Global Financial Crises and its Impact on the South African Economy: A Further Update

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ABSTRACT The period since the early 1980s has been characterized by extraordinary fluctuations in the prices of goods, foreign exchange, housing and shares resulting in four main financial crises. These are the Latin American crisis of the early 1980s; the Japanese crisis of the early 1990s; the East Asian crisis of mid-1997; and the global financial crisis of 2007-2008 and the subsequent Euro debt crisis. The global financial crisis has had a severe impact on South Africa. The economy went into recession in 2008/09 for the first time in 19 years. Nearly a million jobs were lost in 2009 alone and the unemployment rate continued to remain high with 25%. Economic growth has resumed a bit in the recent past, but the recovery is fragile, and another recession may be possible. Rising unemployment and poverty have placed greater demands on state resources even as revenues contracted, and there is mounting political pressure on government to review its economic policy. This paper examines the impact of the global financial crisis on South Africa, in particular on how the highly centralized federal system absorbed and responded to the crisis. This article aims to investigate the main factors that triggered recent global financial crises and its impact on the South African economy. An attempt is made in this paper to shed a light on global financial crises between 1980 and 2012 and provides a discussion on its impact on the South African economy.