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MEDIA STATEMENT

IMMEDIATE RELEASE

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Commenting on the GDP growth figures for the first quarter of 2023, NWU Business School economist Prof Raymond Parsons says:

'The good news is that GDP growth of 0.4% in 1Q 2023, following on the revised -1.1% growth in 4Q 2022, has enabled the SA economy to avoid a technical recession, that is, two consecutive quarters of negative growth. Economic growth has become highly volatile in recent quarters, mainly as a result of more aggressive power outages and other economic headwinds. It is, therefore, a tribute to the resilience and adaptability of the private sector that at least a recession has been averted, given the adverse economic circumstances that needed to be navigated. The continued positive yet low fixed investment growth is also welcome and must be nurtured.

However, the bad news is that the growth outlook for 2023 remains weak, with most forecasts converging around 0.2%–0.3% for the year as a whole. For example, the Absa Purchasing Managers' Index for May (June 1) showed that, in addition to the downbeat assessment of the current environment, respondents turned notably more negative about business conditions in the near future. And Nedbank warned in its 'Economic Insights' (May 30) that the aggressive rise in interest rates will worsen the financial strain on households, dampen demand for credit and may ultimately trigger another wave of job losses.

An elevated level of uncertainty, therefore, still prevails about SA's economic outlook and direction due to a number of these recent well-known negative factors affecting the country's performance. And geo-political tensions emerging in 2Q 2023 as a result of SA's controversial stance on the Russia-Ukraine conflict have also imposed a higher risk premium on SA and have already negatively affected investment sentiment in the current quarter. The NWU Business School Policy Uncertainty Index (PUI) for 2Q 2023 will be available at the end of June to calibrate the latest changes in policy uncertainty.

To improve SA's economic outlook and to underpin the anticipated modest cyclical upturn from 2024 onwards, the issue of confidence remains paramount. Amidst the various proposed economic remedies for SA, the biggest inherent challenge is to rebuild confidence among business and consumers. Restoring confidence is half the battle for official decision-makers as they seek to implement agreed solutions. Confidence-building is said to be the cheapest form of economic stimulation.'

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