Press Release

For immediate release

4 April 2016

IRR
South African Institute of Race Relations
The power of ideas

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IRR report warns on growth forecasts, debt and deficit levels

A report released by the IRR has warned that Treasury growth forecasts to 2018 may be on the high side, and that there is a considerable degree of risk that deficit and debt targets set out in the recent budget will not be achieved.

The IRR said the downside risk was exacerbated by domestic factors that ranged from the prospects for possible acrimonious public sector wage negotiations to rocketing food prices, demands for extended welfare payments, a lack of sufficient investment in water infrastructure, and rising debt service costs as interest rates rise.

According to IRR economist Ian Cruickshanks, "even if a ratings downgrade could be temporarily forestalled these domestic factors would make expenditure overruns difficult to avoid, this would in turn force further borrowing which would further depress South Africa's credit rating".

The IRR said that few South Africans understood quite how serious the economic crisis facing the country was or appreciated the full extent of the pressure this crisis would place on households over the next 24 months. It also doubted that politicians – in the main – understood the political implications of slowing increases in the disposable income of households which according to IRR CEO Dr Frans Cronje, "could fundamentally alter the political landscape of the country".

The IRR said that only determined policy reform efforts in areas of labour, empowerment, and property rights could turn the economy around. It warned that further austerity plans and tax increases were not a sustainable solution and according to Cruickshanks "would further worsen domestic economic circumstances and exacerbate their political implications".

The IRR is a think tank that promotes political and economic freedom. Follow the IRR on Twitter at IRR_SouthAfrica.

Ends.