



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001 • 40 Church Square, PRETORIA, 0002 • Tel: +27 12 315 5372, Fax: +27 12 406 9055 • www.treasury.gov.za

SPEECH BY DEPUTY MINISTER OF FINANCE

KEYNOTE ADDRESS BY DEPUTY MINISTER OF FINANCE, DR DAVID MASONDO, AT THE MONEYWEB ECONOMY AND INVESTING SUMMIT

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Is government serious about growing the economy?

There is no doubt that promotion of a higher rate of economic growth is one of the most important challenges facing South Africa.

Historical growth rates have been subdued, particularly over the past decade or so, and have been insufficient to offset population increases, leading to declining GDP per capita and rising unemployment, poverty and inequality.

Moreover, subdued economic growth is generating further weaknesses in other macroeconomic fundamentals, including high levels of public debt, declining foreign investments.

The question before us is whether government is serious about economic growth?

My answer is the South African government is serious about growing the economy.

Since the 6th administration under President Ramaphosa, our overarching mission has been to reduce the cost of doing of doing business in South Africa as a necessary condition for economic growth and reducing the cost of living.

The cost of doing business and living shows up in high prices that businesses and South Africans must pay for goods and services.

It is when the cost of capital is high that the cost of borrowing is high, not only for government and households, but businesses.

It is when price of energy, freight logistics and data, amongst others increase the cost of production.



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It is when there is crime and corruption that the cost of doing business is high.

Recently, the geopolitical tensions have noticeably generated, amongst others, a complex and uncertain trading environment which is also likely to have adverse impact on economic growth.

It is for this reason, that whilst we continue to negotiate a better trade deal with the USA, we are also seeking to increase the diversification of trade partners exemplified by the recent trade agreement with China on stone fruit.

Macro-economic stability

Evidence suggests that, though not sufficient, a stable macroeconomic framework is a necessary condition for sustainable economic growth. Amongst others, macro stability requires sustainable public debt and stable and low inflation.

Price stability or stable inflation is one of the fundamental macro-economic objectives of government, given its impact on the purchasing power of the domestic currency, economic risks and the nominal cost of capital.

To place our economic on a sustainable footing, government continues to pursue economic and fiscal reforms such debt sustainability. Sustainable sovereign debt enhances our credit profile, reduces the cost of borrowing in the form of the bond yield. It is our belief that relatively lower cost of borrowing or bond yields will boost investor confidence in both our sovereign and corporate bond markets.

As we strive to achieve debt sustainable and reduce both the cost of debt and equity, the relative competitiveness of our capital markets will be enhanced. To lower the cost of both debt and equity, we undertaken the following measures:

- Firstly, over the last three years we have maintained a primary budget surplus – revenue exceeds non-interest spending. How does this contribute to reducing the cost of borrowing? It reduces debt as a proportion of GDP, and thus debt service costs, and thus reducing the sovereign risk premium which is measured in the level of the yield.



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- Reducing debt and debt service costs is critical for achieving a stable macroeconomic framework. Higher debt levels cast doubt on debt sustainability and that increases the country cost of borrowing as lenders demand a premium to mitigate risk of default.
- As debt-service costs decline, some of the savings may be used to build fiscal buffers and to invest in productive infrastructure. Improvements in infrastructure has the potential of reducing cost of doing business and thus positive for economic growth.

We have pursued price stability through the Inflation Targeting (IT) Regime of which the mandate is to guarantee not just stability but also low inflation. When prices are low and stable so would be interest rates. For consumers, low inflation and interest rates imply lower cost of living. While for producers, it implies low cost of doing business. All these are likely to have a positive impact on economic growth.

It must be noted that there may be some who would argue that low inflation is associated with high unemployment. This argument would have some support from the Phillips Curve type of analysis which posits a short-run inverse relationship between unemployment and inflation.

However, the reality, with plenty of empirical support, is that low levels of inflation mean, amongst others, low production costs, increased international competitiveness, higher consumer demand and thus high firms' profitability. High profitability incentivises firms to hire more workers thus reducing unemployment and set the economic conditions for tax base.

On the contrary, high inflation increases production costs/ the cost of doing business as workers demand more wages to compensate for erosion of purchasing power. High inflation also reduces international competitiveness, and consumer demand, leading to decline in firms' profitability. This is likely to increase unemployment as firms respond to lower profitability by reducing production and shedding jobs. This is detrimental to economic growth.

