MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades
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- 2021’s Medium-Term Budget Policy Statement (MTBPS) has seen the expected improvement in government’s debt to GDP projections and fiscal deficits. Over the medium-term, gross debt is projected to now stabilise at 78.1% of GDP in 2025/26, from 88.9% of GDP in February, with the declining ratio not due to any major drop in borrowings, but instead the upwards revisions to GDP by Stats SA.
- Gross loan debt came out at 70.7% of GDP for 2020/21, versus the 80.3% of GDP projection in February 2021 Budget (BR), lowering the trajectory going forwards.
- The following three medium-term years, of 2022/23 to 2024/25, are projected above our forecasts 73.0%, 74.5% and 75.7% of GDP, at 74.7%, 76.8% and 77.8% of GDP with National Treasury’s economic outlook averaging 1.7% growth over 2022 to 2024 versus the consensus of closer to 2.0% and ours of 2.3% y/y, although with the intensification of loadshedding the outlooks are at risk.
- Debt creeps down in rand values, to R5.1 trillion by 2023/24, from R5.2 trillion projected in February this year and is lower each year from 2020/21 to 2024/25 than was also projected in February.
- The budget deficit for 2021/22 is forecast at -7.8% of GDP (versus National Treasury’s BR projection of -9.3%) and thereafter drops to -6.0% of GDP for 2022/23 (BR -7.3%) and -5.3% in 2023/24 (6.3%).
- It may be enough to avoid sovereign credit rating downgrades from Fitch and S&P in November, who have SA on BB- currently, but Fitch continues to have a negative outlook, as does Moody’s at one notch up. We believe while the agencies will not downgrade SA in November, but they will keep close watch.

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

<table>
<thead>
<tr>
<th>2020 MTBPS</th>
<th>2021 Budget (Revised)</th>
<th>2021 MTBPS</th>
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<tbody>
<tr>
<td>% of GDP</td>
<td>% of GDP</td>
<td>% of GDP</td>
</tr>
<tr>
<td>1993/94</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>1996/97</td>
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<td>2.0</td>
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<tr>
<td>1999/00</td>
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<td>2.0</td>
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<tr>
<td>2002/03</td>
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<td>2.0</td>
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<tr>
<td>2005/06</td>
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<td>2.0</td>
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<tr>
<td>2007/09</td>
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<td>2.0</td>
</tr>
<tr>
<td>2011/12</td>
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<td>2.0</td>
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<tr>
<td>2014/15</td>
<td>2.0</td>
<td>2.0</td>
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<tr>
<td>2017/18</td>
<td>2.0</td>
<td>2.0</td>
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<tr>
<td>2020/21</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>2023/24</td>
<td>2.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Source: National Treasury MTBPS 2021

Figure 2: Government’s budget balance:

Source: National Treasury MTBPS 2021
MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades

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Figure 3: Main Budget Framework

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross tax revenue</td>
<td>1,287.7</td>
<td>1,355.8</td>
<td>1,249.7</td>
<td>1,485.4</td>
<td>1,527.4</td>
<td>1,608.0</td>
<td>1,715.3</td>
</tr>
<tr>
<td>Non-tax revenue</td>
<td>23.9</td>
<td>27.6</td>
<td>26.3</td>
<td>39.1</td>
<td>32.2</td>
<td>31.5</td>
<td>33.0</td>
</tr>
<tr>
<td>SACU^1</td>
<td>-48.3</td>
<td>-50.3</td>
<td>-63.4</td>
<td>-46.0</td>
<td>-43.7</td>
<td>-64.6</td>
<td>-63.4</td>
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<tr>
<td>National Revenue Fund receipts^2</td>
<td>12.0</td>
<td>12.8</td>
<td>25.8</td>
<td>4.6</td>
<td>1.6</td>
<td>6.4</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Main budget revenue</strong></td>
<td><strong>1,275.3</strong></td>
<td><strong>1,345.9</strong></td>
<td><strong>1,238.4</strong></td>
<td><strong>1,483.2</strong></td>
<td><strong>1,517.5</strong></td>
<td><strong>1,581.3</strong></td>
<td><strong>1,689.4</strong></td>
</tr>
<tr>
<td></td>
<td>23.5%</td>
<td>23.7%</td>
<td>22.2%</td>
<td>24.0%</td>
<td>23.9%</td>
<td>23.6%</td>
<td>23.7%</td>
</tr>
</tbody>
</table>

| **Expenditure**     |         |         |         |         |         |         |         |
| National departments | 634.3   | 749.8   | 790.5   | 817.4   | 764.7   | 743.0   | 774.4   |
| Provinces           | 572.0   | 613.5   | 628.8   | 661.2   | 658.4   | 647.2   | 676.1   |
| Local government    | 118.5   | 123.0   | 137.1   | 137.6   | 146.3   | 148.9   | 155.4   |
| Provisional allocation not assigned to votes^3 | – | – | – | 11.0 | 5.3 | 29.3 | 33.1 |
| Unallocated reserve | –       | –       | –       | –       | 15.1    | 28.8    | 29.3    |
| Projected underspending | – | – | – | -6.3 | – | – | – |
| **Non-interest expenditure** | 1,324.8 | 1,486.2 | 1,556.4 | 1,623.9 | 1,594.8 | 1,602.1 | 1,673.3 |
| Debt-service costs  | 181.8   | 204.8   | 232.6   | 269.2   | 303.1   | 334.6   | 365.8   |
| **Main budget expenditure** | **1,506.6** | **1,691.0** | **1,789.0** | **1,893.1** | **1,897.9** | **1,936.7** | **2,039.1** |
|                     | 27.8%   | 29.7%   | 32.1%   | 30.7%   | 29.9%   | 28.9%   | 28.6%   |
| **Main budget balance** | -231.3 | -345.1 | -550.6 | -409.9 | -380.4 | -355.4 | -349.7 |
|                     | -4.3%   | -6.1%   | -9.9%   | -6.6%   | -6.0%   | -5.3%   | -4.9%   |
| **Primary balance** | -49.5   | -140.3  | -318.0  | -140.7  | -77.2   | -20.8   | 16.1    |
|                     | -0.9%   | -2.5%   | -5.7%   | -2.3%   | -1.2%   | -0.3%   | 0.2%    |

Source: National Treasury and MTBPS 2021

1. Southern African Customs Union, payments, other adjustments. 2 Revaluation profits on foreign-currency transactions and premiums on loan transactions. 3. Includes support to Eskom, amounts for projects approved through Budget Facility for Infrastructure and other provisional allocations

Figure 4: Budget Balances

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget 2015</td>
<td>-2.5%</td>
<td>-3.2%</td>
<td>-2.8%</td>
<td>-3.1%</td>
<td>-4.3%</td>
<td>-4.0%</td>
<td>-4.0%</td>
<td>-4.1%</td>
</tr>
<tr>
<td>MTBPS</td>
<td>-2.5%</td>
<td>-3.0%</td>
<td>-2.4%</td>
<td>-2.7%</td>
<td>-3.9%</td>
<td>-4.2%</td>
<td>-4.2%</td>
<td>-4.3%</td>
</tr>
<tr>
<td>Budget 2016</td>
<td>-2.8%</td>
<td>-3.5%</td>
<td>-3.2%</td>
<td>-3.6%</td>
<td>-3.9%</td>
<td>-4.2%</td>
<td>-4.2%</td>
<td>-4.0%</td>
</tr>
<tr>
<td>MTBPS</td>
<td>-3.1%</td>
<td>-2.7%</td>
<td>-2.5%</td>
<td>-2.6%</td>
<td>-3.9%</td>
<td>-4.5%</td>
<td>-4.5%</td>
<td>-4.0%</td>
</tr>
<tr>
<td>Budget 2017</td>
<td>-3.1%</td>
<td>-2.8%</td>
<td>-2.6%</td>
<td>-3.9%</td>
<td>-3.9%</td>
<td>-4.2%</td>
<td>-4.2%</td>
<td>-4.0%</td>
</tr>
<tr>
<td>MTBPS</td>
<td>-3.1%</td>
<td>-2.7%</td>
<td>-2.5%</td>
<td>-2.6%</td>
<td>-3.9%</td>
<td>-4.5%</td>
<td>-4.5%</td>
<td>-4.0%</td>
</tr>
<tr>
<td>Budget 2018</td>
<td>-3.6%</td>
<td>-3.6%</td>
<td>-3.5%</td>
<td>-3.9%</td>
<td>-3.9%</td>
<td>-4.2%</td>
<td>-4.2%</td>
<td>-4.0%</td>
</tr>
<tr>
<td>MTBPS</td>
<td>-3.6%</td>
<td>-3.6%</td>
<td>-3.5%</td>
<td>-3.9%</td>
<td>-3.9%</td>
<td>-4.2%</td>
<td>-4.2%</td>
<td>-4.0%</td>
</tr>
<tr>
<td>Budget 2019</td>
<td>-3.6%</td>
<td>-3.6%</td>
<td>-3.5%</td>
<td>-3.9%</td>
<td>-3.9%</td>
<td>-4.2%</td>
<td>-4.2%</td>
<td>-4.0%</td>
</tr>
<tr>
<td>MTBPS</td>
<td>-3.6%</td>
<td>-3.6%</td>
<td>-3.5%</td>
<td>-3.9%</td>
<td>-3.9%</td>
<td>-4.2%</td>
<td>-4.2%</td>
<td>-4.0%</td>
</tr>
<tr>
<td>Budget 2020</td>
<td>-3.6%</td>
<td>-3.6%</td>
<td>-3.5%</td>
<td>-3.9%</td>
<td>-3.9%</td>
<td>-4.2%</td>
<td>-4.2%</td>
<td>-4.0%</td>
</tr>
<tr>
<td>MTBPS</td>
<td>-3.6%</td>
<td>-3.6%</td>
<td>-3.5%</td>
<td>-3.9%</td>
<td>-3.9%</td>
<td>-4.2%</td>
<td>-4.2%</td>
<td>-4.0%</td>
</tr>
<tr>
<td>Budget 2021</td>
<td>-3.6%</td>
<td>-3.6%</td>
<td>-3.5%</td>
<td>-3.9%</td>
<td>-3.9%</td>
<td>-4.2%</td>
<td>-4.2%</td>
<td>-4.0%</td>
</tr>
<tr>
<td>MTBPS</td>
<td>-3.6%</td>
<td>-3.6%</td>
<td>-3.5%</td>
<td>-3.9%</td>
<td>-3.9%</td>
<td>-4.2%</td>
<td>-4.2%</td>
<td>-4.0%</td>
</tr>
</tbody>
</table>

