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THE 2016 NATIONAL BUDGET INTRODUCED IN PARLIAMENT TODAY UNDERSCORES THE ECONOMIC CHALLENGES FACING SOUTH AFRICA, SAYS NWU BUSINESS SCHOOL ECONOMIST PROF RAYMOND PARSONS

'The 2016 Budget Speech delivered in Parliament today gave a realistic and sober outline of the economic challenges facing SA. Finance Minister Gordhan delivered a serious message about what was needed to meet these challenges and the measures required to turn the SA economy around. Minister Gordhan made it clear that, although the world economy was now less supportive, the fundamental policy choices must be made domestically. Key policy decisions and leadership are therefore needed to address the deteriorating economic outlook. The strong reaffirmation of the official commitment to the National Development Plan (NDP) in the Budget speech is welcome and provides a degree of certainty and predictability about the overall policy framework.

In deciding how the pain of adjusting to new economic realities is to be spread over various stakeholders, the Budget has had to maintain fiscal prudence in ways which do not harm investment and growth. This is a difficult balancing act, given that growth in 2016 is likely to be even lower than the 0.9% projected by the Budget. Within its limited space, the Budget has nevertheless helped to promote fiscal sustainability, laid the foundations for a possible improvement in the economy next year, and provided more confidence about the economic road ahead for SA. Expectations must nonetheless remain realistic as to what a single Budget can achieve and the ambitious projected lower government debt ratios may well yet be challenged.

Finance Minister Gordhan is to be commended for pragmatically grasping several policy nettles, such as emphasizing effective cost containment measures in the public sector and a greater willingness to involve the private sector in state-owned enterprises. The intentions to reorganize SAA should be expedited. Government plans are also being realigned more sensibly with what business needs to promote investment and growth. The increased support for small business is applauded. On the tax side, while the political reasons for opting for impositions such as specific sugar and tyre taxes might be understood, the decisions do fly in the face of the need for a simple and broadly based tax system.

Whether even this conservative Budget is enough to still fend off 'junk status' is not clear at this stage. The credit rating agencies have for some time been greatly concerned about SA's deteriorating growth performance, not just its fiscal and financial lapses. It goes beyond fiscal consolidation alone. To succeed in changing perceptions for the better it will be necessary for the growth-enhancing decisions in the Budget to be seen as a collective responsibility and priority of the Cabinet as a whole, not just the National Treasury. Successful implementation must now be the name of the game, and the greater recognition of the vital role of the private sector in generating outcomes is now an essential part of the solution.

The Budget again confirms there is no 'quick fix' to get the SA economy out of its present doldrums. But the Budget speech is right to emphasise the pervasive significance of inclusive economic growth in finding solutions and in demonstrating why the Budget is guided by the NDP. The prospect of a growth rate in SA which is persistently below population growth is not acceptable. Whether we refer to government finances, poverty alleviation, investment prospects, job creation or business confidence, the cross-cutting solution ultimately lies in getting the economy moving again. This was clearly the mantra of the 2016 Budget Speech.'

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