3

2024 BUDGET REVIEW

FISCAL POLICY

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- Government is staying the course on the fiscal strategy outlined in the 2023 *Medium Term Budget Policy Statement* (MTBPS) and will achieve a primary budget surplus in 2023/24, with debt stabilising by 2025/26.
- Debt-service costs will peak as a share of revenue in 2025/26 and decline thereafter.
- The consolidated budget deficit is projected to narrow from 4.9 per cent of GDP in 2023/24 to 3.3 per cent by the end of the 2024 medium-term expenditure framework (MTEF) period.
- The balanced approach to fiscal consolidation includes expenditure restraint and moderate revenue increases, while continuing to support the social wage and ensuring additional funding for critical services.
- Government will, after extensive consultation, propose a binding fiscal anchor for future sustainability. In the interim, the debt-stabilising primary surplus will anchor fiscal policy.

OVERVIEW

The balanced fiscal stance set out in the 2024 Budget will stabilise the public finances and reduce fiscal and economic risks, while promoting economic growth and supporting the most vulnerable members of society.

This year, for the first time since 2008/09, government will achieve a primary budget surplus – meaning revenue exceeds non-interest spending. Over time, as the debt burden decreases, maintaining this critical benchmark will create fiscal space. Government debt is expected to peak at 75.3 per cent of GDP in 2025/26, with debt-service costs as a share of revenue peaking in the same year.

Over the 2024 MTEF period, 60.2 per cent of consolidated non-interest spending goes to the social wage. The 2024 Budget reverses some of the spending reductions announced in the 2023 MTBPS by adding R57.6 billion to expenditure over the medium term, mainly to cover the costs of the 2023 public-service wage agreement.

FISCAL POLICY: OUTCOMES AND PROJECTIONS

South Africa's government gross loan debt as a percentage of GDP is at its highest point since 1947, and the debt-to-GDP trajectory is about 16 percentage points higher than the median emerging market level. Gross loan debt has grown from R1.58 trillion in 2013/14 to R5.21 trillion in 2023/24.

In 2023/24, for the first time since 2000/01, debt-service costs absorb more than 20 cents of every rand collected in revenue, and this metric will persist over the medium term. Debt-service costs consume a greater share of the budget than social development, health, community development, economic development or peace and security (Figure 3.4). Reducing these costs is critical for growth and development.

Over the next eight years, a large portion of the liabilities that government has incurred since 2009/10 will fall due with interest (Figure 3.1). These foreign and domestic debt redemptions will average R249.1 billion between 2024/25 and 2031/32, compared with an average of R61.7 billion over the past decade. The fiscal strategy is designed in part to help manage these large liabilities.

