

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 1176 [NW1366E]

1176. Mr A N Sarupen (DA) to ask the Minister of Finance:

Whether the National Treasury has conducted any (a) research on how the proposed land expropriation without compensation would impact on investor confidence and (b) risk assessment of the impact of land expropriation without compensation on the economy; if not, why not in each case; if so, what are the relevant details in each case?

NW1366E

REPLY:

The National Treasury has not conducted research on the impacts of land expropriation without compensation or undertaken a risk assessment of the impact on the economy. However, to the extent that land expropriation without compensation were to generate policy uncertainty, it would have harmful effects on the economy.

Several studies have looked at the impact of policy uncertainty on the South African economy. For example, policy uncertainty diminishes the responsiveness of exports to changes in the real exchange rate, as well as introducing harmful short- and long-run level effects on export performance. Other research finds that unanticipated increases in uncertainty are linked to declines in investment, private sector employment, output and industrial production, while resulting in an inflationary shock. Recent research finds that an increase in uncertainty results in a decline in industrial production and the real effective exchange rate, while fostering an increase in the general price level and 10-year government bond yield.

These studies have been used to inform the National Treasury's own assessments of the impact of policy uncertainty on the macroeconomic outlook, which are typically included as part of the macro-fiscal scenarios that inform the budgeting process.