

MTBPS



MEDIUM TERM BUDGET POLICY STATEMENT



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Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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Medium Term Budget Policy Statement 2026

**National Treasury
Republic of South Africa**

21 October 2026



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FOREWORD

In my Budget speech in February I said we had reached an important turning point in the public finances. I spoke of restored credibility, of renewed resilience and of a nation regaining its footing.

That is as true now as it was in February, even after a turbulent year for the global economy. This 2026 *Medium Term Budget Policy Statement* (MTBPS) builds on the momentum, outlining government's efforts to build a solid foundation for higher growth and development. It highlights our consistent fiscal policy and structural reforms to support growth. It details significant savings redirected to critical priorities, and our far-reaching efforts to establish financially sustainable local government.

South Africa has emerged from the fiscal wilderness. Government is meeting its fiscal targets and restoring the public finances to good health. Debt stabilised last year. For three years, government has run primary surpluses – collecting more revenue than we spend, excluding interest costs. We will continue to build these surpluses to the end of the decade, reducing our borrowing needs and debt-service costs, and creating fiscal space. Over the next three years, capital spending is the fastest-growing component of the budget, with a growing share of public spending directed to assets that can grow the economy.

To safeguard the public finances, we will propose writing fiscal discipline into law. Each administration will be required to present its own fiscal plan and explain to Parliament how it adheres to the standard of fiscal sustainability that will be set out in legislation.

Our commitment to macroeconomic stability has reinforced economic resilience. We expect the economy to grow by 1.2 per cent this year, slightly up on last year's 1.1 per cent growth, despite the economic toll taken by the Middle East conflict. Structural reforms in energy, rail and tourism are removing barriers to growth. More competitive electricity and transport sectors will help to reduce costs for households and businesses over time.

Our determined efforts to improve the value of each rand of spending have yielded R38.1 billion in savings. Over the medium term, these funds have been redirected to priorities including child nutrition, combating violence against women, strengthening safety and security, and supporting economic development.

South Africa needs accountable, well-managed cities and towns that provide reliable services. We are actively intervening to turn around financially distressed municipalities and improve their ability to deliver basic services. We are enforcing compliance with public finance regulations, but we are also providing support to municipalities so that they can collect revenues more effectively and invest in urgently needed infrastructure.

The MTBPS is the outcome of extensive deliberations within government. I am grateful to the President, my Cabinet colleagues, the Ministers' Committee on the Budget and the two Deputy Ministers of Finance for their contributions to this process. And I would like to recognise the work of the Director-General and the entire team at the National Treasury for their insight and diligence in preparing this policy statement.



Enoch Godongwana
Minister of Finance

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2026 MTBPS

**BUILDING A
FOUNDATION FOR
FASTER GROWTH**



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REPUBLIC OF SOUTH AFRICA

In brief

- Following more than a decade of rising debt, the debt-to-GDP ratio has stabilised and is projected to decline over the medium term. This will reduce borrowing costs and improve investor sentiment, supporting higher investment and growth.
- The primary surplus continues to grow over the 2027 medium-term expenditure framework (MTEF) period, reducing debt-service costs, and South Africa's risk premium has fallen faster than those of many peer economies.
- During 2027, government will introduce a bill writing fiscal discipline into law.
- Government has identified R38.1 billion in targeted and responsible savings that are being redirected to social and economic priorities over the medium term.
- Reforms to rebuild state capacity, focusing on the effective delivery of public goods and services, are gathering pace. These include a more interventionist approach to strengthen local government, and modernising public finance systems and rules.
- GDP growth of 1.2 per cent is projected for 2026, up marginally from 1.1 per cent growth in 2025 but lower than forecast in the 2026 Budget.

INTRODUCTION

The 2026 *Medium Term Budget Policy Statement* (MTBPS) outlines government's effort to establish a new foundation for economic growth and social development. It builds on the turnaround in the public finances by improving the quality of spending, taking further steps to strengthen local government service delivery, modernising public finance frameworks and extending structural reforms in critical sectors. These changes will position South Africa for faster economic growth and investment.

Government has demonstrated its ability to deliver on its fiscal targets despite a series of global and domestic shocks. In 2023/24, South Africa achieved its first primary surplus in 15 years. Since then, the rising primary surplus has helped to slow growth in debt and contain debt-service costs. In line with the target announced in the 2023 Budget, the debt-to-GDP ratio stabilised in 2025/26 as planned. At the same time, government has protected the social wage – spending on education, skills development, public employment, housing, public transport, free basic services and healthcare – which accounts for about 60 per cent of consolidated non-interest expenditure.

Delivery on the fiscal strategy has restored confidence in the public finances. Earlier this year, all three major global credit rating agencies announced positive ratings actions on South Africa, at a time when the global trend was overwhelmingly negative. Stabilising debt has helped contain borrowing costs for government, businesses and households despite higher global inflation and interest rates.

Yet sustainable public finances are not a substitute for growth. South Africa's GDP growth remains far too low to support the large-scale job creation needed to create a more prosperous and less unequal society. To that end, government continues to implement its four-pillar economic strategy: maintaining macroeconomic stability, implementing structural reforms, strengthening state capability and supporting growth-enhancing public infrastructure investment. The progress of these reforms is summarised in this overview, with more detail provided in subsequent chapters.



MACROECONOMIC OUTLOOK AND REFORMS

Chapter 2 presents the GDP outlook and details progress on the growth strategy:

- **Macroeconomic stability** – Government’s commitment to narrow the budget deficit and stabilise public debt continues to achieve results, along with a lower inflation target. The risk premium – the compensation investors demand to hold South African government debt over that of safer alternatives – continues to decline. Macroeconomic buffers have supported the economy during the current global fuel price shock.
- **Structural reforms** – Operation Vulindlela, government’s flagship reform programme, continues to make headway in energy, transport, water and tourism. In recent months, broad agreement has been reached on the unbundling of Eskom and Transnet, which in time will support the reliable, efficient, competitive provision of electricity and transport. The electricity market is due to launch in 2027. Passenger rail journeys increased from 39 million in 2023/24 to 101 million in 2025/26 as infrastructure has been modernised and replaced. Electronic travel authorisation went live in August 2026 and will bolster tourism.
- **A capable state** – Work continues to professionalise public administration, reduce crime and improve governance of state enterprises, alongside a broad package of reforms to reverse the crisis of municipal financial management. Government is intervening to support improved management of water, electricity distribution and waste, while overhauling legislation and rules that are no longer fit for purpose. Resources from higher-than-expected revenue, and targeted and responsible savings, are redirected to strengthen state capacity, focused on strengthening law enforcement, health and education, as reviewed in Chapter 4.

Steps forward in the unbundling of Eskom and Transnet

Parallel reforms are under way to create competition and improve efficiency in the electricity and freight transportation sectors, which are dominated by Eskom and Transnet respectively.

- Eskom’s unbundling will result in the establishment of an independent transmission system operator. It will own and control transmission assets and provide open, non-discriminatory access to the grid, enabling generators to compete on equal terms.
- Ensuring similar institutional separation of the National Ports Authority and Rail Infrastructure Manager from Transnet will ensure access to the rail network for new train operators and enable competition to operate port terminals.

These reforms are modelled as part of upside Scenario A in Chapter 2. Any associated fiscal outlays will be managed without compromising government’s key fiscal targets.

- **Growth-enhancing public infrastructure investment** – Infrastructure reforms focus on implementation. Payments for capital assets is the fastest-growing spending category over the medium term. Several public-private partnerships are expected to reach financial close in the year ahead, including the Gautrain Rapid Rail Link System. A quarterly auction provides investors with predictable access to infrastructure finance bonds. Changes to improve infrastructure rollout in municipal utilities are gaining



traction – including the reform of municipal regulations to fast-track public-private partnerships.

GDP growth of 1.2 per cent is forecast in 2026, reaching 2 per cent in 2029. Inflation, which is estimated at 4.4 per cent this year following the oil price shock, is expected to return towards the 3 per cent target in 2029.

Table 1.1 Macroeconomic outlook - summary

	2026	2027	2028	2029
Real percentage growth	Estimate	Forecast		
Household consumption	2.3	1.7	2.1	2.1
Gross fixed-capital formation	0.7	2.4	3.5	3.8
Exports	-0.1	2.4	2.9	3.0
Imports	2.5	2.5	2.7	3.1
Real GDP growth	1.2	1.6	1.8	2.0
GDP at current prices (R billion)	8 070.1	8 473.2	8 892.1	9 342.2
CPI inflation	4.4	3.8	3.2	3.1
Current account balance (% of GDP)	-1.0	-1.0	-1.0	-1.0

Across all tables in the Medium Term Budget Policy Statement, the use of "0" refers to a value of small magnitude that is rounded up or down to zero. If a value is exactly zero, it will be denoted by "-". If data is not available, it is denoted by "N/A"

Source: Reserve Bank and National Treasury

FISCAL OUTLOOK AND REFORMS

The fiscal strategy aims to reduce debt over the rest of the decade by running a growing primary surplus, where revenue exceeds non-interest expenditure by a widening margin. Government is on track to achieve these objectives despite heightened global uncertainty.



Figure 1.1 Gross loan debt

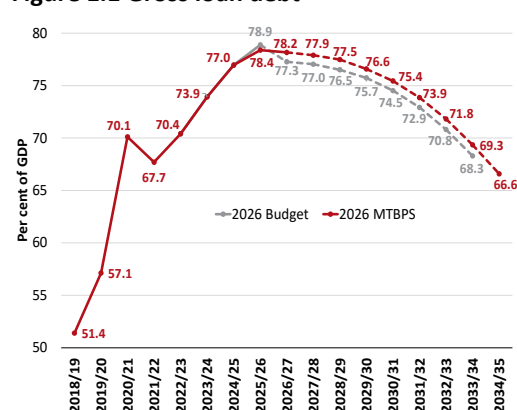
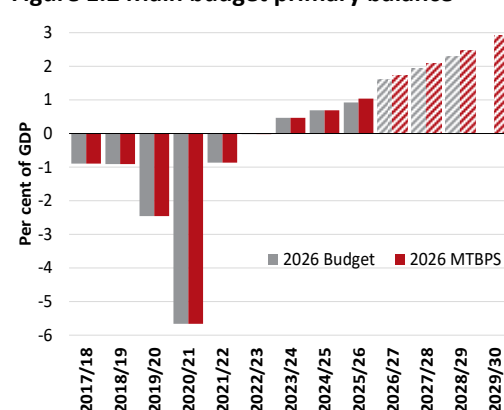


Figure 1.2 Main budget primary balance



Source: National Treasury

Fiscal outcomes outperformed projections in 2025/26. Supported by higher-than-expected revenue collections, the main budget primary surplus reached R80.8 billion, or 1 per cent of GDP, against a projected 0.8 per cent, and the budget deficit narrowed to 4.3 per cent of GDP. Debt stabilised at 78.4 per cent of GDP in 2025/26 and the debt-to-GDP ratio will decline over the medium term. The primary surplus will grow from 1.7 per cent of GDP in the current year to 2.9 per cent in 2029/30. Revenue is expected to remain buoyant, while improvements in the quality of spending will enable savings to be redirected to service delivery and growth priorities.



Main budget revenue is R54.1 billion higher than projected for 2026/27. This outcome will support a pipeline of infrastructure projects approved through the Budget Facility for Infrastructure, alleviate some spending pressures and increase the contingency reserve, mitigating risks to the framework. A portion of the additional revenue is used to contain growth in debt-service costs and reduce the debt-to-GDP ratio. At the broader consolidated level, the budget deficit narrows from 3.9 per cent in the current year to 2.5 per cent in 2029/30.

Table 1.2 Consolidated government fiscal framework

	2026/27	2027/28	2028/29	2029/30
R billion/percentage of GDP	Revised	Medium-term estimates		
Revenue	2 398.4 29.5%	2 504.9 29.2%	2 644.0 29.4%	2 782.3 29.4%
Expenditure	2 716.9 33.4%	2 806.1 32.7%	2 908.3 32.3%	3 020.5 32.0%
Budget balance	-318.5 -3.9%	-301.3 -3.5%	-264.3 -2.9%	-238.2 -2.5%

Source: National Treasury

Capital markets have rewarded macroeconomic discipline. South Africa's risk premium and the yield on the benchmark 10-year bond has fallen. Yet debt-service costs remain far too high. Over the medium term, government will spend more on debt costs than it will on health, social development or basic education. To manage these costs down over time, the primary surplus will continue to grow.

Table 1.3 Projected state debt and debt-service costs

R billion/percentage of GDP	2026/27	2027/28	2028/29	2029/30
Gross loan debt	6 352.0 78.2%	6 675.9 77.9%	6 966.8 77.5%	7 238.5 76.6%
Debt-service costs	441.5 5.4%	462.5 5.4%	480.6 5.3%	509.3 5.4%

Source: National Treasury

As government meets its fiscal targets, it is strengthening the foundation for future growth by writing fiscal discipline into law, modernising key public finance legislation and using realised savings to meet new spending pressures.

Entrenching fiscal sustainability in law

Alongside the MTBPS, government has published legislative proposals for a fiscal anchor. Writing such a standard into law will create a durable commitment to sound public financial management, preventing a return to the fiscal deterioration that characterised the period from the global financial crisis to the early 2020s.

It will formally define fiscal sustainability as the ability of the state, under reasonable macroeconomic and fiscal assumptions, to meet its present and future expenditure and debt-service obligations and to manage its fiscal risks, without undermining macroeconomic stability and without requiring an unrealistically large or abrupt future correction to revenue or expenditure. And it will create a duty for each administration to

prepare a fiscal plan, in line with its electoral mandate, through which it sets its fiscal objectives and targets.

The fiscal anchor forms part of the most extensive reconfiguration of the public finance system since 1999, in line with broader efforts to strengthen state capability.

Modernising the PFMA and MFMA

The fiscal sustainability standard will be set out in amendments to the Public Finance Management Act (PFMA, 1999). Additional updates to modernise the PFMA draw on more than two decades of experience, including lessons from the State Capture Commission. They clarify the duties of accounting officers and boards, strengthen action on financial misconduct, reinforce governance and accountability in public entities, and improve support for distressed entities.

Government will also amend the Municipal Finance Management Act (MFMA, 2003) to address weak financial and operational management in many municipalities. The proposed changes allow for robust early interventions under section 139 of the Constitution, strengthen oversight of financial management by the National Treasury, and provide for officials, political office bearers and board directors to be made personally liable for unauthorised, irregular, fruitless and wasteful expenditure. They deter councils from adopting unfunded budgets and establish provisions for more credible budget estimates. They also broaden National Treasury powers over financial systems and controls, including in the appointment of chief financial officers. These measures are part of a suite of reforms to strengthen the integrity of public finance management across all spheres of government.



Targeted savings

Budget reforms aim to improve the quality and impact of spending with targeted and responsible savings. Medium-term savings of R38.1 billion are being redirected to social and economic priorities. Government will continue to reduce leakage and fraud by improving administration and verification, redesigning programmes that fail to meet their objectives, redirecting funds from low priority, inefficient or duplicated activities and addressing accumulated cash surpluses in public entities.



EXPENDITURE PRIORITIES AND REFORMS

Chapter 4 outlines medium-term priorities, in-year spending adjustments and the division of revenue. Consolidated expenditure grows from R2.72 trillion in 2026/27 to R3.02 trillion in 2029/30, an average increase of 3.6 per cent a year. Over the MTEF period, national departments are allocated 47.4 per cent of available non-interest expenditure, provinces 42.6 per cent and local government 10 per cent. Provincial and municipal allocations will be anchored in credible, funded project pipelines, procurement readiness and programme-based planning that prioritises completion over starting new projects.



The adjustments budget adds R10.6 billion to spending in 2026/27 – including funds for disaster relief, to support defence force deployments to combat crime, to extend the Madlanga Commission and to fund early retirement in the public service.

Intervening to strengthen municipal governance and delivery



Government is strengthening active interventions to support sustainable turnarounds in financially distressed municipalities. The MFMA reforms outlined earlier are part of these efforts. To improve financial management and governance in local government and protect basic services, government is intervening directly where municipalities persistently fail to pay for electricity, water, pensions and taxes. In mid-2026, the National Treasury withheld equitable share transfers from 69 such municipalities. By 31 July 2026, 38 of them had concluded repayment plans and R4.2 billion had been paid towards outstanding creditor debt. Over the medium term, grant conditions will be enforced, funds withheld or reallocated where municipalities do not comply, and allocations tied more closely to delivery. Additional reforms to strengthen delivery of basic services include:

- The Metro Trading Services Reform Programme aims to ensure that revenue collected for water, electricity and waste removal is reinvested in infrastructure. The 2026 Budget allocated R27.7 billion to the programme, including R8.6 billion in incentives. Seven of the eight metropolitan municipalities are taking part.
- The Smart Meters Grant Programme helps participating municipalities to improve billing accuracy and reduce losses. It aims to turn around municipal revenue collection and ensure that money collected for services is reinvested in infrastructure. To date, the programme has installed 247 206 meters in 28 municipalities and created an estimated 3 734 local installation jobs.

Over the next several years, conditional infrastructure grants are shifting from compliance tracking to measurable delivery performance.

INFRASTRUCTURE INVESTMENT



Reforms to improve public infrastructure delivery and attract private investment are detailed in Chapter 5. The Budget Facility for Infrastructure has approved 41 projects since 2021, with R96.1 billion in direct fiscal allocations. While the MTBPS reflects shorter-term construction costs, the productivity and growth benefits will materialise mostly after 2029/30 as projects are completed.

CONCLUSION

In combination, government's fiscal and economic reforms are helping South Africa to lay a new foundation for faster economic growth.

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2026 MTBPS ECONOMIC OUTLOOK



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In brief

- Real GDP growth is forecast at 1.2 per cent in 2026, up marginally from 1.1 per cent in 2025.
- The expected growth outcome for this year is lower than the 1.6 per cent forecast in the 2026 Budget, but macroeconomic reforms have supported economic resilience despite price shocks and other effects of continued conflict in the Middle East.
- Inflation has risen above the 3 per cent target largely due to the global supply shocks, with a return to target only expected in 2029.
- Structural reforms continue to be a key focus to drive growth, including critical reforms in electricity, transport and water, and reforms to strengthen local government. These are complemented by a targeted public infrastructure investment drive.

INTRODUCTION

South Africa's economy has shown resilience amid price and other economic shocks stemming from conflict in the Middle East. Real GDP growth is expected to reach 1.2 per cent in 2026, broadly steady with the 1.1 per cent recorded in 2025. Despite weak second-quarter growth, underlying momentum suggests that the economy has drawn some support from balanced fiscal consolidation efforts and reduced borrowing costs.

Although the risk premium has continued to ease, rising global bond yields have pushed up borrowing costs for emerging markets generally – and these pressures will feed into the domestic economy. Longstanding constraints in electricity, logistics and water are being addressed, while local government service-delivery failures continue to limit economic growth and job creation. Comprehensive implementation of structural reforms will benefit the growth outlook, but this requires coordinated action.

The medium-term growth strategy remains anchored by four pillars: maintaining macroeconomic stability, implementing structural reforms, strengthening state capability and supporting growth-enhancing public infrastructure investment.

MACROECONOMIC STABILITY

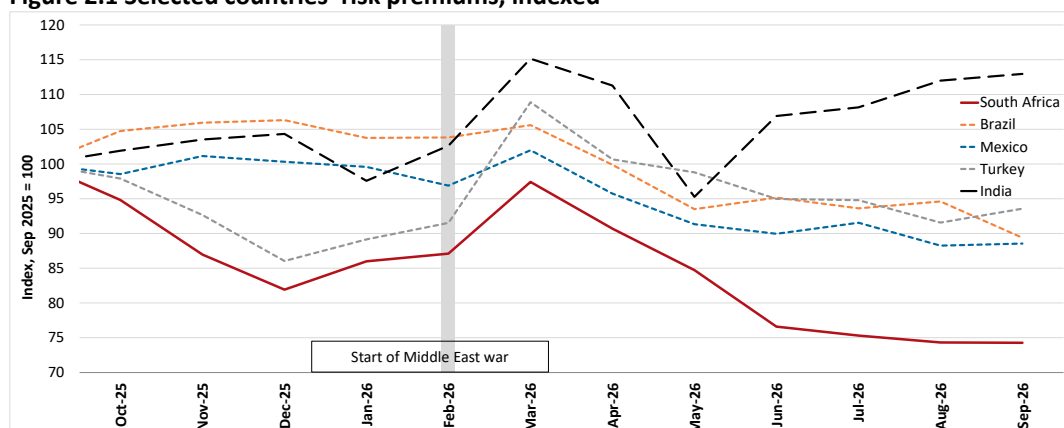
South Africa has strengthened macroeconomic stability. Narrowing the budget deficit and stabilising public debt has restored fiscal credibility, while last year's lowering of the inflation target reinforced monetary policy certainty. The risk premium – the compensation investors demand to hold South African government debt over that of safer alternatives – has declined for several years. And during 2026, the risk premium has improved faster than that of many peer countries (Figure 2.1).

The International Monetary Fund's (IMF's) October 2026 outlook forecasts South Africa's 2026 growth at 1 per cent, close to the 1.1 per cent recorded in 2025, despite the oil price shock and its effects across the economy. The IMF's downward revision for emerging market and developing economies as a whole has been more pronounced, averaging 0.8 percentage points of lower growth. South Africa's performance is consistent with the



increased stability achieved in recent years: a lower inflation target, a narrower deficit, stabilised debt and a lower risk premium have left the economy better placed to absorb external shocks.

Figure 2.1 Selected countries' risk premiums, indexed*



*Monthly averages of daily data; indexed to September 2025 = 100

Source: National Treasury calculations and LSEG (JP Morgan EMBI Global spreads)

The oil price shock pushed inflation above the 3 per cent target, with a return to the target only forecast in 2029. Should the shock persist, it could keep upward pressure on interest rates. In combination with the rising primary balance, lower inflation would contribute to investment, growth and job creation.

IMPLEMENTING STRUCTURAL REFORMS



Operation Vulindlela continues to address key structural barriers to investment, growth and employment. Reforms in the energy, transport and water sectors seek to restore reliable and efficient operations, introduce competition to enhance investment and strengthen regulatory oversight in these sectors. Government is also easing visa bottlenecks to support tourism and investment.

In **energy**, the energy regulator has published draft rules for trading and tariff reform ahead of the competitive market launch in April 2027. The Department of Electricity and Energy has also published policy guidance on the market design and a revised pricing policy. The work to create a fully independent transmission system operator is progressing well. Since the establishment of the task team in March 2026, the President has approved its phase 1 report, and the detailed transaction structure and implementation plan will be delivered in a second report by year end.



In **logistics**, Cabinet has approved the approach to separating out the Transnet National Ports Authority as an independent entity. Alongside this, the Transport Economic Regulator is working to establish the institution's governance framework, design regulatory systems and build capacity for full functionality in April 2027. The Transnet Rail Infrastructure Manager has published the revised rules for private rail operators after industry feedback as new train operating companies prepare for operations from 2027.

The **water** sector crisis is being addressed through the implementation of the National Water Action Plan overseen by the National Water Crisis Committee. The South African National Water Resources Infrastructure Agency will finance and develop national dams and transfer schemes using its own balance sheet. The Water Partnerships Office has been incorporated into the Infrastructure Finance and Implementation Support Agency to unlock additional funding for water projects, with a pipeline exceeding R60 billion now in the financing stage of implementation.



In **visa reform**, the Electronic Travel Authorisation system was launched in August 2026 to process visa applications more quickly and support tourism, with applications now processed within 24 hours. The expansion of the Trusted Employer Scheme, launched in July 2026, enables qualifying employers to ease the critical skills gap through streamlined visa processes.

In **passenger rail**, reforms under way have contributed to passenger journeys increasing from about 39 million in 2023/24 to 101 million in 2025/26. The improvements largely result from signal modernisation, strategic rolling stock replacement and other infrastructure rollouts. The Passenger Rail Agency of South Africa is targeting 232 million passenger journeys in 2028/29.



BUILDING A CAPABLE STATE

State capability reforms aim to professionalise public administration, reduce crime and corruption, improve governance and ensure the delivery of basic services. Reforms to local government are a particular focus. These include stronger action by the National Treasury to address financial mismanagement in municipalities alongside interventions to improve revenue collection, such as the use of smart meters. The reforms will institutionalise financial discipline through amendments to the Municipal Finance Management Act (MFMA). They will also support improved infrastructure investment and service delivery, through new public-private partnership regulations as well as by incentivising municipalities to reinvest revenue from water, electricity and waste services into the infrastructure for these services.

The Public Service Commission Bill, signed into law in September, expands the mandate for monitoring, investigating and intervening in municipalities, and separates political interference from administrative duties. Cabinet has approved the White Paper on Local Government, which will strengthen the regulation of service delivery and professionalise senior appointments.



These measures form part of a comprehensive reform programme that works at two levels: structural change to local government institutions, finances and legislation, and governance reform to improve how municipalities manage the delivery of basic services. The programme is at different stages of maturity. The Metro Trading Services Reform Programme and the Smart Meters Grant Programme are in implementation; the White Paper and the Public Service Commission Act are now moving to implementation; and the local government fiscal framework review, the MFMA review, the Water Services

Amendment Bill and digital transformation interventions are in design, drafting or processing.

GROWTH-ENHANCING PUBLIC INFRASTRUCTURE



Accelerated infrastructure investment is expected to create jobs, reduce costs and enhance productivity. Chapter 5 outlines the status of public infrastructure reforms to improve the quality and efficiency of infrastructure spending, with major allocations towards roads, energy, and water and sanitation projects to enhance service delivery.

