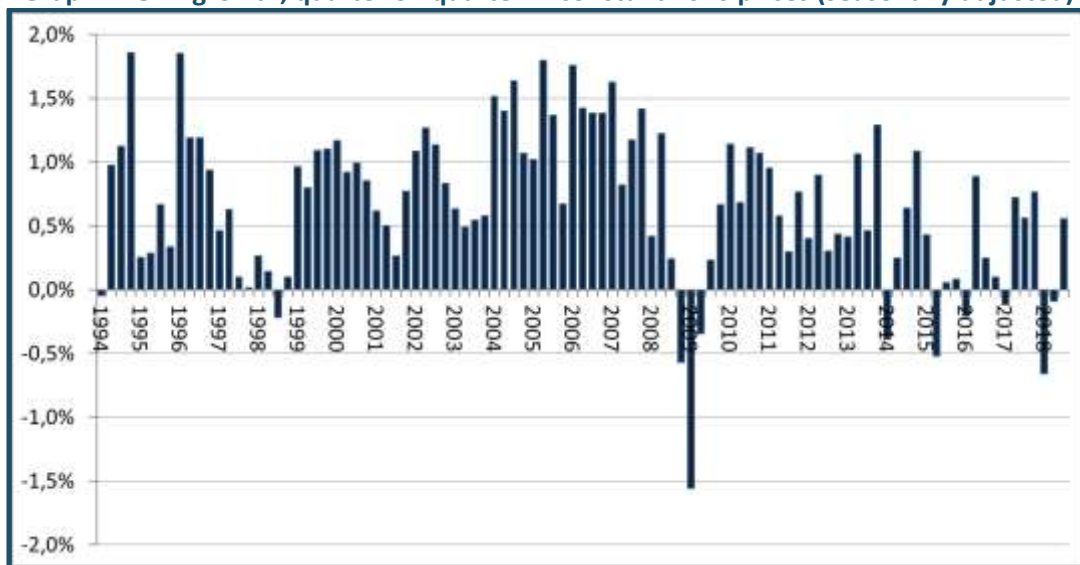


GDP growth

South Africa's third quarter GDP grew by an estimated 0.6% in the second quarter of 2018, reversing the contraction experienced in the first and second quarter of the year. Significant differences emerged between sectors, however, with growth in agriculture and manufacturing offset by declines in mining and construction.

The third quarter of 2018 reversed two quarters of GDP decline as the economy grew 0.6%, equal to 2.2% in annualised terms (see Graph 1). Revisions to the GDP reduced the fall in the second quarter to 0.1% (that is, 0.4% in annualised terms, compared to the original estimate of 0.7%). Still, the growth reflected the persistence of significant volatility as well as slower growth from 2015. Overall, the GDP grew an average of 0.9% a year (based on years to the third quarter) from 2015 to 2018, compared to 2.0% a year from 2012 to 2015.

