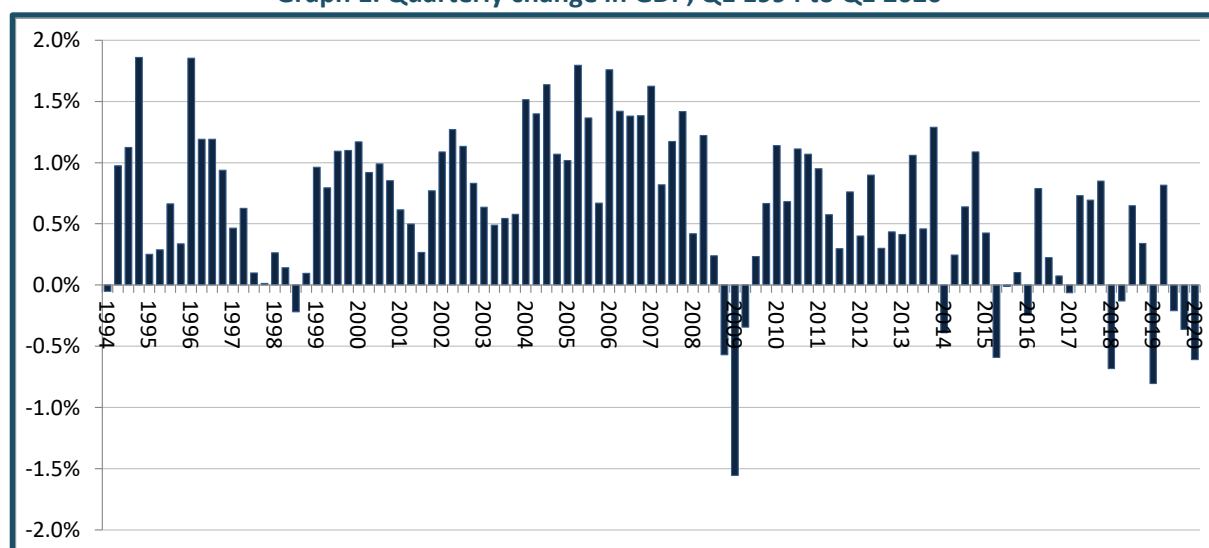


## Trends in GDP growth

*The first quarter of 2020 saw South Africa enter a third straight quarter of economic decline. But 2020 began a qualitative shift in the national and global economy. In the second half of 2019, the downturn was driven largely by the continued stagnation in commodity prices. From January to March 2020, however, the economy was increasingly weighed down by the impact of the COVID-19 pandemic. As a result, the South African economy is expected to shrink by around 7% in the coming year, while the global economy will fall by 5%, and by 6% if China is excluded.*

As Graph 1 shows, the first quarter of 2020 marked the second deepest decline in GDP since 1994. While the contraction over the past nine months has not been as deep as the 2008/9 global financial crisis, the lockdown in April means the coming quarter will probably be the deepest downturn since the transition to democracy. The South African Reserve Bank has forecast a decline of 7% in the GDP for the year.

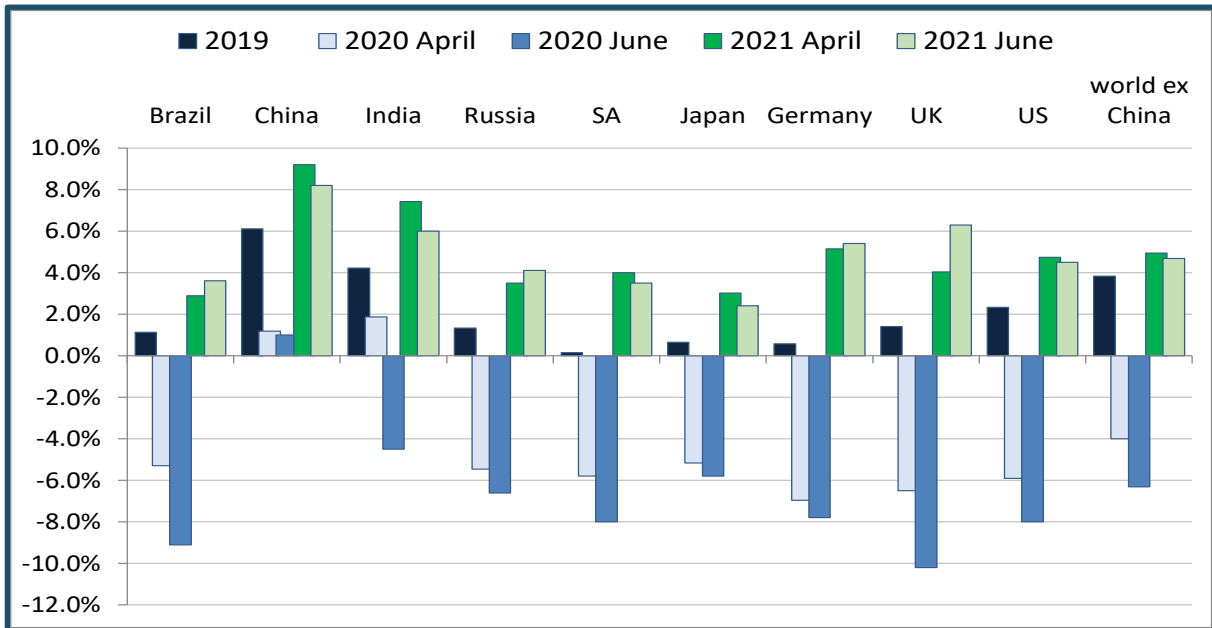
**Graph 1. Quarterly change in GDP, Q1 1994 to Q1 2020**



