

# **Budget Review**

## **2022**

**National Treasury**

**Republic of South Africa**

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# #RSABUDGET2022 HIGHLIGHTS

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## ECONOMIC OUTLOOK

- Real GDP is expected to grow by 2.1 per cent in 2022 and average 1.8 per cent over the medium term.
- A more rapid implementation of economic reforms, complemented by fiscal consolidation, will ease investor concerns and support faster recovery and higher levels of economic growth over the long term.
- The reduction of regulatory constraints, providing effective services, and coordinating and sequencing economic interventions will bolster public and private investment, which will increase resilience and support economic transformation.
- Significant risks to the economic outlook include new COVID-19 variants leading to new waves of infection, continued interruptions in power supply, rising inflation and fiscal risks.

## BUDGET FRAMEWORK

- Government expects to achieve a primary surplus – where revenue exceeds non-interest expenditure – by 2023/24. In 2024/25, main budget non-interest expenditure will grow slightly above CPI inflation.
- The consolidated budget deficit is projected to narrow from 6 per cent of GDP in 2022/23 to 4.2 per cent of GDP in 2024/25.
- Gross loan debt will stabilise at 75.1 per cent of GDP in 2024/25.
- Debt-service costs consume an increasing share of GDP and revenue and are expected to average R333.4 billion a year over the medium term.

## SPENDING PROGRAMMES

- Total consolidated government spending will amount to R6.62 trillion over the next three years, and the social wage will take up 59.4 per cent of total non-interest spending over this period.
- Additional allocations of R110.8 billion in 2022/23, R60 billion in 2023/24 and R56.6 billion in 2024/25 are made for several priorities that could not be funded through reprioritisation. These include the special COVID-19 social relief of distress grant, the continuation of bursaries for students benefiting from the National Student Financial Aid Scheme, and the presidential employment initiative.
- The bulk of the spending is allocated to learning and culture (R1.3 trillion), social development (R1 trillion) and debt-service costs (R1 trillion) over the MTEF.
- Economic development and community development grow faster than other functions at 8.5 per cent and 7.9 per cent, respectively.

## TAX PROPOSALS

- Given the revenue improvement, government proposes R5.2 billion in tax relief to help support the economic recovery, provide some respite from fuel tax increases and boost incentives for youth employment.
- Most of the relief is provided through an adjustment in personal income tax brackets and rebates. In addition, there will be no increase in either the general fuel levy or the Road Accident Fund levy.
- Progress continues to be made in rebuilding the South African Revenue Service.

# #RSABUDGET2022

## KEY BUDGET STATISTICS

A full set of 2022 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, 2022/23

R billion	
<b>TAX REVENUE</b>	<b>1 598.4</b>
of which:	
Personal income tax	587.9
Corporate income tax	269.9
Value-added tax	439.7
Taxes on international trade and transactions	62.5
<b>Non-tax revenue</b>	<b>33.3</b>
Less: SACU payments	-43.7
<b>Main budget revenue</b>	<b>1 588.0</b>
Provinces, social security funds and public entities	182.6
<b>Consolidated budget revenue</b>	<b>1 770.6</b>
As percentage of GDP	
Tax revenue	24.8%
Main Budget revenue	24.7%

### MACROECONOMIC PERFORMANCE AND PROJECTIONS

Percentage change	2018	2019	2020	2021	2022	2023	2024
	Actual			Estimate	Forecast		
Household consumption	2.4	1.1	-6.5	5.6	2.5	1.8	2.0
Gross fixed-capital formation	-1.8	-2.4	-14.9	1.2	3.2	3.8	4.1
Exports	2.8	-3.4	-12.0	9.3	2.9	2.8	2.7
Imports	3.2	0.5	-17.4	8.5	5.4	3.9	3.3
<b>Real GDP growth</b>	<b>1.5</b>	<b>0.1</b>	<b>-6.4</b>	<b>4.8</b>	<b>2.1</b>	<b>1.6</b>	<b>1.7</b>
CPI inflation	4.6	4.1	3.3	4.5	4.8	4.4	4.5
Current account balance (% of GDP)	-3.0	-2.6	2.0	3.8	0.3	-1.2	-1.5

