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Economic Overview

CESA Conference

11 November 2013



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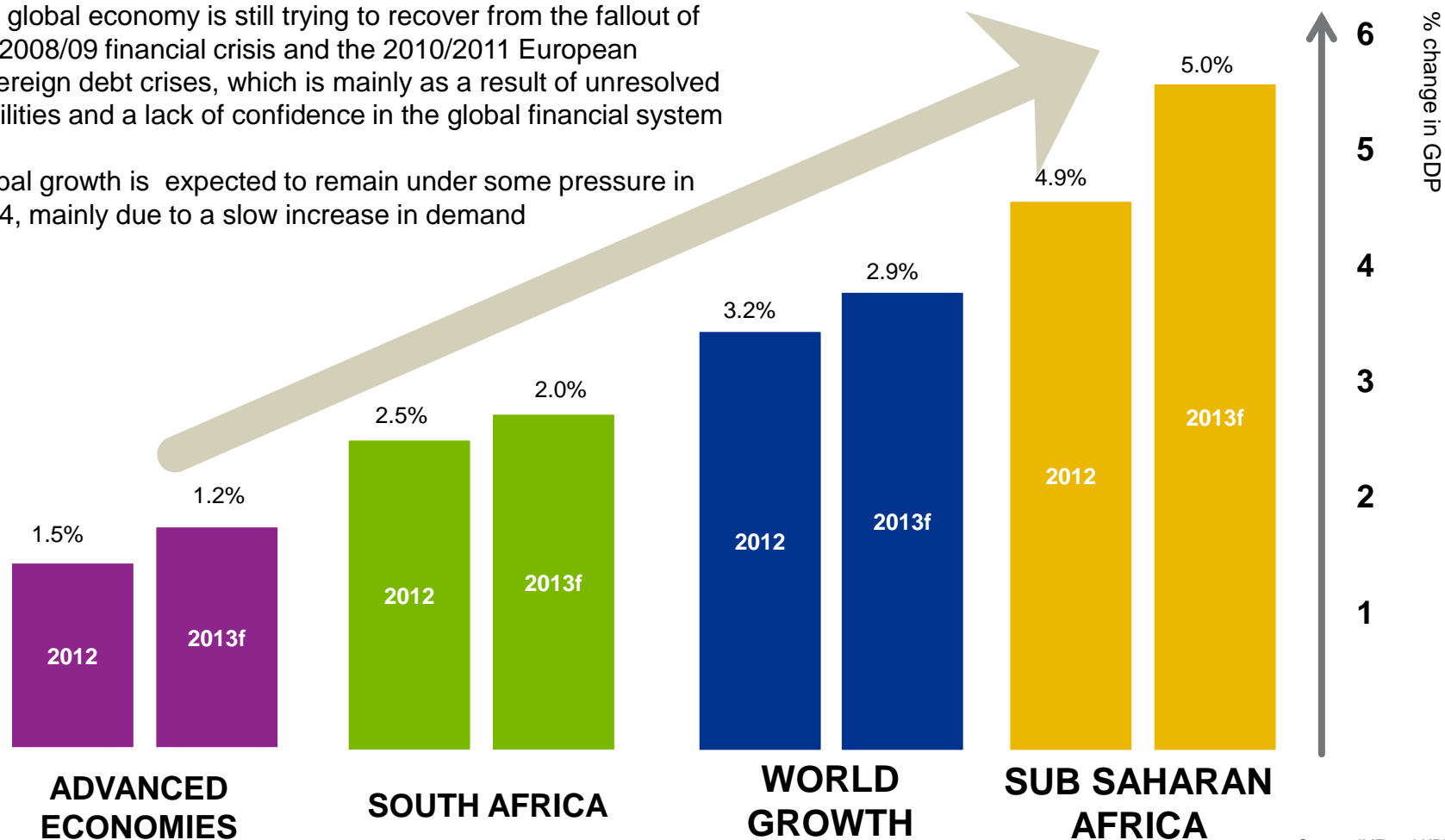
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The global economy

RACE TO ECONOMIC GROWTH

The global economy is still trying to recover from the fallout of the 2008/09 financial crisis and the 2010/2011 European sovereign debt crises, which is mainly as a result of unresolved fragilities and a lack of confidence in the global financial system

Global growth is expected to remain under some pressure in 2014, mainly due to a slow increase in demand



Source: IMF and KPMG.

Will the global economic superpowers really change that much?

