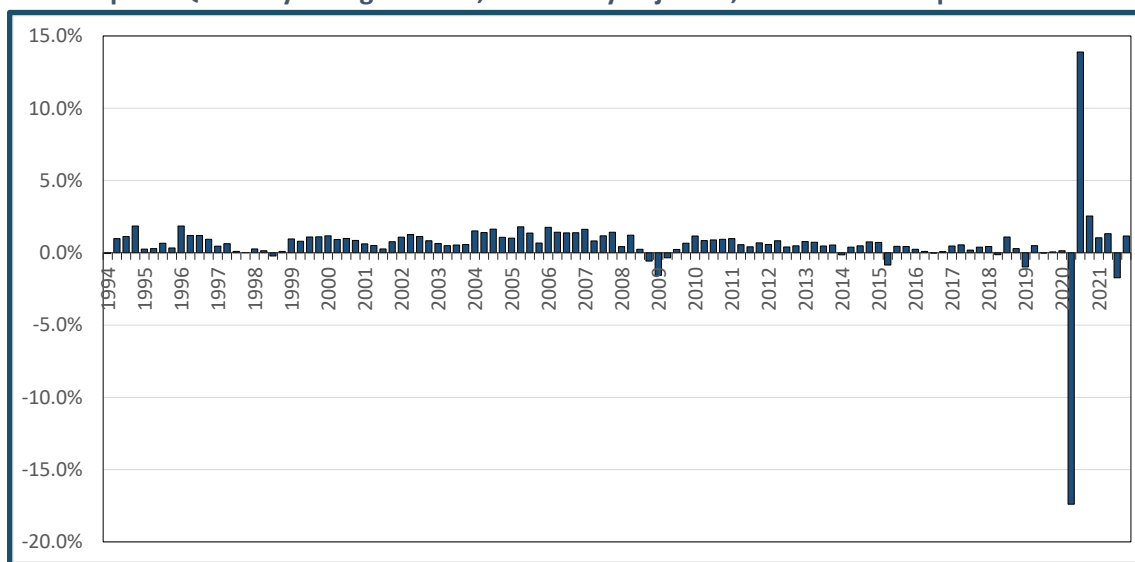


## GDP growth

The GDP expanded by 1.2% in the fourth quarter of 2021, bringing growth for 2021 as a whole to 4.9%, despite the 1.7% contraction in the third quarter and the COVID-19 surge in December.

Revived growth in the fourth quarter of 2021 meant the year saw the fastest economic expansion since the commodity boom that ended in 2011, as Graph 1 shows. Despite the sharp downturn in the third quarter, which most observers attributed to the July violence, the economy grew faster in 2021 than in any calendar year since 2007.

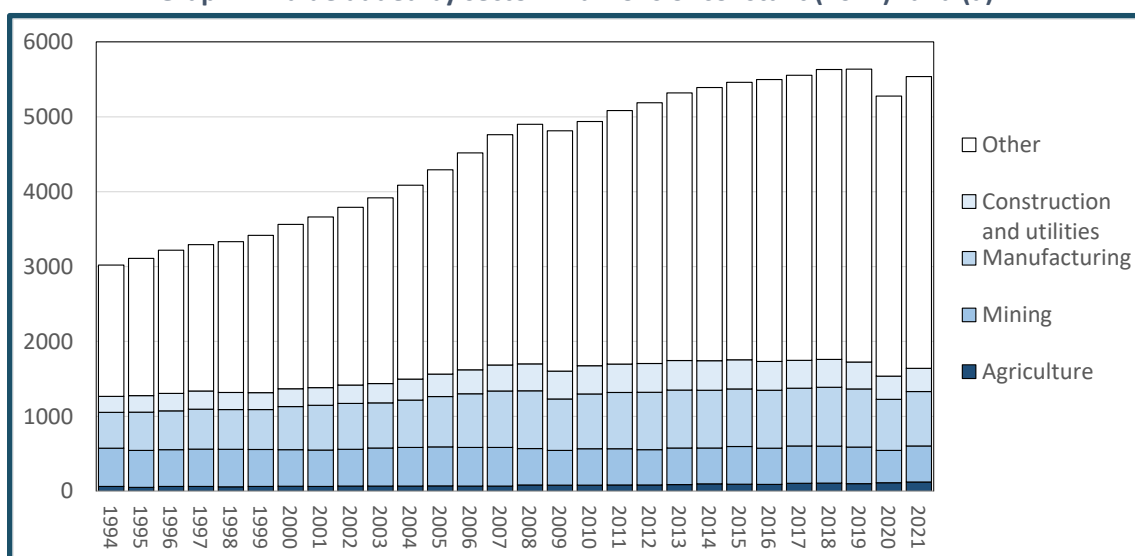
**Graph 1. Quarterly change in GDP, seasonally adjusted, 1994 to fourth quarter 2021**



