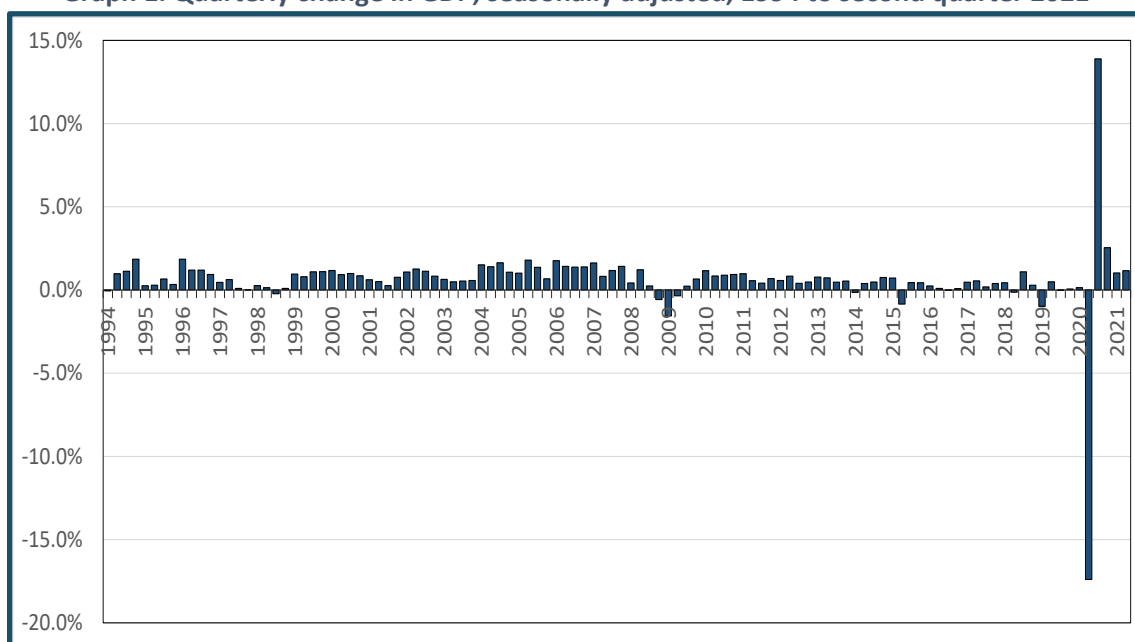


## Trends in GDP growth

The GDP grew by 1.2% in the second quarter of 2021, up from the (revised) figure of 1% in the first quarter. The economy recovered 19% over the past year from the sharp COVID-induced downturn in the second quarter of 2020. Still, as of the second quarter, it remained 1.4% lower than before the pandemic. The data for the GDP do not, however, reflect either the violent unrest in July or the impact of the severe third wave of the pandemic that hit the country through mid-September.

As Graph 1 shows, over the past four quarters the GDP largely recovered from the extraordinary downturn in the second quarter of 2020. The global pandemic depression cut South Africa's GDP by 17%, by far the sharpest decline on record. A 14% rebound in the third quarter was followed by growth of 2.5% in the fourth quarter of 2020, but averaged only just over 1% in the last two quarters. Even the slower expansion in the first six months of 2021 was the highest since the global financial crisis in 2008/9. Both the violent unrest in July and a steep resurgence in COVID-19 cases occurred after the reporting period. They likely halted the recovery at least temporarily.

