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Tough choices, limited resources

By Jeff Ryan

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South Africa's 2024 Budget presented by Finance Minister Enoch Godongwana paints a picture of a challenging economic outlook with slow growth and high debt. While the government is taking steps to support growth through reforms and infrastructure investment, limited resources mean tough (or no) choices.

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Key takeaways:

- Economic growth is expected to remain slow at 1.6% over the next three years, with loadshedding and logistics issues holding back progress.
- Government debt is a major concern, with spending on debt service consuming a significant portion of the budget. However, the deficit is projected to decline gradually. The once-off use of foreign exchange “profits” will help but not a long-term strategy.
- The government is committed to supporting economic growth through reforms in key sectors like electricity, logistics, and infrastructure financing.
- New measures are being introduced to encourage the production of electric vehicles and improve energy efficiency.
- Tax increases are being implemented on alcohol, tobacco, and vapes, while fortunately, personal income tax brackets remain unchanged.
- Additional funding is being allocated for education, health, social grants, and infrastructure. Municipalities and elections are also receiving support.

Challenges and opportunities

The government faces a difficult balancing act between supporting growth, managing debt, and delivering essential services. Some of the proposed measures are positive, such as the investment in infrastructure and electric vehicles. However, the slow growth forecast and the high debt burden raise concerns about the sustainability of these efforts.

All South Africans should be engaged in the discussion about how to achieve long-term economic growth and prosperity. This requires addressing structural challenges such as education, skills development, and corruption. It also means finding innovative solutions to financing infrastructure and social programmes in a fiscally constrained environment.

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The only potential concern was the “new” source of funds which will be to withdraw from foreign exchange “profits”. These are funds that have been created due to the depreciating rand over the years. Although this R150bn will reduce the total debt-to-GDP ratio (currently at 74%), this should only be seen as a short-term fix and generally only used in dire or emergency circumstances.

Overall, this was pretty much what was expected and there was not much the Minister of Finance could change.

What does the future hold?

The success of Budget 2024 will depend on the government's ability to effectively implement its plans and reforms. Any funding should be carefully managed both from ROI and to prevent mismanagement or corruption. The latter are some of the main reasons for the position South Africa finds itself in.

It also requires a commitment from all South Africans to work together to build a more booming future. This means much close collaboration between the public and private sectors.

ABOUT JEFF RYAN

Jeff Ryan is the MD for AWCape, a Sage Business Partner and has over 20 years of experience. He has extensive strategy and technology consulting, project management and business development experience in multiple industries. In addition, having held several senior positions in different organisations has given Jeff a deep understanding of business drivers and needs.

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