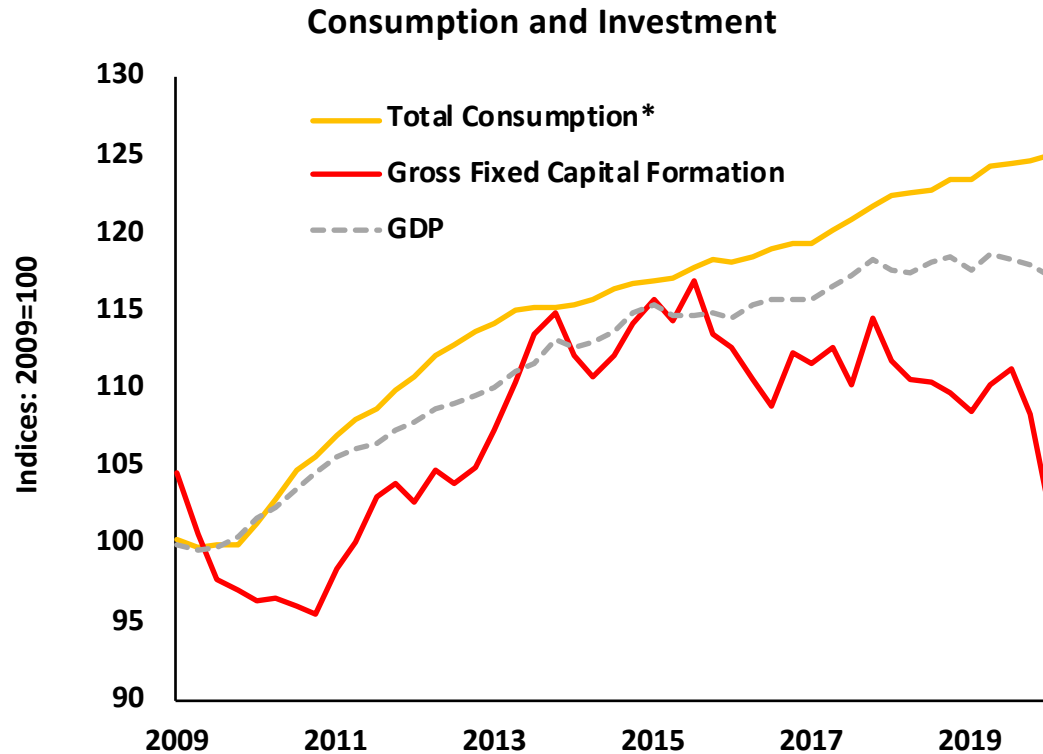


South African Reserve Bank

Growth & Policy notes for ERSA fiscal seminar

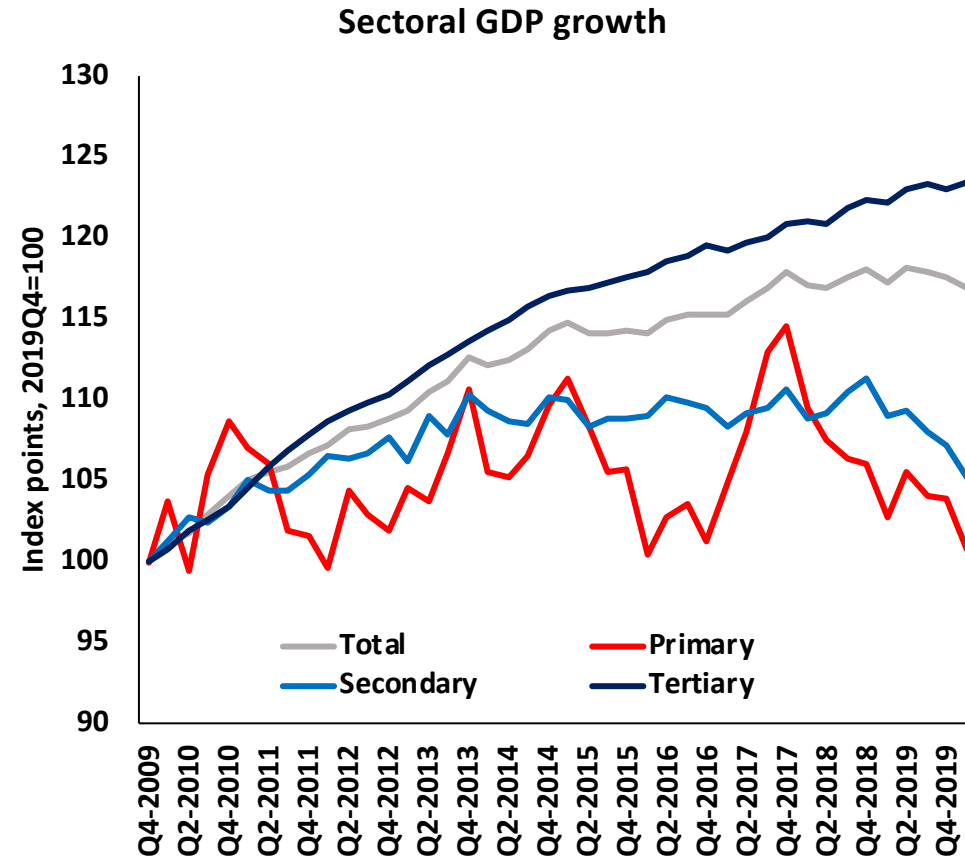
Christopher Loewald
Head of Economic Research
2 September 2020

