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MEDIA STATEMENT - IMMEDIATE RELEASE

13 JULY 2017

'THE ACID TEST FOR FINANCE MINISTER GIGABA'S 14-POINT ACTION PLAN TODAY IS WHETHER IT WILL BOOST CONFIDENCE IN THE ECONOMY BY PRODUCING REAL OUTCOMES' SAYS NWU SCHOOL OF BUSINESS AND GOVERNANCE ECONOMIST PROF RAYMOND PARSONS

'The widely-anticipated 14-point action plan for the economy released by Finance Minister Gigaba today recognizes that tough decisions are needed to address the serious economic and political headwinds facing SA, and in promising action the Minister's plan can be seen as a step in the right direction. Although there were no new proposals in the plan, the fact that firm time-lines for implementation of previous decisions have been indicated, and the development of framework for greater private sector participation in projects run by the government and state-owned enterprises (SOEs), are welcome.

The government is now beginning to engage with what needs to be done if the economy is to be turned around and SA is to break out of its 'low growth trap'. But as further details will only be unpacked in the Medium Budget Policy Statement (MTBPS) in October it is not possible to already say that what was announced today will be adequate to restore confidence. For ultimately the success of latest action plan will not rest on technicalities. It will instead depend upon whether Minister Gigaba's 'message' overall can rebuild investor and business confidence, as well as reduce the policy uncertainty which is bedevilling SA's economic performance, given other political factors.

In the present challenging circumstances in SA Minister Gigaba must therefore not only convince business and investors that the right policies will be followed, but that they will indeed now be implemented to strengthen the economy. This needs to be done coherently and in a co-ordinated way. Hence shaping a better relationship with business should not only be the responsibility of the National Treasury, but should extend across the government as a whole if confidence is to be properly restored.

As the action plan today is not regarded as a policy statement, the real test of fiscal management will remain to be seen in the MTBPS later this year as to whether any fiscal shocks emerge, especially from oversight issues on SOEs, such as Eskom and SAA. Fiscal discipline has been promised. Only if SA broadly aligns its State expenditure to the size of its GDP, and to the size at which it grows, can it avoid a 'debt trap'. Minister Gigaba is right to see the current National Treasury forecast of 1.3% economic growth in 2017 as over-optimistic. The importance of getting inclusive economic growth going again and tax revenues boosted therefore remains paramount. SA still has a significant agenda of unfinished national business to address in the months ahead.'

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