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MEDIA STATEMENT – IMMEDIATE RELEASE

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Commenting on the better-than-expected Gross Domestic Product (GDP) figures for the first quarter of 2022 North-West University Business School Economist Prof Raymond Parsons says:

'It is very encouraging that the latest much better-than-expected GDP figures for 1Q 2022 show a further strong recovery in the economy following on the economic setbacks of the Covid-19 lockdowns and the widespread civil unrest of July 2021. They reinforce the 4.9% GDP growth recorded for 2021 as a whole, after the negative -6.4% growth experienced the previous year. Economic production is now virtually back to pre-pandemic levels, which no doubt has also been supported by the continued global commodity boom.

Particularly reassuring is the rise of 3.6% in Gross Fixed Capital Investment (GFCI), which is a major accelerator of growth and employment. GFCI in 2021 was still at the low ratio of only 13% to GDP, which is about half of what is required for much higher economic growth and job creation, if the goals of the Economic Reconstruction and Recovery Plan are to be met. The latest improvement in fixed capital spending will therefore be another step towards strengthening that key economic ratio.

The latest GDP figures will probably require analysts to better their previous forecasts of 1.6%-1.8% for GDP growth in 2022 as a whole. However, caution is still needed as to how far to go. Subsequent negative developments in the second quarter nonetheless may now have created new downside risks to the 2022 growth outlook. These factors include the global economic fallout from a protracted Russia-Ukraine war, the economic impact of KZN devastating floods, persistent load-shedding and heavier borrowing costs for business and consumers as the SARB's interest-rate raising cycle continues.

Given the global and domestic uncertainties that still prevail around the economic outlook for 2022, it therefore remains essential that these emerging growth positives should not be wasted, but be continually built on by urgently implementing the right structural reform policies and projects to promote needed sustained economic growth.'

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