#2025MTBPS

ON TRACK: MEETING FISCAL TARGETS AND ADVANCING REFORM

2025 MEDIUM TERM BUDGET POLICY STATEMENT
(MTBPS)

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

G20 SOUTH AFRICA 2025

2030 NDP

Government is on-track to meet its fiscal targets and is advancing economic reform

- Government is improving the health of the public finances and accelerating infrastructure investments.
- Over the medium term this will strengthen growth prospects, reduce borrowing costs, improve confidence and foster faster job creation.
- Real GDP growth is expected to average 1.8 per cent over the next three years.
- Structural economic reforms are making steady headway, particularly in electricity, transport and logistics, and bulk water provision. Faster implementation of domestic reforms will support expanded growth and investment.
- The fiscal strategy remains on course even in the current low-growth economic environment.
- Debt will stabilise this year and the primary budget surplus will grow to 2.5 per cent of GDP in 2028/29 – supporting a decline in debt-service costs.
- The Minister of Finance has set a new inflation target of 3 per cent, with a 1 percentage point tolerance band.
- The lower inflation environment, and the revised target, will contribute to reducing the cost of living for all – especially for poor households.
- Government is implementing reforms to strengthen efficiency and eliminate waste.

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Global growth will decelerate to 3.2 per cent in 2025 and 3.1 per cent in 2026

Table 2.1 Economic growth in selected countries

Region/country	2023	2024	2025	2026
Percentage	Actual		Forecast	
World	**3.5**	**3.3**	**3.2**	**3.1**
Advanced economies	**1.7**	**1.8**	**1.6**	**1.6**
United States	2.9	2.8	2.0	2.1
Euro area	0.4	0.9	1.2	1.1
United Kingdom	0.4	1.1	1.3	1.3
Japan	1.2	0.1	1.1	0.6
Emerging and developing countries	**4.7**	**4.3**	**4.2**	**4.0**
Brazil	3.2	3.4	2.4	1.9
Russia	4.1	4.3	0.6	1.0
India	9.2	6.5	6.6	6.2
China	5.4	5.0	4.8	4.2
Sub-Saharan Africa	**3.7**	**4.1**	**4.1**	**4.4**
Nigeria	3.3	4.1	3.9	4.2
South Africa[1]	0.8	0.5	1.2	1.5
World trade volumes	**1.0**	**3.5**	**3.6**	**2.3**

1. National Treasury forecasts
Source: IMF World Economic Outlook, October 2025

- The global economy has been more resilient than initially expected, but signs of weakness are emerging as one-off factors fade.
- Downside risks dominate as uncertainties persist and weak fundamentals take hold.

GDP growth is now forecast at 1.2 per cent in 2025 nearly doubling to 2 per cent by 2028

Table 2.2 Macroeconomic performance and projections

Calendar year	2022	2023	2024	2025	2026	2027	2028
Percentage change	Actual			Estimate	Forecast		
Final household consumption	2.6	0.2	1.0	2.6	1.6	2.0	2.2
Final government consumption	0.7	1.9	-0.1	0.9	2.4	0.0	0.3
Gross fixed-capital formation	5.9	3.0	-3.9	-1.0	2.6	3.2	3.9
Gross domestic expenditure	3.9	0.5	-0.6	2.0	2.0	1.9	2.1
Exports	7.8	5.1	-2.8	-2.0	1.5	2.4	2.9
Imports	15.0	3.9	-6.4	0.7	3.1	2.7	3.1
Real GDP growth	**2.1**	**0.8**	**0.5**	**1.2**	**1.5**	**1.8**	**2.0**
GDP inflation	5.4	4.7	3.9	2.9	3.8	3.6	3.2
GDP at current prices (R billion)	**6 667**	**7 038**	**7 352**	**7 660**	**8 075**	**8 509**	**8 964**
CPI inflation	6.9	5.9	4.4	3.3	3.7	3.3	3.2
Current account balance (% of GDP)	-0.3	-1.1	-0.7	-1.0	-1.8	-2.0	-2.0

Source: National Treasury, Reserve Bank and Statistics South Africa

- GDP growth has been revised slightly lower in the near-term
  - This reflects weaker growth outcomes in the first half of 2025, delays in reforms, subdued external demand, heightened uncertainty and low confidence
- Medium-term growth recovery is expected to benefit from continued reform progress, improved macroeconomic stability and easing uncertainties
- Risks are titled to the downside, reflecting further reform delays and scarring effects of shocks

Government continues to execute on the four pillars of economic growth

Action

Maintain macroeconomic stability

- Debt will stabilise in 2025/26 and narrow the budget deficit to below 3% of GDP by 2028/29.
- Government is working on a binding fiscal anchor and implementing the TARS initiative to improve fiscal outcomes, with savings of R6.7 billion already identified.
- The Minister of Finance has set a new inflation target of 3 per cent, with a 1 percentage point tolerance band. The lower inflation environment, and the revised target, will contribute to reducing the cost of living for all – especially for poor households.

Implement structural reforms

- Implementing reforms will increase efficiency and promote a competitive economy through improved confidence and investment. Notable progress includes:
  - Eskom increased generation capacity, reduced unplanned power cuts, and SA experienced 167 consecutive days without load-shedding as of October 29, 2025.
  - Transnet's freight rail volumes increased, port volumes stabilized and third-party access was introduced on the freight rail network.
  - Reforms to improve water quality and availability, attract capital, and enhance financial and operating performance of water utilities are underway.
  - By simplifying visa applications and implementing an ETA system, SA will attract skills and growing tourism.

