

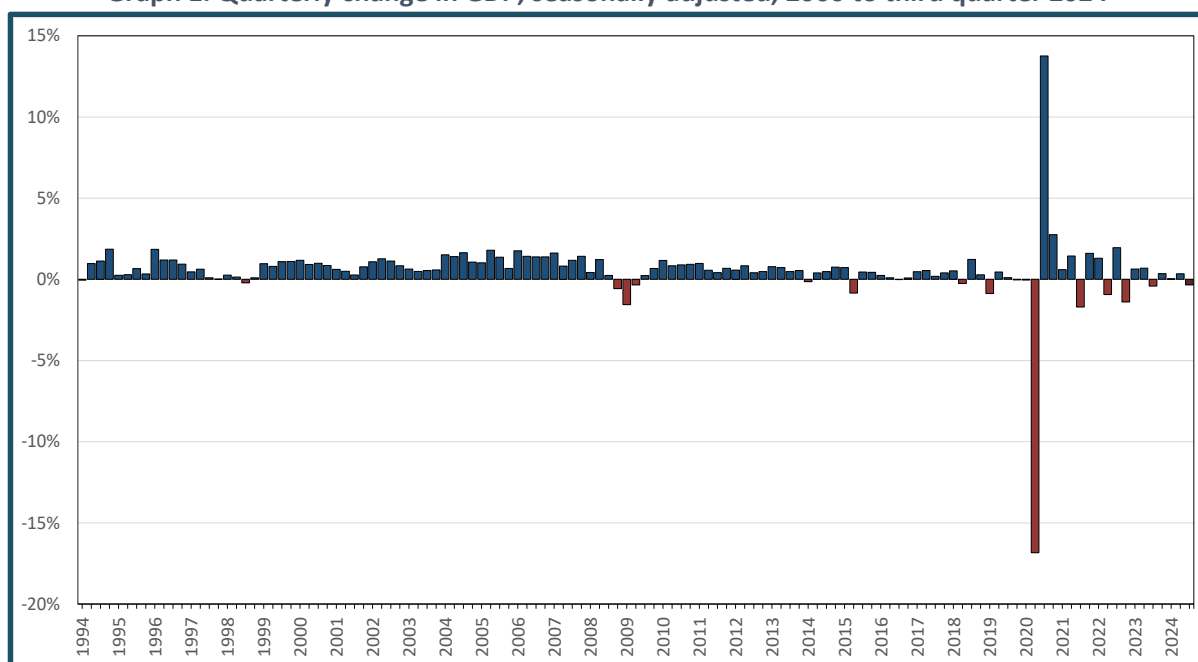
GDP growth

The GDP shrank by 0.35% in the third quarter of 2024. The main driver was a reported 29% drop in agricultural production, mostly due to the drought. The rest of the economy expanded 0.4%. In manufacturing, the auto industry faced headwinds as international car exports contracted.

The GDP contracted 0.35% in the third quarter of 2024. The decline was due almost entirely to an extraordinary 28% drop in agricultural value added. Although agriculture contributes under 5% of the GDP, slow growth in other sectors meant that its sharp fall had a disproportionate impact on overall economy growth.

The drought primarily affected the inland provinces of Limpopo, Mpumalanga, the North West, the Northern Cape and Gauteng. It was associated with both higher temperatures and lower rainfall in these regions, affecting all kinds of crops as well as grazing lands. It was largely a consequence of the El Niño phenomenon, which in turn has been vastly aggravated by the climate crisis. The entire region has been affected, with severe droughts in most of SACU (Botswana, eSwatini, Lesotho, Namibia and South Africa) Zambia, Zimbabwe and Malawi, and unusual rainfall in Mozambique and some other countries. Botswana, Lesotho, Namibia, Malawi, Zambia and Zimbabwe have declared states of emergency.

