

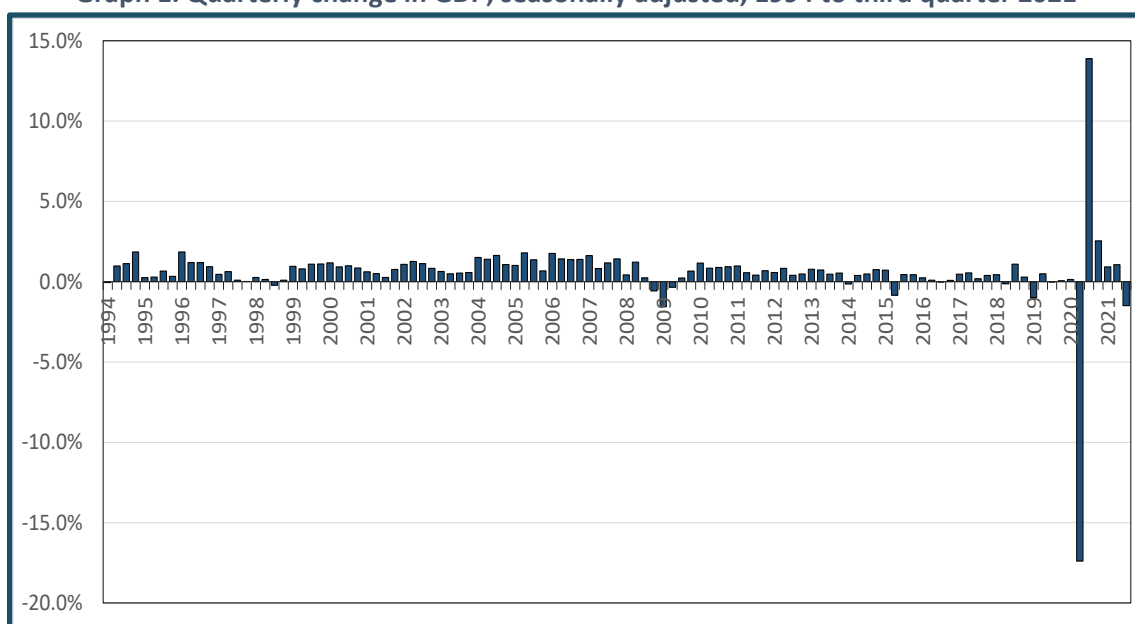
Trends in GDP growth

The GDP reportedly shrank by 1.5% in the third quarter of 2021. That was the first major setback in the recovery from the COVID-19 depression. Most observers blamed the July unrest. This view is borne out by monthly figures for manufacturing, mining and retail sales, which showed a sharp dip in July followed by a degree of recovery through October. It seems likely, however, that the remarkably rapid surge in COVID-19 from late November will lead to a renewed downturn in December.

The sharp decline in the GDP in the past quarter put an end, at least temporarily, to the recovery from the COVID-19 recession that started in April 2020. Even before the decline, the growth rate had slowed to around 1% a quarter. The renewed downturn left the GDP 3% below pre-pandemic levels. (Graph 1)

