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Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

THE 2023 INTERNATIONAL MONETARY FUND (IMF) ARTICLE IV CONSULTATION WITH SOUTH AFRICA

The International Monetary Fund (IMF) staff held meetings with South Africa from 2 - 17 March 2023 as part of their routine economic surveillance function, as prescribed in the IMF's Articles of Agreement. The IMF staff discussed economic developments in the country with the Government, the South African Reserve Bank (SARB), state-owned enterprises (SOEs), Parliament, business, labour and academia. The Article IV consultation culminates in the IMF Article IV Report on South Africa, which will be published later this year, following further research and engagement with the National Treasury and the IMF Executive Board.

IMF FINDINGS

The IMF staff highlight that the country's large external asset position, diversified economy, sophisticated financial system, and flexible exchange rate regime are sources of strength, supported by the SARB's pro-active monetary policy that has kept inflation expectations anchored. They note that these features provide a favourable base for growth.

The IMF acknowledges that the government has made important headway on domestic revenue mobilization, removed licensing requirements for embedded power generation, completed the spectrum auction, and has taken steps to improve third-party access to the country's ports and freight network. They also take note of the anti-corruption measures that have been announced in response to the judicial recommendations of the Commission of Inquiry into allegations of State Capture.

Nevertheless, they highlight various downside risks to South Africa's economic outlook, including external risks that could emanate from a deeper and more protracted global slowdown, further weakening of commodity prices and a shift in global investors' sentiment away from emerging markets. Domestically, downside risks are highlighted as delays in addressing the energy crisis and Eskom's and Transnet's operational and financial weaknesses, slower-than-expected progress or reversal in reforms and policies, including fiscal consolidation, and increased political uncertainty.

On the upside, the IMF believes that implementation of structural reforms combined with fiscal consolidation would help boost private investment, employment, and growth. Similarly, stronger-than-expected private sector participation in the energy sector could improve the growth outlook.

GOVERNMENT'S RESPONSE

The National Treasury takes note of the main findings from the IMF staff following their consultations. National Treasury is aware of most of the risks to economic growth and is working on mitigating

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measures to address these, as detailed in the 2023 Budget Review. Treasury awaits the Article IV report and will respond to the more detailed analysis and recommendations when the Report is published.

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