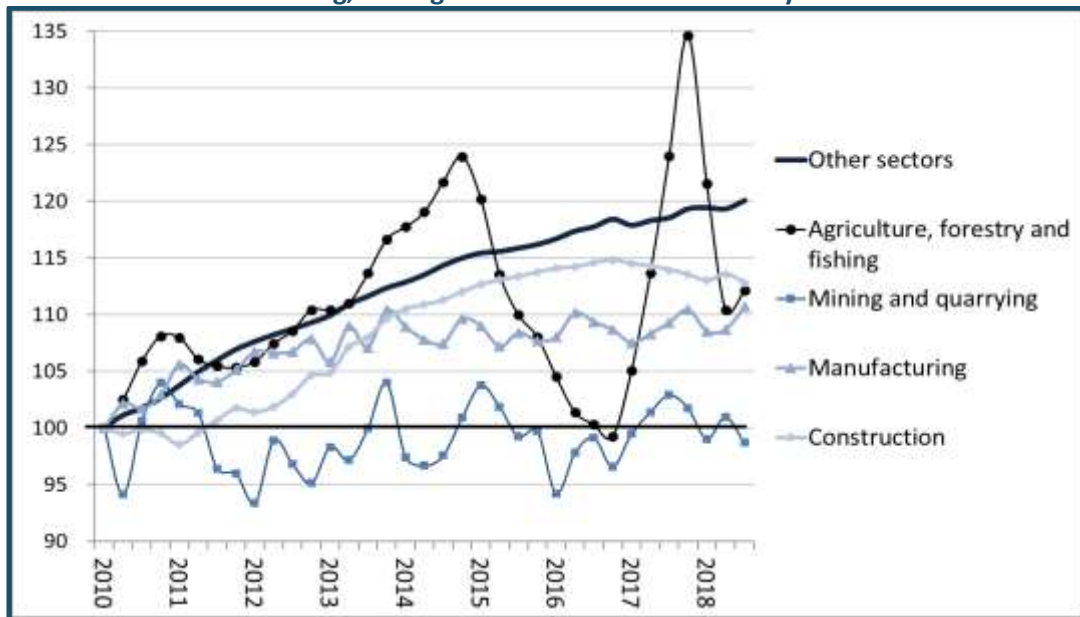
Graph 1: GDP growth, quarter on quarter in constant 2010 prices (seasonally adjusted)



Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded www.statssa.gov.za in December 2018.

In the third quarter 2018, manufacturing expanded some 1.8% (see Graph 2). Manufacturing value add has been essentially flat for five years; growth this quarter meant that, for the first time, it surpassed an earlier spike in the fourth quarter of 2013. In this quarter agriculture grew 1.6% after a reported plunge of more than 9% in the previous quarter. In contrast, mining fell sharply, by 2.3%, while construction declined 0.7%.

Graph 2: Indices of quarterly seasonally adjusted economic growth for agriculture, manufacturing, mining and the rest of the economy from 2010

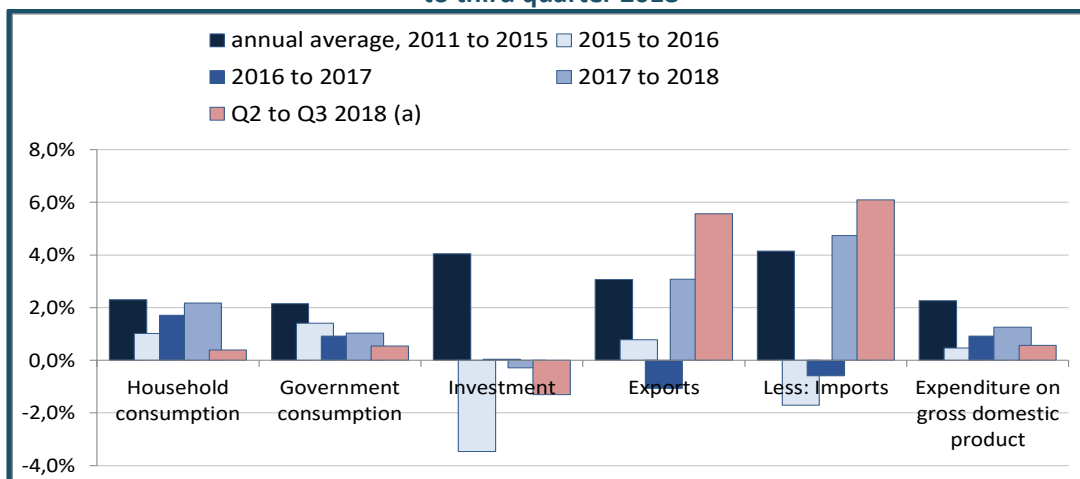


Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded www.statssa.gov.za in December 2018.

From the expenditure standpoint, exports were the main driver of GDP growth, with a sharp increase at 5.6% for the quarter. That said, imports grew even faster, at over 6%, resulting in a widening balance of trade deficit. In contrast, investment continued to contract, dropping by 1.3%, as discussed in more detail in the section on investment. Growth in government and household consumption remained positive but slowed compared to earlier in the year.

