



Moving from consumption-led to investment-led growth: Designing a macroeconomic framework that works for South Africa.

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Why a macroeconomic framework matters for investment?

Investment-led growth model shape:

- Employment creation and reduce inequality.
- Sovereign risk and currency stability.
- Long-term interest rates & inflation.
- Asset class performance and pension sustainability.



South Africa's Growth Crisis

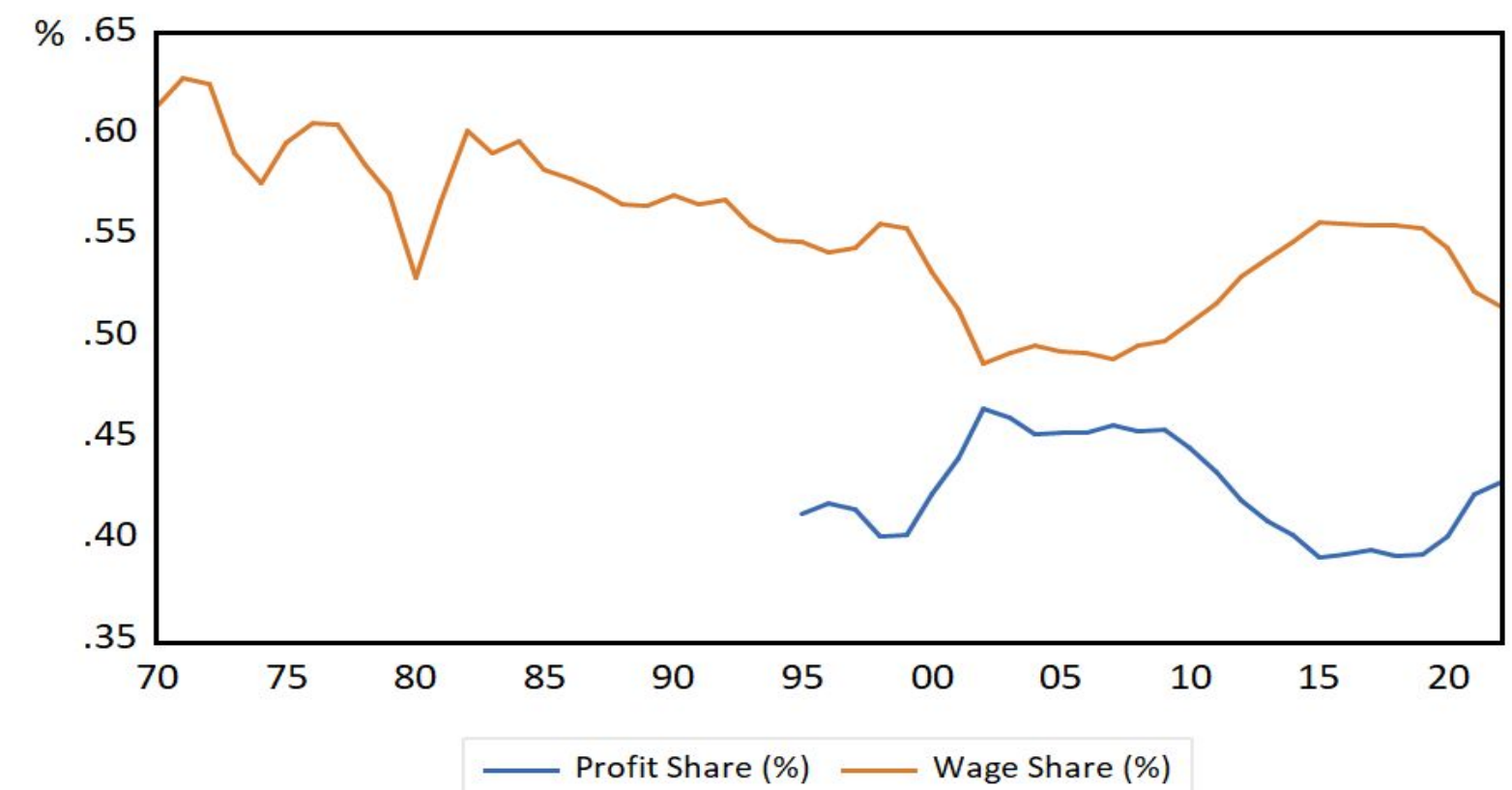
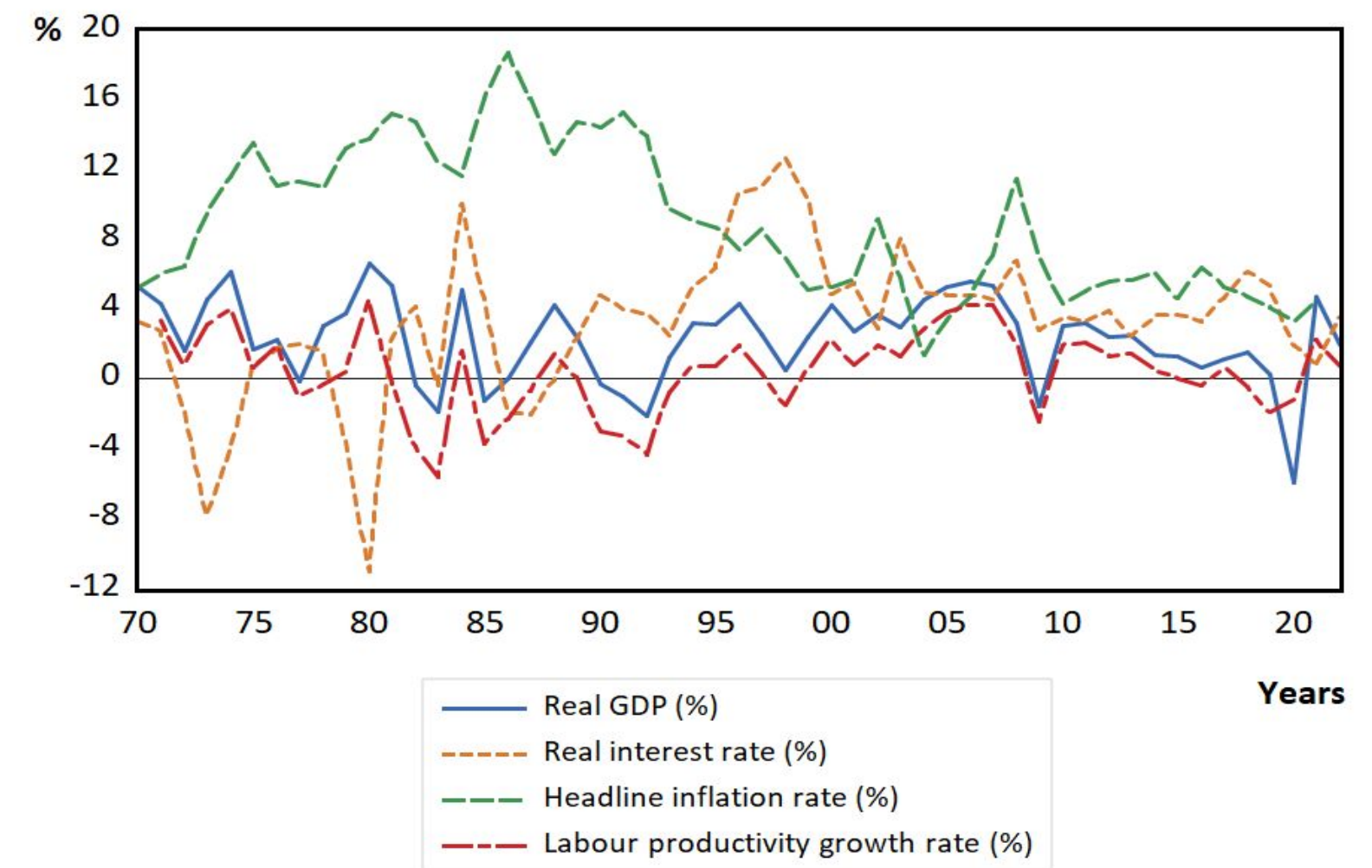
Persistent structural or secular stagnation:

