

Hope is on the horizon despite South Africa's economic challenges

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The nation's eyes and ears will be focused on Cape Town today as Finance Minister Enoch Godongwana presents the 2024 National Budget.

It is no secret that South Africa faces a challenging economic climate where austerity is the phrase most commonly used during the budget. However, while mounting dark clouds are on the horizon, Dr Ridwaan Asmal, a senior academic in the Accounting, Finance and Tax Administration Faculty at Mancosa, points out that there may be some good news for South Africans in the last quarter of the year.

Revenue collection is a problem

What can South Africans expect from this year's budget?

Dr Asmal points out that revenue collections are projected to be R56.8bn below 2023 budget estimates. This will undoubtedly put Godongwana under significant pressure, and he may have to consider implementing specific austerity measures to address this. Further, National Treasury has already pointed out that it would propose tax measures aimed at raising additional revenue of R15bn for the 2024/25 budget.



Dr Ridwaan Asmal, senior academic in the Accounting, Finance and Tax Administration Faculty at Mancosa

"However, since this is election year, the ruling party will not want to upset the apple cart – and its voters – by increasing income tax among earners in the lower and medium tax brackets. We also do not expect an increase in value-added tax (VAT)," says Dr Asmal.

Education

What does this revenue collection shortfall mean?

Over the years, various articles and reports have highlighted the growing crisis within the South African education sector. With the minister being forced to allocate funds to plug critical holes in the budget, specific sectors are forced to live with restricted access to much-needed funds.

Dr Asmal points out that the national budget allocation for education grew by 5.7% in the 2023/24 national budget. However, education expenditure was due to increase by 7.2%, creating a shortfall of about 1.5% that is left unattended. "This is a concern as most schools cannot afford to employ additional teachers. The higher learner-teacher ratios have seen many public schools continuing to have to deal with inadequate infrastructure," says Dr Asmal, who adds that these challenges are then rolled over into higher education where higher education institutions receive a crop of students who may be inadequately prepared for the demands that come with higher education.

Of particular concern is that students begin their higher education journey with varying levels of tech skills, a challenge that Mancosa has highlighted in the past.

"The pathways to high-value digital careers are far too few and far too slow. Traditional education takes too long and only

offers a few thousand students adequate opportunities yearly. The alternative to this is a provider such as Mancosa that offers various IT and artificial intelligence (AI) qualifications. The institution has been working hard to make its courses as accessible as possible to all South Africans," points out Dr Asmal.

NHI concerns

A central focal point since 2010 has been the development of the national health insurance (NHI). In 2023, the ruling party strongly indicated that the NHI would be a reality; it is now merely a case of finalising what it will eventually look like once implemented.

One of the fundamental points of concern has been the programme's funding.

"The proposal to eliminate the medical tax credits will once again be highlighted in this year's budget and will translate into a reduced household disposable income. In a presentation to the National Council of Provinces Select Committee on Health and Social Services in January, the Department of Health once again said medical tax credits should end, and the money re-routed to fund the national health insurance fund," pointed out Dr Asmal.

South African economist, Dawie Roodt, said he had no problem removing the tax break on medical scheme contributions if a general tax reduction offset this. He said there should be tax breaks for medical scheme contributions or medical expenses. A tax system is supposed to be neutral, whereas tax credits are not.

The silver lining

With the challenging economic environment in mind and the uncertainty around the NHI looming large, where is the silver lining?

Dr Asmal points out that he expects government to make a concerted effort towards moving from analogue to digital, which will free up enough spectrum for telecommunication companies to build the necessary infrastructure that will increase access to fibre connectivity for most South Africans. "If we couple this with the increased gravitation towards online learning platforms and the various business incubators offered by higher education institutions, there will be a future focus on increased entrepreneurship. This will be a massive step towards the diversification of the South African economy," points out Dr Asmal. He adds that the severity of the energy crisis may decrease towards the end of the year, which will be welcome news for all South Africans.

He adds that Godongwana may pave the way for future dispensations to inculcate a savings culture in South Africa during the 2024 budget speech. Furthermore, Asmal adds that every wealthy country became wealthy through a minimum level of saving and investment. This was fostered by the right policies and a savings culture. "As a rule of thumb, countries with savings above about 25% of GDP reap significant rewards for quality of living. Good examples of this are countries like Singapore and Chile," points out Dr Asmal.

This will be a welcome change from the news regarding abject spending that we are used to hearing about from the land's highest office; a savings culture begins with political leaders. "However, establishing this savings culture in the current economic environment may be challenging given the headwinds that South African consumers face and the propensity of these headwinds increasing significantly at a moment's notice," says Dr Asmal.

While there are many signs that South Africans need to be concerned, there is at least some hope that change may be on the horizon. "The role of higher education institutions has never been more important," reiterates Dr Asmal, "we will need strong leaders to implement the change that our current leaders are laying the foundations of. Mancosa is working tirelessly to improve its future value proposition to produce these leaders."

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