

South Africa dodges recession as economy grows 0.4% in Q1

South Africa narrowly avoided a recession as the economy grew marginally in the first quarter, data showed on Tuesday, 6 June, with manufacturing and finance holding up relatively well despite crippling power cuts.



Source: Reuters.

Africa's most industrialised economy grew 0.4% in quarter-on-quarter terms in the first three months of 2023, and 0.2% year on year.

Both the quarterly and annual growth rates were in line with economists' forecast in a poll.

Eight of 10 industries tracked by Stats SA recorded growth in the first quarter, with manufacturing and finance, real estate and business services making the biggest positive contributions.

Agriculture, forestry and fishing were the biggest drag on growth.

Statistician-general Risenga Maluleke said food and drinks manufacturing had performed particularly well, partly because the sector was not as electricity-intensive as other types of manufacturing.

"Household consumption was driven largely by restaurants and hotels, and when you look at that, with load shedding (power

cuts), where do people get their food? They have to call on Uber Eats or order from restaurants," Maluleke said.

Despite the country avoiding a technical recession, usually defined as a fall in gross domestic product for two successive quarters, analysts remain pessimistic about South Africa's growth prospects.

The central bank predicts the economy will grow 0.3% in 2023, with power cuts lasting up to 10 hours a day hurting businesses of all sizes.

"The outlook remains bleak. Severe power cuts, tight fiscal and monetary policy and a worsening external backdrop mean that the economy is likely to merely stagnate this year," Capital Economics economist Jason Tuvey said in a research note.

Manufacturing grew 1.5% and finance, real estate and business services 0.6% in the first quarter. Agriculture, forestry and fishing shrank 12.3% and electricity, gas and water 1.0%.

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