

FreeFACTS

No 6/2018 / October 2018 / Issue 6

Find us online at www.irr.org.za

Economy besieged by hostile policy

This edition of *Free Facts* looks at the state of South Africa's economy.

This year, emerging markets will average economic growth rates of around 5%, but South Africa will probably achieve only a tenth of that.

Coming off the back of weak economic performance in the 1980s, the economy stabilised through the transition years, setting up the era to 2007 during which growth rates ramped upwards to average 5% between 2004 and 2007.

Interest rates averaging over 20% in 1997 and 1998 would be cut in half. Gross fixed capital formation (GFCF) as a share of gross domestic product (GDP) rose from 15.8% in 1993 to 23.5% in 2008. Per capita GDP increased from R42 849 in 1994 to R54 322 in 2008, but has plateaued since 2013 and slipped slightly over the past three years.

The structure of GDP continues to evolve in the direction of a tertiary-orientated and post-industrial economy — a trend driven by global forces as much as by hostile and counterproductive labour, mining and agricultural policies in South Africa.

There is also relatively little life across any of the ten major sectors of the economy tracked by this report. While weak domestic consumption and stressed consumers have kept inflation in check, there are risks in rising global oil prices and the potential for further currency weakness. South Africa may yet drift into a stagflationary environment.

Great, then, was our alarm at the recent stimulus package announced by the government. It fell far short of what will be necessary to reignite the South African economy. The crisis South Africa faces is not one of inadequate government spending or insufficient stimulus, but rather one of an economy battered by a decade of hostile policy. The best (and only) real 'stimulus' package open to the government is one of policy reform. Until such a package is put together, there will be little improvement in the numbers reflected in this report, with much risk leaning to the downside. — **Marius Roodt**

JOIN US

The IRR is an advocacy group that fights for your right to make decisions about your life, family and business, free from unnecessary government, political, and bureaucratic interference. FreeFACTS publishes evidence that communities are better off when individuals are free to make decisions about how they want to live, be educated, work, access healthcare, think, speak, own property, and protect their communities. If you agree with the issues we stand for, welcome to the team. There are millions of people just like you who are tired of South African politicians, activists, and commentators attempting to rein in your freedom to decide. Take control and make sure your voice is heard by becoming a friend of the IRR.

**SMS YOUR NAME
TO 32823
SMS costs R1.
Ts and Cs apply.**

The Economy

Leading indicators

Major indicators, 1980–2017

Year	Real GDP growth	GDP per head ^a R	GFCF ^b to GDP	Headline inflation	Prime overdraft rate (average)	Current account surplus/deficit % of GDP	R/\$
1980	6.6%	49 377	27.8%	13.8%	9.5%	4.0%	0.779
1981	5.4%	50 815	29.1%	15.2%	14.0%	-6.0%	0.878
1982	-0.4%	49 465	29.0%	14.7%	19.3%	-4.4%	1.086
1983	-1.8%	47 456	27.9%	12.4%	16.7%	-0.5%	1.114
1984	5.1%	48 768	25.4%	11.6%	22.3%	-2.4%	1.476
1985	-1.2%	47 126	24.6%	16.1%	21.5%	3.9%	2.228
1986	0.0%	46 112	21.7%	18.7%	14.3%	4.1%	2.284
1987	2.1%	46 082	19.6%	16.1%	12.5%	5.8%	2.036
1988	4.2%	47 021	20.9%	12.9%	15.3%	2.7%	2.273
1989	2.4%	47 144	22.3%	14.7%	19.8%	1.5%	2.622
1990	-0.3%	46 020	20.9%	14.4%	21.0%	1.3%	2.588
1991	-1.0%	44 610	19.1%	15.3%	20.3%	1.1%	2.761
1992	-2.1%	42 754	17.5%	13.9%	18.8%	1.5%	2.852
1993	1.2%	42 386	15.8%	9.7%	16.2%	2.1%	3.267
1994	3.2%	42 849	16.1%	9.0%	15.8%	0.0%	3.550
1995	3.1%	43 267	17.0%	8.7%	17.9%	-1.6%	3.627
1996	4.3%	44 193	17.2%	7.4%	19.5%	-1.1%	4.296
1997	2.6%	44 420	17.6%	8.6%	20.0%	-1.5%	4.607
1998	0.5%	43 720	18.1%	6.9%	21.8%	-1.7%	5.532
1999	2.4%	43 826	16.1%	5.1%	18.0%	-0.5%	6.113
2000	4.2%	44 735	15.6%	5.3%	14.5%	-0.1%	6.935
2001	2.7%	45 075	15.5%	5.7%	13.8%	0.3%	8.603
2002	3.7%	45 798	15.2%	9.2%	15.8%	0.9%	10.517
2003	2.9%	46 287	16.0%	5.8%	15.0%	-0.8%	7.565
2004	4.6%	47 605	16.5%	1.4%	11.3%	-2.8%	6.450
2005	5.3%	49 335	17.2%	3.4%	10.6%	-3.1%	6.362
2006	5.6%	51 331	18.9%	4.7%	11.1%	-4.5%	6.767
2007	5.4%	53 334	20.6%	7.1%	13.1%	-5.4%	7.054
2008	3.2%	54 322	23.5%	11.5%	15.1%	-5.5%	8.252
2009	-1.5%	52 838	21.5%	7.1%	11.9%	-2.7%	8.437
2010	3.0%	53 823	19.3%	4.3%	9.9%	-1.5%	7.322
2011	3.3%	54 968	19.1%	5.0%	9.0%	-2.2%	7.253
2012	2.2%	55 543	19.2%	5.7%	8.8%	-5.1%	8.210
2013	2.5%	56 232	20.4%	5.7%	8.5%	-5.8%	9.650
2014	1.8%	56 469	20.4%	6.1%	9.1%	-5.1%	10.844
2015	1.3%	56 549	20.4%	4.6%	9.4%	-4.6%	12.751
2016	0.6%	56 518	19.5%	6.4%	10.4%	-2.8%	14.709
2017	1.3%	56 054	18.7%	5.3%	10.4%	-2.5%	13.313

