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MEDIA STATEMENT - IMMEDIATE RELEASE

Commenting on the 2025 Medium Term Budget Policy Statement (MTBPS) presented to Parliament today by Finance Minister Enoch Godongwana, NWU Business School economist Prof Raymond Parsons says:

‘The broad economic and fiscal strategies outlined in the 2025 MTBPS are realistic and credible given South Africa’s challenging economic context. The MTBPS represents a visible turning point in advancing the priorities of a stable, growing, competitive, and inclusive economy. Policy continues to gradually move in the right direction to build resilience, create fiscal buffers, and stabilize public indebtedness amid adverse global headwinds. The increased emphasis on collaboration with the private sector to enhance delivery, notably through Operation Vulindlela, was a constant and welcome theme. The MTBPS’s overall message was a confidence building one.

Finance Minister Enoch Godongwana recognized that all roads ultimately lead through higher job-rich growth, with the priority now to lift GDP closer to levels that can meet South Africa’s developmental needs. The forecast of real GDP growth averaging 1.8% between 2026 and 2028 is encouraging but remains inadequate to address the country’s deep structural and socio-economic challenges. It is based on a recovery in investment. And while fiscal sustainability is gradually being restored, uncertainty remains about whether stronger revenue performance will be sufficient to offset the R20 billion in potential tax increases signalled for the February 2026 Budget.

The decision to implement a 3% inflation target with a 1% tolerance band over two years represents a significant shift in South Africa’s monetary policy but is a flexible framework. While it strengthens policy credibility and aligns with the goal of lower inflation expectations, it also entails short-term fiscal and growth trade-offs. The Finance Minister recognized that there would be short term fiscal costs of a lower target, which include a lower GDP and revenue growth which will make achieving fiscal targets even more challenging. Inevitably, interest rates and hence borrowing costs are also likely to remain higher for longer for business and consumers.

The overarching message of the MTBPS is that accelerated structural reforms remain the most effective pathway to much higher, job-rich growth. Implementation will be key - ensuring that reform commitments under Operation Vulindlela and other processes translate into tangible improvements in confidence, investment, and service delivery. Weaker growth would undermine the fiscal trajectory. South Africa’s economic steersmanship must continue to stay on the right track, ensuring that the tailwinds outweigh the headwinds as we move into 2026’

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