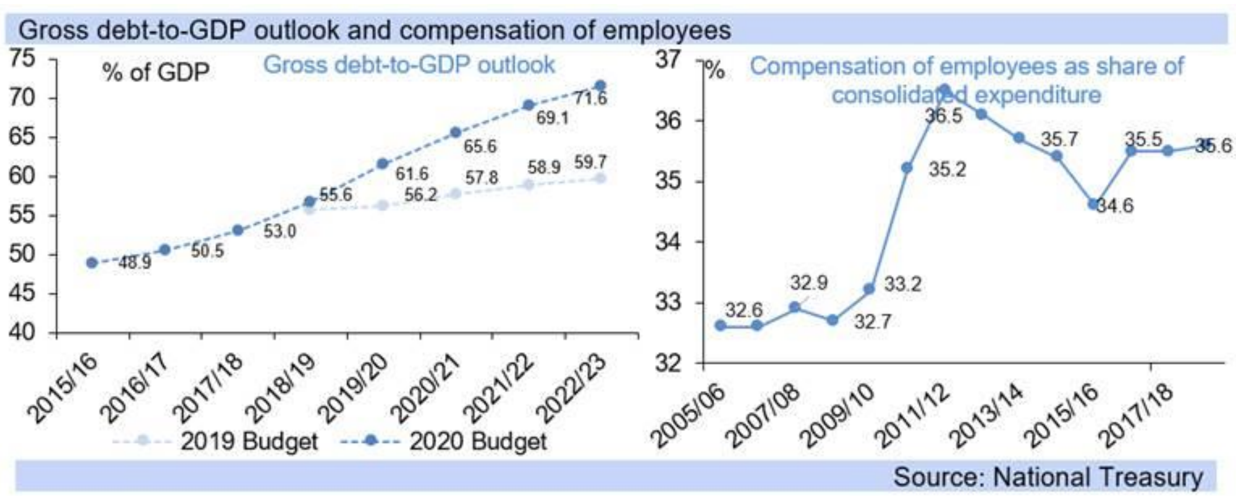
Investec

SA Economics

Budget Note:

Wednesday 26 February 2020

2020 Budget plans lower expenditure, particularly on the wage bill but expenditure cuts do not exceed all revenue revisions, debt projections mirror those of the 2019 MTBPS, which is not cheering for Moody's, but the agency is likely to hold until November



- The 2020 Budget finally delivered the actual cuts to its expenditure projections (R156bn) that have long been deemed necessary, although the downwards adjustments are not as large as are needed, given also the downward revisions to revenue projections in earlier years, which helps debt projections remain unchanged at above 71% of GDP in 2022/23.

- The Budget does not consequently offer enough to see SA's credit rating outlook return to stable (no downgrade indicated), after it was dropped to negative in November last year to show the agency's intention of downgrading

SA within eighteen months. However, the Budget offers some factors which could help avoid a downgrade on 27th March.

- This does not mean SA will not remain in line for a downgrade within eighteen months of first November 2019, but rather that Moody's will take a large portion of those eighteen months to decide, possibly even stretching the decision in 2021 if SA continues to show incremental efforts to consolidate its finances.

- The 2020 Budget is not an austerity budget, it guards against quickening the downwards trend in economic growth in SA by avoiding material tax increases, and indeed aims to quicken economic growth by seeking to reduce corporate taxes, and adjusting for fiscal drag this time around, and not implementing a VAT increase to assist households in SA.

- The rand consequently strengthened in response, to R15.11, R16.42/EUR and R19.53/GBP from a high reached today before the budget of R15.35/USD, R16.71/EUR and R19.89/GBP, as markets favoured the outcome of the Budget somewhat, in particular showing relief at the avoidance of any draconian tax hikes.

- Indeed, weak economic growth continues to see revenue projections lowered, and indeed the Budget drops its 2020 GDP projection to 0.9% y/y in 2020 (previously 1.2% y/y projected in the 2019 MTBPS), 1.3% in 2021 (previously 1.6% y/y) and 1.7% in 2022 (previously 1.7% y/y).

- Fiscal slippage is apparent in the fiscal deficit, but the debt to GDP projections remain largely unchanged for 2022/23 at a very unhealthy 71.6% of GDP for an emerging market, and 61.6% of GDP for the current fiscal year, with above 60% of GDP generally seen as unsustainable for an emerging market.

- 2019/20's fiscal deficit rises to -6.3% of GDP, from 2019's MTBPS projection of -5.9% of GDP, and for 2020/21 rises to a heady -6.8% of GDP (2019 MTBPS projected -6.5% of GDP), but then subsides towards -6.0% of GDP. The Budget deficit in 1994/95 was -7.1% of GDP for National Government.

