

Macroeconomic Trends and Outlook

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Contents

- Background & context
- Overview of developments
- Concluding remarks



RDP – Strategic Objectives

- Meeting basic needs
- Building the economy
- Democratizing the state & society
- Developing human resources
- Nation Building



Challenges before 1996

- BoP constraint resulting in 3 % p.a economic growth ceiling
 - Excessive capital outflows
 - Current account had high import elasticity
- Double-digit inflation rates
- High government deficit
- High tax burden
- Declining labour absorption capacity
- Unstable interest rate environment (negative rates in the 80's)
- Narrow industrial base

Challenges before 1996 (cont.)



- Lack of comprehensive economic strategy and policy clarity
- Declining real domestic fixed investment and domestic savings
- Limited openness of the economy
- Poor competition
- Low productivity
- General economic mismanagement
- Industrial unrest
- Concentration of economic ownership

GEAR – A Framework for Delivery



- Budget reform through MTEF
- Competitive real effective exchange rate
- Consistent conservative monetary policy
- Further relaxation of exchange controls
- Further reduction in import tariffs
- Restructuring of state assets
- Structured flexibility in the labour mkt
- Trade & investment promotion
- Commitment to the implementation of stable and coordinated policies, etc

Microeconomic Reforms



Input Sectors:

Transport
Energy
Telecoms
Water

Cross-cutting issues:

HRD
Technology and R&D
Access to Capital
Infrastructure

Growth Sectors:

Agriculture
Tourism
Cultural
ICTs
Mining & metals
Clothing & textiles
Chemicals & biotech
Auto & transport

