

# Recession? What recession? Now let's talk land reform

 By [Nicci Botha](#)

10 Sep 2018

Economist, Dr Roelof Botha is quite adamant that South Africa is not in a recession despite what [Statistics South Africa](#) (Stats SA) said in its latest economic [report](#).



Dr Roelof Botha

According to the report, a quarter-on-quarter review shows that the country's economy shrunk by 0.7% in the second quarter, following a 2.6% contraction in the first quarter of 2018.

Botha said the quarter-on-quarter methodology used by Stats SA is faulty because you can't compare October, November and December (when consumer spending is high in the run up to the festive season) and January, February, March (when spend drops off significantly). This approach also doesn't take into account seasonal factors that would affect the agricultural sector.

He told Momentum Consult's annual conference last week, that there was more than one way to evaluate economic growth, or lack thereof.

"The OECD (Organisation for Economic Cooperation and Development) says one should compare GDP year-on-year, rather than on a quarterly basis. If you compare the second quarter of 2018 to the second quarter of 2017 one can see SA is not in a recession. That is a fact," said Botha.

He is also not overly concerned about the rand's plummet against the dollar, along with other emerging market currencies, saying "it will bounce back". Compared to Turkey (which saw a dramatic dip in the lira), South Africa has investment status. "I think Moody's will give us a break. Besides a weaker rand is always good for growth," Botha said.

## Land reform

On the question of land reform, Botha defines three enabling factors needed to develop food and agriculture value chains:

- **essential** enabling factors such as property rights, adequate infrastructure and supportive trade policy.
- **Important** enabling factors are standards and regulations, sufficient research and development, and access to financial services.
- **Useful** enabling factors refer to the ease of doing business and business development services.

"I cannot see how productive pieces of land would be expropriated without market-related compensation. Nobody will convince me that the Constitutional Review Committee in Parliament is so stupid that it will allow the same thing that happened in Zimbabwe to happen in SA," said Botha.

Zimbabwe is a case study in what can go wrong when there's land expropriation without compensation. "There was an exodus of an estimated three-million people, the unemployment rate is at 95% and the GDP has declined by 20% since 2000," he said.

If the Constitution is amended to allow for radical land reform, the consequences include a diminishing of the protection of property rights, heightened policy uncertainty, a decline in the prices of land and related assets, a negative impact on banks and their ability to provide loans, and rand weakness.

Disinvestment in agriculture and food processing industries, a threat to food security, a substantial rise in litigation costs, a negative impact on GDP and fiscal revenue, growing unemployment and eventually heightened potential for sociopolitical unrest are other likely scenarios, he said.

In addition, junk status will follow "within minutes" of radical land reform being implemented, with a knock-on effect on the rand.

"I am not here to tell you who is right and who is wrong and who stole land from whom. I am just saying SA will go into recession without a shadow of a doubt if radical land reform is implemented," said Botha.

## ABOUT NICCI BOTHA

Nicci Botha has been wordsmithing for more than 20 years, covering just about every subject under the sun and then some. She's strung together words on sustainable development, maritime matters, mining, marketing, medical, lifestyle... and that elixir of life - chocolate. Nicci has worked for local and international media houses including Primedia, Caxton, Lloyd's and Reuters. Her new passion is digital media.

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