

GDP growth

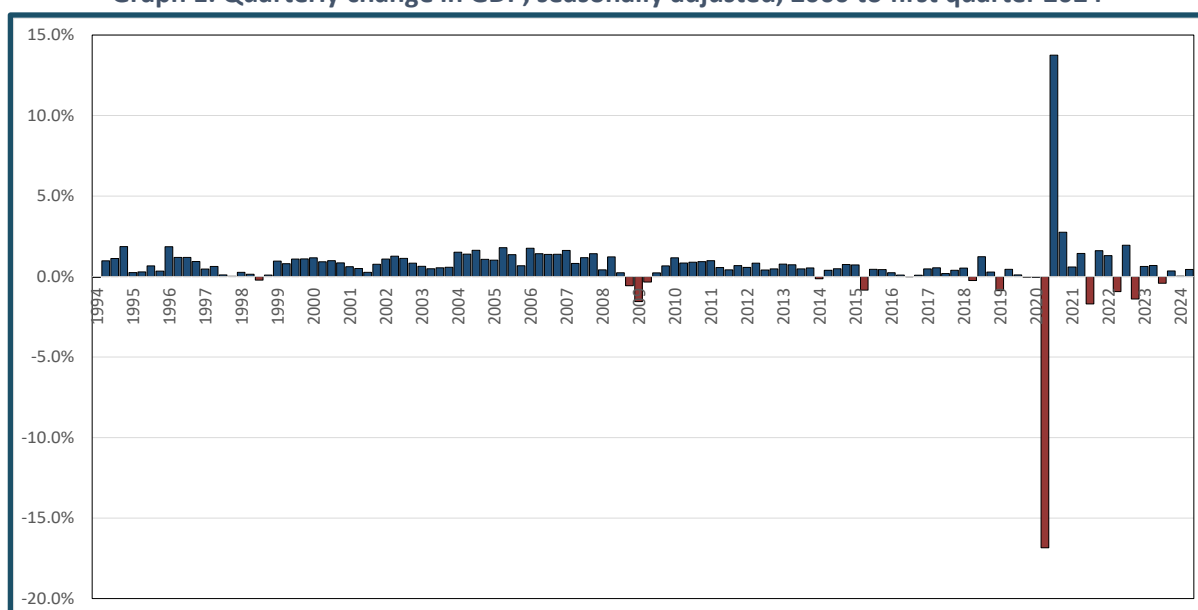
The GDP eked out 0.4% growth in the year to the second quarter of 2024. That comes on top of near-stagnation from early 2023, which was largely a result of falling mining and metals prices combined with difficulties at Eskom and Transnet. Manufacturing value added climbed 1.1% in the quarter, but is still lower than it was two years ago. It is 7% below its pre-pandemic levels. Metals revenues have fallen precipitously since 2022.

The GDP has remained almost unchanged since the second half of 2022, edging up 0.4% in the year to the second quarter. That rate of growth is around 1% slower than the expansion in the population.

In effect, the relatively rapid, although volatile, growth rates seen in the recovery from the pandemic have levelled out, apparently in large part due to the challenges around electricity and transport discussed in the section on infrastructure on page 9. Stagnation in world mining prices and restrictive macro-economic policies have added to the malaise.

In April, the IMF forecast that South Africa's GDP growth would accelerate to 1.4% by the end of the decade, compared to 3% for other upper middle-income countries excluding China, and 3.3% for China.