Figure 3.1 Historical and future redemptions

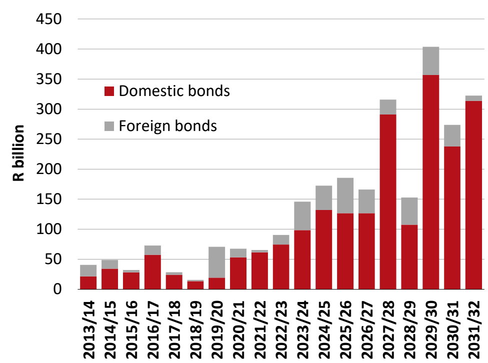


Figure 3.2 Debt-service costs as a share of main budget revenue

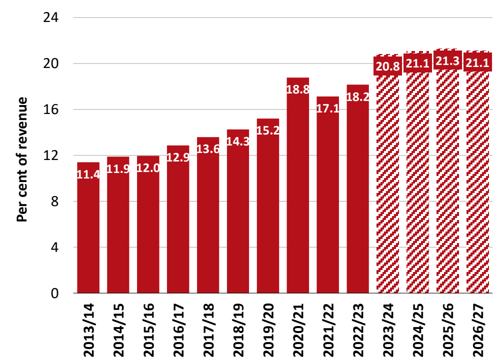


Figure 3.3 Gross debt-to-GDP outlook

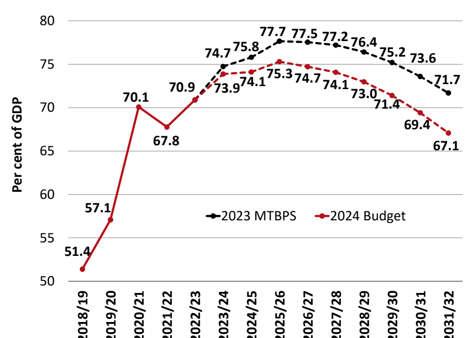
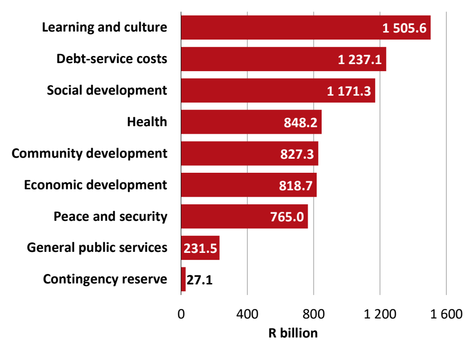


Figure 3.4 Consolidated government expenditure, 2024/25 – 2026/27



Source: National Treasury

Medium-term fiscal strategy and outlook

Government remains on course with the medium-term fiscal strategy outlined in the 2023 MTBPS. A key objective of the strategy is to realise a primary budget surplus in the current year. The surplus will grow over the medium term, narrowing the budget deficit and allowing debt to stabilise at 75.3 per cent of GDP in 2025/26. In turn, this will enable government to arrest the trend of rising debt-service costs, which will peak as a proportion of revenue at 21.3 per cent in 2025/26 and decline thereafter.

Compared with 2023 MTBPS estimates, the debt-to-GDP trajectory improves (Figure 3.3) mainly due to a lower gross borrowing requirement – the sum of the budget deficit, maturing loans and the Eskom debt-relief arrangement. A distribution totalling R150 billion from the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) over the MTEF period will reduce government borrowing, as explained in more detail in

Chapter 7. Over the medium term, the main budget deficit is projected to be lower than estimated in the 2023 MTBPS, driven by lower debt-service cost projections and rising primary budget surpluses, as higher revenue offsets additions to non-interest expenditure.

Table 3.1 shows selected macroeconomic variables that underpin the fiscal framework. Details of the economic outlook are presented in Chapter 2.

Table 3.1 Macroeconomic performance and projections

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Percentage change	Actual			Estimate	Forecast		
Real GDP growth	-6.8	6.0	1.3	0.7	1.4	1.7	1.8
Nominal GDP growth	-1.7	12.4	6.5	4.9	5.7	6.2	6.4
CPI inflation	2.9	5.2	7.2	5.5	4.7	4.7	4.5
GDP at current prices (R billion)	**5 615.9**	**6 312.0**	**6 721.8**	**7 049.0**	**7 452.2**	**7 913.8**	**8 422.3**

Source: National Treasury

Long-term fiscal anchor

International analysis links well-designed and binding fiscal rules to improved fiscal balances, less frequently missed fiscal targets and lower borrowing costs. With the primary budget surplus in place, government will consult widely on the matter of a legislated fiscal anchor in the year ahead.

CHANGES IN REVENUE AND EXPENDITURE

Revenue

Uncertainty in the tax revenue outlook remains a challenging feature of fiscal planning. Relative to the 2023 MTBPS, gross tax revenue projections have been revised up by R0.7 billion in 2023/24 and by R45.6 billion over the 2024 MTEF period. The revenue projections include tax increases of R15 billion in 2024/25 as part of the fiscal consolidation measures set out in the 2023 MTBPS. Details are in Chapter 4.

Table 3.2 Revised gross tax revenue projections

R billion	2022/23[1]	2023/24	2024/25	2025/26	2026/27
Revised estimate	**1 686.7**	**1 731.4**	**1 863.0**	**1 991.2**	**2 133.0**
Buoyancy	*1.21*	*0.54*	*1.33*	*1.11*	*1.11*
2023 MTBPS	**1 686.7**	**1 730.7**	**1 854.0**	**1 975.8**	**2 111.9**
Buoyancy	*1.21*	*0.61*	*1.15*	*1.07*	*1.05*
2023 Budget	**1 692.2**	**1 787.5**	**1 907.7**	**2 043.5**	
Buoyancy	*1.42*	*1.06*	*1.06*	*1.09*	
Projected improvement against 2023 MTBPS	0.0	0.7	9.1	15.4	21.1
Projected shortfall against 2023 Budget	-5.5	-56.1	-44.7	-52.2	

1. Actual outcome
Source: National Treasury

Since the 2023 MTBPS, medium-term non-tax revenue estimates have been increased by R9.5 billion, mainly driven by higher projections for mineral and petroleum royalties and the expected flow of revenue from the sale of strategic oil reserves in 2024/25. Projections of National Revenue Fund receipts have been revised up by R0.7 billion in 2023/24, mainly due to higher expected revaluation profits on foreign-currency transactions.

