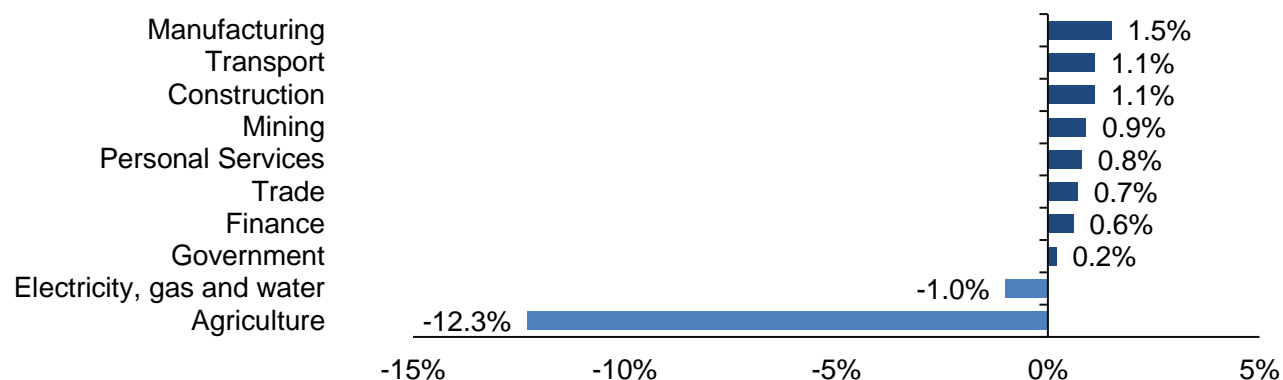




Tuesday 6 June 2023

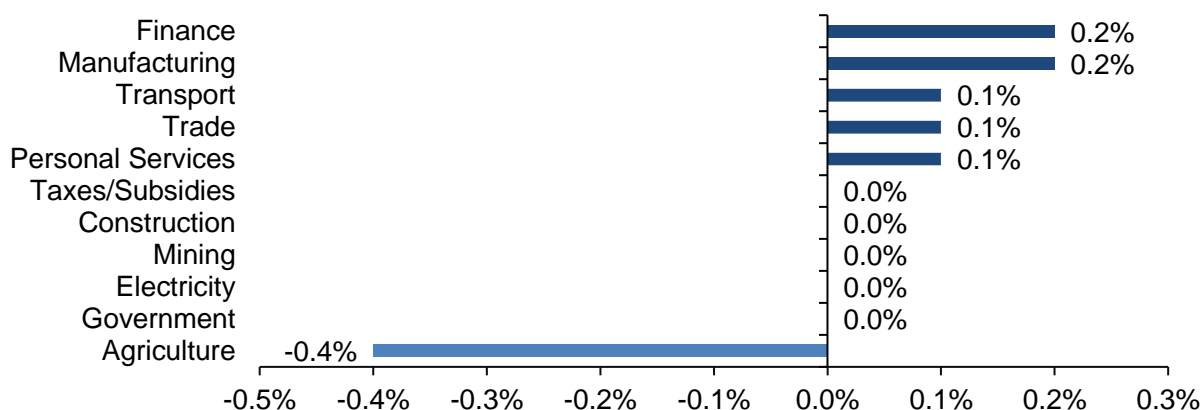
Figure 1: GDP sector performance in Q1.23 (production approach), qqsa



Sources: Stats SA

- Headline GDP rose by a marginal 0.4% in the first quarter of 2023 when measured on a quarter on quarter seasonally adjusted (qqsa) basis. The outcome which was in line with our and consensus expectations (Bloomberg) follows Q4.22's -1.1% qqsa (revised) contraction. Measured on a year-on-year basis GDP rose by just 0.2% in the first quarter.
- The muted GDP reading is reflective of the fragile economic environment which continues to be plagued by a number of challenges, predominantly inadequate electricity supply, with rotational load shedding a persistent feature. Electricity generation declined by -7.7% y/y in the first quarter and remains a significant impediment to the country's growth potential.
- A sharp -12.3% qqsa slide in agricultural sector activity over the quarter was largely responsible for the subdued result, it sliced 0.4 of a % point off the topline reading, counteracting most of the gains recorded by the other sectors.
- Accordingly, despite a modest 0.9% qqsa lift in mining output, the primary segment of the economy fell by -4.7% qqsa. The agricultural sector is highly energy intensive. Indeed, according to Agbiz "work by the agriculture and food policy research group, the Bureau for Food and Agricultural Policy shows that roughly a third of South Africa's farming income depends directly on irrigation, which requires power". Moreover, the declining state of our roads, "collapsing water infrastructure and rising crime" also present significant impediments to the efficient functioning of the industry.

