3

Fiscal policy

In brief

- The economic and revenue outlook has deteriorated since the 2019 *Medium Term Budget Policy Statement* (MTBPS). As a result, gross national debt is expected to increase to 71.6 per cent of GDP by 2022/23.
- Government remains committed to achieving fiscal sustainability, measured as stabilisation of the debt-to-GDP ratio, by moderating spending as a share of GDP and reducing the wage bill as a share of overall spending.
- Relative to last year's Budget, the 2020 Budget proposes net non-interest spending reductions totalling R156.1 billion over the medium-term expenditure framework (MTEF) period.
- These measures narrow the consolidated deficit from 6.8 per cent of GDP in 2020/21 to 5.7 per cent in 2022/23.
- Departments remain within published spending limits, showing budget discipline. But slowing growth and extra-budgetary pressures from state-owned companies in particular have widened the budget deficit.

Overview

In recent months, economic growth has continued to decline. As a result, tax revenue is expected to be significantly lower than the 2019 MTBPS estimates. Adding to fiscal pressures, requests for support from financially distressed state-owned companies have increased.

The 2019 MTBPS proposed achieving a main budget primary balance, excluding financial support to Eskom, by 2022/23. This target is now out of reach, and debt is not expected to stabilise over the medium term.

Table 3.1 Macroeconomic performance and projections

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Percentage change		**Actual**		**Estimate**		**Forecast**	
Real GDP growth	0.8	1.3	0.6	0.6	0.9	1.4	1.7
Nominal GDP growth	7.1	6.3	4.7	4.8	5.3	6.1	6.4
CPI inflation	6.3	4.7	4.6	4.2	4.4	4.6	4.6
GDP at current prices (R billion)	**4 419.4**	**4 698.7**	**4 921.5**	**5 157.3**	**5 428.2**	**5 759.0**	**6 126.3**

Source: National Treasury

Large downward revision of nominal GDP plays a central role in fiscal outlook

The fiscal challenge – a widening gap between revenue and expenditure – is clearly indicated in Figure 3.1. Revenue remains broadly stable at about 26 per cent of GDP. Expenditure has grown as a share of GDP since 2007/08. The spike in the ratio in 2019/20 reflects lower economic growth, a significant increase in support to state-owned companies and a downward revision to nominal GDP.

To contain the budget deficit and move towards debt stabilisation, the 2020 Budget proposes a significant reduction in government expenditure growth, mainly as a result of lower growth in the public-service wage bill. These steps will moderate spending as a share of GDP and improve the composition of expenditure, but will not stabilise debt.

Firm decisions required to reform state-owned companies and Road Accident Fund

Options to increase taxes are limited in the current economic environment. Along with faster economic growth, fiscal sustainability requires targeted reduction of specific programmes, and firm decisions to rein in extra-budgetary pressures, including reform of state-owned companies and the Road Accident Fund. Further across-the-board spending cuts that affect core government programmes would severely harm service delivery.

Figure 3.1 Main budget revenue and expenditure

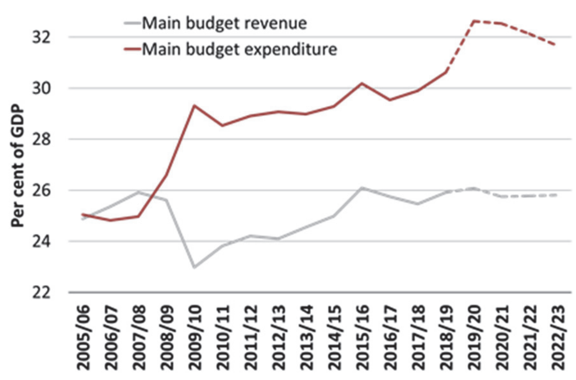
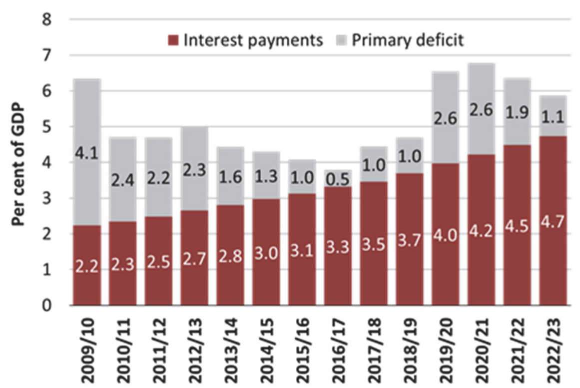