❑ Weak growth despite low real interest rates

real growth rate averaged 1.19% during 2009- vs EMDEs average of 5.31% and 4.45% $\Rightarrow r < g$.

❑ Unemployment and inequality

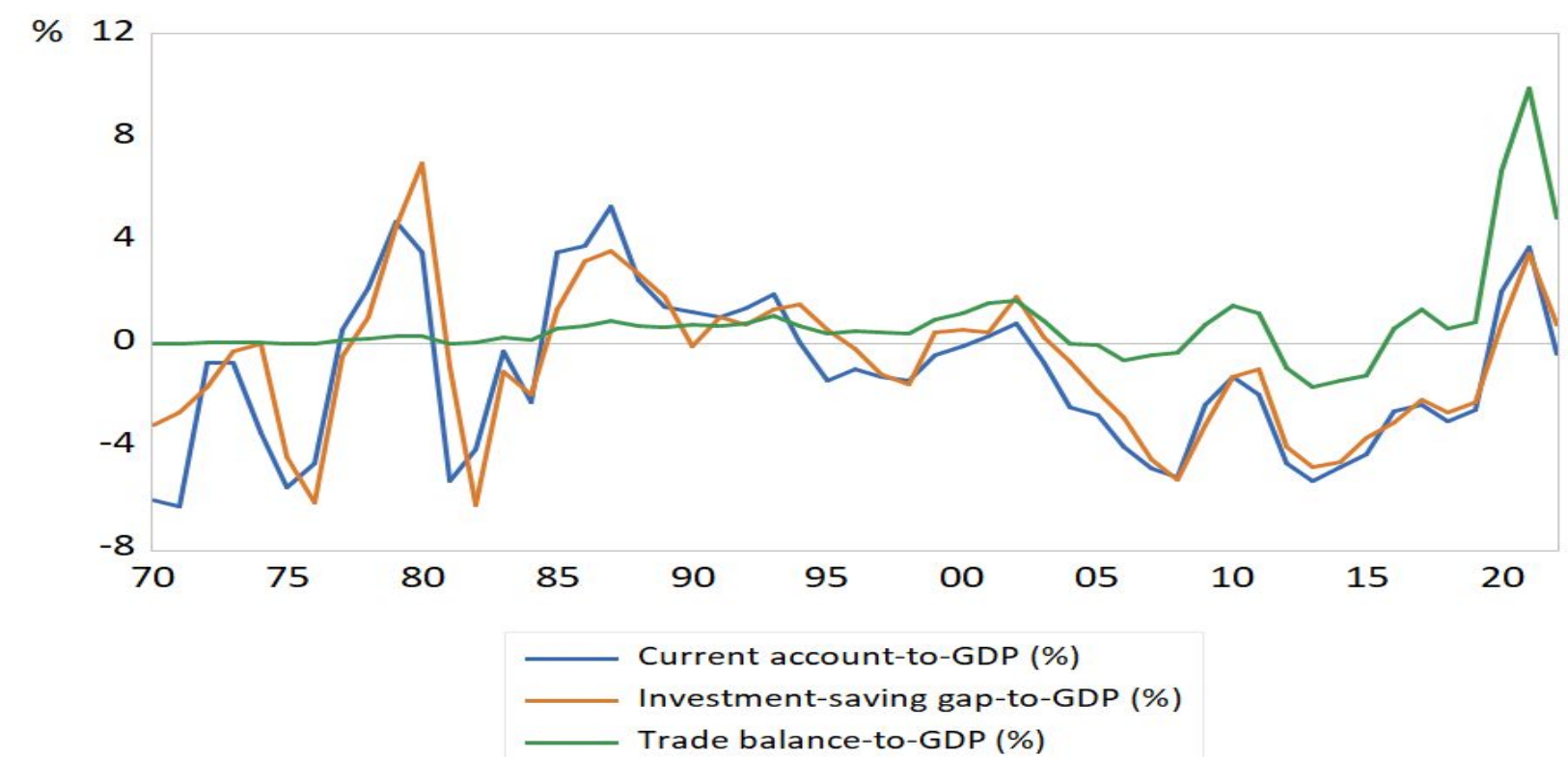
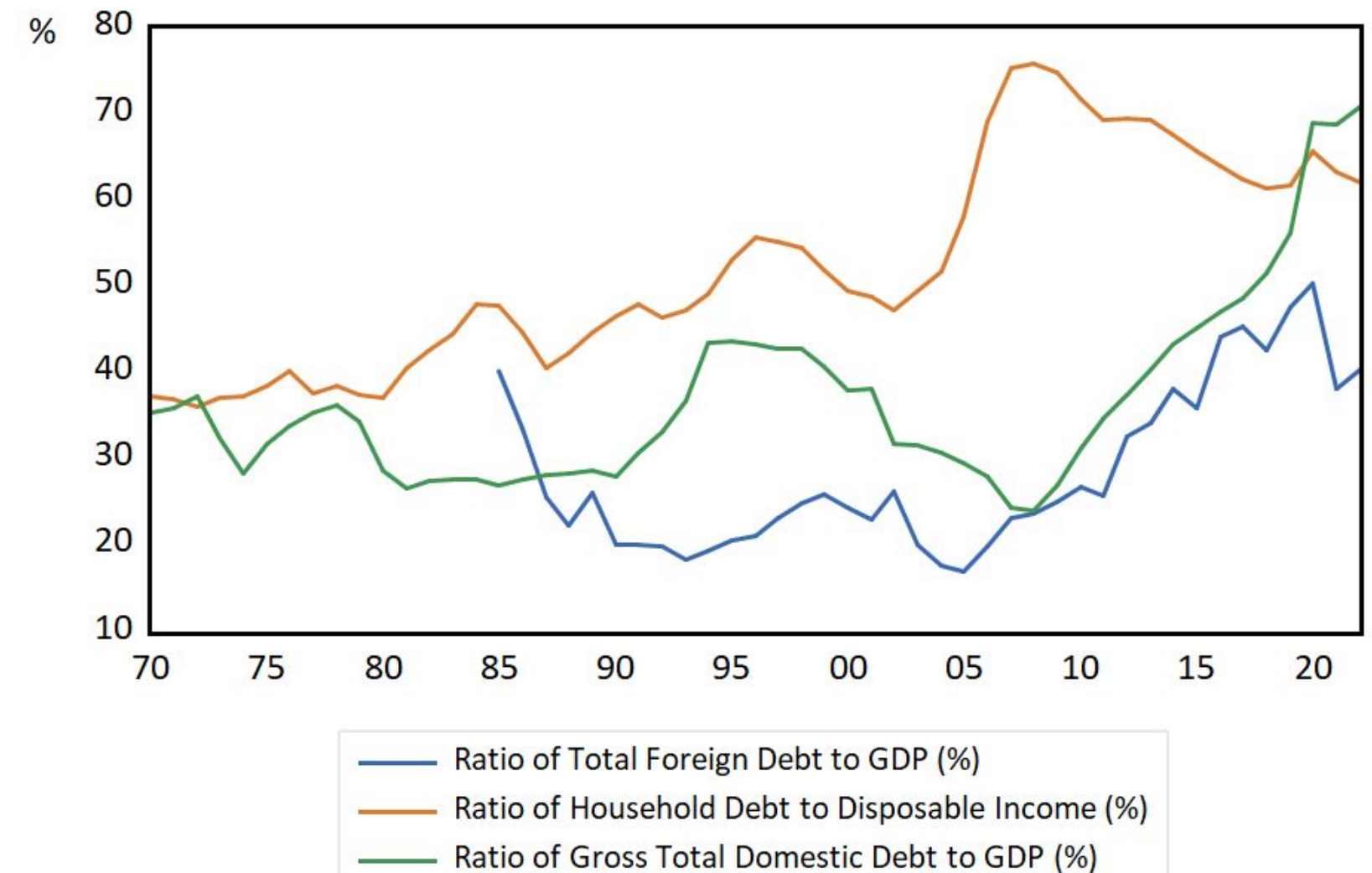
- over 30% vs below 10% in EMDEs while inequality above 63% vs 45% in EMDEs.
- Top 10% hold over 65% of pre-tax national income and 85% of the total net wealth.



The Current Growth Model

Debt-financed consumption and weak investment

- ❑ **South Africa is consumption-driven:**
 - household consumption: 65% of GDP.
 - household debt to disposable income increased from 37% in 1970 to 75% in 2007; currently above 62%.
- ❑ **The Investment Gap:**
 - Investment: 15 - 17% of GDP vs EMDEs and advanced economies 25 - 35% of GDP.
 - 72% of the adult population having no savings.



