

NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 67

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Mr K A Sinclair (COPE-NC) to ask the Minister of Finance:

Whether the National Treasury undertook or commissioned outside of it any studies to evaluate the extent of our economy in a volatile global financial environment which will be able to sustain government expenditure at projected levels while considering the growth in public debt; if not, why not; if so, what are the relevant details?

CW82E

REPLY:

In determining the macroeconomic forecasts, National Treasury takes consideration of the global economic environment and factors in any possible changes that could impact on government's budget balance. We run various macroeconomic scenarios and are comfortable that the fiscal impacts are moderate and can be accommodated. Responsible fiscal management, however, requires that fiscal space be built up to cushion any unforeseen consequences of future economic crises.

The 2011 Budget Review continues South Africa's fiscal stance of countercyclicality and outlines plans to return the fiscus to sustainability through a measured unwinding of the fiscal deficit. This will be done through a recovery in revenue and a moderation in the growth in spending. By reducing the deficit and debt, government returns the fiscus to long-run sustainability and creates fiscal space for future policy changes or economic crises.