Key Performance Areas

Growth

Employment

Competitiveness

BEE

SMMEs

Geographic Spread

Vision 2014

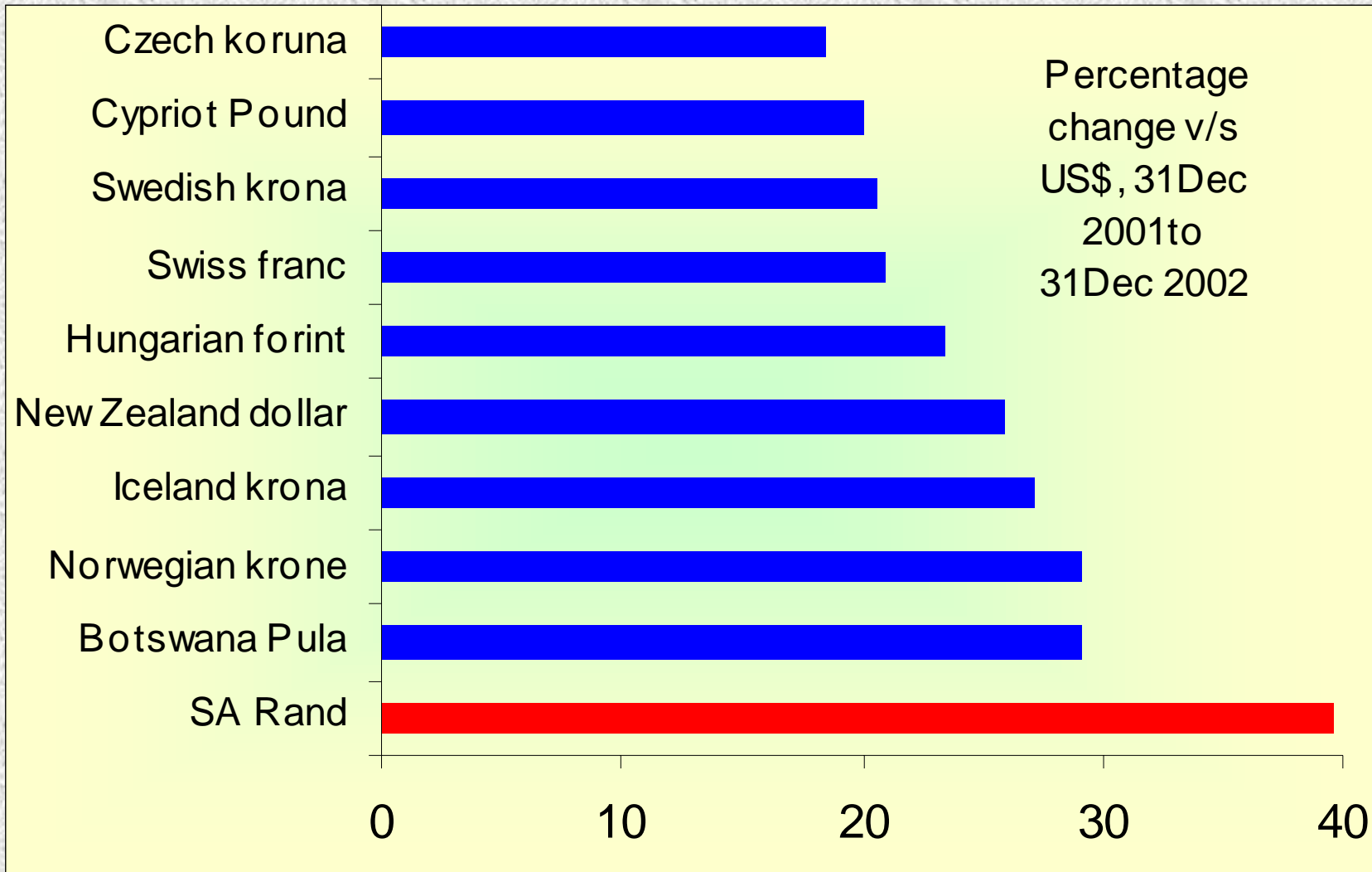




Overview of developments

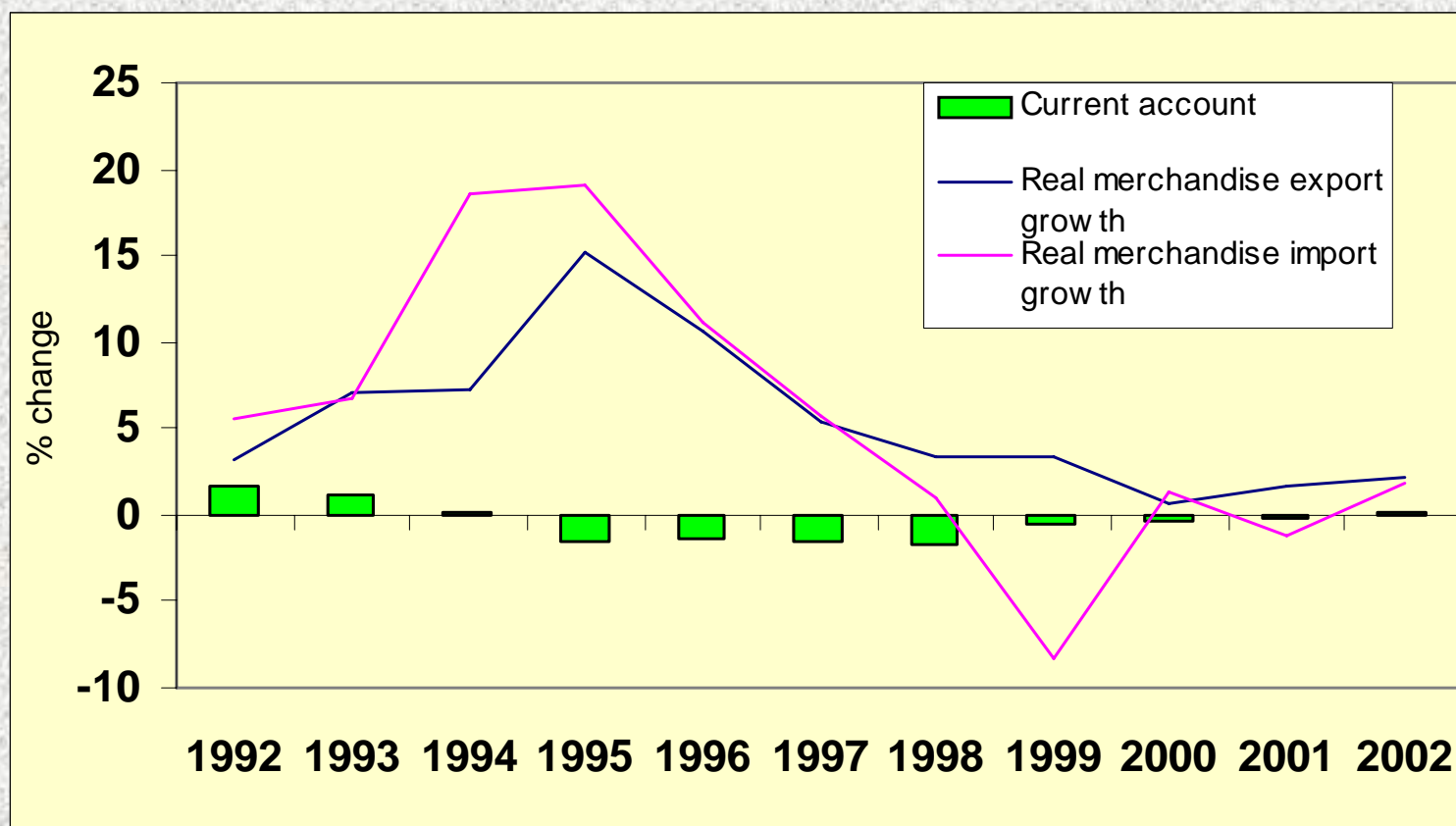
- Strong currency recovery
- Certain turnaround in inflation
- Continued balance of payments strength
- Improved economic performance
- Uncertain global environment
- Growing regional instability (food shortages)
- Concerns about higher wage demands

