

MEDIA STATEMENT

TOUGH MTBPS CLEAR ON DEPTH OF ECONOMIC CRISIS

Johannesburg, 28 October 2020. The Minerals Council South Africa believes that Finance Minister Tito Mboweni has delivered a Medium Term Budget Policy Statement (MTBPS) that tells our country very clearly the depth of the economic crisis we face. South Africa is facing the real risk of a full blown sovereign debt crisis within two years unless the handbrake on government expenditure is applied in a significant fashion.

This MTBPS was going to be a very difficult juggling act between conflicting demands and interests while at the same time starting the urgently required fiscal consolidation process. And the crisis we are in cannot be blamed on the COVID-19 pandemic. The fact is that the South African government has been living beyond its means for over a decade. Total public sector debt has ballooned from 24% of GDP in 2008 to 81% this year, with interest on public debt the fastest growing component of government spending. Fiscal consolidation is long overdue, and it must be done with real intent.

The National Treasury can be applauded for limiting bailouts to inefficient and outdated state-owned enterprises (SOEs), although R10.5 billion to be given to SAA cannot be supported given the airline's unsustainable business model or limited chances of becoming viable.

Most importantly, the Minerals Council urges government to start focusing on the critical institutional and structural reforms necessary to significantly increase the country's global competitiveness rankings. These have slid over the past decade. South Africa is now ranked 60th in the World Economic Forum's rankings and 84th on the Ease of Doing Business ranking.

In our view, the only way that South Africa can avoid a sovereign debt crisis is through a significant fiscal consolidation process and by a significant improvement in the country's competitiveness, to enable much higher levels of investment and inclusive growth. Achieving this will require politically contentious reforms. These reforms still need to be discussed in the NEDLAC task team established for this purpose. This process needs to be expedited.

At the same time the Minerals Council supports Minister Mboweni's view that the ease of doing business must be drastically improved. This will also contribute to competitiveness which brings



higher investment, higher inclusive growth, lower unemployment and less poverty. This will be to the benefit of the vast majority of South Africans.

The MTBPS is a step in the right direction, but the further structural and institutional reforms are now vital and urgent.

For further information, please contact:

Charmane Russell

Tel: +27 (0)11 880 3924 or Mobile: +27 (0)82 372 5816

Email: charmane@rasc.co.za

Alan Fine

Tel: +27 (0)11 880 3924 or Mobile: +27 (0)83 250 0757

Email: alan@rasc.co.za

Memory Johnstone

Tel: +27 (0)11 880 3924 or Mobile: +27 (0)82 719 3081

Email: memory@rasc.co.za

Web: <https://www.mineralscouncil.org.za/>