The Investment Gap and Structural Constraints

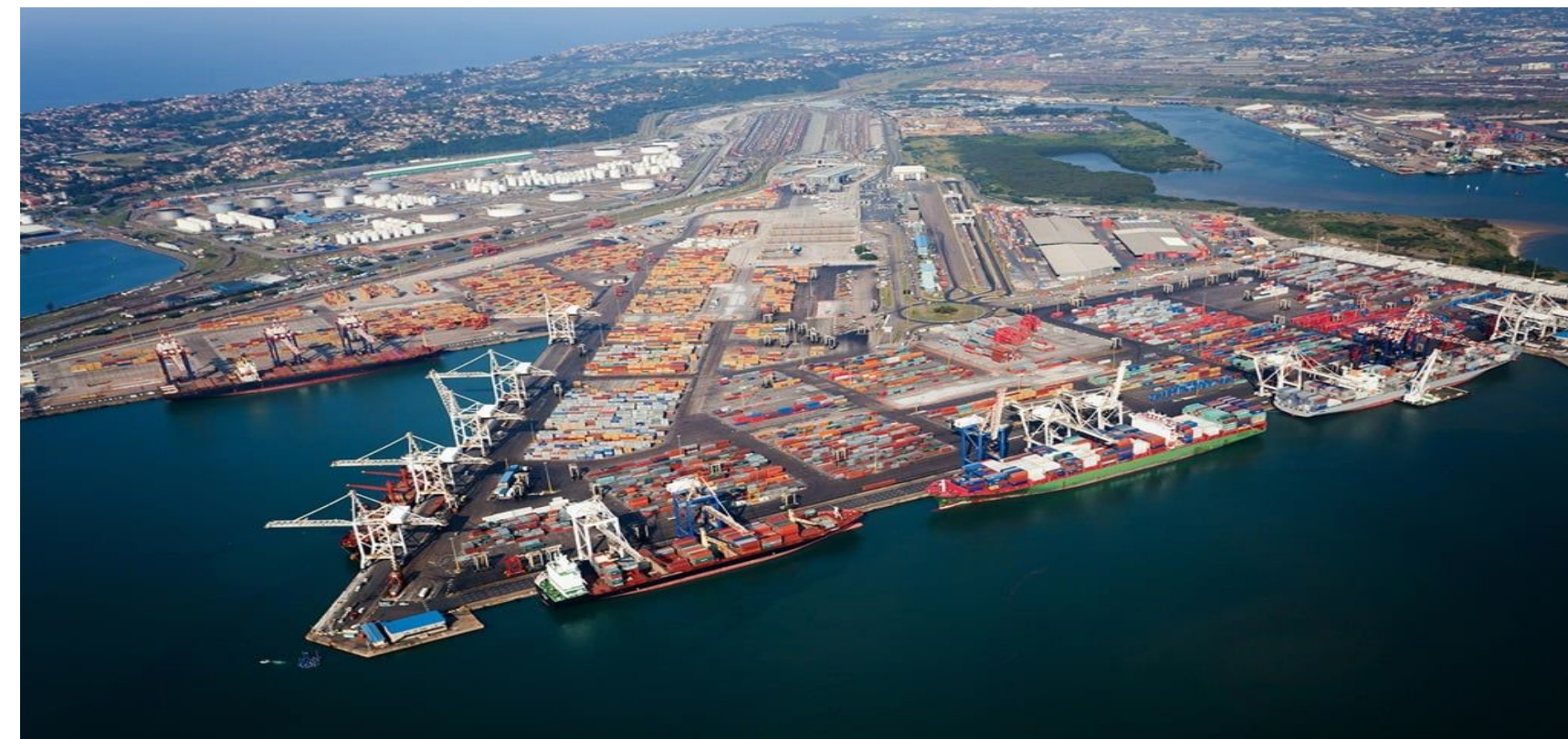
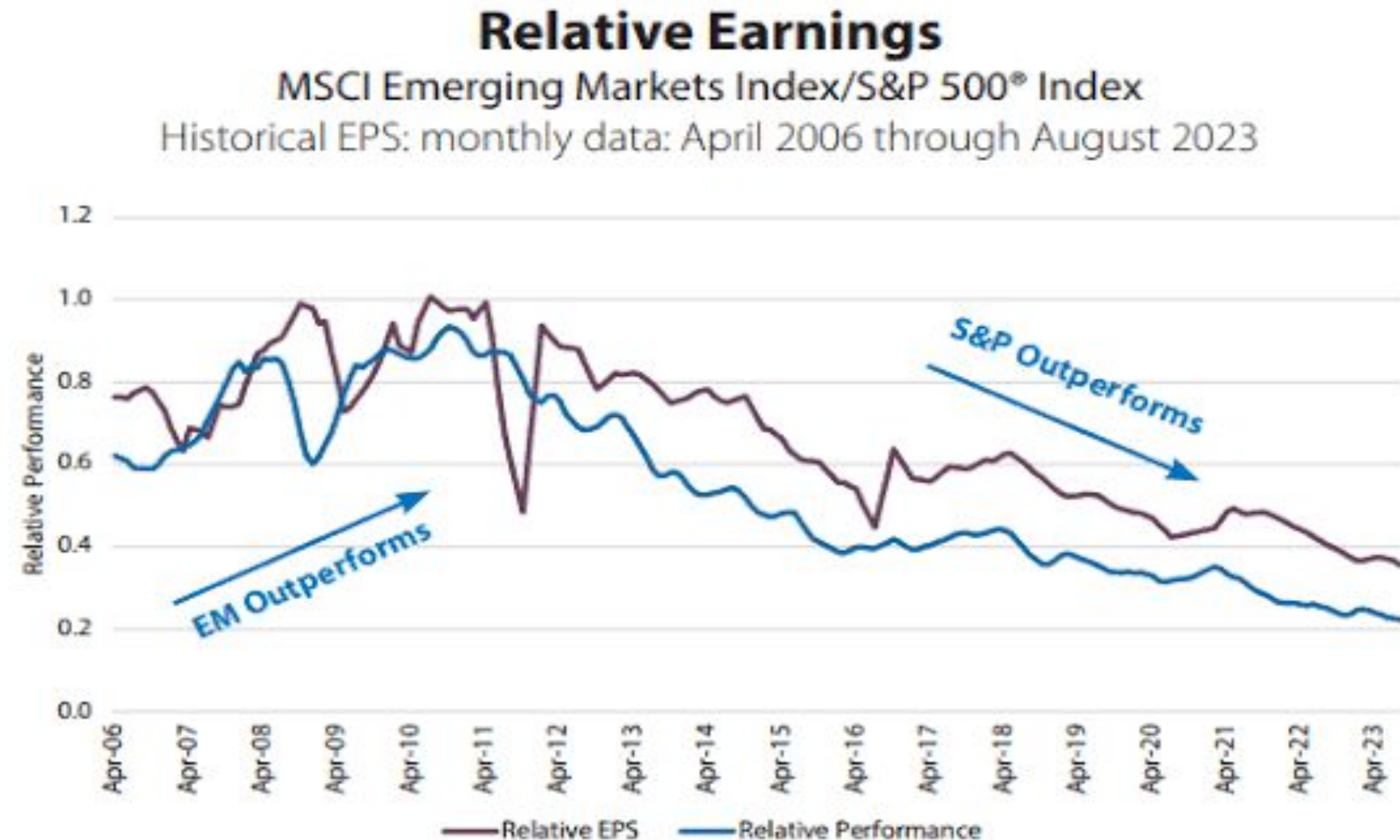
Structural constraints persist:

❑ The financing constraint:

- weak capital markets & pension funds invested abroad.
- high cost of capital and constrained development finance.