- Fiscal support for SOEs continues to remain unchanged, exerting a substantial burden on expenditure projections, and so on the debt and deficit projections. Expenditure was not cut by quite as much as we estimated, and as a result the debt and fiscal deficit projections are somewhat higher than the MTBPS, which is credit negative for the rating agencies.

Consolidated government fiscal framework					
	2019/20		2020/21	2021/22	2022/23
R million / % of GDP	**Estimate**	**Revised estimate**	**Medium-term estimates**		
Revenue					
Budget 2020		1,517.0	1,583.9	1,682.8	1,791.3
		29.4%	29.2%	29.2%	29.2%
MTBPS 2019		*1,537.9*	*1,618.5*	*1,729.6*	*1,841.2*
		29.5%	*29.3%*	*29.4%*	*29.3%*
Budget 2019	*1,583.8*		*1,696.4*	*1,836.6*	
	29.3%		*29.2%*	*29.4%*	
Expenditure					
Budget 2020		1,843.5	1,954.4	2,040.3	2,141.0
		35.7%	36.0%	35.4%	34.9%
MTBPS 2019		*1,844.1*	*1,978.7*	*2,097.5*	*2,214.9*
		35.4%	*35.8%*	*35.6%*	*35.3%*
Budget 2019	*1,826.6*		*1,948.9*	*2,089.0*	
	33.7%		*33.5%*	*33.4%*	
Budget Balance					
Budget 2020		-326.6	-370.5	-357.5	-349.7
		-6.3%	-6.8%	-6.2%	-5.7%
MTBPS 2019		*-306.2*	*-360.2*	*-367.9*	*-373.7*
		-5.9%	*-6.5%*	*-6.2%*	*-5.9%*
Budget 2019	*-242.7*		*-252.6*	*-252.4*	
	-4.5%		*-4.3%*	*-4.0%*	

Source: National Treasury

Macroeconomic outlook - summary				
	2019	2020	2021	2022
Real percentage growth	Estimate		Forecast	
Final household consumption	1.1	1.1	1.3	1.6
Investec	1.1	1.2	1.6	2.0
Gross fixed-capital formation	-0.4	0.2	1.3	1.9
Investec	-0.2	2.4	2.5	3.2
Exports	-2.1	2.3	2.6	2.8
Investec	-3.2	1.7	4.4	4.1
Imports	0.2	1.8	2.5	2.8
Investec	0.2	2.1	4.7	4.4
Real GDP growth	**0.3**	**0.9**	**1.3**	**1.6**
Investec	**0.3**	**0.8**	**1.6**	**2.0**
Consumer price index (CPI)	4.1	4.5	4.6	4.6
Investec	4.1	4.4	4.9	5.0
Current account balance (% of GDP)	-3.4	-3.4	-3.5	-3.7
Investec	-3.7	-3.7	-3.7	-3.7

Source: National Treasury

- The decision not to materially hike taxes is key, as hiking taxes (instead of cutting planned expenditure as occurred in the 2020 budget) would negatively impact consumers, and so corporates facing these consumers (retailers), risking higher unemployment.

- The net effect would have been a further dwindling in real disposable (after tax) income growth, which has been a key driver for the slowdown in economic growth in South Africa. Higher indirect taxes, such as Eskom's proposed 16% tariff increase would also erode households' expenditure growth. Tax hikes over the last decade have weakened growth.

- The Budget states "(t)he main factors in this decision (to not hike taxes) were the weakness of the economy and, in the context of the muted growth outlook, the elevated tax-to-GDP ratio of 26.3 per cent. Government's short-term focus is to rebuild the capacity of the South African Revenue Service (SARS) and public trust in the institution."

- Indeed, if government had failed to curtail its consumption expenditure, this would dramatically worsen SA's already weak economic outlook, further lowering business and consumer confidence and so negatively impacting investment and potential economic growth.