Figure 3.2 Main budget deficit*



**Figures may differ from Table 3.7 due to rounding*

Source: National Treasury

Changes in tax revenue and expenditure

Tax revenue

Tax revenue estimates for the current year have been revised down by R10.7 billion compared with 2019 MTBPS estimates. In addition, government has chosen not to apply additional revenue measures of R10 billion for next year that were projected in last year's budget. Lower revenue collection has a knock-on effect, reducing projections over the three-year spending period ahead.

Table 3.2 Revised gross tax revenue projections

R billion	2019/20	2020/21	2021/22	2022/23
2019 MTBPS	1 369.7	1 460.9	1 555.7	1 658.2
Revised estimate	1 358.9	1 425.4	1 512.2	1 609.7
Deviation against 2019 MTBPS	-10.7	-35.4	-43.5	-48.5

Source: National Treasury

No further changes to tax rates are assumed in revenue projections, except annual adjustments in personal income tax brackets, levies and excise duties in line with inflation. These assumptions result in tax revenue projections that are lower than the 2019 MTBPS estimates by R35.4 billion in 2020/21, R43.5 billion in 2021/22 and R48.5 billion in 2022/23.

Main budget non-interest expenditure adjustments

Since 2019 Budget, government has agreed to large increases in transfers to Eskom and SAA

After the 2019 Budget, two additional spending pressures emerged. First, government increased support to financially distressed state-owned companies by R60.1 billion over the MTEF period. Over the next three years, government will transfer R112 billion to Eskom to enable the utility to meet its short-term financial obligations. An amount of R16.4 billion has been set aside for South African Airways (SAA) to repay guaranteed debt and interest costs. Second, government largely reversed the savings from early retirement and other interventions.

The 2019 MTBPS proposed to reduce goods and services, current transfers and capital baselines, and reprioritise funds towards critical priorities. The 2020 Budget takes the additional step of reducing the wage bill by R160.2 billion over the next three years. Net reductions to main budget non-interest spending from the 2019 Budget to the 2020 Budget total R156.1 billion over the MTEF period.

Table 3.3 Adjustments to main budget non-interest expenditure since 2019 Budget

R million	2020/21	2021/22	2022/23	MTEF total
2019 Budget non-interest expenditure	**1 545 500**	**1 653 077**	**1 736 538**	**4 935 115**
Skills development levy adjustments	-1 025	-1 722	-500	-3 246
Change in contingency reserve	-1 000	-1 000	-1 000	-3 000
Baseline reductions and reallocations	**-66 045**	**-88 149**	**-106 801**	**-260 995**
Programme baseline reductions	-28 238	-33 219	-39 341	-100 798
Wage bill reductions	-37 807	-54 929	-67 460	-160 196
Baseline allocations	**59 293**	**29 981**	**21 843**	**111 117**
Financial support for state-owned companies	44 042	14 309	1 777	60 128
Net change in adjustments announced in 2019 Budget[1]	7 753	7 620	11 953	27 326
Programme allocations	7 499	8 051	8 113	23 663
2020 Budget non-interest expenditure	**1 536 724**	**1 592 186**	**1 650 080**	**4 778 991**
Change in non-interest expenditure since 2019 Budget	-8 776	-60 890	-86 458	-156 124

1. Includes reversal of savings from wage bill measures and national macro-reorganisation of government, adjustments due to lower CPI and early retirement savings in police

Source: National Treasury

In aggregate, these measures are expected to narrow the consolidated budget deficit from 6.8 per cent of GDP in 2020/21 to 5.7 per cent of GDP in 2022/23. Gross national debt is estimated to increase from 65.6 per cent of GDP in 2020/21 to 71.6 per cent of GDP in 2022/23.