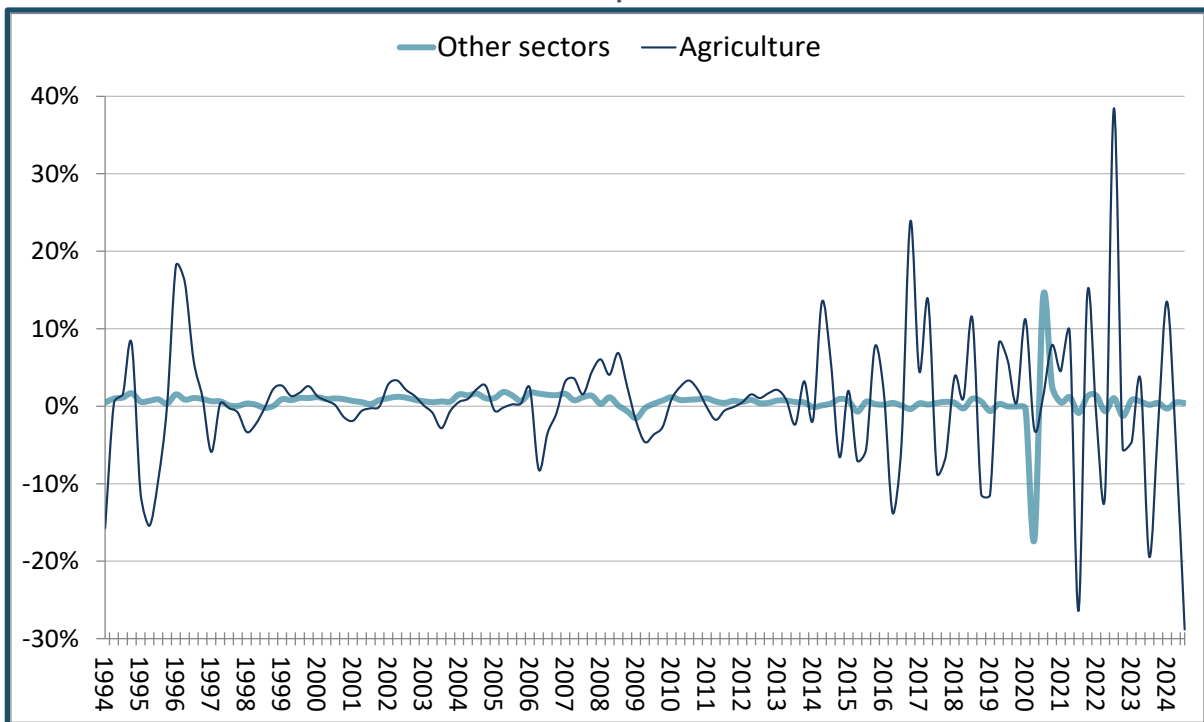
Graph 1. Quarterly change in GDP, seasonally adjusted, 2000 to third quarter 2024



Source: Calculated from Statistics South Africa. GDP quarterly figures, seasonally adjusted. GDP P0441 – 2024Q3. Excel spreadsheet.

The drought aggravated economic volatility, which has vastly increased since the COVID-19 downturn in 2020. In five of the 17 quarters from the third quarter of 2020 to the third quarter of 2024, the economy shrank by an average of 3.1%. Over 100 quarters from 1994 to 2018, in contrast, the GDP declined only nine times, with an average drop of just 0.4%.

Graph 2. Quarterly seasonally adjusted growth in agriculture and the rest of the economy, 1994 to third quarter 2024