Payments to the Southern African Customs Union have been revised down by R8.4 billion in 2025/26 and R4.3 billion in 2026/27 compared with the 2023 MTBPS estimates. This is mainly a result of downward revisions to customs duties projections.

Overall, compared with the 2023 Budget estimates, main budget revenue is projected to be lower by R46.4 billion in 2023/24 and by a total of R113.3 billion in 2024/25 and 2025/26. This significant projected shortfall in revenue collections and projections mainly reflects downward revisions due to prevailing economic conditions and the resulting decline in corporate and net value-added tax.

Table 3.3 Revisions to main budget revenue estimates

	2024/25			2025/26			2026/27
R billion/percentage of GDP	2024 Budget	Deviation from the 2023 MTBPS	Deviation from the 2023 Budget	2024 Budget	Deviation from the 2023 MTBPS	Deviation from the 2023 Budget	2024 Budget[2]
Revenue							
Gross tax revenue	1 863.0	9.1	-44.7	1 991.2	15.4	-52.2	2 133.0
Non-tax revenue	34.6	5.4	-6.8	32.8	1.8	-10.4	32.3
SACU[1]	-89.9	–	-3.4	-77.2	8.4	2.8	-79.7
National Revenue Fund receipts	7.2	-1.5	1.8	0.6	0.2	-0.4	0.4
Main budget revenue	**1 815.0**	**12.9**	**-53.1**	**1 947.4**	**25.7**	**-60.3**	**2 086.0**
	24.4%			*24.6%*			*24.8%*

1. Southern African Customs Union. Amounts made up of payments and other adjustments
2. The main budget revenue for 2026/27 estimated in the 2024 Budget is R27.5 billion higher than the estimate in the 2023 MTBPS
Source: National Treasury

Expenditure

Table 3.4 presents changes to in-year main budget non-interest expenditure since the 2023 Budget. Non-interest expenditure decreased by a net R6 billion, mainly as a result of the proposed reductions to baselines, as well as declared unspent funds, projected underspending, drawdowns of the contingency reserve and provisional allocations not assigned to votes. Funds are provided for the 2023/24 wage increase in labour-intensive departments.

Table 3.4 Revisions to non-interest expenditure for 2023/24

R million	2023/24
Non-interest expenditure (2023 Budget)	**1 694 120**
Upward expenditure adjustments	**30 221**
2023 MTBPS	
Allocation for the 2023/24 wage increase	23 558
Provincial departments [1]	*17 558*
National departments [2]	*6 000*
Other allocations in the AENE[3]	5 864
Second adjustments appropriation: shifts to votes	470
National Revenue Fund payments adjustments in 2024 Budget	329
Downward expenditure adjustments	**-36 260**
Downward revisions to baselines[4]	-21 726
Projected underspending	-5 600
Drawdown on contingency reserve	-5 000
Net other downward adjustments[5]	-3 464
Second adjustments appropriation: shifts from votes	-470
Revised non-interest expenditure (2024 Budget)	**1 688 081**
Change in non-interest expenditure from 2023 Budget	-6 039

1. Mainly for departments of education and health
2. Departments of Police, Defence and Correctional Services
3. 2023 Adjusted Estimates of National Expenditure
4. National government, and provincial and local government conditional grants
5. Declared unspent funds and drawdown to provisional allocations not assigned to votes
Source: National Treasury

Table 3.5 outlines proposed revisions to main budget non-interest spending over the MTEF period ahead. It shows a net decrease of R80.6 billion compared with the 2023 Budget. This consists of:

- Proposed reductions of R206 billion to departmental baselines and provisional allocations not assigned to votes.
- A drawdown of the 2023 Budget unallocated reserve, partially offset by an increase in the contingency reserve.
- Spending additions of R251.3 billion, mainly for the carry-through costs of the 2023/24 wage increase and wage bill pressures in labour-intensive departments, including basic education, health and police.

Most other departments are expected to absorb the wage increase within their baselines. This will include managing headcounts, such as by implementing controls on payroll systems to ensure departments operate within their budgets. Government is exploring other measures, which will be tabled for discussion in the Public Service Co-ordinating Bargaining Council as part of a broader discussion on containing wage bill growth.

