

BETI's April figures show rapid economic recovery, but not real growth

The BankservAfrica Economic Transactions Index (BETI) recorded the highest and fastest growth on record in April 2021 owing to the low base in April 2020 and the current high commodity prices. The latest figures indicates to a rapid economic recovery in South Africa. However, 'true' growth is still to be reached.



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"The BETI increased by 25.9% year-on-year in real terms. This massive bounce back is mainly the result of the low base in April 2020 when the economy was under hard lockdown since 26 March 2020," says Shergeran Naidoo, BankservAfrica's head of stakeholder engagements.

"Although the BETI figure is welcomed, it does not reflect overall substantive growth. Instead, it signals the massive economic recovery to a more normal, pre-COVID-19 state over the last year. We're likely to see this continuing in the May 2021 data. Therefore, the BETI is reflecting more recovery than new growth in the economy," says Mike Schüssler, chief economist at Economists.co.za.

Lockdown distortion

The headline BETI is a reflection of the economy's recorded changes on an annual basis. However, with the lockdown impact from April 2020 distorting the number somewhat, the short-term variations are important to observe.

"On a monthly level, the BETI improved by 2.3%. This is the strongest since February 2021. The quarter-on-quarter change was 2.7%, which is the most significant improvement since January's quarterly change," says Naidoo.

The exit of cheques may have sped up the rate of transactions processed by BankservAfrica and, in turn, contributed to the high actual economic activity recorded by the BETI. Real-Time Clearing (RTC) payments, for example, grew by 122.9% in nominal terms from last April. RTC has been a strong performer for many years, and the current numbers suggest old cheque transactions have taken the RTC route.

With the nominal standardised value of transactions rising by 51.6% annually, as compared to the number of transactions increasing by only 21.8% from April 2020, the BETI indicates that the economy is facing inflationary pressure.

The April BETI shows that the South African economy is experiencing a massive economic bounce back that will remain for as long as low rates and government deficit spending keeps money flowing through the economy.

"The economy is indeed recovering, but its levels this year are unlikely to surpass the previous high GDP level in 2019. More certain, however, is that the recovery is at a rate faster than one would have expected," says Schüssler.

Still in recovery phase

In the coming months, power outages could affect the economy while some sectors, such as retail, may be affected by the government financial assistance that will fade in the next month or two. Added to these are surging inflation in April and May, as well as the higher energy prices. There is also the possibility of a Covid-19 third wave.

"One must also remember that the economy is not in full swing as travel and tourism, entertainment and leisure are not yet in full operation," says Schüssler.

"All in all, the BETI simply indicates that the economic recovery is fast and vastly better than one would have hoped for. However, the BETI and other leading economic indicators suggest South Africa is still in a recovery phase, which is similar to what we're seeing in global markets. The BETI, therefore, reflects more recovery than new growth in the economy," he says.

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