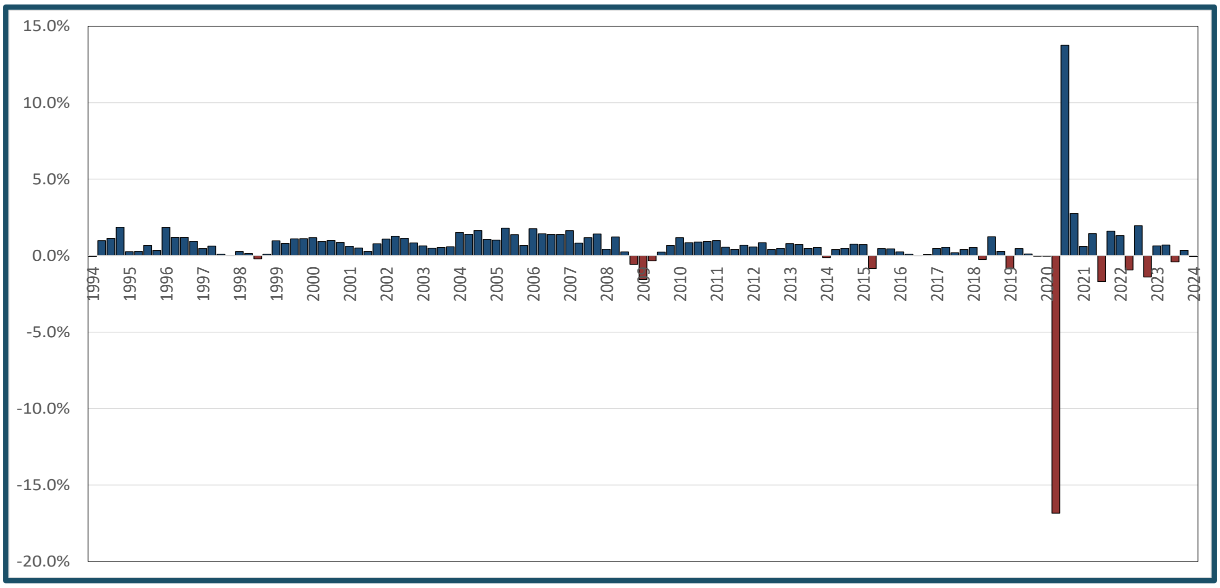
GDP growth

The GDP shrank slightly, by 0.1%, in the first quarter of 2024. The decline underscored the increased volatility of GDP growth since the COVID-19 pandemic started in 2020. The GDP declined in five quarters over the past three years, compared to nine from 1994 to 2018. The volatility resulted, in part, from extraordinary fluctuations in world mining prices as well as shortfalls in infrastructure. The inability of Transnet and Eskom to meet post-pandemic demand has vastly accelerated growth in private-sector alternatives.

In the first quarter of 2024, the GDP contracted marginally (Graph 1). For the four quarters to 2024, it grew just 0.7%. That compares to 2.5% annual growth over the three preceding years. In the first quarter of 2024, the GDP was 1.2% higher than in the first quarter of 2020, just before the pandemic.