Source: National Treasury
MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades

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- The rand has strengthened to R15.19/USD, as SA’s credit risk, which is the perceived risk of default, has slightly moderated. The sheer quantum of debt however is still projected to climb further, with 2024/25’s R5.5trillion double 2018/19’s R2.8trillion.
- This is still a decline in fiscal health as borrowings continue to rise, and this will not allow for any credit rating upgrades, nor likely a removal of the negative outlooks two key agencies have SA on. Debt service costs (interest expenditure) continue to climb, but are fractionally lower than the 2021 Budget projection, projected to peak at 5.4% of GDP in 2025/26 (from 5.3%), as gross debt does at 78.1% (80.5%), with bonds strengthening somewhat.
- The budgeted figures today present an improvement, but all the projections would be at great risk if there are further crises which depress revenue and increase expenditure. Consequently, the MTBPS affirms that over the next three years, spending will remain restrained. Government will avoid permanent increases in departmental or programme baselines, or further bailouts of state-owned companies, which would compromise fiscal sustainability.
- Instead, short-term tax windfalls will be targeted to reduce the budget deficit and fund temporary priorities, such as extended support for poor households and public employment. In line with government’s commitment to support vulnerable households, particularly given the impact of COVID-19, additional resources for social relief will be considered if the fiscal situation improves.

<table>
<thead>
<tr>
<th>Figure 5: Government gross debt %GDP – SA’s BB- Fitch rated peers</th>
</tr>
</thead>
</table>

- [Graph showing government gross debt %GDP – SA’s BB- Fitch rated peers]
- [Source: IMF]

- **Figure 6: Total government debt, 2020/21-2024/25**

<table>
<thead>
<tr>
<th>Year</th>
<th>2020/21</th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24</th>
<th>2024/25</th>
</tr>
</thead>
<tbody>
<tr>
<td>MTBPS 2021</td>
<td>• Gross loan debt 3 935.7 4 313.9 4 744.7 5 144.4 5 537.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Net loan debt 3 601.8 4 089.0 4 519.6 4 935.2 5 342.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As percentage of GDP:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total gross loan debt 70.7% 69.9% 74.7% 76.8% 77.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net loan debt 64.7% 66.2% 71.2% 73.7% 75.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Source: National Treasury

1. Forward estimates are based on National Treasury’s projections of exchange and inflation rates.
MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades

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Figure 7: Total government debt, 2020/21-2024/25

<table>
<thead>
<tr>
<th>As at 31 March</th>
<th>2020/21</th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24</th>
<th>2024/25</th>
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<tr>
<td>R billion</td>
<td>Outcome</td>
<td>Revised</td>
<td>Medium-term estimates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross loan debt</td>
<td>3 935.7</td>
<td>4 313.9</td>
<td>4 744.7</td>
<td>5 144.4</td>
<td>5 537.6</td>
</tr>
<tr>
<td>Net loan debt</td>
<td>3 601.8</td>
<td>4 089.0</td>
<td>4 519.6</td>
<td>4 935.2</td>
<td>5 342.7</td>
</tr>
</tbody>
</table>

As percentage of GDP:

| Total gross loan debt | 70.7% | 69.9% | 74.7% | 76.8% | 77.8% |
| Total net loan debt   | 64.7% | 66.2% | 71.2% | 73.7% | 75.0% |

Source: National Treasury

1. Forward estimates are based on National Treasury’s projections of exchange and inflation rates.

Figure 8: Revised revenue projections

<table>
<thead>
<tr>
<th>R billion</th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24</th>
<th>2024/25</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021 Budget</td>
<td>1,365.1</td>
<td>1,457.7</td>
<td>1,548.5</td>
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</tr>
<tr>
<td>Buoyancy</td>
<td>1.44</td>
<td>1.16</td>
<td>1.07</td>
<td></td>
</tr>
<tr>
<td>Revised estimates</td>
<td>1,485.4</td>
<td>1,527.4</td>
<td>1,608.0</td>
<td>1,715.3</td>
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<tr>
<td>Buoyancy</td>
<td>1.73</td>
<td>0.99</td>
<td>0.97</td>
<td>1.05</td>
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<td>Change since 2021 Budget</td>
<td>120.3</td>
<td>69.8</td>
<td>59.5</td>
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</tr>
</tbody>
</table>

Source: National Treasury

Figure 9: Main budget framework

<table>
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<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Main budget revenue</td>
<td>1,275.3</td>
<td>1,345.9</td>
<td>1,238.4</td>
<td>1,483.2</td>
<td>1,517.5</td>
<td>1,581.3</td>
<td>1,689.4</td>
</tr>
<tr>
<td>23.5%</td>
<td>23.7%</td>
<td>22.2%</td>
<td>24.0%</td>
<td>23.9%</td>
<td>23.6%</td>
<td>23.7%</td>
<td></td>
</tr>
<tr>
<td>Main budget expenditure</td>
<td>1,506.6</td>
<td>1,691.0</td>
<td>1,789.0</td>
<td>1,893.1</td>
<td>1,897.9</td>
<td>1,936.7</td>
<td>2,039.1</td>
</tr>
<tr>
<td>27.8%</td>
<td>29.7%</td>
<td>32.1%</td>
<td>30.7%</td>
<td>29.9%</td>
<td>28.9%</td>
<td>28.6%</td>
<td></td>
</tr>
<tr>
<td>Non-interest expenditure</td>
<td>1,324.8</td>
<td>1,486.2</td>
<td>1,556.4</td>
<td>1,623.9</td>
<td>1,594.8</td>
<td>1,602.1</td>
<td>1,673.3</td>
</tr>
<tr>
<td>24.4%</td>
<td>26.1%</td>
<td>28.0%</td>
<td>26.3%</td>
<td>25.1%</td>
<td>23.9%</td>
<td>23.5%</td>
<td></td>
</tr>
<tr>
<td>Debt-service costs</td>
<td>181.8</td>
<td>204.8</td>
<td>232.6</td>
<td>269.2</td>
<td>303.1</td>
<td>334.6</td>
<td>365.8</td>
</tr>
<tr>
<td>3.4%</td>
<td>3.6%</td>
<td>4.2%</td>
<td>4.4%</td>
<td>4.8%</td>
<td>5.0%</td>
<td>5.1%</td>
<td></td>
</tr>
<tr>
<td>Main budget balance</td>
<td>-231.3</td>
<td>-345.1</td>
<td>-550.6</td>
<td>-409.9</td>
<td>-380.4</td>
<td>-355.4</td>
<td>-349.7</td>
</tr>
<tr>
<td>-4.3%</td>
<td>-6.1%</td>
<td>-9.9%</td>
<td>-6.6%</td>
<td>-6.0%</td>
<td>-5.3%</td>
<td>-4.9%</td>
<td></td>
</tr>
<tr>
<td>Primary balance</td>
<td>-49.5</td>
<td>-140.3</td>
<td>-318.0</td>
<td>-140.7</td>
<td>-77.2</td>
<td>-20.8</td>
<td>16.1</td>
</tr>
<tr>
<td>-0.9%</td>
<td>-2.5%</td>
<td>-5.7%</td>
<td>-2.3%</td>
<td>-1.2%</td>
<td>-0.3%</td>
<td>0.2%</td>
<td></td>
</tr>
</tbody>
</table>

Source: National Treasury
MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades

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Figure 10: South Africa’s net government debt: 2005/06 – 2024/25

- The focus is firmly on fiscal consolidation, as well as economic reforms to drive growth and employment, particularly diversifying energy generation, releasing broadband spectrum, opening third-party access to the freight rail network, the eVisa system rollout reviewing the legal regime governing skilled migration and accelerating infrastructure investment.

- Additional resources to low-income households are also included, with higher than previously projected expenditure on the health and social development components of the social wage, but the future extent will depend on revenue growth. Lowering debt service costs is key, with 21c in every rand collected spent on interest payments.