For the quarter, government consumption climbed 0.5%, while household consumption rose 0.4% (see Graph 3).

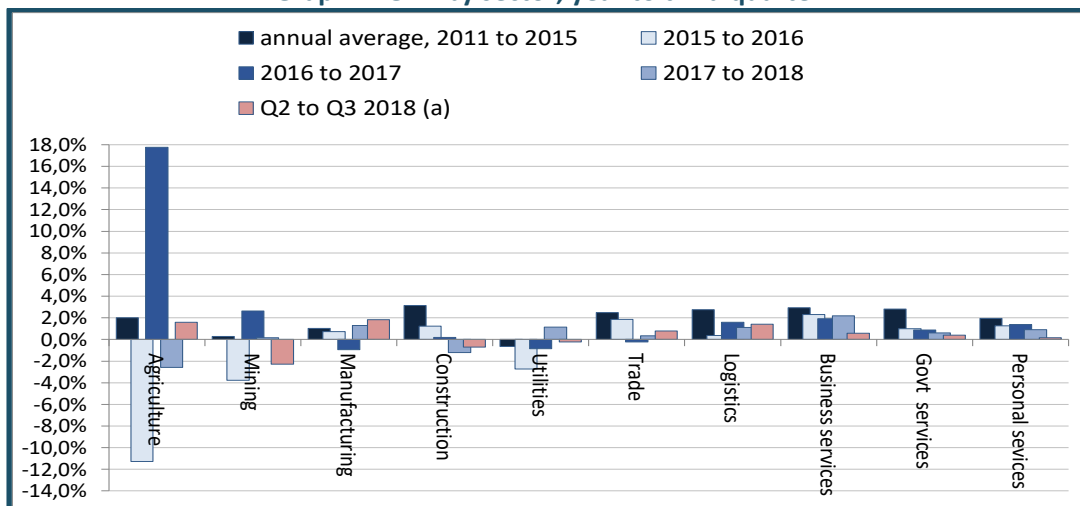
Graph 3: Change in expenditure on the GDP, year to third quarter and second quarter to third quarter 2018



Note: (a) seasonally adjusted. Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded www.statssa.gov.za in December 2018.

As noted, growth rates diverged significantly at sectoral level, with manufacturing performing unusually well over the year to the third quarter largely due to the boost in the third quarter of 2018 (see Graph 4). In contrast, from the standpoint of the year to the third quarter, construction continued to struggle, and mining only barely eked out growth, with a decline from the second to the third quarter. Agriculture saw a significant annual contraction over the year, mostly due to the reported fall in the second quarter driven by the drought in the Western Cape, with a slight increase over the past quarter. In the services, business saw the fastest growth, while infrastructure – that is, electricity, gas and water plus transport, communications and storage – also expanded more rapidly than the rest of the GDP.

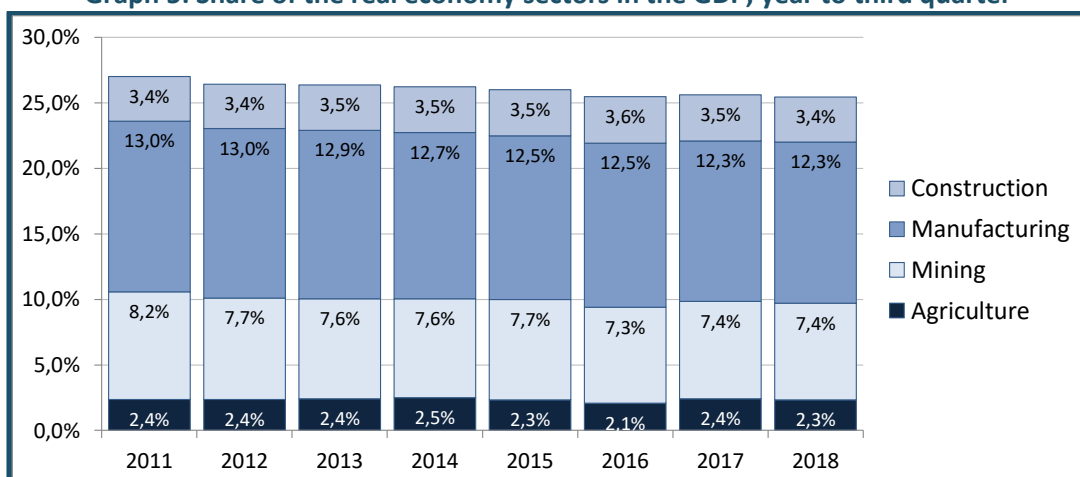
Graph 4: GDP by sector, year to third quarter



