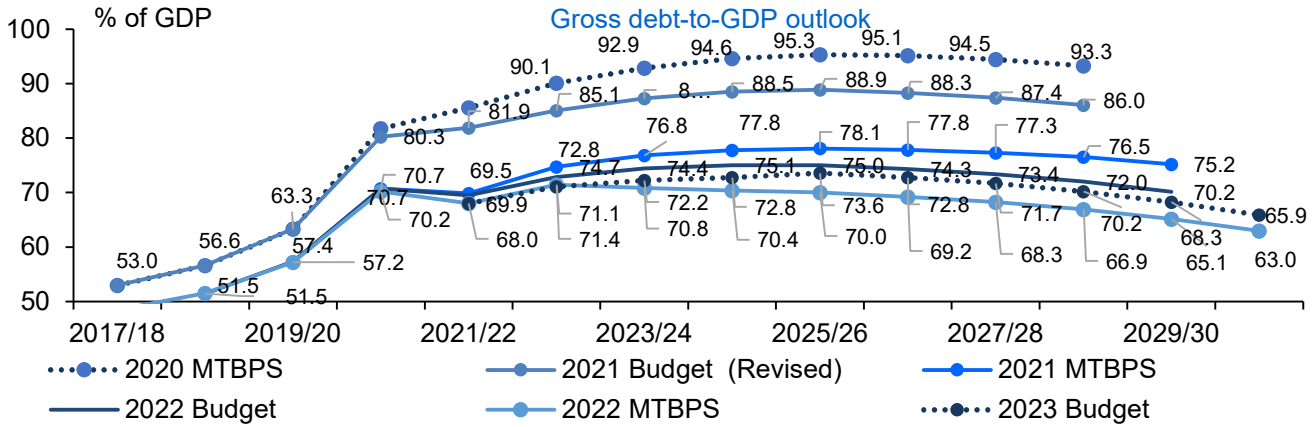




## Budget Update: a better than expected budget, Eskom debt relief and some fiscal consolidation

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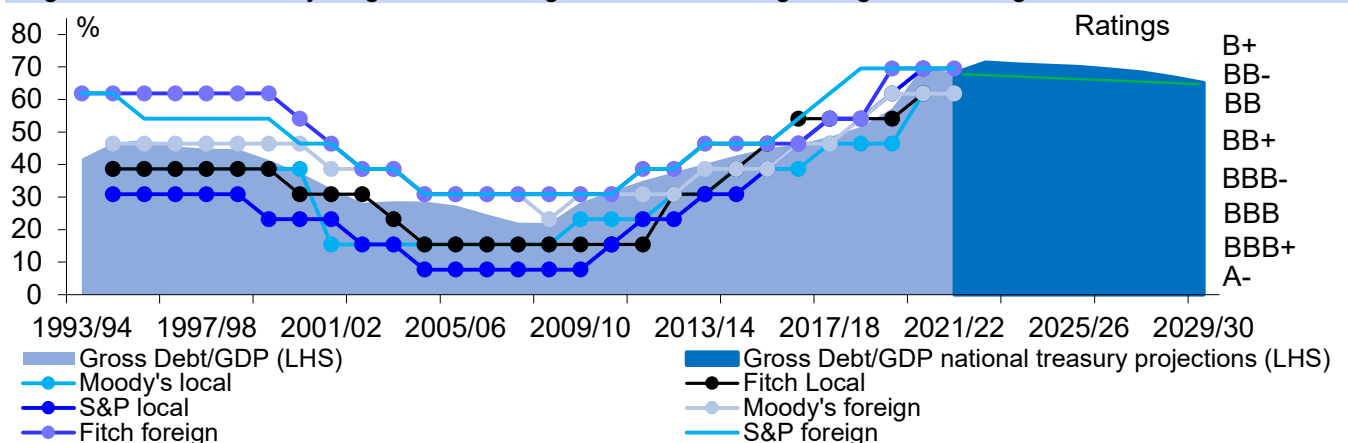
Figure 1: Gross debt-to-GDP outlook and main budget revenue and expenditure



Source: National Treasury, Budget 2023

- 2023's Budget Review saw a weakening in government's debt to GDP projections and fiscal deficits (with close to three quarters of debt relief for Eskom on the R350bn the state guarantees).
- Gross debt of government is consequently now projected to stabilise at 73.6% of GDP in 2025/26. Previously the projection was estimated to peak at 71.1% in 2022/23 in October's MTBPS.
- The key credit rating agencies (Fitch, Moody's and S&P) already rate SA's debt as including all Eskom and other SOE debt which government holds guarantees over, and so the impact should be credit neutral.
- Some improvements in fiscal projections did occur, with the budget deficit for 2022/23 lowered to -4.2% of GDP, dropping from the prior estimate of -4.9 % of GDP, and still expected to reach -3.2% by 2024/25.
- The downwards revision of National Treasury's economic growth forecast to 0.9% y/y from 1.4% y/y for 2023 is in line with the consensus (Bloomberg, Reuters) once a couple of outliers are removed. 2024 sees a slight drop to 1.5% y/y from 1.7% y/y, while 2025's forecast is unchanged at 1.8% y/y. This has only a mild effect on the fiscal ratios while the overall improvement is that a primary surplus occurred earlier, in the current fiscal year, instead of in 2024/25 and "consolidated debt narrows at a faster pace".
- Today's Budget is credit neutral to slightly positive on the improvement in the primary balance, projected quicker debt consolidation, with the negative impact on the debt ratios mainly coming from Eskom's debt relief. The rand was at R18.28/USD before the Budget, reaching R18.20/USD in some relief.

Figure 2: Local currency long-term sovereign debt credit ratings vs. government gross loan debt as % GDP



Source: Credit rating agencies, National treasury, Bloomberg

## Budget Update: a better than expected budget, Eskom debt relief and some fiscal consolidation

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Figure 3: Main Budget Framework

R billion/percentage of GDP	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
		Outcome		Revised	Medium-term estimates		
<b>Revenue</b>							
Gross tax revenue after proposals	1,355.8	1,249.7	1,563.8	1,692.2	1,787.5	1,907.7	2,043.5
Non-tax revenue	27.6	26.3	40.5	50.5	40.5	41.4	43.3
SACU <sup>1</sup>	-50.3	-63.4	-46.0	-43.7	-79.8	-86.5	-80.1
National Revenue Fund receipts	12.8	25.8	6.1	4.6	11.1	5.5	1.1
<b>Main budget revenue</b>	<b>1,345.9</b>	<b>1,238.4</b>	<b>1,564.4</b>	<b>1,703.6</b>	<b>1,759.2</b>	<b>1,868.1</b>	<b>2,007.7</b>
	23.6%	22.1%	24.9%	25.6%	25.1%	25.1%	25.3%
<b>Expenditure</b>							
National departments	749.8	790.5	823.0	854.4	828.6	835.7	877.9
Provinces	613.5	628.8	660.8	694.6	695.1	720.5	754.7
Local government	123.0	137.1	135.6	147.8	164.0	174.4	183.3
Contingency reserve	–	–	–	–	5.0	5.0	5.0
Provisional allocation not assigned to votes	–	–	–	–	1.5	3.9	4.0
Unallocated reserve	–	–	–	–	–	35.7	44.5
<b>Non-interest expenditure</b>	<b>1,486.2</b>	<b>1,556.4</b>	<b>1,619.4</b>	<b>1,696.8</b>	<b>1,694.1</b>	<b>1,775.1</b>	<b>1,869.4</b>
Debt-service costs	204.8	232.6	268.1	307.2	340.5	362.8	397.1
<b>Main budget expenditure</b>	<b>1,691.0</b>	<b>1,789.0</b>	<b>1,887.5</b>	<b>2,004.0</b>	<b>2,034.6</b>	<b>2,137.9</b>	<b>2,266.5</b>
	29.7%	31.9%	30.0%	30.1%	29.0%	28.7%	28.6%
<b>Main budget balance</b>	<b>-345.1</b>	<b>-550.6</b>	<b>-323.1</b>	<b>-300.4</b>	<b>-275.4</b>	<b>-269.9</b>	<b>-258.8</b>
	-6.1%	-9.8%	-5.1%	-4.5%	-3.9%	-3.6%	-3.3%
<b>Primary balance</b>	<b>-140.4</b>	<b>-318.1</b>	<b>-55.0</b>	<b>6.7</b>	<b>65.1</b>	<b>93.0</b>	<b>138.3</b>
	-2.5%	-5.7%	-0.9%	0.1%	0.9%	1.2%	1.7%

Source: National Treasury, Budget 2023

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 2021/22 and 2022/23, respectively

Figure 4: Budget Balances

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Budget 2016							
MTBPS 2016	-2.5%						
Budget 2017	-2.6%						
MTBPS 2017	-39%	-3.9%					
Budget 2018	-3.6%	-3.5%					
MTBPS 2018	-4.2%	-4.2%	-4.0%				
Budget 2019	-4.5%	-4.3%	-4.0%				
MTBPS 2019	-5.9%	-6.5%	-6.2%	-5.9%			
Budget 2020	-6.3%	-6.8%	-6.2%	-5.7%			
MTBPS 2020	-6.4%	-15.7%	-10.1%	-8.6%	-7.3%		
Budget 2021	-4.0%	-5.7%	-14.0%	-9.3%	-7.3%	-6.3%	
MTBPS 2021	-6.1%	-9.9%	-6.6%	-6.0%	-5.3%	-4.9%	
Budget 2022	-5.1%	-10.0%	-5.7%	-6.0%	-4.8%	-4.2%	
MTBPS 2022	-6.1%	-9.8%	-5.1%	-4.9%	-4.1%	-3.7%	-3.3%
Budget 2023	-5.0%	-9.9%	-4.6%	-4.2%	-4.0%	-3.8%	-3.2%

Source: MTBPS October 2022



## Budget Update: a better than expected budget, Eskom debt relief and some fiscal consolidation

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Figure 5: Bloomberg survey results for the consolidated budget deficit % GDP

	2022/23	2023/24	2024/25	2025/26
# of replies	14	14	14	12
Median	-4.7%	-4.5%	-4.4%	-4.1%
Average	-4.7%	-4.6%	-4.3%	-4.1%
High forecast	-3.8%	-3.8%	-3.7%	-3.0%
Low forecast	-6.5%	-5.2%	-5.2%	-5.2%