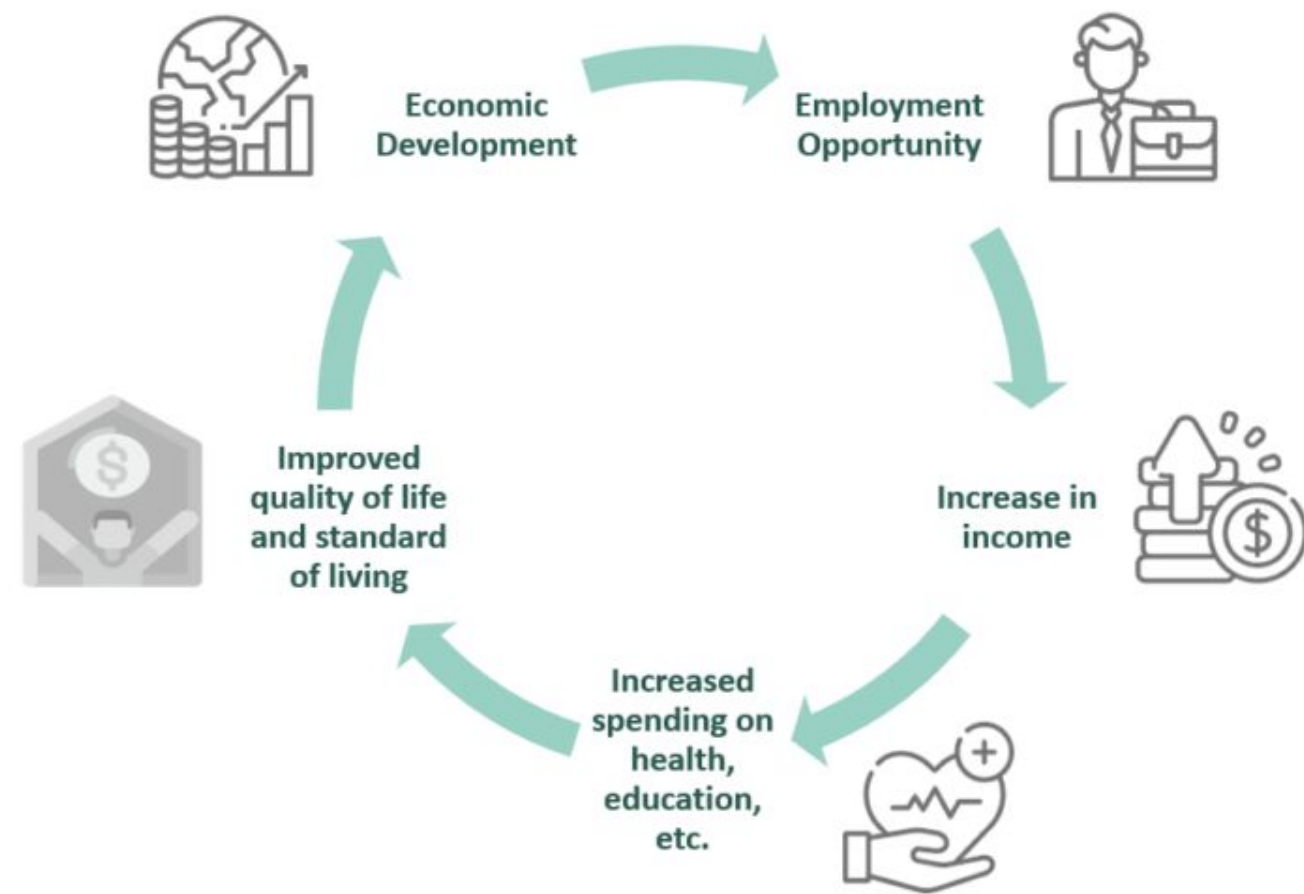
❑ Constraints to Investment:

- network industries (electricity/energy, transport and logistics, and water): Deindustrialisation & Productivity stagnation.
- manufacturing, food, and energy sovereignty?
- policy certainty?