Source: South African Reserve Bank (SARB), Statistics South Africa (Stats SA)

a At constant 2005 prices. Gross domestic product (GDP) is the total value of all 'final' goods and services that were produced within the borders of the country during a year.

b GFCF = Gross Fixed Capital Formation (also known as Gross Domestic Fixed Investment).

The Economy

Real growth and income levels, 1980-2017

Year	Real total	Year-on-year change	Real GDP ^b	Year-on-year change	Real disposable	Year-on-year change
	GDP ^{ab}		per head ^c		income per capita of households ^{bd}	
	Rbn		R		R	
1980	1 405	6.6%	49 377	4.2%	25 527	6.3%
1981	1 480	5.4%	50 815	2.9%	24 292	-4.8%
1982	1 475	-0.4%	49 465	-2.7%	24 234	-0.2%
1983	1 447	-1.8%	47 456	-4.1%	24 567	1.4%
1984	1 521	5.1%	48 768	2.8%	25 487	3.7%
1985	1 503	-1.2%	47 126	-3.4%	24 804	-2.7%
1986	1 503	0.0%	46 112	-2.2%	23 643	-4.7%
1987	1 535	2.1%	46 082	-0.1%	24 522	3.7%
1988	1 599	4.2%	47 021	2.0%	25 111	2.4%
1989	1 637	2.4%	47 144	0.3%	25 167	0.2%
1990	1 632	-0.3%	46 020	-2.4%	24 670	-2.0%
1991	1 615	-1.0%	44 610	-3.1%	24 039	-2.6%
1992	1 581	-2.1%	42 754	-4.2%	24 060	0.1%
1993	1 600	1.2%	42 386	-0.9%	23 633	-1.8%
1994	1 652	3.2%	42 849	1.1%	23 686	0.2%
1995	1 704	3.1%	43 267	1.0%	24 308	2.6%
1996	1 777	4.3%	44 193	2.1%	24 950	2.6%
1997	1 824	2.6%	44 420	0.5%	25 239	1.2%
1998	1 834	0.5%	43 720	-1.6%	25 008	-0.9%
1999	1 877	2.4%	43 826	0.2%	24 862	-0.6%
2000	1 955	4.2%	44 735	2.1%	25 315	1.8%
2001	2 008	2.7%	45 075	0.8%	25 533	0.9%
2002	2 082	3.7%	45 798	1.6%	25 930	1.6%
2003	2 143	2.9%	46 287	1.1%	26 128	0.8%
2004	2 241	4.6%	47 605	2.8%	27 238	4.2%
2005	2 359	5.3%	49 335	3.6%	28 368	4.2%
2006	2 491	5.6%	51 331	4.0%	30 103	6.1%
2007	2 625	5.4%	53 334	3.9%	31 460	4.5%
2008	2 709	3.2%	54 322	1.9%	31 772	1.0%
2009	2 667	-1.5%	52 838	-2.7%	30 730	-3.3%
2010	2 748	3.0%	53 823	1.9%	31 503	2.5%
2011	2 838	3.3%	54 968	2.1%	32 592	3.5%
2012	2 901	2.2%	55 543	1.0%	33 183	1.8%
2013	2 973	2.5%	56 232	1.2%	33 324	0.4%
2014	3 028	1.8%	56 549	0.6%	33 265	-0.2%
2015	3 067	1.3%	56 518	-0.1%	33 633	1.1%
2016	3 084	0.6%	56 054	-0.8%	33 793	0.5%
2017	3 125	1.3%	56 020	-0.1%	34 250	1.4%

