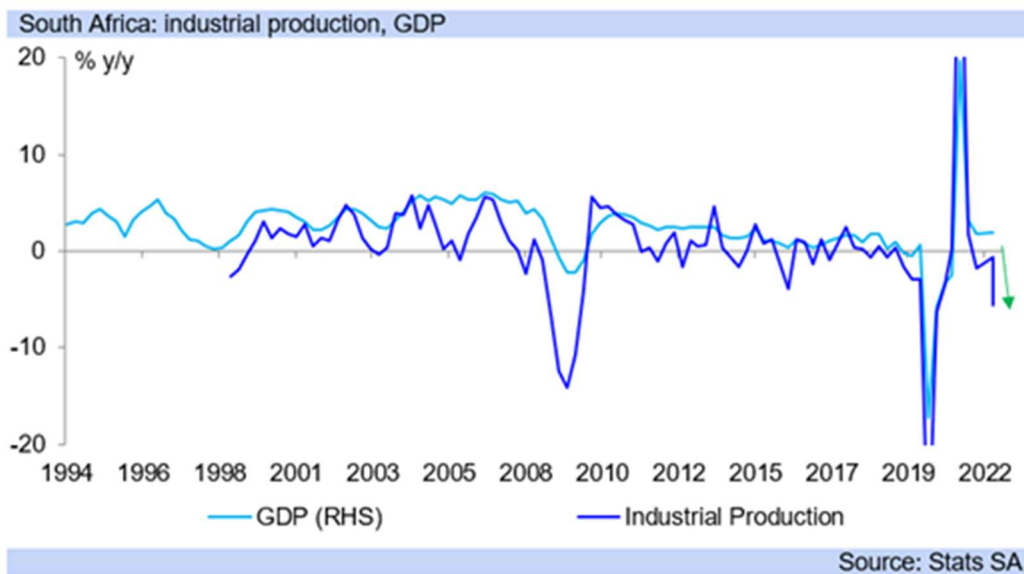




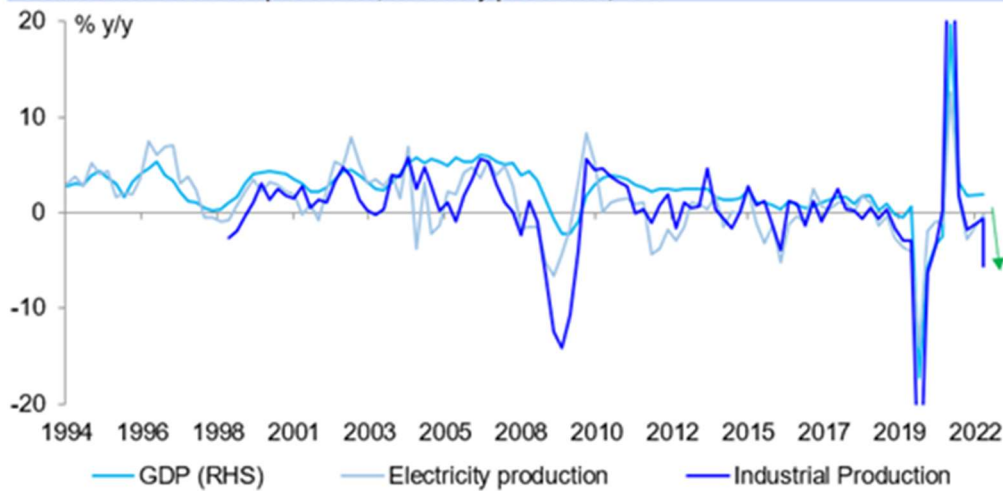
# SA Economics

Thursday 11 August 2022

Industrial production note: industrial production fell by -4.4% qqsa in Q2.22 indicating substantial downwards pressure on GDP



