



BER

BUREAU FOR ECONOMIC RESEARCH

Economic Snapshot

January 2014

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Consumer spending growth slows to lowest rate since 2009Q3

According to the SA Reserve Bank's Quarterly Bulletin, gross domestic expenditure (GDE) growth slowed notably from 2.7% in Q2 to 1.9% in Q3. GDE is the broadest measure of internal demand dynamics. The growth easing was mainly due to a moderation in household expenditure, which accounted for 61.1% of GDE in Q3. Growth in household expenditure slowed from 2.8% in Q2 to 2.3% in Q3 – the lowest growth rate since 2009Q3. Sustained weak employment growth, low consumer confidence, substantial price increases, strike-related income losses and weak credit growth were some of the factors that weighed on consumer spending over the quarter. However, given the size of the household consumption segment, household spending still added 1.5 percentage points (% pts) to overall GDP growth.

Consumer prices edge lower again in November

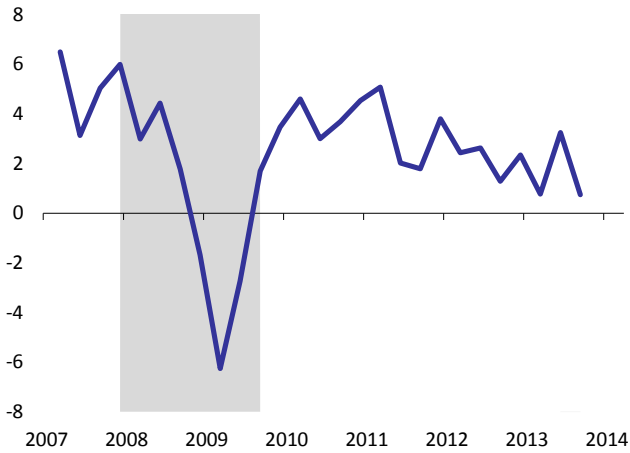
Statistics South Africa (Stats SA) reported that headline consumer inflation edged lower from 5.5% year-on-year (y-o-y) in October to 5.3% in November. Price increases in food and non-alcoholic beverages contributed the most to the annual inflation rate, followed by alcoholic beverages and tobacco. Core inflation remained unchanged at 5.3% in November, whilst administered prices are still significantly above the headline figure.

Manufacturing production muddled along in November

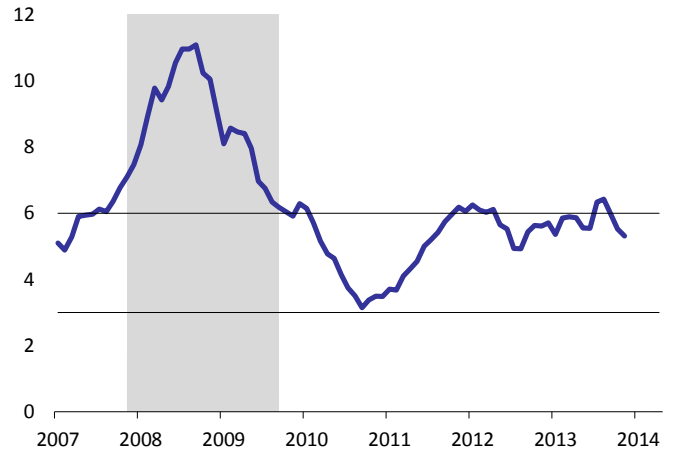
The physical output of manufacturing production increased by only 0.3% y-o-y in November. This growth rate is significantly lower than the 1.7% registered in October. The nominal value of manufactured production was up by 6.4% y-o-y, confirming that input cost inflation was around 6% during the same period. The increase in November's physical output was mainly due to increases in the production of cars and car parts (still recovering from strike activity in September), followed by food and beverages.

Quarterly Employment data disappoints in Q3

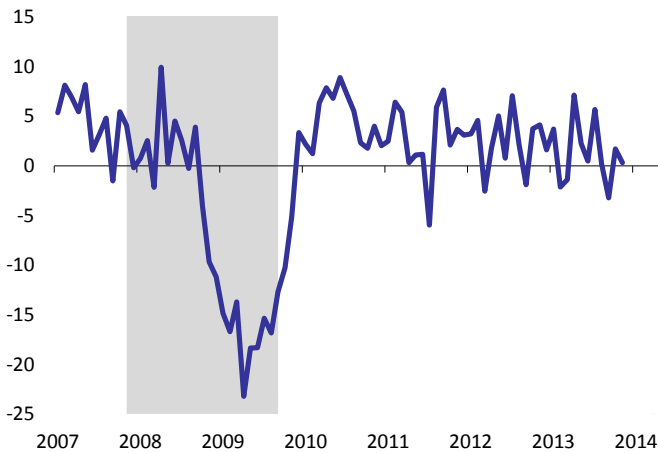
The quarterly employment statistics (QES) for the third quarter of 2013 contradicted the labour force survey's (LFS) results. The QES registered an expansion in formal employment of only 0.2% y-o-y in Q3, whereas the LFS registered 3.6%. According to the QES, the average earnings of employees in the third quarter were up by 5.8% y-o-y. This increase in remuneration is on par with inflation and makes virtually no provision for a real increase in wage levels.



