

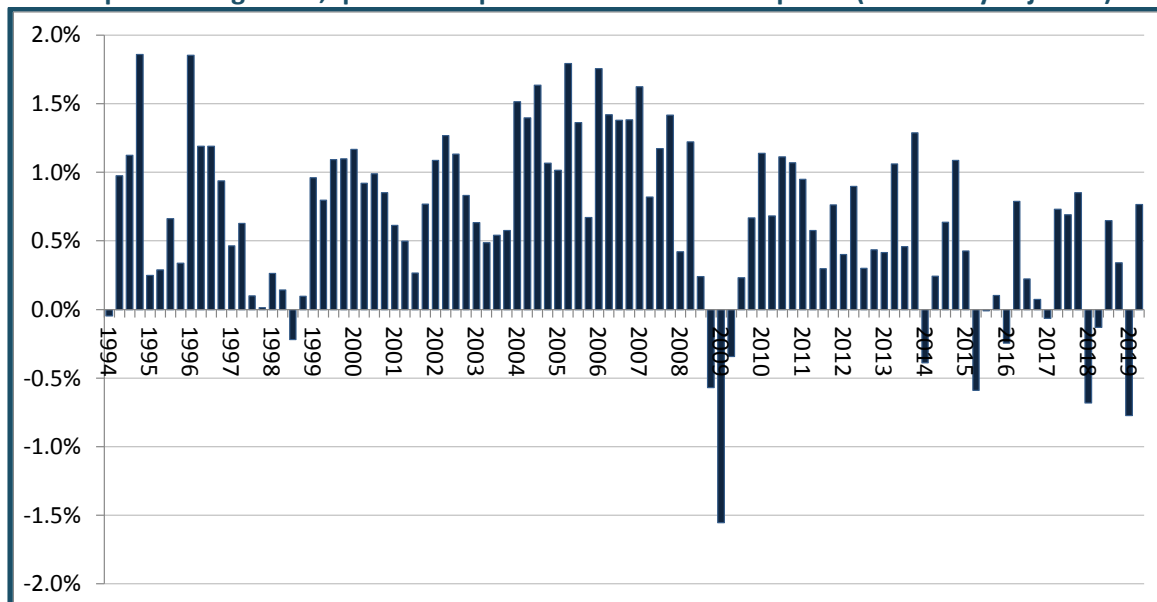
## GDP growth

Statistics South Africa reported rapid growth in the GDP in the second quarter, at 0.8% in actual terms – that is, 3% at an annualised rate. The data continue the increased volatility in the GDP data over the past five years. The data again raise questions about the seasonal adjustment of the quarterly GDP data.

South Africa's GDP climbed by 0.8% in seasonally adjusted terms from the first to the second quarter of 2019, reversing the decline on virtually the same order of magnitude in the previous quarter. These figures highlight continued volatility in economic conditions, with a secular downward trend. The number of quarters with negative growth has increased markedly since 2014.

The robust rebound raises questions about the GDP data. Seasonal adjustment of the quarterly data aims to compensate for underlying cyclical trends, so that the average growth across the quarters is more or less equal over time. Yet in the past five years, a distinct annual cycle has emerged in the seasonally adjusted data. In four of these years, the first quarter has seen a decline, followed by more robust growth in the rest of the year. These issues are analysed in more detail in the [briefing note on seasonality in the GDP data](#).

