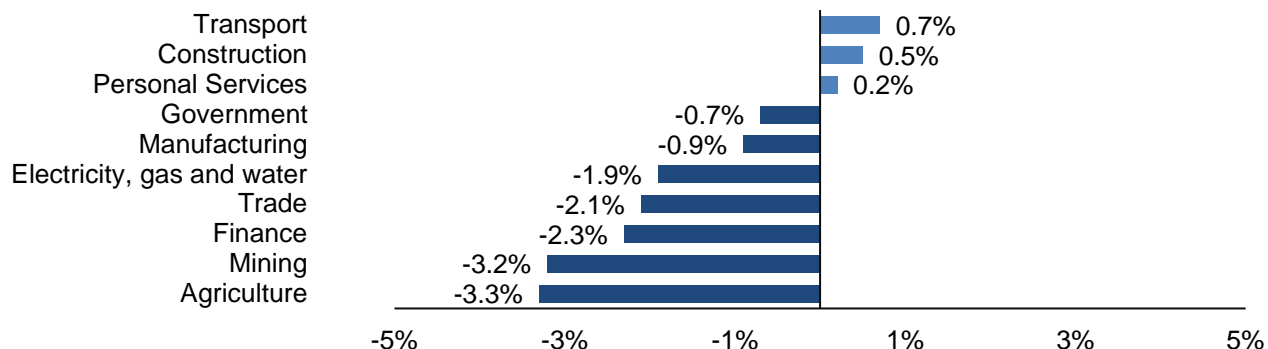




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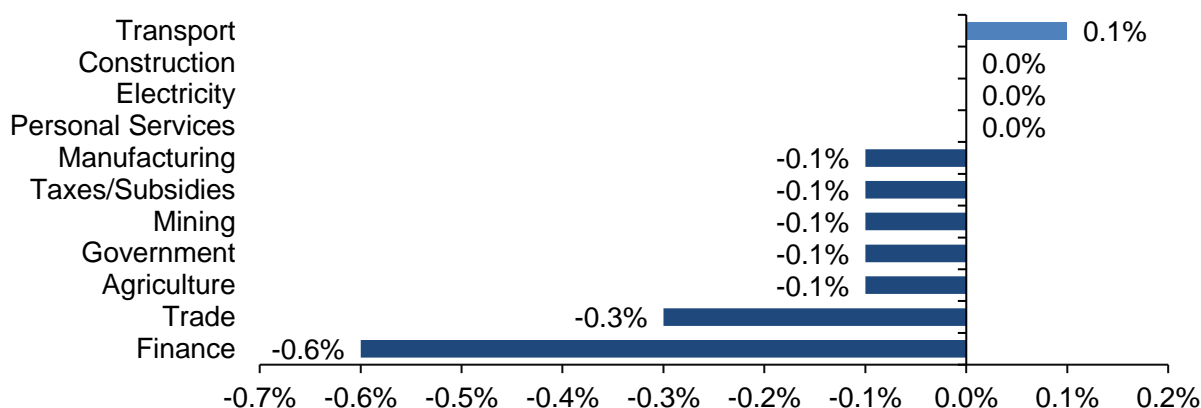
Figure 1: GDP sector performance in Q4.22 (production approach), qqsa



Sources: Stats SA

- Headline GDP fell by -1.3% on a quarter on quarter seasonally adjusted (qqsa) basis in the fourth quarter of 2022, following Q3.22's 1.8% qqsa (revised) increase, although Q3.22 growth was buoyed by base effects, following severe flooding in Kwa-zulu Natal.
- Q4.22's outcome was notably weaker than consensus expectations (Bloomberg) of a -0.4% qqsa decline. Measured on a year-on-year basis GDP rose by just 0.9% in the fourth quarter, while for the year as a whole growth eased to 2.0% (from 4.9% y/y recorded in 2021).
- The decline in growth over the quarter was largely broad based, with only the transport, construction and personal services sectors increasing over the quarter. The electricity supply crisis remains a severe impediment to the country's growth potential. Businesses and consumers endured persistent (barring 2 days in October) load shedding at various stages in Q4.22, with aging power plants which are prone to breakdowns, necessary maintenance and elevated levels of criminal activity adding to the country's precarious energy predicament.
- The primary sector of the economy declined by -3.2% qqsa in Q4.22, detracting -0.2% points from the topline reading on the back of decreases in agricultural and mining production of 3.2% qqsa and 3.3% qqsa respectively. "A decline in output was recorded for field crops and horticulture," according to Stats SA, weighing on the agricultural sector's performance. Moreover, persistent load shedding and logistical bottlenecks exacerbated by the Transnet strike in October 2022 affected production and export potential, while the fragile global position at the end of last year weighed on commodity demand.