The government continues to evaluate the appropriateness of its frameworks in promoting price stability to ensure that it remains fit for purpose given the changing economic circumstances. It is for this reason that the current IT regime is under review. In this regard, technical work was undertaken by the Macroeconomic Standing Committee (MSC) of the South African Reserve Bank (SARB) and NT to assess the appropriateness of the inflation target.



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As affirmed in a Statement jointly issued by the SARB and NT on 1st September 2025, as the technical work is done, the Macroeconomic Standing Committee (MSC) will draft recommendations on the inflation target and table them before both the Minister of Finance and the Governor of the SARB.

It is worth mentioning two things. First, the technical work by both National Treasury and SARB shows that the current range is too wide, therefore it must be narrowed.

Secondly, when the IT framework was introduced in South Africa way back in 1998, the intention was to target 3-6% for the years 2002 and 2003 and narrow it to 3 - 5 % for the years 2004 and 2005. However, a spike in the rand in 2001, and other shocks accelerated inflation above target in 2002. It then became clear that the target was going to be missed for a protracted period and thus the planned change was put off. Clearly the original thinking was for the framework to have a lower target, but sufficiently flexible to consider prevailing conditions when changes are to be made. So, the current review should be understood in that context.

OV and cost of doing business

To accelerate economic growth, we have also been undertaking structural reforms through Operation Vulindlela to make the South African economy competitive by reducing the cost of doing business in South Africa.

We have been working hard to reduce the cost of energy, telecommunication, and freight logistics and make it easy to source skilled labour all over the work through VISA reforms.

The logic of these reforms is straightforward. Greater efficiency in energy and logistics decreases the cost of doing business, which enables local production to expand and jobs to be created.

Higher production and exports, as well as the additional jobs created, in turn increase consumer spending and boost our tax revenues. As confidence in the economy grows, so does investment, creating jobs and supporting demand – a virtuous cycle that leads to higher growth on a sustained basis.

In its first phase, the Operation Vulindlela reform programme focused on five areas which were identified as the most important constraints on economic growth: energy, logistics, water,



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telecommunications, and the visa system.

We have made significant progress in advancing the reform agenda in each of these areas, and almost all of the reforms included in Phase I are either completed or on track.

In the energy sector, we provided the liability solution, which eased the ESKOM's balance sheet to invest maintenance generate and supply electricity, which has significantly reduced load shedding costs.

We have also implemented sweeping changes since 2021 to allow private investment in electricity generation for the first time.

These changes have unlocked massive new investment, largely in renewable energy sources, and stimulated economic activity across the value chain.

Alongside these reforms, we are introducing private investment in transmission infrastructure through Independent Transmission Projects to accelerate the expansion and strengthening of the grid.

Work is underway to establish a competitive wholesale electricity market, following the promulgation of the Electricity Regulation Amendment Act in January 2025. This will facilitate greater competition in electricity generation and enable private investment.

The National Transmission Company of South Africa (NTCSA) has been established as the foundation for a fully independent Transmission System Operator to be established within the next five years.

These reforms will fundamentally change the structure of our electricity sector, from a vertically integrated monopoly utility to a liberalised competitive market, unlocking trillions of Rands in new investment in the process.

A similar process is unfolding **in the logistics sector**; we allowed open access to the freight rail network to allow private rail operators to compete with Transnet. 11 train operating companies have been granted permission to operate on our rail network, and this competition within the



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sector. This transport economic regulator will be responsible for regulating prices and access to the network as per the network statement.

Significant progress has been made to introduce private sector participation in port and rail infrastructure. The process is underway finalise the private sector participation through the Private Sector Participation Unit.

In the water sector, significant changes are underway to enable private investment and ensure a reliable supply of quality drinking water to all South Africans.

A National Water Resources Infrastructure Agency is being established as an independent agency to design, plan, finance, and manage bulk water infrastructure, which will be able to leverage its balance sheet to raise financing for infrastructure projects.

A Water Partnerships Office has been established to facilitate private sector participation in water infrastructure, with several major projects already in the pipeline.

In addition, reforms at the local government level will see the introduction of regional utilities, concessions and management contracts as new models for delivering water and electricity services more efficiently and reliably.