TOP 10

GLOBAL ECONOMIC SUPERPOWERS

#1
United States
Projected GDP 2013: 16.2 trillion
Projected GDP 2017: 19.3 trillion

#2
China
Projected GDP 2013: 13.9 trillion
Projected GDP 2017: 20 trillion

#3
India
Projected GDP 2013: 5.2 trillion
Projected GDP 2017: 7.5 trillion

#4
Japan
Projected GDP 2013: 4.7 trillion
Projected GDP 2017: 5.3 trillion

#5
Germany
Projected GDP 2013: 3.4 trillion
Projected GDP 2017: 3.9 trillion

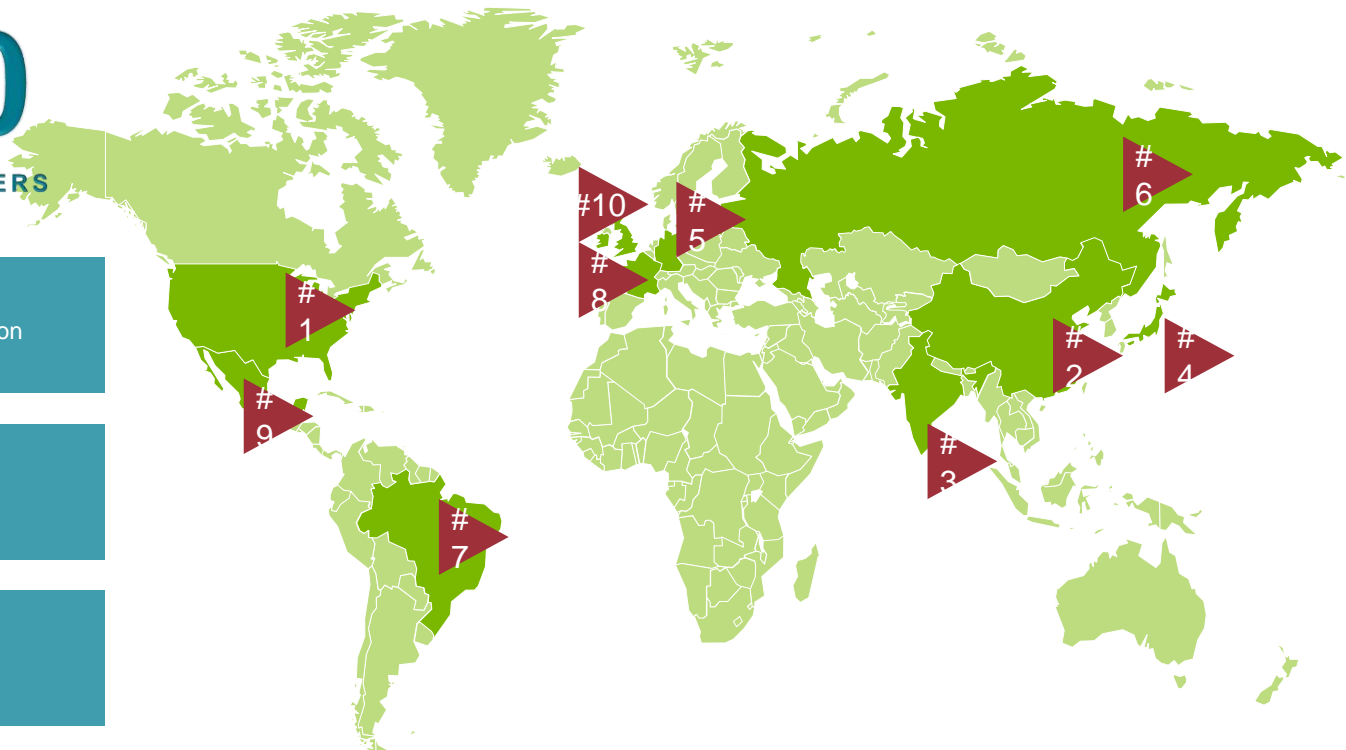
#6
Russia
Projected GDP 2013: 2.6 trillion
Projected GDP 2017: 3.3 trillion

#7
Brazil
Projected GDP 2013: 2.4 trillion
Projected GDP 2017: 3.1 trillion

#8
France
Projected GDP 2013: 2.3 trillion
Projected GDP 2017: 2.7 trillion

#9
United Kingdom
Projected GDP 2013: 2.3 trillion
Projected GDP 2017: 2.6 trillion

