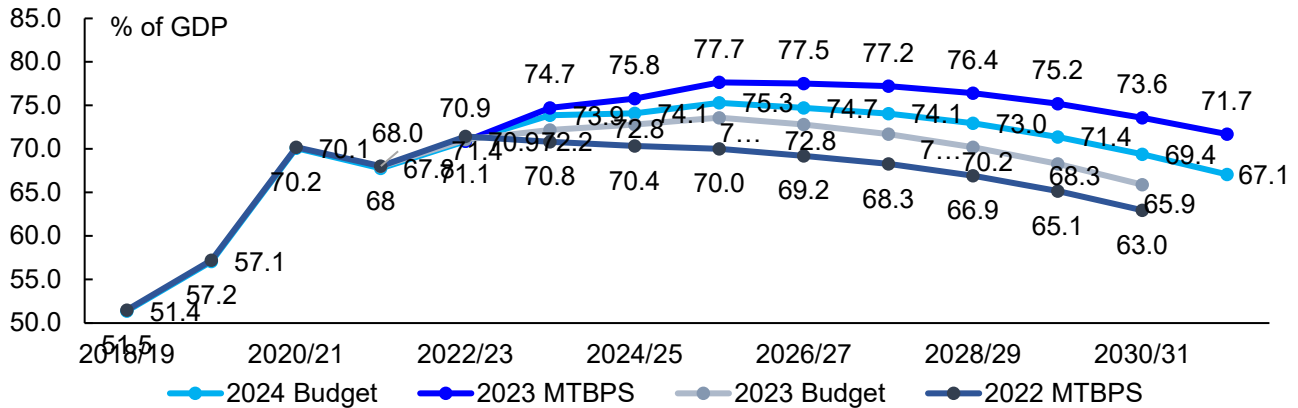




Budget Review: a better-than-expected budget, mild consolidation on use of GFECRA funds

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Figure 1: Gross debt-to-GDP outlook



Source: National Treasury, Budget 2024

- The Budget presented today saw better fiscal ratio projections compared to 2023's MTBPS (Medium-Term Budget Policy Statement) as R150bn of the profits of the Gold and Foreign Exchange Contingency Reserves Account (GFECRA) was utilised, a methodology followed by many other countries around the world.
- The drawdown on the GFECRA account over the 2024/25 and 2026/27 period, will be used to both reduce borrowings, and to reduce borrowing costs by R30.2bn, with borrowing costs a larger share of the expenditure budgeted for than basic education, social protection or health.
- In November 2023's MTBPS, gross debt was projected to peak at 77.7% of GDP in 2025/26, but it has now dropped to 75.3% /GDP, although still higher than the 73.6% /GDP projected for 2025/26 in 2023's Budget.
- Positively, gross debt is now projected below 70.0% / GDP in 2031/32 at 67.1% /GDP (the MTBPS had projected it remaining above 70% / GDP), but it is still well above 60% /GDP seen as the maximum sustainable debt ratio for an emerging market economy, and the 2023 Budget had it at 65.9% /GDP by 2031/32.
- Overall, the Budget shows marked improvements on the 2023 MTBPS' projections, made possible by the utilisation of some of the R500bn in the GFECRA, with National Treasury likely dipping into more in future.
- For this fiscal year (2023/24), debt is now estimated at 73.9% of GDP, below the 74.7% of GDP in 2023's November MTBPS, but above February 2023's Budget projection of 72.2% of GDP.
- The medium-term revenue outlook was revised up by R45.6bn from the 2023 MTBPS projection, and expenditure by R57.6bn. A primary surplus (expenditure less revenue, excluding expenditure on debt servicing) is however expected to be achieved this fiscal year, and over the medium-term.
- The 2023/24 budget deficit remains at -4.9% of GDP projected in the MTBPS, and projected lower in the medium-term than in the MTBPS. The rand has consequently strengthened somewhat, as have bond yields, with the projections also relieving some pressure on the country's credit ratings.

Figure 2: Main budget expenditure ceiling

R million	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
2021 MTBPS	1,487,388	1,570,890	1,552,268	1,558,725	1,627,154		
2022 Budget	1,487,399	1,575,002	1,630,905	1,613,671	1,686,932		
2022 MTBPS	1,487,385	1,566,490	1,667,118	1,665,349	1,744,762	1,832,678	
2023 Budget	1,487,419	1,566,498	1,653,459	1,671,030	1,750,276	1,842,572	
2023 MTBPS	1,487,419	1,566,327	1,657,767	1,667,370	1,713,335	1,795,241	1,884,736
2024 Budget	1,487,419	1,566,327	1,657,767	1,664,709	1,729,270	1,814,458	1,904,385

Source: National Treasury, Budget 2024



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Figure 3: Main Budget Framework

R billion/percentage of GDP	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
		Outcome		Revised	Medium-term estimates		
Revenue							
Gross tax revenue after proposals	1,249.7	1,563.8	1,686.7	1,731.4	1,863.0	1,991.2	2,133.0
Non-tax revenue	26.3	40.4	51.0	38.2	34.6	32.9	32.3
SACU ¹	-63.4	-46.0	-43.7	-79.8	-89.9	-77.2	-79.7
National Revenue Fund receipts	25.8	6.1	5.2	23.1	7.2	0.6	0.4
Main budget revenue	1,238.4	1,564.3	1,699.2	1,712.8	1,815.0	1,947.4	2,086.0
	22.1%	24.8%	25.3%	24.3%	24.4%	24.6%	24.8%
Expenditure							
National departments	790.5	822.8	855.9	823.9	848.5	853.7	890.5
Provinces	628.8	660.8	694.1	706.4	729.5	760.9	790.8
Local government	137.1	135.6	150.7	157.8	170.3	177.7	183.8
Contingency reserve	–	–	–	–	5.0	7.6	14.5
Provisional allocation not assigned to votes	–	–	–	–	0.6	41.1	53.5
Non-interest expenditure	1,556.4	1,619.2	1,700.7	1,688.1	1,753.8	1,840.9	1,933.0
Debt-service costs	232.6	268.1	308.5	356.1	382.2	414.7	440.2
Main budget expenditure	1,789.0	1,887.3	2,009.2	2,044.2	2,136.0	2,255.6	2,373.2
	31.9%	29.9%	29.9%	29.0%	28.7%	28.5%	28.2%
Main budget balance	-550.6	-323.0	-309.9	-331.4	-320.9	-308.2	-287.2
	-9.8%	-5.1%	-4.6%	-4.7%	-4.3%	-3.9%	-3.4%
Primary balance	-318.1	-54.9	-1.5	24.8	61.2	106.5	153.0
	-5.7%	-0.9%	0.0%	0.4%	0.8%	1.3%	1.8%

Source: National Treasury, Budget 2024

1. Southern African Customs Union. Amounts made up of payments and other adjustments. The estimates for the next two years include projected forecast error adjustments for 2022/23 and 2023/24, respectively.

