

Statement issued by the CEO Initiative in response to the dismissal of Minister of Finance

- *Decision to dismiss Minister and Deputy Minister of Finance has severe consequences for economy*
- *Setback to work done by government, labour and business to avoid a downgrade*
- *Progress towards inclusive economic growth potentially undermined*
- *Lack of investor confidence in South Africa will hurt the poor the most*
- *Question whether vacuum of leadership created by cabinet reshuffle is in country's best interest*

The CEO Initiative is gravely concerned and disappointed by the ill-timed and irrational dismissal of a trusted and well-respected Minister of Finance and Deputy Finance Minister. This decision, and the manner in which it was taken, is likely to cause severe damage to an economy that is in dire need of growth and jobs. The rationale for the removal of other ministers in key departments at a time when the country is beginning to make progress on a number of fronts is also questionable.

The speculation relating to the fate of the Minister of Finance that has reigned since the start of this week – and this morning's announcement – have created unnecessary instability at one of our country's key institutions and caused immense uncertainty among international investors. South Africa is an emerging economy in a global community, in need of capital from all corners of the world.

If investors lose faith and trust in our economy, all citizens – not just big business – pay the price for this, in the form of higher inflation, decreased buying power as well as decimated savings, pensions and investments. A lack of investment also means that growth – and much-needed job-creation – will be stifled.

More than a year ago – at the request of President Jacob Zuma, Deputy President Cyril Ramaphosa and the South African government as a whole – representatives from government, labour and business started working together with unprecedented urgency. Their goal was to achieve inclusive and sustainable growth, for the benefit of all who live in South Africa.

We maintain this is the most responsible and sustainable way of achieving true economic transformation. The dismissal of Pravin Gordhan as Minister of Finance and his deputy creates a high risk of derailing any progress that has been achieved in this regard and will deal a serious blow to the economy at a time when the country can ill afford this.

Commitment to fiscal discipline is of the utmost importance if we are to protect the economy from outside shocks and maintain an investment grade credit rating.

The role that the National Treasury plays in maintaining investor confidence in South Africa should not be underestimated. Pravin Gordhan and Mcebisi Jonas have always acted with the utmost integrity in their relations with business, while continuously challenging our approach to economic transformation and inclusive growth, in a manner that was entirely consistent with the Constitution and policies of the ruling party.

The combined efforts from government, labour and business have resulted in a vastly improved outlook for the economy compared to a year ago.

Firstly: the risk of a downgrade to sub-investment grade has significantly reduced. A healthy and stable credit rating forms the basis of creating an environment in which growth can thrive, as it attracts investors and ensures the country can borrow at an affordable rate.

Secondly: government, labour and business have made progress on various initiatives to support growth in the economy. This includes the establishment of a R1.5bn SME Fund to invest in small and medium-sized businesses; a Youth Unemployment Scheme aimed at providing employment opportunities to one million young people over a period of three years; as well as various investment initiatives underway in sectors such as agriculture, tourism, manufacturing and healthcare.

All three major rating agencies have acknowledged the combined efforts from government, labour and business in their year-end assessments in 2016, as South Africa maintained its investment grade sovereign ratings. However, the country still has to implement a significant number of reforms in order to create inclusive and sustainable growth that is necessary for true economic transformation.

The Treasury has shown great courage in taking difficult decisions to safeguard the credibility of the country's finances, while paying heed to social challenges including the university funding crisis and welfare spending. Rating agencies and global investors have lauded South Africa's efforts in this regard and the importance of continued rigour cannot be emphasised enough.

South Africa is well on its way to fulfilling its developmental mandate and creating a more equitable distribution of income by working towards the goals of the National Development Plan, but this has to be done in a disciplined and responsible manner – not by spending excessively on the short term with little regard for the future.

It is of the utmost importance to all South Africans that the integrity and capacity of the National Treasury be maintained.

We call on the new Minister, the government as a whole, and the ruling party to ensure that this great national institution is not further harmed by capricious executive decisions and that South Africa's fiscal management remains as strong as ever in support of the South African competitive national advantage.

Further communication will follow in due course.

** Old Mutual participates in the CEO Initiative, which includes leaders from various sectors.*

** The main work streams of the CEO Initiative are being led by Jabu Mabuza, Chairman of Telkom SA, Chairman of BLSA and President of BUSA; Sim Tshabalala, joint CEO of Standard Bank; Mike Brown, CEO of Nedbank; Mike Teke, President of the Chamber of Mines of South Africa; Nicky Newton-King, CEO of the JSE; Adrian Gore, CEO of Discovery; Brian Joffe, Founder of Bidvest; Dr Dan Matjila, CEO of the Public Investment Corporation; Colin Coleman, Managing Director for Goldman Sachs in South Africa and Stephen Koseff, CEO of Investec Group.*