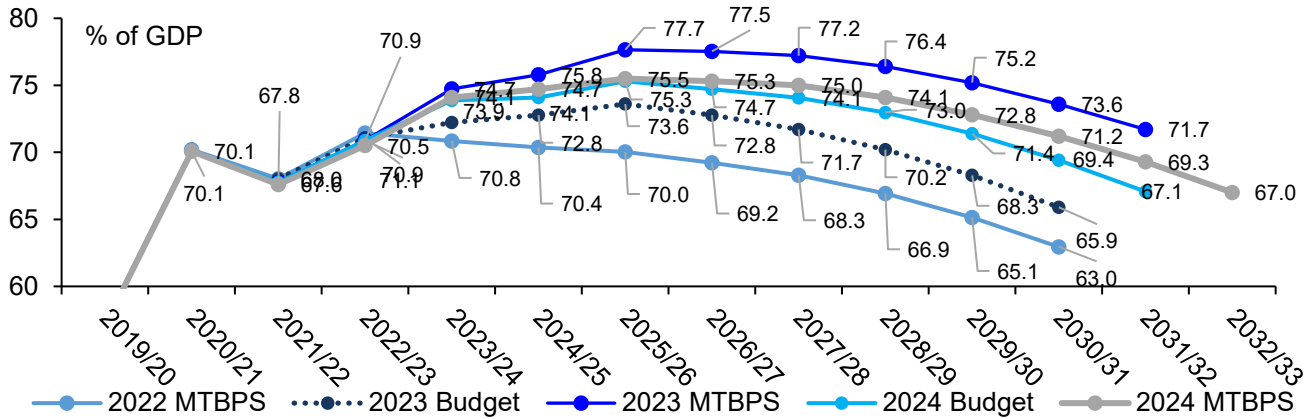




MTBPS: sees fiscal slippage again

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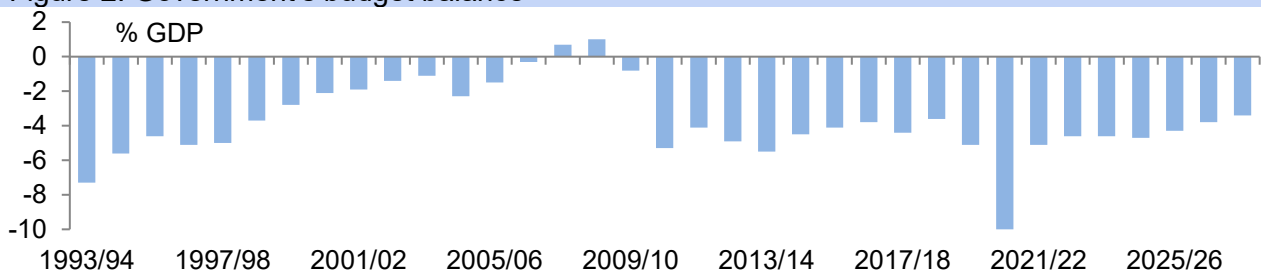
Figure 1: Gross debt-to-GDP outlook and main budget revenue and expenditure



Source: MTBPS October 2024

- 2024's Medium-Term Budget Policy Statement (MTBPS) saw a deterioration in the fiscal metrics against expectations, causing the rand to weaken to R17.76/USD from R17.63/USD, and bond yields rose.
- The projected budget deficit widened to -5.0% for this year (2024/25), versus the -4.5% projected in the February Budget, and the -4.4% of the Bloomberg consensus (all as a % of GDP).
- Similarly, the medium-term saw projections rise as well from -3.7% to -4.3% for 2025/26, and to -3.6% from -3.3% for 2026/27, and -3.2% 2027/28 (Bloomberg consensus -3.9%, -3.5% and -3.3% respectively).
- The deterioration in state finance projections extended to government's debt to GDP ratio too, at 74.7% this year, up from 74.1%, 75.5% in 2025/26 from 75.3% and 75.3% from 74.7% in 2026/27 (2027/28 75%).
- The downward revision to revenue (and the economic growth forecast this year), and upwards revisions to expenditure have been responsible for the widening of the fiscal deficit and borrowing projections, with expenditure increases on SOE debt repayment, public service and most functions of government.
- Growth is seen at 1.1% y/y this year from 1.3% y/y in February, no lowering of the inflation target occurred.
- Worryingly, gross debt remains above 60% of GDP (the maximum sustainable debt ratio for an emerging market economy) out to 2031/32, and the growing ratio reduces the sustainability of government finances.
- The budget is slightly more credit negative on the deterioration in the projected fiscal ratios (debt nears R7trillion by 2027/28), but is unlikely to result in a credit rating downgrade. However, ongoing fiscal slippage, particularly in the February Budget next year would risk negative outlooks for SA.

Figure 2: Government's budget balance



Source: MTBPS October 2024



MTBPS: sees fiscal slippage again

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Figure 3: Main Budget Framework

| R billion/percentage of GDP | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---------------------------------------------|----------------|----------------|----------------|----------------|-----------------------|----------------|----------------|
| | | Outcome | | Revised | Medium-term estimates | | |
| Revenue | | | | | | | |
| Gross tax revenue | | | | | | | |
| | 1,563.8 | 1,686.7 | 1,740.9 | 1,840.8 | 1,971.8 | 2,111.1 | 2,255.2 |
| Gross tax revenue growth | 25.1% | 7.9% | 3.2% | 5.7% | 7.1% | 7.1% | 6.8% |
| Nominal GDP growth | 12.6% | 6.9% | 4.9% | 6.1% | 6.5% | 6.5% | 6.6% |
| Buoyancy | 1.99 | 1.14 | 0.66 | 0.95 | 1.09 | 1.09 | 1.04 |
| Non-tax revenue | 40.4 | 51.0 | 43.9 | 36.0 | 34.0 | 33.2 | 33.4 |
| Southern African Customs Union ¹ | -46.0 | -43.7 | -79.8 | -89.9 | -73.5 | -75.5 | -86.4 |
| National Revenue Fund receipts ² | 6.1 | 5.2 | 19.0 | 10.5 | 0.4 | 0.8 | 0.6 |
| Main budget revenue | 1,564.3 | 1,699.2 | 1,724.0 | 1,797.4 | 1,932.6 | 2,069.6 | 2,202.8 |
| | 24.7% | 25.1% | 24.3% | 23.9% | 24.1% | 24.3% | 24.2% |
| Expenditure | | | | | | | |
| Main budget expenditure | 1,887.3 | 2,009.2 | 2,046.9 | 2,153.0 | 2,276.4 | 2,394.7 | 2,511.8 |
| | 29.8% | 29.7% | 28.9% | 28.6% | 28.4% | 28.1% | 27.6% |
| Non-interest expenditure | 1,619.2 | 1,700.7 | 1,690.8 | 1,764.1 | 1,857.3 | 1,949.0 | 2,036.1 |
| | 25.6% | 25.1% | 23.8% | 23.4% | 23.2% | 22.8% | 22.4% |
| Debt-service costs | 268.1 | 308.5 | 356.1 | 388.9 | 419.1 | 445.7 | 475.7 |
| | 4.2% | 4.6% | 5.0% | 5.2% | 5.2% | 5.2% | 5.2% |
| Main budget balance | -323.0 | -309.9 | -322.9 | -355.6 | -343.8 | -325.2 | -309.0 |
| | -5.1% | -4.6% | -4.6% | -4.7% | -4.3% | -3.8% | -3.4% |
| Primary balance | -54.9 | -1.5 | 33.2 | 33.2 | 75.3 | 120.6 | 166.7 |
| | -0.9% | 0.0% | 0.5% | 0.4% | 0.9% | 1.4% | 1.8% |

Source: MTBPS October 2024

1. Amount made up of payments and other adjustments. 2. Mainly revaluation profits on foreign-currency transactions and premiums on loan transactions.