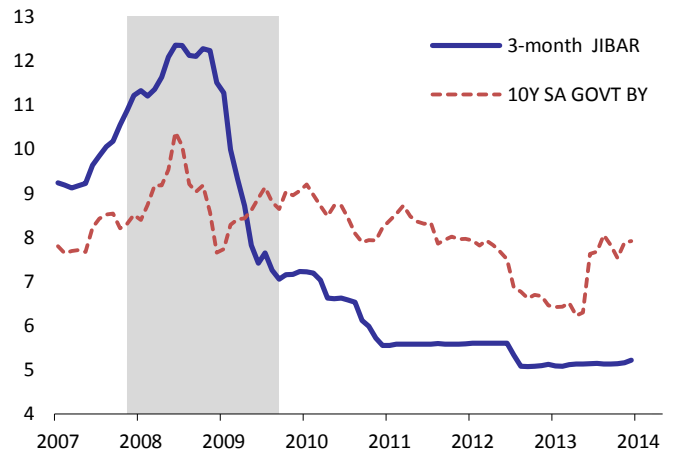
Real GDP growth
Quarter-on-quarter annualised % change



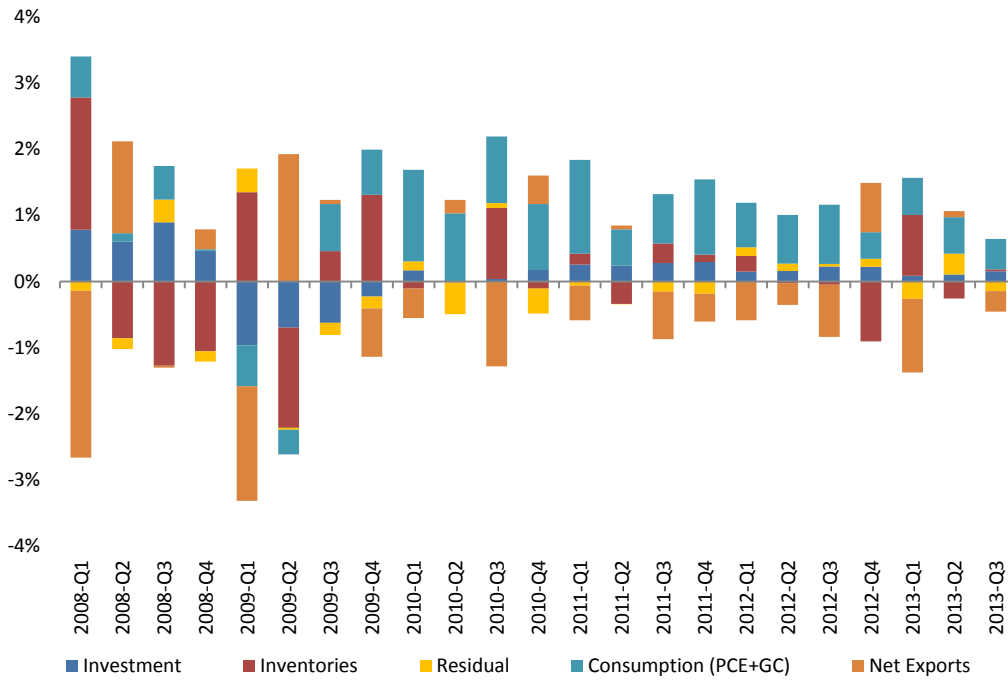
Inflation (year on year % change)
Measured with CPI



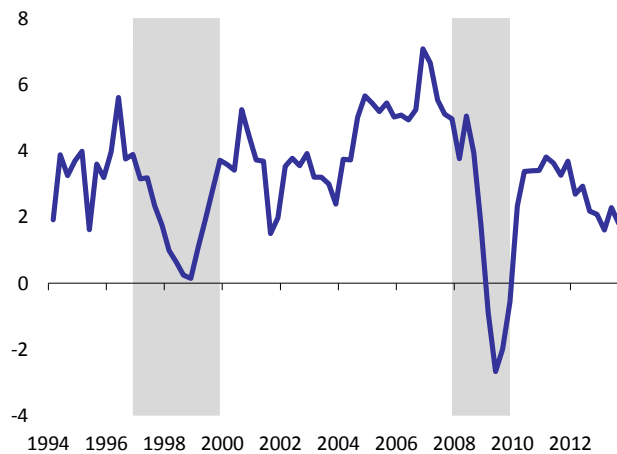
Manufacturing production
Year on year % change



