

**NATIONAL ASSEMBLY
QUESTION FOR ORAL REPLY
QUESTION NUMBER: 25 [NO235E]
DATE OF PUBLICATION: 25 FEBRUARY 2014**

★25. **Ms Z S Dubazana (ANC) to ask the Minister of Finance:**

What performance and economic programme has contributed towards strengthening and developing the South African economy to withstand the impact of global economic instability?

NO235E

REPLY:

Policy measures to shield South Africa from global economic instability have to a large extent already become embedded in the fabric of economic policy making. Stable and transparent macroeconomic policies and robust institutions have made the South African economy more resilient to shocks and have promoted economic stability.

*Firstly, **Inflation targeting*** has ensured that inflation remains low and stable, which benefits household's in terms of purchasing power. Inflation, which averaged 14 per cent in the decade prior to 1994, fell to an average of 5.5 per cent between 2003 and 2013. *Secondly, **prudent fiscal policy*** has helped steer the economy through one of the largest financial crises in over a century and has created employment opportunities while creating space for increased spending on important social priorities and investment. *Thirdly, a **flexible exchange rate*** reduces external shocks, supports exports growth and reduces the current account deficit. The rand is an important shock-absorber for the economy, and is backed up by a **credible monetary policy framework** that limits the pass through from a weaker rand to inflation in order to preserve the real value of the currency.

Macroeconomic stability prepares the ground for growth, but growth is not guaranteed without the necessary microeconomic reforms that determine whether savings and investment decisions are optimal. The economy relies on micro-economic reforms to reignite growth and create jobs.

We remain confident that our monetary and fiscal frameworks provide the disciplined macroeconomic management that limits the fallout from the global instability. The next leg of our development will require a bolder and more determined focus on microeconomic reforms that foster improvements in efficiency, innovation and productivity.