Post-GFC growth consumption & services-led



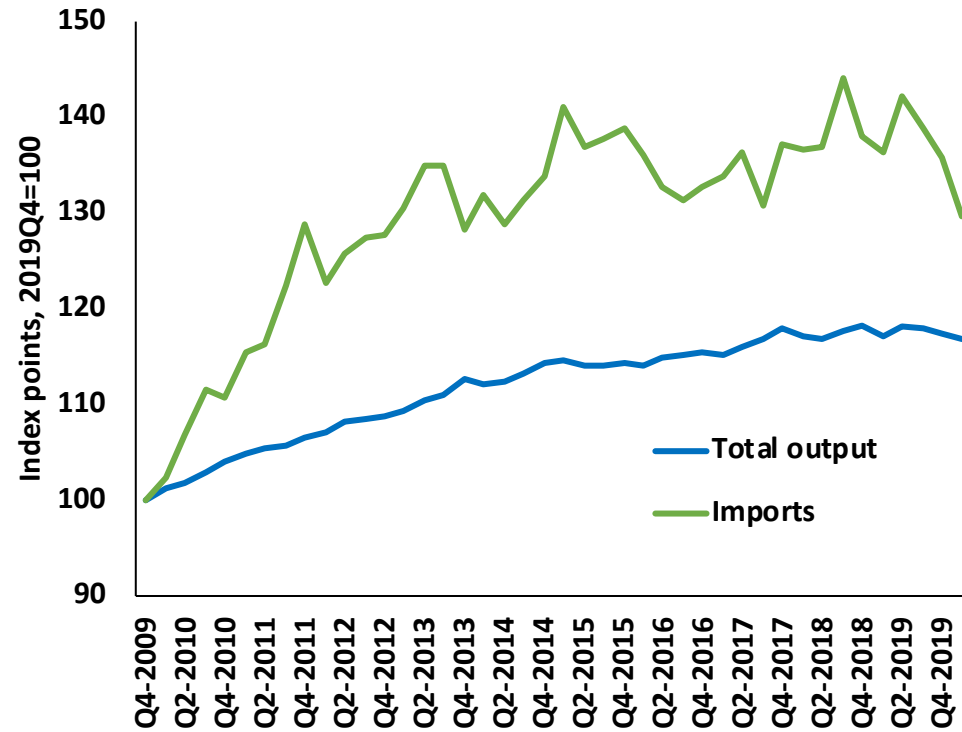
*Household + general government consumption expenditure

Sources: Stats SA and SARB

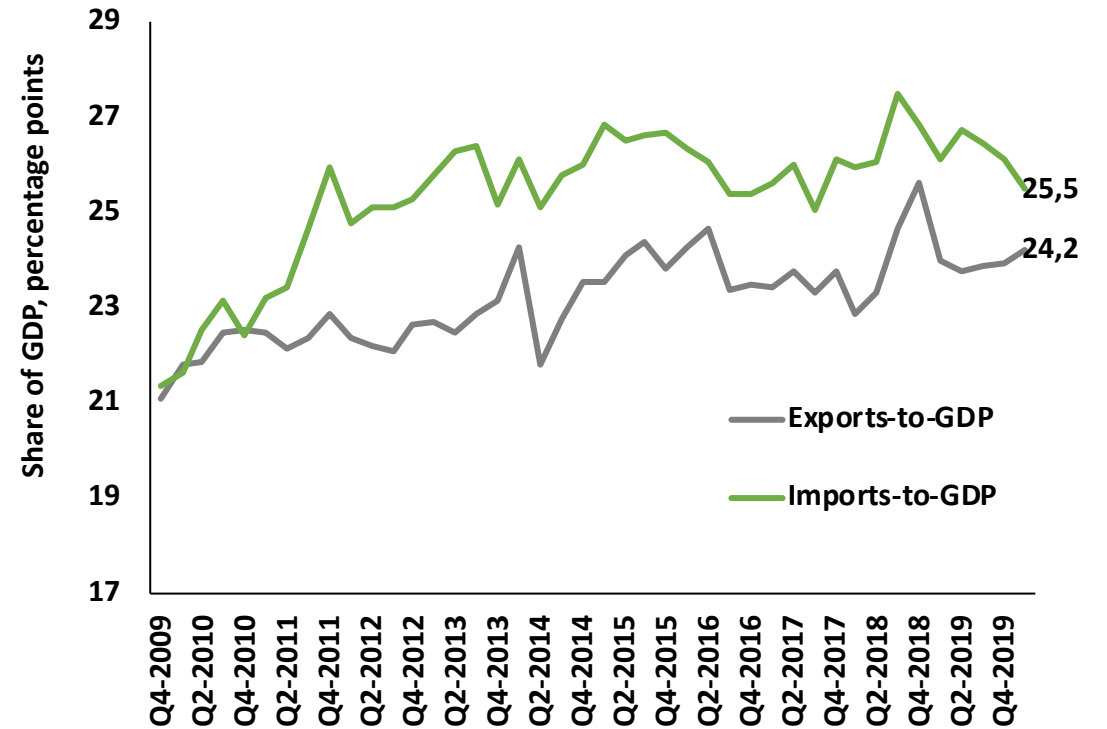


Source: Stats SA

Imports exceeding total output and exports...



