

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
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4. Mr N Singh (IFP) to ask the Minister of Finance:

Whether, with regard to the current international economic climate and recent 0,6% contraction in the quarterly gross domestic product, the country is heading for another recession; if not, what steps does he intend to take to ensure that South Africa remains ahead of a recessionary curve; if so, what steps does he intend to take in order to mitigate the effects of such recession?

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REPLY:

The contraction in the domestic economy in the first quarter of 2014 was driven by the mining and manufacturing sectors. The rest of the economy recorded growth of 1.4 per cent. At this point, signals are that growth in the second quarter to be slow but positive. Recent economic data supports some rebound in the manufacturing and mining sectors, which grew by 3.5 per cent and 7.9 per cent respectively month-on-month in April.

Many of the problems holding back, South Africa's growth are of supply nature and this implies that a fiscal response will not be sufficient to accelerate growth. The supply constraints include protracted labour strikes as well as infrastructure challenges, electricity in particular. The State of the National Address highlights areas in which government will support growth.

Government continues to address the infrastructure challenges facing the economy. New coal powered and renewable electricity capacity that will come online over the next few months will relieve the electricity constraints. In addition, government is engaging with business and labour to resolve various impediments to growth. Economic performance is not only a responsibility of government but also a responsibility of business and labour.

Government's interventions in the economy will be further guided by the Medium Term Strategic Framework, which aims through targeted interventions to improve the performance of key sectors of the economy, address infrastructure bottlenecks, improve labour relations, raise the level of research and innovation and increase the level of employment. At the same time, government will continue to maintain macro stability through flexible inflation targeting and countercyclical fiscal policy. Fiscal responses will be communicated in Budget documents as required.