Source: SARB

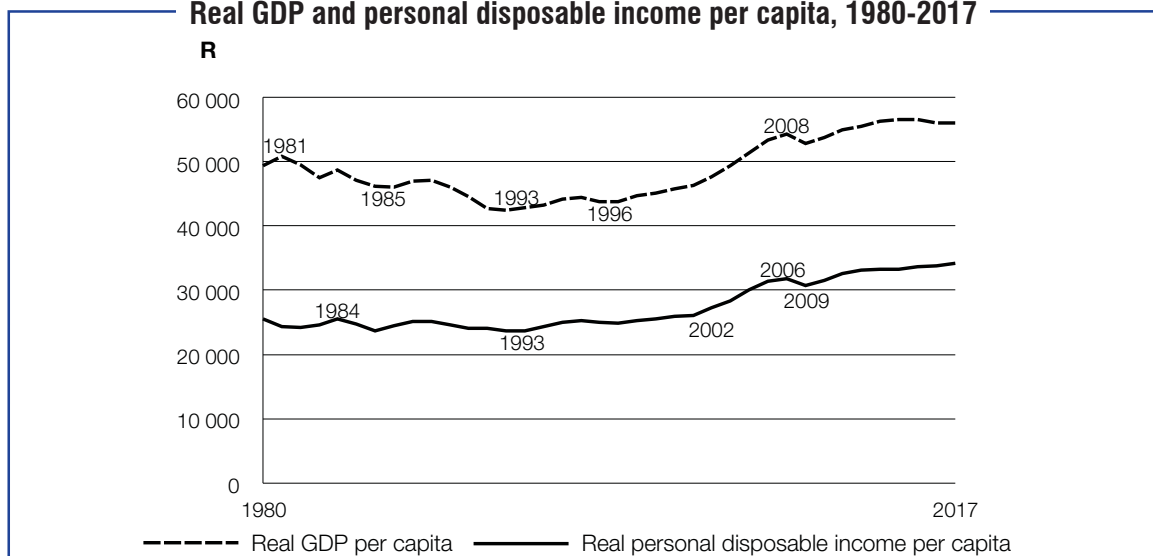
a Gross domestic product (GDP) is the total value of all 'final' goods and services that were produced within the borders of the country during a year.

b At constant 2010 prices.

c GDP per head is total GDP divided by the total population.

d Real disposable income per capita is total personal income minus direct personal tax plus subsidies.