- Part of the revenue overrun is also being used to cover the above budgeted increase in the recent public-sector wage agreement where a once-off non-pensionable cash gratuity of R1 000 after tax per person per month, which was not budgeted for. This gratuity is expected to cost government R20.5 billion in the current year, with a preliminary carry through of R20.5 billion in 2022/23 if no new agreement is reached. In 2021/22, the gratuity will be largely funded by additional revenue, and will require shifting funds from the Infrastructure Fund, with a provisional allocation of R20.5 billion for 2022/23 included in the fiscal framework. The wage bill itself sees 1.5% growth in the baseline as well.

Figure 11: Real growth in debt-service costs

*Excludes Eskom financial support and transactions in financial assets and liabilities

Source: National Treasury
MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades

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Figure 12: Total national government debt

<table>
<thead>
<tr>
<th>End of period</th>
<th>2020/21</th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24</th>
<th>2024/25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic loans¹</td>
<td>3,543.3</td>
<td>3,843.9</td>
<td>4,220.5</td>
<td>4,580.2</td>
<td>4,929.3</td>
</tr>
<tr>
<td>Short-term</td>
<td>456.0</td>
<td>466.0</td>
<td>510.0</td>
<td>563.0</td>
<td>615.0</td>
</tr>
<tr>
<td>Long-term</td>
<td>3,087.3</td>
<td>3,387.8</td>
<td>3,710.5</td>
<td>4,017.1</td>
<td>4,314.2</td>
</tr>
<tr>
<td>Fixed-rate</td>
<td>2,300.0</td>
<td>2,553.1</td>
<td>2,765.8</td>
<td>3,065.7</td>
<td>3,363.3</td>
</tr>
<tr>
<td>Inflation-linked</td>
<td>787.3</td>
<td>834.7</td>
<td>944.6</td>
<td>951.4</td>
<td>951.0</td>
</tr>
<tr>
<td>Foreign loans¹</td>
<td>392.4</td>
<td>470.1</td>
<td>524.1</td>
<td>564.3</td>
<td>608.4</td>
</tr>
<tr>
<td>Gross loan debt</td>
<td>3,935.7</td>
<td>4,313.9</td>
<td>4,744.7</td>
<td>5,144.4</td>
<td>5,537.6</td>
</tr>
<tr>
<td>Less: National Revenue Fund bank balances</td>
<td>-333.9</td>
<td>-224.9</td>
<td>-225.0</td>
<td>-209.2</td>
<td>-194.9</td>
</tr>
<tr>
<td>Net loan debt²</td>
<td>3,601.8</td>
<td>4,089.0</td>
<td>4,519.6</td>
<td>4,935.2</td>
<td>5,342.7</td>
</tr>
<tr>
<td>As percentage of GDP:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross loan debt</td>
<td>70.7%</td>
<td>69.9%</td>
<td>74.7%</td>
<td>76.8%</td>
<td>77.8%</td>
</tr>
<tr>
<td>Net loan debt²</td>
<td>64.7%</td>
<td>66.2%</td>
<td>71.2%</td>
<td>73.7%</td>
<td>75.0%</td>
</tr>
</tbody>
</table>

Source: National Treasury

1. Estimates include revaluations 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

Figure 13: Reuters November 2021 forecasts: Budget Poll

<table>
<thead>
<tr>
<th>Forecast period</th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24</th>
<th>2024/25</th>
<th>2025/26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Budget Deficit</td>
<td>-6.80</td>
<td>-6.30</td>
<td>-5.60</td>
<td>-4.90</td>
<td>-4.70</td>
</tr>
<tr>
<td>Gross Debt to GDP ratio</td>
<td>71.00</td>
<td>73.00</td>
<td>76.45</td>
<td>82.35</td>
<td>82.10</td>
</tr>
<tr>
<td>Tax revenue as % of GDP</td>
<td>25.80</td>
<td>25.85</td>
<td>27.20</td>
<td>26.70</td>
<td>27.00</td>
</tr>
</tbody>
</table>

Source: Reuters

Figure 14: Average nominal growth in spending and Consolidated government expenditure by function, 2021/21-2024/25

Source: National Treasury
MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades

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Today’s MTBPS highlights “the failure of fiscal expansion to raise GDP growth between 2008/09 and 2018/19, and the increasing crowding-out effect of interest payments”. “Government spends far more than it receives in revenue. This unsustainable fiscal position, which began to develop in the wake of the 2008 financial crisis.”

The MTBPS correctly advocates that government must contain expenditure growth to restore the health of public finances and reduce overall indebtedness. By improving South Africa’s creditworthiness, fiscal consolidation will bolster investor confidence, lower the cost of doing business, and provide support to households and jobseekers.

This year, Government’s efforts to manage the COVID-19 pandemic and support vulnerable households and firms saw increased spending in the current year. A net addition of R59.4 billion to main budget non-interest spending is proposed, consisting of R77.3 billion in spending increases, partially offset by projected underspending, drawdowns on the contingency reserve and provisional allocations announced in the 2021 Budget. SASRIA has received R3.9bn, while small businesses got R1.3bn, R950million goes to SAPS and SANDF, and R5.3bn for UIF. Further adjustments to in-year spending include R2.3 billion for COVID-19 vaccines and an equity injection of R2.9 billion in Denel.

This is offset by a portion of the R120.3 billion revenue windfall which occurred this year (over budget).

---

**Figure 15: Consolidated government expenditure, 2021/22 -2024/25**

<table>
<thead>
<tr>
<th>R billion</th>
<th>Revised</th>
<th>Medium-term estimates</th>
<th>Avg annual growth 2021/22-2024/25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning and culture</td>
<td>417.8</td>
<td>414.3</td>
<td>415.6</td>
</tr>
<tr>
<td>Health</td>
<td>259.0</td>
<td>247.8</td>
<td>243.6</td>
</tr>
<tr>
<td>Social development</td>
<td>399.6</td>
<td>321.5</td>
<td>320.4</td>
</tr>
<tr>
<td>Community development</td>
<td>218.0</td>
<td>235.9</td>
<td>243.5</td>
</tr>
<tr>
<td>Economic development</td>
<td>206.3</td>
<td>217.8</td>
<td>227.6</td>
</tr>
<tr>
<td>Peace and security</td>
<td>219.3</td>
<td>218.2</td>
<td>213.3</td>
</tr>
<tr>
<td>General public services</td>
<td>70.8</td>
<td>68.9</td>
<td>68.8</td>
</tr>
<tr>
<td>Payments for financial assets</td>
<td>68.4</td>
<td>27.5</td>
<td>25.1</td>
</tr>
<tr>
<td><strong>Total expenditure by function</strong></td>
<td><strong>1 859.3</strong></td>
<td><strong>1 751.8</strong></td>
<td><strong>1 758.0</strong></td>
</tr>
<tr>
<td>Debt-service costs</td>
<td>269.2</td>
<td>303.1</td>
<td>334.6</td>
</tr>
<tr>
<td>Unallocated reserve</td>
<td>–</td>
<td>15.1</td>
<td>28.8</td>
</tr>
<tr>
<td>Contingency reserve</td>
<td>–</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total expenditure</strong></td>
<td><strong>2 128.5</strong></td>
<td><strong>2 075.0</strong></td>
<td><strong>2 126.3</strong></td>
</tr>
</tbody>
</table>

Source: National Treasury MTBPS 2021

---

**Figure 16: Main budget expenditure ceiling**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 MTBPS</td>
<td>1,307,235</td>
<td>1,404,675</td>
<td>1,493,029</td>
<td>1,591,287</td>
<td>1,673,601</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020 Budget Review</td>
<td>1,307,119</td>
<td>1,409,244</td>
<td>1,457,703</td>
<td>1,538,590</td>
<td>1,605,098</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020 MTBPS</td>
<td>1,307,112</td>
<td>1,418,408</td>
<td>1,502,867</td>
<td>1,479,709</td>
<td>1,516,052</td>
<td>1,529,585</td>
<td></td>
</tr>
<tr>
<td>2021 Budget Review</td>
<td>1,418,399</td>
<td>1,504,656</td>
<td>1,514,934</td>
<td>1,521,721</td>
<td>1,530,664</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021 MTBPS</td>
<td>1,418,456</td>
<td>1,487,388</td>
<td>1,570,890</td>
<td>1,552,268</td>
<td>1,558,725</td>
<td>1,627,154</td>
<td></td>
</tr>
</tbody>
</table>

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
MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades

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Figure 17: Government total expenditure % GDP– SA’s BB- Fitch rated peers

- Total main budget non-interest expenditure is projected to increase by R31.9 billion in 2022/23 and by R29.6 billion in 2023/24, with details in the February 2022 budget.
- As a share of GDP, non-interest expenditure will moderate from 26.3 per cent in 2021/22 to 23.5 per cent by 2024/25. This includes a contingency reserve of R5 billion per year over the MTEF period. Debt service costs will continue rising over the medium term given the persistent main budget deficit, weaker currency and higher interest rates. In line with government’s consolidation stance, main budget non-interest expenditure is projected to grow in line with consumer price index inflation in 2024/25.
- In the current year, expenditure is expected to breach the 2021 Budget Review ceiling of R1.51 trillion by R56 billion owing to the COVID-19 lockdowns and public violence, as well as wage bill adjustments. The ceiling is raised by R30.5 billion in 2022/23 and R28.1 billion in 2023/24, compared with the 2021 Budget.