Top-performing Rand

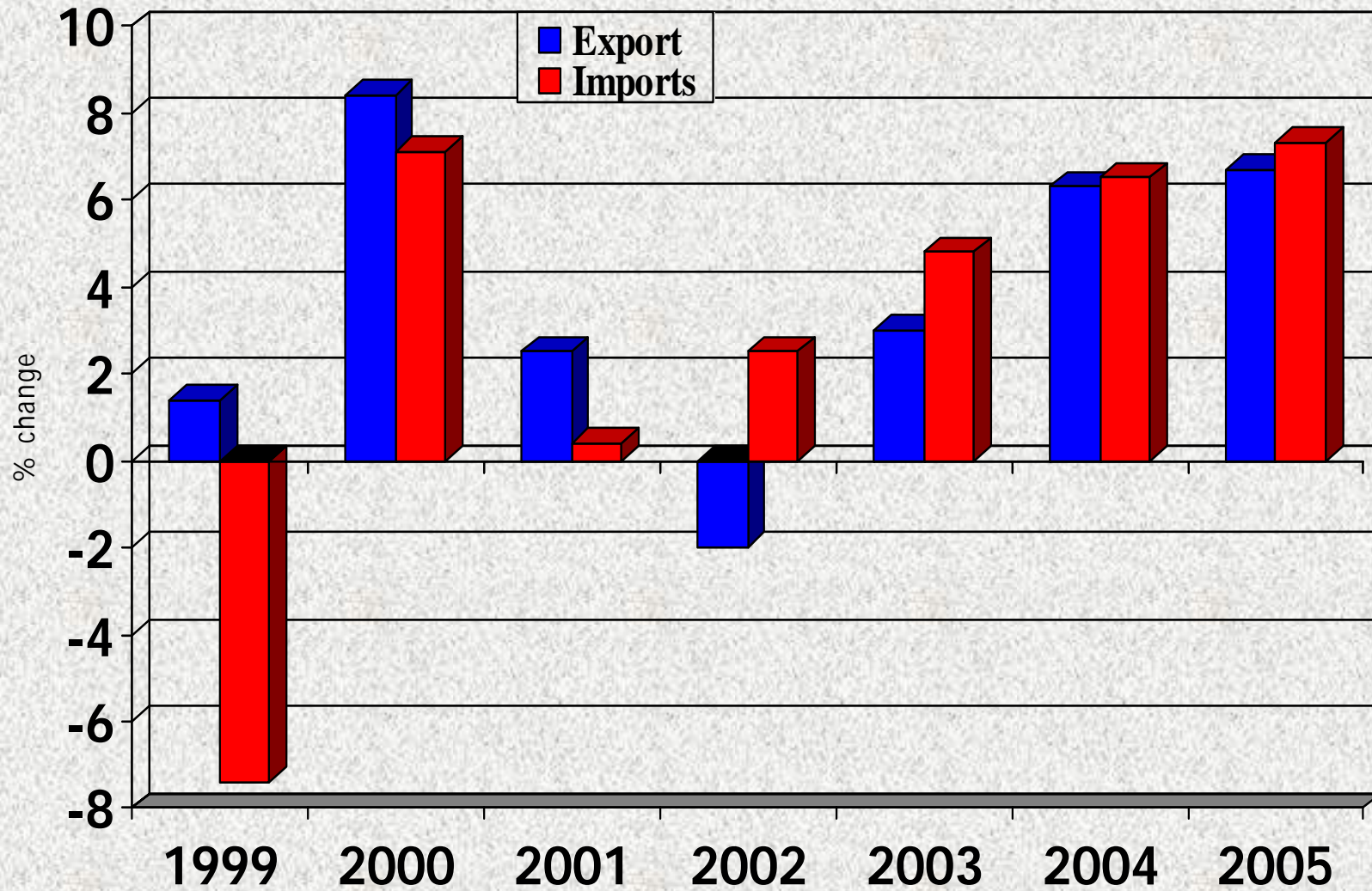




Trade account

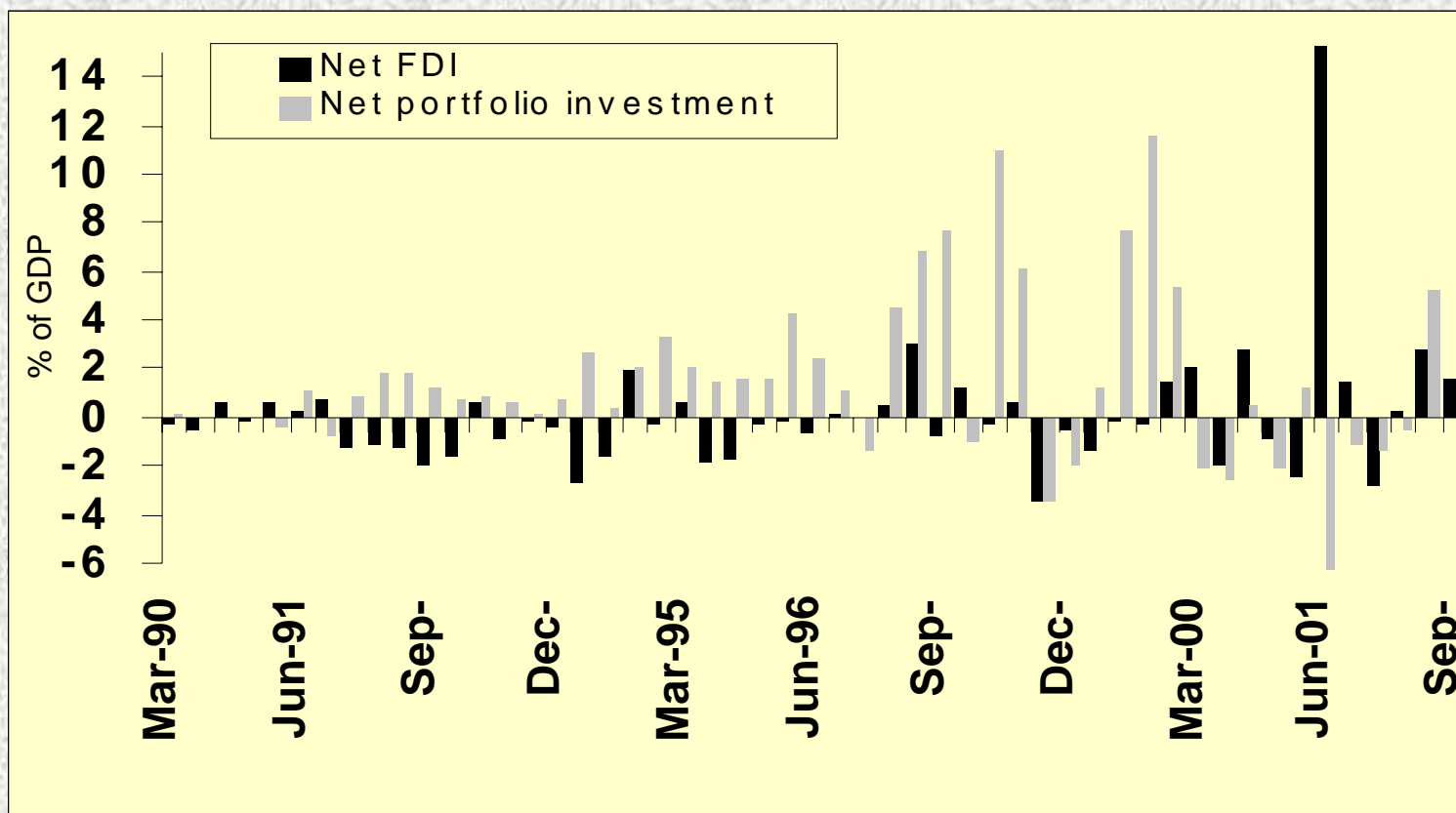


Exports and Imports