Source: Bloomberg

Figure 6: Bloomberg survey results for gross debt % GDP

	2022/23	2023/24	2024/25	2025/26	2026/27
# of replies	14	14	14	13	10
Median	71.0%	71.6%	72.1%	71.8%	72.1%
Average	70.6%	71.9%	72.4%	72.6%	73.1%
High forecast	75.0%	76.0%	77.0%	78.0%	80.0%
Low forecast	67.2%	68.0%	66.9%	65.1%	63.4%

Source: Bloomberg

Note: Percentages are rounded to the nearest integer and therefore may not add up to 100%

- Fitch notes “(o)ur last forecasts in December indicated that the consolidated fiscal deficit would stand at 5.1% of GDP in the fiscal year ending March 2023 (FY22/23) and stay close to that level in the following two years. This compares with the government’s forecast that the deficit will decline to 3.9% of GDP in FY24/25, from 4.9% in FY22/23, with the difference due to Fitch forecasting weaker government revenue and higher payroll spending.”
- The state projections prove substantially better than this, with the budget deficit falling to -3.2% over the next three years, specifically from -4.2% of GDP this year, to -4.0% of GDP next year, then -3.8% for 2024/25 and then dropping to the -3.2% mentioned by 2025/26.
- However, Fitch and the other key rating agencies are likely to be cautious in rushing to put through any improvement in their credit rating views, as the economic outlook has weakened, particularly for this year, but also somewhat for next year.
- Specifically, Fitch says “low growth potential ... at 1.2%, remains a key credit weakness ... a further weakening of trend growth ... or a ... shock that further undermines fiscal consolidation efforts ... could result in negative rating action.”
- However, “(t)here is some headroom at the sovereign’s rating of ‘BB-’ to absorb a temporary impact on economic metrics from load-shedding, but a failure to address the problem over the medium term could add to downward pressure on the rating”.

Figure 7: Total National debt, 2021/22-2025/26

End of period	2021/22	2022/23	2023/24	2024/25	2025/26
R billion	Outcome	Revised	Medium-term estimates		
<b>MTBPS 2022</b>					
<b>Gross loan debt</b>	<b>4,277.5</b>	<b>4,752.0</b>	<b>5,002.2</b>	<b>5,296.1</b>	<b>5,607.8</b>
<b>Net loan debt</b>	<b>4,011.1</b>	<b>4,508.3</b>	<b>4,849.4</b>	<b>5,190.8</b>	<b>5,513.4</b>
As percentage of GDP:					
Total gross loan debt	68.0%	71.4%	70.8%	70.4%	70.0%
Total net loan debt	63.8%	67.8%	68.7%	69.0%	68.8%

Source: National Treasury, MTBPS October 2022



## Budget Update: a better than expected budget, Eskom debt relief and some fiscal consolidation

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Figure 8: Total national government debt, 2021/22-2025/26

As at 31 March	2021/22	2022/23	2023/24	2024/25	2025/26
R billion	Outcome	Estimate	Medium-term estimates		
<b>Budget 2023</b>					
<b>Gross loan debt</b>	<b>4,277.5</b>	<b>4,727.4</b>	<b>5,060.2</b>	<b>5,423.7</b>	<b>5,843.0</b>
<b>Net loan debt</b>	<b>4,011.1</b>	<b>4,483.0</b>	<b>4,923.8</b>	<b>5,323.5</b>	<b>5,757.0</b>
As percentage of GDP:					
Total gross loan debt	68.0	71.1	72.2	72.8	73.6
Total net loan debt	63.8	57.4	70.1	71.4	72.5

Source: National Treasury, Budget 2023

Figure 9: Bloomberg survey results – when will South Africa’s primary budget balance swing back to surplus?

Response Count: 17	No responses	%
2022-23	4	24%
2023-24	4	24%
2024-25	9	53%

Source: Bloomberg

Figure 10: Revised gross tax revenue projections

	2021/22 <sup>1</sup>	2022/23	2023/24	2024/25	2025/26
<b>Revised estimate</b>	<b>1 563.8</b>	<b>1 692.2</b>	<b>1 787.5</b>	<b>1 907.7</b>	<b>2 043.5</b>
Buoyancy	2.07	1.42	1.06	1.06	1.09
<b>2022 MTPBS</b>	<b>1 563.8</b>	<b>1 681.9</b>	<b>1 788.9</b>	<b>1 907.3</b>	<b>2 036.5</b>
Buoyancy	2.07	1.30	1.03	1.00	1.06
<b>2022 Budget</b>	<b>1 547.1</b>	<b>1 598.4</b>	<b>1 694.3</b>	<b>1 807.6</b>	
<b>Buoyancy</b>	<b>1.93</b>	<b>1.09</b>	<b>1.06</b>	<b>1.06</b>	

Source: National Treasury

1. Actual outcome

Figure 11: Main budget framework

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
R billion/percentage of GDP		Outcome		Revised	Medium-term estimates		
<b>Main budget revenue</b>	<b>1,345.9</b>	<b>1,238.4</b>	<b>1,564.4</b>	<b>1,703.6</b>	<b>1,759.2</b>	<b>1,868.1</b>	<b>2,007.7</b>
	23.6%	22.1%	24.9%	25.6%	25.1%	25.1%	25.3%
<b>Main budget expenditure</b>	<b>1,691.0</b>	<b>1,789.0</b>	<b>1,887.5</b>	<b>2,004.0</b>	<b>2,034.6</b>	<b>2,137.9</b>	<b>2,266.5</b>
	29.7%	31.9%	30.0%	30.1%	29.0%	28.7%	28.6%
Non-interest expenditure	<b>1,486.2</b>	<b>1,556.4</b>	<b>1,619.4</b>	<b>1,696.8</b>	<b>1,694.1</b>	<b>1,775.1</b>	<b>1,869.4</b>
Debt-service costs	204.8	232.6	268.1	307.2	340.5	362.8	397.1
<b>Main budget balance</b>	<b>-345.1</b>	<b>-550.6</b>	<b>-323.1</b>	<b>-300.4</b>	<b>-275.4</b>	<b>-269.9</b>	<b>-258.8</b>
	-6.1%	-9.8%	-5.1%	-4.5%	-3.9%	-3.6%	-3.3%
<b>Primary balance</b>	<b>-140.4</b>	<b>-318.1</b>	<b>-55.0</b>	<b>6.7</b>	<b>65.1</b>	<b>93.0</b>	<b>138.3</b>
	-2.5%	-5.7%	-0.9%	0.1%	0.9%	1.2%	1.7%

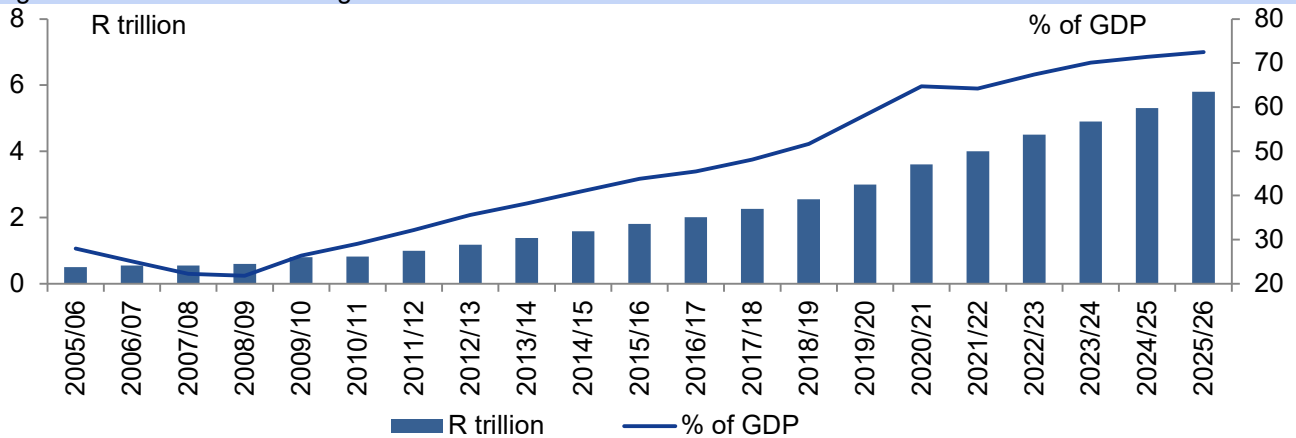
Source: National Treasury, Budget 2023



## Budget Update: a better than expected budget, Eskom debt relief and some fiscal consolidation

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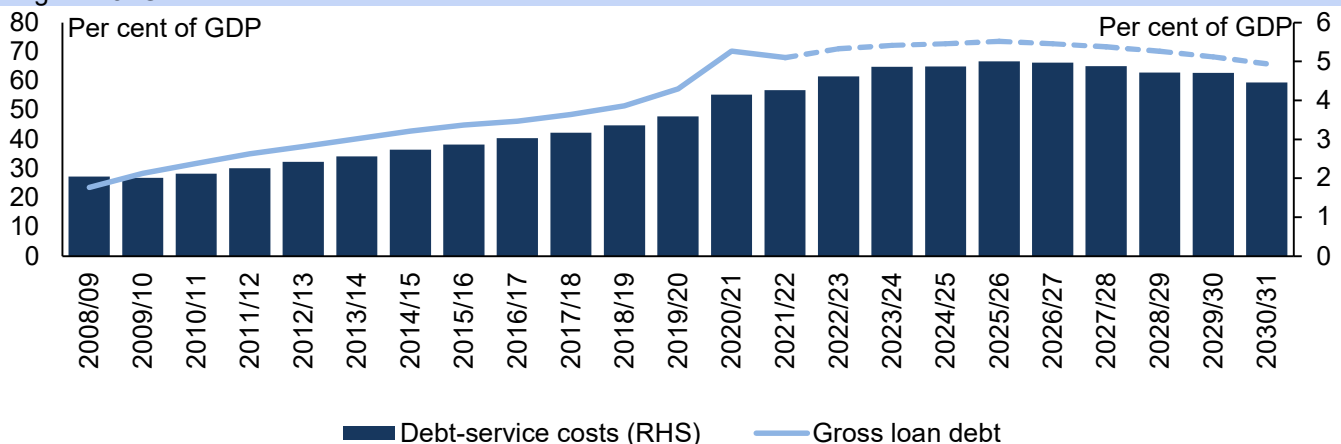
Figure 12: South Africa's net government debt: 2005/06 – 2025/26