Figure 18: Main budget revenue and expenditure** and average nominal spending as a share of total, 2024/25

Source: National Treasury
MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades

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Figure 19: Consolidated government expenditure by functions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Outcome</td>
<td>Revised</td>
<td>Medium-term estimates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R billion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Learning and culture</td>
<td>384.4</td>
<td>417.8</td>
<td>414.3</td>
<td>415.6</td>
<td>434.8</td>
<td>1.3%</td>
</tr>
<tr>
<td>Basic education</td>
<td>268.8</td>
<td>281.8</td>
<td>279.6</td>
<td>279.0</td>
<td>291.7</td>
<td>1.2%</td>
</tr>
<tr>
<td>Post-school education and training</td>
<td>106.6</td>
<td>124.7</td>
<td>123.4</td>
<td>125.3</td>
<td>131.5</td>
<td>1.8%</td>
</tr>
<tr>
<td>Arts, culture, sport and recreation</td>
<td>9.0</td>
<td>11.2</td>
<td>11.3</td>
<td>11.3</td>
<td>11.7</td>
<td>1.2%</td>
</tr>
<tr>
<td>Health</td>
<td>248.2</td>
<td>259.0</td>
<td>247.8</td>
<td>243.6</td>
<td>254.7</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Peace and security</td>
<td>212.4</td>
<td>219.3</td>
<td>218.2</td>
<td>213.3</td>
<td>222.8</td>
<td>0.5%</td>
</tr>
<tr>
<td>Defence and state security</td>
<td>54.0</td>
<td>49.4</td>
<td>48.9</td>
<td>48.1</td>
<td>50.3</td>
<td>0.6%</td>
</tr>
<tr>
<td>Police services</td>
<td>103.4</td>
<td>109.4</td>
<td>109.2</td>
<td>106.2</td>
<td>111.0</td>
<td>0.5%</td>
</tr>
<tr>
<td>Law courts and prisons</td>
<td>46.9</td>
<td>49.2</td>
<td>50.4</td>
<td>49.6</td>
<td>51.9</td>
<td>1.8%</td>
</tr>
<tr>
<td>Home affairs</td>
<td>8.1</td>
<td>11.3</td>
<td>9.6</td>
<td>9.4</td>
<td>9.7</td>
<td>-5.1%</td>
</tr>
<tr>
<td>Community development</td>
<td>203.3</td>
<td>218.0</td>
<td>235.9</td>
<td>243.5</td>
<td>256.2</td>
<td>5.5%</td>
</tr>
<tr>
<td>Economic development</td>
<td>170.2</td>
<td>206.3</td>
<td>217.8</td>
<td>227.6</td>
<td>241.8</td>
<td>5.4%</td>
</tr>
<tr>
<td>Industrialisation and exports</td>
<td>31.9</td>
<td>39.5</td>
<td>37.6</td>
<td>37.9</td>
<td>39.7</td>
<td>0.2%</td>
</tr>
<tr>
<td>Agriculture and rural development</td>
<td>24.4</td>
<td>28.5</td>
<td>28.3</td>
<td>28.2</td>
<td>29.4</td>
<td>1.1%</td>
</tr>
<tr>
<td>Job creation and labour affairs</td>
<td>19.4</td>
<td>23.3</td>
<td>24.2</td>
<td>24.3</td>
<td>25.4</td>
<td>3.0%</td>
</tr>
<tr>
<td>Economic regulation and infrastructure</td>
<td>79.6</td>
<td>97.7</td>
<td>110.1</td>
<td>119.5</td>
<td>129.0</td>
<td>9.7%</td>
</tr>
<tr>
<td>Innovation, science and technology</td>
<td>15.0</td>
<td>17.4</td>
<td>17.7</td>
<td>17.7</td>
<td>18.2</td>
<td>1.6%</td>
</tr>
<tr>
<td>General public services</td>
<td>64.1</td>
<td>70.8</td>
<td>68.9</td>
<td>68.8</td>
<td>71.0</td>
<td>0.1%</td>
</tr>
<tr>
<td>Executive and legislative organs</td>
<td>15.2</td>
<td>15.3</td>
<td>15.3</td>
<td>15.4</td>
<td>16.1</td>
<td>1.7%</td>
</tr>
<tr>
<td>Public administration and fiscal affairs</td>
<td>41.6</td>
<td>46.8</td>
<td>45.3</td>
<td>45.1</td>
<td>46.0</td>
<td>-0.5%</td>
</tr>
<tr>
<td>External affairs</td>
<td>7.2</td>
<td>8.7</td>
<td>8.3</td>
<td>8.3</td>
<td>8.9</td>
<td>0.8%</td>
</tr>
<tr>
<td>Social development</td>
<td>365.7</td>
<td>399.6</td>
<td>321.5</td>
<td>320.4</td>
<td>333.2</td>
<td>-5.9%</td>
</tr>
<tr>
<td>Social protection</td>
<td>251.0</td>
<td>256.8</td>
<td>238.1</td>
<td>240.5</td>
<td>251.3</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Social security funds</td>
<td>114.7</td>
<td>142.8</td>
<td>83.3</td>
<td>79.9</td>
<td>81.9</td>
<td>-16.9%</td>
</tr>
<tr>
<td>Payments for financial assets</td>
<td>90.9</td>
<td>68.4</td>
<td>27.5</td>
<td>25.1</td>
<td>25.2</td>
<td>-</td>
</tr>
<tr>
<td>Allocated by function</td>
<td>1 739.2</td>
<td>1 859.3</td>
<td>1 751.8</td>
<td>1 758.0</td>
<td>1 839.7</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Debt-service costs</td>
<td>232.6</td>
<td>269.2</td>
<td>303.1</td>
<td>334.6</td>
<td>365.8</td>
<td>10.8%</td>
</tr>
<tr>
<td>Unallocated reserve</td>
<td>-</td>
<td>-</td>
<td>15.1</td>
<td>28.8</td>
<td>29.3</td>
<td>-</td>
</tr>
<tr>
<td>Contingency reserve</td>
<td>-</td>
<td>-</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>-</td>
</tr>
<tr>
<td>Consolidated expenditure</td>
<td>1 971.8</td>
<td>2 128.5</td>
<td>2 075.0</td>
<td>2 126.3</td>
<td>2 239.8</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

Source: National Treasury MTBPS 2021

1) Consisting of national and provincial departments, social security funds and public entities. 2. Allocated to 2021/22 spending

Figure 20: Employment in major government functions (full-time equivalents)

<table>
<thead>
<tr>
<th>Function</th>
<th>2006/07</th>
<th>2010/11</th>
<th>2015/16</th>
<th>2019/20</th>
<th>2020/21</th>
<th>Change in 2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>446,215</td>
<td>494,244</td>
<td>495,104</td>
<td>500,406</td>
<td>499,440</td>
<td>-966 (-0.2%)</td>
</tr>
<tr>
<td>Health</td>
<td>245,584</td>
<td>289,583</td>
<td>312,471</td>
<td>319,213</td>
<td>337,671</td>
<td>18 458 (5.8%)</td>
</tr>
<tr>
<td>Police</td>
<td>155,823</td>
<td>186,810</td>
<td>189,466</td>
<td>190,004</td>
<td>184,162</td>
<td>-5 842 (-3.1%)</td>
</tr>
<tr>
<td>Defence</td>
<td>79,925</td>
<td>79,040</td>
<td>77,832</td>
<td>74,212</td>
<td>73,713</td>
<td>-500 (-0.7%)</td>
</tr>
<tr>
<td>Other</td>
<td>219,538</td>
<td>235,550</td>
<td>250,645</td>
<td>246,287</td>
<td>243,966</td>
<td>-2 321 (-0.9%)</td>
</tr>
</tbody>
</table>

Source: National Treasury
MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades
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The gross tax revenue estimate for 2021/22 has been revised up by R120.3 billion compared with the projection in the 2021 Budget on better-than-expected collections in the final quarter of 2020/21, upward revisions to near-term economic growth projections and strong income tax collections, especially from corporates.

After falling to 22.5 per cent last year, the tax-to-GDP ratio is expected to increase to 24.1 per cent in the current year.

A primary surplus is expected by 2024/25.

Non-interest expenditure (excluding Eskom financial support and the Infrastructure Fund) grows in line with CPI inflation in 2025/26. In real terms, non-interest expenditure (excluding the Infrastructure Fund) grows by 1.5 per cent per year from 2026/27 onwards.

No revenue measures, i.e. additional tax increases, are assumed from 2022/23 onwards.

Financial support for Eskom is assumed to amount to R224.6 billion from 2019/20 until 2025/26. Beyond the medium term, average real GDP growth is assumed to be 2.1 per cent.

