Response
24th February 2022

The 2022 Budget

Prudent. Relaxed. Short. This Budget Speech was all three of these, and all round a good debut for the new Finance Minister, Enoch Godongwana.

For the first time in many years, the country is enjoying a slice of economic good luck – the demand for some of the raw materials that we have in abundance has been high for a prolonged period and this has resulted in greatly increased taxable earnings by commodity firms. Allied to a resurgence in SARS's tax collection capacity, this has delivered revenue to the fiscus that exceeds predictions by R182 billion.

This has allowed the government to extend the social relief of distress grant for another twelve months, and to top up provincial departments of education and health, among other things. It has also created room for slight downward adjustments to income tax to combat bracket creep, and – a very popular move – for no increases in fuel taxes, which have become a major consumer headache in recent years.

The minister repeated what President Ramaphosa said in the SONA – that underperforming or obsolete state-owned enterprises will be 'consolidated' or disposed of. He gave effect to this by declining to provide SAA with further funding, and by warning ESKOM that continued support from the Treasury will be dependent on progress in cost cutting and the sale of certain assets. All of this, according to Mr Godongwana, constitutes 'tough love'.

Like the President, he seems to harbour a different kind of love for the private sector – companies will see their tax rate reduced by 3.6%, from 28% to 27%. Hopefully, the corporate sector will have the sense to use this unexpected windfall to invest and undertake the job creation that Mr Ramaphosa spoke of glowingly in the SONA. His remarks then, and Mr Godongwana's largesse now, signify an important and quite surprising shift in government thinking.

We also heard more about 'catalytic infrastructure', a term that refers to the kind of infrastructure that can unlock further development – roads, rail transport links, water provision and the like. Here, too, it seems, government sees itself primarily as a facilitator, and expects the private sector to mobilise capital and partner with it in these projects.

Civil servants will see only a very modest average increase in their salaries, but it appears that there is little appetite among them to fight the government's plan to continue "arresting the rapid increase in the public sector wage bill". Recipients of social grants will also receive only inflation-linked increases, and as we have noted before, most of them face price hikes – on food, transport, medicines, etc. – that are much higher than the official inflation rate.

It is both a source of pride and a cause for concern that 46% of the population receive one or other social grant. Without this, the country would surely have descended into anarchy long ago; but with it, we are falling ever deeper into debt and – arguably at least – neglecting to give sufficient attention to long-term measures to create jobs and give people an outlet for their energies and ambitions.

It is useful, when it comes to these annual events, to look back and see what was said previously; this enables us to see if there is a proper continuity and consistency from one year to the next. In our *Response* to last year's Budget Speech we wrote:

> *If the government is able to carry through its wage proposals; and if the predictions of modest economic growth this year and next are accurate; and if we can roll out the Covid vaccine efficiently, getting the country back to work; and if the current favourable commodity cycle continues for a while; and if we have solid growth in agricultural production so that we can save on food imports; and if the good work begun at Eskom can be kept up and extended to other SOEs; and – perhaps the biggest 'if' – if the ANC does not fall prey to the populist, corrupt, self-enriching forces that still contest for power in the organisation, then perhaps this budget will become another brick in the wall of a rebuilt, post-state capture South Africa.*

It seems fair to say that, on each of these 'ifs', some of them within our control and others (especially the commodity cycle) not, we are doing better on balance than we were twelve months ago. Not a spectacular achievement by any means, but probably a more solid one than most people would have expected this time last year.

And all of this in a speech that lasted only 50 minutes.

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