

President's Review

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December | 2010

Looking back at 2010

A message from the BUSA President

BUSA accomplished key economic and business milestones in 2010.

As South Africa began its recovery from recession this year, BUSA concentrated its efforts on assisting business by engaging government and Parliament on policy and legislation; leading overseas trade missions to open up new markets for South Africa; campaigning publicly for issues affecting business and actively monitoring local business and economic trends.

Most recently, we released our perspective on government's plan for a new economic growth path – an issue that will be a key focus in the new year.

In October BUSA held its second successful annual Anti-Corruption Business Forum. Minister of Public Service and Administration Richard Baloyi was the key speaker at this high level business campaign. The forum continues to highlight the serious challenges that corruption poses to business and society. As BUSA President I have a keen interest in mobilising business to make a positive impact on our local business ethics.

SMMEs – another of my focus areas – have been included in BUSA's portfolio of priority issues in 2010. In October

BUSA's Management Committee gave its approval for the establishment of a BUSA SMME Task Group. Shortly after, BUSA made a substantial submission to Parliament on the challenges faced by SMMEs. The support shown by members in favour of the submission reiterated our belief that the growth of SMMEs is fundamental to South Africa's progress.

In the past year I have been honoured to head a delegation of over a hundred business leaders and over 800 business delegates accompanying President Zuma on a number of state visits to India, Russia, China and Egypt. In 2011 BUSA will liaise with members to further enhance the value derived from these visits.

Our state visits have also highlighted the need for BUSA to take a greater lead on the continent and in the global arena. As you know, BUSA already plays a leadership role within the private sector in SADC. We thank Professor Wiseman Nkuhlu for his dedicated leadership in the international space. We will continue in 2011 to give him the support he needs in fulfilling this task as President of the International Organisation of Employers.



BUSA President Futhi Mtoba

Internally, our Council endorsed BUSA's strategy for 2011-14 at a meeting held on 29 November. BUSA's mission and vision have also been refined and we will be adapting our programmes accordingly in 2011.

As we approach the end of a successful year, BUSA would like to wish all members a joyous festive season and a prosperous 2011.

Mrs Futhi Mtoba
BUSA President

The Global Economy

Uncertainty in the global economic environment will remain in 2011.

Developments in major economies – the US, EU and China – will have a direct impact on the SA business environment.

The G20 identifies the following downside risks to global economic prospects –

Renewed pressures in the U.S. housing market

Some banks with significant exposure to the housing markets are likely to be impacted by declining house prices, with some consequences for market confidence and the global recovery through macro-financial linkages.

Spillovers from renewed turbulence in sovereign debt markets, notably in Europe

A key risk is that turbulence in sovereign debt markets precipitates an adverse feedback loop with the financial sector, and spills over to the real economy and across regions through higher funding costs and tighter lending conditions.

The lack of credible medium-term consolidation plans

If major advanced economies delay announcing credible medium-term fiscal consolidation plans, underpinned by conservative growth assumptions and concrete policies and measures,



Downside risks in 2011

there is a risk that confidence will be undermined and bear upon recovery prospects.

Capital flows and risks of overheating in emerging economies

Large capital inflows into major emerging economies, coupled with insufficient policy levers in some, pose risks of overheating and asset price booms, with attendant spillovers, and could undermine sustainable recovery.

Financial and trade protectionism and currency instability

A recent wave of foreign exchange interventions to limit appreciation in some emerging and advanced economies, predominantly in Asia and Latin America, has raised the spectre of protectionism, which could derail the global recovery. This has reinforced the need for more a collaborative approach to put the global recovery on a stronger footing.

BUSA's response

Many of the risks identified by the G20 are beyond the remit of any one government or country. As such, BUSA will continue to monitor developments with the G20.

We will also increase our capacity to provide input through the NEDLAC G20 task team to provide a meaningful contribution to the G20 Agenda.

In 2011, our efforts will focus on ensuring that the Development Agenda which featured prominently in the Seoul Communiqué is carried forward during France's Presidency of the G20.



The Domestic Economy

South Africa's economic prospects are expected to be negatively impacted on by ongoing developments within the European Union - one of our key trading partners.

The EU estimates that "the region's economy may weaken in 2011 as fiscal reforms to curb deficits and national debts will curtail consumer demand and faltering global expansion curbs exports". Further, sluggish growth prospects for the US economy will continue to impact global economic performance.

Strong GDP growth in many developing countries and economies in transition will contribute to create a buffer for global economic performance. Countries like, China, India and Brazil will continue to drive growth. Many developing countries have been able to use the policy buffers (in the form of ample fiscal space and vast foreign-exchange

reserves) they had generated in the years before the crisis to support economic performance.

BUSA believes that the GDP estimate of about 3% is fair, with some downside risks to GDP as highlighted above. While most of these risks are exogenous, the country will have to ensure that we maximise all domestic levers to achieve the desired job-rich economic growth.

GDP growth should also be supported by continued public sector infrastructure spending, which will sustain gross fixed capital formation to an average 6% growth over the period ahead.

Policy & Regulation

Proposed interventions in government's New Growth Path and ensuing debates provides a catalyst for business to take a closer look at regulatory and policy development. Globally, regulatory uncertainty remains at higher levels than before the economic crisis.

This has led many businesses to expand their compliance and policy units. BUSA believes that there is scope for greater coordination of resources to maximise business inputs into regulatory issues.

In 2011 we expect the following issues to receive considerable attention:

- New Growth Path
- National Health Insurance
- Social Security & Retirement Reform
- Competition Policy
- Corruption
- BBBEEE
- SMME Issues
- Service Delivery at Local Government level

Business will be required to position itself to respond effectively to these challenges. Members and the broader business community are encouraged to make resources available to support BUSA's engagements on these challenges.

BUSA Membership

Despite the economic circumstances, BUSA's membership grew from 47 member organisations in 2009 to 57 in 2010. We expect steady growth to continue in 2011. The BUSA Board of Trustees, which proved immensely successful in 2010, is expected to double its membership by the end of 2011. The Board currently consists of 45 Trustees.

