

GDP growth

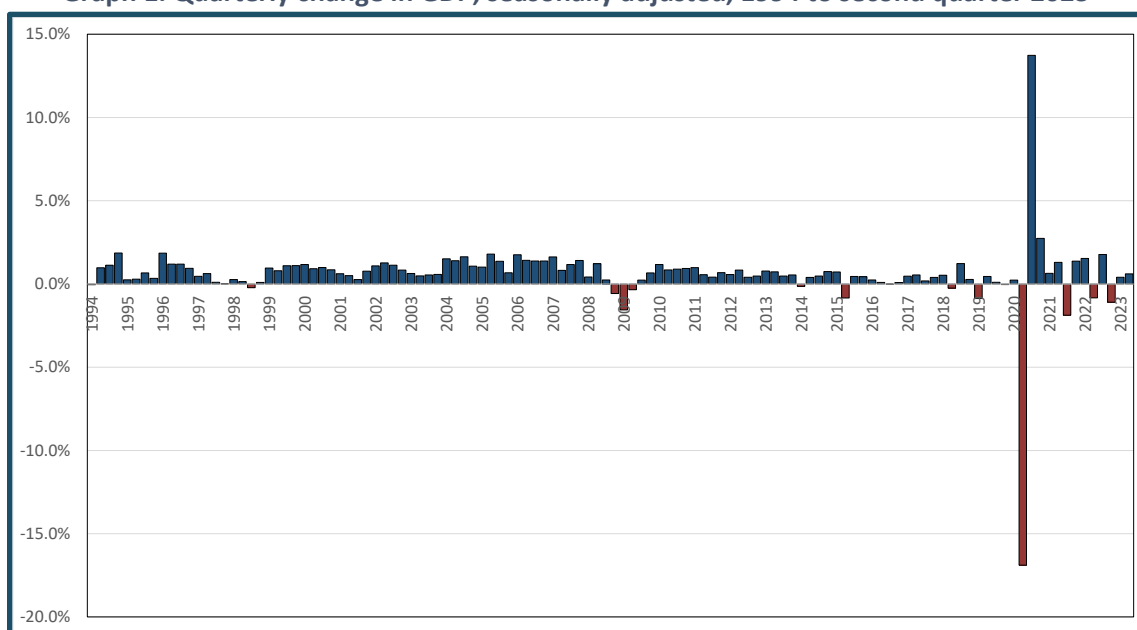
The GDP grew 0.6% in the second quarter of 2023, a slight improvement over the previous quarter and maintaining the return to pre-pandemic levels after the extraordinary drop in the second quarter of 2020. Growth was driven by a 5% increase in investment by private business and state-owned companies, likely reflecting the rapid expansion in off-grid, largely renewable generation. (Graph 1)

As Graph 2 shows, growth in the second quarter of 2023 improved slightly on the previous quarter. The slight acceleration occurred despite continued loadshedding, albeit at a lower level than in the previous quarter, suggesting that at least larger companies have adapted to the new realities.

It appears that investment in off-grid electricity, largely renewable, was a significant driver of growth. Private investment climbed by 5.7% in the past quarter. As a result, it almost equalled private investment in the first quarter of 2020, just before the pandemic lockdown brought a sharp decline. Still, it remained well below 2019 levels. The section on investment and profitability discusses investment in more detail.

The relatively sharp increase in investment likely results largely from the move to off-grid electricity in response to loadshedding. To the extent that these investments are in renewable technologies, they will ultimately lead to lower-cost as well as more reliable and cleaner energy.

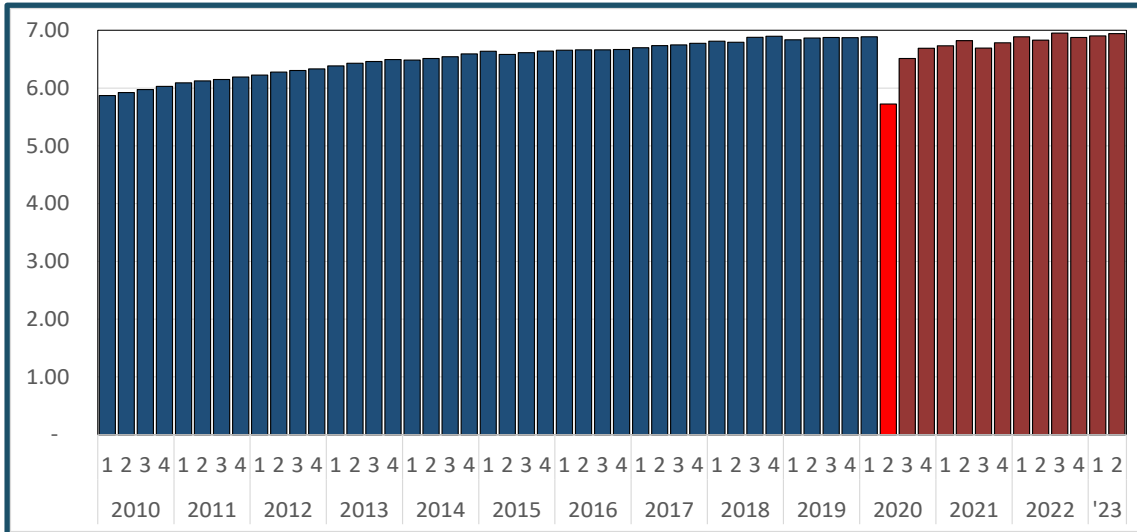
Graph 1. Quarterly change in GDP, seasonally adjusted, 1994 to second quarter 2023