### CONSOLIDATED FISCAL FRAMEWORK

R billion/percentage of GDP	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Outcome			Estimate	Medium-term estimates		
<b>Revenue</b>	<b>1 447.7</b>	<b>1 519.3</b>	<b>1 406.0</b>	<b>1 721.3</b>	<b>1 770.6</b>	<b>1 853.2</b>	<b>1 977.6</b>
	26.7%	26.7%	25.3%	27.5%	27.5%	27.2%	27.3%
<b>Expenditure</b>	<b>1 642.5</b>	<b>1 807.1</b>	<b>1 964.1</b>	<b>2 077.0</b>	<b>2 157.3</b>	<b>2 176.8</b>	<b>2 281.8</b>
	30.3%	31.8%	35.3%	33.2%	33.5%	32.0%	31.5%
<b>Budget balance</b>	<b>-194.9</b>	<b>-287.8</b>	<b>-558.1</b>	<b>-355.7</b>	<b>-386.6</b>	<b>-323.6</b>	<b>-304.2</b>
	-3.6%	-5.1%	-10.0%	-5.7%	-6.0%	-4.8%	-4.2%
<b>Gross domestic product</b>	<b>5 418.3</b>	<b>5 686.7</b>	<b>5 566.2</b>	<b>6 251.5</b>	<b>6 441.3</b>	<b>6 805.3</b>	<b>7 233.7</b>

### DIVISION OF NATIONALLY RAISED REVENUE

R billion/percentage of GDP	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Outcome			Estimate	Medium-term estimates		
<b>DIVISION OF AVAILABLE FUNDS</b>							
National departments	634.3	749.8	790.5	831.1	824.7	770.9	805.7
Provinces	572.0	613.4	628.8	661.2	682.5	667.3	690.2
Local government	118.5	123.0	137.1	135.3	150.6	160.5	170.1
Provisional allocation not assigned to votes	-	-	-	-	5.6	28.3	32.1
<b>Non-interest allocation</b>	<b>1 324.8</b>	<b>1 486.2</b>	<b>1 556.4</b>	<b>1 627.6</b>	<b>1 663.5</b>	<b>1 627.0</b>	<b>1 698.0</b>
Percentage shares							
<i>National departments</i>	47.9%	50.4%	50.8%	51.1%	49.7%	48.2%	48.4%
<i>Provinces</i>	43.2%	41.3%	40.4%	40.6%	41.2%	41.7%	41.4%
<i>Local government</i>	8.9%	8.3%	8.8%	8.3%	9.1%	10.0%	10.2%

### CONSOLIDATED SPENDING BY FUNCTIONAL AND ECONOMIC CLASSIFICATION, 2022/23

R billion	Compensation of employees	Goods and services	Capital spending and transfers	Current transfers and subsidies	Interest payments	Total
Basic education	222.3	30.0	12.9	32.8	0.0	<b>298.1</b>
Post-school education and training	13.0	2.1	5.0	111.4	0.0	<b>131.6</b>
Arts, culture, sport and recreation	4.3	3.5	1.2	2.9	0.0	<b>11.8</b>
Health	159.6	78.9	14.1	6.4	0.0	<b>259.0</b>
Social protection	15.8	8.4	0.7	255.4	0.0	<b>280.2</b>
Social security funds	5.4	5.8	1.7	71.1	0.1	<b>84.2</b>
Community development	17.9	14.5	84.7	119.2	0.1	<b>236.3</b>
Industrialisation and exports	10.9	5.9	7.7	14.7	0.0	<b>39.2</b>
Agriculture and rural development	12.0	7.4	5.7	2.3	0.0	<b>27.5</b>
Job creation and labour affairs	3.7	10.8	0.9	9.3	0.0	<b>24.8</b>
Economic regulation and infrastructure	24.7	42.9	36.4	4.9	8.6	<b>117.5</b>
Innovation, science and technology	5.3	3.7	2.2	7.0	0.0	<b>18.1</b>
Defence and state security	28.2	12.5	1.3	7.9	0.0	<b>50.0</b>
Police services	84.7	19.8	3.9	1.8	0.0	<b>110.2</b>
Law courts and prisons	34.9	13.1	1.8	1.0	0.0	<b>50.8</b>
Home affairs	5.1	3.0	1.2	0.4	0.0	<b>9.7</b>
Executive and legislative organs	8.3	5.0	0.3	1.3	0.0	<b>14.8</b>
Public administration and fiscal affairs	23.4	15.0	1.6	6.1	0.0	<b>46.1</b>
External affairs	2.9	2.5	0.5	2.3	0.1	<b>8.3</b>
Payments for financial assets						<b>27.2</b>
Debt-service costs					301.8	<b>301.8</b>
Contingency reserve						<b>10.0</b>
<b>Total</b>	<b>682.5</b>	<b>284.8</b>	<b>183.8</b>	<b>658.2</b>	<b>310.8</b>	<b>2 157.3</b>

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

# BUDGET2022/23

## BUDGET EXPENDITURE

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### CONSOLIDATED GOVERNMENT EXPENDITURE