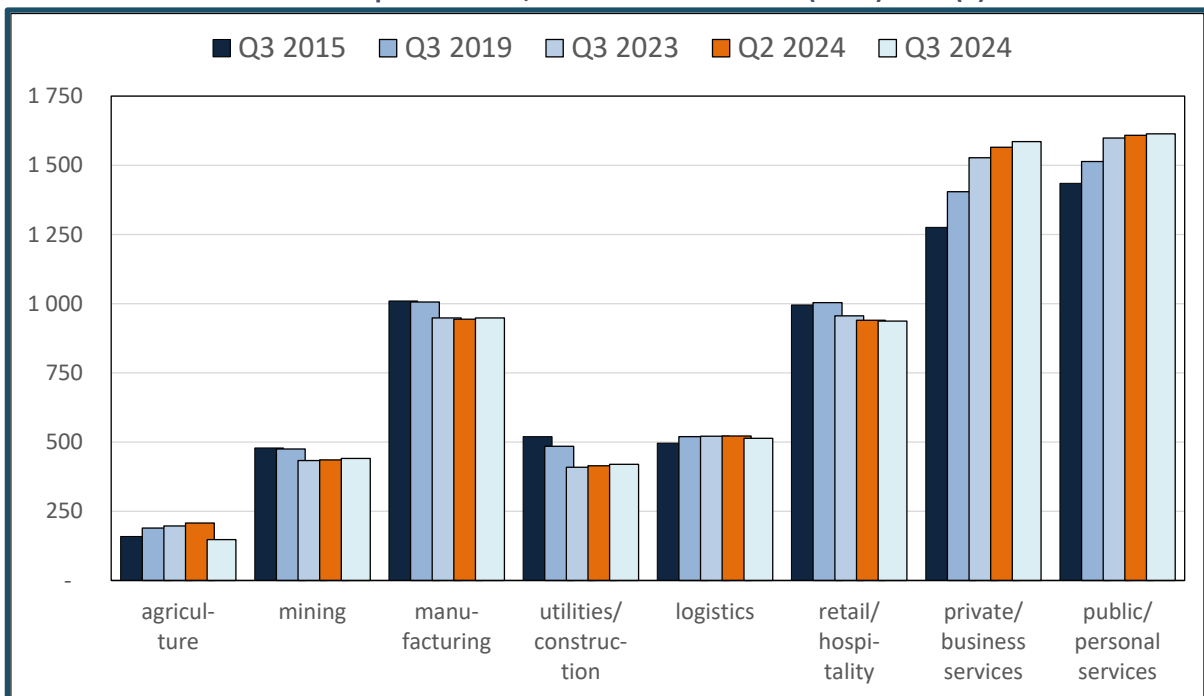
Source: Calculated from Statistics South Africa. GDP quarterly figures, seasonally adjusted. GDP P0441 – 2024Q3. Excel spreadsheet.

Since the mid-2010s, reported growth rates for agriculture have been vastly more variable than for the rest of the economy, although the data are seasonally adjusted. The trend appears to reflect changes in data analysis as well as climate change. (Graph 2) From 2020, the extreme swings in agriculture have had a disproportionate impact because the rest of the economy was growing only slowly.

Agricultural value added reportedly shrank in nine of the past 17 quarters, or 52% of the total. The quarterly downturns averaged 11%. In the hundred quarters from 1994 to 2018, in contrast, agriculture shrank in 41 quarters, and the contractions averaged only 4%. From 2020, volatility tripled for both agriculture and the rest of the economy as measured by the standard deviation. But it was five times higher for agriculture than for the other economic sectors.

Outside of agriculture, only logistics, trade and general government declined in the third quarter of 2024. Manufacturing grew just 0.5%, as did personal and community services. Mining, construction and business services all expanded by over 1%. (Graph 3)

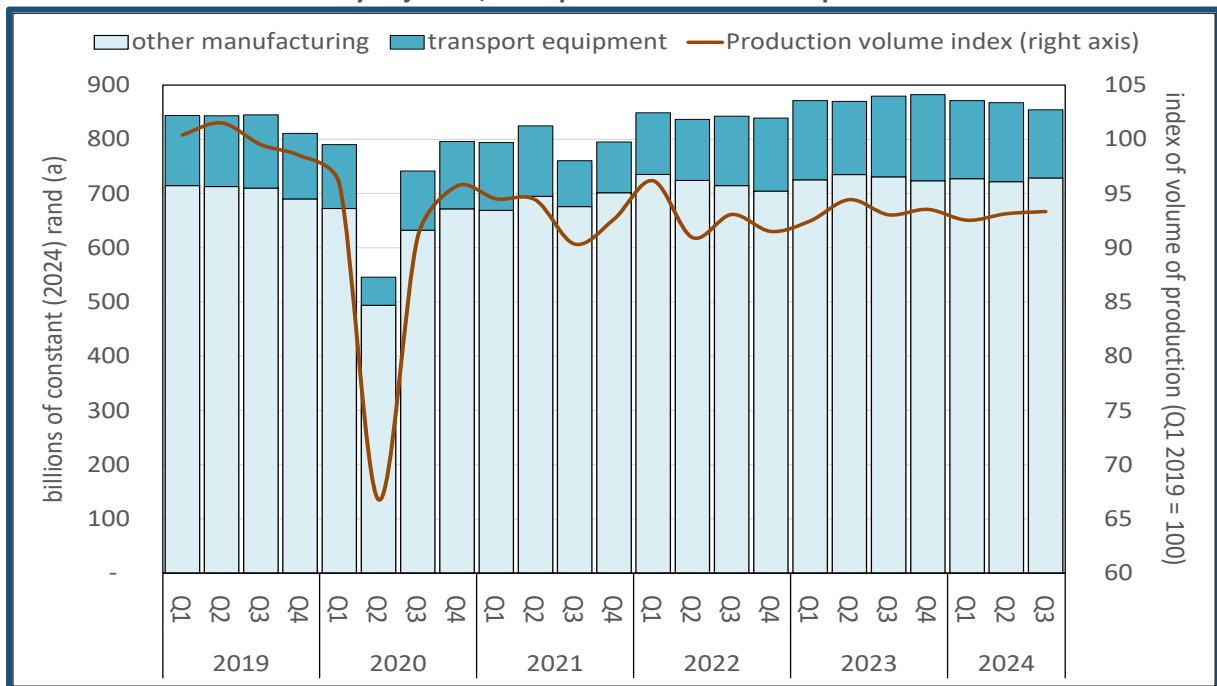
Graph 3. Value added by sector, third quarter 2015, 2019, 2023 and 2024, and second quarter 2024, in billions of constant (2024) rand (a)



