

MIDTERM BUDGET POLICY STATEMENT

Spend redirection plan ‘unlikely to boost growth’

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The spending reprioritisation flagged in the midterm budget policy statement is unlikely to meaningfully boost economic growth, Fitch Ratings says.

Finance minister Tito Mboweni plans to redirect R32.4bn

of spending over the next three years to target projects aimed at igniting economic growth, allocating funds to “faster-spending programmes”, incentives for the clothing and textile industries and public-works projects.

These and other growth-enhancing measures announ-

ced in President Cyril Ramaphosa’s stimulus plan in September “are also unlikely to significantly alter the growth trajectory”, Fitch said in a statement on Thursday.

Africa’s most industrialised economy fell into a recession in the second quarter and has not

expanded at more than 2% annually since 2013. Mboweni’s midterm budget policy statement more than halved the growth forecast for the year to 0.7%, and raised the projections for the budget shortfall and debt.

While these and the lower revenue projections are “more

realistic”, it does not contain significant offsetting fiscal measures, Fitch said. That pushes the prospect of debt stabilisation further into the future, the company said.

Fitch affirmed its BB+ assessment of SA’s debt, with a stable outlook, in June. It cut the rating

to subinvestment grade in April 2017. “The rating reflects persistent low-trend growth,” Fitch said on Thursday. “The evolution of fiscal policy in response to the recession and political and social pressures will remain an important part of our sovereign-rating assessment.” /**Bloomberg**