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Press Statement

Agbiz responds to Minister Mboweni's 2019 Budget Speech

This year's Budget Speech comes against the background of tough macroeconomic conditions, characterised by weak economic growth, less effective tax administration and collection, and rising demand for government expenditure, amongst other factors. The frank assessment by Minister Mboweni, as well as the recognition that economic growth is fundamental to fiscal sustainability, is welcomed.

One of the key aspects of interest was state-owned enterprises' rising debt, particularly Eskom. To this end, today's budget highlighted a larger-than-expected injection of R23 billion per year over the medium term into the power utility that, together with other restructuring and turnaround measures reportedly under way, should hopefully assist Eskom to become a sustainable enterprise.

Moreover, support from National Treasury should focus on enabling municipalities to meet their financial obligations, most notably to Eskom. "From an agribusiness perspective, the power disruptions experienced as a result of municipal non-payment over the recent past have created tough operational conditions," said Dr John Purchase, CEO of Agbiz. "Prudent financial management at local government is critical for economic development in rural areas."

As far as job creation is concerned, Agbiz welcomes the increased allocations to the Jobs Funds and expansion of the Employment Tax Incentive (ETI). "Within a fiscally strained environment, it is necessary to invest in the social initiatives with the best track record, and both the Jobs Fund and ETI have shown good results," said Dr Purchase.

Whilst the implementation date of the Carbon Tax Bill does not come as a surprise, Dr Purchase emphasised the need for alignment between the Bill and climate change mitigation measures proposed by the Department of Environmental Affairs.

Of particular interest to agriculture and agribusiness, was a change of tone regarding agricultural development, with the Minister pronouncing a R3.7 billion allocation that will help black farmers who want to purchase land and acquire title deeds. The concept of

title deeds bodes well with what Agbiz has long been arguing for, as a way which would unlock the liquidity of the land market and, in turn, boost production.

Overall, however, spending on agriculture, rural development and land reform remains marginal, at less than 2% of overall allocation. “Appreciating the economic constraints at the present moment, there is a need for increased allocations in this sector to address systemic challenges such as biosecurity, and research and development, if we continue to deem it as key for job creation and inclusive growth in the South African economy,” said Dr Purchase.

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