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Spotlight: Busa on SA Economy
Looking ahead

KEY: STRATEGIC DRIVERS

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GDP contracts by 0,6% in the third quarter

SA's current-account deficit narrowed in the third quarter of 2019 by less than economists' expectations, data from the SA Reserve Bank showed. After rebounding by a revised 3,2% in the second quarter of 2019, activity in the South African economy slipped slightly in the third quarter. Mining, manufacturing and transport were the biggest drags on growth in gross domestic product (GDP). Mining was down by 6,1%, driven largely by a fall in the production of platinum group metals, coal and iron ore. Gold saw some positive movement in the third quarter, according to the Mining: Production and sales release for September 2019.

Manufacturing fell by 3,9%, but being a bigger industry than mining, its contribution to total GDP growth was just as large (-0,5 of a percentage point in both cases). The contraction was mainly due to decreases in the manufacturing of basic iron, steel, and machinery products, as well as products related to the petroleum, chemicals and plastics division. Positive gains were reported in the third quarter for the food & beverages and transport manufacturing divisions.

The transport, storage and communication industry also found itself on the back foot, falling by 5,4%. This is the biggest quarter-on-quarter fall for the industry since 1993. A slowdown in activity related to freight and passenger transport dampened growth in the third quarter. The positive contributors to GDP growth in the third quarter were trade, government and finance. Positive growth in wholesale, motor trade and accommodation lifted the trade industry by 2,6%. A rise in civil service employment in provincial government and higher education institutions pushed general government services up by 2,4%.

Key facts from the GDP release for the third quarter of 2019:

- Real GDP in the third quarter was down 0,6% quarter-on-quarter (seasonally adjusted and annualised).
- Unadjusted real GDP growth in the third quarter was 0,1% year-on-year.
- Unadjusted real GDP growth for the first nine months of the year was 0,3% year-on-year.
- Nominal GDP in the third quarter of 2019 was estimated at R1,29 trillion, higher than the R1,26 trillion recorded in the second quarter of 2019.
- Expenditure on GDP in the third quarter fell by 0,3% quarter-on-quarter (seasonally adjusted and annualised), largely the result of a drawdown in inventories.

📍BUSA site: <https://.org.busa.za/>; Twitter, @BusinessUnitySA; and Facebook, @BusinessUnitySouthAfrica.

BUSA on SA economy

The shrinking of the South African economy - by 0.6% in the three months to end of September 2019 – was to be expected.

Business Unity South Africa (BUSA) – among many others – has been consistently warning that unless government adopts and implements pragmatic economic policies, South Africa will suffer stagnant growth, stunted development and growing, unsustainable debt. Now the consequences of government's inaction on the economy are once again upon us. Stats SA said one of the biggest negative contributors to the GDP figures in the third quarter was the mining industry, which fell by 6.1%. Despite some progress, not enough has been done to reduce policy uncertainty and encourage investment in the mining industry, a potential source of jobs and revenue for the country. The country's manufacturing industry – another key source of jobs - decreased by 3.9%.

Another recession is looming for the country. Very little has happened between the end of September and now to change the trajectory of the economy. The South African Reserve Bank (SARB) projects that the country will only achieve 0.5% economic growth this year – far below what it needs to reduce its unsustainable levels of unemployment, poverty and inequality. The shrinking economy, weak business environment and persistent high levels of unemployment means tax revenue will be further constrained, putting more pressure on the country's fiscus. There is no real need to wait until the announcement of the national budget in February 2020, to see that the shrinking economy means South Africa can no longer afford to service its debts and meet the needs of its people. A further credit rating downgrade, by investor services agency Moody's, seems inevitable under the present circumstances, which will further damage South Africa's standing as an investment destination.

Government – and all South Africans – can no longer put off making tough choices. Costly and bankrupt state-owned enterprises, like South African Airways, need to find equity partners who can contribute capital and skills, or be appropriately restructured in order to ensure its sustainability and save some jobs. The country cannot afford prestige pet projects that cannot pay their way anymore. Efforts to resolve Eskom's financial and operational crises must be fast-tracked with the help of all stakeholders – in the state, private sector and unions. Each will have to put their immediate narrow interests aside, to deal with this immediate danger to the economy and the country as a whole. The survival of the economy must trump ideological grandstanding.

