

## ANC tangle over Reserve Bank stance

ANC secretary-general Ace Magashule is accused of dropping 'economic bombs' during Tuesday's briefing on the ANC's weekend lekgotla, saying the party would expand the mandate of the Reserve Bank and explore the use of quantitative easing to deal with government debt. Shortly afterwards, **he was contradicted by the head of the ANC's economic transformation committee, Enoch Godongwana, and Finance Minister Tito Mboweni.** Godongwana said consideration of quantitative easing was not on the ANC agenda and that there was no decision by the ANC to expand the mandate of the central bank. This position was supported by Mboweni, who, according to a **Fin24** report, tweeted that government determines the mandate of the SARB, implying that the political party's NEC has little say in that regard. **Business Day** notes this is the second time officials at Luthuli House have been taken to task for misleading public statements about the status of the central bank. It says the issue has become a proxy war between the Ramaphosa camp and the Zuma fight-back faction.

*The ANC is to instruct the government to consider forming a task team to explore 'quantitative easing', a policy used by central banks in the US and Europe to inject money into the economy by buying government assets, such as bonds. This is intended 'to address intergovernmental debts to make funds available for developmental purposes'. While the proposal for quantitative easing is new, notes **Business Day, the debate on the bank's mandate has been a source of contention in the ANC for years.*** In response, the bank said it 'would continue to engage with the Finance Minister, who in terms of section 6 of the Public Finance Management Act, is responsible for the co-ordination of macroeconomic policy'. The mandate of the central bank, which is enshrined in the Constitution, is to 'protect the value of the currency in the interests of balanced and sustainable economic growth'. Godongwana, in his statement, made the same point, saying that macroeconomic policy was determined by the Finance Minister and the bank in line with the injunction in the Constitution. As the mandate of the bank had already been discussed in correspondence between it and the Minister of Finance in 2010 'the debate about the mandate of the bank was therefore closed from that date'.

*The rand whipsawed yesterday amid confusion over whether the ANC is pushing to change the Reserve Bank's mandate and to use the institution to rescue state-owned companies. Speaking in an interview hours before Magashule's press briefing on Tuesday, Kganyago said the Reserve Bank's independence was enshrined in the Constitution. A report on the **Fin24** site notes that he reaffirmed the bank's mandate to fight inflation, made it clear the institution by law can't provide unsecured credit, and that it won't step in to bail out government-run companies. 'Where does the Reserve Bank get the money?' Kganyago said in an interview with *Bloomberg News*. 'We'll have to print it.' He added that **'this is the classic definition of inflation'**. In a market update on the rand's movements, Investec economist Annabel Bishop noted that the 'confusing messages' from the ANC on the Reserve Bank's independence would stall the rand's nascent recovery.*

*The ANC's apparent 'decision' to expand the mandate of the Reserve Bank and the subsequent chaos over whether it's true, if it's going to happen or indeed who made the decision, is nothing short of abject disaster.* In an analysis on the **News24** site, Pieter du Toit notes that the markets, ratings agencies, local and international investors and pension fund managers will be saying 'what the hell is President Cyril Ramaphosa's government doing?' 'Thanks to the disastrous years of capture and corruption facilitated by former President Jacob Zuma and his cronies – many of whom are still in the ANC's leadership – SA has suffered under consistent policy drift. Year after year Treasury's technical assessments of the state of the economy and the need for policy certainty have fallen on deaf ears, or rather ears too busy with factional fighting and looting to care. Our state-owned enterprises present a clear risk to fiscal stability, our budget deficit is unsustainable, debt is spiralling, investment is stagnant and falling, the public sector wage bill is debilitating, and policy pronouncements are muddled and contradictory, Treasury has warned.' Du Toit says **Tuesday's events are the very public manifestation of the extent of the extreme factional divides inside the ANC.** 'It lays bare the chaotic policy making structures which have been responsible for an economy in which the GDP this quarter showed the biggest quarterly contraction in a decade: 3.2%. And it showed how Ramaphosa is actively being challenged inside the party.'