<table>
<thead>
<tr>
<th>Year</th>
<th>2020/21 Outcome</th>
<th>2021/22 Revised</th>
<th>2022/23 Medium-term estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,414.1 R bn</td>
<td>1,648.8 R bn</td>
<td>1,695.7 R bn</td>
</tr>
<tr>
<td></td>
<td>25.4% of GDP</td>
<td>26.7% of GDP</td>
<td>26.7% of GDP</td>
</tr>
<tr>
<td></td>
<td>1,772.7 R bn</td>
<td>2,126.3 R bn</td>
<td>2,239.8 R bn</td>
</tr>
<tr>
<td></td>
<td>26.5% of GDP</td>
<td>31.7% of GDP</td>
<td>35.9% of GDP</td>
</tr>
<tr>
<td></td>
<td>1,890.9 R bn</td>
<td>2,239.8 R bn</td>
<td></td>
</tr>
<tr>
<td></td>
<td>26.6% of GDP</td>
<td>35.9% of GDP</td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>1,971.8 R bn</td>
<td>2,128.5 R bn</td>
<td>2,075.0 R bn</td>
</tr>
<tr>
<td></td>
<td>35.4% of GDP</td>
<td>34.5% of GDP</td>
<td>32.7% of GDP</td>
</tr>
<tr>
<td></td>
<td>2,126.3 R bn</td>
<td>31.7% of GDP</td>
<td>35.9% of GDP</td>
</tr>
<tr>
<td></td>
<td>2,239.8 R bn</td>
<td>35.9% of GDP</td>
<td></td>
</tr>
<tr>
<td></td>
<td>26.6% of GDP</td>
<td>35.9% of GDP</td>
<td></td>
</tr>
<tr>
<td>Budget balance</td>
<td>-557.7 R bn</td>
<td>-479.7 R bn</td>
<td>-379.3 R bn</td>
</tr>
<tr>
<td></td>
<td>-10.0% of GDP</td>
<td>-7.8% of GDP</td>
<td>-6.0% of GDP</td>
</tr>
<tr>
<td></td>
<td>-353.6 R bn</td>
<td>-5.3% of GDP</td>
<td>-4.9% of GDP</td>
</tr>
<tr>
<td></td>
<td>-348.9 R bn</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-4.9% of GDP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total gross loan debt</td>
<td>3,935.7 R bn</td>
<td>4,313.9 R bn</td>
<td>4,744.7 R bn</td>
</tr>
<tr>
<td></td>
<td>63.3% of GDP</td>
<td>69.9% of GDP</td>
<td>74.7% of GDP</td>
</tr>
<tr>
<td></td>
<td></td>
<td>76.8% of GDP</td>
<td>77.8% of GDP</td>
</tr>
</tbody>
</table>

Source: National Treasury
MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades

Thursday 11 November 2021

Figure 23: Consolidated government expenditure by economic classification¹

<table>
<thead>
<tr>
<th>Economic Classification</th>
<th>2019/20</th>
<th>2020/21</th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current payments</td>
<td>1 121.5</td>
<td>1 234.1</td>
<td>1 258.5</td>
<td>1 281.2</td>
<td>1 354.6</td>
<td>3.2%</td>
</tr>
<tr>
<td>Compensation of employees</td>
<td>635.4</td>
<td>665.7</td>
<td>665.2</td>
<td>656.0</td>
<td>685.1</td>
<td>1.0%</td>
</tr>
<tr>
<td>Goods and services</td>
<td>246.0</td>
<td>290.3</td>
<td>281.4</td>
<td>281.6</td>
<td>294.2</td>
<td>0.4%</td>
</tr>
<tr>
<td>Interest and rent on land</td>
<td>240.1</td>
<td>278.1</td>
<td>311.9</td>
<td>343.6</td>
<td>375.3</td>
<td>10.5%</td>
</tr>
<tr>
<td>of which: debt-service costs</td>
<td>232.6</td>
<td>269.2</td>
<td>303.1</td>
<td>334.6</td>
<td>365.8</td>
<td>10.8%</td>
</tr>
<tr>
<td>Transfers and subsidies</td>
<td>694.3</td>
<td>736.4</td>
<td>669.5</td>
<td>681.1</td>
<td>712.9</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Provinces and municipalities</td>
<td>149.1</td>
<td>147.6</td>
<td>159.5</td>
<td>161.5</td>
<td>167.8</td>
<td>4.4%</td>
</tr>
<tr>
<td>Departmental agencies and accounts</td>
<td>29.8</td>
<td>25.0</td>
<td>24.0</td>
<td>24.8</td>
<td>24.5</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Higher education institutions</td>
<td>46.9</td>
<td>47.2</td>
<td>51.1</td>
<td>51.4</td>
<td>53.5</td>
<td>4.3%</td>
</tr>
<tr>
<td>Foreign governments and international organisations</td>
<td>2.4</td>
<td>3.5</td>
<td>3.0</td>
<td>3.0</td>
<td>3.4</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Public corporations and private enterprises</td>
<td>30.1</td>
<td>38.7</td>
<td>41.2</td>
<td>45.4</td>
<td>51.8</td>
<td>10.3%</td>
</tr>
<tr>
<td>Non-profit institutions</td>
<td>45.4</td>
<td>41.3</td>
<td>42.1</td>
<td>42.7</td>
<td>45.2</td>
<td>3.1%</td>
</tr>
<tr>
<td>Households</td>
<td>390.7</td>
<td>433.1</td>
<td>348.7</td>
<td>352.3</td>
<td>366.6</td>
<td>-5.4%</td>
</tr>
<tr>
<td>Payments for capital assets</td>
<td>65.0</td>
<td>89.7</td>
<td>99.4</td>
<td>105.1</td>
<td>112.9</td>
<td>8.0%</td>
</tr>
<tr>
<td>Buildings and other capital assets</td>
<td>47.2</td>
<td>65.3</td>
<td>75.9</td>
<td>80.0</td>
<td>84.9</td>
<td>9.1%</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>17.9</td>
<td>24.3</td>
<td>23.5</td>
<td>25.1</td>
<td>28.0</td>
<td>4.8%</td>
</tr>
<tr>
<td>Payments for financial assets</td>
<td>90.9</td>
<td>68.4</td>
<td>27.5</td>
<td>25.1</td>
<td>25.2</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>1 971.8</td>
<td>2 128.5</td>
<td>2 055.0</td>
<td>2 092.5</td>
<td>2 205.6</td>
<td>1.2%</td>
</tr>
<tr>
<td>Unallocated reserve</td>
<td>–</td>
<td>–</td>
<td>15.1</td>
<td>28.8</td>
<td>29.3</td>
<td></td>
</tr>
<tr>
<td>Contingency reserve²</td>
<td>–</td>
<td>–</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>–</td>
</tr>
<tr>
<td>Consolidated expenditure</td>
<td>1 971.8</td>
<td>2 128.5</td>
<td>2 075.0</td>
<td>2 126.3</td>
<td>2 239.8</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

Source: National Treasury

1) Consisting of national and provincial departments, social security funds and public entities
2) Allocated to 2021/22 spending

Figure 24: Consolidated budget balance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome</td>
<td>-231.3</td>
<td>-345.1</td>
<td>-550.6</td>
<td>-409.9</td>
<td>-380.4</td>
<td>-355.4</td>
<td>-349.7</td>
</tr>
<tr>
<td>Revised</td>
<td>-231.3</td>
<td>-345.1</td>
<td>-550.6</td>
<td>-409.9</td>
<td>-380.4</td>
<td>-355.4</td>
<td>-349.7</td>
</tr>
<tr>
<td>Medium-term estimates</td>
<td>-231.3</td>
<td>-345.1</td>
<td>-550.6</td>
<td>-409.9</td>
<td>-380.4</td>
<td>-355.4</td>
<td>-349.7</td>
</tr>
<tr>
<td>Main budget</td>
<td>-231.3</td>
<td>-345.1</td>
<td>-550.6</td>
<td>-409.9</td>
<td>-380.4</td>
<td>-355.4</td>
<td>-349.7</td>
</tr>
<tr>
<td>Social security funds</td>
<td>8.8</td>
<td>5.3</td>
<td>-49.2</td>
<td>-73.2</td>
<td>-8.9</td>
<td>-0.2</td>
<td>1.8</td>
</tr>
<tr>
<td>Public entities</td>
<td>26.2</td>
<td>44.1</td>
<td>39.9</td>
<td>2.8</td>
<td>3.6</td>
<td>3.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Provinces</td>
<td>1.0</td>
<td>5.1</td>
<td>2.8</td>
<td>1.2</td>
<td>6.4</td>
<td>-1.4</td>
<td>-1.5</td>
</tr>
<tr>
<td>RDP Fund</td>
<td>-0.2</td>
<td>-0.6</td>
<td>-0.5</td>
<td>-0.6</td>
<td>-0.2</td>
<td>-0.1</td>
<td>-0.1</td>
</tr>
<tr>
<td>Consoliated</td>
<td>-195.6</td>
<td>-291.2</td>
<td>-557.7</td>
<td>-479.7</td>
<td>-379.3</td>
<td>-353.6</td>
<td>-348.9</td>
</tr>
<tr>
<td>Percentage of GDP</td>
<td>-3.6%</td>
<td>-5.1%</td>
<td>-10.0%</td>
<td>-7.8%</td>
<td>-6.0%</td>
<td>-5.3%</td>
<td>-4.9%</td>
</tr>
</tbody>
</table>

Source: National Treasury
MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades

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Figure 25: National government gross borrowing requirement and financing

<table>
<thead>
<tr>
<th>R billion</th>
<th>2020/21 Outcome</th>
<th>2021/22 Revised</th>
<th>2022/23</th>
<th>2023/24</th>
<th>2024/25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross borrowing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Main budget balance</td>
<td>-550.6</td>
<td>-409.9</td>
<td>-380.4</td>
<td>-355.4</td>
<td>-349.7</td>
</tr>
<tr>
<td>Redemptions</td>
<td>-67.6</td>
<td>-65.2</td>
<td>-113.0</td>
<td>-154.7</td>
<td>-155.8</td>
</tr>
<tr>
<td>Domestic long-term loans</td>
<td>-53.2</td>
<td>-61.3</td>
<td>-97.3</td>
<td>-113.1</td>
<td>-120.4</td>
</tr>
<tr>
<td>Foreign loans</td>
<td>-14.4</td>
<td>-3.9</td>
<td>-15.7</td>
<td>-41.6</td>
<td>-35.5</td>
</tr>
<tr>
<td>Total</td>
<td>-618.3</td>
<td>-475.1</td>
<td>-493.3</td>
<td>-510.0</td>
<td>-505.5</td>
</tr>
</tbody>
</table>