South Africa: industrial production, electricity production, GDP



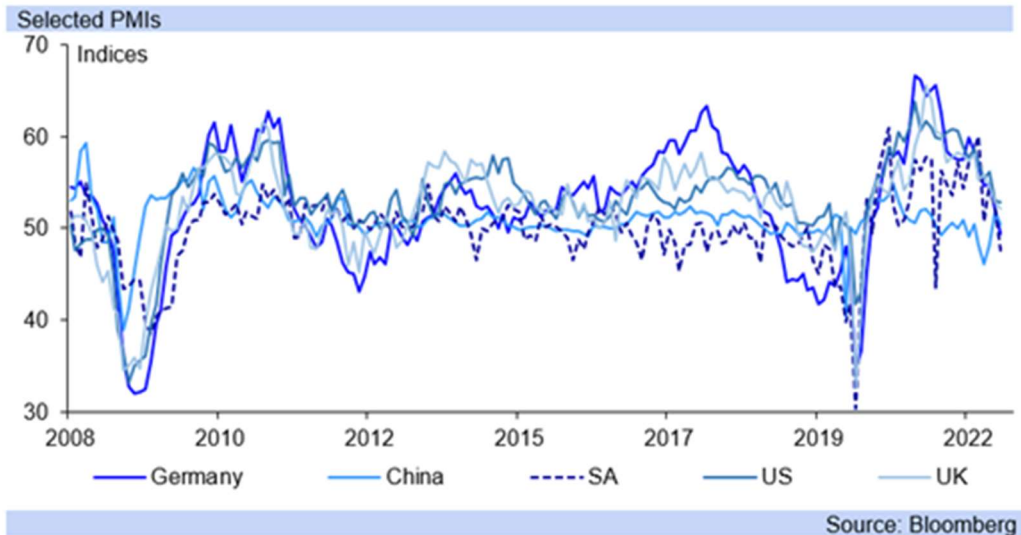
Source: Stats SA

GDP Summary, % real growth rates (incl. residual)	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
GDP (real, qqsa %)	1.9	-0.8	0.3	0.1	1.1	0.2	0.5	0.6	0.4	0.4	0.4	0.4
HCE (real, qqsa %)	1.4	-0.5	0.3	0.3	0.6	0.7	0.8	0.8	0.3	0.2	0.3	0.4
GCE (real, qqsa %)	1.0	-1.0	-0.9	0.4	-0.7	-0.6	-0.5	-0.4	-0.1	0.0	0.1	0.1
GFCF (real, qqsa %)	3.6	-2.5	-0.6	1.2	2.7	0.7	0.7	0.9	1.2	1.2	1.3	1.5
GDE (real, qqsa %)	2.1	-0.7	-0.1	0.4	1.1	0.5	0.6	0.7	0.4	0.4	0.5	0.5
Export (goods & non-factor services) - (real, qqsa %)	3.9	-3.7	0.3	0.5	1.6	1.7	1.9	1.8	0.2	0.4	0.3	0.3
Imports (goods & non-factor services) - (real, qqsa %)	4.9	-4.1	-1.3	1.6	1.6	3.0	2.0	2.1	0.5	0.4	0.5	0.7

Note: The GDP figures are from the expenditure side and so include the residual. Source: SARB, Investec

GDP Summary, % real growth rates (incl. residual)	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4
GDP (real, qqsa %)	0.5	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.7
HCE (real, qqsa %)	0.5	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6
GCE (real, qqsa %)	0.3	0.2	0.2	0.2	0.3	0.2	0.3	0.4	0.3	0.2	0.3	0.3
GFCF (real, qqsa %)	1.0	1.1	1.1	1.2	1.3	1.3	1.4	1.3	1.3	1.4	1.4	1.4
GDE (real, qqsa %)	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.7
Export (goods & non-factor services) - (real, qqsa %)	1.5	1.2	1.2	1.2	0.9	0.8	0.9	0.9	1.2	1.3	1.3	1.2
Imports (goods & non-factor services) - (real, qqsa %)	1.4	1.4	1.1	1.2	1.1	1.0	1.1	1.2	1.3	1.3	1.2	1.2

Note: The GDP figures are from the expenditure side and so include the residual. Source: SARB, Investec



