MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

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SPEECH BY DEPUTY MINISTER OF FINANCE

KEYNOTE ADDRESS BY DEPUTY MINISTER OF FINANCE, DR DAVID MASONDO AT THE RMB MORGAN STANLEY 2025 INVESTOR CONFERENCE

15 September 2025

Opening

Good morning, ladies and gentlemen.

Let me begin by thanking RMB and Morgan Stanley for the invitation to join this important conference. Your role in convening discussions like these, which bring together investors, policymakers, and thought leaders, is critical to advancing both South Africa's fiscal reform agenda and our shared commitment to long-term growth.

I have been asked to speak today about fiscal sustainability, an issue that remains front and centre for both government and investors. In simple terms, fiscal sustainability is about how we manage expenditure, taxation, and debt in a way that allows us to meet our current and future obligations without creating long-term instability.

This conference comes at a particularly important moment. In just a few weeks, on 12 November, the Minister of Finance will table the **Medium-Term Budget Policy Statement (MTBPS)**. That statement will provide the most up-to-date numbers on our fiscal trajectory and our debt position. Today, I will reflect on some of the themes that inform that work, sovereign debt, economic growth, structural reforms, fiscal consolidation, borrowing strategies, and our inflation-targeting framework.

Sovereign Debt

Sustainable debt is a cornerstone of fiscal sustainability. It is not just about how much debt we carry, but whether that debt can be serviced, and more importantly, what the debt is used for. Debt that funds consumption weakens the economy; debt that funds infrastructure investment expands the economy's capacity and unlocks growth.

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In the 2024/25 period, our debt-to-GDP ratio was recorded at 76.9 percent, against a projected 74.7 percent. In Budget 3.0, we projected that the ratio would stabilise at 77.4 percent of GDP, before declining to 74.4 percent by the end of the decade in 2029/30.

When the Finance Minister delivers the MTBPS in November, he will provide an update on this trajectory. Importantly, given the delays in tabling and approving the Budget earlier this year, the Minister will also announce some adjustments to the budget process to reduce uncertainty.

Uncertainty, as we all know, comes at a cost. We see it now with geopolitical tensions and a shifting global trade environment. Uncertainty not only delays investment commitments but also raises the cost of capital, as debt and equity investors demand higher returns to manage heightened risks.

Economic Growth

Our first line of defence against unsustainable debt is stronger economic growth. For more than a decade, South Africa's growth performance has been weak. GDP per capita has declined, unemployment has risen, and macroeconomic fundamentals have deteriorated.

In Budget 3.0, we projected real GDP growth of 1.4 percent for this year. An updated forecast will be provided during the MTBPS. Growth is critical not only because it drives tax revenue, but because it creates jobs, household income, and profits for companies. Stronger corporate earnings enhance investment attractiveness, reduce sovereign risk premiums, lower the cost of equity, and ultimately strengthen our stock market performance.

Structural Reforms: Operation Vulindlela Phase II

We know that growth requires structural reforms, and Operation Vulindlela continues to be our vehicle for unlocking bottlenecks. Let me highlight one reform that is especially important under Phase II, the Metro Trading Services Reform.

Our metros are the engines of the economy, hosting the bulk of our population, businesses, and jobs. Yet years of underinvestment, weak management, and service unreliability in electricity, water, sanitation, and waste services have constrained growth.

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The Metro Trading Services Reform is our response. It aims to create financially ring-fenced, professionally managed utilities within metros, restoring credibility and sustainability to essential services. Access to a new R54 billion performance-linked incentive grant will be strictly conditional on council-approved turnaround plans and adherence to clear accountability standards.

This is not money for promises, it is money for performance. Only metros that demonstrate measurable improvements in service delivery, financial performance, and governance will qualify. The intention is to crowd in investment. For every rand of incentive funding, metros are expected to leverage at least another rand, mobilising an additional R108 billion into infrastructure.

The impact will be significant. Reliable trading services will strengthen municipal finances, attract investment, and boost urban growth. For financial institutions and investors, this reform creates a new opportunity. Lower risk, greater transparency, and stronger governance will open the door for financing water, sanitation, energy, and waste infrastructure, projects that improve lives and generate sustainable returns.

My message is simple: **we invite you to partner with us in this reform**. Support our metros, finance the infrastructure that will keep our cities running, and share in the long-term benefits of a stronger urban economy.

Fiscal Consolidation and Expenditure Discipline

Another pillar of fiscal sustainability is expenditure control. For the past three years, South Africa has maintained a primary budget surplus that is, revenue exceeding non-interest spending. This outcome is critical because it reduces the debt burden and lowers debt-service costs, which in turn lowers the sovereign risk premium.

As debt-service costs decline, savings can be directed towards fiscal buffers and productive infrastructure, reducing the cost of doing business and supporting growth.

Borrowing Strategy

Of course, financing remains essential. Our gross borrowing requirement is projected to decline

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to R434 billion in 2026/27 before increasing to R588 billion in 2027/28. Over the medium term, we expect to raise US$14.6 billion to meet foreign exchange commitments.

We will continue to use a balanced mix of domestic and foreign borrowing, with predictability and confidence as guiding principles. While fixed-rate bonds remain our mainstay, we are expanding our toolkit to include floating-rate notes, Treasury bills, and innovative instruments such as green bonds, sustainable financing, and sukuk. These instruments not only diversify our funding but also align with investor appetite and long-term sustainability.

Inflation Targeting Framework

Let me briefly touch on price stability. South Africa has long pursued an inflation-targeting framework, currently set at 3–6 percent. Technical work by Treasury and the Reserve Bank suggests that this range is too wide and should be narrowed over time. For now, the existing 3–6 percent target remains operational, as reaffirmed in our joint statement on 1 September.

The principle remains clear: low and stable inflation supports competitiveness, boosts demand, reduces borrowing costs, and strengthens employment creation. Politically, it also helps to prevent the kind of social unrest that high inflation and high unemployment can trigger.

Conclusion

Ladies and gentlemen,
South Africa's fiscal path is not without challenges. But we are taking deliberate steps, restoring expenditure discipline, stabilising debt, advancing structural reforms, and strengthening institutions. The task is to balance caution with opportunity, ensuring that we honour our obligations while creating the space for growth and investment.

The message I want to leave you with is this: **we are serious about fiscal sustainability, we are implementing reforms that will unlock growth, and we are inviting investors to partner with us on this journey**. Together, government and financial markets can help place South Africa's economy on a more resilient, inclusive, and sustainable footing.

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Thank you once again for the invitation. I wish you productive deliberations.