

PO Box 76297, Lynnwood Ridge, South Africa, 0040

Grain Building, 1st 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 RELEASE

Agbiz comments on the Medium Term Budget Policy Statement

This year's Medium Term Budget Policy Statement (MTBPS) sees a marked deterioration in the budget deficit which is now at 6.2% of GDP from 4.7% in the February budget speech, which is far worse than expected. The key problem has largely been the lack of economic growth as well as mismanagement of Eskom finances. South Africa's economy is now projected to grow by sub-1% this year and improve marginally to 1.2% in 2020. The efficient collection of tax remains a challenge but we trust this will change with the appointment of a new SARS Commissioner who is focused on rebuilding the institution.

This gloomy picture reminds us of the urgent need to implement economic reforms in South Africa, underpinned by policy reforms that will attract investment and cap fruitless state expenditure. Failure to do so presents the risk of falling into a "debt trap" which requires the bulk of our income to be spent on debt repayments, thereby crippling our ability to invest in social infrastructure and growth enablers. "The key question now is how the rating agencies will receive this budget and the implications thereafter on the review of South Africa's sovereign rating. We might know soon about Moody's review which is due on Friday, 01 November 2019", noted Agbiz CEO Dr John Purchase.

This should also spark a sense of urgency to all South Africans to implement the economic reforms which will be outlined in the revised version of the National Treasury economic policy paper. "Agbiz and its members have already endorsed the National Treasury's economic paper. We were particularly happy with the agricultural section of the paper which encourages joint-venture approaches to agricultural and agribusiness development; means to ease access to development finance; adequate and affordable agricultural insurance; improved extension services for smallholder and emerging farmers; enhanced trade promotion, market access, and access to water for irrigated agriculture, as well as investment in establishing innovative market linkages for smallholders," said Dr Purchase.

“It is imperative that the Value Chain Master Plan that is currently being developed take the public-private-partnership approach as a way to sustainable development and inclusive growth, and gets implemented with a great sense of urgency by all parties. This is however going to be a real challenge, given the current divergent positions and approaches of the main role players”, Dr Purchase noted.

ENQUIRIES:

Dr John Purchase

CEO, Agricultural Business Chamber of South Africa (Agbiz)

E-mail: john@agbiz.co.za

Tel +27 12 807 6686 Fax +27 12 807 5600