



Laurence Harris | 30 November 2017, Pretoria

## **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 ....