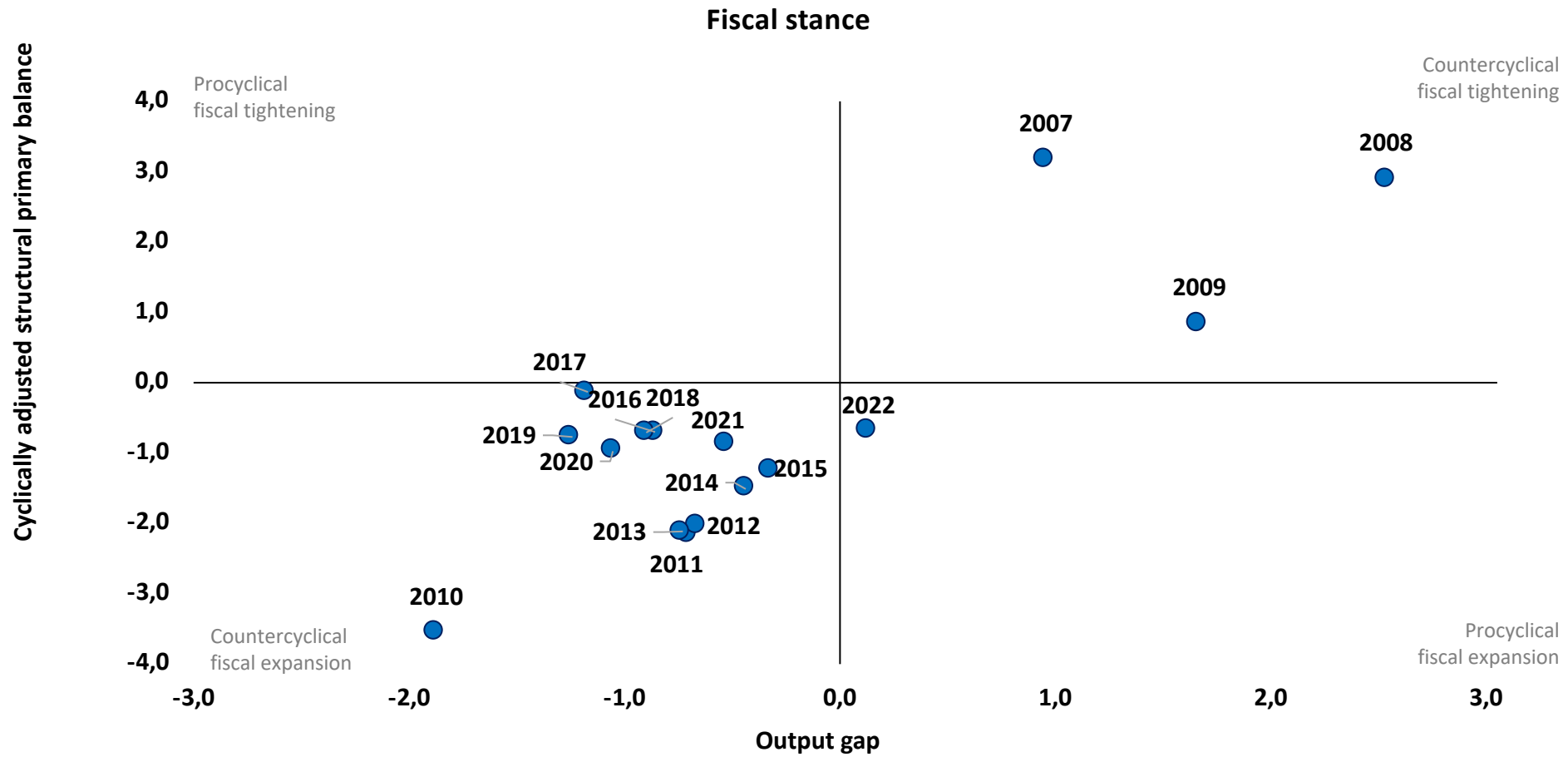
Source: Stats SA



Source: Stats SA

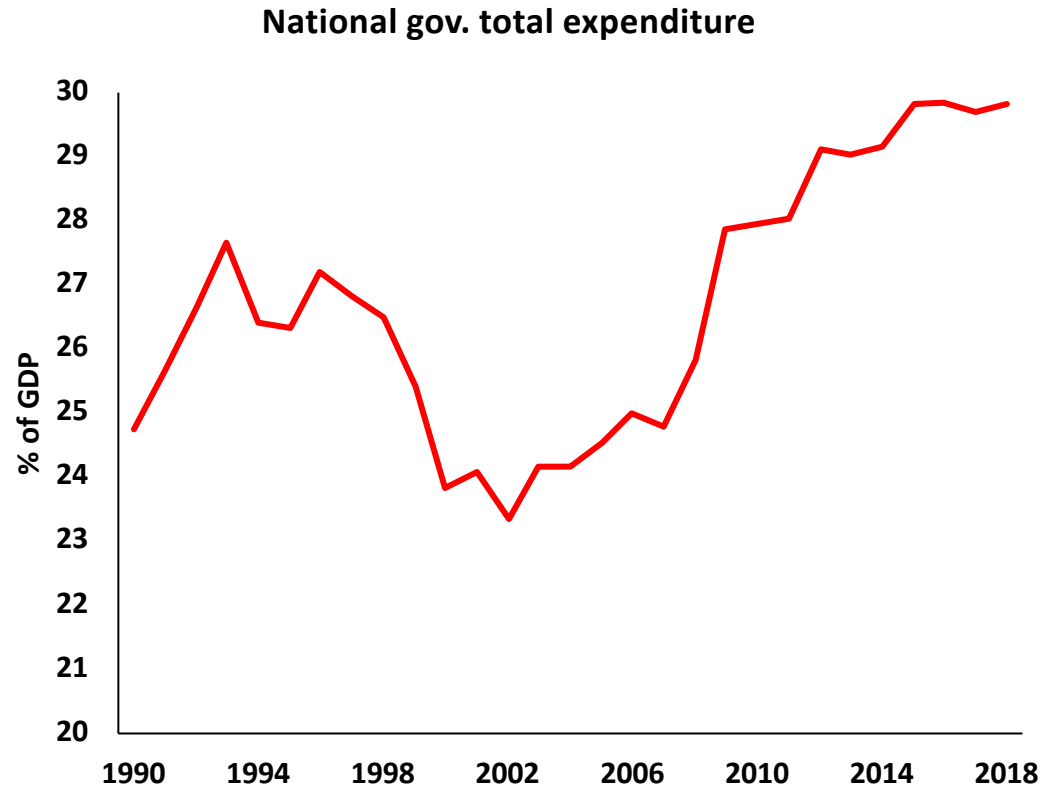


Fiscal intentionally counter-cyclical