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2023Q2.

Excel spreadsheet

Graph 2. Quarterly GDP in trillions of constant (2023) rand (a) from 2010

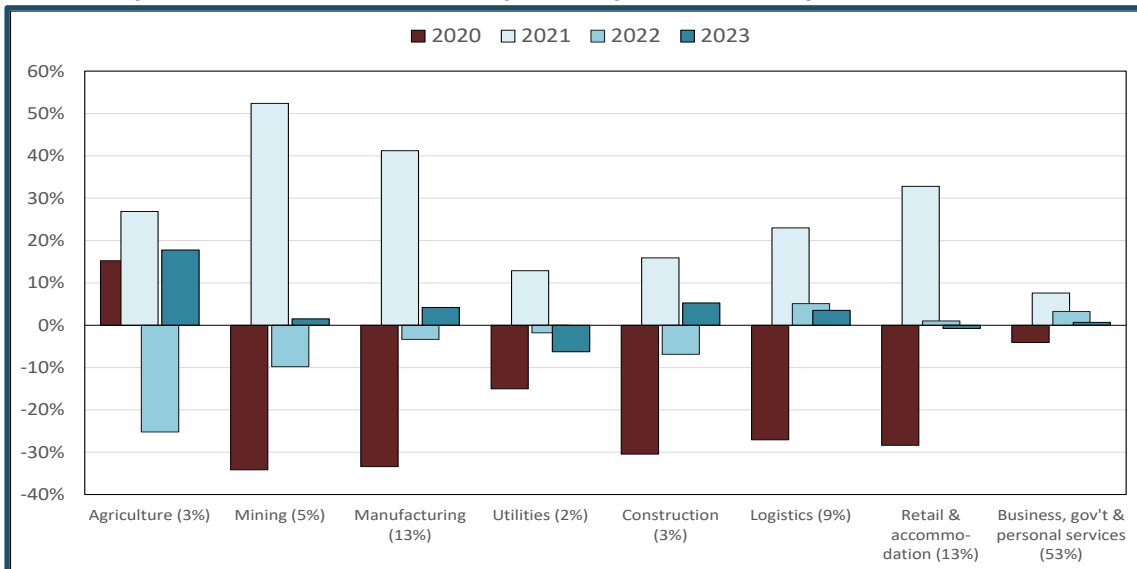


Note: (a) Rebased using implicit GDP deflator rebased to first quarter 2023. Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2023Q2. Excel spreadsheet.

In contrast to investment, household consumption fell by 0.3%, likely because the richest 20% of households, which account for over half of the total, are affected by higher interest rates. In contrast, government consumption rose 1.7%, the fastest increase since 2015.

Growth by sector underscored the importance of investment in the year to the second quarter 2023. Construction experienced a rapid recovery, following years of stagnation, while manufacturing showed the second fastest growth. Mining also recovered after a decline in the year to the second quarter 2022. In contrast, value added by utilities – mostly Eskom – fell in real terms. Retail value added also shrank, in line with the fall in household consumption.