Source: Statistics South Africa. GDP quarterly figures. Excel spreadsheet downloaded [www.statssa.gov.za](http://www.statssa.gov.za) in June 2020.

Globally, the downturn as a result of the COVID-19 pandemic is expected to exceed the 2008/9 crisis. Of South Africa's main trading partners, only China is expected to report any economic growth. Usually, lower- and middle-income economies perform better than high-income countries. In this case, however, growth will also depend on the extent to which countries manage to control the contagion.

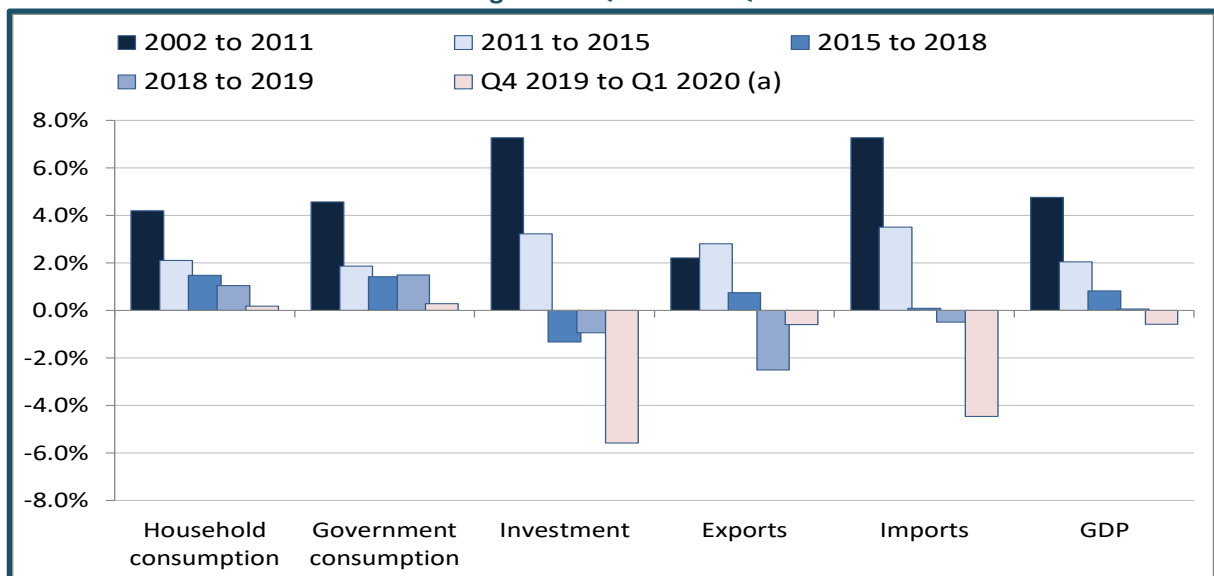
**Graph 2. IMF forecasts for full-year growth for 2020 and 2021 as of April and June 2020**



Source: IMF. *World Economic Outlook for April 2020; and June 2020 Update*. Downloaded from [www.imf.org](http://www.imf.org) in June 2020.

As the section on trade indicates, the decline in the first quarter of 2020 resulted mainly from a sharp fall in investment, largely due to global uncertainty in the face of the pandemic, combined with a modest decline in exports. From April, the downturn will be driven principally by the supply-side shock of the lockdown and the gradual reopening of the economy. Most observers expect that the reduction in household and company incomes because of the lockdown will in turn lead to a more prolonged fall in demand, even after economies have opened up. A failure to control the virus either in South Africa or overseas, with the United States as the highest risk at present, would also prolong the COVID-19 depression.