- Industrial production contracted in Q2.22 by -4.4% y/y (seasonally adjusted), heralding sharp downwards pressure on GDP. We expect GDP to contract by -0.8% qqsa (quarter on quarter, seasonally adjusted) in Q2.22, following damaging loadshedding and the KZN floods.
- Mining, electricity and manufacturing production fell by -3.3% qqsa, -3.1% qqsa and -5.5% qqsa respectively (-2.0% qqsa, 6.9% and 4.6% qqsa in Q1.22), with weakening metal prices a key drag on the rand value of mining production and export activity.
- Metals' prices were down -9.0% qqsa in Q2.22 (Economist metals commodities index ), after gaining 25% qqsa in Q1.22, but Q1.22 saw SA experience difficulties in transporting its bulk goods for export, while external demand for some products waned in Q2.22.
- Specifically, global growth forecasts were revised lower in Q2.22, negatively affecting metals, as risk-off permeated financial markets, worsened by the severe COVID lockdown restrictions in China on its economic activity, with March the high in metals' prices this year.
- July also proved a weak month for metals' prices, down -8.2% m/m and -29.2% lower on a year ago, and against the first month of Q2.22, metals' prices fell a hefty -23.2% in July, heralding a weak quarter start for Q3.22.
- It is still early in the month for August, but to date SA's key export, coal has seen a -3.3% price drop compared to the same first few days in July, at USD384/MT currently, versus USD419/MT in March, experiencing volatility but generally dropping over Q3.22 so far .
- For GDP Q2.22 overall, other economic indicators also show a drop, with retail and wholesale trade sales, (seasonally adjusted and in real terms i.e. measured as GDP is), falling -0.3% and -21.1% respectively for the first two months of Q2.22 versus the first two of Q1.22.
- Building completions rose by 56% (seasonally adjusted) for the first two months of Q2.22 versus the first two of Q1.22, but have only a 2.6% weighting in GDP. For the same period, building plans passed fell -15.6% as higher interest rates dulled the outlook for construction.

- Industrial production (made up of mining, manufacturing and electricity production) accounts for 20.5% of GDP, while the trade sector (retail and wholesale, plus accommodation catering etc.) accounts for 13%. SA currently looks like it is on track to for growth of 1.9% y/y this year.

Please scroll down to the second section below

Summary, % real growth rates	2022	2023	2024	2025	2026	2027
GDP (real, %)	1.9	1.7	1.8	2.1	2.3	2.5
HCE (real, %)	2.5	2.0	1.9	2.0	2.3	2.4
GCE (real, %)	0.5	-1.8	-0.7	0.6	1.0	1.1
GFCF (real, %)	2.3	3.8	4.4	4.9	5.2	5.6
GDE (real, %)	2.5	2.0	2.1	2.2	2.5	2.6
Export (goods & non-factor services) - (real, %)	4.5	3.9	3.5	3.8	4.0	4.5
Imports (goods & non-factor services) - (real, %)	6.0	4.9	4.6	4.2	4.5	5.0
Balance: Current Account - (% of GDP)	1.2	-2.1	-3.1	-3.0	-3.0	-2.8
Imports as % of GDP	27.0	27.9	28.6	29.3	29.9	30.6
Exports as % of GDP	26.8	27.4	27.9	28.4	28.9	29.4

Source: SARB, Investec

Consumption Expenditure	2022	2023	2024	2025	2026	2027
HCE, total (real, %)	2.5	2.0	1.9	2.0	2.3	2.4
HCE as % of GDP	66.5	66.7	66.9	66.8	66.8	66.8
Unemployment rate (%)	34.5	33.9	33.1	32.3	31.8	31.2
Population (million)	60.8	61.5	62.1	62.8	63.5	64.1
Employment growth rate (%)	5.2	0.3	2.9	3.1	2.8	2.7
Compensation of employees (%)	7.0	5.6	6.3	6.7	6.8	7.1
GCE as % of GDP	19.6	18.9	18.4	18.2	17.9	17.7

Source: SARB, Investec

Gross Fixed Capital Formation	2022	2023	2024	2025	2026	2027
GFCF, total (real, %)	2.3	3.8	4.4	4.9	5.2	5.6
GFCF as % of GDP	14.1	14.4	14.8	15.2	15.6	16.1
Private sector (real, %)	3.0	3.9	4.6	5.1	5.2	5.6
Government (real, %)	0.5	3.6	3.9	4.5	5.1	5.5
Non-residential GFCF (real, %)	3.0	3.9	4.6	5.0	5.2	5.6
Residential buildings (real, %)	3.1	3.8	4.6	5.1	5.3	5.5

