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2019 Budget is "budget as usual" - except for the calamitous debt

The biggest bang in the 2019 Budget is the absence of any big bang. Its most striking feature is the absence of anything striking. SA's debt, if not reversed, is going to reach a level that will lead to calamitous consequences.

"The President has been saying repeatedly that his government wants growth and investment, yet there is nothing in this Budget that will stimulate growth or attract investment," said FMF executive director Leon Louw. "It was just 'budget as usual'":

1. No reduction in taxes.
2. No reduction in the deficit.
3. No repeal of stifling regulation and controls.
4. No repeal of Verwoerd's forex regulations.
5. No conversion of Verwoerd's land tenure to full freehold.
6. No review of failed labour policy.
7. No end to failed State Owned Enterprises (SOEs).
8. No end to the attack on property rights.
9. No support for small business. Finance Minister Mboweni was long on rhetoric and biblical analogy but short on clear policies and measures to address growth, jobs, investment and reduce debt.

He said SA will earn R1.58 trillion and will spend R1.83 trillion this year. The shortfall of R243 billion will be funded by borrowing. "Put another way, we are borrowing about R1.2 billion a day, assuming we don't borrow over the weekend."

The cost of servicing debt, including interest payments, amounts to R209.4 billion and is the third biggest spending item behind Basic Education (R262.4 billion) and Health (R222.6 billion). At this rate of increase, very soon the biggest item in the budget will be servicing debt. This clearly fails the S 195 constitutional obligation that says resources must be used economically and efficiently.

Efficient Group chief economist Dawie Roodt said, "Wednesday's budget confirmed what we already know — SA's finances are in such a state of decay (that) only extraordinary action can save us from an economic disaster." No such action was announced. Roodt has warned that unless there is a radical reduction in spending, the deficit will balloon and destroy the country.

It is simple arithmetic. Instead, SOE bailouts will continue and flag ship government policies were almost ignored. Land reform barely got a nod; the ruinous NHI policy hardly mentioned; the red tape and business unfriendly regulatory environment went unheeded; damaging apartheid exchange controls were not considered; indirect sin and fuel taxes increased hitting the battered consumer hard; bracket creep of personal direct taxes will mean less disposable income thus affecting savings and investment, and the disingenuous 'health promotion tax' increase will cost sugar cane growers 6,500 jobs. So much for the "New Dawn".

It was business as usual despite Mboweni's plaintiff nods towards a different regime and the idea of a "restructuring officer" for future SOE guarantees to appease rating agencies.

"If the government is serious about growth, jobs and investment, then it must be serious about policies that prevent them. Of course, the ANC wants to win the election, but the best way to do that is to abandon failed policies that alienate voters," said Louw.

FMF director Eustace Davie said, "Much of the expenditure contained in the budget results from ideological decision-making, which is also at the root of the corruption and poor management of SOEs. This thinking constrains the economy and threatens to bring it to its knees. The Minister of Finance could have achieved a great deal more if he had announced a series of measures to unshackle businesses.

This is applicable especially to small firms and individual employers, who are capable of rapidly building the economy and providing the jobs so desperately needed by the almost 10 million unemployed."

The ends sought by government can only be achieved through a free market with small government, lower taxes, significantly reduced red tape and regulation, a respect for the imperatives of the Rule of Law in legislation, and a culture that supports private enterprise. These are the only things that will speed up economic growth and create prosperity.