ACCELERATING IMPLEMENTATION

Structural reforms remain critical for growth, but the more complex reforms are taking longer than planned. Progress needs to accelerate in three areas:

- In electricity, market reform is bringing in competition and private investment, but distribution reform is delayed.
- In freight rail, restructuring of the rail infrastructure manager is delayed and must be completed alongside private-sector participation reforms.
- In water, government is managing the immediate crisis while improving infrastructure investment and regulation, but reforms to improve service delivery and establish an independent economic regulator are delayed.



The progress of large-scale reforms to date is aligned with global experience. Large-scale structural reforms take time to implement, with economic growth gains only materialising over the medium to long term. In the short term, however, there are immediate benefits to confidence that can boost investment. Staying the course on reform implementation is expected to add 3.1 percentage points to the level of GDP by 2034.

GLOBAL OUTLOOK

The IMF projects global growth of 3.1 per cent in 2026, down from the 3.3 per cent it projected in January, picking up to 3.4 per cent in 2027. Geopolitical conflict continues to weigh on activity through higher energy and food prices, although strong investment in artificial intelligence (AI) has offset much of that drag globally. Outcomes have diverged sharply across countries: proximity to the Middle East conflict, whether a country is a net oil importer or exporter, and exposure to the AI investment boom help to explain many of these gaps.

Table 2.1 Economic growth in selected countries

Region/country	2024	2025	2026	2027
Percentage	Actual		Forecast	
World	3.5	3.5	3.1	3.4
Advanced economies	1.9	2.0	2.1	1.8
United States	2.8	2.3	2.3	2.3
Euro area	1.0	1.2	1.1	1.2
United Kingdom	1.0	1.2	1.3	1.2
Japan	-0.2	1.2	0.7	0.7
Emerging and developing countries	4.5	4.5	3.7	4.4
Brazil	3.4	2.3	2.2	1.9
Russia	4.9	1.0	0.9	0.9
India	7.1	7.8	7.0	7.0
China	5.0	5.0	4.5	4.0
Sub-Saharan Africa	4.2	4.5	4.5	4.5
Nigeria	4.1	4.0	4.2	4.3
South Africa ¹	0.5	1.1	1.2	1.6
World trade volumes	3.7	5.0	4.6	4.7

1. National Treasury forecasts

Source: IMF World Economic Outlook, October 2026

The IMF now projects global headline inflation of 4.7 per cent in 2026 (up from 3.8 per cent in January), easing to 4.1 per cent in 2027 (previously 3.4 per cent), driven mainly by energy and food. Oil prices are expected to rise by about 41 per cent this year on reduced Persian Gulf exports. As global reserves continue to be depleted, the risk of sharper price spikes is significant. Food prices are projected to rise by 5 per cent in 2026, reflecting weather-related disruptions to grain and fertiliser markets. Strong share prices have supported favourable financial conditions. Rising bond yields, however, driven by concerns over inflation and fiscal sustainability and competition for capital in the United States, have pushed up government borrowing costs in many countries.



DOMESTIC OUTLOOK

Real GDP grew by 1.4 per cent in the first half of 2026 year on year, but contracted in the second quarter in response to the fuel price spike. The slowdown was concentrated in trade, not domestic demand: a sharp rebound in import volumes pulled down the headline growth rate. Underlying domestic demand was more resilient: gross domestic expenditure – what households, government and businesses actually spent and invested – grew by 2.2 per cent for the year to date.



Real GDP growth is forecast at 1.2 per cent in 2026, down from the 1.6 per cent forecast in the 2026 Budget, as the Middle East conflict weighs on activity through higher fuel prices, volatility and weaker confidence. Growth is expected to reach 1.6 per cent in 2027 and 2 per cent by 2029 as reforms make additional progress, policy certainty improves, infrastructure spending rises and borrowing costs decline.

Table 2.2 Macroeconomic performance and projections

Calendar year	2024	2025	2026	2027	2028	2029
Percentage change	Actual		Estimate	Forecast		
Final household consumption	1.0	3.6	2.3	1.7	2.1	2.1
Final government consumption	-0.1	-0.2	1.5	1.2	0.1	-0.1
Gross fixed-capital formation	-3.9	-2.2	0.7	2.4	3.5	3.8
Gross domestic expenditure	-0.6	2.1	1.9	1.7	1.8	2.0
Exports	-2.8	-2.5	-0.1	2.4	2.9	3.0
Imports	-6.4	1.1	2.5	2.5	2.7	3.1
Real GDP growth	0.5	1.1	1.2	1.6	1.8	2.0
GDP inflation	3.9	2.8	4.4	3.3	3.1	3.0
GDP at current prices (R billion)	7 352	7 642	8 070	8 473	8 892	9 342
CPI inflation	4.4	3.2	4.4	3.8	3.2	3.1
Current account balance (% of GDP)	-0.7	-0.5	-1.0	-1.0	-1.0	-1.0

Source: National Treasury, Reserve Bank and Statistics South Africa

Employment

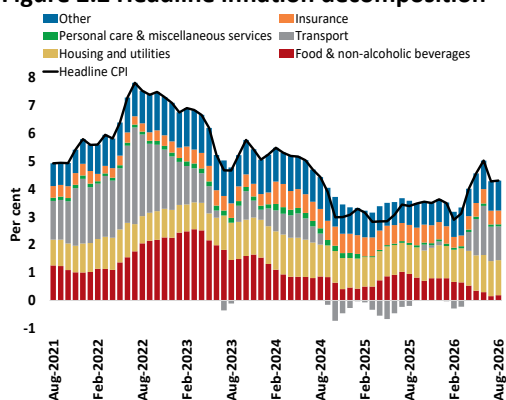


The unemployment rate rose by 2.2 percentage points over the first half of 2026, from 31.4 per cent in the fourth quarter of 2025 to 33.6 per cent in the second quarter of 2026. The number of employed people is now 426 000 higher than before the COVID-19 pandemic, but the labour force has grown faster still, leaving 1.8 million more people unemployed than before the pandemic. This gap reflects weak private investment and the contraction of labour-intensive sectors, held back by longstanding structural constraints and, more recently, by higher input costs.

Inflation

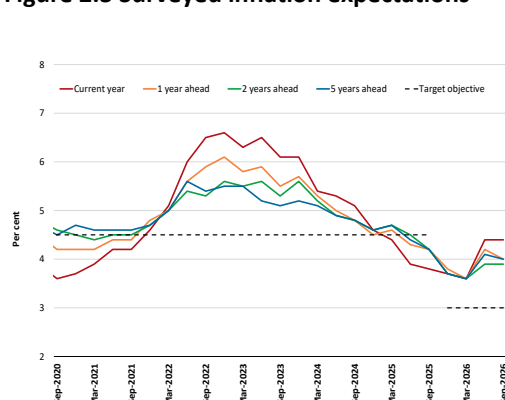
Headline inflation has risen sharply this year, from 3 per cent in February – in line with the new target – to a peak of 5 per cent in June, easing to 4.4 per cent in August, as the oil-driven shock offset fading food inflation. Continued turmoil in the Middle East saw Brent crude oil trading over US\$100 a barrel as of 9 October 2026.

Figure 2.2 Headline inflation decomposition



Source: Statistics South Africa

Figure 2.3 Surveyed inflation expectations

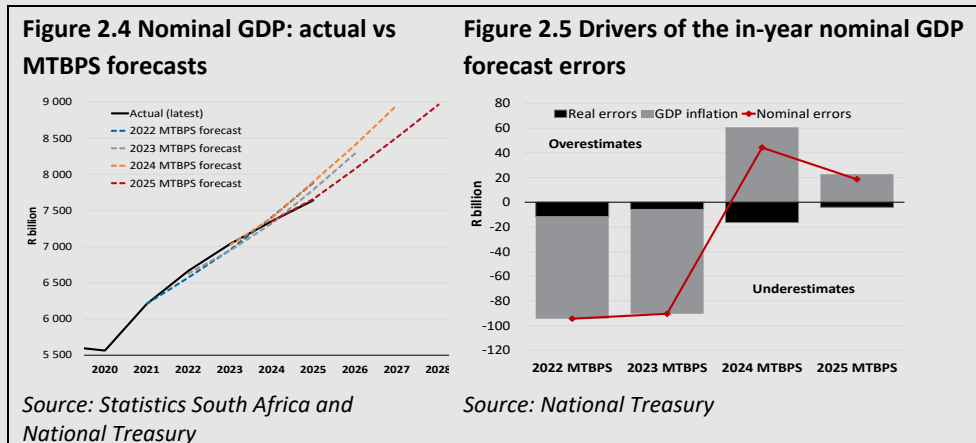


Source: Bureau for Economic Research, September 2026

The Reserve Bank raised the policy interest rate by a cumulative 0.5 percentage points to 7.25 per cent by September to contain the broader inflationary effects of the price shock. Inflation is expected to ease as the shock fades, returning towards the 3 per cent target in 2029. Risks to inflation will increase if the price shock persists.

How nominal GDP fluctuations affect fiscal metrics

The headline number for economic growth is real GDP – that is, GDP adjusted for inflation. But most fiscal ratios, including debt to GDP, are calculated using nominal GDP, which is not adjusted for inflation. Because nominal GDP also reflects prices, it can differ from the forecast even when real growth is broadly as expected. A nominal GDP forecast error can therefore come from two sources: real economic activity turning out differently than expected, or prices turning out differently than expected. The relevant price measure is the GDP deflator, which covers prices across the economy more broadly than consumer price inflation.



Over the last four *Medium Term Budget Policy Statement* (MTBPS) forecasts, forecast errors in real GDP have contributed little to this error – consistent with the National Treasury’s broader forecast-error record, which shows errors declining over time and no systematic bias compared to other forecasts. Most in-year errors have been associated with the GDP deflator, driven by unanticipated events such as the global cost-of-living shock, which lifted prices beyond reasonable forecasts, understating nominal GDP.

More recently, weaker terms of trade, rand appreciation and lower oil prices produced faster-than-assumed disinflation while global tariff escalation saw a downgrade to real growth in 2025. This led to nominal GDP being much lower than forecast when 2025/26 was targeted as the peak for the debt-to-GDP ratio.

Despite this, government fulfilled its commitment to stabilise debt in 2025/26 for the first time since 2008. Stabilisation occurred at a lower level than projected in the 2026 Budget due to higher nominal GDP. The debt-to-GDP ratio is forecast to decline over the medium term but along a higher path than in the 2026 Budget because nominal GDP is lower over the forecast period.

The vulnerability of the debt ratio to nominal GDP revisions makes the primary balance, positive since 2023/24, a more balanced measure of fiscal policy performance than debt to GDP viewed in isolation.

Household consumption



Household consumption grew by 2.9 per cent in the first half of 2026 compared with the same period in 2025, with the strongest gains in recreation and culture and health-related spending. This occurred despite a sharp deterioration in consumer confidence, which fell from -7 in the first quarter of 2026 to -19 in the second, as measured by the FNB/BER Consumer Confidence Index. Growth is expected to ease from 2.3 per cent in 2026 to 1.7 per cent in 2027, before recovering to 2.1 per cent in 2028 as inflation slows.

Investment

Rising oil prices and uncertainty have weighed on private-sector investment, which fell by 1.1 per cent in the first half of 2026 compared with the same period in 2025. Public investment (government and state-owned entities combined) rose by 5.2 per cent over the same period, supported by continued infrastructure spending on energy, water and transport. Growth in fixed investment is expected to strengthen from 0.7 per cent in 2026 to 3.8 per cent by 2029. Private-sector investment is expected to pick up gradually in response to the progress of key reforms, including opening electricity generation and transmission to private participation, and the conclusion of port and rail concessions.

Table 2.3 Assumptions informing the macroeconomic forecast

	2024	2025	2026	2027	2028	2029
Percentage change	Actual		Estimate	Forecast		
Global demand¹	2.6	3.0	3.3	3.1	3.2	3.2
International commodity prices²						
Brent crude oil (US\$ per barrel)	79.9	68.3	91.3	83.5	75.3	72.2
Gold (US\$ per ounce)	2 387	3 440	4 529	4 584	4 807	5 039
Platinum (US\$ per ounce)	955	1 280	1 921	1 870	1 915	1 952
Coal (US\$ per ton)	105	89	112	121	113	113
Iron ore (US\$ per ton)	111	104	105	105	103	101
Palladium (US\$ per ounce)	983	1 150	1 442	1 377	1 441	1 505
Domestic assumptions³						
Food inflation	4.5	4.1	2.6	4.5	3.5	3.2
Electricity inflation	13.3	9.9	8.3	8.2	8.8	7.3
Sovereign risk premium	3.0	2.8	2.1	1.8	1.7	1.7

1. Combined growth index of South Africa's top 15 trading partners (IMF World Economic Outlook, October 2026)

2. Bloomberg futures prices as at 23 September 2026

3. Assumptions presented above are as of 18 and 23 September 2026

Source: National Treasury

Risks to the domestic outlook



Risks to the outlook are tilted to the downside. A prolonged stalemate or escalation of conflict in the Middle East could keep energy prices high and inflation elevated, while a reassessment of AI investment could tighten global financial conditions. Domestically, infrastructure bottlenecks, weak confidence and limited fiscal space leave little room to cushion further shocks. Conversely, a quicker resolution to the war, faster reforms or improved state capability could lift growth above current forecasts.

Alternative scenarios

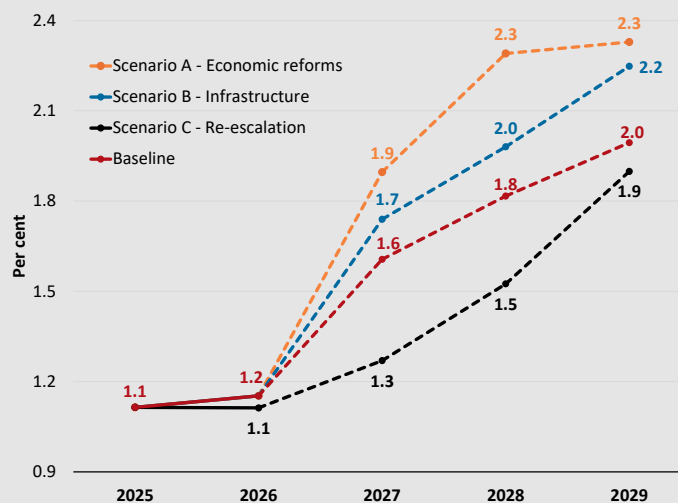
The National Treasury has modelled three alternative scenarios to its baseline forecast.

The **domestic upside Scenario A** models successful implementation of expanded Operation Vulindlela Phase II reforms, supported by higher public and private investment. The reforms improve electricity supply, expand access to water, strengthen rail and port operations, support tourism, improve municipal services, and support better housing and digital infrastructure. These advances raise productivity and, through stronger business confidence and a better operating environment, draw in more private-sector investment. The economy in turn benefits from higher investment, exports, employment and household incomes over the medium to long term. Real GDP growth reaches 2.3 per cent by the end of the medium term, compared with 2 per cent in the baseline. The level of real GDP is 3.1 per cent higher than the baseline by 2034.

The **domestic upside Scenario B** assumes a gradual improvement in the level and quality of public investment spending over the long term, driven by reforms that root out inefficiencies and strengthen collaboration with the private sector. This reduces underspending and improves efficiency in public-sector capital programmes, enabling projects to be scaled up and increasing the availability and reliability of infrastructure. This fosters a favourable business environment that encourages private-sector participation and bolsters investment, exports and growth potential. Real GDP growth averages 1.8 per cent over the medium term, compared with 1.6 per cent in the baseline. By 2034, real GDP reaches a level which is 1.6 per cent higher than the baseline.

The **global downside Scenario C** assumes a re-escalation of geopolitical tensions in the Middle East in the first half of 2027, in line with the downside risk assessment in the IMF's latest World Economic Outlook, with elevated uncertainty persisting throughout the year. The shock disrupts global supply chains and critical infrastructure, pushing crude oil prices above US\$100 per barrel in early 2027, increasing demand for safe-haven assets, raising global inflation and prompting further policy rate hikes. Higher financial market volatility tightens global financial conditions and reduces appetite for emerging market assets. Higher oil prices weaken South Africa's exchange rate, given its dependence on energy imports. Imported inflation and risk premiums rise, increasing borrowing costs and weighing on household consumption and investment. Real GDP growth averages 1.5 per cent between 2026 and 2029, compared with 1.6 per cent in the baseline. Inflation rises to 4.4 per cent in 2027, compared with 3.8 per cent in the baseline, before easing.

Figure 2.6 GDP growth scenarios



Source: National Treasury

SECTOR PERFORMANCE

Growth was broad-based in the first half of 2026, with seven of 10 major sectors expanding compared with the same period in 2025; manufacturing, electricity and construction were the exceptions. This outcome points to resilience: growth has not depended on a narrow set of sectors even as the shock has taken hold.

In **the primary sector**, agriculture grew by 3.5 per cent as strong horticulture and grain output offset the lingering effects of animal disease outbreaks. An anticipated El Niño is expected to raise costs and reduce output from late 2026 into 2027. Mining grew by 2.2 per cent, supported by elevated commodity prices, though production and sales have since weakened as prices moderate, pointing to more subdued output for the rest of 2026.

The secondary sector contracted overall. Manufacturing fell by 1.8 per cent, held back by longstanding structural constraints on competitiveness and, more recently, higher fuel costs. Construction fell by 1.1 per cent as project completions and fixed investment declined, though the public-sector infrastructure programme is expected to offer some support. Electricity, gas and water output fell by 3.7 per cent, weighed down by weak industrial demand and continued investment in own-generation capacity; excess capacity is likely to persist.

The tertiary sector continued to expand. Transport, storage and communication grew by 1.4 per cent, led by land transport, while passenger and freight rail operations continued to recover through reform. Finance, real estate and business services grew by 2.5 per cent, supported by sustained demand for advisory, technology and administrative services. Easing financial conditions and improving business confidence are expected to sustain growth in the sector.

CONCLUSION

Raising the rate at which the economy can sustainably grow requires maintaining macroeconomic stability and accelerating progress on structural reforms, state capability and infrastructure investment. The second-quarter contraction was driven mainly by trade rather than a broader loss of domestic demand, but growth remains well short of what is needed to durably reduce unemployment and poverty. Inflation is above target, fiscal risks persist and the reform agenda in energy, logistics and water remains incomplete. Sustaining resilience and turning it into durable higher growth depends on faster implementation across all four growth pillars.



3

2026 MTBPS FISCAL POLICY



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- Government continues to achieve its fiscal targets despite the shift in the growth and inflation outlook since the 2026 Budget.
- Gross debt as a share of GDP stabilised in 2025/26 and is projected to decline over the medium term.
- Rising main budget primary surpluses over the MTEF period will support a reduction in the debt-to-GDP ratio and debt-service costs, which now consume 21 cents of every R1 of revenue.
- During 2027, government will table legislation to write fiscal discipline into law, a measure to safeguard the public finances and prevent a recurrence of the runaway debt experienced between the global financial crisis and the early 2020s.
- Budget reforms are delivering savings that are being used to improve service delivery.

INTRODUCTION

Debt stabilised at 78.4 per cent of GDP in 2025/26. Having achieved this goal, the fiscal strategy now aims to reduce the debt ratio over the rest of the decade by continuing to grow the primary surplus and narrowing the budget deficit. Government is on course to achieve these objectives despite heightened global volatility. Lower debt levels will reduce borrowing costs and improve investor sentiment, supporting higher public and private investment, and stronger growth and job creation.

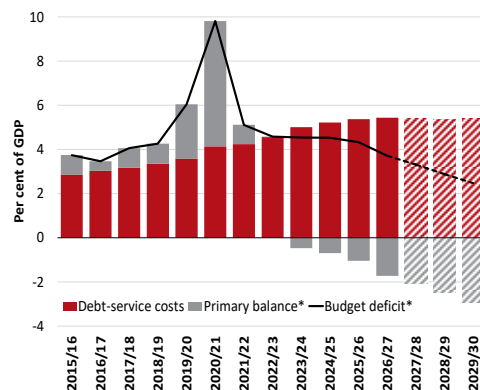
The fiscal framework has remained resilient in the face of financial market volatility, heightened economic uncertainty and global price shocks associated with conflict in the Middle East. Main budget fiscal balances for 2025/26 outperformed 2026 Budget estimates, mainly due to strong revenue collections and lower debt-service costs. In 2026/27, estimated tax revenue collection is revised upward by R17.1 billion, and mineral and petroleum royalties revised up by R6.8 billion. Departmental revenue is revised up by R14.3 billion, including unattributed cash surpluses from public entities. Details appear in Table C.6 in Annexure C. In total, tax and non-tax revenue and National Revenue Fund receipts are R54.1 billion above the 2026 Budget estimate. This outcome will support a pipeline of infrastructure projects approved through the Budget Facility for Infrastructure, alleviate some spending pressures and increase the contingency reserve, mitigating risks to the framework. Debt-service costs as a proportion of main budget revenue stabilised at 21.3 per cent in 2024/25 and are projected to decline to an average of 20.6 per cent over the MTEF period, but remain stable as a share of GDP.

As discussed in Chapter 2, fiscal metrics are sensitive to nominal GDP. Even when public debt remains stable, lower nominal GDP leads to a higher debt-to-GDP ratio. Given a higher-than-expected nominal GDP outcome in 2025/26, debt stabilised at a lower level than projected in the 2026 Budget. But given lower nominal GDP over the forecast period, the debt trajectory is higher than projected (Figure 3.3).

Government will propose writing a principles-based fiscal anchor into law to entrench fiscal sustainability, as discussed later in this chapter.

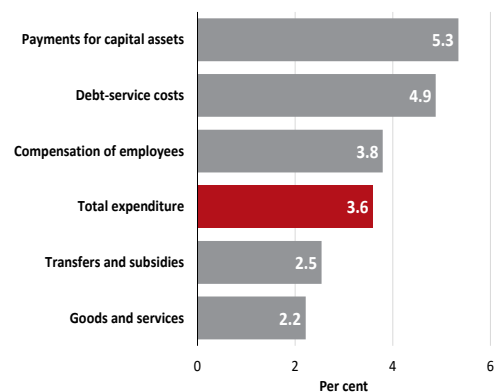


Figure 3.1 Main budget balance*



*A positive figure represents a deficit and a negative figure a surplus

Figure 3.2 Growth in consolidated expenditure over the MTEF period**



**2026/27 – 2029/30

Figure 3.3 Gross debt-to-GDP outlook

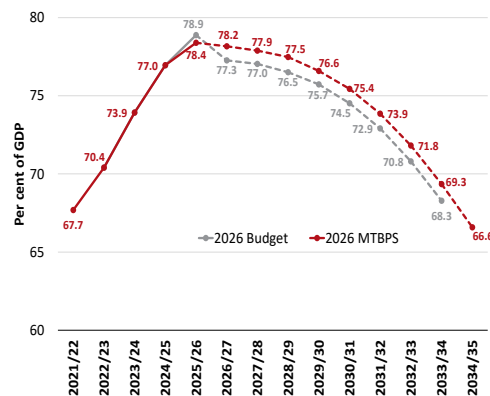
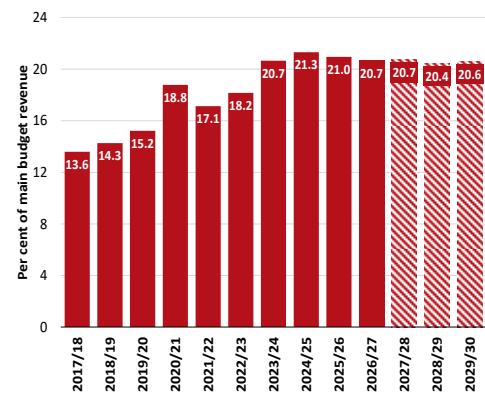


Figure 3.4 Debt-service costs to revenue



Source: National Treasury

FISCAL STRATEGY REMAINS ON COURSE



With gross debt having stabilised, the medium-term fiscal strategy focuses on growing the main budget primary surplus and reducing the debt-to-GDP ratio over the rest of the decade. To achieve this, government will:

- Support the economy through prudent fiscal policy and increased capital investment.
- Improve value for money in public spending by conducting programme reviews and implementing their recommendations, while protecting the social wage and directing a growing share of spending towards capital investment.
- Reduce debt-service costs as a share of revenue while managing debt redemptions.
- Propose a principles-based fiscal anchor to entrench fiscal sustainability.

Fiscal management over the medium term

The primary surplus is expected to reach 1.7 per cent of GDP in 2026/27 and increase over the 2027 MTEF period as non-interest expenditure grows more slowly than revenue. The growing primary surplus will ensure that the ratio of gross debt to GDP declines. This will reduce debt-service costs as a share of revenue, opening space for government to allocate more resources to developmental priorities and to build buffers against fiscal shocks.



The main budget deficit of 3.7 per cent of GDP in the current year is forecast to decline to 2.5 per cent in 2029/30. The narrowing deficit will enable government to better manage maturing debt.

The composition of spending continues to shift towards capital investment, supporting the economy. Payments for capital assets grow by 5.3 per cent over the MTEF period, faster than other expenditure items such as the wage bill, and goods and services (Figure 3.2).

Improving spending efficiency is a central priority, supported by budget reforms, programme reviews and efficiency measures. These efforts have yielded R38.1 billion in targeted and responsible savings that are being redirected to priority spending areas over the MTEF period (see Chapter 4). The Early Retirement Programme aims to rejuvenate the public service and will generate estimated average annual savings of R4.4 billion over the next three years, as detailed in Annexure B. The findings of government's ghost worker investigations are being consolidated and will be published in the 2027 Budget.



