

## **World Cup to 'boost South African growth'**

A leading economist says a recent estimate of a 0.8% boost to South Africa's gross domestic product (GDP) thanks to the football World Cup is conservative as the impact should be higher than this.

Chief economist at Econometrix, Dr Azar Jammie, said on Thursday that South Africa is unique in the world thanks to hosting the 2010 Fifa World Cup.

He notes that German GDP improved 2% as a result of hosting the last event and their economy is eight times the size of South Africa.

"A reversal in the decline in foreign tourism is likely - the semi-finals and finals are already sold out. It is mind-boggling what that will do for our economy," says Jammie.

"I think the effect will be higher than 0.8% of GDP."

"No one else has got that and the beauty of this is that it has got our infrastructure investment going long before other countries," says Jammie.

"Our momentum of infrastructure spending is rapid," he adds, saying that other countries are only now talking about investing in this area, while SA is already implementing building.

He feels an event like the World Cup, tied in with other factors like higher wages at a time when inflation is going down, gradual improvement in retail sales, fiscal space and concomitant higher government expenditure that does not "break the bank" and the return of foreign capital flows will compensate for the global slump and see SA reach 0.6% growth this year, rising to 3.8% next year.

"I still see positive growth for investment spending, and commodity prices seem to have passed their bottoms and are on the way up," adds Jammie.

"One suspects there is a shortage of commodities in some areas,"

Jammine is, however, a little more concerned about the global prognosis in 2012 and 2013 as a "W" curve may be in place, which means some strength for the next two years - being seen now - followed by another big slump which could be worse than the first.

He said the rand is highly correlated to this and this is why it could gain in the short term, but weaken longer term.

Jammine adds that "the political situation has become more certain - people were worried about Jacob Zuma but he has made all the right noises".

Jammine feels that it will be virtually impossible for the administration to "mess with Trevor" [Manuel] and thus economic policy at the moment, but he is concerned about the lack of service delivery at local level, which could cause problems if it continues under the current administration. He says the main stumbling block is human resource capacity, while rising inequality in incomes will also raise problems and this thus entails a serious skills drive.

Jammine says there is a strong correlation between high incomes and tertiary education.

Jammine feels Zuma's proximity to grassroots voters may make him the right person to start getting this right.