Source: National Treasury, Budget 2023

- Notable is that the Budget provides tax relief of R13bn while “the social wage is protected and fiscal balance is restored without resorting to unsustainable borrowing and damaging tax increases.”
- The revenue overrun has been split between reducing debt, allowing a primary surplus, as well as some new expenditure. The 2023 Budget tax proposals do not increase the overall tax burden, and instead the tax take falls by -R13bn. R4bn is budgeted for incentives for individuals utilizing solar power, aimed at relieving the energy crisis. Individuals will obtain a tax rebate amounting to 25% of the cost when purchasing new or unused solar PV panels. Panels must be “purchased and installed at a private residence, and a certificate of compliance for the installation must be issued from 1 March 2023 to 29 February 2024”. This incentive can be used for the 2023/24 fiscal year and is capped at R15 000 per person as the state increases its effort to combat climate change and address the energy crisis.
- The fuel levy is surprisingly not adjusted, but this will be to provide some relief to soaring living expenses in the past year, while consumer price inflation (or the measure of the cost of living) is still high.
- Inflation adjustments occur for personal income and retirement tax, as well as transfer duties and excise duties for alcohol and tobacco.
- The diesel refund system, provides full or partial relief for the general fuel and the RAF levies to the

Figure 13: Gross loan debt and debt service costs



Source: National Treasury



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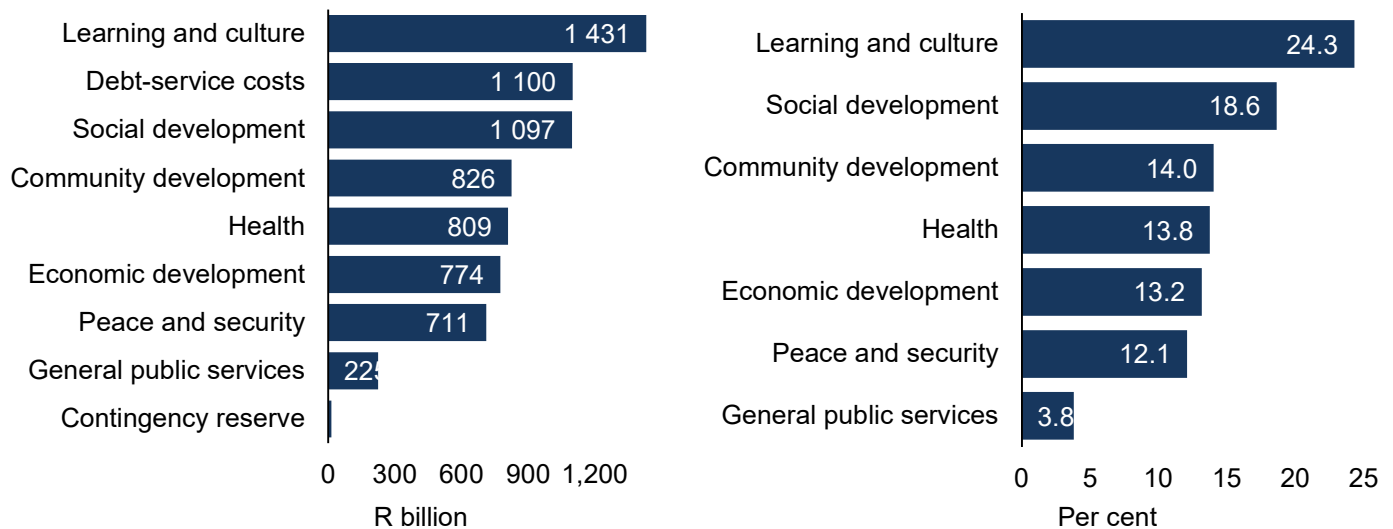
Figure 14: Total national government debt

End of period	2021/22	2022/23	2023/24	2024/25	2025/26
<b>R billion</b>	<b>Outcome</b>	<b>Revised</b>	<b>Medium-term estimates</b>		
<b>Domestic loans<sup>1</sup></b>	<b>3,865.4</b>	<b>4,187.1</b>	<b>4,517.0</b>	<b>4,875.3</b>	<b>5,267.1</b>
Short-term	448.1	422.6	470.6	512.6	558.6
Long-term	3,417.3	3,764.5	4,046.4	4,362.6	4,708.4
<i>Fixed-rate</i>	<i>2,563.8</i>	<i>2,781.0</i>	<i>3,046.3</i>	<i>3,348.1</i>	<i>3,543.9</i>
<i>Inflation-linked</i>	<i>853.5</i>	<i>983.5</i>	<i>1,000.1</i>	<i>1,014.6</i>	<i>1,164.6</i>
<b>Foreign loans<sup>1</sup></b>	<b>412.1</b>	<b>540.3</b>	<b>543.3</b>	<b>548.4</b>	<b>575.9</b>
<b>Gross loan debt</b>	<b>4,277.5</b>	<b>4,727.4</b>	<b>5,060.2</b>	<b>5,423.7</b>	<b>5,843.0</b>
Less: National Revenue Fund bank balances	-266.4	-244.5	-147.5	-100.2	-86.0
<b>Net loan debt<sup>2</sup></b>	<b>412.1</b>	<b>540.3</b>	<b>543.3</b>	<b>548.4</b>	<b>575.9</b>
<i>As percentage of GDP:</i>					
<i>Gross loan debt</i>	<i>68.0</i>	<i>71.1</i>	<i>72.2</i>	<i>72.8</i>	<i>73.6</i>
<i>Net loan debt</i>	<i>63.8</i>	<i>67.4</i>	<i>70.1</i>	<i>71.4</i>	<i>72.5</i>

Source: National Treasury, Budget 2023

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

Figure 15: Percentage of total MTEF allocation by function and total consolidated government expenditure, 2023/24-2025/26



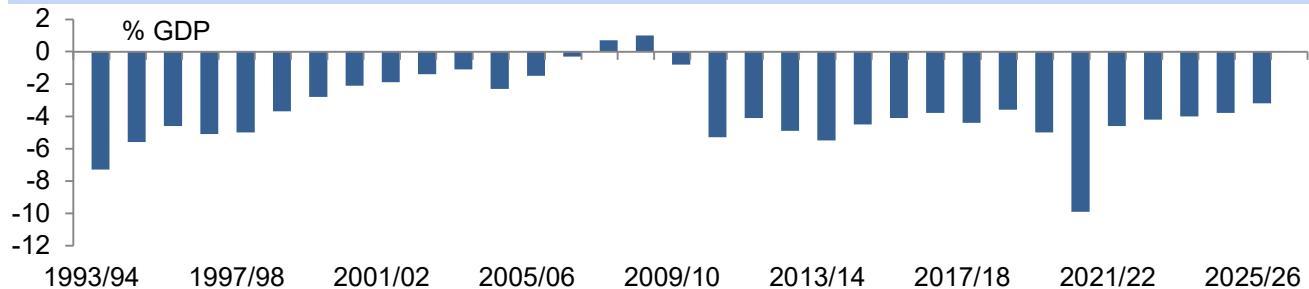
Source: National Treasury, Budget 2023

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Figure 16: Government's budget balance:



Source: National Treasury and Budget 2023

- primary sectors, and a similar refund on the RAF levy will be extended to the manufacturers of foodstuffs from 1 April 2023, for two years until 31 March 2025. "This relief is implemented to limit the impact of power cuts on food prices".
- A further R5bn in renewable energy incentives, on the expansion of section 12B for business. The current incentive allows corporates to subtract "costs of qualifying investments over a one- or three-year period, which creates a cash flow benefit in the early years of a project". Businesses are permitted to subtract 50% of costs in year one and 30% and 20% respectively in the ensuing two years for "qualifying investments in wind, concentrated solar, hydropower below 30 megawatts (MW), biomass and photovoltaic (PV) projects above 1 MW. Investors in PV projects below 1 MW are able to deduct 100 per cent of the cost in the first year".
- The tax incentive will be expanded on a temporary basis to attract swift investment in renewable energy to take pressure off the grid. This expanded option "will only be available for investments brought into use for the first time between 1 March 2023 and 28 February 2025". Specifically, under this option, "businesses will be able to claim a 125 per cent deduction in the first year for all renewable energy projects with no thresholds on generation capacity".
- "Weaker economic activity and measures announced in the SONA, as well as potential additional support for the energy sector, could weigh on fiscal metrics, although the impact on deficits could be dampened by recent strong revenue performance."
- "The national state of disaster, and the appointment of a Minister of Electricity (yet to be announced) with responsibility for managing the crisis, could strengthen the government's capacity to coordinate a

Figure 17: Consolidated government expenditure, 2022/23 -2025/26

R billion	2022/23	2023/24	2024/25	2025/26	Avg annual growth
	Revised	Medium-term estimates			
Learning and culture	446.7	457.1	476.5	497.3	3.6%
Health	259.4	259.2	268.9	281.3	2.7%
Social development	357.8	378.5	361.3	357.0	-0.1%
Community development	230.0	259.7	276.2	289.9	8.0%
Economic development	221.8	237.6	259.3	277.1	7.7%
Peace and security	227.8	227.3	236.3	247.4	2.8%
General public services	71.7	73.6	74.1	76.9	2.3%
Payments for financial assets	46.3	4.1	3.6	3.9	-
<b>Total expenditure by function</b>	<b>1861.6</b>	<b>1897.1</b>	<b>1956.2</b>	<b>2030.8</b>	<b>2.9%</b>
Debt-service costs	307.2	340.5	362.8	397.1	8.9%
Unallocated reserve	-	-	35.7	44.5	-
Contingency reserve	-	5.0	5.0	5.0	-
<b>Total expenditure</b>	<b>2168.8</b>	<b>2242.6</b>	<b>2359.7</b>	<b>2477.4</b>	<b>4.5%</b>

Source: National Treasury, Budget 2023



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Figure 18: Main budget expenditure ceiling

R million	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
2020 MTBPS	1,418,408	1,502,867	1,479,709	1,516,052	1,529,585		
2021 Budget	1,418,399	1,504,656	1,514,934	1,521,721	1,530,664		
2021 MTBPS	1,418,456	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		<b>1,487,419</b>	<b>1,566,498</b>	<b>1,653,459</b>	<b>1,671,030</b>	<b>1,750,276</b>	<b>1,842,572</b>

