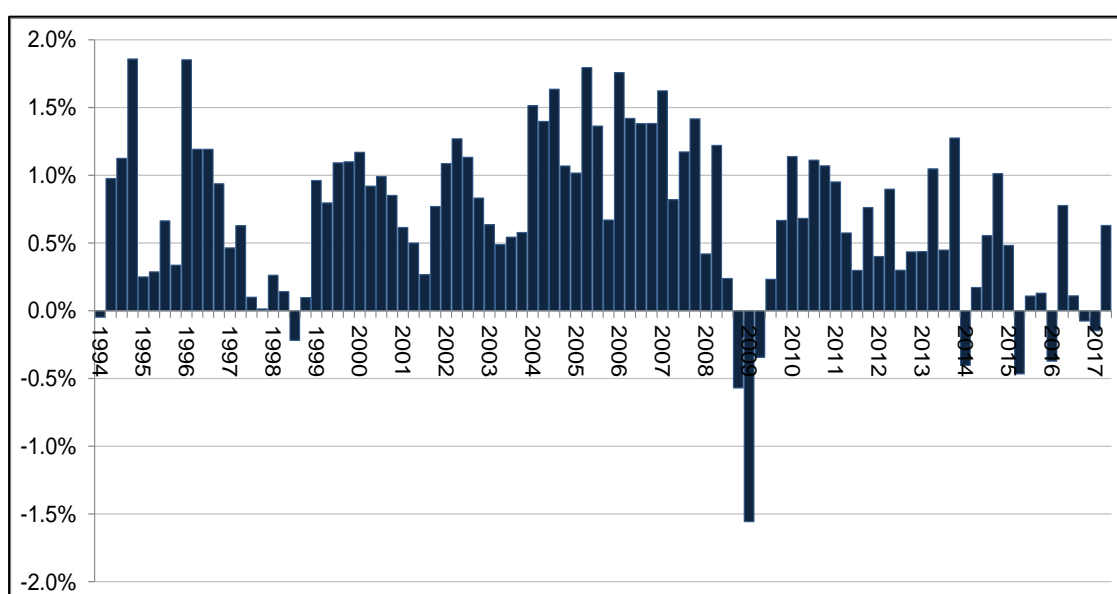


## GDP growth

South Africa's recovery in the second quarter of 2017 continued an emerging pattern of sharp quarterly fluctuations in growth. In this case, expansion was driven principally by agriculture and mining, with only a modest improvement in manufacturing and a decline in construction. On the expenditure side, household consumption underpinned the recovery, with a continued slowdown in government spending and a further fall in investment, especially by the private sector and parastatals.

South Africa's seasonally adjusted quarterly GDP grew 0,6% in the second quarter of 2017 (2,5% at an annualised rate), recovering from the 0,2% contraction in the first quarter of the year. Graph 1 indicates that the recovery fits an emerging trend of unusually strong fluctuations in quarterly growth rates since 2014. Five quarters in this period saw a declining GDP – the same number of quarters as in all of the 20 previous years.

**Graph 1. GDP growth, quarter to quarter in constant 2010 prices, seasonally adjusted, not annualised, 1994 to 2017**



Source: Calculated from Statistics South Africa. Electronic database. Series on Gross Domestic Product in constant 2010 rand. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in September 2017.

In the two years to mid-2017, the standard deviation for quarterly GDP growth (seasonally adjusted) was at its highest relative to average growth than at any period since the global financial crisis in 2008/9 (Table 1). Quarterly growth has been characterised by not only falling average growth rates but by lower maximum growth rates and more pronounced negative variability.

