

NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 206

Mr M W Makhubela (COPE-Limpopo) to ask the Minister of Finance

- (1) Whether the Government has been informed that countries in the Eurozone were experiencing acute economic problems which could impact negatively on South Africa; if so, what are the relevant details;
- (2) Whether the Government is considering further austerity measures to curb the indebtedness; if not, why not; if so, what measures will be put in place in this regard?

CW277E

REPLY:

- (1) Government has been closely following the recent events in Europe. South Africa's relatively low debt and prudent countercyclical management of the fiscus has meant that we are not facing similar problems. The projections for the 2010 MTEF place South Africa on a path back towards long-term fiscal recovery and in line with economic recovery.
- (2) South Africa's debt levels are very low by European standards. Prudent management of the fiscus and low debt levels in 2008/09 meant that South Africa was able to respond appropriately to the revenue shortfall in 2009/10 without bringing into question the sustainability of the South African fiscus or jeopardising service delivery.

We plotted a reduction of the budget deficit over the next 3 years in the 2010 Budget Review. This carefully balances the need to; sustain priority areas of expenditure and service delivery; provide stimulus to the economy; and return the fiscus to long-run sustainability in line with the economic recovery.

Non-interest expenditure is projected to grow on average, in real terms, by 1 per cent over the next three years, while revenue is expected to improve as the economy moves out of recession. Government will act to reduce debt and borrowing in line with this recovery.

As part of the 2010 Budget, the National Treasury also published debt projections beyond the 2010 MTEF. These were modelled using a wide range of economic circumstances, and also indicated that the probability of debt reaching unsustainable levels is very low - even assuming far lower economic growth outcomes than expected.

The problems facing Europe were not foreseen at the time we published the 2010 Budget Review. For this reason we will be taking careful consideration of the possible impact of the crisis on South Africa's growth trajectory and ability to access financing as we work to prepare the 2011 MTEF. The updated forecasts for the macroeconomic and fiscal position will be published in October during the tabling of the Medium Term Budget Policy Statement in Parliament.