



The crucial boxes economists would like to see ticked

In a quarter-century of being in office, the ANC government has striven to implement the founding principles of equality and the advancement of human rights and freedoms as espoused in the constitution. But over time corruption has set in, weakening state-

owned entities and overall governance. Unemployment is among the highest globally, tax revenues have declined, burgeoning state debt has pushed the fiscus to a high debt-to-GDP ratio and the country is on the precipice of further credit ratings downgrades.

Despite the disillusionment, South Africans are hoping for change following this week's general election. **Asha Speckman** asked economists what would be the quickest fixes and priorities for the new government to reverse this trend and encourage growth.

Isaiah Mhlanga, executive chief economist at Alexander Forbes Investments

What are the three quickest fixes for a new government to get SA's economy growing?

As Larry Summers put it, confidence is the cheapest stimulus, so the quickest way to boost growth is to boost confidence, for both consumers and business, by being clear with respect to the economic reform agenda.

Other priorities should be to fix the Eskom financial problems and ensure stable electricity supply, to enable industry to operate at high capacity and fix all the other state-owned enterprises and stop fruitless expenditure across government. The saved funds can be deployed to productive uses.

What are the biggest risks to economic growth?

The single biggest risk to growth currently is Eskom's financial sustainability and ability to provide energy. Without energy there is no investment, and a financially unstable Eskom poses a risk to the fiscus and credit ratings.

What should the new government's infrastructure priorities be?

Infrastructure priorities must be energy, road and rail networks and telecommunications, the so-called network industries. They are the bedrock of an economy.

Nazmeera Moola, head of investments, Investec Asset Management

What are the three quickest fixes for a new government to get SA's economy growing?

- Prosecute some of the corrupt;
- Visas & home affairs; and

- Streamline regulation for small business – particularly permits and tax filing.

What are the biggest risks to economic growth?

Eskom – both operationally and financially. Operationally, the risk is that Eskom has to resort to stage 4 load-shedding again, which would be disastrous for the economy and for confidence. Financially, the risk is that Eskom cannot rein in costs and the balance sheet is ultimately unsustainable.

- Skilled emigration as those with skills of all colours give up on SA. This hurts SA's long-term growth potential.

What should the new government's infrastructure priorities be?

- Bring the private sector into infrastructure provision.

Duma Gqubule, economist and founding director at the Centre for Economic Development and Transformation

What are the three quickest fixes for a new government to get SA's economy growing?

SA needs emergency measures to get the economy going. The economy will grow by less than 1% this year. GDP per capita at the end of 2019 will be lower than in 2013. We need monetary and fiscal stimulus to get the economy growing.

Firstly, I would suspend the inflation target and instruct the South African Reserve Bank to prioritise growth until we have an acceptable growth rate. In February 2010, Pravin Gordhan sent such a letter to Gill Marcus.

Secondly, we need a R500bn fiscal stimulus – about 3% of GDP – over the next three years. It will be spent only on infrastructure. There are many innovative ways we can fund this. Our debt is not high by international standards. We can borrow more. It will pay for itself because infrastructure spending has a multiplier of 1.9 times according to the

National Treasury.

We can restructure our national balance sheet and/or release funds from the Public Investment Corporation, which has an obscene level of funding for a country with such a high level of poverty. The Government Employees Pension Fund has excess funding of R300bn above the 90% minimum funding level set by the trustees.

The Reserve Bank can finance government spending.

We have institutional funds of R9-trillion. We can have an investment for growth accord with the financial sector to fund developmental investments. We need to define what these investments could be and provide the sector with a menu of possible projects.

What are the biggest risks to economic growth?

The government's austerity policies and the financial state of Eskom are the biggest threats to growth. There has been a public sector investment strike since 2015. I mean public sector investment strike. This is not a mistake. Public sector investment spending has declined by 18% since 2015 and is the biggest reason for the decline in gross fixed capital formation over this period.

Raymond Parsons, professor of economics at North West University Business School

What are the three quickest fixes for a new government to get SA's economy growing?

In my view there are no "quick fixes" for the South African economy. A week may be a long time in politics but five years is incredibly short to deliver.

