

central banks to consider rate cuts, but challenges like stagnant productivity and ageing populations in major economies persist.

On the domestic front, South Africa's GDP growth is expected to recover to 1.1% in 2024 from 0.7% in 2023, though it remains constrained by supply-side issues like energy availability and logistics. In that context, it is noteworthy to mention the following impending and contributing factors: (1) improvements in power supply: reduced load-shedding is boosting economic sentiment and activity; (2) exports and investment are expected to contract, while household and government consumption remain steady (3) power cuts, freight rail and port failures, and high costs of living were significant obstacles in early 2024, although the trend is towards progress and (4) resolving supply-side constraints and easing barriers to business activity will determine sustained growth.

The country's foundations for sustained economic growth are built upon these four key principles:

1. Macroeconomic stability and fiscal and monetary policy predictability are critical for investment and growth. Measures include maintaining budget discipline and managing debt levels.
2. Structural reforms under Operation Vulindlela (OV) Phase I (improving electricity availability, logistics, and data costs) are beginning to yield results. Phase II addresses more profound systemic challenges like local government inefficiencies and spatial inequality. Overall, reforms are designed to reduce business costs and attract private-sector participation.
3. A competent and efficient state is essential for delivering public services and fostering economic growth. Efforts are underway to rebuild state institutions, enhance governance, and ensure effective service delivery.
4. Investment in energy, transport, and water infrastructure is the backbone of long-term growth. The government actively involves the private sector in financing and executing projects efficiently.

The medium-term fiscal strategy focuses on fiscal sustainability while supporting essential services and economic growth. In that regard, the government is committed to

1. Stabilizing debt: primary surplus is expected from 2024/25, with debt stabilizing at 75.5% of GDP by 2025/26. This stabilization will reduce debt-service costs, freeing up resources for developmental priorities.
2. Increasing the efficiency (ROI) of capital investment by redirecting spending toward infrastructure projects to boost economic activity and create jobs and lowering borrowing costs to facilitate more sustainable financing of development projects.
3. Public services should remain a priority even if budgets are constrained. Spending on critical areas like education, health, and social development should remain a priority.
4. Exercising strict control of the public sector wage bill, as government wages consume a large share of public spending, measures such as early retirement programs aim to control costs without compromising service delivery.

In that context, it is worth mentioning that, building on the success of Phase I of Operation Vulindlela, Phase II will target eliminating economic bottlenecks (red tape) by addressing persistent issues like local government inefficiencies, spatial inequality, and the improvement of the Public-Private Partnership (PPP) framework to unlock new investments and accelerate project implementation.

Meanwhile, the risks to the fiscal outlook remain elevated and must be adequately mitigated.

The South African economy is not immune to a global or domestic slowdown, which could reduce tax revenue and worsen fiscal deficits. The politically sensitive control of the wage bill as higher-than-expected public-sector wage settlements could strain budgets and crowd out investment financing. Corporate governance and persisting deficits of state-owned enterprises (SOEs) such as ESKOM, Transnet, etc., will increase pressure for additional support that the government cannot afford.

Overall, the government strategy, as outlined in the latest Medium Term Budget Policy Statement (MTBPS), aims at achieving fiscal sustainability while driving economic growth. Key takeaways include:

- Debt stabilization by 2025/26 is critical to reducing the burden of debt-service costs.
- Structural reforms under Operation Vulindlela are beginning to show results, but sustained implementation is needed to unlock long-term growth.
- Fiscal discipline, efficient public services, and infrastructure investment will be the cornerstones of South Africa's growth strategy.

The government's ultimate objective is to create a robust, inclusive economy that fosters job creation, reduces inequality, and improves the fiscal position.

In conclusion, the authorities are pursuing a stability-oriented macroeconomic policy that meets the eligibility criteria.