## R2.16 TRILLION

## R1.30 TRILLION

### SOCIAL SERVICES



### R227.1bn

#### ECONOMIC DEVELOPMENT

Economic regulation and infrastructure	R117.5bn
Industrialisation and exports	R39.2bn
Agriculture and rural development	R27.5bn
Job creation and labour affairs	R24.8bn
Innovation, science and technology	R18.1bn

Basic education	R282.8bn
University transfers	R48.7bn
National Student Financial Aid Scheme	R46.1bn
Skills development levy institutions	R21.7bn
Education administration	R18.0bn
Technical & vocational education and training	R12.6bn



### R441.5bn

#### LEARNING AND CULTURE



### R220.7bn

#### PEACE AND SECURITY

Police services	R110.2bn
Law courts and prisons	R50.8bn
Defence and state security	R50.0bn
Home affairs	R9.7bn

District health services	R115.7bn
Central hospital services	R49.4bn
Other health services	R42.4bn
Provincial hospital services	R40.4bn
Facilities management and maintenance	R11.1bn



### R259.0bn

#### HEALTH



### R69.2bn

#### GENERAL PUBLIC SERVICES

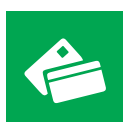
Public administration and fiscal affairs	R46.1bn
Executive and legislative organs	R14.8bn
External affairs	R8.3bn

Municipal equitable share	R87.3bn
Human settlements, water and electrification programmes	R58.7bn
Public transport	R47.4bn
Other human settlements and municipal infrastructure	R42.9bn



### R236.3bn

#### COMMUNITY DEVELOPMENT



### R301.8bn

#### DEBT-SERVICE COSTS

Old-age grant	R92.1bn
Social security funds	R84.2bn
Other grants	R78.9bn
Child-support grant	R77.2bn
Provincial social development	R22.0bn
Policy oversight and grant administration	R9.9bn



### R364.4bn

#### SOCIAL DEVELOPMENT



### R10.0bn

#### CONTINGENCY RESERVE



# Foreword

The 2022 Budget responds to South Africa's immediate needs and builds for the future.

Government is allocating an average of 59.4 per cent of consolidated non-interest spending over the medium term to address poverty and unemployment, and to support the economic recovery. The *special COVID-19 social relief of distress grant* is extended for 12 months, with additional funding for health, education and the presidential employment initiative.

A portion of higher-than-anticipated revenues since the 2021 Budget is used to reduce the deficit and the borrowing requirement. As a result, government expects to achieve a primary surplus – where revenue exceeds non-interest spending – by 2023/24, a year earlier than expected. Achieving this goal will represent a major milestone in returning the public finances to a sustainable position.

It's important to remember how we got here – and to ensure that history does not repeat itself.

From 2008/09, South Africa experienced more than a decade of stagnating economic growth, weighed down by longstanding structural constraints. At the same time, state capture drained the country's confidence and resources. A series of economic shocks and unbudgeted expenditures resulted in a massive deterioration of the public finances. And then came COVID-19.

The cumulative result was a colossal increase in public debt. In 2008/09, real public debt was equivalent to R22 869 for every person living in South Africa; today, it stands at R69 291 for every person in the country. The interest costs of this debt have risen beyond the annual budgets for health and basic education. Ending this situation to free up resources for national development has been a central government objective – and we are doing what we set out to do.

It has been an extraordinarily difficult adjustment, but there is light at the end of the tunnel. The medium-term outlook for economic growth is moderately stronger than at the time of the 2021 *Medium Term Budget Policy Statement*. The economy is expected to reach pre-pandemic levels of GDP this year. Reforms to boost investment, GDP growth and employment are under way. Faster implementation of these reforms will bolster confidence and economic recovery.

There are serious risks to our economic and fiscal plans. The global recovery remains unstable, and inflation is a growing concern. New variants of the coronavirus could lead to new waves of infection. We also face large spending pressures, including the risk of higher-than-budgeted public-service wages, demands for additional funding from financially distressed state-owned companies, and calls for permanent increases in spending that exceed available resources.

But, working together in partnership, South Africa can tackle these challenges.

I would like to express my appreciation to the Minister of Finance for his leadership of the 2022 Budget process. My thanks also go to the Deputy Minister, to Cabinet, to the Ministers' Committee on the Budget, to Parliament's Standing and Select Committees on Finance and Appropriations, to the Budget Council and to my counterparts across government for their contributions to this budget. Last but not least, I wish to salute the diligent work of my colleagues at the National Treasury, whose commitment to their constitutional mandate is unshakeable.



**Dondo Mogajane**  
**Director-General: National Treasury**





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