



Monday 03 May 2021

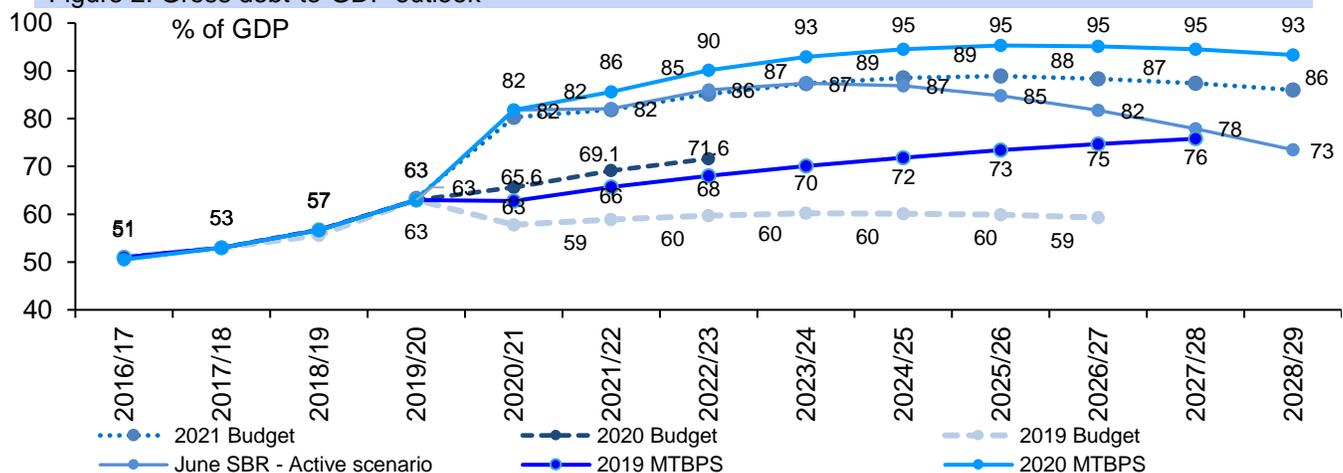
Figure 1: Main budget revenue and expenditure

Rmn	March 2021	March 2020	Cumulative 2020/2021	Cumulative 2019/2020
Revenue:	146 957	143 004	1 236 135	1 345 880
Expenditure:	176 775	193 153	1 787 993	1 691 133
Balance:	-29 818	-50 149	-551 858	-345 253

Source: National Treasury

- Government finance figures recorded a deficit of -R29.8bn in March, following February's -R12.8bn shortfall, bringing the budget balance for 2020/2021 to -R551.9bn, notably larger than the -R345.3bn deficit logged during 2019/2020.
- On the revenue side, total tax collected rose by a notable 8.9% y/y for March to R142.0bn. The lift was largely underpinned by the 23.9% y/y and 16.0% y/y increase in corporate tax and VAT receipts, respectively. Total revenue garnered for the 2020/2021 financial year led to a revenue overrun versus the revised budget estimate, of R37.7bn.
- Personal income tax however continued to decline, falling by a further -2.7% y/y in March. Indeed, households already constrained before the onset of the pandemic, continue to face rising unemployment and elevated debt to disposable income levels. Consumer confidence remains in depressed territory, well below the long-term average of +2, according to the BER.
- On the expenditure side, debt service costs grew by a further 10.7% y/y in March and were up around 13.5% y/y for the full fiscal year. Indeed, interest payments continue to absorb a "(g)rowing share of limited public resources, which increasingly crowds out spending on social and economic investment," according to Treasury. Decreasing borrowing costs in the face of negative outlooks from the rating agencies remains a key objective. Indeed, the substantial cut in government's borrowing trajectory, to a peak of 88.9% of GDP from the MTBPS outlook of 95.3% of GDP for gross debt is positive and could delay possible ratings downgrades.
- While Treasury is committed to fiscal consolidation, the devastating economic effects of the pandemic and the accompanying, necessary covid-19 relief measures have put excessive strain on the already tightly squeezed fiscus. Going forward, until the vaccine is widely dispersed, additional waves of infection is a possibility, which would further hinder economic activity.

Figure 2: Gross debt-to-GDP outlook



Source: National Treasury

Government Finance Update: Budget deficit of -R551.9bn recorded for the 2020/2021 fiscal year

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Government Finance Update: Budget deficit of -R551.9bn recorded for the 2020/2021 fiscal year



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