# PwC's economic take on what #Budget2018 will hold

By Danette Breitenbach

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While there has been an upward revision in growth for the year - 1.5-1.8% for South Africa - with business confidence also increasing, the country is still not where it needs to be by a long shot.

Lullu Krugel, chief economist at PwC

For last four to five years we have been hearing that the coming year is going to be tough, and 2018 will be no different, says Lullu Krugel, partner and chief economist at PwC Africa, who recently gave the first-ever economic outlook to be included in the company's pre-budget presentation.

However, there are reasons for optimism, with the International Monetary Fund and the World Bank (WB) amongst others having upgraded the country's forecast upwards, and, while the currency is volatile, it is strong. "Good things are happening. For example, at the recent Mining Indaba in Cape Town, Anglo America stated that it is ready to invest in South Africa," she says.

Despite these positive indicators, the tough fiscal environment will remain for some time, she adds. That is why planning of what happens from here onwards is very important. "The budget must provide clarity to South Africa on a number of issues."

## Healthcare issues

One being the sugar tax, which will have a net impact on estimated tax revenue between R631m to R856m, which is not really significant.

The second issue is a difficult one. Although gaining momentum, not only in South Africa but globally, National Health Insurance (NHI) is a costly exercise and there is still a lot of uncertainty around how it will be funded. "The estimated costs of the NHI by 2025 is R256bn, an anticipated shortfall of R108bn. This is despite the planned redirecting of R22bn in medical aid credits to the NHI."

## SOEs, energy and education

State-owned enterprises (SOE) are a big-ticket item and it is time to turn them around. "They face financial difficulties and rating downgrades which increase financial deficits. Future funding proposals need to be addressed," Krugel says.

Prresident Cyril Ramaphosa has also taken nuclear power off the table as an energy option, as the country simply does not have the funds for it, and is currently producing an excess of power.

When it comes to #feesmustfall something has to be said about this in the budget, she says. "The estimated cost for 2018 is over R12bn. Possible funding could be through increased VAT or the implementation of wealth taxes."

In conclusion Krugel says rating agencies will be focusing on a number of issues. "Of these fiscal performance debt burden and contingent liabilities are most critical, followed by fiscal flexibility and vulnerabilities, debt level and the cost of debt and economic growth."


## ABOUT DANETTE BREITENBACH

Danette Breitenbach is a marketing & media editor at Bizcommunity.com. Previously she freelanced in the marketing and media sector, including for Bizcommunity. She was editor and publisher of AdVantage, the publication that served the marketing, media and advertising industry in southern Africa. She has worked extensively in print media, mainly B2B. She has a Masters in Financial Journalism from Wits.



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