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).

Even with the strong showing for 2021, the steep contraction from the pandemic in 2020 and, to a much lesser extent, the July 2021 unrest meant the GDP remained 1.8% lower than in 2019. The annual data underscore the extraordinary impact of the pandemic depression, which capped a decade of slowing growth. (Graph 2)

**Graph 2. Value added by sector in billions of constant (2021) rand (a)**

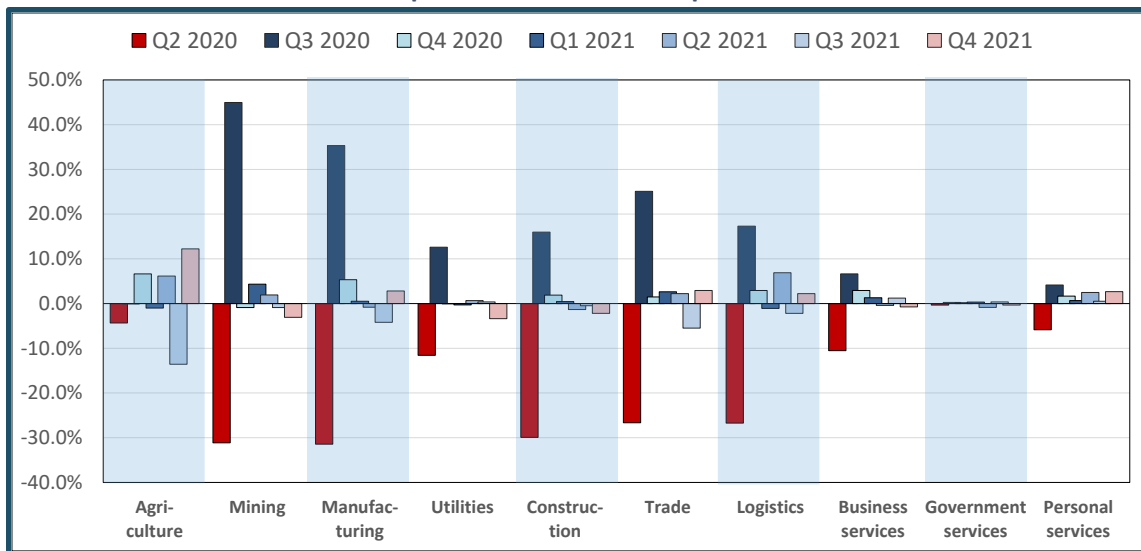


Note: (a) Rebased using implicit deflator for GDP rebased to 2021. Source: Calculated from Statistics South Africa. GDP annual current and constant figures. GDP P0441 – 2021Q2. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za).

Growth rates in the fourth quarter of 2021 varied substantially by sector. Agriculture, manufacturing, trade, transport and communications and personal services expanded comparatively quickly. Manufacturing climbed 7% over the year.

In contrast, mining production shrank in real terms in the fourth quarter of 2021, but very strong earlier growth meant it expanded over 10% for the year as a whole. Construction declined for the fourth quarter in a row, for an annual contraction of 2%.

