

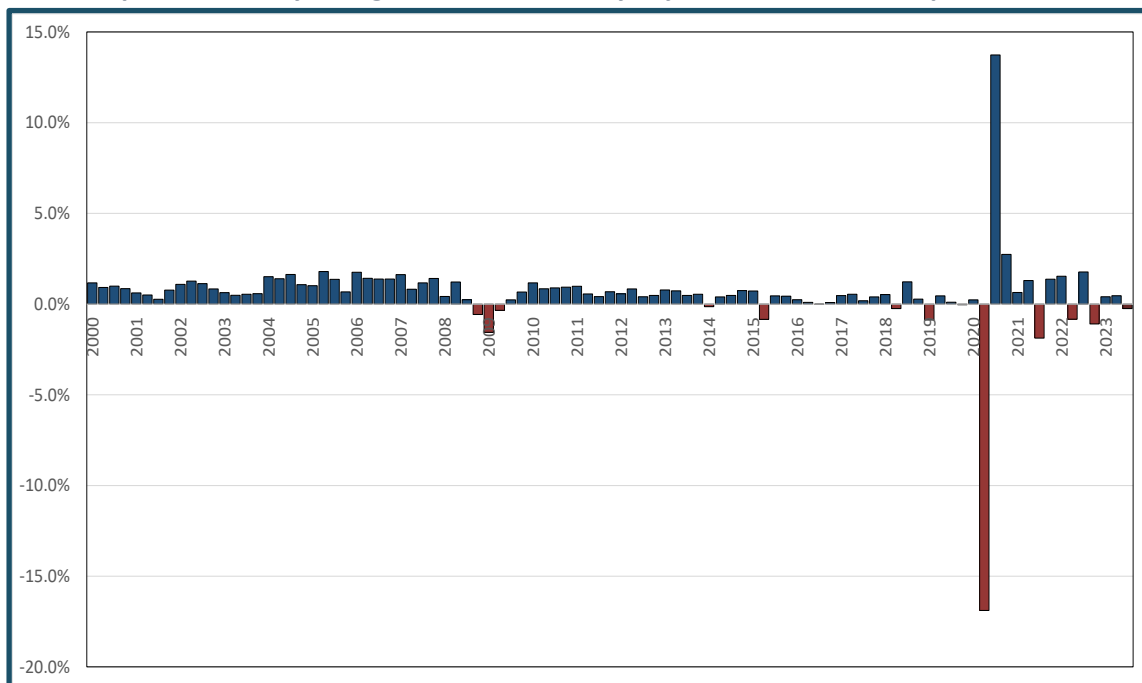
GDP

In seasonally adjusted terms, Statistics South Africa reported that the GDP declined by 0.2% in the third quarter of 2023, meaning the economy shrank in year-on-year terms. The main driver of the quarterly contraction was a 10% fall in agricultural production. Manufacturing value added shrank 1.2% in the quarter, but was still larger than a year earlier. Eskom and Transnet output both dropped around a quarter off their peaks, increasingly dragging down industrialisation.

As **Error! Reference source not found.** shows, the 0.2% decline in the third quarter of 2023 came after three quarters of disappointing growth. As a result, the GDP in the third quarter was half a percent down on the third quarter of 2022.

Volatile growth since the pandemic masks a longer slowdown, which began in the late 2010s. The GDP has grown only 2% in the past five years (Graph 2). In this period, the population expanded around 7%.

