The economic outlook for 2013 is poor, but next year may be better

The third quarter Rand Merchant Bank (RMB) Global Markets Research quarterly sector report highlights concerns for the performance of nearly all sectors of the South African economy in the current year. The report takes into account global and local economic developments to forecast sectoral performance.

The tertiary sector, the largest contributor to economic growth, and which includes retail, transport, communications and financial services, is coming under increasing pressure in the wake of poor job creation, slowing real wage growth and high levels of consumer indebtedness. Slower growth is forecast for this year. However, the communications sector seems to be outperforming other sectors mostly as a result of investment in network and government infrastructure projects.

The primary sector, which includes agriculture and mining, is expected to suffer slower growth as declining economic performance in China weighs on industrial metals, and commodity prices continue to fall.

In the secondary sector, which includes manufacturing, construction and electricity, the forecast for manufacturing is for "pedestrian" growth mostly because of financial pressure on consumers, higher input costs brought on by the , by the weaker rand and higher labour costs. Construction, however, is expected to be one of the best performing sub-sectors.

Both primary and secondary sectors should be able to take advantage of the current more favourable conditions for their performance created by a weaker rand and an improving global economy. However, structural constraints, such as strikes and productivity problems, are inhibiting production and therefore the performance of both sectors.

Despite a gloomy outlook for 2013, the forecast for next year is more positive mostly because of expected more robust growth in the US and a gradually improving European economy. But, for South Africa to achieve sustainable growth, and reduce its considerable current account deficit, the report emphasises the need for the economy to move from the consumption of goods and services to one which is focused on production.