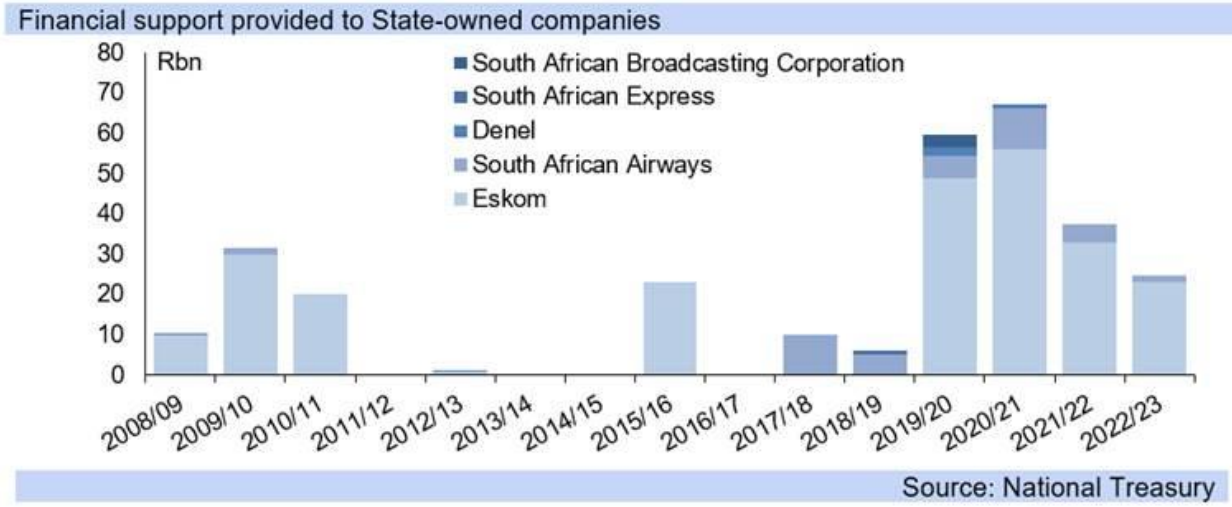
- Instead "(g)overnment's short-term focus is to rebuild the capacity of the South African Revenue Service (SARS) and public trust in the institution." ‘'Halting the fiscal deterioration requires a combination of continued spending restraint, faster economic growth, and measures to contain financial demands from distressed state-owned companies."

- Indeed, "(i)n 2019, consolidated government spending reached a historic high of 36 per cent of GDP. This increase reflects downward revisions to the size of the economy, spending plans based on an assumption of economic growth that has not materialised, and increased demands from financially distressed state-owned companies."

- "While government makes a significant contribution to development, this level of spending is unsustainable, and results in continued high deficits and debt accumulation." "The impact of low growth on revenue collection has been considerable. Government expects to collect R63.3 billion less revenue than projected at the time of the 2019 Budget.

- Revenue projections for 2019/20 to 2022/23 are projected lower than in the 2019 MTBPS. Expenditure is also lowered (except in 2019/20), but while it is not lowered by as much in 2021/22, as revenue falls, leading to the jump in the fiscal deficit projection to -6.8% of GDP in that year, it falls by more than revenue thereafter, lowering the fiscal deficit.

- The expenditure cuts have mainly been lumped into the latter years of the MTEF, 2021/22 and 2022/23, and given the negative reaction already of the unions to governments plan to cut expenditure allocations to the wage bill, this is clearly a battle that will be fought down the line. Strike action will likely elevate this year, after a few years of calmer negotiations.



Combined financial position of public institutions

R billion/net asset value	2016/17	2017/18	2018/19
State-owned companies	354.0	362.1	342.0
Development finance institutions[1]	126.8	133.1	139.4
Social security funds	1.0	-27.0	-90.2
Other public entities[2]	674.9	719.0	751.7

Source: National Treasury

1. Institutions listed in schedule 2 of the PFMA
2. State-owned institutions without a commercial mandate and listed in either schedule 1 or 3 of the PFMA such as the National Library of South Africa

- Reducing the GDP growth forecasts for calendar years 2019 and 2020 would also have helped widen the fiscal deficits in these years. The Budget confirms this: "the consolidated budget deficit is estimated at 6.3 per cent in 2019/20. A key driver of the widening deficit has been a sharp decline in nominal GDP since 2018/19 and associated tax revenues."

- "Nominal GDP is projected to fall below the 2019 MTBPS estimates by an average of R131 billion per year over the medium term. As a result, tax revenue is expected to be significantly lower. Requests for support from financially distressed state owned companies have continued to mount."

- "The financial performance of state-owned companies has deteriorated sharply. Liability growth has outpaced that of assets, with a consequent decline in net asset value. This erosion of financial value is largely a result of weak revenue growth, high compensation costs and rapidly growing debt-service costs."

- Continued hefty financial payments to these entities is not sustainable, and has been a key reason for the elevation in SA's government borrowing trajectory, which still plans a debt to GDP ratio of 71% of GDP by 2022/23, and potentially over 81% by 2027/28 as government says "(d) is not expected to stabilise over the medium-term".

- This last statement is likely to be highly problematic for government, and on its own will be enough to leave SA on a negative outlook from Moody's. While Moody's could downgrade SA on the strength of this Budget alone, it has recently said it is not in a rush to do so, and could well wait until November for a final rating decision , if not in 2021.

