



## **Economic Digest 18** **November 4<sup>th</sup> 2020**

### **The Mini Budget & SA's Huge Fiscal Headache**

When Finance Minister Tito Mboweni delivered his Medium-Term Budget Policy Statement (MTBPS) last week, he did not have a lot of room to manoeuvre. He had to cut the budgets of a few ministries and push ahead with a public sector wage freeze. While these measures were expected, a further bailout of SAA took some observers by surprise. The articles below explain what the MTBPS entails, what the fuss is about SAA, and what the political trade-offs are.

#### **Here's what's in Tito Mboweni's medium-term budget**

“The National Treasury has put the brakes on the onerous debt consolidation plans it outlined in June, reducing its planned expenditure cuts by R83bn to R307bn over the next three years with public servants set to bear the brunt of the fiscal squeeze”. <https://tinyurl.com/yxmvxjw>

#### **When political spin and numbers don't add up: mini budget leaves most cold**

According to the *Daily Maverick's* Marianne Merten, the medium term budget was a political balance sheet. “Trade-offs juggle the SAA bailout billions, a public wage chill and legislative changes to allow workers early access to retirement savings. Political trade-offs dominated – otherwise, it was much ado about nothing”. <https://tinyurl.com/y4h3hepq>

#### **A big chunk of the R10.5bn to save SAA will come from police, university budgets**

“In the medium-term budget, announced on Wednesday, Mboweni finally confirmed that SAA will get the R10.5 billion as outlined in its business rescue programme”. <https://tinyurl.com/y3trheug>

#### **Ministers Tito Mboweni and Pravin Gordhan defend SAA bailout**

According to the finance Minister, “the R10.5-billion allocated to SAA [...] is not a bailout because the funds will bankroll the airline's business rescue process.” <https://tinyurl.com/y5qtvmp>

#### **SAA bailout will pave the way for private investors**

The National Treasury argued that the funds allocated to the SAA will help to meet its financial obligations and assist in finding private investors. <https://tinyurl.com/yxzxqlbs>

### Is it worth saving SAA? The future is uncertain

Some in the airline industry believe that it is not worthwhile saving SAA. Others argue that rescuing the beleaguered national airline may contribute to supporting an aviation industry that has been battered by the coronavirus pandemic. <https://tinyurl.com/y2yqg4da>

### Mboweni doubles down on wage freezes for public servants

“In the Medium-Term Budget Policy Statement (MTBPS) Mboweni set the cat among the pigeons when he proposed a wage freeze for public servants over the next three years to support his ambition of cutting government expenditure and debt, which is crucial to avoid a full-blown debt crisis”. <https://tinyurl.com/y6tq9y3u>

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