Figure 4: Budget Balances

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|-------------|---------|---------|---------|---------|---------|---------|---------|
| Budget 2018 | | | | | | | |
| MTBPS 2018 | -4.0% | | | | | | |
| Budget 2019 | -4.0% | | | | | | |
| MTBPS 2019 | -6.2% | -5.9% | | | | | |
| Budget 2020 | -6.2% | -5.7% | | | | | |
| MTBPS 2020 | -10.1% | -8.6% | -7.3% | | | | |
| Budget 2021 | -14.0% | -9.3% | -7.3% | -6.3% | | | |
| MTBPS 2021 | -6.6% | -6.0% | -5.3% | -4.9% | | | |
| Budget 2022 | -5.7% | -6.0% | -4.8% | -4.2% | | | |
| MTBPS 2022 | -5.1% | -4.9% | -4.1% | -3.7% | -3.3% | | |
| Budget 2023 | -5.1% | -4.5% | -3.9% | -3.6% | -3.3% | | |
| MTBPS 2023 | -5.1% | -4.6% | -4.7% | -4.3% | -4.1% | -3.7% | |
| Budget 2024 | -5.1% | -4.6% | -4.7% | -4.3% | -3.9% | -3.4% | |
| MTBPS 2024 | -5.1% | -4.6% | -4.6% | -4.7% | -4.3% | -3.8% | -3.4% |

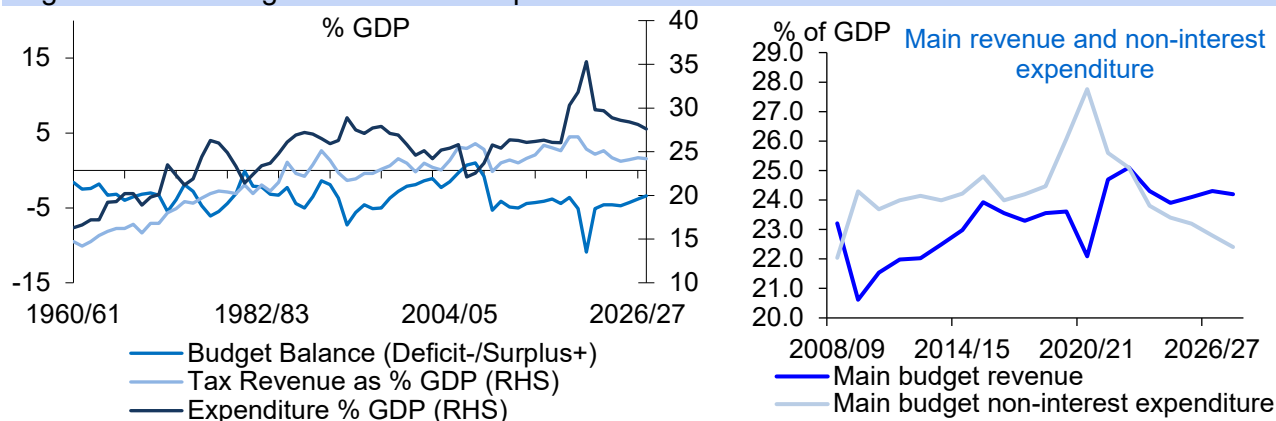
Source: MTBPS October 2024



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Figure 5: Main budget revenue and expenditure*



Source: MTBPS October 2024

- The revenue revisions show a drop of -R15bn this year (2024/25), while expenditure rises by R26bn, widening the budget deficit by -R41bn, and contributing to higher borrowing.
- The MTBPS notes on its higher expenditure projections that “special adjustments are included for the repayment of debt to SANRAL and appropriations to the Presidency, the Department of International Relations and Cooperation and the Department of Justice and Constitutional Development in legal costs for South Africa's case in the International Court of Justice. These in-year adjustments also contain emergency funds related to the South African National Defence Force troop deployment in the Democratic Republic of the Congo.”
- “The remaining upward expenditure adjustments are for rollovers, defence troop deployment, unforeseeable and unavoidable expenditure and spending announced in the 2024 Budget, including an increase in the COVID-19 social relief of distress grant. An amount of R60 million is also added for costs related to the initial activities of South Africa's G20 Presidency in 2024/25. In addition, R2.6 billion is included for self-financing from the revenue-generating activities of departments”.

Figure 6: Total National debt, 2023/24-2027/28

| End of period | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|----------------------------------|----------------|----------------|-----------------------|----------------|----------------|
| R billion | Outcome | Revised | Medium-term estimates | | |
| MTBPS 2022 | | | | | |
| Gross loan debt | 5,259.4 | 5,622.5 | 6,054.7 | 6,424.4 | 6,817.5 |
| Net loan debt¹ | 5,063.7 | 5,465.6 | 5,958.3 | 6,329.4 | 6,713.7 |
| As percentage of GDP: | | | | | |
| Total gross loan debt | 74.1% | 74.7% | 75.5% | 75.3% | 75.0% |
| Total net loan debt | 71.4% | 72.6% | 74.3% | 74.2% | 73.8% |

Source: National Treasury, MTBPS October 2024

1. Net loan debt is gross loan debt minus the bank balances of the National Revenue Fund



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Figure 7: Consolidated government expenditure, 2024/25 -2027/28

| R billion | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Avg annual growth |
|--------------------------------------|----------------|-----------------------|----------------|----------------|-------------------|
| | Revised | Medium-term estimates | | | |
| Learning and culture | 478.6 | 498.1 | 524.7 | 550.1 | 4.7% |
| Health | 274.0 | 284.5 | 297.2 | 310.8 | 4.3% |
| Social development | 396.3 | 395.8 | 407.1 | 418.5 | 1.8% |
| Community development | 264.5 | 272.5 | 281.9 | 293.3 | 3.5% |
| Economic development | 262.1 | 293.5 | 298.1 | 328.7 | 7.8% |
| Peace and security | 249.8 | 257.7 | 270.8 | 280.6 | 3.9% |
| General public services | 75.7 | 79.0 | 81.8 | 86.0 | 4.4% |
| Payments for financial assets | 5.2 | 2.4 | 2.6 | 2.6 | – |
| Total expenditure by function | 2,006.1 | 2,083.6 | 2,164.1 | 2,270.6 | 4.2% |
| Debt-service costs | 388.9 | 419.1 | 445.7 | 475.7 | 6.9% |
| Contingency reserve | – | 7.6 | 14.5 | 20.8 | – |
| Total expenditure | 2,395.0 | 2,510.3 | 2,624.4 | 2,767.1 | 4.9% |

