Press Release

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IRR economist urges caution on SA economic growth numbers

IRR chief economist, Ian Cruickshanks, has said that the Governor of the South African Reserve Bank (SARB), Ms Gill Marcus, may still prove to be overly optimistic in her GDP growth forecast for 2013. This is despite the forecast having been revised down from over 3% a year ago to 1.9% in the SARB's Monetary Policy Committee (MPC) statement today.

The Governor emphasised potential downside risk with a possible critical impact on the Government's social welfare spending capacity, infrastructural development costs, and a climbing government wage bill - while revenue from tax collections is unlikely to increase.

The SARB's expectation for inflation is to remain near the top of the 3%-6% target range with high speculative risks to the rand exchange rate, high unit labour costs, and ever increasing administered prices, such as electricity. The Governor acknowledged that business tempo was likely to remain subdued while the latest measures of business and consumer confidence indicated a lack of appetite for capital investment and likely low consumer demand.

Although the SARB has lowered its expectations for domestic economic growth for 2013 it was more optimistic for 2014 and 2015 - estimated at 3% and 3.4% respectively. Mr Cruickshanks warned that the SARB's previous forecasts had proved to be too optimistic and that analysts seeking a realistic outlook may treat these latest forecasts with some circumspection.

He also warned that even if the numbers were right they were still too low to instill expectations for foreign capital investment while the rocketing current account deficit may discourage foreign portfolio inflows as South Africa's borrowing requirement is now likely to be significantly higher.

Ends.