2019 Budget delivers early dividends

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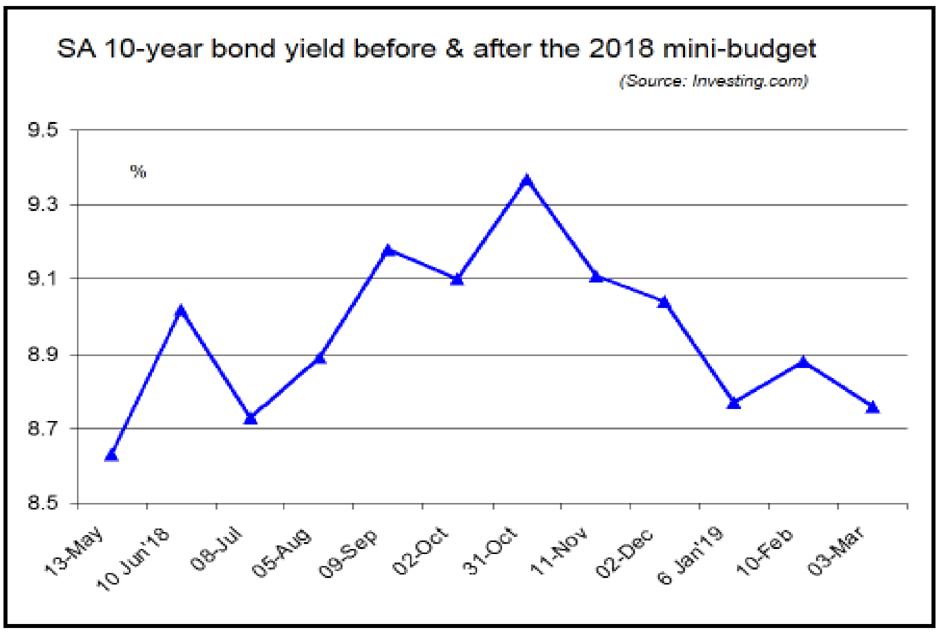
In a significant departure from the national budget speeches during the Zuma-era, Mr Tito Mboweni made it very clear on 20 February that higher economic growth would be government's overriding priority during the current fiscal year (and probably beyond).

Combined with the reassurance provided by Pres. Ramaphosa earlier in February in his state of the nation address (SONA) that public sector corporate governance and market-friendly policies would be strengthened, the 2019-budget has already delivered at least three dividends to the country.

Lower bond yield

First and foremost is the value of 10-year government bonds, which have benefited from a decline of 6.5% in the yield between the mini-budget of October 2018 and early March 2019.



A second budget bonus was the decision at the end of February by ratings agency Standard & Poor's to revise its outlook on Eskom bonds from negative to stable. The latter had been predicated by a substantial decline in the yield on Eskom debt during February.

In a refreshingly concise speech that addressed most of the obvious short-term constraints to achieving higher growth, the Finance Minister did not mince his words when it came to the mess that some of the country's state-owned enterprises (SOEs) find themselves in.

The considerable fiscal support (R23 billion annually) that has been promised to Eskom has been made conditional on the appointment of an independent Chief Reorganisation Officer (CRO), who will report directly to the Ministers of Finance and Public Enterprises.

A second implicit condition (already alluded to in the SONA) was that Eskom would be divided into three independent components, designed to allow for more competition, transparency and focused funding models.

Other subtle indications in the budget of a paradigm shift in the approach towards macroeconomic policy were, firstly, reference to a number of pro-growth policy changes highlighted in the SONA and an admonition to all and sundry to rid themselves from a so-called "post-Soviet" mentality.

No doubt the latter comment was earmarked for certain trade union leaders, SA Communist Party members and other leaders in the public sector that were still clinging fervently to the obsolete and dangerous ideology of excessive state intervention in the economy.

Improved mining investment ranking

The third post-budget dividend was a direct result of the new-found acknowledgement by government that regulatory obstacles to private sector expansion should be removed as a matter of urgency, namely an improvement in South Africa's ranking in the Fraser Institute's *Global Mining Survey*.

Over the past year, the country's global ranking in the *Mining Investment Attractiveness Index* improved from 48 to 43 (out of 83 jurisdictions). More significantly, however, was the improvement in the *Policy Perception Index* from a lowly 81 to 56.

Other statements made in the 2019 budget speech that augur well for raising the country's growth rate from the second half of the year onwards, include:

- Relaxation of the strict visa regulations that were introduced by Mr Malusi Gigaba during his first stint as Home Affairs Minister
- An increase in the income eligibility thresholds for the successful employment tax incentive scheme, which supports more than one million young people
- A clear strategy aimed at improving the rate of infrastructure expansion, including a sensible project pipeline and streamlining regulations to make it easier to actually start building

Budget 2019 may yet prove to be a watershed moment in South Africa's history, especially if government keeps to the following implicit policy objective stated in the budget speech: *"We need to free our entrepreneurs from stifling regulations and complicated taxes"*.