Interest rates
The yield curve returned to a positive slope by Q2 2009

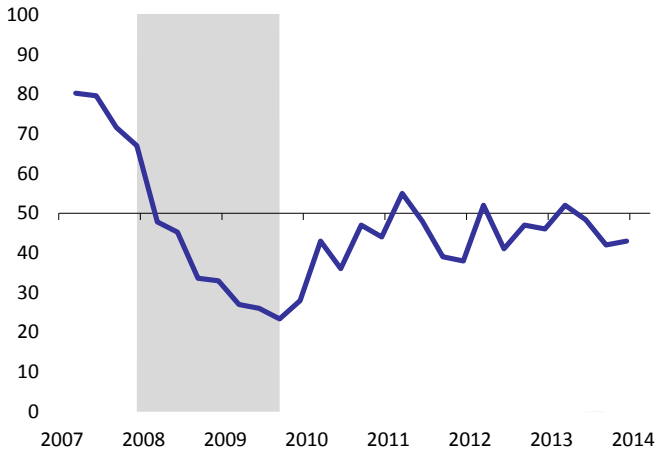


Contributions to GDP growth
Quarter-on-quarter % change

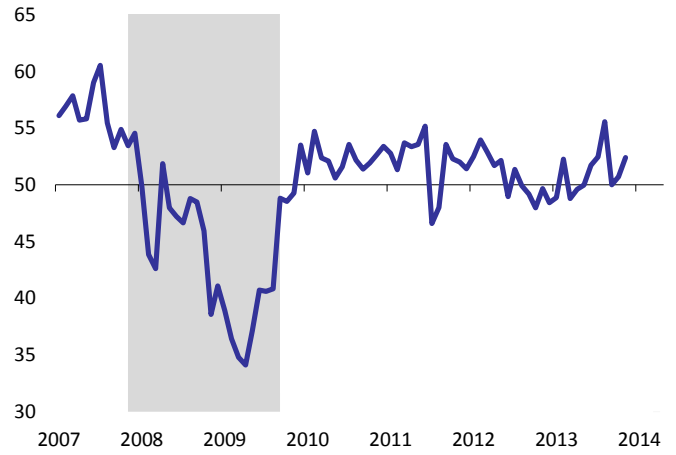


Real GDP growth
Year-on-year % change

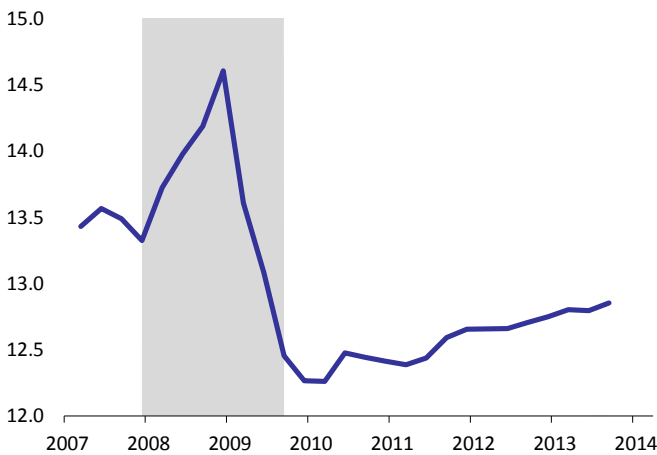
Sources: SARB



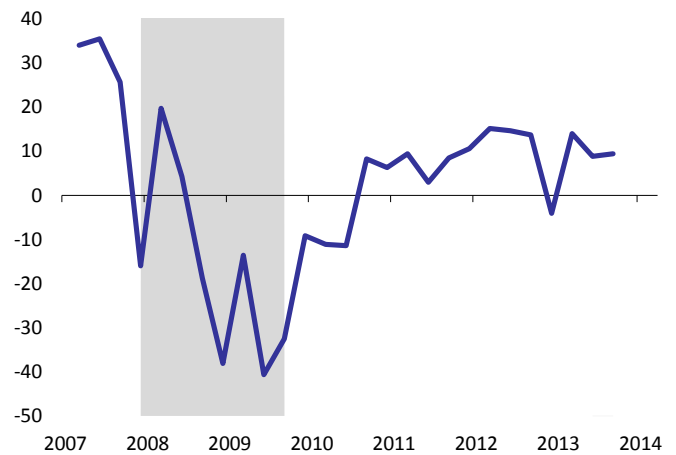
Business confidence
RMB/BER Business confidence index



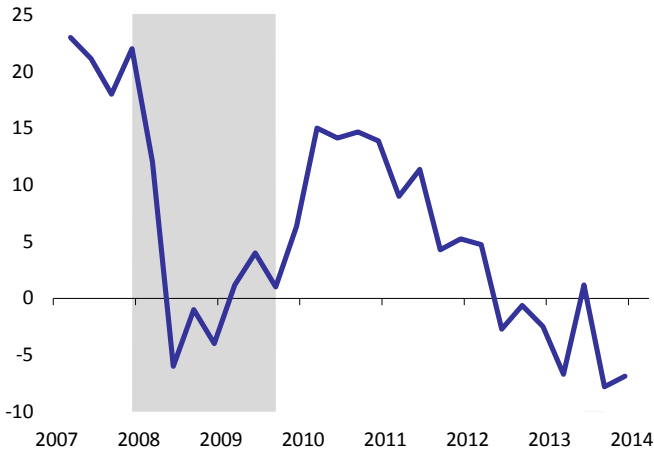
Production expectations
Kagiso Purchasing managers index™