Note: (a) seasonally adjusted. Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded from www.statssa.gov.za in December 2018.

The decline over the year in construction and agriculture saw a fall in the share of the real economy in the GDP from 25.6% in the year to the third quarter 2017 to 25.4% in the following year (Graph 5). Still, manufacturing stabilised at 12.3% and mining at 7.4%.

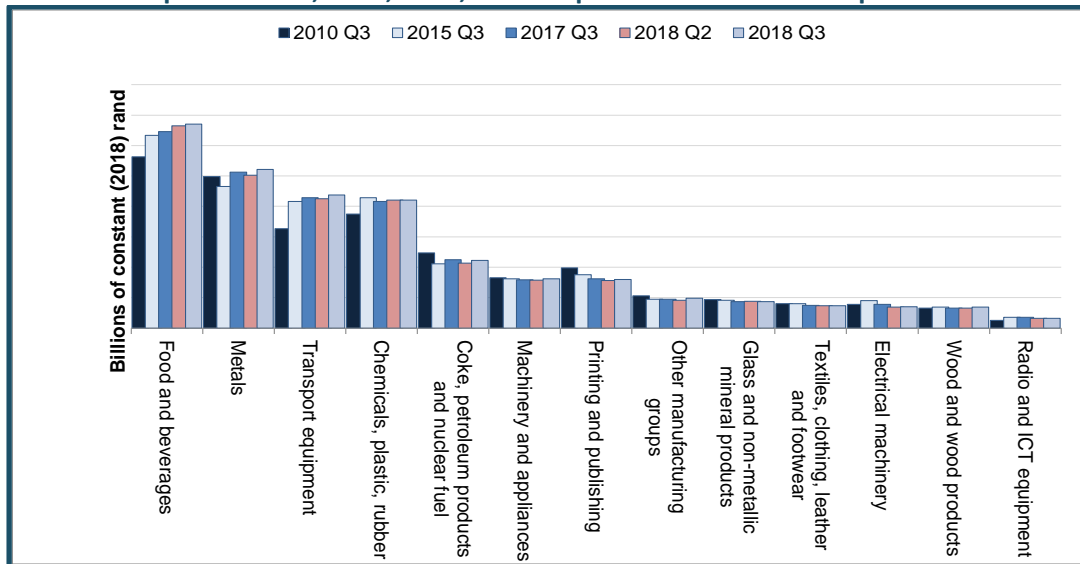
Graph 5: Share of the real economy sectors in the GDP, year to third quarter



Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded from www.statssa.gov.za in June 2018.

Manufacturing sales increased 1% year-on-year to the third quarter of 2018, with a 2% increase in the third quarter alone. Food and beverages continued to drive manufacturing sales over the year, increasing by 4%, with significant growth also seen in wood products, metals, transport equipment, chemicals and machinery sales. In contrast, sales of electrical and communications equipment fell, with more modest falls in furniture, clothing, publishing and printing, and petroleum refining (see Graph 6).

**Graph 6: Manufacturing sales in constant (2018) rand (a),
third quarter 2010, 2015, 2017, second quarter 2018 and third quarter 2018**



Note: (a) Deflated with CPI rebased to third quarter 2018. Source: StatsSA. Manufacturing volume and sales. Excel spreadsheet. Downloaded in November 2018.