

Agbiz Press Statement

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Agbiz reaction on 2020 Budget: Challenging times for South Africa

This was yet another challenging budget for South Africa. It was tabled at a time of low economic growth, constrained tax revenue and higher unemployment. At the core of reviving South Africa's economic fortunes is the sustainability of the power supply. While mismanagement of Eskom over the past few years is regrettable, we are encouraged that the government is committed to "do whatever it takes" to ensure stable electricity supply in South Africa. We hope this does not only mean a fixation to Eskom, but acceleration to the already ongoing reforms in the energy sector. The rising government debt related to especially Eskom remains a major concern.

"Although the budget broadly reflects the compromises between political stability, economic transformation and the need to have private sector-led economic growth, it touched on the right areas by addressing the bloated government wage bill directly, rather than to increase taxes to further counteract it," says Agbiz CEO Dr John Purchase. It was noted, however, that a great deal of this hinges on the upcoming public sector wage settlement negotiations. Agbiz trusts that our social partners will understand the difficulty that South Africa is in and the need to rebalance.

"What's more, it is encouraging that the economic policy theme is aligned to the National Treasury's very own economic policy paper entitled "Towards an Economic Strategy for South Africa". There is now a need for various government departments to do their part in implementing the strategies outlined in the paper. Infrastructure investment is one area, if achieved, that would drive economic growth going forward. Government's commitment to inclusive economic growth is well communicated through various initiatives, such as through the Nedlac Jobs Summit process. Such commitments are the only way South Africa could realise the much-needed growth that will help us generate the revenue needed for social expenditure," Dr Purchase added.

On a sectoral level, the consistent acknowledgement of agriculture as an important sector of our economy is encouraging. Most importantly, the recent capital allocation to the Department of Agriculture, Land Reform and Rural Development for the improvement of compliance to biosecurity and support for exports is commendable. South Africa's agriculture sector is export-dependent – exporting nearly half of what the country produces a year in value terms. Hence, the emphasis on supporting exports is

fitting, along with sentiments Minister Mboweni expressed about the African Continental Free Trade Agreement which comes into effect in July 2020. With 40% of South Africa's agricultural exports currently destined for the African continent; this agreement brings this reality home, albeit that the benefits might take longer to materialise due to infrastructure constraints.

Overall, the 2020 budget was an honest assessment of the tight fiscal space that South Africa is in. The key focus for all social partners should be on driving inclusive growth in the economy. Agbiz will in various platforms continue to support growth-enhancing initiatives and policy, in line with our mandate.

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