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25 October

MEDIA STATEMENT

ON MEDIUM TERM BUDGET POLICY STATEMENT

BUSA sees the overall message of the “mini-budget”, given by Finance Minister Pravin Gordhan today, as positive for business confidence. BUSA therefore welcomes the realistic assessment of the position of South Africa’s economy in the Medium Term Budget Policy Statement (MTBPS). The Finance Minister has given a pragmatic assessment of the external and internal factors affecting South Africa’s economic performance and outlook.

We welcome in particular the Minister’s identification of the central thrust of our economic policy challenge as “to support competitiveness and promote the kinds of structural change that will lead to more rapid, inclusive growth” so that it can meet our national growth and job creation targets.

Within this context Business welcomes the proposed competitiveness support package of R25bn envisaged for the next six years, the R8bn in tax incentives set aside for industrial investment and capacity building incentives, as well as improvements in a number of other incentives as outlined in the Minister’s speech. It is essential that South Africa takes all possible steps to enlarge its share of world trade and investment. BUSA is particularly pleased at the emphasis placed in the “mini-budget” on the need for enterprise development, especially of small and emerging business.

It is correct that the Minister has indicated the need for South Africa to change its expenditure from one that emphasizes government consumption at the expense of more efficient investment in job-creating assets, such as the maintenance and provisioning of infrastructure. The impact of infrastructural spending on growth and jobs would be accelerated if greater use was made of public private sector partnerships to strengthen delivery. BUSA particularly welcomes the emphasis which the Finance Minister has placed on enhancing infrastructural spending at local government level.





BUSA agrees with Minister Gordhan that it is essential to hold the right balance between a counter cyclical policy on the one hand and fiscal prudence on the other. In particular, the need for discipline in the state's wage bill is imperative if other public projects and programmes are not to be jeopardised. The emphasis must now be on capital expenditure rather than current expenditure.

In general, BUSA supports the Minister's exposition of the MTEF and the division of revenue, as well as his comments on fiscal reform and the financial sustainability of our economy. We will be studying the full package of proposals contained in the MTBPS documentation in detail over the next week, and will respond more fully in our submission to the Standing Committee on Finance.