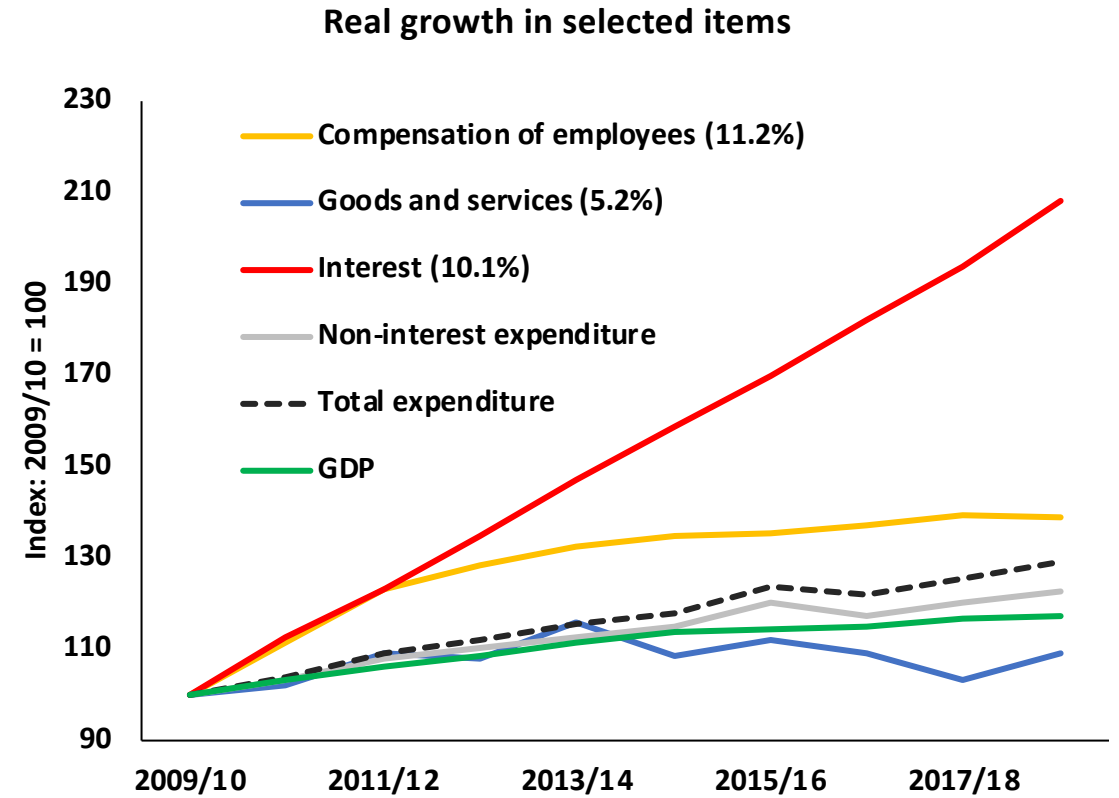


Note: Labels are for fiscal years ending 31 March

Gov/GDP rose significantly; spending composition sub-optimal

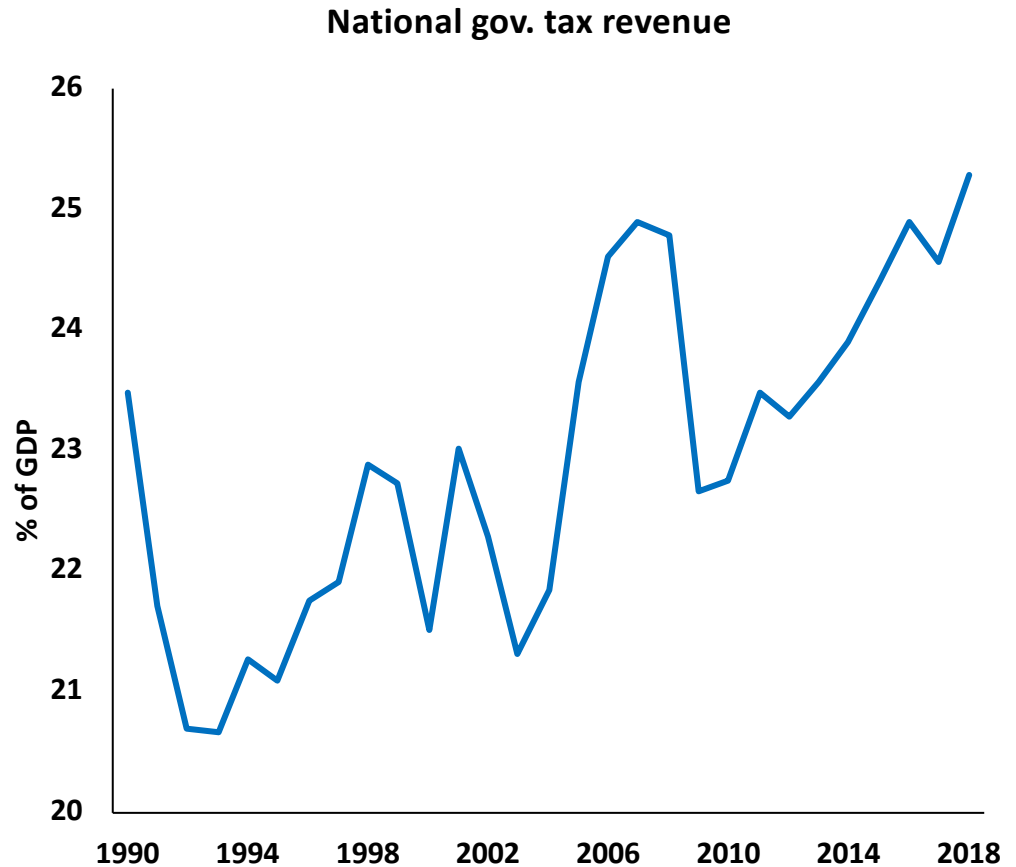