- Economic growth has slowed down consistently from above 3.0% in 2011 to likely around 0.4% y/y last year, and this downwards trend has not yet reversed. The risk is that 2020 growth could come out closer to 0% if substantial load shedding and higher electricity tariffs are implemented, and weakening economic growth is also credit negative for SA.

- In the private sector, rising unemployment, very weak economic growth and the fragile state of household finances have meant that consumer spending has been under significant pressure, with very low real (adjusted for inflation) disposable income increases, or at times contraction. Higher taxation over the past decade has also weakened economic growth.

- The modest tax proposals of the Budget are therefore positive in light of this, and "include personal income tax relief through inflation adjustments in all brackets, along with inflation-adjusted increases in the fuel and Road Accident Fund (RAF) levies. The revitalisation of SARS is expected to contribute to increased tax revenue over the medium term."

- SA will likely remain on a negative outlook at Moody's country review on 27th March. While there are some concerns SA will receive a credit watch, we believe this is very unlikely. A credit watch is used when a credit situation is very fluid and so changing, and the outcome is very uncertain, and SA is seeing slow change in the right direction.

Budget Balances								
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
							Medium-term estimates	
MTBPS 2011	-3.3%							
Budget 2012	-3.0%							
MTBPS 2012	-3.7%	-3.1%						
Budget 2013	-3.9%	-3.1%						
MTBPS 2013	-4.1%	-3.8%	-3.0%					
Budget 2014	-4.0%	-3.6%	-2.8%					
MTBPS 2014	-4.1%	-3.6%	-2.6%	-2.5%				
Budget 2015	-3.9%	-3.9%	-2.6%	-2.5%				
MTBPS 2015	-3.6%	-3.8%	-3.3%	-3.2%	-3.0%			
Budget 2016	-3.6%	-3.9%	-3.2%	-28%	-2.4%			
MTBPS 2016	-4.3%	-4.1%	-3.8%	-3.4%	-3.2%	-3.1%		
Budget 2017	-3.5%	-3.5%	-3.4%	-3.1%	-2.8%	-2.6%		
MTBPS 2017	-3.5%	-3.4%	-3.3%	-4.3%	-3.9%	-3.9%	-3.9%	
Budget 2018	-3.6%	-3.7%	-3.55%	-4.3%	-3.6%	-3.6%	-3.5%	
MTBPS 2018		-3.7%	-3.6%	-4.0%	-4.0%	-4.2%	-4.2%	-4.0%
Budget 2019		-3.7%	-3.6%	-4.0%	-4.2%	-4.2%	-4.5%	-4.3%
MTBPS 2019			-3.5%	-4.0%	-4.2%	-5.9%	-6.5%	-6.2%
Budget 2020			-3.6%	-4.1%	-4.0%	-6.3%	-6.8%	-6.2%
								Source: National Treasury

Impact of tax proposals on 2020/21 revenue[1]		
R billion		
Gross tax revenue (before tax proposals)		**1,425,418**
Budget 2020/21 proposals		–
Direct taxes		**-2,000**
Taxes on individuals and companies		
Personal income tax	**-2,000**	
Increasing brackets by more than inflation	-2,000	
Revenue if no adjustment is made	12,000	
Higher-than-inflation increase in brackets and rebates	-14,000	
Indirect taxes		**2,000**
Carbon tax	1,750	
Plastic bag levy	250	
Gross tax revenue (after tax proposals)		**1,425,418**
		Source: National Treasury

1. Revenue changes are in relation to thresholds that have been fully adjusted for inflation

- Furthermore, Moody's country review of South Africa on 27th March gives the rating agency over a month to digest the Budget, which is ample time - credit watches tend to be only for short periods, typically up to three months. There is no rationale for one to be expected, unless a new event is imminent.

- A credit watch can also be implemented when additional information is needed before a rating decision, due to the entity likely moving away from an expected trend. However, the information in the Budget is very in depth, transparent and extremely detailed and so a credit watch will also likely not be needed.

- In summary, **Spending programmes** amount to:
  Total consolidated spending will amount to R1.95 trillion in 2020/21, R2.04 trillion in 2021/22 and R2.14 trillion in 2022/23.
  The bulk of spending is allocated to learning and culture (R396.4 billion), social development (R309.5 billion) and health (R229.7 billion).
  The fastest-growing functions over the medium term are economic development, community development and social development.
  Debt-service costs remain the fastest-growing expenditure item followed by capital expenditure.

