SACCI

"The voice of business"

Gross Domestic Product (GDP), 2nd Quarter 2012

- **Seasonally adjusted real GDP at market prices for the second quarter of 2012 increased by 3.2 per cent unrevised 2.7 per cent in the first quarter**
- **The unadjusted GDP at market prices for the first six months of 2012 increased by 2.5 per cent compared to the same period in 2011**

The main contributors to the increase in GDP the second quarter of 2012 was:

- Finance, real estate and business services contributed 0.5 percentage points based on growth of 2.3 per cent
- The mining and quarrying industry contributed 1.5 percentage points based on growth of 31.2 per cent
- The wholesale, retail and motor trade; catering and accommodation industry contributed 0.4 percentage points based on growth of 2,8 per cent
- General government services contributed 0.3 percentage points based on growth of 1.9 per cent.

Official commentary on economic performance is as follows:

- Economic activity in the mining and quarrying industry reflected positive growth of 31.2 per cent, due to higher production in the mining of 'other' metal ores (including platinum), 'other' mining and quarrying (including diamonds) and coal.
- The growth in the wholesale, retail and motor trade; catering and accommodation industry was due to increases reflected in the turnover in the wholesale, retail and motor divisions in the trade industry.
- The slower growth in finance, real estate and business services was due to a decrease in banking services and a moderation in the growth of auxiliary activities to financial intermediation services.
- Economic activity in the manufacturing industry reflected negative growth of 1.0 per cent, due to lower production in the basic iron and steel, non-ferrous metal products, metal products and machinery division, the wood and wood products, paper, publishing and printing division and the glass and non-metallic products division.
- Economic activity in the electricity, gas and water industry reflected negative growth of 4.2 per cent, due to lower consumption of electricity.

SACCI Comments

The South African economic growth figure of 3.2 per cent is a welcome development especially in the midst of a threat of prolonged economic stagnation in developed economies. A week ago the International Monetary Fund (IMF) released an estimate that South Africa would grow by 2.6 per cent in 2012, which would imply a significant fall in the current growth rate. This outlook is in line with the National Treasury forecast of 2.7 per cent for the year.

The remarkable growth in the mining sector in the second quarter is founded on base effects due to weak performance of the sector over the past past two years. In fact, the mining sector contracted in the previous six months. The events at the Marikana mine and broad industrial action in the sector carries the risk of extended mine closures that would ultimately be reflected in lower mining production. The possibility of a drastic moderation in mining output combined with the fact that the GDP would have grown by only 1.9 per cent if not for the mining contribution indicates that there will be a decrease in economic growth for the rest of the year.

The negative growth in the manufacturing industry is not entirely new as South Africa has been undergoing the painful process of de-industrialisation over the past two decades. On a positive note, one of the manufacturing industry's most important components, motor vehicles, experienced very strong figures on the retail and export side for at least the first half of 2012. Thus a decrease in manufacturing output may indicate reduction in inventory levels due to a less than optimistic outlook for sales going into 2013.

The 2.3 per cent growth in the demand side of the economy is muted due to a general uncertainty by industry on expansion plans. At the moment companies across the world are shoring up their cash reserves in anticipation of economic fallout due to fiscal and financial stability concerns in the European Union. The hope remains that European monetary and fiscal authorities will be able to strengthen market confidence and thereby unlock the funds for investment in corporate treasuries.

The outlook for the year is a slightly optimistic 2.9 per cent barring deteriorating negative developments in Europe.

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