Source: SARB, Investec

Please note: all data may be subjected to historical revisions

GDP summary, % real growth rates	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
GDP (real, y/y %)	2.9	0.6	2.8	1.5	0.7	1.7	1.9	2.5	1.7	1.9	1.8	1.6
HCE (real, y/y %)	3.2	1.1	4.3	1.5	0.7	2.0	2.5	3.0	2.7	2.1	1.7	1.3
GCE (real, y/y %)	2.1	0.8	-0.6	-0.4	-2.1	-1.7	-1.3	-2.2	-1.6	-1.0	-0.4	0.1
GFCF (real, y/y %)	3.8	1.5	2.1	1.7	0.8	4.1	5.4	5.0	3.5	4.1	4.7	5.4
GDE (real, y/y %)	3.5	2.1	2.8	1.7	0.7	1.9	2.6	2.9	2.2	2.1	2.0	1.9
Export (goods & non-factor services) - (real, y/y %)	7.9	0.9	8.7	0.9	-1.4	4.2	5.8	7.2	5.8	4.4	2.8	1.2
Imports (goods & non-factor services) - (real, y/y %)	10.2	5.5	7.7	0.9	-2.4	4.9	8.4	9.0	7.8	5.1	3.5	2.1
Current Account – (% GDP)	2.2	0.8	1.1	0.6	-1.2	-1.9	-2.5	-2.9	-3.0	-3.1	-3.2	-3.1
Imports as % of GDP	27.8	26.9	26.5	26.9	27.0	27.8	28.2	28.6	28.6	28.6	28.6	28.7
Exports as % of GDP	27.4	26.6	26.6	26.7	26.9	27.3	27.6	28.0	27.9	27.9	27.9	27.9

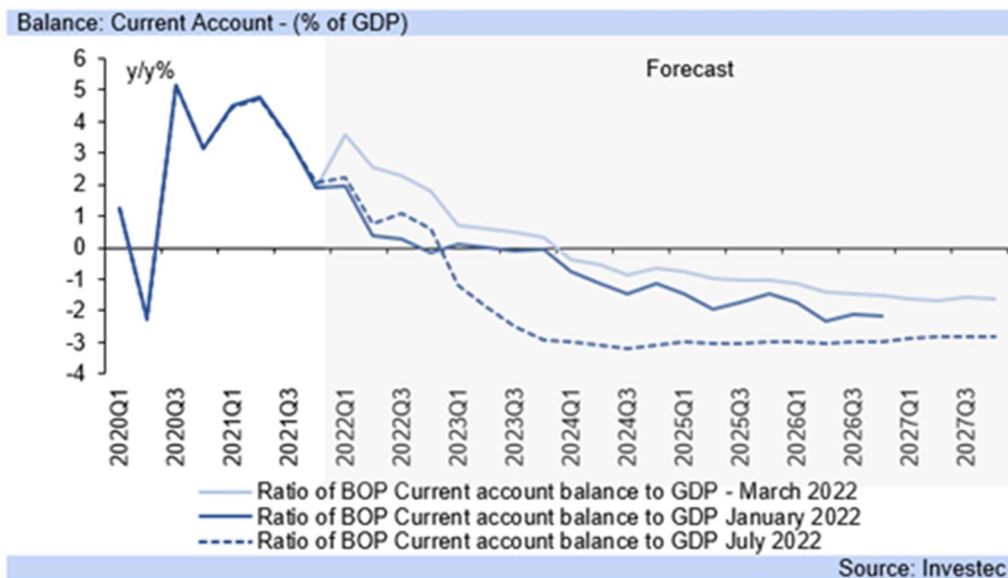
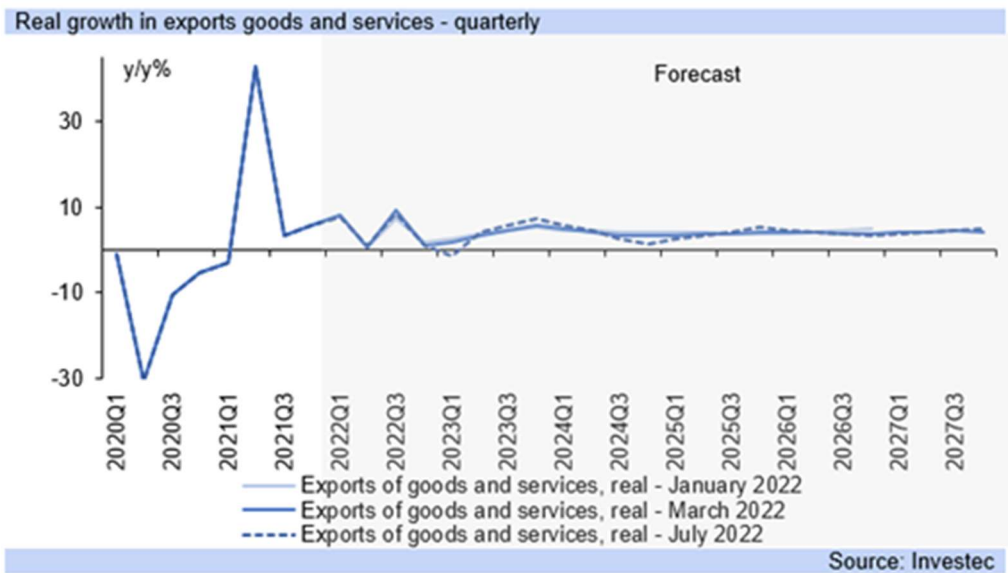
Note: The GDP figures are from the expenditure side and so include the residual. Source: SARB, Investec