**Table 1. Descriptive statistics for quarterly GDP growth rate trends from mid-1994 to mid-2017 (data for two years to second quarter)**

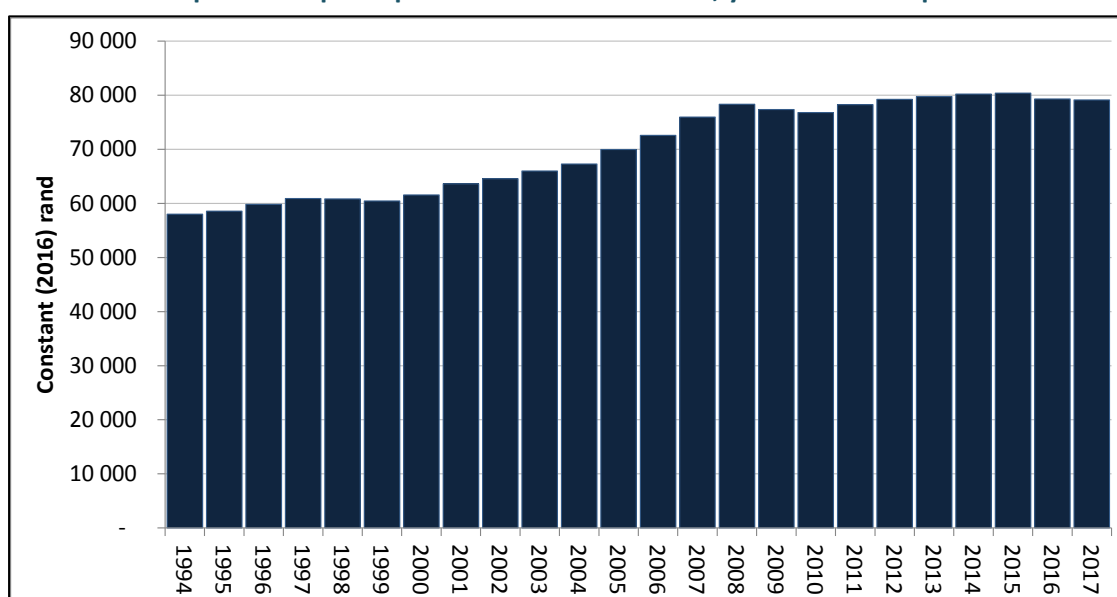
Two years to June	ratio of standard deviation to average growth	average growth	minimum growth	maximum growth	standard deviation
1995	1.52	0.4%	0.2%	1.9%	0.7%
1997	0.60	0.8%	0.3%	1.9%	0.5%
1999	1.57	0.3%	-0.2%	1.0%	0.4%

Two years to June	ratio of standard deviation to average growth	average growth	minimum growth	maximum growth	standard deviation
2001	0.31	0.8%	0.5%	1.2%	0.2%
2003	0.44	0.8%	0.3%	1.3%	0.3%
2005	0.42	1.1%	0.5%	1.8%	0.5%
2007	0.33	1.1%	0.7%	1.8%	0.4%
2009	10.38	0.1%	-1.6%	1.4%	1.0%
2011	0.41	0.8%	0.2%	1.1%	0.3%
2013	0.54	0.5%	0.3%	1.0%	0.3%
2015	1.87	0.3%	-0.5%	1.3%	0.6%
2017	2.94	0.1%	-0.4%	0.8%	0.4%

Source: Calculated from Statistics South Africa. Electronic database. Series on Gross Domestic Product in constant 2010 rand, seasonally adjusted and annualised. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in September 2017.

For the past two years, moreover, growth has lagged population growth, meaning that GDP per person has declined in real terms (Graph 2). This is only the third time since 1994 that GDP per person has declined. The fall since mid-2015 has come to 1,5%; that was exceeded only during the global financial crisis, when the GDP per capita dropped 2% over two years.