What Investment-Led Growth Means

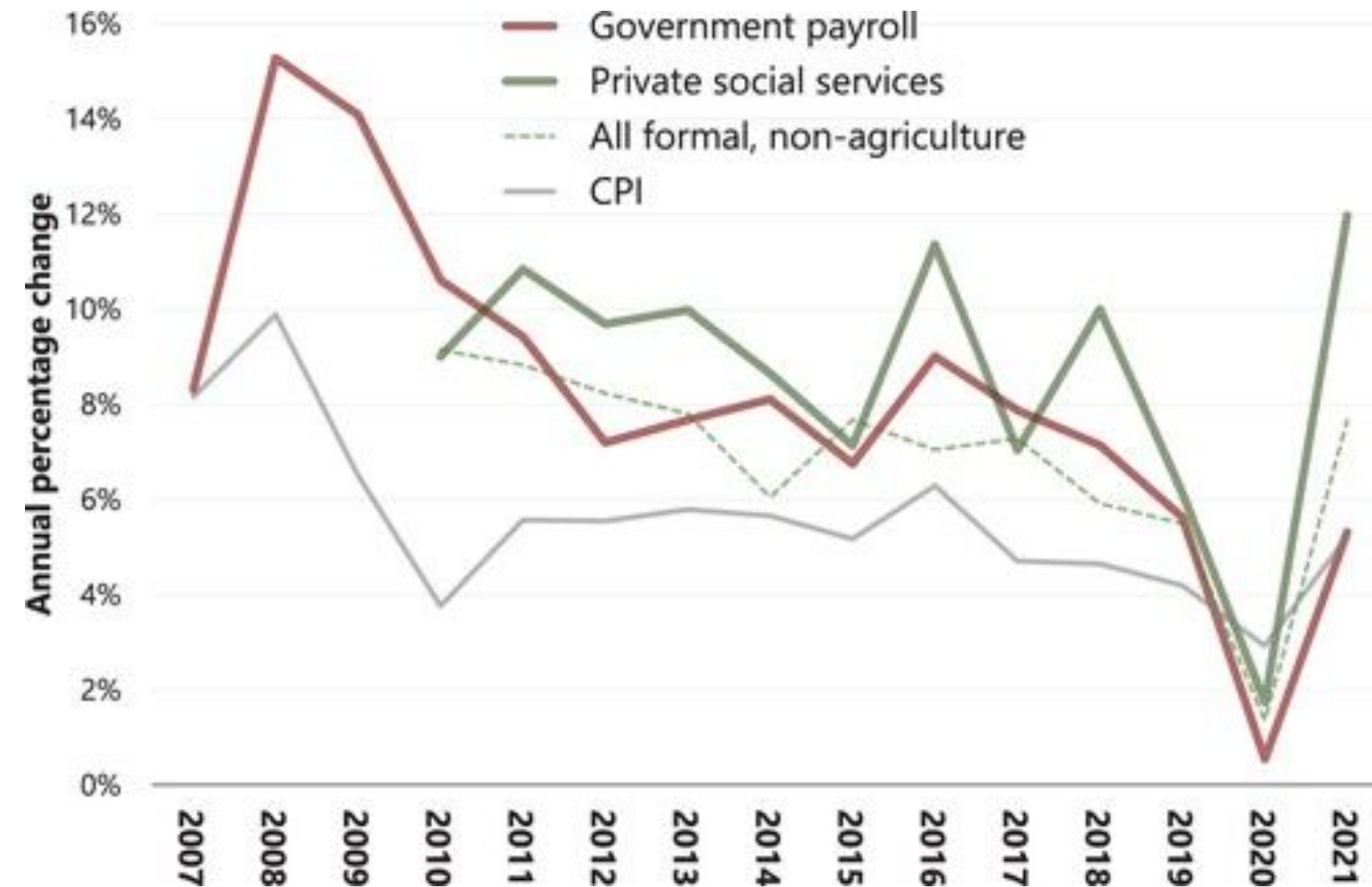
How Economic Development Works?



Taking the macroeconomy back to full-employment basis.

- ☐ **Shift from demand expansion → productive capacity expansion and economic sovereignty**
 - Green industrialisation.
 - Care economy & human capital.
 - Digital infrastructure?
- ☐ **Investment → Jobs → Productivity → Exports → Fiscal stability:**
 - employment below 10%?
 - distributional fiscal policy.

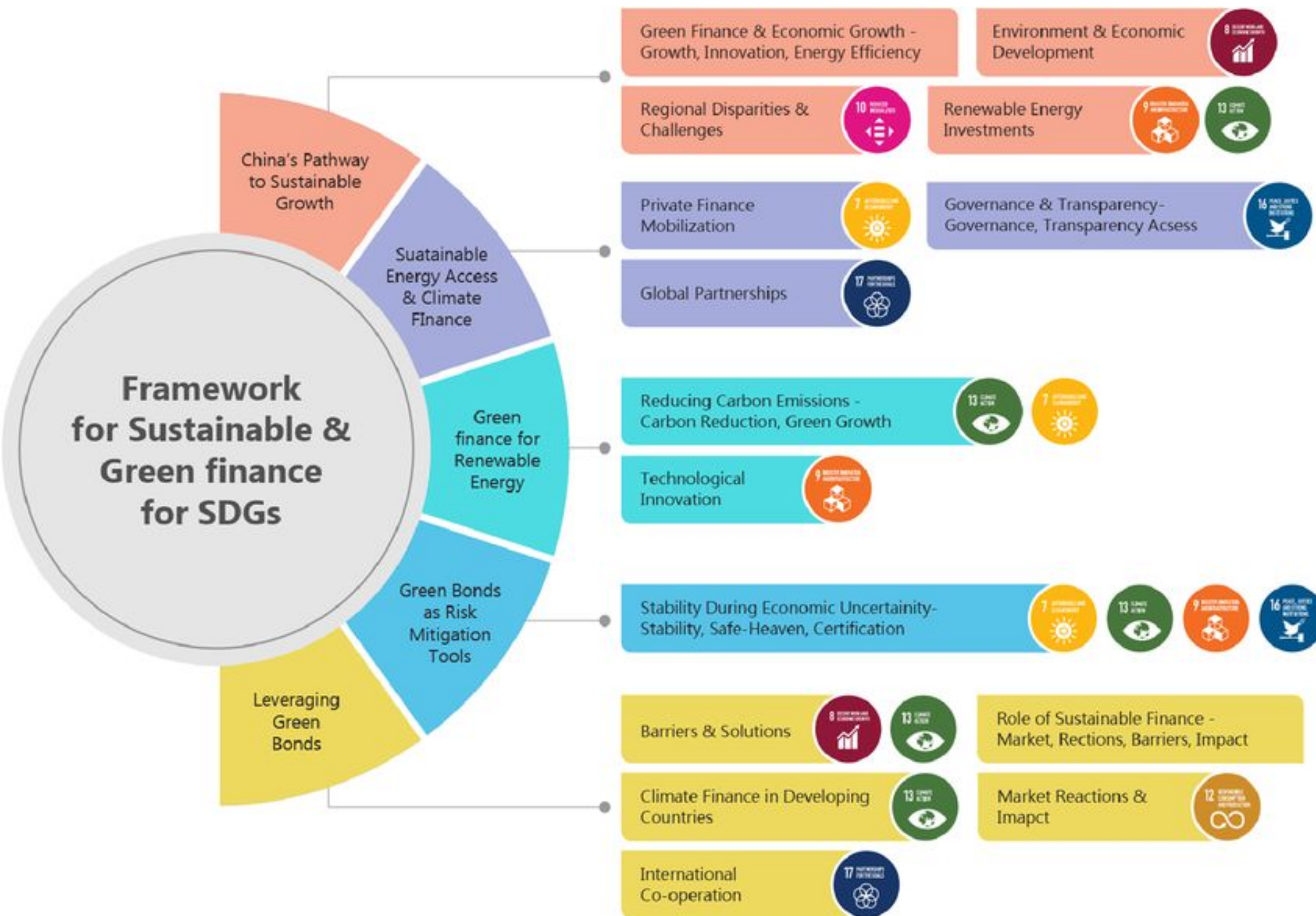
Fiscal policy: from consumption to capital formation



