

"Failure to deliver on key commitments could elevate policy uncertainty"

SA's public finances have now been put on a much more sustainable basis. Both expenditure and revenue were good-news stories which help to build economic resilience.



Source: Twitter. SA Finance Minister, Enoch Godongwana delivers his medium-term budget speech on Wednesday, 26 October.

This was the commentary of North-West University Business School economist, Raymond Parsons on Finance Minister Enoch Godongwana's delivery of the 2022 Medium-Term Budget Policy Statement (MTBPS) on Wednesday, 26 October.

He said the minister delivered a realistic and credible fiscal message in the MTBPS against the background of difficult global and domestic economic circumstances

But, he cautioned, the overall budget 'judgement' will acquire much more precision as has already been stated in the Budget delivered in February this year.

"The MTBPS in crafting its rolling three-year spending plan nevertheless already had to walk a fine line among the recent heavy competing demands on the current fiscus.

"The MTBPS nonetheless succeeded in combining prudence with flexibility in addressing SA's socioeconomic priorities within a framework of fiscal discipline.

"The 2022 MTBPS has offered realistic policy trade-offs in the light of the existing economic constraints. In particular, there was welcome emphasis in the MTBPS to the commitment to expand infrastructural investment; the extension of the social relief of distress grant until 2024; and the fact that further financial assistance to state-owned enterprises like Eskom and Transnet will be hedged with strong conditionalities."

It is also encouraging that greater capacity building at local government level is intended, Parsons said.



#MTBPS: Social Relief of Distress grant extended to March 2024

27 Oct 2022



"Structural challenges require structural remedies, which include a much larger role for the private sector in finding solutions, especially in the energy and transport fields.

The risks to the MTBPS fiscal projections lie mainly at three levels. Firstly, that the economic growth assumptions underlying the 'mini-Budget' may be too optimistic given the prevailing global and domestic headwinds.

"The National Treasury has also warned of downside risks to the growth forecasts. Secondly, a different outcome to the public-sector wage negotiations may upset current fiscal projections.

"Thirdly, a failure to deliver on certain key commitments in the MTBPS would elevate policy uncertainty and dampen the prospects for job-rich growth.

"The more SA is seen to fix its growth problem, the more attractive it becomes for investment."

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