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## **MEDIA STATEMENT - IMMEDIATE RELEASE**

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### **'CREDIBILITY AND CONFIDENCE IN ECONOMIC POLICY WILL BE KEY FACTORS IN EVALUATING THE LATEST FISCAL RESPONSE TO RECENT CREDIT RATING AGENCY DECISIONS', SAYS NWU SCHOOL OF BUSINESS AND GOVERNANCE ECONOMIST PROF RAYMOND PARSONS**

'The decision by President Jacob Zuma to instruct the Presidential Fiscal Committee to actively tackle four key areas of fiscal policy to shape the 2018 Budget in reaction to the recent decisions by the credit rating agencies is welcome, especially if combined with the fiscal slippage apparent in the recent Medium Term Budget Policy Statement.

Also welcome is the promptness with which Finance Minister Malusi Gigaba is seeking to implement the decision, in view of the urgency of the economic and fiscal situation SA is facing. Deteriorating public finances are now the Achilles Heel of SA's present economic outlook.

To re-establish credibility in the fiscal process it is essential that the emphasis now be placed on how government spending can be reprioritized to secure a new balance between growth and fiscal sustainability. Government spending simply has to be brought into much better line with what the economy can now afford. If not, SA will drift in into an inevitably negative 'tax-and-spend' cycle.

First prize now is for SA to also avert being dislodged from key global market indices next year, in view of its implications for borrowing costs for both the public and private sectors. This would ultimately be bad for both growth and employment. It is imperative that in 2018 the SA economy begins to break out of its 'low growth trap'.

It would also be helpful to credibility and confidence in policy if, even at this late stage, Finance Minister Gigaba was to include the advice of selected key private sector and academic economists. The issues at stake economically and fiscally are so important now that the most inclusive advice will assist in promoting credibility.

It is clear that to get the fiscal 'mix' right in the 2018 Budget in February will now be a major determinant of SA's future investment status.

**Ends**