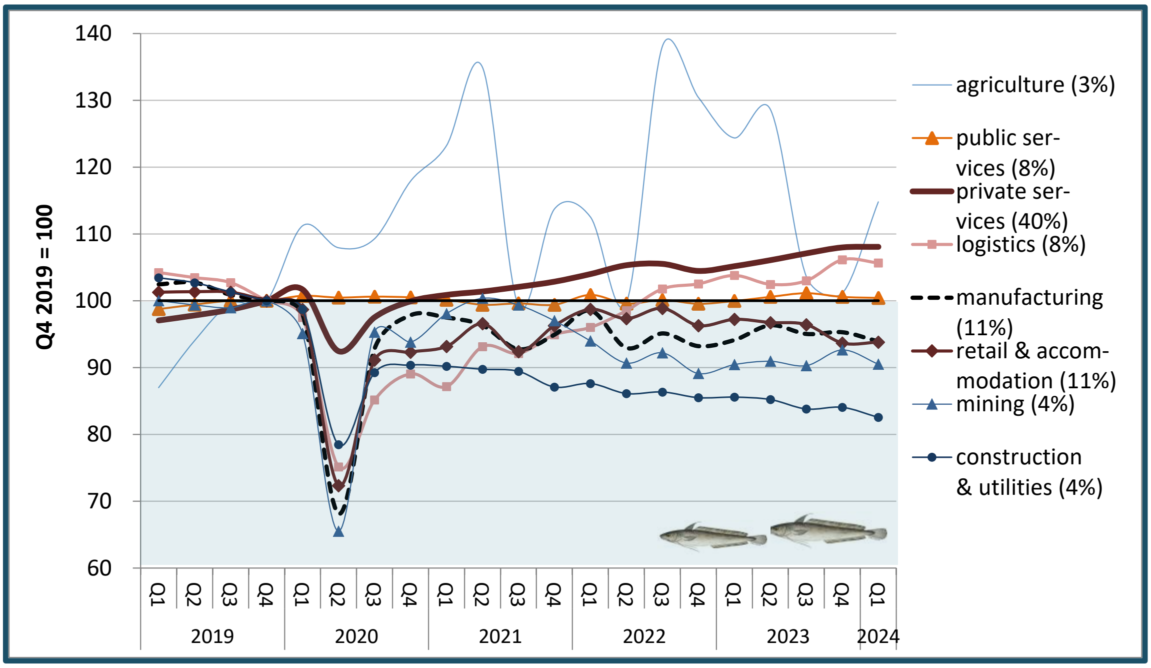
GDP growth has become markedly more volatile since the pandemic. It shrank in five quarters in the three years to March 2024. That compares to nine quarters of decline in the 24 years to 2018, three of which occurred during the Global Financial Crisis.

Graph 1. Quarterly change in GDP, seasonally adjusted, 2000 to first quarter 2024



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2022Q4. Excel spreadsheet.

Graph 2. Indices of value added in constant rand terms (volume for mining), first quarter 2019 to first quarter 2024 (first quarter 2019 = 100); share in GDP in parentheses



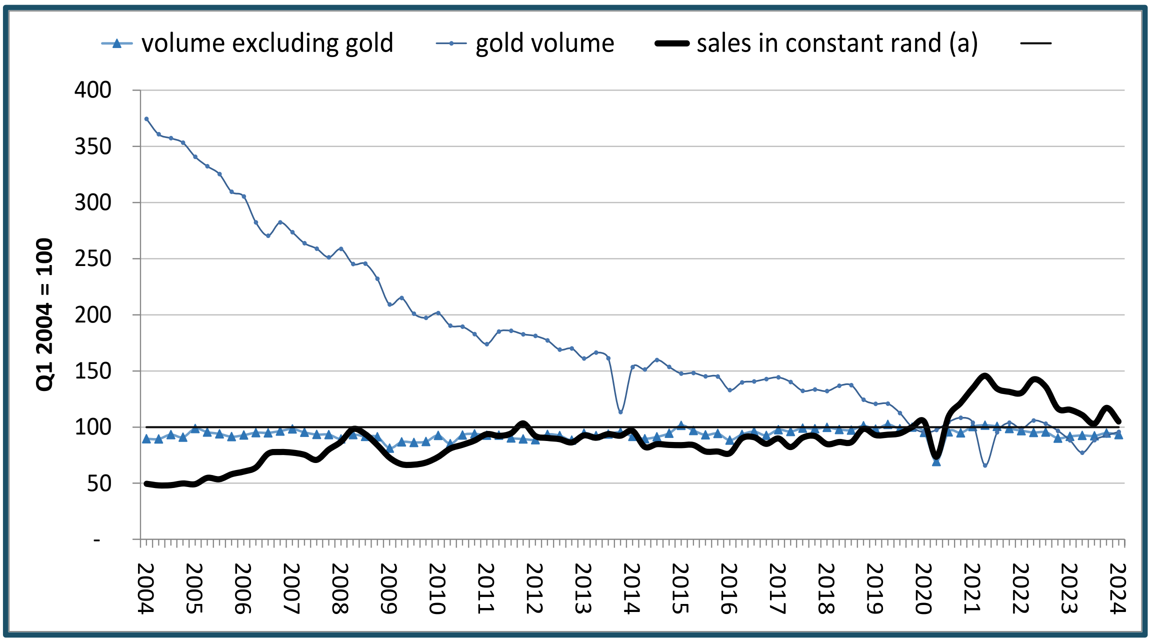
Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2022Q4. Excel spreadsheet.

