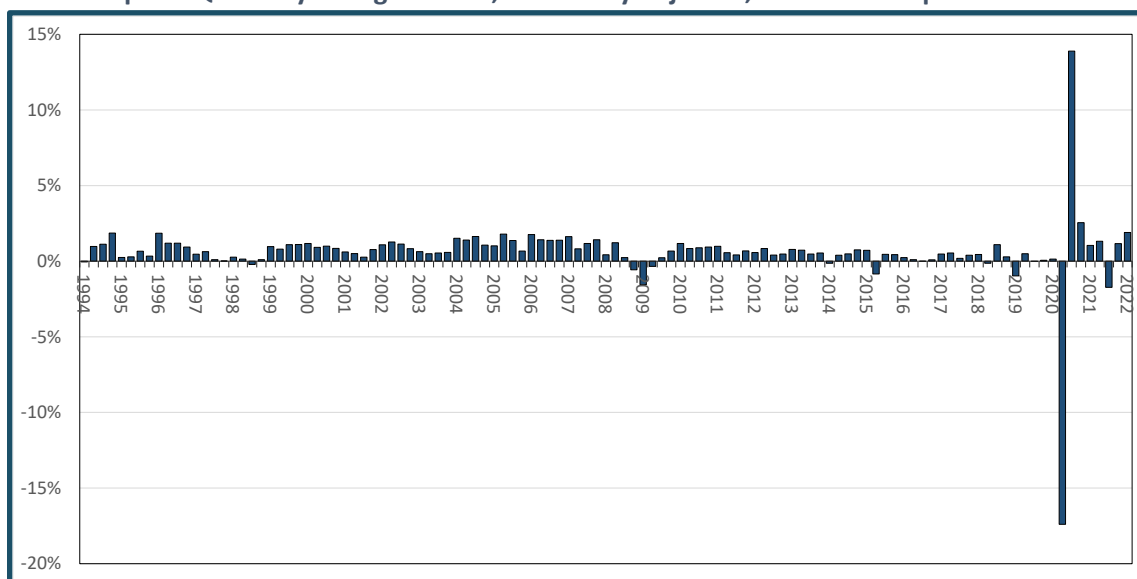


GDP growth

The GDP expanded almost 2% in the first quarter of 2022, bringing the GDP back to pre-pandemic levels. GDP growth has become far more volatile since the pandemic, however. Moreover, significant differences persist between sectors, with agriculture showing the strongest recovery and construction by far the weakest.

Comparatively rapid GDP growth continued in the first quarter of 2022, with expansion at 1.9% from the fourth quarter of 2021. In the year to the first quarter of 2022, the economy grew 2.9%. As a result, the GDP returned to levels last seen before the pandemic. That still means it remains 2% lower in per-person terms, however, since the population has grown since COVID-19 first struck in early 2020. (Graph 1)

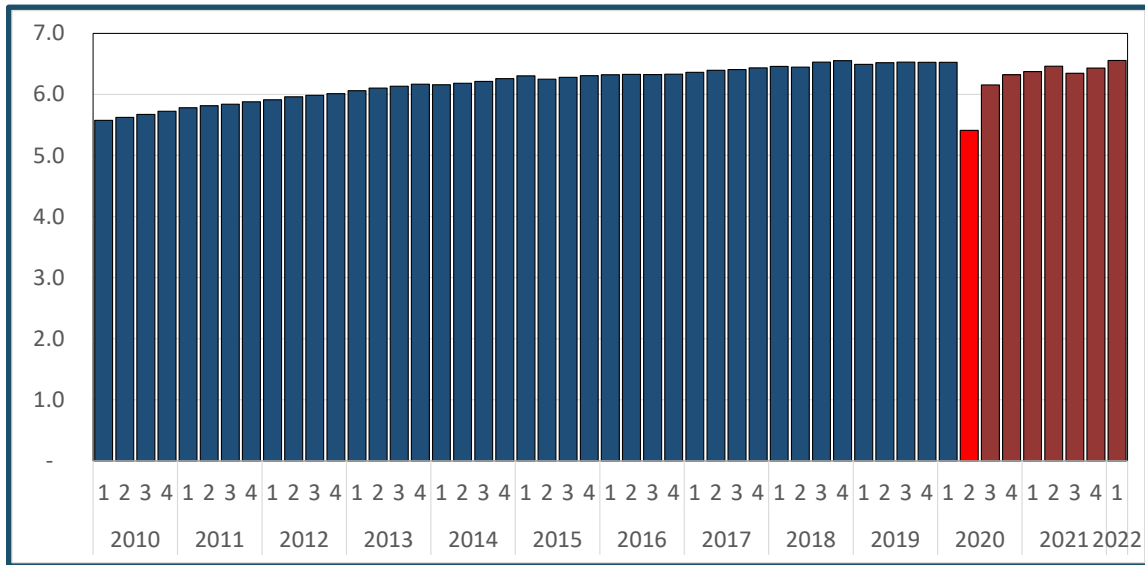
Graph 1. Quarterly change in GDP, seasonally adjusted, 1994 to first quarter 2022



