

Date: 25th May 2010

ECONOMIC REPORT FOR SOUTH AFRICA

South Africa is a medium-sized economy with a gross domestic product of R2 423bn (US\$280bn) and a population of 49 million. While GDP per capita measurements place SA in the middle income category, the country's very high level of income inequality means a large percentage of the population lives in poverty. The manufacturing and finance sectors are the largest and the manufacturing sector the greatest formal employer.

The SA economy contracted last year by 1.8%, but has since emerged from recession, and is expected to record growth of 2.7% this year. The relative economic stability is a sound base from which to move towards the employment creating growth rate of 5-6% once the global economy recovers in 2012/13.

While growth will be weak in 2010, it will likely pick up to 3.6% in 2011 as employment and consumer spending recovers.

Key indicators:

Inflation: 5.1%

Unemployment: 25.2%

Interest rate: 6.5%

Rand vs Pound: R11.39

Rand vs Euro: R9.75

Rand vs US Dollar: R7.97

2009 was an extremely testing time for all businesses in South Africa as the recession saw many businesses close their doors unable to carry the sudden downturn in business. The recession caused a slower establishment of new businesses and a tightening of the belt for those in the market which resulted in the constant search for businesses to either scale down on their improvements if any, or them requesting the cheapest version thereof and forgoing on durability for a quick fix. The ever increasing operating costs of electricity, fuel, transport and labour placed a heavy burden on trying to keep costs to a minimum.

It was evident that by the 3rd quarter in 2009 that there was a slow but steady upturn in the market which was lead by the manufacturing sector. After the 1st quarter of 2010 there is a definite upward trend in the market.

Ian Stevenson