The overall recovery from the pandemic hides vast disparities between economic sectors, with goods production in a particularly precarious state. Only the private services – which contributed some 40% of the GDP in the first quarter of 2024 – plus agriculture, public services and logistics now produce more than before the pandemic. The rest of the economy remains underwater. (Graph 2). Value added in construction is 17% lower than in the fourth quarter of 2019, having seen a steady fall over the period. Manufacturing and retail have shrunk by 5%. Mining has seen a modest decline in tonnage sold although its revenues have fluctuated substantially with world prices. (See Graph 4)

The volatility in GDP growth since 2020 points to the lingering effects of the COVID-19 pandemic. Critical elements have been the sharp fall in coal and platinum prices off earlier speculative highs, and disruptions in electricity and supply chains. The private sector has been quick to provide alternatives to Eskom and Transnet, mitigating the impacts on growth.

The GDP data on mining reflect the modest but persistent decline in output in volume terms over the past 20 years, driven mostly by a continual fall in gold output as deposits run out. A focus on volume alone, however, underplays the impact of extraordinary fluctuations in world prices, and consequently rents to local producers, thanks to the pandemic and the Russian invasion of Ukraine. In constant rand, mining revenues jumped some 20% from the third quarter of 2020 to the fourth quarter of 2021. The production response was tepid, increasing only 3% even excluding gold. Mining sales then plummeted 22% in constant rand from the fourth quarter of 2021 to the first quarter of 2024, while non-gold mining output dropped 7% in volume terms. (Graph 3).

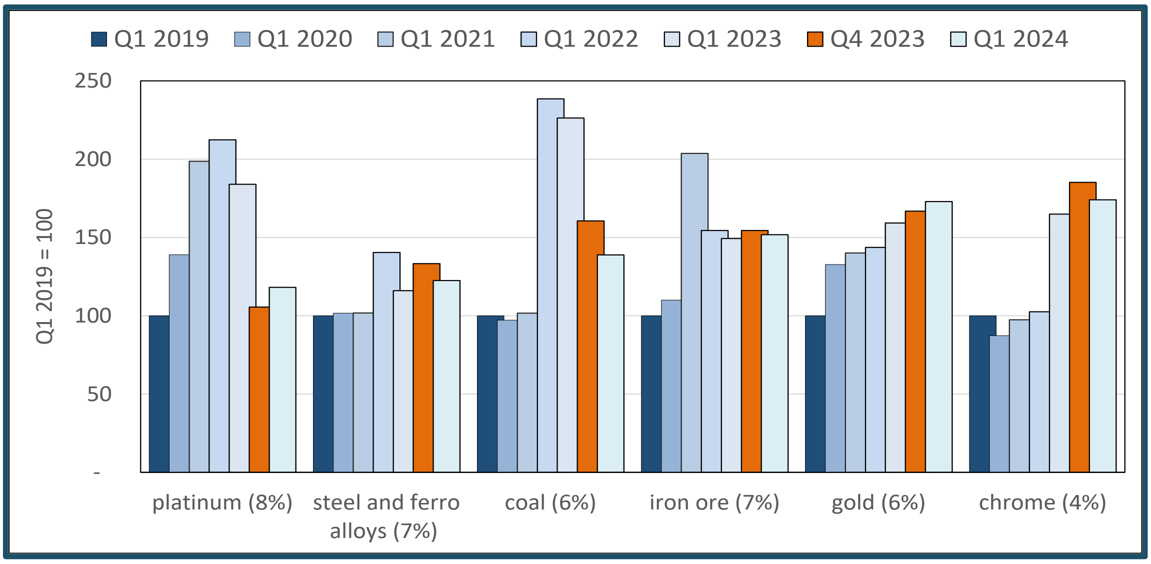
Graph 3. Indices of production of non-gold and gold mining and total mining sales in constant rand (a), first quarter 2004 to first quarter 2024



Note: (a) Deflated with CPI. Source: Calculated from Statistics South Africa. Mining production and sales. P2041. Excel table from 2003.

In the year to March 2024, plummeting prices for coal and platinum were a particular drag on overall economic growth. For coal, the average price per tonne dropped almost 40% in constant rand terms. For platinum, it fell over 35%. (Graph 4) These two commodities accounted for 14% of South African exports in the fourth quarter of 2023.

