

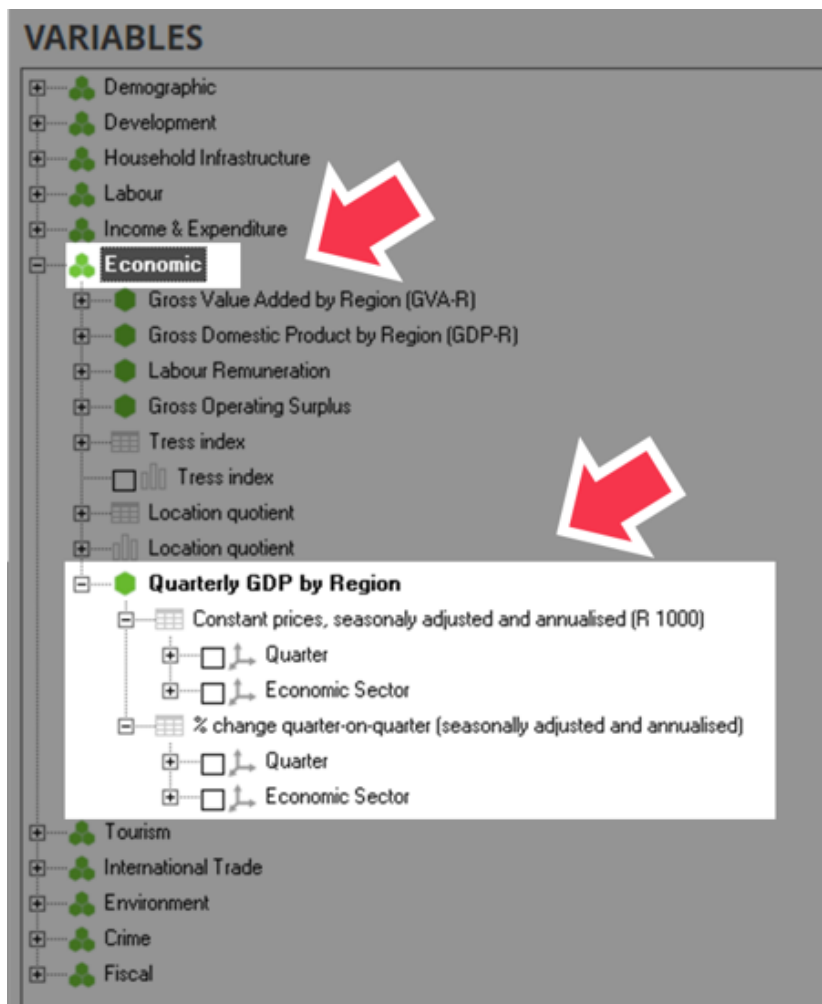
Regional eXplorer (ReX) update - 4th quarter of 2018

Yet another quarterly update of IHS Markit's Regional eXplorer (ReX) is ready! Get our newest Regional eXplorer – the South African knowledge base of municipal level insight.

ReX has been updated with the latest data available from StatsSA (incl. QLFS and GDP), SARB, SARS and many other data sources. Other than that, the ReX team would like to remind you about the two recent additions to ReX, namely quarterly GDP figures and a pivot table output option!

