NATIONAL TREASURY
Budget
21 MAY 2025

#2025MayBudget

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A budget for growth and sustainable public finances

ENOCH GODONGWANA, MP
Minister of Finance:

21 May 2025

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

G20 SOUTH AFRICA 2025

2030 NDP

The 2025 Budget continues to invest for growth and sustainable public finances

- Global risk and economic weakness reinforce the need for South Africa to put its fiscal house in order.
- The global outlook has deteriorated in response to rapid intensification of trade tensions and elevated policy uncertainty.
- South Africa's economic outlook has also weakened, with GDP forecast to grow by only 1.4 per cent in 2025. Alongside structural economic reforms, sustainable fiscal policy will cushion the economy from shocks and lay the foundation for future prosperity.
- The fiscal strategy remains on track so that government spends less on debt-service costs and more on critical public services.
- Government debt will stabilise this year at 77.4 per cent of GDP (1.2 per cent of GDP higher than 12 March estimates) due to a weaker economic outlook. For the first time since the 2000s, government is running continuous primary surpluses. A growing debt-reducing surplus will contain the growth of debt-service costs, which will consume 22 cents of every rand raised in revenue in 2025/26.
- Total consolidated spending is expected to grow at an average annual rate of 5.4 per cent, from R2.4 trillion in 2024/25 to 2.81 trillion in 2027/28, with the lion's share going to the social wage.
- Over the medium term, government will invest over R1 trillion in infrastructure, and reforms will make it easier for the state and the private sector to invest in roads, rail, energy and water.
- Major reforms to state spending and the budget process are under consideration including implementation of savings identified from the spending reviews as well as undertaking a new series of spending reviews with a broader remit to focus on sectors, rather than programmes.

Near-term growth prospects have worsened, with the medium-term outlook expected to remain below historical averages

Economic growth in selected countries

Region/country Percentage	2024	2025	2026	2027
	Actual	Estimate	Forecast	
World	**3.3**	**2.8**	**3.0**	**3.2**
Advanced economies	**1.8**	**1.4**	**1.5**	**1.7**
United States	2.8	1.8	1.7	2.0
Euro Area	0.9	0.8	1.2	1.3
United Kingdom	1.1	1.1	1.4	1.5
Japan	0.1	0.6	0.6	0.6
Emerging and developing countries	**4.3**	**3.7**	**3.9**	**4.2**
Brazil	3.4	2.0	2.0	2.2
Russia	4.1	1.5	0.9	1.1
India	6.5	6.2	6.3	6.5
China	5.0	4.0	4.0	4.2
Sub-Saharan Africa	**4.0**	**3.8**	**4.2**	**4.3**
Nigeria	3.4	3.0	2.7	3.0
South Africa[1]	0.6	1.4	1.6	1.8
World trade volumes	**3.8**	**1.7**	**2.5**	**3.0**

1. National Treasury forecasts

IMF World Economic Outlook, April 2025

- The GDP downgrades are broad-based across countries, mainly reflecting the impact of changing trade policies, heightened uncertainty and deteriorating sentiment.
- Disinflation has continued in some countries but has stalled in others, prompting central banks to pause policy rate cuts. This, if persistent, could intensify policy divergences.
- German and Chinese fiscal support and potential trade diversification could provide an offset.
- Structural constraints such as low productivity and aging populations limit long-term growth in many developed economies.
- Current medium-to-long term growth projections are well below the historical (2000-19) average of 3.7 per cent.

NT projects growth of 1.4 per cent in 2025, with the medium-term marginally lowered

Macroeconomic performance and projections

Percentage change	2023	2024	2025	2026	2027
	Actual		Estimate	Forecast	
Final household consumption	0.7	1.0	1.8	1.4	1.8
Final government consumption	1.9	0.4	2.7	1.4	0.0
Gross fixed capital formation	3.9	-3.7	3.2	4.2	4.2
Gross domestic expenditure	0.8	-0.7	2.0	2.3	2.0
Exports	3.7	-2.0	0.4	1.4	3.1
Imports	3.9	-6.3	2.8	3.7	3.3
Real GDP growth	**0.7**	**0.6**	**1.4**	**1.6**	**1.8**
GDP inflation	4.8	3.8	4.4	4.4	4.5
GDP at current prices (R billion)	**7,024**	**7,336**	**7,760**	**8,235**	**8,761**
CPI inflation	6.0	4.4	3.7	4.2	4.3
Current account balance (% of GDP)	-1.6	-0.6	-0.7	-1.1	-1.3

Sources: National Treasury, Reserve Bank and Statistics South Africa

- National Treasury projects growth of 1.4 per cent in 2025, from 0.6 per cent in 2024, reflecting the weaker than expected GDP outcome in the second half of 2024, alongside a deteriorating economic outlook in both the domestic and global environments.
- Medium-term GDP growth is expected to average 1.6 per cent from 2025 to 2027, weaker than the previous forecast of 1.8 per cent. Downward adjustments are observed in both domestic spending as well as in the external account.
- Gross domestic expenditure growth has been lowered on account of notable revisions in fixed investment and government consumption expenditures, with net exports projected to detract from growth a bit more than in the previous forecast.
- Growth drivers: continued progress in structural reform implementation, commitment to prudent macroeconomic policy and waning uncertainties.

