



Prof Raymond Parsons

Cell: 083 225 6642

MEDIA STATEMENT - IMMEDIATE RELEASE

6 JUNE 2017

'POLICY UNCERTAINTY HAS BECOME A TAX IN SA'S ECONOMIC PERFORMANCE', SAYS NWU SCHOOL OF BUSINESS AND GOVERNANCE ECONOMIST PROF RAYMOND PARSONS

'Two successive quarters of negative economic growth mean that SA experienced a 'technical recession' in the six months' period October 2016 to March 2017 and is officially in recession. While this development may have come as a shock to many observers, it was presaged in the NWU's School of Business and Governance Policy Uncertainty Index (PUI) for 1Q 2017 released in April. A new balance must now be struck between negative and positive factors in SA's economic outlook.

Given recent trends and developments, the downside risks to SA's growth outlook for 2017 as a whole have risen and it is now possible that the growth rate this year will only be about 0.7%. This is well below SA's true potential as well as the targets of the National Development Plan (NDP). The latest weak growth outlook will have negative implications for employment, tax revenues, business confidence and future investment ratings. Whether we like it or not, the SA economy is entering rough seas, and the storm signals are up.

On the positive side the agriculture and mining sectors in particular are still likely to support SA's economic momentum this year. Fortunately, the global economic outlook is presently also more favourable. But business and consumer confidence are still both at low levels and economic activity in SA is likely to be slow and uneven in the months ahead. A strong recovery in private fixed investment remains an essential factor in SA's growth prospects, but is inhibited by political and policy uncertainty.

The economic outlook has therefore become more uncertain, as the full impact of recent political developments unfold steadily over time. In short, the economy has become a casualty of political factors. Policy uncertainty has become a tax on SA's economic performance. To change the situation requires at least that policies should become clear, consistent, coherent and growth-oriented, and indisputably linked to the NDP and its implementation.

Ends