Table 3.5 Changes to main budget non-interest expenditure over MTEF period

R million	2024/25	2025/26	2026/27	MTEF total
Non-interest expenditure (2023 Budget)	**1 775 105**	**1 869 432**	**1 963 716**	**5 608 253**
Additions to baselines and provisional allocations	**80 436**	**83 641**	**87 252**	**251 330**
Additions for wage pressures and 2023/24 wage increase carry-through costs	46 299	48 263	50 277	144 839
Provincial departments[1]	*33 803*	*35 089*	*36 577*	*105 469*
National departments[2]	*12 496*	*13 174*	*13 700*	*39 369*
Implementation of the recommendations of the State Capture Commission and FATF[3]	200	209	219	628
COVID-19 social relief of distress grant	33 587	–	–	33 587
Provisional allocation for social protection	–	35 169	36 756	71 926
Additional funding for elections (police and defence)	350	–	–	350
Change in reserves and other adjustments[4]	**-38 505**	**-42 538**	**-44 882**	**-125 925**
Reductions to baselines and provisional allocations	**-63 252**	**-69 623**	**-73 104**	**-205 979**
Revised non-interest expenditure (2024 Budget)	**1 753 784**	**1 840 913**	**1 932 982**	**5 527 679**
Change in non-interest expenditure from 2023 Budget	-21 321	-28 519	-30 734	-80 574

1. Mainly for departments of education and health
2. Departments of Police, Defence, Correctional Services, Justice and Constitutional Development and Home Affairs
3. Financial Action Task Force
4. Includes drawdown of 2023 Budget unallocated reserves, increase in contingency reserve in 2025/26 and 2026/27, revisions to skills development levy projections, and rescheduling of capital projects
Source: National Treasury

What is the impact of government spending on economic growth?

Fiscal multipliers – a measure of the impact of government's spending and tax decisions on GDP – offer important insights into the performance of fiscal policy. In South Africa, the impact of these multipliers has declined over time.

The National Treasury's internal estimates confirm that the fiscal multiplier is below one, meaning higher government spending has not been contributing to higher economic growth. This is mainly due to how the accumulation of debt by government crowds out private investment by raising interest rates. It also points to the importance of the composition of government spending. Higher spending on capital investment leads to higher growth in the longer term, while consumption spending entrenches deficits and debt without stronger long-term growth.

Relevant papers published through Southern Africa – Towards Inclusive Economic Development reveal interesting dynamics.[1] Four explanations emerge for low fiscal multipliers. First, unsustainable spending increases do not boost economic growth because higher debt-service costs crowd out important economic and social expenditure. Second, the efficiency of government spending is weak due in particular to poor governance in municipalities and state-owned companies. Third, structural constraints, such as the lack of reliable electricity and logistics challenges, mean that government spending fails to promote and facilitate private-sector participation and investment. Fourth, tax increases to fund higher government spending can harm economic growth.

These findings support government's focus on the implementation of structural reforms to address the binding constraints to growth and reforms to increase infrastructure investment.

1. https://sa-tied.wider.unu.edu/macro-fiscal-analysis

Compared with the 2023 Budget, the expenditure ceiling has decreased by R21 billion in 2024/25 and R28.1 billion in 2025/26.

Table 3.6 Main budget expenditure ceiling

R million	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
2021 MTBPS	1 487 388	1 570 890	1 552 268	1 558 725	1 627 154		
2022 Budget	1 487 399	1 575 002	1 630 905	1 613 671	1 686 932		
2022 MTBPS	1 487 385	1 566 490	1 667 118	1 665 349	1 744 762	1 832 678	
2023 Budget	1 487 419	1 566 498	1 653 459	1 671 030	1 750 276	1 842 572	
2023 MTBPS	1 487 419	1 566 327	1 657 767	1 667 370	1 713 335	1 795 241	1 884 736
2024 Budget	**1 487 419**	**1 566 327**	**1 657 767**	**1 664 709**	**1 729 270**	**1 814 458**	**1 904 385**

Source: National Treasury

CONSOLIDATED FISCAL FRAMEWORK

Between the 2023 Budget and the 2024 Budget, the estimated consolidated budget deficit for 2023/24 grew from 4 per cent to 4.9 per cent of GDP. The deficit is projected to decline to 3.3 per cent of GDP in 2026/27 as the main budget deficit narrows and social security funds, provinces and public entities move into a combined cash surplus in 2025/26. Over the next three years, consolidated non-interest expenditure will contract at an annual average rate of 0.5 per cent in real terms.