Domestics and global risks to the economic outlook skewed to the downside

Risk	
Domestic	• Logistical challenges remain a constraint on output, investment, and economic growth. • Unfunded spending pressures or the materialisation of contingent liabilities would undermine the fiscal strategy and weaken the outlook. However, upside risks include: • Persistently weak inflation and continued greater-than-expected withdrawals from the Two-Pot retirement system could boost consumer spending power and would lead to higher-than-anticipated levels of consumption. • A rapid uptake of renewable energy investment by the private sector and municipalities could drive stronger growth outcomes over the medium-to-long term.
Global	• New trade barriers may raise inflation and prolong high interest rates, while tighter financial conditions heighten debt distress risks in emerging and developing economies. • Geopolitical tensions and reconfiguration of supply chains could change foreign direct investment patterns. • Heightened concerns over escalating protectionist measures, geopolitical tensions, and trade disruptions could spike commodity prices and reignite inflation. • Upside risks are limited but include potential growth from accelerated structural reforms and multilateral policies that reduce uncertainty.

Government's medium-term economic strategy is anchored by four priorities

Action	
Maintain macroeconomic stability	A predictable economic environment reduces susceptibility to macroeconomic shocks, supports sustained economic growth that facilitates a reduction in poverty and inequality and encourages investment and consumption spending by firms and households boosting economic growth.
Implement structural reforms	To increase efficiency and promote a competitive economy through improved confidence and investment, while addressing constraints to job creation and employment.
Build state capability	To identify and solve problems in the delivery of core functions, enhancing accountability and service delivery supported by digital transformation.
Invest in growth-enhancing public infrastructure	Supports industrial growth, promotes innovation and attracts foreign investment. Improved infrastructure improves productivity placing the economy on a higher growth trajectory.

Operation Vulindlela continues on delivering ambitious set of reforms in its second phase

Following through on existing reforms

Transform the electricity sector to achieve energy security

Create a world-class logistics system to support export growth

Ensure a secure and reliable supply of water

Reform the visa system to attract skills and investment

Expanding to new reform areas

Create dynamic and integrated cities to enable economic activity

Harness digital public infrastructure as a driver of growth and inclusion

Strengthen local government and improve the delivery of basic services

New priorities for phase II:

- **Local government:** Institutional, governance and financial reforms to address the root causes of deteriorating performance and create sustainable utilities.
- **Spatial inequality:** Creating dynamic cities that support economic growth and generate employment.
- **Digital transformation:** Investing in digital public infrastructure to enhance service delivery and expand financial inclusion.

Infrastructure reform and investment will support growth over the medium term

Area	
Public Infrastructure Investment	Over the medium term, R1.03 trillion will be allocated to public infrastructure, with major allocations to roads (R402 billion), energy (R219.2 billion), and water and sanitation (R156.3 billion). The main budget adds R33.7 billion for infrastructure projects over the medium term.
Institutional Reform for Infrastructure Delivery:	A single structure overseen by the National Treasury will be established during 2025/26 to coordinate state participation in project preparation and planning, public-private partnerships (PPPs), funding and credit guarantees. It will consolidate two units currently in the Government Technical Advisory Centre that coordinate PPPs and capital appraisals with the Infrastructure Fund in the Development Bank of Southern Africa.
Public-Private Partnerships (PPP) Reform	PPP regulations have been streamlined, reducing approval requirements for projects below R2 billion from June 2025. A clear framework is being established to receive and process unsolicited PPP proposals or bids from the private sector. Revised manuals and guidelines on PPPs are being produced and will be made available to the public.
Budgeting and financing for Infrastructure	State-owned companies, public entities, and municipalities will fund 72.7 per cent (R748.5 billion) of total public-sector capital investment from their budgets. For the 2025 Budget cycle, the Budget Facility for Infrastructure has approved nine projects with a total value of R55.5 billion, of which R15.3 billion will funded by the Facility, supporting critical areas such as hospital infrastructure, transport and logistics, and water.
Performance-Based Financing	The 2025 Budget introduces a performance-based conditional grant for certain trading service entities that provide basic services, such as municipal water. This will incentivise financial and operational reforms to improve their functioning and sustainability.

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Government's fiscal strategy remains on track to deliver a debt-stabilising primary budget surplus by 2025/26

Strengthen fiscal sustainability and accountability

- Government remains committed to the balanced fiscal strategy. The consolidated budget deficit is expected to narrow to 3.4 per cent of GDP by 2027/28.
- A primary budget surplus of 0.8 per cent of GDP is expected this year. This means revenue is higher than non-interest expenditure, enabling debt to stabilise in 2025/26.
- The government is consulting on potential longer-term fiscal anchors, focusing on procedural reforms for transparency and accountability.

