

Budget Review

2026

National Treasury

Republic of South Africa

25 February 2026



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ECONOMIC FRAMEWORK/OUTLOOK

- The economy is expected to grow by 1.6 per cent in 2026, up from 1.4 per cent in 2025.
- Real GDP growth is forecast to reach 2 per cent by 2028, supported by continued momentum on structural reforms, improving confidence, lower interest rates and higher investment.
- Inflation is expected to increase from 3.2 per cent in 2025 to 3.4 per cent in 2026.
- Removing obstacles to reform and speeding up the pace of critical change in electricity, transport and water would unlock higher rates of investment, growth and job creation.

BUDGET FRAMEWORK

- Government's medium-term fiscal strategy aims to stabilise the debt-to-GDP ratio in the current year and to reduce it through the rest of the decade by growing the main budget primary surplus.
- Over the next three years, principal and interest payments are expected to be R21 billion lower than estimated in the 2025 Medium Term Budget Policy Statement (MTBPS).
- Revenue collections for 2025/26 are projected to be R28.8 billion higher than the 2025 Budget estimate and non-interest expenditure is increased by R22.1 billion. Government will achieve a primary surplus of 0.9 per cent of GDP.
- The consolidated budget deficit is expected to narrow from 4.5 per cent of GDP in 2025/26 to 3.1 per cent of GDP in 2028/29.
- To entrench the commitment to healthy public finances, government will introduce legislation requiring each new administration to table a medium-term fiscal plan to embed fiscal sustainability.

SPENDING PLANS

- Consolidated government expenditure is projected to increase at an average annual rate of 3.9 per cent, from R2.58 trillion in 2025/26 to R2.89 trillion in 2028/29.
- Capital payments is the fastest-growing expenditure item by economic classification, increasing by 9.7 per cent over the medium term.
- Expenditure remains strongly redistributive in line with government's commitment to reducing poverty and inequality. This is reflected in the social wage, which makes up about 60 per cent of non-interest spending over the medium term.
- Basic education, health and social protection constitute 70.3 per cent of the social wage in 2026/27, providing support to 13.6 million schoolchildren, healthcare services to 84 per cent of the population and 26.5 million social grant beneficiaries.
- Targeted and responsible savings of R12 billion have been identified and reallocated. Further savings are reallocated to strengthen state capacity in the judiciary, border management, defence and Statistics South Africa.

TAX PROPOSALS

- Gross tax revenue for 2025/26 is revised upwards by R21.3 billion compared with the 2025 Budget. The tax-to-GDP ratio increases to 25.9 per cent in 2025/26 from 25.1 per cent in 2024/25.
- The R20 billion tax increase previously pencilled in for the 2026 Budget is withdrawn.
- Personal income tax brackets and medical tax credits will be fully adjusted for inflation, after two years with no inflationary relief.
- Tax thresholds and limits are also adjusted for the impact of inflation, to assist small businesses and encourage savings.



KEY BUDGET STATISTICS

A full set of 2026 Budget data can be found in the statistical tables at the back of the *Budget Review*. The data on this page may differ from the statistical annexure due to classification definition and rounding.

BUDGET REVENUE 2026/27

R billion

R billion	
Tax revenue	2 127.0
of which:	
Personal income tax	844.8
Corporate income tax	364.3
Value-added tax	521.4
Taxes on international trade and transactions	89.0
Non-tax revenue	33.4
Less: SACU payments	-78.4
Main budget revenue	2 082.0
Provinces' social security funds and public entities	263.4
Consolidated budget revenue	2 345.4
As percentage of GDP	
Tax revenue	26.0%
Main budget revenue	25.4%

MACROECONOMIC PERFORMANCE AND PROJECTIONS

Percentage change	2024	2025	2026	2027	2028
	Actual	Estimate	Forecast		
Household consumption	1.0	3.1	1.8	2.0	2.2
Gross fixed-capital formation	-3.9	-2.0	2.4	3.3	3.9
Exports	-2.8	-2.0	1.6	2.4	2.9
Imports	-6.4	1.0	3.0	2.9	3.1
Real GDP growth	0.5	1.4	1.6	1.8	2.0
CPI inflation	4.4	3.2	3.4	3.3	3.2
Current account balance (% of GDP)	-0.7	-0.9	-1.0	-1.2	-1.3

