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the way to prosperity

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Agbiz media statement
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Agbiz responds to 2021 Budget Speech: Inclusive growth and fiscal consolidation critical for South Africa's future

"In the most challenging budget for South Africa since the advent of democracy in 1994, Minister Tito Mboweni and his team have, within major constraints, provided the most reasonable balance in stimulating economic growth and consolidating the fiscal framework. With the previous national budget of February 2020, South Africa was already in an unenviable and constrained position of endemic low economic growth, constrained tax revenue and higher unemployment," Dr John Purchase, CEO of Agbiz, said today.

"The Covid pandemic, and the resultant lockdown measures, subsequently hit the South African economy very hard, with an expected 7,2% contraction in GDP in the 2020/21 financial year, and many people losing their livelihoods and employment. Our biggest risk was that the ballooning national debt from just over 60% of debt to GDP ratio to over 90% would trigger a sovereign debt crisis and result in South Africa defaulting on its interest and debt repayments. Against this background, Minister Mboweni has, by and large, kept the revenue stream steady in real terms, but is cutting non-interest expenditure considerably in real terms. This will be achieved through management of the public sector wage bill, reduced support of SOEs, and other necessary structural reforms," Dr Purcase said.

On the revenue (taxation) side, Agbiz welcomes the reduction in the corporate tax rate from 28% to 27%, while the increase in tax brackets by 5% will provide some relief for lower and middle-income groups. However, the 8% excise duty increase is steep and will impact negatively on our wine and liquor industries, as well as the tobacco and cigarette industry. It is critical that SARS and the law enforcement agencies double up their efforts to combat illicit trade in these products to ensure the viability of tax-compliant and legal businesses. The steep increase in the fuel levy is also of concern.

Agbiz welcomes the R7 billion support to the Land Bank over the Medium-Term Expenditure Framework (MTEF). This, together with the terms and conditions indicated, is, however, similar to what was announced in the MTBPS in October 2020. Any support to SOCs, including the Land Bank, will be subject to budget reprioritisation, and this greater control and conditional support of SOCs by the National Treasury is strongly welcomed.

The renewed focus on settling the long outstanding restitution claims is welcomed, as is the post-settlement support allocation in principle. However, to now suddenly recruit 10 000 experienced extension officers is highly questionable and requires clarification and a rethink.

In summary, Dr Purchase stated that stabilizing government debt at 88,9% of GDP by 2025/26, and achieving a budget surplus at the same time, is ambitious, but must be achieved to ensure a sustainable fiscal framework for the country. The 2021 budget was an honest assessment of the difficult fiscal position that South Africa is in. The key focus for all social partners should be on driving inclusive growth in the economy. Agbiz will on various platforms, such as with the Master Plan process currently underway, continue to support growth-enhancing initiatives and policy, in line with its mandate.

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