Figure 4: Main Budget Balances

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Budget 2016							
MTBPS 2016							
Budget 2017							
MTBPS 2017	-3.9%						
Budget 2018	-3.5%						
MTBPS 2018	-4.2%	-4.0%					
Budget 2019	-4.3%	-4.0%					
MTBPS 2019	-6.5%	-6.2%	-5.9%				
Budget 2020	-6.8%	-6.2%	-5.7%				
MTBPS 2020	-15.7%	-10.1%	-8.6%	-7.3%			
Budget 2021	-5.7%	-14.0%	-9.3%	-7.3%	-6.3%		
MTBPS 2021	-9.9%	-6.6%	-6.0%	-5.3%	-4.9%		
Budget 2022	-10.0%	-5.7%	-6.0%	-4.8%	-4.2%		
MTBPS 2022	-9.8%	-5.1%	-4.9%	-4.1%	-3.7%	-3.3%	
Budget 2023	-9.9%	-4.6%	-4.2%	-4.0%	-3.8%	-3.2%	
MTBPS 2023	-9.8%	-5.1%	-4.6%	-4.7%	-4.3%	-4.1%	-3.7%
Budget 2024	-9.8%	-5.1%	-4.6%	-4.7%	-4.3%	-3.9%	-3.4%

Source: National Treasury, Budget 2024



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Figure 5: Consolidated government fiscal framework, 2023/24 – 2026/27

	2023/24	2024/25	2025/26	2026/27
R bn/% of GDP	Revised		Medium-term estimates	
Revenue	1,921.4	2,036.6	2,176.4	2,323.6
	27.3%	27.3%	27.5%	27.6%
Expenditure	2,268.9	2,369.0	2,471.4	2,597.8
	32.2%	31.8%	31.2%	30.8%
Budget balance	-347.4	-332.4	-295.0	-274.2
	-4.9%	-4.5%	-3.7%	-3.3%
Total gross loan debt	5,207.3	5,522.2	5,959.2	6,293.2
	73.9%	74.1%	75.3%	74.7%

Source: National Treasury, Budget 2024

Specifically, the fiscal deficit drops to -4.5% of GDP in 2024/25 (-4.6% /GDP was projected for this year in the MTBPS), then declines to -3.7% for 2025/26 and then -3.3% of GDP for 2026/27 versus the -4.2%/GDP and -3.6% GDP respectively in the MTBPS. Indeed, the Budget Review notes that “this year, for the first time since 2008/09, government will achieve a primary budget surplus – meaning revenue exceeds non-interest spending.”

On the tax front no major changes occurred, with no adjustment for bracket creep as a consequence of inflation which saw National Treasury raise its R15bn revenue shortfall, as expected. With 2024 an election year, VAT and income taxes were not hiked, and also not the fuel levy or RAF levy, yielding tax relief of R4bn. National Treasury recognised the weakness of the SA economy, highlighting that any tax “increases could threaten economic growth and prompt negative taxpayer behaviours”. The Budget did see the normal rise in sin taxes, with the prices of various types of alcohol to increase by between 6.7% and 7.2%, and the types of different tobacco products seeing hikes of between 4.7% and 8.2%.

Also of note, South Africa will implement a global minimum corporate tax rate, with multinational corporations subject to an effective tax rate of at least 15 per cent. Indeed, “(o)ver the next three years tax revenue is expected to grow by R401.7 billion, reaching R2.13 trillion and a tax-to-GDP ratio of 25.3 per cent in 2026/27. On the climate change mitigation front “(p)roducers of electric vehicles in South Africa will be able to claim 150 per cent of qualifying investment spending as an incentive to aid the transition to new energy vehicles.”

Figure 6: Main budget framework

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
R billion/percentage of GDP		Outcome		Revised	Medium-term estimates		
Main budget revenue	1,238.4	1,564.3	1,699.2	1,712.8	1,815.0	1,947.4	2,086.0
	22.1%	24.8%	25.3%	24.3%	24.4%	24.6%	24.8%
Main budget expenditure	1,789.0	1,887.3	2,009.2	2,044.2	2,136.0	2,255.6	2,373.2
	31.9%	29.9%	29.9%	29.0%	28.7%	28.5%	28.2%
Non-interest expenditure	1,556.4	1,619.2	1,700.7	1,688.1	1,753.8	1,840.9	1,933.0
Debt-service costs	232.6	268.1	308.5	356.1	382.2	414.7	440.2
Main budget balance	-550.6	-323.0	-309.9	-331.4	-320.9	-308.2	-287.2
	-9.8%	-5.1%	-4.6%	-4.7%	-4.3%	-3.9%	-3.4%
Primary balance	-318.1	-54.9	-1.5	24.8	61.2	106.5	153.0
	-5.7%	-0.9%	0.0%	0.4%	0.8%	1.3%	1.8%

Source: National Treasury, Budget 2024



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Figure 7: Budget estimates and revenue outcomes¹

R billion	2022/23			2023/24			% change ³
	Budget ²	Outcome	Deviation	Budget ²	Revised	Deviation	
Taxes on income and profits	989,877	988,505	-1,371	1,021,213	997,924	-23,289	1.0%
Personal income tax	601,649	600,367	-1,283	640,300	649,783	9,483	8.2%
Corporate income tax	344,944	344,660	-285	336,119	301,367	-34,751	-12.6%
Dividends tax	38,515	38,119	-396	39,819	39,705	-114	4.2%
Other taxes on income and profits ⁴	4,768	5,360	592	4,975	7,069	2,094	31.9%
Skills development levy	21,238	20,892	-346	23,027	22,713	-314	8.7%
Taxes on property	22,656	21,238	-1,418	23,863	19,486	-4,377	-8.3%
Domestic taxes on goods and services	581,871	579,990	-1,881	642,765	616,951	-25,814	6.4%
Value-added tax	426,283	422,416	-3,867	471,477	445,340	-26,136	5.4%
Specific excise duties	55,228	55,155	-73	58,956	53,942	-5,014	-2.2%
Health promotion levy	2,320	2,195	-125	2,476	2,254	-222	2.7%
Ad valorem excise duties	4,461	5,520	1,059	4,699	7,782	3,083	41.0%
Fuel levy	79,131	80,473	1,342	90,408	93,372	2,964	16.0%
Other domestic taxes on goods and services ⁵	14,448	14,231	-217	14,750	14,261	-489	0.2%
Taxes on international trade and transactions	76,535	76,068	-468	76,588	74,279	-2,309	-2.4%
Customs duties	74,176	73,945	-230	74,221	72,492	-1,729	-2.0%
Health promotion levy on imports	114	110	-3	114	107	-6	-2.7%
Diamond export levy	151	151	0	150	155	4	2.2%
Export tax	819	844	25	815	401	-414	-52.5%
Miscellaneous customs and excise receipts	1,276	1,017	-259	1,288	1,124	-165	10.5%
Gross tax revenue	1,692,177	1,686,697	-5,479	1,787,456	1,731,353	-56,104	2.6%
Non-tax revenue ⁶	55,078	56,205	1,127	51,583	61,294	9,711	9.1%
<i>of which:</i>							
<i>Mineral and petroleum royalties</i>	<i>25,483</i>	<i>25,338</i>	<i>-145</i>	<i>22,469</i>	<i>15,718</i>	<i>-6,751</i>	<i>-38.0%</i>
Less: SACU ⁷ payments	-43,683	-43,683	–	-79,811	-79,811	–	82.7%
Main budget revenue	1,703,571	1,699,219	-4,353	1,759,229	1,712,836	-46,393	0.8%
Provinces, social security funds and selected public entities	189,176	197,189	8,012	199,678	208,587	8,908	5.8%
Consolidated budget revenue	1,892,747	1,896,407	3,660	1,958,907	1,921,423	-37,485	1.3%

Source: National Treasury, Budget 2024

1. A more disaggregated view is presented in Tables 2 and 3 of the statistical annexure

2. 2023 Budget Review estimates

3. Percentage change between outcome in 2022/23 and revised estimate in 2023/24

4. Includes interest on overdue income tax and interest withholding tax

5. Includes turnover tax for micro businesses, air departure tax, plastic bag levy, electricity levy, CO₂ tax on motor vehicle emissions, incandescent light bulb levy, Universal Service Fund, tyre levy, carbon tax and International Oil Pollution Compensation Fund

6. Includes mineral and petroleum royalties, mining leases, departmental revenue and sales of capital assets

7. Southern African Customs Union. Amounts made up of payments and other adjustments



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Figure 8: Total National debt, 2022/23-2026/27

End of period	2022/23	2023/24	2024/25	2025/26	2026/27
R billion	Outcome	Revised	Medium-term estimates		
Budget 2024					
Gross loan debt	4 765.4	5 207.3	5 522.2	5 959.2	6 293.2
Net loan debt	4 516.3	5 056.6	5 432.3	5 890.3	6 218.7
As percentage of GDP:					
Total gross loan debt	70.9	73.9	74.1	75.3	74.7
Total net loan debt	67.2	71.7	72.9	74.4	73.8

Source: National Treasury, MTBPS October 2022 Budget 2024

The carbon fuel levy will increase to 11c/litre for petrol and 14c/litre for diesel effective from 3 April 2024, as required under the Carbon Tax Act (2019). Government proposes to increase the motor vehicle emissions tax rate for passenger vehicles from R132 to R146 per gram of CO₂ emissions per kilometre and the tax rate for double cabs from R176 to R195 per gram of CO₂ emissions per kilometre from 1 April 2024. Furthermore, it increases the threshold for eligible renewable energy projects from 15 megawatts to 30 megawatts installed capacity for purposes of the carbon offset allowance. The amendments are effective from 1 January 2024. The plastic bag levy rises from 28c/bag to 32c/bag from 1 April 2024.

