Economical history (macroeconomics) of south africa

Literature, Russian Literature

Economical History (Macroeconomics) of South Africa South Africa's economy barely relies on mining and production. It has been thelargest world producer of gold with its main mining hub at Witwatersrand. It is capable of producing almost 40% of the world traded gold. The country has mostly white citizens who have amassed up most of it wealth. It stands to be the richest country in Africa with potential of producing 25% of the continent goods and services. This country also deals with export of other valuable raw materials like copper, diamonds and coal. The country has well established a plant which deals with production of chemicals, steel and machines. Though the country is not well endowed with good farming land, it exports products like sugar cane, wheat and corn. Farmers also raise sheep, cattle and pigs for food and other products (Ross, 2008).

Until the world financial that affected the country in 2008, the country economic progress has been stable and remarkable. For example from the graph, south Africa GDP rose by 3. 7% in 2002. This has been attributed to the conducive environment which prevailed due to continuous economic growth. The economy has been improving since the adoption of democracy (Feinstein, 2005).

In 2003, the GDP increased to 4. 9%. This was due to macroeconomics reforms that were initiated by the government. These reforms boosted competitiveness thus enhancing the development of the economy. The implementation of these reforms created job opportunities in the country thus opening South Africa to the international markets (Feinstein, 2005).

Deterioration in the country economy, has led to budget imbalance in South

Africa. The situation has been improving, and in 2005, the deficits dropped dramatically to 0. 5% of the total GDP. This can linked to the government policies to reduce taxes, cut tariffs and curbing inflation. All these measures allowed a relaxed exchange control in the country (Feinstein, 2005). This has led to the development of a rock solid macroeconomic framework that has seen the decline in the budgets deficits to its lowest in 2005.

GDP declined in 2008, thus causing economic recession in the whole country. The main cause of this was the global economic crisis that affected the country. The crisis had a tremendous effect on the international market. South Africa export decreased as the global market deteriorated due to this crisis (Ross, 2008). As a result; this led to rapid decline in the country's GDP. Exchange rate mostly affects the economy of a given country by changing the price of exchanging with other countries. When the exchange rate of one nation rises relative to another, they are able to purchase more products from their foreign countries, but their exports cost more to customers (Ross, 2008).

In the past, the South Africa rand had been deteriorating against the UK pound. This led to reduced economic growth in the country. South Africa had faced many uncertainties in the past, including miners unending strike and inflation rise. This weakened the rand against the leading international currencies thus crippling the South Africa economy (Feinstein, 2005). This has seen a massive decline in economic activities in South Africa like mining and export of agricultural commodities, thus immensely lowering the country's GDP.

References

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Ross, R. (2008). A Concise History of South Africa. Cambridge University Press.