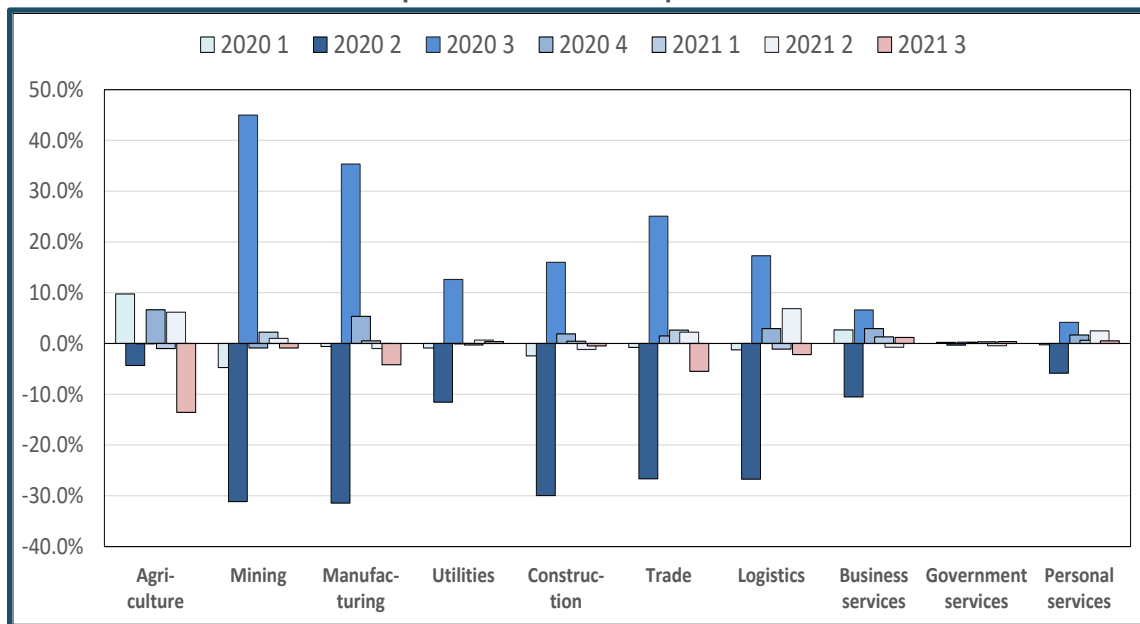
The sharpest reported fall in value added emerged in agriculture. Statistics South Africa reported that it shrank by 14%. That finding means agriculture alone accounted for a quarter of the total decline in value added, although it contributes only 3% of the GDP. The non-agricultural GDP contracted by 1.1%, with most of the decline in retail and manufacturing. Only business, government and private services showed any growth in the last quarter. (Graph 2)

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



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2021Q2. Excel spreadsheet downloaded from www.statssa.gov.za.

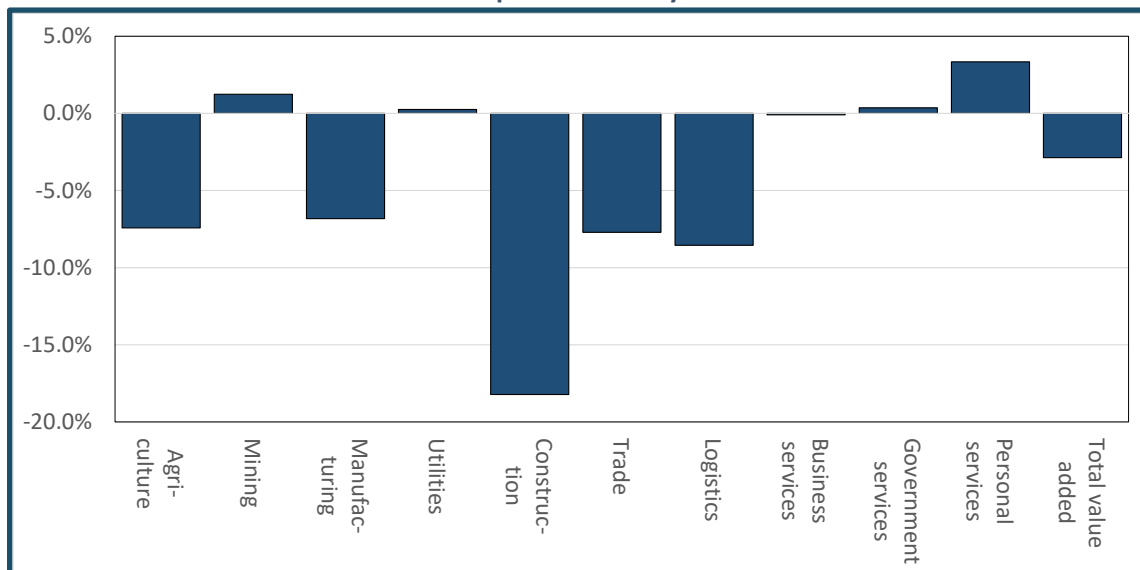
Graph 2. Quarterly change in contribution to GDP by sector, first quarter 2020 to third quarter 2021



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2021Q2. Excel spreadsheet downloaded from www.statssa.gov.za.

