**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER:** **1401** **[NW1433E]**

**DATE OF PUBLICATION: 5 MAY 2023**

**1401. Mr G P Masualle (ANC) to ask the Minister of Finance: [🟊204][ Question submitted for oral reply now placed for written reply because it is in excess of quota (Rule 137(8))]**

Whether, given that in March 2023 the International Monetary Fund cut the Republic’s gross domestic product growth outlook to 0,1% for 2023 (details furnished), he has found that at this rate of negligible growth the Republic is likely to experience a recession this year; if not, what is the position in this regard; if so, what are the relevant details? NW1433E

**REPLY**

Yes, the IMF has projected growth of 0.1 per cent for 2023 in its latest World Economic Outlook, published last month during its Spring Meetings, which is lower than the National Treasury’s projected GDP growth of 0.9 per cent in 2023 published in the 2023 *Budget Review*. There are other more recent projections on growth in 2023, and market consensus is currently for growth of 0.6 per cent in 2023. While growth projections are low and risks are high, the likelihood of a recession will largely depend on the impact of load shedding along with high inflation, rising borrowing costs and weak external demand. The National Treasury will announce a further update on its projections in the MTBPS later this year in October 2023.

The 2023 Budget projection itself was a downward adjustment from projected growth of 1.4 per cent for 2023 in the MTBPS last year. The 2023 Budget revision was informed by the negative impacts of loadshedding on the economy, stubbornly high inflation and accompanying rising borrowing costs and a relatively less supportive external environment among others. Since the publication of the Budget Review, some of the risks to the economy that were identified have materialized. These include the further worsening of domestic structural constraints in electricity and logistics, which continue to limit production and exports; a higher cost of living and higher borrowing costs which are expected to weigh on consumption and investment. Additionally, real GDP growth in the final quarter of 2022 was worse than anticipated by most forecasters, including the Treasury, (declining by 1.3 per cent). This contraction meant that annual GDP in 2022 came out weaker than expected, at 2 per cent, posing adverse carry-over effects into 2023. Beyond this, significant risks still remain including weaker global growth and lower commodity prices.

On balance however, while the occurrence of these risks weighs on the 2023 *Budget Review* economic growth outlook, available high-frequency data at the start of 2023 points to a marginal rebound in GDP growth in the first quarter. This is also supported by the lower than initially anticipated intensity of load-shedding in the first quarter of 2023. Moreover, GDP growth is expected to gradually recovery in the second half of 2023, as the worst impact of the electricity supply shortages start to ease following the peak winter demand period, and some electricity generation capacity is restored. Taken together, the prevailing view is for a positive GDP growth in 2023, albeit with higher downside risks compared to the time of the Budget Review. Lastly, the additional potential impact of the prevailing risks to the outlook can be seen in the uniform downward revisions by other official forecasters, which on aggregate still show positive growth projections in 2023.