The Budget did not provide a bailout for Eskom, nor was it expected to, but it did note that Eskom's prior announced debt-relief programme remains on track to end in 2025/26, with adherence to its strict conditions, with Eskom on track to unbundle into the three separate entities, namely generation, transmission and distribution. The Budget notes "improved electricity regulations have led to more than R100 billion in new private energy generation projects. The solar rooftop tax incentive announced in the 2023 Budget has promoted the installation of solar panels that are now generating 5 200 MW of electricity for households and businesses. The severity of load-shedding declined towards the end of 2023 and should continue to fall in 2024 due to improved generation by Eskom and independent power producers."

Renewable energy capacity under construction through the Renewable Energy Independent Power Producer Procurement Programme Bid Window 5 stands at 1 160 MW. Changes to schedule 2 of the Electricity Regulation Act (2006) have spurred private investment, with 6 000 MW of large-scale projects worth over R100 billion registered with the National Energy Regulator of South Africa expected to become operational in the medium term. Transnet was granted a R47bn guarantee with conditions.

The Budget noted "(t)he overall financial position of state-owned companies deteriorated in 2022/23. Public institutions, incorporating state-owned enterprises and major public entities, continue to pose a large risk to the fiscal outlook."

Figure 9: Combined financial position of public institutions

R billion/net asset value	2020/21	2021/22	2022/23
State-owned companies	380.2	419.0	407.4
Development finance institutions	124.0	157.6	160.9
Social security funds	-210.3	-182.6	-158.3
Other public entities ¹	834.5	942.9	1,018.0

Source: National Treasury, Budget 2024

1. Reconstruction and Development Programme Fund



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Figure 10: Financing of national government gross borrowing requirement ¹

R million	2022/23 Outcome	2023/24 Budget	2023/24 Revised	2024/25 Medium-term estimates	2025/26	2026/27
Main budget balance	-309,938	-275,351	-331,386	-320,946	-308,151	-287,218
Redemptions	-90,324	-162,232	-145,759	-172,568	-185,598	-166,295
Domestic long-term loans	-74,562	-117,865	-98,614	-132,087	-126,730	-126,730
Foreign loans	-15,762	-44,367	-47,145	-40,481	-58,868	-39,565
Eskom debt-relief arrangement	-	-78,000	-76,000	-64,154	-110,223	-
GFECRA settlement (net)⁴	-	-	-	100,000	25,000	25,000
Total Financing	-400,262	-515,583	-553,145	-457,669	-578,972	-428,513
Domestic short-term loans	-25,577	48,000	88,000	33,000	47,000	34,000
Treasury bills (net)	-25,493	48,000	88,000	33,000	47,000	34,000
Corporation for Public Deposits	-84	-	-	-	-	-
Domestic long-term loans	322,420	329,900	327,900	328,100	422,200	303,200
Market loans	321,669	329,900	328,032	328,100	352,200	303,200
Loans issued for switches	87	-	532	-	-	-
Loans issued for repos (net)	664	-	-664	-	-	-
Eskom debt-relief arrangement	-	-	-	-	70,000	-
Foreign loans	64,466	44,360	45,166	36,700	82,163	92,195
Market loans	64,466	44,360	45,166	36,700	82,163	92,195
Change in cash and other balances²	38,954	93,323	92,079	59,869	27,609	-882
Cash balances	29,332	86,321	83,649	53,112	21,753	-5,866
Other balances ³	9,622	7,002	8,430	6,757	5,856	4,984
Total	400,262	515,583	553,145	457,669	578,972	428,513
<i>Percentage of GDP</i>	<i>6.0%</i>	<i>7.4%</i>	<i>7.8%</i>	<i>6.1%</i>	<i>7.3%</i>	<i>5.1%</i>

Source: National Treasury, Budget 2024

1. A longer time series is presented in Table 1 of the statistical annexure at the back of the Budget Review
2. A positive value indicates that cash is used to finance part of the borrowing requirement
3. Differences between funds requested and actual cash flows of national departments
4. In 2024/25, the Reserve Bank will pay R200 billion to government in partial settlement of the GFECRA balances. Of this amount government will pay the Reserve Bank R100 billion towards the contingency reserve



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Figure 11: Total National government debt

End of period	2022/23	2023/24	2024/25	2025/26	2026/27
R billion	Outcome	Revised	Medium-term estimates		
MTBPS 2023					
Gross loan debt	4,765.4	5,238.0	5,641.3	6,133.4	6,524.9
Net loan debt	4,516.3	5,088.4	5,548.8	6,060.5	6,444.0
As percentage of GDP:					
Total gross loan debt	70.9%	74.7%	75.8%	77.7%	77.5%
Total net loan debt	67.2%	72.6%	74.6%	76.7%	76.6%

Source: National Treasury, MTBPS 2023

Given the usage of the the Gold and Foreign Exchange Contingency Reserves Account (GFECRA), government has not projected fiscal slippage in comparison to the 2023 MTBPS, and runs projected fiscal surpluses over the MTEF (Medium-Term Expenditure Framework). “The surplus will grow over the medium term, narrowing the budget deficit and allowing debt to stabilise at 75.3 per cent of GDP in 2025/26. In turn, this will enable government to arrest the trend of rising debt-service costs, which will peak as a proportion of revenue at 21.3 per cent in 2025/26 and decline thereafter.” Uncertainty in the tax revenue outlook remains a challenging feature of fiscal planning. Relative to the 2023 MTBPS, gross tax revenue projections have been revised up by R0.7 billion in 2023/24 and by R45.6 billion over the 2024 MTEF period. “

Figure 12: Impact of tax proposals on 2024/25 revenue¹

R billion	Effect on tax proposals	
Gross tax revenue (before tax proposals)²		1,848,035
Budget 24 proposals		15,000
Direct taxes³		18,200
Personal income tax		
No inflationary adjustments to tax brackets	16,300	
And rebates		
No inflationary adjustment to medical	1,900	
Tax credits		
Corporate income tax	-	
Indirect taxes		-3,200
Fuel levy		
Not adjusting the general fuel levy	-4,000	
Specific excise duties		
Above-inflation increase in excise duties	800	
Gross tax revenue (after tax proposals)		1,863,035

Source: National Treasury, Budget 2024

1. Revenue changes are in relation to thresholds that have been fully adjusted for inflation
2. In-year tax increase with no carry through
3. Includes carry-through effect of tax policy proposals



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Figure 13: Revised gross tax revenue projections

	2022/23 ¹	2023/24	2024/25	2025/26	2026/27
Revised estimate	1 686.7	1 731.4	1 863.0	1 991.2	2 133.0
Buoyancy	1.21	0.54	1.33	1.11	1.11
2023 MTPBS	1 686.7	1 730.7	1 854.0	1 975.8	2 111.9
Buoyancy	1.21	0.61	1.15	1.07	1.05
2023 Budget	1 692.2	1 787.5	1 907.7	2 043.5	
Buoyancy	1.42	1.06	1.06	1.09	

Source: National Treasury, Budget 2024

1. Actual outcome

Figure 14: Main budget framework

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
R billion/percentage of GDP		Outcome		Revised	Medium-term estimates		
Main budget revenue	1,238.4	1,564.3	1,699.2	1,712.8	1,815.0	1,947.4	2,086.0
	22.1%	24.8%	25.3%	24.3%	24.4%	24.6%	24.8%
Main budget expenditure	1,789.0	1,887.3	2,009.2	2,044.2	2,136.0	2,255.6	2,373.2
	31.9%	29.9%	29.9%	29.0%	28.7%	28.5%	28.2%
Non-interest expenditure	1,556.4	1,619.2	1,700.7	1,688.1	1,753.8	1,840.9	1,933.0
Debt-service costs	232.6	268.1	308.5	356.1	382.2	414.7	440.2
Main budget balance	-550.6	-323.0	-309.9	-331.4	-320.9	-308.2	-287.2
	-9.8%	-5.1%	-4.6%	-4.7%	-4.3%	-3.9%	-3.4%
Primary balance	-318.1	-54.9	-1.5	24.8	61.2	106.5	153.0
	-5.7%	-0.9%	0.0%	0.4%	0.8%	1.3%	1.8%

