



Friday 30 June 2021

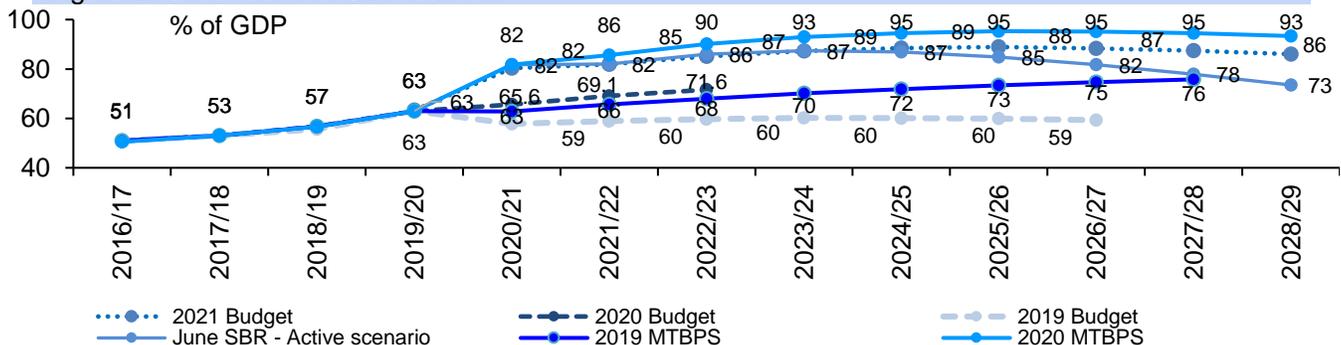
Figure 1: Main budget revenue and expenditure

Rmn	June 2021	June 2020	Cumulative 2021/2022	Cumulative 2020/2021
Revenue:	204 273	108 554	385 540	239 756
Expenditure:	141 125	130 850	408 199	365 578
Balance:	63 148	-22 296	-22 659	-125 822

Source: National Treasury

- Government finance figures revealed a budget surplus in June of R63.1bn versus the deficit of -R22.3bn incurred in June of the 2020/2021 fiscal year.
- On the revenue side, total tax collected rose by a marked 87.8% y/y in June, partly on statistical base factors. Specifically, personal income tax receipts grew by 23.8% y/y as many individuals have returned to their jobs, following the stringent lockdowns last year. Indeed, according to BankservAfrica data "(t)otal take-home pay for all employees in the system increased by 11% year-on-year". However, levels are still below those logged pre-pandemic with unemployment sitting at an elevated 32.6%.
- Corporate tax receipts increased significantly on a year-on-year basis and by a notable 69.1% m/m, as June is an important month for provisional tax payments. However, businesses in certain areas of the economy have been heavily affected by the pandemic, especially those in the tourism and hospitality related industries. According to Stats SA data, a further 217 businesses within the trade, catering and accommodation sector were placed into liquidation between January and June 2021.
- Excise tax revenue has been severely constrained by the numerous alcohol bans instituted by government to free up beds in hospitals usually taken by alcohol related accidents when COVID-19 infection rates spike. The latest ban (which has been subsequently lifted) will see excise tax revenue from this source dwindle in July.
- On the expenditure side, debt service costs increased by 18.9% on a year-on-year basis and continues to crowd out social and investment spending.
- As a result of the extended, stringent lockdown restrictions to curb the third wave and the significant economic consequences of the looting and unrest in parts of the country earlier this month, Treasury has committed additional relief funding, which according to Treasury will be covered largely by improved revenue receipts. However, that additional revenue could have helped hastened the path of fiscal consolidation and reduced some of the pressure on the severely constrained fiscus. Additionally, we have lowered our growth forecast for the year to 3.9% y/y from 4.5% y/y previously as a result of the unrest. A lower nominal GDP outcome for 2021 would accordingly have a dampening effect on currently projected 2021/22 fiscal metrics, a concern for ratings agencies.

Figure 2: Gross debt-to-GDP outlook



Source: National Treasury

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