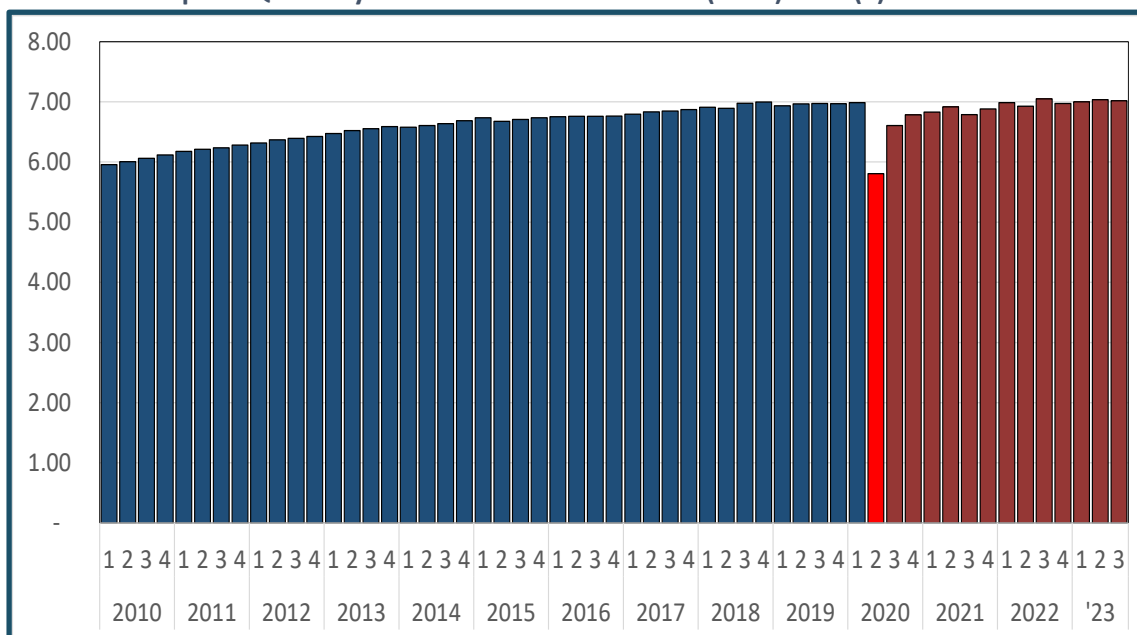
Graph 1. Quarterly change in GDP, seasonally adjusted, 1994 to third quarter 2023



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2023Q3.

Excel spreadsheet.

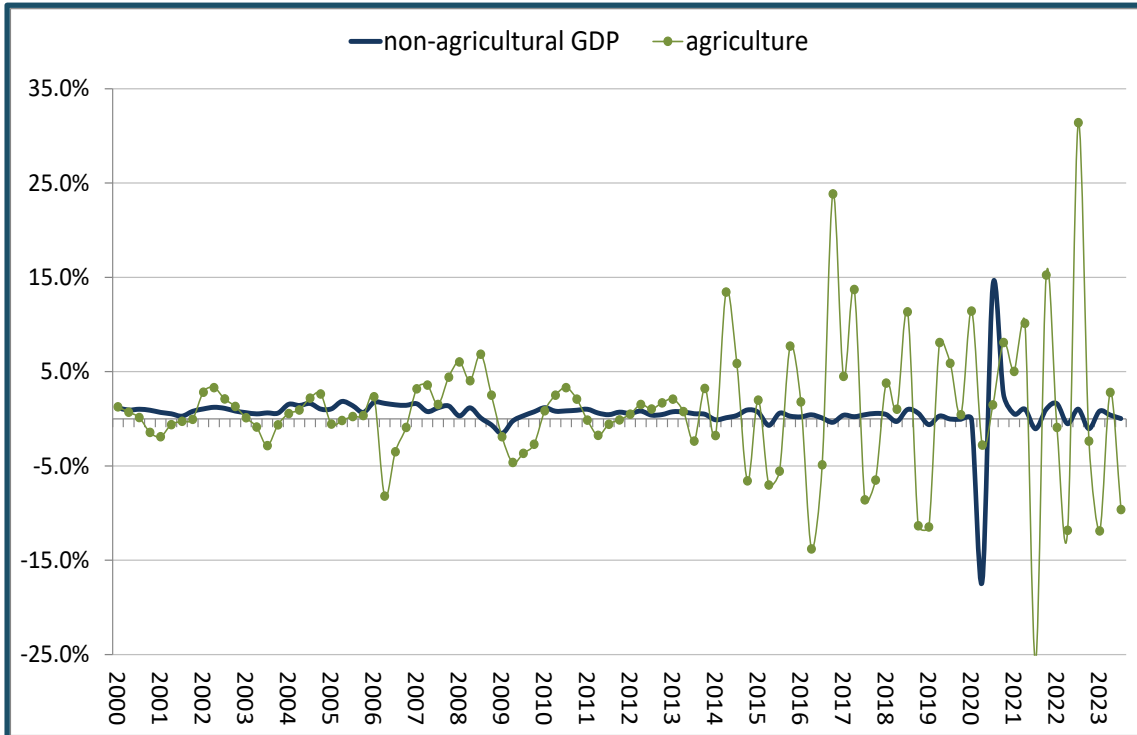
Graph 2. Quarterly GDP in trillions of constant (2023) rand (a) from 2010