**Graph 3. Change in expenditure on GDP, average annual growth for various periods, and change from Q4 2019 to Q1 2020**

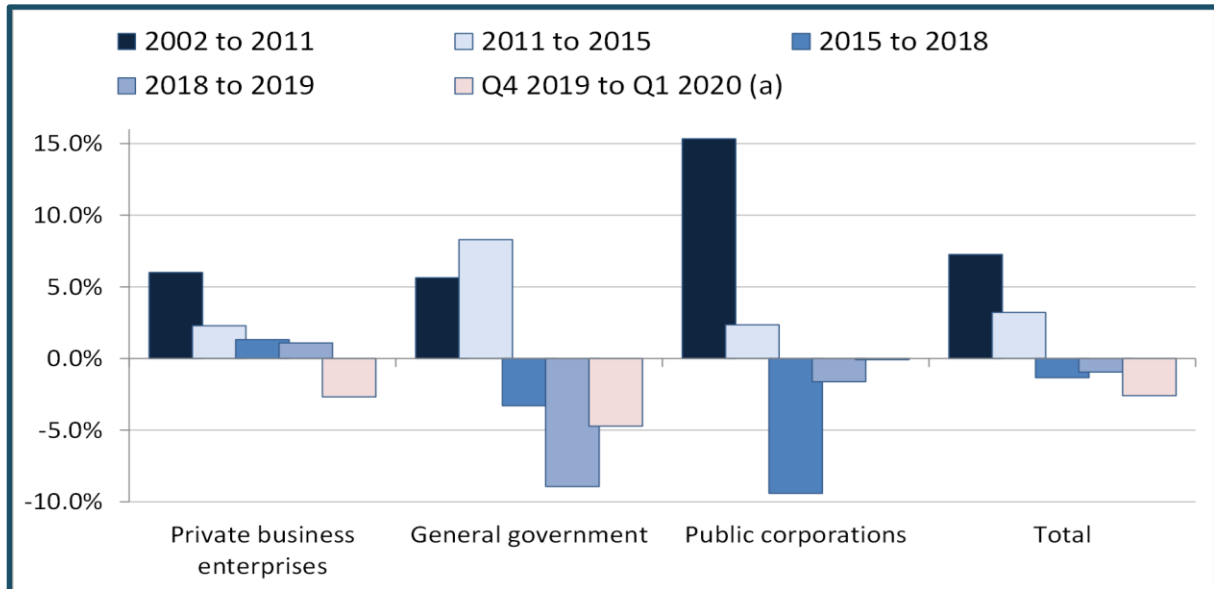


Note: (a) Seasonally adjusted. Source: Statistics South Africa. *Gross Domestic Product (Quarterly) (2019Q4)*. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in June 2020.

As Graph 4 shows, private investment plunged in the first quarter of 2020.

The decline was associated with a broader flight of capital from emerging markets, which in turn brought a sharp depreciation in the rand. International investor concerns also pushed up the price of gold. In this period, public investment continued its decline, which had started five years earlier, but shrank less rapidly than in 2019.

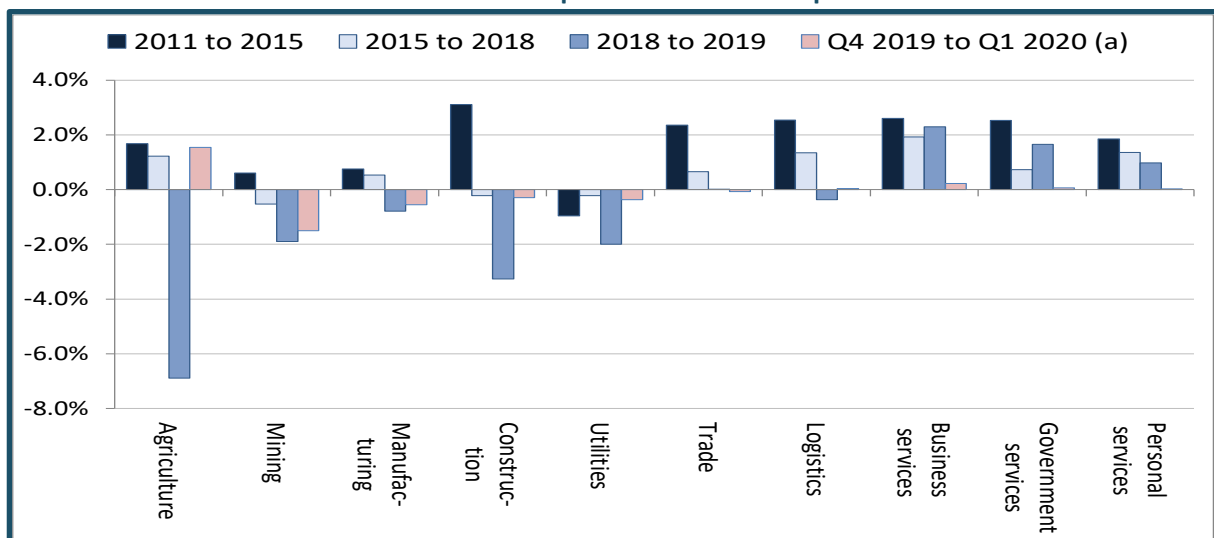
**Graph 4. Change in investment by type of investor, average annual growth for various periods, and change from Q4 2019 to Q1 2020**