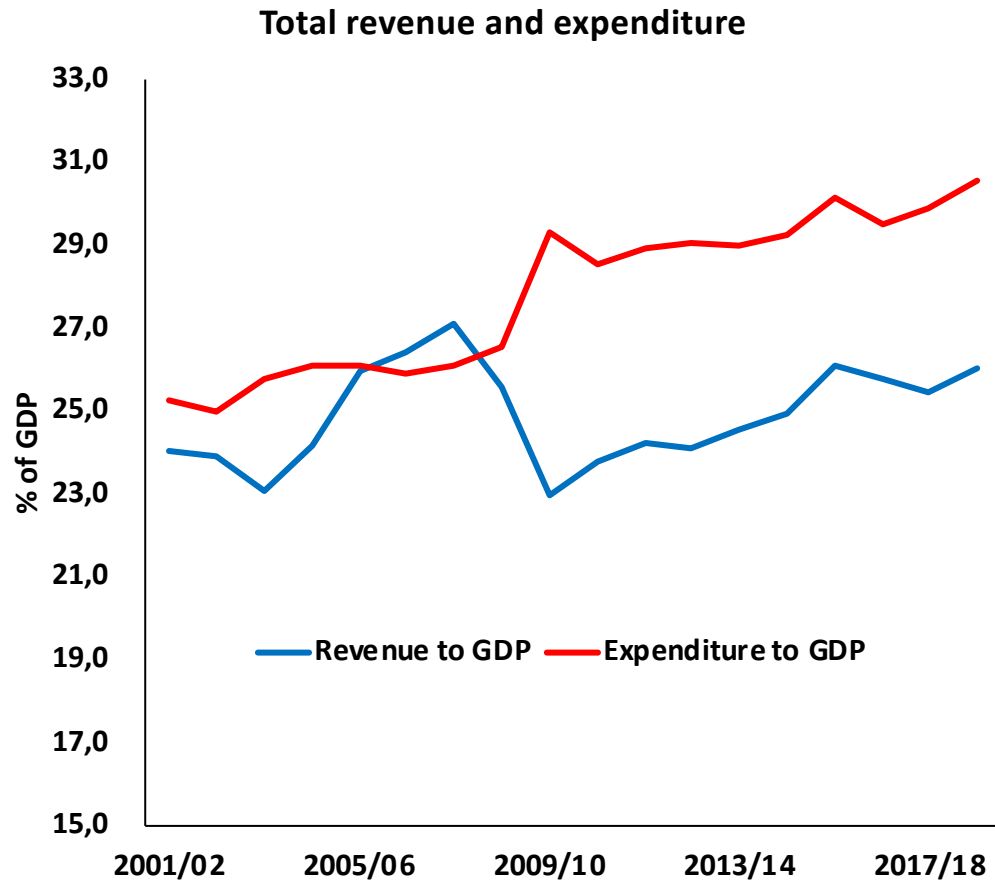


Source: SARB



Note: Values in brackets denote average proportion of total expenditure over the 2010/11
Sources: National Treasury and SARB

