An aerial photograph of a lighthouse perched on a dark, rocky cliff. The lighthouse is a small, white, cylindrical structure with a dark top. The cliff is covered in some greenery. The ocean is a deep blue, with white waves crashing against the base of the cliff and several large, dark rock formations scattered in the water. The sky is a mix of blue and orange, indicating a sunset or sunrise. The overall scene is serene and dramatic.

An economic policy
framework to
underpin the NDP's
growth objectives

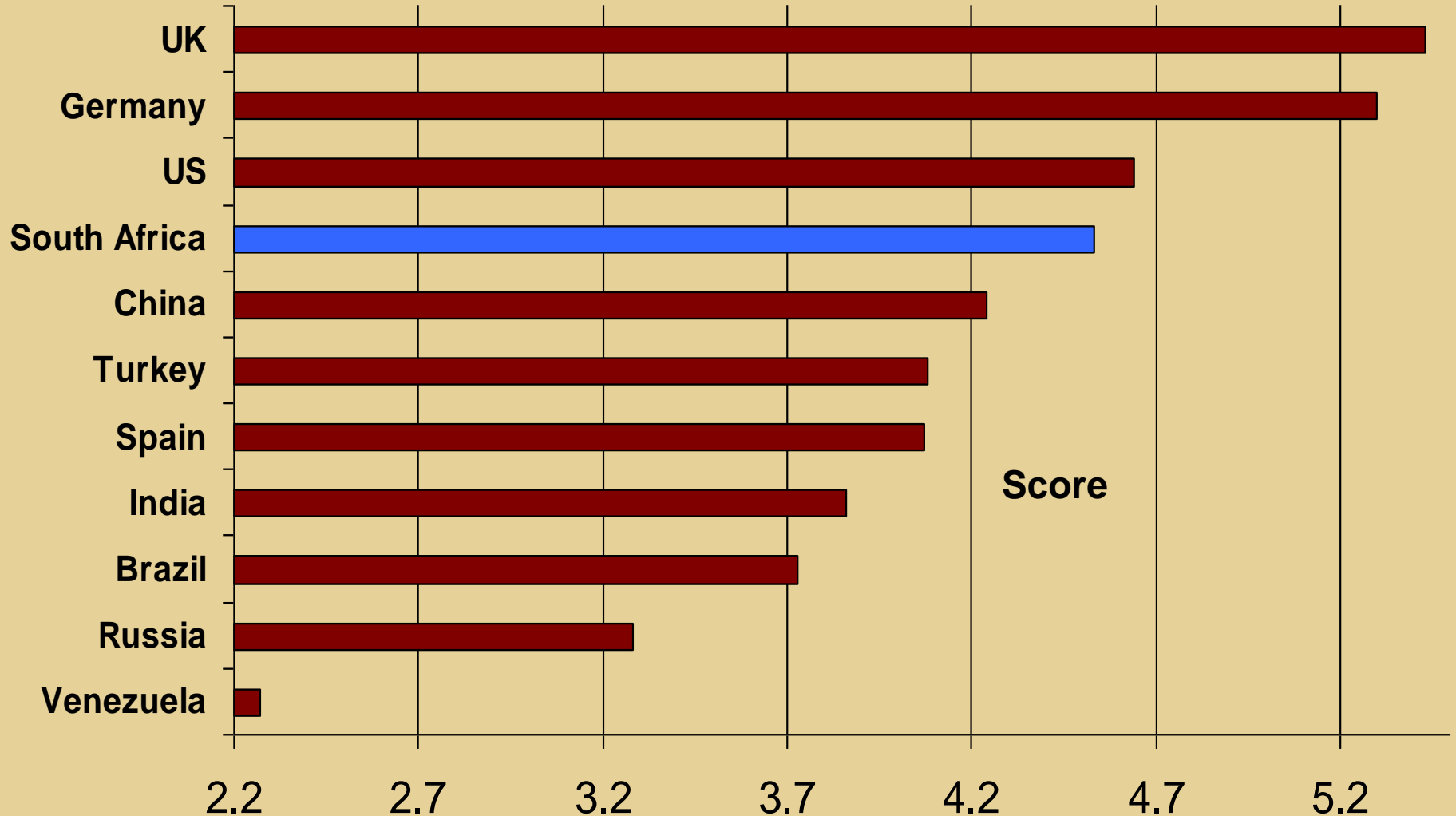
Dr Roelof Botha

Fiscal policy on track



Global competitiveness scores for quality & effectiveness of institutions

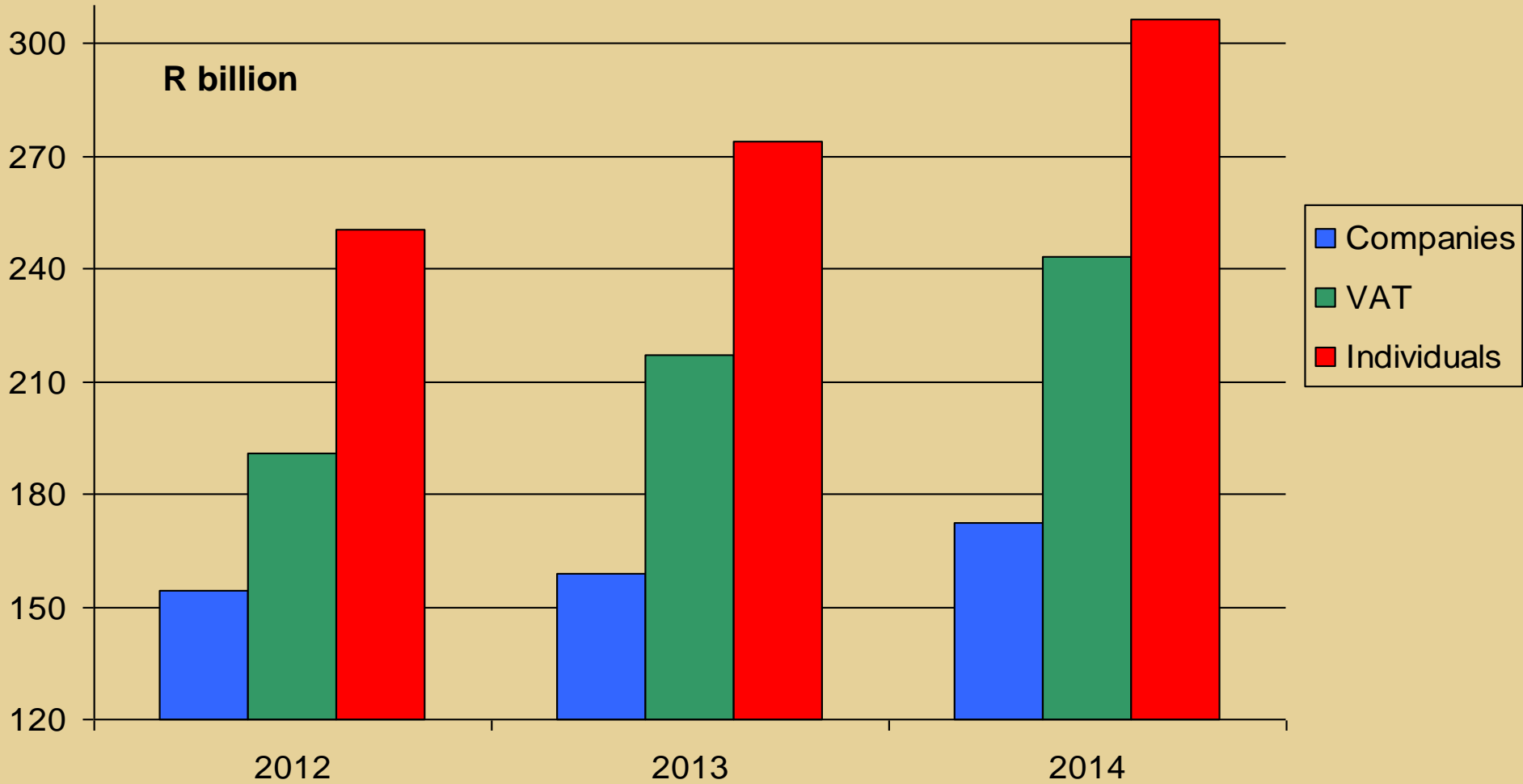
(Source: WEF)



Progress with meeting basic needs

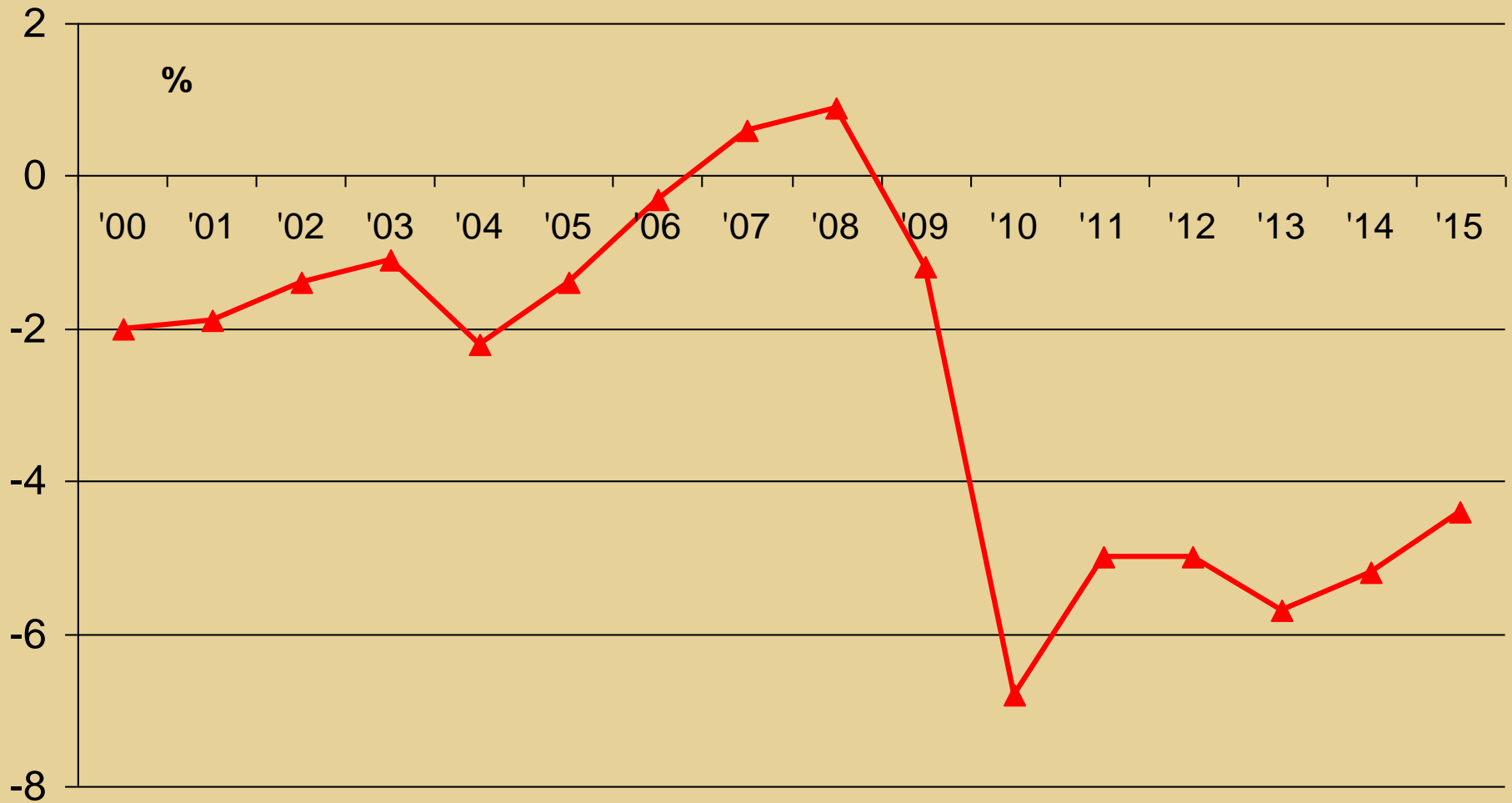
- 3 million RDP houses
- 1000 new health clinics
- Access to clean water for 10 million people
- New sanitation facilities for 7 million people
- 4.5 million new electricity connections
- Free education
- Redistribution of 3 million hectares of land
- Primary School Nutrition Programme for 5 million children
- 15 million new social grant beneficiaries (BIG?)

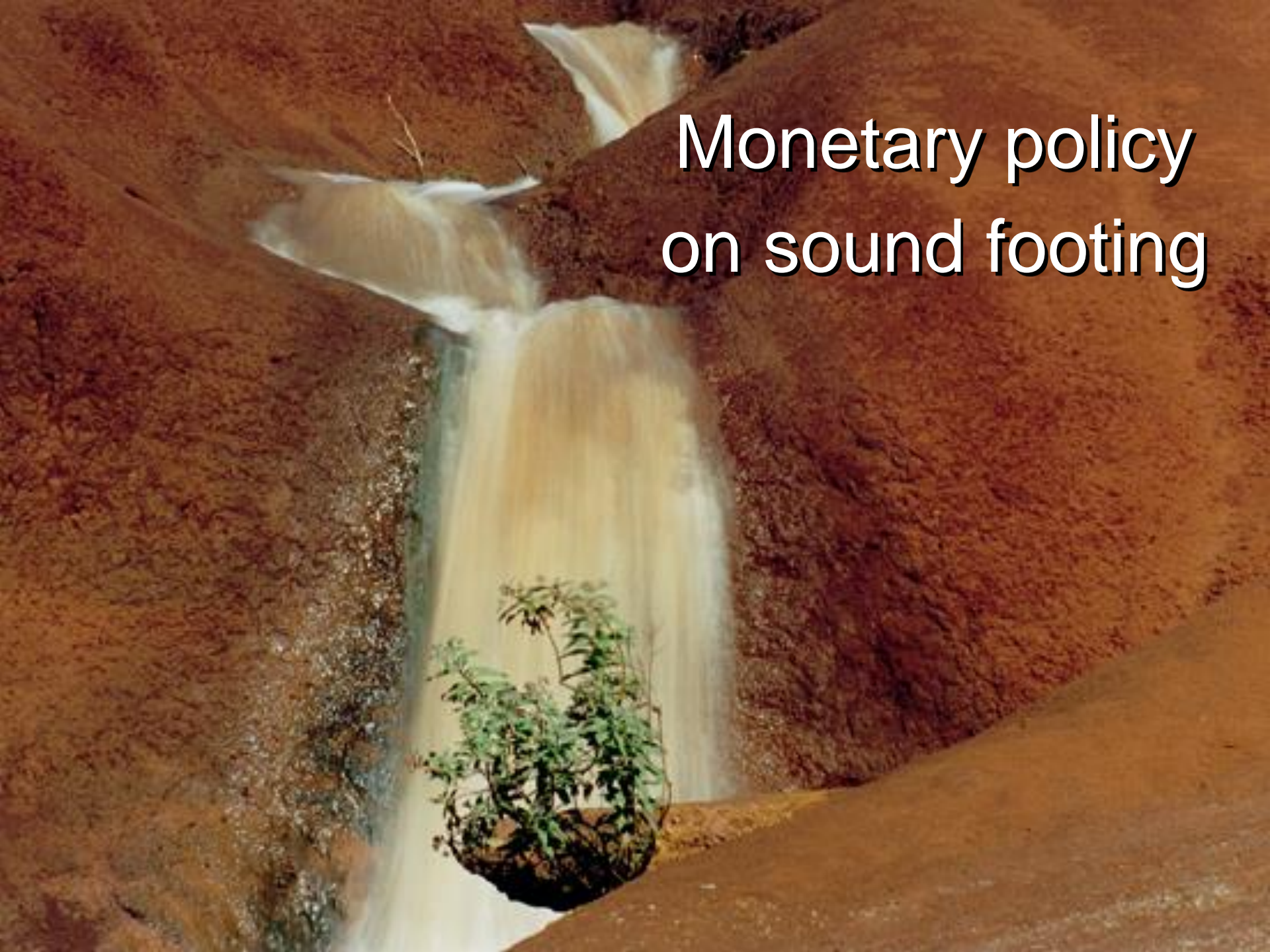
Healthy post-recession growth trends for SA's key sources of taxation (fiscal years)