#10
Mexico
Projected GDP 2013: 2.1 trillion
Projected GDP 2017: 2.7 trillion



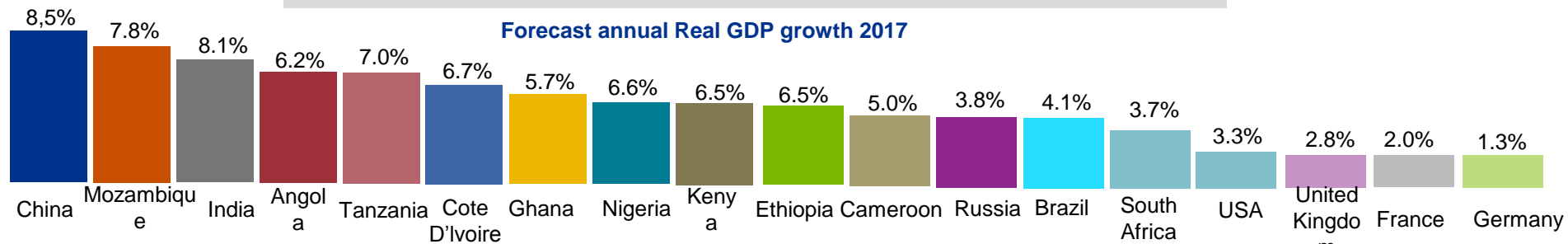
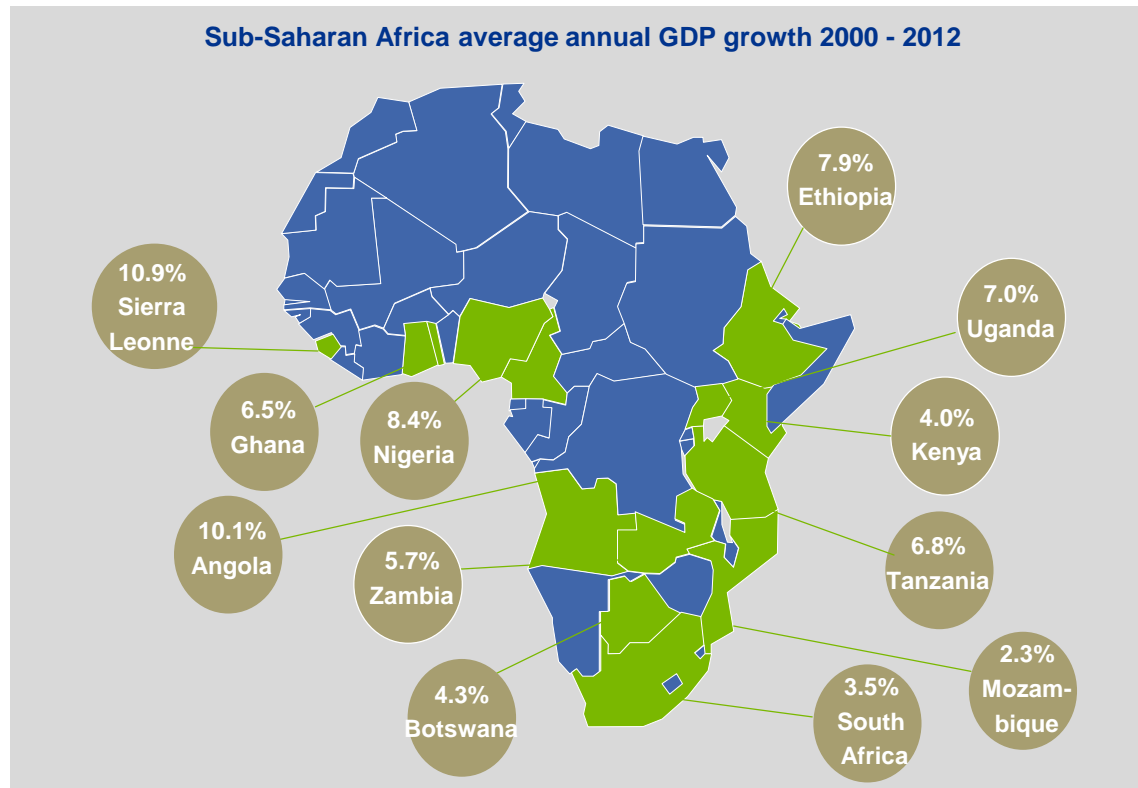
Source: Economic intelligence Unit