Although construction saw a relatively small decline in the past quarter, it remained the most affected by the pandemic downturn. In the third quarter of 2021, its contribution to the GDP was more than 15% lower than at the start of 2020. Manufacturing lagged 7% behind its pre-pandemic level. Only mining, utilities and services produced at a higher level in the third quarter of 2021 than before COVID-19. (Graph 3)

Graph 3. Change in GDP from first quarter of 2020 (pre-pandemic) to third quarter 2021 by sector



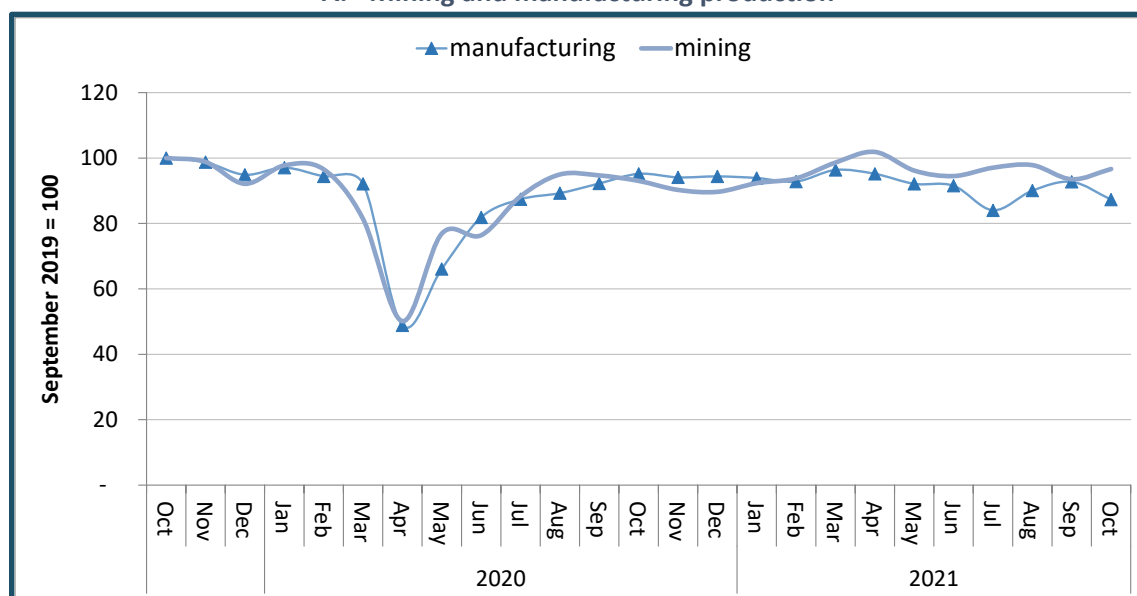
Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2021Q2. Excel spreadsheet downloaded from www.statssa.gov.za

Most observers blamed the downturn in the GDP on the July unrest. The data on seasonally adjusted production in manufacturing and sales in retail reinforce this view. Both fell sharply in

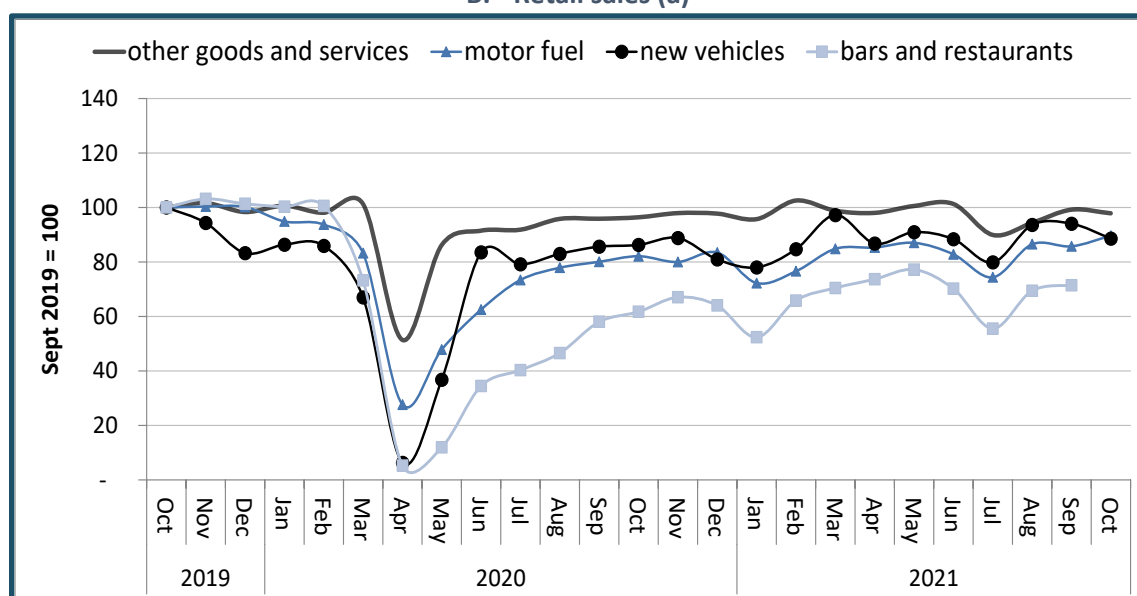
July but rebounded in August and September. Mining production stayed comparatively flat. (Graph 4). Despite the recovery, manufacturing sales in September were still lower than those witnessed throughout the second quarter of 2021. Moreover, in October manufacturing sales dipped again.

