national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

SPEAKING NOTES: LAUNCH OF THE OECD 2020 SOUTH AFRICA ECONOMIC SURVEY

Overview of the messaging

- Ensuring a growth-friendly policy environment is a prerequisite to improve living standards. This includes prudent macro-policy, notably on the fiscal side to reduce the debt ratio and pursue the fight against corruption.
- Unlocking South Africa's growth potential in an inclusive way necessitates structural reforms in several areas. The electricity sector is a priority to ensure a reliable energy supply to firms and citizens.
- Stronger growth needs to be environmentally sustainable. Efficiently reducing emissions would require moving away from coal use but also giving stronger incentives to move away from carbon-intensive goods or services through higher carbon prices and more quality public transport options.
- Promoting job-friendly growth requires enhancing urban planning to better connect workers with job opportunities and reducing overly restrictive regulatory barriers that hinder business dynamism.

Speaking notes

OECD leadership, Directors-General, top leadership of government and the National Treasury, members of the press, ladies and gentlemen. Good morning.

It is my pleasure to address you this morning at the launch of the 2025 Economic Survey of South Africa. I would like to extend our sincerest gratitude to the Secretary-General and the OECD Mission for their efforts in conducting this assessment of South Africa's economy.

Our ongoing partnership and the outcomes from previous surveys have been exceptionally useful in providing evidence-based recommendations that continue to support and sharpen our policymaking. The OECD provides an independent and unbiased assessment of the current conditions in our country, and we are greatly encouraged by the synergies between the recommendations made in the survey and the strategies that we already have in place to stimulate inclusive economic growth.

The National Treasury recently tabled the 2025 Budget, which acknowledges the considerable domestic economic headwinds and increasing international instability. Global trade tensions, inflation volatility, and heightened policy uncertainty have made this a challenging environment for all open economies, and South Africa is no exception. South Africa's growth is forecast at just 1.4 per cent in 2025, slightly lower than the OECD's projection of 1.5 per cent, with risks remaining firmly tilted to the downside. Over the medium term, growth is expected to average 1.6 per cent, constrained by a weaker global outlook, persistent logistics constraints and higher borrowing costs.

With this in mind, the recent Budget highlights our commitment to achieving key milestones, including debt stabilisation at 77.4 per cent of GDP in 2025/26, a sustained primary budget surplus, and continued investment in the social wage and infrastructure. This balances responsiveness and fiscal discipline in a complex and dynamic environment. Government's medium-term strategy is underpinned by four priorities. First, we are committed to maintaining macroeconomic stability by ensuring prudent fiscal management, stabilising debt, and fostering a predictable policy environment that anchors investor confidence. Second, we are accelerating structural reforms to remove barriers to inclusive growth, enhance competitiveness, and unlock private sector investment across key sectors of the economy. Third, we are striving to rebuild state capacity by strengthening institutions, improving governance, and ensuring the effective delivery of public services to all South Africans. And finally, to lay the foundation for long-term growth, we are prioritising investment in public infrastructure that expands access, boosts productivity, and crowds in private sector participation.

We find strong alignment between our national reform agenda and the OECD Survey's five priority recommendations for South Africa, which include enhancing fiscal sustainability while promoting inclusive growth, maintaining low and stable inflation, expanding job creation and workforce integration, enabling a just climate transition, and reforming the electricity sector.

We note the OECD's recommendations to introduce stricter spending controls, reinforce spending rules and improve governance and administrative efficiency and reform SOEs to reduce fiscal transfers. We, as government, are currently consulting on options for a formal fiscal anchor, outlined in the March 2025 discussion document, to prevent a recurrence of the cycle of high spending, large deficits, and rising debt.

Efficiency reforms continue to underpin our broader agenda. We are closing underperforming programmes, eliminating ghost workers through improved payroll systems, and establishing a centralised state-owned entity holding company to strengthen governance. Our tax administration continues to improve, with enhanced data systems and compliance measures supporting higher revenue performance.

Our commitment to inclusive economic growth and development remains firm, with 61 per cent of non-interest spending being directed toward the social wage. Even as baseline spending has been reduced, we have shielded frontline services and protected the most vulnerable, focusing priority support on health, education, and social protection.

At the same time, we are investing boldly to drive growth and economic transformation. Over R1 trillion has been allocated to infrastructure over the medium term, with a focus on energy, transport, and water. Inclusive growth also requires labour market integration to spur job creation. Government is scaling up youth employment programmes, technical training, and informal sector support.

The launch of Phase 2 of Operation Vulindlela is a step toward further accelerating structural reform. With a focus on digital infrastructure, dynamic cities, and improved basic services, this work complements our broader strategy to build a capable state and reduce regulatory and infrastructure bottlenecks, priorities the OECD has rightly emphasised.

We note the OECD's recommendations to revise municipal funding models and better align electricity revenues with infrastructure investment. Government is already taking steps in this direction. As part of Operation Vulindlela Phase 2, we are working to shift both water and electricity services to a utility model. This will help ensure that municipal services are financially sustainable and better managed. A broader review of the local government funding model is also underway to strengthen how infrastructure is funded and delivered at the local level.

Nowhere is the impact of reform more visible – or more necessary - than in the electricity sector. Load shedding has declined markedly, supported by improvements in generation capacity and the growing participation of the private sector. Investments in embedded generation are rising, and procurement has accelerated, helping to unlock new capacity and diversify the energy mix.

The operationalisation of the National Transmission Company (NTCSA) marks a major milestone in the unbundling of Eskom. It lays the foundation for a more competitive and transparent electricity market. Independent power producers are expanding their footprint. At the same time, we are scaling up investment in the transmission network and addressing long-standing weaknesses in distribution. Restoring energy security remains essential to unlocking growth and enabling a just transition. A sentiment echoed by both ourselves and the OECD.

Looking ahead, we will deepen these reforms by prioritising the full restructuring of Eskom, establishing an independent transmission system operator, and creating a wholesale electricity market under Operation Vulindlela Phase 2. We welcome the OECD's recommendations on strengthening South Africa's climate policy response. Our commitment to a just, resilient, and low-carbon transition is anchored in the Climate Change Act and reinforced by the ongoing reform of the carbon tax framework.

As of January 2025, the carbon tax rate increased to R236 per tonne, and tax-free allowances will be reduced progressively over time starting in 2026. This trajectory strengthens the carbon price signal and aligns with our broader efforts to support decarbonisation, while ensuring that we maintain space for economic resilience and energy security.

We also recognise that a just transition must ensure safe, affordable, and reliable access to transportation for all. To this end, the Budget allocates R67.7 billion to strengthen commuter transport infrastructure, modernise our rail system, and implement the National Rail Policy, aligning with the OECD's recommendation to encourage substitution from private passenger vehicles.

We commend the extensive research and time given by the OECD to conduct South Africa's Country Survey and reiterate our thanks to all those involved in the process. We look forward to ongoing engagements and a fruitful partnership. I thank you.