

# FreeFACTS

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## Lockdown smashes SA economy

**The Covid-19 pandemic and resulting lockdown has dealt a massive blow to the South African economy. This edition of *Free Facts* provides details of the extraordinary contraction in the economy in the second quarter of the year.**

The annualized output of the economy declined by 51% between April and June. This does not mean that the economy shrank by over 50%, but rather that this would be the case if the decline in economic output we saw in the second quarter was replicated for the entire year.

Nearly every sector shrunk by a significant amount, except for agriculture.

The lockdown and the resulting economic devastation follow a period where the South African economy has already been weak. It will take a very great effort for our economy to be put back on track.

Also provided are figures around household expenditure which also shrunk by a significant amount during the lockdown. This is also concerning as South Africa's economy is, in large part, driven by consumer demand.

This edition of *Free Facts* also provides information on people's attitudes to the lockdown. Perhaps surprisingly, over 60% have approved of President Cyril Ramaphosa's handling of the lockdown. However, this also provides us a glimpse of how the lockdown has affected people's livelihoods. Nearly four-in-ten respondents went to bed hungry, according to the survey, while a whopping 80% said that they struggled to pay their expenses.

A telling statistic is how few respondents said they had trust in the South African Police Service and the South African National Defence Force. Trust in these two institutions were only 30% and 32%, respectively. This probably unsurprising given how common police brutality is in South Africa, something which did not change during the lockdown.

South Africa's economy was in trouble before the lockdown and this blow may be more than it can handle. The only way to get the country out of this mess is for the government to implement policies which boost economic growth. Let's hope they listen.

— **Marius Roodt**

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The IRR is an advocacy group that fights for your right to make decisions about your life, family and business, free from unnecessary government, political, and bureaucratic interference. FreeFACTS publishes evidence that communities are better off when individuals are free to make decisions about how they want to live, be educated, work, access healthcare, think, speak, own property, and protect their communities. If you agree with the issues we stand for, welcome to the team. There are millions of people just like you who are tired of South African politicians, activists, and commentators attempting to rein in your freedom to decide. Take control and make sure your voice is heard by becoming a friend of the IRR.

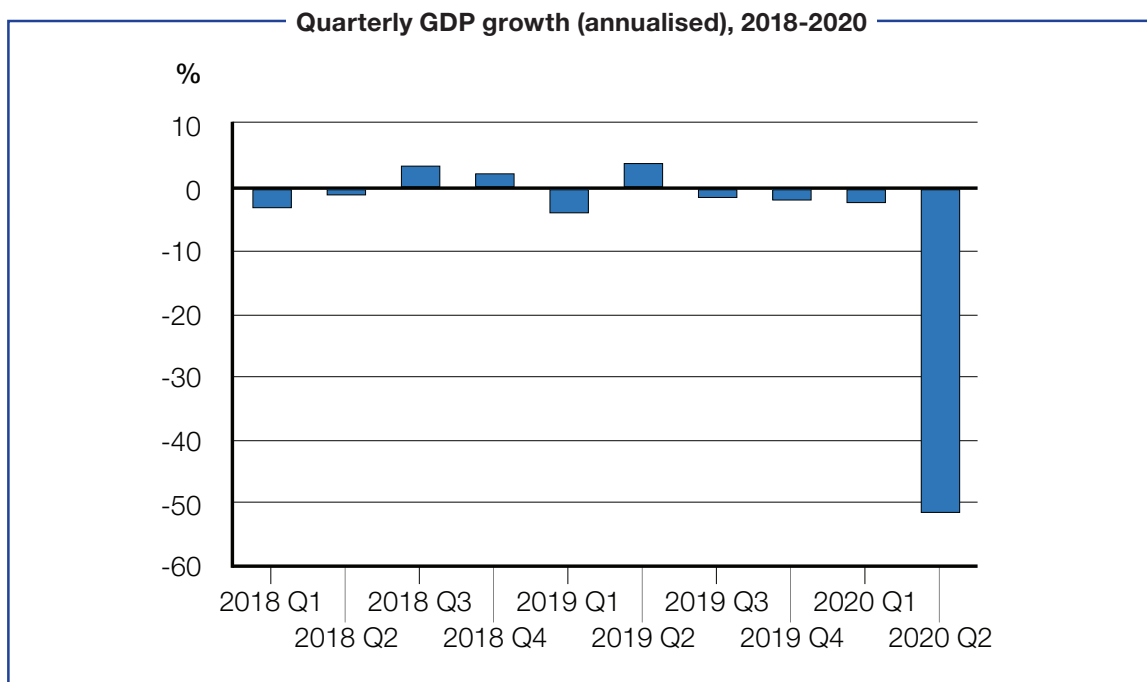
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Quarterly GDP growth			
Period	Growth/decline	Period	Growth/decline
2018 Q1	-2.7%	2019 Q2	3.3%
2018 Q2	-0.5%	2019 Q3	-0.8%
2018 Q3	2.6%	2019 Q4	-1.4%
2018 Q4	1.4%	2020 Q1	-1.8%
2019 Q1	-3.2%	2020 Q2	-51.0%