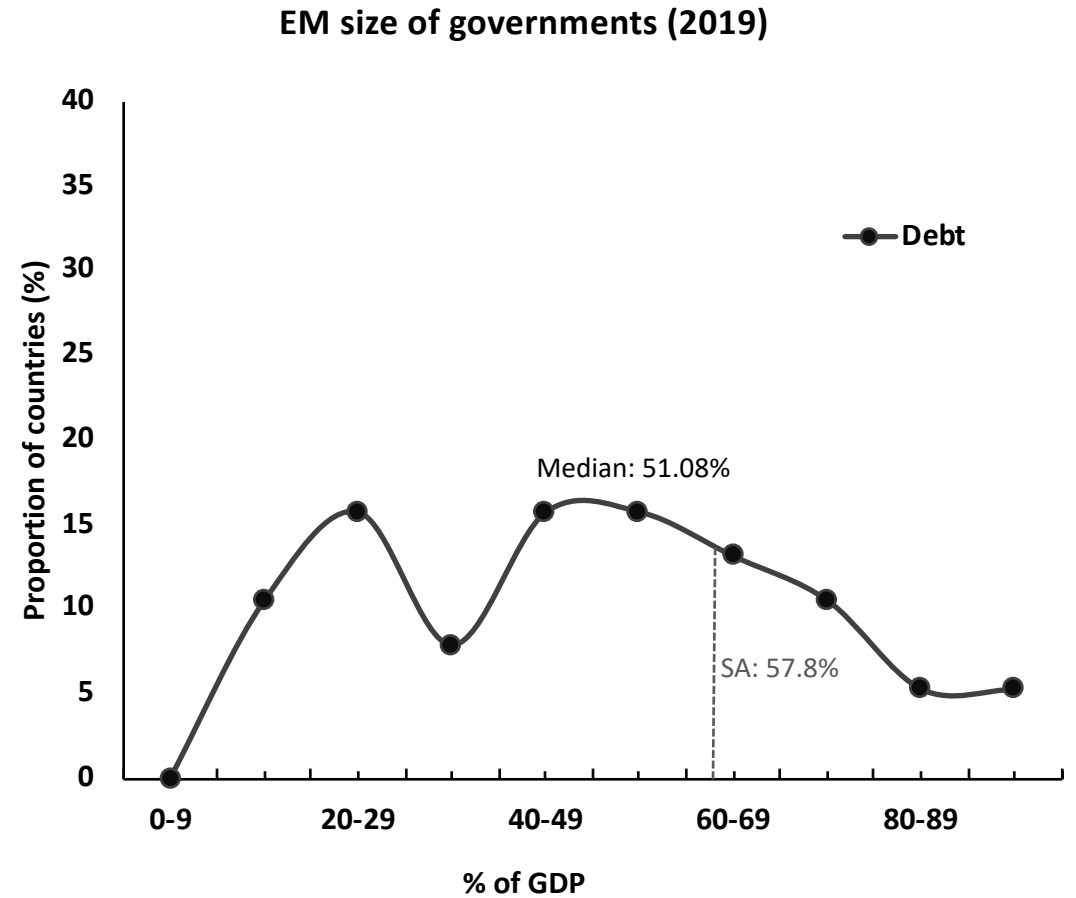
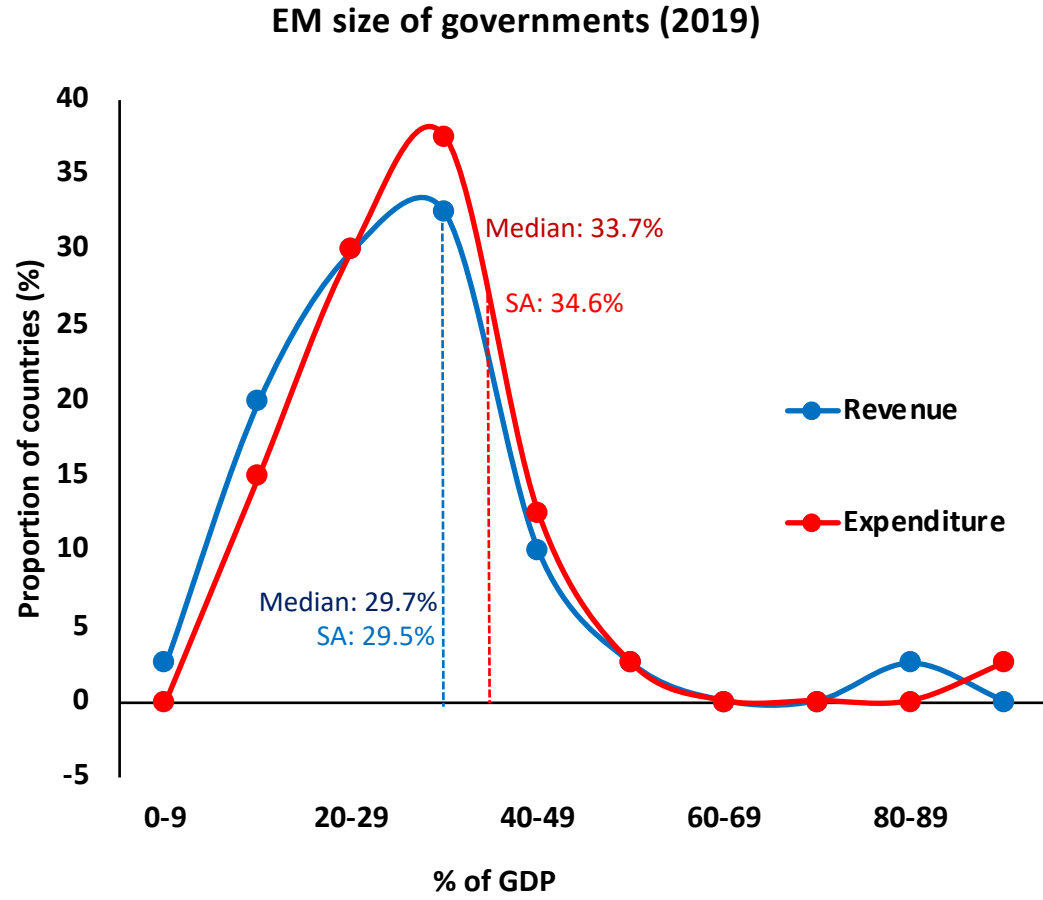
Austerity of tax policy not just perception



