

PO Box 76297, Lynnwood Ridge, South Africa, 0040

Grain Building, 1<sup>st</sup> Floor, 477 Witherite Street  
The Willows, Pretoria, South Africa, 0184

Tel. +27 12 807 6686, Fax. +27 12 807 5600  
admin@agbiz.co.za, www.agbiz.co.za

Vat nr. 4920204684

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**MEDIA STATEMENT  
FOR IMMEDIATE RELEASE**

## **Agbiz response to Minister Gordhan's medium-term budget policy statement**

Rarely has a medium-term budget policy statement (MTBPS) generated as much interest as the MTBPS of today, and rightly so. With continued sluggish and deteriorating economic growth, and increased demands on the fiscus for 'free' higher education, drought and other support for the agricultural sector, social welfare, a nuclear power programme and many more, Minister Gordhan and National Treasury have had a tough job to balance expenditure with lagging tax revenue.

But it is against the backdrop of major political intrigue and the pending threat of downgrades to sub-investment grade by rating agencies that make the MTBPS of far more significance. The reason is that while one of the objectives of the MTBPS is to make adjustments to the current budget approved by Parliament in February this year, the other and more important objective has been to revise the three-year rolling budget plan and fiscal policy framework. This provides an indication of projected economic growth levels, necessary to increase tax revenue, but also provides an indication of the extent of government borrowing and interest payment on those loans.

"Minister Gordhan and his team have in general terms analysed the environment well and provided a credible MTBPS, given the enormous and complex challenges we face as a country. The Minister emphasized the need for inclusive growth many times, with which Agbiz fully concurs, as well as the need to work together to achieve our goals as a country. To this end Agbiz is involved in a number of initiatives with government and National Treasury in particular in order to achieve the goals of the National Development Plan through sound and sensible implementation," Dr John Purchase, CEO of Agbiz stated, following the submission of the MTBPS to Parliament today.

“It was encouraging to hear that fiscal consolidation will continue over the three-year rolling period and that the budget deficit will decline from 3,4% to 2,5% by 2019/20, while debt is projected to stabilise at just below 48% of GDP. The Minister indicated that government intended to raise an additional R43 billion through tax revenue measures. This amount is considerable and of major concern as it implies a considerable increase in taxation of an already over-taxed private sector and citizenry.

This could dampen the very economic growth we need to increase tax revenue. So, this is a space we will need to monitor carefully,” Dr Purchase added.

While Agbiz lauds Minister Gordhan and his team for a ‘hopeful and resilient MTBPS’, in his words, the questions remain as to his political future, given the spurious charges of fraud brought by the NPA, and whether he has done enough to stave off downgrades by the rating agencies. These remain the critical factors and questions, and these could easily scupper the best laid plans and intentions. Hopefully sanity will prevail.

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**ENQUIRIES:**

Dr John Purchase

CEO: Agbiz

[john@agbiz.co.za](mailto:john@agbiz.co.za)

082 441 2308

Mr Wandile Sihlobo

Head: Economic and Agribusiness Intelligence

[wandile@agbiz.co.za](mailto:wandile@agbiz.co.za)

084 572 3485