

Beat: Business

South Africa falls into second recession in a decade

Recession in South Africa

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USPA NEWS - Johannesburg: South Africa says its economy, one of Africa's biggest, is in recession.

A 0.7 percent decline in GDP in the first quarter of this year followed a 0.3 percent contraction in the last quarter of 2016, meeting the definition of a recession as two or more quarters of negative growth, the South African government said Tuesday.

The country's economy was already struggling with official unemployment of 27.7 percent, as well as financial fallout from scandals surrounding President Jacob Zuma.

This year, Fitch and Standard & Poor's lowered South Africa's credit rating to below investment grade after Zuma fired Pravin Gordhan, a finance minister seen by many South Africans as a bulwark against alleged corruption at top levels of government. Calls for Zuma to resign have increased within the ruling African National Congress party, fueling uncertainty about the country's leadership.

"It is a toxic combination of policy uncertainty and grand corruption which has led us to this point," Mmusi Maimane, leader of the opposition Democratic Alliance party, said after the recession was announced.

Trade fell by 5.9 percent and manufacturing declined by 3.7 percent in the first quarter of 2017, said Statistics South Africa, a government agency. The sector comprising finance, transport, trade, government and personal services logged its first quarter of decline since 2009, when South Africa was swept up in the global financial crisis, it said.

Agriculture posted growth in a possible sign of recovery from a harsh drought, and mining grew partly because of a production increase in gold and platinum, according to the agency.

It is the first time that the economy has contracted for two consecutive quarters - the technical definition of a recession - since 2009.

The value of the rand fell by 1% on the currency markets.

Analysts had expected GDP to grow by 0.9% during the first quarter. However, Joe de Beer, deputy director general of Statistics South Africa, said: "We can now pronounce that the economy is in recession."

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