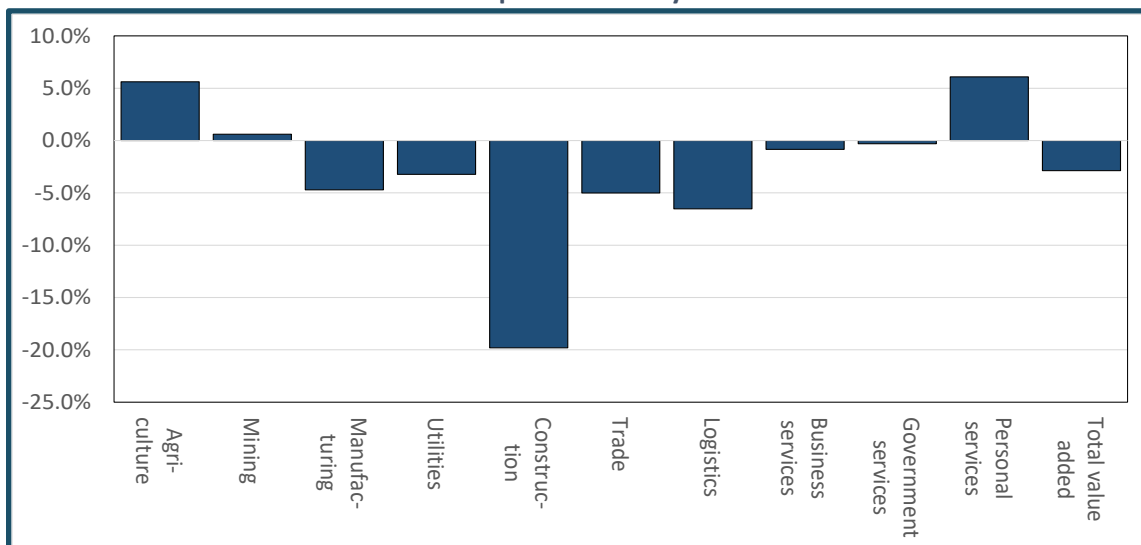
**Graph 3. Quarterly change in contribution to GDP by sector, second quarter 2020 to fourth quarter 2021**



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).

Only agriculture, mining and personal services exceeded pre-pandemic production levels by the fourth quarter of 2021. Construction lagged far behind the rest of the economy, at 20% below pre-pandemic levels with very little signs of recovery in 2021.

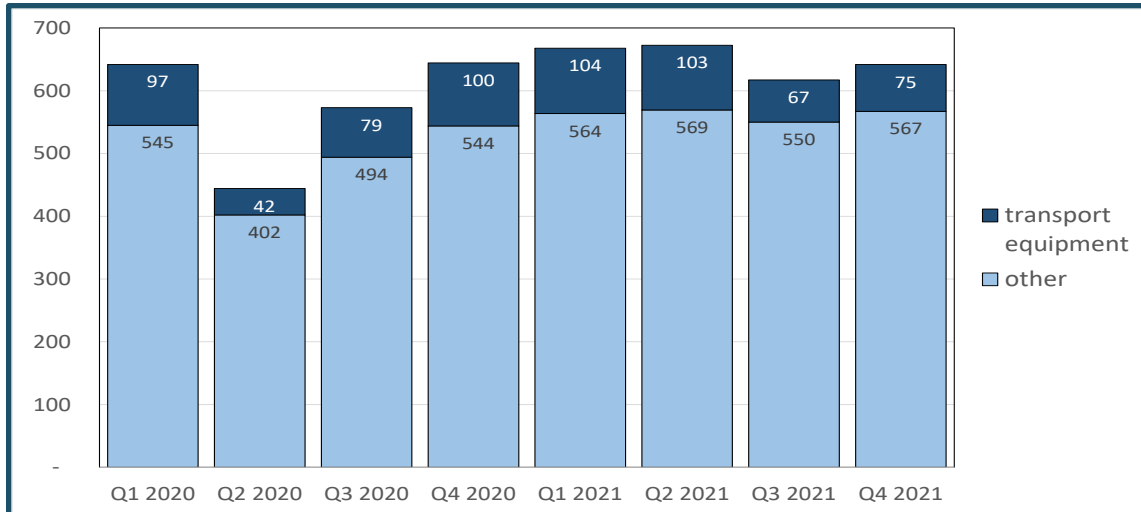
**Graph 4. Change in GDP from first quarter of 2020 (pre-pandemic) to third quarter 2021 by sector**



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).

