

GDP increases by 4.1% in fourth quarter of 2014

PRETORIA: South Africa's gross domestic product (GDP) increased by 4.1% in the fourth quarter of 2014, Statistics South Africa (Stats SA) said on Tuesday, 24 February.



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"Real gross domestic product at market prices increased by 4.1% quarter-on-quarter, seasonally adjusted and annualised," said Stats SA.

This growth was more than what markets had expected.

"GDP growth accelerated by much more than the markets expected in the final quarter of 2014, growing by a seasonally adjusted and annualised 4.1% quarter-on-quarter, up from 2.1% and 0.5% in the third and second quarters respectively and better than the consensus market forecast of 3.7%," said Nedbank economists.

The largest contribution to the quarter-on-quarter growth of 4.1% was manufacturing that contributed 1.2% based on growth of 9.5%. The mining and quarrying industry contributed 1.1% based on growth of 15.2%. The finance, real estate and business services contributed 0.7% based on growth of 3.5%.

Economic activity in the manufacturing industry reflected positive growth of 9.5% due to higher production in petroleum, chemical products, rubber and plastic products division, among others.

Meanwhile, economic activity in mining and quarrying reflected positive growth of 15.2% due to higher production in the mining of 'other' metal ores (including platinum) and 'other' mining and quarrying (including diamonds).

The growth in finance, real estate and business services was due to increases in activities in the financial markets and banking.

Over 2014 as a whole, real GDP grew by only 1.5%, down from an already tame 2.2% in 2013.

According to Stats SA, the nominal GDP at market prices during the fourth quarter of 2014 was R979 billion, which is R16 billion more than in the third quarter of 2014.

Real GDP at market prices increased by 1.5% in 2014 following an increase of 2.2% in 2013, with the largest contribution to the increase in 2014 being general government services, which contributed 0.5% based on growth of 3%. Finance, real estate and business services contributed 0.4% based on growth of 2.2%.

Nominal GDP was estimated at R3.8 trillion for the year of 2014.

According to the Nedbank analysts, the economy should fare better in 2015 off the low base of 2014. This and consumer spending is forecast to accelerate as lower fuel prices and easing inflation support disposable income and interest rates remain steady for much of the year.

This, along the low base of 2014, is expected to outweigh the negative impact of load shedding, lower international commodity prices and subdued global demand on exports. On balance, Nedbank expects GDP growth of about 2.5 % in 2015.

The Reserve Bank's Monetary Policy Committee is unlikely to read too much into today's stronger-than-expected GDP figures. The risks to the economic outlook still remain on the downside given limited power and other economic capacity locally and an uncertain economic environment globally.

In contrast, the inflation outlook remains benign, which should persuade the MPC to keep interest rates unchanged at its upcoming meeting in March. Our forecast is for rates to remain on hold throughout most of 2015, with the first rate hike expected in November. Much however depends on the trajectories of the rand and oil prices," said Nedbank.

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