**Graph 1. Quarterly change in GDP, seasonally adjusted, 1994 to second quarter 2021**



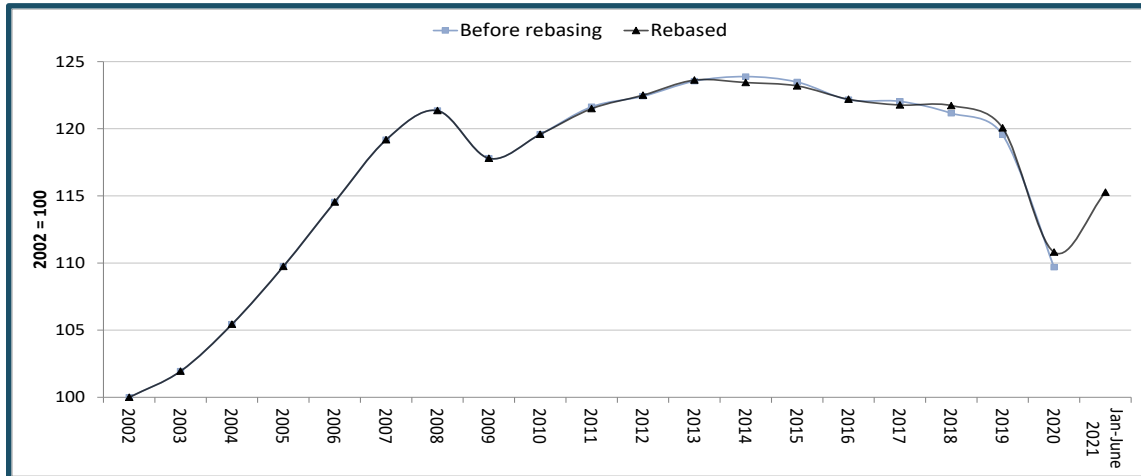
Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2021Q2. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za).

Statistics South Africa published its periodic rebasing of the GDP data in August 2021. The rebasing involved reviewing and modifying data sources and consequently findings for the past decade. The current version entailed improvements in reporting, especially on services. It resulted in a substantial change in both the size and growth rates reported for the GDP, without, however, changing the underlying trends.

The revised findings show that the GDP grew 3.5% from the first quarter of 2015 to the first quarter of 2020, before the COVID-19 pandemic. That is twice as fast as the 1.7% reported originally. The new data also show a more robust recovery from the pandemic downturn, at 18% as of the first quarter of 2021 compared to finding of 17% before rebasing.

Still, as Graph 2 shows, the higher growth rates were not sufficient to secure an increase in the GDP per person after the global commodity boom ended in 2011. Even after the recovery in the past year, this indicator remains at levels last seen 15 years ago.

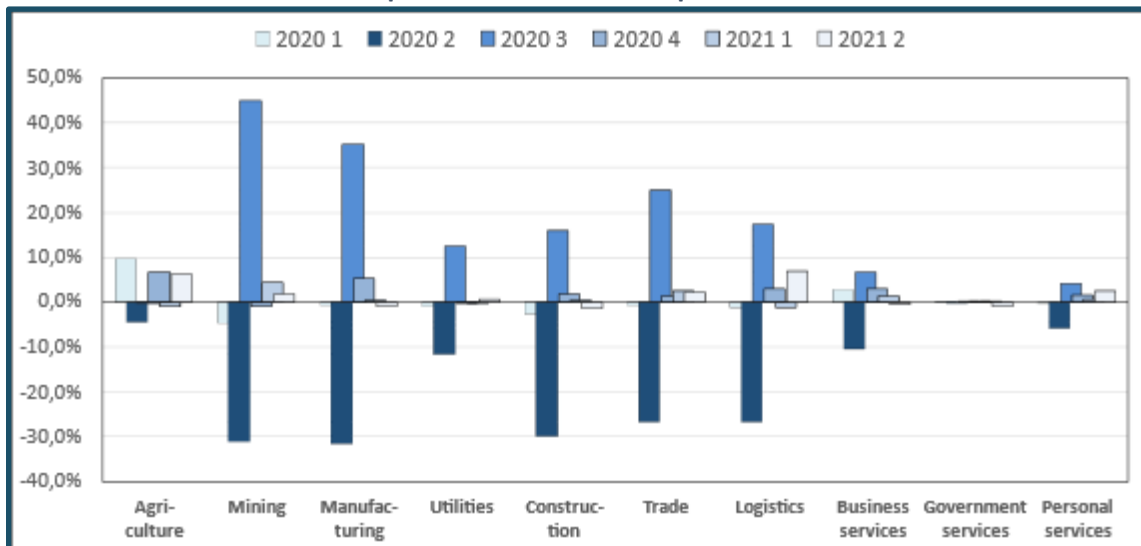
**Graph 2. Indices of GDP per person using original and rebased GDP data, annual from 2002 to 2020 (2002 = 100)**



