

## Report looks at SA's economic recovery

No-one knows what the long-term economic effects of the Covid-19 epidemic will be. The massive disruption attendant on a global lockdown has thrown supply chains into turmoil, pushed tens of millions of the workers into (at least) temporary unemployment, and caused financial markets to gyrate wildly.



Source: [www.pexels.com](http://www.pexels.com)

The future effects are radically uncertain and all but impervious to serious modelling, not least because so little can be known for certain about the evolution of the epidemic itself and how societies will respond, much less how these will impact on the economy in the short, medium and long terms.

What is certain is that South Africa's economy will shrink this year relative to last year. In this context, two key concerns for policymakers, firms and banks is what effect it will have on South Africa's economic output and how quickly will we recover.

Estimates of the size of the contraction that we will experience this year range from 4% to 15% of GDP depending on whom you ask and whether you look at their most optimistic or most pessimistic scenarios.

Inspired by comments made by Prof. Paul Romer in a recent webinar on the impact of the coronavirus on the US and how to think about the preconditions for opening the economy after the lockdowns, the [Centre for Development and Enterprise](#) released a report which seeks to warn policymakers not to assume that the economy that emerges after the lockdown will be capable of generating even the rate of growth (inadequate as it was) that South Africa experienced over the past decade. It suggests that the damage done by the epidemic may necessitate very significant economic reforms if South Africa is ever to fully recover.

One way to think about this is to think about what happened after the global financial crisis (GFC).

## Key findings

- South Africa's economic growth rate collapsed after the global financial crisis, and we have never properly recovered. Slow growth after the global financial crisis is the main reason that unemployment and poverty have risen, that our public finances are a mess, and that the country can afford so paltry a response to the current pandemic.
- In the decade after the global financial crisis, South Africa experienced a 60% reduction in average annual growth compared to annual growth in the previous decade. This means that we missed out on output valued at R3.7 trillion between 2009 and 2019.
- Estimates of the size of the economic contraction for 2020 range from 4% to 15% of GDP.
- Policymakers cannot assume that the economy that emerges after the lockdown will be capable of generating even the very low rate of growth that South Africa had over the past decade.
- The Covid-19 crisis means that we may permanently lose some of our industrial and commercial capabilities.
- It is vital that the recovery from the Covid-19 crisis not be a repeat of the global financial crisis. The damage incurred by the pandemic requires significant economic reforms if South Africa is ever to fully recover.

Download the report: [\*Covid-19: Are we asking the right questions about the nature of the economic recovery?\*](#)

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