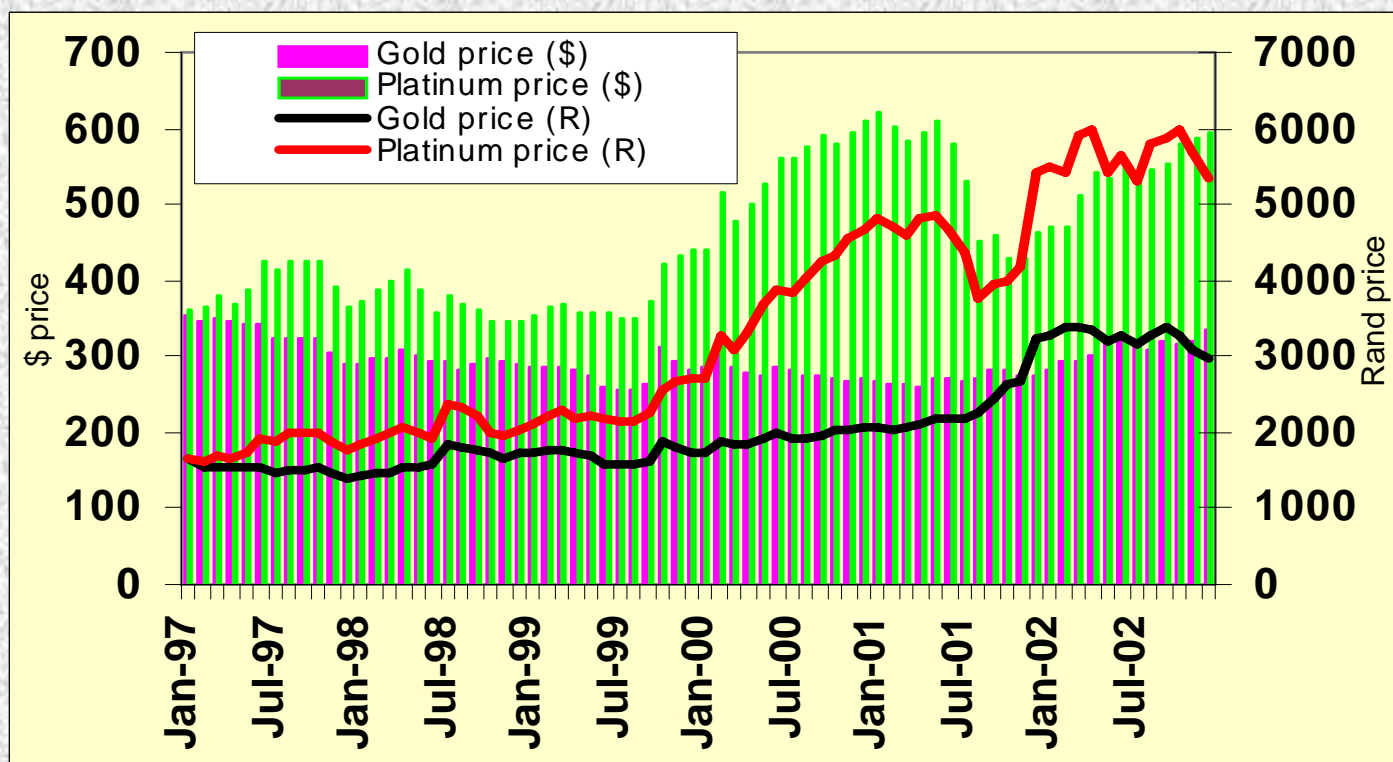


Foreign capital flows



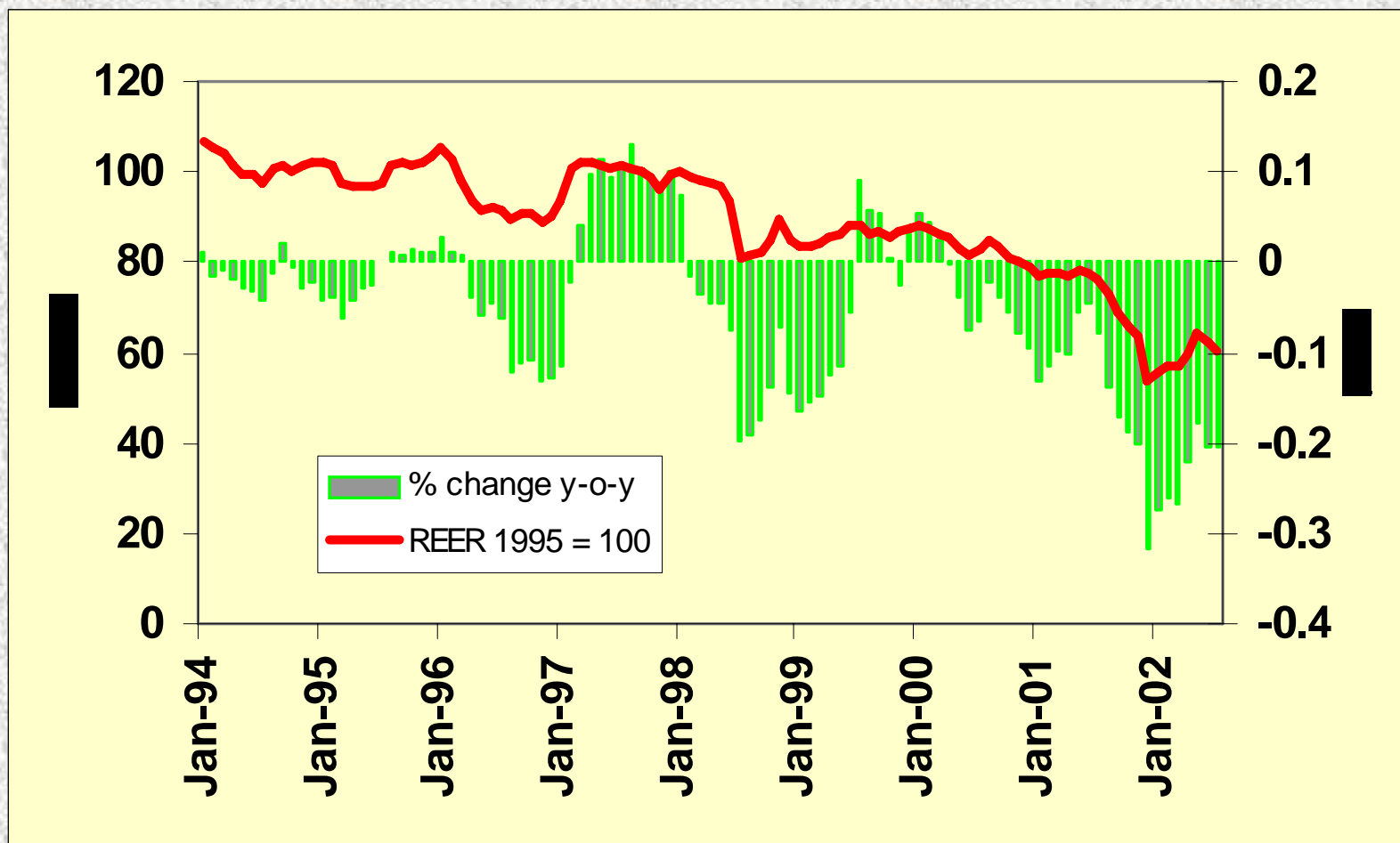


Commodity prices



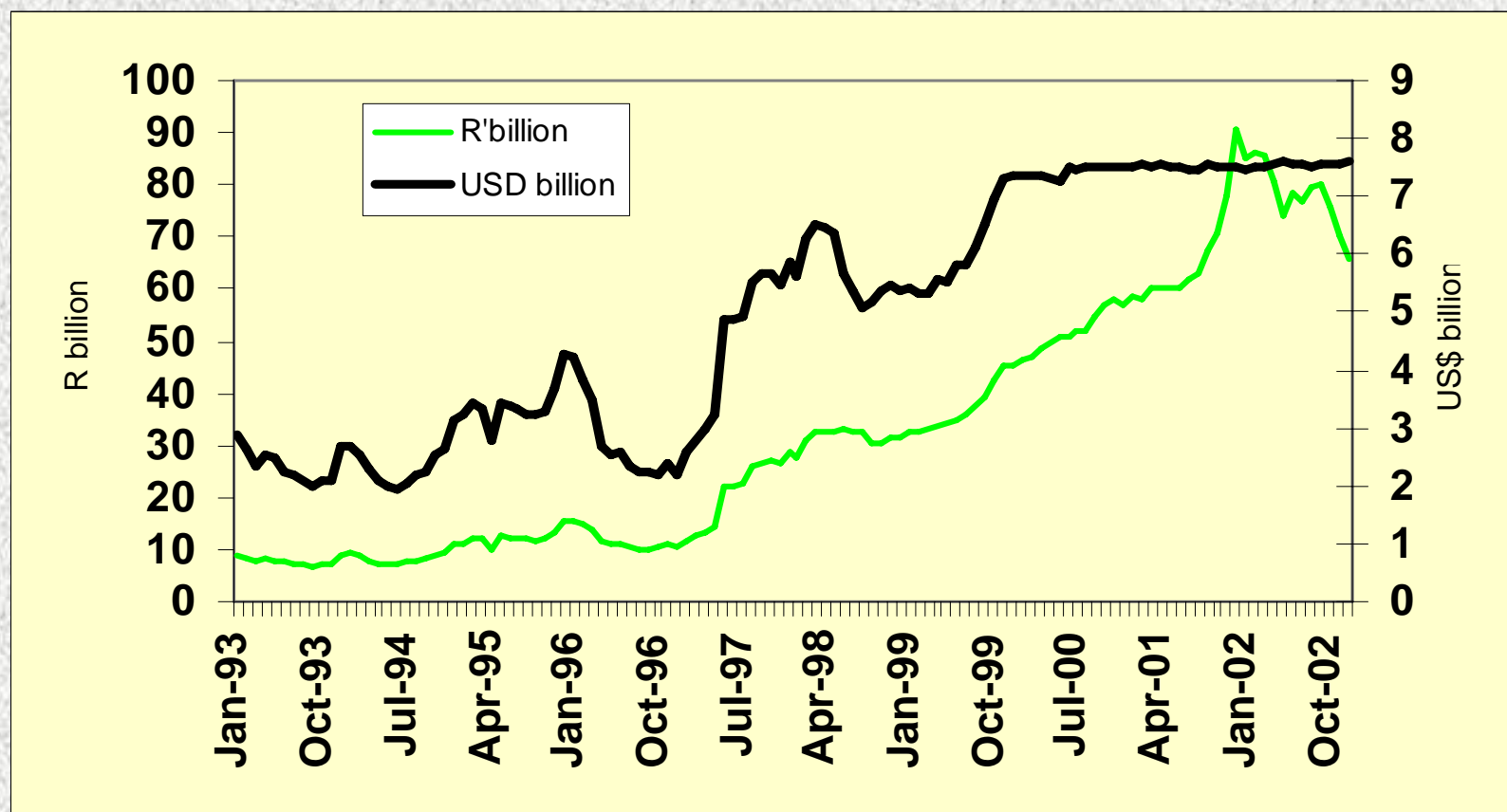