Source: Calculated from Statistics South Africa. GDP data. GDP P0441 – 2021Q2 and GDPp 1q21; and mid-year population estimates from Country projection by population group, sex and age (2002-2021). Excel spreadsheets downloaded from [www.statssa.gov.za](http://www.statssa.gov.za).

The strong overall growth in the GDP in the past quarter did not benefit all industries equally. Manufacturing value added actually declined 0.8% in the second quarter of 2021, and construction contracted some 1.4%. Business and government services generally also stagnated. In contrast, trade, logistics and personal services grew strongly, accounting for most of the growth in the GDP. (Graph 3).

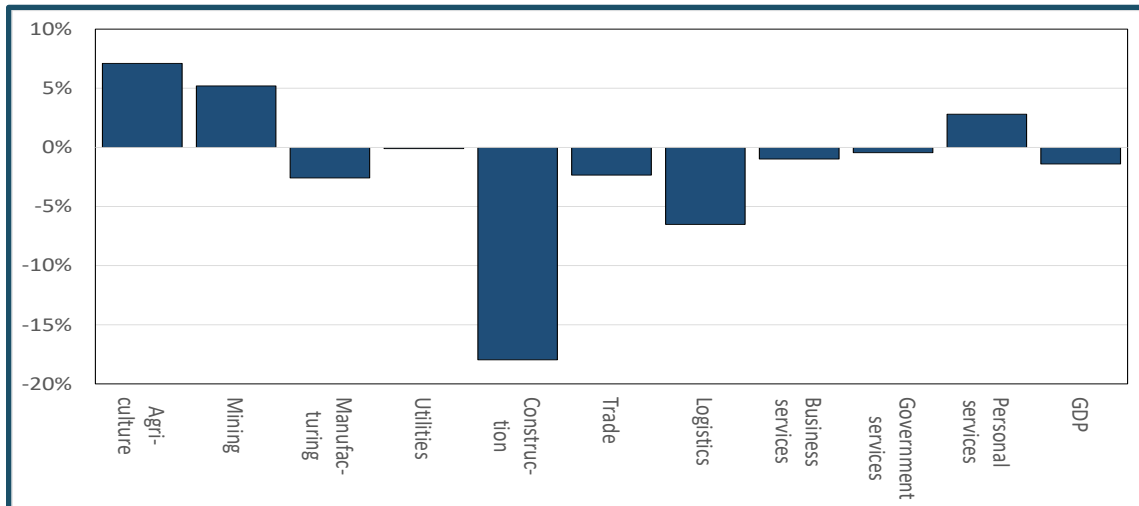
**Graph 3. Quarterly and annual change in contribution to GDP by sector, first quarter 2020 to second quarter 2021**



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2021Q2. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za).

Overall, the recovery from the downturn in the second quarter of 2020 varies sharply by sector. Mining and manufacturing saw the greatest falls, but also strong initial rebounds that have now levelled out. As of the second quarter 2021, only agriculture, mining, utilities and personal services were at or above their pre-pandemic levels of value added. The contribution of manufacturing to the GDP was 3% lower than it was at the start of 2020, and construction was still down some 18% (Graph 4).