CONSOLIDATED FISCAL FRAMEWORK

R billion/percentage of GDP	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Outcome		Estimate	Medium-term estimates			
Revenue	1 902.4	1 950.2	2 053.8	2 231.7	2 345.4	2 467.3	2 612.7
	28.1%	27.4%	27.8%	28.8%	28.6%	28.6%	28.8%
Expenditure	2 146.6	2 256.7	2 389.8	2 578.9	2 669.7	2 768.1	2 893.4
	31.7%	31.7%	32.3%	33.2%	32.6%	32.1%	31.9%
Budget balance	-244.2	-306.5	-336.0	-347.2	-324.3	-300.8	-280.7
	-3.6%	-4.3%	-4.5%	-4.5%	-4.0%	-3.5%	-3.1%
Gross domestic product	6 768.2	7 114.4	7 398.9	7 756.7	8 188.1	8 615.1	9 077.3

DIVISION OF NATIONALLY RAISED REVENUE

R billion	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Outcome		Preliminary	Medium-term estimates			
DIVISION OF AVAILABLE FUNDS							
National departments	855.9	826.9	860.5	939.4	951.7	939.9	987.9
Provinces	694.1	706.3	730.6	788.8	810.5	845.9	872.4
Local government	150.7	157.7	167.7	178.3	182.3	189.3	195.3
Provisional allocation not appropriated	-	-	-	-	1.3	38.2	39.2
Non-interest allocation	1 700.7	1 690.8	1 758.8	1 906.5	1 945.8	2 013.3	2 094.8
PERCENTAGE SHARES							
National departments	50.3%	48.9%	48.9%	49.3%	48.9%	47.6%	48.1%
Provinces	40.8%	41.8%	41.5%	41.4%	41.7%	42.8%	42.4%
Local government	8.9%	9.3%	9.5%	9.4%	9.4%	9.6%	9.5%

CONSOLIDATED SPENDING BY FUNCTIONAL AND ECONOMIC CLASSIFICATION 2026/27

R billion	Compensation of employees	Goods and services	Capital spending and transfers	Current transfers and subsidies	Interest payments	Total
Basic education	274.9	36.5	12.0	35.1	0.0	358.6
Post-school education and training	16.6	3.6	2.4	133.2	0.0	155.8
Arts, culture, sport and recreation	5.1	4.0	0.8	2.9	0.0	12.9
Health	200.0	89.2	13.7	7.5	0.0	310.4
Social protection	19.2	10.1	0.8	300.3	0.0	330.5
Social security funds	7.8	9.2	1.3	89.0	0.2	107.6
Public sector pensions	0.0	0.0	0.0	8.5	0.0	8.5
Community development	20.6	20.0	109.3	144.1	0.3	294.3
Industrialisation and exports	13.8	11.2	5.4	15.3	0.0	45.8
Labour affairs and works programmes	4.1	6.8	0.4	2.0	0.0	13.2
Economic regulation and infrastructure	29.8	69.7	54.4	2.7	7.4	164.1
Innovation, science and technology	6.6	5.3	2.0	7.5	0.0	21.3
Agriculture and rural development	16.0	15.3	2.5	5.6	0.1	39.5
Defence and state security	34.9	13.1	1.7	9.6	0.0	59.3
Police services	110.5	23.2	3.7	2.8	0.0	140.1
Law courts and prisons	43.8	14.1	1.5	1.5	0.0	60.9
Home affairs	7.7	4.5	1.1	0.9	0.0	14.3
Executive and legislative organs	10.2	6.1	0.3	3.2	0.0	19.8
Public administration and fiscal affairs	27.5	18.3	2.4	7.3	0.0	55.4
External affairs	3.4	2.5	0.4	2.7	0.2	9.2
Payments for financial assets						10.8
Debt-service costs					432.4	432.4
Contingency reserve						5.0
Total	852.6	362.8	216.1	781.6	440.7	2 669.7

Note: Payments for financial assets are not shown in the table but are included in the row totals.