Graph 4. Indices of monthly production volumes in manufacturing and mining, and of sales in retail, in constant, seasonally adjusted figures, October 2019 to October 2021 (October 2019 = 100)

A. Mining and manufacturing production



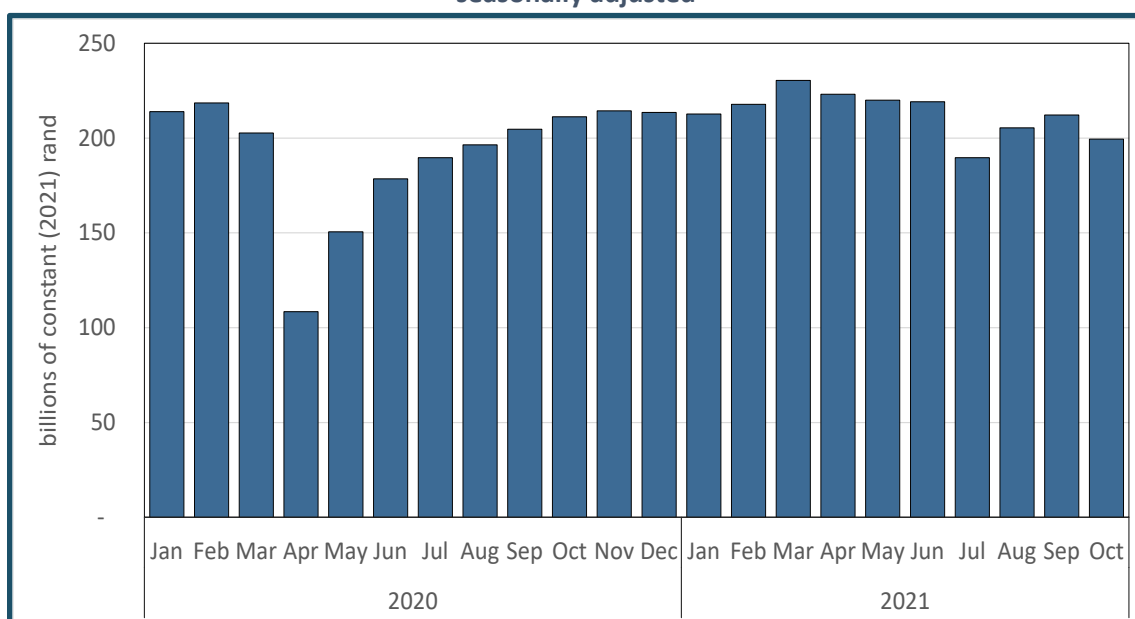
B. Retail sales (a)



Note: (a) Figures for fuel and new cars sales devalued with CPI. Source: Calculated from Statistics South Africa. Mining: Production and sales, September 2021. P2041. Excel spreadsheet from 2003. Manufacturing: Production and sales, September 2021. P3041.2. Excel spreadsheet (202109). Food and beverages, September 2021. P6420. Excel spreadsheet (202109). Tourist accommodation, September 2021. P6410. Excel spreadsheet (202109). Motor trade sales, September 2021. P6343.2. Excel spreadsheet (202109). Retail trade sales, September 2021. P6242.1 Excel spreadsheet: Retail sales from 2002.

Figures for manufacturing sales in constant 2021 rand underscore the extent of the decline in July.