Source: National Treasury, Budget 2024

Figure 15: Total National debt, 2022/23-2026/27

	2022/23	2023/24	2024/25	2025/26	2026/27
End of period					
R billion	Outcome	Revised	Medium-term estimates		
MTBPS 2023					
Gross loan debt	4,765.4	5,238.0	5,641.3	6,133.4	6,524.9
Net loan debt	4,516.3	5,088.4	5,548.8	6,060.5	6,444.0
As percentage of GDP:					
Total gross loan debt	70.9%	74.7%	75.8%	77.7%	77.5%
Total net loan debt	67.2%	72.6%	74.6%	76.7%	76.6%

Source: National Treasury, MTBPS November 2023

Figure 16: Consolidated budget balance

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
R billion		Outcome		Revised	Medium-term estimates		
Main budget	-550.6	-323.0	-309.9	-331.4	-320.9	-308.2	-287.2
Social security funds	-46.7	-6.2	8.4	-0.1	-0.1	23.3	27.0
Provinces	3.0	2.1	13.4	-11.5	-3.9	0.3	0.5
Public entities	39.3	35.5	43.2	-4.6	-7.5	-10.6	-14.7
RDP Fund ¹	-0.1	-0.6	0.2	0.1	0.1	0.1	0.1
Consolidated budget balance	-555.2	-292.2	-244.7	-347.4	-332.4	-295.0	-274.2

Source: National Treasury, Budget 2024

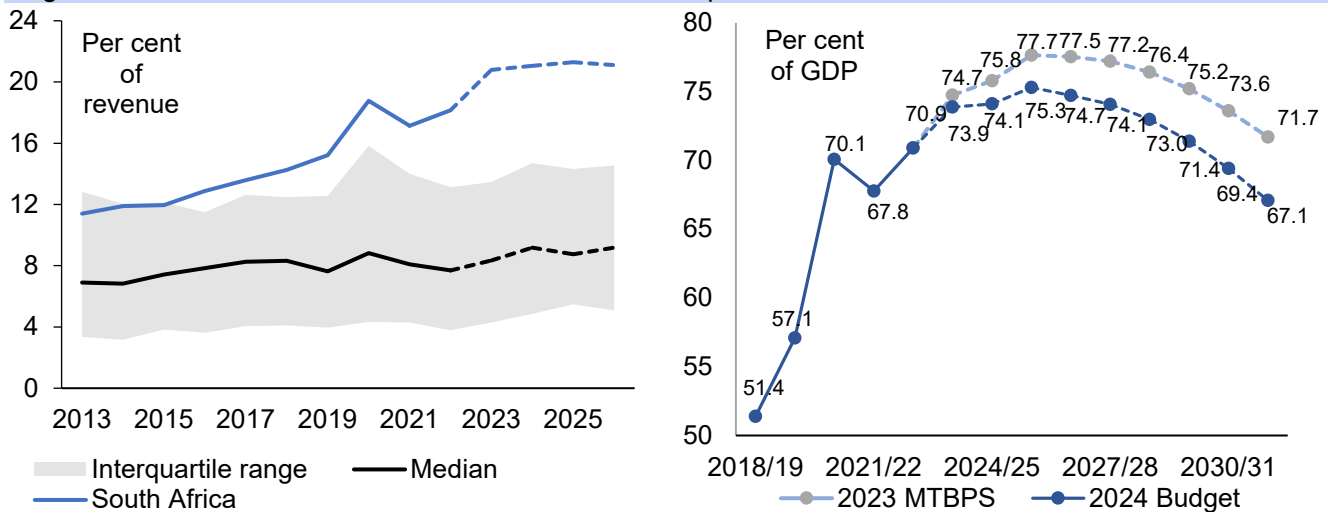
1. Reconstruction and Development Programme Fund



Budget Review: a better-than-expected budget, mild consolidation on use of GFECRA funds

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Figure 17: Debt-service cost trends in South Africa and peers* and Gross debt-to-GDP outlook

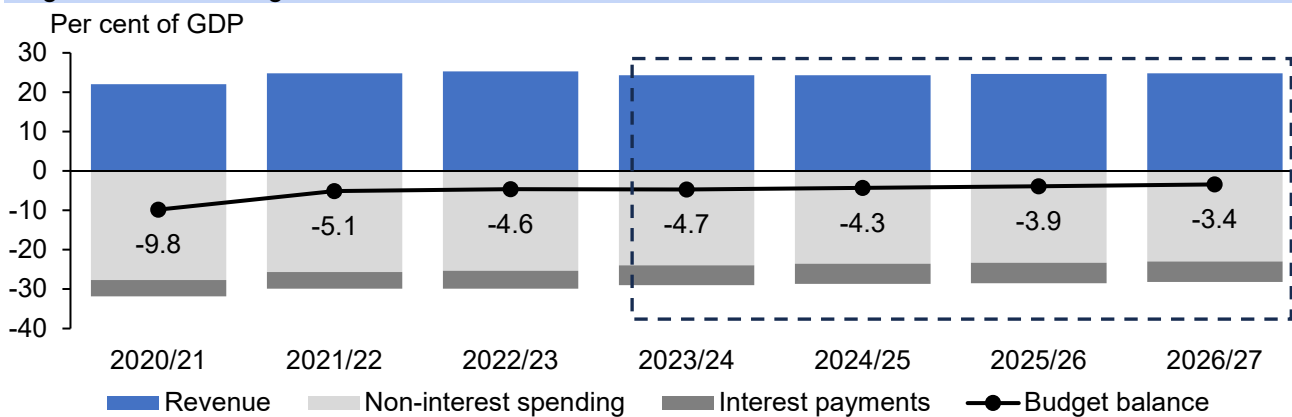


Source: National Treasury, Budget 2024

*Consists of 74 non-oil producing emerging market economies

Changes since the 2023 Budget see non-interest expenditure decreased by a net R6 billion, mainly as a result of the proposed reductions to baselines, as well as declared unspent funds, projected underspending, drawdowns of the contingency reserve and provisional allocations not assigned to votes. Funds are provided for the 2023/24 wage increase in labour-intensive departments. Payments to the Southern African Customs Union have been revised down by R8.4 billion in 2025/26 and R4.3 billion in 2026/27 compared with the 2023 MTBPS estimates. This is mainly a result of downward revisions to customs duties projections. The revisions to main budget non-interest spending over the MTEF are reductions of R206 billion to departmental baselines and provisional allocations not assigned to votes. A drawdown of the 2023 Budget unallocated reserve, partially offset by an increase in the contingency reserve. Spending additions of R251.3 billion, mainly for the carry-through costs of the 2023/24 wage increase and wage bill pressures in labour-intensive departments, including basic education, health and police.