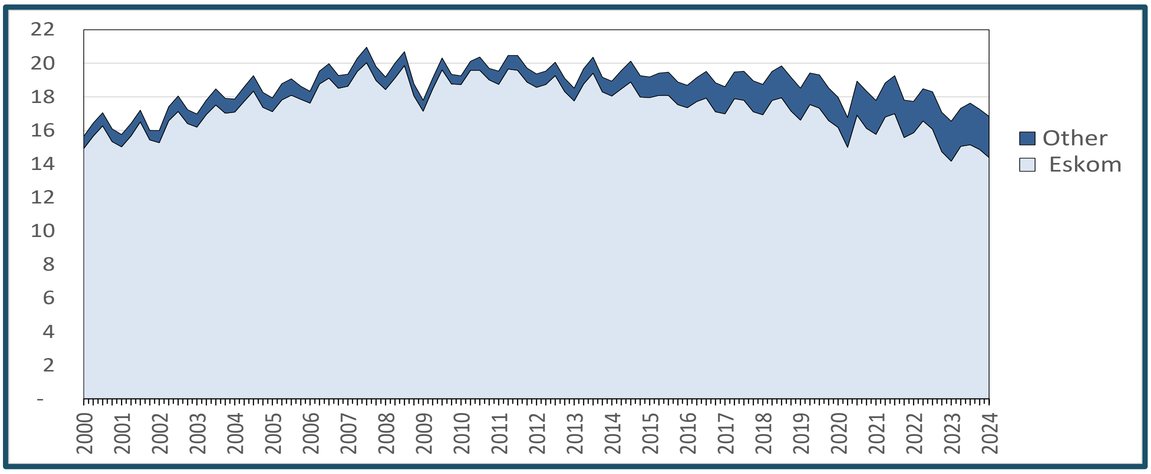
Graph 4. South African unit export prices for major mining and metals exports in 2024 rand (a); with share in total export revenues in parentheses (b)



Note: (a) Reflated with CPI rebased to first quarter 2024. (b) As of first quarter 2024. Source: Calculated from Quantec. EasyData. Interactive dataset. Series on trade in SIC categories.

Electricity, rail and port services saw demand plummet during the lockdown, and found it hard to keep up with the swift upswing in demand that followed. In part, their struggles reflected the decline in Eskom and Transnet capacity over the previous decade. The rapid expansion in private alternatives in response has initiated a transformation in ownership and control in network infrastructure.

Graph 5. Electricity available through the national grid, Eskom and private suppliers, monthly average per quarter, first quarter 2000 to first quarter 2024, in terawatt hours



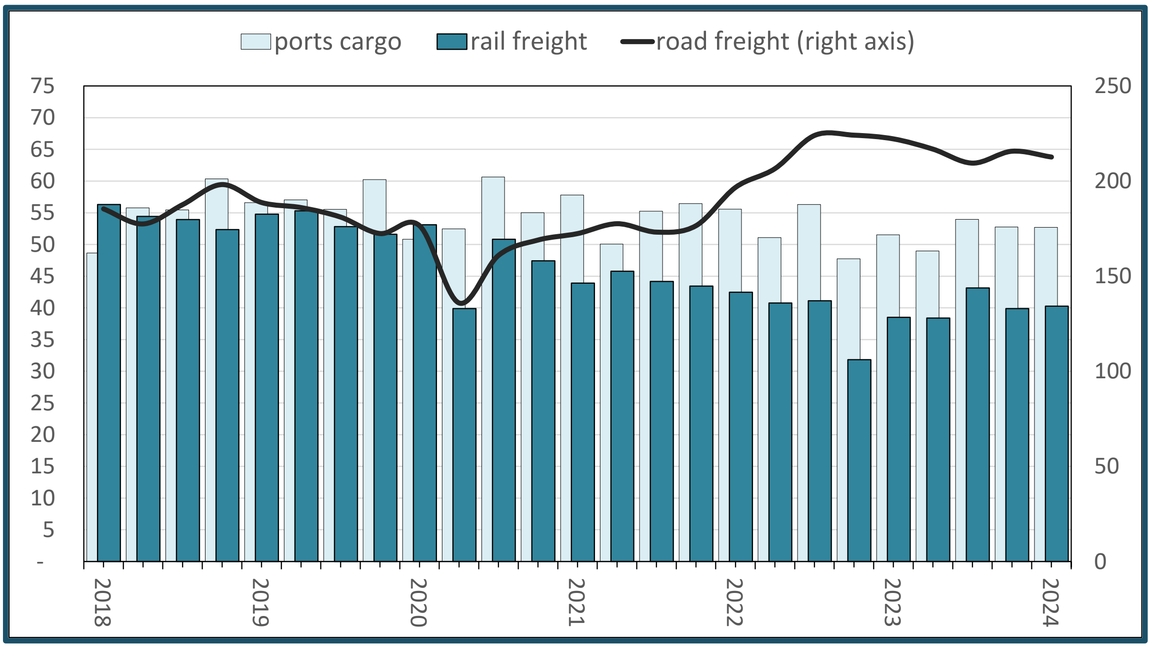
Source: Calculated from Statistics South Africa. Electricity generated and available for distribution. Excel table from 2000.