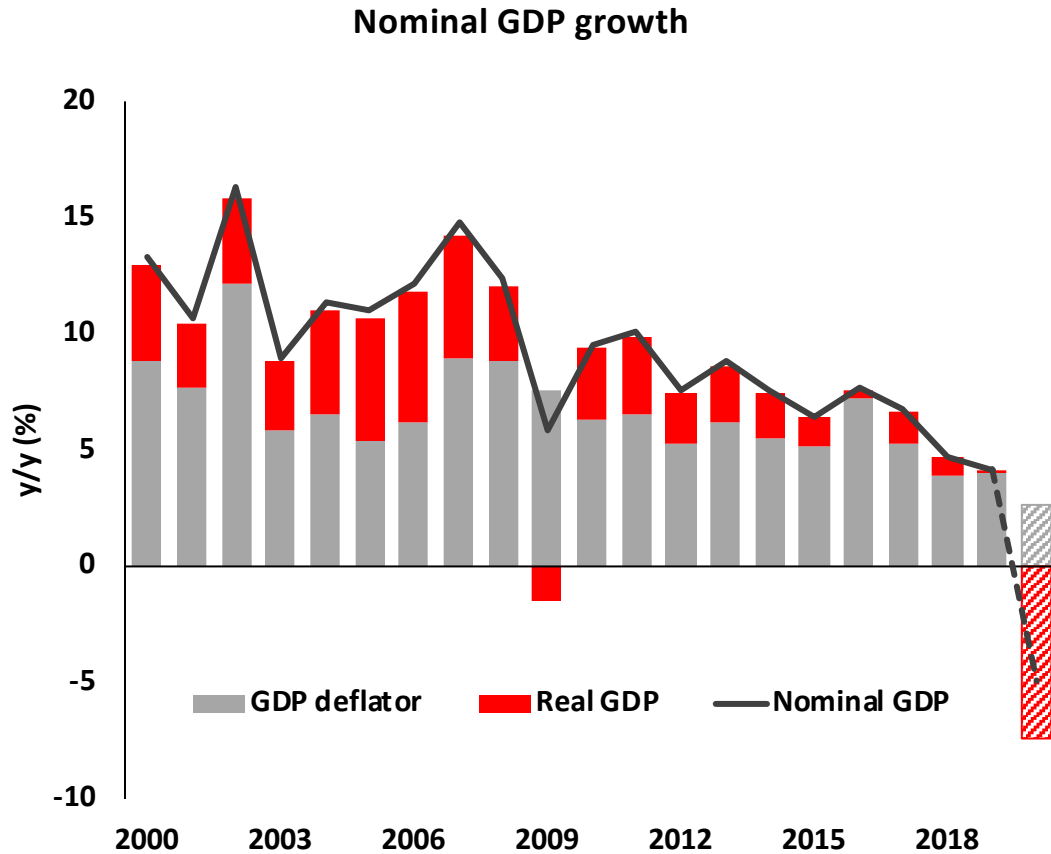
Source: SARB



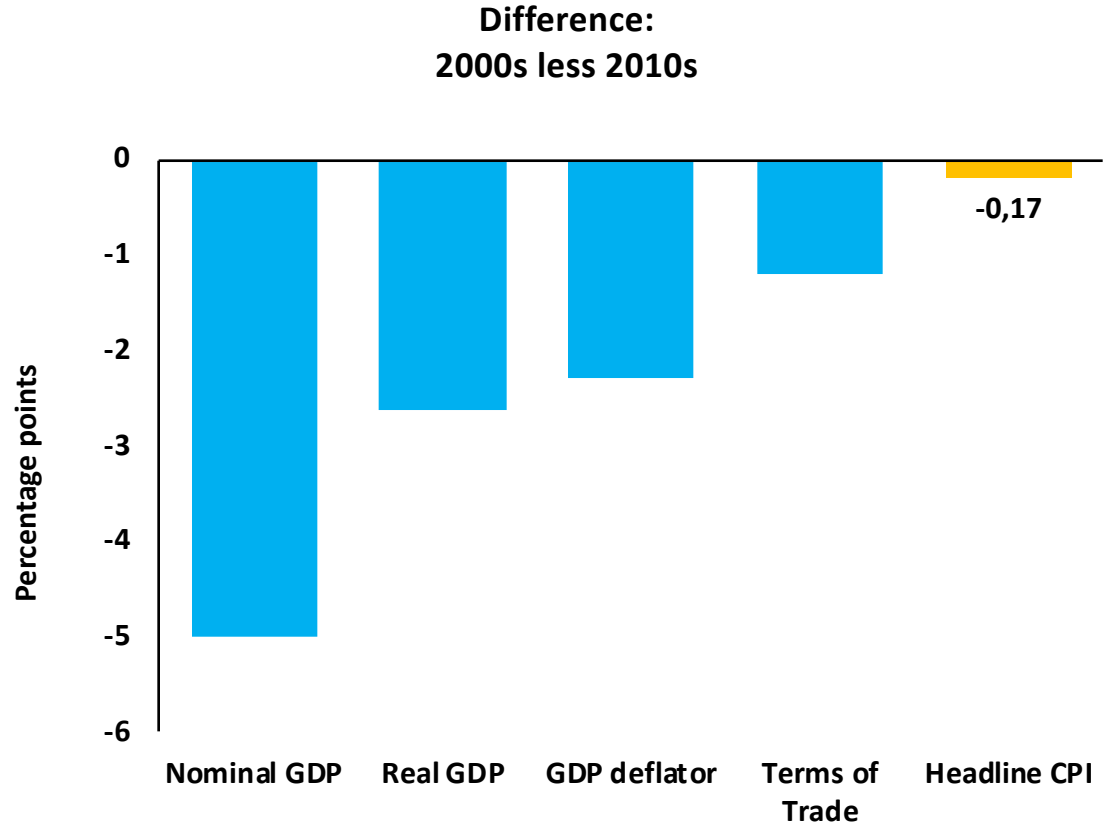
State downsizing not an obvious priority