Figure 18: Main budget fiscal outlook



Source: National Treasury, Budget 2024



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Figure 19: Projected state debt and debt-service costs

R billion/% of GDP	2023/24	2024/25	2025/26	2026/27
Gross loan debt	5,207.3	5,522.2	5,959.2	6,293.2
	73.9%	74.1%	75.3%	74.7%
Debt-service costs	356.1	382.2	414.7	440.2
	5.1%	5.1%	5.2%	5.2%

Source: National Treasury, Budget 2024

Figure 20: Impact of tax proposals on medium-term revenue¹

R million	2024/25	2025/26	2026/27
Gross tax revenue (before 2024 Budget tax proposals)	1,848,035	1,975,277	2,108,458
2024 Budget proposals	15,000	-	7,500
Direct taxes²	18,200	19,330	28,182
Personal income tax			
No inflationary adjustment to tax brackets and rebates	16,300	17,342	18,603
No inflationary adjustment to medical tax credits	1,900	1,989	2,079
Corporate income tax			
Global minimum corporate tax			8,000
Electric vehicles tax incentive			-500
Indirect taxes	-3,200	-3,397	-3,617
Fuel levy			
No adjustment to general fuel levy	-4,000	-4,248	-4,521
Specific excise duties			
Above-inflation increase in excise duties on alcohol	800	851	904
Net impact of tax proposals	15,000	15,933	24,565
Gross tax revenue (after tax proposals)	1,863,035	1,991,210	2,133,023

Source: National Treasury, Budget 2024

1. Revenue changes are in relation to thresholds that have been fully adjusted for inflation
2. In-year tax increase with no carry through
3. Includes carry-through effect of tax policy proposals

Figure 21: Division of revenue

R billion	2023/24 Revised Estimate	2024/25	2025/26 Medium-term estimates	2026/27
National allocations	823.9	848.5	853.7	890.5
Provincial allocations	706.4	729.5	760.9	790.8
<i>Equitable share</i>	<i>585.1</i>	<i>600.5</i>	<i>627.4</i>	<i>655.7</i>
<i>Conditional grants</i>	<i>121.3</i>	<i>129.0</i>	<i>133.4</i>	<i>135.1</i>
Local government allocations	157.8	170.3	177.7	183.8
Provisional allocations not assigned to votes	-	0.6	41.1	53.5
Total allocations	1,688.1	1,748.8	1,833.3	1,918.5
Percentage shares				
National	48.8%	48.5%	47.6%	47.7%
Provincial	41.8%	41.7%	42.5%	42.4%
Local government	9.3%	9.7%	9.9%	9.9%

Source: National Treasury, Budget 2023



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Figure 22: Personal income tax rates and bracket adjustments

2023/24		2024/25	
Taxable income (R)	Rates of tax	Taxable income (R)	Rates of tax
R0 - R237 100	18% of each R1	R0 - R237 100	18% of each R1
R237 101 - R370 500	R42 678 + 26% of the amount above R237 100	R237 101 - R370 500	R42 678 + 26% of the amount above R237 100
R370 501 - R512 800	R77 362 + 31% of the amount above R370 500	R370 501 - R512 800	R77 362 + 31% of the amount above R370 500
R512 801 - R673 000	R121 475 + 36% of the amount above R512 800	R512 801 - R673 000	R121 475 + 36% of the amount above R512 800
R673 001 - R857 900	R179 147 + 39% of the amount above R673 000	R673 001 - R857 900	R179 147 + 39% of the amount above R673 000
R857 901 - R1 817 000	R251 258 + 41% of the amount above R857 900	R857 901 - R1 817 000	R251 258 + 41% of the amount above R857 900
R1 817 001 and above	R644 489 + 45% of the amount above R1 817 000	R1 817 001 and above	R644 489 + 45% of the amount above R1 817 000
Rebates		Rebates	
Primary	R17 235	Primary	R17 235
Secondary	R9 444	Secondary	R9 444
Tertiary	R3 145	Tertiary	R3 145
Tax threshold		Tax threshold	
Below age 65	R95 750	Below age 65	R95 750
Age 65 and over	R148 217	Age 65 and over	R148 217
Age 75 and over	R165 689	Age 75 and over	R165 689

Source: National Treasury, Budget 2024

As expected, the Budget saw the downwards revision of government's real GDP growth projections, to 0.6% y/y, from 0.8% y/y previously, now more in line with Investec's view of a 0.5% y/y expansion.

Figure 23: Macro-economic forecasts, Treasury vs. Investec

	2023	2024	2025	2026
Final household consumption	0.7	1.3	1.8	1.7
Investec	0.6	1.4	1.8	1.8
Gross fixed capital formation	4.2	3.7	4.0	3.6
Investec	4.5	4.6	4.8	4.9
Exports	3.2	2.1	2.5	3.2
Investec	3.6	3.3	3.1	3.0
Imports	4.8	1.9	2.6	2.6
Investec	3.8	3.4	3.8	3.9
Real GDP	0.6	1.3	1.6	1.8
Investec	0.5	1.0	1.4	1.7
CPI Inflation	6.0	4.9	4.6	4.6
Investec	5.9	4.5	4.2	4.6

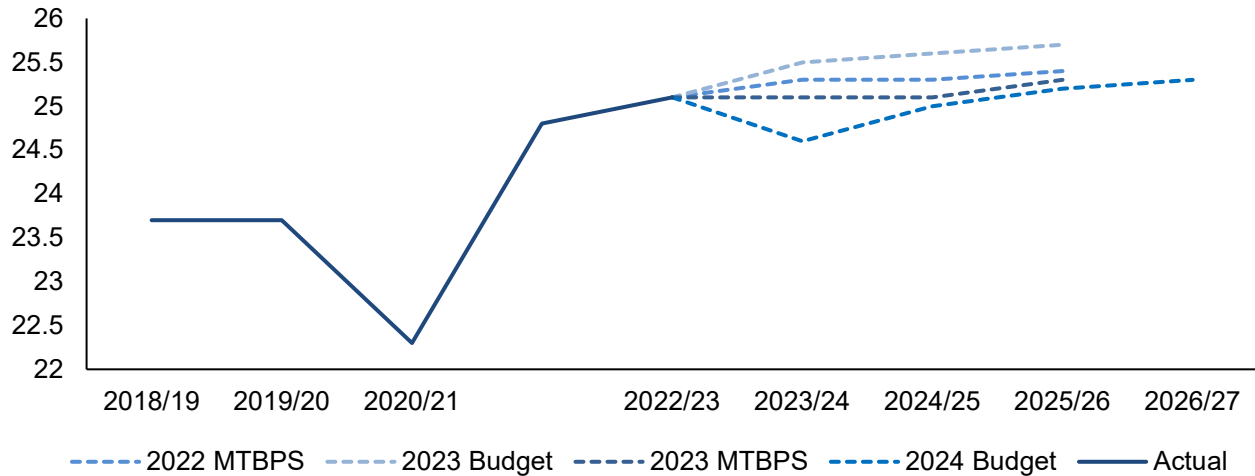
Source: National Treasury, Budget 2024 and Investec



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Figure 24: Tax to GDP ratio



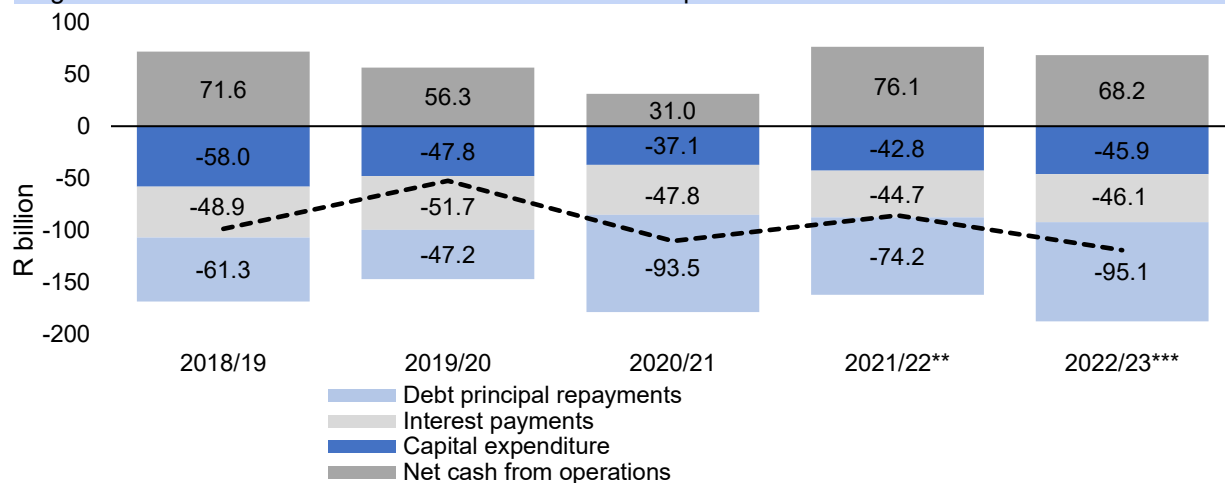
Source: National Treasury, Budget 2024 and SARS