Real GDP and personal disposable income per capita, 1980-2017



The Economy

Structure of GDP

Gross value added (GVA) ^{ab} by industry, 1961-2017											
Year	Agriculture	Mining	Manufac- turing	Electricity	Construc- tion	Trade ^c	Transport	Finance	Govern- ment	Personal services ^d	Total
1961	11.5%	12.0%	20.5%	2.5%	2.7%	13.5%	9.5%	10.7%	9.0%	7.6%	100.0%
1971	7.7%	7.5%	21.8%	2.5%	4.3%	14.1%	9.5%	14.5%	10.8%	6.6%	100.0%
1981	6.4%	14.6%	23.7%	3.1%	3.7%	12.9%	8.4%	11.1%	10.7%	4.5%	100.0%
1991	4.5%	8.3%	22.6%	3.8%	3.2%	13.8%	8.3%	14.6%	15.0%	4.7%	100.0%
2001	3.5%	8.3%	19.1%	2.5%	2.4%	14.0%	9.6%	19.1%	15.3%	6.1%	100.0%
2002	4.2%	8.7%	19.2%	2.5%	2.3%	13.4%	9.5%	19.5%	14.8%	6.0%	100.0%
2003	3.4%	7.4%	19.4%	2.6%	2.3%	13.7%	9.8%	20.0%	15.1%	6.3%	100.0%
2004	3.1%	7.2%	19.2%	2.4%	2.5%	13.9%	9.8%	20.6%	15.0%	6.3%	100.0%
2005	2.7%	7.6%	18.5%	2.4%	2.8%	13.9%	10.0%	21.1%	14.9%	6.3%	100.0%
2006	2.9%	8.4%	17.5%	2.3%	2.9%	13.7%	9.8%	21.6%	14.6%	6.2%	100.0%
2007	3.0%	8.8%	17.0%	2.3%	3.2%	13.3%	9.2%	22.6%	14.5%	6.1%	100.0%
2008	3.0%	9.7%	16.8%	2.3%	3.6%	13.4%	9.3%	21.6%	14.7%	5.8%	100.0%
2009	2.9%	9.0%	15.2%	2.8%	4.0%	13.7%	9.1%	21.3%	15.8%	6.2%	100.0%
2010	2.6%	9.2%	14.4%	2.7%	3.8%	14.9%	9.2%	21.0%	16.2%	6.0%	100.0%
2011	2.5%	9.6%	13.3%	3.2%	3.8%	14.8%	9.4%	20.8%	16.5%	6.0%	100.0%
2012	2.4%	9.1%	13.0%	3.6%	3.9%	14.9%	9.9%	20.7%	16.5%	6.0%	100.0%
2013	2.3%	9.1%	12.9%	3.7%	4.0%	14.9%	10.3%	20.3%	16.8%	5.8%	100.0%
2014	2.4%	8.4%	13.4%	3.6%	4.1%	14.8%	10.3%	20.1%	17.1%	5.8%	100.0%
2015	2.3%	7.8%	13.4%	3.8%	4.1%	15.0%	10.2%	20.2%	17.3%	5.9%	100.0%
2016	2.4%	7.9%	13.5%	3.8%	4.0%	14.9%	9.9%	20.2%	17.6%	5.7%	100.0%
2017	2.6%	8.0%	13.2%	3.7%	3.9%	15.0%	9.9%	20.2%	17.7%	5.8%	100.0%
2001-17	-25.7%	-3.6%	-30.9%	48.0%	62.5%	7.1%	3.1%	5.8%	15.7%	-4.9%	-