Table 3.4 Consolidated fiscal framework

R billion/percentage of GDP	2016/17	2017/18 Outcome	2018/19	2019/20 Revised estimate	2020/21	2021/22 Medium-term estimates	2022/23
Revenue	**1 285.6**	**1 351.4**	**1 445.4**	**1 517.0**	**1 583.9**	**1 682.8**	**1 791.3**
	29.1%	*28.8%*	*29.4%*	*29.4%*	*29.2%*	*29.2%*	*29.2%*
Expenditure	**1 442.6**	**1 541.9**	**1 642.8**	**1 843.5**	**1 954.4**	**2 040.3**	**2 141.0**
	32.6%	*32.8%*	*33.4%*	*35.7%*	*36.0%*	*35.4%*	*34.9%*
Non-interest expenditure	*1 286.0*	*1 368.9*	*1 450.6*	*1 628.5*	*1 715.0*	*1 771.6*	*1 840.3*
	29.1%	*29.1%*	*29.5%*	*31.6%*	*31.6%*	*30.8%*	*30.0%*
Budget balance	**-157.0**	**-190.5**	**-197.4**	**-326.6**	**-370.5**	**-357.5**	**-349.7**
	-3.6%	*-4.1%*	*-4.0%*	*-6.3%*	*-6.8%*	*-6.2%*	*-5.7%*

Source: National Treasury

Achieving fiscal sustainability

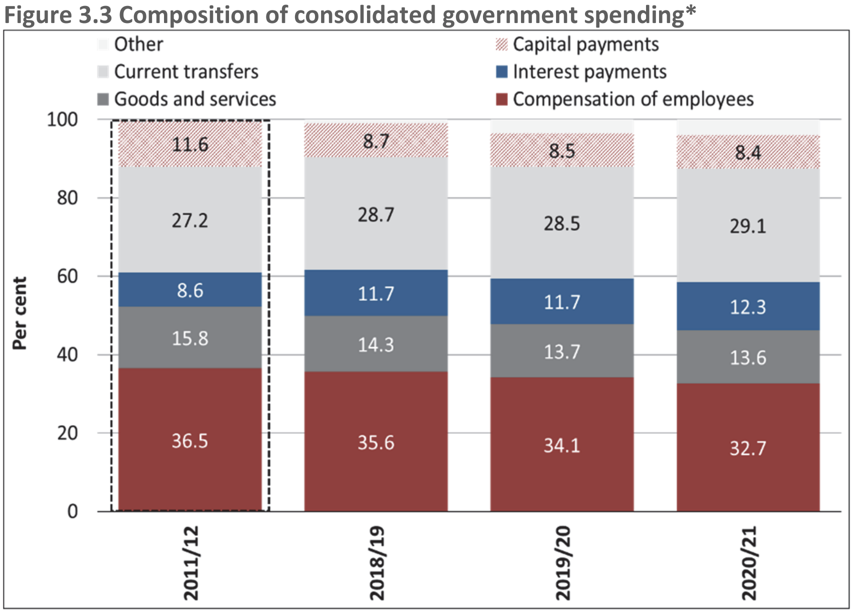
Achieving fiscal sustainability requires public spending levels to be closely aligned with the revenue-raising potential of the economy.

In 2012, government introduced the main budget expenditure ceiling, with the goal of controlling spending growth and stabilising debt. Between 2013/14 and 2018/19, in response to lower economic and revenue growth, government repeatedly reduced the expenditure ceiling.

Composition of spending has moved away from capital towards consumption

Most of the reductions were applied to goods and services and capital budgets, while leaving the wage bill relatively unchanged. Current transfers have grown as a result of increased support for higher education and larger Unemployment Insurance Fund payments. As a result, the composition of spending has moved away from capital towards consumption. Spending discipline within national and provincial departments introduced by the expenditure ceiling has not translated into debt stabilisation.

Figure 3.3 Composition of consolidated government spending*



*For selected years
Source: National Treasury

In recent years, financial demands from state-owned companies – especially Eskom – have mounted, even as economic growth and revenues have fallen short of projections. As a result, the deficit has increased and additional resources have been prioritised away from national and provincial departments towards state-owned companies.