Figure 2: Contributions to Q1. 23 GDP (Production approach)

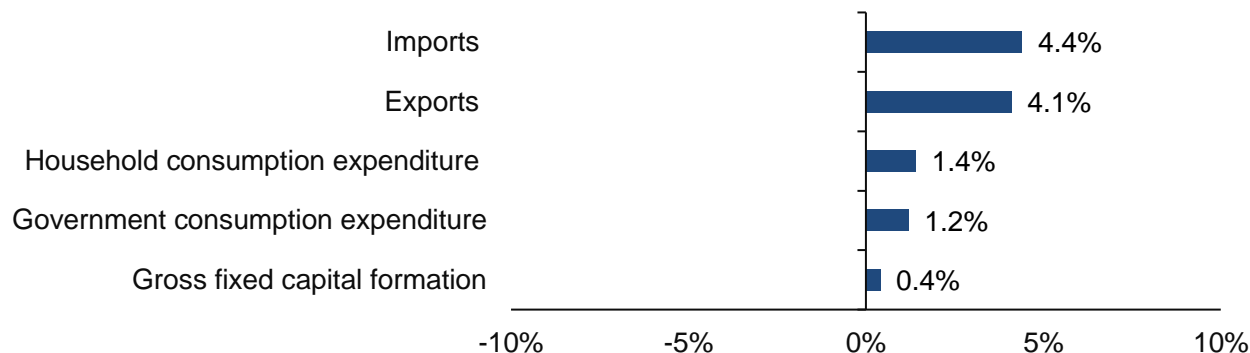


Source: Stats SA



Tuesday 6 June 2023

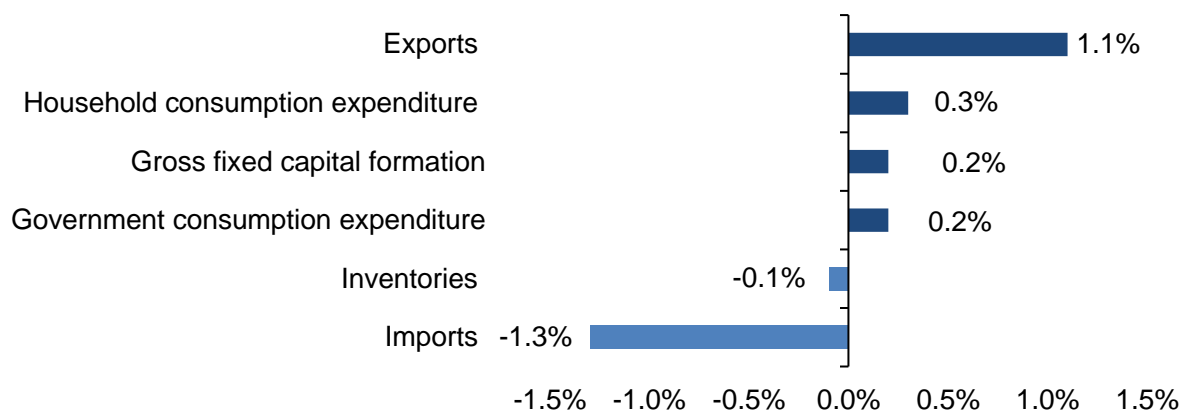
Figure 3: GDP sector performance in Q1.23 (Expenditure approach), qqsa



