

South Africa's fiscal peril demands action

 By [Raymond Parsons](#)

2 Nov 2023

In the face of pressing economic and fiscal challenges, the MTBPS presented to parliament on Thursday, 1 November, by Finance Minister Enoch Godongwana offered a realistic but vulnerable fiscal picture for South Africa.



Source: [Fxabay](#)

Several of the fiscal risks outlined in the main February Budget have materialised and were recognised by the Minister. While it may have been inevitable that the Medium-Term Budget has allowed public debt levels to rise even further it must be seen as a stop-gap measure that still needs to be remedied by appropriate economic steps. There was clearly no appetite for tough decisions in the Medium-Term Budget.

On the positive side, the MTBPS recognised that whatever the current fiscal strains, public finance sustainability in the longer term ultimately depends on higher inclusive economic growth and renewed spending consolidation.

The commitment to streamline national departments and other public entities to reduce the costs of government is also welcome. The enforcement of strict conditions surrounding bailouts to distressed state-owned entities such as Transnet and Eskom as outlined in the MTBPS is needed. It was also inevitable that the Social Relief of Distress grant be extended for another two years.

However, South Africa's public finances remain on a slippery slope, and the risks to the fiscal outlook remain elevated. It is,

thus, necessary that such remedies and reforms as were promised in the Medium-Term Budget are tangibly implemented as soon as possible. With the overall debt-to-GDP ratio now projected to reach 77% in two years' time, this will be the highest ever in South Africa's fiscal history.

What still appears to be lacking in the 2023 MTBPS is a clear fiscal plan to wind down deficits and government spending over time.

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