QUARTERLY GDP FIGURES

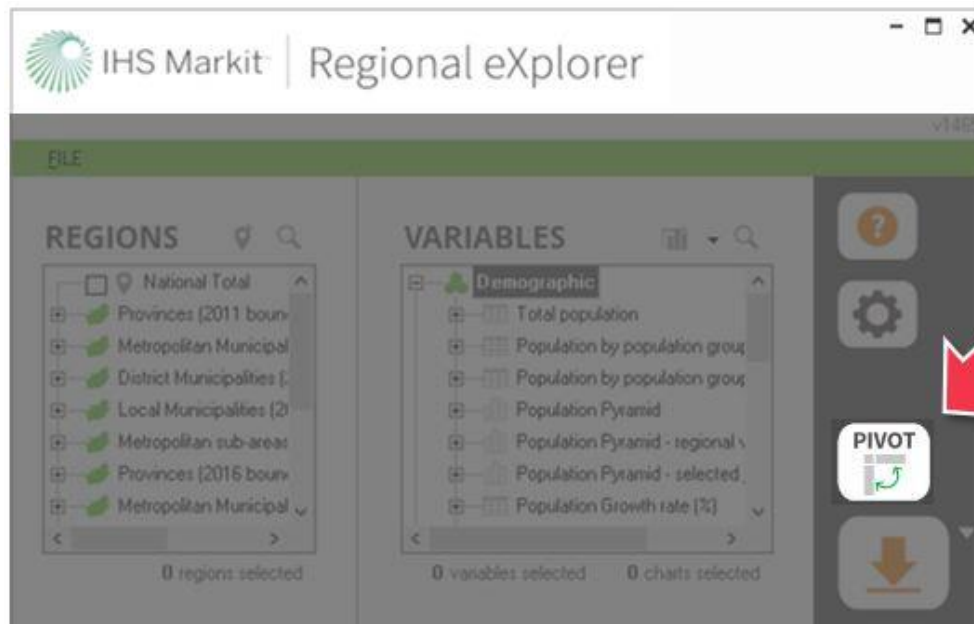
Over the years, ReX has mainly provided annual data for most of its variables. After many user requests and some research, we have decided to make some variables available on a quarterly basis as well – starting with the GDP figures (seasonally adjusted). Quarterly GDP figures will give users a more up-to-date measure of where the economy is heading. The ReX GDP numbers will be in sync with StatsSA's quarterly GDP release (i.e. 2018's second quarter data is available in this release) and, in line with the StatsSA release, might include historical revisions with each update.



New quarterly GDP figures in the Regional eXplorer application

PIVOT TABLE OUTPUT

When extracting data from the ReX interface into Microsoft Excel, users have the option to select the orientation of the output tables. Two options have always been available: regions down and variables across, or variables down and regions across. We are excited about the new output option added: pivot table. Pivot table is part of Excel's built-in functionality, and many advanced Excel users enjoy the rich functionality it provides. With this option, users have ample freedom in deciding how to output their selection in the most meaningful way, by giving the user a flexible way to filter, reorganize, and analyze multi-dimensional variables in different ways.



New pivot table output option in the Regional eXplorer application

Add filters to your data, e.g. by only showing selected years

Manage which dimensions are used as filters, rows or columns

PivotTable Fields

Choose fields to add to report:

Search

- ☒ Value
- ☒ Population Group
- ☒ Year
- ☒ Age groups
- ☒ Gender
- ☒ Region

More Tables...

Drag fields between areas below:

▼ Filters

Age groups ▼

Year ▼

Columns

Gender ▼

Population Gr... ▼

Rows

Region ▼

Σ Values

Sum Of Value ▼

Your Pivot Data Table

Sample of pivot table output from Regional eXplorer Windows application

Please take note that aggregation is part of Microsoft Excel pivot tables, although for some ReX variables (like growth rates) and summary statistics (like the Gini coefficient) as well as as well as certain selections of regions, this auto-sum function does not make sense and can lead to erroneous totals. For variables where this might happen, a warning will be shown at the top of the worksheet.

REGIONAL PERSPECTIVES: SOUTH AFRICAN OUTLOOK

South Africa's real seasonally adjusted annual rate (SAAR) of GDP growth edged up to 2.2% quarter on quarter (q/q) during the third quarter, from an upwardly revised contraction of 0.4% q/q during the second quarter. The better-than-expected growth numbers could push South Africa's overall GDP growth rate up to an estimated 0.6%, higher than our current estimate of 0.5% for 2018. The South African rand's exchange rate appreciated following the growth surprise, leaving the currency 3.5% on average stronger against the greenback compared with a month earlier. The currency soon afterwards retracted some of these gains after the South African National Assembly approved a report that supports a change in the constitution to allow for the expropriation of land without compensation in future.

