

# **Medium Term Budget Policy Statement 2019**

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Republic of South Africa**

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# Foreword

We are tabling the 2019 *Medium Term Budget Policy Statement* in a difficult global and domestic environment.

The global growth forecast for 2019 is the lowest since the 2008 financial crisis, weighed down by mounting trade tensions and political uncertainty. Economic activity in two engines of the world economy, China and India, is slowing this year. Policy makers have taken a number of steps to support growth, but there is a risk that these measures will create new vulnerabilities, as interest rates in advanced economies decline. About a quarter of government bonds in these countries have negative yields.

At home, economic growth has continued to stagnate and weaknesses in the world economy are likely to amplify our own shortcomings, which require structural reforms. The discussion paper released by the National Treasury has proposed a number of economic reforms that can boost GDP growth over the medium and longer term, and support increased investment and job creation. These measures have been broadly agreed within government. The next step is to implement them urgently.

In addition to low growth, South Africa's biggest economic risk is Eskom. Ongoing problems with the utility's operations continue to disrupt the supply of electricity to households and businesses. Government has set aside significant resources for Eskom. With the immediate financial restraints lifted, the focus must be on operational problems and restructuring Eskom into three separate entities. Doing so will mark the beginning of a transition to a competitive, transparent and financially viable electricity sector.

South Africa's public finances deteriorated over the past decade, a trend that accelerated in recent years as low growth led to large revenue shortfalls. For 10 years, we have run large budget deficits. While this provided some support to the economy, it has put us deeply in debt, to the point where interest payments have begun crowding out social and economic spending programmes. This cannot be sustained.

Government proposes a path to restore the public finances to a sustainable position. This will mainly involve a range of expenditure reductions, some of which are likely to be painful. We owe it to future generations to ensure that we are good stewards of our country's resources and that they do not have to pay for our decisions.

I would like to thank my Cabinet colleagues for their contributions to this challenging budget policy process. I would also like to acknowledge Deputy Minister David Masedo, as well as the Director-General and the entire staff of the National Treasury. They work diligently towards their constitutional duty to ensure transparent, sustainable finances for all South Africans.



TT Mboweni  
**Minister of Finance**

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