

The World News

FFC urges govt to reconsider its fiscal consolidation stance

5/27/2020

CAPE TOWN - The Financial and Fiscal Commission (FFC) on Tuesday said the government should consider relaxing its fiscal consolidation stance to deal with the economic fallout from the COVID-19 pandemic.

Finance Minister Tito Mboweni had so far held the line on fiscal consolidation – a policy aimed at reducing the budget deficit and government’s soaring debt-service costs.

Mboweni will be ready to table an emergency budget later next month, although a final date was yet to be set.

Briefing Parliament’s Standing Committee on Appropriations on Tuesday, the FFC made it clear the R500 billion COVID-19 fiscal support package announced by the government did not go far enough and that bolder measures were needed.

The FFC saw the government’s fiscal support package as a stopgap measure and questioned whether it would provide the kickstart the economy would need to recover from the impact of the pandemic and the lockdown.

“We’ve noted that in Budget 2020, there was no fiscal space - and that the debt-servicing costs were extremely high - but we’re still of the opinion that government should reconsider its fiscal consolidation stance and relax it,” said FFC CEO Dr Kay Brown.

Brown said assistance should focus on social relief in the short-term and in the longer run, on bolstering economic growth and restructuring the economy.

“We are not sure necessarily whether this gap-filling measure is going to take us to the stimulus that we would want – we’re not sure, we think that it is mostly aggregate-demand neutral and that we do need to look at serious bigger reforms within government,” she said.

<https://theworldnews.net/za-news/ffc-urges-govt-to-reconsider-its-fiscal-consolidation-stance>