



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

**SPEECH BY MINISTER OF FINANCE
MALUSI GIGABA**

**“TOWARDS A CONSTRUCTIVE, DEVELOPMENTAL ECONOMIC PUBLIC
DISCOURSE IN SOUTH AFRICA”**

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I was asked today to speak to you this morning, in the main, about our economic outlook.

Earlier this week, at a meeting with Treasury staff to discuss the budget process which is set to begin, one of our DDGs reminded me that economists in the market – in other words, many of you here today – know most of what we know.

So that has a number of implications for our discussion.

My speech will focus on what it means, and what we should do about it, rather than to tell you what is going on in the economy.

The economy has just entered recession, after several years of low growth.

Lower than expected growth is likely this year, which will put strain on our fiscal framework.

Going into the October medium-term budget policy statement (MTBPS), we will have some tough decisions to make.

We are far from achieving the 5-6% growth we need to begin dramatically reducing poverty, unemployment and inequality.

This historical moment, therefore, requires that we harness our collective leadership, intellectual capacity and imagination, from all sectors of society.

We need all of us – government, business, labour and civil society – to apply ourselves to growing the economy, while making it more inclusive, and fairer.

The NDP commits us to pursuing growth and economic transformation.



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We need to do both.

In this regard, the nature of our public discourse on economic issues is of critical importance.

In my view, at this moment, all relevant role-players need to unite behind the urgent action steps we must take to re-ignite growth in our economy and avoid much of nomenclature that from time to time characterises our discourse.

The prime example of course, is the bogey-phrase, radical economic transformation.

It has been variously criticized as either undefined, or a smokescreen for a plot to capture the state, or even a sign of an impending shift to populist policies which will spell disaster.

It has been falsely pitted against inclusive growth or even radical socio-economic transformation.

Writing last week about our economic discourse at this moment, Professor Steven Friedman captures this “oddity” as he termed it, quite aptly.

He wrote:

“...why should it be interesting that ANC leaders say the economy needs to change radically? It is hard to think of any interest that could argue with a straight face that the economy does not need major change. It has slipped into recession after a long period of weak or non-existent growth. Much of black business and many black professionals insist they are still excluded from its engine room. Continued poverty and inequality confirm that many are denied its benefits. Given all this, supporting radical economic change should be simply a statement of the obvious.”

Prof Friedman goes on to speculate provocatively as to why key economic actors are passive with regard to contributing ideas for a new economic direction:

“The interests who may have something to say are members of the cosy club of insiders. They all know that the economy could be a whole lot better. But, since they benefit from what exists, trying to make sure that the government does not damage what they have



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seems less risky than opting for change. So they react to the ANC if it threatens current arrangements, but do not propose something better.”

His words, not mine.

I raise this, because it speaks to the crux of the debate.

Unless we have an economic discourse which generally seeks to confront and change the status quo, we will continue to speak past one another, and remain at cross-purposes.

We need a truly developmental public discourse which seeks not only to protect the economy that exists, but accepts as a primary objective the need to reimagine and transform it to work for all South Africans.

There are four elements to this transformation:

- The first relates to the need to ensure that the ownership, management and worker profile at all levels reflects the racial composition of the broader society.
- The second relates to the need to transform the sectoral composition of the economy to reflect a post-apartheid industrial economy built on a large, stable and skilled middle class, rather than a capital intensive economy based on a “minerals energy complex”.
- The third is to end the apartheid-colonial dual economy by developing productive economic activity in the townships and rural areas, addressing incomes, assets and creating an enabling environment in which the second economy could become integrated into the mainstream and develops links with the regional and global economy.
- And the fourth relates to taking a long-term view, with clear action plans and milestones, pursued with a singular determination.

I am sure we can all agree that these four elements are far more radical than the incremental changes we have pursued thus far.



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If we must rebound from the low growth trajectory into which we are currently mired, and if we must grow our economy at 6% on a sustainable basis, we must take extraordinarily bold decisions that change the structure of production and the sectoral composition of the economy, at the same time as we transform the patterns of ownership over the long haul.

Incrementalism and short-termism are the enemy of such radicalism.