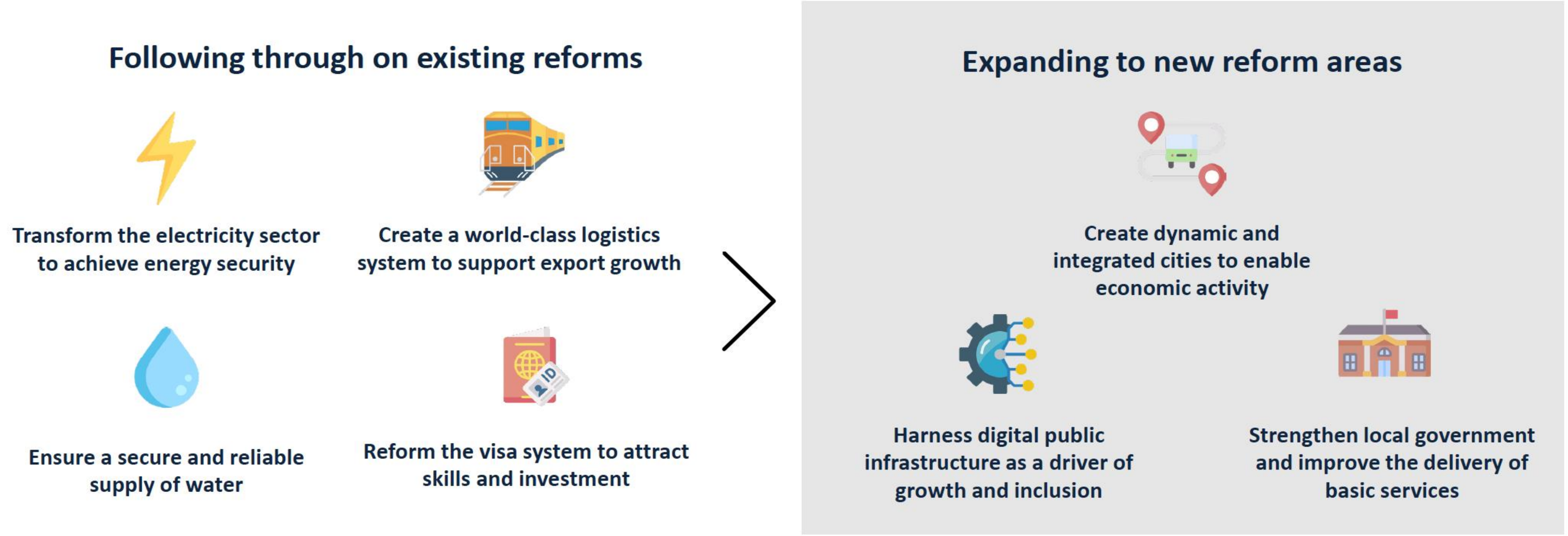
Build state capability

- Reforms introduced to improve municipal accountability and capacity, address spatial inequalities, and drive digital transformation.
- Review of the White Paper on Local Government to establish a resilient system, and the Metro Trading Services Reform Programme to incentivise metros to restore essential to services
- Review of obstacles to affordable housing and public land release, and the MzansiXchange pilot launched to enable secure data sharing across government.

Invest in growth-enhancing public infrastructure

- Additional funding for infrastructure, including the rehabilitation of two freight rail lines, wastewater treatment in Polokwane, and capitalising a credit guarantee scheme.
- Amendments to Treasury Regulation 16 and guidelines for unsolicited bids and fiscal commitments aim to streamline project approval and clarify roles.
- The BFI has been reconfigured to increase bid windows, and sector-specific toolkits will be developed to support public-private partnerships.

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

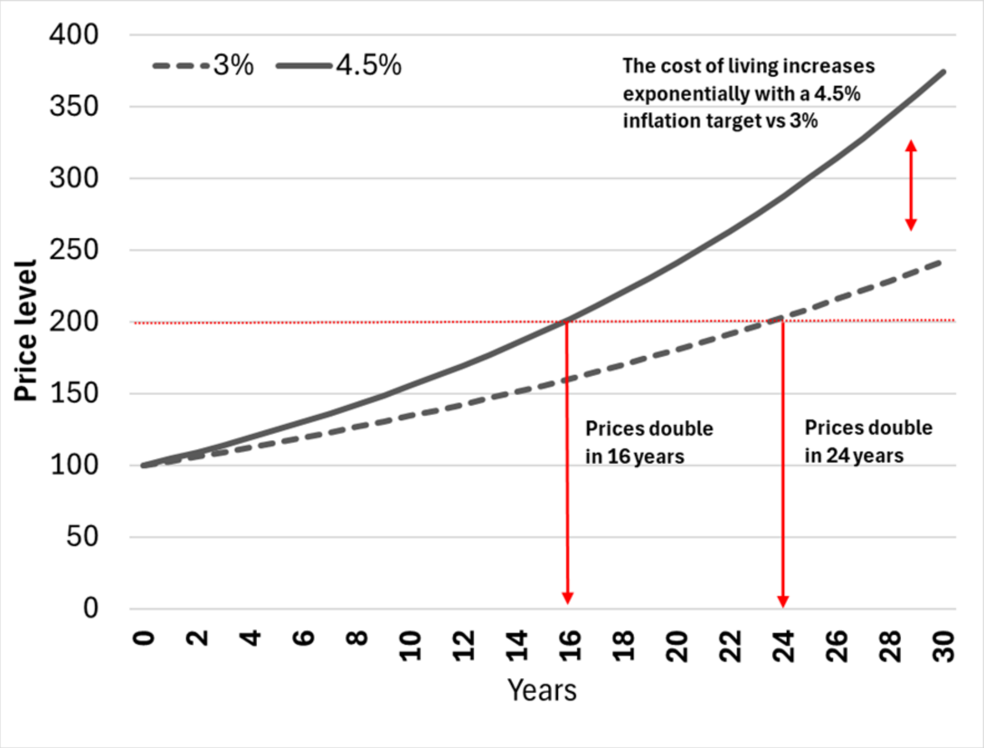


Key areas of progress:

- The introduction of private investment and competition in the energy and logistics sectors is proceeding rapidly. However, **delays in the restructuring of Eskom and Transnet,** have led to an updated assessment of progress on these reforms.
- The **progress to establish the National Water Resources Infrastructure Agency is advanced**, and this agency will play a critical role in managing our national water infrastructure.
- To attract skills, investment, and tourism by streamlining and modernising the visa system, **the Electronic Travel Authorisation system was launched in September** to streamline the application and issuance of visas.
- **Progress in new reform areas is building momentum**, with concrete milestones achieved through the Digital Transformation Roadmap and a comprehensive, far-reaching review of the local government system underway to inform structural changes.

