

South Africa plans cost-cutting measures as revenue falls

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South Africa's National Treasury said it will implement a number of cost-cutting measures to rein in government spending, including a hiring freeze, after a shortfall in revenue collection.



Source: [Rxabay](#)

The treasury, in response to an ailing economy, said it had outlined the measures in a letter addressed to national departments, provinces and public entities.

The *Sunday Times* newspaper reported earlier that the measures also include a halt in advertising new procurement contracts for all infrastructure projects.

Responding to *Reuters* questions, the treasury said the cost-cutting plan was "due to the weak performance of the economy and the shortfalls in revenue collection".

The treasury added that it will work with all departments, provinces and public entities to identify further measures to consolidate budgets as "the measures articulated in the letter will not by themselves fully restore fiscal sustainability".

The measures will be effective from 15 September.

Economists have said South Africa will overshoot its budget deficit target this year due to an expected dip in tax receipts amid sluggish economic growth.

A major constraint in the last decade has been rolling power cuts that have slashed the country's growth potential and hurt businesses of all sizes.

State power utility Eskom has this year implemented its heaviest power outages ever as it struggles with breakdowns at its coal-fired plants.

The economy did manage to eke out growth of 0.2% in annual terms in the first quarter of 2023. The central bank has said that but for the power cuts, growth would have been closer to 2%.

The government in October is expected to outline further steps to plug the revenue gap in its medium-term budget policy statement.

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