Figure 25: Macroeconomic performance and projections

	2020	2021	2022	2023	2024	2025	2026
<i>Percentage change unless otherwise indicated</i>		Actual		Estimate		Forecast	
Final household consumption	-6.1	5.8	2.5	0.7	1.3	1.8	1.7
Gross fixed capital formation	-14.6	0.6	4.8	4.2	3.7	4.0	3.6
Exports	-12.0	9.1	7.4	3.2	2.1	2.5	3.2
Imports	-17.6	9.6	14.9	4.8	1.9	2.6	2.6
Real GDP growth	-6.0	4.7	1.9	0.6	1.3	1.6	1.8
CPI Inflation	3.3	4.6	6.9	6.0	4.9	4.6	4.6
Current account deficit (% GDP)	1.9	3.7	-0.5	-1.8	-2.8	-3.0	-3.0

Source: Reserve Bank, Statistics SA and National Treasury Budget 2024

Figure 26: Consolidated cash flows at state-owned companies*



Source: National Treasury, Budget 2024

*State-owned companies listed in the PFMA schedule, excluding development finance institutions.

**Please note that numbers may differ from earlier publications due to restatement or error

***Due to reporting delays, unaudited financial results or quarter 4 reports for 2022/23 were used



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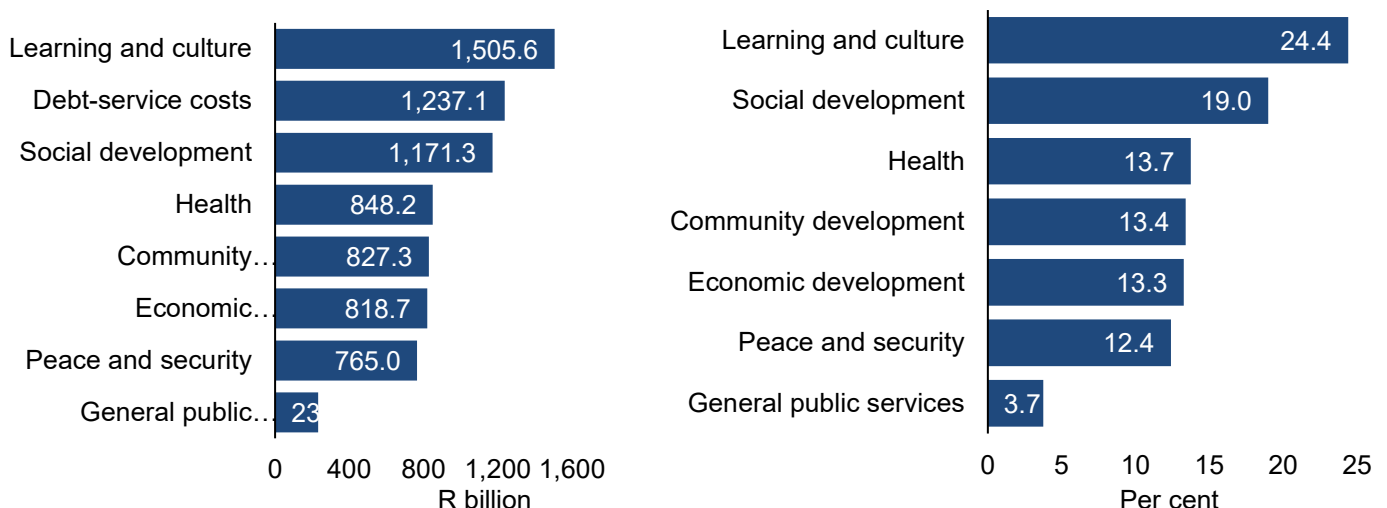
Figure 27: Consolidated government expenditure

	2023/24	2024/25	2025/26	2026/27	Avg annual growth
R billion	Revised	Medium-term estimates			
Learning and culture	468,364	480,569	499,257	525,819	3.9%
Health	267,324	271,885	281,139	295,205	3.4%
Social development	368,536	387,329	385,047	398,937	2.7%
Community development	251,461	265,310	274,869	287,099	4.5%
Economic development	239,779	255,394	274,877	288,416	6.3%
Peace and security	236,828	244,040	254,488	266,458	4.0%
General public services	76,926	74,670	77,489	79,303	1.0%
Payments for financial assets	3,499	2,616	1,966	1,826	
Allocated by function	1,912,717	1,981,813	2,049,133	2,143,064	3.9%
Debt-service costs	356,141	382,183	414,664	440,240	7.3%
Contingency reserve	–	5,000	7,600	14,500	
Consolidated expenditure	2,268,857	2,368,996	2,471,396	2,597,804	4.6%

Source: National Treasury, Budget 2024

For 2024 government revised up its growth forecast to 1.3% y/y, from 1.0% y/y in the 2023 MTBPS, resulting in some dampening of the gross loan debt to GDP ratio. Its forecast for 2025 and 2026 stayed unchanged. Government recognises, “(l)ong-term growth is highly dependent on improving capacity in energy, freight rail and ports, and on continuing to reduce structural barriers to economic activity.” South Africa has experienced over a decade of weak economic growth. GDP growth has averaged only 0.8 per cent annually since 2012, entrenching high levels of unemployment and poverty. “To turn the tide and raise economic growth sustainably, government is prioritising energy and logistics reforms, along with measures to arrest the decline in state capacity. Successful efforts to improve the fiscal position, complete structural reforms and bolster the capacity of the state will, in combination, reduce borrowing costs, raise confidence, increase investment and employment, and accelerate economic growth.”

Figure 28: Percentage of total MTEF allocation by function and total consolidated government expenditure, 2024/25-2026/27



Source: National Treasury, Budget 2024



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Figure 29: Consolidated government expenditure by functions¹

R billion	2023/24 Revised estimate	2024/25 Medium-term estimates	2025/26	2026/27	Percentage of total MTEF	Average annual MTEF growth
Learning and culture	468,364	480,569	499,257	525,819	24.4%	3.9%
Basic education	313,736	324,491	341,399	360,039	16.6%	4.7%
Post-school education and training	142,790	143,976	146,169	153,719	7.2%	2.5%
Arts, culture, sport and recreation	11,838	12,102	11,689	12,061	0.6%	0.6%
Health	267,324	271,885	281,139	295,205	13.7%	3.4%
Social development	368,536	387,329	385,047	398,937	19.0%	2.7%
Social protection	283,377	298,308	316,840	331,497	15.3%	5.4%
Social security funds	85,159	89,022	68,208	67,440	3.6%	-7.5%
Community development	251,461	265,310	274,869	287,099	13.4%	4.5%
Economic development	239,779	255,394	274,877	288,416	13.3%	6.3%
Industrialisation and exports	37,551	39,141	40,064	41,100	1.9%	3.1%
Agriculture and rural development	27,902	27,685	28,605	29,479	1.4%	1.8%
Job creation and labour affairs	22,106	22,224	24,629	25,800	1.2%	5.3%
Economic regulation and infrastructure	131,483	146,140	161,456	171,551	7.8%	9.3%
Innovation, science and technology	20,737	20,203	20,123	20,486	1.0%	-0.4%
Peace and security	236,828	244,040	254,488	266,458	12.4%	4.0%
Defence and state security	53,506	53,507	55,428	57,906	2.7%	2.7%
Police services	117,094	125,007	131,230	137,108	6.4%	5.4%
Law courts and prisons	52,122	54,428	56,798	59,404	2.8%	4.5%
Home affairs	14,106	11,098	11,032	12,041	0.6%	-5.1%
General public services	76,926	74,670	77,489	79,303	3.7%	1.0%
Executive and legislative organs	18,532	17,041	17,379	17,573	0.8%	-1.8%
Public administration and fiscal affairs	49,681	49,146	51,266	52,464	2.5%	1.8%
External affairs	8,713	8,482	8,843	9,266	0.4%	2.1%
Payments for financial assets	3,499	2,616	1,966	1,826		
Allocated by function	1,912,717	1,981,813	2,049,133	2,143,064	100.0%	3.9%
Debt-service costs	356,141	382,183	414,664	440,240		7.3%
Contingency reserve	–	5,000	7,600	14,500		
Consolidated expenditure	2,268,857	2,368,996	2,471,396	2,597,804		4.6%

