3

2025 BUDGET REVIEW

FISCAL POLICY

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

CHAPTER 3

FISCAL POLICY

In brief

- Government's fiscal strategy is on track to strengthen the public finances.
- The consolidated budget deficit is projected to narrow from 5 per cent of GDP in 2024/25 to 3.5 per cent of GDP in 2027/28.
- The primary budget surplus will enable government to stabilise debt by the end of 2025/26.
- Debt-service costs are forecast to peak as a share of revenue this year, declining gradually thereafter.
- The fiscal strategy blends critical spending measures, including for essential services and infrastructure investments, with revenue increases.

OVERVIEW

The 2024 *Medium Term Budget Policy Statement* (MTBPS) set out a pro-growth agenda to address South Africa's economic and fiscal challenges. The 2025 Budget reaffirms government's commitment to raise living standards by implementing economic reforms, expanding infrastructure investment and stabilising debt. This year, government projects a main budget primary surplus of 0.5 per cent of GDP, which will increase to 0.9 per cent in 2025/26, stabilising debt as a share of GDP.

The 2025 Budget proposes tax revenue increases to fund new and persistent spending pressures. These measures are expected to raise R28 billion in additional tax revenue in 2025/26 and R14.5 billion in 2026/27, mainly by not adjusting personal income tax brackets for inflation and increasing the value-added tax (VAT) rate by 0.5 percentage points in each of the next two years. The additional revenue will be used to increase funding for key public services, including education, health and commuter rail. The impact of the tax measures on the most vulnerable households will be cushioned by real increases in social grants, an expansion of the list of zero-rated foods and continued fuel levy relief. Over the medium term, new spending pressures will need to be addressed through expenditure reductions, reprioritisations or additional revenue measures.

The fiscal strategy remains on track. Prudent and sustainable fiscal policy, in combination with the economic strategy set out in chapters 1 and 2, is laying the foundation for faster economic growth and job creation. Servicing the country's large public debt now consumes 22 cents of every rand of main budget revenue. Reducing these costs is critical for national development. As debt-service costs decline, some of the savings will be used to build fiscal buffers.

FISCAL POLICY TRENDS

South Africa's fiscal framework and debt dynamics deteriorated significantly in the aftermath of the 2008–2009 global financial crisis as economic growth fell below historical averages. At the same time, increases in public-service wages and transfers to households, and rising debt-service costs, created a growing divergence between government spending and available resources, which are raised mainly through tax revenues.

Government debt rose from R1.79 trillion in 2014/15 to R5.26 trillion in 2023/24. Measured in inflation-adjusted terms, the burden of public debt per working-age individual climbed from R70 074 in 2014/15 to R114 976 in 2023/24, while real interest costs per individual jumped from R4 472 to R7 785 over the same period. During this decade of economic underperformance, real GDP per person fell from R80 046 to R74 599, underscoring how economic stagnation intensified pressure on households and the broader economy.

The adoption of a main budget expenditure ceiling in 2012 constrained growth in non-interest expenditure. However, rapid growth in debt-service costs, above-inflation wage settlements and repeated bailouts of public enterprises – as well as shocks such as COVID-19 – saw total consolidated government spending rise sharply from R1.23 trillion in 2014/15 to R2.26 trillion in 2023/24, outpacing average annual inflation of 5.2 per cent.

Figure 3.1 Average annual real growth, 2008/09 – 2023/24

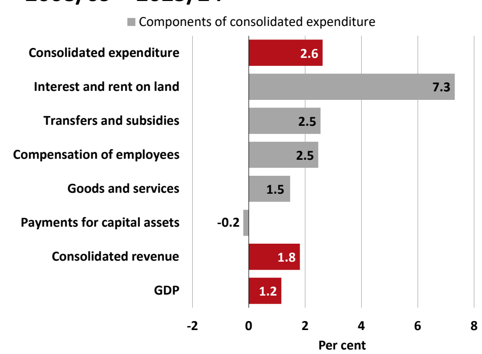
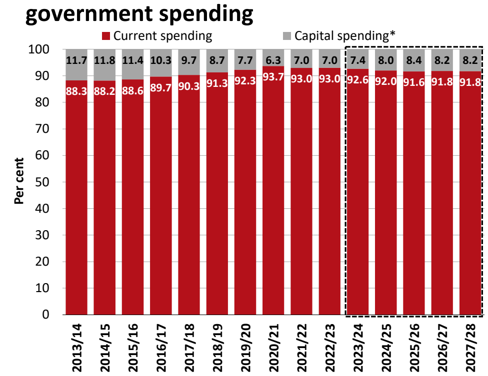


Figure 3.2 Composition of consolidated government spending



**Includes payments for capital assets and capital transfers*
Source: National Treasury

Despite this increase in total spending, there was no corresponding improvement in economic output. Infrastructure investment declined as a share of total expenditure, indicating a shift towards current consumption at the expense of future growth (Figure 3.2), while debt-service costs absorbed a growing proportion of main budget revenue.