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BRICS and Africa

The Africa opportunity



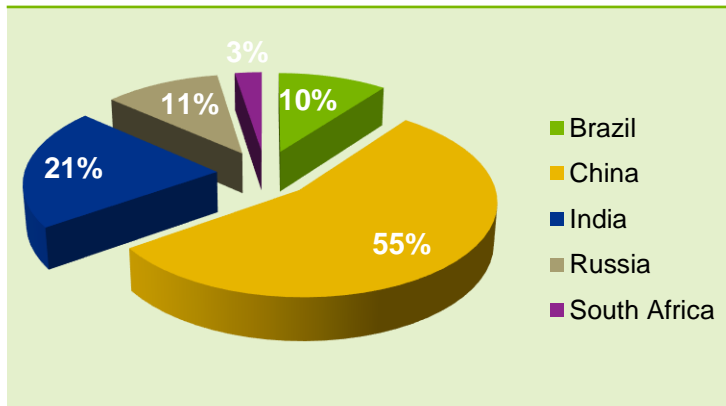
Source: International Monetary Fund

Africa's new trade frontier



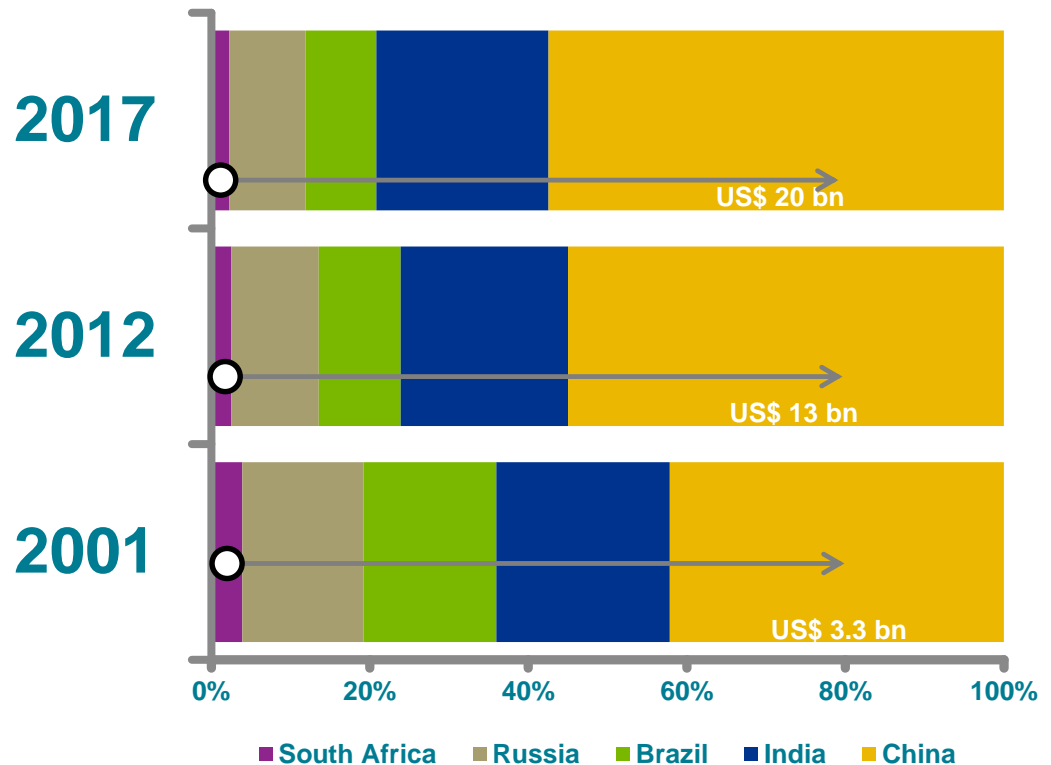
South Africa and BRICS

ECONOMIC POWER (2012)



BRICS facts

- BRICS will represent 32% of global economic output by 2017
- Total GDP of US\$ 22.3 billion
- Representing 27% of total global economy
- Population about 40% of global population





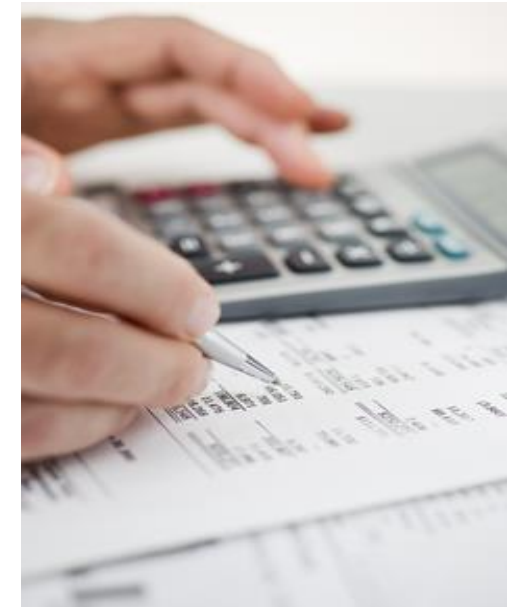
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**And closer to
home**

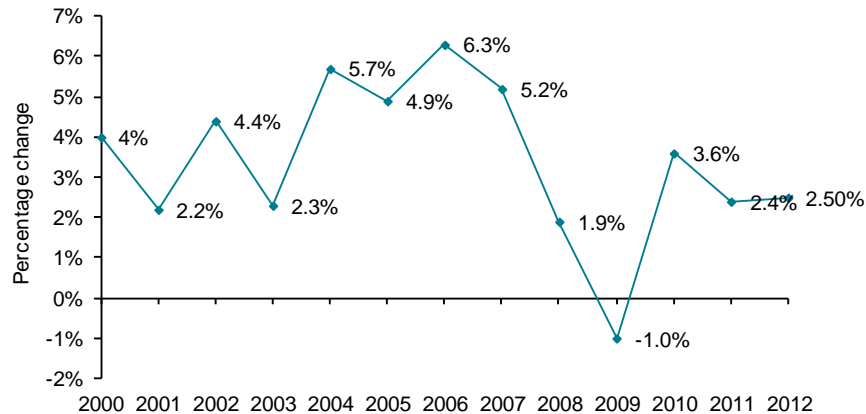
Overview of the South African economy

Percentage	Actual	Estimate	Forecasts		
	2012	2013	2014	2015	2016
Final household consumption	3.5	2.5	2.9	3.2	3.4
Gross fixed capital formation	5.7	4.1	5.0	5.5	6.3
Current account balance as % of GDP	-6.3	-6.5	-6.4	-6.2	-6.1
Real GDP growth	2.5	2.1	3.0	3.2	3.5
Headline CPI inflation	5.7	5.9	5.6	5.4	5.4

