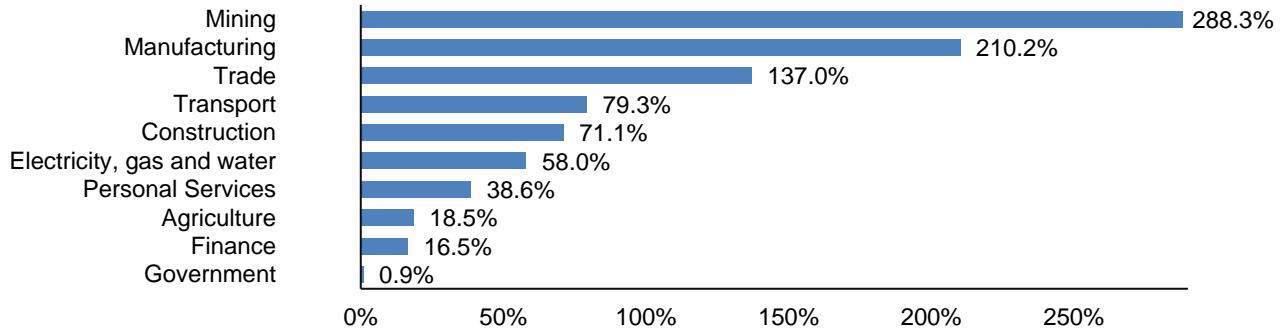




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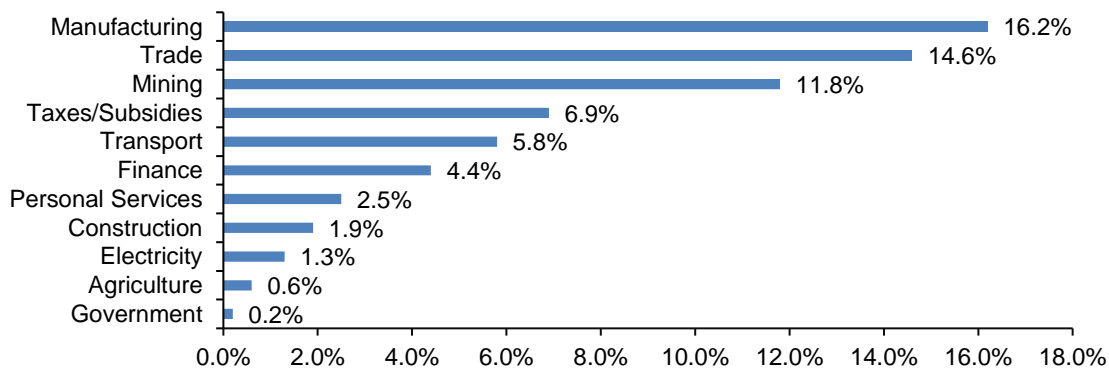
**Figure 1: GDP sector performance in Q3.20 (production approach), qqsaa**



Sources: Stats SA

- Following a four quarter recession, Q3.20's GDP reading rose substantially, off a very low base, climbing by 66.1% on a quarter on quarter seasonally adjusted annualised (qqsaa) basis, following Q2.20's -51.7% qqsaa (revised) plunge. The markedly lower domestic lockdown restrictions in Q3.20 versus Q2.20, coupled with the sharp recovery in global trade, and the rebound in commodity prices, supported the partial recovery in SA economic activity in Q3.20, but it was mainly driven by the statistical base effect.
- A sectoral breakdown of the GDP outcome reveals that while all sectors experienced q/q increases, results were notably uneven. The primary sector of the economy, which includes the mining and agricultural sectors climbed by 172.9% qqsaa in Q3.20. Specifically, mining and quarrying activity grew by a marked 288.3% qqsaa, following Q2.20's -72.0% qqsaa (revised) dive, adding 11.8% to the overall headline GDP reading. Enhanced industrial and manufacturing activity globally in the third quarter of the year, following the easing of lockdown restrictions, boosted demand for commodities. Indeed, the World Bank's Metals and Minerals Price Index climbed by 19.5% q/q in Q3.20.
- A further positive performance of 18.5% qqsaa was recorded by the agricultural (including forestry and fishing) sector in Q3.20, following its 19.6% qqsaa (revised) rise in Q2.20, supported by the increased production of field crops, horticultural and animal products, according to Stats SA. Going forward, South Africa's agricultural prospects remain favourable and Agbiz estimates that "South Africa's agriculture gross value-added could expand by 10% from the previous year," underpinned by "a large harvest in all major agricultural subsectors, specifically field crops and horticulture."