Many of you here today participate in and influence our public discourse on economic issues.

You have invaluable knowledge, experience and perspectives.

We need more proposals on solutions.

We are interested in your perspectives and ideas on how the best to grow and transform the economy.

We are committed to listening to a variety of views.

I can guarantee you that whatever terminology is used, and whoever occupies the levers of political power, the marginalised majority of this country will continue to demand an economy that works for them also.

The sooner we apply our collective ingenuity to facilitating this, the better off all of us will be.

This is the message of the ANC National Policy Conference, that there is an urgent need to pursue inclusive growth through radical methods as enunciated above.

The Conference reaffirmed the 15 Pillars adopted at the 52nd National Conference in Polokwane that included among others creating decent work, accelerating shared economic growth, transforming the structures of production and ownership, pursuing macroeconomic policies that support growth, job creation and poverty eradication on a sustainable basis and building the capacity of the democratic developmental state.



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Furthermore, the Conference further reaffirmed the 6 elements adopted at the National Conference in Mangaung, which included support for the National Development Plan and affirming the jobs drivers of the New Growth Path and IPAP, the infrastructure development plan and localisation.

The Conference endorsed the need for radical socio-economic transformation as I have broadly described it earlier.

The Conference identified the ANC's immediate tasks in the economy which involved reigniting growth, creating employment, pursuing transformation and combating corruption.

In terms of reigniting growth, the ANC recognizes the urgent need to inspire popular confidence and the private sector to recommit to investment for growth, stabilise the governance and finances of state owned companies, ensuring a measured and balanced path of macroeconomic management, working to avoid further downgrades to South Africa's credit rating and regain an investment grade and acting to root out uncompetitive structures and conduct.

I am aware that there are still ongoing debates around land redistribution and others policies, including the famous one "white monopoly capital", which over the next half of the year leading to the December national conference will remain viewed as creating uncertainty, but these shall be resolved and finality brought to them.

It is important that even these debates take place in a cool and cordial manner, undertaken with cool heads, bearing in mind the impact they have on investor perception and hence on the economy.

Later this morning I will announce government's plan of action to restore economic growth.

During our intense discussions with the business sector and other stakeholders over the past several months, it has been stressed to us that government needs to provide policy certainty, and act with urgency to complete growth-enhancing structural reforms which are in progress.



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These interventions are needed to restore business and consumer confidence, thereby lifting investment, spending and economic activity.

Despite the setback of the recession, there are some positives from which we can draw encouragement.

A recovery in domestic GDP growth is achievable due to a number of favourable factors, including stronger global growth and global commodity prices, improved availability and security of electricity, and more favourable climate conditions.

Additionally, an improved labour relations environment supported by key developments such as the agreement on the national minimum wage as well as agreed-upon dispute resolution mechanisms, will work to lower the incidence and extent of disruptive strike action.

Following its Article IV visit, the IMF has adjusted its 2017 GDP growth forecast upward to 1 per cent (previously 0.8 per cent).

The IMF's growth outlook is premised on a supportive global environment represented by growth in our major trading partners, strong capital inflows into emerging markets and a recovery in commodity prices, as well as the expected recovery in domestic agriculture and mining which is likely to have positive spill over effects in other sectors.

The primary external risks to South Africa's growth outlook include the marked increase in global policy uncertainty as well as the threats posed to global trade by rising rhetoric speaking to more inward-looking trade policies.

Lingering risks include adverse capital flows stoked by rising interest rates in advanced economies, weaker growth in China and increased geopolitical tensions.

In conclusion, in the current economic conditions, our economic growth is too low to address the triple challenges of high inequality, unemployment and poverty.



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Radical economic transformation is not only about redress, or at worst reckless policies, but it is about ensuring that more people participate in the economy and that we change the structure of the economy to withstand current and future challenges.

We must do more to encourage solidarity and collective action as the basis for a more equitable and cohesive economy and society.

We need to encourage business to invest, transform ownership, management and supply chains, and create employment.

Critically, all of us need to see beyond our narrow interests and perspectives, and find ways to collaborate and contribute towards the development of an inclusive, dynamic and prosperous nation.

I thank you.