The revised inflation target benefits South African households and the fiscus

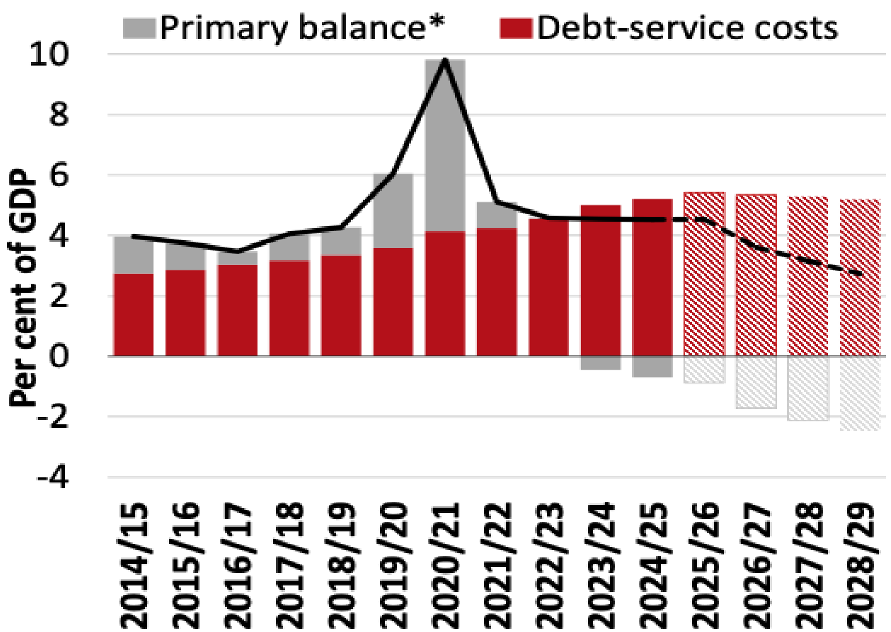
Cost-of-living increases



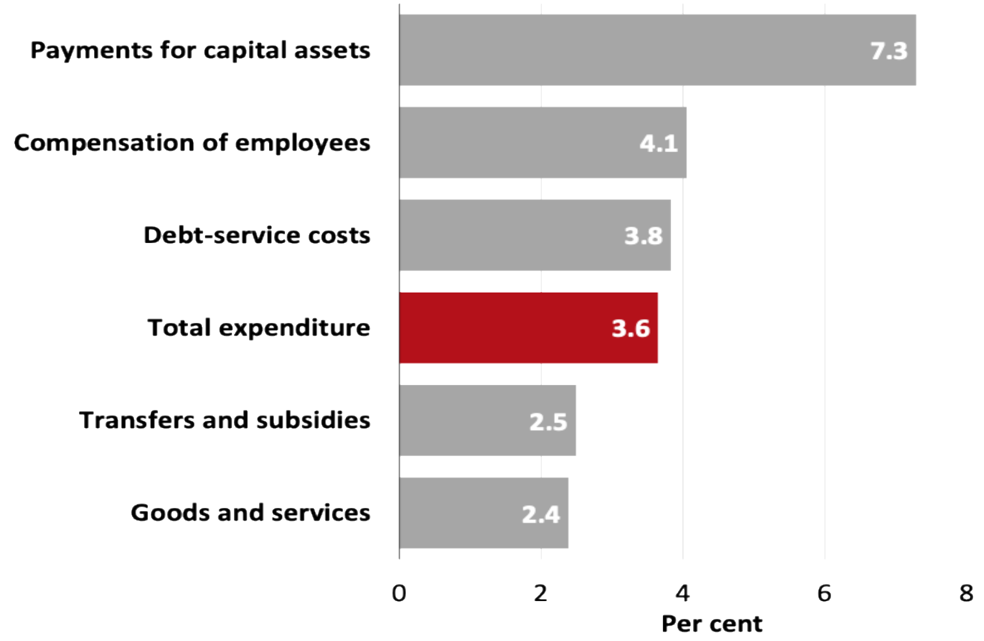
- Lower inflation will support faster real economic growth.
- Improved international competitiveness as the inflation target aligns our inflation with trading partners and peer economies.
- Lower cost of living, improving real disposable incomes.
- Lower sovereign risk premium and lower inflation premium reduce economy-wide borrowing costs.
- Rising real household spending and private investment.
- Transition costs include lower nominal GDP as inflation decreases, reducing revenue projections and leading to a less favourable debt-to-GDP ratio.
  - The negative impact of the fall in revenues on the budget balance is partially counteracted by the reduction in debt-service costs, and in-year revenue overruns and expenditure decisions mitigate the impact further.

Government will achieve a debt stabilising primary balance this year and continue to grow the primary surplus

Main budget balance



Growth in consolidated expenditure over the 2026 MTEF period



Government's medium-term priorities remain to

- Anchor fiscal policy by stabilising debt in 2025/26 and growing the main budget primary surplus for the rest of the decade, helping to reduce debt-service costs.
- Direct a growing share of spending towards capital investment, complemented by infrastructure reforms to attract private investment and speed up delivery.
- Improve the efficiency and effectiveness of spending by implementing the Targeted and Responsible Savings initiative.

Government is taking a range of steps to improve fiscal outcomes in the interest of all South Africans

Consult widely on a fiscal anchor

- Government is considering options for a formal fiscal anchor to ensure long-term public finance sustainability.
- A formal policy proposal will be presented to the Minister of Finance in 2026.
- A multi-year fiscal literacy campaign will be launched in 2026/27 to enhance public understanding of fiscal management.