The social wage – which includes spending on health, education, social protection, housing, community development and employment programmes – accounts for about 60 per cent of consolidated non-interest spending over the MTEF period.

A fiscal anchor to entrench sustainable public finances

Government proposes to entrench fiscal sustainability in law with a principles-based fiscal anchor to embed prudent management of the public finances across administrations.

Fiscal sustainability will be defined as the ability of the state, under reasonable macroeconomic and fiscal assumptions, to meet its present and future expenditure and debt-service obligations and to manage its fiscal risks, without undermining macroeconomic stability and without requiring an unrealistically large or abrupt future correction to revenue or expenditure.

Following each general election, the Cabinet of the incoming administration will be required to approve a fiscal plan setting out its objectives, strategy, main assumptions and risks. The government will be required to explain how its policy choices support fiscal sustainability and report against the plan through the *Budget Review* and *MTBPS*, including reasons for and responses to any material departures.

The Financial and Fiscal Commission will assess the plan. Government and Parliament must consider its advice and explain their responses to its recommendations. The National Treasury will remain responsible for official forecasts.

The framework establishes binding duties to disclose, assess and explain. Each government will retain responsibility for its fiscal choices.

IN-YEAR ADJUSTMENTS

In-year revenue projections

The 2026/27 revenue outlook is stronger than expected due to buoyant collections of corporate and dividends tax, alongside net value-added tax (VAT). Gross tax revenue for 2026/27 is revised up by R17.1 billion compared with the 2026 Budget.

Table 3.1 Gross tax revenue

R billion	2025/26			2026/27		
	Budget ¹	Outcome	Deviation	Budget ¹	Revised	Deviation
Persons and individuals	786.2	790.6	4.4	844.8	846.4	1.5
Companies	346.6	345.4	-1.1	364.3	398.5	34.2
Value-added tax	497.6	500.6	3.0	521.4	533.9	12.6
Dividends tax	46.3	45.9	-0.4	45.6	51.1	5.5
Specific excise duties	62.4	61.7	-0.6	65.5	66.0	0.5
Fuel levy	97.3	95.2	-2.1	104.9	74.0	-30.9
Customs duties	80.5	81.5	1.0	85.8	89.7	3.9
Ad valorem excise duties	7.7	8.0	0.3	8.1	8.5	0.4
Other	82.4	81.3	-1.1	86.7	76.0	-10.6
Gross tax revenue	2 006.9	2 010.3	3.4	2 127.0	2 144.0	17.1

1. 2026 Budget

Source: National Treasury

Several factors have driven higher revenue collection in the current year:

- Provisional corporate tax collections grew by 17.4 per cent over the first six months compared to the same period in 2025/26, reflecting broad-based growth. The mining sector was the largest contributor, with June 2026 collections R10.9 billion higher than in the same period of the prior year due to high platinum group metals and gold prices. Corporate profitability remained strong, supporting robust dividends tax collections.
- Growth in personal income tax collections was driven largely by salary increases in the finance and public sectors despite lower employment.
- Domestic VAT collections benefited from resilient household consumption, which, together with lower VAT refund payments, offset lower import VAT collections.
- The weak performance in fuel levy collections was driven mainly by the temporary general fuel levy relief implemented between April and June 2026. Taxes in the “other category” are lower due to the repeal of the electricity generation levy from 1 January 2026.

In-year non-tax revenue is revised up, driven by higher projected mineral and petroleum royalties and interest earned on cash reserves held to service large near-term bond repayments. In addition, unattributed accumulated surpluses in public entities will be surrendered to the National Revenue Fund as well as the R10 billion transferred to the Central Energy Fund in 2025/2026 for temporary fuel price relief.



By end-September 2026, the South African Revenue Service (SARS) had collected tax debt of R52.4 billion out of a projected R126 billion overall for 2026/27.

Figure 3.5 Provisional corporate income tax collections by sector*

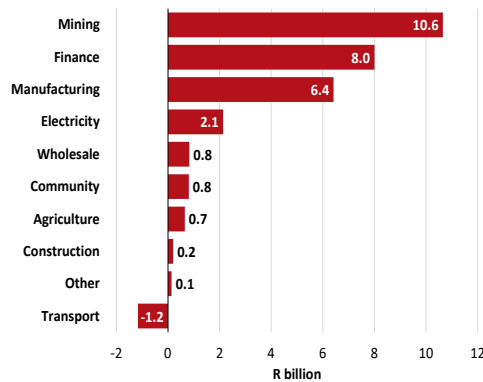
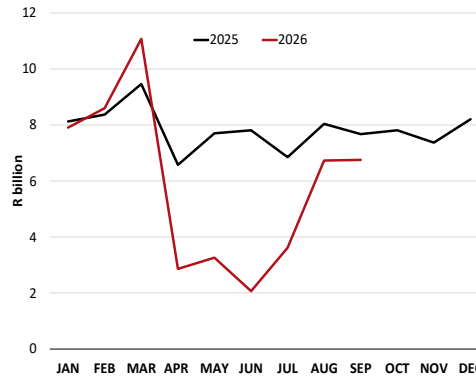


Figure 3.6 General fuel levy collections



*First six months of 2026/27 relative to the same period in the prior year

Source: National Treasury and SARS

In-year non-interest spending adjustments

Main budget non-interest expenditure is revised up by a net R45.5 billion in 2026/27 compared with 2026 Budget estimates.

Table 3.2 Revisions to non-interest expenditure for 2026/27

R million	2026/27
Non-interest expenditure (2026 Budget)	1 950 804
Upward expenditure adjustments	55 156
Expenditure announced during the 2026 Budget ¹	3 549
Rollovers	1 906
Net additions to contingency reserve	4 992
Unforeseeable and unavoidable expenditure ¹	6 203
Expenditure of an exceptional nature	787
Direct charges against the National Revenue Fund ¹	7 844
Net additions to provisional allocations not appropriated	18 678
Self-financing expenditure	4 297
Special appropriation	6 901
Downward expenditure adjustments	-9 686
National government projected underspending	-2 067
Local government repayment to the National Revenue Fund	-1 500
Declared unspent funds	-6 119
Revised non-interest expenditure (2026 MTBPS)	1 996 274
Change in non-interest expenditure from 2026 Budget	45 470

1. Details are in Table C.1 of Annexure C

Source: National Treasury

In an environment of elevated uncertainty, government is increasing the contingency reserve to R10 billion in 2026/27 for drought and El Niño response, and potential responses to additional energy price spikes.

MEDIUM-TERM FISCAL OUTLOOK

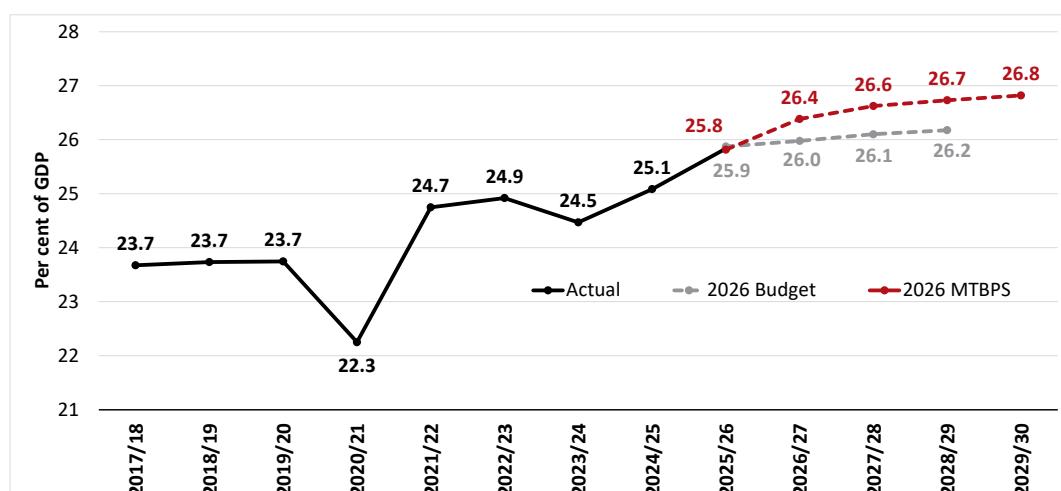
Revenue



Tax collections are expected to remain buoyant over the medium term, with revenues projected to increase from R2.14 trillion in 2026/27 to R2.53 trillion in 2029/30. The tax-to-GDP ratio increases from 26.4 per cent in 2026/27 to 26.8 per cent in 2029/30.

Tax buoyancy – the responsiveness of total tax revenues to changes in economic growth – is estimated at 1.53 in 2026/27, remaining above 1 over the medium term. Any buoyancy measure above 1 means that tax revenue is growing faster than the economy.

Figure 3.7 Tax-to-GDP ratio



Source: National Treasury



Windfall tax gains from high commodity prices provide a near-term benefit to revenue collection, while fuel levy collections are expected to normalise following the relief provided in 2026/27. Carbon tax receipts will be boosted from 2027/28 as electricity generators are now subject to the tax following the repeal of the electricity generation levy. Growth in corporate profitability supports corporate income tax and dividends tax collections, with gross tax revenue projected to surpass 2026 Budget estimates by a cumulative R60.9 billion in 2027/28 and 2028/29.

Table 3.3 Revised gross tax revenue projections

R billion	2026/27	2027/28	2028/29	2029/30
2026 Budget	2 127.0	2 248.6	2 376.2	
Buoyancy	1.08	1.10	1.06	
Revised estimates	2 144.0	2 282.0	2 403.6	2 534.7
Buoyancy	1.53	1.18	1.09	1.07
Change since 2026 Budget	17.1	33.4	27.5	

Source: National Treasury

Additional mining tax revenue collected in 2026/27 is expected to be a temporary development. However, export commodity prices remain relatively high and the outlook for corporate profitability should support higher revenue collection. Average wage bill growth is expected to outpace inflation, boosting personal income tax collections.



Net VAT collections are expected to exceed estimates as the weaker outlook for import VAT is outweighed by improved domestic VAT collections and lower VAT refund payments. Relative to the 2026 Budget, main budget revenue estimates over the next two years have been increased by R70.8 billion, mainly driven by upward revisions to tax revenue projections. Payments to the Southern African Customs Union are revised upward in 2027/28. Additional details are provided in Annexure C.

Table 3.4 Medium-term revenue framework

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
R billion	Outcome			Revised	Medium-term estimates		
Gross tax revenue	1 740.9	1 855.3	2 010.3	2 144.0	2 282.0	2 403.6	2 534.7
Gross tax revenue growth	3.2%	6.6%	8.4%	6.7%	6.4%	5.3%	5.5%
Nominal GDP growth	5.1%	4.0%	5.3%	4.4%	5.5%	4.9%	5.1%
Buoyancy	0.63	1.66	1.58	1.53	1.18	1.09	1.07
Non-tax revenue	43.9	35.9	43.9	54.5	40.4	31.8	29.9
Southern African Customs Union ¹	-79.8	-89.9	-73.6	-78.4	-92.6	-86.3	-90.7
National Revenue Fund receipts ²	19.0	8.5	13.9	16.0	1.7	1.6	1.2
Main budget revenue	1 724.0	1 809.8	1 994.6	2 136.1	2 231.5	2 350.7	2 475.1

1. Amount made up of payments and other adjustments

2. Mainly revaluation profits on foreign-currency transactions and premiums on loan transactions

Source: National Treasury

Expenditure

Over the next two years, main budget non-interest expenditure increases by a net R45.7 billion compared with the 2026 Budget forecast, mainly driven by additions to support health and education, strengthen local government, improve regulatory enforcement and capacitate the Office of the Chief Justice, Legal Aid and the Public Protector. The increase will be funded by the higher projected tax revenue. Main budget expenditure is estimated to reach 30 per cent of GDP in 2026/27, moderating to 28.7 per cent of GDP in 2029/30. This moderation can be linked to slow real growth in non-interest expenditure and debt-service costs over the medium term. Annexure C provides details.



Main budget framework

Table 3.5 Main budget framework

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
R billion/percentage of GDP	Outcome			Revised	Medium-term estimates		
Main budget revenue	1 724.0	1 809.8	1 994.6	2 136.1	2 231.5	2 350.7	2 475.1
	24.2%	24.5%	25.6%	26.3%	26.0%	26.1%	26.2%
Main budget expenditure	2 046.9	2 144.6	2 331.7	2 437.8	2 515.3	2 609.1	2 708.7
	28.8%	29.0%	29.9%	30.0%	29.3%	29.0%	28.7%
Non-interest expenditure ¹	1 690.8	1 758.8	1 913.8	1 996.3	2 052.9	2 128.5	2 199.4
	23.8%	23.8%	24.6%	24.6%	23.9%	23.7%	23.3%
Debt-service costs	356.1	385.8	417.9	441.5	462.5	480.6	509.3
	5.0%	5.2%	5.4%	5.4%	5.4%	5.3%	5.4%
Main budget balance	-322.9	-334.9	-337.1	-301.6	-283.8	-258.4	-233.6
	-4.5%	-4.5%	-4.3%	-3.7%	-3.3%	-2.9%	-2.5%
Primary balance	33.2	51.0	80.8	139.9	178.7	222.1	275.7
	0.5%	0.7%	1.0%	1.7%	2.1%	2.5%	2.9%

1. Includes contingency reserve

Source: National Treasury

The main budget framework summarises spending financed from the National Revenue Fund. Main budget revenue is expected to increase to 26.3 per cent of GDP in the current year due to better-than-expected revenue performance. The main budget deficit moderates from 3.7 per cent of GDP in 2026/27 to 2.5 per cent of GDP in 2029/30, while the primary balance grows from 1.7 per cent to 2.9 per cent of GDP over the same period. Annexure C provides a breakdown of changes to the main budget framework.

Consolidated budget framework



The consolidated budget consists of total spending by national and provincial government, social security funds and selected public entities, including transfers and subsidies to municipalities. The consolidated budget deficit narrows from 3.9 per cent of GDP in 2026/27 to 2.5 per cent of GDP in 2029/30. Public entities, social security funds and provinces are projected to have a combined cash deficit over the medium term. Public entity deficits will mainly be driven by projected investment in road, rail and water infrastructure.

Table 3.6 Consolidated budget balance

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
R billion	Outcome			Revised	Medium-term estimates		
Main budget	-322.9	-334.9	-337.1	-301.6	-283.8	-258.4	-233.6
Social security funds	10.9	7.9	-0.6	-6.3	-5.6	-4.2	-2.8
Public entities	11.7	-4.3	3.0	-9.8	-17.6	-10.5	-12.1
Provinces	-6.2	-4.2	5.9	-3.2	3.1	5.9	7.1
RDP Fund	0.0	0.7	0.6	2.4	2.7	3.0	3.3
Consolidated budget balance	-306.6	-334.8	-328.1	-318.5	-301.3	-264.3	-238.2
<i>Percentage of GDP</i>	<i>-4.3%</i>	<i>-4.5%</i>	<i>-4.2%</i>	<i>-3.9%</i>	<i>-3.5%</i>	<i>-2.9%</i>	<i>-2.5%</i>

Source: National Treasury

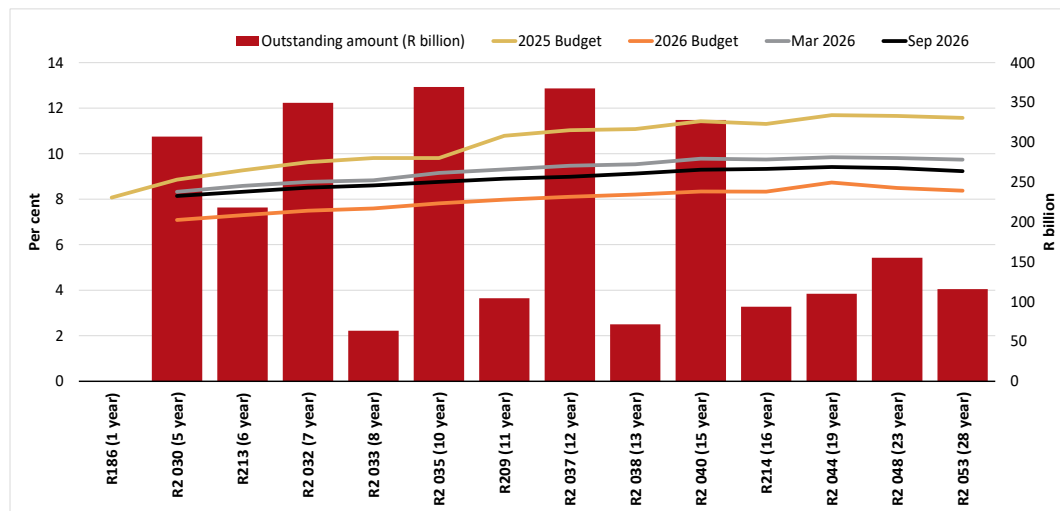
FINANCING AND DEBT MANAGEMENT STRATEGY

Continued progress in fiscal consolidation, a more favourable sovereign credit outlook and a resilient domestic investor base have sustained demand for government bonds and Treasury bills. Government will continue to source funding through a diversified mix of domestic- and foreign-currency instruments, development finance loans and available cash balances, within approved portfolio risk benchmarks.



Between March and September of this year, domestic government bond yields declined across all maturities (Figure 3.8), supporting more favourable funding conditions. South Africa's 10-year government bond yield – an indicator of the interest rate government pays to borrow money over 10 years – decreased from 9.2 per cent to 8.8 per cent over this period. This trend helps to reduce the cost of new borrowing and contain debt-service costs over time. Over the past six months South Africa's borrowing costs have declined significantly compared with emerging market peers, with a 50-basis-point decline in yields compared with increases of 26 and 7 basis points respectively for Indonesia and Brazil, while yields in India and Mexico remained broadly unchanged.

Figure 3.8 Fixed-rate bond yields



Source: National Treasury

Government will implement a bond buyback programme in 2026/27, helping to reduce elevated redemptions over the medium term. All operations will be conducted within established risk benchmarks. Following the inaugural issuance of R11.8 billion in infrastructure bonds in November 2025, a quarterly auction programme for infrastructure bonds commenced in July 2026, offering a dedicated and transparent mechanism to mobilise long-term funding for public infrastructure.



GROSS BORROWING REQUIREMENT

The gross borrowing requirement – the sum of the budget deficit, maturing loans and the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) settlement – increases by R54.2 billion to R434.2 billion in 2026/27.

Table 3.7 National government gross borrowing requirement and financing

R billion	2025/26	2026/27	2027/28	2028/29	2029/30
	Outcome	Revised	Medium-term estimates		
Gross borrowing					
Main budget balance	-337.1	-301.6	-283.8	-258.4	-233.6
Redemptions	-159.2	-167.6	-200.3	-197.2	-352.6
Domestic long-term loans ¹	-102.8	-132.0	-176.2	-150.1	-301.5
Foreign loans	-56.4	-35.6	-24.1	-47.2	-51.1
Eskom debt-relief arrangement	-80.0	–	–	-10.0	–
GFECRA settlement (net)	25.0	35.0	11.0	10.0	–
Total	-551.2	-434.2	-473.1	-455.7	-586.2
Financing					
Domestic short-term loans (net)	39.6	23.2	57.8	34.1	47.2
Domestic long-term loans	390.6	282.0	321.1	306.9	425.2
Foreign loans	103.9	58.6	84.2	86.0	96.2
Change in cash and other balances	17.2	70.4	10.1	28.6	17.6
Total	551.2	434.2	473.1	455.7	586.2

1. Redemptions in 2026/27 and 2027/28 are shown net of domestic buybacks

Source: National Treasury

The largest share of the increase is for domestic redemptions, which reflect the net of the bond switch and buyback programme. Domestic cash balances will be reduced by R11 billion to partially finance the gross borrowing requirement. Over the medium term,



redemptions average R250 billion. Domestic long-term borrowing increases from R242.5 billion to R282 billion in 2026/27 and R321.1 billion in 2027/28, before declining to R306.9 billion in 2028/29. To meet its foreign-currency commitments in 2026/27, government raised US\$3.6 billion from multilateral development banks, of which about US\$2 billion has been disbursed. Over the medium term, government will raise about US\$15.5 billion and draw down on its foreign exchange balances.

Table 3.8 Total national government debt

End of period R billion	2025/26	2026/27	2027/28	2028/29	2029/30
	Outcome	Revised	Medium-term estimates		
Domestic loans¹	5 492.5	5 738.4	5 986.6	6 222.9	6 436.4
Short-term	590.2	613.4	671.2	705.3	752.5
Long-term	4 902.3	5 125.0	5 315.4	5 517.6	5 683.9
Fixed-rate	3 410.6	3 431.1	3 583.6	3 782.6	3 751.6
Inflation-linked	1 183.3	1 312.7	1 381.8	1 363.1	1 510.9
Floating rate note	276.2	332.6	273.4	284.8	316.3
Sukuk	20.4	26.4	36.4	28.9	28.9
Infrastructure bonds	11.8	22.2	40.2	58.2	76.2
Foreign loans¹	612.0	613.7	689.3	744.0	802.1
Gross loan debt	6 104.4	6 352.0	6 675.9	6 966.8	7 238.5
Less: National Revenue Fund	-219.3	-141.5	-134.7	-109.1	-95.7
Net loan debt²	5 885.1	6 210.5	6 541.2	6 857.7	7 142.9
<i>As percentage of GDP:</i>					
Gross loan debt	78.4	78.2	77.9	77.5	76.6
Net loan debt	75.6	76.4	76.3	76.3	75.6

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

Source: National Treasury



Notable debt dynamics include the following:

- Gross loan debt will increase from R6.35 trillion in 2026/27 to R7.24 trillion in 2029/30, driven by the budget deficit and fluctuations in interest, inflation and exchange rates, as shown in Table 3.8.
- Gross loan debt will continue to decline as a share of GDP over the medium term.
- Debt-service costs in 2026/27 will be R9 billion higher than estimated in the 2026 Budget due to the higher gross borrowing requirement and interest rates.

RISKS TO THE FISCAL OUTLOOK

Risks to the fiscal outlook include weaker-than-expected global and domestic economic growth, higher borrowing costs, volatility in gross tax revenue, the financial health of state-owned companies and the impact of El Niño. The fiscal risk statement (Annexure A) provides a broader view of fiscal risks.

CONCLUSION

The fiscal strategy is on track. Over the medium term, government will entrench fiscal discipline in law and reduce debt-service costs as a share of revenue, while growing the share of expenditure allocated to capital infrastructure to support economic growth.



4

2026 MTBPS EXPENDITURE PRIORITIES



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- Consolidated expenditure continues to prioritise frontline services, social services and economic recovery. Ensuring spending is efficient, effective and appropriately costed requires stronger budget discipline at all levels of government.
- Government spending grows by an average annual rate of 3.6 per cent over the medium term.
- Increased spending on capital assets reflects the state's commitment to supporting faster economic growth and future revenue generation.
- In the current year, a portion of the revenue overrun will be used to increase the contingency reserve to R10 billion for El Niño response and other risks. The remainder of the revenue overrun will be set aside for critical infrastructure.
- Government continues to roll out its robust reform agenda to strengthen accountability and financial management in municipalities and provinces.

INTRODUCTION

Consolidated government spending is expected to increase from R2.72 trillion in 2026/27 to R3.02 trillion in 2029/30, growing by an average annual rate of 3.6 per cent.

These are large allocations. Yet South Africa is not fully realising the potential of this expenditure. Improving the quality of spending requires a deliberate shift from funding *activities* to achieving *results* in all spheres of government. Budget reforms, programme reviews and efficiency measures are under way to improve value for money, supporting affordability and fiscal sustainability while protecting frontline services.

The financial health of local government has deteriorated, as has the ability of many municipalities to provide adequate services. The integrated package of local government reforms announced in the 2026 *Budget Review* involves active intervention to support sustainable turnarounds in financially distressed municipalities. Conditional infrastructure grant frameworks for the 2027 division of revenue are being redesigned to improve project planning and readiness, infrastructure maintenance and service-delivery outcomes. Funding conditions will be enforced more consistently. Amendments to the Municipal Finance Management Act (MFMA, 2003) and reforms to financial systems will support early intervention, stronger accountability and reliable reporting. Similar amendments are being made to the Public Finance Management Act (PFMA, 1999).

TARGETED AND RESPONSIBLE SAVINGS

Improving the quality of spending by allocating funds to programmes that are efficient and effective is a fundamental reform to the budget process – a shift from incremental, input-driven budgeting towards strategic choices about outcomes, affordability and value. Targeted and responsible savings are identified by assessing programmes on a common basis and asking key questions. Are programmes legally required? Are they aligned with policy priorities? Do they efficiently deliver measurable outputs and outcomes? Is there persistent underspending or poor performance? Could the same objective be achieved at lower cost or through a better institutional arrangement?



To date, work in four focus areas has realised R38.1 billion in savings over the medium term:

- **Improving administration and verification:** Enhanced biometric enrolment and beneficiary verification have resulted in savings of R13.1 billion in the social grants system over the medium term. Similar data-driven approaches are being used to improve targeting of National Student Financial Aid Scheme bursaries and the housing subsidy system.
- **Freezing programmes for redesign to improve effectiveness:** Poor planning and implementation contribute to weak delivery by the *human settlements development grant*. The delivery model is not well suited to current needs. The White Paper for Human Settlements offers an opportunity to reset housing delivery so that it provides access to shelter and facilitates access to jobs and business opportunities. By pausing the grant, R7.8 billion has been identified for reprioritisation over the medium term while a more responsive model is designed.
- **Increasing efficiency, eliminating duplication and focusing on priorities:** Over the medium term, government obtained R11.7 billion in savings from national departments by focusing on priorities and boosting efficiency. These include savings from modernising technology, reducing administration expenses and reducing duplication in rural development programmes.
- **Putting accumulated cash to work for development:** Inconsistencies in the treatment of cash surpluses mean that money has accumulated in some public entities. In 2027/28, R5.5 billion will be recovered and deposited into the National Revenue Fund while a consistent legislative approach is developed, taking the specific arrangements of various institutions into account.