- **Tax proposals** amount to:
  Above-inflation increase in the personal income tax brackets and rebates occur.
  Limit corporate interest deductions to combat base erosion and profit shifting as well as restricting the ability of companies to full offset assessed losses from previous years against taxable income.
  Increases of 25c per litre to the fuel levy which consists of a 16c per litre increase in the general fuel levy and a 9c per litre increase in the RAF levy.
  Increase the annual contribution limit to tax-free savings accounts by R3 000 from 1 March 2020.
  Increase excise duties on alcohol and tobacco by between 4.4 and 7.5 per cent. Also, government will introduce a new excise duty on heated tobacco products to be taxed at a rate of 75 percent of the cigarette excise rate with immediate effect.
  Government will increase the cap on the exemption of foreign remuneration earned by South African tax residents to R125 million per year from 1 March 2020.

- **Budget Framework**:

  Low growth has led to a R63.3 billion downward revision to estimates of tax revenue in 2019/20 relative to the 2019 Budget. Debt is not projected to stabilize over the medium term, and debt-service costs now absorb 15.2% of main budget revenue.

  Over the next three years, the 2020 Budget proposes total reductions of R261 billion which includes a R160.2 billion reduction to the wage bill of national and provincial departments and national public entities.

  Reallocation and additions total R111.1 billion over the medium term of which R60 billion is set aside for Eskom and South African Airways.

  These measures narrow the consolidated deficit from 6.8% of GDP in 2020/21 to 5.7% in 2022/23, with debt rising to 71.6% of GDP over the same period.

  Along with faster economic growth, fiscal sustainability will require targeted reduction of specific programmes and firm decisions to rein in extra-budgetary pressures including reform of state-owned companies and the Road Accident Fund (RAF).

- **Debt and contingent liabilities:**

  Over the past year, government's gross borrowing requirement has risen by R71.9 billion to R407.3 billion.

  • Government has financed this steep increase in a responsible manner, despite a deteriorating fiscal position resulting from weak economic growth and the precarious finances of state-owned companies.

  • Deep and liquid domestic capital markets remain the primary source of financing over the next three years.

  • Gross loan debt is expected to increase to R4.38 trillion, or 71.6 per cent of GDP, by 2022/23, with foreign debt averaging 9.6 per cent of gross debt over the medium term. Net loan debt is expected to reach R4.15 trillion, or 67.8 per cent of GDP, by 2022/23.

  • Contingent liabilities are expected to increase from R979.9 billion in 2019/20 to R1.16 trillion by 2022/23.

  • The risk to South Africa's credit ratings became more pronounced in 2019. Only Moody's and Ratings and Investment Information (R&I) rate the country's debt at investment grade.

National government debt-service costs

	2018/19	2019/20		2020/21	2021/22	2022/23
R million	**Outcome**	**Budget**	**Revised**	**Medium-term estimates**		
Domestic loans	167,438	184,240	188,202	211,144	237,614	266,238
Short-term	29,601	25,345	28,039	25,441	28,260	31,255
Long-term	137,837	158,895	160,163	185,703	209,354	234,983
Foreign loans	14,411	17,968	16,803	18,126	20,868	23,907
Total	**181,849**	**202,208**	**205,005**	**229,270**	**258,482**	**290,145**
As percentage of:						
GDP	*3.7*	*3.7*	*4.0*	*4.2*	*4.5*	*4.7*
Expenditure	*12.1*	*12.2*	*12.2*	*13.0*	*14.0*	*15.0*
Revenue	*14.3*	*14.4*	*15.2*	*16.4*	*17.4*	*18.4*

Source: National Treasury

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Budget 2019	*-242.7*		*-252.6*	*-252.4*	
	-4.5%		*-4.3%*	*-4.0%*	
				Source: National Treasury	

- The 2020 Budget proposals "mark an important step on the road to fiscal consolidation. …government proposes to reduce its expenditure by R156.1 billion – primarily through a decrease in its compensation bill. Public-service employees should be fairly remunerated, but government is obligated to balance its wage bill with the broader needs of society."

- The same civil servants who would receive an above CPI inflation salary and wage increases (government employees, and then parastatal employees would likely follow as well), would also be the ones contributing to the increased taxation (VAT and any other consumption/income tax increases) to fund their own above inflation remuneration increases.

- Not hiking VAT was a sensible decision, as was cutting planned expenditure. Wage increase restraint instead is the solution to affecting sustainable government finances - it would not be sensible if the VAT rate is increased, and other substantial tax increases occur to pay for civil servants' remuneration increases above CPI inflation.

- "Other reductions are being applied, wherever possible, to poorly performing or underspending programmes. Reductions of this magnitude will inevitably have negative consequences for the economy and social services. But these short-term costs are necessary to put the country onto a more sustainable footing."

- "The economic and revenue outlook has deteriorated since the 2019 Medium Term Budget Policy Statement (MTBPS). Departments remain within published spending limits, showing budget discipline. But slowing growth and extra budgetary pressures from state-owned companies in particular have widened the budget deficit."