Implement well-considered tax policy measures and other revenue revisions

- Government proposes R18 billion in additional tax revenue measures in 2025/26 and R20 billion will be proposed in the 2026 Budget.
- Relative to 2024 MTBPS estimates:
  - Non-tax revenue is adjusted lower by R4.9 billion in the outer two years of the MTEF period mainly due to lower mineral and petroleum royalties projections.
  - Payments to the Southern African Customs Union have been revised up by R2.7 billion in 2026/27 and R2.3 billion in 2027/28
- R4 billion revenue expected from the sale of strategic oil reserves will flow to the National Revenue Fund in 2025/26

Support pro-growth infrastructure and social spending allocations

- R33.7 billion added to infrastructure plans over the medium term
- 61 per cent of consolidated non-interest spending will support low-income and vulnerable households over the medium-term expenditure framework (MTEF) period.
- Government is undertaking reforms to improve the efficiency of infrastructure financing and build the pipeline of blended finance projects.
- The government is reactivating early retirement without penalties

Government proposes a R74.4 billion revision of non-interest expenditure over the medium term

Changes to main budget non-interest expenditure over MTEF period

R million	2025/26	2026/27	2027/28	MTEF total
Non-interest expenditure (2024 Budget)	**1 840 913**	**1 932 982**	**2 030 266**	**5 804 161**
Additions to baselines and provisional allocations[1]	87 337	49 334	43 458	180 129
Infrastructure projects [1]	*7 950*	*13 920*	*11 863*	*33 732*
2025 public-service wage agreement and carry-through costs	*7 317*	*7 842*	*8 211*	*23 371*
Early retirement costs	*2 200*	*3 300*	*–*	*5 500*
COVID-19 social relief of distress grant	*35 169*	*–*	*–*	*35 169*
Social grants above-inflation increases	*1 594*	*–*	*–*	*1 594*
SARS baseline allocations	*2 000*	*1 000*	*1 000*	*4 000*
Provisional allocations for frontline services	*12 245*	*13 883*	*15 157*	*41 286*
Other spending additions [1]	*18 862*	*9 388*	*7 227*	*35 476*
Reductions to provisional allocations[2]	-40 817	-16 514	-24 491	-81 822
Changes in contingency reserve	-2 600	-9 000	-9 708	-21 307
Technical adjustments[3]	-448	-784	-1 412	-2 645
Revised non-interest expenditure (2025 Budget)	**1 884 384**	**1 956 019**	**2 038 112**	**5 878 515**
Change in non-interest expenditure from 2024 Budget	43 472	23 036	7 846	74 354

1. Details are in Overview Table 14

2. Includes drawdown of provisional allocations for COVID-19 social relief of distress grant in 2025/26 and public employment programmes over the 2025 MTEF period, Western Cape Rapid Schools Build Programme in 2025/26 and 2026/27 and Infrastructure Fund in 2026/27 and 2027/28

3. Includes revisions to skills development levy projections and savings from closure of Department of Public Enterprises

Source: National Treasury; data extracted from the updated tables of 2025 Budget Review, Table 3.4 and 5.2

Proposed changes to main budget NIE

- The 2025 Budget funds spending pressures of R180.1 billion over the MTEF period.
- These spending additions are partially offset by drawdowns on provisional allocations and contingency reserves, resulting in a net increase in non-interest expenditure of R74.4 billion.

Tax proposals raising R18 billion in 2025/26; Measures to raise an additional R20 billion in 2026/27 to be proposed in the 2026 Budget

Impact of tax proposals on medium-term revenue[1]

R million	2025/26	2026/27	2027/28
	Effect of tax proposals		
Gross tax revenue (before 2025 Budget tax proposals)	1 967 603	2 103 704	2 246 063
2025 Budget proposals[2]	18 000	19 000	–
Direct taxes[3]	16 700	17 698	18 793
Personal income tax			
No inflationary adjustment to tax brackets and rebates	15 500	16 448	17 489
No inflationary adjustment to medical tax credits	1 200	1 250	1 304
Indirect taxes[3]	1 300	374	396
Fuel levy			
Inflationary adjustment to general fuel levy	–	–	–
Diesel refund relief for primary sectors	–	-1 000	-1 065
Specific excise duties			
Above-inflation increase in excise duties on alcohol and tobacco	1 300	1 374	1 461
Additional policy measures in 2026 Budget[3]	–	20 000	21 291
Net impact of tax proposals	18 000	38 072	40 481
Gross tax revenue (after tax proposals)	1 985 603	2 141 776	2 286 544

1. Revenue changes are in relation to thresholds that have been fully adjusted for inflation
2. In-year tax increase with no carry through
3. Includes carry-through effect of tax policy proposals
Source: National Treasury; data extracted from the updated tables of 2025 Budget Review, Table 4.3

May 2025 *Budget Overview* tax proposals

- VAT rate increases and zero-rating proposals in the March 2025 *Budget Review* have been withdrawn
- May 2025 *Budget Overview* proposes tax measures to raise R18 billion in 2025/26 and provide R1 billion tax relief in 2026/27:
  - No adjustment to personal income tax brackets and rebates
  - Inflationary increase in general fuel levy
  - Above-inflation increases in excise duties on alcohol and tobacco products
  - Diesel refund relief for primary sectors
- The 2026 Budget will propose tax measures to raise an additional R20 billion in revenue in 2026/27
  - Measures to be reconsidered if SARS is able to raise additional revenue through more efficient tax administration and higher tax compliance
  - SARS will receive additional resources to increase its revenue from debt collection by R20 to R50 billon per year
  - Monthly cash collected from debt to be monitored; verified revenue gains by SARS to be factored into revenue estimates (not currently included), and 2026 Budget tax measures reconsidered.