Source: National Treasury, Budget 2023

Figure 19: Division of revenue

R billion	2022/23	2023/24	2024/25	2025/26
National allocations	854.4	828.6	835.7	877.9
Provincial allocations	694.6	695.1	720.5	754.7
<i>Equitable share</i>	<i>570.9</i>	<i>567.5</i>	<i>587.5</i>	<i>614.3</i>
<i>Conditional grants</i>	<i>123.7</i>	<i>127.5</i>	<i>133.0</i>	<i>140.4</i>
Local government allocations	147.8	164.0	174.4	183.3
Provisional allocations not	–	1.5	3.9	4.0
<b>Total allocations</b>	<b>1,696.8</b>	<b>1,689.1</b>	<b>1,734.4</b>	<b>1,819.9</b>
Percentage shares				
National	50.4%	49.1%	48.3%	48.3%
Provincial	40.9%	41.2%	41.6%	41.6%
Local government	8.7%	9.7%	10.1%	10.1%

Source: National Treasury, Budget 2023

Figure 20: Impact of tax proposals on 2023/24 revenue<sup>1</sup>

R billion	Effect on tax proposals
<b>Gross tax revenue (before tax proposals)</b>	<b>1,800,456</b>
<b>Budget 2023/24 proposals</b>	<b>-13,000</b>
<b>Direct taxes</b>	<b>-9,000</b>
<b>Personal income tax</b>	
Increasing brackets by inflation	–
<i>Revenue if no adjustment is made</i>	<i>15,700</i>
<i>Increase in brackets and rebates by inflation</i>	<i>-15,700</i>
Rooftop solar tax incentive for individuals	-4,000
<b>Corporate income tax</b>	
Expansion of section 12B - renewable energy incentive	-5,000
<b>Indirect taxes</b>	<b>-4,000</b>
<b>Fuel levy</b>	
Not adjusting the general fuel levy	-4,000
<b>Specific excise duties</b>	
Increase in excise duties on alcohol by inflation	–
Increase in excise duties on tobacco by inflation	–
<b>Gross tax revenue (after tax proposals)</b>	<b>1,787,456</b>

Source: National Treasury, Budget 2023

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

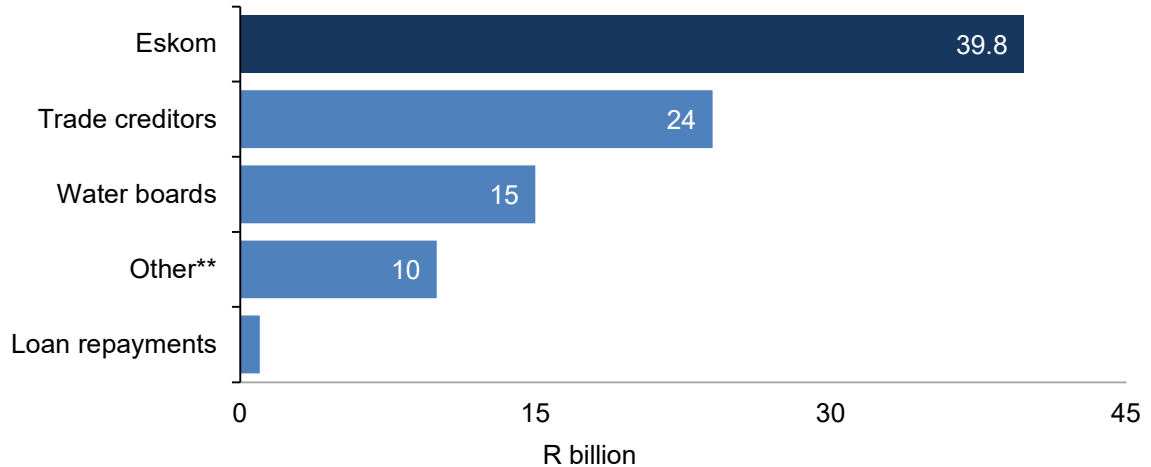




**Budget Update: a better than expected budget, Eskom debt relief and some fiscal consolidation**

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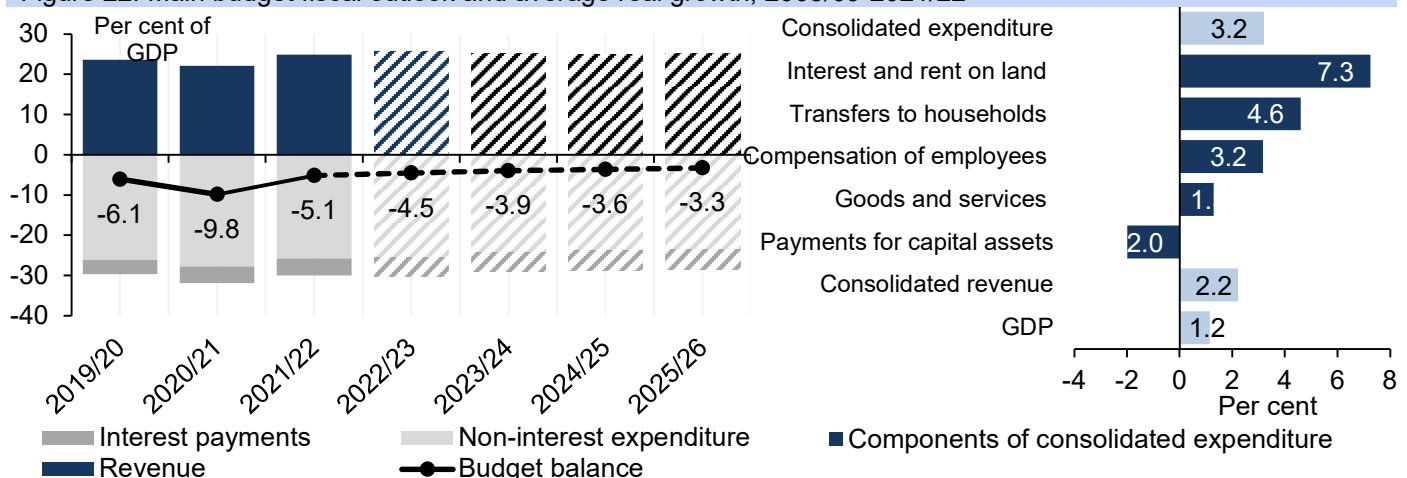
Figure 21: Municipal creditors



Source: National Treasury, Budget 2023

- response and accelerate practical measures to address power shortages, as it limits regulatory requirements.”
- The robust revenue performance in 2022/23 was driven by elevated commodity prices, and sufficient rail and port capacity to export the goods to meet the increased demand for SA’s exports, along with some continued recovery among manufacturing and financial firms from the harsh effects of the COVID-19 lockdowns on economic activity, as recovery was lengthy.
- “Tax revenue collections for 2022/23 are expected to exceed the 2022 Budget estimate by R93.7 billion and the 2022 MTBPS estimate by R10.3 billion. The mining sector accounts for nearly 30 per cent of provisional corporate tax collections in 2022/23 – significantly higher than its average share before 2020/21. Relative to 2021/22, the contribution declined mainly because of a sustained fall in production and declining terms of trade.”
- “Over the next three years, revenue is expected to grow by R351 billion, reaching R2.04 trillion in 2025/26. The tax-to-GDP ratio increases from 25.4 per cent to 25.7 per cent over this period. Personal income tax

Figure 22: Main budget fiscal outlook and average real growth, 2008/09-2021/22



Source: National Treasury, Budget 2023



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Figure 23: Consolidated government expenditure by functions<sup>1</sup>

R billion	2022/23 Revised estimate	2023/24 Medium-term estimates	2024/25	2025/26	Percentage of total MTEF	Average annual MTEF growth
<b>Learning and culture</b>	<b>446.7</b>	<b>457.1</b>	<b>476.5</b>	<b>497.3</b>	<b>24.3%</b>	<b>3.6%</b>
Basic education	302.0	309.5	316.6	331.3	16.3%	3.1%
Post-school education and training	133.1	135.6	148.3	153.9	7.4%	5.0%
Arts, culture, sport and recreation	11.7	12.0	11.6	12.1	0.6%	1.2%
<b>Health</b>	<b>259.4</b>	<b>259.2</b>	<b>268.9</b>	<b>281.3</b>	<b>13.8%</b>	<b>2.7%</b>
<b>Social development</b>	<b>357.8</b>	<b>378.5</b>	<b>361.3</b>	<b>357.0</b>	<b>18.6%</b>	<b>-0.1%</b>
Social protection	264.4	286.2	266.0	283.0	14.2%	2.3%
Social security funds	93.4	92.4	95.3	74.0	4.4%	-7.5%
<b>Community development</b>	<b>230.0</b>	<b>259.7</b>	<b>276.2</b>	<b>289.9</b>	<b>14.0%</b>	<b>8.0%</b>
<b>Economic development</b>	<b>221.8</b>	<b>237.6</b>	<b>259.3</b>	<b>277.1</b>	<b>13.2%</b>	<b>7.7%</b>
Industrialisation and exports	39.0	40.5	41.3	41.8	2.1%	2.4%
Agriculture and rural development	28.4	27.8	28.6	29.9	1.5%	1.6%
Job creation and labour affairs	23.9	24.6	26.1	27.1	1.3%	4.3%
Economic regulation and infrastructure	112.4	124.9	143.8	159.2	7.3%	12.3%
Innovation, science and technology	18.1	19.8	19.5	19.1	1.0%	2.0%
<b>Peace and security</b>	<b>227.8</b>	<b>227.3</b>	<b>236.3</b>	<b>247.4</b>	<b>12.1%</b>	<b>2.8%</b>
Defence and state security	52.4	52.7	52.8	54.8	2.7%	1.5%
Police services	112.5	112.1	119.2	125.4	6.1%	3.7%
Law courts and prisons	51.5	51.4	53.7	56.1	2.7%	2.9%
Home affairs	11.4	11.1	10.5	11.1	0.6%	-0.8%
<b>General public services</b>	<b>71.7</b>	<b>73.6</b>	<b>74.1</b>	<b>76.9</b>	<b>3.8%</b>	<b>2.3%</b>
Executive and legislative organs	15.4	16.8	16.3	16.8	0.8%	3.0%
Public administration and fiscal affairs	47.8	48.4	48.8	50.7	2.5%	2.0%
External affairs	8.5	8.4	9.0	9.4	0.5%	3.4%
<b>Payments for financial assets</b>	<b>46.3</b>	<b>4.1</b>	<b>3.6</b>	<b>3.9</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Allocated by function</b>	<b>1,861.6</b>	<b>1,897.1</b>	<b>1,956.2</b>	<b>2,030.8</b>	<b>100.0%</b>	<b>2.9%</b>
Debt-service costs	307.2	340.5	362.8	397.1	0.0%	8.9%
Contingency reserve	-	5.0	5.0	5.0	0.0%	0.0%
Unallocated reserve	-	-	35.7	44.5	0.0%	0.0%
<b>Consolidated expenditure</b>	<b>2,168.8</b>	<b>2,242.6</b>	<b>2,359.7</b>	<b>2,477.4</b>	<b>0.0%</b>	<b>4.5%</b>