2013 Medium Term Budget Statement



GDP growth rate 2000 - 2012



	2012	2013
Unemployment (Q2)	24.9%	25.6%

Doing business in South Africa

39th out of
185

Highest ranked
African country

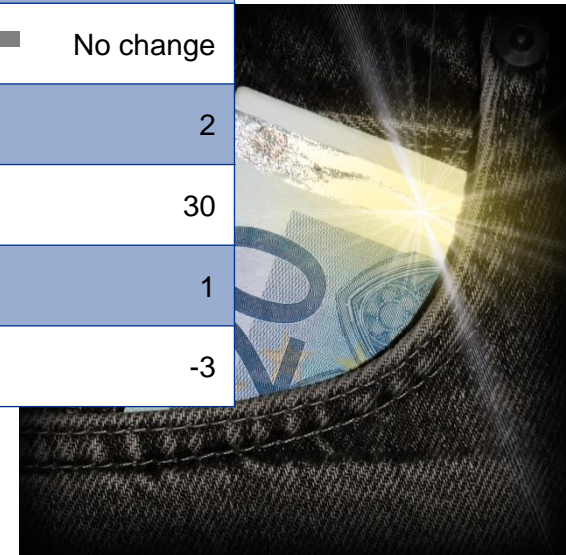
	Doing Business 2013 DTF** (% points)	Doing Business 2012 DTF** (% points)	Improvement in DTF** (% points)
Starting a Business	53	43	↓ -10
Dealing with Construction Permits	39	38	↓ -1
Getting Electricity	150	148	↓ -2
Registering Property	79	78	↓ -1
Getting Credit	1	1	— No change
Protecting Investors	10	10	— No change
Paying Taxes	32	34	↑ 2
Trading Across Borders	115	145	↑ 30
Enforcing Contracts	82	83	↑ 1
Resolving Insolvency	84	81	↓ -3

biggest
improvements to
ease of trade
across borders in
2012

1st place

Ease of granting
credit (with
Malaysia & UK)

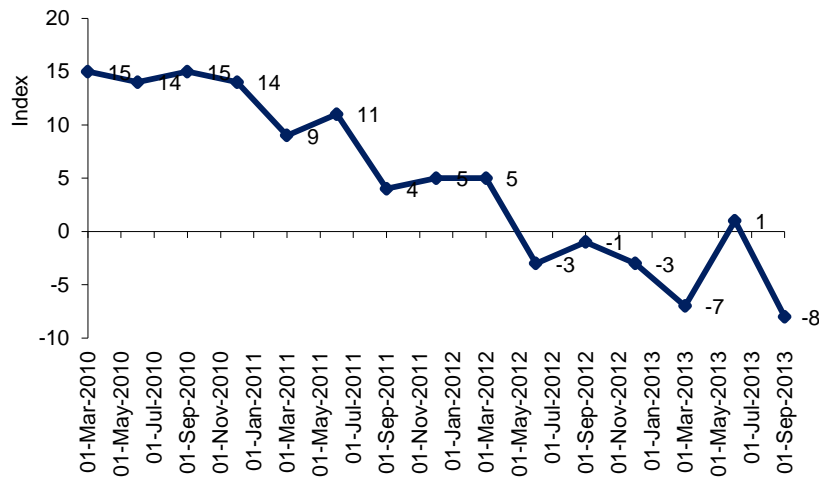
Improved
customs administration




Confidence in the marketplace

Consumer confidence index

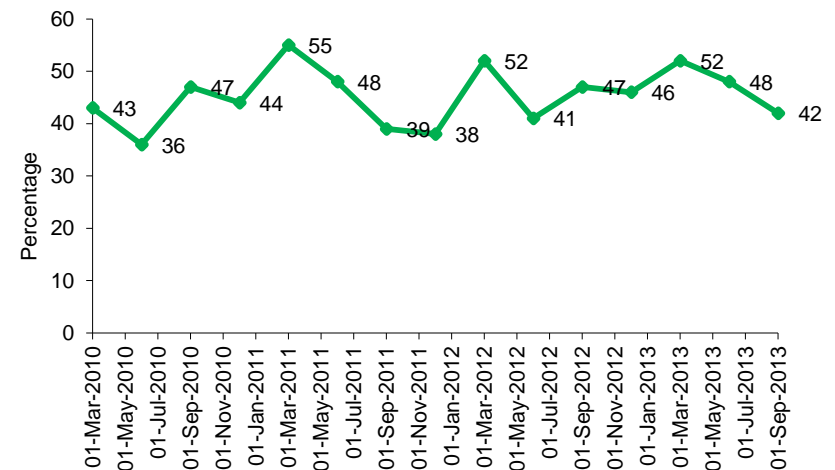
- FNB/BER consumer confidence index (quarterly)
- 0 = neutral



