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South African Institute of Race Relations

*The power of ideas*

## **Lockdown could tip SA into most severe economic contraction in 100 years**

Based on its own estimates as well as those of private sector economists, the Institute of Race Relations (IRR) warns that South Africa should brace itself for a period of deep economic decline.

The most optimistic growth forecast predicts a roughly 2% decline in GDP, with less optimistic predictions anticipating a decline of up to 10% or more. The IRR has pencilled in a contraction of at least -5%.

The IRR warns that such a decline in growth would have a catastrophic effect on the lives and livelihoods of South Africans.

Says IRR analyst Nicholas Babaya: “The correlation between economic growth and living standards is very strong. We anticipate that South Africa’s pending economic crisis will translate into a severe decline in the living standards of almost all South Africans, wiping out much of the progress made in raising those standards after 1994.”

Babaya adds: “Worse, if the government ignores the economic risks, its Covid-19 containment measures are bound to fail, as people will be too desperate and hungry

to comply with isolation prescripts. We will have neither flattened the curve nor saved the economy – the worst of both worlds.”

The IRR has warned that preventing a humanitarian catastrophe in South Africa will require maintaining the greatest possible degree of economic activity within the limitations imposed by sensible isolation policy.

The distinction between essential and other economic activity must be done away with and any business that can operate without posing a serious danger to public health, based on epidemiological data analysis, should be allowed to do so.

**Media contact:** Nicholas Babaya, IRR Analyst – 083 704 2903; [nbabaya@irr.org.za](mailto:nbabaya@irr.org.za)

**Media enquiries:** Michael Morris Tel: 066 302 1968 Email: [michael@irr.org.za](mailto:michael@irr.org.za)

Kelebogile Leepile Tel: 079 051 0073 Email: [kelebogile@irr.org.za](mailto:kelebogile@irr.org.za)

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