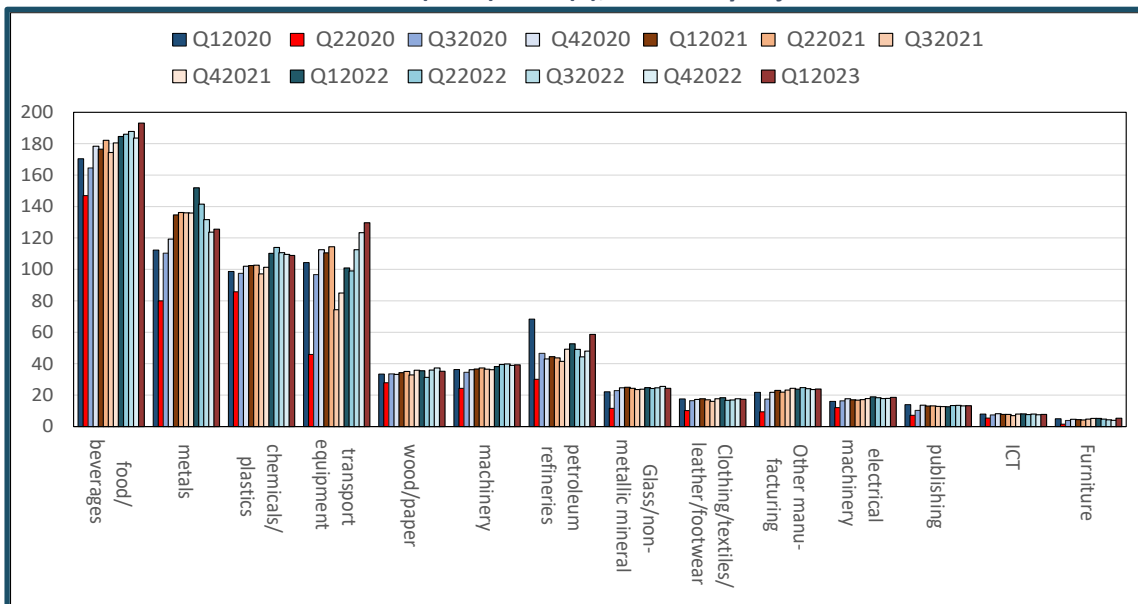
**Graph 7. Monthly manufacturing sales in billions of constant (2023) rand (a), seasonally adjusted, January 2020 to March 2023**



Note: (a) Refflated with CPI. Source: Calculated from Statistics South Africa. Manufacturing: Production and Sales, May 2023. P3041.2.

In real terms, transport equipment sales were the main driver of growth for manufacturing sales in the year to the first quarter of 2023. They climbed some 29% to R130 billion over this period. However, the impact of this growth was diminished by a decline in the value of metals sales, from R152 billion to R126 billion in the year to the first quarter of 2023, mostly due to lower global prices. Sales of food and beverages grew over this period, from R185 billion to R193 billion, as did petroleum products, from R53 billion to R59 billion.

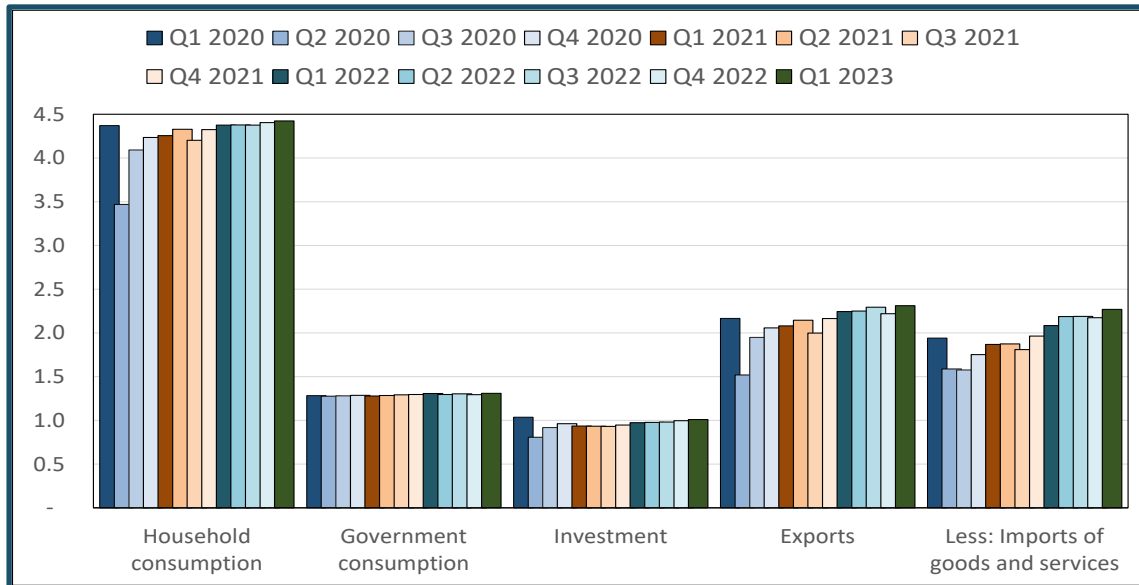
**Graph 8. Quarterly sales by manufacturing industry in billions of constant (2023) rand (a), seasonally adjusted**



Note: (a) Refflated with CPI. Source: Calculated from Statistics South Africa. Manufacturing: Production and Sales, March

In terms of expenditure, household and government consumption and increased investment all contributed to the modest growth. The surging deficit in goods and services trade was the main drag. (Graph 9) As noted, the trade deficit was affected on the one hand by rising imports of equipment to deal with loadshedding, and on the other by falling commodity prices, and in particular the slump in coal. While government consumption spending increased 1.2% for the quarter, in year-on-year terms it remained almost flat. The increase in investment was driven almost exclusively by the public sector, as discussed in the relevant section below.

**Graph 9. Quarterly expenditure on GDP, first quarter 2020 to first quarter 2023, seasonally adjusted, in trillions of constant (2015) rand**



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2021Q4. Excel spreadsheet.