**Graph 2. GDP per capita in constant 2016 rand, year to second quarter**



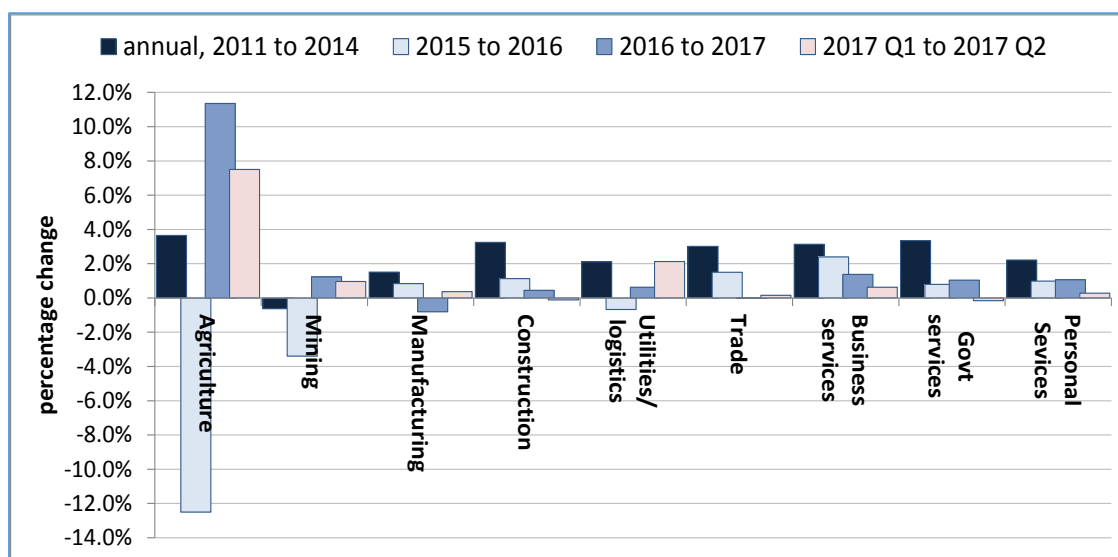
Source: Calculated from Statistics South Africa. Electronic database. Series on Gross Domestic Product in constant 2010 rand and in current rand. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in September 2017. Population data for 1994 to 2016 from World Bank, World Development Indicators, downloaded from [worldbank.org](http://worldbank.org) in September 2017, and for 2017 from Statistics South Africa, Mid-Year Population Estimates, downloaded in September 2017.

At the sector level, growth in the year to June 2017 varied sharply between sectors (see Graph 3).

- Agriculture played a disproportionate role in overall growth as it rebounded from the 2015/6 drought. Although the sector accounted for only 2,5% of the GDP, it contributed a third of GDP growth in the second quarter of 2017.

- In contrast, manufacturing declined in the year to June 2017, although in the second quarter alone it grew by 0,4%.
- Mining had a modest recovery over the year, despite substantial quarterly fluctuations. The shakeout from the end of the commodity boom in 2012 appears to be coming to an end, aided by some improvement in metals prices – although they are still far below the peak prices of 2012.
- Construction and government services saw the persistence of relatively slow growth as fiscal consolidation affected state spending. The sharp fall in their expansion contributed significantly to the overall slowdown from 2016.