Consumer rating  to a 9 year low of **- 8 index points** in 2013Q2

Business confidence index

- RMB/BER consumer confidence index (quarterly)
- % of positive responses



Respondents rated business conditions as **unsatisfactory** as the index declined to **42 in 2013Q3**.

South Africa: the risks

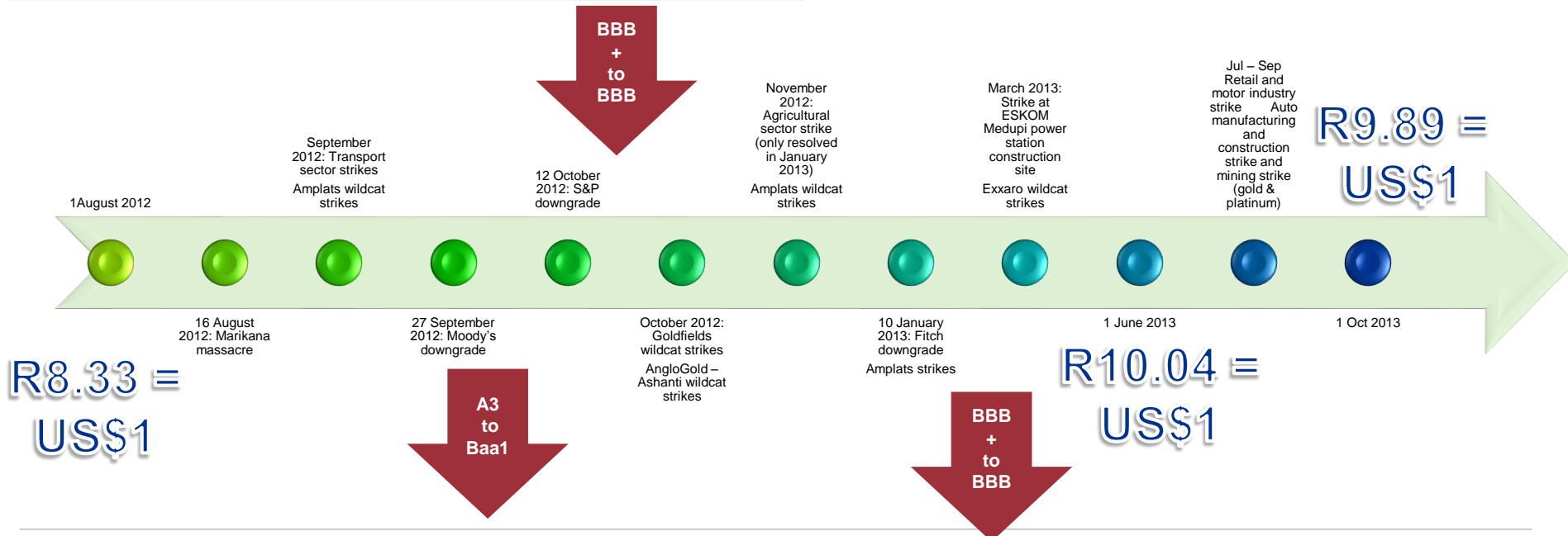
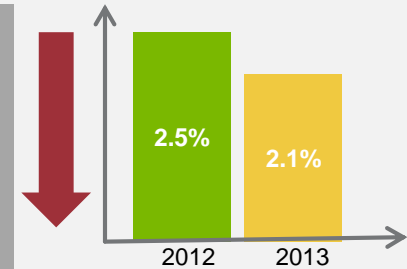
Labour market Global Competitiveness Index rankings (from 144 countries)

Cooperation in labour employer practices	99
Hiring and firing practices	137
Pay and productivity	123

2013 GDP growth forecast revised downward

Forecasts revised downwards mainly due to global conditions and domestic factors such as:

- Labour unrest
- Maintenance stoppage in major industries
- Electricity production constraints
- Declining business confidence



South Africa: the upside

Not all doom and gloom...

Gross fixed capital formation to **increase** by 4 percentage points

Employment and tax incentives to support young work seekers in special economic zones

Review of the current tax system – **tax relief** for small business

Support for the motor industry through grant-based incentives and tax offsets



The Medium Term Budget has proposed **austerity measures** to cut government spending on cars, travel and entertainment to ensure that taxpayers money is used efficiently and effectively.