Graph 5. Monthly manufacturing sales in billions of constant (2021) rand (a), seasonally adjusted

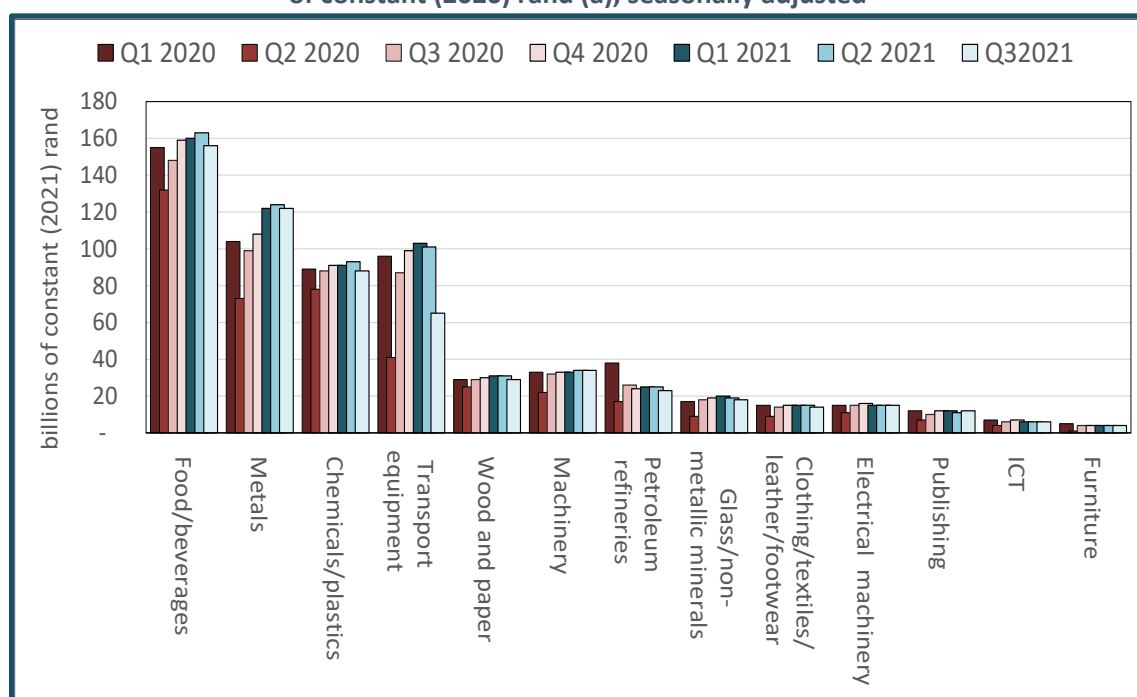


Note: Reflated with CPI rebased to October 2021. *Source:* Calculated from Statistics South Africa. Manufacturing: Production and Sales. Excel spreadsheet downloaded from www.statssa.gov.za.

At industry level, auto production was the biggest contributor to the downturn in manufacturing sales in the past quarter. In constant rand, car sales dropped from R101 billion in the second quarter of 2021 to R65 billion in the third quarter, for a 36% decline. In many ways, the industry faced a perfect storm. In addition to the July violence, it was hit by global supply-chain disruptions, notably the international shortage in semi-conductors, as well as a cyberattack on Transnet, which affected car and input shipments. Moreover, several companies introduced new models, which take time to ramp up to full production.

Other industries showing a major dip in sales were petroleum refineries, which shrank by 8% from R25 billion to R23 billion; clothing and textiles, at 7%; and wood and paper products, at 6%. Capital goods production was flat. (Graph 6)

Graph 6. Quarterly sales by manufacturing industry in billions of constant (2020) rand (a), seasonally adjusted