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

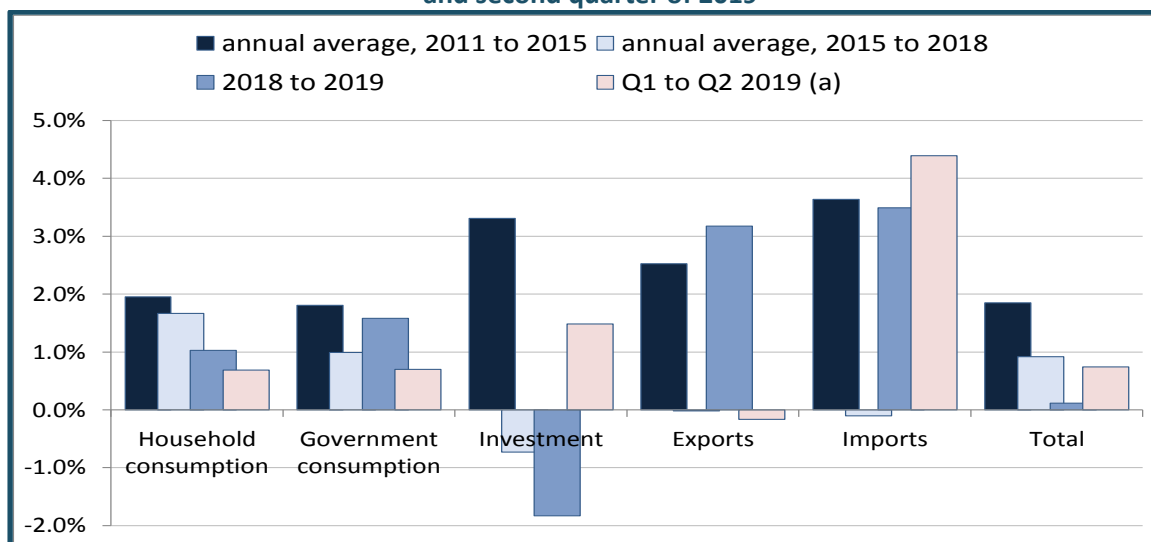


Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in June 2019.

On the expenditure side, a marked recovery in private investment drove the reported growth in the second quarter of 2019. Nonetheless, investment declined in the year through the second quarter of 2019. The Investment and Profitability section provides more detail.

In contrast to investment, while personal and government consumption expanded in the past quarter, the rate of growth was lower than in most of the previous decade. Income inequalities mean that the richest 10% of households account for over half of all spending. Exports declined slightly in constant terms, while imports rose by 4% in the quarter.

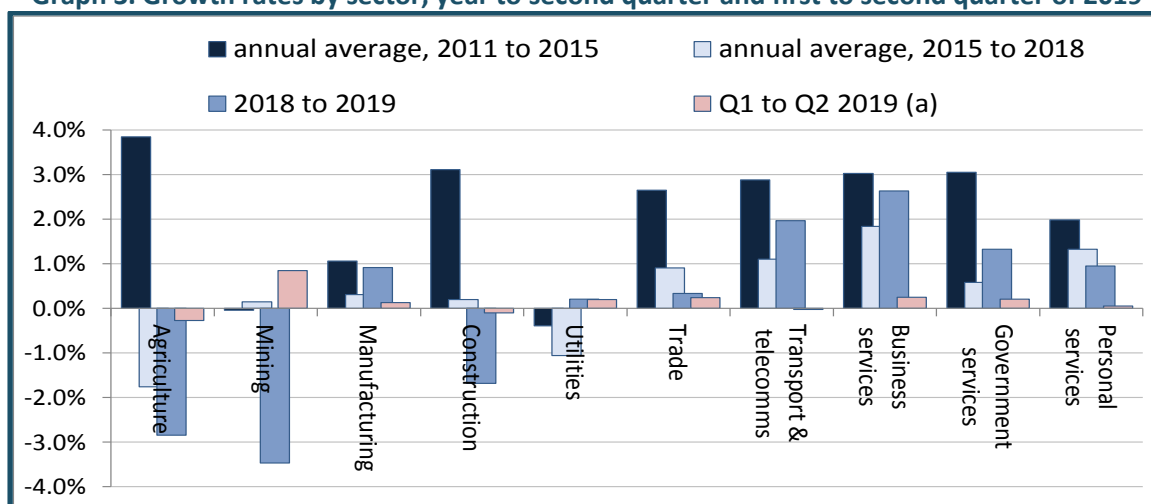
**Graph 2: Change in expenditure on the GDP, year to second quarter and second quarter of 2019**



Note: (a) Seasonally adjusted change from first quarter 2018 to second quarter of 2019. Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in June 2019.

By industry, the second quarter reportedly saw an improvement in all sectors except agriculture, transport and communications (logistics) in the graph below, and construction. In year-on-year terms, however, agriculture, mining and construction all showed substantial declines, while manufacturing and government services experienced stronger growth than in the previous three years. Mining climbed almost 1% in the quarter, although it still declined strongly in the year to June 2019. Manufacturing saw some improvement, but its growth slowed compared to the previous year.