- "Tax revenue is projected to grow by 4.9 per cent in 2020/21. The main tax proposals include personal income tax relief through above-inflation adjustments in all brackets, along with increases in the fuel and Road Accident Fund (RAF) levies to adjust for inflation."

- "Corporate interest deductions will be limited to combat base erosion and profit shifting. The revitalisation of the South African Revenue Service (SARS) is under way, and this is expected to contribute to increased tax revenue over the medium term."

- Previously, "(t)he 2019 Budget announced that an additional R10 billion in tax revenue would be raised in 2020/21 to support fiscal consolidation. At the time, real GDP growth was expected to be 1.5 per cent for 2019 and 1.7 per cent for 2020."

- "Since then, the economy has faltered and growth estimates have been revised down to 0.3 per cent for 2019 and 0.9 per cent for 2020. Substantial tax increases may obstruct short-term recovery. As a result, government will not raise any taxes to collect the additional R10 billion in 2020/21."

Government guarantee exposure[1]

	2017/18		2018/19		2019/20	
R billion	Guarantee	Exposure[2]	Guarantee	Exposure[2]	Guarantee	Exposure[2]
Public institutions	**469.8**	**327.3**	**487.7**	**368.1**	**484.4**	**385.3**
of which:						
Eskom	350.0	250.6	350.0	285.6	350.0	297.4
SANRAL[3]	38.9	30.4	38.9	39.5	37.9	39.9
Trans-Caledon Tunnel Authority	25.7	18.9	43.0	14.3	43.0	13.5
South African Airways	19.1	11.1	19.1	15.3	19.1	17.3
Land and Agricultural Bank of South Africa	9.6	3.8	9.6	1.0	9.6	0.9
Development Bank of Southern Africa	12.2	4.1	11.4	4.3	10.0	4.6
South African Post Office	4.2	0.4	2.9	–	–	–
Transnet	3.5	3.8	3.5	3.8	3.5	3.8
Denel	2.4	2.4	3.4	3.4	6.9	6.9
South African Express	1.1	0.9	2.8	0.2	1.9	0.2
Industrial Development Corporation	0.4	0.1	0.5	0.1	0.5	0.1
South African Reserve Bank	–	–	0.3	–	–	–
Independent power producers	200.2	122.2	200.2	146.9	200.2	161.4
Public-private partnerships[4]	9.6	9.6	10.5	10.5	8.7	8.7

Source: National Treasury

1. A full list of guarantees is given in Table 11 of the statistical annexure in the Budget Review
2. Total amount of borrowing and accrued interest for the period made against the guarantee
3. The exposure in 2017/18 excludes adjustments to inflation-linked bonds as a result of inflation rate changes
4. These amount only include the national and provincial PPP agreements

SA's credit ratings

South Africa – S&P Ratings		South Africa – Fitch Rating		South Africa – Moody's	
03/10/1994	BB	22/09/1994	BB	14/10/2004	Baa2
20/11/1995	Upgraded to BB+	19/05/2000	Upgraded to BB+	11/01/2005	Upgraded to Baa1
25/2/2000	Upgraded to BBB-	27/06/2000	Upgraded to BBB-	16/07/2009	Upgraded to A3
07/05/2003	Upgraded to BBB	05/02/2003	Upgraded to BBB	27/09/2012	Downgraded to Baa1
01/08/2005	Upgraded to BBB+	25/08/2005	Upgraded to BBB+	06/11/2014	Downgraded to Baa2
12./10/2012	Downgraded to BBB	10/01/2013	Downgraded to BBB	09/06/2017	Downgraded to Baa3
13/06/2014	Downgraded to BBB-	04/12/2015	Downgraded to BBB-		
03/04/2017	Downgraded to BB+	07/04/2017	Downgraded to BB+		
24/11/2017	Downgraded to BB				

Source: Bloomberg

- “South Africa aims to strengthen its progressive tax system, while broadening the tax base and removing exemptions. In line with this approach, government will review tax incentives over the medium term, and repeal or redesign those that are inefficient or inequitable.”