SA budget deficit/GDP ratio & forecasts – fiscal years ended 31 March

(Source: National Treasury)

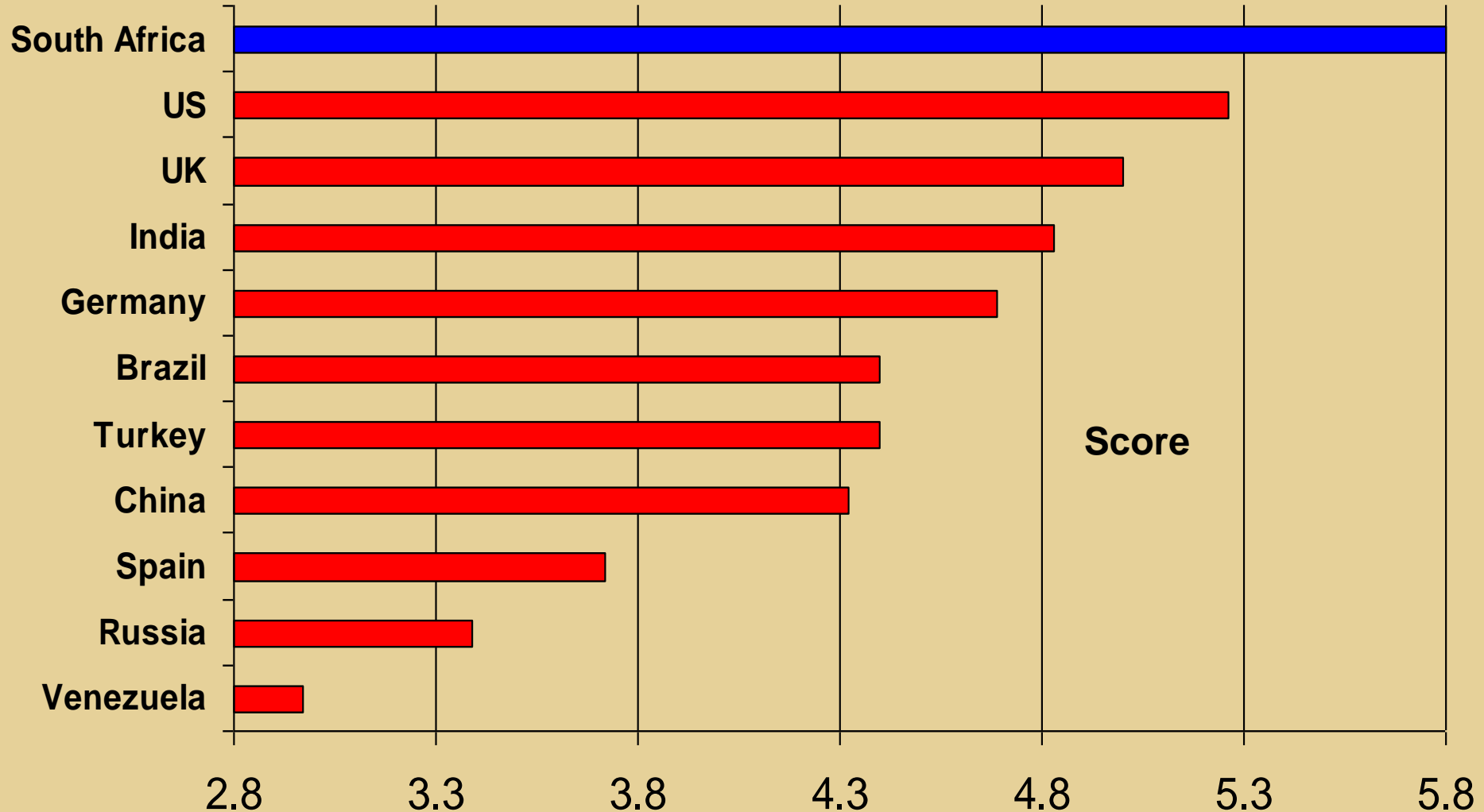


A photograph of a waterfall cascading down a reddish-brown rock face. The water is white and frothy as it falls. A small green plant is growing in a crevice near the base of the waterfall. The text "Monetary policy on sound footing" is overlaid in white with a black outline in the upper right quadrant.

Monetary policy
on sound footing

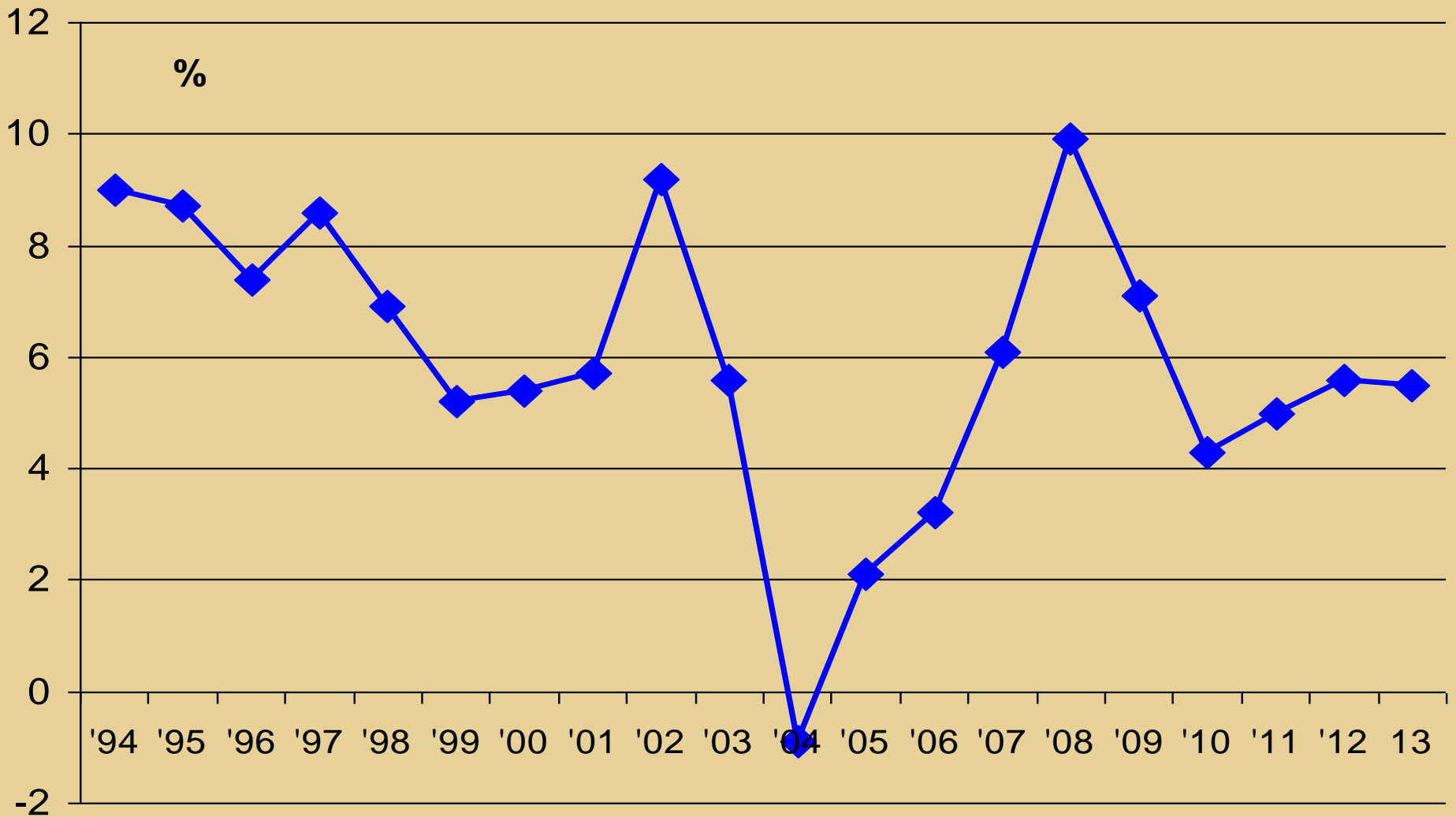
Global competitiveness scores for financial markets

(Source: WEF)

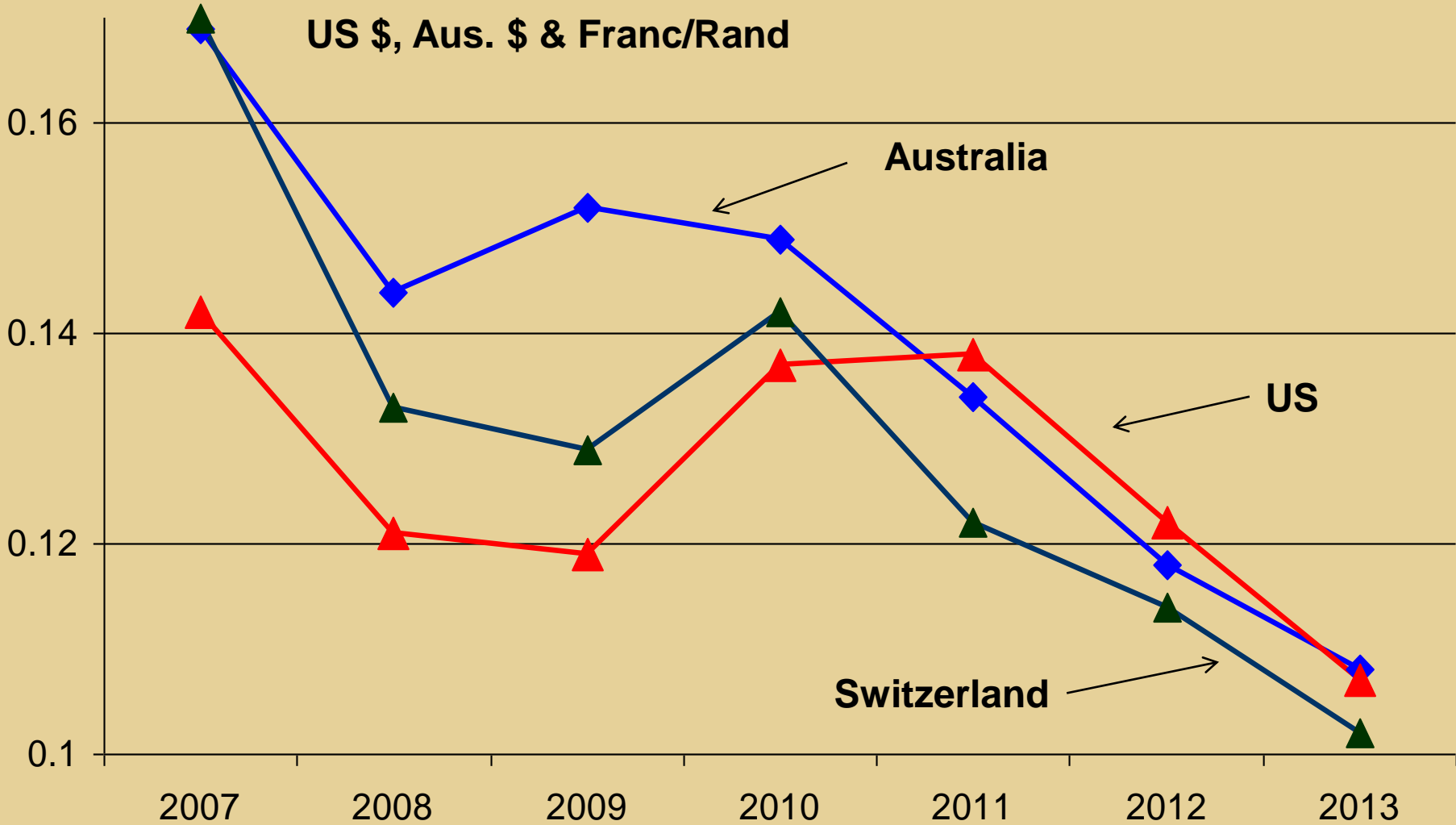


Relatively low & stable inflation after democracy (consumer price index)

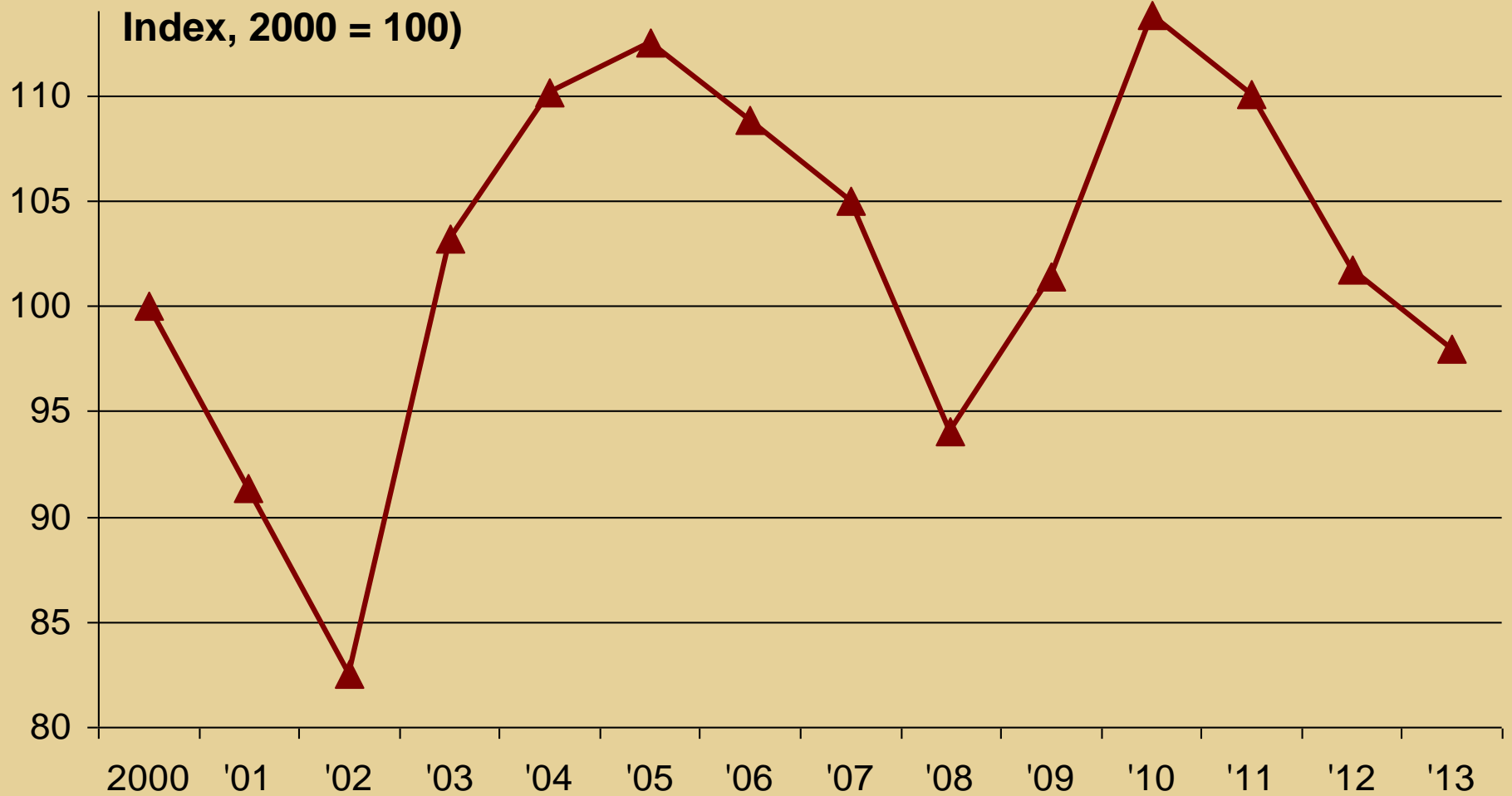
(Source: SARB)



