
MEDIA STATEMENT

INTERNATIONAL MONETARY FUND PUBLISHES ASSESSMENT OF SOUTH AFRICAN ECONOMY

The International Monetary Fund (IMF) has today published its assessment of the South African economy, including developments relating to the management of government finances as well as the monetary and financial sectors of the economy.

The assessment was done in terms of the consultations which the IMF holds with its member countries annually as prescribed in Article IV of the Fund's Articles of Agreement. During this time, an IMF Staff Mission visits the member country to meet with key stakeholders and to collect economic and financial information.

The outcome of their analysis is summarised in the Article IV Report which was considered and noted by Cabinet yesterday (Wednesday 10 December 2014).

The Article IV report highlights the substantial progress that South Africa has made to improve the living standards of its citizens in the first 20 years of democracy, but notes with concern, the structural factors constraining growth.

The IMF attributes slow growth in South Africa to supply-side constraints, particularly in electricity, protracted strikes and weak external demand. Major domestic risks to South Africa's growth include increased fiscal and current account deficits in the event of lower growth while external risks are still a concern.

The IMF forecast GDP growth of 1.4 per cent for 2014 in South Africa, which is consistent with the National Treasury forecast. The IMF projects growth to rebound to 2.1 per cent in 2015 based on improved labour relations, easing infrastructure constraints and a global recovery.

The South African government is aware of the risks highlighted by the IMF and agrees that structural reforms are necessary to raise growth and lower vulnerabilities. Many of these risks are already addressed in the National Development Plan (NDP) which outlines measures to be taken to boost growth and ensure that the benefits of that growth are equitably shared among all South Africans.

Government's medium-term strategic framework (MTSF) for the period 2014-2019 provides a roadmap to address these challenges. It is the first five-year policy framework designed in sync with the 2030 vision of the National Development Plan.

The approach to macroeconomic policy outlined in the MTSF and the National Development Plan can be summed up as follows:

- Sustaining high levels of public investment and increasing private investment.
- Reducing consumption so that a greater share of investment can be financed from domestic savings.
- Supporting rapid growth in exports, and maintaining a competitive real exchange rate to boost economic output and job creation.

Measures are underway to address the electricity constraints, by investing in critical infrastructure. We are also taking actions to improve labour relations in South Africa, through initiatives such as the Labour Relations Indaba, which the Deputy President hosted on 4 November 2014.

South Africa continues to face challenges to support growth and reduce unemployment; however we are taking steps to address this challenge, guided by the NDP. Structural reforms are painful in the short-run and it will take time to see the impact of the reforms that are currently underway, however government is committed to the long-term development of our economy.

A copy of the full Staff Report can be downloaded from the International Monetary Fund website www.imf.org or the National Treasury website www.treasury.gov.za

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