



Medium-term budget won't be popular - SAA to be dealt with, warns Mboweni

JOHANNESBURG - South Africa risks a fiscal crisis in four years, similar to that experienced by Argentina, said Finance Minister Tito Mboweni.

The minister made the remarks during a panel discussion hosted by Stellenbosch University's economics department, which on Friday was celebrating its centenary.

Mboweni spoke frankly about the state of the economy, which was already in a recession prior to the nationwide lockdown that started in late March to stem the spread of the coronavirus.

The economy is set to contract anywhere between seven percent and 13 percent this year - the worst economic performance in 90 years.

As a consequence Treasury sees SA's debt-to-GDP ratio widening to 81.8 percent this fiscal year, and possibly breaching 100 percent by 2023/24 if no changes are made.

"I do not think the medium-term budget policy statement will be popular, particularly as we will deal with things like South African Airways and other state-owned enterprises," Mboweni said.

He is due to table the medium-term budget policy statement on October 21, which will map out

the country's expenditure plans for the next three years.

"Before the lockdown, we were already in a technical recession, so revenue was also down from the point of view of the fiscus. Then coronavirus hit us... The ban on the sale of tobacco and alcohol actually made people in the tobacco and alcohol industry extremely rich - they shot up prices. The underground market was active," he lamented.

All sectors of the economy, bar agriculture, contracted significantly during the second quarter of the year.

Treasury expects a tax revenue shortfall of about R300 billion to the depressed economy, all while pressure on expenditure is growing, said Mboweni. - FIN24.



Mboweni



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