MINERALS COUNCIL
SOUTH AFRICA

# MEDIA STATEMENT

## MINERALS COUNCIL NOTES WITH INTEREST MEDIUM TERM BUDGET POLICY STATEMENT BY MINISTER MBOWENI

**Johannesburg, 24 October 2018.** The Minerals Council South Africa notes with interest the Medium Term Budget Policy Statement and documentation delivered today by new Finance Minister Tito Mboweni.

Possibly the most heartening fact of the statement is that it was delivered with honesty and frankness about the depth of the economic crisis in which South Africa finds itself at this point, and with no attempt to gloss over the challenges. The Minister tried to strike an investor friendly tone but there was no hiding away from the fact that the fallout of the position the country finds itself in, is leading to further borrowing and higher debt levels. The Minerals Council appreciates President Ramaphosa's efforts to implement growth-enhancing economic reforms and rebuilding investor confidence as referred to by the Minister. However, such is the enormity of the challenges ahead that the markets remain cautious.

The Budget deficit over the next three years will be uncomfortably higher than previously expected, growth forecasts looking weaker and the debt to GDP ratio is forecast to stabilise at close to 60%.

Minister Mboweni showed some courage in acknowledging the broken state of so many South African institutions, including the state-owned enterprises. While the economic forecasts will not give any comfort, including to the ratings agencies, it is hoped that his reinforcement of President Ramaphosa's commitments to rooting out corruption and inefficiency will buy the country more time. The country certainly cannot afford even higher debt repayment bills that would be a consequence of further downgrades.

Particularly interesting is his talk about the reconfiguration of state-owned enterprises, and the breaking down of walls between the public and private sectors. We await the detail of what this might mean. It is possible that government is being pressed into considering the adoption of radical measures that it has previously been reluctant to adopt.

Minister Mboweni also invited the ire of ruling party allies by decrying the high salary increases granted to public servants over the years, including this year. That he has not budgeted for above-inflation increases does not quite explain how the recent collective bargaining agreement reached with the unions will be managed fiscally in the period ahead.

The Minerals Council notes with interest the commitment to aligning the carbon budgeting system and the carbon tax, and the delay in implementation of the carbon tax. That is a necessary step. We look forward to seeing the detail of the changes.

In this highly constrained situation, it was important for the Minister to find some measures that would immediately and directly benefit the poorest of the country's citizens. The additional VAT zero-rating measures, and the commitments in respect of health and education infrastructure are important in this regard.

The commitments to jobs and growth-generating infrastructure development, too, are critical. Their effectiveness will depend on the quality of implementation, which has been lacking in recent years. The invitation to the military to assist in the water sphere is another welcome indication of recognition of the seriousness of this particular challenge.

In conclusion, Minister Mboweni, President Ramaphosa, the rest of government, and the rest of the country, including the private sector, have a monumental task ahead to rescue the economy from the depths to which it has been dragged over the past several years.

The Minerals Council stands ready to play its part, in partnership with government and other stakeholders.

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