Real growth domestic expenditure slows in third quarter

PRETORIA: Real gross domestic expenditure decelerated from 4.9 % previously to 3% in the third quarter of this year, said the Reserve Bank on Thursday, 6 December 2012.

"Consistent with the slower growth in domestic production, real gross domestic expenditure lost some momentum in the third quarter of 2012, decelerating from an annualised rate of 4.9% in the second quarter of 2012 to 3% in the third quarter," said the central bank in its December Quarterly Bulletin.

Spending growth slackened due to a sharp slowdown in inventory accumulation and production disruptions in mining.

"Real gross domestic expenditure growth slackened notably in the third quarter of 2012, mainly reflecting a sharp slowdown in inventory accumulation. In turn this was largely brought about by the production disruptions noted above which resulted in producers, especially in the mining sector, having to fall back on inventories in order to satisfy demand," noted the bulletin.

The country's current account remained at 6.4% of Gross Domestic Product in the third quarter.

"The volume of merchandise exports also inched higher, reflecting higher agricultural and manufacturing exports despite a tough international trade environment," noted the central bank.

The current account deficit widened to a seasonally adjusted and annualised R202.5 billion in the third quarter from R200 billion in the second quarter.

Nedbank economists said today's numbers indicate that domestic demand lost further momentum in the third quarter, dragged down mainly by weaker growth in consumer expenditure. "Domestic production disruptions, against the backdrop of weak external demand, had a negative impact on the external sector. The unsustainably large current account deficit could put the rand under more pressure."

At last month's last Monetary Policy Committee (MPC) meeting for the year, the central bank kept the repo rate unchanged at 5%.

"We believe that the MPC will keep monetary policy neutral over an extended period in order to balance weak growth prospects and rising inflationary pressures. We therefore maintain our view that interest rates will remain unchanged for most of 2013, and a reversal in policy easing is likely only late in the year or even in 2014. However, any deterioration in both the global and domestic economies would increase the chance of another cut," said Nedbank.