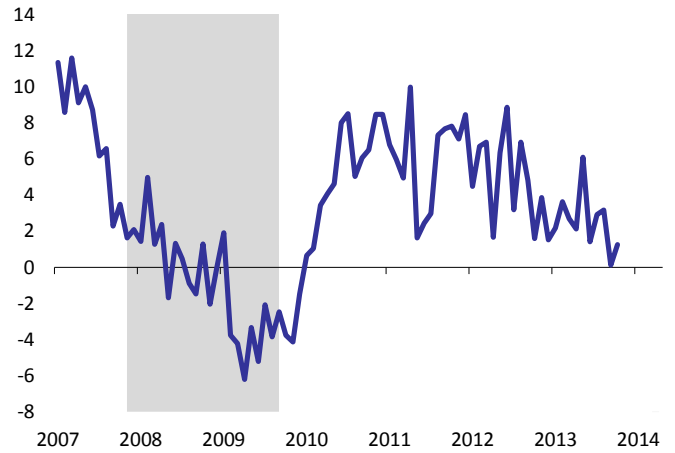
Real private fixed investment
% of GDP



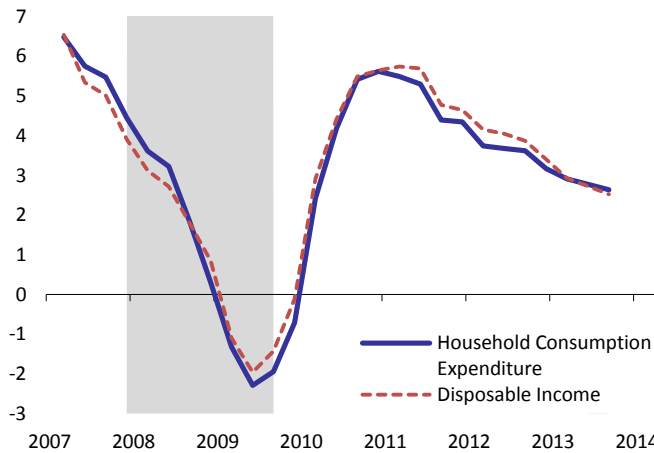
Changes in inventories
Constant prices, billions of Rand



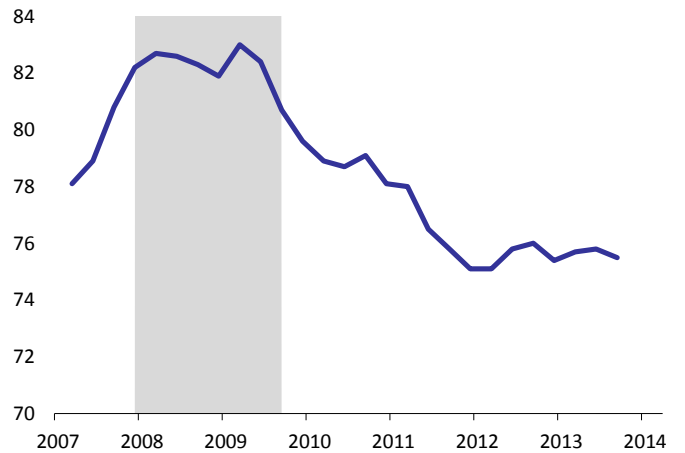
Consumer confidence
FNB/BER Consumer confidence index
(% net balance)



Real retail sales growth
Year-on-Year % change

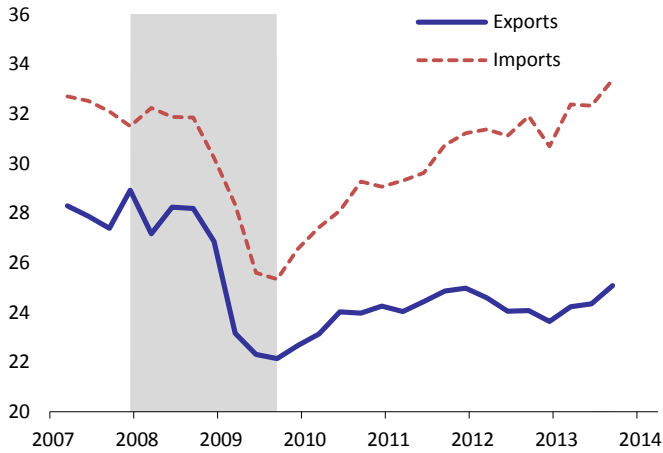


Household consumption and real disposable income
Quarter-on-quarter annualised % change
(seasonally adjusted data)