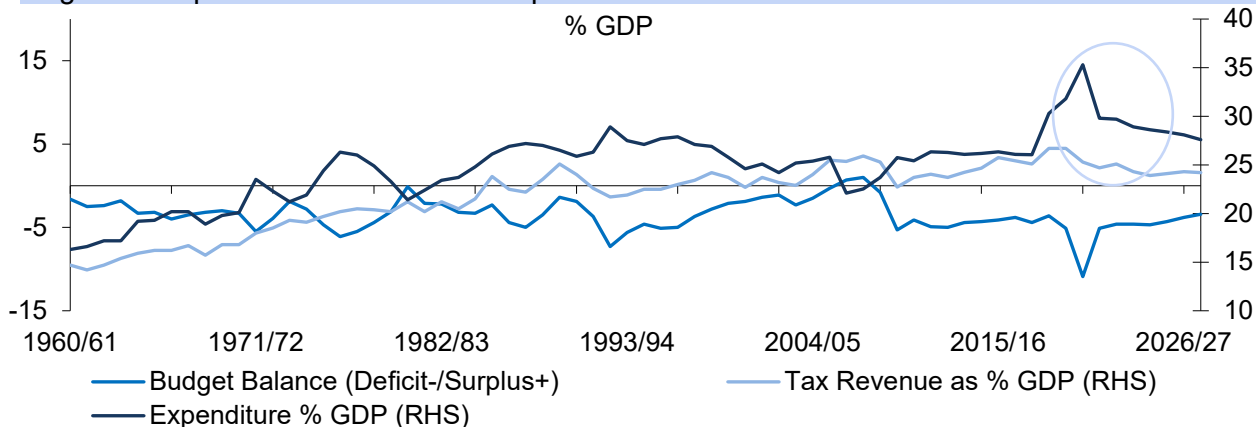
Source: National Treasury, MTBPS October 2024

Figure 8: Consolidated government fiscal framework, 2024/25 – 2027/28

| R bn/% of GDP | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---------------------------------|----------------|-----------------------|----------------|----------------|
| | Revised | Medium-term estimates | | |
| Revenue | 1,797.4 | 1,932.6 | 2,069.6 | 2,202.8 |
| | 23.9% | 24.1% | 24.3% | 24.2% |
| Expenditure | 2,153.0 | 2,276.4 | 2,394.7 | 2,511.8 |
| | 28.6% | 28.4% | 28.1% | 27.6% |
| Non-interest expenditure | 1,764.1 | 1,857.3 | 1,949.0 | 2,036.1 |
| | 23.4% | 23.2% | 22.8% | 22.4% |
| Budget balance | -355.6 | -343.8 | -325.2 | -309.0 |
| | -4.7% | -4.3% | -3.8% | -3.4% |
| Total gross loan debt | 5,622.5 | 6,054.7 | 6,424.4 | 6,817.5 |
| | 74.7% | 75.5% | 75.3% | 75.0% |

Source: National Treasury, MTBPS October 2024

Figure 9: Expenditure continues to outpace revenue



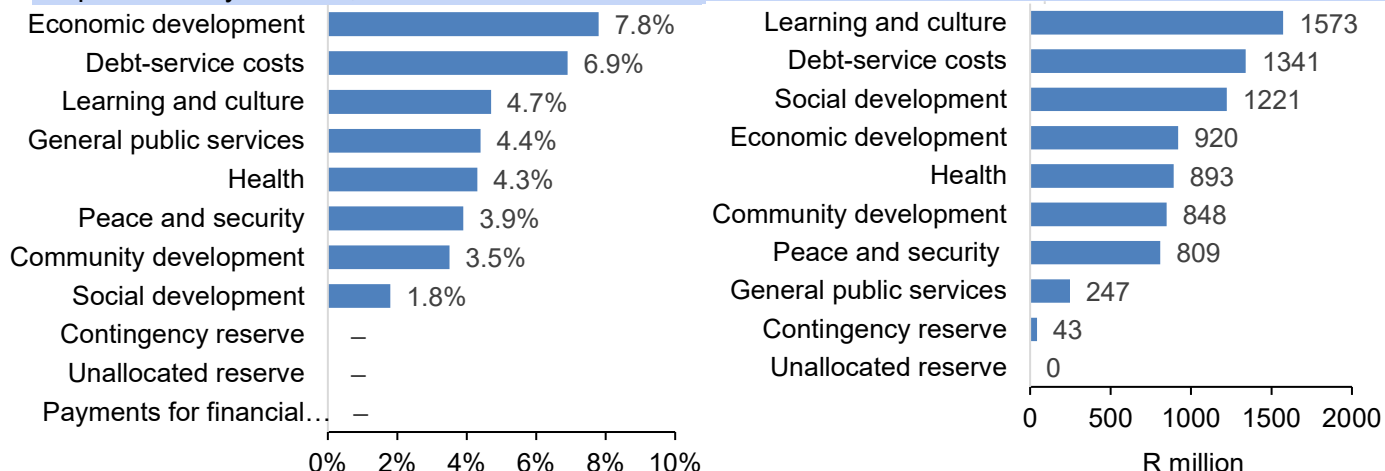
Source: National Treasury, MTBPS October 2024



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Figure 10: Average nominal growth in spending 2024/25 -2027/28 and consolidated government expenditure by function, 2025/26-2027/28



Source: National Treasury, MTBPS October 2024

- In addition, “unforeseeable and unavoidable adjustments dedicated to support the rebuilding and rehabilitation of infrastructure damaged by floods across multiple municipalities and provinces.”
- “Similar support will be provided through the provincial roads maintenance grant for road reconstruction. Other adjustments targeted at infrastructure include a top-up of the emergency housing grant to fund current shortfalls and historical outstanding interventions.”
- “These increases are partially offset by declared unspent funds, projected underspending, drawdowns of the contingency reserve and provisional allocations not assigned to votes. Details on in-year spending adjustments for national departments”.