This could result in savings of approximately **R2bn** a year

2013 strike season has **not been as disruptive** or destructive as previous strike seasons

2 mn man days vs. previous 3.5 mn man days previously

150 wage agreements were reached in a number of sectors **without industrial action**



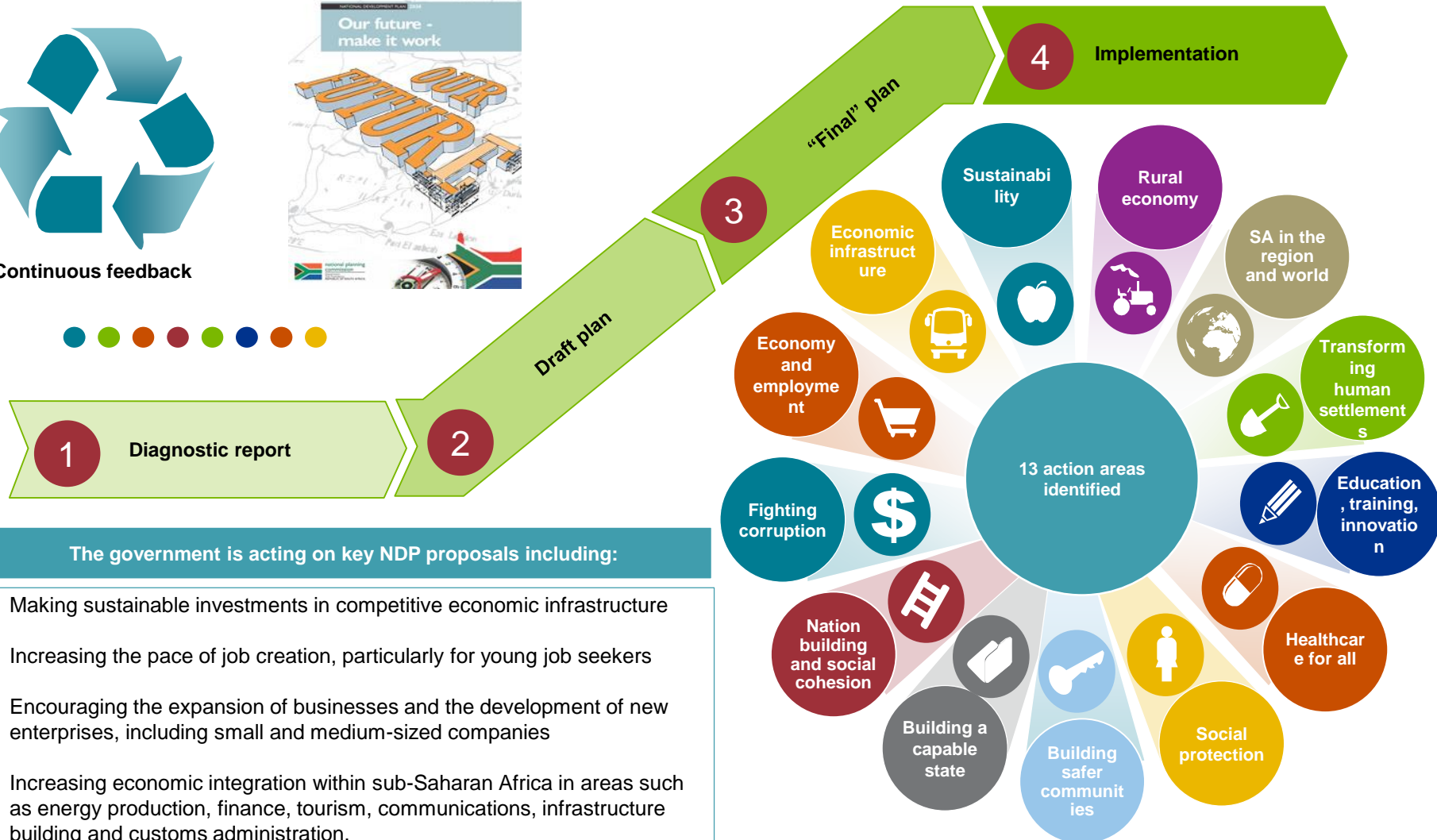
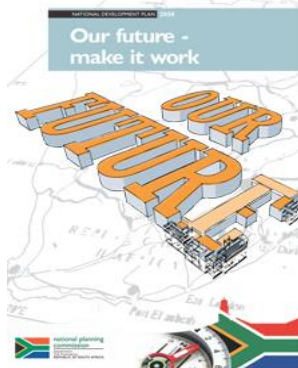
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The NDP and spending on infrastructure

