A toast to National Treasury!

By Dr Roelof Botha, Joint Managing Director, GOPA Group SA *1 October 2019*

Officials at National Treasury cannot be blamed for enjoying a profound spring feeling.

September has been kind to one of the shining stars of South Africa's public sector, with the ANC caucus having announced its support, in principle, for National Treasury's *Economic Growth Plan*.

At its latest strategy planning meeting (lekgotla), the chief whip of the ANC's parliamentary caucus welcomed the plan, especially elements of policy certainty displayed by the government. The ANC caucus was in favour of the initiative by the government to start a national conversation on measures to boost the South African economy in the short term.

Many of the proposed reforms draw on existing proposals in other documents, especially the National Development Plan (NDP). Pres. Cyril Ramaphosa has promised that future economic policy would rely heavily on the NDP and National Treasury has not disappointed this vision.

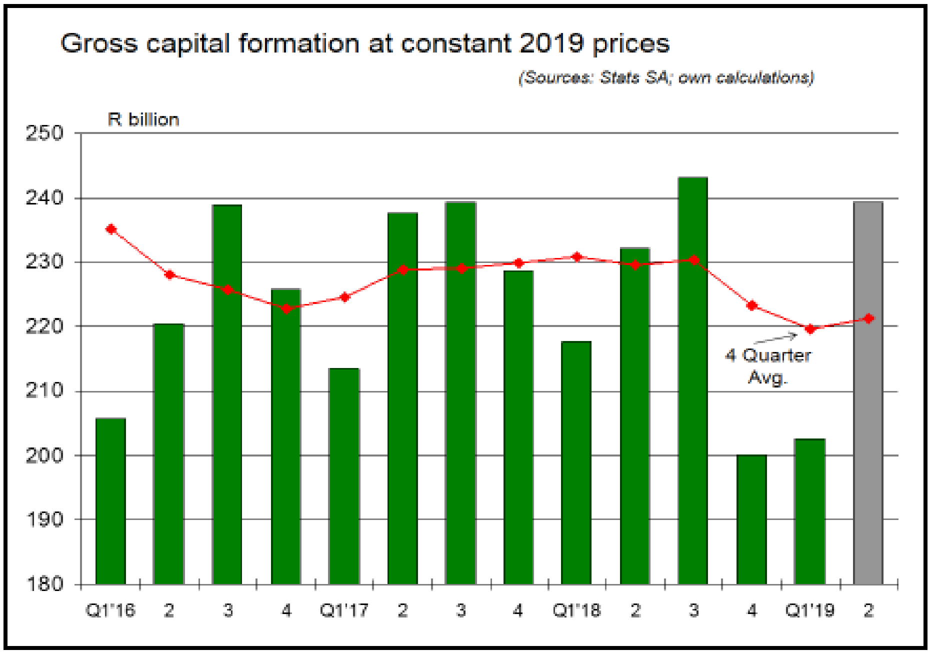
Although much work needs to be done on disseminating the 700-odd submissions that have been received in reaction to the plan (which still has the status of a discussion document), there is no doubt that it will form the basis of Pres. Ramaphosa's strategy to enhance economic growth.

While the ANC caucus welcomed finance minister Tito Mboweni's document, the ANC's alliance partners, Cosatu and the SACP, voiced their dissatisfaction with the plan. It is clear that cracks are appearing in the foundation of the tripartite alliance and that the ANC's National Executive Committee will soon have to choose between preserving the ideological hegemony of the alliance and acting in the best interests of the country as a whole.

Earlier in September, National treasury would have been buoyed by the release of the 2nd quarter GDP data, which showed a strong rebound from the negative quarter-on-quarter growth recorded between January and March.

A resurgence in capital formation proved to be one of the pillars of a return to positive real GDP growth, also on a year-on-year basis. This key indicator, which is closely correlated with future GDP growth, jumped by more than 18%, in real terms, during the 2nd quarter.

Scrutiny of nominal growth rates for the first six months of 2019 showed healthy increases for key indicators linked to fiscal revenue, including imports, labour remuneration and the gross operating surplus of enterprises. These trends need to continue during the second half of the year if the 9% budgeted increase in government revenue is to be achieved.



During the last week of September, National Treasury received another feather in its cap with the announcement of a successful $5-billion Eurobond issue - the largest ever for a country in sub-Saharan Africa.

According to the Treasury, the Eurobond issue was split 40/60 between 10-year and 30-year bonds, which were oversubscribed by 270%. The bonds maturing in 2029 were issued at a yield of 4.85%, representing a spread of marginally higher than 310 basis points above comparable US treasury notes.

According to a government spokesperson, the success with the Eurobond issue clearly demonstrates the confidence of international investors in South Africa's future. The high level of demand for South Africa's bonds emanated from fund managers around the globe and is related to the search for yield as real interest rates in the Eurozone remain in negative territory.

It is also related to the fact that South Africa is one of only four emerging markets that are part of the FTSE World Government Bond Index and enjoys investment grade status for its sovereign debt with the influential international credit ratings agency, Moody's Investor Services.

National Treasury deserves a pat on the back. May they win the battle against the populists and return the economy to sustained growth again!