**Figure 2: Contributions to Q3. GDP (Production approach)**

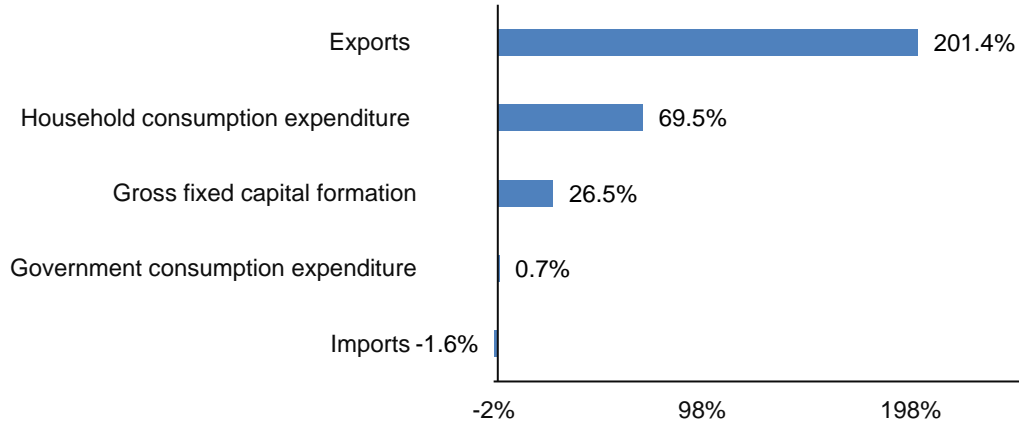


Source: Stats SA



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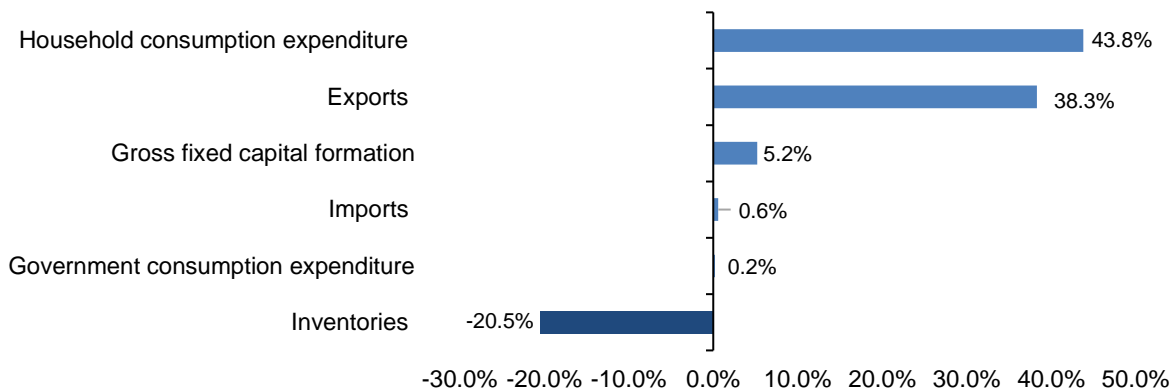
Figure 3: GDP sector performance in Q3.20 (Expenditure approach), qqsaa



Sources: Stats SA

- A strong rebound of 210.2% qqsaa, 58.0% qqsaa and 71.1% qqsaa in the manufacturing, electricity and construction sectors respectively boosted the secondary sector of the economy by 155.6% qqsaa. Specifically the manufacturing sector added a notable 16.8% to the topline GDP reading. Manufacturing sector growth was largely driven “by increases in iron, steel and machinery; and petroleum and chemicals,” supported by the easing of domestic lockdown restrictions and improved global trade activity. Indeed, utilisation of production capacity increased notably from levels seen in Q2.20, but remained below those recorded during the same period last year, with a protracted recovery anticipated.
- The tertiary segment of the economy grew by a comparatively modest 37.6% qqsaa in Q3.20. The trade sector rose by 137.0%, as pent-up demand aided the rebound in retail activity. Additionally, the transport, personal services, government services and finance sectors saw growth pick-up by 79.3% qqsaa, 0.9% qqsaa, 38.6% qqsaa and 16.5% qqsaa respectively.