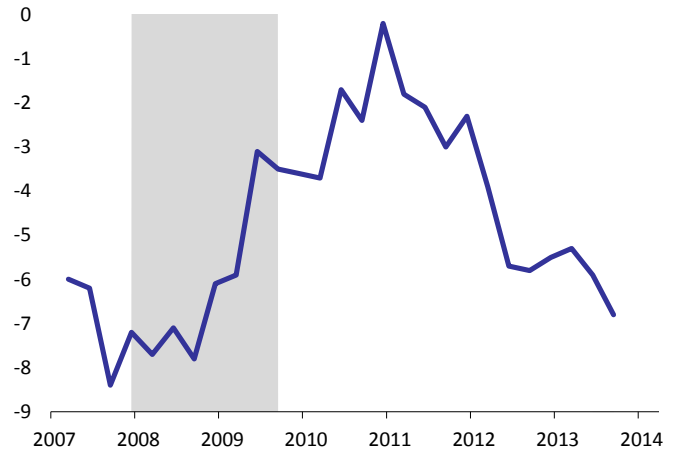


Household debt
Ratio of household debt to disposable income

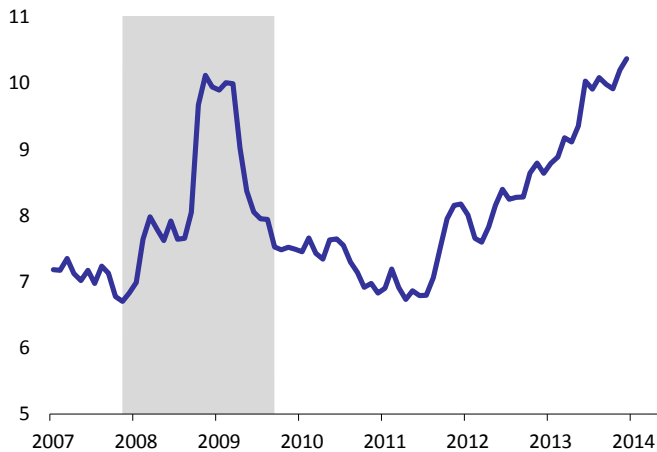
Sources: BER, StatsSA, SARB



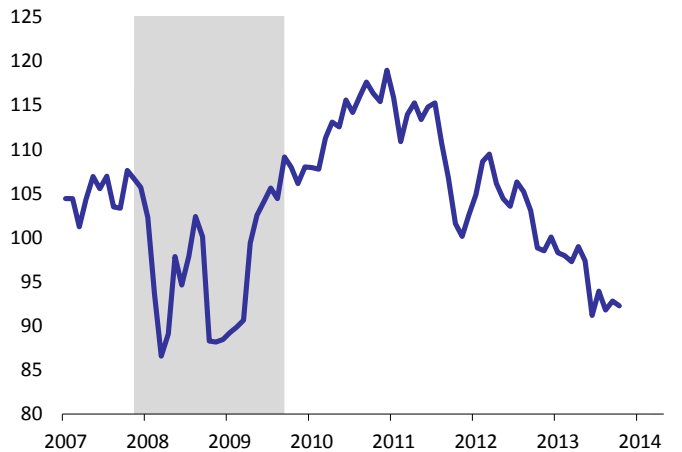
Imports and exports
Ratio of real imports and exports to GDP



Current account
Ratio of the current account balance to GDP

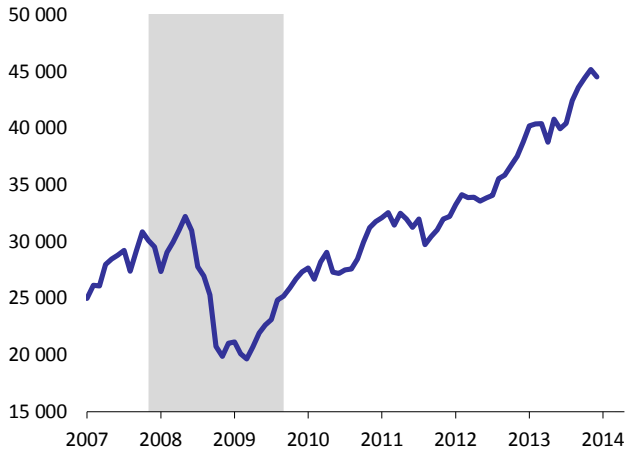


Nominal exchange rate
Rand:US\$ exchange rate

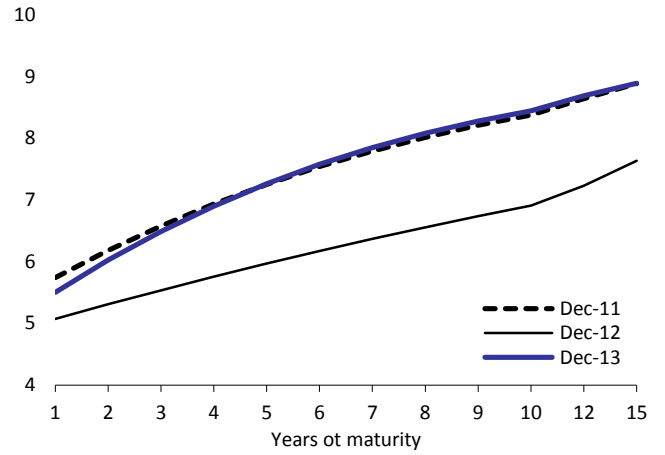


Real exchange rate
Real effective exchange rate of the Rand(index)