Source: National Treasury, Budget 2023

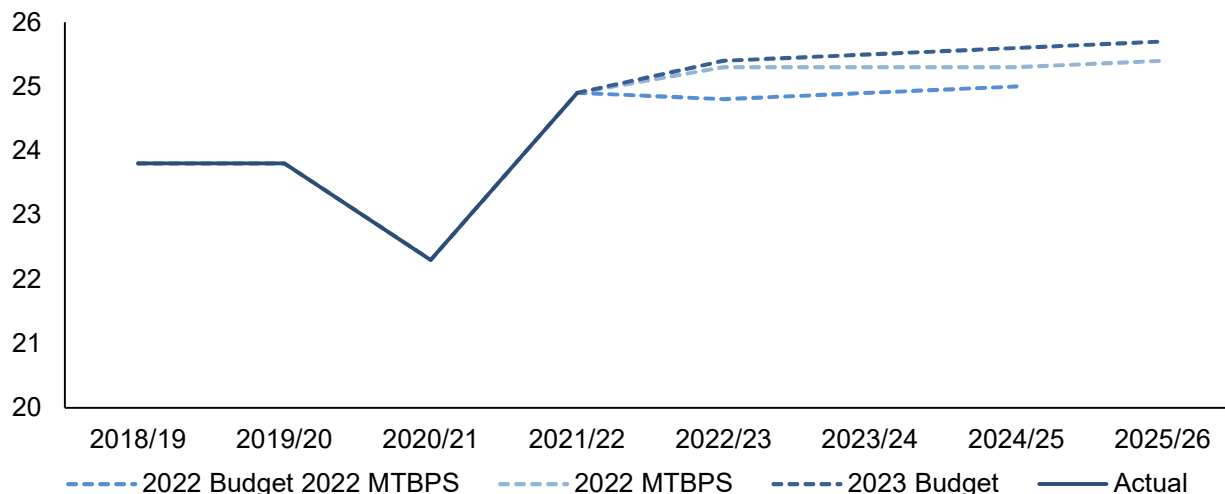
1) Consisting of national and provincial departments, social security funds and public entities financed from own revenue



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Figure 24: Tax to GDP ratio



Source: National Treasury, Budget 2023 and SARS

- collection has been buoyed by a recovery in earnings and improving employment levels. Growth in import prices supported noteworthy collections in import value-added tax (VAT) and customs duties. VAT refund payments exceeded 2022 Budget expectations due to increased zero-rated exports from manufacturers.
- Enhanced tax administration has also contributed to additional revenue collection during the recovery period." Sin taxes have increased as expected, with the revenue receipts from these discretionary items essential for government. During the pandemic excise earnings were severely hampered, weighing the fiscus. Government advises a 4.9% lift in the excise duty on alcohol (in line with inflation expectations for the fiscal year). Increases for the sparkling wine category are however "realigned to the policy decision taken in 2016 to peg it at 3.2 times that of natural unfortified wine".
- Similarly, government has put forward a projected inflation related increase of 4.9% for tobacco products. The sugar industry has however been given a reprieve allowing sugar industry participants to recover from the numerous "challenges from greater regional competitive pressures and the effect of recent floods and public violence". Specifically, the "health promotion levy" will not be lifted in fiscal years 2023/24 and 2024/25.
- Over the next three years, consolidated government spending is expected to grow by a net R128.4 billion, growing at an average annual rate of 4.5% and therefore not indicating a real increase. This does not prejudice the social wage, "which includes allocations for community development, employment

Figure 25: Consolidated government fiscal framework, 2022/23 – 2025/26

	2022/23	2023/24	2024/25	2025/26
R bn/% of GDP	Revised		Medium-term estimates	
<b>Revenue</b>	<b>1,892.7</b>	<b>1,958.9</b>	<b>2,077.8</b>	<b>2,225.3</b>
	28.5%	28.0%	27.9%	28.0%
<b>Expenditure</b>	<b>2,168.8</b>	<b>2,242.6</b>	<b>2,359.7</b>	<b>2,477.4</b>
	32.6%	32.0%	31.7%	31.2%
<b>Budget balance</b>	<b>-276.1</b>	<b>-283.7</b>	<b>-282.0</b>	<b>-252.1</b>
	-4.2%	-4.0%	-3.8%	-3.2%
<b>Total gross loan debt</b>	<b>4,727.4</b>	<b>5,060.2</b>	<b>5,423.7</b>	<b>5,843.0</b>
	71.1%	72.2%	72.8%	73.6%

Source: National Treasury, Budget 2023



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Figure 26: Budget estimates and revenue outcomes<sup>1</sup>

R billion	2021/22			2022/23			% change <sup>3</sup>
	Budget <sup>2</sup>	Outcome	Deviation	Budget <sup>2</sup>	Revised	Deviation	
<b>Taxes on income and profits</b>	<b>910.11</b>	<b>912.87</b>	<b>2.76</b>	<b>894.30</b>	<b>989.88</b>	<b>95.58</b>	<b>8.4%</b>
Personal income tax	553.53	553.95	0.42	587.91	601.65	13.74	8.6%
Corporate income tax	318.38	320.45	2.07	269.93	344.94	75.01	7.6%
Dividends tax	32.18	33.43	1.25	30.45	38.51	8.06	15.2%
Other taxes on income and profits <sup>4</sup>	6.01	5.04	(0.97)	6.01	4.77	(1.24)	-5.4%
<b>Skills development levy</b>	<b>18.93</b>	<b>19.34</b>	<b>0.40</b>	<b>20.62</b>	<b>21.24</b>	<b>0.62</b>	<b>9.8%</b>
<b>Taxes on property</b>	<b>19.69</b>	<b>22.03</b>	<b>2.34</b>	<b>20.29</b>	<b>22.66</b>	<b>2.36</b>	<b>2.8%</b>
<b>Domestic taxes on goods and services</b>	<b>541.30</b>	<b>549.81</b>	<b>8.51</b>	<b>600.73</b>	<b>581.87</b>	<b>(18.86)</b>	<b>5.8%</b>
Value-added tax	383.72	390.90	7.17	439.68	426.28	(13.40)	9.1%
Specific excise duties	48.21	49.71	1.49	51.86	55.23	3.36	11.1%
Health promotion levy	2.21	2.18	(0.03)	2.36	2.32	(0.04)	6.3%
Ad valorem excise duties	4.28	4.73	0.45	4.41	4.46	0.06	-5.6%
Fuel levy	89.88	88.89	(0.99)	89.11	79.13	(9.98)	-11.0%
Other domestic taxes on goods and services <sup>5</sup>	12.99	13.41	0.42	13.31	14.45	1.13	7.7%
<b>Taxes on international trade and transactions</b>	<b>57.04</b>	<b>59.72</b>	<b>2.68</b>	<b>62.51</b>	<b>76.54</b>	<b>14.03</b>	<b>28.2%</b>
Customs duties	55.82	57.99	2.17	61.10	74.18	13.08	27.9%
Health promotion levy on imports	0.08	0.08	(0.00)	0.09	0.11	0.03	46.4%
Diamond export levy	0.09	0.17	0.08	0.09	0.15	0.06	-11.1%
Export tax	0.30	0.41	0.11	0.47	0.82	0.35	101.0%
Miscellaneous customs and excise receipts	0.75	1.07	0.32	0.76	1.28	0.51	19.2%
<b>Gross tax revenue</b>	<b>1,547.07</b>	<b>1,563.75</b>	<b>16.68</b>	<b>1,598.45</b>	<b>1,692.18</b>	<b>93.73</b>	<b>8.2%</b>
Non-tax revenue <sup>6</sup>	47.96	46.60	(1.36)	33.28	55.08	21.80	18.2%
of which:	-	-	-	-	-	-	0.0%
Mineral and petroleum royalties	27.98	28.46	0.48	18.55	25.48	6.93	-10.5%
Less: SACU <sup>7</sup> payments	(45.97)	(45.97)	-	(43.68)	(43.68)	-	-5.0%
<b>Main budget revenue</b>	<b>1,549.07</b>	<b>1,564.39</b>	<b>15.32</b>	<b>1,588.04</b>	<b>1,703.57</b>	<b>115.53</b>	<b>8.9%</b>
Provinces, social security funds and selected public entities	172.24	186.21	13.98	182.60	189.18	6.57	1.6%
<b>Consolidated budget revenue</b>	<b>1,721.30</b>	<b>1,750.60</b>	<b>29.30</b>	<b>1,770.65</b>	<b>1,892.75</b>	<b>122.10</b>	<b>8.1%</b>

Source: National Treasury, Budget 2023

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

2. 2022 Budget Review estimates

3. Percentage change between outcome in 2021/22 and revised estimate in 2022/23

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, CO<sub>2</sub> 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

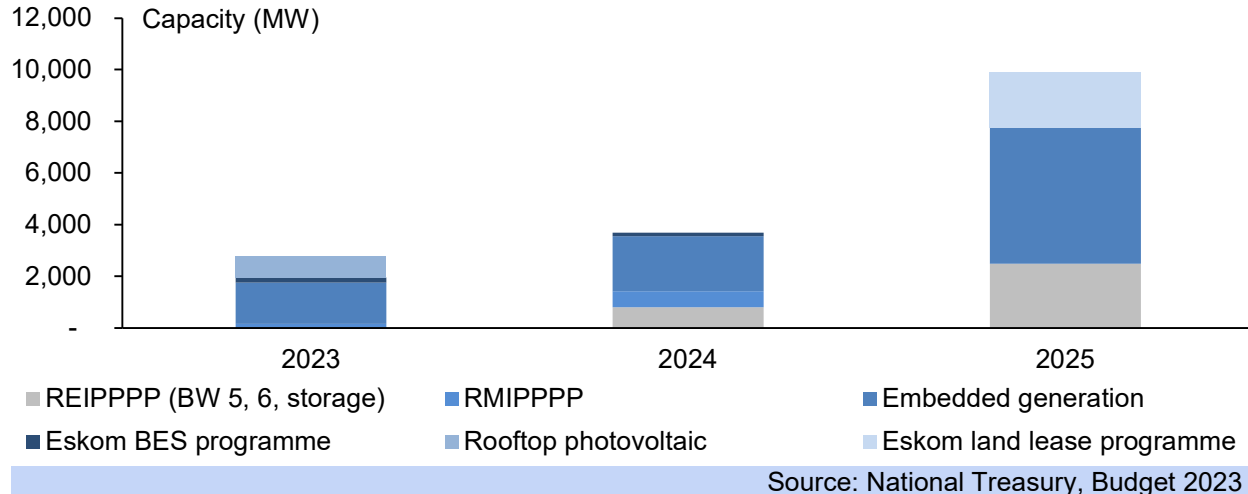
7. Southern African Customs Union. Amounts made up of payments and other adjustments