Table 3.5 Main budget expenditure ceiling, budgeted estimates and outcomes

R billion	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Baselines announced in previous budgets[1]	1 091	1 168	1 250	1 354	1 435	1 524	1 630	
2019 Budget Review	*1 075*	*1 142*	*1 225*	*1 310*	*1 408*	*1 502*	*1 608*	
2019 MTBPS		1 142	1 225	1 307	1 405	1 493	1 591	1 674
2020 Budget Review	*1 075*	*1 142*	*1 225*	*1 307*	*1 409*	*1 458*	*1 539*	*1 605*
Outcomes / estimates compared to original baselines	**-16**	**-26**	**-25**	**-47**	**-26**	**-66**	**-91**	**-69**

1. Outer year baselines announced in MTBPS 2014 to MTBPS 2018
Source: National Treasury

Reducing wage bill growth

From the mid-2000s, a series of wage policy reforms and generous wage settlements increased compensation spending as a share of consolidated spending. Public-service compensation has grown by about 40 per cent in real terms over the past 12 years, and remuneration growth is increasingly out of line with the rest of the economy. The wage bill remains the largest component of spending by economic classification.

Take-up of early retirement initiative has been slower than anticipated

The 2019 Budget announced wage-bill measures amounting to R27 billion over the 2019 MTEF period. These included provision for early retirement and savings from the national macro-reorganisation of government. Take-up of the early retirement initiative has been slower than anticipated, and only the Department of Police has finalised implementation during 2019/20. Other departments have submitted proposals, which are being processed and may result in further adjustments to baselines. At this stage, the anticipated savings have been largely reversed.

The 2020 Budget proposes a reduction in the compensation budgets of national and provincial departments, and entities that receive transfers directly from national government. These reductions amount to R37.8 billion in 2020/21, R54.9 billion in 2021/22 and R67.5 billion in 2022/23. The revised amounts will guide government in forthcoming talks in the Public Service Co-ordinating Bargaining Council. These reductions can be achieved through a combination of modifications to cost-of-living adjustments, pay progression and other benefits.

Excessive salaries at public entities to be addressed in new remuneration framework

Wage bill growth outside the public service is also contributing to fiscal pressure. During 2020, government will legislate a remuneration framework for public entities and state-owned companies. The framework will improve alignment of pay scales with the public service, and contain excessive salaries and other payments.

Fiscal framework

Consolidated deficit projected to narrow from 6.8 per cent of GDP in 2020/21 to 5.7 per cent in 2022/23

The consolidated operating and capital accounts are summarised in Table 3.6. The consolidated deficit in 2019/20 has risen relative to the 2019 Budget estimate. This is mainly due to a larger main budget deficit, reflecting lower revenue and higher projected spending, and the estimated deficit for social security funds. These deficits are partially offset by higher surpluses of public entities. Compared with the 2019 Budget, the consolidated deficit estimates for 2020/21 and 2021/22 are larger by an average of two percentage points. The consolidated deficit is projected to narrow from 6.8 per cent of GDP in 2020/21 to 5.7 per cent in 2022/23.

Consolidated non-interest expenditure contracts at annual real average rate of 0.4 per cent over medium term

Over the next three years, consolidated non-interest expenditure will contract at an annual real average rate of 0.4 per cent. This is largely the result of proposed reductions to the wage bill and other baseline spending. The consolidated wage bill is projected to grow largely in line with inflation in the two outer years of the MTEF period. While the share of the wage bill and of goods and services to total expenditure is projected to decline over the MTEF period, the share of current transfers will increase.

Beginning in 2020/21, the composition of spending will improve over the medium term as capital budget reforms boost infrastructure spending and new projects are rolled out.