Improving revenue collection efficiency

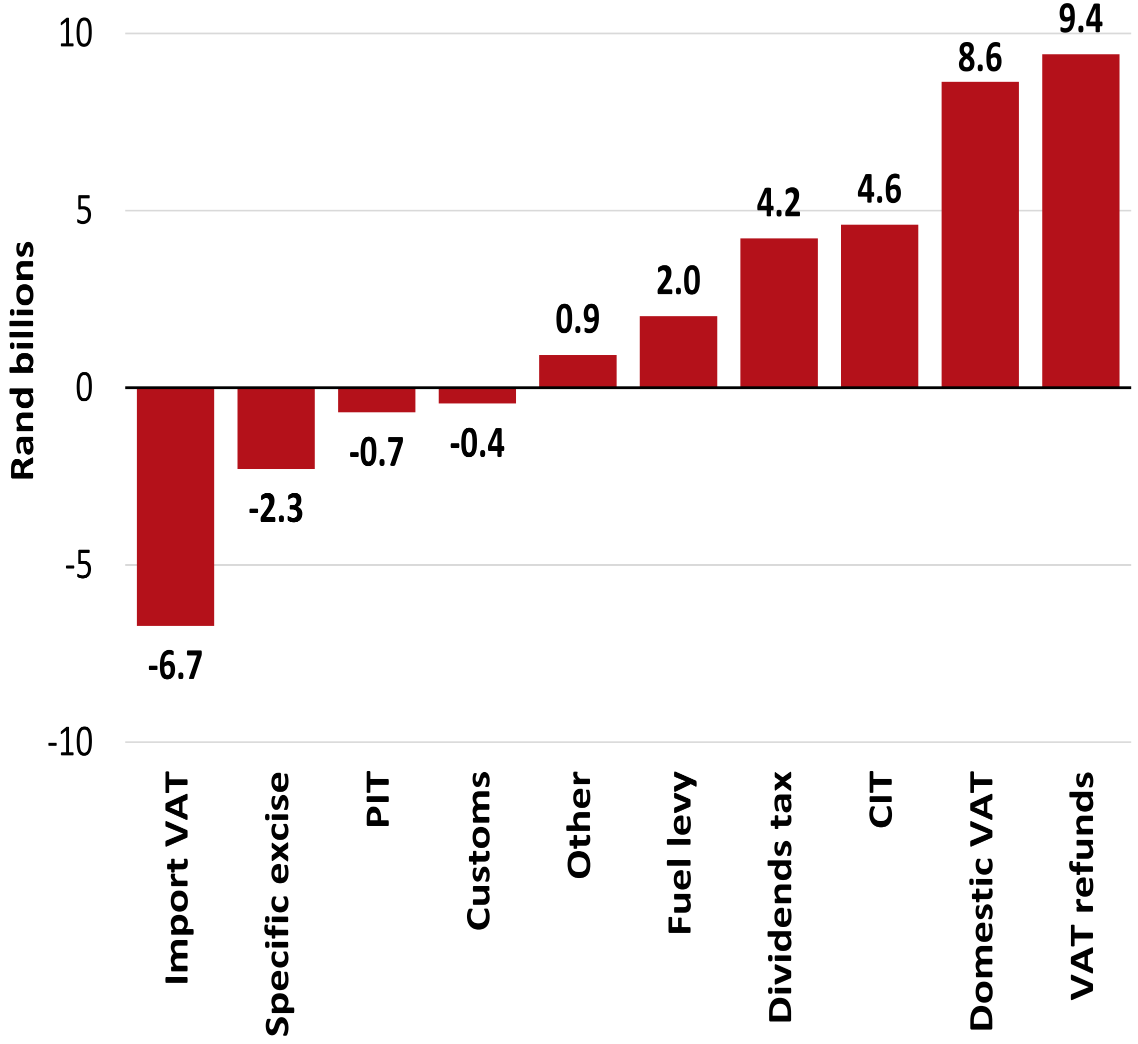
- SARS received an additional R7.5 billion to enhance tax debt recovery and invest in technology for improved collection efficiency.
- Government will assess the debt collection performance of SARS before deciding whether the proposed R20 billion tax increase in 2026/27 should proceed.
- Any announcements would be made in the 2026 Budget. Revenue collection for the first half of 2025/26 exceeded expectations, driven by corporate collections and household spending, narrowing the budget deficit.

Budget reforms to boost efficiency and reduce waste

- Government is removing low-priority programmes and reallocating funding to pressing priorities, aiming for R6.7 billion in savings.
- Using data-driven approaches, the government is identifying and removing ghost workers from the payroll to improve efficiency and potentially address staff shortages.
- Early Retirement without penalties is in implementation from 15 October, 2025; this programme aims to rejuvenate the public service and contain wage bill costs by allowing qualifying employees to retire early.

In-year: Gross tax revenue for 2025/26 is projected to be R19.7 billion higher relative to the 2025 Budget

Gross tax revenue estimates compared to the 2025 Budget



- Revenue collections over the first half of 2025/26 were 9.3 per cent higher than the same period last year.
- Stronger net VAT, corporate and dividends tax collections contribute to an improved near-term revenue outlook.
- Lower VAT refunds as fraudulent claims were stopped and strong domestic VAT collections, supported by resilient household consumption spending, outweighed the weaker outlook for import VAT.
- Strong collections from the trade, electricity and finance sectors supported corporate tax collections, while dividends tax receipts also benefited from large once-off payments from the mining and retail sectors.
- Revenue buoyancy is expected to be 1.54 in 2025/26, reflecting the stronger-than-expected collection in the current year.