Source: StatsSA, *Gross Domestic Product, Second Quarter 2020*, Statistical Release P0441, p2

'Annualised' in this context means how much the economy would have grown if the performance in that quarter held across the entire year. For example, if the level of economic decline in the second quarter of 2020 happens in each quarter then the economy would have shrunk by over 50% in 2020. The unique circumstances of the lockdown in the second quarter means that the other quarters of the year will not have such a decline in economic growth, meaning overall economic growth will not nearly be that low. Nevertheless, as one can see from the above table and graph this was South Africa's fourth consecutive quarter of negative economic growth, showing that the country already faced an uphill struggle in getting the economy growing.

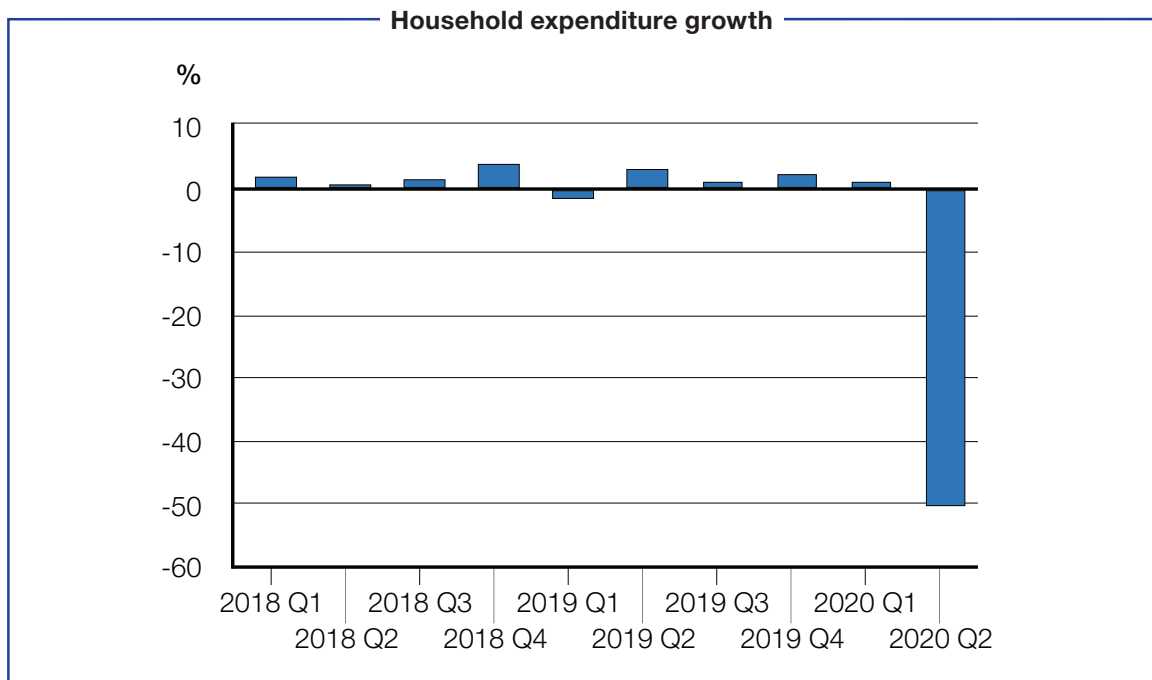