Sources: Stats SA

- The secondary sector of the market increased by 1.1% qqsa, propped up by the manufacturing and construction industries. Manufacturing activity rose by 1.5% qqsa, largely underpinned by the performance of the food beverages segment of the market. Moreover, the construction sector increased by 1.1% qqsa, with growth “reported for residential, nonresidential buildings and construction works”, according to Stats SA. This is supported by the results of the BER’s Q1.23 building survey which indicated an increase in confidence amongst builders in both the residential and non-residential sectors of the market.
- The tertiary segment of the economy rose by a moderate 0.7% qqsa with all sub-sectors lifting over the quarter. Specifically, the finance sector increased by 0.6% qqsa and owing to its size of the overall GDP reading added 0.2 of a % point to the headline number. The trade sector contributed a further 0.1 of a % point to the top line reading on the back of growth of 0.7% qqsa. “Increased economic activities were reported for wholesale trade, retail trade and catering and accommodation,” according to Stats SA.
- The expenditure approach to measuring GDP likewise yielded an outcome of 0.4% qqsa in Q1.23, following Q3.22’s -1.1% qqsa (revised) decline. Household consumption expenditure, government expenditure and gross fixed capital formation made positive contributions to the headline reading, however net exports detracted -0.2 of a % point. Specifically, export growth of 4.1% underperformed import activity of 4.4% over the quarter. Logistical constraints domestically and subdued manufacturing demand globally have weighed on export potential.

Figure 4: Contributions to Q1.23 GDP (Expenditure approach)