Shift composition of spending:

- ☐ **Reduce consumption bias:**
 - expand and strengthen public services (health, education, and the care economy).
 - special economic zones (SEZ) and district-level development investment.
- ☐ **Protect public investment and infrastructure:**
 - municipal infrastructure.
 - strengthen SOE governance to deliver.

Monetary & financial policy alignment



Monetary policy and financial institutions must support employment and productive investment:

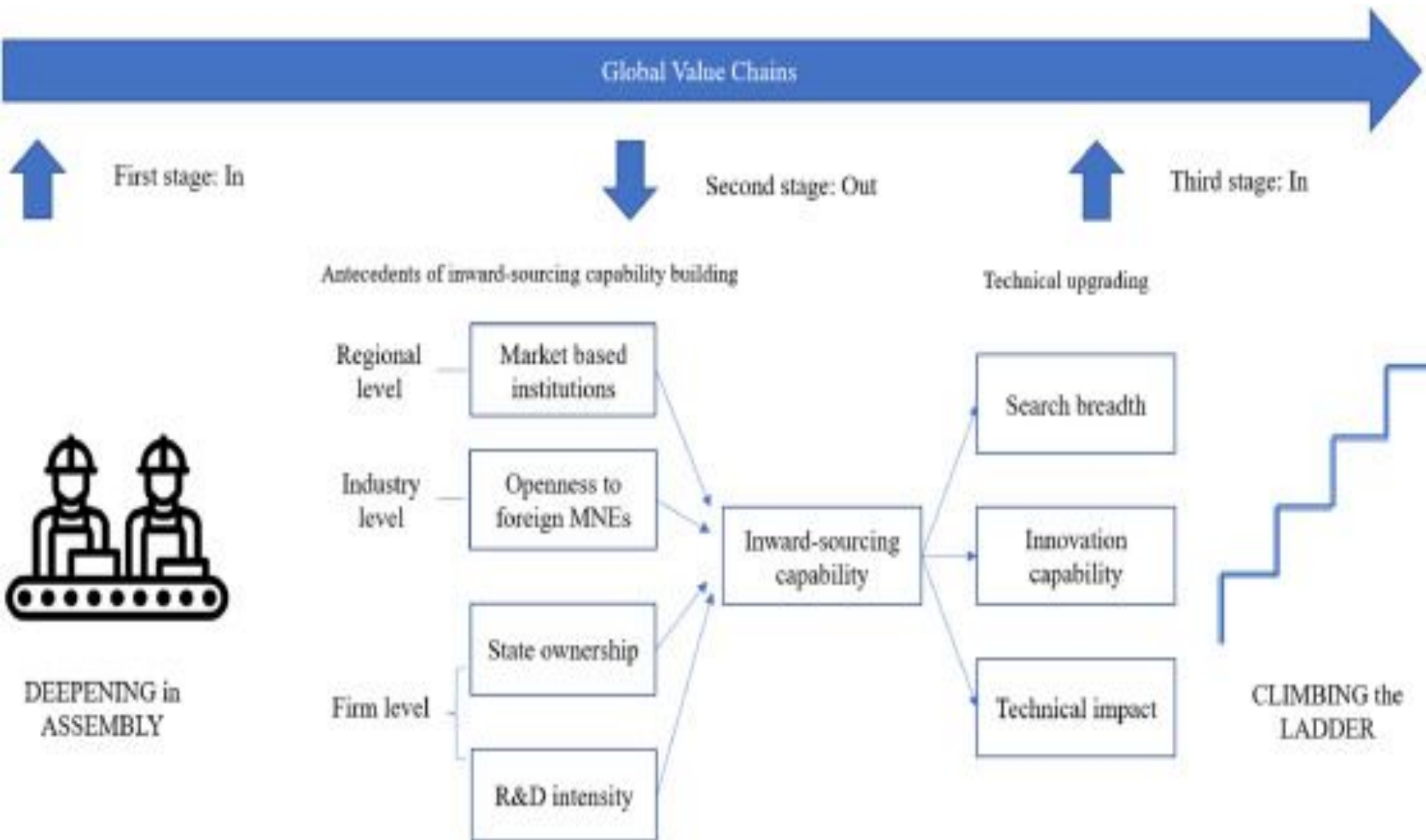
❑ Interest rate, FX, & inflation bias → employment, ↓ profit-shifting & illicit flows, ↑ reinvestment:

- countercyclical monetary policy.
- development finance provisions.
- concessional financing towards productive sectors.

❑ **Mobilising Domestic Finance:**

- sustainable and infrastructure bonds (climate, education, renewable energy and health).
- prudential regulation restructuring for developmental investment.
- Recapitalise DFIs.