Sources: SARB, Reuters

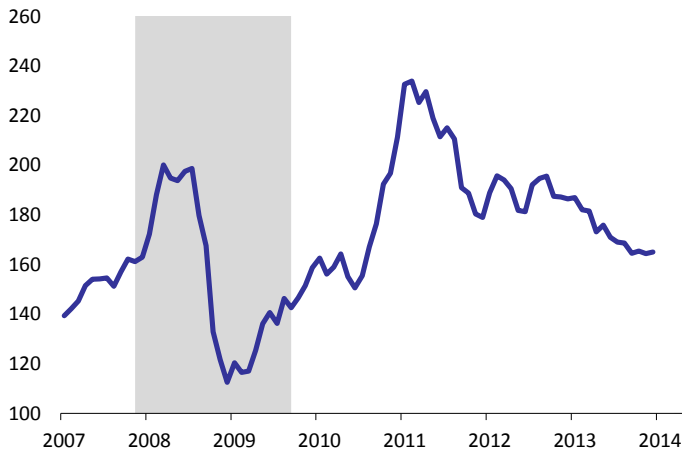


JSE All share index



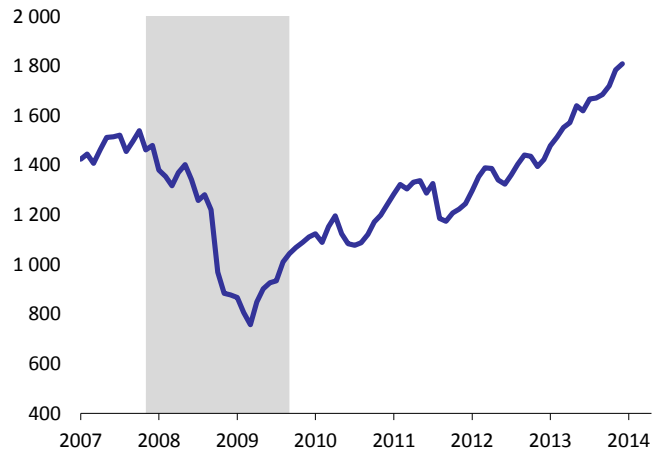
Yield curve

Latest yield curve compared with previous dates



Commodity prices

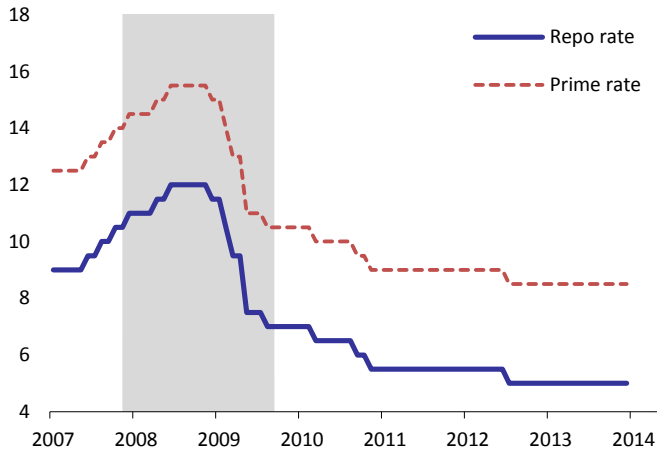
Economist's all commodities index (\$)



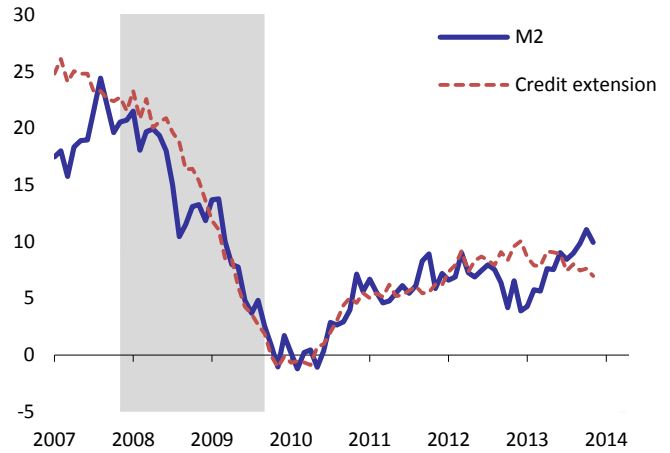
International equity prices

S&P's 500 index

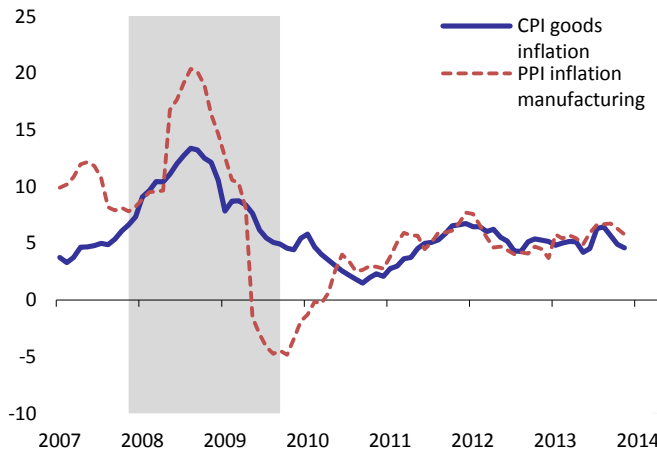
Sources: Reuters, I-Net Bridge, Economist



