

Press Release

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SA government marches towards fiscal cliff – IRR report

A *Fast Facts* report released by the IRR found that despite taking a larger and larger chunk of the proceeds of the hard work of ordinary South Africans, the government is running out of money. Only higher levels of economic growth can save it from the approaching fiscal cliff.

This report reviewed South Africa's revenue base. It found:

- Government revenue as a proportion of GDP rose steadily in the latter apartheid years from 19.6% in 1976/77 to 23.35 in 1990/91.
- The figure then flattened out through the 1990s and into the early 2000s, sitting at 23% in 2004 for example.
- However the past decade has seen a rapid increase and by 2015/16 it is anticipated that government revenue will account for 29.7% of GDP.

Yet what the Government is collecting is not nearly enough, said IRR CEO Frans Cronjé: "Its budget deficits of the early 2010s are on a par with what the apartheid government faced after the 1976 uprising. While treasury forecasts suggest that the deficit will dip back to below 4% of GDP by 2015/16, we remain unconvinced and suspect that the GDP growth estimates to make that possible have been overstated."

Cronjé added: "What we would expect is that a government running out of money would move quickly and effectively to create a policy environment conducive to much higher levels of job creation and investment. That would see South Africa achieve the GDP growth rates necessary to swell government coffers. Alas, too many officials and politicians remain invested in an ideology that it is possible to extract wealth at infinitum from our low growth economy. The fiscal cliff is rapidly approaching."

Ends.