Note: Rebased using implicit GDP deflator rebased to third quarter 2023. Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2023Q3. Excel spreadsheet.

The main factor behind the quarterly decline in GDP was a 10% contraction in agriculture. Given slow growth across the economy in recent years, the extraordinary volatility in the (seasonally adjusted) figures reported for agriculture has a disproportionate impact on overall growth. Yet agriculture generates only 3% of the GDP. The standard deviation for the quarterly growth rate in agriculture has more than tripled since 2014. In the rest of the economy, excluding the pandemic year of 2020, the standard deviation is up by around 50%. (Graph 3) It seems likely that the swings in value added reported for agriculture are due at least in part to the way the data are processed, although climate change has also had a growing impact. The Agricultural Business Chamber (Agbiz) argued that the decline in the third quarter of 2023 resulted from a spike in diseases affecting livestock, despite good harvests for field crops. (See *Briefing Note 2: Impact of the avian flu outbreak.*)

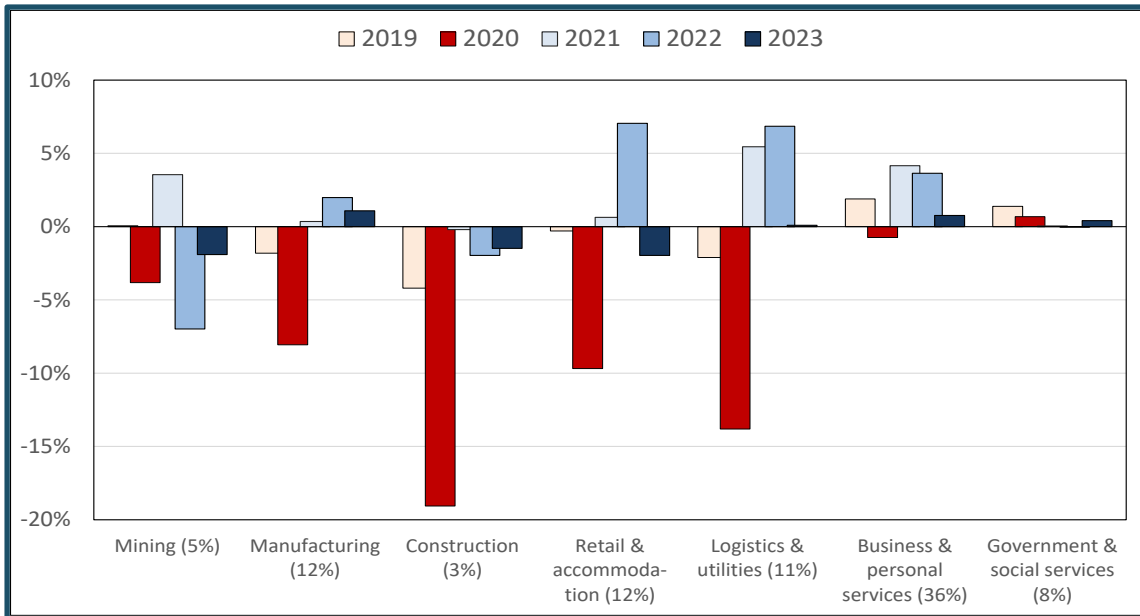
Graph 3. Quarterly change in agriculture and the rest of the GDP, 2000 to third quarter 2023



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2023Q3.
Excel spreadsheet.