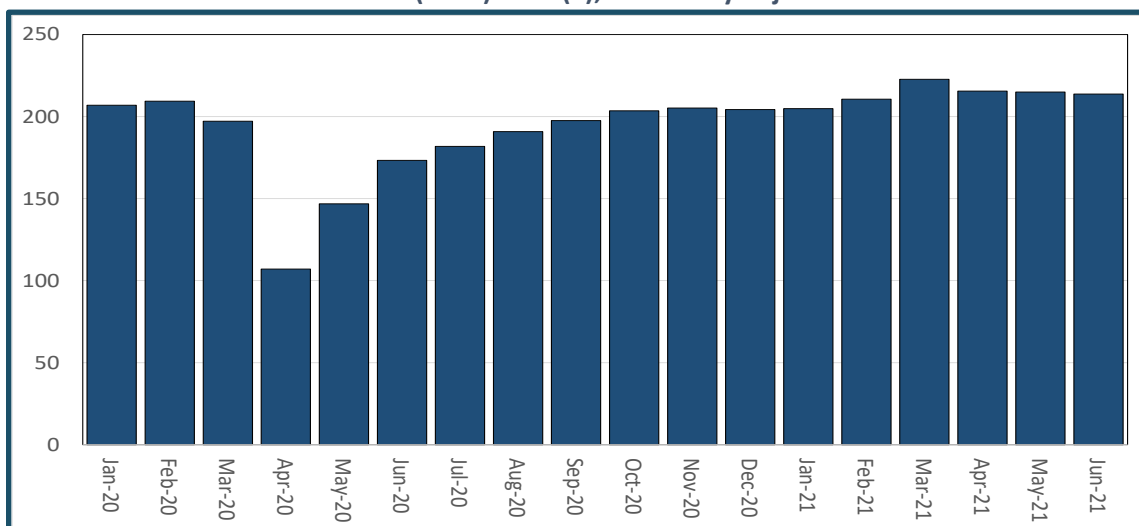
**Graph 4. Change in GDP from first quarter of 2020 (pre-pandemic) to second quarter 2021 by sector**



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2021Q2. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za).

Despite the drop in manufacturing value added, the sector’s sales were almost 1% higher in the second quarter of 2021 than in the first. They declined steadily through the quarter, however (Graph 5).

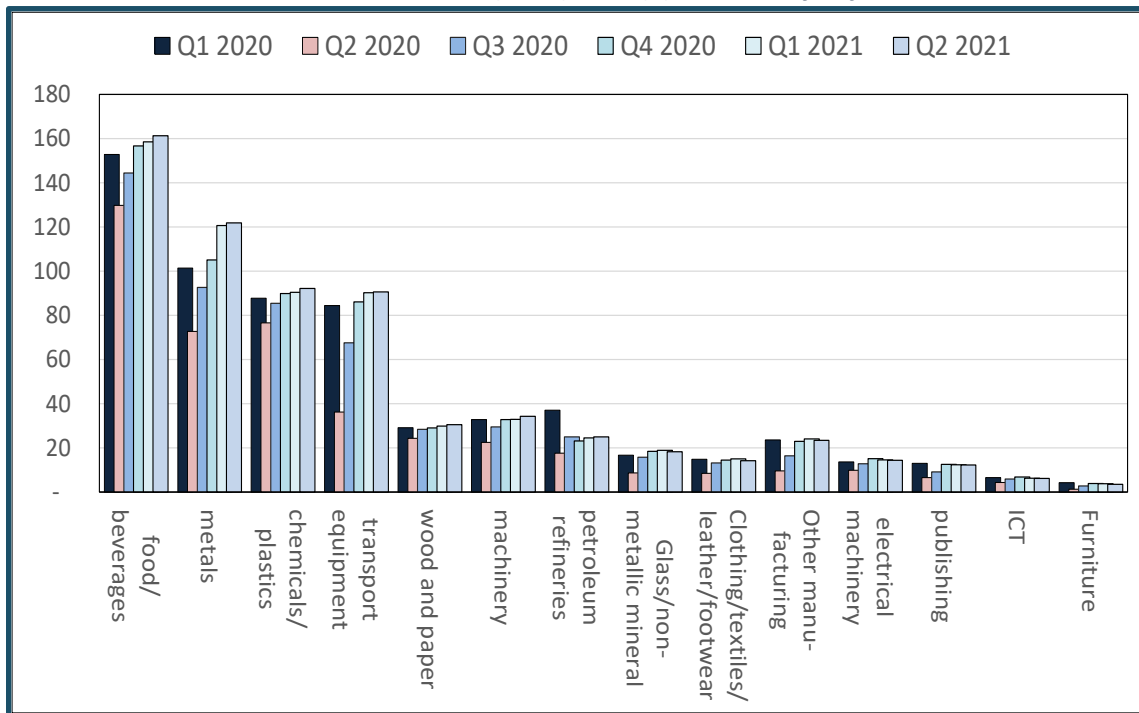
**Graph 5. Monthly manufacturing sales in billions of constant (2021) rand (a), seasonally adjusted**