Eskom's electricity output fell an average of 0.7% a quarter, or 2.7% a year, from the first quarter of 2020, just before the pandemic, to the first quarter of 2024. Its production had begun to decline earlier, though, with a fall of 0.4% a quarter (1.7% annually) from first quarter 2011 to first quarter 2020. The gap in supply was partially made up by private producers, some to the grid (as shown in Graph 5). Off-grid supply also grew rapidly, but is not tracked consistently. Estimates from Eskom and the National Treasury suggest that private off-grid capacity – both rooftop solar and plants set up by mines, refineries and other major users – now exceeds five gigawatts, or about 10% of Eskom's nominal capacity. It has climbed from well under 5% five years ago. The growth in capacity outside of Eskom has clearly been crucial in securing even slow growth from mid-2022 to the end of 2023, when loadshedding hit new heights.

A similar pattern emerged for freight transport. The volume carried by Transnet fell 20% from the first quarter of 2020 to the first quarter of 2022. The fall slowed to 5% over the next two years. Transnet volume had peaked seven years earlier, in the first quarter of 2015. In that quarter, it was 45% above first quarter 2024 and 10% higher than at the start of 2020, just before lockdown. Road transport took up the slack, climbing 20% from March 2020 to March 2024. As a result of these trends, the share of land freight carried by rail fell from 30% before the pandemic to under 20% in late 2024. Rail saw a particularly sharp drop at the end of 2022, when it plummeted to 14%, but it recovered some of its losses in 2023.

While the auto industry and other businesses argued port delays affected production and exports, tonnage at the ports did not shrink as much as Transnet rail. It climbed 9% from 2020 to 2022, but then dropped back 5% through the first quarter of 2024.

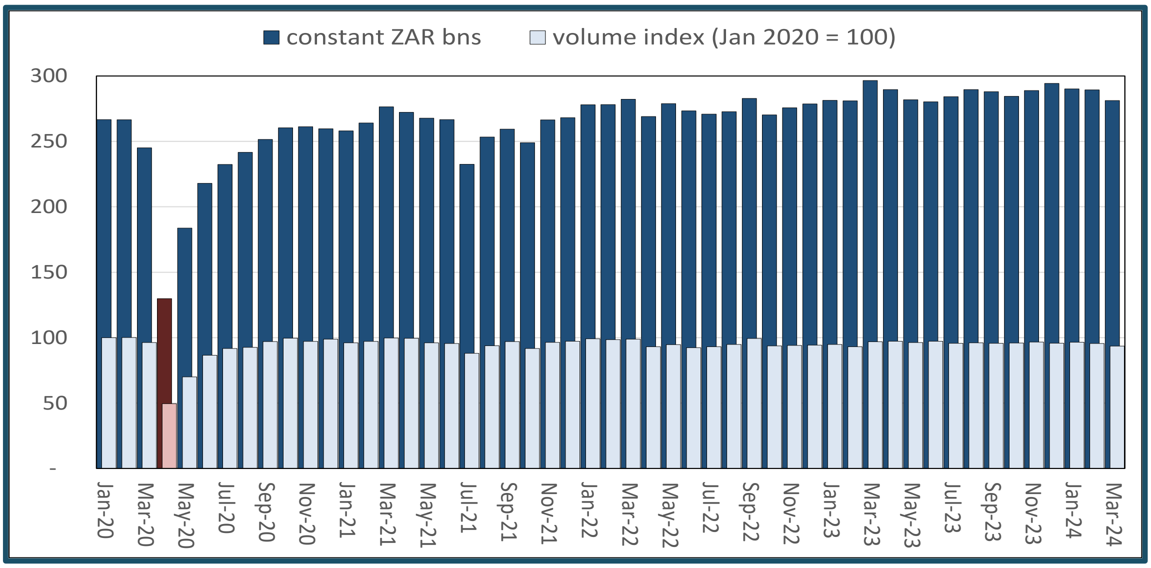
Graph 6. Million tonnes of freight carried by rail and road and transiting the ports, first quarter 2018 to first quarter 2020



Source: Road and rail freight from Statistics South Africa. Land Transport Survey. Excel spreadsheet. Ports from Transnet National Ports Authority. Ports Statistics. Web page.