GDP summary, % real growth rates	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4
GDP (real, y/y %)	1.7	2.0	2.2	2.3	2.4	2.3	2.3	2.2	2.3	2.4	2.5	2.7
HCE (real, y/y %)	1.5	1.9	2.2	2.4	2.4	2.4	2.3	2.2	2.3	2.4	2.4	2.5
GCE (real, y/y %)	0.5	0.6	0.7	0.8	0.8	0.9	1.1	1.2	1.2	1.2	1.1	1.1
GFCF (real, y/y %)	5.2	5.0	4.8	4.5	4.8	5.1	5.4	5.5	5.5	5.5	5.6	5.6
GDE (real, y/y %)	1.9	2.1	2.3	2.3	2.4	2.4	2.5	2.5	2.6	2.6	2.6	2.7
Export (goods & non-factor services) - (real, y/y %)	2.5	3.3	4.3	5.2	4.6	4.2	3.8	3.5	3.8	4.3	4.7	5.1
Imports (goods & non-factor services) - (real, y/y %)	3.0	4.0	4.6	5.1	4.8	4.4	4.5	4.5	4.7	5.0	5.1	5.1
Current Account – (% of GDP)	-3.0	-3.1	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-2.9	-2.8	-2.8	-2.8
Imports as % of GDP	29.0	29.2	29.3	29.5	29.7	29.8	30.0	30.1	30.4	30.5	30.7	30.9
Exports as % of GDP	28.1	28.3	28.5	28.6	28.7	28.8	28.9	29.0	29.2	29.4	29.5	29.7

Note: The GDP figures are from the expenditure side and so include the residual. Source: SARB, Investec

- Tourism saw a lift of around 30% for the first two months of Q2.22 versus the first two of Q1.22, making up part of the 13% of GDP that the trade sector accounts for, and this tourism activity uplift will likely be cancelled by the collapse in retail and wholesale trades.
- The agricultural sector accounts for 3.1% of GDP, with international food prices up 2.2% qysa for Q2.22 (Economist commodities food price index), but nonfood agricultural commodities (also an Economist commodities index) are down -12.7% qysa internationally.
- This will impact the rand value of the agriculture sector, with non-food commodities such as wood and paper (and wool) production also negatively affected by the general impact on commodities' prices in Q2.22 from the severe downwards revision of global growth forecasts.
- The primary (agricultural and mining production) and secondary (electricity and manufacturing production, as well as construction) sectors of the economy account for 26.3% of GDP, and the remaining sectors, i.e. services sectors, account for 73.7% of GDP.
- Consequently, much will depend on the performance of the services sector for Q2.22, but the severe contraction in industrial production of -4.4% qysa (not annualised) will have a noticeable impact, and will also be reflected in the business services industry in part.
- The business services sector includes consulting, legal, accountancy, software and other IT, marketing, training, maintenance, public relations and several other services including finance and real estate services, but is often only (erroneously) known as the financial services sector.

