Mini-budget: SA economists react

GCIS From left, Sars commissioner Tom Moyane, Deputy Finance Minister Mcebisi Jonas, Minister Nhlanhla Nene and Treasury director general Lungile Fuzile on arrival at Parliament yesterday. Photo: GCIS

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“South Africa has gone for austerity (-ish) and tax hikes to achieve the same projected consolidation path after a sharp downward revision in the growth outlook. This conservative fiscal stance can only be achieved politically given the argument that the Treasury has won around increasing space for grants to the poor and more left-wing microeconomic policies at the expense of tighter fiscal policy overall.

“However, the Medium Term Budget Policy Statement (MTBPS) puts the likelihood of short-term downgrades from the agencies in more doubt, though in the medium run Moody’s (and others) will lower the rating. Eskom support lacks much of the required additional details, though the fabled debt-equity conversion has been raised along with equity asset sales, as expected.

“We still see considerable medium-run fiscal risks on a number of fronts, but the reaction function today means the market and funding risks from that are less.”

David Faulkner, South African Economist, HSBC:

“The main message was the sober assessment of the public finances and the signals that active consolidation measures will start to redress the structural imbalance between revenues and government spending – a key source of concern to the market and ratings agencies alike.”

Annabel Bishop, chief economist, Investec:

“A sound fiscal package aims at fiscal consolidation, and will likely be positively received by the markets, though tax hikes are not off the table.

“While there were statements on curtailing wastage, corruption and inefficiencies, as well as a narrowing fiscal deficit and lowering of the borrowing requirement; a key ratio watched by the rating agencies deteriorated.

“Moody’s rating agency has recently warned that ‘South Africa’s credit ratings could be downgraded should the government’s direct debt continue to deteriorate in a manner inconsistent with future debt sustainability’.”

Dion George MP: DA Shadow Minister of Finance:

“It did not do enough to restore confidence in our economy, assist economic growth, or create new jobs. It has become clear that positioning the state at the centre of our economy cannot work. State-owned entities are bankrupting South Africa, with Eskom alone requiring R270 billion to remain afloat. The deficit for this year will come to R153bn.

The Minister’s primary response to the state’s rising debt is a R27bn tax increase. The DA will not support this as it will slow down our economy further and kill jobs.

There was nothing new in this MTBPS. It was a short speech and it was short on ideas. The only major announcements from the speech were increases in taxation and significant bailouts of state-owned entities.

“What Minister Nhlanhla Nene should have done was to cut the budget of our bloated cabinet, and put a comprehensive and coherent plan on the table to stop wasteful expenditure and corruption once and for all.”

Roger Baxter, acting chief executive, Chamber of Mines:

“We acknowledge the Minister’s call for a ‘new accord’ between the industry tripartite partners. The issues he raises are subjects that have and continue to grip the focus of the Chamber and senior leadership of all our member companies.

Tackling the constraints to growth through collaborative problem-solving partnership between the key stakeholders is key to delivering investment and growth, which in turn are central to achieving the objectives of the National Development Plan.

The Chamber and its members are working on various initiatives that, with the key social partners, can help unlock investment and growth and enhance the contribution of the mining sector to the socio-economic transformation of our country.”

Kaizer Nyatsumba, Seifsa chief executive officer:

“Minister Nene and his team had to engage in a delicate balancing act. It now remains to be seen if the financial discipline, efficiency and responsibility correctly identified by the Minister will be evident throughout all tiers of government, with all instances of corruption ruthlessly dealt with. Failure to act against those who do not implement these much-needed cost-saving measures can only undermine Minister Nene and his team.”

Ron Klipin, a retail equity/retail analyst at Cratos Wealth:

“He said the Medium Term Budget Policy statement had good intentions from the macro economic point of view but questioned their implementation strategy. Klipin said the budget statement would not have much impact on the consumers themselves as Nene’s focused on cutting back on government spending.

“From the socio-political point of view and from the tripartite alliance point view, the social grants are probably the ‘holy cow’ to protect the relationship with the alliance.”

Klipin’s take on the tighter fiscal policy was that monetary policy was likely to remain relatively favourable. “A more conservative fiscal policy, was necessary in terms of South Africa not being subject to a downgrade by the rating agencies.”

Source: http://www.iol.co.za/business/budget/mini-budget-sa-economists-react-1.1769313#.VE4FBGcdRuU