These savings have been reprioritised and redirected across the fiscal framework.

PFMA amendments strengthen governance and accountability in public entities

The draft Public Finance Management and Related Laws Amendment Bill (2026) is the first significant update of the PFMA since it was enacted in 1999. The bill strengthens governance, accountability and transparency while addressing persistent financial management weaknesses, including unauthorised, irregular, fruitless and wasteful expenditure, weak consequence management and governance failures. It clarifies the responsibilities of chief executive officers as accounting officers and board responsibilities, strengthens mechanisms to address financial misconduct and non-compliance, and improves support for institutions in financial distress.

REVISED SPENDING PLANS FOR 2026/27

The 2026 Adjustments Appropriation Bill proposes an upward adjustment of R10.6 billion in expenditure. This includes rollovers of R1.9 billion from the previous financial year and unforeseeable and unavoidable expenditure of R6.2 billion, mostly for disaster relief. An additional R2.2 billion is provided for early retirement and voluntary exit packages for public servants who qualify.



A Special Appropriation Bill for 2026/27 is proposed, with R6.9 billion in total allocated, mainly to the South African Revenue Service.

Government will allocate R10 billion of the in-year revenue overrun to the contingency reserve for the El Niño response and other risks. The remainder is a provisional allocation for infrastructure projects currently under evaluation by the Budget Facility for Infrastructure.



CONSOLIDATED EXPENDITURE TRENDS AND COMPOSITION

Consolidated expenditure continues to support frontline services, infrastructure and economic recovery. Achieving value for money in these allocations requires stronger budget discipline at all levels. Government spending increases from R2.72 trillion in 2026/27 to R3.02 trillion in 2029/30, growing by an average annual rate of 3.6 per cent. Growth in debt-service costs has slowed to 4.9 per cent over the medium term. The fastest-growing spending category by economic classification is payments for capital assets at 5.3 per cent, reflecting government's commitment to infrastructure investment.

Over the medium-term expenditure framework (MTEF) period, R20.5 billion is added to the provincial equitable share to compensate provinces for increased costs in health and education, and R21.8 billion is added to the local government equitable share for the increased bulk services costs for free basic water and sanitation, electricity and solid waste management. The general fuel levy shared with metropolitan municipalities is allocated an additional R13.4 billion.



Government will add R71.1 billion to main budget spending over the medium term to support health and education, strengthen local government, enable industrial development and infrastructure, and improve state capacity. As part of government's response to gender-based violence, R5.1 billion is allocated, mainly to employ additional social workers in provinces.

Learning and culture

This function includes basic education, post-school education and training, and sport, arts and culture. Compensation of employees accounts for 56 per cent of expenditure, mainly for teachers in provincial education departments. The physical verification of teacher and learner numbers, completed by the Education Labour Relations Council, confirms the need to address inefficiencies related to teacher allocations. The infrastructure portion of the *early childhood development conditional grant* seeks to address infrastructure and safety compliance to expand access to early childhood development services in the sector. Part of this grant will be ring-fenced as an incentive to reward improved delivery of new builds and maintenance targets.



Table 4.1 Consolidated expenditure by economic classification¹

	2025/26	2026/27	2027/28	2028/29	2029/30	Average annual growth 2026/27 – 2029/30
R billion	Outcome	Revised	Medium-term estimates			
Current payments	1 583.5	1 672.4	1 733.8	1 798.6	1 870.4	3.8%
Compensation of employees	804.1	856.4	895.6	928.5	957.6	3.8%
Goods and services	353.4	365.7	366.2	376.9	390.6	2.2%
Interest and rent on land	426.0	450.2	472.0	493.2	522.2	5.1%
of which: debt-service costs	417.9	441.5	462.5	480.6	509.3	4.9%
Transfers and subsidies	843.6	873.7	891.4	916.8	942.0	2.5%
Provinces and municipalities	190.2	195.6	214.9	222.1	224.5	4.7%
Departmental agencies and accounts	27.3	34.2	36.1	35.7	35.7	1.4%
Higher education institutions	55.5	58.3	59.9	62.8	65.6	4.0%
Foreign governments and international organisations	3.1	3.5	3.7	3.8	3.9	4.3%
Public corporations and private enterprises	68.3	62.4	46.8	48.4	46.6	-9.2%
Non-profit institutions	43.2	46.3	50.4	51.3	52.9	4.5%
Households	456.0	473.5	479.8	492.7	512.6	2.7%
Payments for capital assets	123.2	148.4	146.2	164.2	173.5	5.3%
Buildings and other capital assets	91.3	108.5	107.9	120.8	139.7	8.8%
Machinery and equipment	31.9	40.0	38.3	43.4	33.8	-5.4%
Payments for financial assets	23.8	12.4	9.6	11.8	8.5	
Total	2 574.1	2 706.9	2 781.0	2 891.4	2 994.4	3.4%
Contingency reserve	–	10.0	25.1	17.0	26.1	
Consolidated expenditure	2 574.1	2 716.9	2 806.1	2 908.3	3 020.5	3.6%

1. Consisting of national and provincial departments, social security funds and public entities

Source: National Treasury

Health



Over the medium term, the health function will maintain its focus on strengthening frontline healthcare services and primary healthcare delivery. Improved management of commuted overtime could be used to employ additional doctors in provinces. This will help to reduce workloads, improve access to healthcare and mitigate growing compensation pressures in provincial health departments. Efficiencies must also be identified in other areas of health workforce expenditure, such as rural allowances, medical intern remuneration, and remunerative work outside of public services. Over the MTEF period, R556.7 million will be reprioritised to sustain HIV and AIDS services following the withdrawal of PEPFAR funding, supplementing the R3.8 billion reprioritised through the *district health programmes grant*.

Peace and security



Personnel costs consume 71.4 per cent of expenditure in the peace and security sector. Modernisation and digital transformation initiatives aim to improve efficiency and delivery, particularly within the departments of Defence, and Justice and Constitutional Development. These efforts are complemented by measures to establish the Investigating Directorate Against Corruption Ombud and strengthen the Information Regulator. Police funding is being redirected to forensics to reduce backlogs and improve investigations.

Prioritising funds to reduce stunting and improve child health

More than a quarter of South African children (28.8 per cent) suffer from chronic malnutrition that leaves them too short for their age, making stunting a severe public health concern that also undermines children's ability to learn.

Over the MTEF period ahead, government will strengthen high-impact primary healthcare interventions to improve maternal nutrition, support healthy pregnancies and promote optimal child development during the first 1 000 days of life. Funding of R1.6 billion has been reprioritised from social grants savings to fund nutrition for pregnant women and young children, with implementation supported through the *district health programmes grant*. Complementary interventions will strengthen household and community food production, expand access to affordable and nutritious food, improve food fortification compliance, reduce food losses and build resilient domestic food and pharmaceutical supply chains.

Community development

This function supports the provision of basic services to low-income households. Over the medium term, R21.8 billion is added to the local government equitable share to compensate municipalities for the increased cost of providing free basic services. Following reductions to the *public transport network grant* in the 2026 Budget, a new public transport roadmap is being developed to sequence reforms, improve alignment between road and rail, and clarify the regulatory and contracting arrangements for subsidised services. To reduce fragmentation, the *regional bulk infrastructure grant* and the *water services infrastructure grant* will be merged in 2027/28, and alignment between these grants and the water component of the *municipal infrastructure grant* will be improved. As previously discussed, the *human settlements development grant* is reduced by R7.8 billion while the department develops a new delivery model to respond to changing housing needs.



Economic development

This function supports growth and employment. Expenditure is projected to grow by 4.4 per cent over the MTEF period, largely due to investment in transport infrastructure. Agricultural interventions will strengthen food security and biosecurity. To contain foot and mouth disease, R423.4 million is reprioritised in the Department of Agriculture in 2026/27 and R183 million is rolled over from the previous financial year to roll out vaccines. The Department of Trade, Industry and Competition will reprioritise R1 billion to strengthen regional value chains and links between special economic zones and expand pharmaceutical and vaccine manufacturing. Over the medium term, 870 land restitution claims will be settled, with stronger post-settlement support to improve access to economic services for beneficiaries.



SPENDING PRIORITIES BY FUNCTION GROUP

Table 4.2 Consolidated expenditure by function¹

	2025/26	2026/27	2027/28	2028/29	2029/30	Average annual growth 2026/27 – 2029/30
R billion	Outcome	Revised	Medium-term estimates			
Learning and culture	513.9	534.4	554.9	573.5	591.4	3.4%
Basic education	345.9	363.4	378.2	390.2	400.6	3.3%
Post-school education and training	155.7	157.7	163.7	170.1	177.2	4.0%
Arts, culture, sport and recreation	12.3	13.4	13.0	13.2	13.5	0.4%
Health	294.1	311.3	322.8	335.4	345.5	3.5%
Peace and security	269.9	284.8	283.7	292.7	301.8	2.0%
Defence and state security	62.3	62.4	61.3	63.2	65.5	1.6%
Police services	133.1	141.5	145.5	150.2	154.7	3.0%
Law courts and prisons	58.9	62.9	63.9	66.0	68.1	2.7%
Home affairs	15.7	18.0	13.0	13.3	13.5	-9.1%
Community development	282.2	287.5	308.2	322.0	317.2	3.3%
Economic development	271.6	302.7	296.6	317.9	344.1	4.4%
Industrialisation and exports	49.8	47.5	46.6	48.2	47.6	0.0%
Agriculture and rural development	34.7	39.8	41.8	44.0	45.4	4.5%
Labour affairs and works programmes	10.5	11.8	12.5	13.2	13.6	4.7%
Economic regulation and infrastructure	155.7	181.5	173.1	189.3	214.7	5.7%
Innovation, science and technology	20.9	22.0	22.7	23.2	22.9	1.4%
General public services	85.0	94.9	89.5	93.0	95.3	0.1%
Executive and legislative organs	23.0	23.0	21.4	21.9	22.6	-0.6%
Public administration and fiscal affairs	53.2	61.9	58.1	60.8	62.1	0.1%
External affairs	8.8	9.9	9.9	10.3	10.6	2.2%
Social development	415.7	437.4	453.3	464.5	481.3	3.2%
Social protection	315.4	326.2	339.2	348.5	362.9	3.6%
Social security funds	90.9	100.8	103.0	104.6	106.6	1.9%
Public-sector pensions	9.4	10.4	11.1	11.4	11.8	4.2%
Payments for financial assets	23.8	12.4	9.6	11.8	8.5	
Allocated by function	2 156.2	2 265.4	2 318.5	2 410.8	2 485.1	3.1%
Debt-service costs	417.9	441.5	462.5	480.6	509.3	4.9%
Contingency reserve	–	10.0	25.1	17.0	26.1	
Consolidated expenditure	2 574.1	2 716.9	2 806.1	2 908.3	3 020.5	3.6%

1. Consisting of national and provincial departments, social security funds and public entities

Source: National Treasury

General public services



Expenditure in this function is expected to increase by 0.1 per cent over the medium term. The Presidency's digital services unit will drive the MyMzansi initiative. A data exchange platform, MzansiXchange, will enable cross-government beneficiary verification, supporting the detection of duplicate and fraudulent claims across the social grants system, the National Student Financial Aid Scheme and public employment programmes through integration with the National Population Register and the South African Revenue Service.

Social development

Over the 2027 MTEF period, government will continue to strengthen the integrity, efficiency and sustainability of the social grants system while ensuring continued support for vulnerable households. As a result of strengthened verification measures, the number of social grant beneficiaries is expected to decline from 17.8 million in 2026/27 to 17.1 million by 2029/30, generating savings of R6.2 billion. These savings will be reprioritised to prevent gender-based violence and femicide and to support priority health-sector interventions to combat child malnutrition and stunting.

The *social relief of distress grant* will be extended for another year while work continues on integration with labour market activation, skills development and enterprise support interventions. Beneficiaries will be linked to employment, training and business opportunities through the MzansiXchange.



Preventing violence and murder targeting women and girls

A spate of recent murders and attacks on women shines a spotlight on this national crisis. In response, government has reprioritised R3.8 billion over the 2027 MTEF period to appoint 3 552 social workers and strengthen prevention, early intervention, psychosocial support and victim empowerment. An additional R157.4 million has been allocated to the Department of Women, Youth and Persons with Disabilities to improve national coordination and oversight.

To strengthen the criminal justice response, R186 million has been reprioritised for forensic services, investigative capacity and backlog reduction. These allocations complement increasing numbers of sexual offences courts, care centres, victim support programmes and shelters for survivors. The number of sexual offences courts is projected to grow from 55 in 2026/27 to 101 in 2028/29, and Thuthuzela Care Centres will grow from 72 to 80 over the same period.

THE DIVISION OF REVENUE

Over the 2027 MTEF period, national departments are allocated 47.4 per cent of available non-interest expenditure, provinces 42.6 per cent and local government 10 per cent. Provinces and municipalities face growing pressure from population growth, urbanisation and higher bulk electricity and water prices, along with the need to invest in assets such as schools, clinics, and water and sanitation infrastructure.

Government's approach to the division of revenue aims to improve the way public funds are planned and spent in the face of these pressures. Transfers to provinces and municipalities are increasingly linked to credible plans, sound financial management and measurable improvements in service delivery. Grant frameworks are being strengthened to place greater emphasis on maintaining assets, completing projects and providing reliable services. Reforms to improve financial management and accountability will help to attract private investment in infrastructure.



Yet additional funding will not fix service delivery failures where planning, financial management and implementation are weak. Provinces and municipalities with sound financial management and delivery records may be allowed more discretion in how they plan and deliver approved programmes, while still meeting the conditions attached to

their funding. Where performance is weak, government will apply tighter conditions, provide targeted support and intervene where necessary to protect public resources.

Table 4.3 Division of revenue framework

R billion	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Outcome			Revised	Medium-term estimates		
Division of available funds							
National departments	826.9	860.5	946.5	968.2	940.8	989.2	998.7
<i>of which:</i>							
Provincial indirect grants	4.1	3.7	3.8	3.2	3.0	3.0	2.4
Local indirect grants	8.2	7.1	7.7	7.5	9.4	9.6	9.9
Provinces	706.3	730.6	788.8	817.6	850.5	879.2	907.5
Equitable share	585.1	600.5	649.3	676.7	707.1	731.5	753.1
Conditional grants	121.2	130.2	139.4	140.9	143.4	147.8	154.4
Local government	157.7	167.7	178.5	184.1	201.1	207.8	209.8
Equitable share	92.3	99.5	104.4	110.1	121.3	125.3	129.4
General fuel levy sharing with metropolitan municipalities	15.4	16.1	16.8	17.5	22.0	23.2	24.5
Conditional grants	50.0	52.1	57.2	56.5	57.9	59.3	55.9
Provisional allocations not appropriated ¹	–	–	–	20.0	35.3	35.3	57.4
Projected underspending	–	–	–	-3.6	–	–	–
Non-interest allocations	1 690.8	1 758.8	1 913.8	1 986.3	2 027.8	2 111.6	2 173.3
Debt-service costs	356.1	385.8	417.9	441.5	462.5	480.6	509.3
Contingency reserve	–	–	–	10.0	25.1	17.0	26.1
Main budget expenditure	2 046.9	2 144.6	2 331.7	2 437.8	2 515.3	2 609.1	2 708.7
<i>Percentage shares</i>							
National departments	48.9%	48.9%	49.5%	49.1%	47.2%	47.6%	47.2%
Provinces	41.8%	41.5%	41.2%	41.5%	42.7%	42.3%	42.9%
Local government	9.3%	9.5%	9.3%	9.3%	10.1%	10.0%	9.9%

1. Include provisional allocations for infrastructure projects in 2026/27 and 2029/30 and COVID-19 social relief of distress grant

Source: National Treasury

Given modest growth in equitable share allocations, provinces need to protect core services within their baselines. This requires delivering measurable savings; aligning education and health staffing with demand, funded posts and affordability; preventing overspending on compensation; reducing accruals, which stood at R40.5 billion on 31 March 2026; tightening overtime controls; and making full use of transversal contracts.

Table 4.4 Provincial equitable share

R million	2026/27	2027/28	2028/29	2029/30
Eastern Cape	88 227	90 281	92 994	95 406
Free State	37 973	38 637	39 949	41 089
Gauteng	141 782	149 904	154 159	157 911
KwaZulu-Natal	137 067	143 455	148 683	153 207
Limpopo	79 957	83 297	86 473	89 321
Mpumalanga	56 120	59 423	61 828	64 018
Northern Cape	18 369	19 422	20 135	20 774
North West	47 240	48 973	50 711	52 257
Western Cape	69 967	73 730	76 562	79 074
Total	676 703	707 122	731 494	753 057

Source: National Treasury

FROM OVERSIGHT TO INTERVENTION IN LOCAL GOVERNMENT

Enforcing compliance and accountability

The 2026 Budget announced government's policy shift from oversight to active intervention to support a sustainable turnaround in underperforming municipalities.

In June 2026, the Minister of Finance suspended July equitable share transfers to 69 municipalities to address continued mismanagement of public funds. This action, which followed extensive engagements between the National Treasury and the municipalities concerned, was taken in terms of section 216(2) of the Constitution read with section 38 of the MFMA, which allows the withholding of equitable share transfers from municipalities that persistently fail to meet their obligations. The failures by the municipalities included non-payment of bulk utility providers, the South African Revenue Service and the Auditor General of South Africa, as well as of pension fund contributions. Government required these municipalities to negotiate payment plans with creditors and enforce consequence management for unauthorised, irregular, fruitless and wasteful expenditure.

As a result of the intervention, 38 municipalities concluded formal, council-approved repayment plans, with payments to creditors reaching R4.2 billion by 31 July 2026. The intervention may be repeated for municipalities that breach their commitments. A reduction in unauthorised, irregular, fruitless and wasteful expenditure should be visible in the current financial year.

Government is also intervening to ensure that national departments, provinces and other agencies pay money owed to municipalities, subject to verification of these amounts. As at 31 December 2025, municipalities reported that public bodies owed local government R27.6 billion, of which more than half was owed by provincial departments.

The municipal debt-relief programme is designed to prevent the accumulation of unpaid bulk electricity accounts. It ties relief to strict conditions. Municipalities that are unable to run their electricity distribution networks sustainably should conclude distribution agency agreements. Under this approach, municipalities contract with Eskom for operational management, maintenance and billing of electricity distribution. These agreements safeguard municipal revenue by ring-fencing collections to pay bulk power invoices and fund network maintenance, with surplus proceeds returned to the municipal fiscus.

Improving service delivery and targeting of grants

Reforms are under way to improve the way municipalities manage the delivery of basic services and ensure that grants achieve better delivery and infrastructure investment. The Smart Meters Grant Programme helps participating municipalities to improve billing accuracy, reduce losses and reinvest in infrastructure. To date, it has installed 247 206 meters in 28 municipalities, creating an estimated 3 734 installation jobs and raising R361 million in additional revenue. Long-term success requires focus on rigorous operational monitoring, billing accuracy and financial reconciliation.



Conditional infrastructure grants are shifting from compliance tracking to measurable delivery. Allocations to provinces and municipalities will be anchored in credible, funded project pipelines, procurement readiness and planning that prioritises completion over starting new projects. Provisions for withholding, stopping, reallocation and rollover are applied more effectively to keep funding tied to actual delivery and asset maintenance.



The *regional bulk infrastructure grant* and the *water services infrastructure grant* will be consolidated to support an integrated approach to water services and reticulation infrastructure. The *municipal disaster response grant* and *municipal disaster recovery grant* are being merged into a single *municipal disaster grant*. The immediate priority is a relief window to allow municipalities to respond quickly after a disaster. A new *environmental health practitioners grant* for district municipalities funds the recruitment, training and deployment of practitioners to create capacity to respond to adverse events such as deaths from foodborne illness.

Overhauling legislation and regulation

Proposed amendments to the MFMA will compel earlier and more decisive provincial and national action where municipalities cannot restore financial stability on their own. They also strengthen internal controls, investigations into financial misconduct, risk management and internal audit, and introduce clearer administrative penalties and offences. Funded-budget requirements are reinforced, and the treatment of irregular expenditure is improved, ensuring that fiscal misconduct carries consequences.

Longer-term structural reforms



Cabinet approved the revised White Paper on Local Government in September 2026. It shifts local development from a strictly municipal responsibility to an approach in which all spheres of government, state-owned companies and communities share responsibility for outcomes. It ensures that finance follows function, redesigning grants for affordability and renewing revenue instruments to match differentiated powers.

Government's review of municipal funding has identified two distinct problems. In day-to-day operations, the main problem is poor spending choices: too much is spent on overheads and administration while maintenance, repairs and basic services are shortchanged. By contrast, long-term infrastructure is hampered by a shortage of funds to replace ageing pipes, substations and treatment plants. Electricity and water tariffs are set too low to cover the full costs of maintenance and bulk supplies. The final report will be completed by the end of 2026 and will recommend a practical funding model.

CONCLUSION

Over the medium term, spending continues to grow, but the emphasis is shifting from increasing allocations to improving the quality and impact of public expenditure. This requires stronger planning and budget discipline at all levels of government. The integrated set of reforms under way is expected to yield significant results over the period.

5

2026 MTBPS

**PUBLIC-SECTOR
INFRASTRUCTURE**



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- Reforms are under way to improve infrastructure outcomes and deliver greater value from public spending.
- Stronger public investment management will enhance project planning and selection to deliver new investments more successfully and improve maintenance of existing assets.
- Embedding climate resilience in infrastructure investment will protect assets, sustain service delivery and reduce future fiscal costs.
- The Budget Facility for Infrastructure (BFI) is building a stronger pipeline of investment-ready projects to draw on a broad pool of long-term capital.
- Reforms to link financing to performance and strengthen municipalities will boost implementation capacity and infrastructure delivery.

INTRODUCTION

Government is shifting the composition of spending from consumption towards infrastructure investment to support faster and more durable economic growth. The objective is not simply to invest more, but to get better results from every rand spent.



The infrastructure reform agenda supports this shift by strengthening the delivery management ecosystem. Improving project preparation and implementation is a priority to reduce underspending, accelerate delivery and ensure that infrastructure investments translate into productive assets and better public services. Reforms are also under way to mobilise private-sector finance and expertise to augment limited fiscal resources and state capacity. These measures will improve the efficiency of infrastructure investment and ensure it delivers value for money.

REFORMS TO DRIVE INVESTMENT

Strengthening public investment management

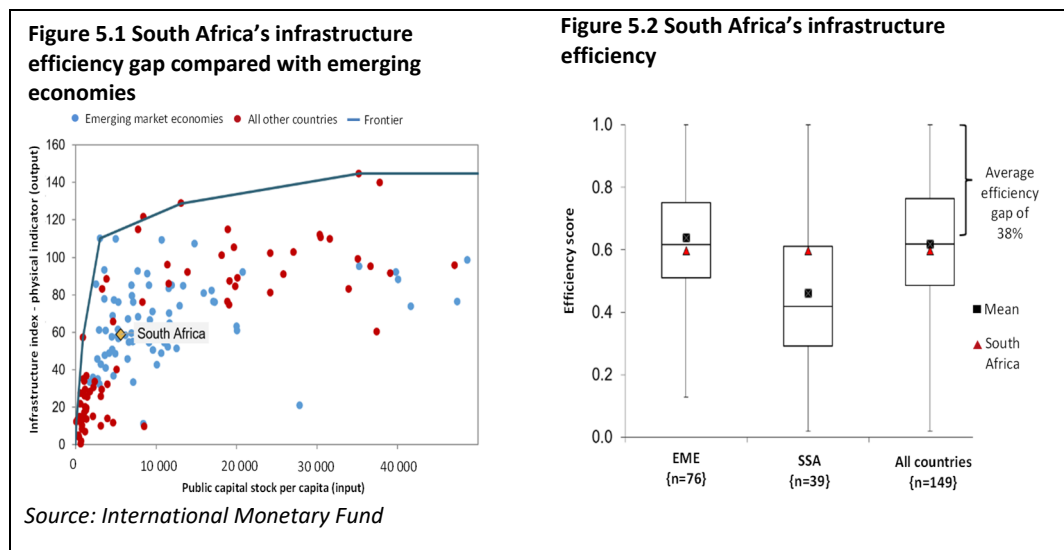
At government's request, the International Monetary Fund (IMF) recently assessed South Africa's public investment management with its Public Investment Management Assessment (PIMA) and Climate-PIMA (C-PIMA) tools. These diagnostic tools benchmark the design and effectiveness of a country's infrastructure governance framework against international good practice.



The assessments found that South Africa has relatively strong public investment management institutions and frameworks, particularly for planning and resource allocation. However, weaknesses in implementation constrain the extent to which these frameworks translate into infrastructure outcomes.

Figure 5.1 shows that South Africa operates below the efficiency frontier, which reflects the infrastructure outcomes achieved by the best-performing countries at different levels of public capital stock. This suggests that South Africa could achieve better infrastructure outcomes with its existing public capital. Figure 5.2 reinforces this finding, estimating

South Africa's efficiency gap at 40 per cent, compared with an average of 36 per cent for emerging market economies. The IMF analysis suggests that stronger public investment management could close up to two-thirds of this gap.