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2021Q2. Excel spreadsheet.

The recovery has been extraordinarily bumpy, as Graph 2 shows. The volatility of growth in the past seven quarters has been almost 10 times as large as the average for the rest of the democratic era. The standard deviation for quarterly GDP growth was 0.6% from 1993 to the first quarter of 2020. Even excluding the extraordinary decline in the lockdown in the second quarter of 2020, it was 5% from the third quarter of 2020 to the first quarter of 2022.

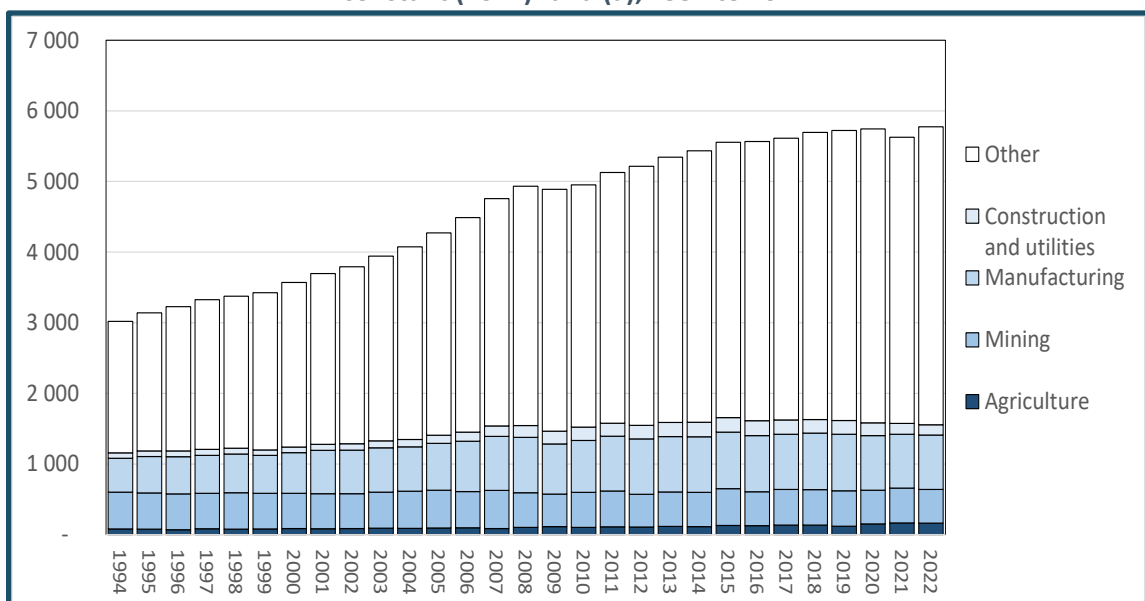
Graph 2. Quarterly GDP in trillions of constant (2022) rand (a) from 1994



Note: Rebased using implicit GDP deflator rebased to 2022. Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2021Q2. Excel spreadsheet.

