# BUSA predicts 3% GDP growth in 2012

Business Unity South Africa (BUSA) says it expects South Africa's economy to grow by 3% in 2012.

Presenting BUSA's economic and business outlook for the country in 2012, BUSA deputy CEO Raymond Parsons said looking at the present evidence, a 3% GDP trajectory though 2012 could be expected in a best case scenario.

He said while this was positive growth, it was insufficient to meet South Africa's socio-economic challenge especially given the downside risk. "At this rate, it will take South Africa much longer to reach its job creatic and other socio-economic targets."

Implications for growth include volatility in the exchange rate and the country's trade balance would persist for the time being. BUSA said depending on developments abroad, the rand could weaken again if a sustainable, practical plan was not devised soon to resolve the Eurozone debt crisis.

Meanwhile, headline inflation was expected to continue hovering at the upper range of the Reserve Bank's inflation target range. BUSA expects interest rates to be kept unchanged for the time being, probably well into 2012.

Core inflation remained well within the target range, with little sign of secondary inflation.

## Recession?

"A renewed recession in the global economy may even promote a further cut in rates in South Africa as recently suggested by the OECD [Organisation for Economic Co-operation and Development].

"There are whirlpools on both sides, not on one only. If a serious global recession does unfold, then Soutl Africa's growth rate could well fall below 3% next year," explained Parsons.

BUSA said there should be no "tax shocks" when finance minister Pravin Gordhan tables the country's budget in February, given the vulnerability of the economic recovery and the uncertain global situation whic would damage business confidence and harm growth potential.

"Aggressive taxation may defeat its own ends by diminishing the income to be taxed," said BUSA.

It said that keeping state spending under control would continue to require a streamlining of government a what it delivers. "The general rule should be that government spending should boost growth and reduce poverty."

## An 'urgent choice'

Parsons added that Jacob Zuma had recently warned that welfare payments could continue to grow out of proportion to tax revenues.

"There remains a clear and urgent choice for South Africa which is reflected in both the New Growth Path (NGP) and National Development Plan (NDP) roadmaps. Either strengthen public sector delivery, keeping government affordable and the tax burden reasonable or face a continued failure to ensure delivery, leadir to rising costs, reductions in services and greater financing challenges," said Parsons.

BUSA said it wanted to turn many more South Africans into a nation of victors over adversity and deprivatic rather than victims trapped on welfare dependency.

According to BUSA's impressions, corporate balance sheets were currently strong and clean.

"It is necessary to underpin the role of business and investor confidence in order to promote economic recovery," said Parsons.