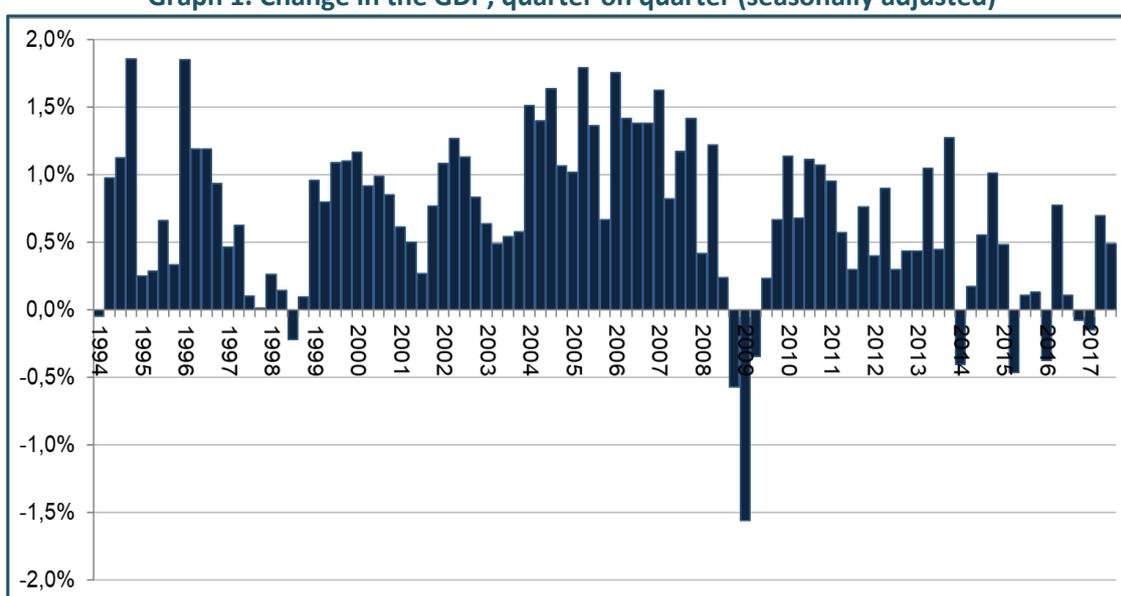


## GDP growth

The past six months have seen the GDP recover from the contraction that marked the previous six months. Still, growth remains more variable, and generally slower, than it was before 2014. Increased variability in the GDP results in part from the end of the commodity boom and in part from fluctuations in agriculture as a result of the 2015 drought. While mining and manufacturing have seen fairly stable growth, construction slowed markedly in the year to September 2017. Private investment has continued to fall, and was a significant drag on GDP growth in this period.

South Africa's GDP grew by 0,5% in the third quarter of 2017, equal to around 2% in annualised terms. It continued the rebound from the contraction in the last quarter of 2016 and the first quarter of 2017. It is, however, too soon to say if this growth represents an end to the erratic growth pattern of the past two years (see Graph 1).

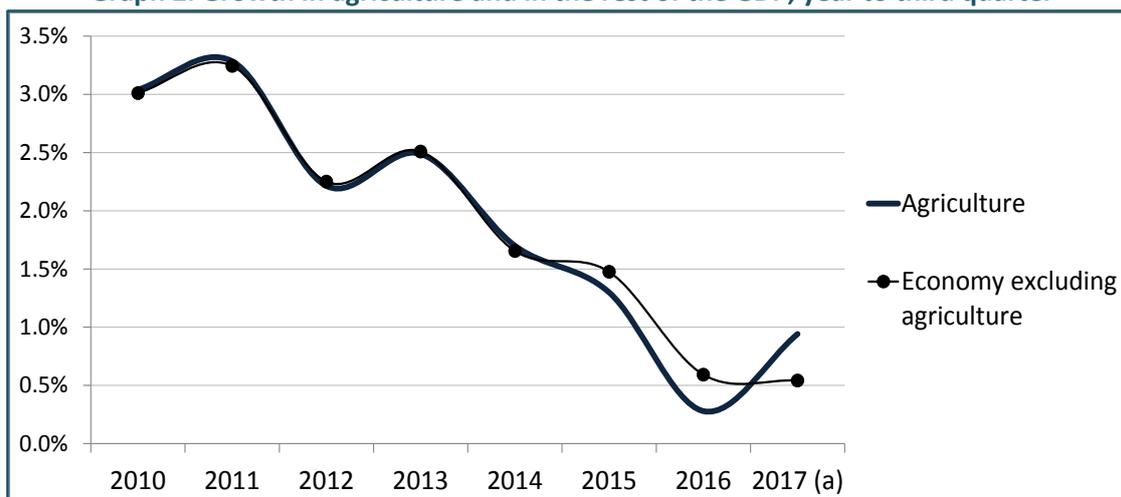
Graph 1. Change in the GDP, quarter on quarter (seasonally adjusted)



Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017.

Quarterly GDP growth excluding agriculture was 0,26% (not annualised) compared to 0,49% with agriculture's contribution included. In effect, the drought aggravated the downturns in the past two years, while the recovery from it has boosted growth in the past six months (see Graph 2).

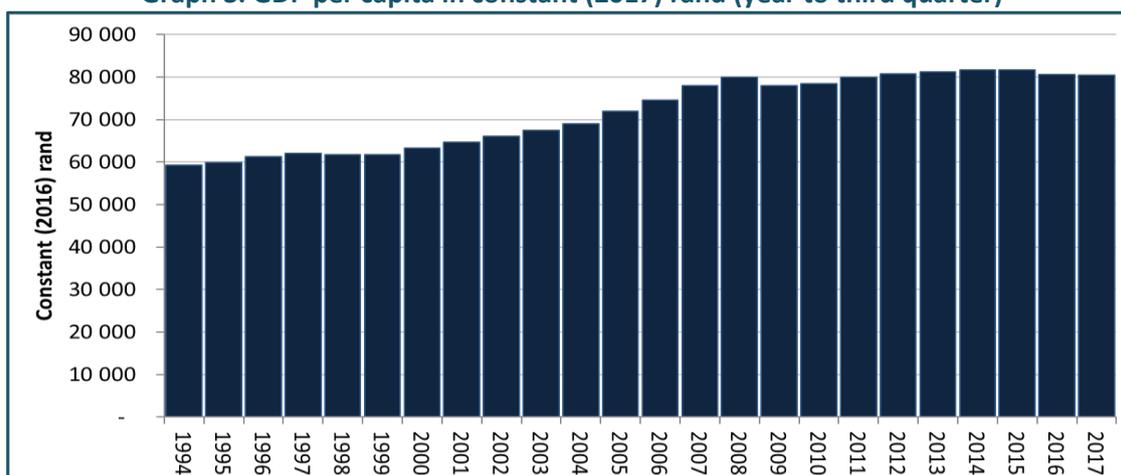
**Graph 2. Growth in agriculture and in the rest of the GDP, year to third quarter**



Note: (a) Year to third quarter (other years are calendar years). Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017.

GDP per capita continued to decrease in real terms, down 0,15% from 2016 to R80 420 per person (see Graph 3).