In the year to the third quarter 2023, mining, construction, retail and accommodation all shrank. Manufacturing enjoyed its third growth year, although it contracted 1.3% in quarter-on-quarter terms. Logistics and utilities as well as business and personal services – which together account for almost half the GDP – also grew in year-on-year terms, although the rate slowed dramatically.

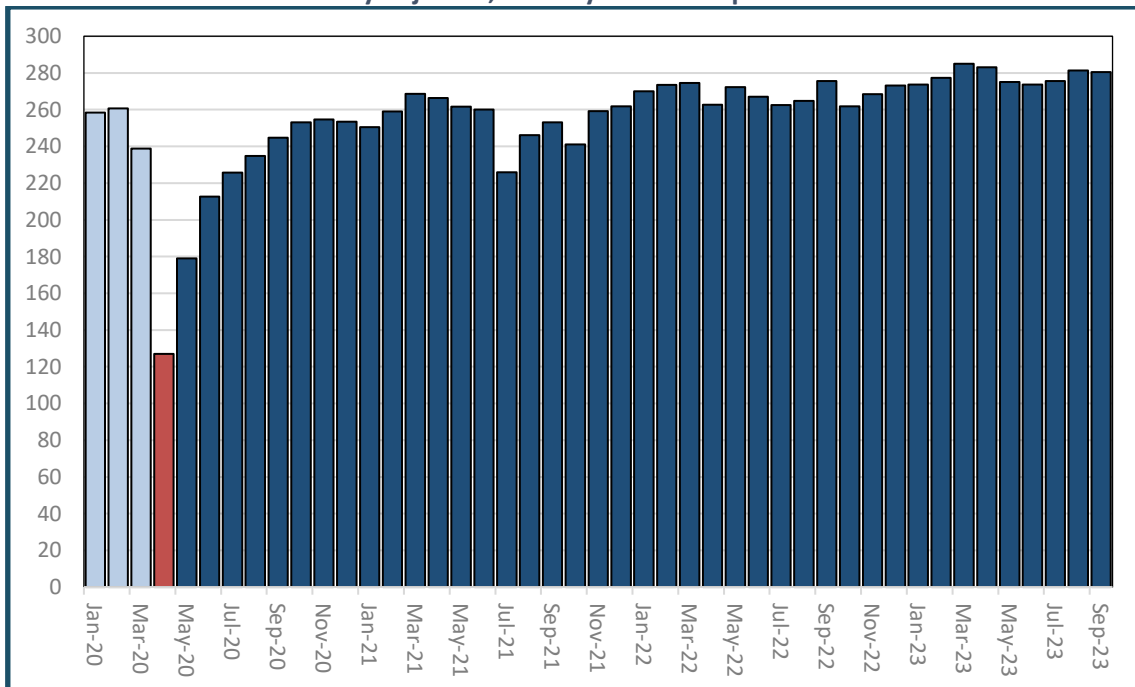
Graph 4. Growth in value added by sector, year to third quarter, 2019 to 2023 (share in GDP in brackets)



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2023Q3. Excel spreadsheet.

Seasonally adjusted manufacturing sales showed a similar pattern, with reasonable growth from September 2022 to March 2023 followed by a stagnation over the next six months. (Graph 5). Sales for the year to September 2023 were almost 4% higher than in the previous year.

