

Production and sales

The first quarter of 2016 was marked by a contraction in GDP, with the economy reported as shrinking by 0,3%, or 1,2% on an annualised basis. The immediate cause of the downturn was a 4,9% quarterly decline (equal to 18% in annualised terms) in mining and a 1,7% fall (or 6,5% at an annual rate) in agriculture. These contractions had a particularly sharp impact on overall growth because of a longer-term slowdown in growth in manufacturing and, to a lesser extent, the rest of the economy, which dates back to around 2013.

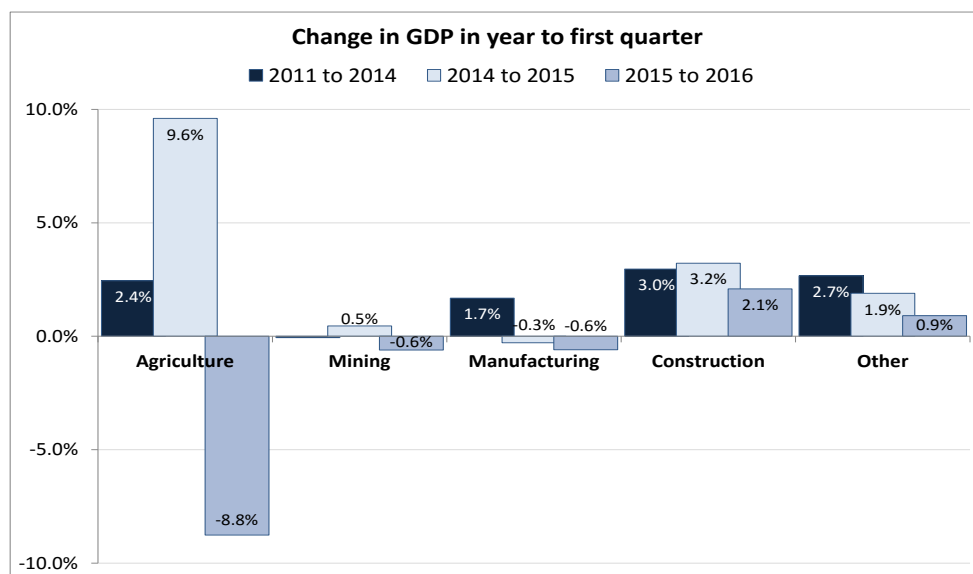
As Graph 1 shows, both mining and manufacturing production fell in the year to March for 2015 and 2016. Agriculture climbed sharply in the year to March 2015, but in the following year fell by almost 9% due to the drought. Construction and the rest of the economy – essentially logistics and utilities, retail, and public and private services – grew over the past two years, but at a slower rate than before.

Mining production has been highly volatile, with significant declines in 2012 and 2014. But in those years the rest of the economy was relatively robust, so the overall growth rate did not dip below zero (Graph 2).

From the fourth quarter of 2015 to the first quarter of 2016, the contribution of electricity and transport to the GDP dropped by 0,7%. It seems likely that this largely resulted from the contraction in mining and refining, which contribute a substantial share of demand for both Eskom and Transnet. The gradual slowdown in manufacturing production in volume terms from 2013 largely reflects a marked fall in output in the metals value chain, driven in part by the end of the commodity boom and in part by rising competition from China (see briefing on the steel industry). In the past quarter, these trends were aggravated by a sharp fall in food and beverages production, presumably triggered by the drought. The food and beverages industry was a mainstay of growth in manufacturing for most of the past five years (Graph 3).

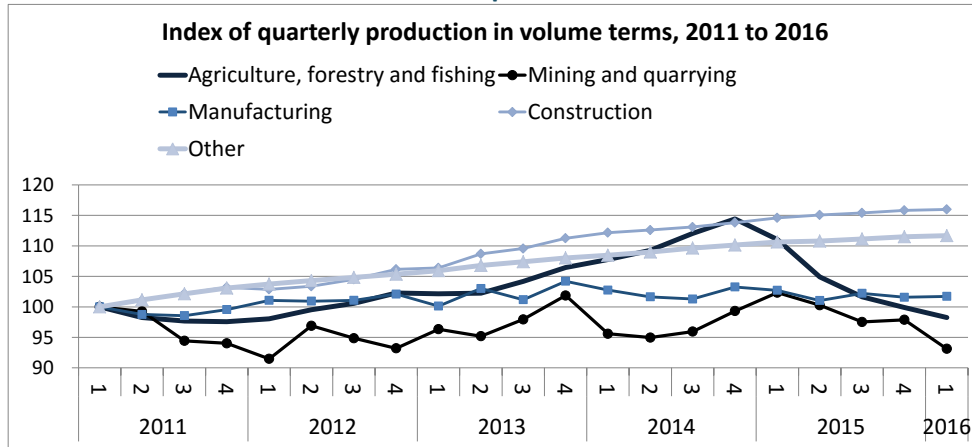
*Available to download at www.tips.org.za/publications/the-real-economy-bulletin.

Graph 1



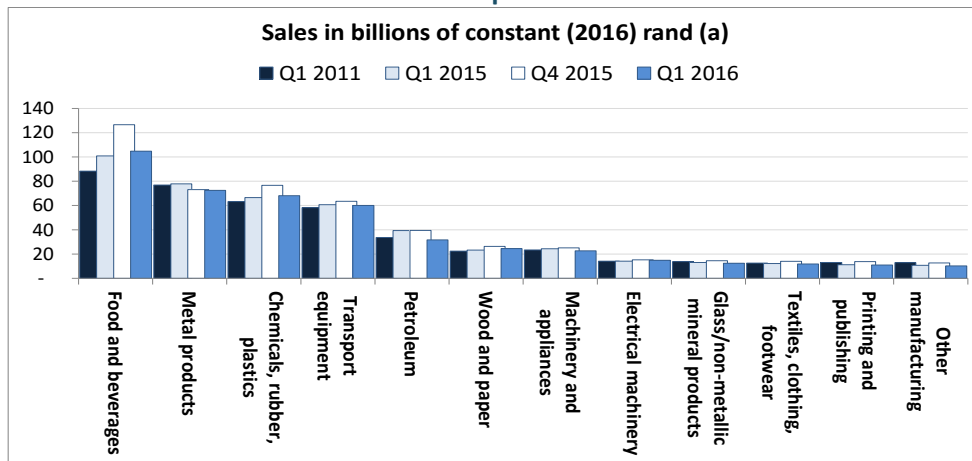
Source: Calculated from Statistics South Africa. GDP (Quarterly) (2016Q1). Excel database. Series on GDP in constant rand. Downloaded from www.statssa.gov.za in June 2016.

Graph 2



Source: Calculated from Statistics South Africa. GDP (Quarterly) (2016Q1). Excel database. Series on GDP in constant rand, seasonally adjusted. Downloaded from www.statssa.gov.za in June 2016.

Graph 3



Notes: (a) Deflated with CPI. Source: Statistics South Africa. Manufacturing production and sales. Series on actual sales. Excel database downloaded from www.statssa.gov.za in June 2016.