**Graph 3. Growth rates by sector, year to second quarter and first to second quarter of 2019**

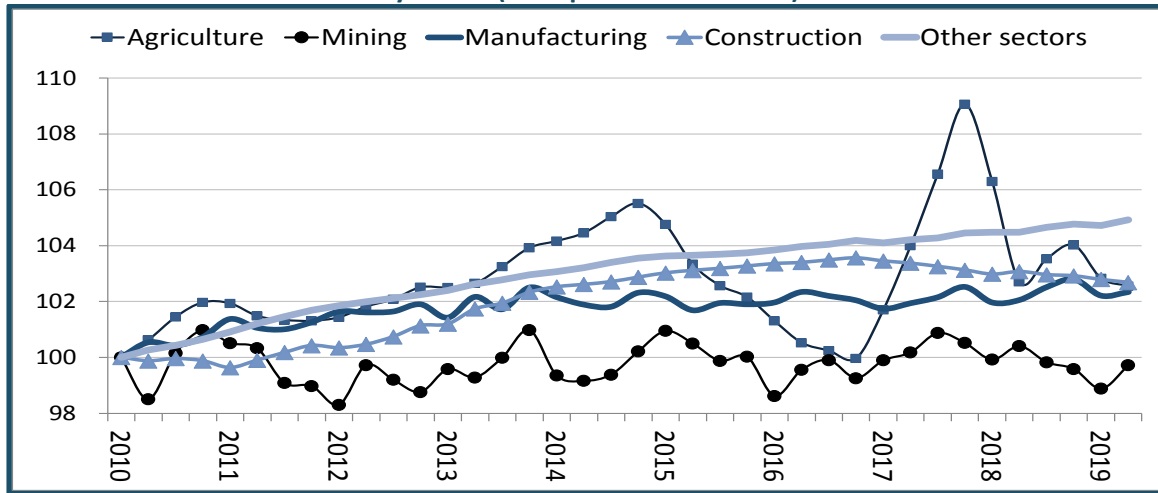


Note: (a) Seasonally adjusted, actual (not annualised) change from first quarter 2018 to second quarter of 2019. Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in June 2019.

As Graph 4 shows, manufacturing and mining have experienced essentially no increase in production in the past five years, despite some fluctuations over the period. Construction has declined steadily for the past 10 quarters. Agriculture has shown extreme volatility even though

the figures are seasonally adjusted, reflecting the worsening of droughts as the climate crisis progresses.

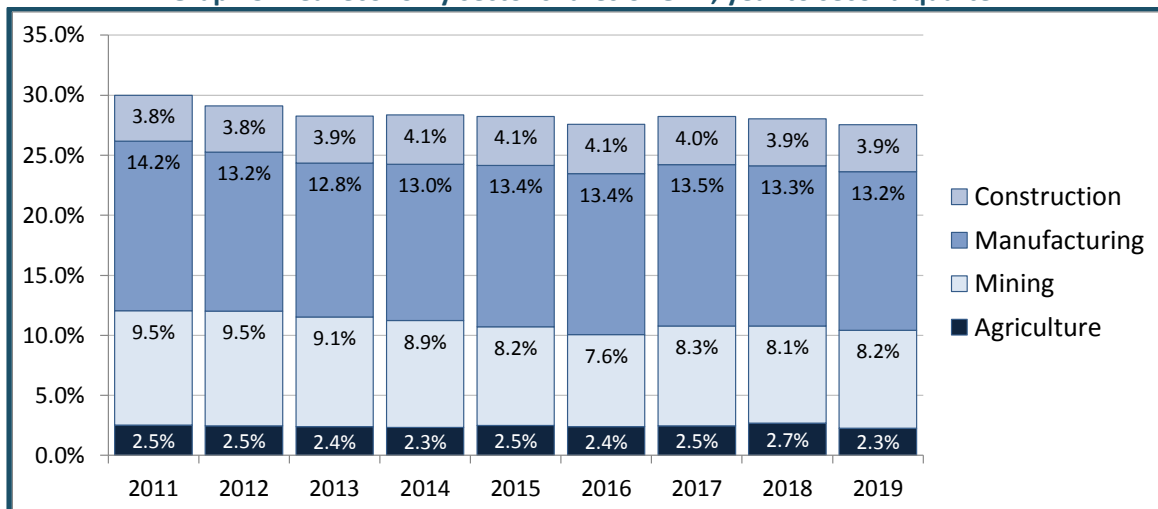
**Graph 4. Indices of quarterly contribution to the GDP in constant terms by sector (first quarter 2010 = 100)**



Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded [www.statssa.gov.za](http://www.statssa.gov.za) in June 2019.