Source: National Treasury, Budget 2024

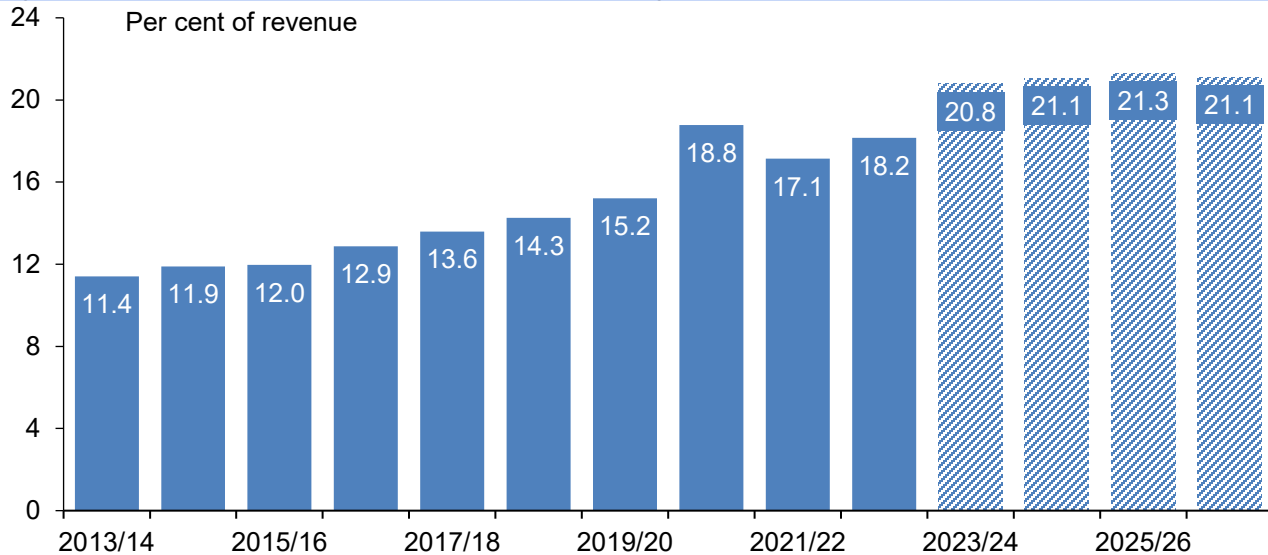
1) The main budget and spending by provinces, public entities and social security funds financed from own revenue



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Figure 30: Debt-service costs as a share of main budget revenue



Source: National Treasury, Budget 2024

Government's growth forecasts for this year are likely overly optimistic, with heavy load shedding in evidence and economic confidence quelled by the high level of political noise. Freight and energy supply constraints will persist over the year, providing potential growth limitations. Additionally, the declining trend in real incomes remains entrenched as average salary increases (nominal, actual terms) persist below the inflation rate, weakening economic growth, weakening real (inflation adjusted) consumption and so economic growth. The IMF WEO growth outlook for South Africa this

Figure 31: Total national government debt¹

End of period	2022/23	2023/24	2024/25	2025/26	2026/27
R billion	Outcome	Revised	Medium-term estimates		
Domestic loans²	4,209.8	4,641.1	4,949.2	5,364.8	5,640.0
Short-term	422.6	510.5	543.5	590.5	624.5
Long-term	3,787.2	4,130.6	4,405.7	4,774.3	5,015.6
<i>Fixed-rate</i>	2,743.8	2,982.9	3,220.0	3,394.3	3,461.3
<i>Inflation-linked</i>	992.2	1,029.7	1,031.2	1,184.9	1,314.3
Foreign loans¹	51.2	118.0	154.4	195.1	239.9
Gross loan debt	555.7	566.2	573.0	594.4	653.1
Less: National Revenue Fund bank balances	4,765.4	5,207.3	5,522.2	5,959.2	6,293.2
Net loan debt²	-249.2	-150.7	-89.9	-68.8	-74.5
As percentage of GDP:	4,516.3	5,056.6	5,432.3	5,890.3	6,218.7
<i>Gross loan debt</i>	70.9	73.9	74.1	75.3	74.7
<i>Net loan debt</i>	67.2	71.7	72.9	74.4	73.9

Source: National Treasury, Budget 2024

1. A longer time series is given in Table 10 of the statistical annexure at the back of the Budget Review

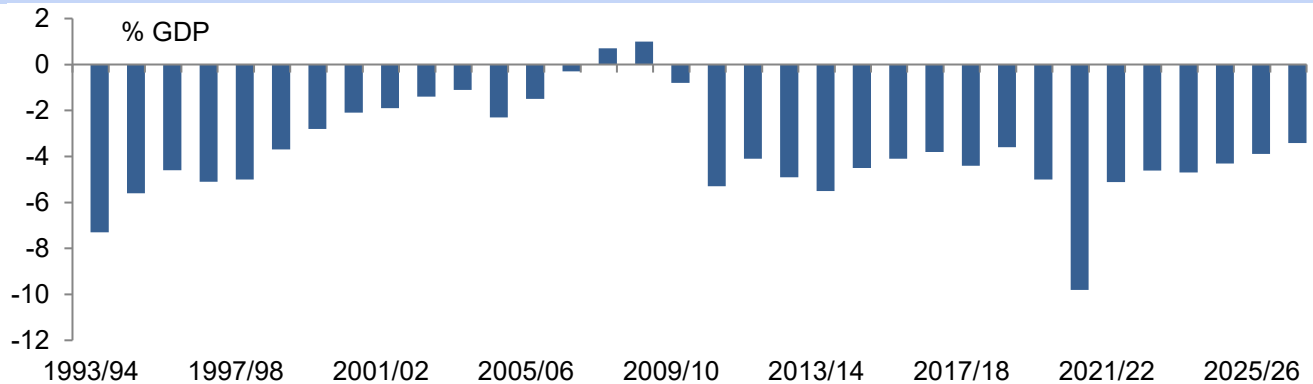
2. Estimates include revaluation based on National Treasury's projections of inflation and exchange rates



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Figure 32: Government's budget balance



Source: National Treasury and Budget 2024

Figure 33: Changes in specific excise duties, 2024/25

	Current excise duty rate	Proposed excise duty rate	Percentage change	
			Nominal	Real
Malt beer	R127.40 / litre of absolute alcohol (216,58c / average 340ml can)	R135.89 / litre of absolute alcohol (231,02c / average 340ml can)	6.67	2.00
Traditional African beer	7,82c / litre	7,82c / litre	–	-4.67
Traditional African beer powder	34,70c / kg	34,70c / kg	–	-4.67
Unfortified wine	R5.20 / litre	R5.57 / litre	7.17	2.50
Fortified wine	R8.77 / litre	R9.40 / litre	7.17	2.50
Sparkling wine	R16.64 / litre	R17.83 / litre	7.17	2.50
Ciders and alcoholic fruit beverages	R127.40 / litre of absolute alcohol (216,58c / average 340ml can)	R135.89 / litre of absolute alcohol (231,02c / average 340ml can)	6.67	2.00
Spirits	R257.23 / litre of absolute alcohol (R82.96 / 750ml bottle)	R274.39 / litre of absolute alcohol (R88.49 / 750ml bottle)	6.67	2.00
Cigarettes	R20.80 / 20 cigarettes	R21.77 / 20 cigarettes	4.67	–
HTPs sticks	R15.60 / 20 sticks	R16.33 / 20 sticks	4.67	–
Cigarette tobacco	R23.38 / 50g	R24.47 / 50g	4.67	–
Pipe tobacco	R6.96 / 25g	R7.53 / 25g	8.17	3.50
Cigars	R116.40 / 23g	R125.91 / 23g	8.17	3.50
ENDS/ENNDS	R2.90 / ml	R3.04 / ml	4.67	–