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Household expenditure growth (annualised), 2018-2020			
Period	Growth/decline	Period	Growth/decline
2018 Q1	1.1%	2019 Q2	2.5%
2018 Q2	0.1%	2019 Q3	0.3%
2018 Q3	0.6%	2019 Q4	1.4%
2018 Q4	3.2%	2020 Q1	0.2%
2019 Q1	-0.9%	2020 Q2	-49.8%

Source: StatsSA, *Gross Domestic Product, Second Quarter 2020*, Statistical Release P0441, p14

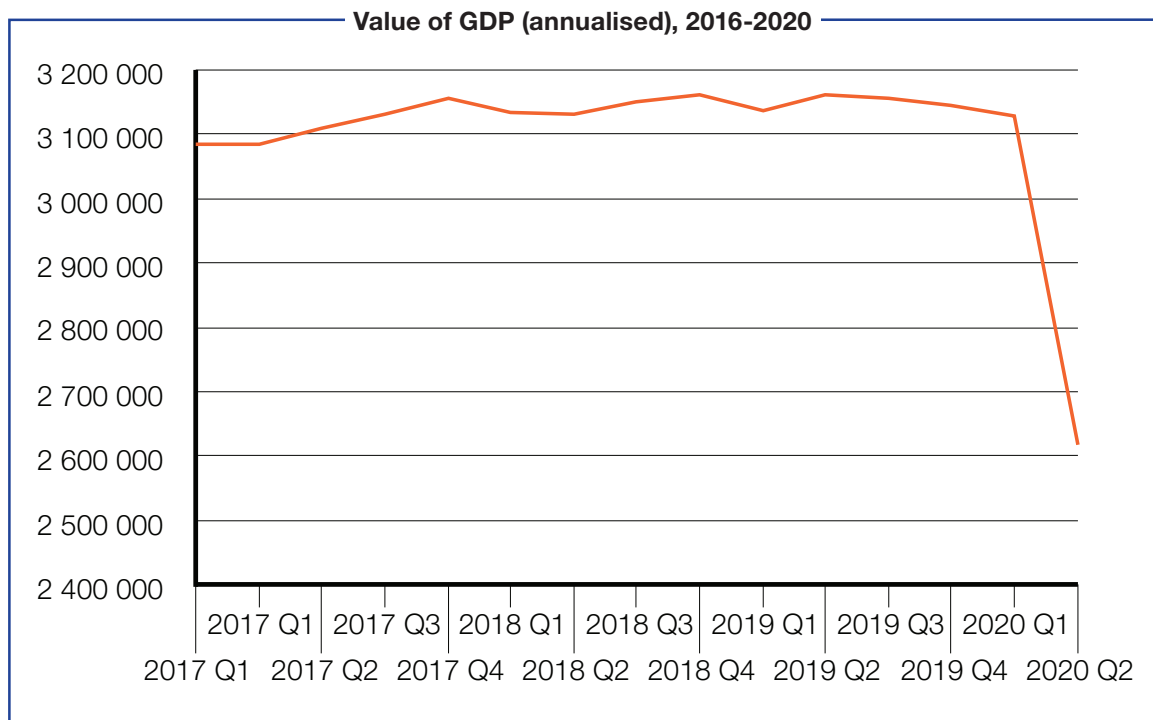
This indicates how severely households stopped spending in the second quarter. This figure is also annualised so it indicates what the growth would have been in the year, if household expenditure growth in that quarter was reflected for the entire year. Consumption spending in South Africa is also a key driver of the economy, so this sharp drop in the second quarter of 2020 would have played a significant role in the overall economic decline in the second quarter.



