

Prof Raymond Parsons

Cell: 083 225 6642

MEDIA STATEMENT - IMMEDIATE RELEASE

25 OCTOBER 2017

'2017 MEDIUM TERM BUDGET POLICY STATEMENT (MTBPS) MORE OF A HOLDING OPERATION THAN A BOLD PLAN TO TURN THE ECONOMY AROUND', SAYS NWU SCHOOL OF BUSINESS AND GOVERNANCE ECONOMIST PROF RAYMOND PARSONS

'Given the economic and political headwinds presently facing SA, the fact that the 2017 MTBPS uses as its conceptual framework the National Development Plan (NDP) and its long term vision for 2030 is welcome, but its socio-economic goals remain elusive. The MTBPS address recognizes the extent to which the SA economy has lost ground since 2012 and acknowledges the highly negative impact of a 'low growth trap' on the economy. In fact, the MTBPS has had to be based on almost halving the growth forecast for 2017 from 1.3% to 0.7%, which has serious fiscal implications.

But despite the willingness of Finance Minister Gigaba to highlight some of serious financial and governance challenges facing the public sector in general and certain state-owned enterprises in particular, as well as the need to rebuild confidence, the message of the MTBPS remains very much a holding operation until the main Budget in February 2018. Despite assurances, there is still a high level of uncertainty around the fiscal projections and several policy outcomes. Although there was only a brief reference to nuclear power, given the poor state of SA's public finances, it is hard to see how SA can afford the nuclear project in present difficult economic circumstances.

Although Minister Gigaba also frequently referred to the need for tough decisions, these still seem to be subject to further processes and consultation before being implemented. Progress has indeed been made with a new board for SAA and a fresh board is promised for Eskom. Yet there have been no bold new strategies for basically overhauling the SOEs. The governance, management and financing problems of key SOEs remain the Achilles Heel of SA's public finances and the economy's competitiveness.

But the revenue shortfall remains significant, and as long government spending is not better controlled, the negative debt ratios will rise further in the period ahead. Several economic uncertainties remain and inevitably raise red flags. The lack of robust growth-oriented policies reinforces the negative outlook. It is therefore not clear that the MTBPS in itself will be sufficiently confidence-building. This raises the real risk that SA will be further downgraded by the credit rating agencies, as well as creating the prospect that higher taxes will become necessary in the main Budget in 2018.'

ENDS