**Graph 3. Change in GDP by sector in volume terms, year to second quarter, 2011 to 2017**



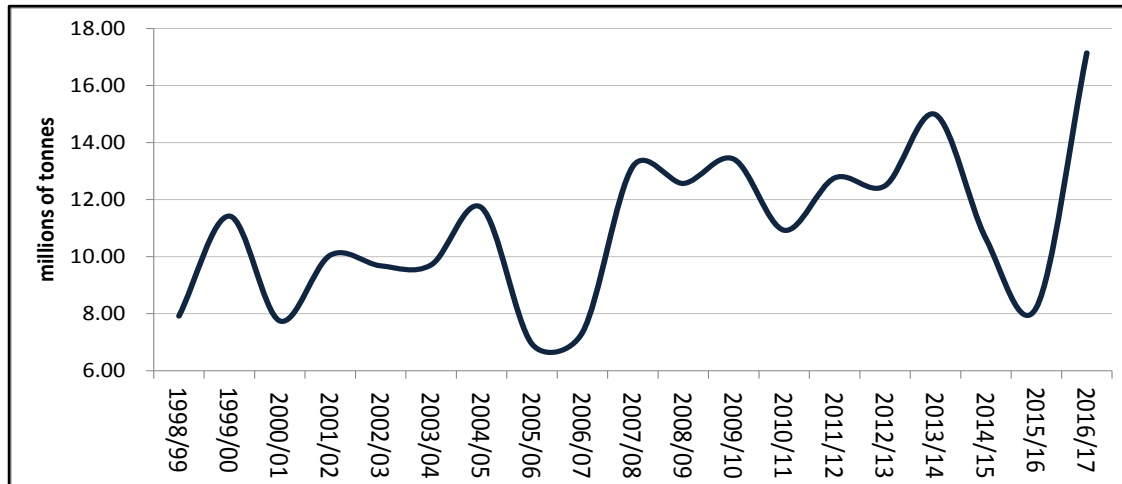
Note: Calculated on the basis of the sum of four quarters of each year to the second quarter. Source: Calculated from Statistics South Africa. Electronic database. Series on Gross Domestic Product in constant 2010 rand. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in September 2017.

The growth in agriculture resulted from record harvests in grains and oilseeds

The growth in agriculture resulted from record harvests in grains and oilseeds, particularly in maize after good summer rainfall and an increase in area planted. The Crop Estimates Committee of the Department of Agriculture, Forestry and Fisheries forecast a 2017 production of 22 million tons in major grains and oil seeds (17 million tons of which is maize<sup>1</sup>) (Graph 4) This is expected to be an 88% increase in harvests (109% increase of maize) from the 12 million tonnes harvested last year. That said, the maize increase was only 14% above the 2013 peak before the drought.

<sup>1</sup> Maize forecast includes both commercial and non-commercial area planted.

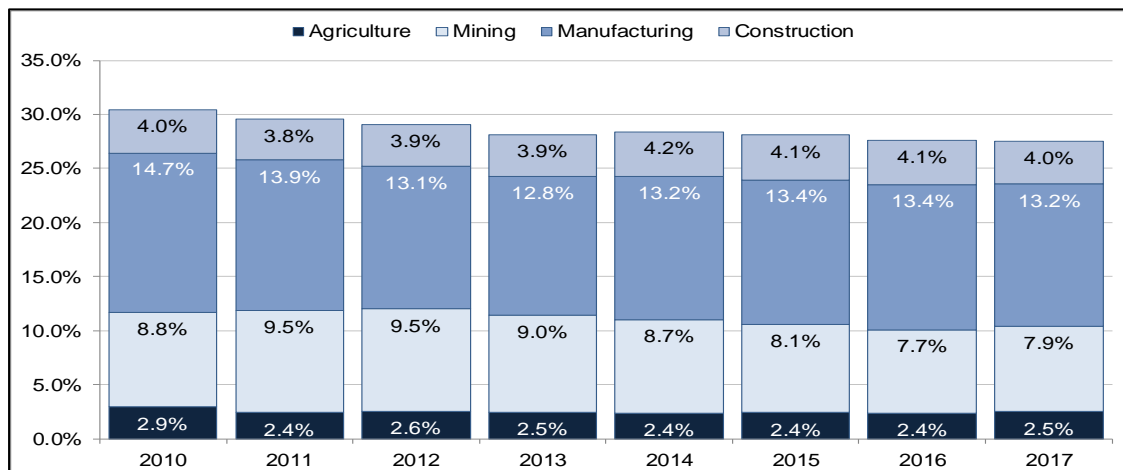
**Graph 4. Maize production, 1998 to 2016**



Source: Calculated from Crop Estimates Committee (2017) Summer Crops – Area Planted and Seventh Production Forecast: 2017. Downloaded: <http://www.sagis.org.za/historicalhectares&production.html> in September 2017.

Taken together, the sectoral trends stabilised the share of the real economy in the GDP in the year to the second quarter of 2017. The primary sectors slightly increased their shares, offsetting a small fall in the share of manufacturing and construction (Graph 5).