Business has repeatedly put up its hand to be a partner in inclusive economic growth. However, many in government continue to only pay lip service to promises of 'working together'. Instead, business concerns about the economy are met with suspicion and unsustainable demands to pick up the slack where government is failing to deliver because of corruption, maladministration and an uncaring public service, among others. Government must deliver on its promise to create a sound and stable business environment. By showing political will and strong governance it can unequivocally demonstrate that the country is fiscally responsible and will do what is necessary to secure investment and inclusive economic growth. South Africa needs the rapid implementation of the pragmatic policies set out in the National Treasury's economic growth strategy to build business and consumer confidence needed to avert another recession.

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ICYMI: Business Unity SA, BUSA Econpol, economic policy standing committee last meeting of 2020 at BUSA offices , in attendance deputy president Martin Kingston BUSA board members Roger Baxter and BUSA members. 3 December 2019: pictures supplied by Sizwe.



Econpol & Subcommittees

BUSA economic policy standing committee meeting scheduled for 03 December 2019 took place and the minutes for that meeting were circulated on 12 December 2019 by **Olivier Serrão** the meeting was chaired by John Purchase. BUSA had circulated meeting invites to Members. The Chair indicated that the next meeting of Economic Policy Standing Committee meeting is scheduled to take place on 19 March 2020.

CONSTRUCTION INDUSTRY CHALLENGES

Action (1):

It was agreed that BUSA would follow-up on the letters sent to Ministers Patel and de Lille on the challenges currently afflicting the construction sector.

SUB-COMMITTEE ON THE ENVIRONMENT

The report of the BUSA Environment Sub-Committee (Annexure 3), presented by Jarredine Morris, was noted.

Action (2):

BUSA to circulate the Regulations on Carbon Offset to its members for input / comment.

SUB-COMMITTEE ON ENERGY

The report of the BUSA Energy Sub-Committee (Annexure 4), presented by Jarredine Morris, was noted.

SUB-COMMITTEE ON TAX

The report of the BUSA Tax Sub-Committee (Annexure 5), presented by Olivier Serrão, was noted.

It was agreed, following an informal request from SARS, that BUSA would not engage on the tax compliance status of its individual members, or affiliates of its members, beyond broad encouragement for business to comply with applicable tax laws.

SUB-COMMITTEE ON TRADE, TRANSPORT AND LOGISTICS

The report of the BUSA Trade, Transport and Logistics Sub-Committee (Annexure 6), presented by Olivier Serrão, was noted.

Olivier Serrão further reported that South Africa's eligibility under the Generalised System of Preferences (GSP) had been put placed on review by the Office of the US Trade Representative (USTR) following submissions that South Africa offers inadequate protection of intellectual property rights.

Econpol & Subcommittees continued

Olivier Serrão indicated that government had been conducting a cost-benefit analysis on a possible bilateral trade agreement between South Africa and the US, which would be shared with Nedlac upon completion and consideration by Cabinet.

Angela Russell reported that the American Chamber of Commerce would be submitting comments to the USTR regarding the review of South Africa's GSP eligibility. BUSA members would be informed of details regarding the USTR's call for submissions.

Olivier Serrão reported that the Border Management Authority (BMA) Bill was currently before the National Council of Provinces (NCOP) Portfolio Committee on Justice and Correctional Services and indicated that the BUSA Sub-committee on Trade, Transport and Logistics was monitoring developments on the status of the Bill in Parliament.

NEDLAC TRADE AND INDUSTRY CHAMBER

The report of the Nedlac Trade and Industry Chamber (TIC) (Annexures 7A-7G), presented by Olivier Serrão, was noted.

Olivier Serrão reported that the Nedlac Preservation and Development of Agricultural Land Bill Task Team was set to resume its work on Friday, 06 December 2019.

Olivier Serrão reported that on 25 November 2019, BUSA hosted an Inter-Ministerial workshop on BEE in preparation for the Inter-Ministerial Session on BEE and indicated that the outcome document would be circulated for comment as soon as it had been finalised by the facilitator.

Olivier Serrão further reported that the Department of Public Works and Infrastructure would be tabling the revised Expropriation Bill at the Nedlac Development Chamber on Thursday, 5 December 2019. A preparatory meeting would be convened by BUSA on 4 December 2019.

Action (3):

BUSA to send a call for nominations to the members of the Standing Committee on the SEZ Reference Group and for the role of Joint Chair of the Port Charges Joint Committee.

Action (4):

BUSA to circulate a draft outcome document for the BEE Inter-Ministerial Session for comment once it had been made available.