Table 3.6 Consolidated operating and capital accounts

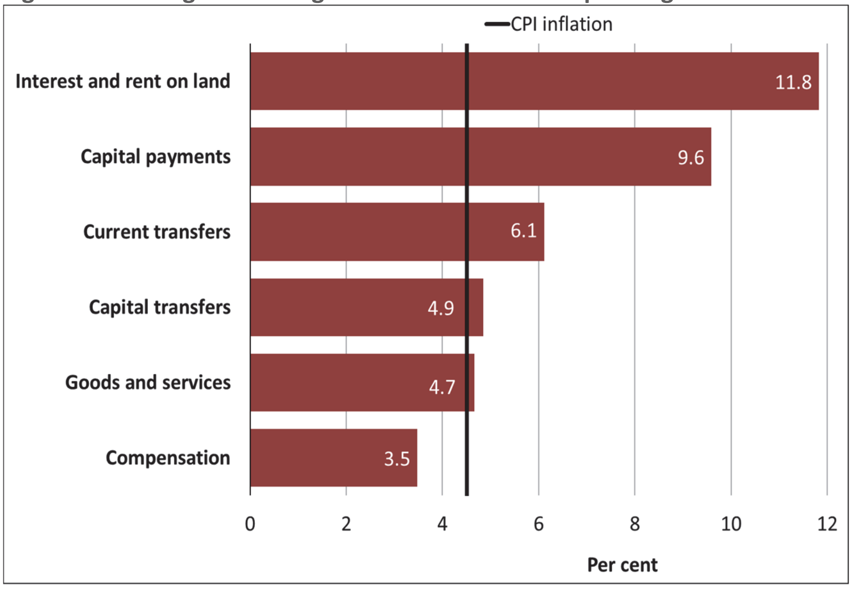
R billion/percentage of GDP	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		Outcome		Revised estimate		Medium-term estimates	
OPERATING ACCOUNT							
Current revenue	**1 266.9**	**1 331.7**	**1 429.8**	**1 503.6**	**1 571.0**	**1 674.4**	**1 782.0**
Current payments	**1 285.2**	**1 371.8**	**1 483.8**	**1 622.0**	**1 712.1**	**1 811.1**	**1 915.0**
Compensation of employees	511.7	548.1	584.8	629.2	638.9	667.8	697.1
Goods and services	217.6	221.3	235.0	251.7	265.1	281.5	288.5
Interest payments	156.5	172.9	192.2	215.0	239.5	268.7	300.7
Current transfers and subsidies	399.4	429.5	471.9	526.1	568.7	593.1	628.7
Current balance	**-18.3**	**-40.1**	**-54.0**	**-118.5**	**-141.2**	**-136.8**	**-133.0**
	-0.4%	-0.9%	-1.1%	-2.3%	-2.6%	-2.4%	-2.2%
CAPITAL ACCOUNT							
Capital receipts	0.5	0.5	0.4	0.3	0.3	0.3	0.3
Capital payments	79.1	77.4	69.9	82.8	92.1	101.4	109.0
Capital transfers	69.8	72.3	73.4	73.5	71.5	78.7	84.7
Capital financing requirement	**-148.3**	**-149.2**	**-142.8**	**-156.0**	**-163.4**	**-179.8**	**-193.4**
	-3.4%	-3.2%	-2.9%	-3.0%	-3.0%	-3.1%	-3.2%
Financial transactions[1]	9.7	-1.1	-0.5	-52.1	-61.0	-36.0	-18.3
Contingency reserve	–	–	–	–	5.0	5.0	5.0
Budget balance	**-157.0**	**-190.5**	**-197.4**	**-326.6**	**-370.5**	**-357.5**	**-349.7**
	-3.6%	-4.1%	-4.0%	-6.3%	-6.8%	-6.2%	-5.7%

1. Balance of transactions in financial assets and liabilities
Source: National Treasury

The capital financing requirement, which is the sum of capital payments, transfers and receipts, is expected to remain in deficit at about 3 per cent of GDP over the MTEF period. Capital payments and transfers grow by a nominal annual average of 7.4 per cent over the next three years. The current deficit – the gap between revenue and current spending – is projected to narrow from 2.6 per cent of GDP in 2020/21 to 2.2 per cent of GDP in 2022/23.

Financial transactions amount to R52.1 billion in 2019/20 and R61 billion in 2020/21. The majority of these amounts reflect financial support for Eskom and SAA.