Personal, business and government services generated virtually all of South Africa's economic growth year on year. Agriculture, mining and construction all shrank in this period. Manufacturing grew 1%, largely due to a growth spurt in the first quarter of 2022.

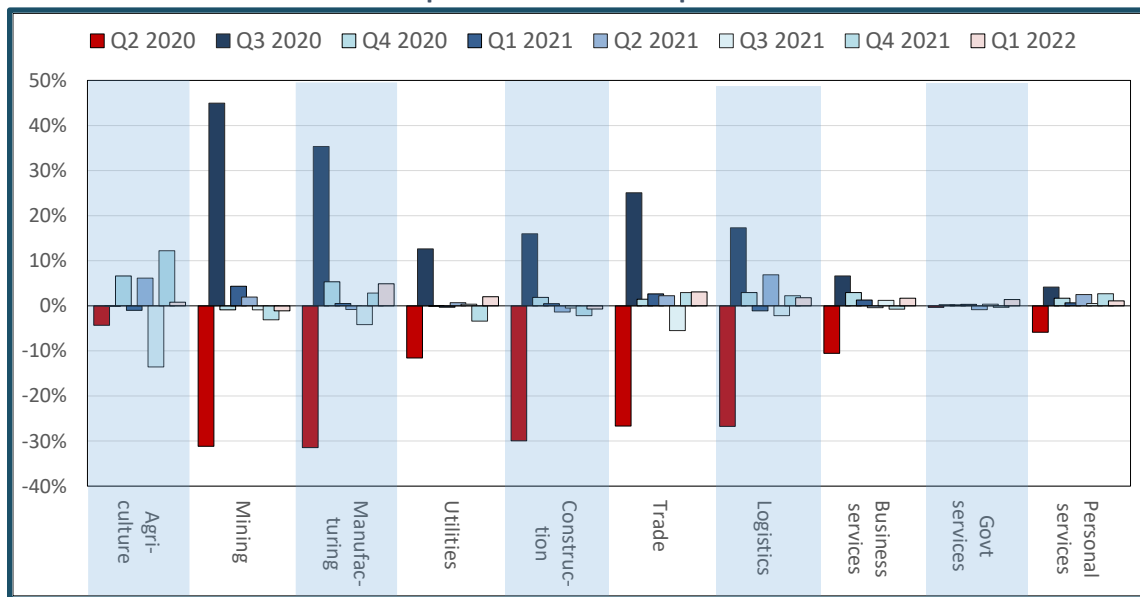
Graph 3. First-quarter value added by sector in billions of constant (2022) rand (a), 1994 to 2022



Note: (a) Rebased using implicit deflator for GDP rebased to first quarter 2022. Source: Calculated from Statistics South Africa. GDP annual current and constant figures. GDP P0441 – 2021Q2.

Manufacturing expanded faster than any other sector in the first quarter of 2022, climbing by 4.9% over the previous quarter in seasonally adjusted terms. In contrast, construction and mining shrank and agriculture grew only 0.8%.