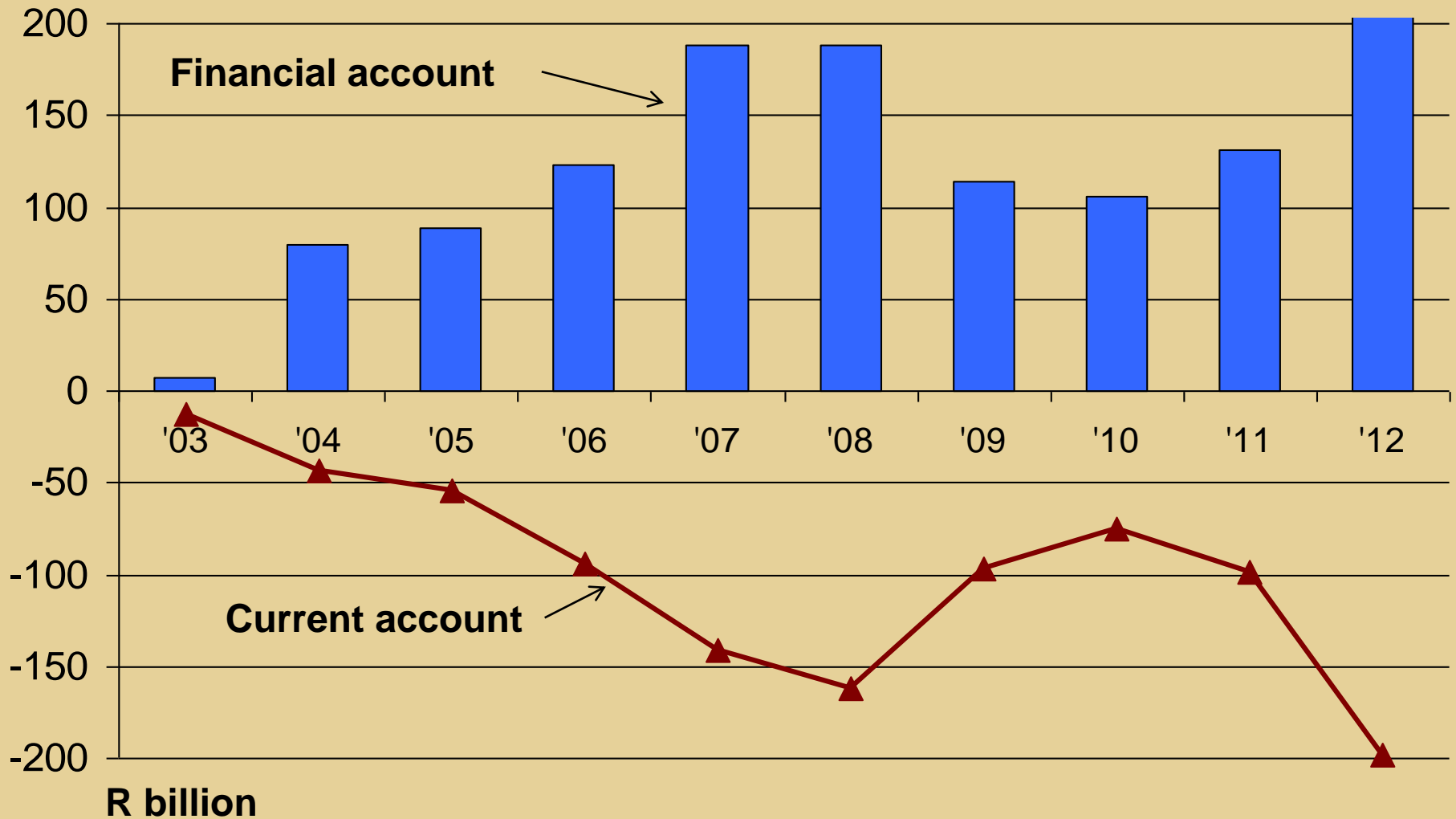
Nominal rand exchange rate trend – selected currencies



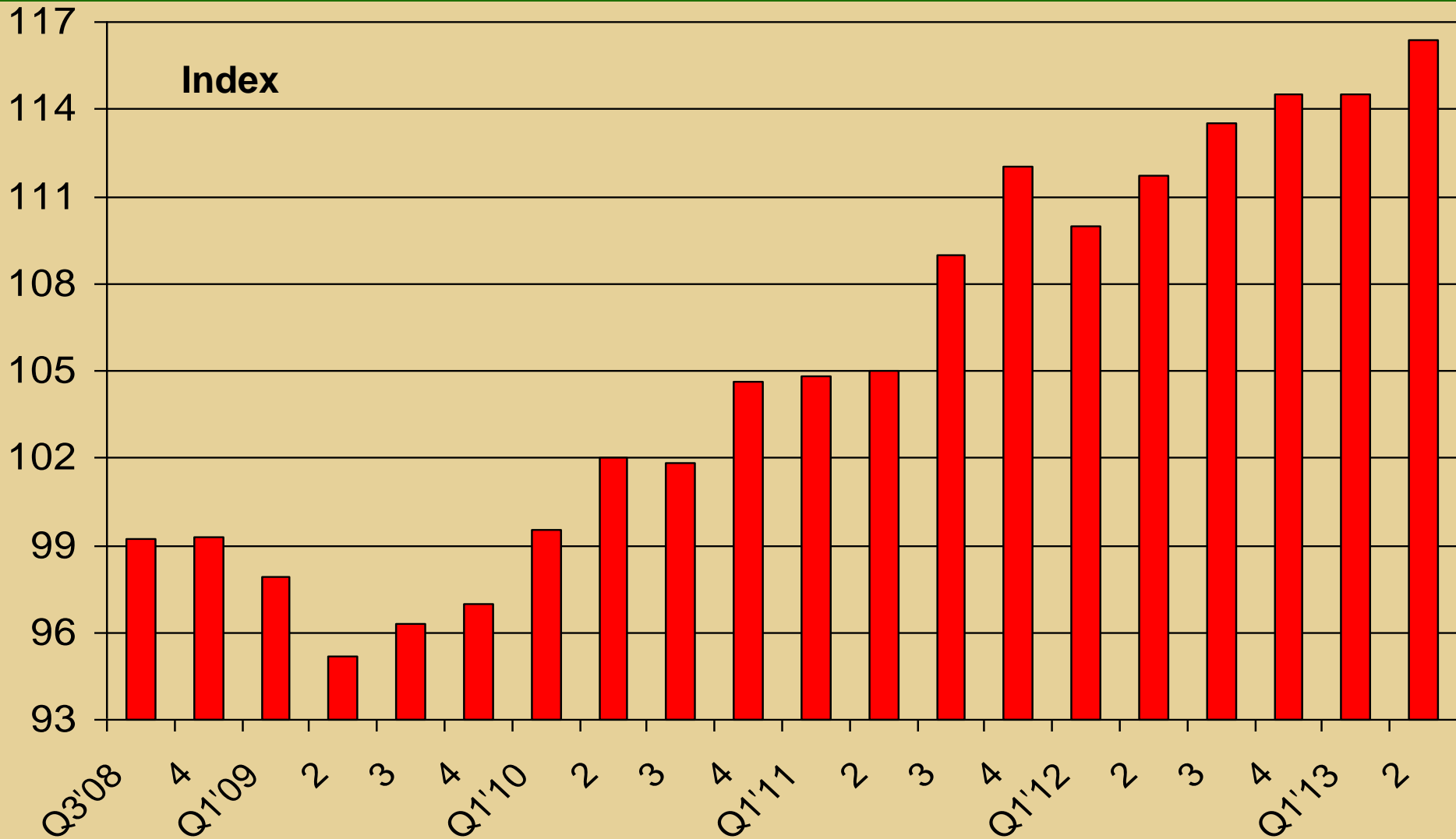
Real effective exchange rate of the rand



Balance of payments – current & financial account (including unrecorded transactions) (Source: SARB)

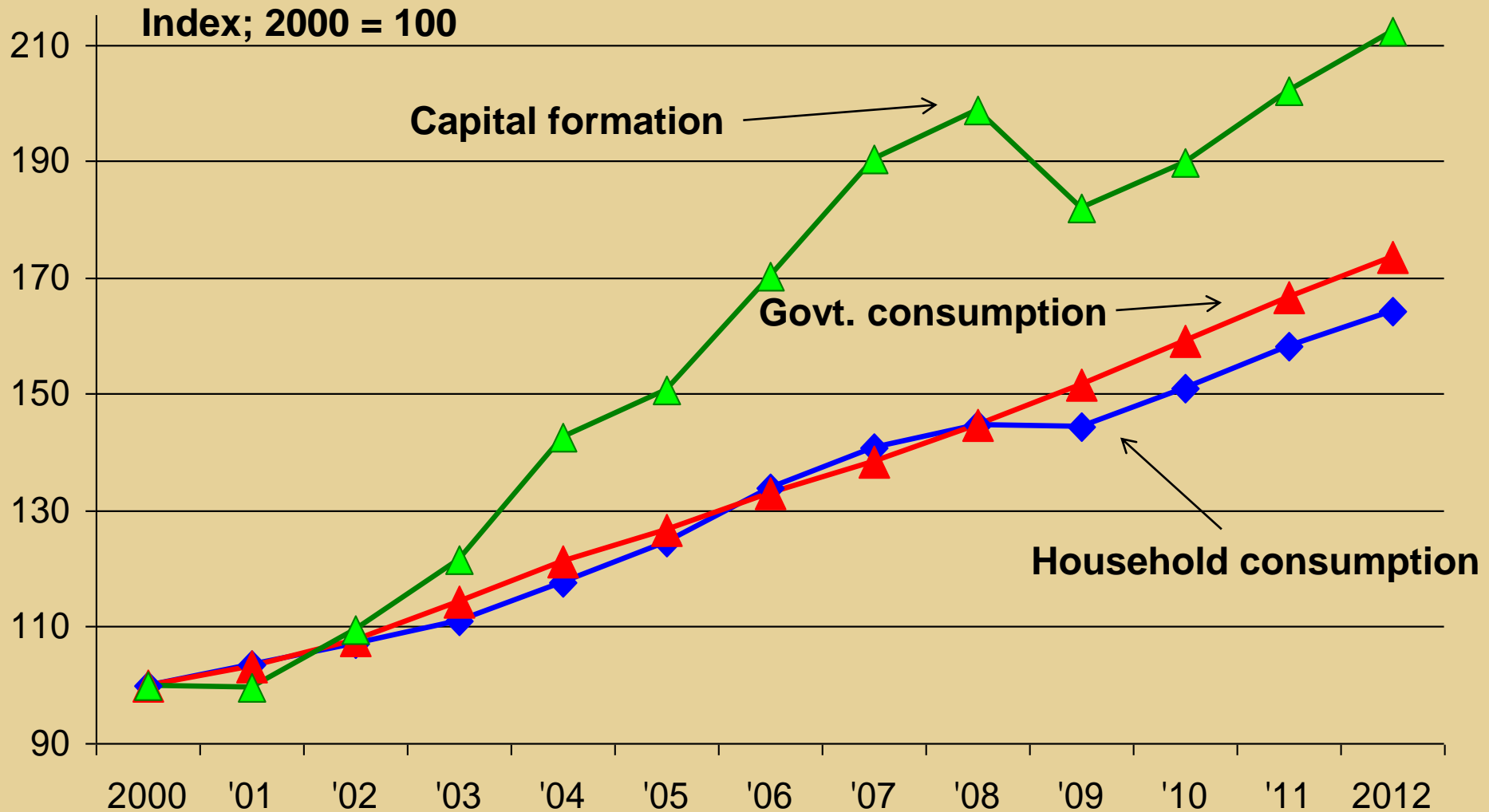


Real retail trade sales (index, 2008 = 100)

