NATIONAL COUNCIL OF PROVINCES
QUESTION FOR WRITTEN REPLY
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17. Mr F Essack (Mpumalanga: DA) to ask the Minister of Finance:

With reference to his Budget Speech on 20 February 2019 regarding the average amount South Africa borrows per day (details furnished), how is the National Treasury planning to stabilise debt to Gross Domestic Product?

CW18E

REPLY:

Debt has grown considerably since 2009 and without interventions, a continued increase in debt and debt-service costs will crowd out essential services and threaten sustainability. Since 2012, successive budgets have reduced the rate of expenditure growth and raised taxes in order to narrow the budget deficit and stabilise debt as a share of GDP. While this measured path of fiscal consolidation achieved some success, debt continued to rise as a share of GDP as economic growth declined and new spending pressures emerged.

Narrowing the budget deficit and stabilising debt-to-GDP is one of the foremost priorities of the 2019 Budget. The Budget noted that weak economic performance, significant funding pressures such as Eskom and revenue shortfalls have contributed to some slippage in fiscal projections. In this context, the 2019 Budget proposed a series of tax and expenditure measures aimed at narrowing the deficit and stabilising the debt-to-GDP ratio, including reductions to baselines and proposed savings from compensation adjustments totaling R50.3 billion. Tax measures raise an additional R15 billion in 2019/20 and R10 billion in 2020/21.

The 2019 Budget fiscal framework results in a slightly higher debt-to-GDP ratio than projected at the time of the 2018 MTBPS. Gross debt-to-GDP stabilises at 60.2 per cent of GDP in 2023/24, marginally above the MTBPS estimates. If economic growth does not strengthen in the period ahead, more difficult fiscal adjustments will be required to return the public finances to a sustainable path.

Government’s medium-term financing strategy reflects a prudent approach to managing debt in an environment of great uncertainty. The strategy maintains a broad range of funding instruments in the domestic and global markets. It includes measures to manage refinancing risk by adjusting the composition and maturity of the debt portfolio.