

Medium Term Budget Policy Statement

2012

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Foreword

South Africa's economy has demonstrated resilience in the face of strong global headwinds. Our range of economic policies – from the New Growth Path to the Industrial Policy Action Plan – has positioned us to accelerate investment and employment in a framework of inclusive growth.

Recent events, however, have put all emerging markets under pressure. A global slowdown rooted in the advanced economies of Europe and North America has pulled down economic growth in South Africa and other developing economies, including Brazil, China and India.

At home, a combination of structural constraints in the economy, specific challenges related to the mining sector and the Marikana tragedy has led to lower economic growth prospects for 2012.

As South Africans, we have a history of working together to resolve problems. Today we are making a commitment to reposition the economy and society. Earlier this month the President took the bold step of calling a summit of government, labour and business to find a way forward in the interests of all South Africans. In summary, participants agreed on a programme of action to:

- Ignite growth and job creation.
- Invest in improving potential GDP growth, while taking necessary measures to promote inclusivity.
- Narrow inequality, especially between poor and upper-income groups.
- Implement our economic and social policies more effectively.
- Fix our education system, which is the ultimate guarantor of a better future for our children.
- Enhance the labour relations system based on lessons from the recent past.
- Help small and medium-sized businesses to grow, employ and export.
- Increase exports to narrow current account imbalances.
- Radically improve the living conditions of poor communities.

These matters will receive the attention of government over the three years covered by this *Medium Term Budget Policy Statement*.

The fiscal framework proposed in this document reflects the constraints within which government is operating. These constraints make it imperative that we do things differently. To continue serving our people, government departments will need to live within our means. Spending needs to become more efficient and achieve value for money. Wastage of taxpayers' money must come to an end. Corruption in procurement will be identified and dealt with in the strongest possible manner.

Working together, we can achieve these goals and more, and walk the path to national prosperity.



Pravin J Gordhan
Minister of Finance

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