



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

THE INTERNATIONAL MONETARY FUND (IMF) CONCLUDES ITS STAFF VISIT TO SOUTH AFRICA

The IMF visited South Africa from 27-31 May 2019 to discuss economic developments in the country. The IMF staff met with government, the South African Reserve Bank, state-owned enterprises (SOEs), business, and academia. Officials from the IMF travel to South Africa twice a year as part of their surveillance function. This visit by the staff does not result in a Board discussion or publishing of a report on South Africa's economy.

Main findings of the IMF as contained in its press statement:

- South Africa's growth outlook is dependent on the pace of implementation of structural reforms such as strengthening governance, encouraging competition, increasing labour market flexibility and reducing the cost of doing business.
- South Africa's fiscal deficit is set to worsen primarily due to South Africa's growth outlook, which will put additional pressure on debt levels. A major risk to South Africa's growth is the weak finances and operations of state owned enterprises, especially Eskom.
- Inflation has remained at or below the midpoint of the official target range and financial stability has been maintained.

Actions that the government is taking:

The National Treasury notes the content of the IMF staff press release following the visit as well as the key risks identified and proposed policy recommendations. The South African government is cognisant of these and work is underway to address them.

Since South Africa's last IMF Article IV Consultation (28 May – 11 June 2018), steady progress has been made with regards to structural reforms).

1. The Mining Charter has been published, which assisted in providing regulatory certainty, and the government withdrew the Mineral and Petroleum Resources Development Amendment Bill. This was positively received by both domestic and international investors and subsequently, South Africa gained twenty-seven places under the Policy Perception Index and also made gains under the overall Investment Attractiveness Index in the Frasier Institute's most recent Mining Investment Survey (2018). On the Investment Attractiveness Index, South Africa improved its ranking from 48 in 2017 to 43 out of 83 jurisdictions surveyed in 2018.



2. The Competition Amendment Bill was signed into law by President Ramaphosa in February 2019 to further empower the competition authorities to address the high levels of economic concentration (breaking up monopolies), and open up new opportunities for South Africans to enter and compete on equal footing in various sectors in the economy.
3. Improving governance is also a key focus. South Africa has announced Board changes at SOEs and is also addressing financial management challenges, specifically at Eskom. Various measures are being finalised, including restructuring of the utility to turn it around.

Government re-emphasizes its commitment to reduce the deficit and stabilize debt as highlighted in the 2019 Budget. On the revenue side, measures have been introduced to improve the capabilities of the South African Revenue Service (SARS). A new SARS Commissioner has been appointed and the SARS Large Business Centre has been re-established to make tax compliance easier.

The President's state of the Nation Address on 20 June 2019 will provide further details of government's plans on supporting inclusive economic growth.

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