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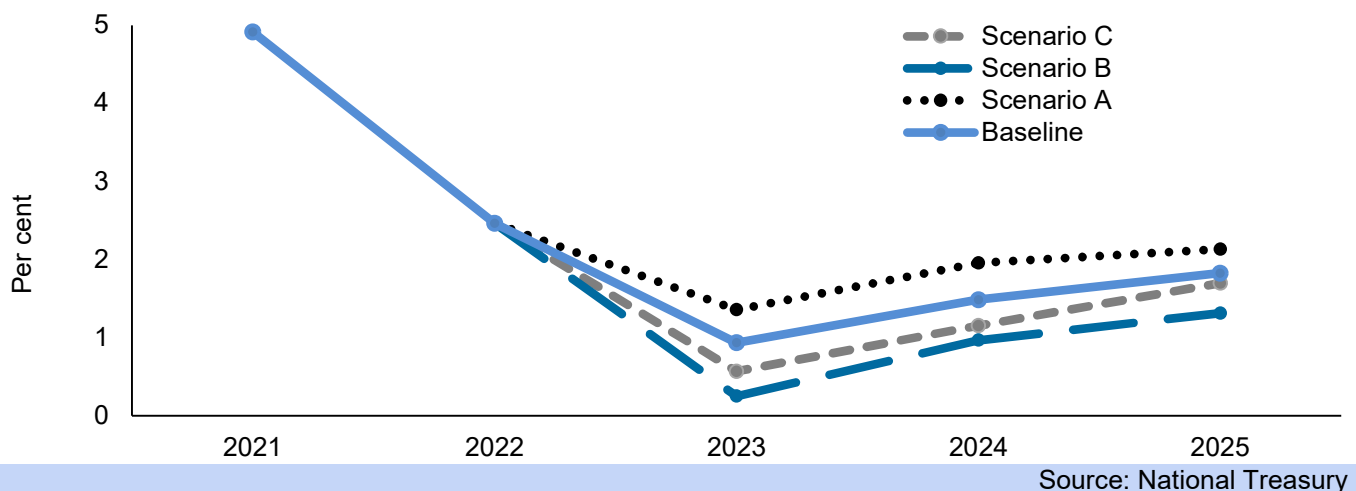
Figure 27: Additional projected capacity from renewable energy investment (2023–2025)



programmes, health, education and social protection, will constitute an average of 60.2 per cent of total non-interest spending over the next three years.”

- “Additional funding is allocated mainly for the carry-through costs of the 2022/23 public service wage increase, to improve investment in infrastructure and to support safety and security, education and health services”. “Consolidated government spending will increase from R2.17 trillion in 2022/23 to R2.48 trillion in 2025/26.”
- Carry-through costs from the wage increase in the 2022/23 fiscal year are provided for in the budget as are resources for “pay progression and other benefits”, according to Treasury. Specifically, “(c)ompensation spending will increase from R690.4 billion in 2022/23 to R760.6 billion in 2025/26, growing at an average annual rate of 3.3 per cent, mainly due to the carry through costs of the public-service wage increase implemented in 2022/23.”
- Going forward wage discussions will seek “to strike a balance between remuneration increases and the need for additional staff in services such as education, health and police”.
- Indeed, the Department of Public Service and Administration together with some other national

Figure 28: GDP growth scenarios





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Figure 29: Financing of national government gross borrowing requirement <sup>1</sup>

R million	2021/22	2022/23	2023/24	2024/25	2025/26
	Outcome	Budget	Revised	Medium-term estimates	
<b>Main budget balance</b>	<b>-323,061</b>	<b>-387,213</b>	<b>-300,415</b>	<b>-275,351</b>	<b>-258,799</b>
<b>Redemptions</b>	<b>-65,292</b>	<b>-97,252</b>	<b>-87,474</b>	<b>-162,232</b>	<b>-185,969</b>
Domestic long-term loans	-61,373	-81,292	-71,712	-117,865	-129,558
Foreign loans	-3,919	-15,960	-15,762	-44,367	-56,410
<b>Eskom debt-relief arrangement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-78,000</b>	<b>-66,154</b>
<b>Total</b>	<b>-388,354</b>	<b>-484,465</b>	<b>-387,889</b>	<b>-515,583</b>	<b>-554,990</b>
<b>Financing</b>					
<b>Domestic short-term loans</b>	<b>-7,955</b>	<b>-</b>	<b>-25,493</b>	<b>48,000</b>	<b>42,000</b>
Treasury bills (net)	-8,007	-	-25,493	48,000	42,000
Corporation for Public Deposits	52	-	-	-	-
<b>Domestic long-term loans</b>	<b>290,295</b>	<b>330,400</b>	<b>310,900</b>	<b>329,900</b>	<b>411,000</b>
Market loans	290,657	330,400	310,987	329,900	341,000
Loans issued for switches	-362	-	-87	-	-
Eskom debt-relief arrangement	-	-	-	-	70,000
<b>Foreign loans</b>	<b>31,316</b>	<b>47,880</b>	<b>64,466</b>	<b>44,360</b>	<b>79,380</b>
Market loans	31,316	47,880	64,466	44,360	79,380
Loans issued for switches	-	-	-	-	-
<b>Change in cash and other balances<sup>2</sup></b>	<b>74,698</b>	<b>106,185</b>	<b>38,017</b>	<b>93,323</b>	<b>18,610</b>
Cash balances	74,361	99,611	27,952	86,321	13,486
Other balances <sup>3</sup>	337	6,574	10,065	7,002	5,124
<b>Total</b>	<b>388,354</b>	<b>484,465</b>	<b>387,889</b>	<b>515,583</b>	<b>554,990</b>
<i>Percentage of GDP</i>	<i>6.2%</i>	<i>7.5%</i>	<i>5.8%</i>	<i>7.4%</i>	<i>7.0%</i>

Source: National Treasury, Budget 2023

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

Figure 30: Combined financial position of public institutions

R billion/% of GDP	2019/20 <sup>1</sup>	2020/21 <sup>1</sup>	2021/22
State-owned companies	352.7	376.7	417.6
Development finance institutions	98.1	127.8	161.5
Social security funds	-156.5	-210.3	-198.8
Other public entities <sup>2</sup>	811.2	834.3	927.5

Source: National Treasury, Budget 2023

1. Due to the COVID-19 pandemic, many entities had not released audited financial statements for the 2019/20 and 2020/21 financial year at the time of the publication and the draft financial statements were used
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



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Figure 31: Consolidated budget balance

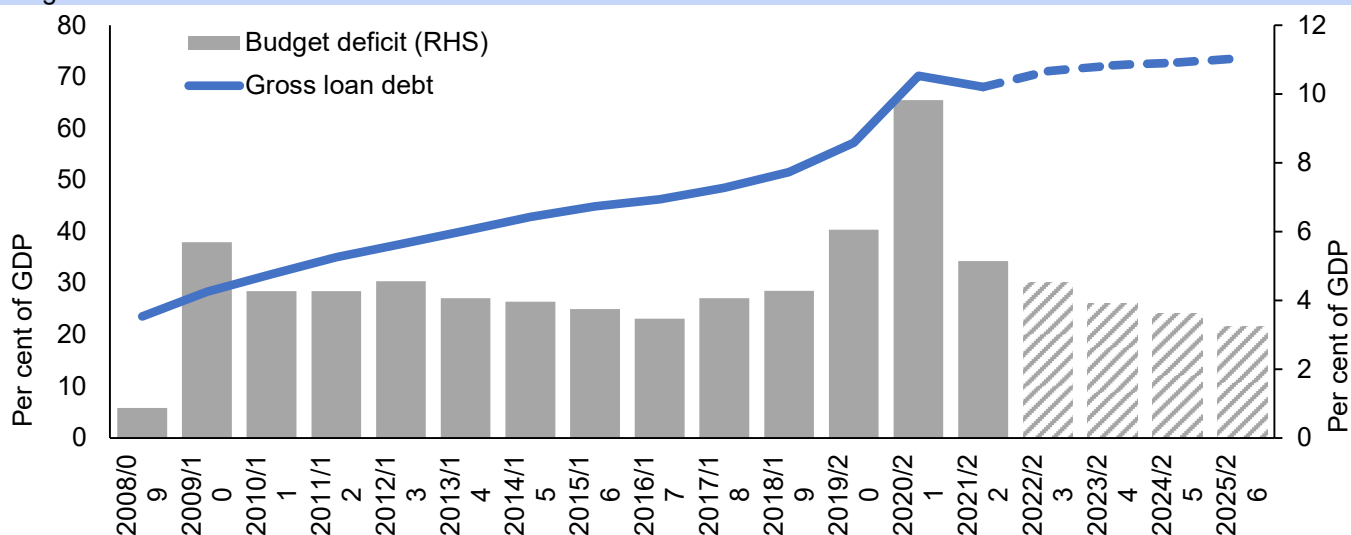
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
<b>R billion</b>				<b>Revised</b>	<b>Medium-term estimates</b>		
<b>Outcome</b>							
Main budget	-345.1	-550.6	-323.1	-300.4	-275.4	-269.9	-258.8
Social security funds	11.9	-46.7	-7.8	-11.2	-8.2	-8.5	16.1
Provinces	6.4	3.0	2.1	6.5	-1.0	-0.2	1.4
Public entities	39.9	39.8	37.4	29.0	0.9	-3.4	-10.6
RDP Fund <sup>1</sup>	-0.6	-0.5	-1.0	0.1	0.0	-0.0	-0.1
<b>Consolidated budget balance</b>	<b>-287.5</b>	<b>-555.1</b>	<b>-292.3</b>	<b>-276.1</b>	<b>-283.7</b>	<b>-282.0</b>	<b>-252.1</b>