Figure 11: Macro-economic forecasts, Treasury vs. Investec

| | 2024 | 2025 | 2026 | 2027 |
|-------------------------------|------------|------------|------------|------------|
| Final household consumption | 1.2 | 1.8 | 1.7 | 1.9 |
| Investec | 1.5 | 2.2 | 2.3 | 2.6 |
| Final government consumption | 1.4 | 0.9 | -0.4 | -0.1 |
| Investec | -0.7 | -0.2 | 0.0 | 0.7 |
| Gross fixed capital formation | -2.5 | 4.7 | 4.2 | 3.8 |
| Investec | 4.1 | 4.8 | 5.0 | 5.3 |
| Gross domestic expenditure | 0.5 | 2.0 | 1.7 | 1.9 |
| Investec | 1.0 | 2.1 | 2.2 | 2.8 |
| Exports | -1.6 | 3.1 | 3.1 | 3.1 |
| Investec | 3.1 | 3.8 | 4.1 | 4.5 |
| Imports | -3.2 | 4.1 | 2.8 | 3.0 |
| Investec | 3.2 | 4.3 | 4.5 | 5.1 |
| Real GDP | 1.1 | 1.7 | 1.7 | 1.9 |
| Investec | 1.0 | 1.7 | 2.0 | 2.5 |
| CPI Inflation | 4.6 | 4.4 | 4.5 | 4.5 |
| Investec | 4.6 | 4.2 | 4.6 | 4.7 |

Source: National Treasury, Investec



MTBPS: sees fiscal slippage again

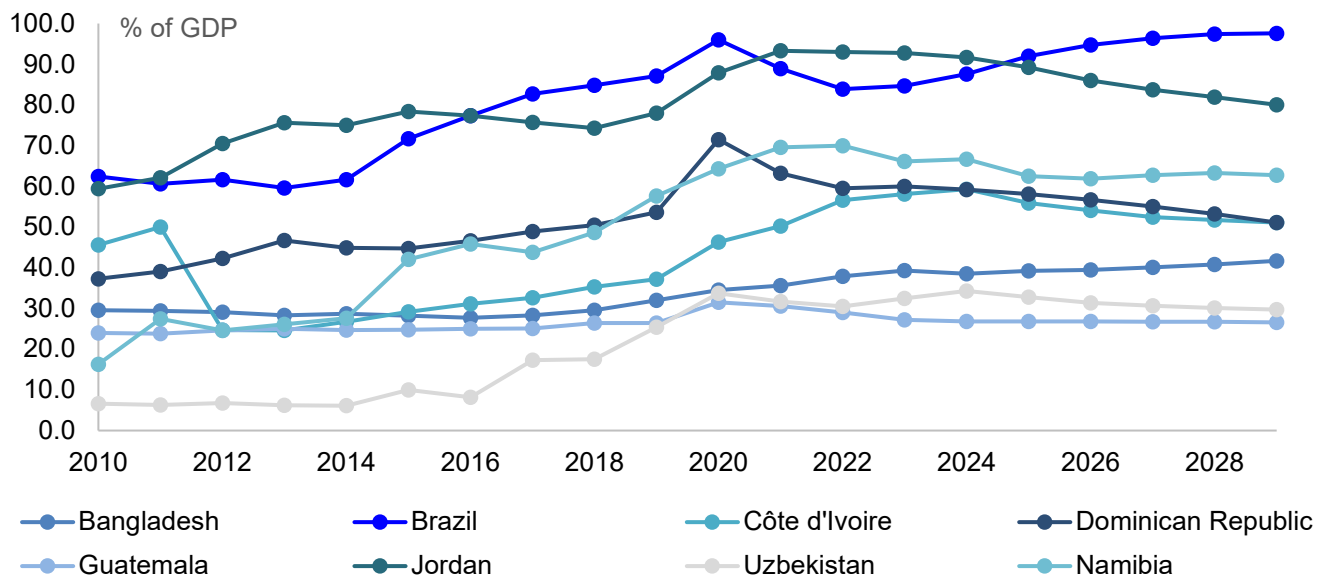
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Figure 12: Reuters October 2024 forecasts, Budget Poll

| Forecast period | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|-----------------------------|---------|---------|---------|---------|---------|
| Consolidated Budget Deficit | -4.40 | -3.90 | -3.45 | -3.25 | -3.00 |
| Gross Debt to GDP ratio | 74.45 | 75.55 | 75.45 | 75.30 | 75.00 |

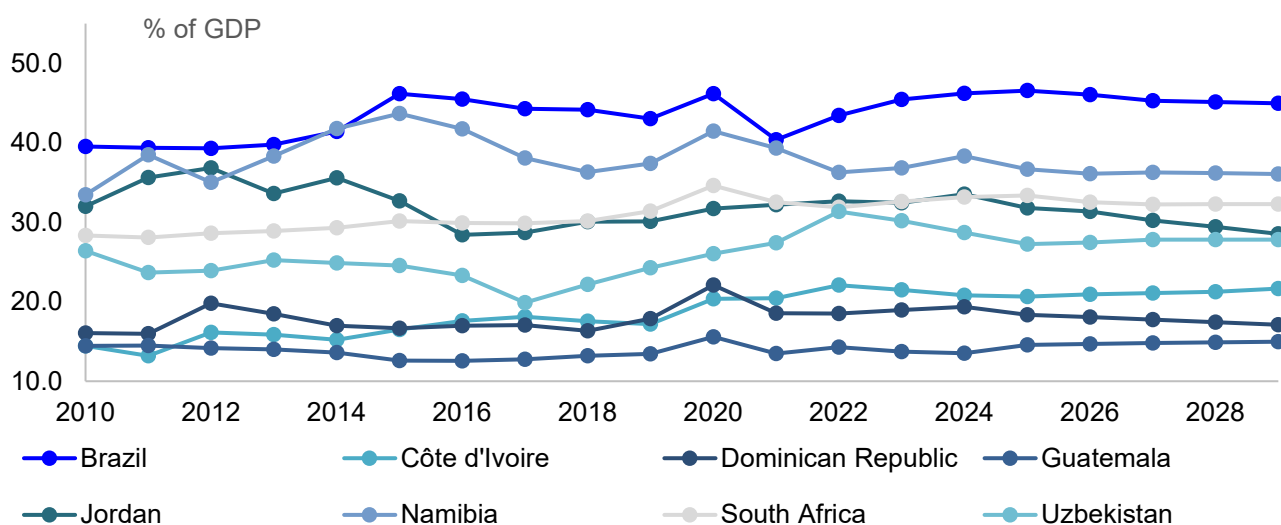
Source: Reuters

Figure 13: Government gross debt % GDP – SA's BB- Fitch rated peers



Source: IMF, Fiscal Monitor October 2024

Figure 14: Government total expenditure % GDP – SA's BB- Fitch rated peers



Source: IMF, Fiscal Monitor October 2024

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Figure 15: Consolidated government expenditure by economic classification