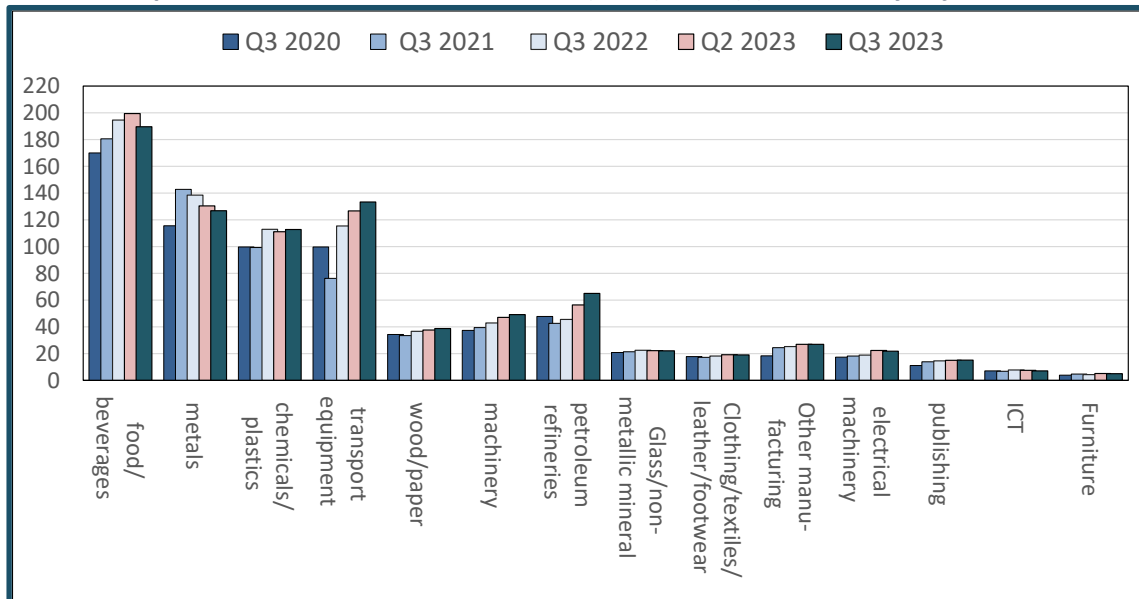
Graph 5. Monthly manufacturing sales in billions of constant (2023) rand (a), seasonally adjusted, January 2020 to September 2023



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

Significant differences emerged between the manufacturing industries, as Graph 6 shows. Year-on-year, sales of petrochemicals climbed 6.5% and transport equipment by 4.7% in constant rand. In contrast, food processing and metals experienced declines both quarterly and annually. In the year to the third quarter of 2023, food processing shrank 2.6% and metals some 8% in constant rand terms. Shrinking market demand was a central factor in ArcelorMittal South Africa (AMSA’s) decision to cut a third of its production at the cost of around 3 200 jobs. The implications of this decision for the economy and industrial policy are explored in *Briefing Note 1: Downsizing at AMSA: Impacts, causes, and industrial policy implications*.

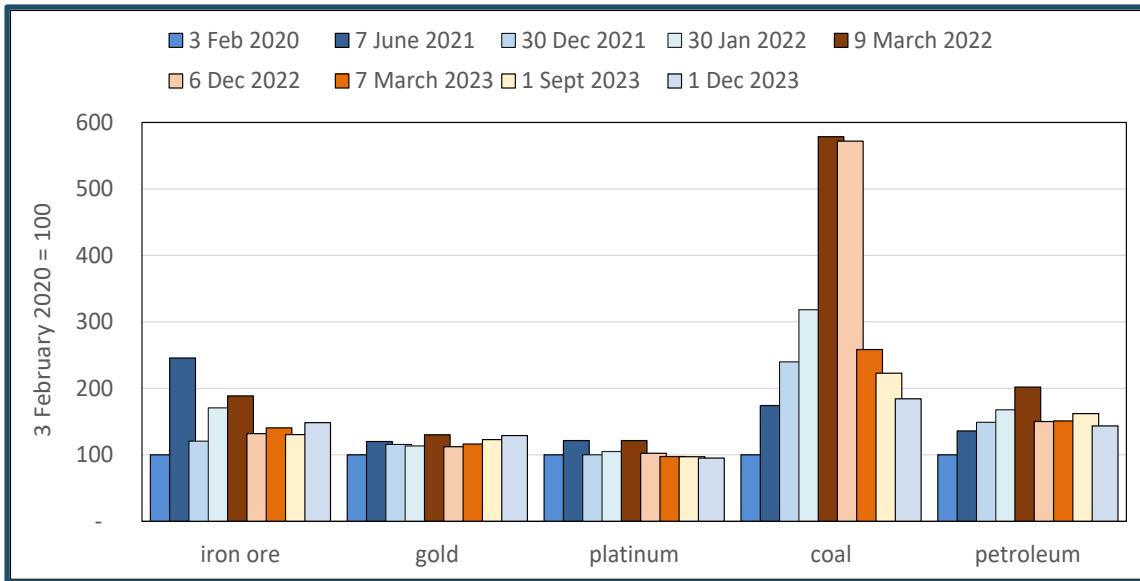
Graph 6. Third quarter sales by manufacturing industry from 2020 to 2023, and second quarter 2023, in billions of constant (2023) rand (a), seasonally adjusted