**Graph 3. GDP per capita in constant (2017) rand (year to third quarter)**

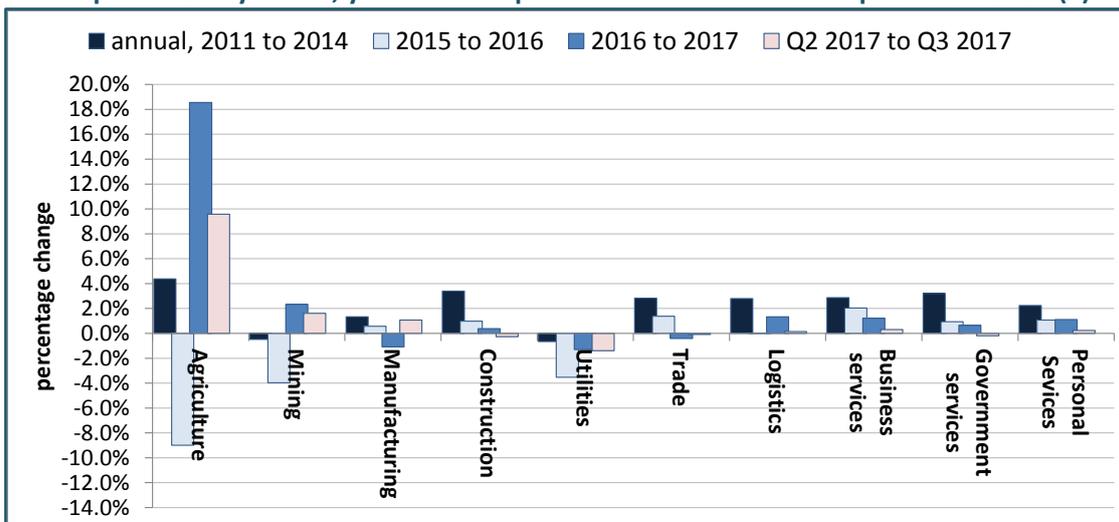


Source: For the GDP, StatsSA GDP quarterly figures. Excel spreadsheet downloaded [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017. For population, World Bank except for 2017, which uses StatsSA mid-year population estimates.

In terms of sectoral contributions to GDP growth, the rebound from the drought has spurred agricultural production. Growth was relatively slow in the mining and manufacturing sectors. Still, manufacturing has recovered in seasonally adjusted terms over the past two quarters, after declining for the three quarters before that (see Graph 4).

In contrast to the rest of the economy, construction saw a further decline in the third quarter of 2017. That marked the third quarter in a row that it has shrunk, in the first decline since the World Cup building programme ended in 2010. We analyse these trends in more detail in the *Briefing Note: Slowdown in the construction industry*.

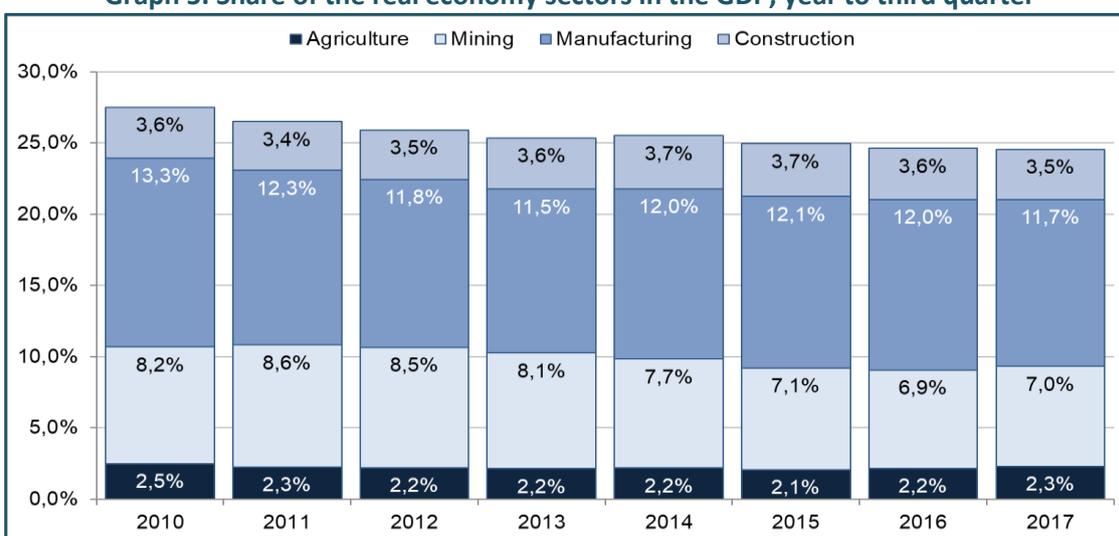
**Graph 4. GDP by sector, year to third quarter and second to third quarter for 2017 (a)**



Note: (a) Figures for second to third quarter 2017 are seasonally adjusted. Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017.

The share of the real economy in economic activity decreased again, with construction and manufacturing seeing their contributions to the GDP falling to near their lowest levels in five years. The manufacturing sector dropped from 13,3% of the GDP in 2010 to 11,7% in 2017 (see Graph 5).

