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**BUSA'S RAYMOND PARSONS SAYS A 'GROWTH  
PLAN' HELPS RESPONSES TO THE GLOBAL  
ECONOMIC CRISIS**

“The fact that South Africa is engaged in the new Growth Path process at present is of help in defining current and future responses to the latest global economic crisis”, said Raymond Parsons, Deputy CEO of Business Unity South Africa (BUSA) today. “Given the economic uncertainties in the global economy, which could take several years to unwind, it remains essential for an emerging market like South Africa to be able to devise flexible responses to address the cyclical and structural challenges that exist,” he said. For this, a ‘growth plan’ provided a useful framework and focus for what to do next. The global economic recovery had been hit by a number of shocks in 2011 and these would also require the crafting of skillful policies globally if a ‘worst case’ scenario was to be avoided, he said.

Addressing the Afrikaanse Handelsinstituut Annual Congress in Pretoria today on ‘The New Growth Path after One Year’, Mr Parsons said that key global policymakers needed to see what elements of hope could be discerned amidst the ‘doom and gloom’ and offer strong leadership. One of the major factors contributing to depressing the economic and business mood globally was the perception that political will and leadership in key economies like the US and the Eurozone countries had not yet shown themselves equal to the new economic challenges facing them. “The remarkable capacity of the global system to take severe punishment is the best reason for hoping that we will still have time to rally the constructive forces of the world to avoid a ‘double-dip’ recession,” said Mr Parsons, “provided there is effective political leadership and

decision-making". The forthcoming G20 meeting would be critical in this respect.

Turning to South Africa, Mr Parsons said that economic circumstances had changed since the NGP was launched a year ago. He also recalled that government, labour and business had collaborated in producing the 'Framework for SA's response to the International Economic Crisis' in February 2009. This country would not escape the impact of the recent turn of events in the global economy - BUSA had reduced its forecast of real economic growth from 3.4% to 3.1% for 2011 as a whole - but as an emerging economy SA still had a margin of resilience.

Mr Parsons said that, nonetheless, if the NGP and related policies wanted to make the SA economy bigger, stronger and better in the period ahead, their approach needed to be able to -

1. sustain the present economic recovery;
2. increase the actual and potential real economic growth rate to higher levels over time, such as to 6% - 7% p.a;
3. shape and implement policies and prospects that would promote higher job-rich economic growth, especially among the youth. It was universally agreed that unemployment is SA's most pressing socio-economic problem.

He said that, given present economic circumstances, the way ahead economically for SA should be based on the following six points of departure -

- the policy tools needed to underpin the global economy required international cooperation - which would be difficult to achieve - and in the absence of which the risks of a 'double dip' recession had increased;
- we must hope that policymakers abroad would nonetheless do enough to avoid a catastrophe;
- the more things went wrong abroad, the more SA must look to the efficacy of its domestic policies, its international competitiveness, the diversification of export markets and the need to boost investment. SA needed to reassess where its comparative advantages now lay in terms of regions and alternative markets, such as Africa;



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- the challenge was not whether SA would face another recession - this was unlikely - but growth would lose momentum in 2011 yet remain positive, but that growth in SA was in any case too low to meet its socio-economic needs;
- while SA had some policy space to offset any additional negative global factors to a certain extent, the challenge remained to achieve more consensus around the right public policy choices in this country to address structural change and to ensure that what had been decided was implemented;
- the NGP provided a platform from which to recognize the primacy of growth and employment in the hierarchy of policy goals for SA.

“If we want to stem current job losses as well as lay foundations for future job creation in SA, then we must concentrate largely on the factors which can make a difference locally, rather than agitate endlessly about overseas trends over which we can exercise little influence. The Medium Term Expenditure Budgetary Framework next month should reinforce this message”, concluded Mr Parsons.

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