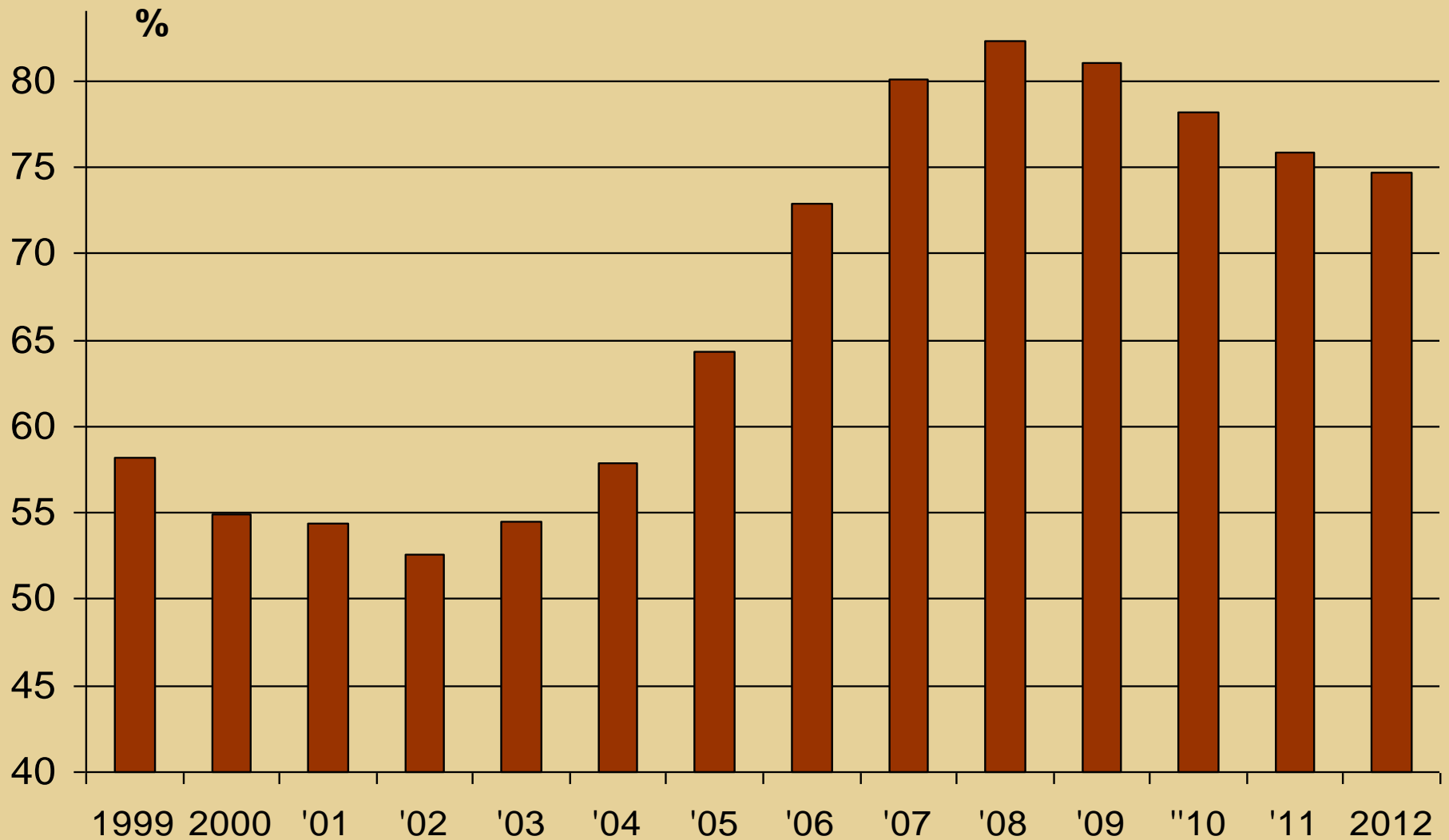


Real growth trends for the components of domestic expenditure

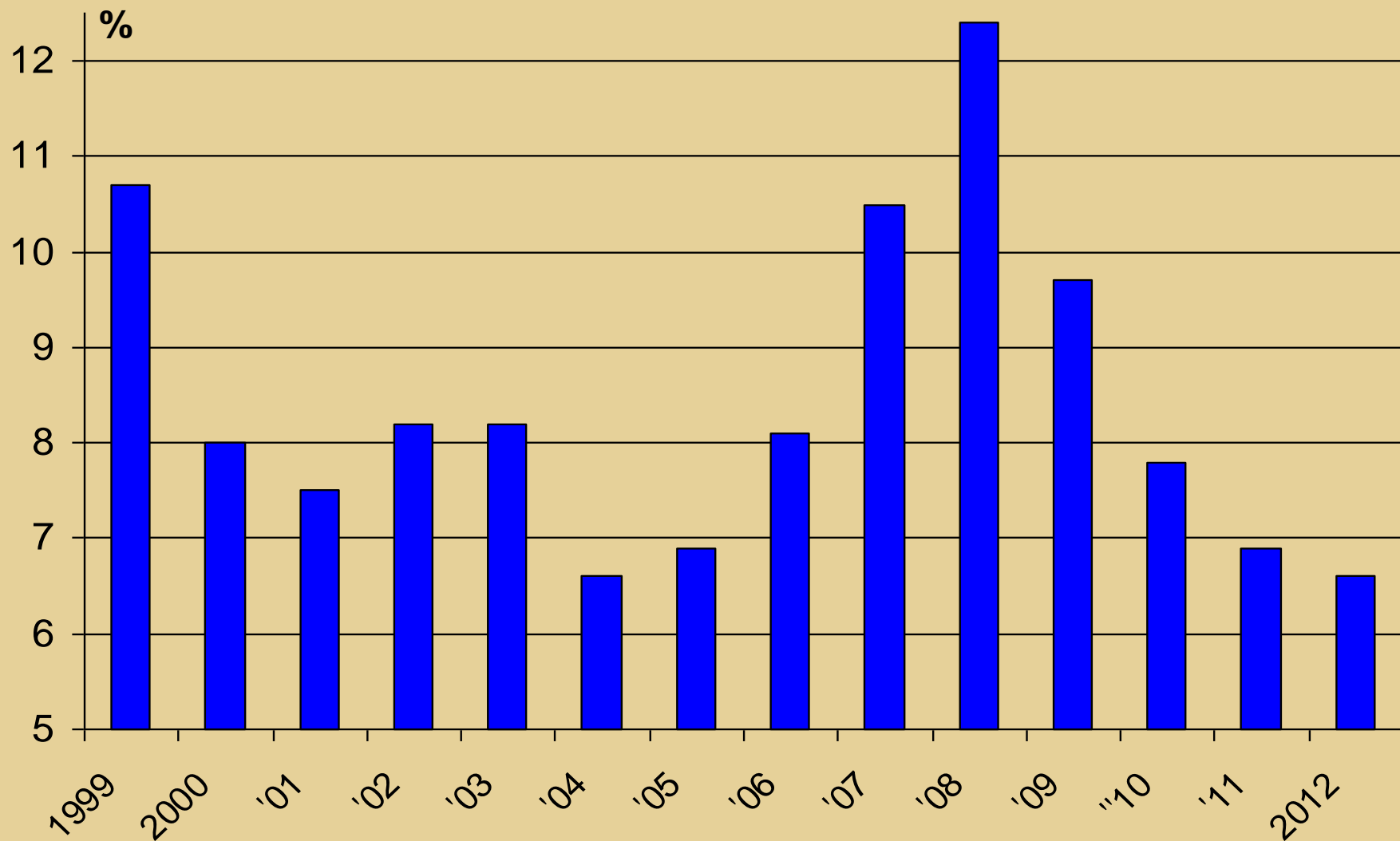
(Sources: SARB, own calculations)



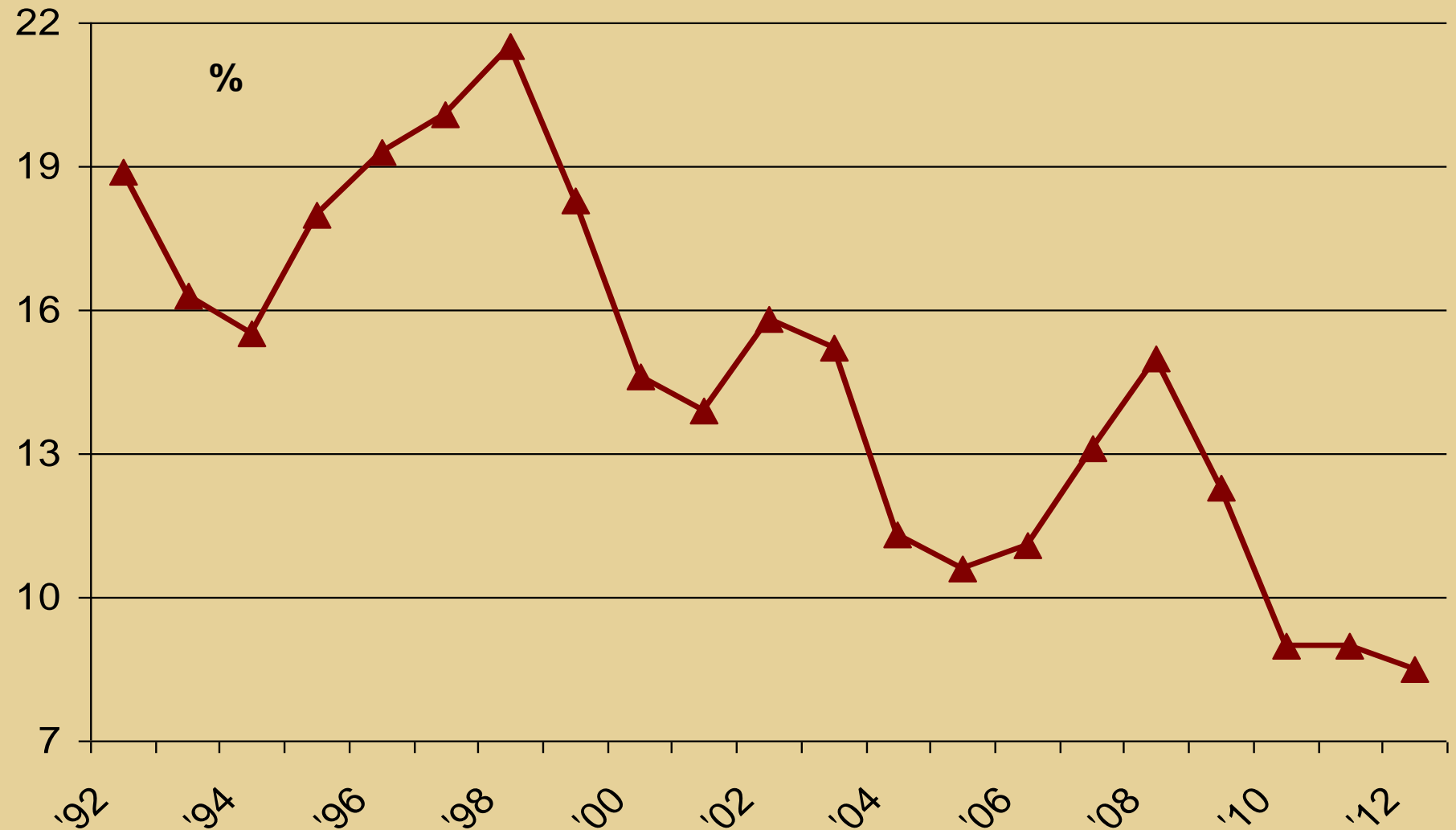
Household debt to disposable income in South Africa



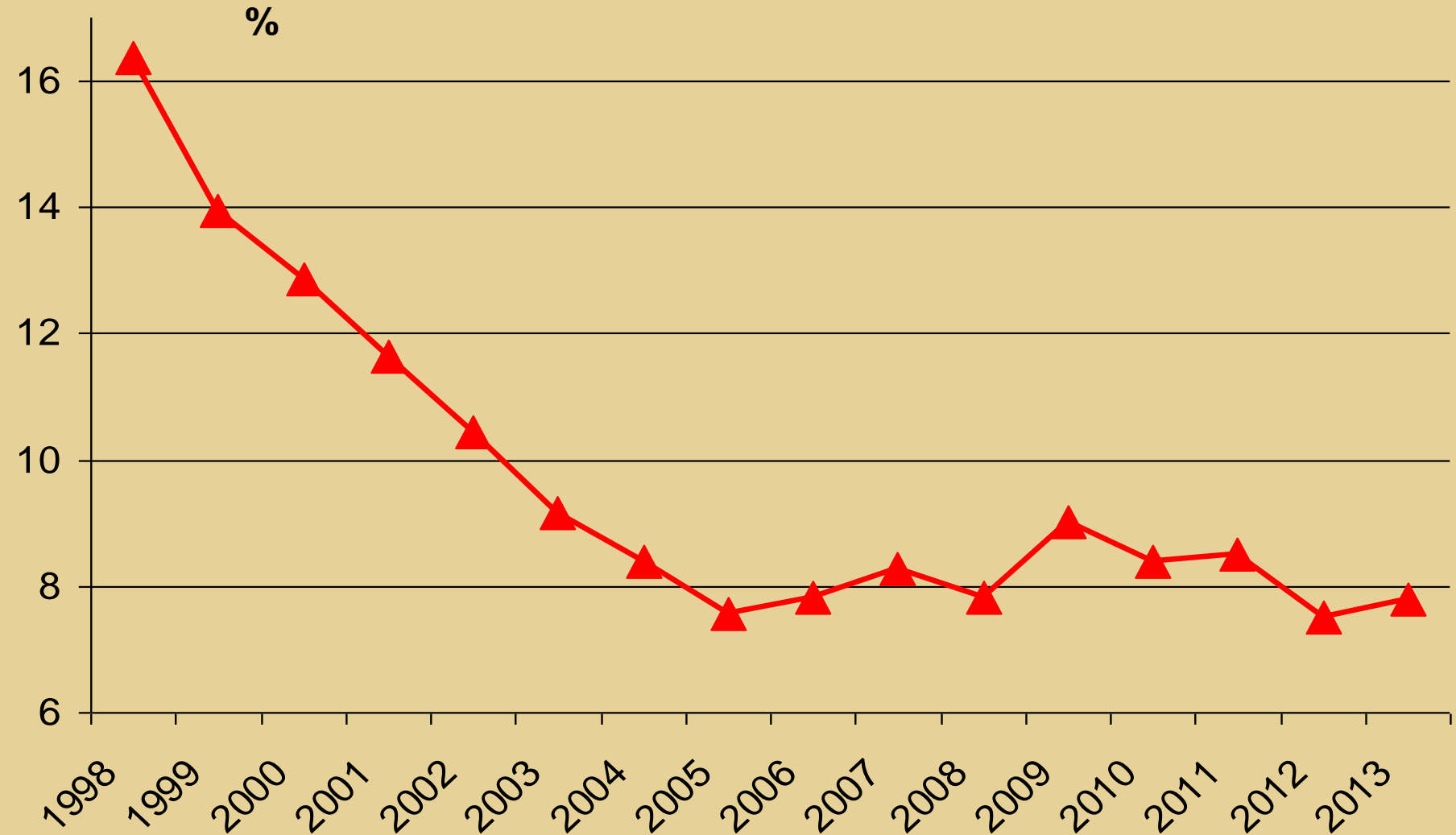
Debt service cost to disposable income of households in South Africa



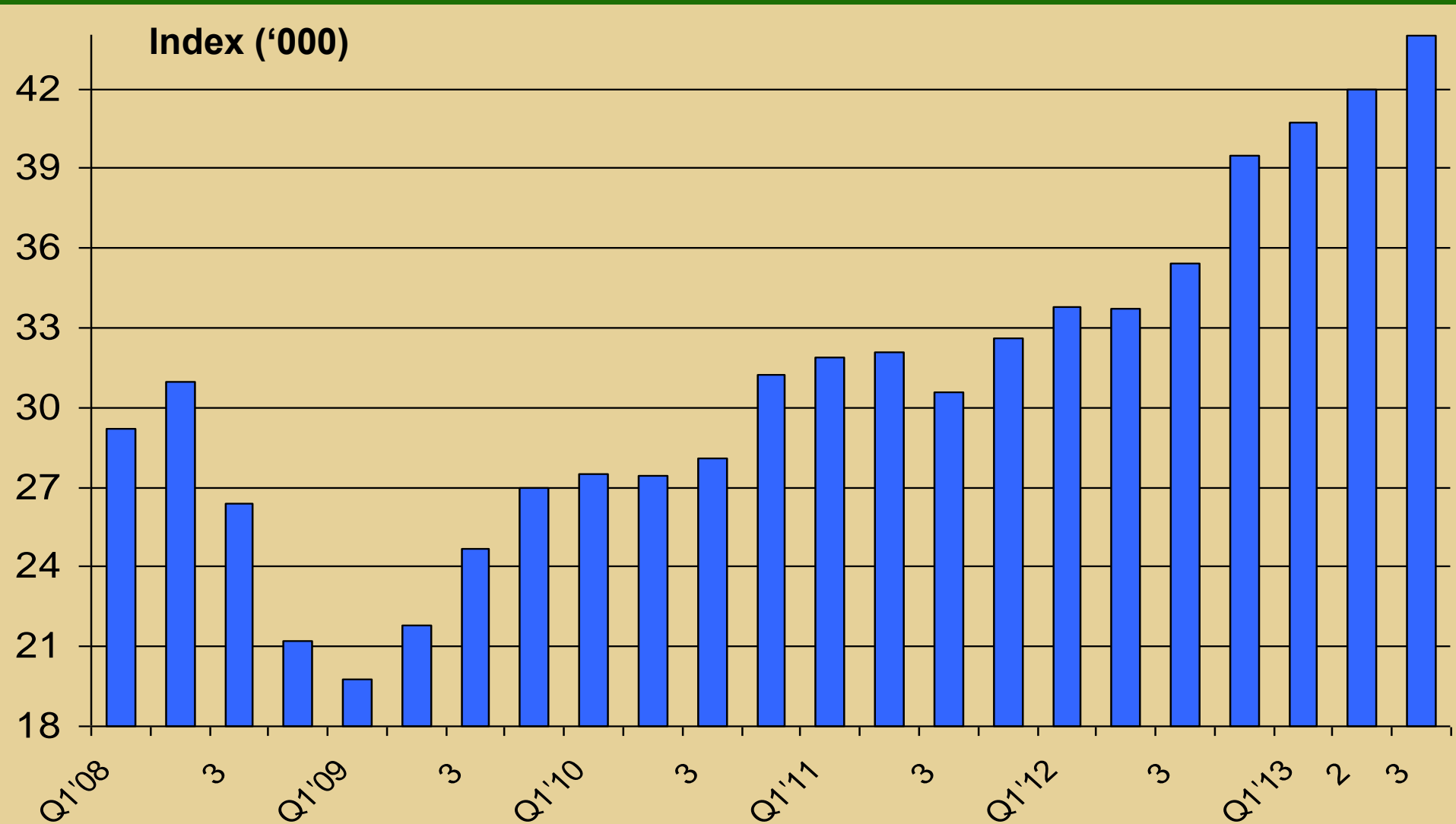
Lowest prime rate in 40 years enhances household spending power