- While the business services sector accounts for 25.8% of South Africa's GDP, the financial services sector accounts for only 7.3% (SARB), and makes up both the insurance and banking as well as other financial services.
- A large collapse in three sectors of the economy (manufacturing, mining and electricity) will have some negative impact on the other sectors in the economy, including particularly the transport sector, which makes up 8.4% of GDP.
- The government sector (9% of GDP), plus the personal services sector (17.5% of GDP, makes up 26.5%. A severe collapse in three sectors will feed through in part to other sectors (likely excluding general government services) adding to overall GDP weakness in Q2.22.



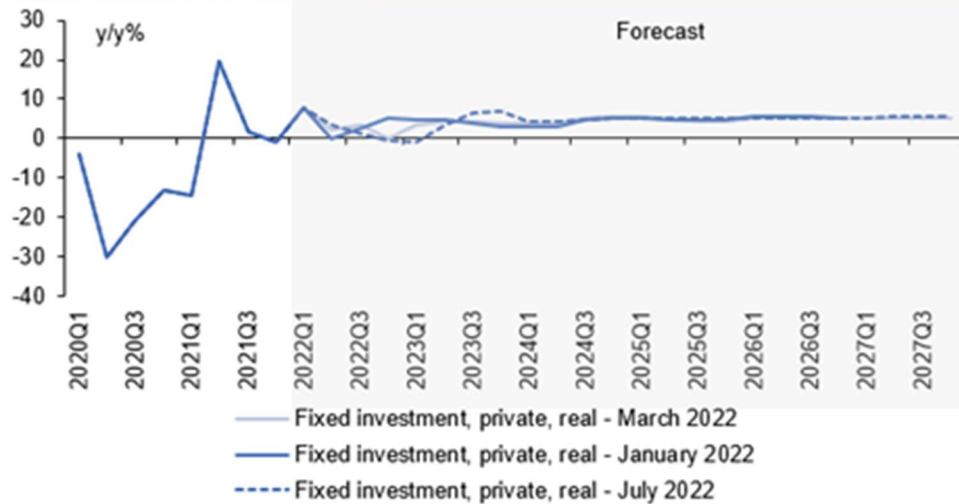
Gross Fixed Capital Formation, % real growth rates	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
GFCF, total (real, y/y %)	3.8	1.5	2.1	1.7	0.8	4.1	5.4	5.0	3.5	4.1	4.7	5.4
GFCF as % of GDP	14.3	14.0	13.9	14.1	14.3	14.4	14.4	14.4	14.6	14.7	14.8	15.0
Private sector (real, y/y %)	7.9	3.5	1.4	-0.6	-0.9	3.3	6.6	6.8	4.1	4.5	4.8	5.1
Government (real, y/y %)	-5.5	-3.3	3.8	7.8	5.2	6.0	2.5	0.8	2.0	3.1	4.4	6.1
Non-residential GFCF (real, y/y %)	9.0	4.0	1.1	-2.0	-2.6	2.8	7.6	8.4	4.6	4.6	4.6	4.7
Residential buildings (real, y/y %)	2.9	1.4	2.6	5.5	6.9	5.8	2.6	0.2	2.3	4.0	5.6	6.7

Source: SARB, Investec

Gross Fixed Capital Formation, % real growth rates	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4
GFCF, total (real, y/y %)	5.2	5.0	4.8	4.5	4.8	5.1	5.4	5.5	5.5	5.5	5.6	5.6
GFCF as % of GDP	15.0	15.1	15.2	15.3	15.4	15.5	15.7	15.8	15.9	16.0	16.1	16.2
Private sector (real, y/y %)	5.1	5.0	5.1	5.0	5.1	5.2	5.3	5.3	5.3	5.5	5.6	5.8
Government (real, y/y %)	5.6	5.0	4.2	3.2	3.9	4.7	5.7	6.1	5.9	5.7	5.4	5.1
Non-residential GFCF (real, y/y %)	4.8	5.0	5.2	5.2	5.2	5.2	5.2	5.2	5.3	5.5	5.7	5.9
Residential buildings (real, y/y %)	6.1	5.5	4.8	4.3	4.8	5.2	5.7	5.7	5.6	5.6	5.3	5.4

Source: SARB, Investec

#### Real growth in Private fixed investment



Source: Investec