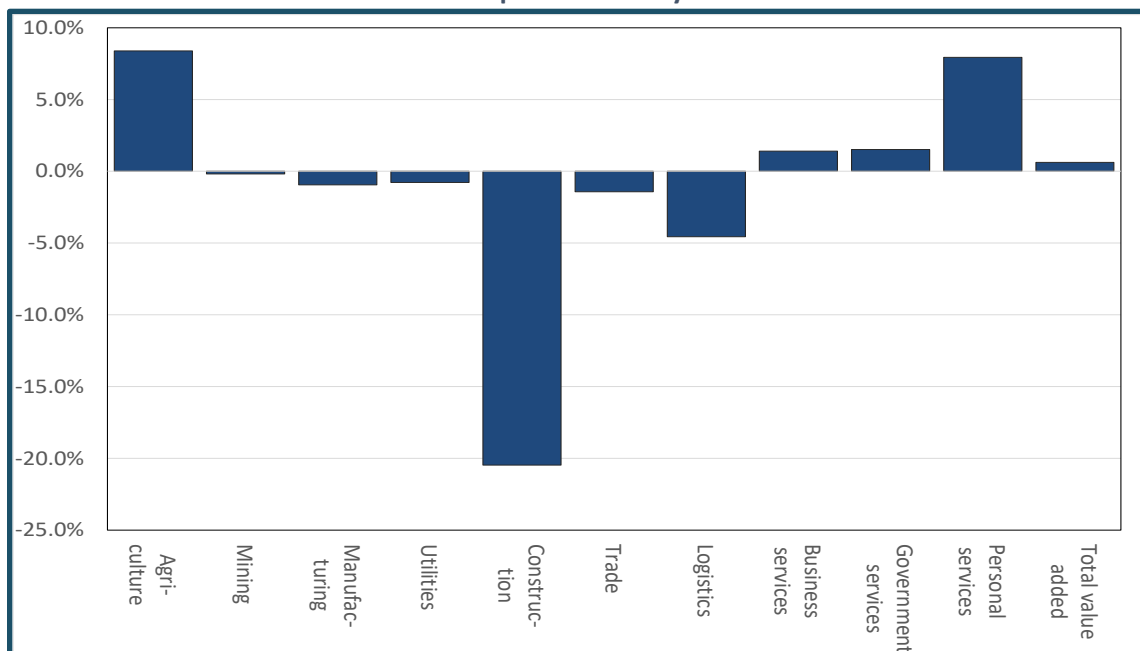
Graph 4. Quarterly change in contribution to GDP by sector, second quarter 2020 to first quarter 2022



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2021Q2. Excel spreadsheet.

The divergence in growth rates across sectors brought a pronounced difference in the recovery from the pandemic. Value added was still 20% lower than before the pandemic in construction, and it was 2% lower in manufacturing. In contrast, agriculture substantially increased its contribution to the GDP.

Graph 5. Change in GDP from first quarter of 2020 (pre-pandemic) to third quarter 2021 by sector

