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MEDIA STATEMENT

BUSINESS UNITY SOUTH AFRICA (BUSA) EXPECTATIONS OF THE MEDIUM-TERM BUDGET POLICY STATEMENT 2023

JOHANNESBURG, 31 OCTOBER 2023 - The deteriorating state of public finances threatens the delivery of public services and puts the economic recovery of South Africa at risk.

The Minister of Finance, Enoch Godongwana, has warned that South Africa will run out of money by March 2024, unless it reduces its spending. This is a dire warning that must not escape the attention of the rest of the government, unions, political parties, businesses, civil society, and ordinary citizens.

South Africa has increasing expenditure and decreasing revenues which places the sustainability of its capacity to service its debt in question. As of June 2023, South Africa's debt to GDP ratio was 72,7% up from 70,9% in the previous quarter. The cost of servicing the debt is now the single largest expenditure item in the budget. At the same time, the South African Reserve Bank has forecast a mere one percent growth in gross domestic product (GDP) in 2024, which is insufficient to generate the revenue needed for the social and economic expenditure of the country.

South Africa also has a growing tax revenue shortfall, in part because of weak household finances, low business confidence, low investment, lower global commodity prices, and a weak rand. Consequently, BUSA recommends the following for the MTBPS:

Curtailing expenditure: The Minister needs to outline clear measures to ensure available funds are spent efficiently and to curtail expenditure, which has to include deep and substantial cuts in spending on non-essential and non-productive programmes, the shelving of unfunded prestige projects and linking future public sector wage increases to inflation. These measures must have the support of the rest of the Cabinet, which must speak with one voice to boost public confidence in the government's commitment to responsible management of the economy.

Raising debt to fund growth-enhancing expenditure: The Minister has no choice but to raise more debt, as a stop-gap measure to fund capital investment in growth-enhancing economic infrastructure. However, the increase in debt must be kept to a minimum and be complemented by vital economic reforms that will encourage and facilitate private-sector investment.

No tax increases: South Africa's tax-to-GDP ratio is already amongst the highest in the world. Increasing any taxes will burden households and hobble economic growth further. The most effective way to generate fiscal resources is to support economic growth.

South African businesses are working with the government to resolve the crisis in energy, ease the bottlenecks in logistics, and fight crime and corruption. Businesses' commitment to the country is clear. However, South Africa needs leadership with the political will to provide a clear policy environment, a commitment to removing barriers to investment, and to building business, investor, and consumer confidence. Economic growth is the national imperative if South Africa is to avoid a fiscal crisis, create jobs, deepen the tax base, and provide sustainable support to its most vulnerable.

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