2026 MTEF: Medium-term revenue projected to increase from R2 trillion in 2025/26 to R2.4 trillion in 2028/29

Revised gross tax revenue projections

R billion	2025/26	2026/27	2027/28	2028/29
2025 Budget	**1 985.6**	**2 141.8**	**2 286.5**	
Buoyancy	*1.12*	*1.29*	*1.05*	
Revised estimates	**2 005.3**	**2 143.1**	**2 269.4**	**2 396.3**
Buoyancy	*1.54*	*1.40*	*1.06*	*1.06*
Change since 2025 Budget	**19.7**	**1.4**	**-17.1**	

Source: National Treasury

- Medium-term revenue prospects are weaker than previously anticipated despite overperformance in near-term collections, in part due to the impact of lower inflation on projected growth in tax bases.
- Expectations for corporate and personal income tax collection are revised downward due to a weaker profitability outlook and lower wage bill growth respectively.
- Improved tax revenue collections over the medium to long term are reliant on stronger economic growth and further gains in tax compliance and tax administration.
- Tax collections are expected to remain buoyant over the medium term

In-year expenditure: main budget non-interest expenditure is increased by R15.8 billion in 2025/26

R million	2025/26
Non-interest expenditure (2025 Budget)	**1,884,384**
Upward expenditure adjustments	**47,617**
Special appropriation for health	755
Net additions to contingency reserve	8,519
Expenditure announced in the 2025 Budget	5,377
Rollovers	5,227
Expenditure of an exceptional nature[1]	2,472
Additions to the provincial equitable share[2]	14,415
Unforeseen and unavoidable expenditure	1,602
Self-financing expenditure	4,133
Other allocations in the AENE[3]	5,118
Downward expenditure adjustments	**-31,794**
Provisional allocations not appropriated	-16,951
National government projected underspending	-5,130
Local government repayment to the National Revenue Fund	-1,000
Declared unspent funds	-8,714
Revised non-interest expenditure (2025 MTBPS)	**1,900,207**
Change in non-interest expenditure from 2025 Budget	15,823

1. Section 6(1)(b) of 2025 Appropriation Act. Excludes R21 million added to the provincial equitable share
2. Includes expenditure announced in the 2025 Budget and allocations for the impact of population changes
3. 2025 Adjusted Estimates of National Expenditure
Source: National Treasury

- Compared to 2025 Budget, main budget non-interest expenditure is increased by R15.8 billion in 2025/26.
- Proposed upward spending adjustments include additions to the contingency reserve to accommodate expenditure that was announced by the Minister of Finance but not yet appropriated.
- The contingency reserve is increased to R13.5 billion for:
  - two freight rail rehabilitation projects in Transnet
  - capitalisation of the credit guarantee vehicle
  - the rebuilding of Parliament
  - Sentech dual illumination costs and
  - the 2026 municipal elections.
- The upward spending adjustments are partially offset by:
  - Declared unspent funds
  - Projected underspending
  - Provisional allocations not appropriated

2025 MEDIUM TERM BUDGET POLICY STATEMENT (MTBPS)

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Changes to medium-term non-interest spending is mainly affected by lower inflation and targeted savings

R million	2026/27	2027/28	Total
Non-interest expenditure (2025 Budget)	**1,956,019**	**2,038,112**	**3,994,131**
Revisions to baselines and provisional allocations	**744**	**-998**	**-254**
Spending additions	3,874	2,272	6,145
Disaster rehabilitation	*1,512*	–	*1,512*
Defence operational expenses	*857*	*899*	*1,756*
Political party funding	*500*	*522*	*1,022*
Border Management Authority capacitation and other operational expenses	*316*	*330*	*645*
Strengthening capabilities carry-through costs: Office of the Chief Justice and Statistics South Africa	*279*	*297*	*575*
Other spending additions [1]	*411*	*225*	*636*
Targeted and Responsible Savings (TARS)	-3,130	-2,132	-5,262
Revisions to infrastructure spending	-0	-1,137	-1,137
Rescheduling of uMkhomazi Water Project - Raw Water Component: BFI	*-3,697*	*-2,623*	*-6,320*
Rescheduling of Tygerberg and Klipfontein hospitals BFI projects	*177*	*41*	*218*
Budget Facility for Infrastructure Quarter 2 2025 projects	*3,520*	*1,870*	*5,390*
Drawdown on unallocated Infrastructure Fund from 2025 Budget	–	*-425*	*-425*
Downward adjustment to baselines and provisional allocations due to low inflation projections	**-6,252**	**-12,833**	**-19,085**
Technical adjustments [2]	**-646**	**-367**	**-1,013**
Revised non-interest expenditure (2025 MTBPS)	**1,949,864**	**2,023,915**	**3,973,779**
Change in non-interest expenditure from 2025 Budget	-6,154	-14,198	-20,352

1. Includes infrastructure provision for royal houses, national dialogue carry-through costs and piloting JETIP investments in municipalities in Mpumalanga in 2026/27, capacitation of the National Council on Gender-Based Violence and Femicide, compensation of employees costs for Presidency and the Public Service Commission