Manufacturing sales recovered by 4% in constant rand in the fourth quarter of 2021 after shrinking 8% in the third quarter. (Graph 5) The auto industry largely drove the swing. Its sales plummeted 35% in the third quarter, almost entirely in July, then rebounded 12% in the fourth quarter. The rest of manufacturing shrank 3% in the third quarter, but regained almost all of the lost ground over the next three months.

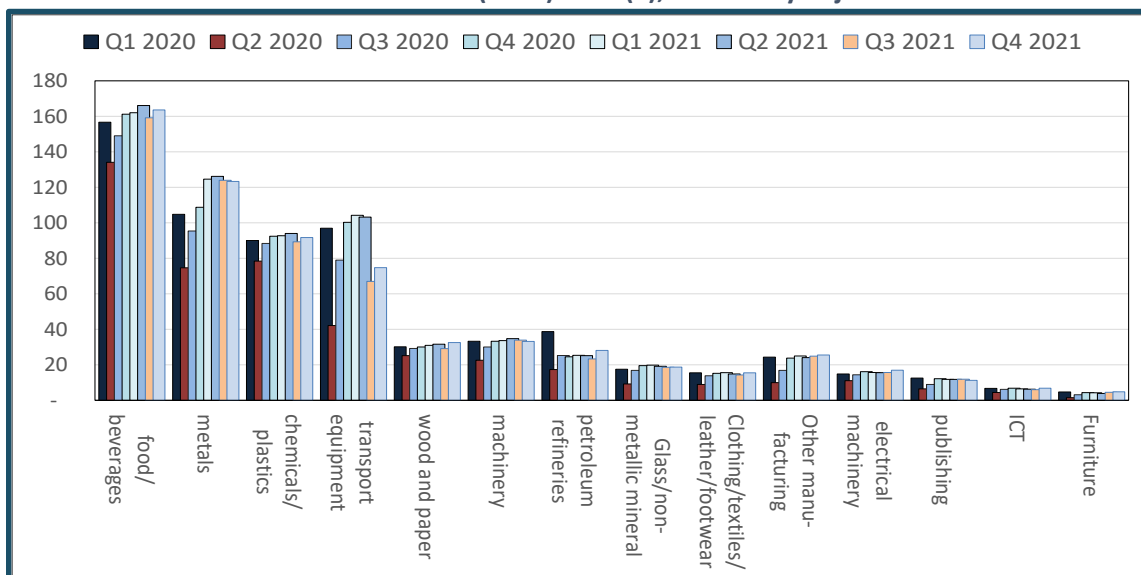
**Graph 5. Quarterly manufacturing sales in auto and in the rest of manufacturing in billions of constant (2021) rand (a), first quarter 2020 to last quarter 2021**



Note: (a) Figures revalued with CPI. Not seasonally adjusted. Source: Calculated from Statistics South Africa. Manufacturing: Production and sales, December 2021. P3041.2. Excel spreadsheet (202112).

While auto sales remained far below pre-July levels, other industries regained most of the ground they lost in the third quarter of 2021. Still, only petroleum refineries, electrical machinery and clothing saw higher sales in the fourth quarter than in the second quarter in constant rand terms. (Graph 6)