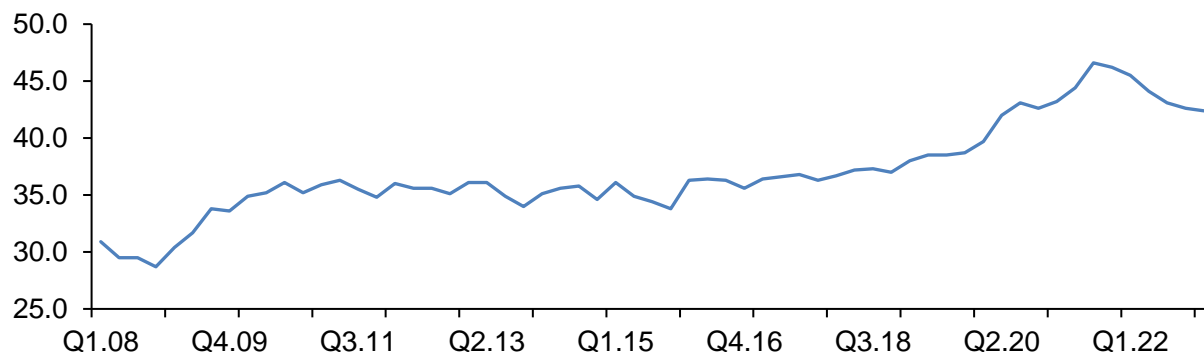


Sources: Stats SA



Tuesday 6 June 2023

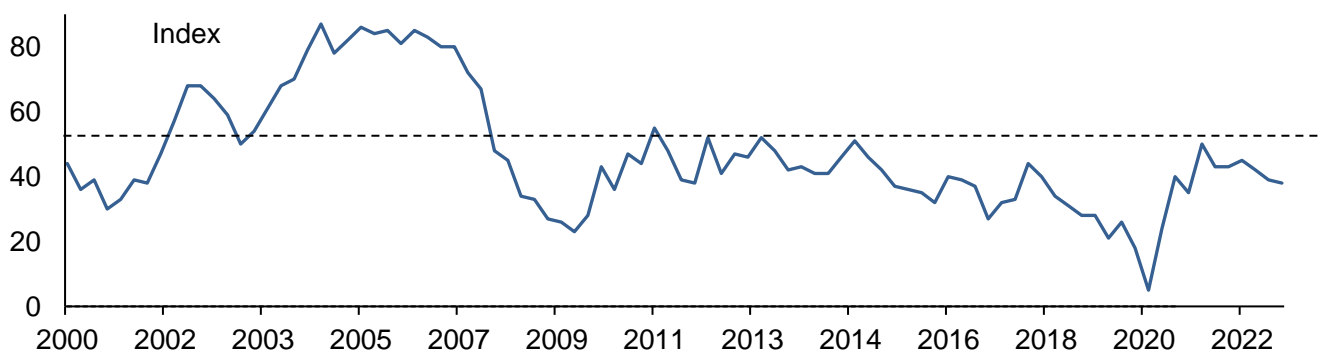
Figure 5: Expanded Unemployment Rate



Sources: Stats SA

- Household final consumption expenditure (HFCE) which makes up around two thirds of the GDP outcome rose by 0.4% qqsa, contributing 0.3 of a % point to the top line number. Specifically, semi-durable goods grew 2.4% qqsa adding 0.2 of a % point to the HFCE result. This segment of the market has fared relatively well “driven by a recovery in clothing and footwear sales – particularly for work attire and formal wear – now that most workers are back in the office and recreational and entertainment activities have normalised”, according to the BER. Moreover, the non-durables segment increased by 1.0% qqsa.
- Despite this moderate quarterly lift in HFCE, consumers remain financially constrained, reeling from the rising cost of living, while unemployment is at critically high levels.
- Government expenditure increased by 1.4% qqsa, moving back into expansionary territory following Q4.22’s 0.7% qqsa decline.
- Moreover, gross fixed capital formation grew by a further 1.4% qqsa, following Q4.22’s 1.5% qqsa (revised) lift. The increase was supported largely by the pick-up in the other assets category and the machinery and other equipment grouping. However, a notable pick-up in business confidence which slid further into depressed territory in Q1.23 is required to markedly boost private sector investment. Security of electricity supply, political certainty and an improvement in the ease of doing business is essential in this regard.

Figure 6: Business Confidence



Source: BER

**Tuesday 6 June 2023****Disclaimer**

For the purposes of this disclaimer, Investec shall include Investec Bank Limited, its ultimate holding company, a subsidiary (or a subsidiary of a subsidiary) of that entity, a holding company of that entity or any other subsidiary of that holding company, and any affiliated entity of any such entities. "Investec Affiliates" shall mean any directors, officers, representatives, employees, advisers or agents of any part of Investec.

The information and materials presented in this report are provided to you solely for general information and should not be considered as an offer or solicitation of an offer to sell, buy or subscribe to any securities or any derivative instrument or any other rights pertaining thereto.

The information in this report has been compiled from sources believed to be reliable, but neither Investec nor any Investec Affiliates accept liability for any loss arising from the use hereof or makes any representations as to its accuracy and completeness. Any opinions, forecasts or estimates herein constitute a judgement as at the date of this report. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied is made regarding future performance. The information in this report and the report itself is subject to change without notice. This report as well as any other related documents or information may be incomplete, condensed and/or may not contain all material information concerning the subject of the report; its accuracy cannot be guaranteed. There is no obligation of any kind on Investec or any Investec Affiliates to update this report or any of the information, opinions, forecasts or estimates contained herein.

Investec (or its directors, officers or employees) may, to the extent permitted by law, own or have a position or interest in the financial instruments or services referred to herein, and may add to or dispose of any such position or may make a market or act as a principal in any transaction in such financial instruments. Investec (or its directors, officers or employees) may, to the extent permitted by law, act upon or use the information or opinions presented herein, or research or analysis on which they are based prior to the material being published. Investec may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them. The value of any securities or financial instruments mentioned in this report can fall as well as rise. Foreign currency denominated securities and financial instruments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such securities or financial instruments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors.

This report does not contain advice, except as defined by the Corporations Act 2001 (Australia). Specifically, it does not take into account the objectives, financial situation or needs of any particular person. Investors should not do anything or forebear to do anything on the basis of this report. Before entering into any arrangement or transaction, investors must consider whether it is appropriate to do so based on their personal objectives, financial situation and needs and seek financial advice where needed.

No representation or warranty, express or implied, is or will be made in relation to, and no responsibility or liability is or will be accepted by Investec or any Investec Affiliates as to, or in relation to, the accuracy, reliability, or completeness of the contents of this report and each entity within Investec (for itself and on behalf of all Investec Affiliates) hereby expressly disclaims any and all responsibility or liability for the accuracy, reliability and completeness of such information or this research report generally.