Manufacturing, finance, and transport sectors spearhead GDP growth surprise

The manufacturing, finance, and transport sectors showed the largest contribution to the 2.2% SAAR GDP growth rebound during the third quarter, latest statistics by Statistics South Africa (StatsSA) show. The 7.5% SAAR growth rate recorded for the manufacturing sector came as a surprise, adding 0.9 percentage points to the quarterly SAAR gain in overall GDP growth alone. This was followed by the finance, real estate, and business services sector and the transport and communication sector, each contributing 0.5 percentage point to the quarterly SAAR growth rate. Negative contributions to GDP growth came from the electricity, construction, and mining sectors of the economy. A swing towards positive growth in household spending, with a 1.6% SAAR increase in the third quarter from a contraction of 1.1% SAAR in the second quarter, combined with a massive jump in exports of goods and services, up by 24.2% SAAR during the third quarter, resulted in the positive growth in manufacturing production. StatsSA reported stronger exports of vehicles and transport equipment, vegetable products, base metals, and precious metals, while high demand for the importation of machinery and electrical equipment, vehicles and transport equipment, chemical products, and mineral products pushed imports of goods and services up by 26.7% SAAR. The manufacturing sector rebound furthermore contributed to an inventory build-up, adding 2.8 percentage points to the third-quarter GDP SAAR growth. The downturn in fixed capital formation spending deepened during the third quarter; StatsSA reported that fixed capital formation contracted by 5.1% SAAR, following two consecutive quarters of negative SAAR growth during January to June.

Outlook and implications

IHS Markit has been of the view that the South African economy would move out of recession during the third quarter of 2018, but the quarterly gain in real seasonally adjusted GDP exceeded our expectations. A rebound in consumer spending was expected as take-home salaries of households increased by 4.7% year on year (y/y) in real terms during August 2018 – the largest annual percentage increase in the BankservAfrica household income dataset since 2012. Backdated salary adjustments for public-sector workers and subdued inflation were primarily responsible for the favourable real income and household spending gains.

However, the likelihood of a repeat of the third-quarter growth resilience during the fourth quarter of 2018 is limited, in IHS Markit's view, for reasons given below.

The sharp build-up in inventories during the third quarter, which includes manufacturing and trade goods, is unlikely to be repeated during the fourth quarter. Manufacturers appear to have overestimated both domestic and international demand for South African products and continue to report sluggish demand for manufactured goods in leading indicator surveys such as the Standard Bank Purchasing Managers' Index (PMI) for the whole economy, compiled by IHS Markit.

The uptick in agricultural production was also disappointing. The Agbiz/IDC agribusiness confidence index fell to a decade low in the fourth quarter on the back of uncertainty around future land reform. Weak seed and fertiliser sales during the third quarter not only reflected the mounting uncertainty in the sector but also the prevailing harsh weather conditions. The likelihood of a late start to the 2018/19 agricultural season or sub-par growth in the sector has therefore increased.

The steep decline in fixed investment spending suggests that the South African economy has not yet benefited from President Cyril Ramaphosa's USD55-billion domestic and foreign investment pledges made by big businesses. In IHS Markit's view, investor sentiment will remain under pressure until more clarity emerges regarding both the changes to the South African constitution that aim to allow the expropriation of land without compensation and the eventual outcome of the 2019 elections.

The resumption of comprehensive load shedding by the financially embattled state power provider Eskom during December and higher domestic interest rates following a 25 basis point hike in the South African Reserve Bank's policy rate during November add to a somewhat less optimistic growth expectation for the fourth quarter.

Overall, **IHS Markit expects GDP growth to average 0.6% in 2018**, marginally up from the 0.5% previous forecast.

Enjoy the update!
The IHS Markit ReX team