



Economic Digest 40

October 2023

MTBPS 2023 – Robbing Peter to pay Paul?

Before a new movie or series debuts in movie theatres or on streaming platforms, producers will release trailers to entice us to watch their product. Often, after watching the trailer and then the movie or series, there's a feeling of having been let down: the three-minute trailer was either much better than the final product or it completely misrepresented it. The Medium Term Budget Policy Statement, which provides a preview of government's public finance plans over the next three years, often ends up like a trailer. It is also instructive to remember that Budget 2024 will be delivered in an election year. Thus, we should bear in mind the words of Irish playwright and literary critic, George Bernard Shaw: "A government that robs Peter to pay Paul can always depend on the support of Paul."

The articles below provide some analyses of the MTBPS delivered by Finance Minister, Enoch Godongwana on Wednesday this week.

MTBPS: brave and optimistic but risks abound

"The medium-term budget policy statement (MTBPS) uses every lever at the National Treasury's disposal to try to correct South Africa's fiscal course, and almost succeeds in crafting a credible framework that could get the debt ratio to stabilise inside of 80% over the coming two years."

<https://tinyurl.com/cfpkezm8>

Please take note that you may need a subscription to access this article

South Africa's medium-term budget reflects difficult and contested decisions

"This year's statement is particularly important for two reasons. The first is that South Africa's fiscal situation is arguably at its worst in the post-apartheid era. The second is that any decisions taken, especially about the 2024/25 fiscal year, could affect how South Africans view the current government when voting in next year's elections."

<https://tinyurl.com/57mx5txp>

Treasury has been bent to Ramaphosa's populist agenda — the consequences will be dire

"Instead of acting decisively, he [Minister Godongwana] delayed and prevaricated, further contributing to the populist drift which is undermining confidence in the government's ability to make and execute tough decisions."

<https://tinyurl.com/r7rt6wnb>

More tax to come, but no SOE bailouts

"With South Africa's debt service costs now the fastest-growing public finance expenditure it's unsurprising Wednesday's Medium-Term Budget Policy Statement (MTBPS) signalled tax hikes totalling R15-billion to be announced in the February 2024 Budget."

<https://tinyurl.com/4jckkj9>

As state debt grows, government eyes Eskom loan amendments

"The government has decided to convert its R254 billion Eskom debt relief from an interest-free loan to one that will bear interest."

<https://tinyurl.com/mj254har>

Economists say huge spending cuts don't go far enough

Goolam Ballim, Standard Bank Chief Group Economist, Economist Dr Thabi Leokas, and SARS Commissioner, Edward Kieswetter share their views on the MTBPS.

<https://tinyurl.com/3emxsf26>

Treasury MTBPS Documents

The full set of MTBPS documents can be found here: <https://www.treasury.gov.za/documents/mtbps/2023/>

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