Gross tax revenue projections have been revised down by R61.9 billion over the 2025 MTEF period, yet still above 2024 MTBPS

Revised gross tax revenue projections

R billion	2023/24[1]	2024/25[2]	2025/26	2026/27	2027/28
Revised estimate	**1 740.9**	**1 855.3**	**1 985.6**	**2 141.8**	**2 286.5**
Buoyancy	*0.66*	*1.48*	*1.12*	*1.29*	*1.05*
2024 MTBPS	**1 740.9**	**1 840.8**	**1 971.8**	**2 111.1**	**2 255.2**
Buoyancy	*0.66*	*0.95*	*1.09*	*1.09*	*1.04*
2024 Budget	**1 731.4**	**1 863.0**	**1 991.2**	**2 133.0**	
Buoyancy	*0.54*	*1.33*	*1.11*	*1.11*	
Projected improvement against 2024 MTBPS	–	14.5	13.8	30.7	31.4
Projected variance against 2024 Budget	9.5	-7.8	-5.6	8.8	

1. Actual outcome

2. Preliminary outcome

Source: National Treasury; data extracted from the updated tables of 2025 Budget Review, Table 3.2

- 2025/26 tax revenue is expected to be R1.99 trillion, R5.6 billion below 2024 Budget expectations, reflecting weaker-than-expected economic outcomes, and the withdrawal of the VAT rate increases and expanded zero rating proposed in the March 2025 *Budget Review*
- The tax-to-GDP ratio is expected to reach 25.7 per cent by 2027/28 given better-than-expected near-term revenue performance, tax increases over the next two years, and strong buoyancy in personal income tax collections
- As a result, the buoyancy of tax revenue for a given level of economic growth is expected to be slightly higher over the medium term.

Total MTEF spending additions amount to R180.1 billion(1/2)

Spending additions funded over the MTEF period

R million	2025/26	2026/27	2027/28	MTEF total
Infrastructure investment	**7 950**	**13 920**	**11 863**	**33 732**
Budget Facility for Infrastructure window 8 projects	3 346	5 380	3 086	11 812
Passenger Rail Agency of South Africa*	1 923	4 610	5 784	12 316
Turnaround revenue-generating services in metros*	2 067	2 031	2 333	6 431
Western Cape Rapid Schools Build Programme	1 048	1 250	–	2 298
Drakenstein project allocation	–	225	–	225
Rescheduling of MyCiTi	-435	425	660	650
2025 public-service wage agreement and carry-through costs	**7 317**	**7 842**	**8 211**	**23 371**
Early retirement costs*	**2 200**	**3 300**	**–**	**5 500**
COVID-19 social relief of distress grant	**35 169**	**–**	**–**	**35 169**
Social grants above-inflation increases	**1 594**	**–**	**–**	**1 594**
SARS baseline allocation	**2 000**	**1 000**	**1 000**	**4 000**
Provisional allocations for frontline services	**12 245**	**13 883**	**15 157**	**41 286**
Education: provincial education compensation costs and expansion of ECD provision*	5 070	6 466	8 012	19 548
Compensation costs in provincial education departments	*3 044*	*3 180*	*3 324*	*9 548*
Expanding access to and improving the quality of ECD provision	*2 026*	*3 286*	*4 688*	*10 000*
ECD conditional grant to provinces	*2 010*	*3 229*	*4 630*	*9 869*
E-Cares system at national government	*16*	*57*	*58*	*131*
Health: provincial health compensation costs, unemployed doctors and goods and services*	6 706	6 922	7 145	20 773
Compensation costs in provincial health departments	*2 606*	*2 722*	*2 845*	*8 173*
Unemployed doctors	*800*	*900*	*1 000*	*2 700*
Goods and services shortfalls	*3 300*	*3 300*	*3 300*	*9 900*
Home Affairs: digitisation*	470	495	–	965
Digitisation Project: Home Affairs	*470*	*495*	*–*	*965*

Total spending additions over the MTEF period include:

- Provisional allocations for frontline services of R41.3 billion including:
  - R20.8 billion for compensation and essential services in health – to facilitate the employment of 800 doctors post in-service, and about 4 700 health posts and address shortages in medical goods, services and accruals
  - R19.5 billion for provincial education compensation costs which will safeguard about 5 500 post and for improved access to quality ECD
- R4 billion to SARS, supplementing the R3.5 billion proposed during the 2024 MTBPS to improve efficiency and transparency in tax administration.
- The R1.6 billion increase social grants in 2025/26 is unchanged
- R35.2 billion to extend the temporary *COVID-19* SRD *grant* for a single year
- R23.4 billion for the 2025 public-service wage agreement and carry-through costs
- R5.5 billion for the early retirement costs targeting about 15 000 public service employees in 2025/26 and 2026/27.