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

South Africa remains subject to the speculative whims of international mining markets, which largely explain the decline in mining and metals value added in the third quarter of 2023. Coal prices spiked from early 2022, but have since then come back to earth. In US dollar terms, they dropped by over 50% from December 2022 to March 2023 (Graph 7). They continued to decline through the third and fourth quarters of 2023. Platinum prices also dropped in the third quarter, although far more slowly than coal, with some recovery in the fourth quarter. Gold and petroleum prices both climbed in the third quarter. Gold reached record highs in December 2023. It now accounts for just 4% of South African exports, however, down from a quarter in 1994. As noted in the section on trade, lower export prices overall combined with logistics problems brought a sharp fall in mining export revenues in the third quarter of 2023.

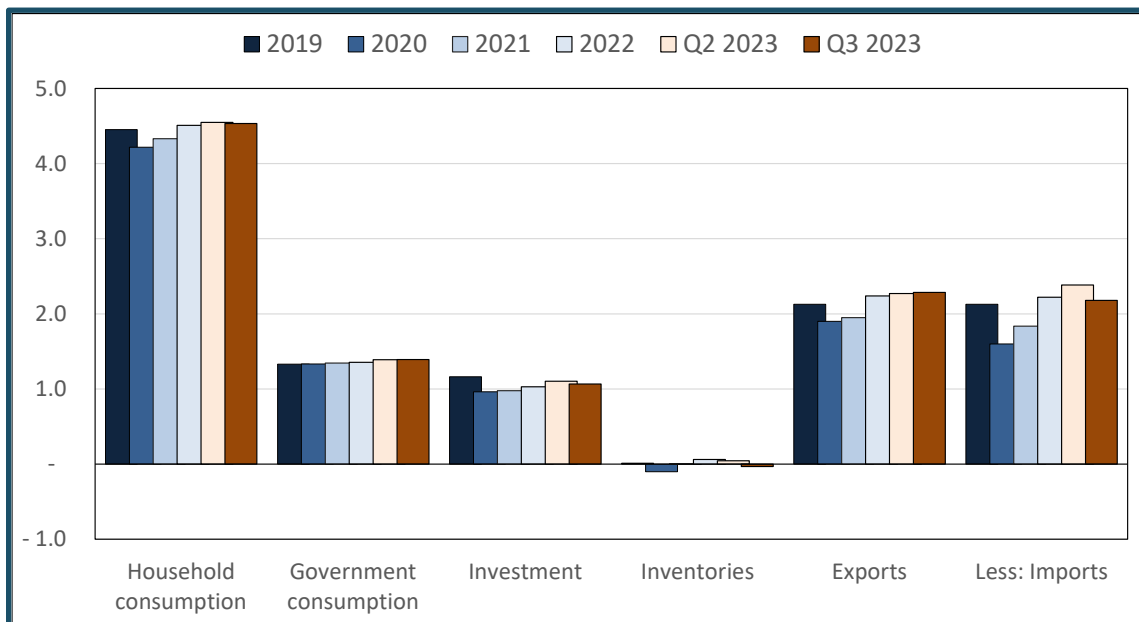
Graph 7. Index of prices for South Africa’s major export commodities and for petroleum (3 February 2020 = 100)



Source: Calculated from commodity prices from Tradingeconomics.com.