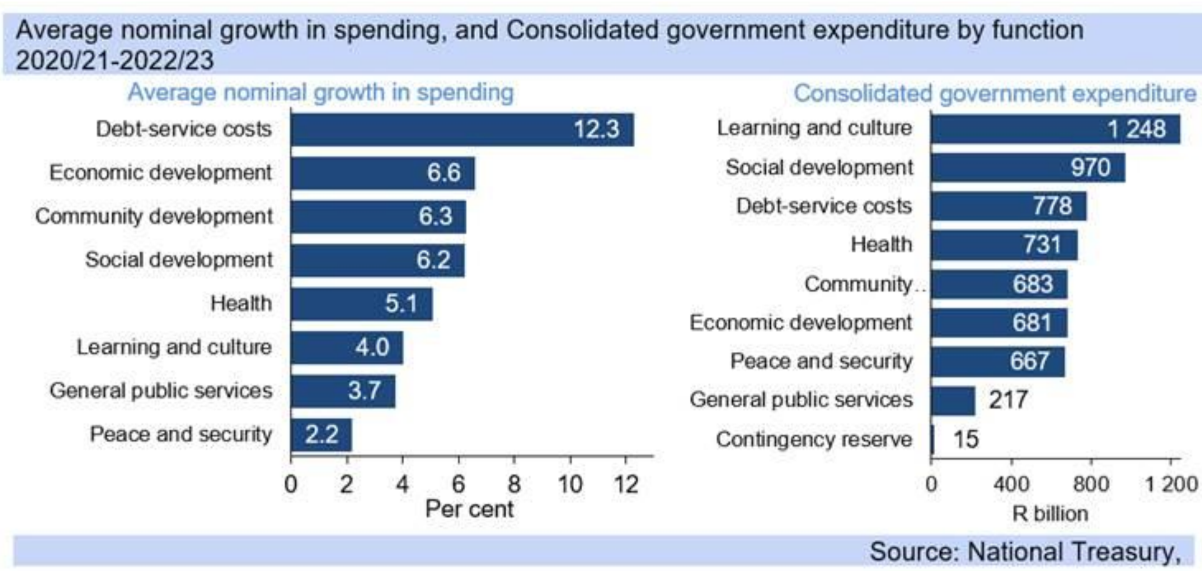
- “Even without additional tax increases this year, the projected tax-to-GDP ratio is expected to equal 26.3 per cent over the next three years. South Africa has a relatively high level of tax to GDP compared with other upper middle-income countries.”

- **Rebuilding governance at SARS:**
The Commission of Inquiry into Tax Administration and Governance by SARS (the Nugent Commission) found a “massive failure of governance and integrity” at SARS under the former Commissioner. The Commission made 27 recommendations. The SARS Commissioner is responsible for implementing non-legislative and organisational recommendations from the report, and the Minister of Finance for policy recommendations. This is in keeping with two
guiding principles:

- SARS should implement tax laws fairly, without bias and without political interference.
- SARS is autonomous but accountable to the Minister of Finance, who determines tax policy.

Accordingly, government plans to publish a discussion document by June 2020 setting out proposed legislative amendments to strengthen governance at SARS. These will include an improved appointment and removal process for
the Commissioner by the President, and an appointment and removal process for Deputy Commissioners.
The Office of the Tax Ombud has proved effective in ensuring that taxpayers are not prejudiced by SARS. Government
will strengthen the ombud and separate it financially and operationally from SARS.
In addition, government recognises the need for an independent office to oversee governance and conduct within SARS.

- Accordingly, government will propose an inspector-general to:
- Monitor and report conduct and performance metrics to government and the public.
- Safeguard whistleblowing by SARS officials in a way that keeps tax information secret.
- Empower senior SARS officials to disclose any lapses or findings by the internal audit function.
- Provide independent assurance that internal processes are sound and unbiased.



Estimates of individual taxpayers and taxable income, 2020/21												
Taxable bracket	**Registered individuals**		**Taxable income**		**Income tax payable before relief**		**Income tax relief after proposals**		**Income tax payable after proposals**			
R thousand	**Number**	**%**	**R billion**	**%**	**R billion**	**%**	**R billion**	**%**	**R billion**	**%**		
R0 - R80[1]	6,822,326	–	218.8	–	–	–	–	–	–	–		
R80 - R150	2,084,683	29.2	235.3	9.3	23.8	4.2	-1.4	10.2	22.4	4.1		
R150 - R250	1,771,582	24.8	354.3	14.1	30.9	5.5	-2.1	14.8	28.8	5.3		
R250 - R350	1,071,402	15.0	318.3	12.6	47.2	8.4	-2.0	14.0	45.3	8.3		
R350 - R500	1,029,509	14.4	424.1	16.8	81.0	14.4	-2.8	20.0	78.2	14.3		
R500 - R750	615,177	8.6	368.2	14.6	90.4	16.1	-2.5	17.6	87.9	16.1		
R750 - R1 000	266,169	3.7	225.7	9.0	65.9	11.8	-1.3	9.6	64.5	11.8		
R1 000 - R1 500	182,883	2.6	217.2	8.6	71.0	12.7	-0.9	6.6	70.1	12.8		
R1 500 +	125,029	1.8	376.4	14.9	150.6	26.9	-1.0	7.2	149.6	27.4		
Total	**7 146 434**	**100.0**	**2,519.5**	**100.0**	**560.8**	**100.0**	**-14.0**	**100.0**	**546.8**	**100.0**		
Grand total	**13,968,760**		**2,738.3**		**560.8**		**-14.0**		**546.8**			
										Source: National Treasury		

1. Registered individuals with taxable income below the income-tax threshold

- "To promote economic growth, government intends to restructure the corporate income tax system over the medium term by broadening the base and reducing the rate. Broadening the base will involve minimising tax incentives, and introducing new interest deduction and assessed loss limitations.

