

Business Unity South Africa (BUSA) Response to the Medium-Term Budget Policy Statement (MTBPS) - BUSA supports fiscal consolidation and macroeconomic reforms but raises concerns about the revenue generation strategy

JOHANNESBURG, 12 NOVEMBER 2025 - Business Unity South Africa (BUSA) welcomes and commends Finance Minister Enoch Godongwana on delivering the 2025 Medium-Term Budget Policy Statement (MTBPS) focused on reaffirming the government's commitment to fiscal stability, debt containment, driving lower inflation, lower borrowing costs and structural reform.

"Fiscal consolidation is essential, we welcome the Minister's disciplined approach, but it must be complemented by stronger measures to stimulate private investment, accelerate structural reforms, and build a more inclusive growth path."- said Khulekani Mathe, CEO of BUSA.

Macroeconomic reforms are an important and often overlooked element of strengthening the foundation of the business environment in South Africa. BUSA supports the introduction of a new inflation target of 3% (including a 1% tolerance band) which brings South Africa in line with global best practice. Lower inflation expectations, if credibly anchored, could significantly reduce the cost of capital for business and reduce cost of living for households. However, BUSA cautions that implementation must be carefully managed to avoid short-term fiscal or monetary tightening that could dampen growth and job creation.

BUSA commends the government's progress in stabilising debt at 77.9% of GDP, narrowing the budget deficit to 2.7% by 2028/29, and achieving a primary surplus of R68.5 billion this year for the first time since 2008. These are critical milestones on the path toward restoring fiscal health and investor confidence.

Of particular importance to Business is the government's ability to strengthen expenditure control and provide clarity on revenue strategy beyond tax increases. BUSA supports the continued focus on prudent fiscal management and the announced introduction of transparent fiscal anchors in 2026 to enhance accountability and parliamentary oversight. These measures are essential for restoring public confidence in the integrity of public finances.

BUSA is encouraged by the progress made through the Targeted and Responsible Savings (TARS) initiative, which has already identified R6.7 billion in potential savings by flagging

underperforming programmes for closure, phasing out, or scaling down. BUSA urges National Treasury to expand this initiative aggressively and ensure that the full savings potential of R13.7 billion originally projected is realised through rigorous implementation and monitoring. Reforming SETAs, cutting wasteful expenditure and rationalising the public sector wage bill (including eliminating ghost workers) are all key components to reach such saving

BUSA welcomes the strong performance by the South African Revenue Services (SARS), however, cautions against the potential R20 billion in tax hikes under consideration for 2026, which could weigh on consumer spending and potentially deter investments. Instead, we urge the government to explore reigning in expenditure and tackling illicit trade estimated to cost the fiscus more than R40 billion annually as flagged by the Minister.

BUSA supports the government's plan to shift spending from consumption to investment, with capital payments growing 7.5% annually. The creation of infrastructure bonds, new PPP guidelines, and a reconfigured Budget Facility for Infrastructure (BFI) capable of processing four bid windows per year are important tools to crowd-in private capital. However, success will depend on execution capability, municipal readiness, and the streamlining of regulatory approvals to avoid project delays. Amounts in BFI are still small and future savings elsewhere should be prioritised into infrastructure.

Local government dysfunction remains a major fiscal and developmental risk. BUSA supports the municipal utility reform programme and the use of partners such as the DBSA and MISA to improve service delivery. More money sent to lower levels of government like provinces to match population changes also is supportive.

BUSA recognises tangible progress under Operation Vulindlela, particularly in energy, logistics, and water. The stabilisation of power supply, reduced vessel waiting times at ports, and renewed interest in freight rail partnerships demonstrate the value of public-private collaboration.

Overall today's MTBPS was an important stepping stone for our economy to show markets and ratings agencies that we are serious about fiscal credibility as a country and BUSA hopes to see rewards in terms of sovereign credit ratings upgrades to come (following on from the exit from the FATF grey list recently). Moreover, the advancement of macroeconomic reforms like the inflation target reduction, forthcoming fiscal anchors and also the announced cut in rand government bond issuance today is important for business in supporting lower borrowing costs for all elements of society – in turn driving higher growth and investment.

It is important that National Treasury and the whole of government stick to the current path again at the Budget in February and also continue to advance structural reforms (in partnership with business) – there is a long road ahead and political stability in the form of our Government of National Unity is a key foundation – but a path out of our recent crises towards faster and better growth is starting to emerge.

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