Long-term government bond yield – new record low

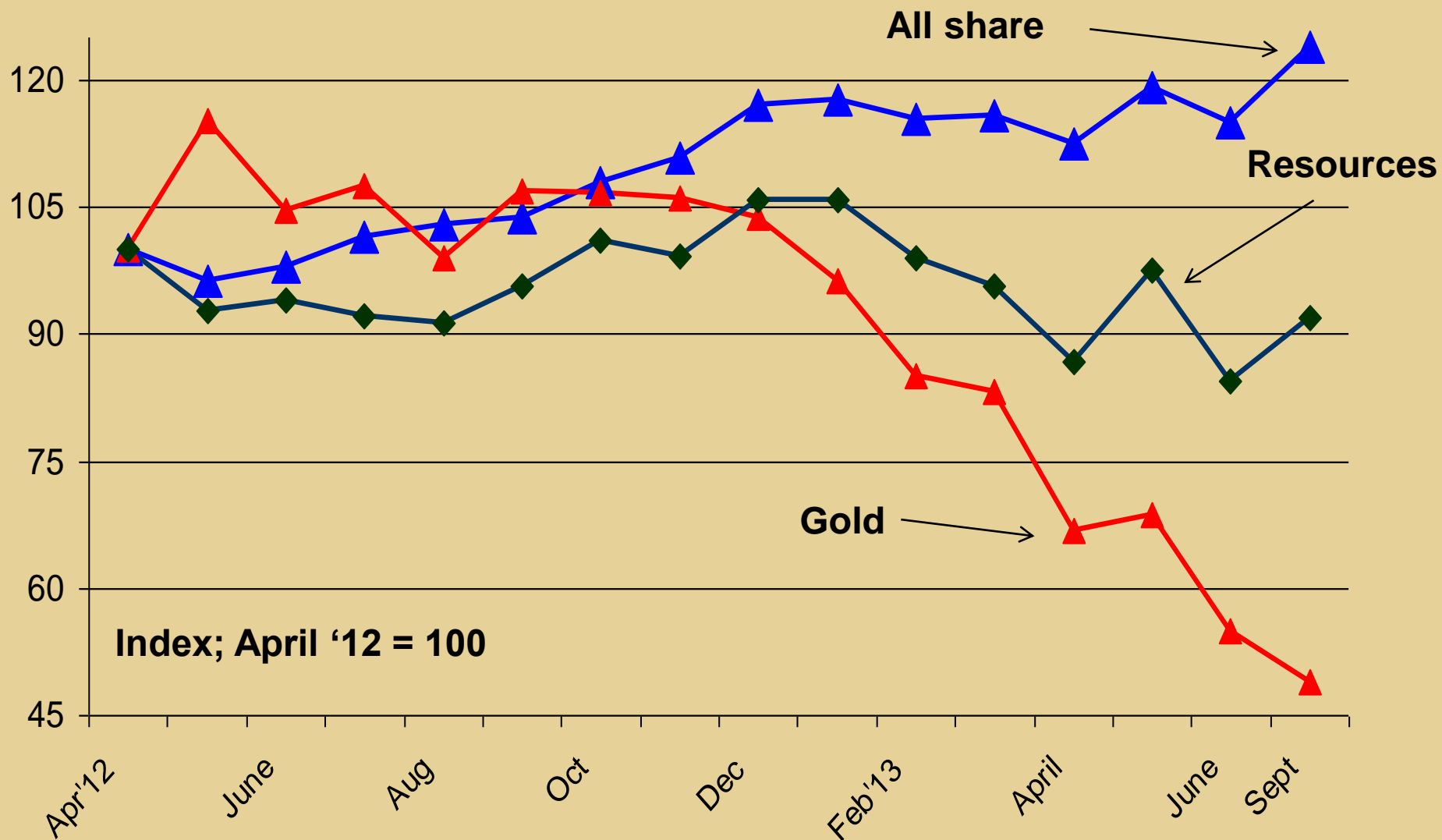


New record high for JSE all share index (Alsi)



Divergent fortunes of JSE indices over the past 18 months

(Sources: Thebe Securities, own calculations)

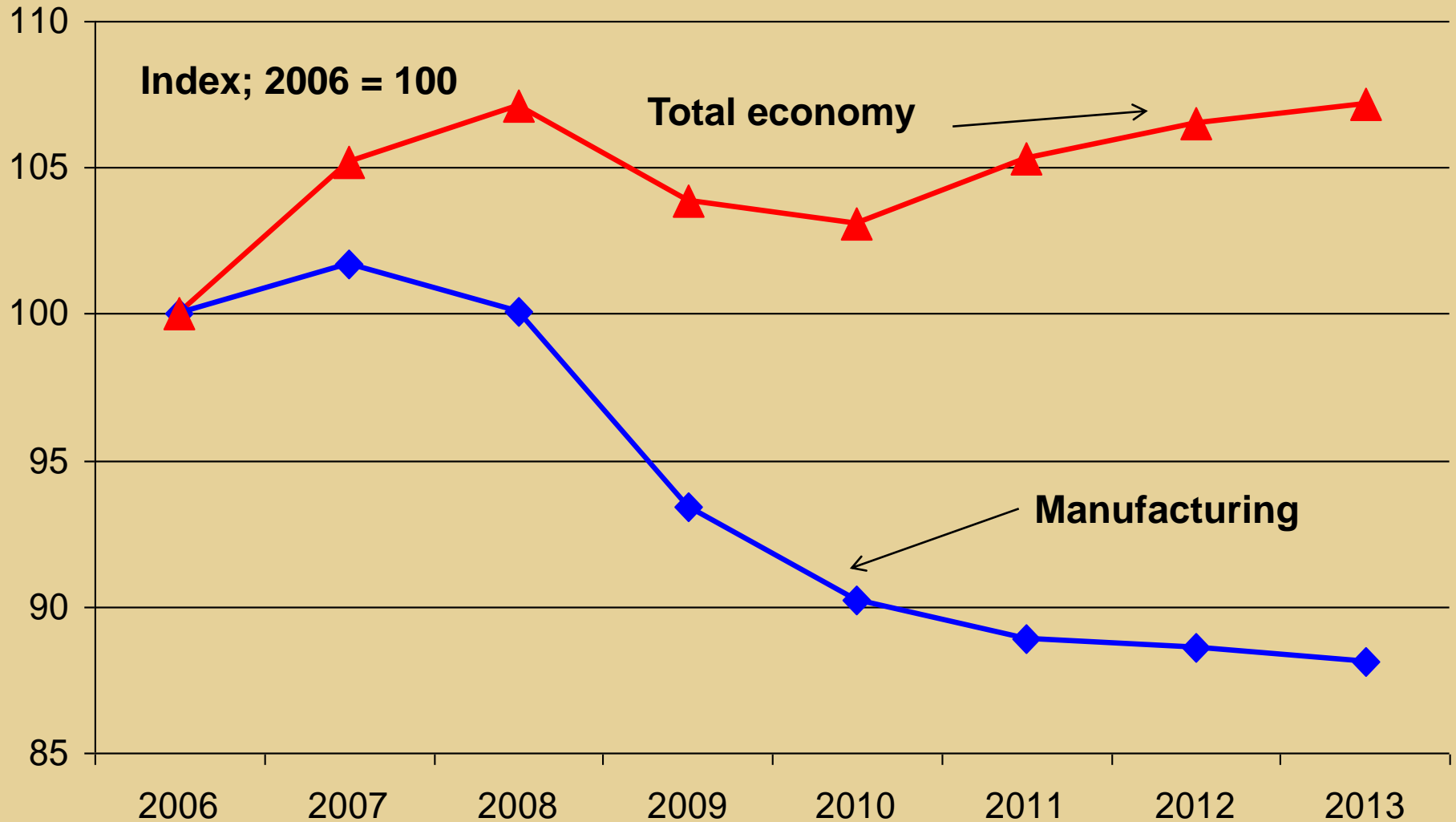


South Africa's key competitiveness challenges



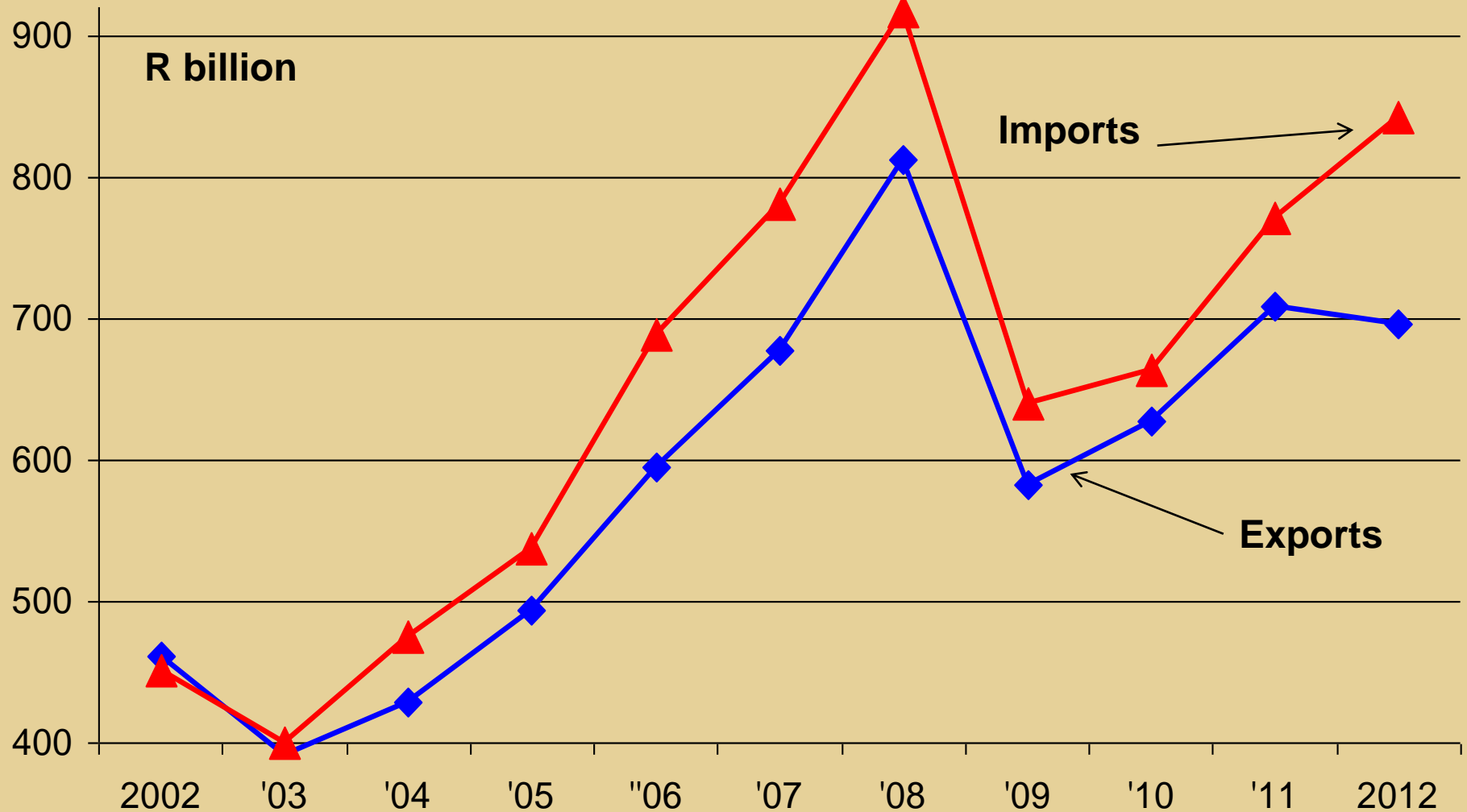
Formal sector employment trends – manufacturing and total economy

(Sources: SARB, own calculations)



Export & import trends (merchandise goods) at constant 2012 prices

(Sources: SARB, own calculations)

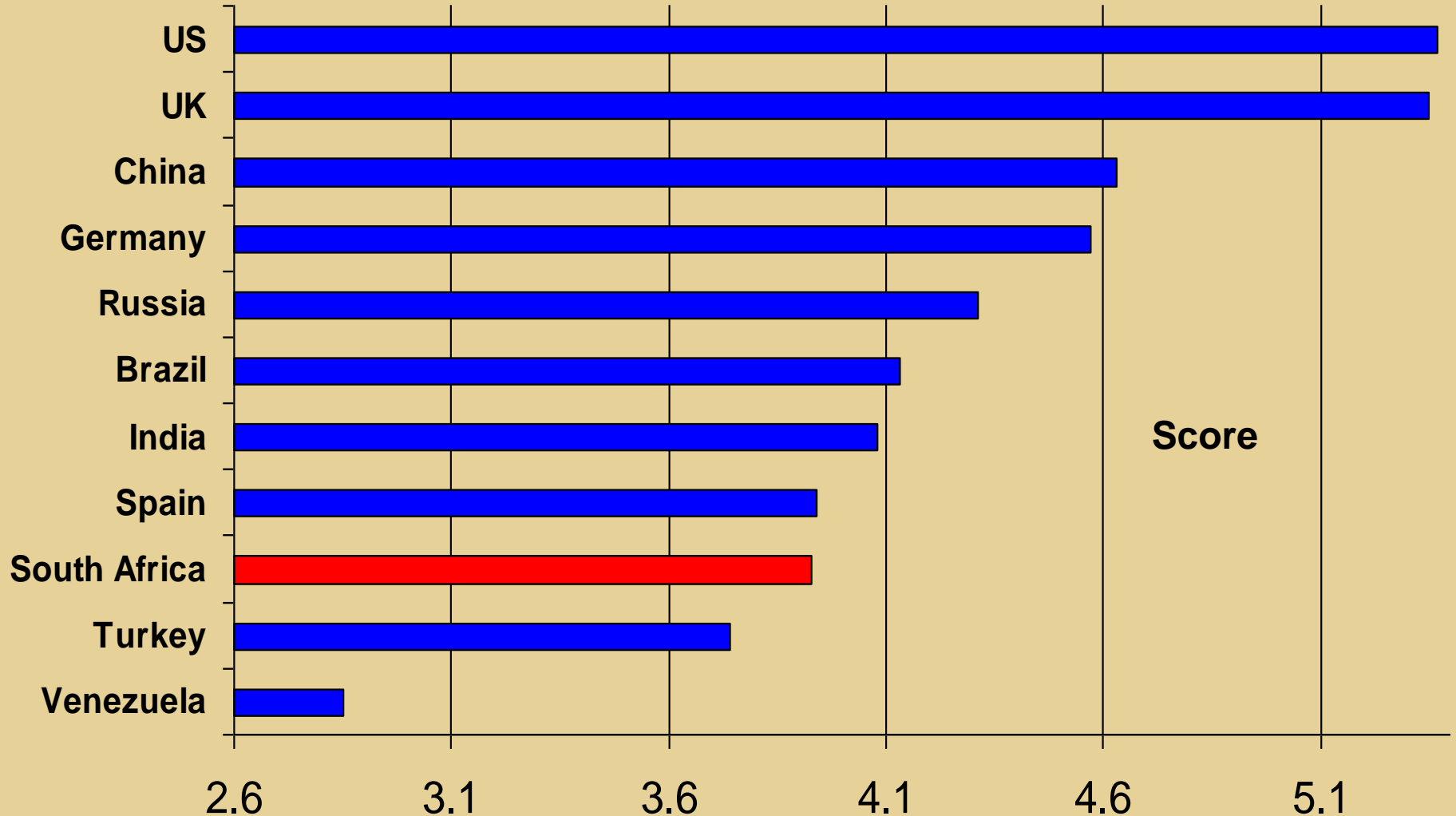


Cosatu – sabotaging the economy

- Use of inflammatory rhetoric by its leadership
- Adversarial approach towards wage negotiations
- Systematic erosion of South Africa's global competitiveness
- Decimation of employment in agriculture (500,000 jobs lost)
- Labour costs outstripping labour productivity
- Encouragement amongst members for lawlessness
- Boycotts of macroeconomic policies
- Incitement for the use of violence
- Malicious damage to property during strikes
- Regular incidents of arson, assault and murder during strikes