Note: (a) Seasonally adjusted. Source: Statistics South Africa. Gross Domestic Product (Quarterly) (2019 Q4). Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in June 2020.

By sector, only agriculture saw significant growth in the first quarter. Public and private services and logistics saw modest growth. Mining value added dropped sharply for the quarter, with a 2% decline in manufacturing and a smaller fall in construction.

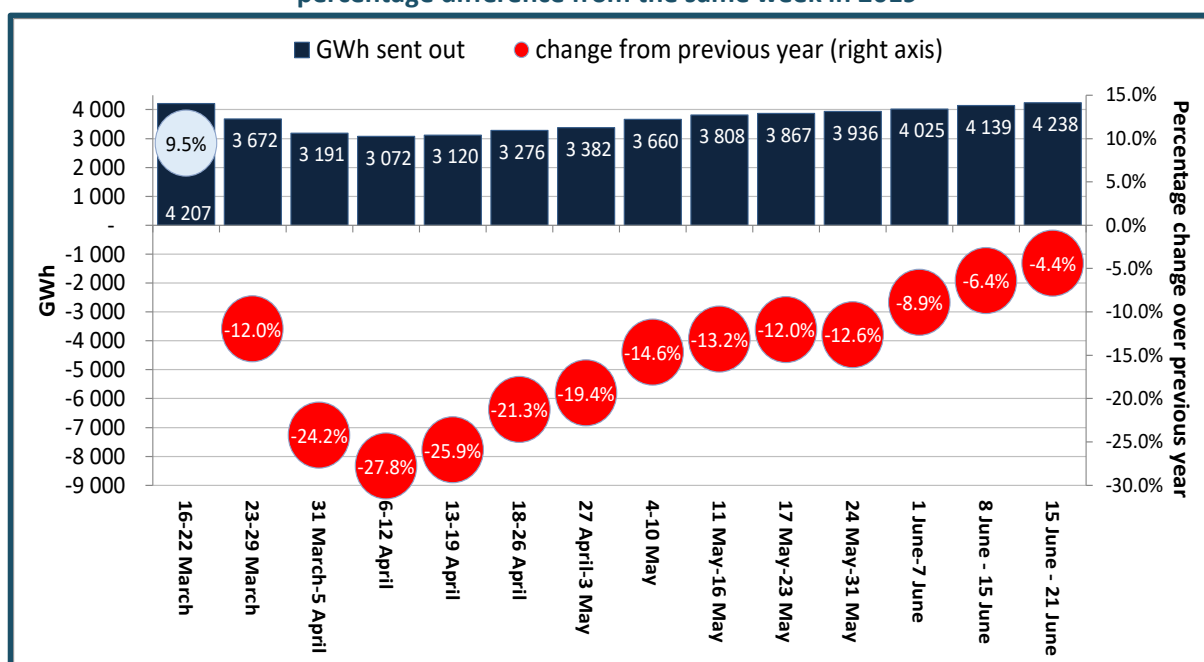
**Graph 5. Growth rates by sector, annual averages from 2011 to 2019 and fourth quarter 2019 to first quarter 2020**



Note: (a) Seasonally adjusted. Source: Statistics South Africa. Gross Domestic Product (Quarterly)(2019Q4). Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in June 2020.