The securities or financial instruments described herein may not have been registered under the US Securities Act of 1933, and may not be offered or sold in the United States of America or to US persons unless they have been registered under such Act, or except in compliance with an exemption from the registration requirements of such Act. US entities that are interested in trading securities listed in this report should contact a US registered broker dealer.

For readers of this report in South Africa: this report is produced by Investec Bank Limited, an authorised financial services provider and a member of the JSE Limited.

For readers of this report in United Kingdom and Europe: this report is produced by Investec Bank Plc ("IBP") and was prepared by the analyst named in this report. IBP is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange. This report is not intended for retail clients and may only be issued to professional clients and eligible counterparties, and investment professionals as described in S19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005.

For readers of this report in Ireland: this report is produced by Investec Bank plc (Irish Branch) and was prepared by the analyst named in this report. Investec Bank plc (Irish Branch) is authorised by the Prudential Regulation Authority in the United Kingdom and is regulated by the Central Bank of Ireland for conduct of business rules.

For readers of this report in Australia: this report is issued by Investec Australia Limited, holder of Australian Financial Services License No. 342737 only to 'Wholesale Clients' as defined by S761G of the Corporations Act 2001.

For readers of this report in Hong Kong: this report is distributed in Hong Kong by Investec Capital Asia Limited, a Securities and Futures Commission licensed corporation (Central Entity Number AFT069) and is intended for distribution to professional investors (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) only. This report is personal to the recipient and any



Tuesday 6 June 2023

unauthorised use, redistribution, retransmission or reprinting of this report (whether by digital, mechanical or other means) is strictly prohibited.

For readers of this report in India: this report is issued by Investec Capital Services (India) Private Limited which is registered with the Securities and Exchange Board of India.

For readers of this report in Singapore: this report is produced by IBP and issued and distributed in Singapore through Investec Singapore Pte. Ltd. ("ISPL"), an exempt financial adviser which is regulated by the Monetary Authority of Singapore as a capital markets services licence holder. This material is intended only for, and may be issued and distributed in Singapore only to, accredited investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289 ("SFA"). This material is not intended to be issued or distributed to any retail or other investors. ISPL may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Singapore recipients of this document should contact ISPL at the above address in respect of any matters arising from, or in connection with, this report.

For readers of this report in Canada: this report is issued by IBP, and may only be issued to persons in Canada who are able to be categorised as a "permitted client" under National Instrument 31-103 Registration Requirements and Exemptions or to any other person to whom this report may be lawfully directed. This report may not be relied upon by any person other than the intended recipient.

The distribution of this document in other jurisdictions may be prohibited by rules, regulations and/or laws of such jurisdiction. Any failure to comply with such restrictions may constitute a violation of United States securities laws or the laws of any such other jurisdiction.

This report may have been issued to you by one entity within Investec in the fulfilment of another Investec entity's agreement to do so. In doing so, the entity providing the research is in no way acting as agent of the entity with whom you have any such agreement and in no way is standing as principal or a party to that arrangement.

This publication is confidential for the information of the addressee only and may not be reproduced in whole or in part, copies circulated, or disclosed to another party, without the prior written consent of an entity within Investec. Securities referred to in this report may not be eligible for sale in those jurisdictions where an entity within Investec is not authorised or permitted by local law to do so. In the event that you contact any representative of Investec in connection with receipt of this report, including any analyst, you should be advised that this disclaimer applies to any conversation or correspondence that occurs as a result, which is also engaged in by Investec and any relevant Investec Affiliate solely for the purposes of providing general information only. Any subsequent business you choose to transact shall be subject to the relevant terms thereof. We may monitor e-mail traffic data and the content of email. Calls may be monitored and recorded. Investec does not allow the redistribution of this report to non-professional investors or persons outside the jurisdictions referred to above and Investec cannot be held responsible in any way for third parties who effect such redistribution or recipients thereof. © 2019