- "Rate reductions will be implemented in a revenue-neutral manner. Government has broadened the corporate income tax base since the early 2000s by taxing foreign dividends, imposing capital gains tax and introducing the controlled foreign company regime."

- The Budget adds that "(r)educing the corporate income tax rate will encourage businesses to invest and expand production, improve the country's competitiveness as an investment destination, and reduce the appeal of base erosion and profit shifting."

- However, political tensions are holding-up the implementation of the full set of key policy reforms in National Treasury's growth plan. The planned R160.2bn cut to previously projected expenditure on civil servants wages is balanced against wide scale job losses in the economy, with many receiving no or below inflation salary and wage increases.

- In the recent SONA the President said that "(w)e are engaged with labor and other stakeholders on measures to contain the public wage bill and reduce wastage." However, expenditure projections were not cut back sufficiently to allow debt projections to return to those of the 2019 Budget, and even the smaller cut will likely heighten labour unrest.

- "In addition, baseline reductions of R28.2 billion in 2020/21, R33.2 billion in 2021/22 and R39.3 billion in 2022/23, mainly on non-compensation spending, have been implemented. These were partially offset by reallocations to baselines and additional allocations to state-owned companies."

- Eskom is not able to service its own debt, the South African economy is not able to absorb huge tariff increases without growth plummeting further and "no clear strategic turnaround plan agreeable to all stakeholders has emerged yet, fuelling risks for the government of having to provide additional support."

- "The financial performance of several large state-owned companies continued to deteriorate sharply over the past year, leading to an increasing drain on public resources. The Public Finance Management Act (1999) requires major state-owned companies to generate sufficient financial resources from their operations to meet their obligations to employees, the public and debt holders."

- "Government has set aside R16.4 billion for SAA over the medium term to repay the airline's guaranteed debt and to cover debt-service costs. The costs of this adjustment are still being finalised, and will be financed from existing provisional allocations for state-owned companies."

- Fiscal support for Eskom, … remains unchanged. "National Treasury is conducting a feasibility study for a sovereign wealth fund, possibly from the proceeds from the allocation of spectrum and the sale of non-core assets to capitalise such a fund. In addition, a fiscal rule that saves fiscal surpluses in the fund could help to manage volatile revenues."

Local Currency – Long term			
	S&P	Moody's	Fitch
Brazil	BB-	Ba2	BB-
Russia	BBB	Baa3	BBB
India	BBB-	Baa2	BBB-
Turkey	BB-	B1	BB-
Mexico	A-	A3	BBB
South Africa	**BB+**	**Baa3**	**BB+**
China	A+	A1	A+
Nigeria	B	B2	B+
Kenya	B+	B2	B+
Namibia	NR	Ba2	BB
Ghana	B	B3	B
Botswana	A-	A2	NR
Mozambique	B-	Caa2	CCC
Zambia	CCC+	Caa2	CCC
Ethiopia	B	B1	B
Rwanda	B+	B2	B+
Uganda	B	B2	B+
Angola	B-	B3	B
Dem. Rep of Congo	CCC+	Caa1	NR
			Source: Bloomberg

Credit ratings

	S & P	Moody's	Fitch	R & I
Investment grade	AAA	Aaa	AAA	AAA
	AA+	Aa1	AA+	AA+
	AA	Aa2	AA	AA
	AA-	Aa3	AA-	AA-
	A+	A1	A+	A+
	A	A2	A	A
	A-	A3	A-	A-
	BBB+	Baa1	BBB+	BBB+
	BBB	Baa2	BBB	BBB
	BBB-	Baa3	BBB-	BBB-
Speculative grade	BB+	Ba1	BB+	BB+
	BB	Ba2	BB	BB
	BB-	Ba3	BB-	BB-
	B+	B1	B+	B+
	B	B2	B	B
	B-	B3	B-	B-
	CCC+	Caa1	CCC	CCC+
	CCC	Caa2	CC	CCC
	CCC-	Ca3	C	CCC-
	CC	Ca	RD	CC
	C	C	D	C
	D	WR	WD	
	NR		PIF	

Source: Bloomberg