Figure 3.4 Average nominal growth in consolidated spending[1]



1. 2020/21 – 2022/23
Source: National Treasury

Elements of the consolidated budget

The consolidated budget includes the main budget framework and spending by provinces, social security funds and public entities financed from their own revenue sources.

Main budget framework

Main budget deficit to reach 6.8 per cent of GDP in 2020/21, narrowing to 5.9 per cent in outer year

Spending financed from the National Revenue Fund is summarised in Table 3.7. The main budget deficit, forecast at 4.7 per cent in the 2019 Budget, reached 6.5 per cent of GDP in 2019/20. The deficit is expected to reach 6.8 per cent of GDP in 2020/21 before narrowing to 5.9 per cent of GDP in the outer year.

Since the 2019 MTBPS, non-tax revenue has been revised upwards over the medium term, mainly due to higher projected interest on investments and the R3.5 billion in expected revenue from the sale of assets in 2020/21. The R7 billion projected revenue from the sale of non-core assets in 2019/20 has been reversed. Projections of National Revenue Fund receipts for the two outer years have declined significantly compared with 2019 MTBPS estimates due to lower revaluation profits on foreign currency transactions. Payments to the Southern African Customs Union are projected to decrease between 2020/21 and 2021/22, mainly due to estimated error adjustment of overpayments in 2019/20.

Real main budget non-interest expenditure contracts by annual average of 0.8 per cent

Main budget non-interest expenditure is projected to increase in real terms by 7 per cent in 2019/20, from 1.9 per cent in the prior year, largely due to financial support for Eskom. In total, real main budget non-interest expenditure contracts by an annual average of 0.8 per cent over the medium term, largely due to compensation and other spending reductions.

Table 3.7 Main budget framework

R billion/percentage of GDP	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		Outcome		Revised estimate		Medium-term estimates	
Revenue							
Gross tax revenue after proposals	1 144.1	1 216.5	1 287.7	1 358.9	1 425.4	1 512.2	1 609.7
Non-tax revenue	19.0	19.2	23.9	26.1	30.0	27.9	29.3
SACU[1]	-39.4	-56.0	-48.3	-50.3	-63.4	-60.6	-63.4
National Revenue Fund receipts	14.2	16.6	12.0	10.0	6.0	4.8	5.3
Main budget revenue	**1 137.9**	**1 196.4**	**1 275.3**	**1 344.8**	**1 398.0**	**1 484.3**	**1 580.9**
	25.7%	*25.5%*	*25.9%*	*26.1%*	*25.8%*	*25.8%*	*25.8%*
Expenditure							
National departments	555.6	592.6	634.3	739.5	757.7	768.9	797.8
Provinces	500.4	538.6	572.0	612.8	649.3	692.0	730.7
Local government	102.9	111.1	118.5	125.0	132.5	142.4	151.4
Contingency reserve	–	–	–	–	5.0	5.0	5.0
Provisional allocation not assigned to votes	–	–	–	–	-7.8	-16.1	-34.9
Non-interest expenditure	**1 158.9**	**1 242.3**	**1 324.8**	**1 477.3**	**1 536.7**	**1 592.2**	**1 650.1**
Debt-service costs	146.5	162.6	181.8	205.0	229.3	258.5	290.1
Main budget expenditure	**1 305.4**	**1 404.9**	**1 506.6**	**1 682.3**	**1 766.0**	**1 850.7**	**1 940.2**
	29.5%	*29.9%*	*30.6%*	*32.6%*	*32.5%*	*32.1%*	*31.7%*
Main budget balance	**-167.5**	**-208.6**	**-231.3**	**-337.5**	**-368.0**	**-366.4**	**-359.3**
	-3.8%	*-4.4%*	*-4.7%*	*-6.5%*	*-6.8%*	*-6.4%*	*-5.9%*
Primary balance	**-21.0**	**-45.9**	**-49.5**	**-132.5**	**-138.7**	**-107.9**	**-69.2**
	-0.5%	*-1.0%*	*-1.0%*	*-2.6%*	*-2.6%*	*-1.9%*	*-1.1%*

1. Southern African Customs Union. Amounts made up of payments and other adjustments. The estimates for the outer two years include projected forecast error adjustments for 2019/20 and 2020/21, respectively
Source: National Treasury

Table 3.8 shows revisions to the main budget revenue and expenditure estimates since the 2019 Budget. Debt-service costs are higher than the 2019 Budget estimates by R2.8 billion in 2019/20, R5.2 billion 2020/21 and R11.1 billion in 2021/22. This is mainly driven by the higher budget deficit alongside fluctuations in interest, inflation and exchange rates.