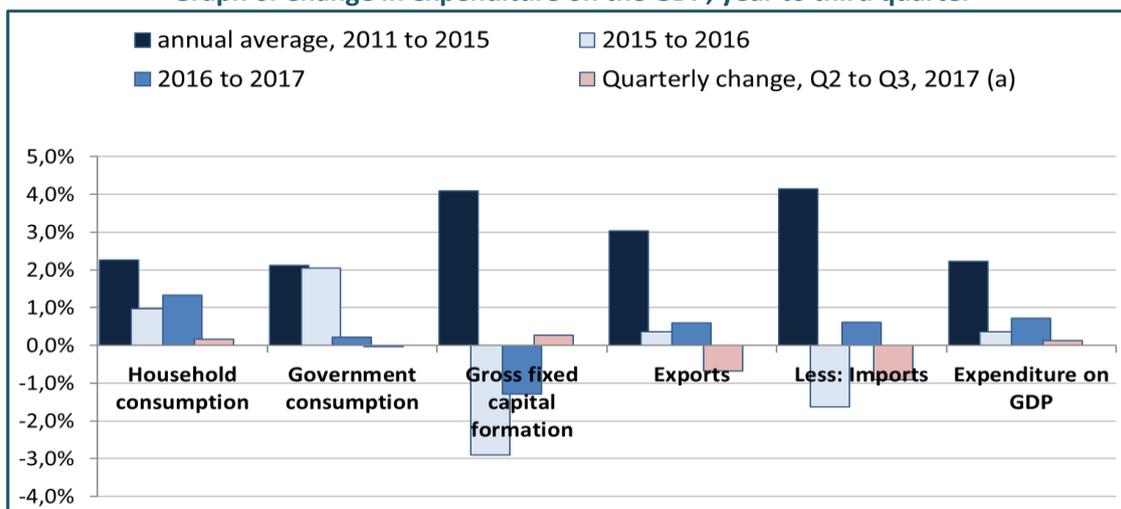
**Graph 5. Share of the real economy sectors in the GDP, year to third quarter**



Source: StatsSA GDP quarterly figures. GDPp\_Tables\_2q\_2017. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017.

On the expenditure side, in the year to the third quarter of 2017, the 1,3% decline in investment was the main drag on growth. Government spending grew at just 0,2%, in sharp contrast to earlier years. It accounted for just 6% of the growth in GDP, compared to over 20% in the previous five years. In these circumstances, household consumption, which climbed by 1,3% in the year to the third quarter of 2017, became the leading driver of growth. It was followed by trade (see Graph 6).

**Graph 6. Change in expenditure on the GDP, year to third quarter**

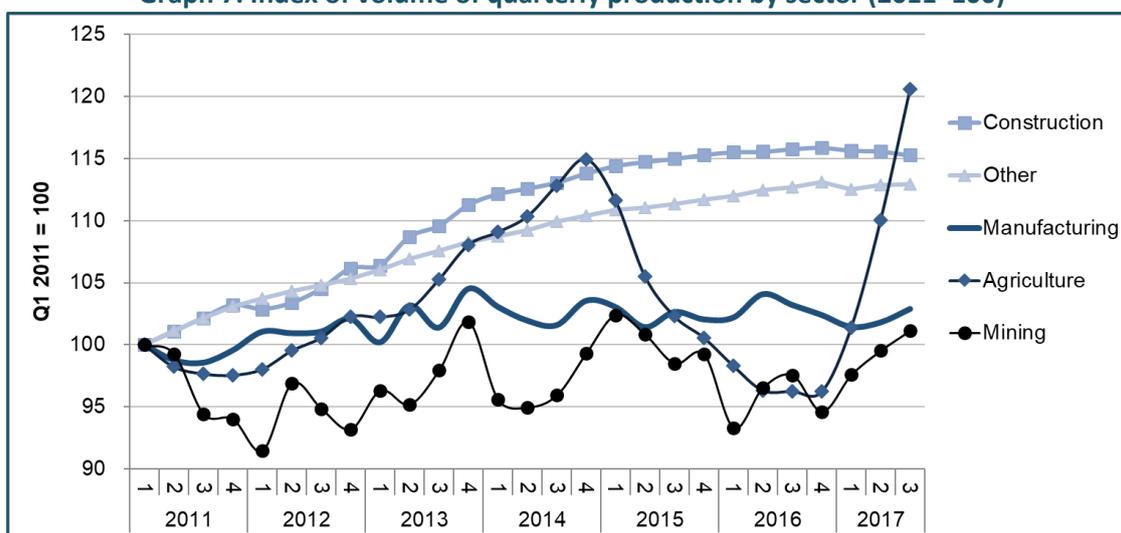


Source: StatsSA GDP quarterly figures. GDPp\_Tables\_2q\_2017. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017.