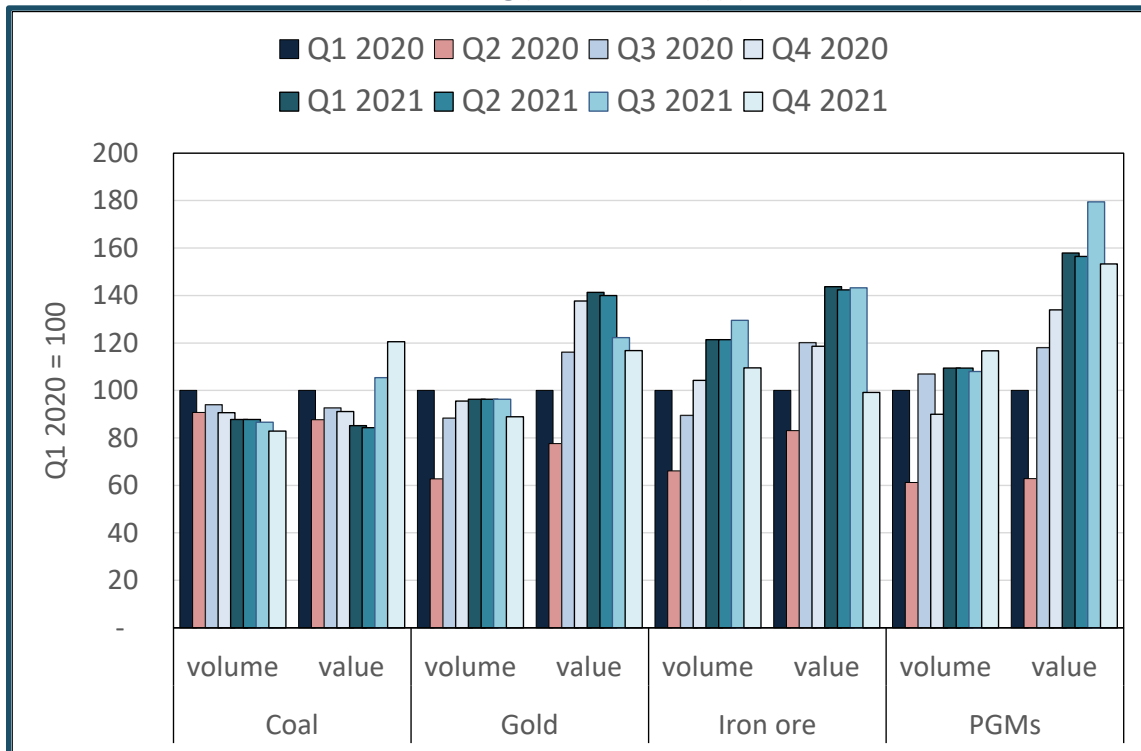
**Graph 6. Quarterly sales by manufacturing industry in billions of constant (2021) rand (a), seasonally adjusted**



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

The fourth quarter of 2021 brought a sharp decline in international metals prices, which had escalated during the pandemic in response to the combination of economic uncertainty and low interest rates. Iron ore was hardest hit, with a 15% fall in output by volume but a 30% fall in sales in constant rand terms. Platinum sales dropped 15% and gold 4%. In contrast, although coal production declined steadily over the past two years, the value of sales climbed 14% from the third to the fourth quarter of 2021, reflecting soaring global and domestic prices. (Graph 7)

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

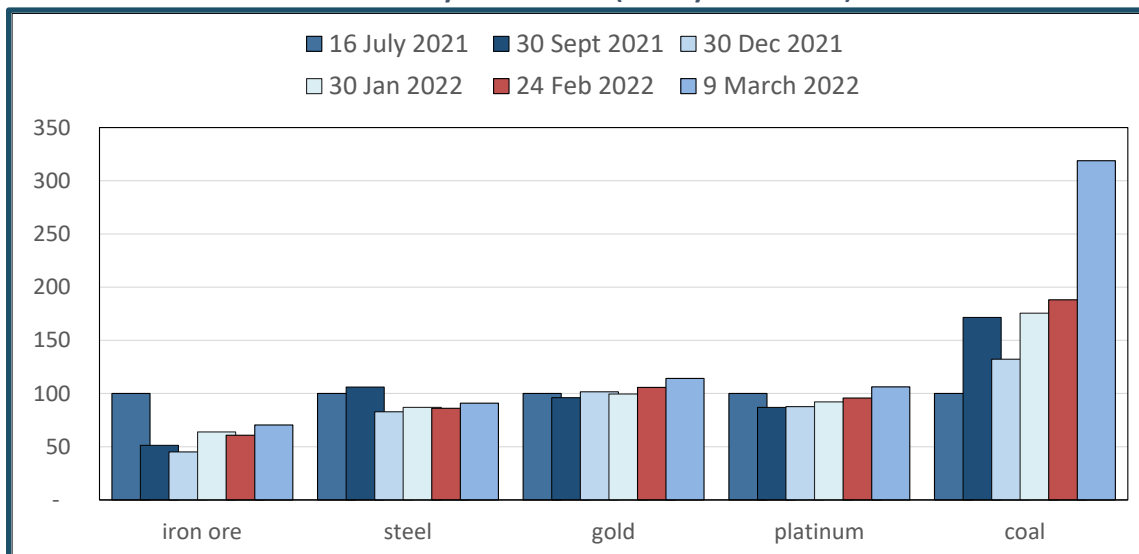


Note: (a) Production volume indices rebased to first quarter of 2020; sales are deflated with CPI. Source: Calculated from Statistics South Africa. Mining Production and Sales. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za).

