

ECONOMIC COMMENTARY

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THE STORY BEHIND THIS YEAR'S BUDGET

Instead of merely reciting interesting numbers, our aim has always been to try and tell the story behind the numbers. The reason for this is simple: Stories relay the deeper truths behind numbers. The story behind this year's Budget is an interesting one, mostly because it was so masterfully orchestrated. Maybe even as well as one of the Fitzgerald or Hemingway classics.

From his opening remarks, the minister gave a Shakespearean effort to set a tone that would appeal to all those who have an appetite for Budget announcements, which, in South Africa's case, exclude the masses. The Budget rang a perfect pitch in the ears of anyone who believes in market efficiencies, i.e. capitalism. To paraphrase the minister's capitalist remarks: We are at the end of what is possible with redistribution; we must first increase the size of the economy through prudent management and execution; we must reduce spending; we must spend more efficiently; and so on. Nothing was said about the National Health Insurance Bill, the basic income grant, or higher taxes that will be needed imminently.

The minister's song had such a pretty lull to it that one could easily be hypnotised into forgetting the absolute dismal results that the ruling party has to show for the last 30 years, their lack of accountable leadership, and their absolute inability to execute effectively. It was, therefore, a masterpiece of political electioneering aimed at a particular crowd: Higher-income households, city dwellers, investors, capital markets, and everyone leaning more right.

Only three days later, during the launch of their election manifesto, the same ruling party promised to implement prescribed assets for pension funds, establish a sovereign wealth fund, run an expansionary fiscal policy to support growth, consider levying export taxes, and protect certain local industries. During other campaigns, there have been promises of homes that will be redistributed, and jobs that will be created. This is much more in tune with what we have come to expect from the ruling party: Socialism, redistribution, and their inability to create sustainable, inclusive economic growth. These will all require higher taxes, much more spending, much less free markets, and much more state intervention. Almost the exact opposite of what we heard during the Budget. This was yet another masterpiece of political electioneering, this time aimed at everyone else.

The story then behind it all is that nothing has changed in the ruling party and, by implication, for South Africans. The ruling party, and a few other heavy hitters, have lost their way. They confuse distribution for wealth creation. They confuse keeping people busy with job creation. They confuse having plans for execution. They confuse effort for results. What this means for South Africans is that we must vote; we must vote with our understanding and not with our emotions because change starts with individuals taking more responsibility. For markets, this means that it is more of the same: No growth, a strained rand, and elevated interest rates until real change can come, or until the global cycle completely shifts back to emerging markets, somewhere around 2030 to 2035.