BIZCOMMUNITY

Manufacturing activity rebound lifts GDP

By Ntsakisi Maswanganyi 26 Feb 2014

Economic growth expanded more than expected in the fourth quarter of last year supported by a resumption in manufacturing sector activity following strikes in the third quarter. Moderate growth in all other sectors except electricity, gas and water contributed to the rise.

Strong growth in the final quarter boosted SA's GDP. Image: Master Isolated Images Free Digital Photos

Statistics SA figures showed on Tuesday (25 February) that real gross domestic product (GDP) at market prices increase by 3.8% on a seasonally adjusted and annualised basis in the fourth quarter of last compared with 0.7% growth in the thir quarter.

GDP was expected to have grown by 3.4% according to a poll of leading economists by I-Net Bridge with forecasts amon eleven leading economists ranging from 1.5% to 4.2%.

The manufacturing sector rebounded and contributed the most to fourth quarter economic growth with 1.8 percentage poi Mining and quarrying contributed 0.8 of a percentage point, while the wholesale, retail and motor trade; catering and accommodation industry and finance, real estate and business services each contributed 0.3 of a percentage point.

Growth rate unlikely to be sustained

Head of Absa Private Client Asset Management Craig Pheiffer said the growth in mining and manufacturing was a positive development indicating that producers in the economy were making a comeback.

Absa's Craig Pheiffer says SA's producers are "making a comeback". Image: LinkedIn

A negative contribution was recorded by the electricity, gas and water sectors (-0.1 of a percentage point). Stats SA said there had been lower consumption of both electricity and water.

Most economists say the higher economic growth rates would not be repeated in the current quarter because of new strik in the mining sector and sluggish growth in global demand for manufactured products.

"The pace of growth set in the fourth quarter is not likely to be repeated in the first quarter of this year given the protractec strikes in the mining sector and the slowdown in China," Nedbank senior economist Nicky Weimar, said.

"But economic activity is expected to pick up in the second half of the year as we start seeing the benefits of a stronger world economy and the weaker rand," said Weimar

SA's 2013 real annual GDP increased in line with expectations by 1.9% following an increase of 2.5% in 2012.

Cautious outlook

Although expectations are for higher economic growth in 2014, Macquarie Securities economist Elna Moolman said they remained "cautious" about growth prospects.

Macquarie Securities Elna Moolman says caution must prevail in the current economy. Image: LinkedIn

"Our concerns are underscored by the continued weakness in the Reserve Bank's leading business cycle indicator, which we regard as a very reliable precursor to economic momentum six to nine months ahead," Moolman said.

The composite leading business economic indicator fell by 0.8% year on year (y/y) in December after a 0.1% y/y decline November, Reserve Bank data showed on Tuesday)25 February). The seasonally adjusted indicator provides a guideline economic activity and growth for at least six months ahead.

The seasonally adjusted real annualised value added by the primary, secondary and tertiary sectors recorded increases c 12.8%, 9.2% and 1.5% respectively during the fourth quarter of 2013.

The unadjusted real GDP at market prices for the final quarter oflast year increased by 2.0% compared with the same per in 2012.

Stats SA said the main contributors to the increase in economic activity last year were finance, real estate and business services (0.5 of a percentage point), the wholesale, retail and motor trade; catering and accommodation (0.3 of a percenta point) and the mining and quarrying industry, the transport, storage and communication industry and general government services (each contributing 0.2 of a percentage point).