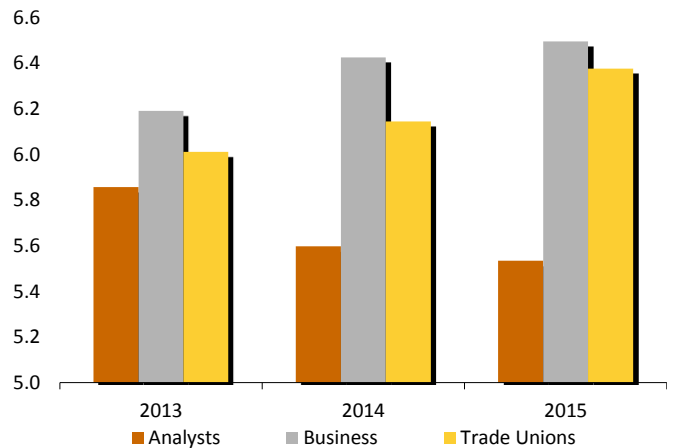
Repo and prime interest rates



Monetary aggregates
Year-on-year % change in the M2 monetary aggregate and credit extension

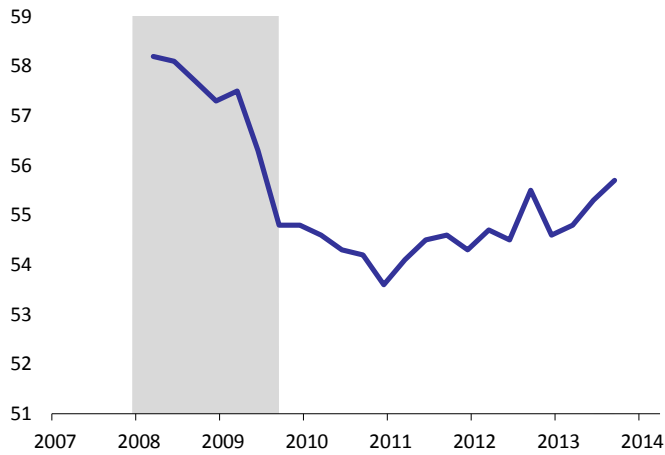


Consumer and producer prices
Year-on-year % change in the CPI (goods) inflation and PPI (manufacturing) inflation

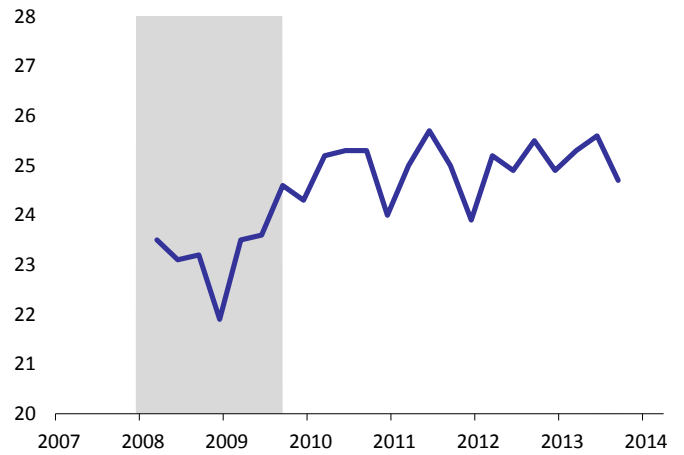


Inflation expectations
BER inflation expectations survey
Survey of Q4 2013

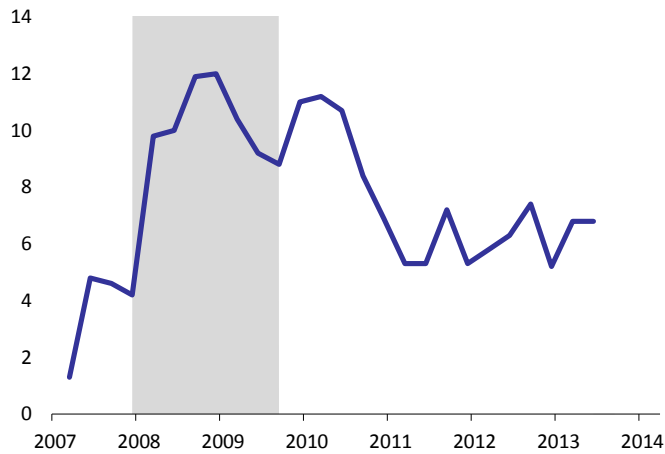
Sources: SARB, StatsSA, BER



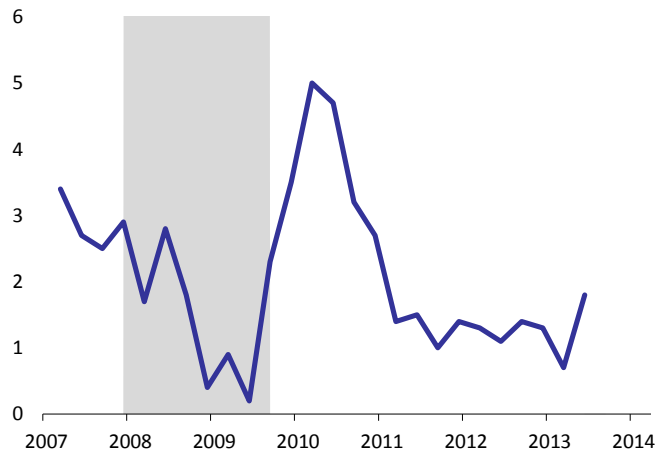
Labour force participation
Using the narrow (ILO) definition