Real Exchange rate



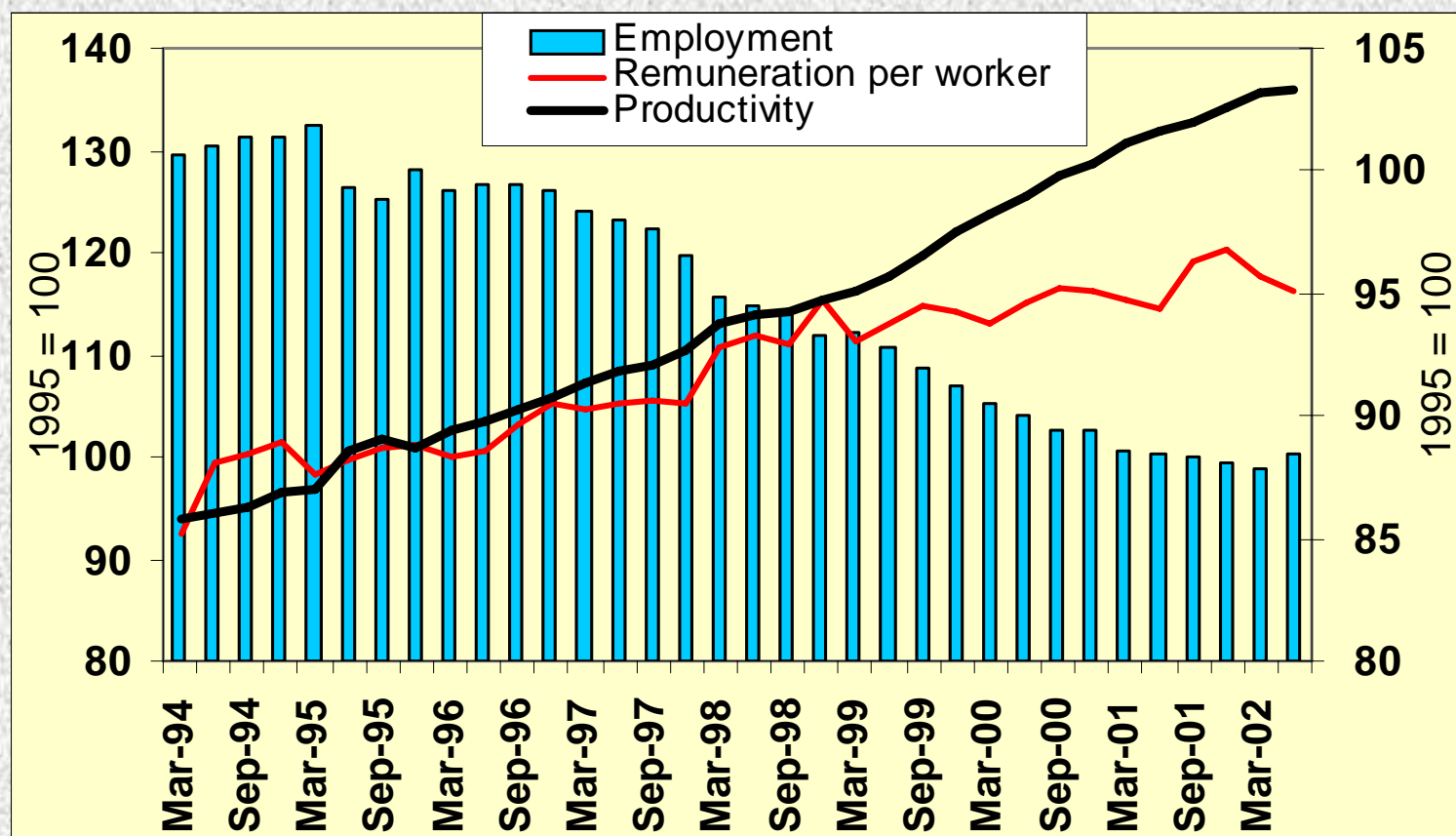


Gross Reserves

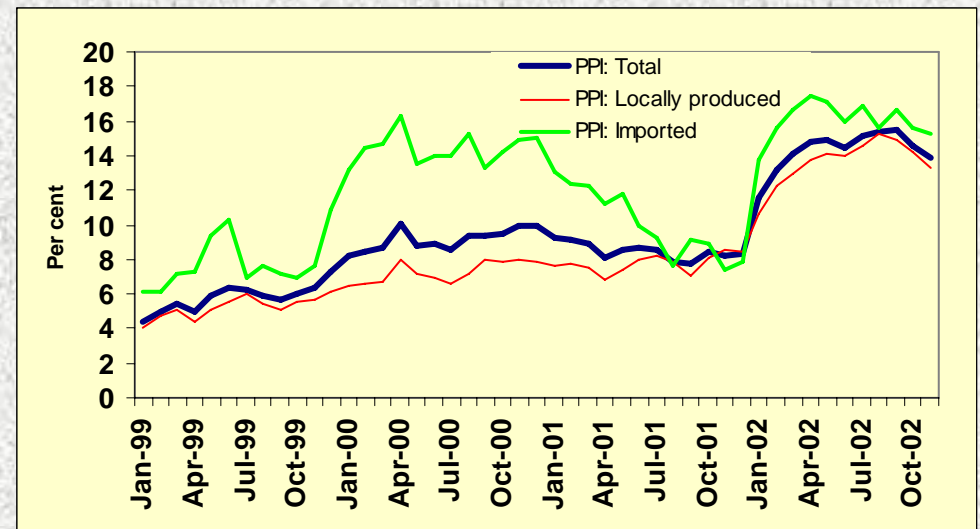
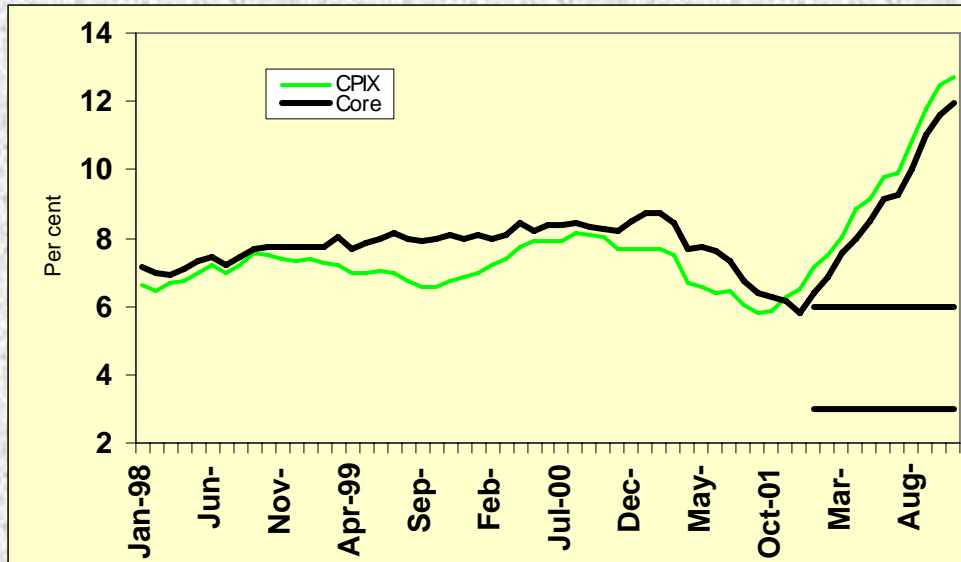