Total MTEF spending additions amount to R180.1 billion(2/2)

Spending additions funded over the MTEF period (continued)

R million	2025/26	2026/27	2027/28	MTEF total
Other spending additions	**18 862**	**9 388**	**7 227**	**35 476**
SARS spending adjustments and further support	500	1 500	1 500	3 500
Employment programmes	4 592	–	–	4 592
SANRAL GFIP phase 1 debt repayment and maintenance backlog	8 681	4 639	3 314	16 634
National government portion	*3 205*	*–*	*–*	*3 205*
Provincial government portion	*5 476*	*4 639*	*3 314*	*13 429*
SANDF troop deployment in DRC and phased withdrawal costs	3 043	–	–	3 043
Spending additions to various institutions[1]	1 443	871	917	3 231
Local government elections	–	1 435	–	1 435
Direct charges[2]	603	942	1 496	3 042
Total additions to baselines and provisional allocations	**87 337**	**49 334**	**43 458**	**180 129**

* *Provisional allocations not appropriated to votes*

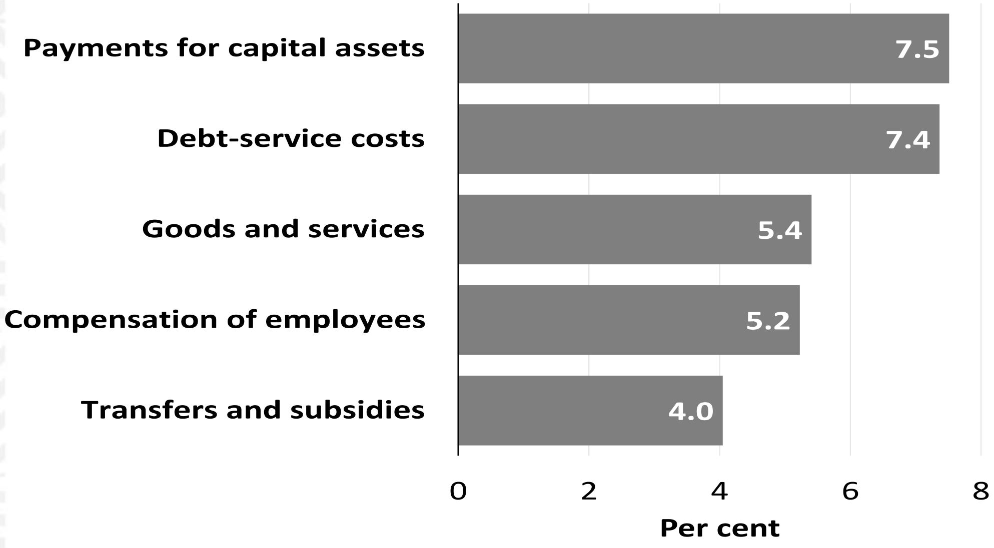
1. *Includes G20 and ICASA spectrum auction cost in 2025/26, new ministries and deputy ministries carry-through costs and financing of Parliament and Office of Chief Justice funding pressures*
2. *Include additions for injury on duty and post-retirement medical benefits*

Source: National Treasury

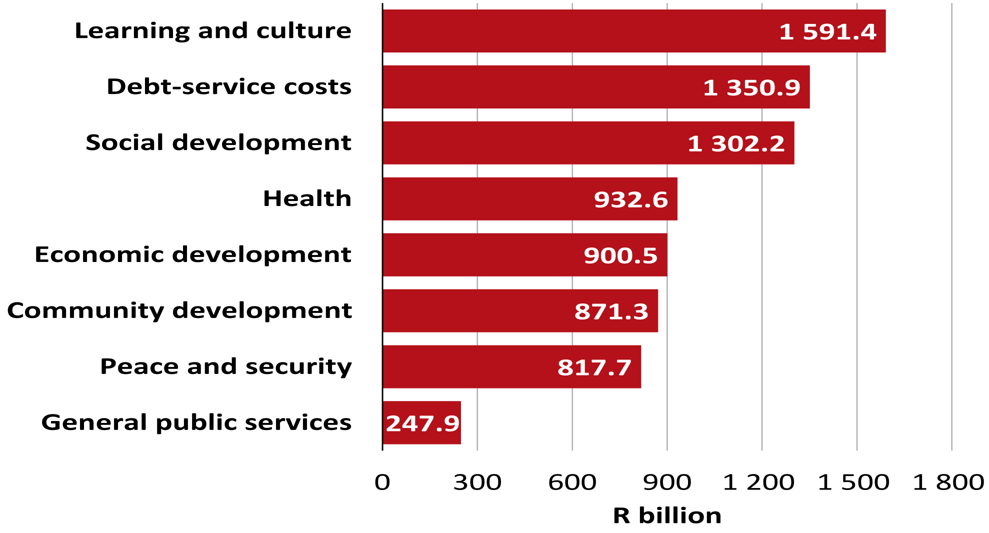
- The allocation to the South African National Defence Force (SANDF) for the Southern African Development Community mission in the Democratic Republic of the Congo has been adjusted according to the SANDF's phased withdrawal plan.
  - While the medium-term allocation is reduced, the 2025/26 allocation is increased relative to March 2025 to cover immediate withdrawal costs.
- The 2025 Budget also direct resources to growth-enhancing activities, particularly infrastructure, and advances regulatory reforms to support investment spending.
- It allocates an additional R33.7 billion for critical infrastructure projects.
  - This includes support for projects approved as part of the Budget Facility for Infrastructure.
  - Investments in passenger rail transport to modernise signalling technology systems that will improve service frequency, safety and efficiency.
  - The budget also aims to reverse declining water, electricity and solid waste services in cities through R6.4 billion earmarked for the turnaround of these entities.