Overview of the NDP process



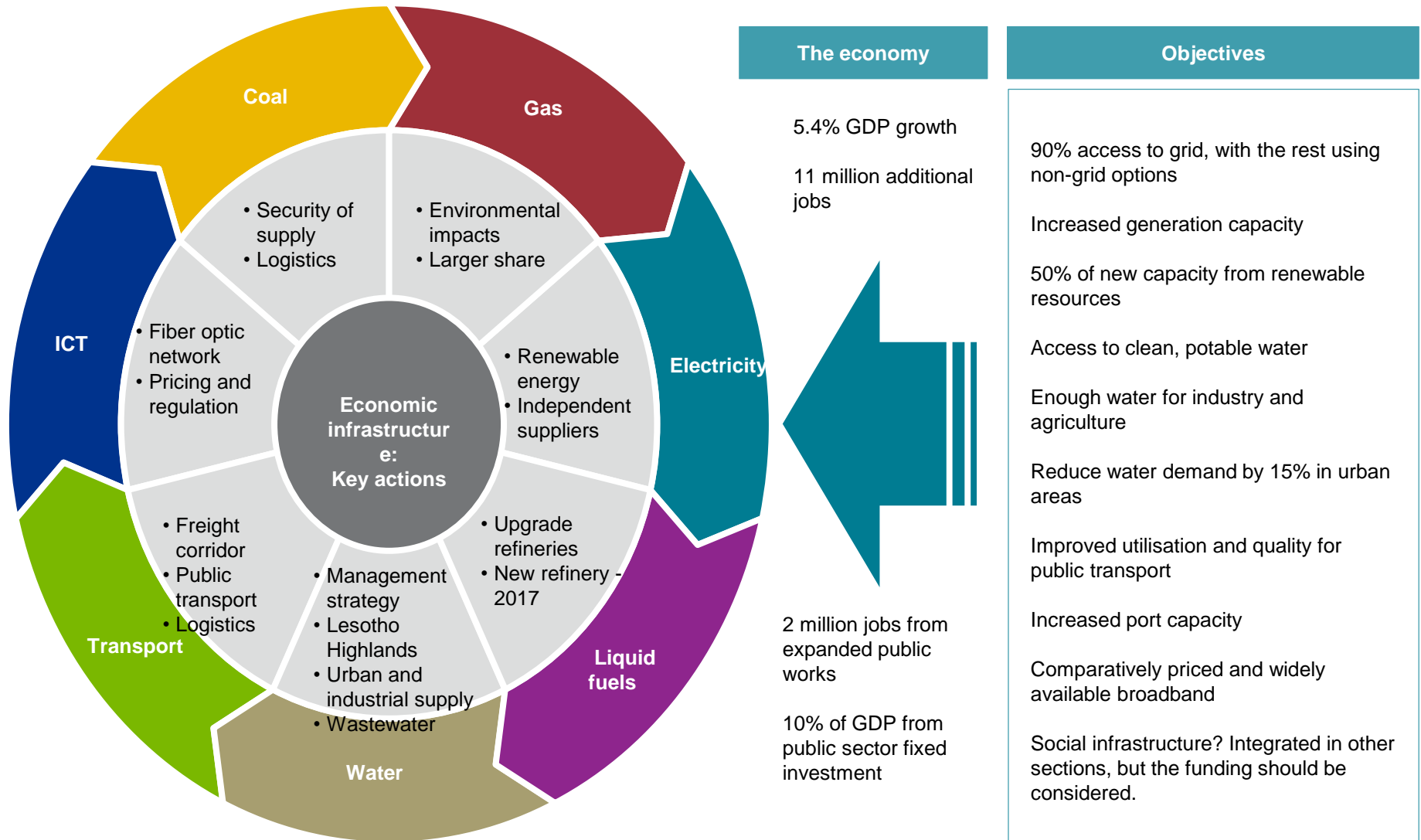
Continuous feedback



The government is acting on key NDP proposals including:

- Making sustainable investments in competitive economic infrastructure
- Increasing the pace of job creation, particularly for young job seekers
- Encouraging the expansion of businesses and the development of new enterprises, including small and medium-sized companies
- Increasing economic integration within sub-Saharan Africa in areas such as energy production, finance, tourism, communications, infrastructure building and customs administration.

Infrastructure in the NDP: what are we targeting?



Mind the Gap

5.4%

GDP growth rate

10%

Targeted share of GDP spend
on infrastructure

300
000

Additional jobs if we were
able to achieve NDP target
now

250
000

Jobs lost due to
under-spending

R12 trn
=
27 X 2010 Soccer World Cup



Funding requirement to reach NDP
target

R8 trn

Funding shortfall

Approx. annual
spending



Planned MTEF
spending

What we
plan, but
don't
spend

R827
bn

R4 trn

Approx. PICC /
SIPS spending

R1.1
trn

Current requirement to
reach NDP target

QUESTIONS





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