Note: (a) Reflated with implicit deficits per sector. Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2024Q3. Excel spreadsheet.

Figures on manufacturing production and sales point to the impact of a significant decline in the auto industry over the year to the third quarter 2023. Sales in the rest of manufacturing have been essentially flat in constant rand terms (deflated by CPI) since 2021. The auto industry, however, has seen a 16% decline in total sales since the third quarter of 2023. As discussed in the section on trade, this fall was associated with a 25% drop in exports in constant rand terms. As a result, the auto industry’s share in South African revenues from goods exports fell from 13.5% in the third quarter of 2023 to 11.6% a year later. Its share in revenues from manufactured exports alone shrank from 26.7% to 24.3%. In 2023, the industry had recovered to pre-pandemic levels of 630 000 units a year, but it seems likely to fall short of that output this year. For comparison, the government has long targeted a million cars a year.

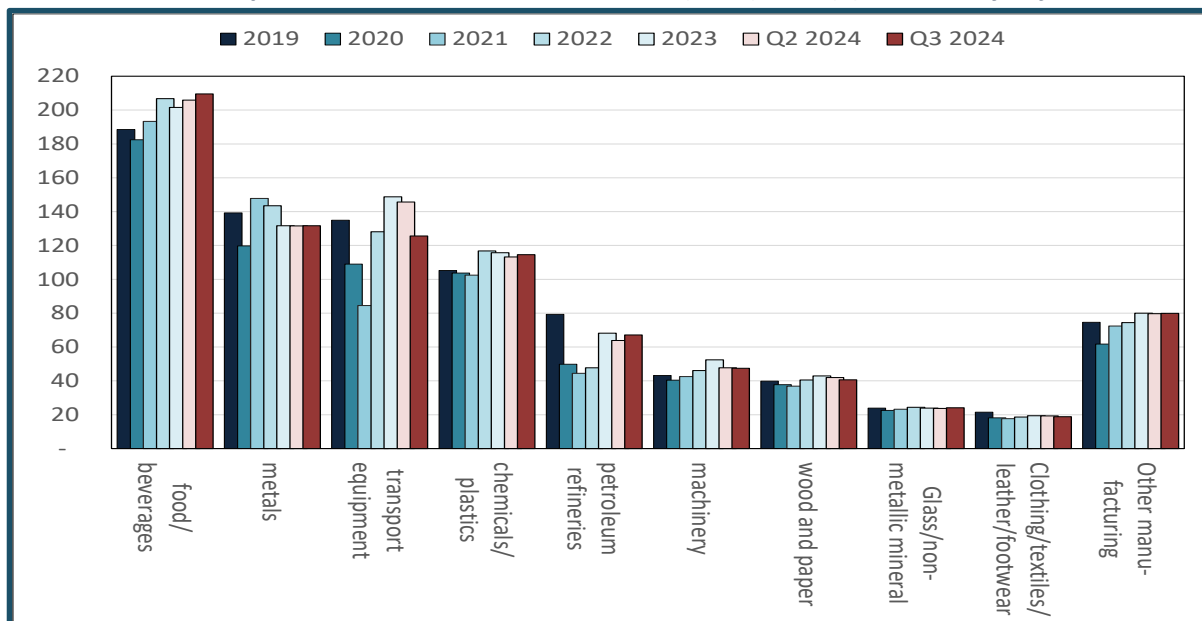
Graph 4. Quarterly sales from auto and other manufacturing industries in billions of constant (2024) rand (a) and volume index for total manufacturing production (January 2020 = 100), seasonally adjusted, first quarter 2019 to third quarter 2024



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 December 2024.