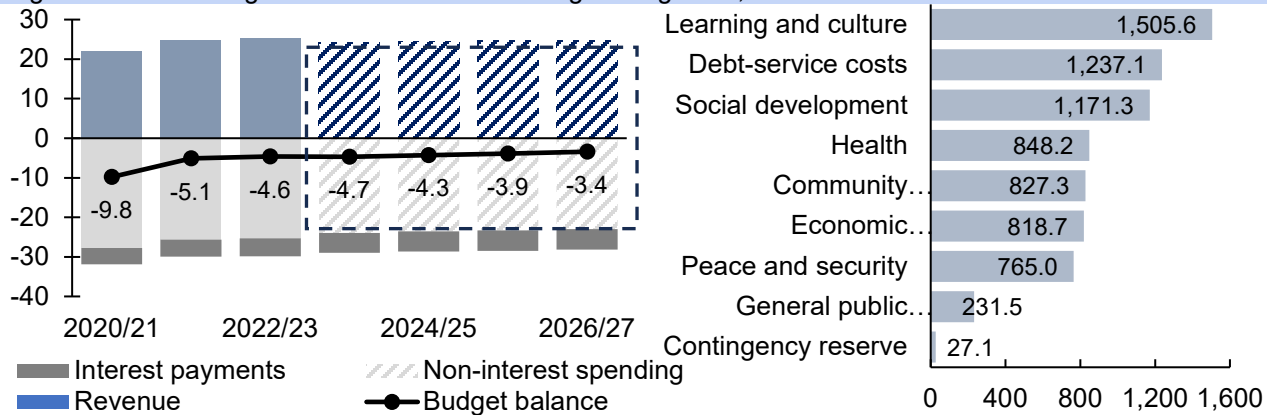
Source: National Treasury



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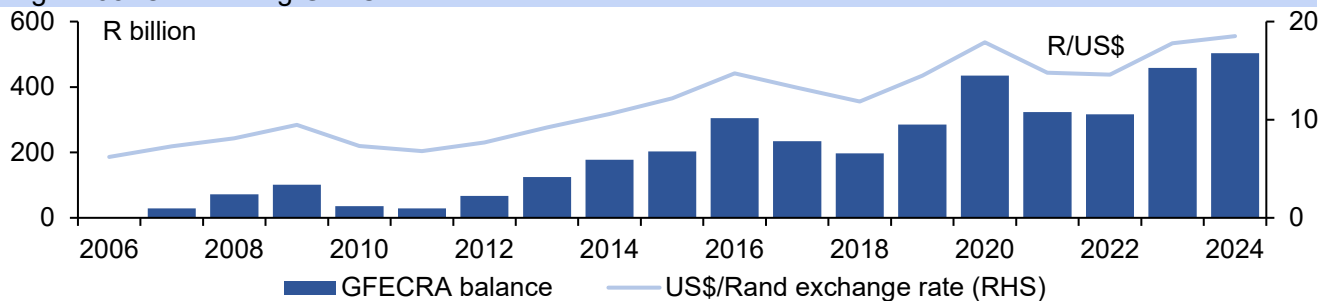
Figure 34: Main budget fiscal outlook and average real growth, 2020/21-2026/27



Source: National Treasury, Budget 2024

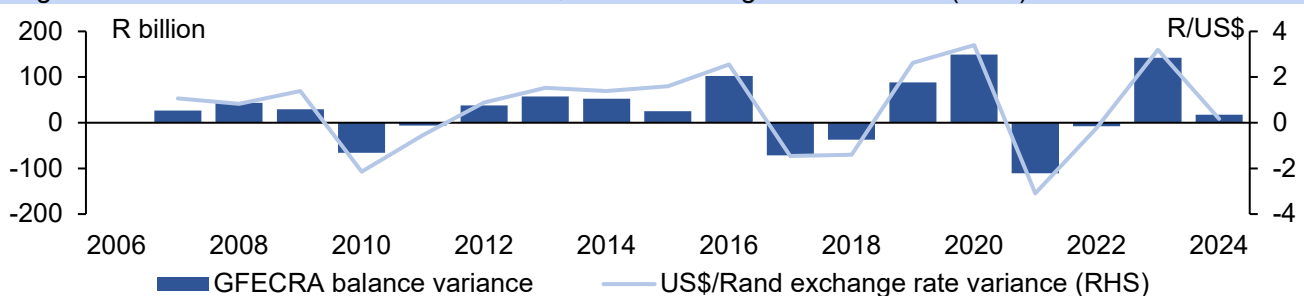
year is in line with Investec’s forecast of 1.0% y/y. Either way however, 1.0% y/y or 1.3% y/y is weak growth for SA and will not make meaningful inroads into the high unemployment rate, nor will a persistent growth rate below 5.0% y/y. National Treasury sees “(t)he primary risks to the economic growth outlook are as follows: Continued operational and maintenance failures in electricity, freight rail and ports remain a persistent and binding constraint on output in the near term. A longer-than-expected period of high sovereign credit risks could increase borrowing costs further, weighing on investment and growth. Domestic interest rates could further erode consumption spending, alongside the risk of continued food inflation.”

Figure 35: Outstanding GFECRA balance



Source: National Treasury, Budget 2024

Figure 36: GFECRA balance variance – US\$/Rand exchange rate variance (RHS)



Source: National Treasury, Budget 2024



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Figure 37: Consolidated government expenditure by functions¹

R billion	2023/24 Revised estimate	2024/25 Medium-term estimates	2025/26	2026/27	Percentage of total MTEF	Average annual MTEF growth
Learning and culture	468,364	480,569	499,257	525,819	24.4%	3.9%
Basic education	313,736	324,491	341,399	360,039	16.6%	4.7%
Post-school education and training	142,790	143,976	146,169	153,719	7.2%	2.5%
Arts, culture, sport and recreation	11,838	12,102	11,689	12,061	0.6%	0.6%
Health	267,324	271,885	281,139	295,205	13.7%	3.4%
Social development	368,536	387,329	385,047	398,937	19.0%	2.7%
Social protection	283,377	298,308	316,840	331,497	15.3%	5.4%
Social security funds	85,159	89,022	68,208	67,440	3.6%	-7.5%
Community development	251,461	265,310	274,869	287,099	13.4%	4.5%
Economic development	239,779	255,394	274,877	288,416	13.3%	6.3%
Industrialisation and exports	37,551	39,141	40,064	41,100	1.9%	3.1%
Agriculture and rural development	27,902	27,685	28,605	29,479	1.4%	1.8%
Job creation and labour affairs	22,106	22,224	24,629	25,800	1.2%	5.3%
Economic regulation and infrastructure	131,483	146,140	161,456	171,551	7.8%	9.3%
Innovation, science and technology	20,737	20,203	20,123	20,486	1.0%	-0.4%
Peace and security	236,828	244,040	254,488	266,458	12.4%	4.0%
Defence and state security	53,506	53,507	55,428	57,906	2.7%	2.7%
Police services	117,094	125,007	131,230	137,108	6.4%	5.4%
Law courts and prisons	52,122	54,428	56,798	59,404	2.8%	4.5%
Home affairs	14,106	11,098	11,032	12,041	0.6%	-5.1%
General public services	76,926	74,670	77,489	79,303	3.7%	1.0%
Executive and legislative organs	18,532	17,041	17,379	17,573	0.8%	-1.8%
Public administration and fiscal affairs	49,681	49,146	51,266	52,464	2.5%	1.8%
External affairs	8,713	8,482	8,843	9,266	0.4%	2.1%
Payments for financial assets	3,499	2,616	1,966	1,826		
Allocated by function	1,912,717	1,981,813	2,049,133	2,143,064	100.0%	3.9%
Debt-service costs	356,141	382,183	414,664	440,240		7.3%
Contingency reserve	–	5,000	7,600	14,500		
Consolidated expenditure	2,268,857	2,368,996	2,471,396	2,597,804		4.6%

Source: National Treasury, Budget 2024

2) The main budget and spending by provinces, public entities and social security funds financed from own revenue



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