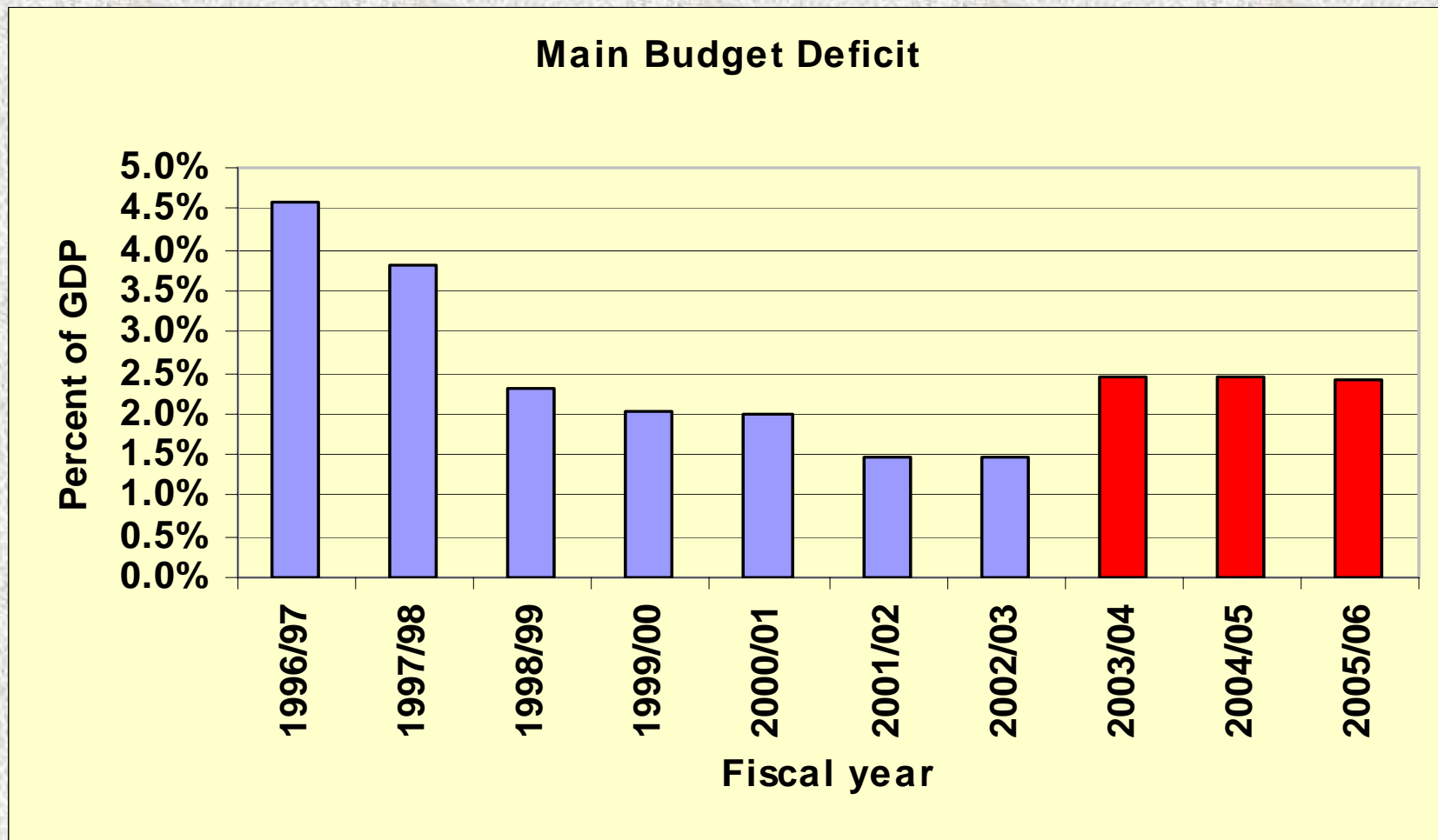
Employment ... turning



Inflation

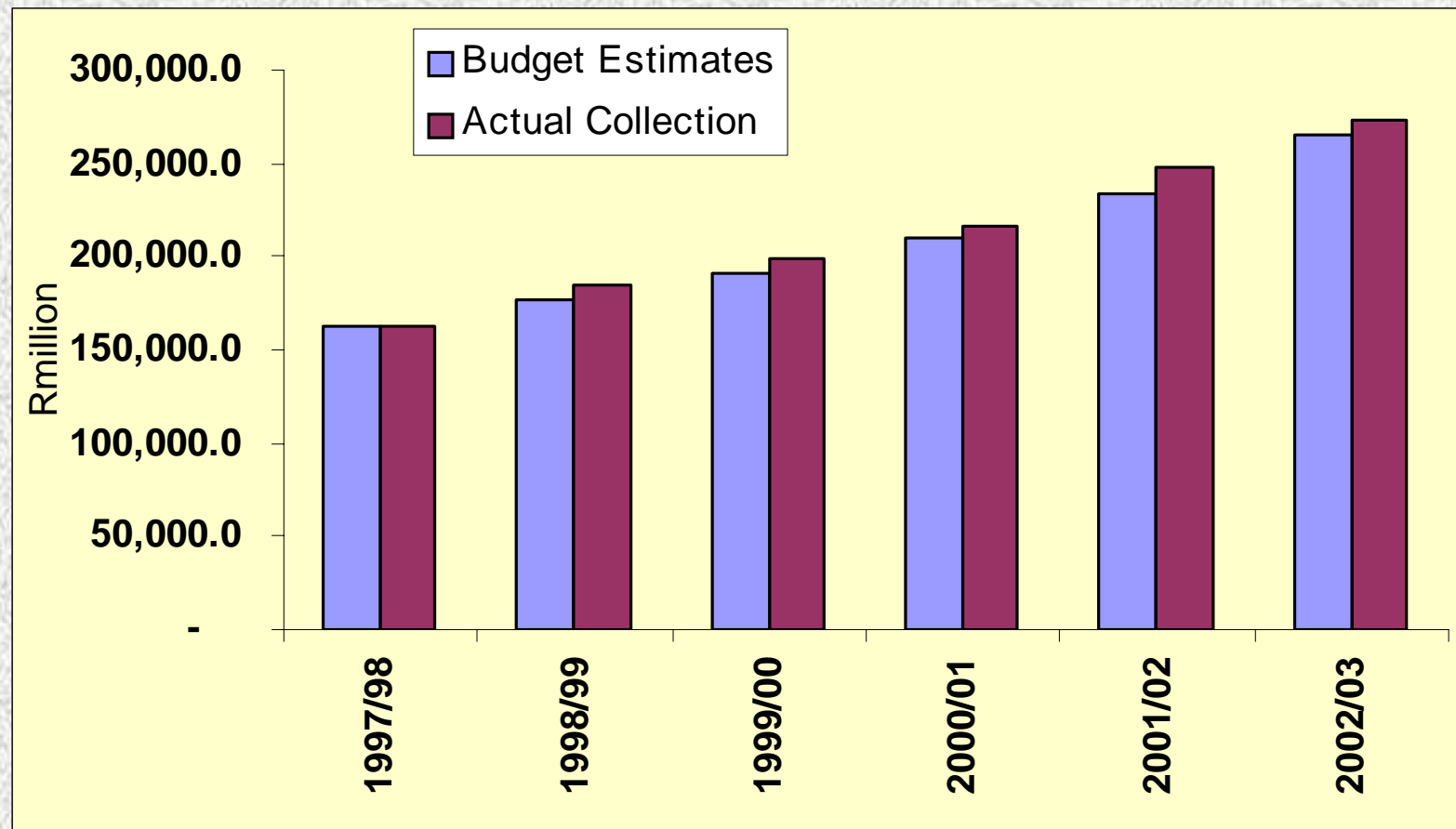


Fiscal Account

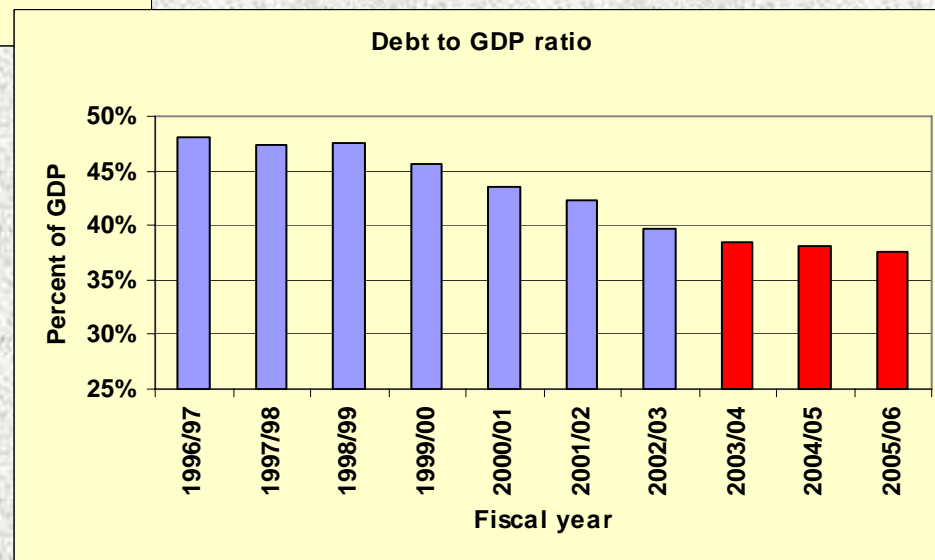
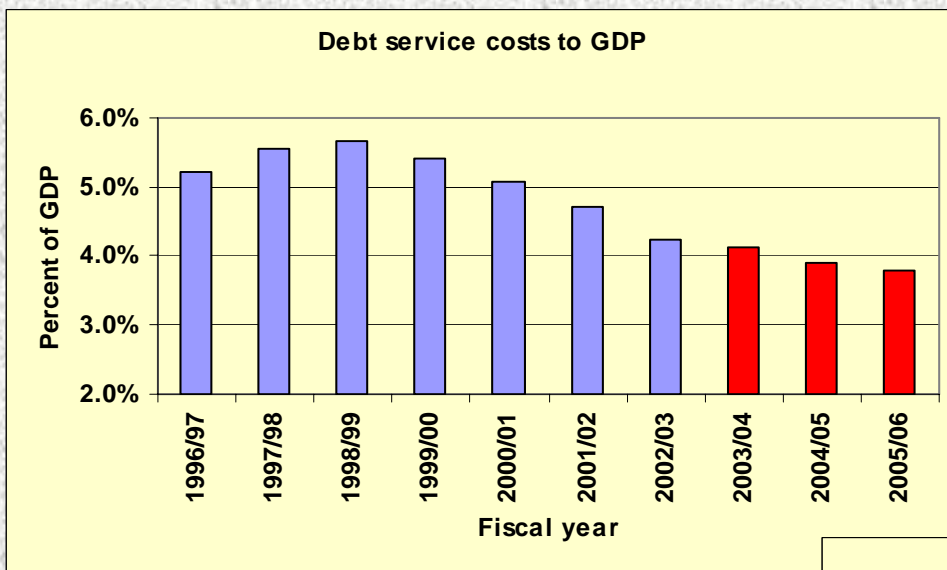