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In sectoral terms, the drought and the recovery from it accounted for much of the change in GDP over the past few years. In the past nine months, production in agriculture climbed sharply, surpassing its peak in 2014 before the drought. In volume terms, mining production is slowly inching towards levels last experienced towards the end of 2014, although the value of production and exports remains far below their heights during the commodity price boom that ended in 2011/12. The recovery in manufacturing continued, but continues the essentially flat trend seen since 2013. Construction has now contracted for three quarters (see Graph 7).

**Graph 7. Index of volume of quarterly production by sector (2011=100)**



Source: StatsSA GDP quarterly figures. GDPp\_Tables\_2q\_2017. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017.

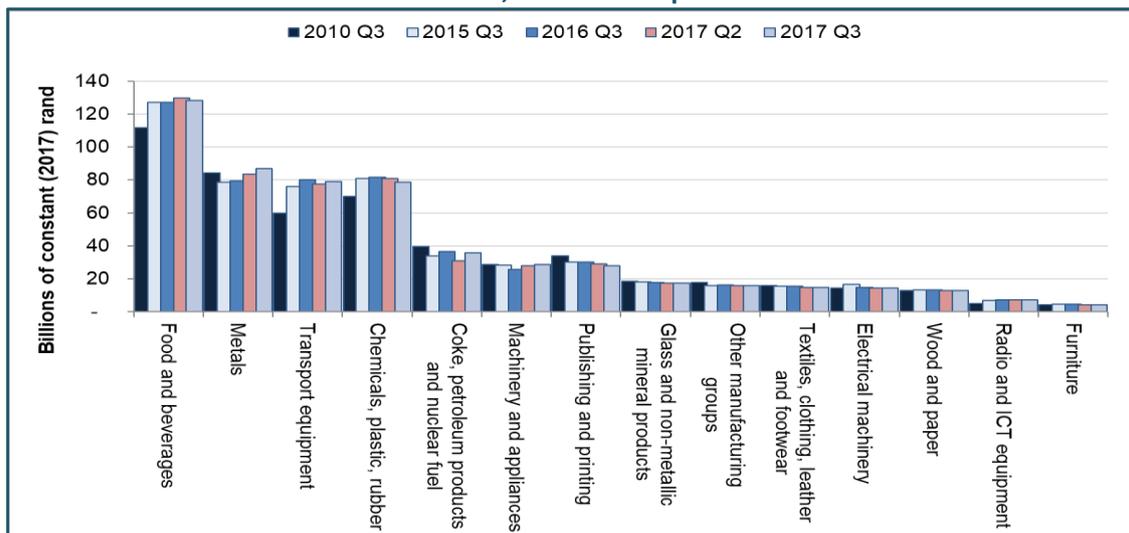
Manufacturing sales were up by a modest 1% to R552 billion from the second quarter of 2017. This is virtually no change from the same period in 2016. The metals and machinery

industries are the only sectors with sales higher than at this point last year, with sales up 9% and 11% respectively.

The food and beverages sector achieved marginal growth in sales of 1% from Q3 2016, but quarter-on-quarter agro-processing sales were down 1% to R128 billion from R130 billion.

In the main, heavy industries – metals, transport equipment, petroleum and basic chemicals, and machinery – saw the only significant growth in the past quarter. Their sales climbed by 4% in metals, 2% for transport equipment and for machinery, and 16% for petroleum and basic chemicals. Sales were lower in other chemicals and plastic products; wood and paper; ICT; and publishing. They were stagnant in the glass, textiles, electrical machinery and furniture industries (see Graph 8).

**Graph 8. Manufacturing sales in constant (2017) rand, third quarter 2010, 2015, 2016 and 2017, and second quarter 2017**



Source: StatsSA. Manufacturing volume and sales from 1998. Excel spreadsheet downloaded in November 2017.