

PART B: THE ENVIRONMENT

3 The domestic, regional and international economic environment

The domestic, regional and international environments form the backdrop against which the South African SQAM infrastructure operates. There are specific global factors that impact on organisations in the SQAM arena that need to be considered, and the role of SQAM in regional development is increasingly recognised. The needs of South Africa represent the specific objectives in the South African context that must be attained.

3.1 South Africa

During the period of 1993 to 1998 economic growth in South Africa averaged 2.7%. The economic growth during 2000 was slightly better at 3% with the Reuters survey projecting growth rates of 3.5% to 3.7% for the year 2001.

In 1993 foreign direct investment was R941m. In 1998 this was R6.5b. International ratings agencies have given South Africa an investment grade rating with the most recent being an upgrade by Standard and Poors (S&P).

The Asian economic crisis came at a time when South Africa was expecting interest rates to decline. In order to protect the currency, which was affected by this emerging market crisis the prime interest rate rose to 25.5%. This rate in 2000 was 14.5% which has dramatically reduced the cost of capital. The Reserve Bank of South Africa is maintaining tight macro-economic policy and the recent adoption of inflation targeting in a range of 3-6% by the South African government means that this situation is likely to continue.

In January 1999 foreign reserves were at R32.6b. The reserves at February 2000 had increased to R46.4b

In the period of 1990-1994 the budget deficit as a percentage of GDP averaged 6.6%. This was managed down to 2.9% in the 1998 to 1999 period.

In summary, South Africa had at the turn of the century a macro-economic environment which is better than it has seen for many years. This environment is supportive of many of the needs of South Africa and can provide an enabling environment to support the attainment of some of the country's goals. The South African government has been successful in creating this favourable environment and now needs to look forward to the next steps that need to be taken.