Revenue performance

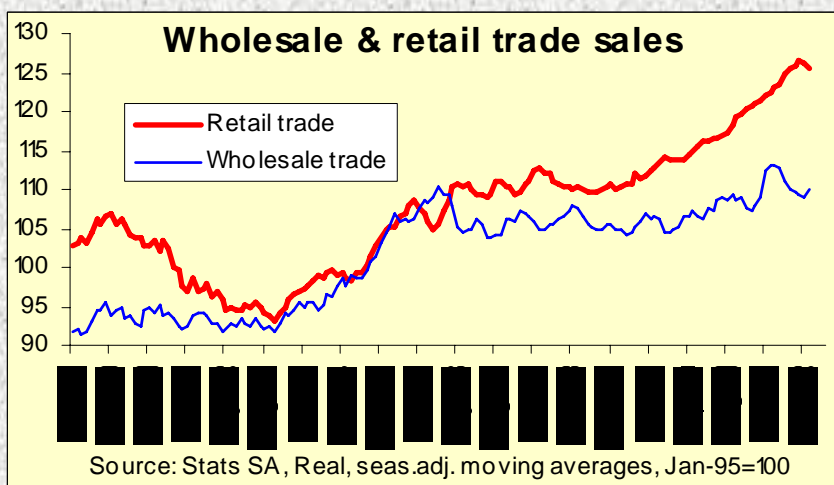
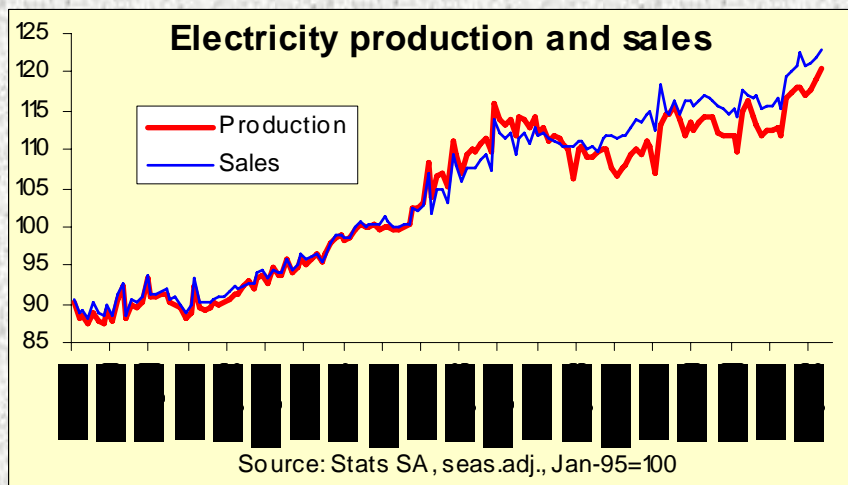
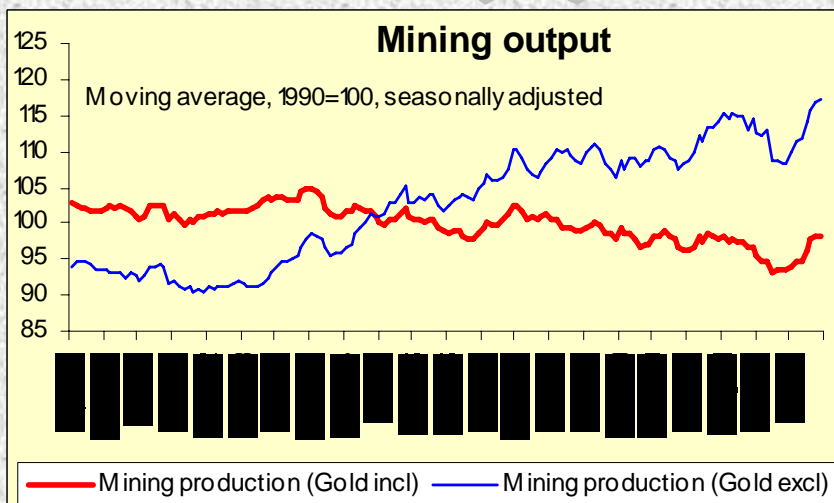
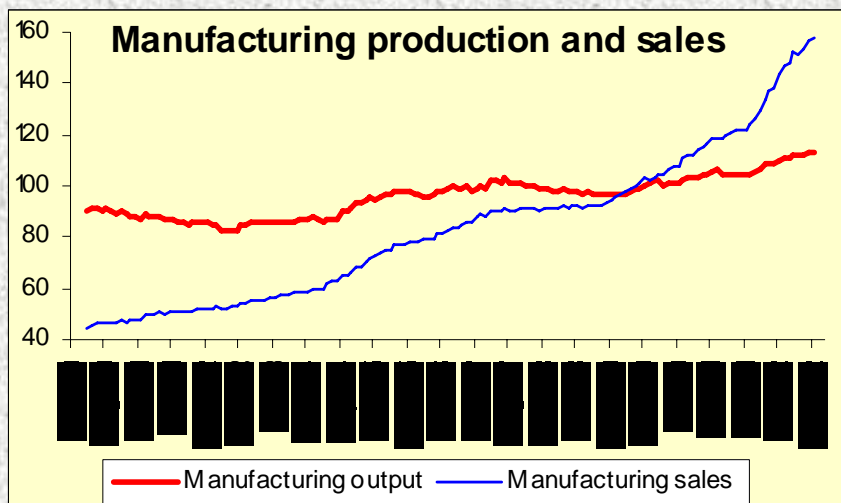