Financing

<table>
<thead>
<tr>
<th>R billion</th>
<th>2020/21 Outcome</th>
<th>2021/22 Revised</th>
<th>2022/23</th>
<th>2023/24</th>
<th>2024/25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic short-term loans (net)</td>
<td>95.3</td>
<td>–</td>
<td>54.0</td>
<td>53.0</td>
<td>52.0</td>
</tr>
<tr>
<td>Domestic long-term loans</td>
<td>523.4</td>
<td>285.3</td>
<td>381.8</td>
<td>373.0</td>
<td>369.4</td>
</tr>
<tr>
<td>Foreign loans</td>
<td>91.9</td>
<td>77.6</td>
<td>47.0</td>
<td>64.7</td>
<td>66.2</td>
</tr>
<tr>
<td>Change in cash and other balances</td>
<td>-92.4</td>
<td>112.2</td>
<td>10.5</td>
<td>19.3</td>
<td>17.9</td>
</tr>
<tr>
<td>Total</td>
<td>618.3</td>
<td>475.1</td>
<td>493.3</td>
<td>510.0</td>
<td>505.5</td>
</tr>
</tbody>
</table>

Source: National Treasury

- Eskom continues to rely on government guarantees to finance its operations. Eskom had used R281.6 billion of its R350 billion government guarantee facility by 31 March 2021, with another R7 billion committed.
- Equity support of R31.7 billion was provided to Eskom in 2021/22, with the last tranche of R11.7 billion disbursed on 1 July.
- To enable Eskom to execute its borrowing plan, the Minister of Finance approved a special dispensation to allow Eskom to access additional guaranteed debt of R42 billion in 2021/22 and R25 billion in 2022/23, which falls within its existing guarantee facility. The utility has made progress in its unbundling plan by establishing a transmission company that is now registered with the Companies and Intellectual Property Commission.

Figure 26: Real growth in investment

*Excludes Eskom financial support and transactions in financial assets and liabilities
MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades

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Figure 27: Difference in fiscal metrics

<table>
<thead>
<tr>
<th>Percentage of GDP</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
<th>5-year average change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross tax revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before rebasing</td>
<td>25.9</td>
<td>25.9</td>
<td>26.2</td>
<td>26.3</td>
<td>25.0</td>
<td></td>
</tr>
<tr>
<td>After rebasing</td>
<td>23.7</td>
<td>23.7</td>
<td>23.8</td>
<td>23.8</td>
<td>22.5</td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>-2.2</td>
<td>-2.2</td>
<td>-2.4</td>
<td>-2.5</td>
<td>-2.6</td>
<td>-2.4</td>
</tr>
<tr>
<td>Tax buoyancy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before rebasing</td>
<td>0.97</td>
<td>1.00</td>
<td>1.22</td>
<td>1.14</td>
<td>2.57</td>
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</tr>
<tr>
<td>After rebasing</td>
<td>0.94</td>
<td>1.00</td>
<td>1.07</td>
<td>1.07</td>
<td>3.69</td>
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</tr>
<tr>
<td>Difference</td>
<td>-0.03</td>
<td>-0.00</td>
<td>-0.15</td>
<td>-0.07</td>
<td>1.12</td>
<td>0.17</td>
</tr>
<tr>
<td>Main budget revenue</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before rebasing</td>
<td>25.7</td>
<td>25.5</td>
<td>25.9</td>
<td>26.1</td>
<td>24.8</td>
<td></td>
</tr>
<tr>
<td>After rebasing</td>
<td>23.6</td>
<td>23.3</td>
<td>23.5</td>
<td>23.7</td>
<td>22.2</td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>-2.2</td>
<td>-2.2</td>
<td>-2.4</td>
<td>-2.5</td>
<td>-2.5</td>
<td>-2.3</td>
</tr>
<tr>
<td>Main budget expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before rebasing</td>
<td>29.5</td>
<td>29.9</td>
<td>30.6</td>
<td>32.8</td>
<td>35.8</td>
<td></td>
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<tr>
<td>After rebasing</td>
<td>27.0</td>
<td>27.4</td>
<td>27.8</td>
<td>29.7</td>
<td>32.1</td>
<td></td>
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<tr>
<td>Difference</td>
<td>-2.5</td>
<td>-2.6</td>
<td>-2.8</td>
<td>-3.1</td>
<td>-3.7</td>
<td>-2.9</td>
</tr>
<tr>
<td>Budget balance</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before rebasing</td>
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<td>-4.4</td>
<td>-4.7</td>
<td>-6.7</td>
<td>-11.0</td>
<td></td>
</tr>
<tr>
<td>After rebasing</td>
<td>-3.5</td>
<td>-4.1</td>
<td>-4.3</td>
<td>-6.1</td>
<td>-9.9</td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>0.3</td>
<td>0.4</td>
<td>0.4</td>
<td>0.6</td>
<td>1.1</td>
<td>0.6</td>
</tr>
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<td>Primary balance</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before rebasing</td>
<td>-0.5</td>
<td>-1.0</td>
<td>-1.0</td>
<td>-2.7</td>
<td>-6.4</td>
<td></td>
</tr>
<tr>
<td>After rebasing</td>
<td>-0.4</td>
<td>-0.9</td>
<td>-0.9</td>
<td>-2.5</td>
<td>-5.7</td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>0.0</td>
<td>0.1</td>
<td>0.1</td>
<td>0.3</td>
<td>0.7</td>
<td>0.2</td>
</tr>
<tr>
<td>Gross loan debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before rebasing</td>
<td>50.5</td>
<td>53.0</td>
<td>56.7</td>
<td>63.3</td>
<td>78.8</td>
<td></td>
</tr>
<tr>
<td>After rebasing</td>
<td>46.2</td>
<td>48.5</td>
<td>51.5</td>
<td>57.4</td>
<td>70.7</td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>-4.3</td>
<td>-4.5</td>
<td>-5.2</td>
<td>-5.9</td>
<td>-8.1</td>
<td>-5.6</td>
</tr>
<tr>
<td>Nominal GDP (R billion)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before rebasing</td>
<td>4,419.4</td>
<td>4,698.7</td>
<td>4,924.0</td>
<td>5,152.3</td>
<td>4,995.7</td>
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</tr>
<tr>
<td>After rebasing</td>
<td>4,831.2</td>
<td>5,136.8</td>
<td>5,418.3</td>
<td>5,686.7</td>
<td>5,566.2</td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>411.8</td>
<td>438.1</td>
<td>494.3</td>
<td>534.3</td>
<td>570.5</td>
<td>489.8</td>
</tr>
</tbody>
</table>

Source: National Treasury

1 Outcomes applied to GDP before and after rebasing
MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades

Thursday 11 November 2021

Figure 28: Consolidated government expenditure by functions

<table>
<thead>
<tr>
<th>R billion</th>
<th>2020/21 Budget</th>
<th>Outcome</th>
<th>Deviation</th>
<th>2021/22 Revised</th>
<th>Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persons and individuals</td>
<td>482.1</td>
<td>487.0</td>
<td>4.9</td>
<td>516.0</td>
<td>542.1</td>
</tr>
<tr>
<td>Companies</td>
<td>188.8</td>
<td>202.1</td>
<td>13.3</td>
<td>213.1</td>
<td>288.6</td>
</tr>
<tr>
<td>Value-added tax</td>
<td>324.6</td>
<td>331.2</td>
<td>6.6</td>
<td>370.2</td>
<td>373.6</td>
</tr>
<tr>
<td>Dividends tax</td>
<td>23.0</td>
<td>24.8</td>
<td>1.9</td>
<td>26.2</td>
<td>29.9</td>
</tr>
<tr>
<td>Specific excise duties</td>
<td>24.7</td>
<td>32.3</td>
<td>7.6</td>
<td>43.7</td>
<td>42.3</td>
</tr>
<tr>
<td>Fuel levy</td>
<td>75.2</td>
<td>75.5</td>
<td>0.3</td>
<td>83.1</td>
<td>89.2</td>
</tr>
<tr>
<td>Customs duties</td>
<td>45.2</td>
<td>47.3</td>
<td>2.1</td>
<td>53.1</td>
<td>54.7</td>
</tr>
<tr>
<td>Ad valorem excise duties</td>
<td>3.3</td>
<td>3.4</td>
<td>0.1</td>
<td>3.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Other</td>
<td>45.3</td>
<td>46.1</td>
<td>0.8</td>
<td>56.1</td>
<td>60.4</td>
</tr>
<tr>
<td><strong>Gross tax revenue</strong></td>
<td><strong>1 212.2</strong></td>
<td><strong>1 249.7</strong></td>
<td><strong>37.5</strong></td>
<td><strong>1 365.1</strong></td>
<td><strong>1 485.4</strong></td>
</tr>
</tbody>
</table>

Source: National Treasury MTBPS 2021

1. 2021 Budget figures

- Eskom has developed a new corporate structure and allocated debt between its proposed electricity generation, transmission and distribution entities. This proposed restructuring needs to be approved by lenders. The utility has a deadline of 31 December 2021 to complete legal separation of the transmission unit, with the other two units following in the next 12 months.
- Several DENEL repayment obligations have fallen due this year. Government has allocated R2.9 billion in 2021/22 to settle these repayments.
- By 2023/24, contingent liabilities are expected to exceed R1 trillion. They consist of government guarantees to state-owned companies, the Renewable Energy Independent Power Producer Programme, public-private partnerships, and obligations to the Road Accident Fund and other social security funds.
- Over the next three years, redemptions of guaranteed debt will average R19.3 billion, down from R35.6 billion in 2020/21 and R27.5 billion in 2019/20.
- In June 2019, 163 municipalities met at least one of the financial distress metrics. That number has increased during the pandemic, and an update on municipal finances is being prepared. Overdue payments owed by local government increased from R60 billion in 2019/20 to R73.7 billion in 2020/21. Over the same period, uncollected revenues increased from R191.4 billion to R232.8 billion.