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26



25 February
#Budget2026

2026/27 EXPENDITURE

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**CONSOLIDATED
GOVERNMENT
EXPENDITURE**

R2.67 TRILLION

R1.58 TRILLION

**SOCIAL
SERVICES**



R283.9bn

**ECONOMIC
DEVELOPMENT**

Economic regulation and infrastructure	R164.1bn
Industrialisation and exports	R45.8bn
Agriculture and rural development	R39.5bn
Labour affairs and works programmes	R13.2bn
Innovation, science and technology	R21.3bn

Basic education	R344.7bn
National Student Financial Aid Scheme	R54.3bn
University transfers	R50.5bn
Skills development levy institutions	R30.1bn
Education administration	R22.7bn
Technical & vocational education and training	R15.0bn



R527.2bn

**LEARNING
AND CULTURE**



R274.6bn

**PEACE AND
SECURITY**

Police services	R140.1bn
Defence and state security	R59.3bn
Law courts and prisons	R60.9bn
Home affairs	R14.3bn

District health services	R137.8bn
Central hospital services	R59.7bn
Provincial hospital services	R50.6bn
Other health services	R50.5bn
Facilities management and maintenance	R11.8bn



R310.4bn

HEALTH



R84.4bn

**GENERAL PUBLIC
SERVICES**

Public administration and fiscal affairs	R55.4bn
Executive and legislative organs	R19.8bn
External affairs	R9.2bn

Municipal equitable share	R110.1bn
Public transport	R70.9bn
Human settlements, water and electrification programmes	R53.6bn
Other human settlements and municipal infrastructure	R59.6bn



R294.3bn

**COMMUNITY
DEVELOPMENT**



R432.4bn

DEBT-SERVICE COSTS

Old-age grant	R121.8bn
Social security funds	R107.6bn
Child-support grant	R89.0bn
Other grants	R82.0bn
Provincial social development	R24.3bn
Policy oversight and grant administration	R13.4bn



R446.6bn

**SOCIAL
DEVELOPMENT**



R5.0bn

CONTINGENCY RESERVE

FOREWORD

The 2026 Budget marks an important turning point for South Africa. Determined action has put the country's public finances on a sustainable footing, enhancing fiscal credibility.

The outlook for economic growth is improving as reforms gather pace. Our public finances are emerging from the fiscal wilderness. A nascent confidence is reflected in our investment and borrowing environment. Over the next three years real GDP growth is expected to average 1.8 per cent and inflation expectations are shifting lower in line with the 3 per cent target. Public-sector infrastructure initiatives have begun to attract significant private investment. And this budget signals a major shift in the effort to fix local government.

The long stretch of rising public debt that began in the wake of the 2008 global financial crisis imposed significant costs on our country, consuming enormous resources that could have been better used to build our economy and strengthen public services. That period of rising debt has come to an end.

The opportunity before us is to use these foundations as a launch pad for faster, job-creating economic growth. There is broad agreement in the government of national unity on this transition to a higher-growth economy through targeted reforms and investments. This budget also recognises that we need stronger economic performance to improve the lives of the poor and vulnerable in our society.

Going for growth means maintaining macroeconomic stability; speeding up structural reforms in water, transport and electricity; boosting state capability; and increasing public infrastructure investment. The *Budget Review* details work under way in each of these areas.

A series of reforms is under way to mobilise private investment and expertise and accelerate public-sector delivery. Government's own capital spending over the medium term grows at nearly 10 per cent a year.

In line with the commitment made by the National Treasury three years ago, public debt stabilises as a percentage of GDP in the current year and is reduced over the medium term.

With the fiscal strategy on course, government has withdrawn tax increases it had pencilled in for this budget and proposes inflationary relief for taxpayers to support the recovery.

Consistent fiscal discipline, along with government's decision to reduce the inflation target, has improved investor perceptions and narrowed the risk premium investors attach to South Africa. The combined benefits of this approach are evident in the decline in government's borrowing costs and a more favourable environment for private investment.

And while the budget remains highly redistributive – with 60 per cent of spending going to the social wage – government is working to make that spending more efficient and effective.

Establishing common ground for this budget would not have been possible without the leadership of Cabinet, and the Minister and Deputy Ministers of Finance. I extend my gratitude to them, and to the Parliamentary Portfolio Committees on Finance and Appropriations, the Budget Council, the Directors-General who serve on the Technical Committee on the Budget and colleagues across the government for their contributions. Finally, I express my appreciation to my National Treasury colleagues, who work without fail to fulfil their obligations to the Constitution and the people of South Africa.



Dr Duncan Pieterse
Director-General

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