Action (5):

Following a discussion on Expropriation Bill, it was agreed that BUSA would circulate the Draft Expropriation Bill for comment once the Task Team has been resuscitated.

PUBLIC FINANCE AND MONETARY POLICY CHAMBER

The report of the Nedlac Public Finance and Monetary Policy Chamber (Annexures 8A - 8B), presented by Paul Bondi, was noted.

Econpol & Subcommittees continued

Nedlac Jobs Summit Outcomes and Processes

The verbal feedback given by Martin Kingston and Joanne Yawitch on Jobs Summit Outcomes and Processes, was noted.

It was agreed that following the monthly Presidential Job Summit meetings, BUSA representatives would share with members of the Standing Committee progress reports and the engagement matrix.

Action (6):

BUSA to circulate the Nedlac Jobs Summit Framework Agreement document to the members of the Standing Committee.

Action (7):

BUSA leadership to convene a bilateral meeting with Organised Labour's leadership on the Jobs Summit outcomes and framework agreement.

JOBS SUMMIT MACROECONOMIC TASK TEAM

Following a discussion on the dormancy of the Nedlac Macroeconomic Task Team notwithstanding BUSA's endeavours to constructively engage, Farida Khan proposed that the Task Team be lobbied to engage on National Treasury's Policy Paper on Economic Transformation, Economic Growth, and Competitiveness.

Olivier Serrão reported that BUSA and ASISA were hosting a bilateral workshop with the National Treasury on Macroeconomic Policy on Wednesday, 4 December 2019 in Cape Town at which the proposal could be discussed with Treasury.

Action (8):

Olivier Serrão undertook to provide members of the Standing Committee with a feedback on the appropriate forum for engagement on National Treasury's Policy Paper on Economic Transformation, Economic Growth, and Competitiveness following engagements with National Treasury and Nedlac.

ANY OTHER BUSINESS

PROPOSED INCLUSION OF BUSINESS ETHICS ON THE ECONPOL AGENDA

It was agreed that this agenda item would feature on the agenda for the next Economic Policy Standing Committee meeting on 19 March 2020.

Action (9):

It was agreed that at the next Standing Committee meeting Business Leadership South Africa (BLSA), in partnership with the Gordon Institute of Business Science (GIBS) would present its recently launched Ethics Barometer for information.

Action (10):

BLSA (Tebele Luthuli) and Minerals Council of South Africa (Henk Langenhoven) undertook to share with BUSA the work they had done on business ethics respectively.

Econpol & Subcommittees continued

MINIMUM TIMEFRAMES / DEADLINES FOR BUSA COMMENT ON GOVERNMENT POSITIONS

Following a discussion on the minimum timeframes/deadlines for BUSA to comment on government policies / draft legislation, it was agreed that BUSA should insist on a minimum timeframe of two weeks to comment.

It was further agreed that if BUSA is given less than two weeks to comment on government positions, it should decline to comment and write to the relevant Department to request adequate time to comment.

BUSINESS ECONOMIC INDABA

Martin Kingston reported that the BUSA’s Annual Business Economic Indaba was scheduled to take place on 14 January 2020 and encouraged Standing Committee members to attend.

CRIME

Following a discussion on crime that affects various sectors, the Managing Director of Business Against Crime (BAC), Tebele Luthuli, indicated that BLSA had signed a Memorandum of Understanding (MoU) with the South African Police Services (SAPS) to address crime-related matters and indicated that BUSA members were permitted to participate in forums organised by BAC.

It was agreed that a presentation on Business Against Crime take place at the next Standing Committee meeting.

Action (11):

Tebele Luthuli undertook to present at the next Standing Committee meeting the work done by BLSA’s Business Against Crime (BAC) unit.

Calls for input/ comment

- EPP Green Economy Master Plan deadline for comments was by no later than **11 December 2019.**
- Carbon Tax Regulations deadline for comments was by no later than **17 January 2020.**
- Eskom RCA application 2018/2019 deadline for comments is by no later than **20 January 2020.**



■ THE MONTH AHEAD

- **1 January:** New Year's Day
- **6 January:** Business Unity SA Re opens
- **9 January:** Manufacturing
- **9 January:** Production and Sales
- **14-16 January:** MPC
- **14 January:** Business Economic Indaba BEI
- **30 January:** PPI

■ The End!

■ CONTACTS

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