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DEPPRESSING NEWS OF DECLINE IN REAL GROSS DOMESTIC PRODUCT FOR SOUTH AFRICA IN THIRD QUARTER OF 2021 WAS EXPECTED, SAYS CHIEF ECONOMIST OF DCG.

JOHANNESBURG, 07th DECEMBER 2021 – The Don Consultancy Group (DCG) Chief Economist Mr Chifi Mhango says depressing news of a decline in overall real Gross Domestic Product (GDP) data released by Statistics South Africa (Stats SA), in the third quarter of 2021 to 1.5% annualised was expected.

Mr Mhango said: “the high unemployment level of 34.9% in South Africa in the third quarter of 2021 aligns with overall total GDP decline even at sector level, and reflects the damage the economy suffered from the July 2021 unrest, electricity load-shedding and metal industry pro-longed strike; coupled with challenges of rising costs of production attributed to logistical and energy costs at industry level. Gross Fixed Capital Formation (GFCF) data released along-side the GDP figures reflecting flat movement at 0% also demonstrate the weakness in the South African economy’s ability to attract the much needed investment, with ratio of GFCF to GDP still below 20%”

DCG Chief Economist Chifi Mhango said: “the South African economy is heavily dependent mostly on the Mining, Construction and Manufacturing, which have a strong labour absorption rate with considerable value contribution to the economy. However, the current job shedding in these sectors and today’s sector GDP trends reflects struggling high impact sectors with lack of business activity. Its worrisome time as the international travel restrictions to South Africa adds more damage especially in the tourism segment.

Mr Mhango added that: “improving domestic consumption of locally produced goods, investment conditions, more productive expenditure from Government and improving trade position should guide South African policy implementation to reverse the current ailing economic position in GDP numbers.”

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"It is, therefore, imperative that the South African Government commits to implementation of its Economic Recovery Plans including the R792.1 billion public infrastructure spending announced in the February 2021 National Budget Speech, while also implementing policy interventions identified in the various sector or industry Master plans. South Africa should also leverage on growing its export volumes and revenue especially on the African continent with more value added products to improve our trade position while also creating a conducive-environment to stimulate economic growth through increased investment into the key sectors of the economy." Mr Mhango added.

Mr Mhango said that "globally, key economies such as the USA's GDP growth rate softened noticeably in third quarter of 2021 to 4.9% over the same quarter of the previous year, after accelerating slightly in second quarter of 2021 by 12.2%. The slowdown was predominately due to a sharp decline in household spending growth, while fixed investment and exports both contracted in third quarter of 2021. A slight rebound in government consumption limited the overall moderation. Turning to fourth quarter of 2021, economic growth regained momentum in the USA. The unemployment rate dropped to its lowest level since March 2020 and retail sales growth hit a seven-month high in October of 2021."

"While in China, the economy expanded 4.9% year-on-year in the third quarter of 2021, easing sharply from a 7.9% growth in the previous period. It was the slowest pace of expansion since the third quarter last year, amid several headwinds including power shortages, supply chain bottlenecks, a persistent property bubble and COVID-19 outbreaks. Others BRICS countries such as India, Russia and Brazil registered annualised growth rates of 8.4%, 4.3% and 4% respectively during the same quarter. " concluded Mr Mhango

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