No other manufacturing industry experienced a decline in sales comparable to auto. Machinery sales dropped 9% in constant rand from the third quarter of 2023 to the third quarter of 2024; wood and paper shrank 5%; and clothing, 3%. Only food processing and beverages experienced significant growth, at 4%, over the year. (Graph 5)

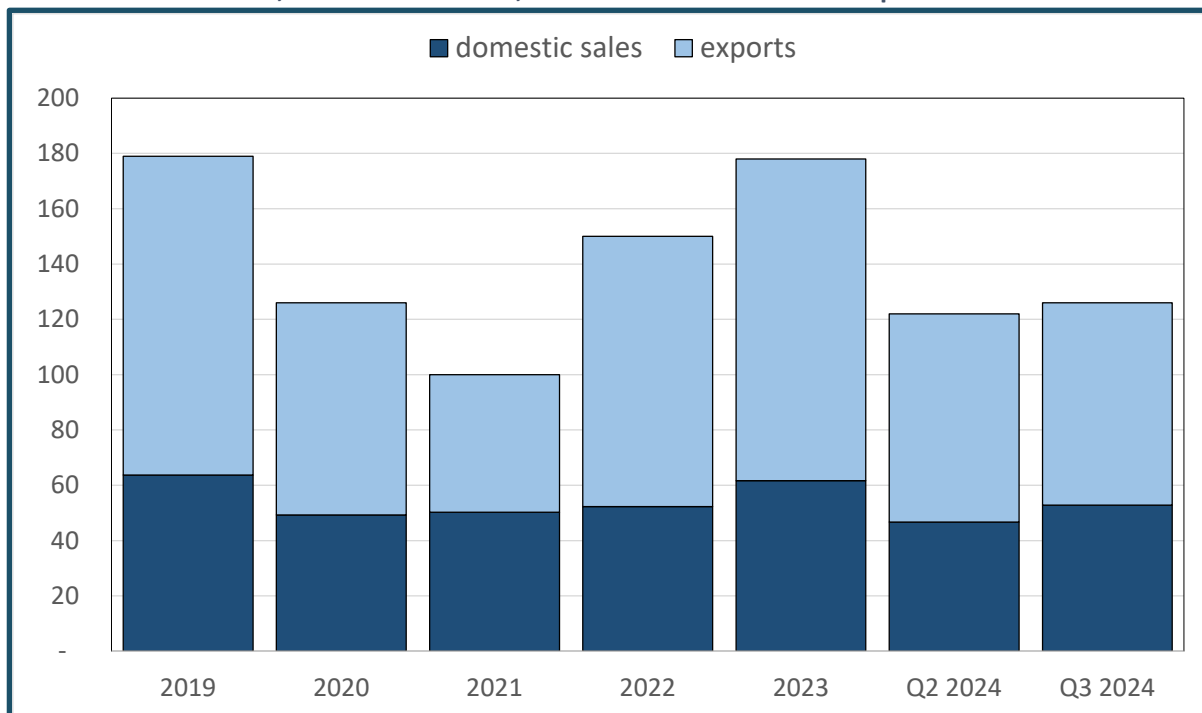
Graph 5. Third quarter sales by manufacturing industry from 2019 to 2024, and second quarter 2024, in billions of constant (2024) rand (a), seasonally adjusted



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

The decline in the auto industry over the past year resulted primarily from a worldwide drop in demand. It was reflected in slowing car exports particularly to Europe, which remains a critical market for South Africa. As a result, auto production in the third quarter of 2024 fell back to levels last seen at the end of 2020, during the recovery from the COVID-19 pandemic. In contrast, domestic sales of locally assembled cars remained comparatively stable, with some improvement from the second to the third quarter of 2024. (Graph 6) The auto industry has also been disrupted by delays at the ports, which affect both imports of components and exports of assembled vehicles. While South Africa produces many structural components for cars, virtually all more advanced inputs, from gearboxes to computers and software, are still imported.

Graph 6. Third quarter sales in South Africa and exports of locally assembled vehicles, in thousands, from 2019 to 2023, and in the second and third quarter of 2024



Source: Calculated from NAAMSA Quarterly Reviews for relevant quarters. Accessed at <https://naamsa.net/quarterly-reviews/> in November 2024.