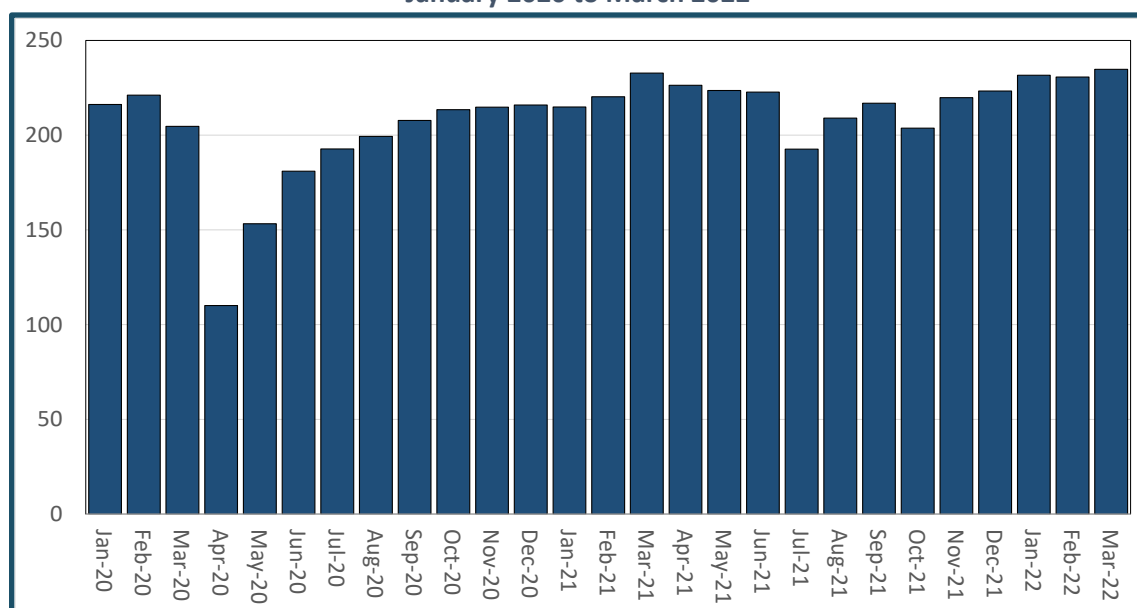


Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2021Q2. Excel spreadsheet

Manufacturing sales in the second quarter of 2022 were 4% above the previous quarter, and 5% higher than two years ago, before the pandemic downturn. That said, they mirrored the volatility

in national and domestic markets, with sharp falls in July and October 2021 followed by strong recoveries and then slow growth.

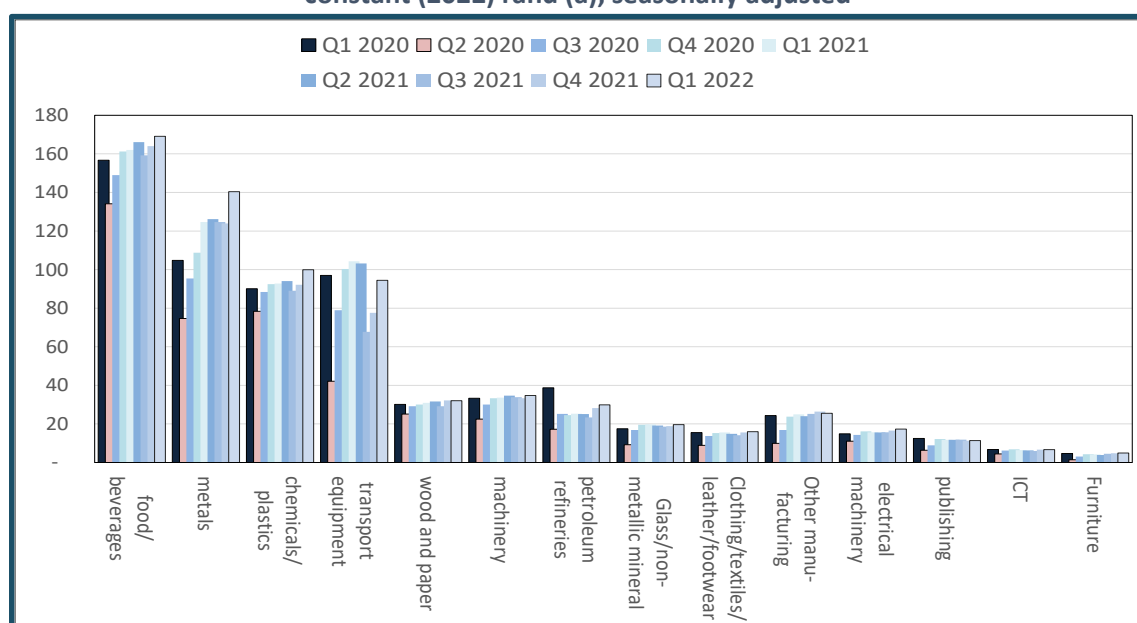
Graph 6. Monthly manufacturing sales in billions of constant (2021) rand (a), January 2020 to March 2022



Note: (a) Figures revalued with CPI. Source: Calculated from Statistics South Africa. Manufacturing: Production and sales, December 2021. P3041.2. Excel spreadsheet (202112).

Metals and the auto industry drove manufacturing sales in the first quarter of 2022. (Graph 7). Chemicals and food also saw substantial gains, but sales were flat in most other industries.

