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## Moola: We've made progress as a continent

JOHANNESBURG, May 19, 2015

In many ways the South African economy is in better shape than it was in the early 1990s, despite the serious problems we are confronted with every day. This was the view Nazmeera Moola, economist and strategist at Investec Asset Management, shared with delegates at the Discovery Financial Planning Summit in Sandton.

*She said, "Many of the country's problems will be solved because the government is now forced to take action."*

This goes for the government's acknowledgement that the private sector needs to be involved in the generation of electricity, the increasing frequency by which the citizens of the country are becoming more vocal about their expectations and the increasing pressure in the electoral processes.

Moola says if the realisation that the government needs the help of the private sector to solve the electricity crisis filters through to the sectors of education, labour and primary healthcare many of the country's most pressing problems can be solved.

According to Moola, the major economic concerns are the tepid growth outlook, shortage of electricity and the possibility of further downgrades of the country's sovereign rating. She says the shortage of electricity is the major reason why South African exports declined by 40% from May 2011 to May 2015.

In the past 15 years, the electricity crisis was the biggest constraint in the manufacturing industry, which in turn suppressed exports. While the exports of resources declined during the same time, this has led to the budget deficit the country is now struggling with.

According to Moola the government debt needs to stabilise to avert a further downgrade by the ratings agencies.

In order to do that, it is imperative for the government to contain its wage bill. Moola says the government wage bill has increased by 14% per annum between 2009 and 2014, and it has been financed by an increase in debt. *"A huge part of the increase in government debt in the last few years, has been to finance the wage bill."*

A further downgrade by the ratings agencies combined with a better economic outlook for the US economy that will lead to an increase in interest rates, will put South Africa in a vulnerable position.

*"These actions will result in foreigners withdrawing their investments from South Africa, which will affect the currency. Investors will be more discerning and invest their money in countries that do the most to solve their problems."*

While it is necessary to curtail government spending, it is also necessary to

be wary of overregulation that stifles business development. Moola says in the 18 month period between May 2013 and July 2014 a total of 2 985 new regulatory notices were issued. *“The intentions of these regulatory notices are great, but you can’t regulate your way to good business.”* Overregulation is a factor that constrains business development and limits growth in exports, she says.

Moola is optimistic that South Africa will avoid this worst case scenario and will continue on the path of slow growth unless the government shows its willingness to take bold decisions and bold moves to control the budget and the wage bill.

## **ENDS**

Attached: Nazmeera Moola talking at the Discovery Financial Planning Summit 2015

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### ***Discovery information***

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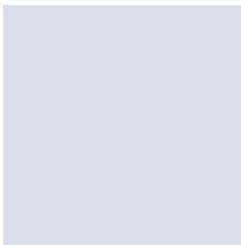
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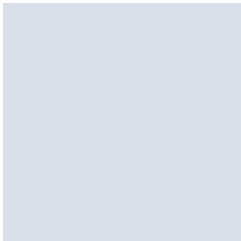
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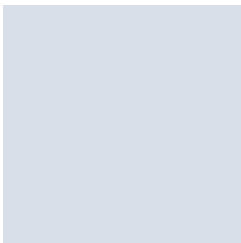
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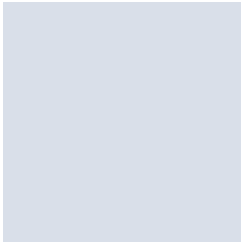
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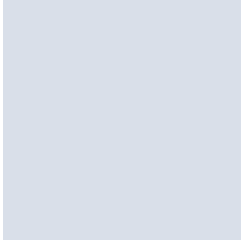
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