

Essay synopsis: Felicia Mashimbye

South Africa's economic outlook remains bleak, writes Felicia Mashimbye. Domestic risks include increased government expenditure, policy uncertainty, protests, and poorly governed state-owned enterprises (SEOs) that constantly require bailouts (especially Eskom). External risks include subdued growth in significant economies, global trade wars and plummeting commodity prices.

Against this background President Ramaphosa announced a US\$100 billion investment target, stimulus package and job summit as initiatives to stimulate subdued economic growth and increase employment. The inflow of investment is expected to contribute to the GDP, create direct indirect jobs, increase government revenue and increase local production. However, the investment pledges may not materialise due to factors such as policy uncertainty, political instability, an unsupportive business environment (including corruption), and subdued global economic growth.

The stimulus package aims to ignite economic activity, restore investor confidence, prevent further job losses and create new jobs, among other things. The stimulus targets agriculture, infrastructure development, tourism and reducing data costs. However, the stimulus package will fail without structural reforms across various sectors to improve the performance of SOEs, mitigate operating costs and reduce fiscal risks, thus enhancing economic growth.

In order for the initiatives to be successful, Felicia writes, it's recommended that the ANC deals with factions within the party, speeds up the pace of structural reform, clarifies policies that continue to create uncertainty in the economy, and improves the ease of doing business.

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