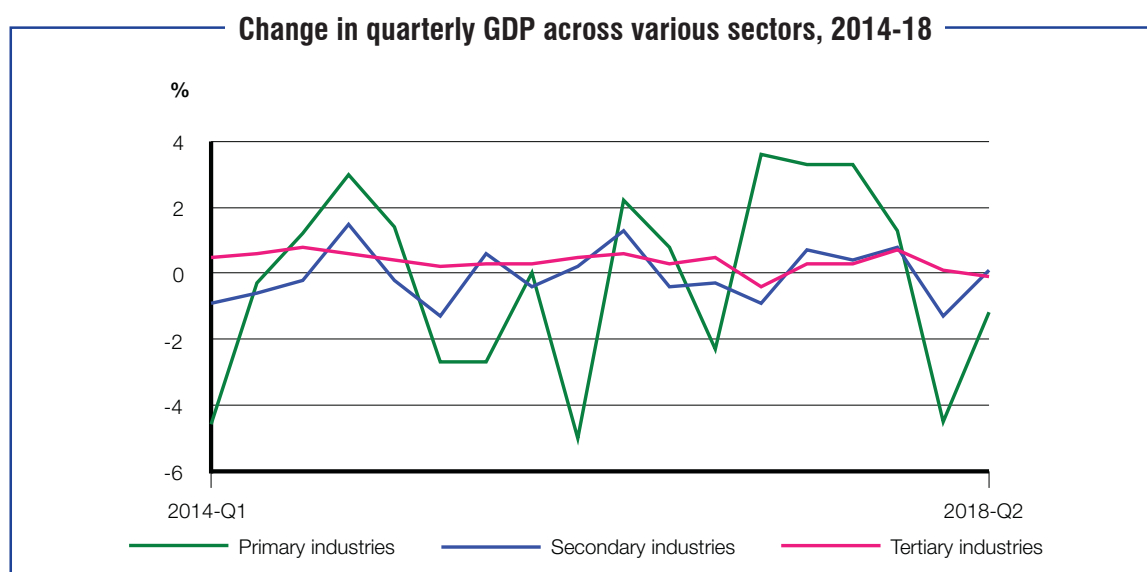
Source: Stats SA

a Gross value added (GVA) measures the contribution to the economy of each individual producer, industry or sector. GVA is output at basic prices minus intermediate consumption at purchaser prices. The basic price is the amount receivable by the producer from the purchaser for a unit of a product minus any tax on the product plus any subsidy on the product.

b At current prices.

c Comprises wholesale, retail, and motor trade; catering and accommodation.

d Comprises the former categories of 'Community, social and personal services' and 'Other producers'.



The Economy

Expenditure on GDP

Expenditure on GDP ^a , 1980-2017							
Year	Final consumption expenditure		Gross fixed capital formation	Gross domestic expenditure ^d	Exports of goods and services	Less imports of goods and services	Expenditure on gross domestic product ^d
	Households ^b	General government ^c					
1980	653	237	304	1 299	341	255	1 405
1990	862	331	208	1 460	388	241	1 632
2000	1 103	355	289	1 736	647	424	1 955
2001	1 142	366	291	1 774	662	425	2 008
2002	1 178	382	317	1 861	669	448	2 082
2003	1 211	404	354	1 954	670	484	2 143
2004	1 287	425	411	2 105	689	559	2 241
2005	1 366	447	436	2 229	748	620	2 359
2006	1 486	469	492	2 421	803	733	2 491
2007	1 583	488	534	2 561	866	802	2 625
2008	1 602	516	580	2 697	880	825	2 709
2009	1 560	540	530	2 631	730	679	2 667
2010	1 622	556	536	2 714	786	752	2 748
2011	1 705	571	580	2 857	814	842	2 838
2012	1 768	591	598	2 958	820	877	2 901
2013	1 804	609	636	3 049	853	921	2 973
2014	1 819	620	625	3 063	884	916	3 028
2015	1 851	618	659	3 128	908	966	3 067
2016	1 864	629	606	3 100	917	929	3 084
2017	1 906	633	616	3 155	916	946	3 125
2007-17	20.4%	29.7%	15.4%	23.2%	5.8%	18.0%	19.0%
2016-17	2.3%	0.6%	1.7%	1.8%	-0.1%	1.8%	1.3%

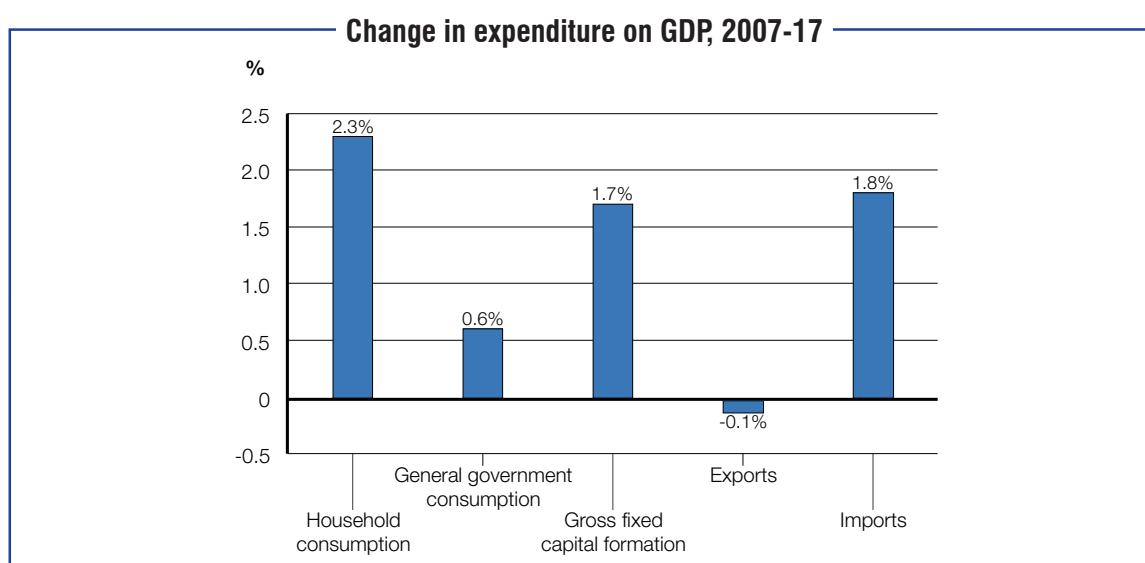
Source: SARB

a At constant 2010 prices.

