SA exits technical recession in third quarter

South Africa has come out of a technical recession with the economy growing by 2.2% in the third quarter of 2018, said Statistics South Africa (Stats SA).

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“We can inform the public that the economy has expanded by 2.2% in the third quarter of 2018. Year-on-year growth was 1.1% and nine month on nine month it was at 0.8%,” said Statistician General Risenga Maluleke.

“We made revisions on second quarter of 2018. The previous growth rate at the time was a negative 0.7% after looking at the revisions we are now sitting on 0.4% in the second quarter,” he said at a media briefing on Tuesday.

Third quarter growth -- which was expected by economists -- followed on two consecutive quarters of negative growth.

Nedbank economist’s expected the economy to improve to 2.2% mainly on the back of the low base set in the first and second quarters.

In its analysis on Monday, Nedbank said sectors expected to show improvement included manufacturing, domestic trade, transport and communication and the financial sector.

Statistics South Africa (Stats SA) said the rise in GDP numbers was largely as a result of increased economic activity in manufacturing, transport and communication as well as finance, real estate and busine services.

The manufacturing sector expanded by 7.5% while finance, real estate and business services increased b 2.3%. Increased economic activity was reported for financial intermediation, insurance and auxiliary activiti among others.

Meanwhile, mining decreased by 8.8% contributing -0.7% of percentage point to GDP growth.

Expenditure on real gross domestic product grew by 2.3% in the third quarter. Nominal GDP was estimate at R1.27trn in the third quarter increasing by R40bn from the second quarter.

Downside risks

Standard Bank in a research note forecast real GDP at an average of 0.9% and 1.8% for 2018 and 2019, respectively.

“We are however, increasingly concerned about the downside risks to growth over the next few months. T South African Reserve Bank’s (Sarb's) leading indicator has not shown meaningful acceleration in months, said Standard Bank economists.

Gross fixed capital formation decreased by 5.1% with the main contributors to the decline were activities associated with construction works, transport equipment, non-residential buildings and transfer costs.

Meanwhile, imports of goods and services increased by 26.7% driven largely by an increase in imports of machinery and electrical equipment and vehicles and transport equipment.