

Medium Term Budget Policy Statement

2011

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To obtain additional copies of this document, please contact:

Communications Directorate
National Treasury
Private Bag X115
Pretoria
0001
South Africa

Tel: +27 12 315 5526

Fax: +27 12 315 5126

The document is also available on the internet at: www.treasury.gov.za

Foreword

At this time last year, there was a shared international expectation that the worst of the global financial crisis was behind us, and that the world economy was on track for a relatively smooth recovery.

Things have not turned out that way. We are living through a deep crisis that has exposed fault lines in the global economy. The pace and progress of recovery is uncertain. Political decisiveness to enhance growth, manage sovereign debt and recapitalise banks in advanced economies, particularly in the euro currency area, is still not evident. The threat of global contagion is still with us.

Yet South Africa's economic fundamentals are sound. Growth is positive, projected to reach 3.1 per cent of GDP this year and 3.4 per cent next year. While this level of growth is not as vibrant as we would like, it is a base on which to build.

Over the next 5 to 10 years all South Africans – government, business, labour and society generally – must focus our creative energies and determination to restructure our economy so that it will grow faster, create more jobs, spread the benefits of growth more widely and reduce inequality.

The spending framework outlined in the 2011 *Medium Term Budget Policy Statement* creates the platform for us to manage our fiscal trajectory in a sustainable way. To achieve this in a manner that promotes faster, more inclusive growth means that we have to rise to the challenge of shifting the composition of spending towards infrastructure investment.

Let me repeat what I said last year: "South Africa's success in delivering the 2010 World Cup illustrates our ability to unite as a nation behind a common goal. We must draw on that experience and work to transform this economy into one that can grow fast enough to create the jobs that we need. To move forward we need to develop a national consensus, and the sense of urgency required to propel South Africa onto a new growth trajectory. In doing so, we will give hope to all our people and help to usher in a dynamic new era of economic development."

We need to use the period ahead to build on this unity, taking the opportunity to transform our economy and improve the quality of life of all citizens.



Pravin J Gordhan
Minister of Finance

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