On what grounds is the National Treasury’s projection based that the country’s gross domestic product will grow by 1.5 percent in the 2019-20 financial year?

REPLY:

Real gross domestic product (GDP) growth is expected to increase from an estimated 0.7 per cent in 2018/19 to 1.5 per cent in 2019/20. Growth is expected to be supported by stronger household spending and private sector investment.

Household spending is projected to strengthen due to gradual improvements in disposable income and credit extended to households. Employment growth is expected to remain weak in the early half of the fiscal year, although real wage growth in the private sector is expected to recover.

Investment growth is expected to remain subdued compared with historical levels, but improving over the medium term. In 2019/20, investment growth is expected to be supported by a rising need to replace worn capital, an expected improvement in certain export commodity prices, and a gradual recovery in business confidence.

The main risks to the economic outlook for 2019/20 concerns Eskom and the potential impact that ineffective implementation of its reconfiguration could have on capital flows; the level of the exchange rate; and investor confidence. Other near-term domestic risks include the potential for disruptive load-shedding, prolonged industrial action and whether a hesitance to investment continues well beyond political events scheduled this year. Government has made progress on restoring policy certainty with many measures being implemented or prepared for implementation. Improved traction on the reform agenda could increase growth, if reforms are well-received by investors and businesses.

Global risks include an escalation of global trade frictions that lead to financial market volatility and undermine international trade and investment. If trade disputes are resolved, the resulting improvement in business and investor sentiment can support global growth. Slower growth in key export markets can further pressure demand for South Africa’s exports while global financial markets remain vulnerable to uncertainties surrounding Brexit and potential banking sector risks in Europe.