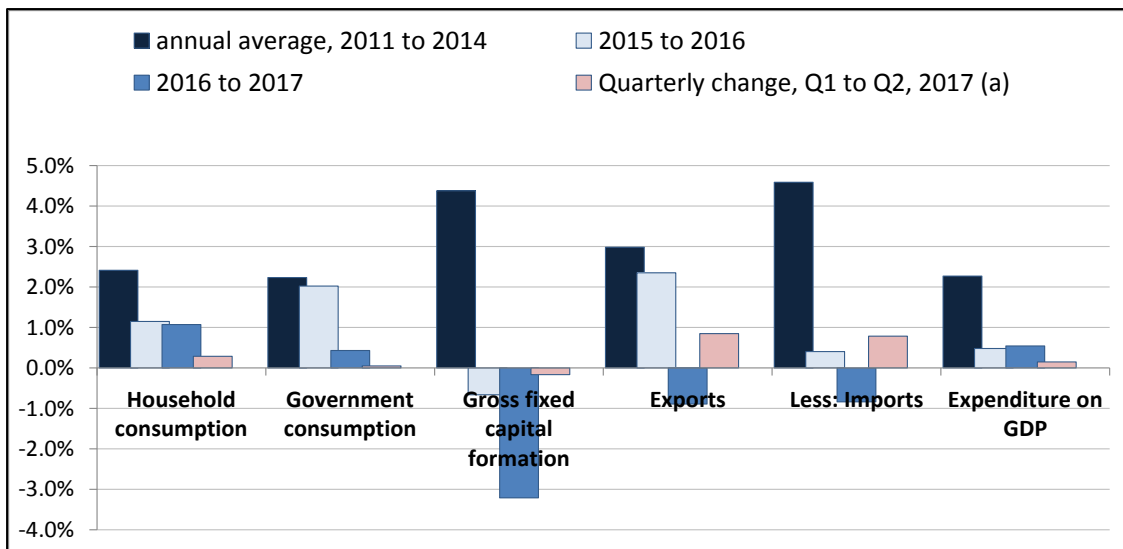
**Graph 5. Share of the real economy in the GDP, 2010 to 2017 (year to second quarter)**



Note: Calculated on the basis of the sum of four quarters of each year to the second quarter. Source: Calculated from Statistics South Africa. Electronic database. Series on Gross Domestic Product in current rand. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in September 2017.

On the expenditure size, household consumption drove growth over the past two years, while investment declined and the expansion in government consumption slowed sharply (Graph 6). Statistics South Africa found that household consumption was the anchor of the recovery in the past quarter, reversing a sharp fall in the previous quarter. It also found that the decline in investment slowed over the year to June 2017.

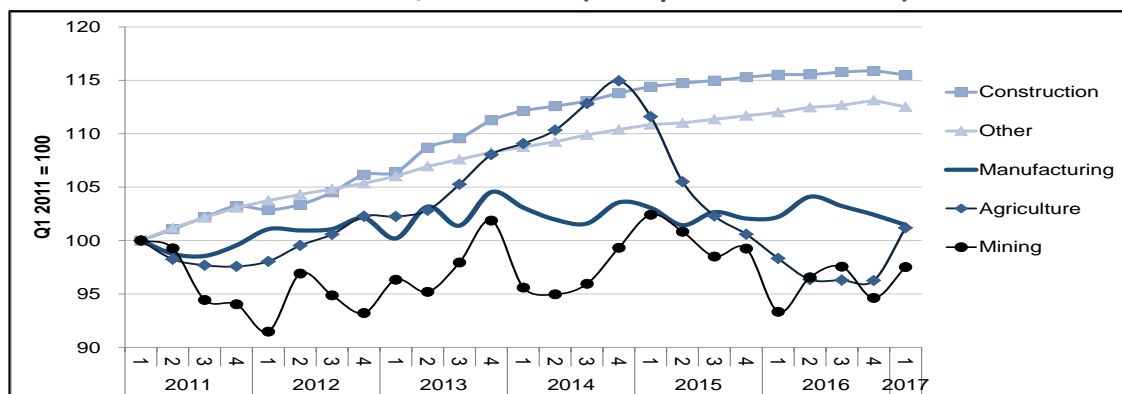
**Graph 6. Change in expenditure on the GDP, year to second quarter, 2011 to 2017**



