

NATIONAL ASSEMBLY

QUESTIONS FOR WRITTEN REPLY

QUESTION NUMBER: 853 [NW1096E]

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853. Mr C G Niehaus (EFF) to ask the Minister of Finance:

- (1) Whether he has found that there is a problem with the macroeconomic framework of the Republic; if not, what is the position in this regard; if so, what (a) steps has he taken to address the challenge, (b) are the time frames for resolution of the challenge and (c) are the relevant details;
- (2) who are the officials that have been advising the National Treasury since the poor macroeconomic performance began? NW1096E

REPLY:

- 1) South Africa's macroeconomic framework has the overarching objective of maintaining low and stable inflation as well as stabilizing public finances to support economic activity. Specifically, inflation targeting is the framework under which the South African Reserve Bank (SARB) uses its policy rate to stabilize inflation at the 4.5 per cent target as low and stable inflation helps maintain the purchasing power of the rand which would support household consumption.

The National Treasury's fiscal strategy has been one of fiscal consolidation with the goal of stabilizing elevated debt levels that have grown from 26.0 per cent of GDP in 2008 fiscal year to 73.9 per cent of GDP in the 2023 fiscal year. As a result, over 20 cents of every rand collected as revenue is spent on debt-service costs as announced in the 2024 Budget Review, crowding out expenditure on other items including those critical for the delivery of basic services. Moreover, elevated sovereign borrowing costs have resulted in relatively high long-term borrowing costs for the rest of the economy constraining private investment spending and economic growth.

Efforts to contain inflation and reduce debt levels are continuous as both fiscal and monetary authorities need to respond to various economic shocks and manage the business cycle to support faster economic growth.

- 2) The National Treasury has teams of content experts across the Budget Group divisions who advise the finance minister on the macroeconomic framework.