Graph 7. Quarterly sales by manufacturing industry in billions of constant (2022) rand (a), seasonally adjusted

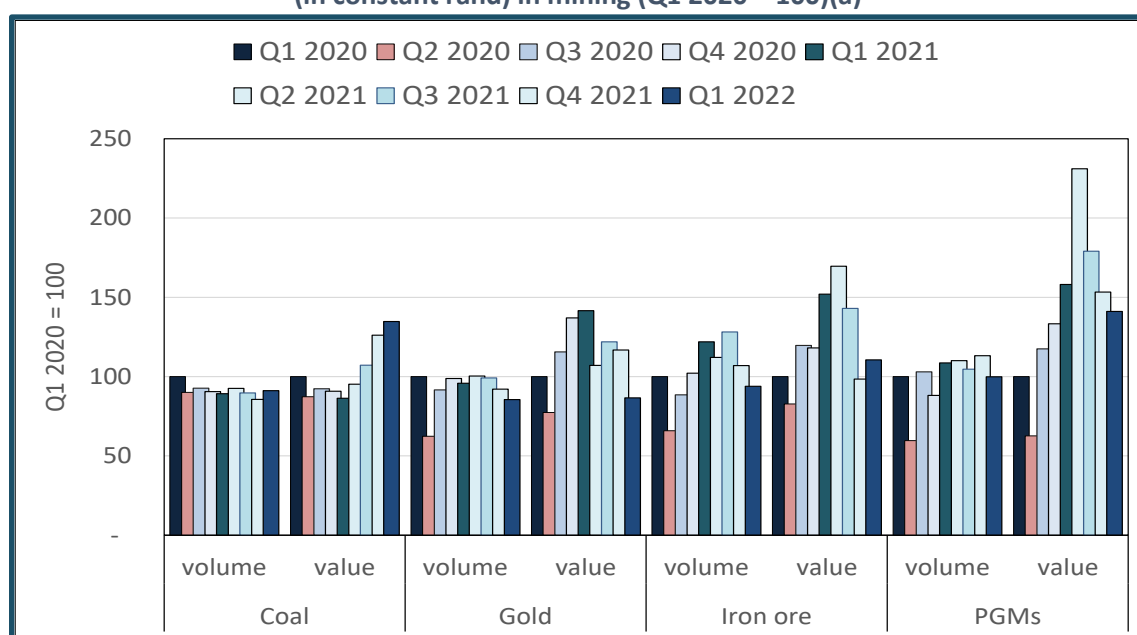


Note: Revalued with CPI. Source: Calculated from Statistics South Africa. Manufacturing: Production and Sales, March 2022 (202203).

Over the past two years, production in mining has remained essentially flat (with the partial exception of iron ore). In the first quarter of 2022, all of these products except gold still enjoyed

fairly high prices, however, which boosted their revenues despite limited growth in output. (Graph 8)

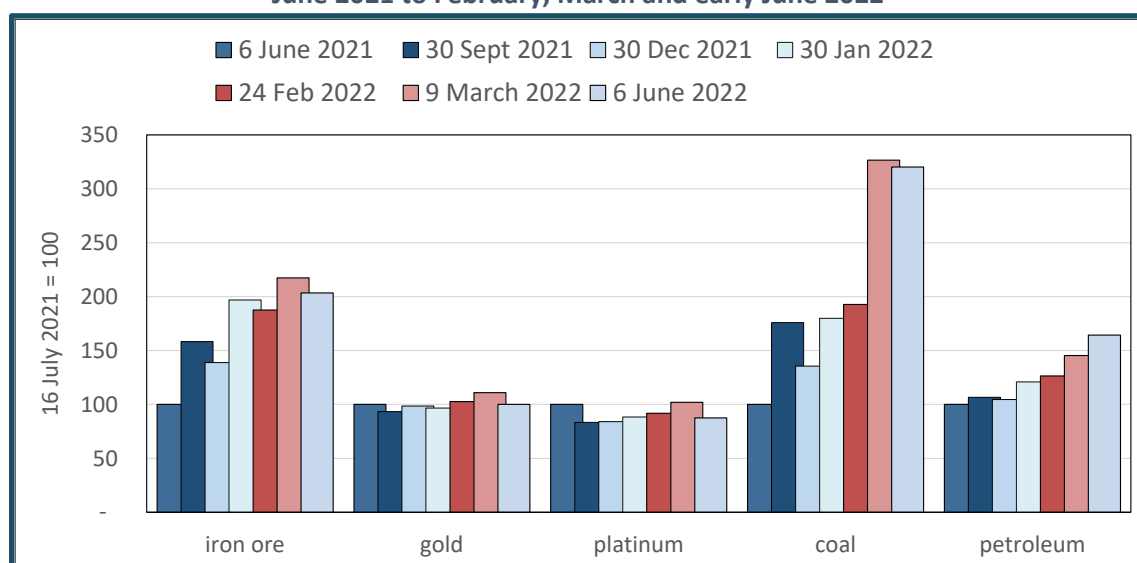
Graph 8. Indices of seasonally adjusted quarterly production and sales (in constant rand) in mining (Q1 2020 = 100)(a)



