

Press Release

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South African Institute of Race Relations
The power of ideas

Media contact: Bakang Mmolawa Tel: 011-482-7221 ext. 2018 Email: bakang@irr.org.za

Recession imminent if policy reform is delayed warns IRR

The IRR has warned that the South African economy could easily find itself in recession if policy reforms were not urgently implemented.

The warning came from IRR CEO Dr Frans Cronje after GDP data released this morning showed a sharp contraction in economic growth in the first quarter of the year. The data released by StatsSA showed a contraction of 1.2%.

Cronje said that, “central to the decline are contractions in mining and agriculture. Both sectors are being undermined by hostile and counter-productive policymaking. Ideology is still too dominant a factor in government policymaking and there is a reluctance to accept that ideology does not work in the real world. Despite statements about the importance of growth there is very little on the policy front to suggest that the Cabinet is serious about securing an economic turnaround”.

According to Cronje, “what we would like to see in the next quarter is certainty around mining policy, changes to labour legislation – specifically the introduction of strike ballots, a reworking of foreign investment protections, and a complete redraft of pending expropriation legislation. The labour market needs to see a significant degree of deregulation, empowerment policy must be sculpted so as not to deter investment, and property rights need to be secured. Without these steps South Africa will not secure the investment to drive higher growth and employment rates. If these steps are not taken it is difficult to see how South Africa will avoid entering a recession which would almost certainly trigger a sovereign rating downgrade by year-end putting the country into a sharply negative economic spiral”.

Ends.