However, there are nonetheless some high-priority action areas for a new government which, if followed, could steadily rebuild business confidence, promote early economic recovery and underpin sustainable reform within a reasonable period.

The election creates a watershed oppor-

tunity to do several things differently and better. They include for a new government to:

- Throw its weight behind the official commitments made at the Investment Summit in October 2018 to pursue more business-friendly policies and boost investor confidence. In the post-election period there is also a need to reduce policy uncertainty by "staying on message" with consistent policy decisions that create a more predictable environment for business and investors;
- Provide energy security for SA through stabilising and restructuring Eskom, and by finalising the Integrated Resource Plan to reduce SA's dependence on the Eskom monopoly and encourage a much better energy "mix" for SA; and
- Select a new cabinet in which the key appointees also enjoy the confidence of the business community and the markets.

What are the biggest risks to economic growth?

Not acting quickly or strongly enough on promised structural reforms, which then fall short of what Moody's would like to see to avoid it downgrading SA to junk status later this year.

Moody's has previously warned that a downgrade could soon follow if state debt rises further, if risks from state-owned enterprises are not contained and if economic growth does not improve.

Negative consequences would flow for the economy if universal junk status was to materialise. SA is on borrowed time here.

In addition, mishandling or mismanagement of controversial issues like the "nationalising" of the Reserve Bank and the proposal around prescribed assets in ways which damage investor confidence.

Likewise, if persistent political factionalism within the ANC in the post-election period jeopardises intended structural reforms, creates a "timidity trap", or just promotes renewed policy uncertainty.

What should the new government's infrastructure priorities be?

To improve SA's economic performance and global competitiveness sooner rather

than later, energy and transport infrastructure remain high-priority areas. Pragmatism is needed here to accommodate new practical options.

The priority must be to strengthen private sector participation, either through existing or new mechanisms, so as to expedite and implement delayed infrastructural projects.

Infrastructure spending needs a big push as a growth driver to get the South African economy on to a higher growth path in future.

Tsitsi Hatendi-Matika, head of retail investment specialists at Absa

What are the three quickest fixes for a new government to get SA's economy growing?

Securing energy supply is key to overriding most of the significant projects and investments which can assist to unlock SA's growth. While Eskom cannot be completely fixed in the short term, there are milestones achievable in the next few months.

A clear strategic plan showing the way forward is not only necessary but will be well received. The appointment of the chief reorganisation officer will also be closely watched.

Clarity on the ongoing cleanup of the South African Revenue Service will be instrumental to improve revenue collections and also bring back trust in the institution, which will assist the country as a whole.

Finally, in order to improve local and offshore investor sentiment, the curbing of corruption and arrests linked to the commissions of inquiry will be essential.

Once business and consumer confidence returns, the economy can start growing at levels higher than the current sub-optimal levels in the short to medium term.

What are the biggest risks to economic growth?

The biggest risk in the short term is

continued deterioration in the country's fiscal balances, and this is linked to the potential downgrade from Moody's to sub-investment grade.

The October medium-term budget speech will be important to track how well the government has done in the last few months.

The second major risk is a continuation of policy uncertainty, with land at the top of the list.

Finally, the risk of a lack of political will to make the tough and necessary changes to unlock growth will be detrimental in the long term.

What should the new government's infrastructure priorities be?

Road, rail, water and communications are all infrastructure priorities that will assist in unlocking growth and in increasing the ease of doing business overall.

Gina Schoeman, Citibank SA economist

What are the three quickest fixes for a new government to get SA's economy growing?

There are some quick wins on micro reform – things that are not very labour, politically or socially sensitive. These three are: facilitating high-skilled immigration, focusing on tourism via reversing the visa protocols put in place under [former home affairs minister Malusi] Gigaba and then improving efficiencies via e-visa processes, and a focus on agro-processing, which is essentially expanding the high-end fruit export market.

In order to implement reform, a country needs a capable state. SA lost so much government capability under [former president Jacob] Zuma that even via the cabinet changes that trickle down to departments, the country should naturally see improved GDP growth through improved efficiencies. The key gauge of this is the World Bank's Doing Business survey.