b Including non-profit institutions serving households.

c Current expenditure on salaries, wages, and other services of a non-capital nature by the services departments (not business enterprises) of general government. General government includes central government, provincial, and local government.

d Including the residual item.



Inflation and interest rates

Inflation and interest rates, 1980-2017					
Year	Headline inflation ^a	Change in producer price index ^b	Bank rate ^c / repo rate	Prime overdraft rate ^d	Real prime overdraft rate ^e
1980	13.8%	16.7%	5.2%	9.5%	-3.6%
1981	15.2%	13.5%	10.6%	14.0%	-1.1%
1982	14.7%	13.9%	16.0%	19.3%	4.1%
1983	12.4%	10.5%	14.2%	16.7%	3.9%
1984	11.6%	8.4%	20.8%	22.3%	9.7%
1985	16.1%	17.0%	13.0%	21.5%	4.5%
1986	18.7%	19.5%	9.5%	14.3%	-3.6%
1987	16.1%	13.9%	9.5%	12.5%	-3.2%
1988	12.9%	13.1%	11.8%	15.3%	2.3%
1989	14.7%	15.4%	16.8%	19.8%	4.5%
1990	14.4%	11.9%	18.0%	21.0%	4.5%
1991	15.3%	11.5%	17.2%	20.3%	4.3%
1992	13.9%	8.2%	15.4%	18.8%	4.3%
1993	9.7%	6.6%	12.8%	16.2%	5.9%
1994	9.0%	8.3%	12.3%	15.8%	6.1%
1995	8.7%	9.4%	14.5%	17.9%	8.5%
1996	7.4%	7.0%	15.9%	19.5%	11.4%
1997	8.6%	7.0%	16.8%	20.0%	10.5%
1998	6.9%	3.6%	19.4% ^f	21.8%	14.0%
1999	5.1%	5.8%	14.8%	18.0%	12.1%
2000	5.3%	9.2%	11.8%	14.5%	8.7%
2001	5.7%	8.4%	11.0%	13.8%	7.6%
2002	9.2%	14.2%	12.1%	15.8%	6.1%
2003	5.8%	1.7%	11.7%	15.0%	8.8%
2004	1.4%	0.6%	11.3%	11.3%	12.3%
2005	3.4%	3.1%	7.1%	10.6%	8.3%
2006	4.7%	7.7%	7.6%	11.1%	7.7%
2007	7.1%	10.0%	9.6%	13.1%	6.7%
2008	11.5%	14.2%	11.6%	15.1%	4.7%
2009	7.1%	-0.1%	8.4%	11.9%	4.2%
2010	4.3%	5.8%	6.4%	9.9%	5.3%
2011	5.0%	8.4%	5.5%	9.0%	3.8%
2012	5.7%	7.0%	5.2%	8.8%	2.9%
2013	5.7%	6.0%	5.0%	9.0%	2.6%
2014	6.1%	7.5%	5.6%	9.1%	2.9%
2015	4.6%	3.6%	5.9%	9.4%	4.6%
2016	6.3%	7.0%	6.9%	10.4%	3.9%
2017	5.3%	4.8%	6.9%	10.4%	4.9%

Source: Stats SA, SARB

a This is the Consumer Price Index (CPI). Base year Dec 2016 = 100.

b All-items up to 2011, PPI for final manufactured goods from 2012. Base year Dec 2016 = 100.

c Rate at which the Reserve Bank lends to commercial banks.

d Lowest overdraft rate charged by banks (average for the year).

e Average prime overdraft rate adjusted for rebased inflation.

f Average repo rate for 1998 (March to December). The repo rate replaced the bank rate in March 1998. In terms of the repo (repurchase) rate system, the Reserve Bank dictates the amount of liquidity it is willing to supply to banks, and lets the market settle on the interest rate.