| R million | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Average annual MTEF |
|-----------------------------------------------------|----------------|----------------|------------------------------|---------|---------|---------------------|
| | Outcome | Revised | Medium-term estimates | | | |
| Current payments | 1,399.9 | 1,482.0 | 1,567.6 | 1,636.6 | 1,730.8 | 5.3% |
| Compensation of employees | 724.1 | 761.4 | 798.3 | 832.6 | 868.0 | 4.5% |
| Goods and services | 312.7 | 323.1 | 341.7 | 350.2 | 378.6 | 5.4% |
| Interest and rent on land of which: | 363.1 | 397.5 | 427.6 | 453.8 | 484.1 | 6.8% |
| Debt-service costs | 356.1 | 388.9 | 419.1 | 445.7 | 475.7 | 6.9% |
| Transfers and subsidies | 746.8 | 789.1 | 803.8 | 825.5 | 852.3 | 2.6% |
| Provinces and municipalities | 171.7 | 181.4 | 191.1 | 199.3 | 208.1 | 4.7% |
| Departmental agencies and accounts | 33.6 | 29.1 | 33.4 | 29.3 | 25.9 | -3.8% |
| Higher education institutions | 51.0 | 54.4 | 55.5 | 58.0 | 60.6 | 3.7% |
| Foreign governments and international organisations | 3.0 | 3.2 | 3.3 | 3.4 | 3.6 | 4.0% |
| Public corporations and private enterprises | 39.6 | 39.5 | 38.9 | 40.3 | 42.4 | 2.3% |
| Non-profit institutions | 42.2 | 40.2 | 43.3 | 46.4 | 49.8 | 7.4% |
| Households | 405.7 | 441.3 | 438.3 | 448.8 | 461.9 | 1.5% |
| Payments for capital assets | 106.6 | 118.7 | 128.9 | 145.1 | 160.6 | 10.6% |
| Buildings and other fixed structures | 78.1 | 88.7 | 100.7 | 117.1 | 131.1 | 13.9% |
| Machinery and equipment | 28.5 | 30.0 | 28.2 | 28.0 | 29.5 | -0.5% |
| Payments for financial assets | 5.4 | 5.2 | 2.4 | 2.6 | 2.6 | |
| Total | 2,258.8 | 2,395.0 | 2,502.7 | 2,609.9 | 2,746.3 | 4.7% |
| Contingency reserve | – | – | 7.6 | 14.5 | 20.8 | |
| Consolidated expenditure | 2,258.8 | 2,395.0 | 2,510.3 | 2,624.4 | 2,767.1 | 4.9% |

Source: National Treasury, MTBPS October 2024

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

- Consequently, consolidated government spending is projected to increase from R2.4 trillion in 2024/25 to R2.77 trillion in 2027/28, growing at an annual average rate of 4.9 per cent.
- For 2025/26 and 2026/27, the revenue revisions show a drop of about -R19.1bn, while expenditure rises by a substantial R65.5bn.
- “Economic development is the fastest-growing function, with growth averaging 7.8 per cent over the MTEF period driven by increased infrastructure allocations. Debt-service costs grow at an average of 6.9 per cent per year.”

Figure 16: Consolidated government fiscal framework, 2023/24 – 2026/27

| R bn/% of GDP | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|------------------------------|----------------|----------------|------------------------------|----------------|
| | Revised | | Medium-term estimates | |
| Revenue | 1,941.4 | 2,021.5 | 2,166.6 | 2,314.3 |
| | 27.4% | 26.9% | 27.0% | 27.1% |
| Expenditure | 2,258.8 | 2,395.0 | 2,510.3 | 2,624.4 |
| | 31.8% | 31.8% | 31.3% | 30.8% |
| Budget balance | -317.5 | -373.5 | -343.7 | -310.1 |
| | -4.5% | -5.0% | -4.3% | -3.6% |
| Total gross loan debt | 5,259.4 | 5,622.5 | 6,054.7 | 6,424.4 |
| | 74.1% | 74.7% | 75.5% | 75.3% |

Source: National Treasury, MTBPS October 2024



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Figure 17: Consolidated budget balance

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|-----------------------------|---------------|---------------|---------------|---------------|-----------------------|---------------|---------------|
| R billion | | Outcome | | Revised | Medium-term estimates | | |
| Main budget | -323.0 | -309.9 | -322.9 | -355.6 | -343.8 | -325.2 | -309.0 |
| Social security funds | -6.2 | 8.4 | 10.8 | -6.8 | 16.0 | 24.5 | 25.8 |
| Provinces | 35.1 | 43.2 | 3.0 | -6.1 | -16.2 | -13.5 | -16.2 |
| Public entities | 2.1 | 13.4 | -8.4 | -5.1 | -0.1 | 3.5 | 3.4 |
| RDP Fund1 | -0.6 | 0.2 | 0.0 | 0.2 | 0.4 | 0.5 | 0.7 |
| Consolidated budget balance | -292.6 | -244.7 | -317.5 | -373.5 | -343.7 | -310.1 | -295.3 |
| % of GDP | -4.6% | -3.6% | -4.5% | -5.0% | -4.3% | -3.6% | -3.2% |

Source: National Treasury, MTBPS October 2024

Figure 18: National government gross borrowing requirement and financing

| R billion | 2023/24 | 2024/25 | 2025/25 | 2026/27 | 2027/28 |
|-----------------------------------|---------------|---------------|-----------------------|---------------|---------------|
| | Outcome | Revised | Medium-term estimates | | |
| Gross borrowing | | | | | |
| Main budget balance | -322.9 | -355.6 | -343.8 | -325.2 | -309.0 |
| Redemptions | -144.4 | -105.0 | -173.7 | -154.8 | -306.0 |
| Domestic long-term loans | -97.3 | -64.3 | -115.3 | -115.3 | -280.4 |
| Foreign loans | -47.1 | -40.6 | -58.4 | -39.5 | -25.6 |
| Total | -543.3 | -424.7 | -602.7 | -455.0 | -614.9 |
| Financing | | | | | |
| Domestic short-term loans (net) | 88.7 | 33.0 | 45.0 | 36.0 | 53.0 |
| Domestic long-term loans | 336.2 | 305.1 | 400.7 | 320.4 | 472.2 |
| Foreign loans | 45.7 | 53.8 | 90.3 | 92.0 | 93.2 |
| Change in cash and other balances | 72.7 | 32.8 | 66.6 | 6.6 | -3.4 |
| Total | 543.3 | 424.7 | 602.7 | 455.0 | 614.9 |

Source: National Treasury, MTBPS October 2024

Figure 19: Gross tax revenue

| R billion | 2023/24 | | | 2024/25 | | |
|--------------------------|---------------------|----------------|------------|---------------------|----------------|--------------|
| | Budget ¹ | Outcome | Deviation | Budget ¹ | Revised | Deviation |
| Persons and individuals | 649.8 | 648.9 | -0.9 | 738.7 | 729.0 | -9.7 |
| Companies | 301.4 | 313.1 | 11.7 | 302.7 | 314.4 | 11.7 |
| Value-added tax | 445.3 | 447.6 | 2.2 | 476.7 | 463.8 | -13.0 |
| Dividends tax | 39.7 | 39.2 | -0.5 | 36.1 | 39.5 | 3.4 |
| Specific excise duties | 53.9 | 53.5 | -0.4 | 58.2 | 57.6 | -0.6 |
| Fuel levy | 93.4 | 91.5 | -1.9 | 95.8 | 82.4 | -13.4 |
| Customs duties | 72.5 | 70.5 | -1.9 | 76.8 | 73.9 | -3.0 |
| Ad valorem excise duties | 7.8 | 7.3 | -0.4 | 6.8 | 6.8 | -0.0 |
| Other | 67.6 | 69.2 | 1.6 | 71.1 | 73.4 | 2.4 |
| Gross tax revenue | 1,731.4 | 1,740.9 | 9.5 | 1,863.0 | 1,840.8 | -22.3 |

Source: National Treasury, MTBPS October 2024

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Figure 20: New appraisal and financing system to take shape over medium term

The BFI employs bid windows through which public institutions - including national departments, provinces, municipalities and public entities - request funding for part of the cost of a project. The eighth bid window for the 2025 Budget process is piloting the reconfigured system of appraisal and financing described above.

