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Southern Africa – Towards Inclusive Economic Growth (SA-TIED)

Work stream 3:

Macroeconomic modelling for policy formulation

Workstream 3: Macro Modelling for Policy Formulation

- National Treasury is central to macroeconomic policy in South Africa. Its role is key to maintaining macroeconomic stability around an achievable path of growing output capacity.
- Macro Modelling for Policy Formulation is a collaborative programme involving UNU-WIDER; South African National Treasury Budget Office Division and Economic Policy Division; IFPRI and others.
- This work stream is designed to further strengthen the capacity of NT, and others to analyse macroeconomic developments and policy options.

Workstream C. Macro Modelling for Policy Formulation

- Two central policy objectives underlie the Workstream c programme as a whole:
 - Raising South Africa's growth rate
 - Reducing inequality in South Africa
- The programme is complementary to and is designed to have links with the work of other workstreams including Enterprise Development for Job Creation and Growth; Public Revenue Mobilization for Inclusive Development; Turning the Tide on Inequality.

Macro modelling?

MACRO

- Importance of change in the structure of SA economy.
- Well designed and executed macro policy provides sound framework for structural change.
- The macro economy also has direct links with micro structure and distribution of income and wealth.

Macro modelling?

MODELLING

- SAM
- SAGE policy simulation model
- SA's Financial-Real Sector Model simulations
- Econometric modelling of structural macro functions

Four Thematic Groups

1. Core policy analysis models
2. Monetary policy
3. Fiscal policy
4. Public investment and debt

Thematic Group

Core policy analysis models

Project examples

- Analysing provincial impacts of policies
- Modelling the interaction and coordination of fiscal and monetary policies
- Modelling the effects of global commodity market shocks
- Implications (e.g. for SA infrastructure investment) of regional climate change effects
- SAM 2015
- Development of financial-real sector model
- Provincial disaggregation of SAGE model

Thematic Group

Monetary policy

Project examples

- Medium-term monetary policy and long-term growth
- Exchange rate effects on stability, growth, and income distribution
- The yield curve and optimal debt management

Thematic Group

Fiscal policy

Project examples

- Review of long term fiscal model
- Financial cycles, business cycles and tax revenue
- Public compensation and productivity: Basic Ed. case study
- Public sector balance sheet

Thematic Group

Public investment and debt

Project examples

- Public debt, private debt and growth
- Accounting for fiscal obligations and contingent liabilities in Public Private Partnerships in South Africa
- Planning electricity infrastructure with debt implications

Cross-stream projects?

- Integrated micro-simulation and macro modelling (Tax)
- Modelling NHI options (Turning the tide)
- Plus