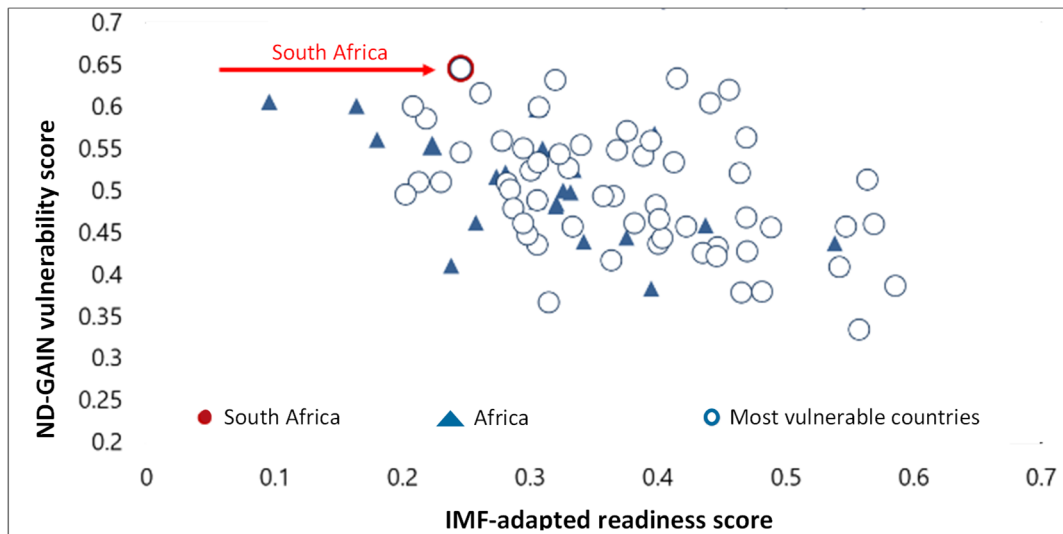
The IMF recommends that government strengthen project appraisal and selection, improve conditional grant performance and project delivery, and ensure more effective maintenance and management of existing infrastructure assets. The assessments also identified the need for public investment strategy to be coordinated across government, and for systematic evaluation of completed projects and programmes. The National Treasury will submit the final reports to Cabinet for consideration, after which government will integrate the recommendations into its infrastructure reform agenda.

Mainstreaming climate resilience



South Africa is highly exposed to climate-related disasters, including droughts, wildfires and floods. Its capacity to prepare and respond to climate change events is relatively low, as shown in Figure 5.3. This combination amplifies the economic, social and infrastructure losses from climate shocks and can prolong their effect. The C-PIMA estimates that natural disasters caused losses of about US\$10.1 billion to the South African economy between 2000 and 2024, equivalent to about 2 per cent of GDP. Building climate resilience is essential to protect infrastructure investment, sustain service delivery and reduce future fiscal costs.

Figure 5.3 Climate risks and readiness



Source: International Monetary Fund

The C-PIMA identified opportunities to integrate climate risks into public investment decisions. It recommends stronger climate risk analysis in the appraisal and selection of critical infrastructure projects. Climate risks should also inform fiscal risk analysis and reporting, asset registers and asset management plans.

The National Treasury will update the Infrastructure Planning and Appraisal Guideline, applicable to all spheres of government, as part of implementing these recommendations. The revised guideline will systematically integrate climate risk, adaptation and resilience into project appraisal. Exposure and resilience to climate risks will become increasingly important criteria in assessing infrastructure projects.

Enhancing PPP regulation

Government is strengthening the public-private partnership (PPP) framework to create a more predictable and enabling environment for infrastructure investment and private-sector participation.



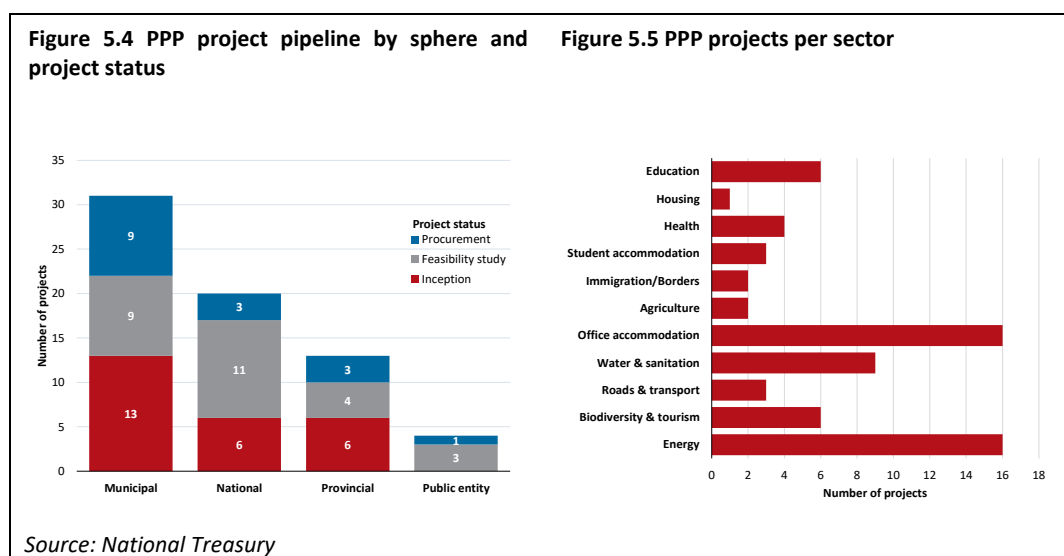
The revised Treasury Regulation 16 governing PPPs came into effect on 1 June 2025. Amendments to the Municipal PPP Regulations will be submitted to Parliament for its scrutiny.

The amendments will simplify processes, strengthen governance and accountability, harmonise public consultation requirements and improve consistency with the broader PPP framework. This will provide a more practical framework for municipalities to engage private-sector finance and expertise. Regulatory reform alone will not unlock municipal PPPs at scale. Government is also addressing constraints to project preparation and improving access to specialised technical and transaction advisory expertise as well as the capacity to develop, procure and manage complex PPP projects. The Infrastructure Finance and Implementation Support Agency (IFISA) will provide targeted support across

the PPP project life cycle, from preparation and procurement through to contract management.

These measures will help municipalities develop a stronger pipeline of bankable PPP projects.

Figure 5.4 shows the PPP project pipeline across spheres of government. Municipal PPPs account for the largest share, with 31 of the 68 projects in the pipeline. This reflects municipal interest in using alternative service delivery and financing approaches to expand infrastructure investment and improve the delivery of public services.



Several advanced PPP projects are progressing through procurement and are expected to reach financial close in the near term. The Post-2026 Gautrain Rapid Rail Link System and the Department of Home Affairs' and Border Management Authority's redevelopment of six ports of entry will reach financial close in 2026/27. These will be followed by the City of Cape Town's Faure New Water Scheme and the City of Johannesburg's Alternative Waste Treatment Technology.

MOBILISING FINANCE

Budget Facility for Infrastructure



Through the BFI's quarterly submission windows, a pipeline of assessed projects is being developed to be matched to appropriate funding, financing and delivery mechanisms. The financing mechanisms include direct fiscal allocations, blended finance and de-risking instruments that incorporate private funding, and PPPs.

In the first two submission windows of 2026/27, 17 projects were accepted into the BFI pipeline. Two of these were approved for funding, as shown in Table 5.1, while three were returned to sponsors for further development. The remaining 12 projects, listed in Table 5.2, are still under consideration. The BFI process ensures that the quality and

readiness of projects is validated before funding decisions are confirmed. Projects under assessment will be considered for funding from the contingency reserve if successful.

Table 5.1 Projects approved in quarter 1 of 2026/27

Project name	Approved funding (R thousand)	2027/28 (R thousand)	2028/29 (R thousand)	2029/30 (R thousand)
Post-2026 Gautrain Rapid Rail Link System	2 500 000	1 699 260	800 740	–
Sol Plaatje Municipality's Integrated Bulk Water Supply: Sanitation Phase	608 623	52 101	214 892	341 630
Total	3 108 623	1 751 361	1 015 632	341 630

Source: National Treasury

Table 5.2 Projects under consideration from quarter 2 of 2026/27

Institution	Project	Capital cost (R million)	BFI request (R million)
Matjhabeng Local Municipality	Upgrade of Electricity Infrastructure and Grid Stabilisation	5 828	4 662
City of Tshwane	Tshwane Bulk Electricity Programme Phase 1	1 081	756
City of Cape Town	Macassar Wastewater Treatment Works Project	4 732	1 630
Transnet	Cape Corridor Rail Infrastructure Reinstatement Programme	18 089	8 663
Transnet	Central Corridor Infrastructure Project	13 629	5 999
Transnet	New Richards Bay Liquefied Natural Gas Berth 207 Programme	7 000	2 267
SANRAL	Capacity Improvements on National Route 2 Section 1 between Swartklip and East of Baden Powell Interchange	3 691	1 700
SANRAL	Capacity Improvements on National Route 1, Section 1: Old Oak Interchange to Koelenhof Interchange	4 703	2 594
SANRAL	Capacity Improvements on National Route 2 (Edwin Swales Interchange)	5 789	3 048
National Department of Health	Replacement of Elim District Hospital	3 657	2 602
National Department of Health	Replacement of Tshilidzini Regional Hospital	5 443	4 476
Mpumalanga Department of Health	Construction of Linah Malatjie Tertiary Hospital	4 624	2 868

Source: National Treasury

Attracting private finance

Government is broadening the pool of capital available for infrastructure investment. The inaugural infrastructure bond was issued in December 2025, raising R11.8 billion using 10- and 15-year instruments.



Building on the inaugural issuance, government introduced a quarterly auction programme in July 2026 to provide investors with predictable access to infrastructure and development finance bonds and establish a transparent mechanism for mobilising long-term infrastructure finance. Regular reporting on the allocation and use of proceeds will strengthen accountability and investor confidence. The programme is expected to broaden the investor base, deepen domestic capital markets and mobilise institutional savings for infrastructure investment.



Government has established a Credit Guarantee Vehicle (CGV) to de-risk private investment in critical infrastructure, starting with the expansion of the electricity transmission grid. The CGV will provide payment and termination guarantees to private lenders, making it more attractive for them to finance public infrastructure projects without requiring state guarantees. The CGV was registered and incorporated as a company in August 2026 and has applied to the Prudential Authority for an insurance licence. Development partners including the World Bank have provided conditional commitments of US\$553 million. Final due diligence is at an advanced stage. Government will retain a minority stake.

The initial capitalisation is expected to support between US\$1.5 billion and US\$2 billion in guarantees. The CGV will initially focus on the expansion of the transmission grid. The CGV will become fully operational once the licensing, capitalisation and institutional establishment processes are complete.

REFORMING INFRASTRUCTURE DELIVERY

Metro trading services



The Metro Trading Services Programme aims to strengthen the management of trading services such as municipal water and sanitation, electricity and solid waste. It seeks to ensure that revenue from these services is ring-fenced and reinvested in the infrastructure required to deliver them effectively and incentivises metropolitan municipalities to do so.

The 2026 Budget allocated R27.7 billion over the medium term for the metro trading services component of the *urban development financing grant*, including R8.6 billion in additional performance-based incentive funding. Development financing for the programme has expanded in 2026, including a US\$1 billion loan from the New Development Bank and €300 million committed by KfW and the French Development Agency.



Since the programme was launched in March 2026, seven of the eight metropolitan municipalities have taken steps to access the incentive funding by strengthening management accountability and financial transparency in their trading services. Council-approved performance improvement action plans are in place. An independent verification agent will assess 2025/26 performance in November 2026 against the programme's minimum commitments, including progress in ring-fencing trading services. The outcome will inform the 2026/27 incentive transfers and the councils' 2027/28 budget process.

Municipal utilities



Government is piloting the Municipal Utility Reform Programme to extend performance-based utility reforms to non-metropolitan municipalities, to complement the trading services reforms for metropolitan municipalities. Participating municipalities, which

include Mbombela, Govan Mbeki, Lekwa and Emalahleni, must adopt council resolutions linked to performance indicators as conditions to access infrastructure funding. They will have to demonstrate measurable improvements in the management, delivery and sustainability of municipal utility services to access the funding. This is expected to improve the performance and financial sustainability of municipal water and electricity services over the next five years.

Lessons from the pilot will inform the potential expansion of the approach to other non-metropolitan municipalities and broader reforms to municipal infrastructure funding and the conditional grant system.

Infrastructure conditional grant review

The National Treasury has completed a review of infrastructure conditional grants, which it initiated in October 2025. The review assessed how the grant system can better support more effective infrastructure delivery and improved services.



The review found that the grant system is effective at transferring and spending funds, but this does not consistently translate into timely infrastructure delivery. Budgets are submitted before projects are sufficiently prepared, project pipelines exceed available implementation capacity, and technical, procurement and contract management are weak. Oversight focuses on expenditure rather than on physical progress and emerging delivery risks.

The review recommends linking grant allocations more closely to infrastructure delivery by improving project readiness, aligning project pipelines with available implementation capacity and strengthening project-level monitoring and accountability.

Government will pilot the review recommendations for select grants, including the *provincial roads maintenance grant*, *human settlements development grant* and *health facility revitalisation grant*. These grants will be restructured to strengthen the role of transferring officers, improve planning and reporting requirements, and introduce a framework for assessing project readiness. Government will also consider how discretionary grant allocations can be tied to performance and delivery capacity. Following consultation with accounting officers, the necessary changes to grant frameworks and the Division of Revenue Act will be introduced for implementation from 1 April 2027.



Strengthening institutional arrangements

The IFISA Programme Office began operating on 1 April 2026. It supports public institutions in preparing projects, structuring and financing transactions, and moving viable projects towards procurement and implementation. IFISA is also strengthening coordination across the infrastructure ecosystem to reduce duplication, address gaps in technical support and improve project quality and readiness.

IFISA has 32 infrastructure projects in various stages of development across all spheres of government, with an estimated capital value of R207.6 billion. The projects are expected to crowd in private capital and expertise, improve risk allocation between the public and private sectors, and support delivery.

CONCLUSION



Government is shifting the focus of infrastructure investment from how much is spent to how effectively it is spent. It has implemented reforms to modernise the PPP framework, institutionalise the BFI, make IFISA operational and develop new financing instruments to diversify the sources of capital for infrastructure investment.

The next phase of reform emphasises execution. Government will strengthen infrastructure delivery systems, improve the quality and readiness of the project pipeline, embed climate resilience, prioritise maintenance and build implementation capability. These reforms will accelerate investment, improve infrastructure delivery and improve the performance of existing assets.

Better investment decisions, stronger institutions and effective partnerships with the private sector will help translate spending into higher growth, more jobs and more reliable public services.

2026 MTBPS

ANNEXURES



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



2026 MTBPS
**FISCAL RISK
STATEMENT**



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

INTRODUCTION

Fiscal risks are factors that can cause fiscal outcomes to differ materially from expectations or forecasts. This fiscal risk statement considers the major risks to the medium-term fiscal outlook and the extent to which these are mitigated by existing policy measures. It also considers longer-term fiscal pressures.

DEVELOPMENTS IN MEDIUM-TERM FISCAL RISKS

Macroeconomic risks

Since the 2026 Budget, geopolitical conflict and uncertainty have increased. Renewed escalation of the conflict or more persistent disruption to trade and energy markets could lead to weaker global activity, higher energy prices, renewed inflationary pressures or tighter global financial conditions than assumed in the 2026 MTBPS baseline.

Weaker global or domestic growth, higher inflation and interest rates, and exchange-rate and financial-market volatility are ever-present risks to the fiscus. These are generally manageable. But where they increase suddenly and significantly, they could weaken revenue and the primary balance while increasing expenditure, borrowing costs and the debt-to-GDP ratio. The principal macro-fiscal risk is a combination of weaker nominal GDP growth and persistently high financing costs, which could reinforce each other and weaken the fiscal position. Government seeks to grow the primary surplus and to manage borrowing and refinancing risks, providing some capacity to absorb adverse macroeconomic developments without destabilising the fiscal position.

Revenue risks

Revenue collection has performed better than projected at the time of the 2026 Budget, as described in Chapter 3. Weaker-than-expected corporate profitability, commodity prices, employment and household consumption would reduce revenue relative to the baseline, while stronger economic and tax-base growth would provide upside risk. Prudent revenue forecasting and regular monitoring of collections help to manage these risks.

Expenditure risks

The main expenditure risks relate to natural disasters, the outcome of the legal dispute regarding the *social relief of distress grant*, student financial aid and compensation of employees.

Recent disaster interventions, including responses to flooding, drought and wildfires, have placed unanticipated demands on public resources. Climate change could increase the frequency or severity of extreme weather events, creating additional expenditure pressures. Prolonged drought and associated water-security pressures present further risks to the fiscal outlook. Government manages disaster-related expenditure pressures through existing baseline funding, reprioritisation or contingency reserves. However, these can crowd out other spending priorities if disasters are severe or recurrent. Work is under way to strengthen disaster risk financing and integrate climate resilience into infrastructure planning to improve preparedness and government's capacity to finance future disaster response and recovery.

The National Student Financial Aid Scheme remains a significant risk, as spending requirements exceed the resources available within the higher education baseline, creating liquidity pressures. Government will pool available surpluses within the skills development system to mitigate immediate funding risks. Simultaneously, it will implement measures to align the scheme's expenditure and funding arrangements with available resources over the medium term. Until these adjustments take effect, the scheme remains a material expenditure risk, although the extent of the potential fiscal exposure is uncertain.

Legal challenges to the regulations governing the *social relief of distress grant* represent a material expenditure risk. In January 2025, the High Court found provisions relating to the means-test threshold, grant value, definition of income and income-verification arrangements invalid. Government appealed the judgment, and the Supreme Court of Appeal heard the matter in August 2026. Judgment was still pending at the time of the MTBPS. The fiscal impact will depend on the outcome of the litigation and the policy response to this. Beneficiary numbers and the total cost of the grant could increase substantially if the High Court judgment is upheld. Preliminary estimates suggest that it could add 3 million to 13 million eligible beneficiaries and increase the annual funding requirement from about R36 billion to R74 billion.

Compensation of employees is a medium- to longer-term expenditure risk. The current public-service wage agreement covers the period through 2027/28, but future wage settlements and staffing pressures could increase compensation expenditure by more than provided for in the fiscal framework. Government manages this risk through workforce planning and expenditure ceilings, but to be effective these require that future wage agreements and employment decisions remain consistent with the fiscal framework.

DEBT SUSTAINABILITY, FUNDING AND REFINANCING RISKS

The stabilisation and subsequent decline in government debt depend on the fiscal and macroeconomic assumptions underpinning the medium-term fiscal framework. Debt sustainability requires that the fiscal position remain achievable under plausible adverse conditions, and that government can service and refinance its debt without excessive fiscal adjustments or refinancing risks.

The National Treasury's debt sustainability analysis assesses the resilience of the projected debt trajectory by testing its sensitivity to alternative macroeconomic and fiscal outcomes. Together with an assessment of government's funding and refinancing requirements, this provides an indication of the robustness of the projected debt path.

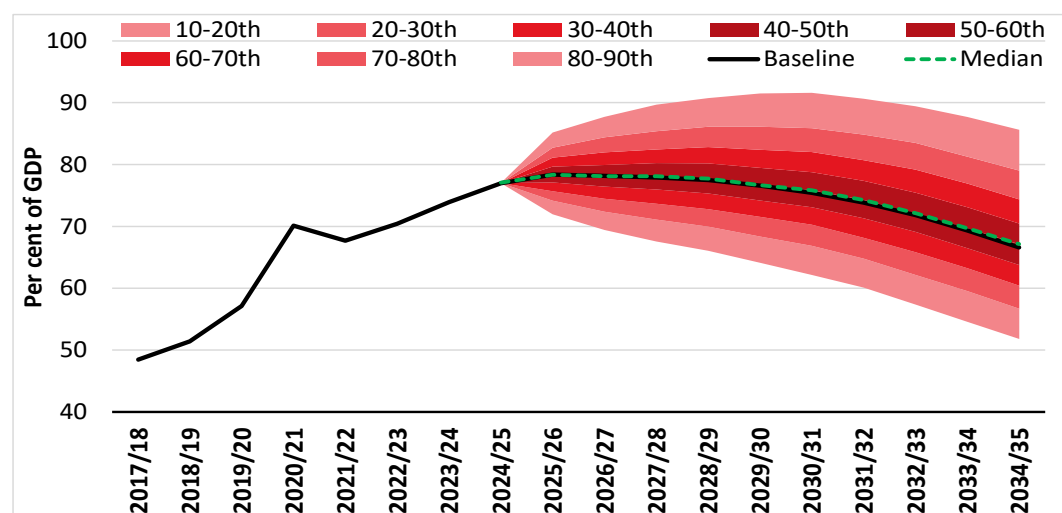
Uncertainty around the debt trajectory

The fiscal strategy is anchored by a growing primary surplus and stabilising and then reducing debt. Gross government debt reached 78.4 per cent of GDP in 2025/26 after which the MTBPS baseline projects it declining. Figure A.1 illustrates the uncertainty surrounding this projection. The range of debt projections widens over the projection horizon, reflecting the cumulative effects of uncertainty on debt dynamics.

By 2034/35, the model estimates a 20 per cent probability that gross government debt will be between 63.7 and 70.4 per cent of GDP, with a 10 per cent probability of exceeding 85.6 per cent

and a 10 per cent probability of falling below 51.8 per cent. This wide range highlights the uncertainty surrounding the baseline debt trajectory and the potential for debt outcomes to differ materially from the central projection.

Figure A.1 Gross government debt – baseline projection and uncertainty bands

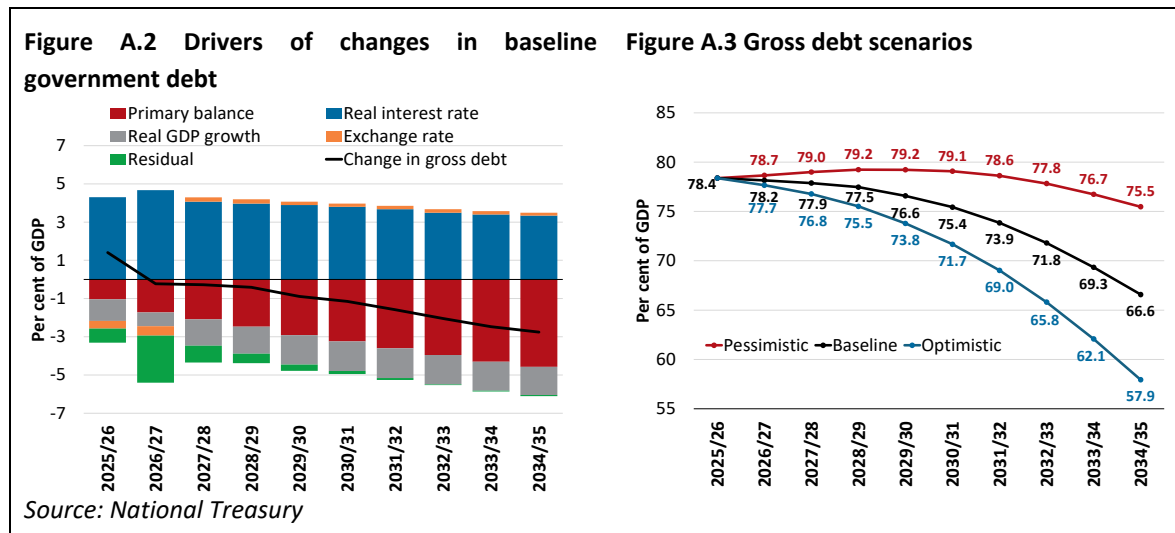


Source: National Treasury

Drivers of debt sustainability

The evolution of the debt-to-GDP ratio depends in large part on the interaction between the primary balance, economic growth and borrowing costs. The National Treasury's debt sustainability analysis model identifies the factors driving changes in the projected baseline debt trajectory and assesses how the debt path could evolve under alternative economic and fiscal assumptions.

The model identifies the primary surplus as having the largest contribution to reducing debt, as shown in Figure A.2, while the interest costs from increased borrowing have the largest contribution to increasing debt. Figure A.3 illustrates the sensitivity of the debt trajectory to scenarios where annual nominal GDP growth is assumed to be 0.5 percentage points above and below the baseline for 10 years. Although the annual deviations are relatively modest, the model indicates their persistence results in increasingly different debt trajectories over time. In the optimistic scenario, the debt-to-GDP ratio reduces to 57.9 per cent of GDP in 2034/35; in the pessimistic scenario, it reaches 75.5 per cent of GDP in 2034/35.



The analysis illustrates that relatively modest but persistent changes in economic growth can have material implications for the debt trajectory through their cumulative effects on revenue, the primary balance, borrowing requirements and the debt stock. Maintaining primary surpluses and reducing borrowing are important buffers against adverse economic outcomes.

Funding and refinancing risks

Large borrowing requirements or concentrations of debt maturities expose government to refinancing risk, particularly during periods of elevated market volatility or higher borrowing costs.

Higher borrowing costs, weaker investor demand or exchange-rate movements could increase the cost of refinancing maturing debt and place additional pressure on debt-service costs. Government manages these risks through the composition and maturity of debt, diversification of funding sources and liability management operations aimed at reducing concentrations in the redemption profile. Redemptions remain elevated over the medium term, as described in Chapter 3, increasing the amount of debt that will need to be refinanced or repaid during this period.

PUBLIC-SECTOR AND CONTINGENT LIABILITY RISKS

Contingent liabilities

Government's contingent liabilities are guarantees and other obligations that may result in future claims on the national budget. Whether these liabilities translate into expected fiscal costs depends on the likelihood that government will be required to meet an obligation, the potential cost and timing, and the measures in place to contain the exposure.

