

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 2896 [NW3266E]
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2896. Adv A de W Alberts (FF Plus) to ask the Minister of Finance:†

- (1) Whether he has any (a) research or (b) information at his disposal pointing towards the probability or inevitability in the near future of a global economic recession equivalent to or worse than the one in 2008, and more specifically in the period from August to November 2015 or early in 2016; if so, what (i) are the relevant details and (ii) prognosis is prescribed in order to buffer the country against this event;
- (2) whether the Government has any contingency plans in place to cope with such kind of events; if not, why not?

NW3266E

REPLY:

- 1) There is no research which points to a global slowdown in the magnitude of the global recession in 2008. Whilst global growth is not as fast as we would have hoped, growth continues, supported primarily by a recovery in growth in developed economies.
- 2) The macroeconomic framework is designed to help the South African economy absorb shocks such as a global recession. Prudent fiscal policy ensures that we have a low enough debt to GDP ratio to borrow more in the event of a crisis; the inflation targeting framework allows interest rates to adjust to domestic and global settings, without negative implications for inflation expectations; the flexible exchange rate allows for the rand to adjust and for imports and exports to respond accordingly. The macroprudential framework in place helps to secure financial sector stability so that the knock-on effects of any global crisis will be mitigated, whilst our open and liquid capital markets encourage two-way flows of capital. Foreign currency reserves are in place to supply the market if required. The Government and the South African Reserve Bank maintain a close working relationship to ensure that in the event of severe market disruption, we stand ready to act in a cohesive and coordinated fashion.