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## State urged to bolster recovery stimulus package to prevent 20% slippage

By Sipehelele Dlodla 27 May 2020

JOHANNESBURG - The financial and Fiscal Commission (FFC) has asked the government to deploy a bolder economic recovery stimulus package in the Adjustment Budget to avoid an up to 20percent slippage this year.

The FFC's programme manager for fiscal policy unit, Eddie Rakabe, told Parliament yesterday that the government's R500billion coronavirus stimulus package fell far short of the expected shock to the economy.

Rakabe said though the National Treasury and the SA Reserve Bank had introduced a combined fiscal and monetary response amounting to R1trillion, only R95bn of the total fiscal package constituted a new injection into the economy.

He said the FFC was of the view that the fiscal and monetary responses were targeted at policy areas proven to reduce economic distress, but the scale of certain programmes needed to be increased for maximum impact.

"The R95bn earmarked for business support, job creation and protection is not adequate given the scale of projected job losses. This means that the Covid-19 stimulus falls far too short of the expected shock to the economy," Rakabe pointed out.

"The fiscal and monetary response in its totality represent a gap filling or relief measure rather than a stimulus. We are of the view that the government needs to deploy much of its balance sheet to deal with the post-Covid-19 effects.

"Some of the things we think the government can deploy would be the assets from the Public Investment Corporation (PIC), the Government Employees Pension Fund, as well as the South African Foreign Exchange Reserve," he said.

The chairperson of the appropriations committee, Sfiso Buthelezi, argued that it was incorrect that the stimulus was purely R95bn as the interventions were both fiscal and monetary, but Rakabe stuck to the script.

Finance Minister Tito Mboweni is set to table an Adjustment Budget next month, with some funds reprioritised from certain departments' programmes to respond to Covid-19.

Rakabe said all the Budget estimates that were made in February had been rendered redundant by the Covid-19 crisis.

“The fiscal framework tabled in February is no longer attainable due to the Covid-19-induced economic shutdown and slump,” he said.

“The estimates indicate that the economy is likely to contract by 6 to 16percent, depending on the longevity and severity of the shutdown.”

The FFC also warned that the pandemic is set to push the economy into a deep contraction this year.

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