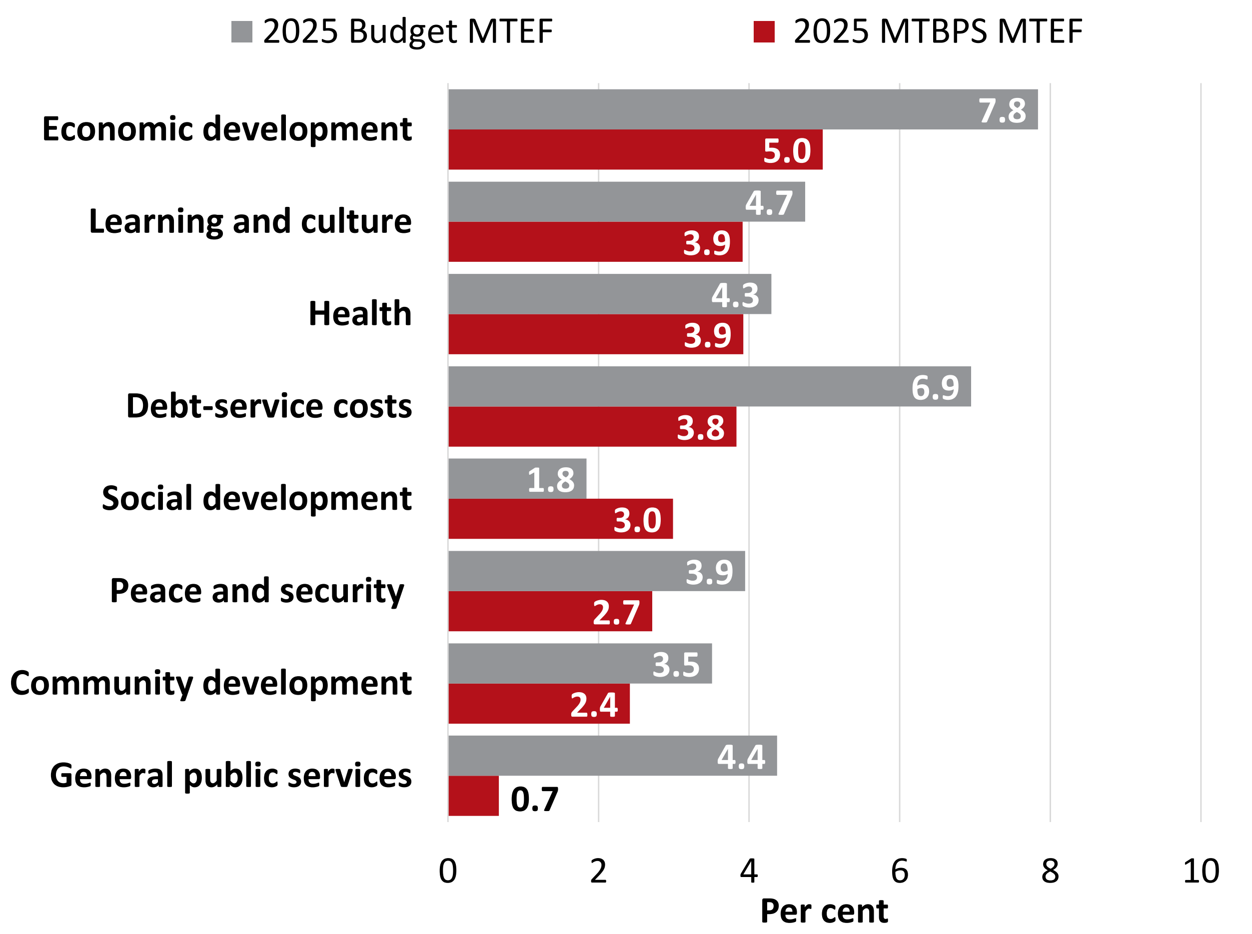
2. Includes R492 million reduction in contingency reserve in 2026/27

Source: National Treasury

- Downward adjustments due to lower inflation lead to main budget non-interest expenditure adjustment of R20.4 billion over the next two years compared to the 2025 Budget.
- Spending reviews have led to targeted and responsible savings of R6.7 billion, providing needed relief to the fiscal framework.
- These adjustments offset the weaker medium-term revenue estimates, thus maintaining a more sustainable deficit and debt path.

Consolidated government spending increase of 3.6% annually over the 2026 MTEF is more aligned to the inflation outlook and infrastructure investment strategy

Average annual growth rate by function



- Consolidated government spending is expected to increase from R2.59 trillion in 2025/26 to R2.88 trillion in 2028/29.
- Over the medium term, economic development is the fastest-growing function at 5 per cent, driven by the increase in infrastructure allocations.
- About 60 per cent of consolidated non-interest spending over the next three years goes to the social wage, supporting low-income and vulnerable households.
- To deliver on fiscal targets, reduce waste and fund new spending priorities, public spending needs to deliver greater value for money.

Spending on payments for capital assets is the fastest-growing item by economic classification

R billion	2024/25 Outcome	2025/26 Revised	2026/27 Medium-term estimates	2027/28	2028/29	Average annual growth 2025/26 – 2028/29
Current payments	**1,485.0**	**1,603.7**	**1,660.6**	**1,728.7**	**1,785.7**	**3.6%**
Compensation of employees	763.3	817.5	852.9	891.4	920.9	4.1%
Goods and services	329.2	356.1	362.4	371.1	382.1	2.4%
Interest and rent on land	392.5	430.1	445.3	466.2	482.6	3.9%
of which: debt-service costs	*385.8*	*421.5*	*436.0*	*455.9*	*471.8*	*3.8%*
Transfers and subsidies	**784.1**	**841.2**	**855.1**	**879.9**	**906.0**	**2.5%**
Provinces and municipalities	179.0	191.0	197.6	203.5	211.5	3.4%
Departmental agencies and accounts	28.6	30.1	27.2	28.2	29.4	-0.8%
Higher education institutions	54.1	55.8	58.4	61.3	63.3	4.3%
Foreign governments and international organisations	3.4	3.7	3.4	3.6	3.7	-0.4%
Public corporations and private enterprises	41.0	54.5	48.9	44.8	46.5	-5.1%
Non-profit institutions	40.2	43.3	46.1	49.1	49.1	4.3%
Households	437.7	462.8	473.5	489.5	502.6	2.8%
Payments for capital assets	**119.2**	**127.8**	**136.2**	**142.0**	**157.9**	**7.3%**
Buildings and other capital assets	88.9	96.0	103.2	107.9	118.7	7.3%
Machinery and equipment	30.4	31.8	33.0	34.1	39.2	7.1%
Payments for financial assets	**11.1**	**16.2**	**9.3**	**8.1**	**16.0**	
Total	**2,399.4**	**2,588.9**	**2,661.2**	**2,758.7**	**2,865.6**	**3.4%**
Contingency reserve	–	–	5.0	11.1	17.0	
Consolidated expenditure	**2,399.4**	**2,588.9**	**2,666.2**	**2,769.8**	**2,882.5**	**3.6%**

1. Consisting of national and provincial departments, social security funds and public entities
Source: National Treasury

- Spending on payments for capital assets is the fastest-growing item by economic classification, increasing at an annual average of 7.3 per cent over the MTEF.
- Spending growth in compensation of employees is driven by the multi-year wage agreement.
- Transfers to provinces and municipalities reflect various changes including compensating local government for increases in the bulk service charge component of free basic services.