Government's guarantee portfolio decreased from R982.4 billion in March 2026 to R960.6 billion in June 2026. New guarantees included R10 billion for the Land and Agricultural Development Bank of South Africa and R2.2 billion for the Ithala Development Finance Corporation, as well as additional guarantees to the South African National Roads Agency Limited. At the same time, utilised guarantees by state-owned companies declined by R46.1 billion, mainly reflecting a R43.4 billion reduction in Eskom's exposure following transfers to the power utility in terms of the Eskom debt-relief arrangement and the settlement of the R38 billion ES26 bond.

The reduction in utilised guarantees does not reduce government's overall fiscal exposure by the equivalent amount because part of it reflects fiscal support already provided. On balance, contingent liability risk has remained broadly unchanged since the 2026 Budget, with the level of risk assessed as medium. The principal residual risk is concentrated in Transnet and Eskom, whose financial and refinancing pressures continue to pose the risk that government's existing guarantees will be called on. Government manages these risks through continuous monitoring and reporting requirements and by proactively providing funding to avert potential events of default.

State-owned companies and public entities

The financial position of major state-owned companies and public entities remains a source of fiscal risk, although the nature and direction of these risks differ across entities. Government support and improvements in operational performance have reduced some immediate pressure, while structural reforms in the electricity and logistics sectors will strengthen financial sustainability, reduce reliance on the fiscus over time and crowd in private-sector finance and expertise. The proposed Credit Guarantee Vehicle, discussed in Chapter 5, is also intended to support private infrastructure financing in a way that avoids reliance on traditional government guarantees. These measures could reduce fiscal exposure over time, although significant funding requirements may persist during the transition.

Transnet

Transnet remains a material medium-term fiscal exposure because of its weak financial position, substantial financing and investment requirements, and reliance on government guarantees. Improved operating performance and progress in implementing rail and port reforms have increased revenue and earnings over the past year. However, ageing infrastructure, maintenance backlogs, high debt and rising debt-service costs continue to constrain Transnet's financial position.

The principal residual risk is that improvements in operational and financial performance are insufficient to strengthen Transnet's balance sheet and its ability to finance substantial infrastructure requirements on a sustainable basis. Continued operational recovery, implementation of logistics reforms and greater private-sector participation are expected to strengthen Transnet's financial position and to reduce exposure over time.

Eskom

Eskom's risk to the public finances has continued to ease due to improvements in operational and financial performance and government's debt-relief arrangement. These have strengthened Eskom's balance sheet and reduced refinancing pressures. However, persistent municipal arrears continue to pose liquidity risk.

Eskom's financial position remains sensitive to its ability to sustain operational improvements, collect revenue and finance substantial investment requirements. Structural reform of the electricity sector is intended to improve the sector's financial sustainability and mobilise additional investment over time. The extent to which these reforms alter government's fiscal exposure will depend on their final financing and risk allocation arrangements.

Land Bank

The Land Bank's financial position has improved following the conclusion of its debt restructuring in September 2024. The bank has reduced its outstanding debt from R40 billion in March 2020 to R6.9 billion in March 2026.

However, investor confidence in the bank remains weak and it has limited access to funding. This constrains its ability to deliver on its core agricultural lending mandate. Government has provided a R10 billion guarantee, which will enable the Land Bank to raise funding to meet its debt obligations falling due in March 2028 and grant new loans. Government and the Land Bank are working to strengthen the bank's funding arrangements and restore sustainable agricultural lending, while limiting the risk of renewed liquidity pressures and further calls on government support.

Other material exposure

Denel continues to experience liquidity constraints and remains reliant on fiscal support. Government guarantees of R660 million and US\$14 million have been provided to support the execution of secured contracts. The principal fiscal risk remains Denel's ability to stabilise its operations and generate sufficient cash flows without further government support.

Fiscal exposure to **South African Airways** increased during 2026 following pressure on its operations and finances from the fuel price shock. Government provided a R1 billion guarantee in August 2026 to support working capital requirements. The airline also has about R223 million in government guarantees related to unflown-ticket liabilities and letters of credit. The residual risk depends on its ability to absorb these pressures and meet its operating and financing requirements without additional government support.

Provincial and local government

The financial weaknesses in provincial and local government and associated spending pressures remain significant fiscal risks. The national fiscal position could be affected directly by additional funding requirements or indirectly through financial obligations to other public-sector institutions.

Provincial risks are concentrated in the accumulation of unpaid obligations, pressures in provincial health systems and medico-legal claims. Provincial accruals decreased from R45.9 billion in 2024/25 to R40.5 billion in 2025/26.

Pressures have been particularly acute in provincial health departments, where accruals and payables reached almost R25 billion in 2024/25. Additional provincial equitable share allocations in the 2026 Budget contributed to a reduction to R20.5 billion in 2025/26. However, the remaining accruals indicate continued pressure within provincial health budgets: R10.6 billion is owed to the National Health Laboratory Service, of which R7.7 billion had been outstanding for more than 90 days at the end of June 2026. Persistent accruals reduce resources available for future service delivery and can result in expenditure pressures being carried into subsequent financial years.

Medico-legal contingent liabilities have declined from a peak of about R110 billion in 2019/20 to R50.6 billion in 2025/26. However, the contingent liability remains high and continues to pose a significant risk to provincial health baselines. Medico-legal payments continue to absorb resources

from health budgets that could have been used for the delivery of health services. Measures to contain the risk include alternative dispute resolution, improved medical-record management and strengthened medico-legal capacity in provinces, and proactively addressing patient safety, negligence and fraud risks to reduce litigation and contingent liabilities. Broader reforms to the management and settlement of claims remain under consideration.

Municipal financial weakness has intensified. Debt owed by consumers to municipalities increased from R427.7 billion in June 2025 to R484.5 billion in June 2026, while amounts owed to municipal creditors increased from R156.1 billion to R185.2 billion. Actual collections amounted to 63.9 per cent of billed revenue, and R99.9 billion of municipal creditors related to bulk electricity. These pressures constrain municipalities' ability to provide services and meet their obligations, and transmit fiscal risk across the public sector by weakening the financial position of creditor institutions such as Eskom and the water boards.

Government is mitigating these risks by strengthening expenditure and cash-flow management in provinces and addressing the underlying causes of municipal financial distress, as detailed in Chapter 4. Continued monitoring and intervention aim to restore municipalities' ability to meet their obligations and reduce the transmission of financial pressures to other public-sector institutions.

LONG-TERM FISCAL SUSTAINABILITY

South Africa's long-term fiscal outlook depends on economic growth, government revenue and expenditure, and the changing needs of the population. The National Treasury's long-term fiscal model examines how these factors could affect public finances over the next four decades. It considers the broader economic and fiscal outlook and how demographic changes and demand for major public services could influence future expenditure.

Long-term projections are inherently uncertain and should not be interpreted as forecasts of fiscal outcomes. Instead, the model illustrates how flexing assumptions about future public spending against a common set of economic assumptions could affect the long-term debt trajectory.

Figure A.4 compares two illustrative long-term debt trajectories. The first projects government debt using assumptions about economic growth, revenue and expenditure based on current policy settings. The second uses similar economic assumptions but factors in spending on major public services in greater detail, taking account of population changes, demand for services and the costs of providing them. Under the assumptions used, the debt path that factors in the more comprehensive spending changes rises above that driven by current assumptions before declining to similar levels by 2065/66. Demographic change is an important consideration in these projections. Changes in the school-age population affect demand for education, while changes in the number of older people influence eligibility for age-related social grants. Population growth also affects demand for public services, while expenditure depends on assumptions about service coverage, utilisation, staffing and costs. The fiscal implications of demographic change therefore depend not only on population growth, but also on changes in the population's composition and the design and cost of government programmes.

Figure A.4 Long-term debt trajectory under alternative expenditure assumptions*

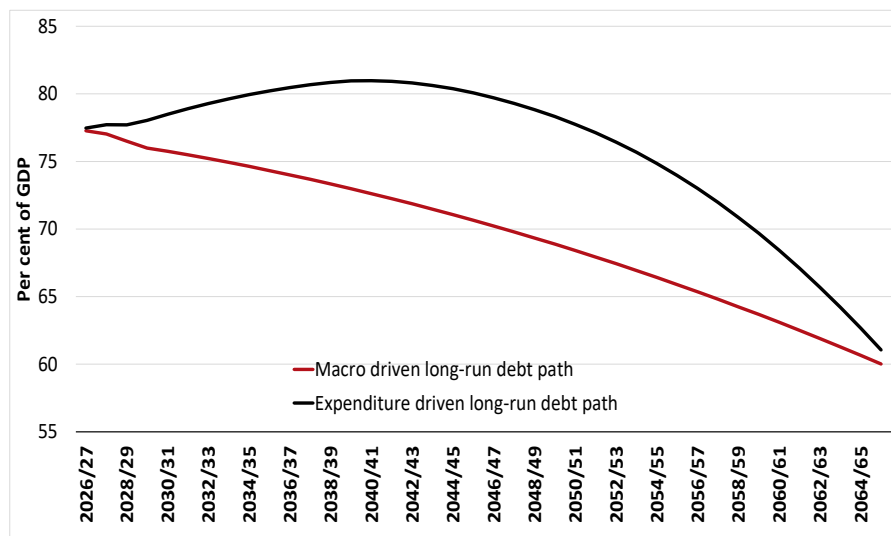


*Figure based on 2026 budget

Source: National Treasury

The analysis shows that stabilising debt over the medium term does not eliminate longer-term fiscal risks. Maintaining sustainable public finances while meeting South Africa’s social and development objectives will depend on sustained economic growth, revenue performance, prudent management of expenditure commitments and improvements in the efficiency of public spending. These considerations become increasingly important as demographic trends, service delivery needs and policy choices shape future spending requirements.

CONCLUSION

Over the medium term, the main risks to the fiscal outlook are weaker-than-expected economic growth, slower-than-expected revenue growth, additional expenditure pressures, changes in borrowing and refinancing conditions, and potential claims elsewhere in the public sector. These risks are interconnected and could have a larger fiscal effect if multiple risks crystallise simultaneously.

Government distinguishes between medium-term debt sustainability and broader long-term fiscal sustainability. Stabilising debt and maintaining manageable financing requirements are necessary foundations for sustainable public finances. Over the longer term, demographic changes and programme-specific factors change the demand and cost of public services. Fiscal sustainability over time therefore also requires managing emerging expenditure commitments, containing contingent and wider public-sector exposures, and ensuring that policy commitments remain consistent with the economy’s capacity to generate revenue.

B **2026 MTBPS** **COMPENSATION AND EMPLOYMENT DATA**



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

INTRODUCTION

Containing growth in the public-service wage bill is critical to the state's medium-term fiscal strategy. The state must attract and retain skilled professionals to execute its developmental mandate and deliver critical frontline services, while managing expenditure prudently to ensure long-term fiscal sustainability. Government is implementing targeted reforms to rejuvenate and professionalise the workforce, curb unit costs and reduce irregular payments and fraud.

This annexure details the trajectory of public-service compensation and employment from 2015/16 to 2029/30. It outlines the macroeconomic drivers of the wage bill, shifts in the demographic composition of the public service and government's initiatives to manage the growth of the wage bill.

Figure B.1 reflects trends in expenditure on the compensation of employees since 2015/16 and the forecast over the 2027 MTEF period. The public-service wage bill is expected to rise from R716.6 billion in 2025/26 to R850.4 billion in 2029/30.

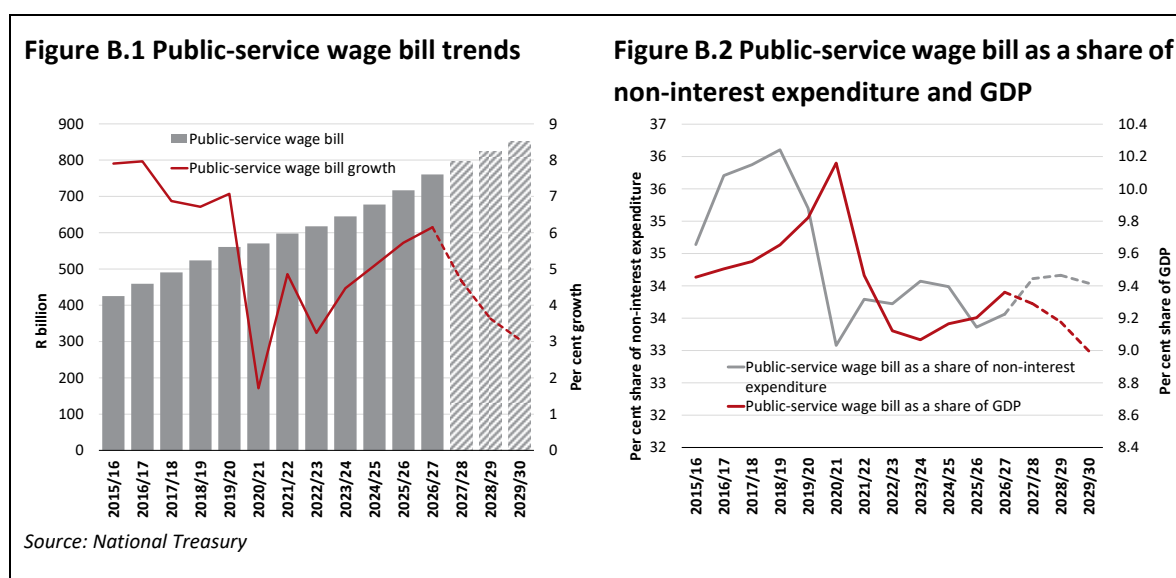


Figure B.2 shows compensation of employees is the largest share of non-interest expenditure, representing 33.4 per cent in 2025/26. This has declined from a peak of 36.1 per cent in 2018/19. Similarly, as a share of GDP, the public-service wage bill has declined from a peak of 10.2 per cent in 2020/21 to 9.2 per cent in 2025/26. However, despite the downward trajectory, this remains relatively high when measured against comparator countries. Furthermore, the scale of the public-service wage bill means that even small percentage increases translate into billions of rands in additional, recurrent spending. If left unmanaged, this will crowd out other priority spending, including infrastructure investment.

GROWTH IN THE PUBLIC-SERVICE WAGE BILL

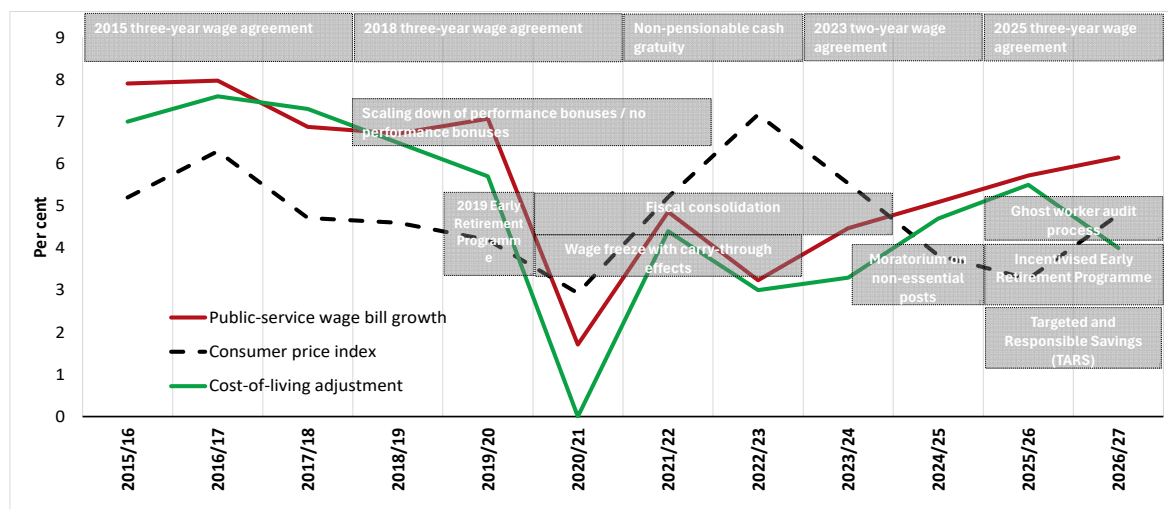
Between 2015/16 and 2020/21, public-service wage bill growth averaged 6.4 per cent, peaking at 8 per cent in 2016/17. During this period government initiated early containment efforts, which included scaling down performance bonuses and introducing the initial 2019 Early Retirement Programme.

A turning point occurred with consolidation measures that were implemented in response to the increasingly strained fiscal position of the state between 2018 and 2021. As part of these measures, government had to impose a public-service wage freeze in 2020/21. This curtailed wage bill growth to just 1.7 per cent for that financial year, generating carry-through effects that altered the baseline trajectory. In 2021/22 government introduced a non-pensionable cash gratuity to manage ongoing compensation constraints. This was extended through 2022/23 alongside a phased policy that would eventually stop performance bonuses in the public service.

By late 2023/24 and continuing into 2024/25, government instituted a hiring freeze on non-essential posts, and in 2025/26, it began to implement a suite of targeted structural interventions to manage future wage bill growth. The strategic focus shifted towards internal efficiencies through a comprehensive “ghost worker” audit process, the rollout of a new incentivised Early Retirement Programme and targeted and responsible savings.

Figure B.3 reflects the factors shaping the trajectory of the public-service wage bill since 2015/16.

Figure B.3 Public-service wage bill growth trajectory, 2015/16 – 2026/27



Source: National Treasury

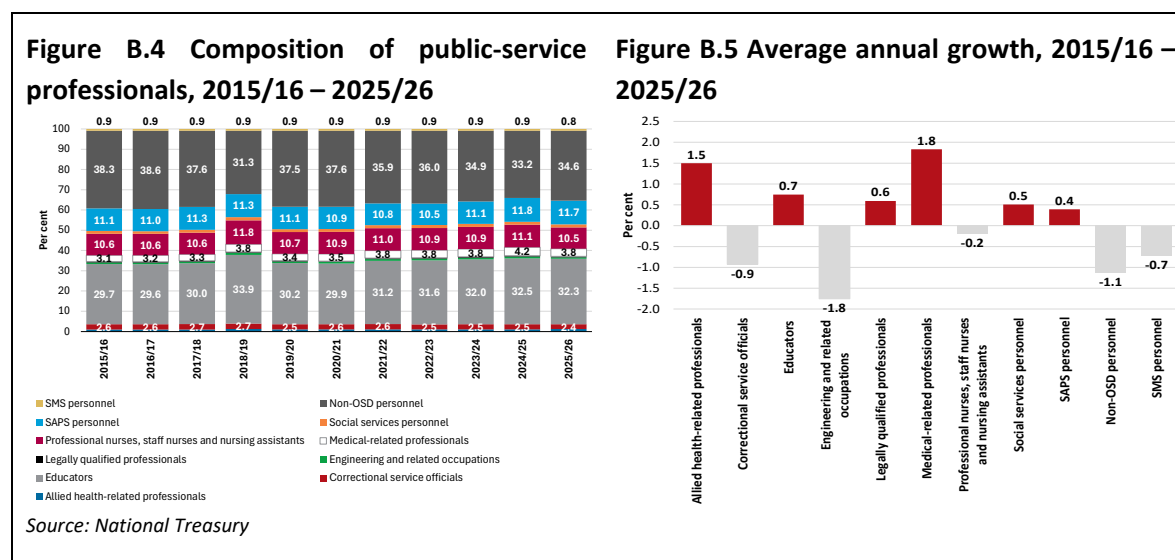
PUBLIC-SERVICE COMPOSITION AND DEMOGRAPHICS

The composition of the public service reflects the state’s developmental priorities and constitutional obligations. Most personnel are in labour-intensive, frontline functions such as education and health. In combination, education, health, social development, police, correctional services, defence and home affairs accounted for 88.3 per cent of public service personnel in 2025/26. The public service employs about 1.3 million people, which is a smaller proportion of the total employed population than in many OECD countries, as shown in the 2022 *MTBPS*. However, the long period of above-inflation growth in public-service remuneration increased the burden on the public finances and raised unit costs, without necessarily adding to staff numbers.

The rise in the wage bill also does not reflect an increase in the proportion of senior managers or professionals. Senior management service (SMS) personnel account for a consistently small share of the public-service workforce, as illustrated in Figure B.4. Between 2015/16 and 2025/26, SMS

personnel were just 0.9 per cent of public-service professionals. The state's compensation bill therefore reflects the large volume of frontline and core functional staff, rather than an abundance of senior managers.

Figure B.4 and B.5 reflect the composition in terms of professionals by sector and the average annual growth since 2015/16.



Over the past decade the national population has continued to grow and urbanise while overall public-service headcounts have stagnated, straining frontline service delivery. If not carefully managed, this imbalance risks compromising the quality of service delivery by critical frontline staff such as nurses and doctors. In addressing this imbalance, particularly in frontline services, government has introduced initiatives such as the incentivised Early Retirement Programme to deal with high unit costs and spending pressures in the public-service wage bill.

INITIATIVES TO MANAGE THE PUBLIC-SERVICE WAGE BILL

Government has implemented a series of measures to address high unit costs and spending pressures in the public-service wage bill. These initiatives also aim to professionalise public administration, eradicate irregular spending and ensure that every rand allocated to compensation yields a tangible return in service delivery.

“Ghost worker” verification process

As announced in the 2025 Budget, the National Treasury and the Department of Public Service and Administration have instituted a rigorous audit process to identify “ghost workers” – fictitious, deceased or unverified individuals drawing state salaries – and payment irregularities across all national and provincial departments. To date, this audit has successfully flagged 4 323 high-risk, suspicious cases in the payroll system.

To address officials whose details could not be verified against the National Population Register and other high-risk officials (individuals flagged as potential ghost workers), an online verification platform was developed in partnership with the Department of Home Affairs. This platform enabled real-time verification and was guided by PFMA Instruction No. 4 of 2026/27, which took effect on

15 June 2026. The platform remained open for two months, closing on 15 August 2026, and was designed to complement the physical verifications completed by the Department of Public Service and Administration. The National Treasury is consolidating the findings from all government ghost worker initiatives (including those by the Department of Basic Education and the Department of Public Service and Administration) and will provide the results by the 2027 Budget. The National Treasury is also working with the Financial Intelligence Centre to investigate high-risk officials. Findings will be reported in the 2027 Budget.

Early Retirement Programme without pension penalties

Government has introduced the incentivised Early Retirement Programme (ERP) and Voluntary Exit Programme (VEP for 2025/26 and 2026/27 to manage compensation spending, rejuvenate the public service and support fiscal sustainability. The programme aims to manage aggregate headcount and long-term wage costs by incentivising long-serving employees to exit the system prior to the normal retirement age. It will facilitate the entry of younger talent at lower entry notches, rejuvenating the public service and lowering the unit cost in the public-service wage bill. However, applications may be rejected where critical skills cannot be replaced.

There was significant uptake of the initial phase (phase 1), particularly at the provincial level where the bulk of the public service is concentrated in education and health. Data from the phase 1 implementation reveals that 8 103 applications were successfully approved. However, about 8 245 eligible employees exited the system. The additional numbers reflect departments' use of the Determination and Directive on ERP, which allows them to exit eligible employees at their own cost. Total phase 1 centrally funded financial incentive costs stand at about R3.87 billion.

Following the successful conclusion of phase 1, phase 2 processed an additional 19 347 applications. This brought the total number of National Treasury-approved applications across the entire ERP/VEP process to 27 450. After accounting for the initial exit costs, the programme is projected to realise net savings of R4.3 billion in 2027/28, R4.4 billion in 2028/29 and R4.6 billion in 2029/30. This average annual saving of about R4.4 billion translates into a fiscal capacity to fund about 7 101 additional posts to support critical frontline areas or address spending pressures without breaching existing compensation ceilings.

Table B.1 Departments: Assessment outcome for ERP and VEP (2025/26 - 2026/27)

R thousand	Number of applications approved	National Treasury costs		Estimated savings		
		Pension penalty waiver costs	Financial incentive costs	2027/28	2028/29	2029/30
Phases						
Phase 1	8 103	643 851	3 878 924	1 397 697	1 424 852	1 467 598
Phase 2	19 347	1 093 525	8 461 095	2 903 267	2 990 365	3 085 892
Total	27 450	1 737 376	12 340 019	4 300 965	4 415 218	4 553 490
By sector						
Education	8 763	537 299	4 193 532	1 732 019	1 778 398	1 831 749
Health	5 156	205 431	1 837 094	509 447	523 380	539 081
Social development	561	30 840	241 655	72 470	74 316	76 546
Correctional services	2 041	234 125	1 188 402	429 477	440 831	454 056
Police	2 117	257 960	1 180 942	227 922	233 642	240 652
Defence (PSAP)	245	16 221	86 176	31 856	32 541	33 517
Agriculture and rural development	970	55 375	402 323	159 686	163 789	168 703
Sport, arts and culture	233	12 687	104 751	28 805	29 560	30 447
Other	7 364	387 438	3 105 144	1 109 282	1 138 761	1 178 740
Total	27 450	1 737 376	12 340 019	4 300 965	4 415 218	4 553 490

Source: National Treasury

The data reveals that the bulk of eligible applications originate from personnel in salary levels 8 to 10. By allowing senior employees to exit and subsequently filling the posts with younger employees at lower minimum entry notches, the state captures medium- to long-term savings. It is estimated that, on average, a permanent saving of R110 097 per year per employee is realised through this notch saving process. Major frontline sectors such as defence, correctional services, education and agriculture all display average savings exceeding R100 000 per employee per year, validating the fiscal logic of the programme.

Savings remain allocated in the baselines of departments. These savings will allow the basic education sector to potentially add 2 860 personnel, health 841, correctional services 709 and the police 376 over and above the initial replacements of employees who exited through the ERP/VEP.