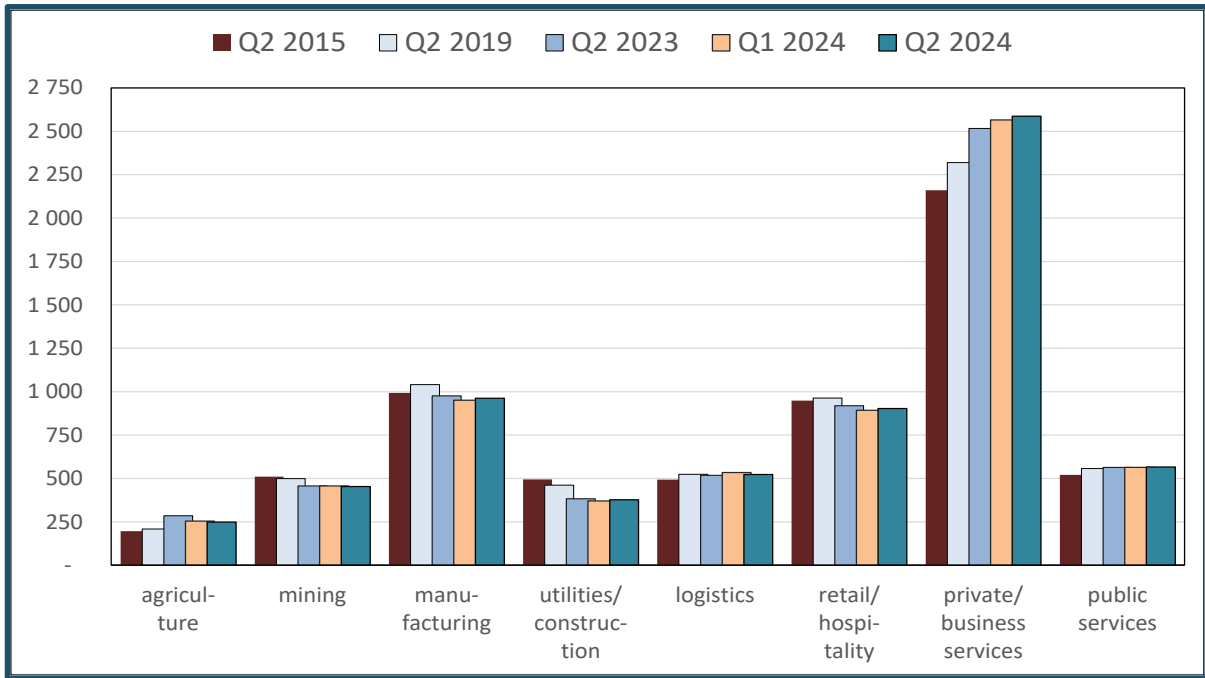
Graph 1. Quarterly change in GDP, seasonally adjusted, 2000 to first quarter 2024



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

Virtually all the growth in the year to second quarter took place in private services – professional services like engineering, software production, cultural work and the law; cleaning and security; and personal services such as hair dressing. These industries have driven the recovery from the pandemic downturn in 2020, but they have also seen slowing growth in the past two years. Retail and hospital also saw some expansion in the year to June 2024. Manufacturing shrank over the year, although it saw some recovery in the second quarter of 2024. Every other sector was flat or declined. (Graph 2).

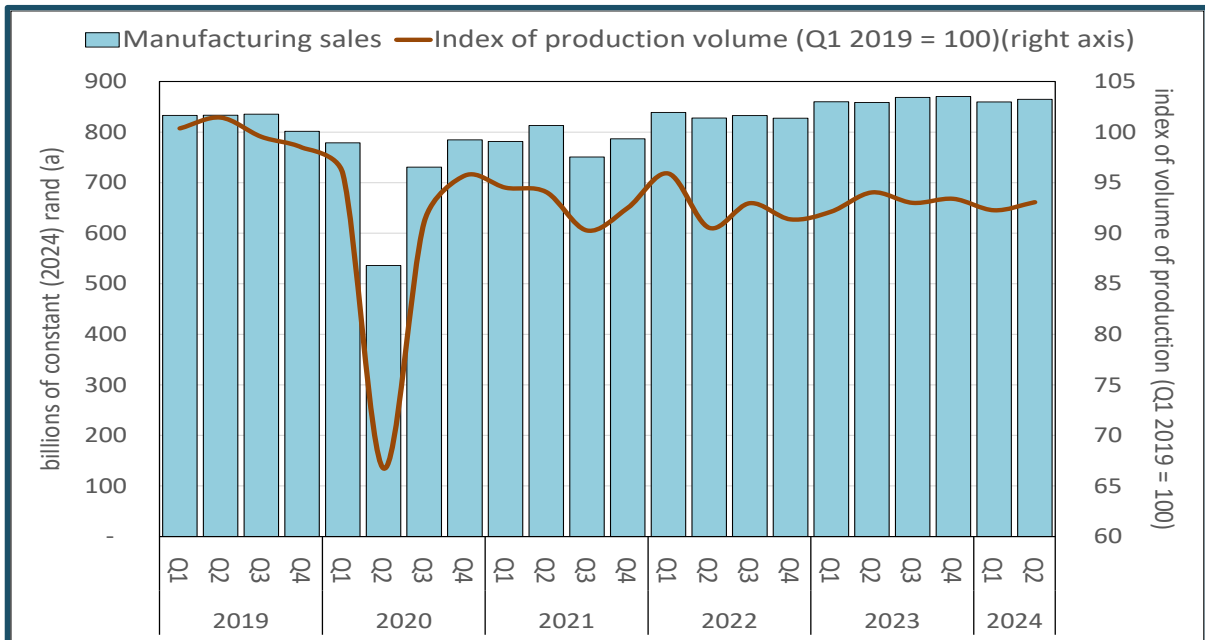
Graph 2. Value added by sector, second quarter 2015, 2019, 2023 and 2024, and first quarter 2024, in billions of constant (2024) rand (a)