Consolidated spending increases from R2.4 trillion in 2024/25 to R2.81 trillion in 2027/28

Average spending growth over the MTEF period by economic classification, 2025/26 – 2027/28



Total consolidated government expenditure, 2025/26 – 2027/28



- Learning and culture receives 23.8 per cent (R1.59 trillion) of the total budget for functions, while the general public services function receives the smallest share at 3.7 per cent (R247.9 billion).
- Payments for capital assets are the fastest-growing item by economic classification, mainly because of infrastructure allocations for transport and water projects.

The consolidated budget deficit is projected to narrow to 3.4 per cent of GDP by 2027/28

Consolidated fiscal framework

R billion/percentage of GDP	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Outcome			Revised estimate	Medium-term estimates		
Revenue	**1 754.8**	**1 900.8**	**1 948.0**	**2 040.2**	**2 200.8**	**2 354.3**	**2 503.2**
	27.7%	*28.1%*	*27.5%*	*27.5%*	*28.0%*	*28.2%*	*28.2%*
Expenditure	**2 047.3**	**2 145.4**	**2 259.5**	**2 397.8**	**2 578.7**	**2 674.5**	**2 807.5**
	32.4%	*31.7%*	*31.9%*	*32.4%*	*32.8%*	*32.0%*	*31.6%*
Non-interest expenditure	*1 771.3*	*1 829.7*	*1 896.0*	*2 003.6*	*2 143.8*	*2 218.3*	*2 319.9*
	28.0%	*27.1%*	*26.7%*	*27.1%*	*27.2%*	*26.6%*	*26.1%*
Budget balance	**-292.6**	**-244.6**	**-311.6**	**-357.6**	**-377.9**	**-320.2**	**-304.3**
	-4.6%	*-3.6%*	*-4.4%*	*-4.8%*	*-4.8%*	*-3.8%*	*-3.4%*

- The consolidated budget deficit for 2024/25, projected at 4.5 per cent of GDP in the 2024 Budget, is now estimated at 4.8 per cent.
- The deficit is projected to decline to 3.4 per cent of GDP in 2027/28 as the main budget deficit narrows.
- Social security funds, provinces and public entities move into a combined cash deficit in 2024/25 and over the medium term.
- Over the MTEF period, consolidated non-interest expenditure will increase at an annual average rate of 0.8 per cent in real terms.

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Division of nationally raised revenue

Division of revenue

R billion	2024/25 Preliminary outcome	2025/26 Medium-term estimates	2026/27	2027/28
National allocations	860.0	916.1	906.2	940.1
Provincial allocations	730.6	767.8	798.4	833.8
Equitable share	*600.5*	*633.2*	*660.6*	*690.2*
Conditional grants	*130.2*	*134.6*	*137.9*	*143.6*
Local government allocations	167.7	176.8	185.1	190.8
Provisional allocations not appropriated	–	18.7	60.8	62.3
Total allocations	**1 758.3**	**1 879.4**	**1 950.5**	**2 027.0**
Percentage shares				
National	*48.9%*	*49.2%*	*48.0%*	*47.8%*
Provincial	*41.6%*	*41.3%*	*42.3%*	*42.4%*
Local government	*9.5%*	*9.5%*	*9.8%*	*9.7%*

Source: National Treasury

Over the 2025 MTEF period, excluding payments for servicing debt, the contingency reserve and provisional allocations:

- 48.3 per cent of nationally raised revenues are allocated to national government,
- 42 per cent to provinces and
- 9.7 per cent to local government.

Subnational governments need to implement structural reforms to improve spending efficiency, enhance revenue management and enforce accountability.

Conditional grant reforms focus on streamlining, enhancing flexibility and aligning resources with service delivery priorities.