On the expenditure side, both household consumption and investment fell in the third quarter of 2023. The decline in capital formation is discussed in more detail in the section on investment and profitability. The GDP fell primarily because of a steep decline in inventories, which is always subject to varying interpretation. In year-on-year terms, every component of the GDP except inventories grew.

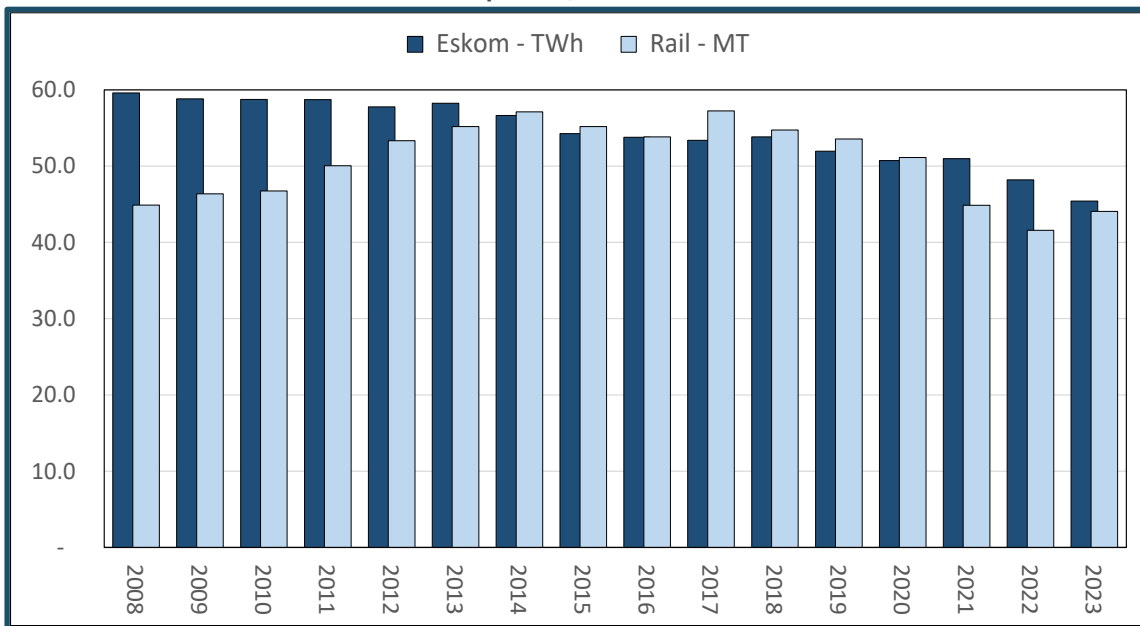
Graph 8. Expenditure on GDP in seasonally adjusted and annualised terms, third quarter from 2019 to 2023 and second quarter 2023



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2023Q3. Excel spreadsheet.

The regular disruption of electricity and rail services for business has become a growing challenge for the economy. As Graph 9 shows, Eskom’s supply of electricity has dropped by a quarter since 2008. The volume of freight carried by rail has declined a similar amount from its peak in 2017. As discussed in the briefing note on AMSA, the accelerated decline in Eskom and Transnet services calls into question some basic tenets of South Africa’s historic industrialisation path.

Graph 9. Eskom output in TWh and rail transport in millions of tonnes, third quarter, 2008 to 2023



Source: Calculated from Statistics South Africa. Land Transport Survey. P7162. Excel spreadsheet; and Electricity generated and available for distribution. P4141. Excel spreadsheet. Accessed at www.statssa.gov.za in December 2023.