Industrial & trade policy



Directing development

- ❑ **Locally responsive and globally competitive:**
 - local manufacturing: agro-processing and steel: export competitiveness.
 - critical minerals, beneficiation at source, and green industrialisation.
 - regional value chains (SACU, AfCTA) → export diversification.
 - Just energy transition (JET), climate response, and disaster reduction.
- ❑ **Enabling infrastructure:**
 - regulatory (trade, environment, climate) and logistics policy harmonisation.
 - local currency and payment systems.

Labour market & human capital investment



Women on average spend
4.1 hours/day
on unpaid care and
domestic work, compared to
1.7 hours/day
for men



Women's unpaid contributions
to healthcare equate to
2.35%
of global GDP, or the
equivalent of
US\$ 1.5 trillion



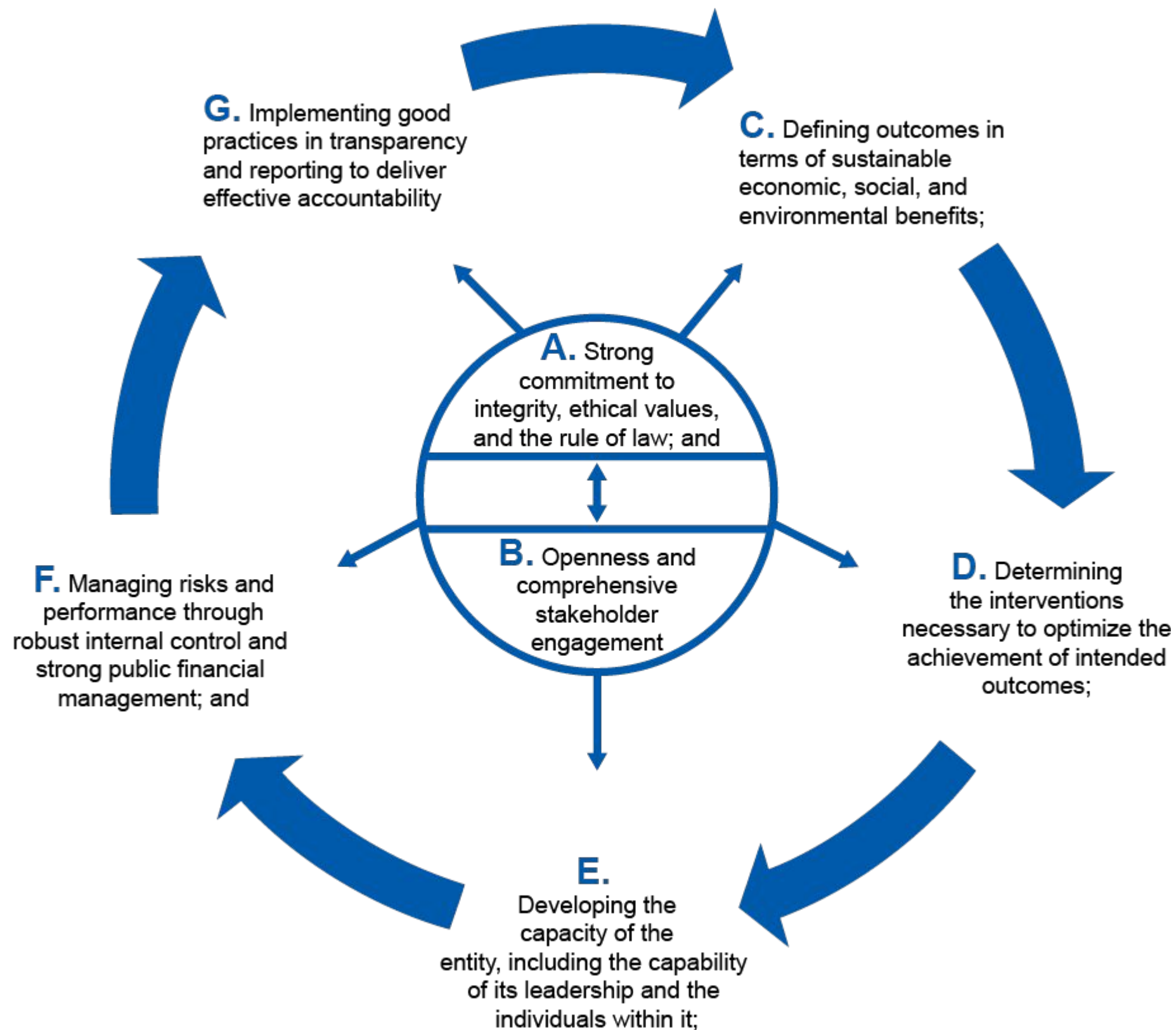
When women's contribution to
all types of care (not just
healthcare) is considered, this
figure rises to
US\$ 11 trillion

Educating and training for a working economy

- ❑ **Investment must be labour-absorbing:**
 - skills 'learning by doing' and employment pathways for sustainable industrialisation.
 - knowledge & technology transfer and sector-specific training.
- ❑ **Care economy:**
 - ↑ women's labour force participation.
 - gender-responsive budgeting and expansion of the care infrastructure.
 - closing the gender gap.

Policy & Governance Coherence

Acting in the Public Interest at all Times



**Government directs policy & investment;
private agents respond to:**

☐ **Policy and regulatory coherence:**

- fiscal, monetary, and industrial policy → full employment and maximum investment.
- transparent, effective, low-cost, and simple procurement.

☐ **Government capacity and capability:**

- legislation and law enforcement.
- municipal and provincial capacity.
- state institutions (SARS) capacitation and professionalisation of services.
- Public and business trust.

Conclusion - Thank You!

An investment- and employment-led macroeconomic framework can deliver improved:

- ☐ **sovereign risk profile.**
- ☐ **debt sustainability.**
- ☐ **reduced inequality.**
- ☐ **economic and earnings growth.**
- ☐ **social stability: peace and security for all.**
- ☐ **capital market depth.**
- ☐ **infrastructure asset class expansion.**
- ☐ **long-term investment returns.**