2025 MEDIUM TERM BUDGET POLICY STATEMENT (MTBPS)

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The consolidated budget deficit narrows from 4.7% of GDP this year to 2.9% of GDP by 2028/29

R billion	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Outcome			Revised	Medium-term estimates		
Main budget	-309.9	-323.1	-334.9	-353.1	-294.8	-272.0	-247.8
Social security funds	8.6	10.9	-4.2	-6.9	-2.0	-2.1	-2.1
Public entities	42.9	7.3	-8.6	-6.2	-19.1	-16.5	-15.4
Provinces	13.4	-6.2	-5.4	1.3	2.1	3.4	4.2
RDP Fund	0.2	0.0	0.7	1.4	1.4	1.4	1.7
Consolidated budget balance	**-244.7**	**-311.2**	**-352.4**	**-363.4**	**-312.4**	**-285.8**	**-259.5**
Percentage of GDP	*-3.6%*	*-4.4%*	*-4.8%*	*-4.7%*	*-3.8%*	*-3.3%*	*-2.9%*

Source: National Treasury

- The consolidated budget deficit is projected to narrow from 4.7 per cent in 2025/26 to 2.9 per cent in 2028/29
- Public entities, social security funds and provinces are projected to have a combined cash deficit over the next three years, adding to the main budget deficit.
- Public entity deficits will mainly finance investment in road, rail and water infrastructure.

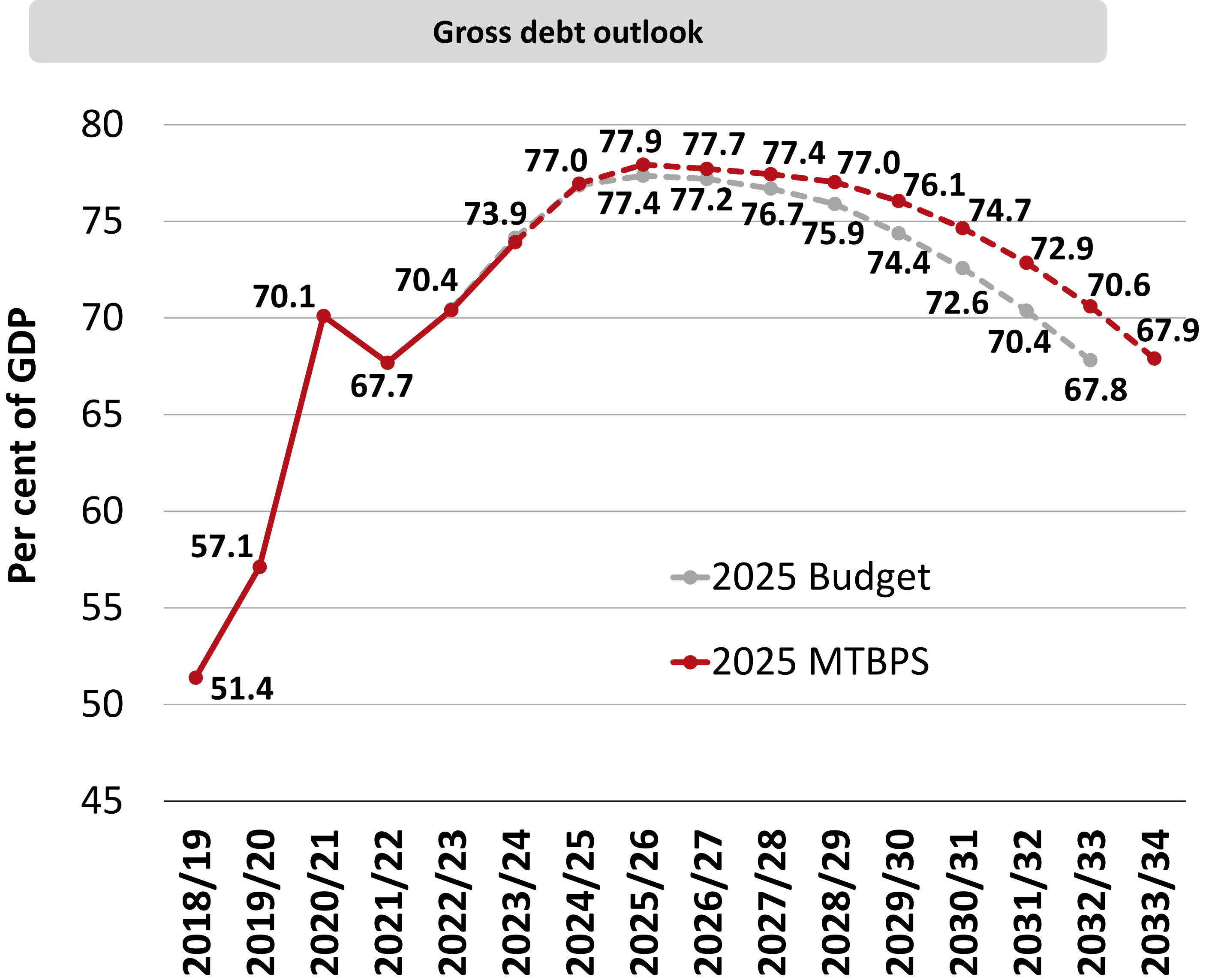
The gross borrowing requirement will average 5.4% of GDP over the 2026 MTEF

