

Standard Bank's chief economist: Emigration is a budding threat to South Africa's public finances

 By Katja Hamilton

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It's obvious that many South Africans would suggest it's now or never, that President Cyril Ramaphosa needs to act in a decisive fashion regarding his Cabinet reshuffle and his input on SA's reform agenda.



Source: Supplied. Standard Bank's chief economist, Goolam Ballim

On the eve of the State of the Nation Address, Standard Bank's chief economist, Goolam Ballim was not pulling punches in a frank discussion on the outlook of South Africa's economy for 2023.

In it he said the ANC's elective conference may have delivered an emboldened president Ramaphosa, but his plan of execution and capacity to finance and enforce urgent reforms, will determine whether he will hold his own.

"This occasion is momentous and it will test whether the president is the man for that moment," Ballim said.

Statistics show that emigration may otherwise rear its head and catch us off guard, Ballim warned.

This is in the event Ramaphosa fails to provide solutions to the country's key issues: power shortages, wage costs, infrastructure investment and corruption.

"With regard to South Africa's confidence of crisis, we think that this is an area of serious concern," he said.

"Even though the number of individuals financially emigrating would be less than 8,000 thus far in terms of the total registered taxpayers (within the timeframe of our data which reflects statistics up to 2021), and the amount that those individuals would otherwise have paid in taxes being less than a R1bn, (which would seem to be modest in terms of the total registered taxpayers).

"With not much more than 350,000 individuals accounting for approximately 42% of overall personal income taxes, SA's tax system rests on a pinhead."

A shock to the country's psyche

Contributing factors he said were the July KZN riots "that were a shock to the country's psyche", and the severe worsening in power shortages experienced late last year

Ballim said the data so far on who exactly is leaving the country is "foreboding".



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"With regards to the individual profile of taxpayers by income segment, we can see more or less a return to pre-Covid norms in terms of the number of individuals at the 500,000 rank and lower-income level.

"We've seen a slight subsidence in the number of individuals falling within the half a million to 1 million category. But, in contrast, there has been a decided turn in higher-income individuals earning more than a million."

Seeing the bigger picture

Ballim said it's not just these individuals leaving the country who hollow the tax system, but it is their children who follow suit, whose future resources are no longer part of the SA economic system.

"This speaks to a multi-generational hollowing out and inter-temporal risk to public finances."

Emigration, Ballim cautioned, is a budding threat to South Africa's public finances.

"This is given the disproportionate reliance on a few 100,000 individuals who contribute to the bulk of Africa's tax base: not just income taxes, but also indirect taxes. The level of progressivity in South Africa's tax system - which is a celebration, given levels of inequality are inherent in that progressivity - is also a vulnerability."

Ballim augured. "Emigration seems to occur slowly, until it suddenly creeps up - hollowing out the tax system and leaving a crevice.

"It needs to be arrested."

ABOUT KATJA HAMILTON

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