Social security funds, public entities and provincial balances

Public entities and provinces expect a combined cash surplus over medium term

Public entities and provinces are projected to have a combined cash surplus in the current year and over the medium term, partially offsetting the deficits of the main budget and social security funds. Higher projected spending by the Unemployment Insurance Fund, especially in 2020/21, is the main driver of the deficits at this level. This higher projected spending is the result of retrospective payments to claimants who were assessed and paid at a rate based on the old legislation, when they were meant to be paid based on higher rates in the amended act.

Table 3.8 Revisions to main budget revenue and expenditure estimates

	2019/20		2020/21		2021/22	
R billion/percentage of GDP	**2019 Budget**	**2020 Budget**	**2019 Budget**	**2020 Budget**	**2019 Budget**	**2020 Budget**
Revenue						
Gross tax revenue	1 422.2	1 358.9	1 544.9	1 425.4	1 670.4	1 512.2
Non-tax revenue	27.0	26.1	21.1	30.0	22.3	27.9
SACU[1]	-50.3	-50.3	-65.8	-63.4	-65.4	-60.6
National Revenue Fund receipts	4.5	10.0	5.0	6.0	5.6	4.8
Main budget revenue	**1 403.5**	**1 344.8**	**1 505.1**	**1 398.0**	**1 632.9**	**1 484.3**
	25.9%	*26.1%*	*25.9%*	*25.8%*	*26.1%*	*25.8%*
Expenditure						
Current payments	452.9	455.6	492.2	495.0	534.6	542.4
of which:						
Compensation of employees	*175.6*	*175.0*	*188.5*	*187.7*	*200.9*	*200.1*
Goods and services	*74.9*	*75.5*	*79.5*	*77.9*	*86.1*	*83.6*
Debt-service costs	*202.2*	*205.0*	*224.1*	*229.3*	*247.4*	*258.5*
Transfers and subsidies	1 153.4	1 149.1	1 238.8	1 215.9	1 318.4	1 294.0
Payments for capital assets	15.4	13.6	16.2	15.3	17.4	15.8
Payments for financial assets	4.8	64.0	4.9	42.6	5.2	9.5
Provisional allocation not assigned to votes	19.2	–	11.4	-7.8	18.9	-16.1
Contingency reserve	13.0	–	6.0	5.0	6.0	5.0
Total expenditure	**1 658.7**	**1 682.3**	**1 769.6**	**1 766.0**	**1 900.5**	**1 850.7**
	30.6%	*32.6%*	*30.4%*	*32.5%*	*30.4%*	*32.1%*

1. Southern African Customs Union. Amounts made up of payments and other adjustments
Source: National Treasury

Public entities registered a high cash surplus of R26.3 billion in 2018/19 mainly due to lower spending on capital projects in the water and transport sectors. Underspending on capital projects by entities partly reflects unforeseen delays, supply chain management problems and suspension of projects. The Water Services Trading Entity, Passenger Rail Agency of South Africa and South African National Roads Agency Limited are projected to run significant cash surpluses in the current year.