The introduction of project-based loans may result in a marginally higher borrowing requirement at the time of the 2025 Budget. However, it is expected that the borrowing costs will be more favourable and investors will be able to directly link their investment decisions to specific infrastructure projects or a portfolio of projects.

The following projects have been approved for execution using the new appraisal and financing system from 2025/26:

- Transnet: Cape Town Container Terminal Expansion Phase 2B to expand landside capacity at the terminal. It includes rehabilitating and upgrading the container stacking pavement, expanding the truck staging area and building new rail sidings.
- City of Johannesburg: Alternative Wastewater Treatment Technology PPP to convert 500 000 tonnes of solid waste per year to energy.
- eThekweni: Non-Revenue Water Project for infrastructure upgrades to reduce leaks.
- South African Nuclear Energy Corporation: Replace the SAFARI-1 research reactor.
- Department of Water and Sanitation: Olifants Management Model Programme Phase 2D and 2F for bulk distribution water infrastructure, including pipelines, reservoirs and reticulation.
- Department of Health: Siloam District Hospital to build a new 224-bed hospital, refurbish the psychiatric ward and mortuary, and construct facilities for allied services such as audiology, physiotherapy and occupational therapy.
- Department of Higher Education: Student Housing Infrastructure Programme to build six facilities at universities and technical and vocational education and training colleges.
- Western Cape Department of Health: Tygerberg Hospital Redevelopment Health Technology PPP to procure health technology.
- Transnet: Ukuvuselela Gauteng-Eastern Cape High-Capacity Rail Corridor to upgrade the South Corridor railway line and expand port infrastructure for automotive handling.

Source:: National Treasury, MTBPS October 2024

- “Spending on payments for capital assets is the fastest-growing item by economic classification, increasing at an annual average of 10.6 per cent over the three- year period. A portion of social protection funding is retained within the fiscal framework as part of provisional allocations to be finalised at the time of the 2025 Budget.”

Figure 21: Main budget expenditure ceiling¹

| R million | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--------------------|-----------|------------------|------------------|------------------|------------------|------------------|------------------|
| 2019 MTBPS | 1,307,235 | 1,404,675 | 1,493,029 | 1,591,287 | 1,673,601 | | |
| 2020 Budget Review | 1,307,119 | 1,409,244 | 1,457,703 | 1,538,590 | 1,605,098 | | |
| 2020 MTBPS | 1,307,112 | 1,418,408 | 1,502,867 | 1,479,709 | 1,516,052 | 1,529,585 | |
| 2021 Budget Review | | 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 |

Source: National Treasury

1. The expenditure ceiling differs from main budget non-interest expenditure. The precise definition and calculation of the expenditure ceiling is contained in Annexure C

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Figure 22: Consolidated government expenditure by functions¹

| R billion | 2023/24 | 2024/25 | 2025/26 | 2026/257 | 2027/28 | Average growth 2024/25– 2027/28 |
|------------------------------------------|----------------|----------------------|-----------------------|----------------|----------------|---------------------------------------|
| | Outcome | Revised ² | Medium-term estimates | | | |
| Learning and culture | 462.9 | 478.6 | 498.1 | 524.7 | 550.1 | 4.7% |
| Basic education | 315.1 | 323.3 | 342.4 | 362.8 | 380.6 | 5.6% |
| Post-school education and training | 135.6 | 143.0 | 143.9 | 149.9 | 156.8 | 3.1% |
| Arts, culture, sport and recreation | 12.1 | 12.3 | 11.8 | 12.0 | 12.7 | 1.0% |
| Health | 265.9 | 274.0 | 284.5 | 297.2 | 310.8 | 4.3% |
| Peace and security | 239.6 | 249.8 | 257.7 | 270.8 | 280.6 | 3.9% |
| Defence and state security | 56.4 | 57.1 | 57.3 | 59.9 | 62.0 | 2.8% |
| Police services | 117.1 | 125.3 | 131.7 | 137.9 | 143.8 | 4.7% |
| Law courts and prisons | 53.5 | 54.7 | 57.1 | 59.7 | 62.6 | 4.6% |
| Home affairs | 12.6 | 12.8 | 11.7 | 13.3 | 12.1 | -1.7% |
| Community development | 254.6 | 264.5 | 272.5 | 281.9 | 293.3 | 3.5% |
| Economic development | 239.3 | 262.1 | 293.5 | 298.1 | 328.7 | 7.8% |
| Industrialisation and exports | 37.8 | 39.6 | 39.8 | 39.6 | 41.9 | 1.9% |
| Agriculture and rural development | 27.0 | 28.2 | 29.0 | 30.0 | 30.9 | 3.0% |
| Job creation and labour affairs | 22.2 | 22.6 | 24.9 | 26.1 | 27.3 | 6.5% |
| Economic regulation and infrastructure | 130.9 | 151.0 | 178.4 | 180.7 | 206.2 | 10.9% |
| Innovation, science and technology | 21.5 | 20.6 | 21.3 | 21.8 | 22.4 | 2.8% |
| General public services | 77.4 | 75.7 | 79.0 | 81.8 | 86.0 | 4.4% |
| Executive and legislative organs | 18.1 | 17.7 | 17.7 | 18.0 | 18.9 | 2.3% |
| Public administration and fiscal affairs | 50.3 | 49.0 | 51.8 | 54.5 | 57.5 | 5.5% |
| External affairs | 9.0 | 9.0 | 9.5 | 9.3 | 9.7 | 2.3% |
| Social development | 357.6 | 396.3 | 395.8 | 407.1 | 418.5 | 1.8% |
| Social protection | 281.7 | 300.6 | 320.1 | 337.0 | 345.3 | 4.7% |
| Social security funds | 75.9 | 95.7 | 75.7 | 70.2 | 73.2 | -8.5% |
| Payments for financial assets | 5.4 | 5.2 | 2.4 | 2.6 | 2.6 | |
| Allocated by function | 1,902.7 | 2,006.1 | 2,083.6 | 2,164.1 | 2,270.6 | 4.2% |
| Debt-service costs | 356.1 | 388.9 | 419.1 | 445.7 | 475.7 | 6.9% |
| Contingency reserve | – | – | 7.6 | 14.5 | 20.8 | |
| Consolidated expenditure | 2,258.8 | 2,395.0 | 2,510.3 | 2,624.4 | 2,767.1 | 4.9% |
| Learning and culture | 462.9 | 478.6 | 498.1 | 524.7 | 550.1 | 4.7% |