Unemployment rate
Using the narrow (ILO) definition

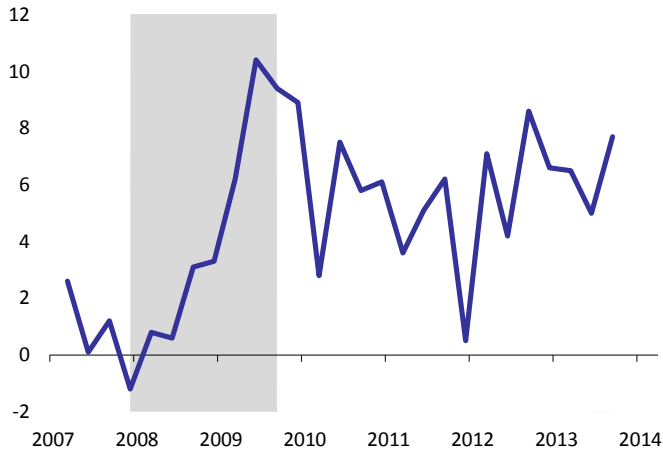


Unit labour cost
Year-on-year % change

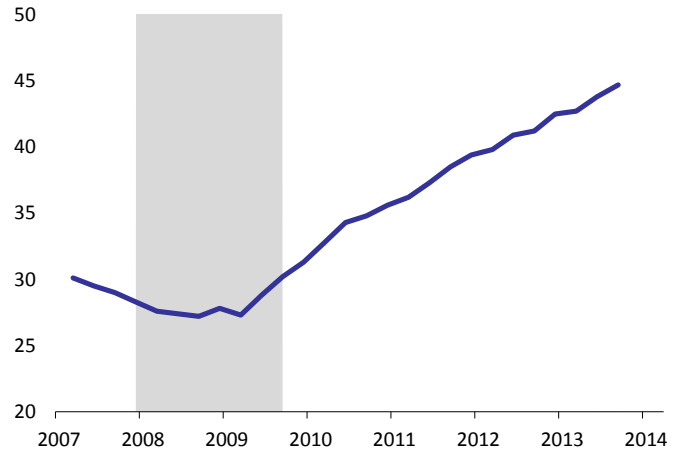


Labour productivity
Year-on-year % change

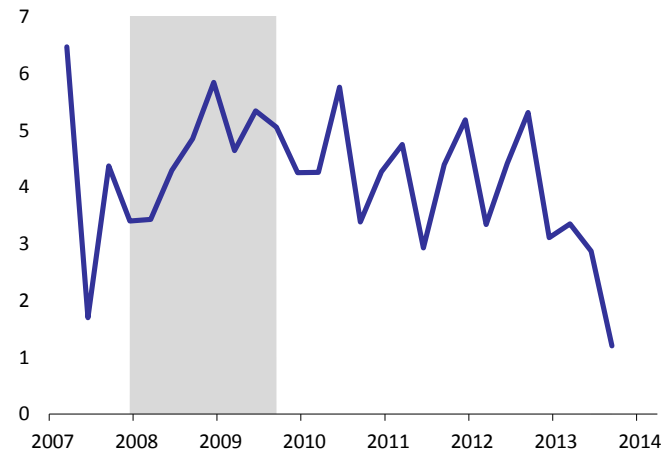
Sources: StatsSA, SARB



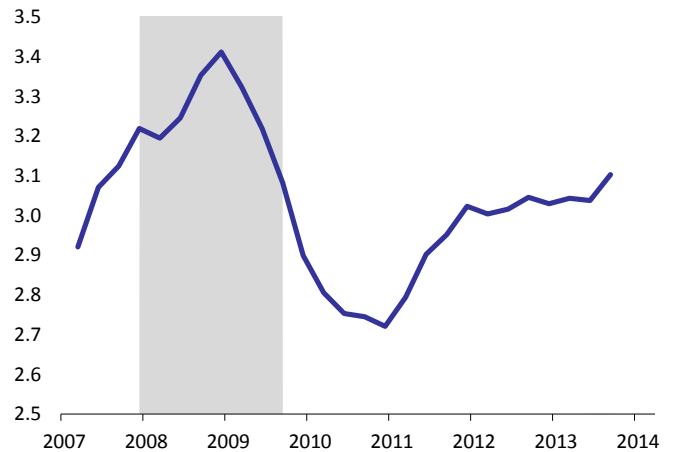
Public sector borrowing requirement
Ratio of the PSBR to GDP



Government debt
Ratio of public sector debt to GDP



Government consumption
Year-on-year % change in real consumption growth



Government fixed investment
Ratio of government investment to GDP

Sources: SARB