Figure 4: Contributions to Q3.20 GDP (Expenditure approach)

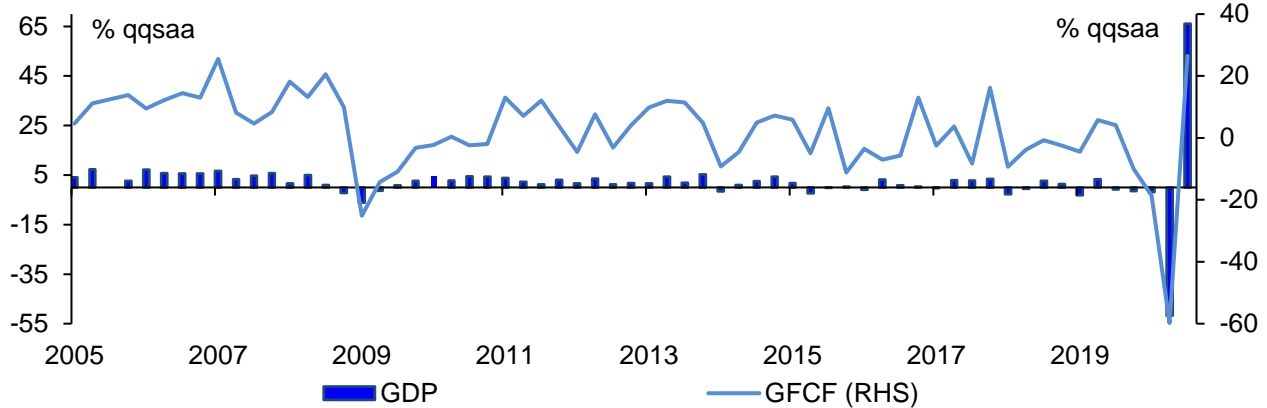


Sources: Stats SA



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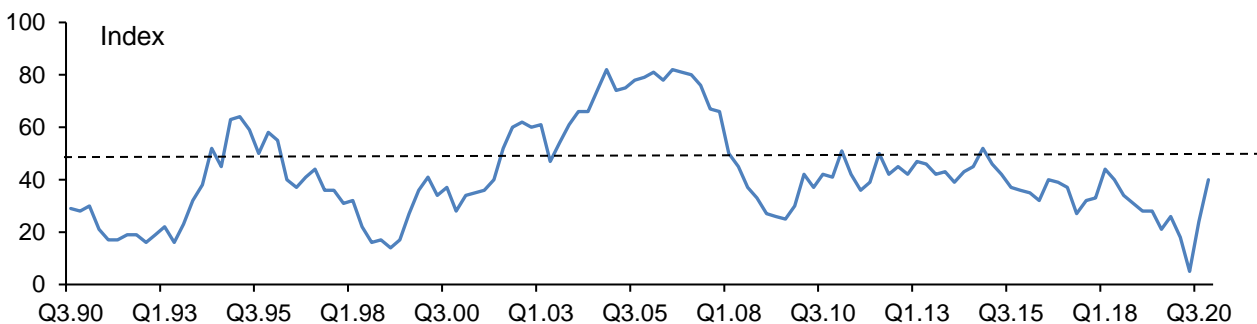
Figure 5: GDP Growth vs GFCF



Sources: Stats SA, SARB

- The expenditure approach to measuring GDP yielded an outcome of 67.6% qqsaa in Q3.20, following Q2.20's -53.7% qqsaa (revised) fall, aided predominantly by the 201.4% qqsaa and 69.5% qqsaa rise in exports and household consumption expenditure (HCE) respectively, which together boosted the headline GDP result by 82.1% points. Consumers continue to face financial uncertainty and while consumer confidence has edged up from lows recorded in the second quarter of the year, it remains depressed (below 50). The official unemployment is hovering above 30.0%, reflecting SA's dismal labour market situation, where even before the onset of covid-19, the chance of finding work was very low, while the costs related to looking for employment were high. Additionally, consumer credit health is weak, with indebtedness elevated.
- Gross fixed capital formation grew by 26.5% qqsaa in the third quarter, following Q2.20's -59.8% qqsaa slide. However, while the construction industry recovered between the second and third quarters of 2020 ... its level of activity remained well below that of recent years," according to Stats SA.
- Economic activity is expected to gain further into 2021, however economies have been markedly weakened by the Covid-19 pandemic. Specifically it has served to highlight and intensify South Africa's fundamental weaknesses. The mass rollout of a Covid-19 vaccine, coupled with the rapid implementation of the key reforms outlined by government in its Economic Reconstruction and Recovery plan is vital to place South Africa on a path to sustainable growth.

Figure 6: RMB/BER Business Confidence Index



Source: BER

## GDP Update: Q3.20 GDP rose by an unprecedented 13.5% q/q, off the very low base caused by the lockdown-induced collapse in Q2.20



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