Medium Term Budget Policy Speech (MTBPS) in the wake of economic crossroads South Africa finds itself in

South Africa finds itself in deep economic waters as she chats a formidable directional policy to spur investor confidence and above all quell socio-economic unrest within the general populace. With the effects of the technical recession starting to bite on most South Africans i.e. cost of living rising on a monthly basis due to continual increase in fuel, thus making it increasingly difficult for many to adjust. Therefore all eyes are on the Medium Term Budget Policy Speech in paving certainty, credibility and raising optimism in every South African, credit rating agencies and investors alike.

Key Highlights of the MTBPS:

- Tax revenue was revised down by R27.4 billion in 2018/19, R24.7 billion in 2019/20 and R33 billion in 2020/21 relative to the 2018 Budget. This mainly reflects higher-than-expected VAT refunds.
- Government remains committed to sustainable public finances, and despite major spending pressures, the expenditure ceiling remains intact
- Gross debt is projected to stabilise at 59.6% of GDP in 2023/24. Currency depreciation accounts for about 70% of the upward revision to gross loan debt in the current year.
- Weaker economic growth, alongside a once-off payment of overdue VAT refunds, will result in the consolidated budget deficit expected to decline from 4.2% of GDP in 2019/20 to 4% in 2021/22.
- Treasury now expects to collect R1.35 trillion rand in the 12 months through March 2019 – R27.4 billion less than was estimated in the February budget.
- Revenue collection for the first six months of 2018/19 grew by 10.7% compared with the same period last year. However, the technical recession experienced in the first half of the year has begun to feed through to revenue collection, which has slowed
- The consolidated budget deficit is estimated at 4% in 2018/19, compared with the 2018 budget projection of 3.6% of GDP. After rising to 4.2%, the deficit stabilises at 4% in the outer year.
- The economy is now expected to grow 0.7% in 2018, compared with the 1.5% prediction made in February 2018, which is considered to be one of the greater risks.
- No additional tax increases proposed
- More bailouts for state owned enterprises such as:
    - South African Airways (SAA) will get a R5 billion bailout, while SA Express will receive R1.2 billion and the South African Post Office will get R2.9 billion in new funding from the government.
    - The commissions of inquiry into tax administration and state capture will receive a combined R409 million.
    - SARS will also receive R1.4 billion more over the next three years to help with efficiencies
- As of the 1st of April 2019, the following items would be tax zero-rated:
    - Sanitary pads
    - Bread flour
    - Cake flour

- MTBPS aims to firmly support the Economic with the Economic Stimulus and Recovery Plan announced by the President of the Republic of South Africa Cyril Ramaphosa, in terms of implementation of growth enhancing economic reforms, reprioritisation of public spending to support growth and job creation, infrastructure funding and investing in municipal social infrastructure improvement.

Global & Local Opinion

We are of the view that implementation of key reforms to restore economic growth, investor confidence and credibility is of utmost importance. If this is fully executed we project to see a huge influx of direct investment in the economy thereby reducing the unemployment rate by double digits and plummeting social unrest among other economic pressure points. Additionally, it is concerning that revenue collections are steadily falling short of projections, this however will have an impact on debt repayments, which might therefore see South Africa’s credit rating sliding downwards. Lastly the urgent need for the government to tackle corruption should remain a priority if this nation is to steadily sail to the promised land of sustained growth.

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