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GDP, 2016-2020			
2016 Q4	3 087 641	2018 Q4	3 161 721
2017 Q1	3 085 655	2019 Q1	3 136 302
2017 Q2	3 108 212	2019 Q2	3 161 917
2017 Q3	3 129 728	2019 Q3	3 155 920
2017 Q4	3 156 342	2019 Q4	3 143 840
2018 Q1	3 134 781	2020 Q1	3 129 488
2018 Q2	3 130 669	2020 Q2	2 617 664
2018 Q3	3 150 985		

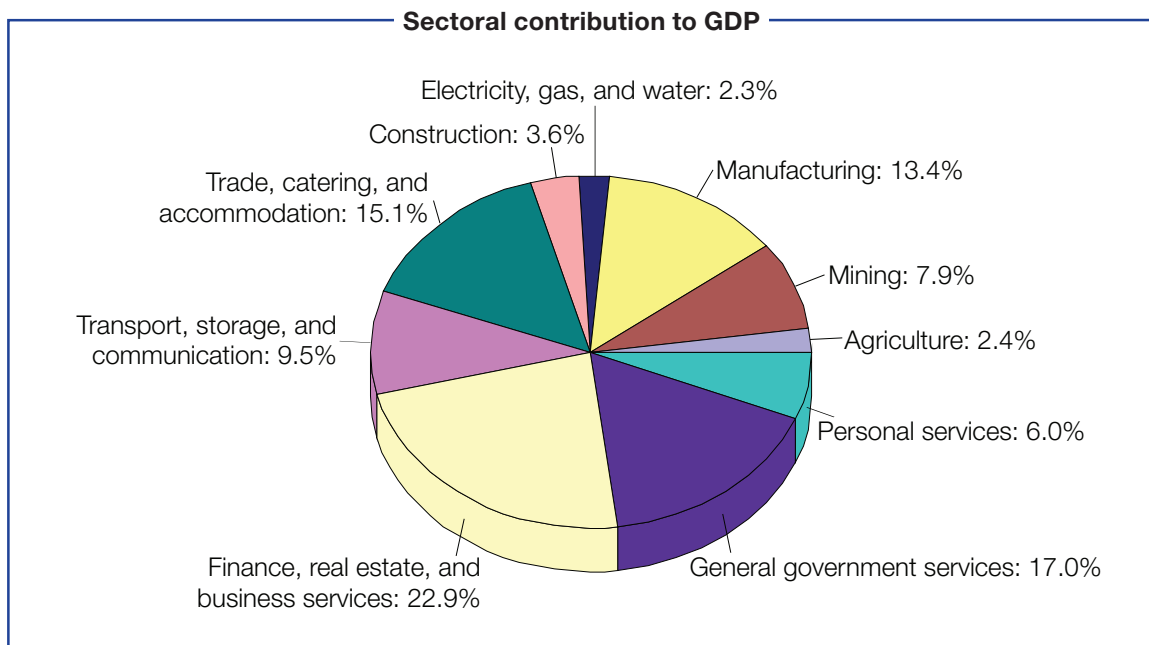
Source: StatsSA, *Gross Domestic Product, Second Quarter 2020*, Statistical Release P0441, p8



# Lockdown smashes SA economy

GDP growth by sector (annualised), second quarter	
Sector	Growth
Agriculture	15.1%
Mining	-73.1%
Manufacturing	-74.9%
Electricity, gas, and water	-36.4%
Construction	-76.6%
Trade, catering, and accommodation	-67.6%
Transport, storage, and communication	-67.9%
Finance, real estate, and business services	-28.9%
General government services	-0.6%
Personal services	-32.5%