Table 3.7 Consolidated fiscal framework

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
R billion/percentage of GDP	Outcome			Revised estimate	Medium-term estimates		
Revenue	**1 409.9**	**1 751.7**	**1 896.4**	**1 921.4**	**2 036.6**	**2 176.4**	**2 323.6**
	25.1%	*27.8%*	*28.2%*	*27.3%*	*27.3%*	*27.5%*	*27.6%*
Expenditure	**1 965.1**	**2 043.9**	**2 141.1**	**2 268.9**	**2 369.0**	**2 471.4**	**2 597.8**
	35.0%	*32.4%*	*31.9%*	*32.2%*	*31.8%*	*31.2%*	*30.8%*
Non-interest expenditure	*1 724.2*	*1 767.9*	*1 825.3*	*1 904.9*	*1 978.1*	*2 048.1*	*2 149.3*
	30.7%	*28.0%*	*27.2%*	*27.0%*	*26.5%*	*25.9%*	*25.5%*
Budget balance	**-555.2**	**-292.2**	**-244.7**	**-347.4**	**-332.4**	**-295.0**	**-274.2**
	-9.9%	*-4.6%*	*-3.6%*	*-4.9%*	*-4.5%*	*-3.7%*	*-3.3%*

Source: National Treasury

The budget limits potentially damaging reductions to key services. The budgets for basic education, health and the police are projected to grow in nominal annual average terms at 4.7 per cent, 3.4 per cent and 5.4 per cent, respectively, over the 2024 MTEF period. Spending on the community and economic development functions will grow by 4.5 per cent and 6.3 per cent respectively. In contrast, spending on general public services grows marginally over the medium term.

The composition of spending will remain broadly in line with existing policy. Over the medium term, the wage bill continues to grow near the rate of consumer price index inflation. Over the next three years, capital payments and transfers will grow by a nominal annual average of 7.3 per cent. The consolidated budget deficit is largely driven by the capital financing requirement, as capital spending is projected to grow faster than current spending.

Table 3.8 Consolidated operating and capital accounts

R billion/percentage of GDP	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Outcome			Revised estimate	Medium-term estimates		
OPERATING ACCOUNT							
Current revenue	**1 375.9**	**1 735.2**	**1 875.5**	**1 883.5**	**2 018.5**	**2 169.0**	**2 316.3**
Current payments	**1 746.2**	**1 822.0**	**1 947.0**	**2 082.0**	**2 163.8**	**2 255.0**	**2 354.7**
Compensation of employees	634.7	666.5	689.2	721.1	754.2	788.7	822.5
Goods and services	244.7	268.0	292.4	315.9	320.5	339.6	352.0
Interest payments	240.9	275.9	315.8	364.0	390.9	423.3	448.5
Current transfers and subsidies	625.9	611.6	649.6	680.9	698.2	703.4	731.7
Current balance	**-370.4**	**-86.8**	**-71.5**	**-198.5**	**-145.3**	**-86.0**	**-38.4**
	-6.6%	*-1.4%*	*-1.1%*	*-2.8%*	*-1.9%*	*-1.1%*	*-0.5%*
CAPITAL ACCOUNT							
Capital receipts	0.2	0.3	0.4	0.3	0.3	0.2	0.2
Capital payments	62.3	73.3	86.0	107.1	117.8	125.6	142.7
Capital transfers	65.5	72.0	61.6	76.3	79.8	81.2	84.1
Capital financing requirement	**-127.5**	**-144.9**	**-147.1**	**-183.1**	**-197.3**	**-206.6**	**-226.5**
	-2.3%	*-2.3%*	*-2.2%*	*-2.6%*	*-2.6%*	*-2.6%*	*-2.7%*
Financial transactions[1]	-57.3	-60.5	-26.0	34.2	15.2	5.2	5.2
Contingency reserve	–	–	–	–	5.0	7.6	14.5
Budget balance	**-555.2**	**-292.2**	**-244.7**	**-347.4**	**-332.4**	**-295.0**	**-274.2**
	-9.9%	*-4.6%*	*-3.6%*	*-4.9%*	*-4.5%*	*-3.7%*	*-3.3%*

1. Balance of transactions in financial assets and liabilities
Source: National Treasury

ELEMENTS OF THE CONSOLIDATED BUDGET

The consolidated budget includes the main budget framework and spending by provinces, social security funds and public entities financed from their own revenue sources.