Note: (a) Refflated with CPI rebased to June 2021. Source: Calculated from Statistics South Africa. Manufacturing: Production and Sales. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za).

The expansion in manufacturing sales in the second quarter was driven by food processing, chemicals, metals and paper. (Graph 6). These industries are largely commodities-based, with relatively low levels of value added. Machinery also enjoyed higher sales. Other industries saw little growth in output, or even a decline.

**Graph 6. Quarterly sales by manufacturing industry in billions of constant (2020) rand (a), seasonally adjusted**

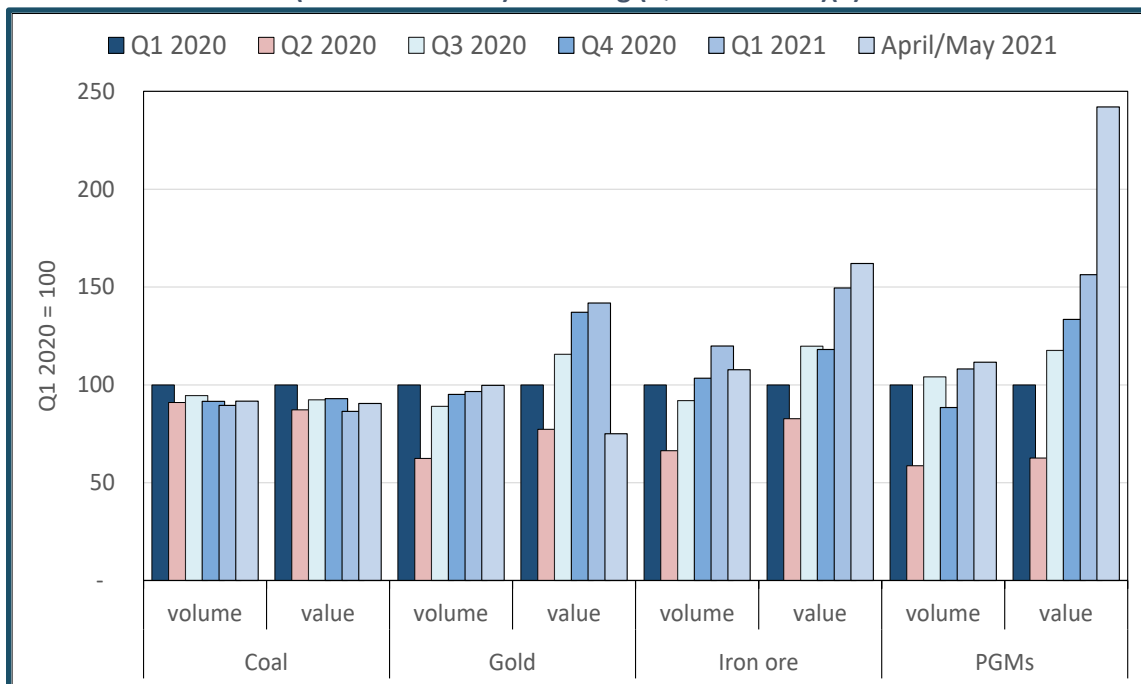


Note: Rebased with CPI rebased to June 2021. Source: Calculated from Statistics South Africa. Manufacturing: Production and Sales. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za).