Source: National Treasury MTBPS October 2024

Figure 23: Revised revenue projections

| R billion | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---------------------------------|----------------|----------------|----------------|----------------|
| 2024 Budget | 1,863.0 | 1,991.2 | 2,133.0 | |
| Buoyancy | 1.33 | 1.11 | 1.11 | |
| Revised estimates | 1,840.8 | 1,971.8 | 2,111.1 | 2,255.2 |
| Buoyancy | 0.95 | 1.09 | 1.09 | 1.04 |
| Change since 2024 Budget | -22.3 | -19.4 | -21.9 | |

Source: National Treasury



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Figure 24: Total national government debt

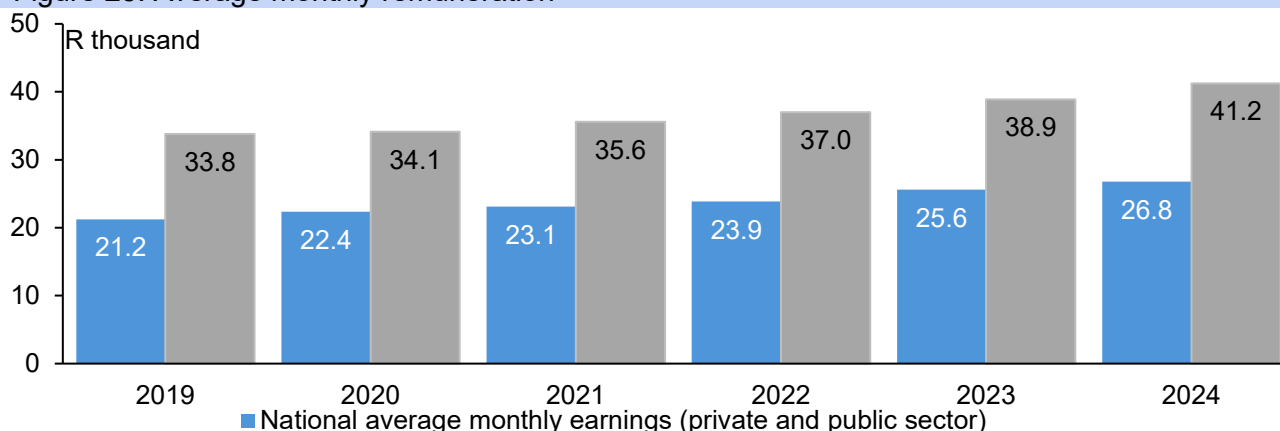
| End of period | 2023/24 | 2024/25 | 2025/26 | 2027/28 | 2028/29 |
|-------------------------------------------|----------------|----------------|------------------------------|----------------|----------------|
| R billion | Outcome | Revised | Medium-term estimates | | |
| Domestic loans¹ | 4,667.8 | 5,045.3 | 5,440.2 | 5,745.8 | 6,063.1 |
| Short-term | 511.2 | 543.6 | 588.6 | 624.6 | 677.6 |
| Long-term | 4,156.6 | 4,501.7 | 4,851.7 | 5,121.3 | 5,385.5 |
| Foreign loans¹ | 591.6 | 577.2 | 614.4 | 678.5 | 754.4 |
| Gross loan debt | 5,259.4 | 5,622.5 | 6,054.7 | 6,424.4 | 6,817.5 |
| Less: National Revenue Fund bank balances | -195.7 | -156.9 | -96.3 | -95.0 | -103.8 |
| Net loan debt¹ | 5,063.7 | 5,465.6 | 5,958.3 | 6,329.4 | 6,713.7 |
| <i>As percentage of GDP:</i> | | | | | |
| Gross loan debt | 74.1% | 74.7% | 75.5% | 75.3% | 75.0% |
| Net loan debt | 71.4% | 72.6% | 74.3% | 74.2% | 73.8% |

Source: National Treasury, MTBPS October 2024

1. Estimates include revaluation based on National Treasury's projections of inflation and exchange rates 2. Net loan debt is gross loan debt minus the bank balances of the National Revenue Fund

- Expenditure on economic developments is a positive outcome, supportive of economic growth, although the sub-category with the largest growth rate is on economic regulation and infrastructure, at 10.9% annual growth between 2024/25 to 2027/28.
- A massive jump in expenditure on regulations, and so more onerous regulatory environment is a disincentive for investment, while cutting red tape, and regulatory complexity would be a distinct positive in comparison. Substantial infrastructure build instead is needed.
- However, most important for investors is the reward versus risk on their investment, and a weak economic growth environment is not encouraging for foreign direct investment, with SA's growth rate seen below 2.0% y/y until 2028 in National Treasury's projections.

Figure 25: Average monthly remuneration



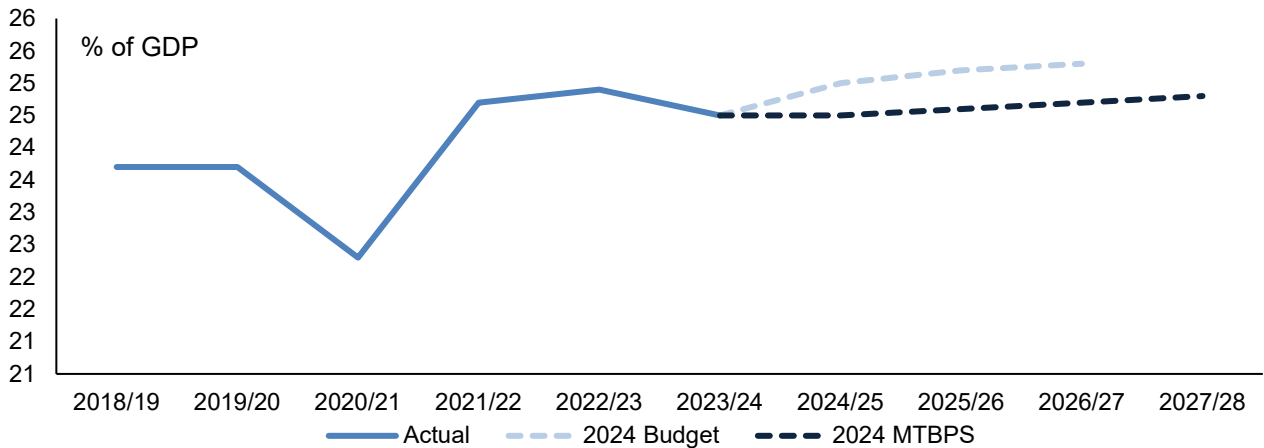
Source: National Treasury, MTBPS October 2024