Global competitiveness scores for labour markets

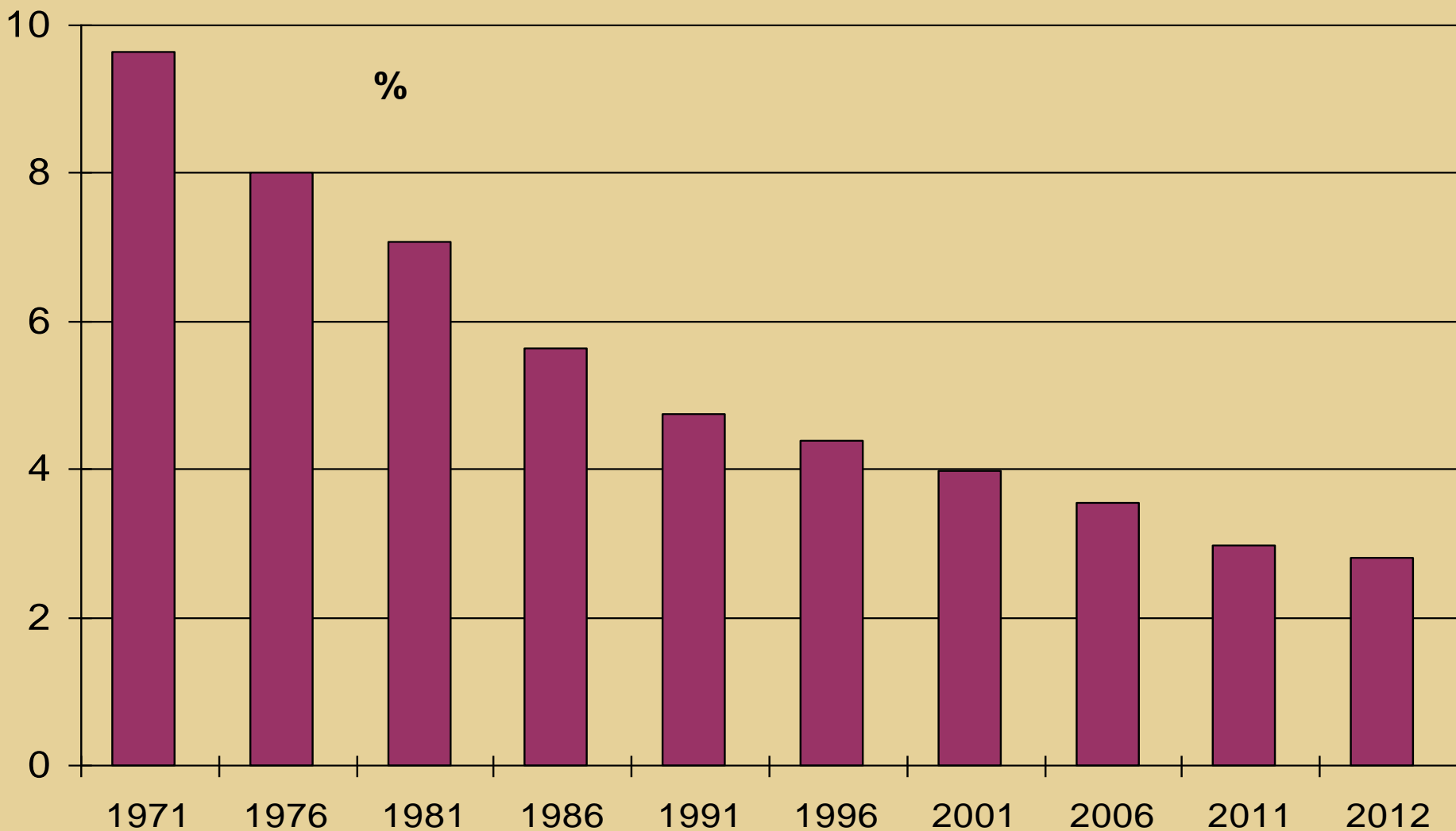
(Source: WEF)



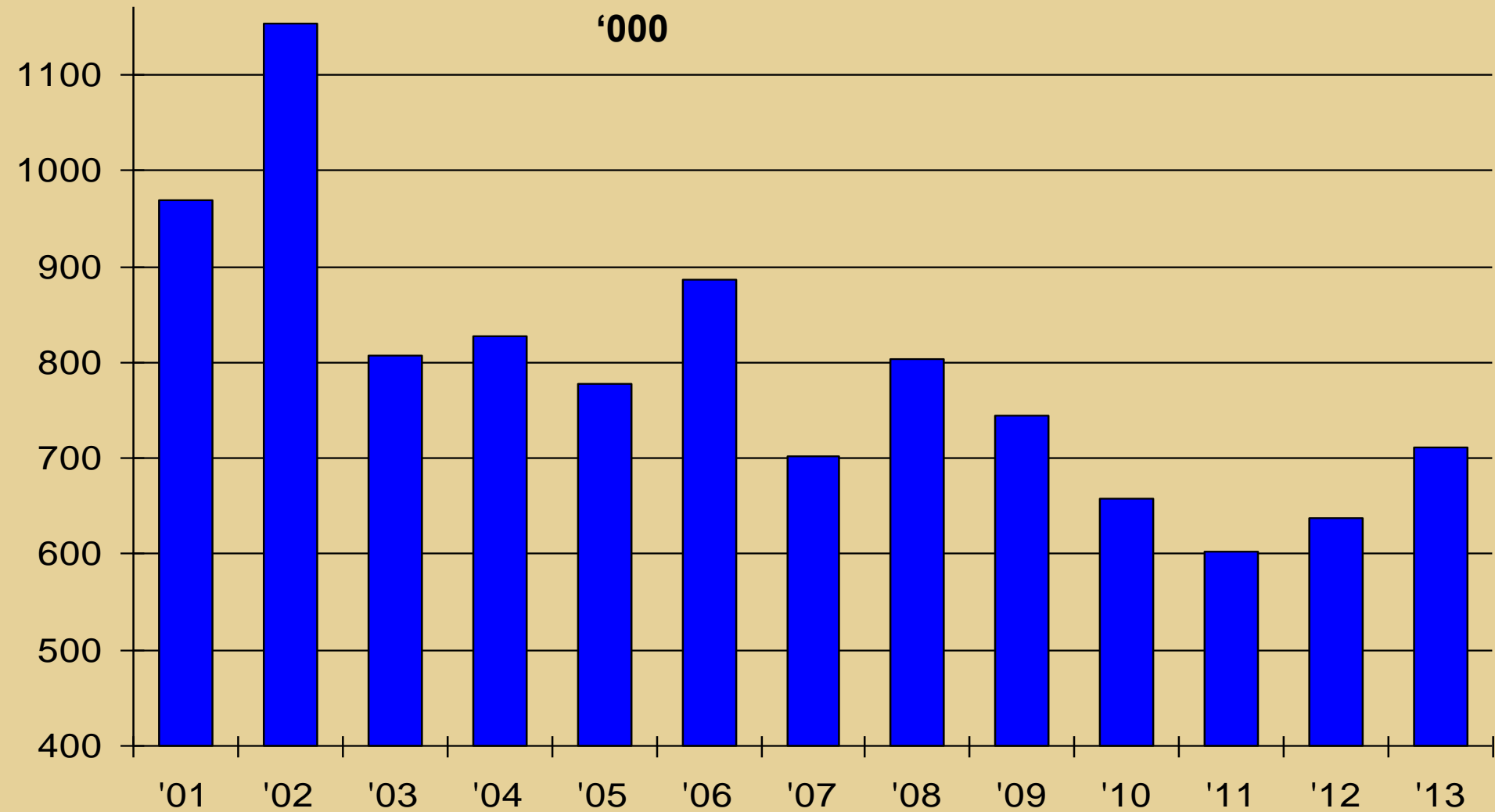
South Africa's lowest ranked global competitiveness indicators (out of 148 countries)

Cooperation in labour-employer relations	148
Hiring & firing practices	147
HIV prevalence	144
Quality of the educational system	146
Flexibility of wage determination	144
Pay & productivity	142
Business costs of crime & violence	141
Life expectancy	136
Business impact of tuberculosis	142
Burden of government regulation	116

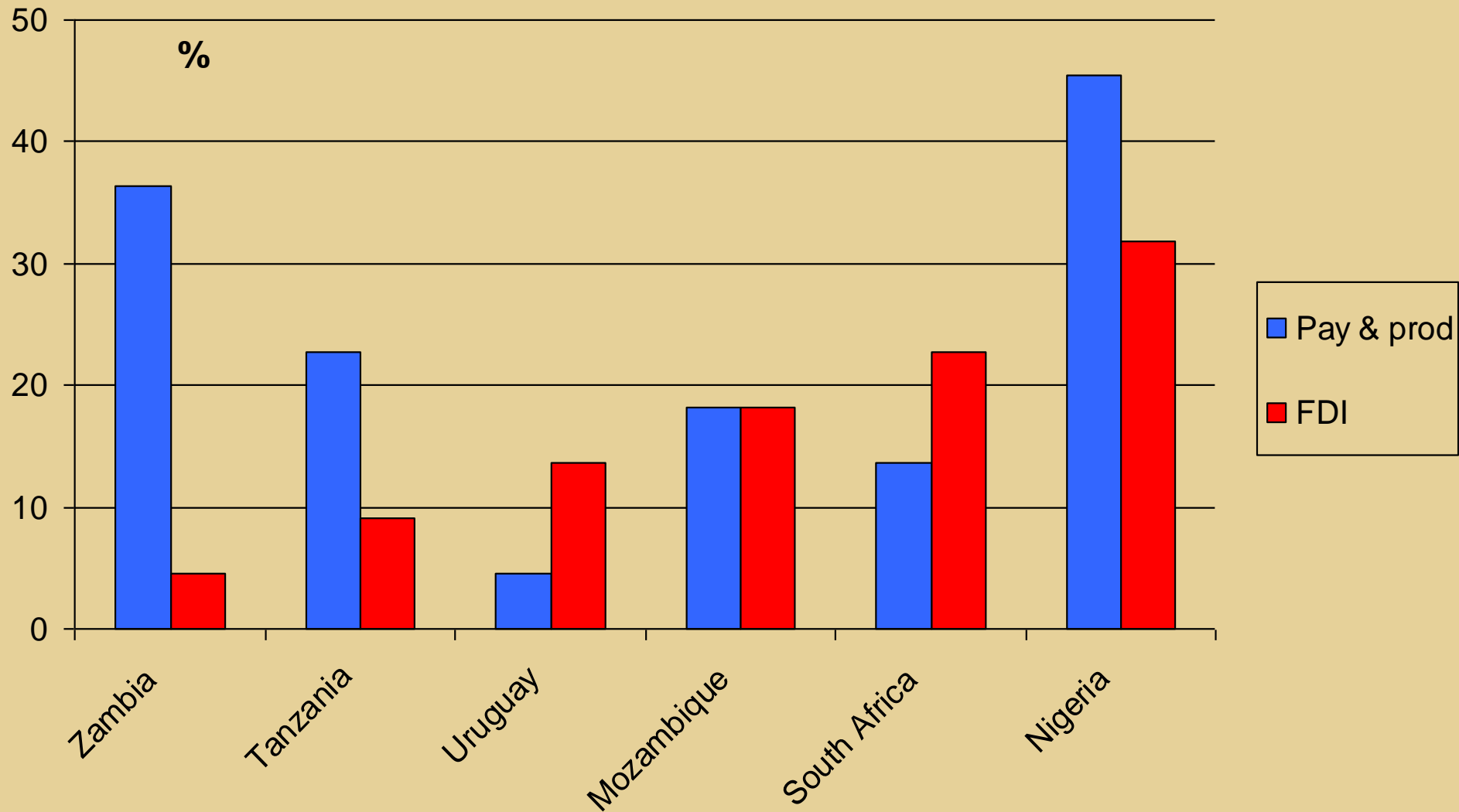
Structural decline in the share of agriculture in total fixed capital stock



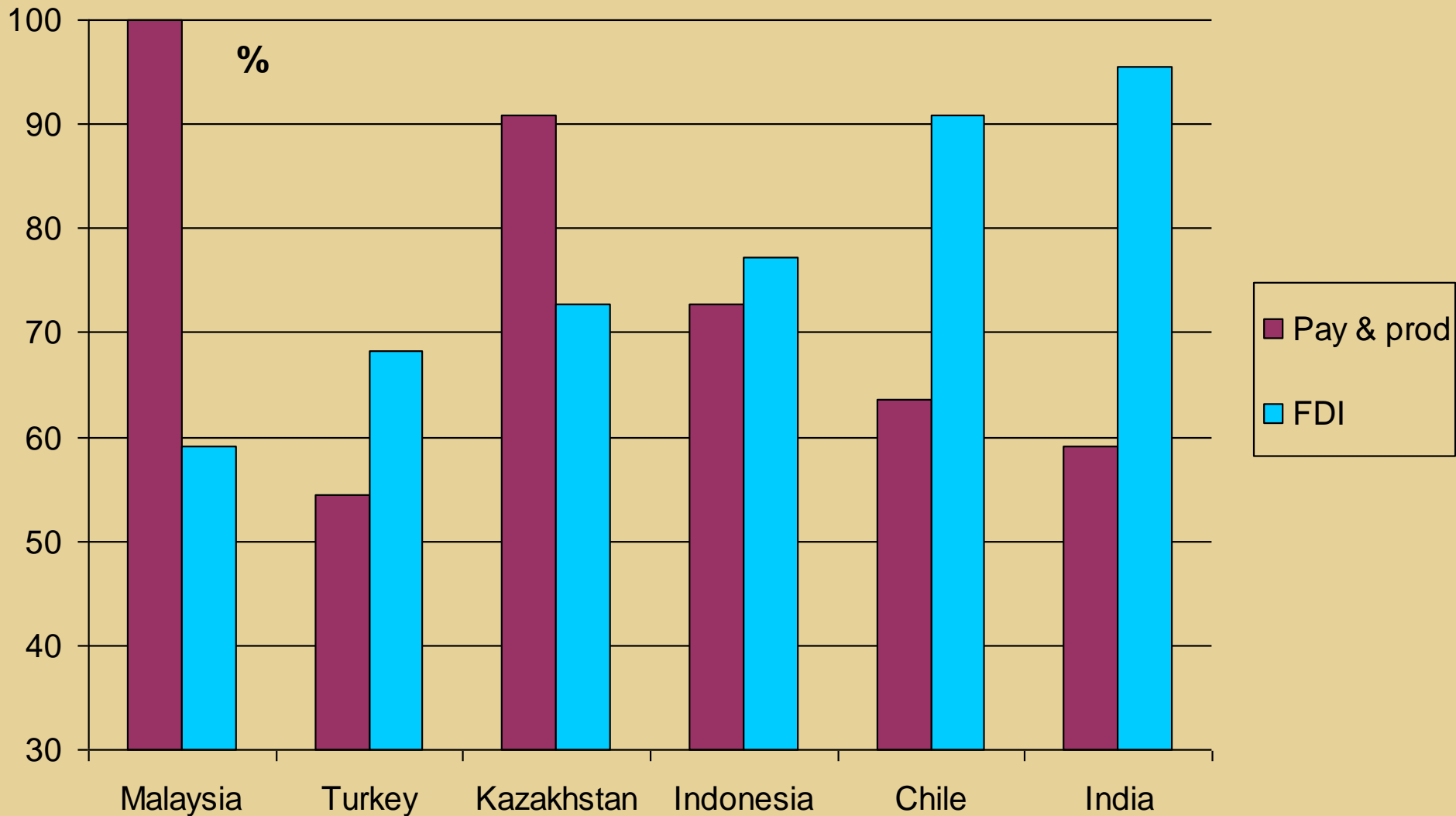
Employment in agriculture in South Africa (forecast for 2013)



Correlation between competitiveness scores for pay & productivity & FDI inflows – low end (% scores)