Figure 29: Tax revenue by main source, 1994/95 and 2020/21

Sources: National Treasury
MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades

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Figure 30: Corporate taxable income and tax assessed by sector and economic activity, 2019 (actual numbers)

<table>
<thead>
<tr>
<th>Economic activity¹</th>
<th>Number of taxpayers</th>
<th>Taxable income</th>
<th>Tax assessed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary sector</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>22 277</td>
<td>-27 429</td>
<td>3 435</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>2 818</td>
<td>-26 200</td>
<td>6 850</td>
</tr>
<tr>
<td><strong>Secondary sector</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing²</td>
<td>46 510</td>
<td>-11 331</td>
<td>16 360</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>2 566</td>
<td>-169 778</td>
<td>1 537</td>
</tr>
<tr>
<td>Construction</td>
<td>46 447</td>
<td>-24 882</td>
<td>3 547</td>
</tr>
<tr>
<td><strong>Tertiary sector</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale and retail trade, catering and accommodation³</td>
<td>67 112</td>
<td>10 960</td>
<td>21 657</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>13 850</td>
<td>-65 831</td>
<td>12 469</td>
</tr>
<tr>
<td>Financial intermediation, insurance, real estate and business services⁴</td>
<td>149 214</td>
<td>42 564</td>
<td>51 792</td>
</tr>
<tr>
<td>Community, social and personal services⁵</td>
<td>40 202</td>
<td></td>
<td>4 675</td>
</tr>
<tr>
<td><strong>Other⁶</strong></td>
<td>137 491</td>
<td>-72</td>
<td>31</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>525 487</td>
<td>-72</td>
<td>122 353</td>
</tr>
</tbody>
</table>

Source: SARS, Tax Statistics 2020

1. SARS source of income code is used to classify according to the Standard Classification (SIC) system. SARS source of income code is not fully aligned with the SIC system that Statistics South Africa uses.
2. Includes the following SARS sectors, Bricks, ceramic, glass, cement and similar products; Chemicals and chemical, rubber and plastic product; Clothing and footwear; Coal and petroleum products; Food, drink and tobacco; Leather, leather goods and fur (excl. footwear & clothing); Machinery and related items; Metal (including metal products); Other manufacturing industries; Paper, printing and publishing; Scientific, optical and similar equipment; Textiles; Transport equipment, and Wood, wood products and furniture.
3. Includes the following SARS sectors – Catering and accommodation; Retail trade; Specialised repair services; Vehicles, parts and accessories; and Wholesale trade.
4. Includes the following SARS sectors – Agencies and other services; Financing, insurance, real estate and business services; Long term insurance; and Research and scientific institutes.
5. Includes the following SARS sectors – Educational services; Medical, dental and other health and veterinary services; Personal and household services; Recreation and cultural services; and Social and related community services.
6. Includes where the source of income was indicated as Other (as per SARS source code) or where the source of income was left blank on the return.

Figure 31: Tax register, 31 March 2016-31 March 2020

<table>
<thead>
<tr>
<th>Number as at</th>
<th>Individuals¹²</th>
<th>Companies (CIT)¹³</th>
<th>Trusts¹</th>
<th>Employers¹</th>
<th>VAT Vendors¹</th>
<th>Importers</th>
<th>Exporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 Mar 2016</td>
<td>19 075 270</td>
<td>3 278 708</td>
<td>340 000</td>
<td>458 048</td>
<td>706 874</td>
<td>289 922</td>
<td>262 162</td>
</tr>
<tr>
<td>31 Mar 2017</td>
<td>19 980 110</td>
<td>3 732 416</td>
<td>345 048</td>
<td>489 445</td>
<td>742 388</td>
<td>301 746</td>
<td>272 951</td>
</tr>
<tr>
<td>31 Mar 2018⁴</td>
<td>21 104 375</td>
<td>3 202 007</td>
<td>351 564</td>
<td>520 918</td>
<td>773 783</td>
<td>312 241</td>
<td>282 243</td>
</tr>
<tr>
<td>31 Mar 2019</td>
<td>22 170 513</td>
<td>2 020 759</td>
<td>357 859</td>
<td>552 611</td>
<td>802 957</td>
<td>319 949</td>
<td>288 604</td>
</tr>
<tr>
<td>31 Mar 2020</td>
<td>22 919 701</td>
<td>2 548 975</td>
<td>363 860</td>
<td>582 289</td>
<td>831 821</td>
<td>329 820</td>
<td>297 448</td>
</tr>
</tbody>
</table>

Percentage year-on-year growth

| 31 Mar 2016  | 4.9%           | 11.7%           | 2.5%    | 6.6%       | 4.1%         | 3.2%      | 3.2%      |
| 31 Mar 2017  | 4.7%           | 13.8%           | 1.5%    | 6.9%       | 5.0%         | 4.1%      | 4.1%      |
| 31 Mar 2018⁴ | 5.6%           | -14.2%          | 1.9%    | 6.4%       | 4.2%         | 3.5%      | 3.4%      |
| 31 Mar 2019  | 5.1%           | -36.9%          | 1.8%    | 6.1%       | 3.8%         | 2.5%      | 2.3%      |
| 31 Mar 2020  | 3.4%           | 26.1%           | 1.7%    | 5.4%       | 3.6%         | 3.1%      | 3.1%      |

Source: Tax Statistics 2020

1. Excludes cases where status is in suspense, estate and address unknown.
2. The tax year for individuals starts on 1 March and ends at the end of February the following year. T
3. The tax year for companies is normally the financial year of the company for financial reporting purposes.
4. Different from Annual Report due to timing difference
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The National Treasury, working with provincial governments, has begun a series of interventions to stabilise the finances of the 112 municipalities that adopted budgets in 2021/22 that are not fully funded, which will result in an inability to meet all their obligations. Where possible, expenditure will be limited to available funds or revenue collection will be improved.

A limited costing of the national health insurance policy proposal has shown it would require about R40 billion per year in additional funding in the first five years, and considerably more over time. At present, there is insufficient capacity in the health sector to work substantively on national health insurance.

The national health insurance indirect grant has been underspent, the National Health Insurance Fund has not yet been established and the National Health Insurance Bill still needs to be passed by Parliament. It is therefore unlikely that national health insurance will be a significant cost pressure in the medium term.

Government is working with public service trade unions to find a fair and sustainable approach to remuneration. If the Constitutional Court overturns the Labour Appeal Court’s decision that the 2018 wage agreement was unlawful and that government could not be compelled to honour it, the state may be required to implement the agreement retroactively. Such a decision would have significant effects on the fiscal framework. Should this occur, government would have to consider a reduction in the size of the public service and other fiscal adjustments.

---

**Figure 32:** Number of companies, taxable income and tax assessed, 2018

<table>
<thead>
<tr>
<th>Taxable income</th>
<th>Number of taxpayers</th>
<th>Taxable income (R million)</th>
<th>Assessed tax (R million)</th>
<th>Effective rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss nil</td>
<td>219 730</td>
<td>-1 090 915</td>
<td>599</td>
<td>n/a</td>
</tr>
<tr>
<td>R1-R1 million</td>
<td>363 794</td>
<td>-</td>
<td>154</td>
<td>n/a</td>
</tr>
<tr>
<td>R1 million-R100 million</td>
<td>160 488</td>
<td>32 159</td>
<td>6 563</td>
<td>20.4%</td>
</tr>
<tr>
<td>R100 million+</td>
<td>35 685</td>
<td>241404</td>
<td>67 433</td>
<td>27.9%</td>
</tr>
<tr>
<td>Total</td>
<td>780 460</td>
<td>755 261</td>
<td>207 005</td>
<td>27.4%</td>
</tr>
</tbody>
</table>