R billion	2024/25	2025/26	2026/27	2027/28	2028/29
	Outcome	Revised	Medium-term estimates		
Gross borrowing					
Main budget balance	**-334.9**	**-353.1**	**-294.8**	**-272.0**	**-247.8**
Redemptions	**-98.6**	**-159.9**	**-138.9**	**-286.9**	**-198.0**
Domestic long-term loans	-61.0	-102.7	-100.2	-261.5	-148.2
Foreign loans	-37.6	-57.2	-38.7	-25.4	-49.8
Eskom debt-relief arrangement	**-64.0**	**-80.2**	**–**	**–**	**-10.0**
GFECRA settlement (net)	**100.0**	**25.0**	**56.0**	**–**	**–**
Total	**-397.5**	**-568.2**	**-377.8**	**-559.0**	**-455.8**
Financing					
Domestic short-term loans (net)	39.5	39.1	28.5	45.8	36.0
Domestic long-term loans	347.7	352.2	256.5	412.0	324.1
Foreign loans	67.4	94.3	76.8	91.3	92.9
Change in cash and other balances	-57.1	82.7	15.9	9.9	2.8
Total	**397.5**	**568.2**	**377.8**	**559.0**	**455.8**

Source: National Treasury

- The gross borrowing requirement for 2025/26 decreased by R20 billion to R568.2 billion.
- Higher cash balances will be used to ease cash-flow pressures and partially finance the borrowing requirement in 2027/28.
- In 2026/27, government will receive an additional R31 billion drawdown from GFECRA.
- Debt redemptions will average R208 billion over the medium term; increasing from R138.9 billion in 2026/27 to R286.9 billion in 2027/28, before declining to R198.0 billion in 2028/29.
- Over the medium term, Domestic long-term borrowing is expected to increase from R256.5 billion in 2026/27 to R412 billion in 2027/28, before declining to R324.1 billion in 2028/29.
- Over the medium term, government will raise US$14.3 billion from international financial institutions and international capital markets.

Gross loan debt as a share of GDP is projected to stabilise at 77.9 per cent in 2025/26



- Gross loan debt is expected to increase from R6.07 trillion in 2025/26 to R6.99 trillion in 2028/29, driven by:
  - the budget deficit and
  - fluctuations in interest, inflation and exchange rates.
- As a share of revenue, debt-service costs will peak at 21.4 per cent in 2025/26 and decline steadily thereafter.

Division of revenue

R billion	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Outcome			Revised	Medium-term estimates		
Division of available funds							
National departments	**855.9**	**826.9**	**860.5**	**923.4**	**903.2**	**932.6**	**973.5**
of which:							
Provincial indirect grants	*3.5*	*4.1*	*3.7*	*4.6*	*3.0*	*2.6*	*2.7*
Local indirect grants	*7.2*	*8.2*	*7.1*	*7.9*	*7.8*	*8.1*	*8.4*
Provinces	**694.1**	**706.3**	**730.6**	**787.0**	**798.2**	**830.2**	**856.0**
Equitable share	570.9	585.1	600.5	647.6	659.5	688.1	709.5
Conditional grants	123.3	121.2	130.2	139.4	138.7	142.1	146.5
Local government	**150.7**	**157.7**	**167.7**	**180.6**	**183.4**	**188.5**	**194.1**
Equitable share	83.9	92.3	99.5	106.1	110.1	114.5	118.0
General fuel levy sharing with metropolitan municipalities	15.3	15.4	16.1	16.8	17.5	18.2	18.8
Conditional grants	51.4	50.0	52.1	57.7	55.7	55.8	57.3
Provisional allocations not appropriated[1]	–	–	–	1.8	60.1	61.4	71.8
Projected underspending	–	–	–	-6.1	–	–	–
Non-interest allocations	**1 700.7**	**1 690.8**	**1 758.8**	**1 886.7**	**1 944.9**	**2 012.8**	**2 095.3**
Debt-service costs	308.5	356.1	385.8	421.5	436.0	455.9	471.8
Contingency reserve	–	–	–	13.5	5.0	11.1	17.0
Main budget expenditure	**2 009.2**	**2 046.9**	**2 144.6**	**2 321.7**	**2 385.9**	**2 479.9**	**2 584.2**
Percentage shares							
National departments	50.3%	48.9%	48.9%	48.8%	47.9%	47.8%	48.1%
Provinces	40.8%	41.8%	41.5%	41.6%	42.4%	42.5%	42.3%
Local government	8.9%	9.3%	9.5%	9.6%	9.7%	9.7%	9.6%

1. Include provisional allocations for COVID-19 social relief of distress grant and compensation costs in provincial health and education departments

Source: National Treasury

- Provinces' share of nationally raised revenue is projected to edge up to 42.4 per cent over the medium term, reflecting additional allocations for education and health.
- The local government share is expected to increase slightly to 9.7 per cent to bolster basic services.
- These shifts are aligned with
  - ongoing conditional grant reforms
  - performance incentives and
  - targeted support to strengthen governance, maintenance and fiscal sustainability.

20 25 MEDIUM TERM BUDGET POLICY STATEMENT (MTBPS)

national treasury
Department: National Treasury
REPUBLIC OF SOUTH AFRICA

Risks to the fiscal outlook are balanced over the 2026 MTEF

Risk category	Major issues
Macroeconomic risks	• Slower economic growth • Global market volatility • Debt outlook
Expenditure risks	• Subnational government liabilities, arrears, financial management
Contingent liabilities and state-owned company risks	• Guarantee utilisation • Financial condition of major state-owned companies
Long-term fiscal risks	• Growth of working-age population (upside risk) • Ageing population and pressure on social services

Conclusion

- The 2025 Medium Term Budget Policy Statement (MTBPS) underscores government's commitment to fiscal sustainability, even in a low-growth environment.
- Raising South Africa's growth trajectory depends on continuing to strengthen macroeconomic stability, accelerating structural reforms, building a capable state and improving public-sector infrastructure investment.
- Fiscal policy continues to support macroeconomic stability by stabilising debt in the current year, growing the primary balance over the next several years and narrowing the budget deficit over the MTEF period.
- Over the next three years, government will work to phase out and scale down low-priority and underperforming programmes, and improve efficiencies in operations across departments and provinces, while directing most expenditure towards the social wage.
- Government is advancing infrastructure reforms that leverage public funds to unlock additional private investment and improve the quality of spending