PIETERMARITZBURG
ECONOMIC JUSTICE & DIGNITY

Economic justice through the lens of human dignity

MEDIA STATEMENT
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To all media for immediate release
Response to Budget 2019

Budget 2019: The downward spiral continues.

We are disappointed at the Budget.

- The budget does not respond to the economic and household affordability crisis that we see every day in South Africa's townships. More than half (55,5%) the South African population live below the poverty line of R1183 per capita per month. 9,7 million are currently unemployed and are dependent on social grants.
- The budget framework itself reveals a lack of an integrated and cohesive understanding of economic development.
- The budget continues to invest in the supply-side of the economy, rather in the demand side. It is better to put money in the demand side because the demand side has a better chance of stimulating local employment and economic growth.

The two largest expenses in the budget is education and health which will be undermined by the increase in the fuel levy of 29 cents a litre which will lead to increases in goods and services across the economy; and the extremely low increases on social grants.

The old age pension was increased by R80 which is 4,7%, and in fact is less than the rand-value of R100 in last years' increase.

The R10 increase on the child support grant in April is a 2,4% increase, well below inflation, and just about enough to buy one loaf of brown bread. This means that the child support grant continues to be below the food poverty line of R547 a month (by 23%) and even further below the R587 cost to feed a small child a basic but nutritious diet (28%).

This continues the child stunting trajectory where 30% of boy children and 25% of girl children under the age of 5 years are stunted which undermines our education, health, social and economic outcomes in the long term. By failing to increase the social grants we are continuing to institutionalise low economic opportunities and growth for the long term.

The role of social grants in a context of high unemployment (37%) is to bring an income into households: it plays the same role as a wage. The current framework that government uses for social grants is merely for the poor to survive. We have argued for a change in understanding social grants as an economic stimulus for local economic development.

Instead of focusing exclusively on Foreign Direct Investment and supply-side economics as the budget has done, we should look for ways and means of how we can grow our own economy at the township level. In such a framework, investing in social grants beyond merely survival levels could mean that millions of people could demand more goods and services, which in turn could create supply and lead to greater levels of work and employment. The budget has failed miserably to stimulate the economy at the township level.

Budget 2019 will continue the reality of two South Africa's: the one responding to the markets and based in Sandton; and the other, in the townships of extremely high levels of unemployment, social grants at survival levels, no economic activity except on pension day, massive indebtedness, and no opportunities for entrepreneurship because there is no one to buy their products. This is a budget that continues to exclude the majority of South Africans from the economy.

This budget continues the trajectory of massive and intractable levels of unemployment, low productivity, poor education and health outcomes, deepening poverty, increased social discontent and disintegration and low economic growth.

The majority of South Africans are not responsible for the massive government debt nor the corruption that has driven it up and should not have to continue to suffer the consequences.

For information and media enquiries, contact: Mervyn Abrahams on 079 398 9384 and mervyn@pmbejd.org.za.
Website: www.pmbejd.org.za.