Over the year to the second quarter, the share of the real economy in economic activity decreased from 27.9% in 2018 to 27.5% in 2019, down from a peak of 29.6% in the year to the second quarter of 2011. The share of manufacturing dropped from 13.5% in the year to the second quarter of 2017 to 13.2% in the second quarter of 2019.

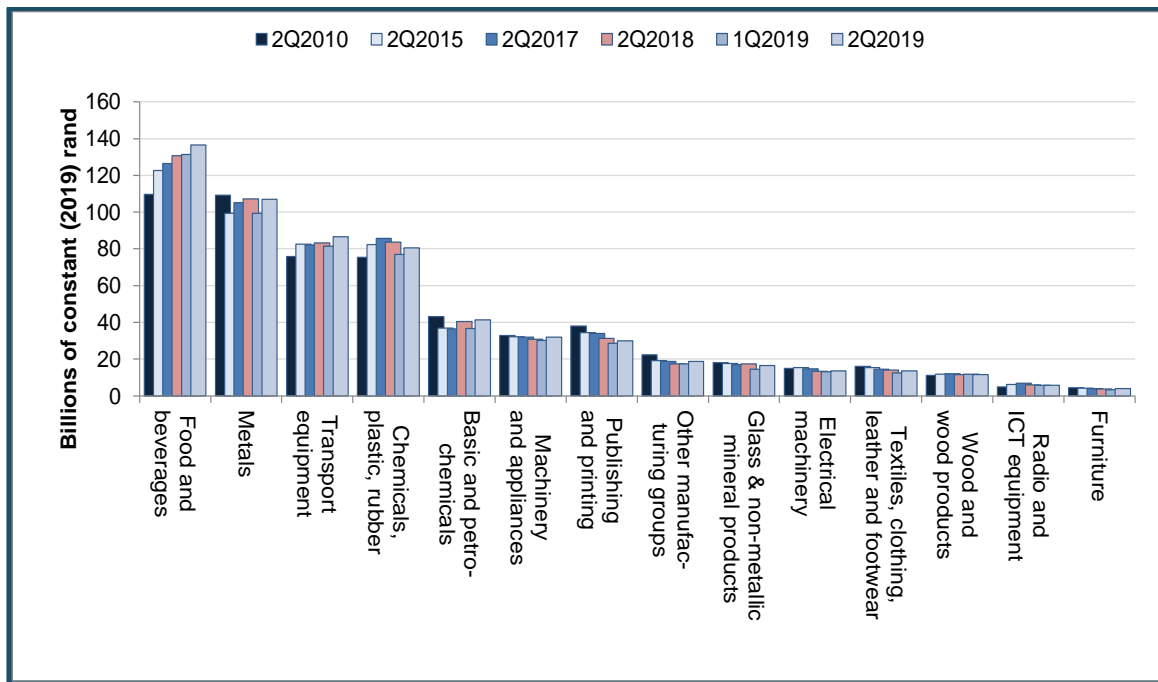
**Graph 5: Real economy sector shares of GDP, year to second quarter**



Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in June 2019.

Total manufacturing sales in the second quarter of 2019 were up 6% from the first quarter of 2019, increasing by R34 billion from R563 billion to R597 billion in constant (2019) rand. This was a marginal improvement of 1% on sales when compared to the same period in 2018.

**Graph 6: Manufacturing sales in constant rand**



Source: StatsSA. Manufacturing volume and sales from 1998. Excel spreadsheet. Downloaded in August 2019.

A decline in sales was recorded in only two minor sectors, wood and wood products and the radio and ICT sectors, which both experienced sales declines in the region of 2% from the first quarter of 2019. Significant sales growth was recorded for furniture, glass and petroleum products, all registering double digit growth in sales from the first quarter. Metals and clothing and textiles also experienced significant growth in sales (averaging around 8% growth), rebounding from first quarter stagnation. Moderate growth was observed in the sales figures of the food and beverages, transport equipment, machinery, and chemicals, with growth ranging between 4% and 6%.

When compared with the second quarter of 2018, manufacturing sales increased only marginally, growing overall by 1%. Critically, sales were down in the chemicals, textiles, glass, furniture and publishing sectors (these sectors fell by 4% on average), highlighting continued strain on the sales environment in many sectors.