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**'THE RESIGNATION OF PRESIDENT JACOB ZUMA PAVES WAY FOR BETTER ECONOMIC PROSPECTS FOR SA', SAYS NWU SCHOOL OF BUSINESS AND GOVERNANCE ECONOMIST PROFESSOR RAYMOND PARSONS**

The resignation of President Jacob Zuma and the expected accession of Deputy President Cyril Ramaphosa to the Presidency of SA now paves way for better economic prospects for SA. It marks the end of a period of political and policy uncertainty in which SA sacrificed considerable potential growth. State capture and widespread corruption have sapped SA's economic performance.

In particular, SA's public finances and those of state-owned enterprises have deteriorated badly over time. It is now still possible for SA to avoid universal junk status if the right decisions are taken in the forthcoming Budget on February 21 to stabilize SA's public finances and promote growth. A credible budget needs to rest on the foundations of new leadership and political stability if the economy is to be successfully turned around.

Policy certainty needs to be restored to the economy. This could be cumulative, just as its decline has been, and therefore beginning the process through political change is half the battle. The change in the top leadership of government creates the prospect of higher economic growth and employment, supported by policies which are growth-oriented, rather than patronage-driven.

Much higher growth and investment levels are necessary if SA is to successfully address the continuing challenges of unemployment, poverty and inequality. The rand has continued to react favourably to the latest political outcomes which, if sustained, will reduce inflation as well as inflationary expectations, and thus might encourage the SARB to lower interest rates later this year.

The latest political developments could now restore business confidence in ways which might lift SA's growth rate closer to 2% in 2018/19. But for pressing social-economic reasons the economy needs much higher growth rates over 3% in the longer term, underpinned by structural reforms. With new political leadership has come new hope but it needs to be backed by real reforms which will boost SA's economic performance sooner rather than later.

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