Data are not yet available for June 2021 mining production and sales, so the figures here relate only to April and May. Sales rose 15% on average for April and May compared to the previous quarter. In these two months, they averaged 50% more than before the pandemic in constant rand terms. In contrast, average production by volume climbed only 2% in April and May compared to the previous quarter, and averaged just 6% above pre-pandemic levels.

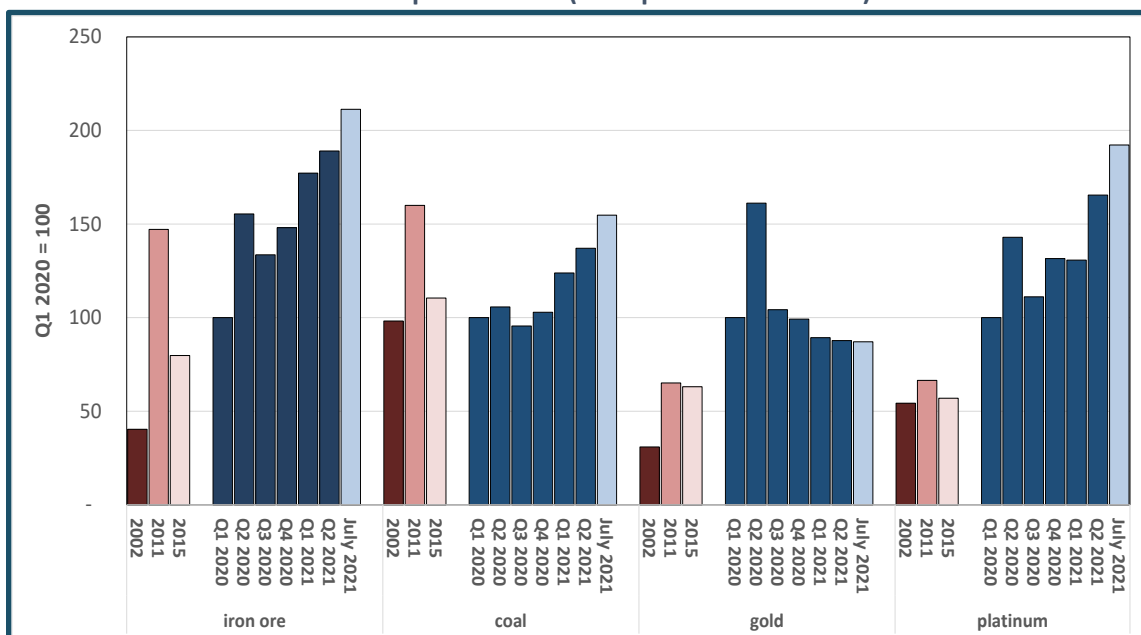
The growth in mining revenues mostly resulted from higher export prices. Graph 7 shows the extraordinary increase in the unit price for South African exports of platinum, iron ore and, more recently, coal. The figures are in constant rand deflated with CPI. In the mid-2010s, all of these metals saw a low point in export prices, which followed 30-year highs in 2011. As of July, both platinum and iron ore had exceeded their 2011 peaks. In contrast, the gold price spiked in the second quarter 2020, as the global economy tanked, but has fallen sharply since then. Still, it remains higher than in 2011. Of South Africa's main mining exports, only coal prices were still below 2011 levels in July. Since then, however, global coal prices have accelerated sharply.

**Graph 7. Indices of seasonally adjusted quarterly production and sales (in constant rand) in mining (Q1 2020 = 100)(a)**



*Note:* (a) Production volume indices rebased to first quarter of 2020; sales are deflated with CPI. *Source:* Calculated from Statistics South Africa. Mining Production and Sales. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za).