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

Manufacturing sales in constant terms have been essentially flat since early 2023, while output in volume terms has reportedly barely increased since early 2021. (Graph 3)

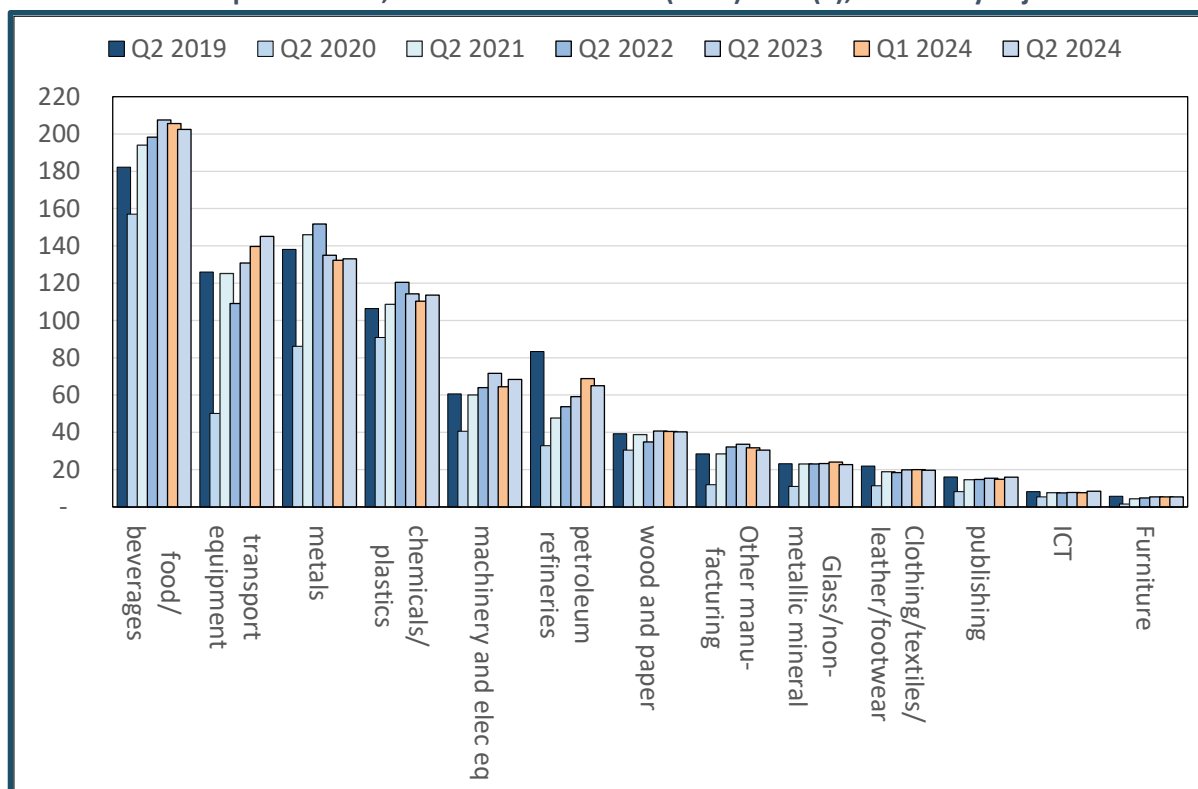
Graph 3. Quarterly manufacturing sales in billions of constant (2024) rand (a) and volume index (January 2020 = 100), seasonally adjusted, first quarter 2019 to second quarter 2024



Note: (a) Refflated with CPI rebased to first quarter 2024. Source: Calculated from Statistics South Africa. Manufacturing: Production and Sales, June 2024. Accessed at www.statssa.gov.za in September 2024.

