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SOUTH AFRICA REACHES CLOSE TO 5% GROWTH IN THE 1ST QUARTER OF 2010

The Ministry of Finance welcomes the positive growth seen in the South African economy for the first quarter of 2010. Real gross domestic product at market prices increased by 4.6 per cent quarter-on-quarter, seasonally adjusted and annualised. This represents an expansion in the economy of 1.6 per cent year-on-year, compared to a contraction of 1.4 per cent in the fourth quarter of 2009.

All sectors recorded positive growth in the first quarter, with notably strong performances from the mining and manufacturing sectors. These positive outcomes are attributable to improving global demand, which has boosted commodity prices and exports, and support from countercyclical fiscal and monetary policies, which have sustained spending on infrastructure investment and reduced interest rates to historically low levels. A sustained expansion will result in a stronger growth rate for the economy than was projected at the time of the budget. However, slower growth in Europe emanating from the fiscal crisis in Greece and southern Europe, poses a potential risk to this outlook.

The outcome is one of a series of recent positive indications for the domestic economy. The leading indicator of economic activity rose to its highest level in three years in March, Real retail sales grew by 1 per cent year-on-year in March and value added in the wholesale, retail, motor trade and accommodation sector expanded by 3.3 per cent in the first quarter of 2010 compared with the previous quarter, which was the first positive growth rate in that

sector since the first quarter of 2008. The International Monetary Fund recently announced that it is likely to revise upwards its projected estimate of 2.6 per cent economic growth for South Africa for 2010.

The outcome is good news for the economy, particularly in the current difficult environment. South Africans, including in the public and private sector, must continue to do more to restructure our economy to create more jobs, particularly for the youth. It is vital that the growth potential of South Africa is increased to ensure both sustainable job creation and development.

Issued by: Ministry of Finance

25 May 2010