Table 3.9 Consolidated budget balances

R billion	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Main budget	-167.5	-208.6	-231.3	-337.5	-368.0	-366.4	-359.3
Social security funds	8.2	9.3	6.8	-3.3	-9.1	-1.0	-2.4
Provinces	-2.5	0.8	1.0	1.2	-0.4	2.5	2.5
Public entities	5.0	8.3	26.3	13.4	7.1	7.5	9.5
RDP Fund[1]	-0.2	-0.3	-0.2	-0.2	-0.1	-0.1	-0.0
Consolidated budget balance	**-157.0**	**-190.5**	**-197.4**	**-326.6**	**-370.5**	**-357.5**	**-349.7**

1. Reconstruction and Development Programme Fund
Source: National Treasury

Public-sector borrowing requirement

The public-sector borrowing requirement includes the borrowing needs of government as a whole, and those of state-owned companies, but excludes development finance institutions. In 2019/20, the requirement is estimated at R410 billion, or 7.9 per cent of GDP. Estimates for the current year and the next two years have been revised upwards compared with

2019 Budget estimates, mainly due to a larger main budget deficit. Local government borrowing is projected to increase this year, reflecting municipal infrastructure investment plans. The borrowing requirement for state-owned companies has been lowered because these institutions are finding it more difficult to source financing.

Table 3.10 Public-sector borrowing requirement[1]

	2016/17	2017/18	2018/19	2019/20		2020/21	2021/22	2022/23
		Outcome		Budget	Budget	Medium-term estimates		
R billion/percentage of GDP				2019	2020			
Main budget	167.5	208.6	231.3	255.2	337.5	368.0	366.4	359.3
Social security funds	-8.2	-9.3	-6.8	-8.0	3.3	9.1	1.0	2.4
Provinces	2.5	-0.8	-1.0	-1.0	-1.2	0.4	-2.5	-2.5
Public entities	-5.0	-8.3	-26.3	-3.6	-13.4	-7.1	-7.5	-9.5
RDP Fund	0.2	0.3	0.2	0.1	0.2	0.1	0.1	0.0
Consolidated government	**157.0**	**190.5**	**197.4**	**242.7**	**326.6**	**370.5**	**357.5**	**349.7**
	3.6%	*4.1%*	*4.0%*	*4.5%*	*6.3%*	*6.8%*	*6.2%*	*5.7%*
Local authorities[2]	**8.3**	**6.2**	**6.0**	**16.1**	**9.7**	**10.4**	**10.0**	**10.2**
	0.2%	*0.1%*	*0.1%*	*0.3%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*
State-owned companies[3]	**88.5**	**99.4**	**77.1**	**74.7**	**73.7**	**73.2**	**66.5**	**64.2**
	2.0%	*2.1%*	*1.6%*	*1.4%*	*1.4%*	*1.3%*	*1.2%*	*1.0%*
Borrowing requirement	**253.8**	**296.1**	**280.5**	**333.5**	**410.0**	**454.1**	**434.0**	**424.1**
	5.7%	*6.3%*	*5.7%*	*6.2%*	*7.9%*	*8.4%*	*7.5%*	*6.9%*

1. A negative number reflects a surplus and a positive number a deficit
2. 2018/19 is a pre-audit outcome as at 30 June 2019. 2019/20-2021/22 figures are budgeted estimates adjusted in line with historical borrowing outcomes
3. Includes Eskom, South African Airways, Transnet, Airports Company South Africa and Denel
Source: National Treasury

Risks to the fiscal outlook

Persistent low economic growth remains largest risk

Persistently weak economic growth is the central factor limiting improved public finances. Over the period ahead, other risks that could widen the budget deficit and raise debt-service costs include:

- Insufficient progress on Eskom reforms and its financial position, and demands from other financially distressed state-owned companies.
- Outcomes of the renegotiation of the existing wage agreement and the following round of wage talks.
- The Road Accident Fund is government's second-largest contingent liability after Eskom. A decision on the Road Accident Benefit Scheme Bill is required to pave the way for a more affordable system.
- Clarity on government's position on the user-pay principle as it relates to e-tolls. Declining e-toll revenue will have to be offset by other measures to repay South African National Roads Agency Limited debt. It could also affect funding for other investment projects.

Conclusion

Although debt does not stabilise over medium term, budget deficit narrows

In line with government's commitment to fiscal sustainability, the 2020 Budget proposes a set of measures to reduce public spending as a share of GDP, improve the composition of spending by reducing growth in the wage bill, and maintain good budget execution.