PUBLIC-SERVICE WAGE BILL OVER THE MTEF PERIOD

Over the 2027 MTEF period, the compensation budget increases on average by R29.9 billion or 3.9 per cent per year, from R760.7 billion in 2026/27 to R850.4 billion in 2029/30.

Table B.2 shows the projections for the public-service wage bill over the 2027 MTEF period for key sectors.

Table B.2 Public-service wage bill projections over the 2027 MTEF period by sphere and sector

	2026/27	2027/28	2028/29	2029/30	Average annual growth 2026/27 – 2027/28	Average annual growth 2026/27 – 2029/30
	Revised baseline	Medium-term estimates				
R million						
By sphere						
National	226 674	240 320	248 134	255 842	6.0%	4.1%
Province	534 033	555 880	576 964	594 525	4.1%	3.6%
By sector						
Education	278 123	288 147	298 444	306 706	3.6%	3.3%
Health	187 099	195 684	203 819	210 739	4.6%	4.0%
Social development	13 929	15 375	15 925	16 477	10.4%	5.8%
Police	101 241	106 563	109 572	112 872	5.3%	3.7%
Defence	37 797	38 902	40 123	41 344	2.9%	3.0%
Correctional services	21 636	23 018	23 200	23 899	6.4%	3.4%
Other	120 882	128 510	134 014	138 330	6.3%	4.6%
Total	760 707	796 199	825 098	850 367	4.7%	3.8%

Source: National Treasury

CONCLUSION

Government remains committed to managing the public-service wage bill in a manner that supports effective service delivery and long-term fiscal sustainability. The initiatives outlined in this annexure aim to control the growth in compensation expenditure in a fiscally constrained environment, while improving the efficiency of the public service, and ensuring that public funds are used effectively. By balancing the need for a capable and well-compensated public service with the imperative of fiscal discipline, government aims to foster a sustainable path towards inclusive economic growth.

C 2026 MTBPS TECHNICAL ANNEXURE



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

IN-YEAR ADJUSTMENTS TO MAIN BUDGET NON-INTEREST EXPENDITURE

Table C.1 shows in-year adjustments to the main budget non-interest expenditure since the 2026 Budget.

Table C.1 In-year adjustments to the main budget non-interest expenditure

R million	Appropriation (ENE) 2026 Budget	Adjustments appropriation (AENE)	Revised
Allocated non-interest expenditure	1 944 474	23 670	1 968 144
Provisional allocations not appropriated	1 322	18 678	20 000
Contingency reserve	5 008	4 992	10 000
Upward adjustments		31 486	
Rollovers		1 906	
Expenditure announced during the 2026 Budget		3 549	
Unforeseeable and unavoidable expenditure		6 203	
Reconstruction and rehabilitation of damaged municipal and provincial infrastructure		4 397	
Mass deportation and repatriation of undocumented foreign nationals		305	
Infrastructure rehabilitation of storm- and fire-damaged court infrastructure		44	
Reconstruction and rehabilitation of flood-damaged road infrastructure		1 457	
Expenditure of an exceptional nature ¹		787	
Self-financing expenditure		4 297	
Special appropriation		6 901	
Direct charges against the National Revenue Fund		7 844	
Members' remuneration (Parliament)		33	
Judges' salaries		89	
Early retirement: Provincial equitable share		6 380	
Public-sector-related pension, post-retirement medical and other benefits		246	
Technical adjustments: Skills development levy and NRF payments		1 097	
Downward adjustments		-9 686	
National government projected underspending		-2 067	
Local government repayment to the National Revenue Fund		-1 500	
Declared unspent funds		-6 119	
Main budget non-interest expenditure	1 950 804	45 470	1 996 274
In-year adjustments to the main budget non-interest expenditure since 2026 Budget			45 470

1. Section 6(1)(b) of 2026 Appropriation Act

Source: National Treasury

CHANGES TO MAIN BUDGET NON-INTEREST EXPENDITURE FOR THE NEXT TWO YEARS

Table C.2 presents changes to main budget non-interest expenditure since the 2026 Budget for the next two years.

Table C.2 Changes to main budget non-interest expenditure

R million	2027/28	2028/29	Total
Non-interest expenditure (2026 Budget)	2 023 915	2 111 748	4 135 663
Revisions to baselines and provisional allocations	14 447	16 770	31 217
Spending additions	21 062	25 853	46 915
<i>General fuel levy sharing with metropolitan municipalities</i>	3 768	4 438	8 206
<i>Local government equitable share</i>	6 796	7 271	14 067
<i>Provincial equitable share</i>	4 474	7 742	12 216
<i>Smart meters</i>	1 172	1 147	2 319
<i>Other spending additions¹</i>	4 851	5 255	10 106
Revisions to infrastructure spending	1 009	-1 189	-180
<i>Budget Facility for Infrastructure rescheduling</i>	-742	-2 205	-2 947
<i>Post-2026 Gautrain Rapid Rail Link System</i>	1 699	801	2 500
<i>Sol Plaatje Municipality's Integrated Bulk Water Supply: Sanitation Phase</i>	52	215	267
Spending efficiencies	-7 213	-7 461	-14 674
<i>Rescheduling of grants</i>	-1 576	–	-1 576
<i>Targeted and responsible savings</i>	-2 765	-3 572	-6 337
<i>Social relief of distress grant</i>	-2 872	-3 889	-6 761
Technical adjustments: Skills development levy	-411	-433	-844
Changes to contingency reserve	14 494	25	14 519
Revised non-interest expenditure (2026 MTBPS)	2 052 856	2 128 543	4 181 399
Change in non-interest expenditure from 2026 Budget	28 942	16 794	45 736

1. Includes disaster carry-through costs, Statistics South Africa, DIRCO, Presidency, GCIS, Office of the Chief Justice, Legal Aid, labour inspectors, global business support and extension officers

Source: National Treasury

MAIN BUDGET EXPENDITURE CEILING

Table C.3 Adjustments to expenditure ceiling

R million	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Non-interest expenditure	1 690 805	1 758 802	1 913 759	1 996 274	2 052 856	2 128 543	2 199 414
Technical adjustments							
Skills development levy	-22 424	-24 137	-25 576	-27 370	-28 995	-30 750	-32 564
NRF payments	-1 093	-2 147	-8 533	-2 869	–	–	–
International Oil	-8	-8	-5	-14	-15	-15	-16
Pollution Compensation Fund							
Expenditure ceiling	1 667 280	1 732 509	1 879 646	1 966 021	2 023 847	2 097 777	2 166 834

Source: National Treasury

Table C.3 shows technical adjustments to the main budget non-interest expenditure to calculate the expenditure ceiling. The ceiling excludes payments directly financed by dedicated revenue sources and others not subject to policy oversight. These include:

- **Payments for financial assets financed by asset sales in the same financial year.** Revenue from the sale of assets, particularly for equity investments, generally offsets the increases in associated spending levels, so these increases do not require adjustments to departmental

allocations. Financial support for Eskom is not included in the expenditure ceiling because it is viewed as a balance sheet transaction.

- **Payment transactions linked to the management of debt.** These include premiums paid on new loan issues, bond switches and buy-back transactions, revaluation profits or losses on government's foreign exchange deposits at the Reserve Bank when used to meet government's foreign-currency position commitments, and realised profits and losses on the Gold and Foreign Exchange Contingency Reserve Account. These items relate to debt and currency transactions not financed through main budget appropriations.
- **Direct charges related to specific payments made in terms of legislation that provides for the collection and transfer of such receipts outside the main budget.** These include skills development levy contributions and the International Oil Pollution Compensation Fund, which assists oil importers in managing the impact of pollution incidents. Skills development levy contributions are paid to the National Skills Fund and the sector education and training authorities. The payment schedule to the National Skills Fund is generally revised to align it directly with anticipated receipts from the levy.

Table C.4 Main budget expenditure ceiling¹

R million	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
2024 MTBPS	1 667 279	1 737 561	1 831 282	1 921 178	2 006 290		
2025 Budget Review	1 667 284	1 731 986	1 858 364	1 928 193	2 008 325		
2025 MTBPS	1 667 280	1 732 509	1 869 466	1 922 193	1 994 494	2 081 107	
2026 Budget Review ²	1 667 280	1 732 509	1 884 287	1 921 647	1 994 494	2 080 550	
2026 MTBPS	1 667 280	1 732 509	1 879 646	1 966 021	2 023 847	2 097 777	2 166 834

1. The expenditure ceiling differs from main budget non-interest expenditure

2. Includes R10 billion allocated to Central Energy Fund in 2025/26

Source: National Treasury

REVISIONS TO MAIN BUDGET REVENUE ESTIMATES

Table C.5 shows revisions to the main budget revenue estimates since the 2026 Budget.

Table C.5 Revisions to main budget revenue estimates

R billion	2026/27		2027/28		2028/29	
	2026 MTBPS	Deviation from the 2026 Budget	2026 MTBPS	Deviation from the 2026 Budget	2026 MTBPS	Deviation from the 2026 Budget
Revenue						
Gross tax revenue	2 144.0	17.1	2 282.0	33.4	2 403.6	27.5
Non-tax revenue	54.5	21.1	40.4	11.7	31.8	2.3
SACU ¹	-78.4	–	-92.6	-5.0	-86.3	-0.1
National Revenue Fund receipts	16.0	16.0	1.7	0.6	1.6	0.4
Main budget revenue	2 136.1	54.1	2 231.5	40.7	2 350.7	30.1

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

Source: National Treasury

REVISIONS TO NON-TAX REVENUE ESTIMATES

Table C.6 shows revisions to non-tax revenue estimates since the 2026 Budget.

Table C.6 Revisions to non-tax revenue estimates¹

R million	2026/27	2027/28	2028/29
Departmental receipts	14 300	9 985	1 649
Interest earned on investments	2 206	2 913	1 836
Other departmental receipts	754	1 737	–
Payment from Central Energy Fund	10 000	–	–
Sale of non-core assets: Strategic oil reserves	-4 000	–	–
Surrender of surpluses in 3A entities	5 484	5 500	–
Other public entities conduit receipts	-144	-165	-187
Mineral and petroleum royalties	6 771	1 725	608
Revisions to non-tax revenue since 2026 Budget	21 071	11 710	2 257

1. Positive figures show upward revisions and negative figures downward revisions

Source: National Treasury

CHANGES TO THE MAIN BUDGET FRAMEWORK SINCE THE 2026 BUDGET

Table C.7 summarises the changes to the main budget fiscal framework compared with the 2026 Budget estimates.

Table C.7 Revisions to main budget framework since 2026 Budget

R million	2026/27	2027/28	2028/29
Main budget revenue			
Revised	2 136 134	2 231 533	2 350 662
2026 Budget estimates	2 082 003	2 190 835	2 320 601
Difference	54 131	40 698	30 061
Main budget non-interest expenditure			
Revised	1 996 274	2 052 856	2 128 543
2026 Budget estimates	1 950 804	2 023 915	2 111 748
Difference	45 470	28 942	16 794
Debt-service costs			
Revised	441 478	462 489	480 560
2026 Budget estimates	432 449	451 450	469 321
Difference	9 029	11 039	11 239
Main budget primary balance			
Revised	139 860	178 677	222 119
2026 Budget estimates	131 199	166 921	208 852
Difference	8 661	11 756	13 267
Main budget balance			
Revised	-301 618	-283 812	-258 441
2026 Budget estimates	-301 250	-284 529	-260 469
Difference	-369	717	2 028

Source: National Treasury

MAIN BUDGET FRAMEWORK AND FINANCING REQUIREMENTS

Table C.8 indicates government's financing gap. A detailed discussion of the main budget framework and financing requirements is in Chapter 3.

Table C.8 Main budget framework and financing requirements

Macroeconomic projections R billion/percentage change	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Real GDP growth	0.8%	0.6%	1.4%	0.9%	1.8%	1.8%	2.0%
Nominal GDP growth	5.1%	4.0%	5.3%	4.4%	5.5%	4.9%	5.1%
CPI inflation	5.5%	3.8%	3.3%	4.8%	3.4%	3.2%	3.0%
GDP at current prices (R billion)	7 114.4	7 396.0	7 787.3	8 126.6	8 571.6	8 992.4	9 451.3
Main budget framework R billion/percentage of GDP	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Revenue							
Personal income tax	648.9	729.9	790.6	846.4	901.3	956.8	1 014.7
Corporate income tax	313.1	318.7	345.4	398.5	410.7	425.4	446.2
Value-added tax	447.6	457.8	500.6	533.9	554.0	583.7	612.1
Other tax revenue	199.9	205.5	222.4	201.2	247.0	259.0	272.2
Customs and excise duties	131.4	143.3	151.3	164.1	169.1	178.8	189.5
SACU transfers	-79.8	-89.9	-73.6	-78.4	-92.6	-86.3	-90.7
Non-tax revenue	43.9	35.9	43.9	54.5	40.4	31.8	29.9
National Revenue Fund receipts ¹	19.0	8.5	13.9	16.0	1.7	1.6	1.2
Main budget revenue	1 724.0	1 809.8	1 994.6	2 136.1	2 231.5	2 350.7	2 475.1
	24.2%	24.5%	25.6%	26.3%	26.0%	26.1%	26.2%
Expenditure							
Expenditure ceiling	1 667.3	1 732.5	1 879.6	1 966.0	2 023.8	2 097.8	2 166.8
Baseline and provisional allocations	1 667.3	1 732.5	1 879.6	1 956.0	1 998.7	2 080.8	2 140.8
Contingency reserve	–	–	–	10.0	25.1	17.0	26.1
Other non-interest expenditure ²	23.5	26.3	34.1	30.3	29.0	30.8	32.6
Non-interest expenditure	1 690.8	1 758.8	1 913.8	1 996.3	2 052.9	2 128.5	2 199.4
Debt-service costs	356.1	385.8	417.9	441.5	462.5	480.6	509.3
Main budget expenditure	2 046.9	2 144.6	2 331.7	2 437.8	2 515.3	2 609.1	2 708.7
	28.8%	29.0%	29.9%	30.0%	29.3%	29.0%	28.7%
Main budget balance	-322.9	-334.9	-337.1	-301.6	-283.8	-258.4	-233.6
	-4.5%	-4.5%	-4.3%	-3.7%	-3.3%	-2.9%	-2.5%
Primary balance	33.2	51.0	80.8	139.9	178.7	222.1	275.7
	0.5%	0.7%	1.0%	1.7%	2.1%	2.5%	2.9%
Borrowing requirement							
Main budget balance	-322.9	-334.9	-337.1	-301.6	-283.8	-258.4	-233.6
Redemptions	-144.4	-98.6	-159.2	-167.6	-200.3	-197.2	-352.6
Eskom debt-relief arrangement	-76.0	-64.0	-80.0	–	–	-10.0	–
GFECRA settlement (net)	–	100.0	25.0	35.0	11.0	10.0	–
Gross borrowing requirement	-543.3	-397.5	-551.2	-434.2	-473.1	-455.7	-586.2
	-7.6%	-5.4%	-7.1%	-5.3%	-5.5%	-5.1%	-6.2%
Government debt							
Gross loan debt	5 259.4	5 693.9	6 104.4	6 352.0	6 675.9	6 966.8	7 238.5
	73.9%	77.0%	78.4%	78.2%	77.9%	77.5%	76.6%
Net loan debt	5 063.7	5 468.8	5 885.1	6 210.5	6 541.2	6 857.7	7 142.9
	71.2%	73.9%	75.6%	76.4%	76.3%	76.3%	75.6%

1. Mainly revaluation profits on foreign-currency transactions and premiums on loan transactions

2. Technical adjustments explained in Table C.3

Source: National Treasury

TAX REVENUE OUTLOOK

Table C.9 Tax revenue and tax bases

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
R million/percentage change	Outcome			Estimate	Projections		
Personal income tax	648 911	729 911	790 619	846 354	901 251	956 781	1 014 686
Wage bill ¹	6.1%	4.3%	4.0%	4.7%	5.6%	5.3%	5.1%
Buoyancy	1.32	2.90	2.06	1.49	1.16	1.17	1.18
Corporate income tax	313 097	318 739	345 432	398 471	410 664	425 407	446 176
Net operating surplus	1.6%	2.9%	8.3%	6.5%	5.8%	4.8%	5.5%
Buoyancy	-5.59	0.61	1.01	2.35	0.53	0.75	0.89
Net value-added tax	447 557	457 789	500 587	533 929	554 009	583 715	612 130
Household consumption	6.0%	5.4%	6.2%	6.2%	4.2%	5.2%	5.1%
Buoyancy	1.00	0.42	1.52	1.08	0.90	1.03	0.95
Domestic VAT	525 446	561 407	603 958	641 262	667 994	702 679	738 680
Household consumption	6.0%	5.4%	6.2%	6.2%	4.2%	5.2%	5.1%
Buoyancy	1.35	1.27	1.23	1.00	1.00	1.00	1.00
Import VAT	265 043	261 878	267 727	278 634	284 206	301 626	321 926
Nominal imports	2.9%	-2.5%	1.3%	11.0%	-0.7%	6.1%	6.7%
Buoyancy	1.36	0.49	1.68	0.37	-2.81	1.00	1.00
VAT refunds	-342 933	-365 497	-371 099	-385 967	-398 192	-420 590	-448 477
Nominal exports	2.1%	0.7%	3.6%	6.6%	3.2%	5.6%	6.6%
Buoyancy	3.52	8.87	0.42	0.60	1.00	1.00	1.00
Customs duties	70 549	76 698	81 535	89 672	91 465	97 071	103 604
Nominal imports	2.9%	-2.5%	1.3%	11.0%	-0.7%	6.1%	6.7%
Buoyancy	-1.59	-3.55	4.73	0.91	-2.81	1.00	1.00
Specific excise duties	53 522	59 680	61 737	66 007	68 759	72 329	76 035
Household consumption	6.0%	5.4%	6.2%	6.2%	4.2%	5.2%	5.1%
Buoyancy	-0.50	2.13	0.56	1.12	1.00	1.00	1.00
Skills development levy	22 604	24 448	25 978	27 370	28 995	30 750	32 564
Private-sector wage bill	5.3%	4.3%	3.7%	4.6%	5.9%	6.1%	5.9%
Buoyancy	1.53	1.89	1.67	1.18	1.00	1.00	1.00
Fuel levy	91 508	85 883	95 206	74 022	103 598	108 683	114 229
Nominal GDP	5.1%	4.0%	5.3%	4.4%	5.5%	4.9%	5.1%
Buoyancy	2.68	-1.55	2.05	-5.11	7.30	1.00	1.00
Ad valorem excise duties	7 348	6 970	7 998	8 451	8 914	9 352	9 829
Nominal GDP	5.1%	4.0%	5.3%	4.4%	5.5%	4.9%	5.1%
Buoyancy	6.47	-1.30	2.79	1.30	1.00	1.00	1.00
Other²	85 774	95 152	101 248	99 771	114 359	119 538	125 425
Nominal GDP	5.1%	4.0%	5.3%	4.4%	5.5%	4.9%	5.1%
Buoyancy	0.59	2.76	1.21	-0.33	2.67	0.92	0.97
Gross tax	1 740 870	1 855 270	2 010 340	2 144 047	2 282 013	2 403 627	2 534 678
Nominal GDP	5.1%	4.0%	5.3%	4.4%	5.5%	4.9%	5.1%
Buoyancy	0.63	1.66	1.58	1.53	1.18	1.09	1.07

1. Total remuneration in the formal non-agriculture sector

2. Other includes dividends tax, interest on overdue income tax, taxes on property, air departure tax, electricity levy, plastic bag levy and all other minor taxes

Source: National Treasury

SOUTHERN AFRICAN CUSTOMS UNION REVENUE POOL

Payments to the Southern African Customs Union (SACU) for 2026/27 remain unchanged from the 2026 Budget estimates. The SACU revenue-sharing formula adjusts for forecast errors with a two-year lag. As a result, the projected 2027/28 SACU payments include the forecast error adjustment for 2025/26 based on the outcomes of the common revenue pool estimates. Compared with the 2026 Budget, SACU payments projections have been revised up by R5 billion in 2027/28. The revisions to SACU payments in 2027/28 are mainly due to higher customs duties than projected in the 2026 Budget.

In June 2026, the 9th Summit of SACU Heads of State or Government approved the establishment of a SACU Regional Innovative Funding Mechanism/Fund of Funds, with an initial capitalisation of R5 billion. The seed capital will be funded from the common revenue pool in two instalments over 2027/28 and 2028/29. The fund will support cross-border infrastructure, industrial and innovation projects and expand access to new sources of development finance to promote regional integration and inclusive economic growth. The summit indicated that additional technical work must be concluded to ready the fund to start operating as a matter of urgency. The seed capital is not yet accounted for in the calculation of SACU payments.

FISCAL FRAMEWORK ASSUMPTIONS FOR LONG-TERM MAIN BUDGET BASELINE

The long-term main budget fiscal framework assumptions that underpin the long-term debt outlook include the following:

- The gap between gross tax and main budget revenue averages 0.63 per cent of GDP per year from 2030/31 onwards.
- In real terms, non-interest expenditure (excluding the Infrastructure Fund) grows by 1 per cent per year from 2030/31 onwards.
- The Infrastructure Fund amounts are R34.3 billion in 2026/27, R17.2 billion in 2027/28 and R24.1 billion in 2028/29.
- Beyond the medium term, real GDP growth averages 2.1 per cent.

2025/26 OUTCOMES AND 2026/27 MID-YEAR ESTIMATES

Table C.10 summarises national and provincial appropriated expenditure outcomes for 2025/26 and estimates for the first half of 2026/27. Tables C.11 and C.12 present additional details.

In 2025/26, national expenditure amounted to R2.33 trillion, which was R15.3 billion lower than the adjusted budget estimate. For the first six months of 2026/27, national departments spent R1.2 trillion or 49.7 per cent of their adjusted budgets. Provinces spent R344.7 billion or 40.9 per cent of their original budgets for the first five months of the fiscal year. Provinces are primarily responsible for delivering social services, including basic education and health. Compensation of employees is the largest spending item in provincial budgets, accounting for 62.3 per cent of spending in the first five months of 2026/27.