Source: National Treasury, Budget 2023

1. Reconstruction and Development Programme Fund

- departments and Treasury “is conducting a review across government to propose a single remuneration framework aligned with the principles of fair, equitable and sustainable remuneration in the public sector” this excludes SOEs.”
- “These reviews are particularly important in areas of the budget where there is persistent underspending and for non-performing and large programmes within departments.”
- “Cost pressures and other policy priorities over the MTEF period are largely funded through reprioritisation and the reallocation of budgets within departments and function groups. In addition, the 2023 Budget allocates additional funding totalling R227 billion over the MTEF period. These funds mostly address shortfalls in compensation budgets for provincial education and health departments resulting from previous budget reductions; enable hiring of new staff in safety and security departments and entities to fight crime and corruption while improving service delivery; and improve infrastructure investment in local and provincial government.”
- The country’s debt-servicing costs are significant and crowd-out spending on essential areas of the economy. Taking on a portion of Eskom’s debt, a necessary step, will exacerbate this. Treasury however expects debt-service costs as a percentage of main budget revenue to reach a peak of 19.8% in 2025/26

Figure 32: Fiscal ratios over the medium term



Source: National Treasury



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Figure 33: Consolidated government expenditure by economic classification<sup>1</sup>

R million	2022/23 Revised estimate	2023/24 Medium-term estimates	2024/25	2025/26	% of total MTEF	Average annual MTEF
<b>Current payments</b>	<b>1,299,359</b>	<b>1,355,806</b>	<b>1,418,715</b>	<b>1,503,379</b>	<b>61.2%</b>	<b>5.0%</b>
Compensation of employees	690,374	701,165	728,747	760,608	31.4%	3.3%
Goods and services	292,955	305,185	317,591	335,793	13.7%	4.7%
Interest and rent on land <i>of which:</i>	316,030	349,456	372,377	406,979	16.2%	8.8%
<i>Debt-service costs</i>	307,157	340,460	362,840	397,074	15.8%	8.9%
<b>Transfers and subsidies</b>	<b>731,230</b>	<b>767,062</b>	<b>771,535</b>	<b>782,975</b>	<b>33.2%</b>	<b>2.3%</b>
Municipalities	162,604	177,626	188,811	198,204	8.1%	6.8%
Departmental agencies and accounts	27,260	27,859	26,227	26,413	1.2%	-1.0%
Higher education institutions	53,866	51,871	58,450	59,189	2.4%	3.2%
Foreign governments and international organisations	3,356	3,147	3,457	3,607	0.1%	2.4%
Public corporations and private enterprises	42,068	40,555	43,237	45,863	1.9%	2.9%
Non-profit institutions	41,825	42,149	40,807	42,540	1.8%	0.6%
Households	400,251	423,853	410,545	407,157	17.8%	0.6%
<b>Payments for capital assets</b>	<b>91,897</b>	<b>110,671</b>	<b>125,228</b>	<b>137,616</b>	<b>5.3%</b>	<b>14.4%</b>
Buildings and other capital assets	61,956	77,433	94,243	104,235	4.0%	18.9%
Machinery and equipment	24,930	28,871	27,385	30,005	1.2%	6.4%
	5,011	4,367	3,600	3,376	0.2%	-12.3%
<b>Payments for financial assets</b>	<b>46,313</b>	<b>4,052</b>	<b>3,577</b>	<b>3,895</b>		
<b>Total</b>	<b>2,168,799</b>	<b>2,237,589</b>	<b>2,319,055</b>	<b>2,427,865</b>	<b>100.0%</b>	<b>3.8%</b>
Contingency reserve	–	5,000	5,000	5,000		
Unallocated reserve	–	–	35,693	44,533		
<b>Consolidated expenditure</b>	<b>2,168,799</b>	<b>2,242,589</b>	<b>2,359,749</b>	<b>2,477,398</b>		<b>4.5%</b>

Source: National Treasury, Budget 2023

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

Figure 34: Combined financial position of public institutions

R billion/% of GDP	2018/19	2019/20	2020/21 <sup>1</sup>
State-owned companies	343.8	352.7	378.7
Development finance institutions	132.5	97.8	125.2
Social security funds	-79.6	-156.5	-221.5
Other public entities <sup>2</sup>	724.6	811.2	834.4

Source: National Treasury

3. Due to the COVID-19 pandemic, many entities have not released audited financial statements, therefore unaudited financials or last quarter reports were used for 2019/20

4. 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

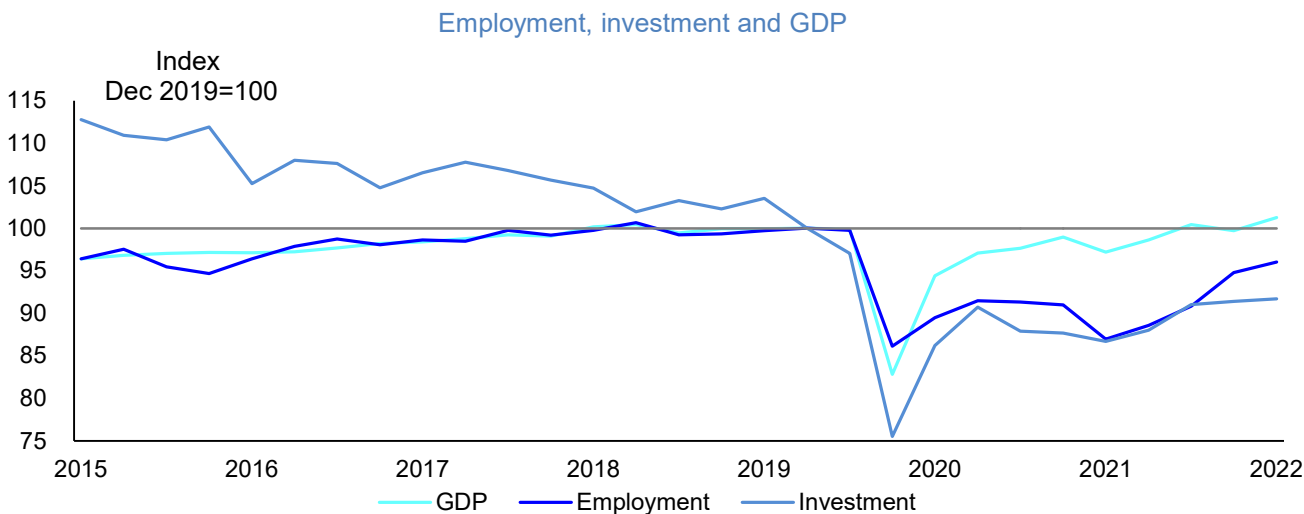




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Figure 35: Employment, investment and GDP



Source: National Treasury, Budget 023

\*Excludes public entities

fiscal year.

- “Several major state-owned companies continue to rely on government bailouts and dominate the guarantee portfolio. Government continues to monitor the financial health of public entities and manage associated risks. A new framework for managing bailouts to state-owned companies will support continued reform efforts ... to reduce fiscal risks and promote long-overdue reforms. The preliminary framework will be published in March 2023 for consultation and will thereafter be submitted to Cabinet.”
- Over the medium term, the net overall position of the social security funds is expected to improve in line with stronger outcomes in each fund. The Development Bank of Southern Africa and the Industrial Development Corporation showed resilience during the economic recovery from COVID-19. The Land Bank’s financial position has improved, but it remains in default.

Figure 36: Total combined fuel taxes on petrol and diesel

	2021/22		2022/23		2023/24	
	93 octane petrol	Diesel	93 octane petrol	Diesel	93 octane petrol	Diesel
General fuel levy	3.85	3.70	3.85	3.70	3.85	3.70
Road Accident Fund levy	2.18	2.18	2.18	2.18	2.18	2.18
Customs and excise levy	0.04	0.04	0.04	0.04	0.04	0.04
Carbon tax <sup>1</sup>	0.08	0.09	0.09	0.10	0.10	0.11
<b>Total</b>	<b>6.15</b>	<b>6.01</b>	<b>6.16</b>	<b>6.02</b>	<b>6.17</b>	<b>6.03</b>
Pump price <sup>2</sup>	18.55	16.31	22.81	23.21	21.38	21.32
Taxes as percentage of pump price	33.2%	36.9%	27.0%	25.9%	28.9%	28.3%

Source: National Treasury

1. The carbon tax on fuel became effective from 5 June 2019

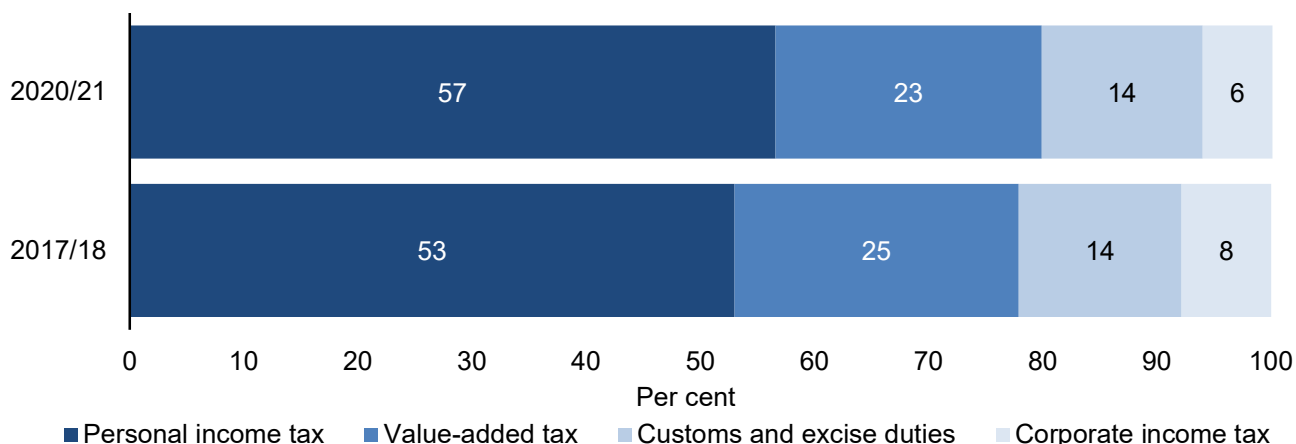
2. Average Gauteng pump price for the 2021/22 and 2022/23 years. The 2023/24 figure is the Gauteng



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Figure 37: Share of total tax expenditure per tax type