From early 2022, the threat of a Russian invasion of Ukraine, which became a reality on 24 February, reversed the downward trend in metals prices that had marked the fourth quarter of 2021 (Graph 8). As a result, prices for energy and precious metals climbed to near-historic highs in the second week of March. Steel and iron ore also saw higher prices, but remained below their 2021 spikes as prospects for the global real economy darkened. Because the markets were mainly responding to speculative pressures rather than actual developments, it remained hard to determine how the war would affect South African mining in the longer run.

Briefing Note 1 provides more detail on the implications for the economy of the Russian attack on Ukraine.

**Graph 8. Index of global US dollar prices for South Africa's major mining exports from July 2021 to early March 2022 (16 July 2021 = 100)**

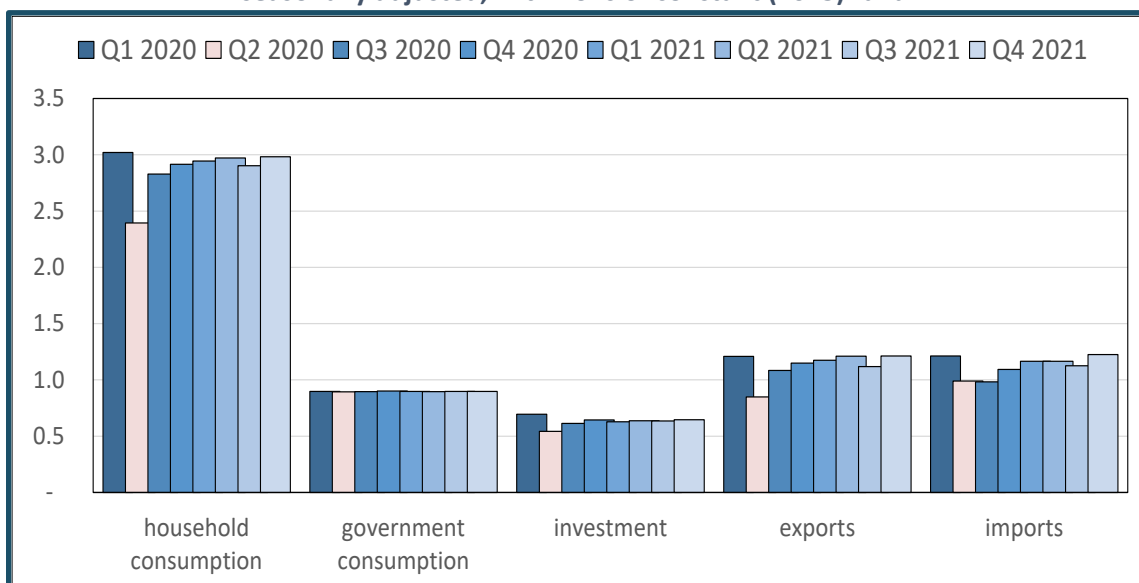


Source: Calculated from Trading Economics. Commodity prices. Interactive dataset. Accessed on 9 March 2022 at <https://tradingeconomics.com/commodities>.

In expenditure terms, a 2.8% jump in household spending accounted for most of the GDP growth in the fourth quarter of 2022. That was a rebound from the sharp fall in the third quarter, thanks mainly to the continued recovery from the pandemic and July violence. Still, household consumption remained 1% below pre-pandemic days.

As the richest 20% of households account for over half of all household spending, the implications for overall socio-economic well-being are hard to determine. Private investment also increased, as detailed in the Investment section. In contrast, government consumption remained virtually unchanged, and public investment shrank.

**Graph 9. Quarterly expenditure on GDP, first quarter 2020 to fourth quarter 2021, seasonally adjusted, in trillions of constant (2015) rand**



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