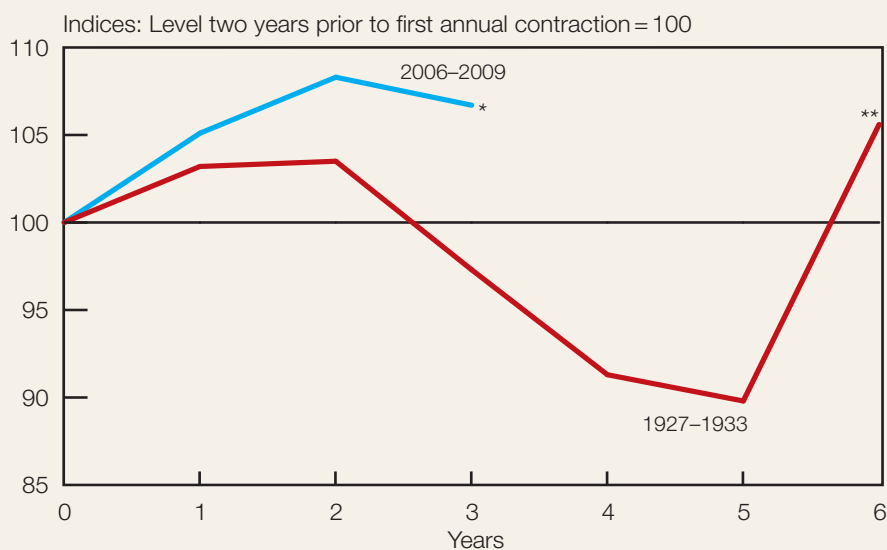


Comparison with the Great Depression

Economic conditions in South Africa are currently harsh, with real gross domestic product having contracted for three consecutive quarters. The present subdued levels of economic activity are in stark contrast to the strong growth experienced in recent years, particularly from 2004 to 2007.

Nevertheless, the current contraction in South Africa's real gross domestic product is of a considerably smaller magnitude than the decline of approximately 6 per cent in 1930 – the first of three years of contraction during the Great Depression. In the accompanying graph the level of real gross domestic product in the years immediately before and during the Great Depression is compared with the run-up to the current contraction and the expected contraction itself. A negative growth rate of 1,5 per cent was used for 2009 as a whole, as estimated by the International Monetary Fund in its latest *World Economic Outlook* publication. Momentum was lost at a much stronger pace during the Great Depression, compared to that in the current contraction. During the Great Depression, which was also a global economic crisis, economic policy-makers had little systematic knowledge of how to deal with depression conditions. By contrast, current policy-makers are better equipped and have already implemented large-scale fiscal and monetary stimulation on an internationally co-ordinated basis. This increases the probability that the global recession will be of limited magnitude and duration.

South Africa: Real gross domestic product



* International Monetary Fund estimate, July 2009

** South African Reserve Bank estimate based on Stadler, J J. 1962. "The gross domestic product of South Africa, 1911-1959". Unpublished D Com thesis, University of Pretoria