Figure 2: Contributions to Q4. 22 GDP (Production approach)

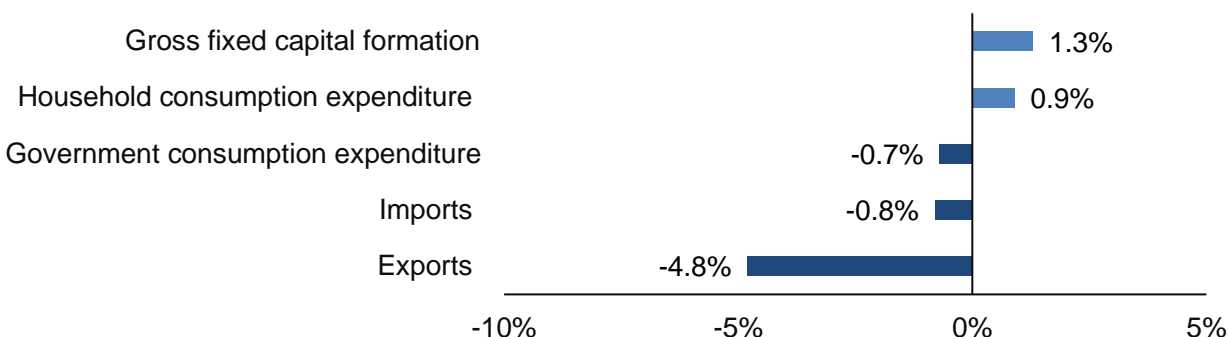


Source: Stats SA



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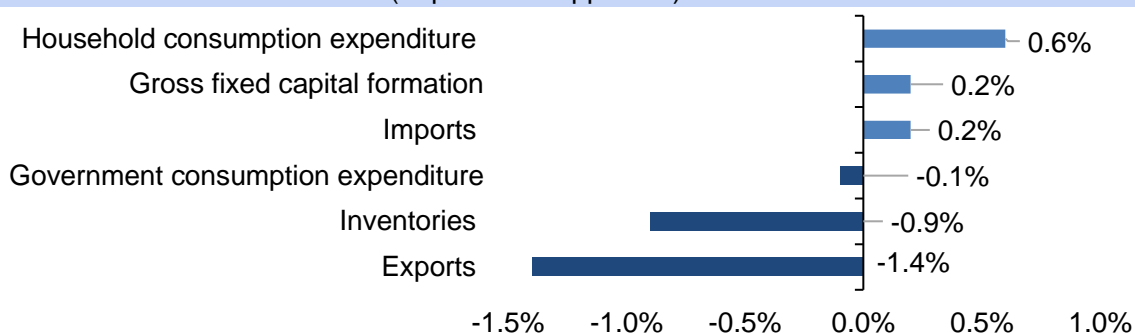
Figure 3: GDP sector performance in Q4.22 (Expenditure approach), qqsa



Sources: Stats SA

- Going forward, while “the start of South Africa's 2022/23 summer crop production season was challenging” because of the extreme rains, according to Agbiz “the warm weather at the end of January and much of February helped improve conditions on the farms”. Indeed, the Crop Estimates Committee (CEC) projects South Africa's 2022/23 summer crop production at 19.3 million tonnes, a 3% increase from the previous season.
- The secondary sector of the market fell by -0.8% qqsa, dragged down by the manufacturing and electricity industries. Manufacturing activity declined by -0.9% qqsa, largely underpinned by the performance of the food beverages segment of the market, while the electricity, gas and water sector declined by -1.9% qqsa. The construction sector however picked up moderately (0.5% qqsa), preventing a larger decline in the secondary sector. The lift in construction activity “was due to increased economic activity related to construction works and non-residential buildings”, according to Stats SA.
- Moreover, the tertiary segment of the economy contracted by -1.2%, with the finance sector falling by -2.3% qqsa and owing to its size of the overall GDP reading detracted -0.6% points from the headline number. The trade sector sliced a further -0.3% points off the top line reading, contracting by -2.1% qqsa, underpinned by diminished economic activity in wholesale trade, according to Stats SA.
- The expenditure approach to measuring GDP likewise yielded an outcome of -1.3% qqsa in Q4.22, following Q3.22's 1.7% qqsa (revised) lift. Export activity declined by a notable -4.8% qqsa and accordingly detracted -1.4% points from the total. Reduced “trade in base metals and articles of base metals; mineral products; and paper and articles of paper”, according to Stats SA was primarily responsible for the unfavorable outcome. Indeed, persistent load shedding and logistical challenges continue to hinder export potential.

