



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Press Statement: GDP figures for the first quarter of 2009

The GDP figures released this morning confirm that South Africa, along with much of the global economy, is in a recession. For South Africa, this is the first recession since 1992. However, the economy is expected to improve in the final two quarters of this year.

Looking ahead, we expect another quarterly contraction for the second quarter, but this is expected to be smaller. Quarter on quarter figures are expected to show improvement and a stronger economy in the second half of 2009. We are unlikely to achieve the GDP growth rate for this year expected at the time of the Budget.

Domestically, interest rates have come down by 350 basis points since last year, as inflation has moderated from the highs of 2008. This monetary easing will help to improve credit conditions, ease pressures on consumers and small businesses, and raise growth rates.

There is a lot going for South Africa. We are in a strong fiscal position which means that we are able to respond to this crisis without putting an undue burden on future generations. This underlying strength in the South African economy has meant that this slowdown is less severe than in many countries. The fiscal stimulus announced in the 2009 Budget has supported economic activity, especially in infrastructure, prolonging growth in the construction sector. The inflows of tourists for the Confederations Cup, and private and public investment ahead of the World Cup, are also expected to provide support to the local economy.

These factors are expected to continue to support economic activity in the medium term.

While indicators of real economic activity are expected to remain weak in coming months, some tentative signs of improvement in the world economy suggest that the global contraction may have bottomed-out. Commodity prices, capital inflows, and indicators of purchasing manager's outlook in some key global economies have stabilised and even strengthened.

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