Debt service cost to GDP



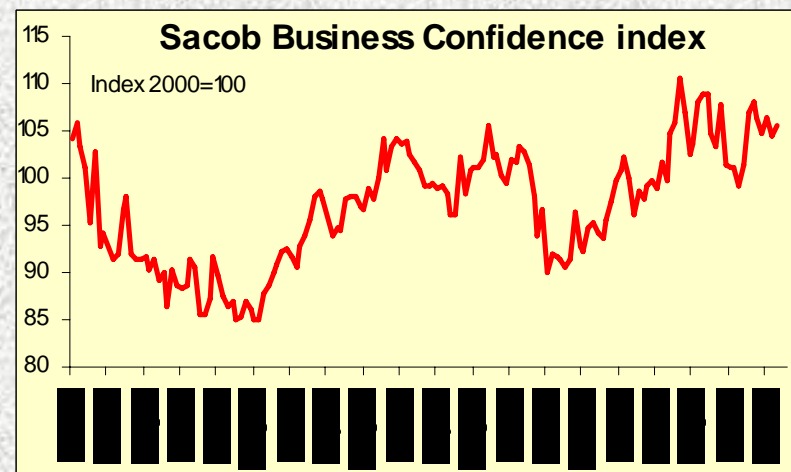
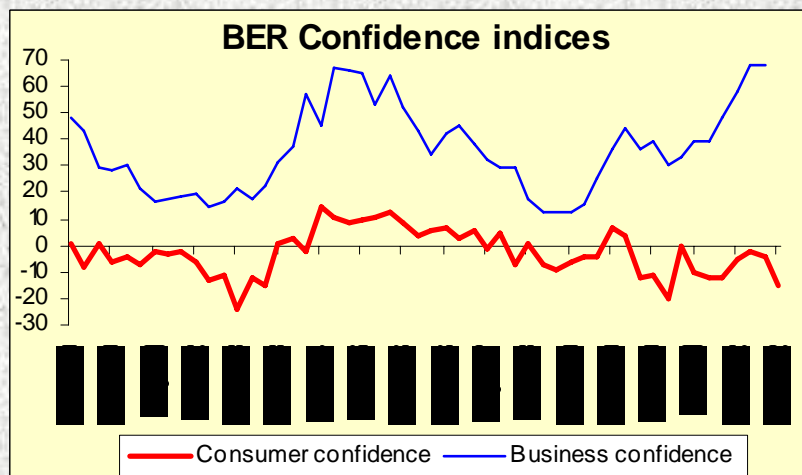
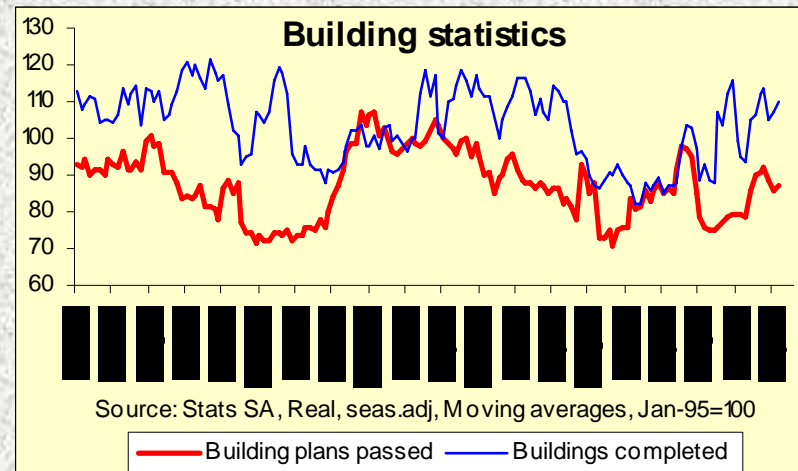
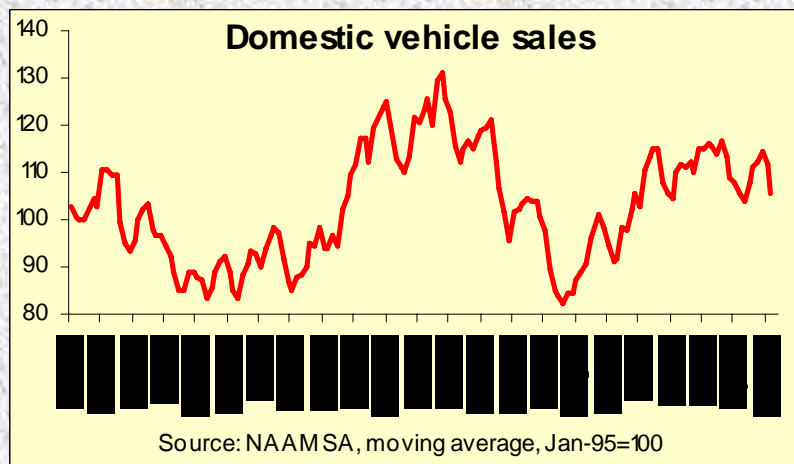


Economic indicators(1)





Economic indicators(2)



Economic Cluster Priorities (2003/4)



1. Address critical skills shortages
2. Build on export success
3. Expand the services sectors
4. Provide critical economic infrastructure
5. Expand economic opportunities
6. Strengthen regulation and management of parastatals
7. Joint planning and implementation by government departments
8. Boost investor confidence
9. Immediate job creation



Concluding Remarks

- Reprioritization & refocusing
- Monitoring/ evaluation & strategic planning (i.e. 10 year review, Planning Framework, Scenario planning, etc)
- Effective coordination (e.g. clusters)
- Social accord & partnerships (e.g. Vuk'uzenzele, GDS, etc)

***“PUSHING BACK THE FRONTIERS OF
POVERTY & UNDERDEVELOPMENT”***