A sharp fall in manufacturing sales over the first quarter of 2024 contributed to slow overall growth. In constant rand (deflated with CPI), they recovered gradually from the pandemic downturn through late 2023. They shrank steadily from December 2023 to March 2024, however, dropping by 4.5%. (Graph 7)

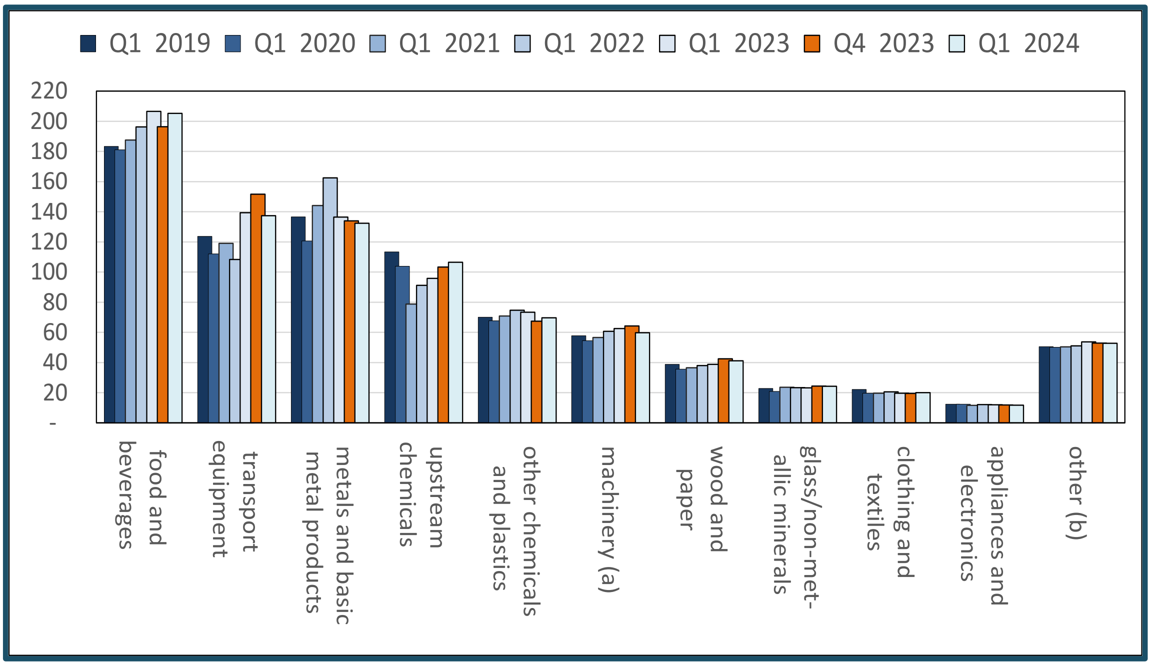
Graph 7. Monthly manufacturing sales in billions of constant (2024) rand (a) and volume index (January 2020 = 100), seasonally adjusted, January 2020 to March 2024



Note: (a) Reflated with CPI rebased to first quarter 2024. Source: Calculated from Statistics South Africa. Manufacturing: Production and Sales, December 2023

Most manufacturing industries had falling sales over the year to March 2024. The exceptions were petrochemicals, wood and paper, glass and clothing. Naamsa, the auto industry association, said lower sales were due to a combination of slow growth in South Africa and port delays that affected exports.

Graph 8: First quarter sales by manufacturing industry from 2019 to 2024, and third quarter 2023, in billions of constant (2023) rand (a), seasonally adjusted



Note: (a) Reflated with CPI rebased to first quarter 2024. Source: Calculated from Statistics South Africa. Manufacturing: Production and Sales, December 2023.