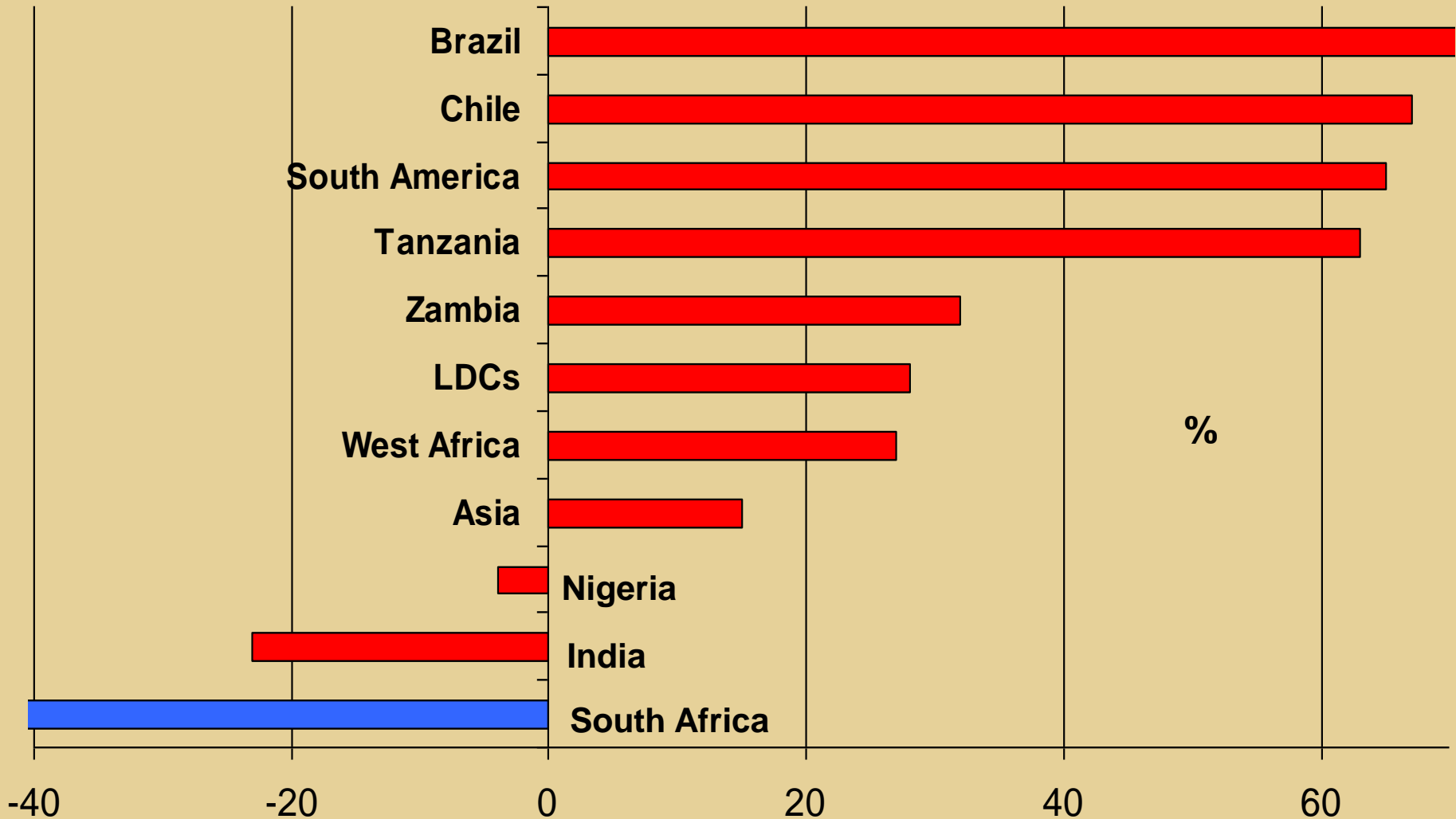


Correlation between competitiveness scores for pay & productivity & FDI inflows – high end (% scores)



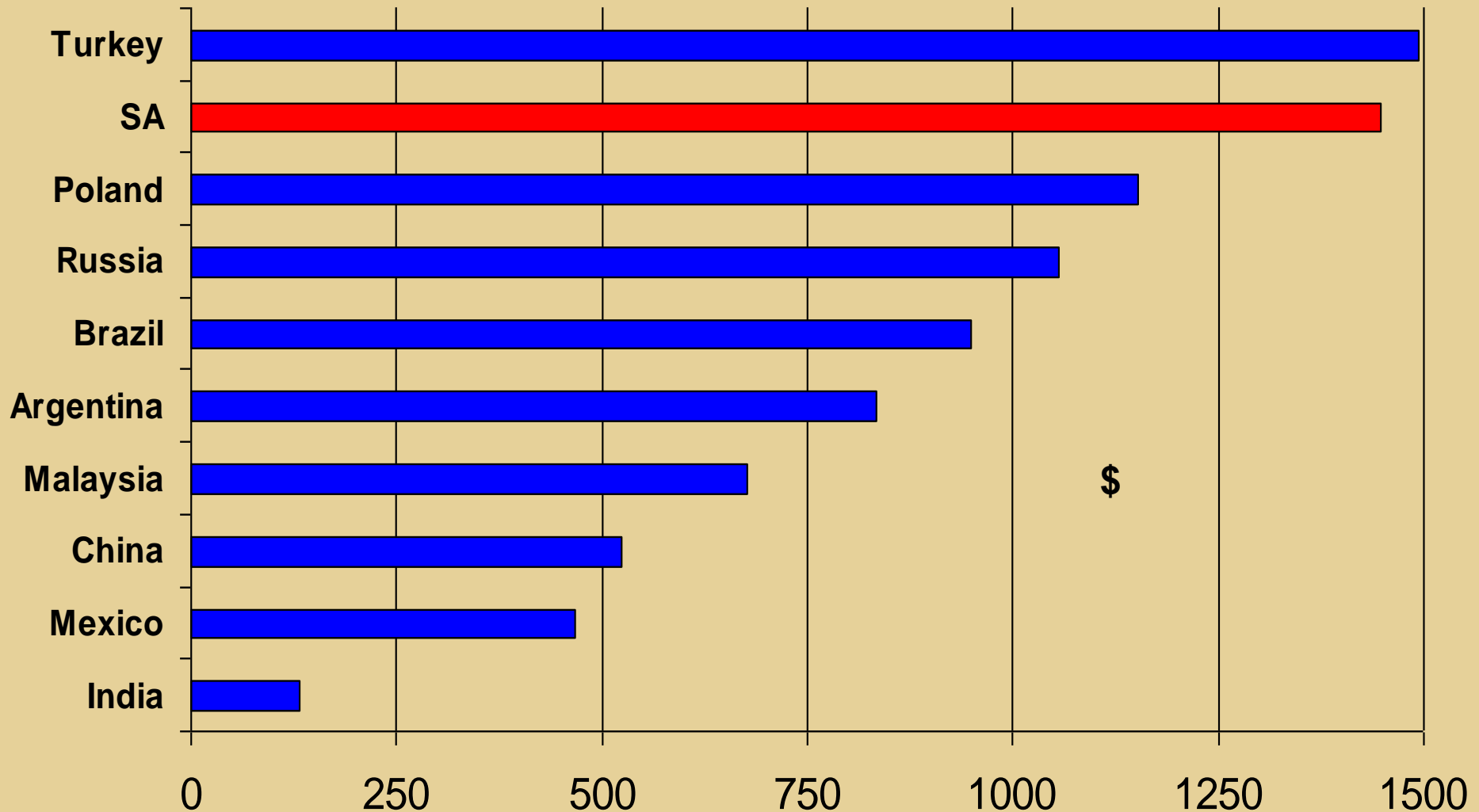
% Change in average 3-year FDI inflows pre- and post-recession

(Source: UNCTAD)



Average monthly wage in 2011 – selected emerging markets (US\$)

(Source: PwC)





**Policy recommendations to
support growth**

Recommended elements of industrial policy in support of the NDP's growth objectives

- Adequate expenditure on R&D (especially on competitiveness of sector-specific supply chains)
- Maintaining strategic industries (E.g. motor vehicle assembly)
- Import substitution (public sector procurement)
- Countering the European CAP
- Regional export promotion
- Macroeconomic impact assessments
- Revitalisation of IDC
- Public/private partnerships (infrastructure, skills development & regulatory environment)

NDP & growth-oriented fiscal policy recommendations

- Strengthening of existing corporate governance institutions
- Expansion of measures to avoid corruption
- New directorate aimed at restoring functionality of local authorities (project management task teams)
- Introduction of basic income grant (Brazil case study)
- Fast-tracking of infrastructure expenditure
- Shift towards indirect taxation
- Assistance to other government agencies with implementation of public/private partnerships
- Implementation of youth wage subsidy

A pragmatic general economic policy agenda in support of the NDP's growth objectives

- Combating of corruption & vigilance with tender procedures
- Management training for public service
- Incentives for entrepreneurship & SMMEs
- De-unionisation of strategic sectors (education, health, law & order, agriculture, water, electricity & sanitation)
- Restructuring of SETAs
- Review of burden of government regulations
- Multi-tiered system of labour regulations (rural/urban; skills differentiation; forex earnings; company size)
- Fast-tracking of infrastructure spending
- Public/private partnerships (govt/business/labour “Codesa”)

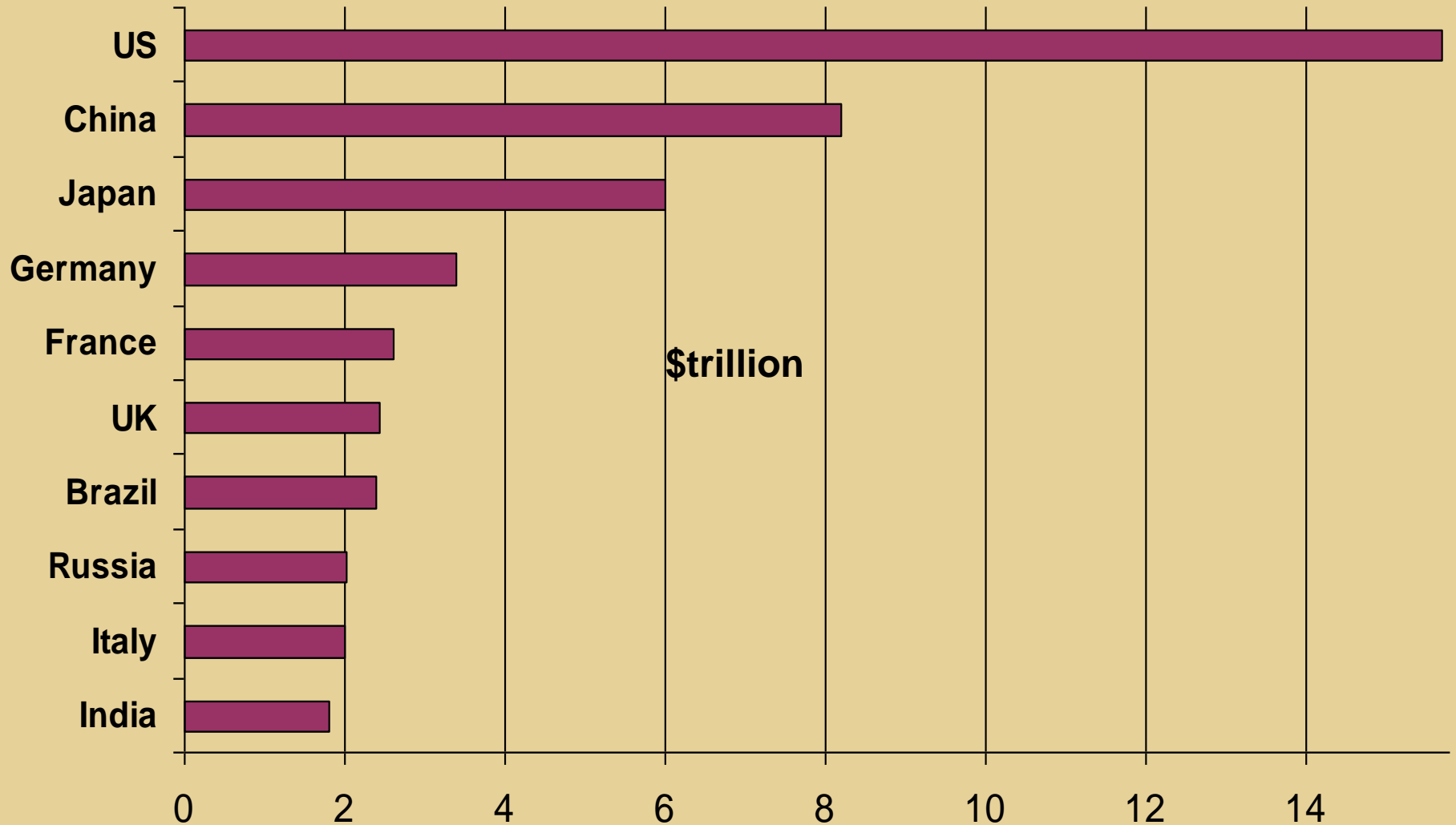
Rewards of strengthening the tenets underpinning free enterprise and democracy *(selection)*

- Fiscal stability & expanding tax base
- Improvement of global competitiveness
- Relatively low inflation
- Enhanced food security
- Balance of payments stability
- Increased levels of FDI inflows
- Sustained economic growth & employment creation
- Higher national skills base
- Increased longevity
- Relatively high level of socio-political stability

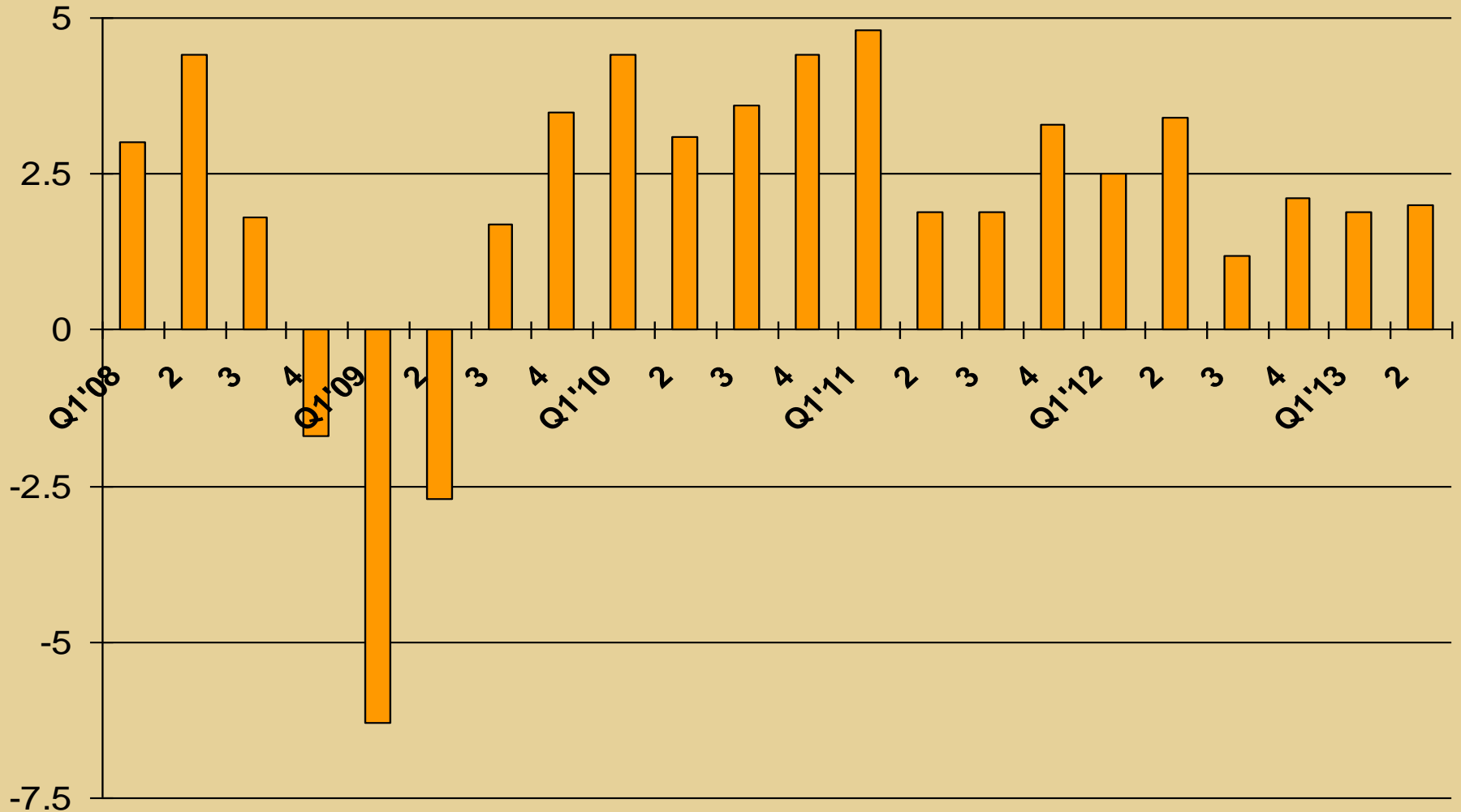
Concluding notes - consolidation of economic recovery



Top-ten economies in the world (BRICS = \$14.4 trillion;
20% of world total) *Source: IMF*