Source: Calculated from Statistics South Africa. GDP Excel spreadsheet. Series on expenditure on GDP in constant 2010 prices; for quarterly change, seasonally adjusted. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in June 2017.

Graph 7 shows the strength of the recovery in agriculture, although production remains below the 2014 peak. In contrast, while manufacturing showed some improvement in the past quarter, it remained well below levels a year ago, and has not increased production significantly since late 2013. Similarly, the recovery in mining over the past two quarters is still below 2015 production levels.

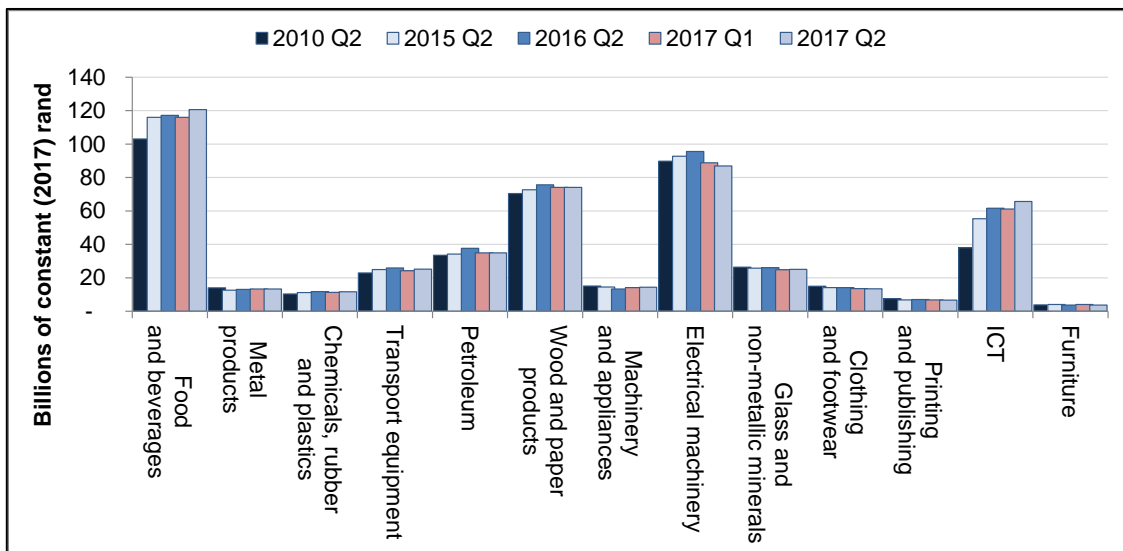
**Graph 7. Index of volume of production by sector, quarterly, seasonally adjusted and annualised, 2010-2017 (first quarter 2011 = 100)**



Source: Calculated from on Statistics South Africa. Electronic database. Series on GDP growth. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in June 2017.

Within manufacturing, sales of electrical machinery, ICT equipment and furniture showed the most rapid growth over the past year (Graph 8). Food and beverages, machinery and appliances and chemical products continued to grow fairly steadily. Sales of transport equipment (mostly cars) grew in the second quarter of 2017, but declined in year-on-year terms.

**Graph 8. Index of volume of production by sector, quarterly, seasonally adjusted and annualised, 2010-2017 (first quarter 2011 = 100)**



*Note: Average of monthly figures for each quarter are weighted by production volumes data and deflated with CPI. Source: Calculated from Stats SA, Manufacturing: Production and Sales. Excel spreadsheet. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in September 2017.*