

MEDIA STATEMENT

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Business Unity SA (BUSA) statement on ANC Economic Recovery Strategy

BUSA notes the release of a document reflecting some thinking from the ANC on an economic recovery strategy post-Covid 19.

We are of the view that the Covid 19 pandemic has caused a significant upheaval in the global economy and in the SA economy. The SA economy is particularly impacted upon because we were in a recession and a severe fiscal crisis before the impact of the pandemic. Real GDP grew at an estimated 0.7% in 2019. The fiscal deficit was an estimated 4.3% for that year. The economy was further battered by Moody's, the only major rating agency that rated us at investment grade, downgrading the sovereign to sub-investment grade during the Covid 19 crisis.

Work done by Business for SA estimates a drop in the SA GDP of anything between 8.8% to 16.1% in 2020. Unemployment could be anything between 33.1% (narrow definition). This increases to more than this to 43.9% (broad definition) and the Reserve Bank estimates our fiscal deficit could be over 10% of GDP. The economic impact of Covid 19 is thus severe and this is exacerbated by the severe social impact because of the pandemic and the economic lockdown. The pandemic has also made starker the inequalities in our country.

This set of circumstances need a significant rethinking of our economy and measures to resuscitate it post Covid 19. We will need to build an economy that attains sustained growth of beyond 5% and is structured to be inclusive and equitable. This will require the critical stakeholders, particularly government, business, and labour to put aside ideology and dogma to put national interest above all else. However, some fundamental truths remain in any discussion on rebuilding our economy. These are:

The absolute imperative of getting local and global businesses to invest in SA. This will be extremely difficult in the Covid and post-Covid period.

The absolute imperative to grow the economy at levels that address the inequalities and is inclusive so that the majority of our people are economically active.

This means we need to agree on the structural reforms critical to enable investment, growth, and inclusion. It means we must recognise the resource constraints we face, and available resources must be utilised in productive economic and social growth. It means we can only invest in projects that will deliver meaningful social or economic returns.

The ANC document considers some but not all these issues. This document re-surfaces old ideology and dogma of a significantly increased role in the economy for the state, interfering in

the mandate and independence of SARB, supporting ailing and un-strategic SOE's and creating new ones. In all instances we will need to persuade society that there is a fundamental and rational basis for any such moves, consistent with an inclusive, mixed, and sustainable economic growth trajectory. We remain convinced the private sector is best placed to stimulate such economic growth, provided the state creates an enabling environment and business and labour reach a constructive compact taking all criteria including inclusivity, affordability, and competitiveness into account.

BUSA is a co-sponsor of Business for SA, which is doing a significant amount of work on developing fact-based options for rebuilding our economy, within the context of a fundamental recalibration of our socio-economy. We will engage government, labour, and other stakeholders imminently on the outcome of this work, but in the meantime urge that government looks at business as a credible partner in lifting SA out of the current crisis into the new dawn promised by President Ramaphosa.

BUSA CEO Cas Coovadia

For media enquiries, please contact:

Sizwe Maswanganye | sizwe.maswanganye@busa.org.za