Figure 4: Contributions to Q4.22 GDP (Expenditure approach)

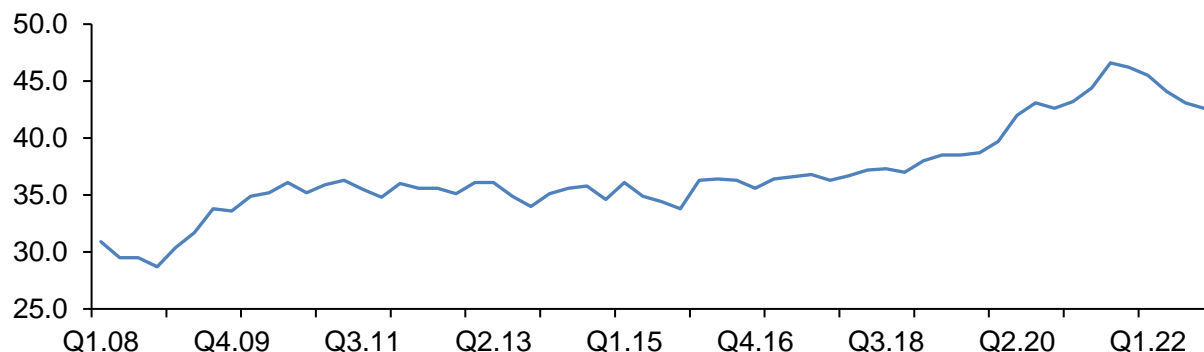


Sources: Stats SA



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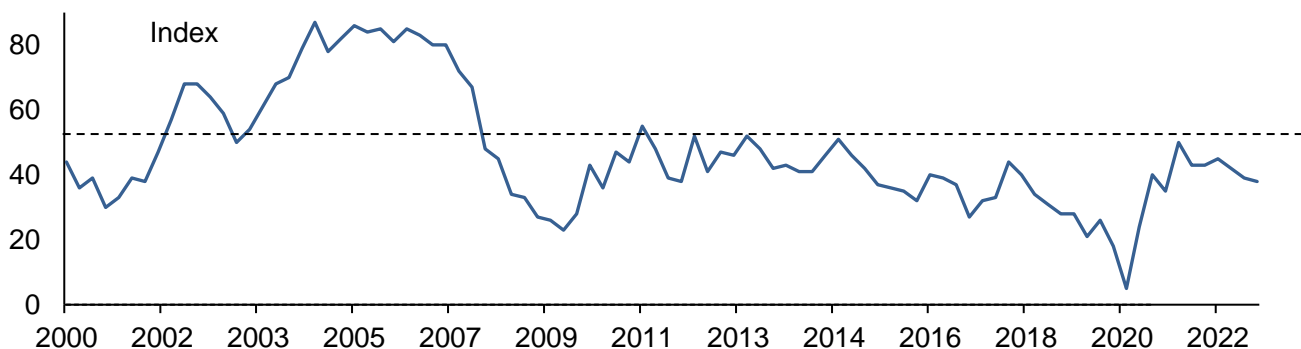
Figure 5: Expanded Unemployment Rate



Sources: Stats SA

- Conversely, household final consumption expenditure (HFCE) which makes up around two thirds of the GDP outcome rose on a qqsa basis, by 0.9%. Specifically, durable goods and services rose by 2.0% qqsa and 1.4% qqsa respectively, adding 1.0% points to the HFCE result, while the non-durable category declined by -0.2% qqsa. Despite this moderate quarterly lift, consumers remain financially constrained, reeling from the rising cost of living. Moreover, unemployment remains critically high, especially in the youth category of the market.
- Government expenditure however fell by -0.7% qqsa, moving back into contractionary territory following Q3.22's 0.6% qqsa (revised) increase.
- Gross fixed capital formation accelerated to 1.3% qqsa, following Q3.22's 0.3% qqsa lift. The increase was supported largely by growth in transport and machinery and other equipment, according to Stats SA, while residential building activity declined by -1.6% qqsa. A notable pick-up in business confidence which slid further into depressed territory in Q4.22 is however required to markedly boost private sector investment. Security of electricity supply of electricity, political certainty and an improvement in the ease of doing business is essential in this regard.

Figure 6: Business Confidence



Source: BER



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