Source: National Treasury, Budget 2023

Figure 38: Personal income tax rates and bracket adjustments

2022/23		2023/24	
Taxable income (R)	Rates of tax	Taxable income (R)	Rates of tax
R0 - R226 000	18% of each R1	R0 - R237 100	18% of each R1
R226 001 - R353 100	R40 680 + 26% of the amount above R226 000	R237 101 - R370 500	R42 678 + 26% of the amount above R237 100
R353 101 - R488 700	R73 726 + 31% of the amount above R353 100	R370 501 - R512 800	R77 362 + 31% of the amount above R370 500
R488 701 - R641 400	R115 762 + 36% of the amount above R488 700	R512 801 - R673 000	R121 475 + 36% of the amount above R512 800
R641 401 - R817 600	R170 734 + 39% of the amount above R641 400	R673 001 - R857 900	R179 147 + 39% of the amount above R673 000
R817 601 - R1 731 600	R239 452 + 41% of the amount above R817 600	R857 901 - R1 817 000	R251 258 + 41% of the amount above R857 900
R1 731 601 and above	R614 192 + 45% of the amount above R1 731 600	R1 817 001 and above	R644 489 + 45% of the amount above R1 817 000
Rebates		Rebates	
Primary	R16 425	Primary	R17 235
Secondary	R9 000	Secondary	R9 444
Tertiary	R2 997	Tertiary	R3 145
Tax threshold		Tax threshold	
Below age 65	R91 250	Below age 65	R95 750
Age 65 and over	R141 250	Age 65 and over	R148 217
Age 75 and over	R157 900	Age 75 and over	R165 689

Source: National Treasury



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Figure 40: Macro-economic forecasts, Treasury vs. Investec

	2023	2024	2025
Final household consumption	1.0	1.5	1.8
Investec	1.1	1.7	1.8
Gross fixed capital formation	1.3	3.8	3.5
Investec	2.4	3.5	4.1
Exports	1.0	2.2	2.9
Investec	5.2	2.5	2.9
Imports	1.1	2.3	2.9
Investec	5.4	3.3	3.3
<b>Real GDP</b>	<b>0.9</b>	<b>1.5</b>	<b>1.8</b>
Investec	0.7	1.1	1.4
CPI Inflation	5.3	4.9	4.7
Investec	5.3	4.6	4.3

Source: National Treasury, Budget 2023 and Investec

- Overall it is a good budget given the set of circumstances it operates against. We would rate it seven and a half out of ten, with a higher rating were it not for the multiple crisis SA faces, ranging from the electricity crisis to the rail and port crisis and the unemployment crisis itself, as well as floods and water shortages continuing to plague the country, harming the economy and lives and livelihoods.
- A better economic environment would allow a higher score, while the difficult economic environment instead that SA operates under, weakens the score as it weakens the economic outlook and so state finances.

Figure 41: Macroeconomic performance and projections

	2020	2021	2022	2023	2024	2025
<i>Percentage change unless otherwise indicated</i>	Actual	Estimate			Forecast	
Final household consumption	-5.9	5.6	2.8	1.0	1.5	1.8
Gross fixed capital formation	-14.6	0.2	4.2	1.3	3.8	3.5
Exports	-11.9	10.0	8.8	1.0	2.2	2.9
Imports	-17.4	9.5	14.0	1.1	2.3	2.9
<b>Real GDP growth</b>	<b>-6.3</b>	<b>4.9</b>	<b>2.5</b>	<b>0.9</b>	<b>1.5</b>	<b>1.8</b>
CPI Inflation	3.3	4.5	6.9	5.3	4.9	4.7
Current account deficit (% GDP)	2.0	3.7	-0.4	-1.8	-2.0	-2.1

Source: Reserve Bank, Statistics SA and National Treasury Budget 2023

Figure 42: Projected state debt and debt-service costs

R billion/% of GDP	2022/23	2023/24	2024/25	2025/26
<b>Gross loan debt</b>	<b>4,727.4</b>	<b>5,060.2</b>	<b>5,423.7</b>	<b>5,843.0</b>
	71.1%	72.2%	72.8%	73.6%
<b>Debt-service costs</b>	<b>307.2</b>	<b>340.5</b>	<b>362.8</b>	<b>397.1</b>
	4.6%	4.9%	4.9%	5.0%

Source: National Treasury, Budget 2023



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Figure 43: Eskom debt-relief arrangement

Eskom’s operational failures are intertwined with its untenable financial position. Since 2008/09, government has provided the utility with R263.4 billion in bailouts. These allocations have failed to stem the collapse of Eskom’s balance sheet and operations. The utility imposes an enormous drain on the economy and its debt stands at an unsustainable R423 billion. Government guarantees R350 billion of this debt, which is at risk of default – a contingent liability that raises South Africa’s risk premium and borrowing costs.

Government proposes to provide Eskom with debt relief of R254 billion (about R168 billion in capital and R86 billion in interest) over the next three years. The goal is to strengthen the utility’s balance sheet, enabling it to restructure and undertake the investment and maintenance needed to support security of electricity supply. The key features of this arrangement are as follows:

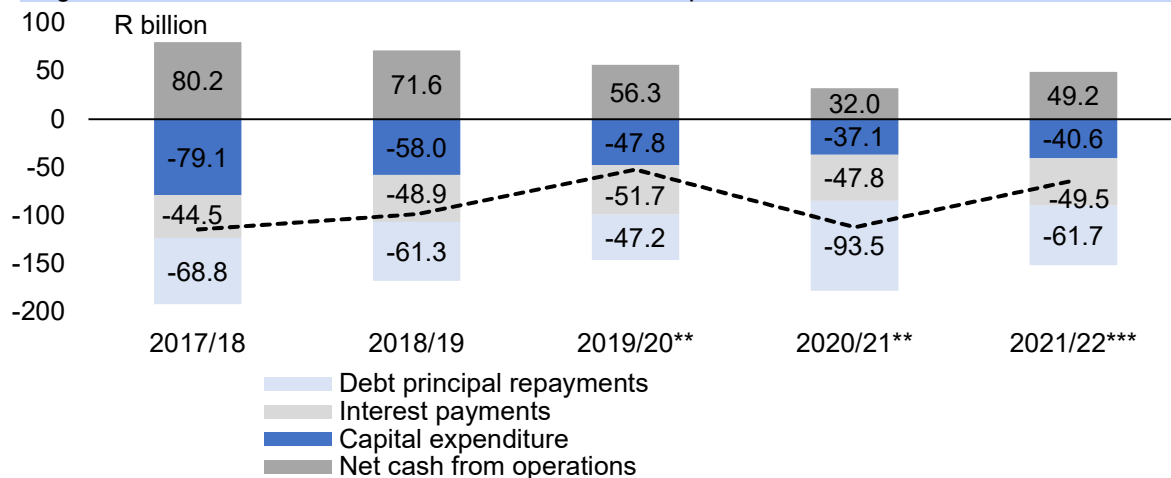
- Government will provide Eskom with advances of R78 billion in 2023/24, R66 billion in 2024/25 and R40 billion in 2025/26. These advances will cover capital and interest payments as they fall due and may only be used for that purpose.
- These amounts will be financed through the R66 billion MTEF baseline provision that was in the 2022 MTBPS, and R118 billion in additional borrowing over the MTEF period ahead.
- In 2025/26, government will directly take over up to R70 billion of Eskom’s loan portfolio.

This arrangement has been the subject of extensive consultation with Eskom and its stakeholders. Annexure W3 (online) reviews the provision of debt relief and spells out the strict conditions governing the arrangement. Its success rests on the implementation of key reforms that address the inadequacies of the transmission network and performance of existing power stations, which form part of the following obligatory conditions:

- Eskom, the National Treasury and the Department of Public Enterprises have agreed to design a mechanism for building new transmission infrastructure that will allow for extensive private-sector participation in the development of the transmission network.
- The National Treasury has appointed an international consortium with extensive experience in the operations of coal-fired power stations to review all plants in Eskom’s coal fleet and advise on operational improvements. The review is scheduled to conclude by mid-2023. Eskom is required to implement the operational recommendations emanating from this independent assessment. This will include a determination of which plants can be resuscitated to original equipment manufacturers’ standards, following which Eskom must concession all these power stations with clear targets for the electricity availability factor and operations.

Source: National Treasury, Budget 2023

Figure 44: Consolidated cash flows at state-owned companies\*



Source: National Treasury, Budget 2023



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### Figure 45: Combating financial crimes and illicit activities

Since 2003 South Africa has been a member of the Financial Action Task Force (FATF), which sets global standards to combat money laundering and the financing of terrorism across national borders.

The FATF's most recent mutual evaluation of South Africa identified a number of deficiencies in its legislative framework and implementation. Government is working to rectify these shortcomings. The enactment of legislation in 2022 – the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act and the Protection of Constitutional Democracy Against Terrorist and Related Activities Amendment Act – addresses 15 of the 20 legislative deficiencies identified. The remaining five will be addressed through regulations and practices that do not require legislation.

Government is committed to addressing flaws in the regulatory framework, strengthening enforcement and applying strong sanctions. The 2023 Budget also allocates an additional R265.3 million to the Financial Intelligence Centre over the MTEF period to implement the recommendations of the State Capture Commission and the FATF.

At its February 2023 plenary, the FATF will pronounce on South Africa's progress and the extent to which it will face enhanced monitoring, including possible grey listing. Additional information is provided in Annexure E.

Source: National Treasury, Budget 2023

### Figure 46: Changes in specific excise duties, 2023/24

	Current excise duty rate	Proposed excise duty rate	Percentage change	
			Nominal	Real
Malt beer	R121.41 / litre of absolute alcohol (206,40c / average 340ml can)	R127.40 / litre of absolute alcohol (216,58c / average 340ml can)	4.9	–
Traditional African beer	7,82c / litre	7,82c / litre	–	-4.9
Traditional African beer powder	34,70c / kg	34,70c / kg	–	-4.9
Unfortified wine	R4.96 / litre	R5.20 / litre	4.9	–
Fortified wine	R8.36 / litre	R8.77 / litre	4.9	–
Sparkling wine	R16.52 / litre	R16.64 / litre	0.7	-4.2
Ciders and alcoholic fruit beverages	R121.41 / litre of absolute alcohol (206,40c / average 340ml can)	R127.40 / litre of absolute alcohol (216,58c / average 340ml can)	4.9	–
Spirits	R245.15 / litre of absolute alcohol (R79.06 / 750ml bottle)	R257.23 / litre of absolute alcohol (R82.96 / 750ml bottle)	4.9	–
Cigarettes	R19.82 / 20 cigarettes	R20.80 / 20 cigarettes	4.9	–
HTPs sticks	R14.87 / 20 sticks	R15.60 / 20 sticks	4.9	–
Cigarette tobacco	R22.28 / 50g	R23.38 / 50g	4.9	–
Pipe tobacco	R6.63 / 25g	R6.96 / 25g	4.9	–
Cigars	R110.93 / 23g	R116.40 / 23g	4.9	–

Source: National Treasury

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