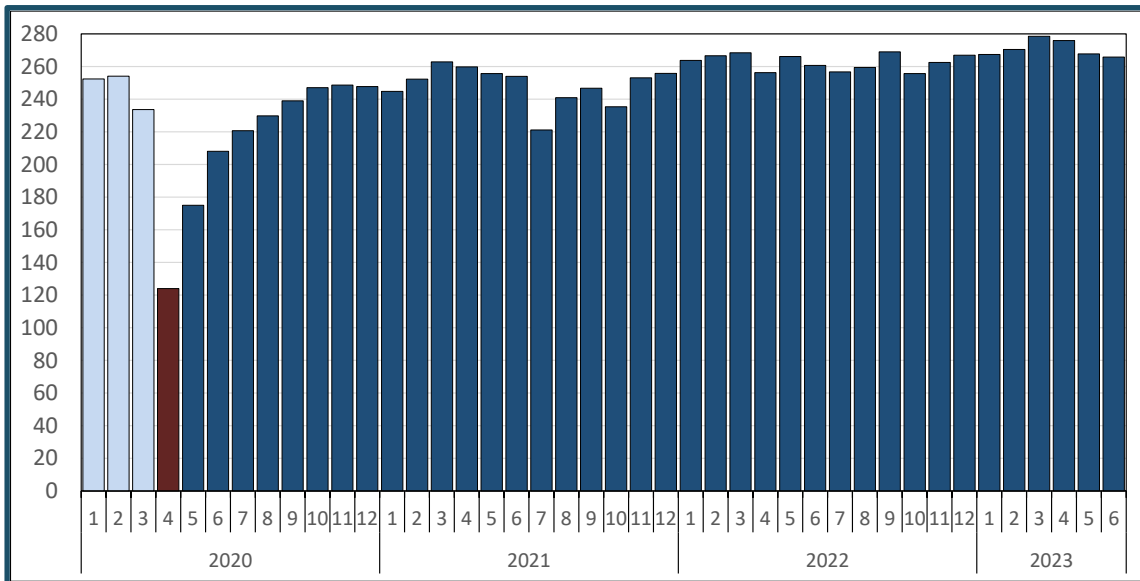
Graph 3. Growth in value added by sector, year to second quarter, 2020 to 2023



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2023Q2. Excel spreadsheet.

For the past 18 months, manufacturing sales have levelled out in constant rand terms, averaging just above pre-pandemic levels. They declined through the second quarter of 2023, however.

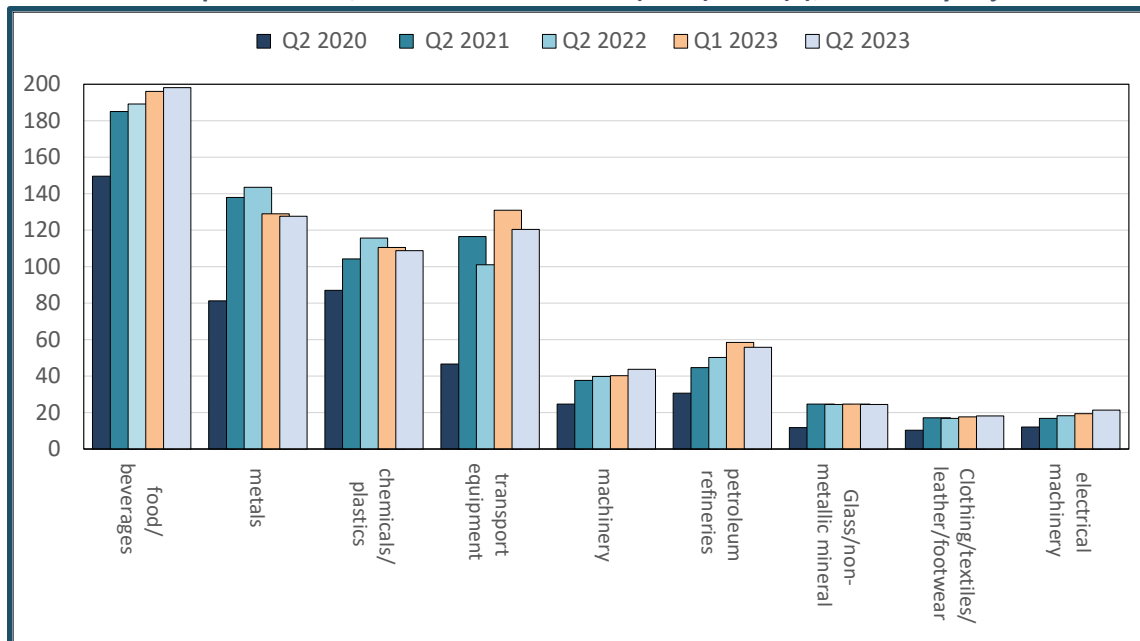
Graph 4. Monthly manufacturing sales in billions of constant (2023) rand (a), seasonally adjusted, January 2020 to June 2023



Note: (a) Reflat with CPI. Source: Calculated from Statistics South Africa. Manufacturing: Production and Sales, June 2023

In the year to the second quarter of 2023, sales increased markedly for food, auto and machinery. They fell marginally, however, for metals and the chemicals value chain.

Graph 5. Second quarter sales by manufacturing industry from 2020 to 2023, and first quarter 2023, in billions of constant (2023) rand (a), seasonally adjusted



Note: (a) Reflat with CPI. Source: Calculated from Statistics South Africa. Manufacturing: Production and Sales, June 2023