Government will reduce the borrowing requirement over the 2025 MTEF period

Financing of national government gross borrowing requirement[1]

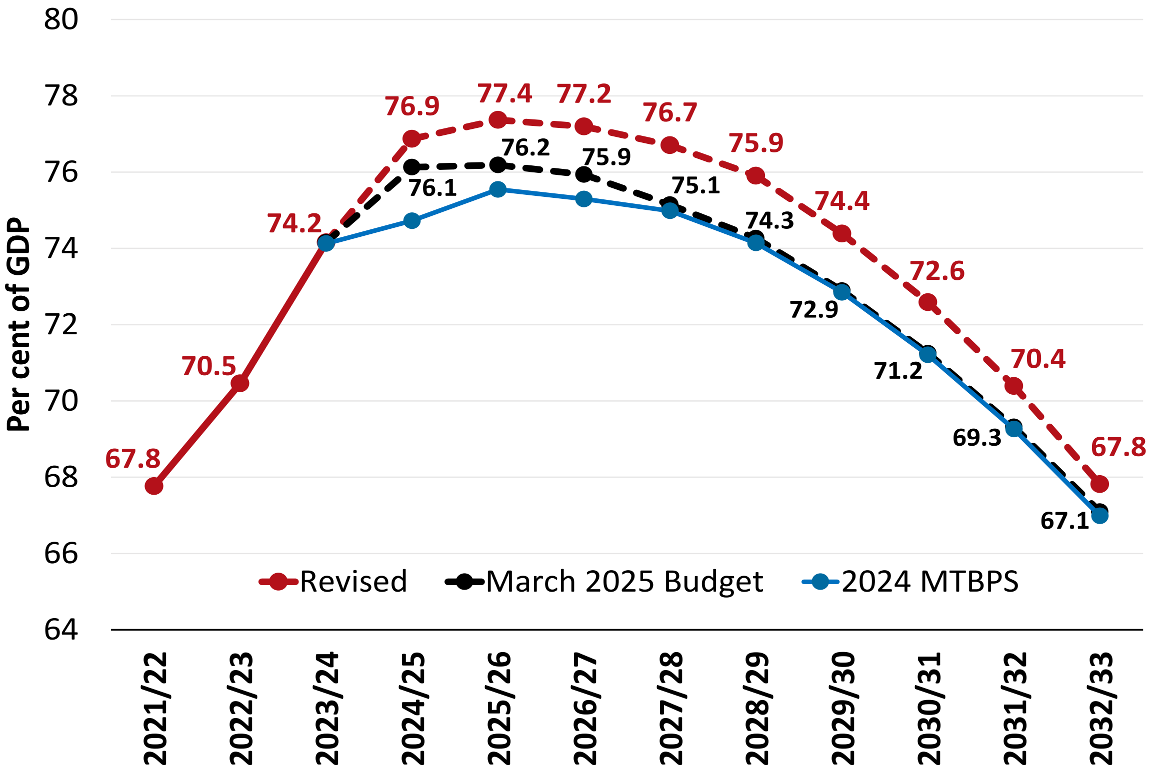
R million	2023/24 Outcome	2024/25 Budget	2024/25 Revised	2025/26 Medium-term estimates	2026/27 Medium-term estimates	2027/28 Medium-term estimates
Main budget balance	**-322 916**	**-320 946**	**-335 616**	**-361 321**	**-307 664**	**-286 398**
Redemptions	**-144 395**	**-172 568**	**-98 620**	**-171 705**	**-151 648**	**-301 275**
Domestic long-term loans	-97 250	-132 087	-61 001	-111 357	-111 357	-274 536
Foreign loans	-47 145	-40 481	-37 619	-60 349	-40 292	-26 739
Eskom debt-relief arrangement	**-76 000**	**-64 154**	**-64 000**	**-80 223**	**–**	**–**
GFECRA settlement (net)[4]	**–**	**100 000**	**100 000**	**25 000**	**25 000**	**–**
Total	**-543 311**	**-457 669**	**-398 236**	**-588 249**	**-434 313**	**-587 673**
Financing						
Domestic short-term loans	**88 745**	**33 000**	**39 508**	**37 162**	**35 500**	**47 500**
Treasury bills (net)	88 084	33 000	38 932	38 400	35 500	47 500
Corporation for Public Deposits	661	–	577	-1 238	–	–
Domestic long-term loans	**336 239**	**328 100**	**347 744**	**345 300**	**319 500**	**427 300**
Market loans	336 079	328 100	346 361	345 300	319 500	427 300
Loans issued for switches	824	–	1 131	–	–	–
Loans issued for repos (net)	-664	–	252	–	–	–
Foreign loans	**45 663**	**36 700**	**67 357**	**98 874**	**79 969**	**95 954**
Market loans	45 663	36 700	67 357	98 874	79 969	95 954
Change in cash and other balances[2]	**72 664**	**59 869**	**-56 374**	**106 913**	**-656**	**16 918**
Cash balances	42 690	53 112	-33 803	92 795	-4 247	10 715
Other balances[3]	29 974	6 757	-22 571	14 118	3 591	6 203
Total	**543 311**	**457 669**	**398 236**	**588 249**	**434 313**	**587 673**
Percentage of GDP	*7.7*	*6.1*	*5.4*	*7.5*	*5.2*	*6.6*