GDP data are not available for the second quarter of 2020, but trends in electricity use point to both the effects of the lockdown and the gradual recovery since then. In mid-March 2020, electricity sent out by Eskom was 10% higher than a year earlier. By mid-April, it was more than 25% lower, as the lockdown closed down most of industry, including the highly energy-intensive metals refineries. The gradual reopening of the economy saw a relatively swift increase in electricity use. By 21 June 2020, it was only 4% below the previous year, and Eskom was again warning of a risk of loadshedding because of breakdowns. That said, it had used the slack period during the lockdown to conduct some repairs and upgrade the boilers at Medupi, although it could not undertake most long-term repairs because of the difficulties in getting supplies as well as limits on domestic travel.

**Graph 6. Electricity sent out in GWh, weekly, 16 March to 21 June, and percentage difference from the same week in 2019**

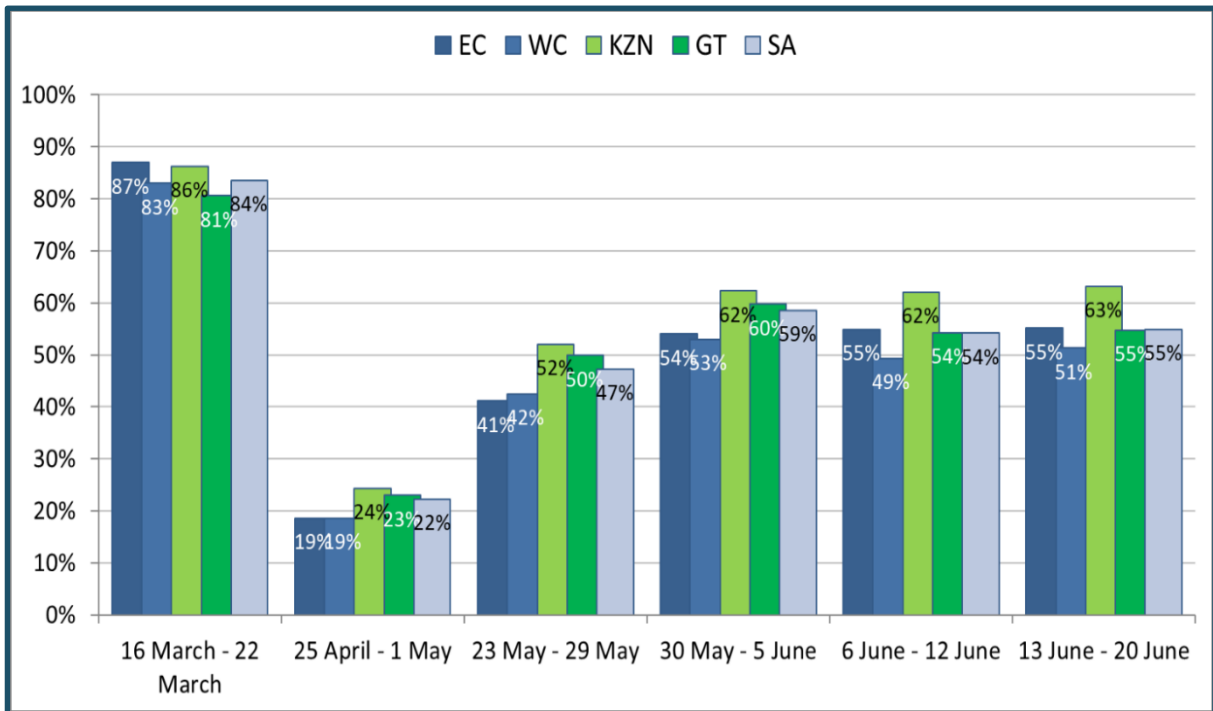


Source: Calculated from Eskom System Adequacy Reports for relevant weeks. Accessed at <http://www.eskom.co.za/Whatweredoing/S/SupplyStatus/Pages/SupplyStatusT.aspx>.

A similar pattern emerges from the Yoco Small Business Recovery Monitor, with a sharp decline in turnover among small- and medium-sized businesses from April, followed by a gradual and incomplete recovery with the move to Level 3.

The data suggest that, at least by this measure, the impetus from the reopening of the economy largely flattened out through late-June. Moreover, it remained relatively subdued in the Eastern and Western Cape and Gauteng, which saw particularly rapid growth in new cases as the economy opened up again. (See *TIPS Tracker: The economy and the pandemic Week 22-28 June 2020*)

**Graph 7. Small business turnover relative to the first two weeks of January 2020**



Source: Calculated from Yoco Small Business Recovery Monitor. Downloaded at [www.yoco.co.za](http://www.yoco.co.za).