Within manufacturing, most of heavy industry saw modest growth in the past quarter, but have shrunk year on year. For the year to the second quarter of 2024, only transport equipment and petrochemicals expanded their sales significantly, while most other manufacturing industries shrank. Petroleum, metals, and clothing and textiles are producing at well below pre-pandemic levels, but most other industries have caught up.

Graph 4. Second quarter sales by manufacturing industry from 2019 to 2024, and first quarter 2024, in billions of constant (2024) rand (a), seasonally adjusted

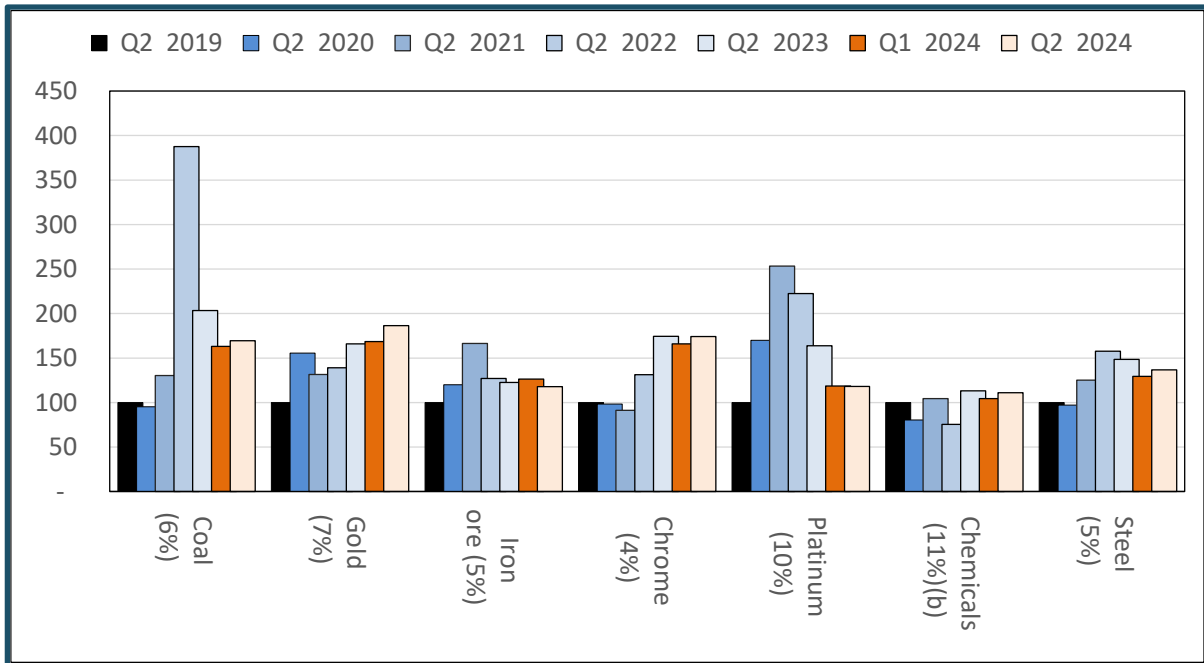


Note: (a) Refflated with CPI rebased to first quarter 2024. Source: Calculated from Statistics South Africa. Manufacturing: Production and Sales, June 2024.

The most obvious factors slowing manufacturing growth remain infrastructure challenges, as discussed in the section on page 9, and the fall in world mining prices since 2022.

As Graph 5 shows, prices for South Africa’s main mineral exports have fallen significantly since their speculative peaks following Russia’s 2022 invasion of Ukraine. The only exceptions are gold and chrome, which have seen a price surge, but together contribute only 11% of South African exports. In addition, deepening fiscal austerity and rising real interest rates have dampened domestic demand. Public investment has fallen in the year to the second quarter of 2024; the 2024/25 budget is imposing cuts in real terms to public services, including education and health; and interest rates are higher relative to CPI than at any time in the past decade.

Graph 5. Indices of South African unit export prices for major mining-based exports in 2024 rand (a); current share in total export revenues in parentheses



Note: (a) Rebased with CPI rebased to second quarter 2024. South African chemicals exports derive primarily from coal. Source: Calculated from Quantec. EasyData. Interactive dataset. Series on trade in SIC categories.