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.

The Russian invasion of Ukraine, which started on 24 February, brought only a short-lived revival in metals prices, with a more durable increase for fossil fuels. (Graph 9). In the second week of March, prices for coal, petroleum and precious metals climbed to near-historic highs. Coal and oil continued to enjoy record prices in the second quarter of 2022. In contrast, the boom for platinum, gold and iron ore did not last, and by June 2022 they had lost almost all of their gains.

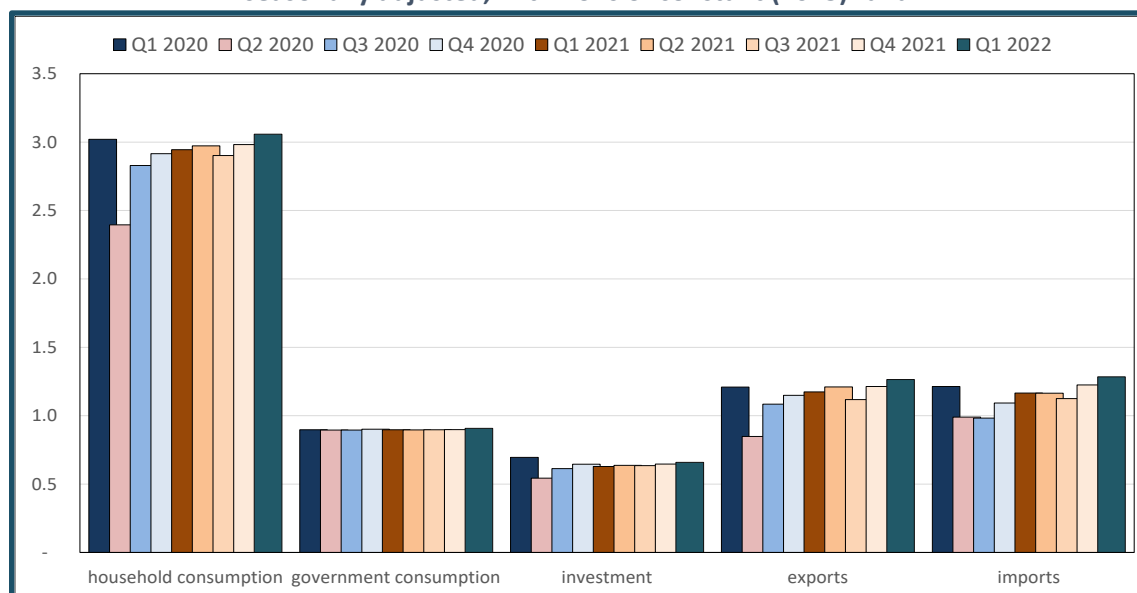
Graph 9. Index of global US dollar prices for South Africa's major mining exports from June 2021 to February, March and early June 2022



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

In expenditure terms, a recovery in investment and expanded household spending boosted GDP growth in the first quarter of 2022. Gross fixed capital formation rose by 3.6%. As discussed in the section on investment below, private investment climbed rapidly, and general government investment reversed its downward trend. Household consumption, mostly by the richest 20% of households, rose by 1.4%, and government consumption by 1.0%.

Graph 10. 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.