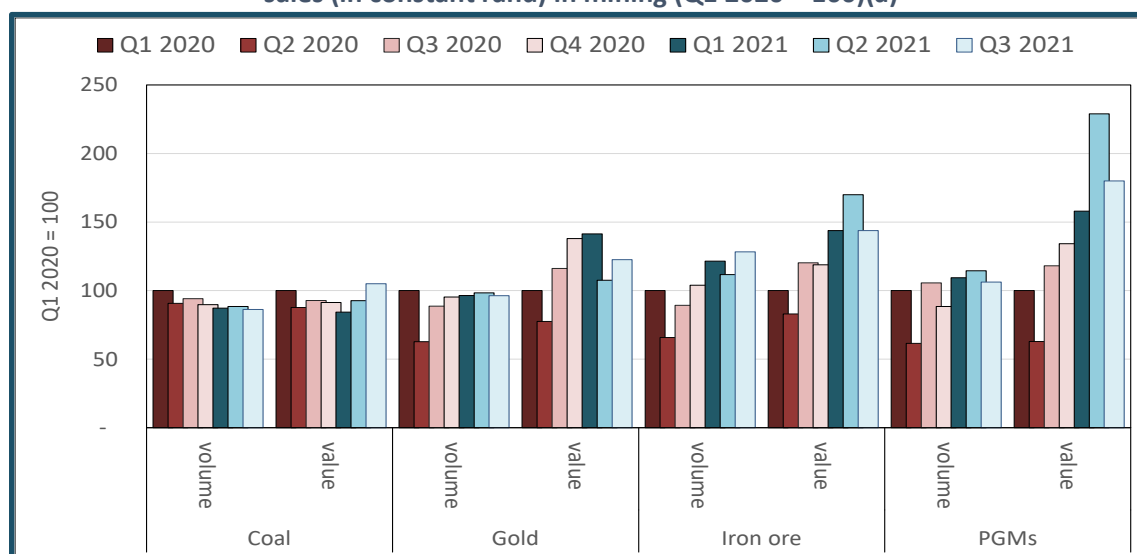


Note: Reflated with CPI rebased to September 2021. Source: Calculated from Statistics South Africa. Manufacturing: Production and Sales. Excel spreadsheet downloaded from www.statssa.gov.za.

Mining sales varied substantially by product, largely due to the sharp fluctuations in global mineral prices.

Platinum output fell, with an even sharper decline in the value of sales. Iron ore production increased, but plummeting global prices left it with lower revenue. Gold saw some recovery, while coal revenues increased as world energy prices surged over the quarter. (Graph 7)

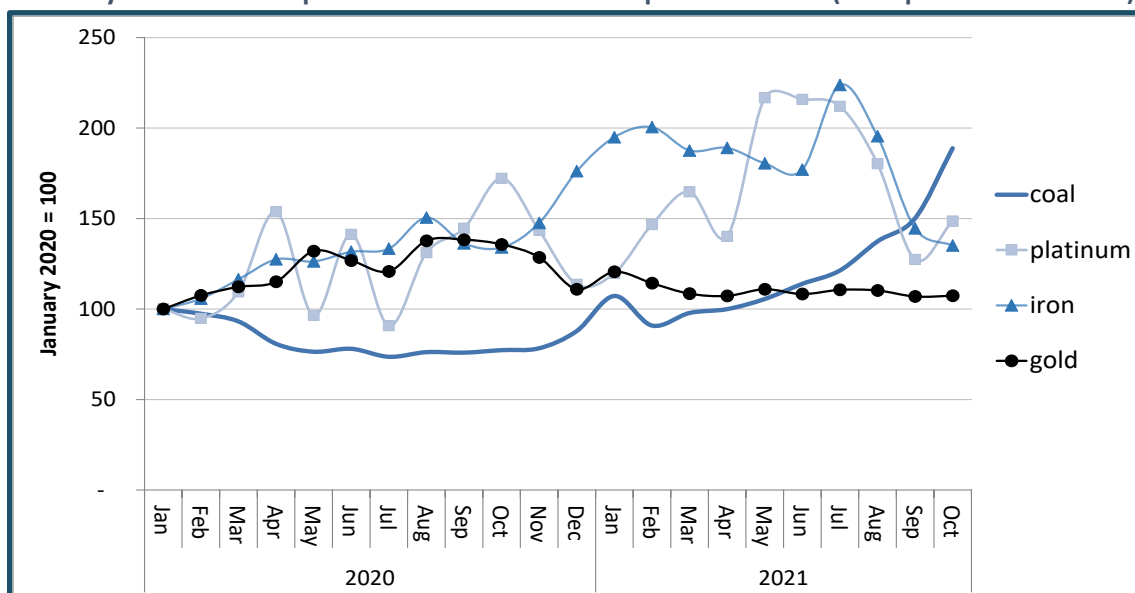
Graph 7. Indices of seasonally adjusted quarterly production and sales (in constant rand) in mining (Q1 2020 = 100)(a)



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.

Graph 8 shows the instability in prices for South African exports of platinum, iron ore and coal in the past quarter in constant rand terms. The sharp fall in revenues from iron ore and platinum as a result of declining export prices contributed to the slowdown in the third quarter.

Graph 8. Indices of unit prices for South African mining exports in constant (2021) rand (a), monthly from the first quarter of 2020 to the third quarter of 2021 (first quarter 2020 = 100)



Note: (a) Refflated with CPI rebased to October 2021. Source: Calculated from Quantec. National trade data. Accessed at www.quantec.co.za.

In expenditure terms, GDP growth in the second quarter of 2021 was driven disproportionately by household consumption and a fall in the balance of trade, although it remained strongly positive. Government consumption and investment were essentially flat for the quarter.