Source: SARS, Tax Statistics 2020

1. The Effective rate is calculated as Tax assessed divided by Taxable income

---

**Figure 33:** Estimates of individuals and taxable income, 2021/22

<table>
<thead>
<tr>
<th>Taxable bracket (R thousand)</th>
<th>Registered individuals</th>
<th>Taxable income</th>
<th>Income tax payable before relief</th>
<th>Income tax relief after proposals</th>
<th>Income tax payable after proposals</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – R801</td>
<td>1 783 913</td>
<td>256.2</td>
<td>15.7</td>
<td>-1.3</td>
<td>9.4</td>
</tr>
<tr>
<td>R80 – R150</td>
<td>1 855 292</td>
<td>211.1</td>
<td>8.6</td>
<td>0.0</td>
<td>14.5</td>
</tr>
<tr>
<td>R150 – R250</td>
<td>1 691 889</td>
<td>329.3</td>
<td>13.4</td>
<td>5.6</td>
<td>13.4</td>
</tr>
<tr>
<td>R250 – R350</td>
<td>1 283 954</td>
<td>378.4</td>
<td>15.4</td>
<td>54.5</td>
<td>16.8</td>
</tr>
<tr>
<td>R350 – R500</td>
<td>981 993</td>
<td>409.1</td>
<td>16.6</td>
<td>67.6</td>
<td>19.5</td>
</tr>
<tr>
<td>R500 – R750</td>
<td>612 177</td>
<td>369.1</td>
<td>15.0</td>
<td>88.4</td>
<td>18.1</td>
</tr>
<tr>
<td>R750 – R1 000</td>
<td>262 643</td>
<td>226.2</td>
<td>9.2</td>
<td>65.1</td>
<td>10.0</td>
</tr>
<tr>
<td>R1 000 – R1 500</td>
<td>159 127</td>
<td>191.1</td>
<td>7.8</td>
<td>61.9</td>
<td>6.1</td>
</tr>
<tr>
<td>R1 500+</td>
<td>113 192</td>
<td>346.3</td>
<td>14.1</td>
<td>137.7</td>
<td>7.6</td>
</tr>
<tr>
<td>Total</td>
<td>6 960 267</td>
<td>2 460.7</td>
<td>100.0</td>
<td>529.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Grand total</td>
<td>14 144 180</td>
<td>2 716.8</td>
<td>529.4</td>
<td>13.4</td>
<td>516.0</td>
</tr>
</tbody>
</table>

Source: National Treasury

1. Registered individuals with taxable income below the income-tax threshold
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Figure 34: Annual change in nominal GDP and consolidated compensation spending

![Graph showing annual change in nominal GDP and consolidated compensation spending from 2001/02 to 2020/21.]

Source: National Treasury

Figure 35: Indirect taxes: domestic taxes on goods and services, 2015/16-2019/20

<table>
<thead>
<tr>
<th>R million</th>
<th>VAT</th>
<th>Fuel levy</th>
<th>Customs duties</th>
<th>Specific excise duties</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015/16</td>
<td>281 111</td>
<td>55 607</td>
<td>46 250</td>
<td>35 077</td>
<td>27 779</td>
</tr>
<tr>
<td>2016/17</td>
<td>289 167</td>
<td>62 779</td>
<td>45 579</td>
<td>35 774</td>
<td>29 042</td>
</tr>
<tr>
<td>2017/18</td>
<td>297 998</td>
<td>70 949</td>
<td>49 152</td>
<td>37 356</td>
<td>30 271</td>
</tr>
<tr>
<td>2018/19</td>
<td>324 766</td>
<td>75 372</td>
<td>37 902</td>
<td>40 830</td>
<td>51 043</td>
</tr>
<tr>
<td>2019/20</td>
<td>346 761</td>
<td>80 175</td>
<td>55 428</td>
<td>55 428</td>
<td>26 802</td>
</tr>
</tbody>
</table>

Percentage of total

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT</td>
<td>26.3%</td>
<td>25.3%</td>
<td>24.5%</td>
<td>25.2%</td>
<td>25.6%</td>
</tr>
<tr>
<td>Fuel levy</td>
<td>5.2%</td>
<td>5.5%</td>
<td>5.8%</td>
<td>5.9%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Customs duties</td>
<td>4.3%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>2.9%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Specific excise duties</td>
<td>3%</td>
<td>3.1%</td>
<td>3.1%</td>
<td>3.2%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Other</td>
<td>2.6%</td>
<td>2.5%</td>
<td>2.5%</td>
<td>4.0%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Proportion of GDP

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT</td>
<td>6.8%</td>
<td>6.5%</td>
<td>6.3%</td>
<td>6.6%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Fuel levy</td>
<td>1.3%</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Customs duties</td>
<td>1.1%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>0.8%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Specific excise duties</td>
<td>0.9%</td>
<td>0.8%</td>
<td>0.8%</td>
<td>0.8%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Other</td>
<td>0.7%</td>
<td>0.7%</td>
<td>0.6%</td>
<td>1.0%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Source: Tax Statistics 2020
MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades
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Figure 36: Macro-economic forecasts, Treasury vs. Investec

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final household consumption</td>
<td>5.7</td>
<td>2.0</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Investec</td>
<td>5.6</td>
<td>2.1</td>
<td>2.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Final government consumption</td>
<td>0.1</td>
<td>-1.4</td>
<td>-2.9</td>
<td>-0.1</td>
</tr>
<tr>
<td>Investec</td>
<td>-0.5</td>
<td>0.4</td>
<td>-1.9</td>
<td>-1.1</td>
</tr>
<tr>
<td>Gross fixed capital formation</td>
<td>1.2</td>
<td>3.1</td>
<td>3.4</td>
<td>3.5</td>
</tr>
<tr>
<td>Investec</td>
<td>-0.4</td>
<td>2.6</td>
<td>4.4</td>
<td>3.5</td>
</tr>
<tr>
<td>Gross domestic expenditure</td>
<td>4.9</td>
<td>2.4</td>
<td>1.9</td>
<td>1.7</td>
</tr>
<tr>
<td>Investec</td>
<td>4.5</td>
<td>2.3</td>
<td>2.3</td>
<td>2.4</td>
</tr>
<tr>
<td>Exports</td>
<td>10.3</td>
<td>2.9</td>
<td>2.6</td>
<td>2.7</td>
</tr>
<tr>
<td>Investec</td>
<td>9.9</td>
<td>3.4</td>
<td>4.2</td>
<td>4.9</td>
</tr>
<tr>
<td>Imports</td>
<td>9.5</td>
<td>5.3</td>
<td>4.0</td>
<td>2.6</td>
</tr>
<tr>
<td>Investec</td>
<td>7.8</td>
<td>3.5</td>
<td>4.4</td>
<td>4.7</td>
</tr>
<tr>
<td>Real GDP</td>
<td>5.1</td>
<td>1.8</td>
<td>1.6</td>
<td>1.7</td>
</tr>
<tr>
<td>Investec</td>
<td>5.0</td>
<td>2.0</td>
<td>2.3</td>
<td>2.5</td>
</tr>
<tr>
<td>CPI Inflation</td>
<td>4.5</td>
<td>4.2</td>
<td>4.3</td>
<td>4.5</td>
</tr>
<tr>
<td>Investec</td>
<td>4.5</td>
<td>5.2</td>
<td>4.7</td>
<td>4.8</td>
</tr>
</tbody>
</table>

Source: National Treasury, Investec

- Overall, the budget is likely the best it could be in the current circumstances, and it is a good news budget from a fiscal consolidation plan, but not in terms of the current state of government finances.
- This is recognised by National Treasury and in particular the lack of capacity to take on further expenditure items, such as the NHI.
- Additionally, Treasury warns of likely job cuts if the courts force through the previous unaffordable wage deal. The buoyant revenue receipts, underpinned by surging commodity prices are temporary as global growth slows, and government has stressed in general that it will not commit to new long-term spending initiatives.
- Moreover, no added funding is afforded to fragile State-Owned Entities over the medium-term period.
- The Budget would be bland if government finances were not in such a precarious position still.
- While there has been some improvement, there is yet still a huge amount of fiscal consolidation needed and so the 2021 MTBPS is credit rating neutral to marginally positive.
- The very modest GDP growth forecast of National Treasury, below our and the market’s expectations for the next three years show governments concern over the growth outlook, which is very worrying, given the slow pace of reforms and likely ongoing electricity, and potentially water, shedding.
- Uncertainty is also a large concern, given SA’s fragmenting political landscape and lack of understanding from radical political party on the factors causing SA’s numerous crises.

Figure 37: Macroeconomic projections

<table>
<thead>
<tr>
<th></th>
<th>2020 Actual</th>
<th>2021 Estimate</th>
<th>2022 Forecast</th>
<th>2023 Forecast</th>
<th>2024 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final household consumption</td>
<td>-6.5</td>
<td>5.7</td>
<td>2.0</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Gross fixed capital formation</td>
<td>-14.9</td>
<td>1.2</td>
<td>3.1</td>
<td>3.4</td>
<td>3.5</td>
</tr>
<tr>
<td>Real GDP growth</td>
<td>-6.4</td>
<td>5.1</td>
<td>1.8</td>
<td>1.6</td>
<td>1.7</td>
</tr>
<tr>
<td>GDP at current prices (R billion)</td>
<td>5,521</td>
<td>6,112</td>
<td>6,304</td>
<td>6,607</td>
<td>7,018</td>
</tr>
<tr>
<td>CPI Inflation</td>
<td>3.3</td>
<td>4.5</td>
<td>4.2</td>
<td>4.3</td>
<td>4.5</td>
</tr>
<tr>
<td>Current account deficit (% GDP)</td>
<td>2.0</td>
<td>3.8</td>
<td>0.4</td>
<td>-1.5</td>
<td>-1.7</td>
</tr>
</tbody>
</table>

Source: Reserve Bank and National Treasury
MTBPS Update: the fiscal metrics did not disappoint, revised heavily down on higher GDP, with a low chance of any imminent downgrades

Thursday 11 November 2021

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