

Data shows significant recovery from April downturn in GDP

In-depth analysis of economic trends indicates that the second-quarter decline in GDP was driven by the lockdown in April, with significant recovery in the months since then.

The fact that the GDP has bounced back significantly since May is a key finding from the data released today in the Trade and Industrial Policy Strategies (TIPS) in its latest Real Economy Bulletin (REB). The Bulletin provides a review of quarterly trends, developments and data in the real economy, together with a comprehensive analysis of the main manufacturing industries.

The latest REB points out that whilst GDP shrank by 16% in the second quarter of 2020, seasonally adjusted but not annualized, this figure does not provide a view on month-on month trends as GDP is only reported on a quarterly basis. Using private transactional figures which TIPS uses to track the impact of the pandemic on the economy, the data indicate that GDP declined very sharply in April, when the economy was in lockdown, but began to recover in May and by September had recovered to near pre-pandemic levels.

Senior economist Neva Makgetla noted that it is interesting to compare South Africa's recovery in relation to countries included in Organisation for Economic Cooperation and Development (OECD) data. "These figures show that South Africa came in at the lower end for GDP decline in the pandemic, after India, the United Kingdom, Spain and Mexico and slightly worse than Columbia, Hungary, Greece and Portugal."

In terms of South Africa's recovery, much will depend on the recovery of its main trading partners such as the UK, Germany, the United States and Japan, all of which shrank by at least 8% in the second quarter. In the case of China, its economy had already recovered in the second quarter and it is expected to grow slightly in 2020.

Aside from the recovery of its trading partners, addressing the challenges around the electricity supply will be critical for growth, as well as working with stakeholders to address some "complex economic challenges, for which there are no easy or cheap solutions."

The REB thereafter looks at what is happening in the different sectors with a particular focus on the impact of tourism especially in terms of economic recovery in the Western Cape. The REB also touches on employment levels, international trade, investment and foreign direct investment projects as well as exploring how to stimulate consumer spending post COVID-19.

Issued by: TIPS

For more information contact Neva Makgetla on 079 516 0450 or at neva@tips.org.za. The full report can be found on the TIPS website <https://www.tips.org.za/manufacturing-data/the-real-economy-bulletin/quarterly-bulletin/item/3896-real-economy-bulletin-second-quarter-2020> (bitly link <https://bit.ly/3k43RcH>) and on Twitter at https://twitter.com/TIPS_news.