Finally, we have already implemented sweeping changes to the visa regime through the introduction of a points-based system for work visas, which allows skilled applicants to obtain a visa based on their qualifications, income and experience, and the establishment of a Trusted Employer Scheme to attract skills and investment.

The impact of these reforms should not be underestimated. Over the coming years, they will release some of the most important constraints on growth and enable significantly higher levels of investment.

In addition to following through on all these reforms to ensure that they realise their full impact, the second phase of Operation Vulindlela includes a focus on improving the performance of local



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government, addressing spatial inequality through housing policy and other reforms, and advancing digital transformation.

These reforms will be the main driver of growth over the next five years, by unlocking massive new public and private investment in infrastructure as the flywheel for growth.

Infrastructure

Provision of infrastructure is critical for economic growth. It does not only contribute to fixed capital formation, but it reduces the cost of production and doing business and cost of living.

The South African government will spend more than R1 trillion over the next three years on public infrastructure demonstrating government's commitment to driving economic growth. The spending will focus on the roads, energy, water and sanitation.

However, this is not enough, to deliver sustainable infrastructure at the speed and scale that supports our development aspirations. It for this reason that the government is mobilising greater private sector participation in public infrastructure investments. The government has various incentive schemes to attract private sector financing and expertise to fast-track the effective delivery of infrastructure.

In this regard, blended finance holds significant potential for bolstering sustainable infrastructure investment flows by mobilising a variety of financial instruments and non-financial mechanisms to de-risk projects, thereby catalysing additional private financing.

We have been undertaking various initiatives aimed at attracting the private sector to invest in public infrastructure.

We introduced the Credit Guarantee Vehicle (CGV), which should be operational by July 2026. The goal of the vehicle is to derisk large infrastructure government programs, starting with some transmission infrastructure projects, without the need of sovereign guarantees.

Government has been using **Private Public Partnerships (PPP)** to private sector to invest in public projects. To accelerate private sector participation, we have revised Private Public Partnerships



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(PPPs) regulations aimed at simplifying the rules governing PPPs. For instance, projects below R2 billion no longer require National Treasury approval.

These changes will reduce administrative burdens and make it easier for the private sector to participate in infrastructure projects, improving delivery outcomes.

High rates of crime forces both consumers and businesses to spend money for security i.e. high and expensive fences and subscriptions to security companies. A reduction in crime would reduce this type of expenditure.

South Africa and Financial Action Task Force (FATF)

Grey listing also discourages investment due to perceived risks associated with financial crime and regulatory compliance which would increase the cost of due diligence.

Following the greylisting of South Africa by the Financial Action Task Force (FATF) in February 2023, Government has worked to address deficiencies in the country's system for combating money laundering and terror financing.

At the last FATF Plenary in June 2025, South Africa was deemed to have substantially completed all the 22 action items that were contained in the Action Plan, which is essentially the FATF to-do list, that had been adopted when South Africa was greylisted in February 2023.

The FATF Africa Joint Group concluded the on-site assessment visit of South Africa at the end of July, completing the last step before the October 2025 FATF Plenary can consider whether to remove South Africa from its grey list. If the outcome of the visit is positive, the FATF will delist South Africa from the greylist at its next Plenary in October 2025.



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Preparation for the next Mutual Evaluation

Even if the country exits the FATF greylist in October 2025, it is vital that we continue to improve and strengthen our systems. We must make the country a jurisdiction in which financial crime is difficult to commit and hard to get away with.

We must start by demonstrating our capacity to deal with the recent killings of our auditors, forensic investigators, whistleblowers, and legal professionals. Our criminal justice system must act urgently to uphold justice and stop these heinous acts. These attacks cripple accountability, weaken the rule of law, and endanger economic growth.

The coming Mutual Evaluation, which will commence in early 2026 will be guided by an updated 5th round methodology that is even more focused on testing countries' effectiveness. It is also intended to be more data-driven and to focus on whether countries really understand their money laundering and terror financing risks, and whether they are acting accordingly. There is correspondingly less focus on whether our laws meet FATF standards, but on whether we implement them.

Government will capitalize on the momentum and close co-ordination which was built between Government in the process for the country to exit the FATF greylist so that the country can perform better in the 2026/27 Mutual Evaluation.

Conclusion

We are looking forward to working together – business and labour to grow the South African economy.

I wish you well in your deliberation.

Thank you