Main budget framework

Table 3.9 summarises spending financed from the National Revenue Fund. In 2022/23, the main budget deficit outcome of 4.6 per cent of GDP was close to the 2023 Budget estimate of 4.5 per cent of GDP. The 2023/24 main budget deficit is projected at 4.7 per cent of GDP, compared with 3.9 per cent in the 2023 Budget, mainly due to lower revenue.

Relative to the 2023 MTBPS projections, improvements are achieved in the main budget primary surplus and the budget deficit from 2025/26 due to higher revenue and lower debt-service costs. Debt-service costs have been revised down by R30.2 billion over the MTEF period. The deficit is expected to continue narrowing over the medium term, from 4.3 per cent of GDP in 2024/25 to 3.4 per cent by 2026/27, as a result of the fiscal strategy.

Table 3.9 Main budget framework

R billion/percentage of GDP	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Outcome			Revised estimate	Medium-term estimates		
Revenue							
Gross tax revenue after proposals	1 249.7	1 563.8	1 686.7	1 731.4	1 863.0	1 991.2	2 133.0
Non-tax revenue	26.3	40.4	51.0	38.2	34.6	32.8	32.3
SACU[1]	-63.4	-46.0	-43.7	-79.8	-89.9	-77.2	-79.7
National Revenue Fund receipts	25.8	6.1	5.2	23.1	7.2	0.6	0.4
Main budget revenue	**1 238.4**	**1 564.3**	**1 699.2**	**1 712.8**	**1 815.0**	**1 947.4**	**2 086.0**
	22.1%	*24.8%*	*25.3%*	*24.3%*	*24.4%*	*24.6%*	*24.8%*
Expenditure							
National departments	790.5	822.8	855.9	823.9	848.5	853.7	890.5
Provinces	628.8	660.8	694.1	706.4	729.5	760.9	790.8
Local government	137.1	135.6	150.7	157.8	170.3	177.7	183.8
Contingency reserve	–	–	–	–	5.0	7.6	14.5
Provisional allocation not assigned to votes	–	–	–	–	0.6	41.1	53.5
Non-interest expenditure	**1 556.4**	**1 619.2**	**1 700.7**	**1 688.1**	**1 753.8**	**1 840.9**	**1 933.0**
Debt-service costs	232.6	268.1	308.5	356.1	382.2	414.7	440.2
Main budget expenditure	**1 789.0**	**1 887.3**	**2 009.2**	**2 044.2**	**2 136.0**	**2 255.6**	**2 373.2**
	31.9%	*29.9%*	*29.9%*	*29.0%*	*28.7%*	*28.5%*	*28.2%*
Main budget balance	**-550.6**	**-323.0**	**-309.9**	**-331.4**	**-320.9**	**-308.2**	**-287.2**
	-9.8%	*-5.1%*	*-4.6%*	*-4.7%*	*-4.3%*	*-3.9%*	*-3.4%*
Primary balance	**-318.1**	**-54.9**	**-1.5**	**24.8**	**61.2**	**106.5**	**153.0**
	-5.7%	*-0.9%*	*-0.0%*	*0.4%*	*0.8%*	*1.3%*	*1.8%*

1. Southern African Customs Union. Amounts made up of payments and other adjustments. The estimates for the next two years include projected forecast error adjustments for 2022/23 and 2023/24, respectively
Source: National Treasury

Social security funds, public entities and provincial balances

In 2022/23, public entities – mainly the South African National Roads Agency Limited, the National Skills Fund and the Trans-Caledon Tunnel Authority – recorded a combined cash surplus of R43.2 billion. Due to higher capital spending, this surplus moves to a projected deficit from 2023/24. In 2025/26 and 2026/27, social security funds are expected to run cash surpluses, offsetting the projected cash deficits for public entities.