Was getting inflation wrong the biggest fiscal problem?

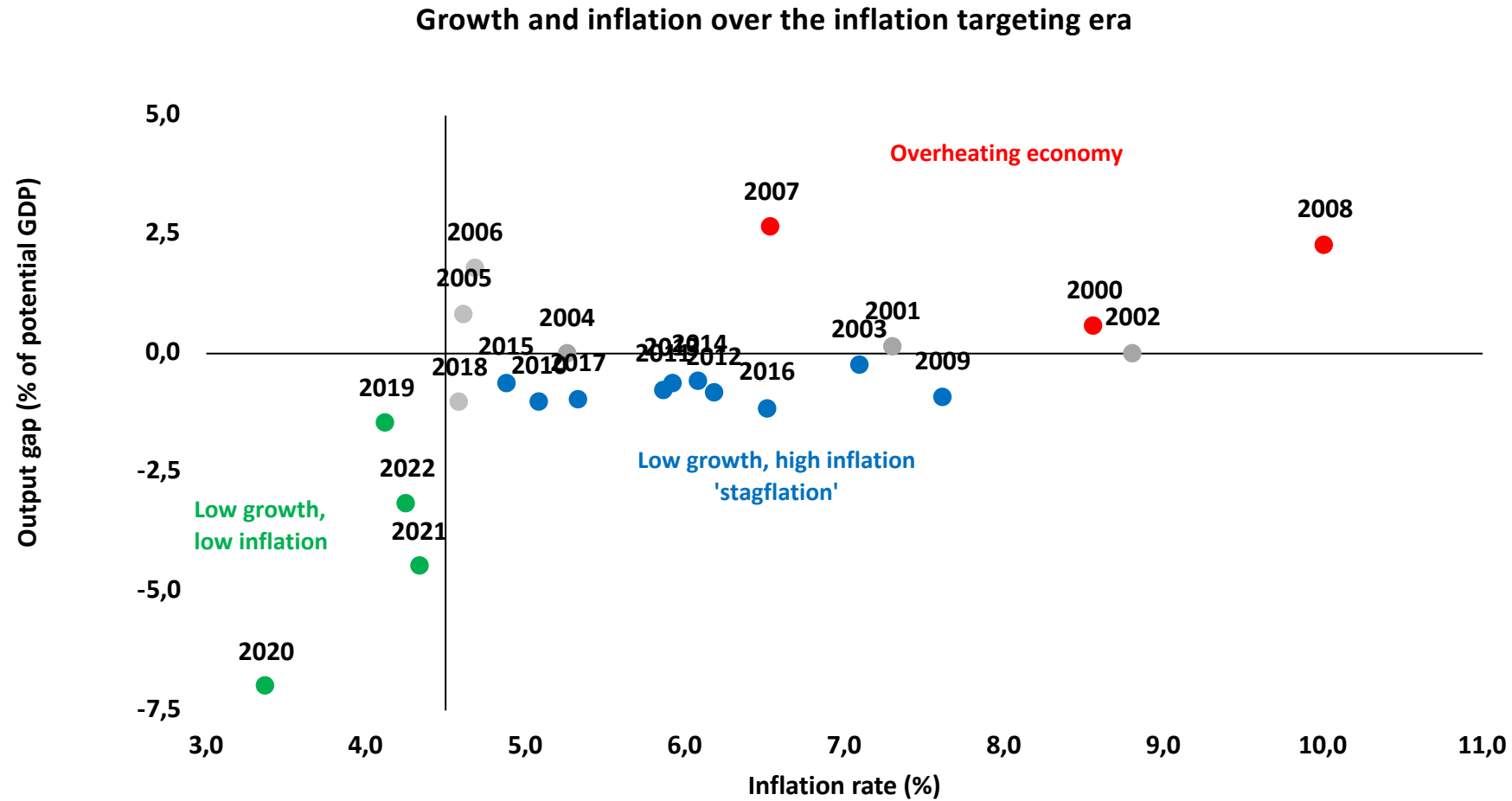


Sources: Stats SA and SARB



Sources: Stats SA and SARB

MP in best position since introduction of IT to deal with crisis



Sources: Stats SA and SARB



Some concluding observations...

- Realistic repo cuts won't solve fiscal problems, nor will shifts in inflation... indexation weakens price signals.
- Focus on determinants of real growth = K, L, A, + institutions + policy
 - Network industries... weak supply, lots of demand.
- Low growth has become endogenous in fiscal policy:
 - If our discussion is about short-run distribution, then zero-sum.
 - If discussion about long-run development, then about growth and financing.
 - How to increase efficiency of spend & channel income pressures into development?