Table C.10 National and provincial expenditure outcomes and mid-year estimates

R billion	2025/26			2026/27				
	Adjusted appropriation ¹	Audited outcome	Over(-)/Under(+)	Main budget	Special appropriation ²	Adjust-ments appropriation	Adjusted appropriation	Actual spending April to September ⁴
National appropriation	1 205.1	1 190.7	14.4	1 214.1	6.9	10.6	1 231.6	614.5
Direct charges	1 141.9	1 140.9	0.9	1 162.8	–	16.9	1 179.7	583.3
Debt-service costs	420.6	417.9	2.7	432.4	–	9.0	441.5	217.4
Provincial equitable share	649.3	649.3	–	670.3	–	6.4	676.7	338.0
Other direct charges	71.9	73.7	-1.8	60.1	–	1.5	61.5	27.9
National votes	2 346.9	2 331.7	15.3	2 376.9	6.9	27.5	2 411.3	1 197.8
<i>of which:</i>								
Compensation of employees	217.6	217.5	0.2	229.1	–	-1.9	227.2	110.4
Goods and services	89.9	87.5	2.4	84.5	0.9	7.5	92.9	39.9
Transfers and subsidies	1 571.2	1 569.4	1.8	1 609.0	6.0	7.7	1 622.7	819.7
Payments for capital assets	20.7	20.1	0.6	15.7	–	3.5	19.2	6.7
Payments for financial assets	16.6	19.0	-2.4	5.8	–	1.7	7.5	3.5
Provisional allocations not appropriated	–	–	–	1.3	–	-1.3	–	–
Provisional allocation for infrastructure projects	–	–	–	–	–	20.0	20.0	–
Contingency reserve	–	–	–	5.0	–	5.0	10.0	–
National government projected underspending	-7.5	–	-7.5	–	–	-2.1	-2.1	–
Local government repayment to the National Revenue Fund	-2.3	–	-2.3	–	–	-1.5	-1.5	–
Main budget expenditure	2 337.1	2 331.7	5.5	2 383.3	6.9	47.6	2 437.8	1 197.8
Provincial expenditure³	818.4	810.8	7.5	842.5				344.7
<i>of which:</i>								
Compensation of employees	500.5	499.2	1.3	527.8	n/a	n/a	n/a	214.9
Goods and services	172.7	169.8	2.8	173.3	n/a	n/a	n/a	70.7
Transfers and subsidies	97.8	97.3	0.4	96.8	n/a	n/a	n/a	44.9
Payments for capital assets	47.4	44.1	3.2	44.2	n/a	n/a	n/a	14.2

1. Adjustments Appropriation Act, 2026 (2025/26 financial year)

2. Special Appropriation Bill, 2026 (2026/27 financial year)

3. Provinces will table an adjusted budget during November 2026 and December 2026

4. Provinces' actual expenditure is for April to August 2026

Source: National Treasury

Table C.11 Expenditure by national vote

R million	2025/26			2026/27				
	Adjusted appropriation ²	Audited outcome	Over(-)/ Under(+)	Main budget	Special appropriation ³	Adjust-ments appropriation	Adjusted appropriation	Actual spending April to September
1 The Presidency	755	736	19	808	–	18	826	342
2 Parliament ¹	5 546	5 546	–	2 802	918	766	4 486	–
3 Cooperative Governance	132 624	130 211	2 413	135 010	–	3 694	138 703	56 825
4 Government Communication and Information System	829	829	0	803	–	37	840	400
5 Home Affairs	15 156	14 576	580	13 766	1 247	2 441	17 455	9 401
6 International Relations and Cooperation	7 309	7 413	-104	7 227	–	793	8 021	3 812
7 National School of Government	229	225	4	240	–	3	243	116
8 National Treasury	34 840	33 579	1 262	37 952	4 455	258	42 665	12 958
9 Planning, Monitoring and Evaluation	514	483	31	533	–	-3	530	222
10 Electricity and Energy	6 675	6 405	270	6 061	–	-192	5 869	2 682
11 Public Service and Administration	566	529	37	597	–	4	601	272
12 Public Service Commission	318	315	3	354	–	3	357	161
13 Public Works and Infrastructure	7 648	7 490	158	7 836	–	56	7 892	3 809
14 Statistics South Africa	2 855	2 835	20	2 984	–	51	3 035	1 461
15 Traditional Affairs	196	193	3	343	–	–	343	97
16 Basic Education	38 258	37 515	743	38 226	–	-309	37 917	22 086
17 Higher Education	116 442	116 344	98	121 571	–	-176	121 396	83 443
18 Health	65 925	65 320	605	66 910	–	575	67 486	33 135
19 Social Development	295 225	290 345	4 880	302 405	–	-2 896	299 509	148 152
20 Women, Youth and Persons with Disabilities	1 362	1 354	8	2 243	–	3	2 246	1 097
21 Civilian Secretariat for the Police Service	173	173	0	181	–	–	181	88
22 Correctional Services	29 223	29 860	-637	30 940	–	908	31 848	15 859
23 Defence	59 072	62 331	-3 259	57 606	280	3 852	61 738	30 968
24 Independent Police Investigative Directorate	429	418	11	447	–	3	450	217
25 Justice and Constitutional Development	22 945	22 944	1	23 572	–	802	24 374	12 703
26 Military Veterans	879	829	49	913	–	–	913	436
27 Office of the Chief Justice	1 620	1 614	6	2 007	–	188	2 194	1 008
28 Police	120 890	120 890	–	127 073	–	613	127 685	59 930
29 Agriculture	7 946	7 567	380	7 842	–	428	8 270	5 418
30 Communications and Digital Technologies	4 439	4 308	131	2 549	–	526	3 075	1 549
31 Employment and Labour	4 285	4 172	113	4 578	–	77	4 656	1 899
32 Forestry, Fisheries and the Environment	9 144	8 315	829	9 127	–	194	9 322	3 833
33 Human Settlements	34 915	33 765	1 151	26 972	–	-587	26 385	12 908
34 Mineral and Petroleum Resources	2 861	2 824	37	2 857	–	–	2 857	1 739
35 Science, Technology and Innovation	9 398	9 373	25	10 440	–	156	10 596	5 530
36 Small Business Development	2 918	2 616	302	3 036	–	0	3 037	1 138
37 Sport, Arts and Culture	6 310	6 287	23	6 617	–	–	6 617	3 338
38 Tourism	2 435	2 234	201	2 541	–	8	2 549	1 282
39 Trade, Industry and Competition	11 129	10 898	231	11 699	–	44	11 742	5 468
40 Transport	106 943	106 286	657	102 109	–	-1 371	100 738	54 688
41 Water and Sanitation	23 383	22 893	490	21 957	–	-347	21 610	10 156
42 Land Reform and Rural Development	10 468	7 865	2 603	10 355	–	–	10 355	3 888
Total appropriation by vote	1 205 076	1 190 704	14 372	1 214 088	6 901	10 623	1 231 611	614 512

Table C.11 Expenditure by national vote (continued)

R million	2025/26			2026/27				
	Adjusted appropriation ²	Audited outcome	Over(-)/Under(+)	Main budget	Special appropriation ³	Adjustments appropriation	Adjusted appropriation	Actual spending April to September
Total appropriation by vote	1 205 076	1 190 704	14 372	1 214 088	6 901	10 623	1 231 611	614 512
Plus:								
Direct charges against the National Revenue Fund								
President and deputy president salaries (The Presidency)	7	7	0	8	–	–	8	3
Members' remuneration (Parliament)	553	553	–	543	–	33	575	–
Debt-service costs (National Treasury)	420 610	417 892	2 717	432 449	–	9 029	441 478	217 405
Provincial equitable share (National Treasury)	649 339	649 339	–	670 323	–	6 380	676 703	337 960
General fuel levy sharing with metropolitan municipalities (National Treasury)	16 849	16 849	–	17 530	–	–	17 530	5 843
National Revenue Fund payments (National Treasury)	6 253	8 533	-2 280	1 485	–	1 384	2 869	2 489
Auditor-General of South Africa (National Treasury)	134	134	–	140	–	–	140	–
Guarantees, indemnities and securities: Payment to the South African Reserve Bank (National Treasury)	119	119	–	–	–	–	–	–
Public-sector-related pension, post-retirement medical and other benefits in terms of statutory and collective agreement obligations (National Treasury)	8 049	8 007	43	8 541	–	246	8 787	4 292
Skills levy and sector education and training authorities (Higher Education)	25 979	25 576	403	27 657	–	-287	27 370	13 247
Magistrates' salaries (Justice and Constitutional Development)	2 630	2 554	76	2 751	–	–	2 751	1 294
Judges' salaries (Office of the Chief Justice)	1 333	1 381	-48	1 393	–	89	1 482	736
Section 16 of the Public Finance Management Act (1999) payment: Central Energy Fund (Mineral and Petroleum Resources)	10 000	10 000	–	–	–	–	–	–
International Oil Pollution Compensation Fund (Transport)	14	5	9	14	–	–	14	–
Total direct charges against the National Revenue Fund	1 141 868	1 140 948	920	1 162 835	–	16 873	1 179 708	583 270
Provisional allocations not appropriated	–	–	–	1 322	–	-1 322	–	–
Provisional allocation for infrastructure projects	–	–	–	–	–	20 000	20 000	–
Contingency reserve	–	–	–	5 008	–	4 992	10 000	–
National government projected underspending	-7 491	–	-7 491	–	–	-2 067	-2 067	–
Local government repayment to the National Revenue Fund	-2 311	–	-2 311	–	–	-1 500	-1 500	–
Total	2 337 141	2 331 651	5 490	2 383 253	6 901	47 599	2 437 752	1 197 782

1. Amendments to Parliament's budget are determined independently of the national government's budget processes in accordance with the Financial Management of Parliament and Provincial Legislatures Act (2009) as amended

2. Adjustments Appropriation Act, 2026 (2025/26 financial year)

3. Special Appropriation Bill, 2026 (2026/27 financial year)

Source: National Treasury

Table C.12 Expenditure by province

R million	2025/26					2026/27	
	Main budget	Adjusted budget	Audited outcome	Over(-)/Under(+)	Deviation from adjusted budget	Main budget	Actual spending April to August
Eastern Cape	100 000	102 432	102 347	85	0.1%	104 989	45 821
Education	44 636	45 706	45 960	-254	-0.6%	47 233	20 942
Health	31 653	32 616	32 512	104	0.3%	32 983	14 625
Social development	3 116	3 128	3 105	23	0.7%	3 271	1 425
Other functions	20 595	20 982	20 770	212	1.0%	21 501	8 829
Free State	45 857	47 415	46 995	419	0.9%	47 909	19 718
Education	18 889	19 502	19 935	-434	-2.2%	20 056	8 829
Health	14 188	14 654	14 395	259	1.8%	15 093	5 708
Social development	1 374	1 392	1 363	29	2.1%	1 435	601
Other functions	11 406	11 868	11 302	566	4.8%	11 324	4 580
Gauteng	172 337	175 893	174 424	1 469	0.8%	179 237	74 071
Education	68 001	69 294	69 214	80	0.1%	70 952	29 334
Health	67 042	68 504	67 859	645	0.9%	70 321	28 742
Social development	5 459	5 606	5 570	37	0.7%	5 638	2 407
Other functions	31 835	32 490	31 782	708	2.2%	32 325	13 590
KwaZulu-Natal	158 478	163 029	161 622	1 407	0.9%	168 035	67 757
Education	66 690	68 136	67 184	953	1.4%	71 193	28 100
Health	56 212	58 194	58 142	52	0.1%	60 294	24 098
Social development	3 613	3 611	3 611	0	0.0%	3 828	1 575
Other functions	31 963	33 088	32 685	403	1.2%	32 720	13 983
Limpopo	88 936	90 520	89 047	1 474	1.6%	95 856	38 339
Education	42 529	43 373	42 902	471	1.1%	45 821	18 671
Health	26 074	26 595	26 358	238	0.9%	28 684	11 087
Social development	2 295	2 295	2 240	55	2.4%	2 476	994
Other functions	18 038	18 257	17 547	710	3.9%	18 875	7 588
Mpumalanga	66 185	68 280	67 003	1 278	1.9%	70 390	28 667
Education	28 733	29 196	28 826	370	1.3%	30 619	12 540
Health	19 751	20 444	20 054	390	1.9%	21 193	8 410
Social development	1 878	1 908	1 907	1	0.0%	2 025	848
Other functions	15 824	16 732	16 216	517	3.1%	16 552	6 868
Northern Cape	22 982	23 619	23 265	354	1.5%	23 965	10 020
Education	8 887	8 979	9 244	-265	-3.0%	9 374	4 078
Health	6 869	7 136	7 074	63	0.9%	7 244	2 932
Social development	1 003	988	976	12	1.2%	1 086	425
Other functions	6 224	6 516	5 971	545	8.4%	6 261	2 585
North West	55 798	57 391	56 856	535	0.9%	58 549	24 645
Education	22 895	23 358	23 268	90	0.4%	24 173	10 052
Health	17 040	17 544	17 538	6	0.0%	18 227	8 136
Social development	1 876	1 921	1 917	4	0.2%	1 996	810
Other functions	13 987	14 568	14 133	435	3.0%	14 153	5 646
Western Cape	88 044	89 783	89 258	525	0.6%	93 598	35 677
Education	33 259	32 738	32 708	31	0.1%	35 108	12 993
Health	32 008	32 649	32 573	77	0.2%	34 470	13 839
Social development	2 726	2 760	2 758	2	0.1%	2 897	1 267
Other functions	20 051	21 636	21 220	416	1.9%	21 122	7 578
Total	798 617	818 362	810 816	7 546	0.9%	842 528	344 715
Education	334 519	340 282	339 240	1 041	0.3%	354 530	145 539
Health	270 836	278 336	276 504	1 832	0.7%	288 510	117 577
Social development	23 338	23 608	23 445	163	0.7%	24 654	10 351
Other functions	169 923	176 137	171 626	4 510	2.6%	174 834	71 248

Source: National Treasury

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2026 MTBPS
GLOSSARY



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Accrued liability	A liability that is not paid in the fiscal year in which it is incurred, and so continues to be owed in the next fiscal year.
Adjustment estimates	Presentation to Parliament of the amendments to be made to the appropriations voted on in the main budget for the fiscal year.
Administered prices	Prices set outside ordinary market processes through administrative decisions by government, a public entity or a regulator.
Appropriation	The approval by Parliament of spending from the National Revenue Fund, or by a provincial legislature from the Provincial Revenue Fund.
Asset price inflation	An increase in the overall price of assets over a specific period of time.
Balance of payments	A summary statement of all the transactions of the residents of a country with the rest of the world over a particular time period.
Baseline	The initial allocations used during the budget process, derived from the previous year's forward estimates.
Blended finance	The combination of public, private, development and multilateral sources of financing to leverage funding for infrastructure projects.
Bond-switch programme	An auction that aims to ease pressure on targeted areas of the redemption profile by exchanging shorter-term debt for longer-term debt.
Budget balance	The difference between expenditure and revenue. If expenditure exceeds revenue, the budget is in deficit. If the reverse is true, the budget is in surplus.
Budget Facility for Infrastructure	A reform to the budget process that establishes specialised structures, procedures and criteria for committing fiscal resources to public infrastructure spending.
Buy-back transaction	A transaction where government buys debt instruments from investors before their redemption date.
Capital flight	A large outflow of investments from a country in response to heightened economic, political or policy risk.
Capital flows	Financial flows in or out of a country, including fixed investments and portfolio flows such as equities and bond transactions.
Capital markets	Used by governments, companies and other institutions to raise funding from institutional investors (such as pension funds and collective investment schemes), mainly through issuing equities and bonds that can be traded on the market.
Concessionary financing	Financing or loans that are extended on terms that are more favourable than market loans – for example, lower interest rates or grace periods where repayment is delayed.
Conditional grants	Allocations of money from one sphere of government to another, conditional on certain services being delivered or on compliance with specified requirements.
Consolidated government expenditure	Total expenditure by national and provincial government, social security funds and selected public entities, including transfers to municipalities or other entities. See also <i>main budget expenditure</i> .
Consumer price index (CPI)	The main measure of inflation, charting changes in the price movements of a basket of consumer goods and services.
Consumption expenditure	Expenditure on goods and services, including salaries, that are consumed within a short period of time – usually a year.

Contingency reserve	An amount set aside, but not allocated in advance, to accommodate changes in the economic environment and to meet unforeseen and unavoidable spending pressures.
Contingent liability	A government obligation, such as a guarantee, that will only result in expenditure if a specific event occurs. See also <i>government guarantee</i> .
Core inflation	A measure of the change in consumer price levels that excludes temporary shocks and represents the long-run trend of changes in the price level. See also <i>headline inflation</i> .
Countercyclical fiscal policy	Policy designed to counter the effect on economic activity caused by the business cycle, such as slowing spending growth in a boom period or accelerating spending in a recession.
Credit rating	An indicator of the risk of default by a borrower or the riskiness of a financial instrument. Rating agencies assign grades signifying the borrower's capacity to meet its financial obligations or the probability that the value of the financial instrument will be realised. See also <i>rating agency</i> .
Crowding in	An increase in private investment as a result of government spending.
Crowding out	A fall in private investment as a result of increased government spending or borrowing.
Current account (of the balance of payments)	The difference between total exports and imports, including service payments and receipts, interest, dividends and transfers. This account can be in deficit or surplus. See also <i>trade balance</i> .
Current balance	The difference between revenue and current expenditure, which consists of compensation of employees, goods and services, and interest and rent on land.
Debt redemption	Repayment of the principal and any outstanding interest on a bond.
Debt-service cost	The cost of interest on government debt, which is influenced by the level of interest rates and the size of the debt.
Depreciation (capital)	A reduction in the value of fixed capital as a result of wear and tear or redundancy.
Depreciation (exchange rate)	A reduction in the external value of a currency.
Disposable income	Total household income less all taxes and employee contributions.
Division of revenue	The allocation of funds between national, provincial and local government as required by the Constitution.
Economic growth	An increase in the total amount of output, income and spending in the economy.
Effective cost of debt	A measure of the cost of debt that includes non-interest costs, such as penalties and upfront payments.
Employment tax incentive	An incentive aimed at encouraging the creation of jobs for youth by allowing employers to claim a reduction in the pay-as-you-earn tax an employer is liable to pay to the South African Revenue Service.
Equitable share	The allocation of revenue to national, provincial and local government as required by the Constitution.
Expenditure ceiling	An overall limit on expenditure that enables government to manage departmental spending levels.
External imbalance	An excessively positive or negative current account balance, reflecting an excess or deficit of domestic investment over domestic savings.

Financial account (of the balance of payments)	A statement of all financial transactions between a country and the rest of the world, including portfolio and fixed investment flows, and movements in foreign reserves.
Financial and Fiscal Commission	An independent body established in terms of the Constitution to make recommendations to Parliament and provincial legislatures about financial issues affecting the three spheres of government.
Financial year	The 12 months according to which companies and organisations budget and account. Government's financial year runs from 1 April to 31 March.
Fiscal consolidation	Measures to narrow a government's budget deficit and stabilise its debt-to-GDP ratio.
Fiscal multiplier	A ratio measuring the extent to which national income changes in response to changes in government spending. For example, a fiscal multiplier of 0.5 implies that national income increases by 50 cents for every R1 of additional government spending.
Fiscal policy	Policy on taxation, spending and borrowing by government.
Fiscal space	Government's ability to provide additional resources in the budget without jeopardising fiscal sustainability.
Flexible exchange rate	Determination of currency exchange rates by market forces.
Floating exchange rate	An exchange rate regime in which the exchange rate of a country can fluctuate in response to movements in the foreign exchange market.
Foreign direct investment	The acquisition of long-term business interests in another country, usually involving management, technology and financial participation.
Full-time equivalent	An indicator measuring the proportion of time for which an employee receives a salary. It enables government to estimate annual personnel costs by aggregating the amount of part-time work to calculate the full-time equivalents. For example, two people working full-time for six months of the year would count as one full-time equivalent.
GDP inflation	A measure of the total increase in prices in the entire economy. Unlike CPI inflation, GDP inflation includes price increases in goods that are exported but excludes imported goods.
GDP rebasing	The process of replacing a previous base year used to compile GDP estimates in constant prices (or real/volume terms) with a more recent base year. It is usually done alongside periodic benchmarking and methodological changes that account for changes in the economy, inflation and technological progress.
Gini coefficient	A measure that illustrates inequality in the distribution of income. It is expressed as a number between 0 and 1, with 0 representing perfect equality in income and 1 representing perfect inequality.
Gold and Foreign Exchange Contingency Reserve Account (GFECRA)	An account at the Reserve Bank that reflects the country's losses and profits on holdings of foreign currency and gold reserves, driven by changes in the rand exchange rate and the gold price.
Government guarantee	An assurance made by government to a lender that a financial obligation will be honoured, even if the borrowing public institution is unable to repay the debt. See also <i>contingent liability</i> .
Government of national unity (GNU)	A coalition government formed by multiple political parties. The first GNU was formed following the 1994 elections, with a subsequent GNU established after the 2024 elections.
Gross domestic product (GDP)	A measure of total national output, income and expenditure in the economy.

Gross fixed-capital formation	The addition to a country's fixed-capital stock over a specific period, before providing for depreciation.
Headline inflation	A measure of the change in the CPI level that includes temporary price shocks to the economy, such as once-off price changes. See also <i>core inflation</i> .
Independent power producer	A private-sector business that generates energy for the national grid.
Indirect grant	A grant allowing a national department to perform a function on behalf of a province or municipality. No funds are transferred, but the end product of the grant, such as infrastructure, is generally transferred to the province or municipality.
Inflation targeting	A monetary policy framework intended to achieve price stability over a certain period of time.
Infrastructure Finance and Implementation Support Agency (IFISA)	A public entity launched in 2026 to accelerate the delivery of public infrastructure projects and facilitate private finance.
Integrated financial management system (IFMS)	Government's financial management information technology system.
Intergenerational equity	A value based on ensuring that future generations do not have to repay debts taken on today unless they also share in the benefits of assets.
Investment grade	A credit rating reflecting minimal risk of default.
Labour force participation	The ratio of employed and unemployed workers (the labour force) relative to the working-age population.
Macroprudential policy	Policy to protect the stability of the financial sector and guard against systemic risk.
Main budget expenditure	National government expenditure and transfers to provincial and local government financed from the National Revenue Fund, excluding revenues and spending related to social security funds, extra-budgetary institutions and provincial own-source revenue. See also <i>consolidated government expenditure</i> .
Medium Term Expenditure Committee (MTEC)	The technical committee responsible for evaluating the medium-term expenditure framework budget submissions of national departments and making recommendations to the Minister of Finance regarding allocations to national departments.
Medium-term expenditure framework (MTEF)	The three-year spending plans of national and provincial governments published at the time of the <i>Medium Term Budget Policy Statement</i> .
Medium-term strategic framework	The five-year strategy of government coinciding with the electoral term.
Monetary policy	The actions and strategies used by the Reserve Bank to maintain price stability.
National budget	The projected revenue and expenditure flowing through the National Revenue Fund. It does not include spending by provinces or local government from their own revenues.
National Development Plan	A national strategy to eliminate poverty and reduce inequality.
National health insurance	A proposed healthcare policy that aims to provide access to quality, affordable health services to all South Africans.
National Revenue Fund	The consolidated account of national government into which departmental revenue and all taxes, fees and charges collected by the South African Revenue Service must be paid.
Nominal exchange rate	The current rate of exchange between the rand and foreign currencies.

Nominal wage	The return, or wage, to employees at the current price level.
Non-interest expenditure	Total expenditure by government less debt-service costs.
Occupation-specific dispensation	A public-sector initiative aimed at improving government's ability to attract and retain skilled employees in targeted occupations through increased remuneration.
Operation Vulindlela	A joint initiative of the Presidency and the National Treasury to accelerate the implementation of structural reforms to increase economic growth. Its aim is to fast-track the implementation of high-impact reforms, addressing obstacles or delays to ensure execution on policy commitments.
Payroll tax	Tax that an employer withholds and/or pays on behalf of employees based on their wages or salaries.
Policy rate	The benchmark short-term interest rate set by the Reserve Bank that affects many other rates in the economy (previously the repo rate).
Potential growth	The fastest growth that an economy can sustain without increasing inflation.
Primary deficit/surplus	The difference between total revenue and non-interest expenditure. When revenue exceeds non-interest expenditure, there is a surplus.
Primary sector	The agricultural and mining sectors of the economy.
Private-sector credit extension	Credit provided to the private sector by banks. This includes all loans, credit card balances and leases.
Productivity	A measure of the amount of output generated from every unit of input over a period of time.
Protectionism	When a country restricts international trade to protect domestic industries.
Public entities	Companies, agencies, funds and accounts that are fully or partly owned by government or public authorities and regulated by law.
Public-private partnership	A contractual arrangement in which a private party forms a partnership with government to invest in public infrastructure or perform a public function and assumes a portion of the associated risks.
Public-sector borrowing requirement	The consolidated cash borrowing requirement of general government and non-financial public enterprises.
Public-sector wage bill	Total compensation paid to employees of national, provincial and local government, as well as public entities and state-owned companies.
Public-service wage bill	Total compensation paid to the employees of national and provincial departments, including components managed in terms of the Public Service Act (1994) and public-service regulations.
Purchasing managers' index (PMI)	A composite index measuring the change in manufacturing activity compared with the previous month.
Rating agency	A company that evaluates the ability of countries or other borrowers to honour their debt obligations. See also <i>credit rating</i> .
Real effective exchange rate	A measure of the rate of exchange of the rand relative to a trade-weighted average of South Africa's trading partners' currencies, adjusted for inflation.
Real expenditure	Expenditure measured in constant prices – in other words, adjusted to remove the effects of inflation.
Real interest rate	The level of interest after removing the effects of inflation.
Recapitalisation	Injection of funds into a company or entity to strengthen its balance sheet and aid liquidity, as equity or a loan.

Redemption	The return of an investor's principal in a fixed-income security, such as a preferred stock or bond.
Refinancing	The replacement of a loan or bond that is scheduled to mature with new loans or bonds with longer maturities.
Refinancing risk	The risk that government may face difficulty repaying or replacing maturing debt at favourable rates and terms due to unfavourable market conditions.
Reserves (foreign exchange)	Holdings of foreign exchange, either by the Reserve Bank only or by the Reserve Bank and domestic banking institutions.
Revaluation gain/loss	The difference in value between the original (historical) rate and the current rate of an asset, liability or transaction.
Risk premium	A return that compensates investors for additional, country-specific risk over and above the least risky investments.
Rollover	Funds not spent during a given financial year that flow into the following year's adjustments budget.
Rollover risk	The risk that government may not be able to extend maturing debt from the same or a similar investor.
Seasonally adjusted and annualised	The process of removing the seasonal volatility (monthly or quarterly) from a time series. This provides a measure of the underlying trend in the data. Once the rate is annualised, it is expressed as if it were applied over one year.
Self-financing expenditure	Spending financed by revenue derived from a vote's specific activities, which is paid into the National Revenue Fund.
Social grants	Social benefits available to support qualifying individuals – such as elderly or disabled people or children – funded wholly by the state.
Southern African Customs Union (SACU) agreement	An agreement that allows for the unrestricted flow of goods and services, and the sharing of customs and excise revenue, between South Africa, Botswana, Eswatini, Lesotho and Namibia.
Southern African Development Community (SADC)	A regional intergovernmental organisation that promotes collaboration, economic integration and technical cooperation throughout Southern Africa.
Sovereign debt	Debt issued by a government.
Structural reforms	Measures designed to substantially change the economy or the institutional and regulatory framework in which people and businesses operate.
Supply-side constraints	When a country's productive capacity cannot keep up with rising demand.
Switch (auction)	Auctions to exchange bonds to manage refinancing risk or improve tradability.
Tax avoidance	When individuals or businesses legitimately use provisions in the tax law to reduce their tax liability.
Tax buoyancy	The relationship between total tax revenue collections and economic growth. A value above 1 means that revenues are growing faster than the economy; a value below 1 means they are growing below the rate of GDP growth.
Tax evasion	When individuals or businesses illegally reduce their tax liability.
Tax-to-GDP ratio	A measure of a country's tax burden calculated by showing the total tax payments as a fraction or percentage of GDP for a given year.

Terms of trade	An index measuring the ratio of export prices to import prices.
Trade balance	The monetary record of a country's net imports and exports of physical merchandise. See also <i>current account</i> .
Transversal term contract	A fixed-term contract to procure goods or services needed by more than one government department.
Treasury bills	Short-term government debt instruments that yield no interest but are issued at a discount. Maturities vary from one day to 12 months.
Unit labour costs	The cost of labour per unit of output, calculated by dividing average wages by productivity (output per worker per hour).
Unsecured lending	A loan that is not backed or secured by any type of collateral to reduce the lender's risk.
Yield	A financial return or interest paid to buyers of government bonds. The yield, or rate of return, on bonds includes the total annual interest payments, the purchase price, the redemption value and the time remaining until maturity.

MTBPS



MEDIUM TERM BUDGET POLICY STATEMENT

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National Treasury
REPUBLIC OF SOUTH AFRICA