Table 3.10 Consolidated budget balances

R billion	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Main budget	-550.6	-323.0	-309.9	-331.4	-320.9	-308.2	-287.2
Social security funds	-46.7	-6.2	8.4	-0.1	-0.1	23.3	27.0
Provinces	3.0	2.1	13.4	-11.5	-3.9	0.3	0.5
Public entities	39.3	35.5	43.2	-4.6	-7.5	-10.6	-14.7
RDP Fund[1]	-0.1	-0.6	0.2	0.1	0.1	0.1	0.1
Consolidated budget balance	**-555.2**	**-292.2**	**-244.7**	**-347.4**	**-332.4**	**-295.0**	**-274.2**

1. Reconstruction and Development Programme Fund
Source: National Treasury

PUBLIC-SECTOR BORROWING REQUIREMENT

In 2022/23, the public-sector borrowing requirement fell to R306.6 billion, or 4.6 per cent of GDP, reflecting the narrowing of the consolidated budget deficit. Borrowing requirements for 2023/24 are revised up by R84.1 billion to R470 billion (6.7 per cent of GDP) compared with the expectations in the 2023 *Budget Review*.

Table 3.11 Public-sector borrowing requirement[1]

R billion/percentage of GDP	2020/21	2021/22	2022/23	2023/24			2024/25	2025/26	2026/27
	Outcome			Budget 2023	Budget 2024	Deviation	Medium-term estimates		
Main budget	550.6	323.0	309.9	275.4	331.4	56.0	320.9	308.2	287.2
Social security funds	46.7	6.2	-8.4	8.2	0.1	-8.1	0.1	-23.3	-27.0
Provinces	-3.0	-2.1	-13.4	1.0	11.5	10.4	3.9	-0.3	-0.5
Public entities	-39.3	-35.5	-43.2	-0.9	4.6	5.5	7.5	10.6	14.7
RDP Fund	0.1	0.6	-0.2	-0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Consolidated government	**555.2**	**292.2**	**244.7**	**283.7**	**347.4**	**63.8**	**332.4**	**295.0**	**274.2**
National borrowing for Eskom debt-relief arrangement	–	–	–	78.0	76.0	-2.0	64.2	110.2	–
GFECRA settlement	–	–	–	–	–	–	-100.0	-25.0	-25.0
Consolidated borrowing	**555.2**	**292.2**	**244.7**	**361.7**	**423.4**	**61.8**	**296.5**	**380.2**	**249.2**
	9.9%	*4.6%*	*3.6%*	*5.2%*	*6.0%*		*4.0%*	*4.8%*	*3.0%*
Local authorities[2]	**6.8**	**7.5**	**8.8**	**13.0**	**13.1**	**0.1**	**14.5**	**17.2**	**15.9**
	0.1%	*0.1%*	*0.1%*	*0.2%*	*0.2%*		*0.2%*	*0.2%*	*0.2%*
State-owned companies[3]	**32.9**	**15.6**	**53.1**	**11.3**	**33.5**	**22.2**	**21.4**	**27.3**	**13.9**
	0.6%	*0.2%*	*0.8%*	*0.2%*	*0.5%*		*0.3%*	*0.3%*	*0.2%*
Borrowing requirement	**594.8**	**315.3**	**306.6**	**385.9**	**470.0**	**84.1**	**332.5**	**424.7**	**279.0**
	10.6%	*5.0%*	*4.6%*	*5.5%*	*6.7%*		*4.5%*	*5.4%*	*3.3%*

1. A negative number reflects a surplus and a positive number a deficit
2. 2022/23 is an adjusted budget estimate, as the outcome is still being audited
3. Comprises Eskom, South African Airways (SAA), Transnet, Airports Company South Africa (ACSA) and Denel. Eskom, SAA, ACSA and Denel are not projecting to borrow in 2023/24 and over the medium term. South African National Roads Agency Limited and Trans-Caledon Tunnel Authority are included in consolidated government net borrowing
Source: National Treasury

RISKS TO THE FISCAL OUTLOOK

The major risks are largely unchanged since the 2023 MTBPS. They include:

- Weaker-than-expected economic growth, which would slow revenue growth and widen the budget deficit.
- Higher borrowing costs.
- An unaffordable wage increase in the second year of the MTEF period.
- Further deterioration in the balance sheet of major public-sector institutions, such as municipalities and state-owned companies, which could result in bailout demands.

CONCLUSION

Government remains committed to a fiscal consolidation that balances the needs of the most vulnerable in society and protects the public finances for future generations. The 2024 Budget will yield a primary budget surplus, leading to the stabilisation of debt by 2025/26. Over the medium term, a binding fiscal rule will be introduced to anchor sustainable public finances.