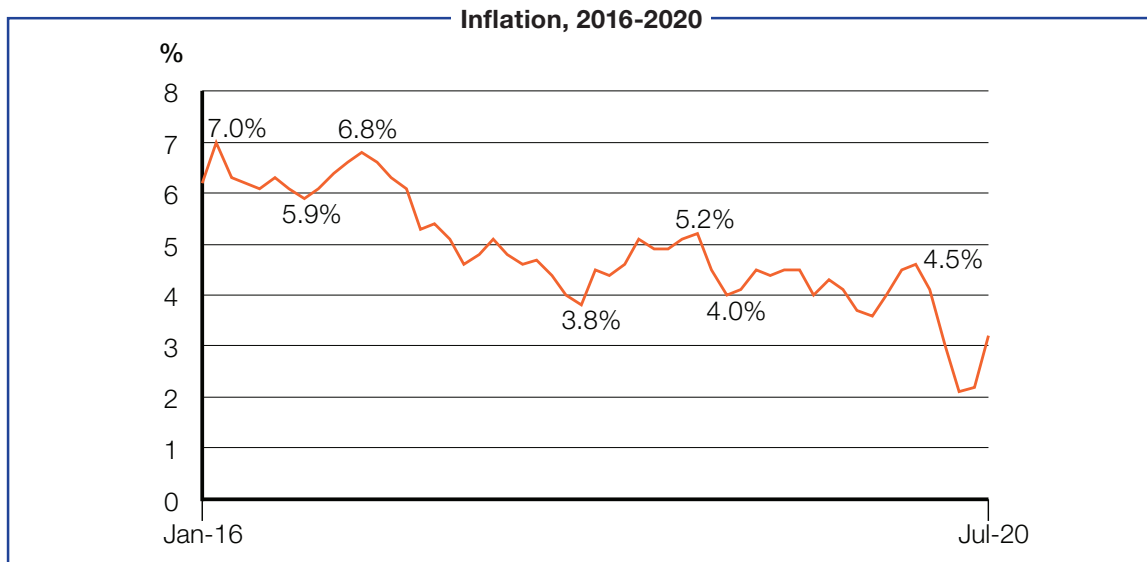
Source: StatsSA, *Gross Domestic Product, Second Quarter 2020*, Statistical Release P0441, p9



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Inflation, 2016-2020					
Jan-16	6.2%	Aug-17	4.8%	Feb-19	4.1%
Feb-16	7.0%	Sep-17	5.1%	Mar-19	4.5%
Mar-16	6.3%	Oct-17	4.8%	Apr-19	4.4%
Apr-16	6.2%	Nov-17	4.6%	May-19	4.5%
May-16	6.1%	Dec-17	4.7%	Jun-19	4.5%
Jun-16	6.3%	Jan-18	4.4%	Jul-19	4.0%
Jul-16	6.1%	Feb-18	4.0%	Aug-19	4.3%
Aug-16	5.9%	Mar-18	3.8%	Sep-19	4.1%
Sep-16	6.1%	Apr-18	4.5%	Oct-19	3.7%
Oct-16	6.4%	May-18	4.4%	Nov-19	3.6%
Nov-16	6.6%	Jun-18	4.6%	Dec-19	4.0%
Dec-16	6.8%	Jul-18	5.1%	Jan-20	4.5%
Jan-17	6.6%	Aug-18	4.9%	Feb-20	4.6%
Feb-17	6.3%	Sep-18	4.9%	Mar-20	4.1%
Mar-17	6.1%	Oct-18	5.1%	Apr-20	3.0%
Apr-17	5.3%	Nov-18	5.2%	May-20	2.1%
May-17	5.4%	Dec-18	4.5%	Jun-20	2.2%
Jun-17	5.1%	Jan-19	4.0%	Jul-20	3.2%
Jul-17	4.6%				

Source: StatsSA, Consumer Price Index, July 2020, Statistical Release P0141, p6



### Covid-19 and South Africans: survey findings

Proportion who know a lot or fair amount about Covid-19	78%
Proportion who believe the threat from Covid-19 is exaggerated	40%
Proportion who would sacrifice some human rights to help combat Covid-19	70%
Proportion who believe the President is doing a good job	61%
Proportion who believe the national government is doing a good job	51%
Proportion who believe the SAPS are doing a good job	30%
Proportion who believe the SANDF are doing a good job	32%
Proportion of people who had gone to bed hungry during lockdown	39%
Proportion of people who had struggled to pay expenses during lockdown	81%

Source: UJ-HSRC Covid-19, Democracy Survey, Summary National Results, Round 2, University of Johannesburg and Human Sciences Research Council, 19 Augsu 2020, available online at: <https://www.uj.ac.za/newandevents/Documents/2020-08-19%201300pm%20Coronavirus%20Impact%20Survey%20Round%202%20summary%20national%20results%20v4.pdf>