



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

OPENING REMARKS BY THE MINISTER OF FINANCE, MALUSI GIGABA, AT AN ENGAGEMENT WITH INVESTORS IN CAPE TOWN

Thank you very much for joining us this morning.

I will make some brief introductory remarks, but really the focus of this morning is the Q&A, so that we can have a robust discussion on our national finances. As we are new in this portfolio, we have been seeking to meet and engage with as many stakeholders as possible.

Certainly yourselves – asset managers, bondholders and investors – are critical stakeholders for us, and so it was important for us to schedule this meeting.

When we became aware that we are to attend the IMF Spring Meetings next week in Washington DC, and that we would use the opportunity to meet with foreign investors, we thought it doubly important to meet with local asset managers and investors first.

As critically important as foreign investment is, our local investment pool is equally important, and is a real strength for South Africa as a developing country.

I want to communicate to you about our priorities as Minister and Deputy Minister of Finance representing government, particularly in the wake of the recent credit rating downgrades. You've seen them and will be well aware of the issues they have raised as concerns, so I will not repeat them here, but rather focus on the work we are doing. We fully appreciate the gravity of the downgrades.

They are a setback, and we will be working hard in the coming weeks and months to avoid further downgrades and in the medium term, to restore our investment-grade rating.

We are fully aware of the negative impact ratings downgrades can have on government's ability to borrow affordably, and on the private sector's ability to attract foreign investment.

We are also cognisant of the impact on society and the everyday livelihoods of South Africans.

We are here today as realists, clear-eyed about the challenges, but at the same time we are optimists, positive and upbeat about South Africa's competitive advantages – current and potential – and our economic prospects.

Before the downgrades, greenshoots were becoming increasingly evident. Business confidence improved in the 1st quarter of 2017; the inflation outlook had begun to improve; the current account deficit had narrowed sharply; and March was the third consecutive

month in which the manufacturing Purchasing Manager's Index (PMI) expanded. These are positives we must not lose sight of.

Turning to a brief outline of our priorities as political principals, the key message we want to communicate is continuity. We want management continuity at National Treasury. It is a strong, professional and stable institution, and we want to keep it that way. We are happy with the skilled and experienced team we found here, and trust they will remain, as patriotic civil servants who are appointed permanently or on long term contracts, and do not come and go when political principals change.

The DG had given Minister Gordhan notice of his intention to resign shortly before I was appointed, and while we prefer that he stay on, we respect his desire to call time after a period of distinguished service at the helm of Treasury. In the interest of stability we seek to confirm his replacement as quickly as possible.

Without prejudicing the prescribed process which must unfold, Treasury has a proud tradition of capable leaders emerging from within, so I'm sure several of the talented and experienced managers here will apply and be considered.

For myself as a member of the national executive for 13 years, and the deputy minister coming most recently from Parliament's standing committee of finance, we have been part of the government which developed and adopted the NDP and the 2017 budget framework, and we are committed to implementing these.

Our top priority is to achieve inclusive growth. This is at the core of the NDP as our long term vision for the country's development, and the 9 point plan which outlines our immediate priorities to realize that vision. We need faster growth to address poverty, unemployment and inequality.

All of our national challenges will be easier to deal with if our economy is growing, even as we remain aware that growth is not automatically inclusive. Nonetheless, we would rather debate how best to share a growing pie than a shrinking one.

To catalyse inclusive growth, we will continue and intensify government's efforts to:

- fast-track implementation of micro reforms in sectors with potential to boost short-term growth including tourism, agriculture and the oceans economy;
- provide policy certainty, encouraging government departments to speedily conclude long-term policies on energy, mineral and petroleum resources, land reform and broadband;
- improve the ease of doing business in South Africa;
- work in close collaboration with business and social partners on practical initiatives;
- and improve the governance and financial sustainability of state owned companies (SOCs).

Details of these practical initiatives are available in the 'Acting Together: South Africa at Work' booklet which the Department can make available.

I just want to say a quick word on state owned companies. We are acutely aware that SOCs need to be managed well in order to be engines or enablers of inclusive growth, rather than a drag on it. Under the leadership of the Deputy President – who chairs the IMC on SOC reforms – processes are underway to provide direction on various issues such as private sector participation, board and executive appointment and remuneration, the shareholder model and institutional arrangements. So I just want to assure you that one of our top priorities will be to work closely with the Presidency and the economic cluster to stabilize our key SOCs.

We are committed to protecting fiscal sustainability. Fiscal sustainability is a prerequisite for inclusive development of our country.

Therefore we are committed to the fiscal consolidation plans as articulated in the 2017 budget.

We aim to stabilize government's net debt over the next three years at 50% of GDP.

To accomplish this, we are tightly controlling expenditure, with budget deficits narrowing from 3.4% of GDP last year, to 3.1% in 2017/18, and narrowing to 2.6% in 2019/20.

Any spending pressures will need to be accommodated within the current baseline, without breaching the expenditure ceiling.

The issue of nuclear energy procurement has come up in almost all of our media briefings.

To reiterate a commitment already made by government, any procurement of nuclear energy will follow due process as required by the Constitution and the PFMA, and will proceed only at a pace and scale that the country can afford.

In conclusion, I want to assure you that we are laser focused on inclusive growth, so that we can develop South Africa into a country in which all of its people thrive.

Even as we recognise the robust political debates taking place, we are determined to unite South Africans around the programme of inclusive growth.

It is in the interest of all stakeholders – government, business, investors, labour and civil society – to help unlock our nation's enormous potential and create a better life for all.

I look forward to hearing your views and questions, as we seek to ensure South Africa remains an attractive destination for investment.

I thank you.

Issued on behalf of Ministry of Finance

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