



MINISTRY OF FINANCE  
REPUBLIC OF SOUTH AFRICA

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# SPEECH BY MINISTER OF FINANCE

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## OPENING REMARKS BY MINISTER OF FINANCE, ENOCH GODONGWANA, ON THE OCCASION OF THE 9<sup>th</sup> SOUTHERN AFRICA/EUROPE CEO DIALOGUE

JOHANNESBURG

10 NOVEMBER 2022

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Programme Director  
Representatives of governments  
Business leaders and captains of industry, here present  
Members of the diplomatic corps  
Ladies and Gentlemen:

### INTRODUCTION

It is my privilege to welcome all of you to the 9<sup>th</sup> Southern Africa/Europe CEO Dialogue. In February this year, leaders from Africa and Europe met in Brussels for the 6<sup>th</sup> European Union – African Union Summit.

A key outcome of that Summit was the adoption of a joint vision for a renewed partnership between Africa and Europe. This, we said, will be a partnership based on solidarity and shared values towards a prosperous, sustainable and shared future. We committed to work together to build more diversified and inclusive economies.

We also agreed on strengthening investment, supporting industrialisation and the development of sustainable and resilient value and supply chains.

Ladies and Gentlemen, it is in this context that this 9<sup>th</sup> Southern Africa/Europe CEO Dialogue is taking place. We are also meeting against a backdrop of two major global crises: the lingering COVID-19 pandemic and the Russia–Ukraine conflict.

This Dialogue, therefore, is not only a platform to advance the vision we articulated in Brussels, but also to respond to the challenges of our time. It is also a platform to strengthen trade and economic relations between Europe and South Africa.



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### ECONOMIC OUTLOOK

Due to a significant slowdown in the world's largest economies including the Euro Area, the IMF projects global growth of 3.2 percent, from a forecast of 4.4 percent in 2022. The 2023 outlook has also been revised downward to 2.7 percent.

Global headline inflation is projected at 8.8 percent in 2022, before slowing to 6.5 percent in 2023 and 4.1 percent in 2024. In the short-term, global monetary policy will continue to tighten as central banks intensify the fight against inflation.

Global trade volumes will slow significantly from 10.1 percent in 2021 to 4.3 percent in 2022, and 2.5 percent in 2023. Disruptions to global trade, supply and value chains have tilted the balance of risks to Africa's economic growth outlook to the downside.

Africa's real GDP growth is now projected at 4.1 percent in 2022; significantly lower than the near 7 percent recorded in 2021. Growth is likely to come in at around 4 percent in 2023. In South Africa, real GDP contracted by 0.7% quarter on quarter in the second quarter of 2022, compared to a downwardly revised expansion of 1.7 percent quarter on quarter in the first quarter.

We expect domestic monetary policy to tighten further in the near term. Persistently high inflation, rising interest rates, slowing global growth, increased volatility and uncertainty all point to a challenging outlook in the near to medium term for South Africa's economy. Domestic GDP growth for 2022 has been revised downward to 1.9 percent from a projected 2.1 percent, and to 1.4 percent in 2023 from 1.6 percent.

### OUR RESPONSE TO THE CHALLENGING ECONOMIC ENVIRONMENT

In response to the challenges of the moment, our focus has been on the implementation of structural reforms to improve competitiveness, industrial policy to boost manufacturing and measures to strengthen the capacity of the state. We are doing this within a clear and stable macroeconomic framework, including a stable and flexible exchange rate, low and stable inflation, and sustainable fiscal policy.

On structural reforms, we are creating a competitive energy market, dealing with inefficiencies in our ports and rail network, addressing our visa regime to attract skills and investments and are reforming our water and telecommunications sectors. Work continues to build a capable and developmental state which is a necessary precondition for inclusive growth.



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We are also intervening to reverse the decline in fixed investment, including through ensuring policy certainty and addressing the cost and ease of doing business. The capacity of our state-owned enterprises to invest in the economy, to unlock growth and job creation is being enhanced.

Infrastructure budgets across government are being increased while capacity for project planning, preparation and execution is being enhanced. Spending on capital assets is the fastest growing expenditure item on our budget. Action is being taken to modernise procurement and improve contract management.

Our investment in fighting crime and corruption is being strengthened as part of removing impediments to investment and growth. The African continent is devastated the most by the worsening effects of climate change, which poses an existential threat to humanity. We are committed to the goal of a just transition.

Our approach envisions accelerating investment in new generation capacity, while preserving the livelihoods of communities adversely affected by the transition from coal and other fossil fuels.

We reiterate President Ramaphosa's call at COP 27 that Africa needs to build adaptive capacity, foster resilience and address the loss and damage due to climate change. For this to happen, our continent needs a predictable, appropriate and at-scale funding stream and technological support.

This places a responsibility on developed nations to honour their commitments to those countries with the greatest need and that confront the greatest environmental, social and economic effects of climate change.

### CONCLUSION

Programme Director, in the words of Andrew Steer, the CEO of the Bezos Earth Fund, this is a sobering moment not only for Africa, but also for the world. It is a time of a slowing growth globally, geopolitical tensions, and the lingering impact of COVID-19. It is also a time of the perfect storm of rising food prices, rising energy prices, rising interest rates, as well as increases in the impact of climate change and vulnerability.

All of this is happening when the fiscal space has narrowed considerably in many countries and access to global capital even more constrained.



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Faced with this stark reality, the need for ongoing dialogue among key decision makers has never been greater.

We need a deeper conversation on accelerating sustainable and inclusive growth on our continents.

We need to find ways of strengthening trade among ourselves in this new environment.

Together we must navigate through the global crises and disruptions shaping our national and regional economies.

We must strive for prosperity and sustainability for our people and continents.

I have no doubt that this will be the platform where all of these issues will be thoroughly deliberated upon.

I wish you a successful Summit.

Thank you!