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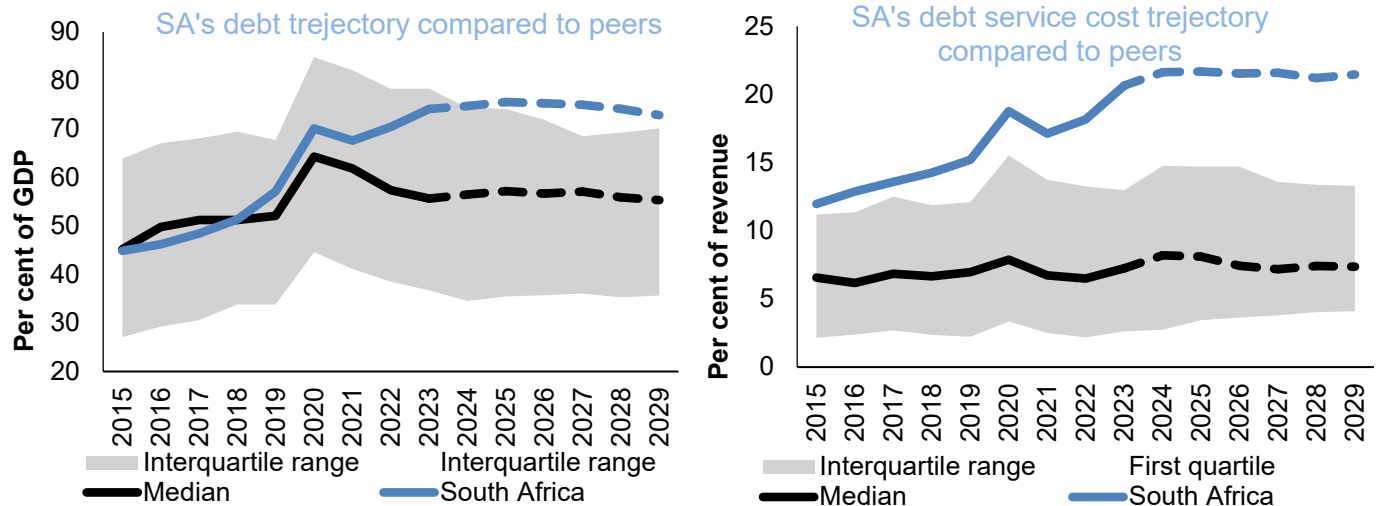
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Figure 26: Tax to GDP ratio



Source: National Treasury, MTBPS October 2024

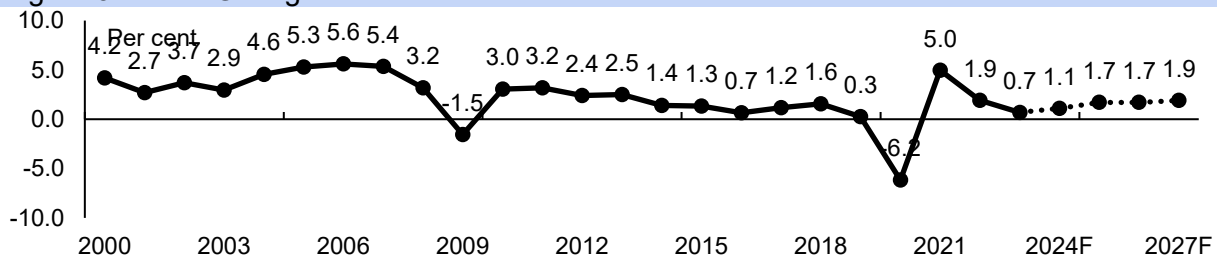
Figure 27: South Africa's debt trajectory and debt service costs compared to peers*



Source: National Treasury

*Consists of 94 emerging market economies

Figure 31: Real GDP growth



Sources: National Treasury, MTBPS October 2024



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- Much of the market reaction to the weaker than expected MTBPS was counteracted by the strong GDP print in the US for Q3.24, at 2.8% qqsa, versus Q2.24's 3.0% qqsa, along with a sharp drop in the core PCE deflator, to 2.2% y/y from 2.8% y/y, resulting in a reduction in risk aversion, and so US dollar weakness.
- This counteracted much of the rand's (and SA's financial market) reaction to the MTBPS, indicating that the US remains on track for a soft landing, with the rand chiefly determined by international events, particularly those in the US.

Figure 29: Compensation of employees additional funding to deal with additional headcount and spending pressures

| R thousand | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | Total over MTEF |
|----------------------------------------------------------------------------|------------------------------|---------------|---------------|---------------|---------------|-----------------|
| | Additional funding allocated | | | | | |
| 2022 MTEF | 36,488 | 13,642 | 15,624 | - | - | 65,755 |
| Cost-of-living adjustments | 20,512 | - | - | - | - | 20,512 |
| 2022/23 wage increase costs (3%) ¹ | 14,602 | - | - | - | - | 14,602 |
| "Non-pensionable cash gratuity continuation" | 20,512 | - | - | - | - | 20,512 |
| "Additional funding for capacitation and wage spending pressures" | 15,976 | 13,642 | 15,625 | - | - | 45,243 |
| Education | 8,987 | 7,615 | 7,957 | - | - | 24,559 |
| Health | 5,500 | 3,558 | 4,178 | - | - | 13,236 |
| Social security cluster | 1,489 | 2,470 | 3,489 | - | - | 7,448 |
| 2023 MTEF | - | 26,615 | 29,292 | 31,850 | - | 87,756 |
| Cost-of-living adjustment | - | 14,973 | 15,198 | 15,426 | - | 45,597 |
| "Carry-through of 2022/23 wage agreement (3%)" | - | 14,873 | 15,198 | 15,426 | - | 45,497 |
| "Additional funding for capacitation and wage spending pressures" | - | 11,642 | 14,094 | 16,424 | - | 42,159 |
| Additional 5000 police trainees per annum | - | 14,490 | 2,792 | 3,949 | - | 21,230 |
| Education | - | 5,700 | 6,650 | 7,600 | - | 19,950 |
| Health | - | 4,452 | 4,652 | 4,875 | - | 13,979 |
| 2024 MTEF | - | 23,558 | 46,499 | 48,472 | 50,496 | 145,466 |
| Cost-of-living adjustment | - | 23,558 | 46,499 | 48,472 | 50,496 | 145,466 |
| "2023/24 wage increase and carry-through costs (2023 MTBPS) ¹ " | - | 23,558 | 27,886 | 29,285 | 30,710 | 87,881 |
| "Additional funding for 2023 wage agreement (Post 2023 MTBPS)" | - | - | 18,613 | 19,187 | 19,786 | 57,585 |
| Total additional funding allocated | 36,488 | 63,815 | 91,415 | 80,322 | 50,496 | 298,978 |

Source: National Treasury, MTBPS October 2024

1. Additional funding allocations for wage increases (excl. carry-through costs) tabled in special/adjusted appropriations

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