

# It's official: We're in recession

 By [Nicci Botha](#)

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Stats South Africa figures show the economy contracted by 0.7% during the first quarter of 2017, officially pushing the country into a recession.



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“South Africa has now experienced two consecutive negative quarters, after the 0.3% decline in the last quarter of 2016. As most would remember from the economic downturn in 2008/2009, that implies that SA is in a technical recession,” says Tandsizwe Mahluthshana, executive at PPS Investments.

“Forget about the technical definition, the reality is that South Africa’s growth has been slipping sharply since 2011 compared to global peers. For the past few years, population growth has also outstripped economic growth which implies that, on a per person basis, the country actually got poorer despite having positive economic growth – that’s sound like recession to me,” says Maarten Ackerman, advisory partner and chief economist, Citadel.

He explains that the deteriorating economic growth environment is also a reflection of weak consumer and business confidence. This current weak growth environment means less economic activity, less tax generation and collection and further pressure on government revenue and finance.

“The weakness was incredibly broad-based, with only the agriculture and mining sectors expanding. Without growth in the

primary sector, GDP would have contracted by a massive 2%. The biggest contributors to the decline were the trade sector which contracted -5.9%, and manufacturing, -3.7%.

“The extent of the contractions in finance, real estate and business services and government also surprised us, but reflect just how weak domestic demand and investment is. On a more positive note, the slowdown in government reflects the ongoing push toward fiscal consolidation, but does not bode well for overall growth going forward,” says Jason Muscat, senior economic analyst at FNB.

## Credit downgrades and cabinet reshuffles

“Our concern is that the numbers are backward looking, and don’t reflect the confidence shock we expect post the cabinet reshuffle and credit downgrades.”

While Ackerman adds: “One needs to remember that the weak numbers released today are a reflection of the activity before the recent government reshuffle and subsequent ratings downgrade. The latest numbers confirm that we will need to do everything in our power to keep fiscal discipline to avoid any further downgrades in the near future.”

“Although South Africa’s economic growth harms seem to be compounding, one is reticent to admit that this nation is a fallen angel,” Mahlutshana explains

“There is so much capacity in this country that can and perhaps should be tapped into to work towards getting the confidence back and create employment opportunities to support economic growth.

“So while the coming quarters do not seem to be hinting at more positive outcomes on the horizon, we believe that collective leadership, between businesses, government, labour and civil society at large with a view to map a runway underpinned by job creation and good governance will stand the country in good stead.

“In the meantime however, we remain prepared for a bumpy ride.”

## ABOUT NICCI BOTHA

Nicci Botha has been wordsmithing for more than 20 years, covering just about every subject under the sun and then some. She's strung together words on sustainable development, maritime matters, mining, marketing, medical, lifestyle... and that elixir of life - chocolate. Nicci has worked for local and international media houses including Primedia, Caxton, Lloyd's and Reuters. Her new passion is digital media.

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