1. A longer time series is presented in Table 1 of the statistical annexure at the back of the Budget Review
2. A positive value indicates that cash is used to finance part of the borrowing requirement
3. Differences between funds requested and actual cash flows of national departments
4. In 2024/25, the Reserve Bank will pay R200 billion to government in partial settlement of the GFECRA balances. Of this amount government will pay the Reserve Bank R100 billion towards the contingency reserve
Source: National Treasury

- In 2025/26, the gross borrowing requirement is expected to be R9.3 billion lower than the 2024 Budget estimate.
- The requirement is also affected by the transfer to government of R100 billion in 2024/25 and R25 billion in each of the two following years from the Gold and Foreign Exchange Contingency Reserve Account, as discussed in the 2024 Budget Review.
- The final R70 billion debt takeover will now be replaced with two advances amounting to R50 billion:
  - R40 billion in 2025/26 to redeem debt maturing in April 2026
  - R10 billion in 2028/29 for debt maturing in May 2028.
- The borrowing requirement is expected to decline to R434.3 billion in 2026/27, before increasing to R587.7 billion in 2027/28.

In 2025/26, gross loan debt will peak, stabilising at 77.4 per cent of GDP

Gross debt-to-GDP outlook*



**March 2025 Budget estimates are reflected by the black font data labels*

- Growing main budget primary surplus underpin government's debt stabilisation objective.
- Government will stabilise debt-service costs in 2025/26 at 21.9 per cent of revenue, declining thereafter.

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State-owned companies remain distressed due to weak governance, finances and operations

- State-owned companies remain distressed due to weak governance, financial pressures and ongoing operational challenges.
- Eskom is making progress on its recovery plan, although its finances remain weak and operational performance requires significant improvement.
- Transnet is hampered by high debt levels and needs to make faster progress on its recovery plan to improve operations and finances.
- Development finance institutions continue to support economic growth.
- Social security funds remain critical for social protection, with the Unemployment Insurance Fund and Compensation Fund showing financial resilience.
- State-owned companies and major public entities continue to pose a large risk to the fiscal position.
- The 2025 Budget maintains government's stance of not providing bailouts to state-owned companies.
- Government is focused on improving governance and the effectiveness and transparency of the guarantee framework.
- In addition, government will support critical capital investments through different mechanisms, including credit guarantees, on-lending and grant funding, where appropriate.

Government proposes budget reforms to improve the quality of spending and root out waste for the 2026 Budget Process

Embed the sustainability of the public finances

- Maintain a growing primary surplus to reduce debt as a debt as a proportion of GDP from 2025/26.
- Consult widely on the fiscal-anchors discussion paper to develop appropriate long-term fiscal rules for South Africa
- Strengthen fiscal transparency with improved fiscal-risk analysis, economic forecasting and oversight of off-budget entities to reinforce credibility.

Strengthen the medium-term budget process

- Conclude the full review of the 2026 Medium-term Expenditure Framework
- Roll out reforms from the budget process review study in the 2026 Budget process review.
- Strengthen the consultation channels in the context of Government of National Unity framework including empowering Cabinet to grapple with complexity of trade-offs and macro-fiscal stability
- Empower Government-wide technical committees to be responsive to the GNU priorities.
- Upgrade data, IT and capital-budget systems to embed evidence-based decision across government.

Improve the efficiency of public sector spending

- Apply the emerging insights from spending reviews to identify around R30 billion in potential savings from low-impact programmes
- Implement the early-retirement initiative to moderate the wage bill and rejuvenate the public sector system
- Identify and remove ghost workers and tighten procurement rules
- Align the consolidated government social protection system and public-employment schemes with job-creation goals through the Active Labour Market review process.

The 2025 Medium Term Budget Policy Statement will provide feedback on these key budget objectives

The 2025 Budget reaffirms government’s commitment to raising living standards, growth and stabilising debt

- Government’s fiscal strategy is on track to strengthen the public finances.
- Debt-service costs are forecast to peak as a share of revenue this year, declining gradually thereafter.
- Provinces need to improve the management of personnel costs, raise infrastructure investment and arrest the trend of rising accruals in the health and education sectors.
- Municipalities face governance, accountability and capacity challenges, with persistent irregular expenditure, rising debt accruals and declining revenue generation.
- Significant reforms are under way to improve provincial and municipal performance.
- The 2025 Budget maintains government’s stance of not providing bailouts to state-owned companies.
- Risks to the fiscal outlook remain balanced. Medium- to longer-term risks to the fiscal outlook include:
    - Lower economic growth, leading to weaker revenue growth.
    - The poor financial condition of subnational governments and state-owned companies.
    - Macro-fiscal shocks due to heightened geopolitical tensions.
- Determined application of the fiscal strategy, in concert with economic policy initiatives and a firm stance on state-owned company bailout requests, will mitigate these risks.

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Thank you