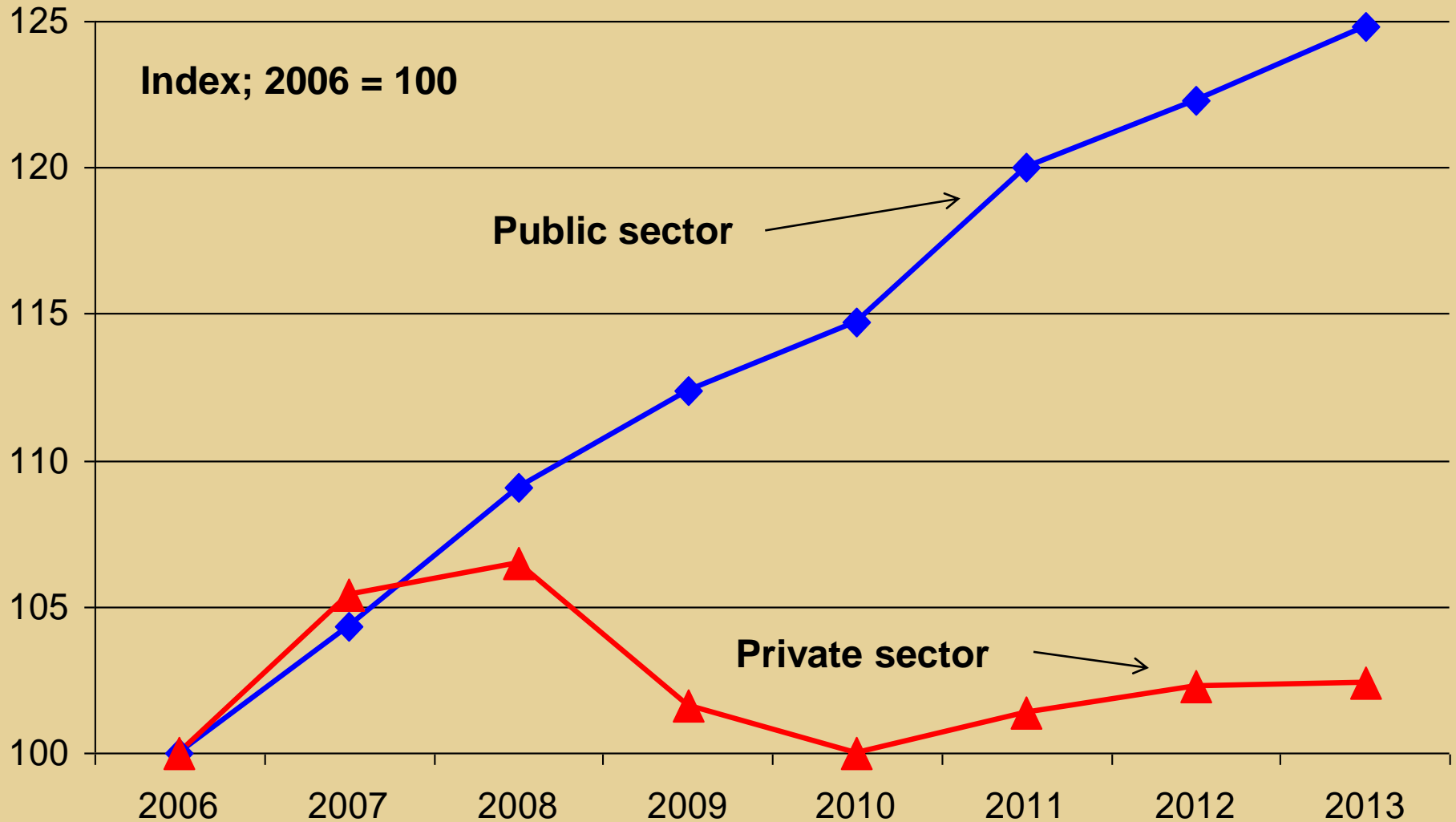


Economy has now grown in real terms for
16 successive quarters (y-on-y, annualised %)

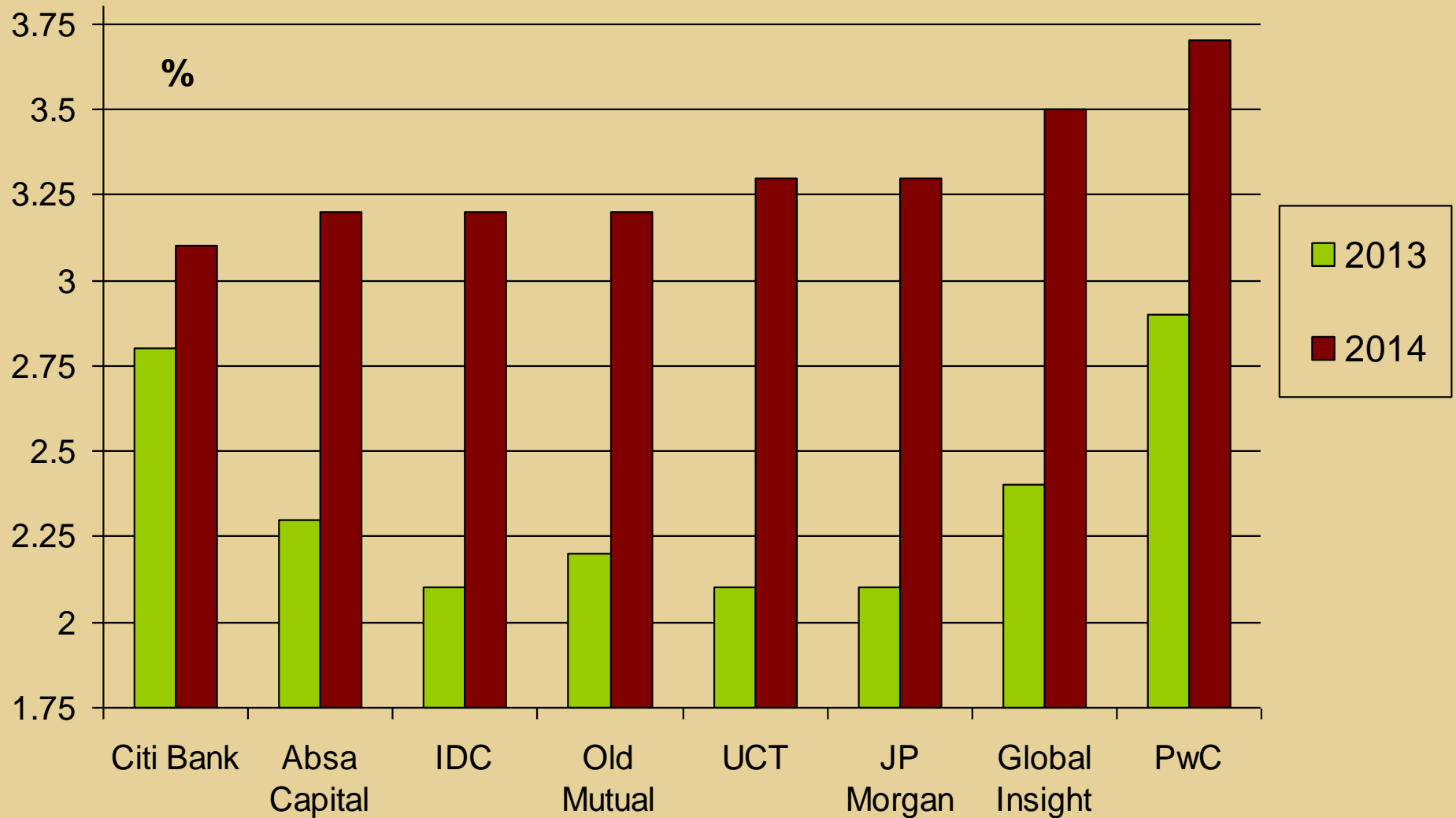


Formal sector employment trends – private & public sectors

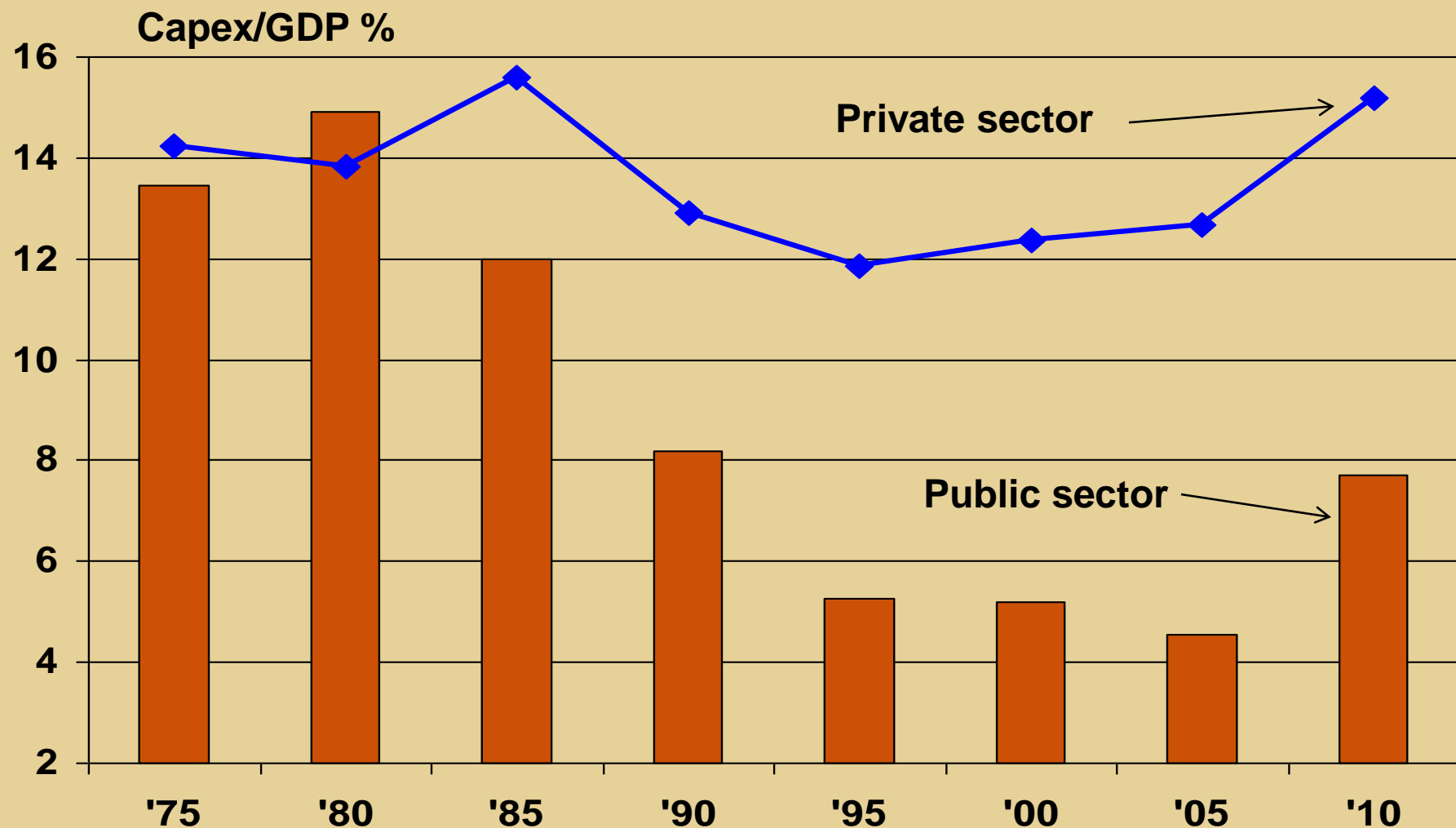
(Sources: SARB, own calculations)



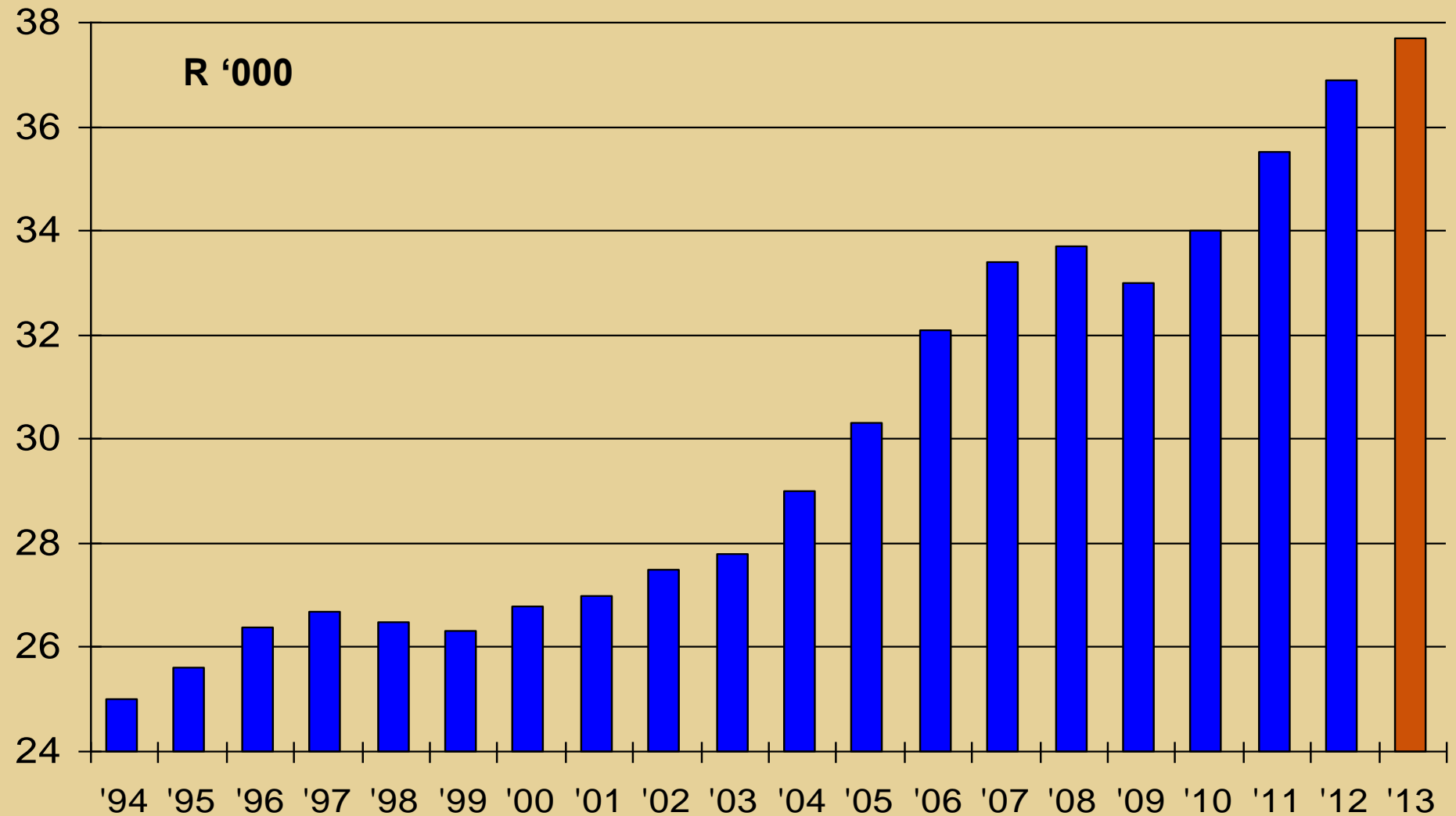
Significantly higher growth forecast for 2014 (selected research institutions/firms)



Capital expenditure by public sector returns to growth mode (after an absence of 3 decades)



New record high for real disposable income per capita of households (at constant 2012 prices)



Researched & prepared by Dr Roelof Botha

Sources of basic data include the SA Reserve Bank, Stats SA, The Economist Intelligence Unit, the IMF & the World Bank Group

Biographical notes:

- ✓ Dr Roelof Botha received his early schooling in Sweden, Germany, the Netherlands and three different provinces in South Africa
- ✓ A diversified career has been followed in management accounting; financial journalism; lecturing; consulting; and economic research
- ✓ He is a regular commentator & columnist in the national media and has authored more than 500 articles, books and research publications
- ✓ His Honours and Masters degrees were both obtained *cum laude* at the University of Pretoria, whilst the Doctorate was completed at the University of Johannesburg
- ✓ In 2005, he received the prestigious *Finmedia Economist of the Year* award, based on the accuracy of forecasts of key economic indicators
- ✓ Current activities include being a Senior Adjunct Faculty member of the Gordon Institute of Business Science (GIBS)
- ✓ Economic advisor to PricewaterhouseCoopers for the past 23 years

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