national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

THE INTERNATIONAL MONETARY FUND STAFF CONCLUDES VISIT TO SOUTH AFRICA FOR 2015

Government notes the finding of the International Monetary Fund's Staff Visit to South Africa, published today after its visit from 1-9 June 2015.

IMF FINDINGS:

In their findings, the IMF stated that growth and job creation in South Africa remain lacklustre, however external vulnerability has declined somewhat. The Fund cited delays in easing electricity shortages, regulatory uncertainties, renewed labour tensions, volatility in global financial markets and slower global growth as downside risks to its growth forecast for South Africa.

The IMF's forecast for growth in South Africa is 2 per cent in 2015-16, rebounding to 2.8 per cent over the medium term, predicated on increased energy availability. The IMF is also predicting that debt should stabilize at about 50 per cent of GDP by 2019/20, which is lower than the 56 per cent of GDP projected in the 2014 Article IV.

The improvement in the terms of trade has temporarily lowered inflation and somewhat reduced external vulnerability, the Fund said. It projected that the current account deficit would narrow to 4.8 per cent of GDP in 2015 from 5.4 per cent in 2014 due to lower oil prices and the fact that the South African balance of payments has shown resilience to the appreciation of the U.S. dollar.

GOVERNMENT'S REACTION

The IMF's growth projections are consistent with our estimates of 2 per cent in 2015 and 3 per cent by 2017. Government has acknowledged that there are domestic factors that are constraints to growth and is working at addressing these in its programmes. Many of the risks that have been identified by the IMF are addressed in the National Development Plan which reflects efforts to address growth and redistribution, expanding output and incomes and build a more inclusive and equal society.

Measures are underway to address the electricity constraints, by investing in critical infrastructure, stepping up maintenance to ensure reliability of supply, renewing existing co-generation agreements and entering into new ones with private firms, and expediting the completion of new power stations.

We are also taking actions to improve labour relations in South Africa, through regular engagements between social partners to discuss inequality and labour market challenges.

Achieving faster sustainable growth and large-scale job creation will require structural shifts in the economy, stronger supply-side value chains, higher exports, moderation in wage increases and growing private-sector investment based on confidence in the long-term business environment. Many of these structural reforms will take time to implement, however initiatives are already underway and the government is committed to the long-term development of our economy.

The South African government acknowledges the ongoing work done by the IMF to support global growth and ensure stability of the international monetary and financial system. We welcome the opportunity to work with multilateral institutions such as the IMF.

BACKGROUND TO THE IMF STAFF VISIT

The International Monetary Fund (IMF) visited South Africa from 1-9 June 2015. The IMF holds bilateral discussions with every member country annually as prescribed in Article IV of the IMF's Articles of Agreement, to assess their economic developments and policies. During this time, an IMF Staff Mission visits the member country to meet with key stakeholders and to collect economic and financial information. Cabinet considered and noted the IMF’s findings on 10 June 2015.

Issued on behalf of National Treasury
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