**Graph 8. Indices of unit prices for South African mining exports in constant (2021) rand (a) for 2002, 2011 and 2015, and quarterly from first quarter 2020 to second quarter 2021 (first quarter 2020 = 100)**

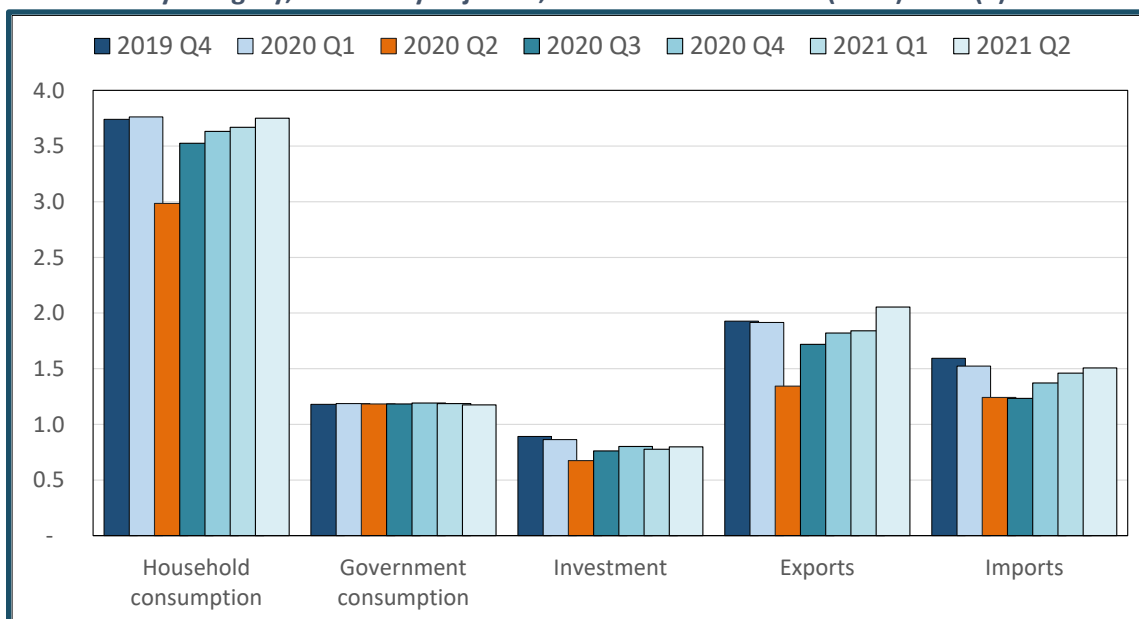


*Note:* (a) Rebased with CPI rebased to July 2021. *Source:* Calculated from Quantec. National trade data. Accessed at [www.quantec.co.za](http://www.quantec.co.za)

In expenditure terms, GDP growth in the second quarter of 2021 depended disproportionately on exports. In constant rand, foreign sales climbed 4%, mostly due to higher mining prices, while imports remained flat. The resulting move from a trade deficit to a surplus accounted for nearly 80% of GDP growth in the quarter. Yet net trade has contributed less than 4% of the GDP in every quarter since 2006. Moreover, it is highly volatile.

Overall, the recovery from the pandemic downturn has reflected almost exclusively growth in household consumption and net exports (Graph 9). Government consumption has been virtually flat, and both private and public investment has mostly lagged behind the broader rebound. Net exports moved from a deficit of R4 billion before the pandemic, in the first quarter of 2021, to a surplus of almost R40 billion in the second quarter of 2021; household and government consumption had almost entirely recovered; but investment was still almost 10% lower than its pre-COVID levels.

**Graph 9. Quarterly expenditure on GDP, fourth quarter 2019 to second quarter 2021 by category, seasonally adjusted, in trillions of constant (2021) rand (a)**



Note: (a) Reflated using implicit deflator rebased to second quarter 2021. Source: Calculated from Statistics South Africa. GDP quarterly figures. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za).