Table 3.1 Macroeconomic performance and projections

Percentage change	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual			Estimate	Forecast		
Real GDP growth	6.2	1.4	0.7	1.1	1.8	1.8	1.9
Nominal GDP growth	12.6	6.9	4.9	5.4	7.0	6.4	6.5
CPI inflation	5.2	7.2	5.5	3.9	4.7	4.5	4.4
GDP at current prices (R billion)	**6 325.6**	**6 763.5**	**7 094.8**	**7 478.8**	**7 999.4**	**8 512.6**	**9 068.7**

Source: National Treasury

MEDIUM-TERM FISCAL STRATEGY

The fiscal strategy continues to strike a balance between stabilising the public finances, reducing risks in the fiscal framework, encouraging economic growth and supporting low-income and vulnerable households. Over the medium term, the strategy prioritises:

- A fiscal anchor to support responsible borrowing and spending. In 2025/26, the debt-stabilising main budget primary surplus will serve as the fiscal anchor, with larger primary surpluses planned for the remainder of the decade to reduce debt as a proportion of GDP.
- An additional R28 billion in revenue in 2025/26 through an increase in the VAT rate, no inflationary adjustments to personal income tax brackets and other measures.
- Growth-enhancing public investment by ensuring that payments for capital assets at a consolidated level grow faster than inflation.
- Continued support for frontline services and the vulnerable by allocating 61 per cent of consolidated non-interest spending to the social wage – that is, spending on health, education, social protection, community development and employment programmes. This includes above-inflation increases to social grants to help offset the impact of the VAT increase among vulnerable households.

The 2025 public-service wage agreement covers a three-year period, in contrast with recent contracts that have covered only one or two years. This agreement will support greater certainty in budget planning.

ELEMENTS OF THE MEDIUM-TERM FISCAL STRATEGY AND OUTLOOK

Strengthening fiscal sustainability and accountability

While a debt-stabilising primary surplus will anchor fiscal policy over the rest of the decade, government has initiated consultations on potential longer-term fiscal anchors. Alongside the 2025 Budget, government is publishing a discussion document that outlines options and trade-offs.

The assessment of fiscal anchors is based on the premise that governments should make revenue or expenditure choices that are affordable without compromising important social and economic programmes for future generations. The discussion document reviews global experience with fiscal anchors and assesses how institutions can be reformed to strengthen the sustainability of budget practices. It focuses on procedural reforms, rather than numerical limits, given their positive impact on transparency and accountability.

At the same time, government continues to explore ways to balance fiscal sustainability with developmental objectives, so that public resources can be targeted effectively for social and economic impact. Enhanced fiscal risk analysis, economic forecasting and oversight of off-budget entities will reinforce the credibility of the fiscal framework. To ensure this process benefits from meaningful public engagement, the National Treasury is soliciting views and inviting debate with all interested parties on suitable reforms to balance sustainable public finances and development needs.

Tax policy measures

Since 2020, government has signalled that increases in spending need to be matched by corresponding revenue measures. In preparing the current tax proposals, government reviewed all major tax instruments. As detailed in Chapter 4, the VAT rate – unchanged since 2018 – remains below the average of peer countries, and raising VAT tends to be less harmful to growth than other tax options. Government seeks to raise an additional R28 billion in the coming fiscal year. This will mainly be achieved by not adjusting the personal income tax brackets for inflation and increasing the VAT rate by 0.5 percentage points. The VAT rate will be increased by an additional 0.5 percentage points in 2026/27 to reach 16 per cent.

To limit the impact of VAT on the poor, government currently zero rates 21 essential food items. Government now proposes to extend zero rating to several more food items that are consumed in many low-income households.

Pro-growth infrastructure and social spending allocations

The main budget adds R46.7 billion to infrastructure plans over the medium term, partially offset by a drawdown on the provisional allocation of R24.6 billion from the Infrastructure Fund. Capital payments are the fastest-growing area of spending by economic classification. Government is also undertaking reforms to improve the efficiency of infrastructure financing and build the pipeline of blended finance projects. Additional infrastructure reforms are outlined in Chapter 6 and Annexure D of the *Budget Review*.

Allocations to the social wage will account for 61 per cent of consolidated non-interest spending to support low-income and vulnerable households over the medium-term expenditure framework (MTEF) period.

A sustainable public-service wage agreement

In terms of the 2025 public-service wage agreement, remuneration of government employees will rise by 5.5 per cent in 2025/26 – 1 percentage point above projected consumer price index (CPI) inflation. Over the subsequent two years, remuneration of employees will align with CPI. This agreement will cost the fiscus an additional R7.3 billion in 2025/26, R7.8 billion in 2026/27 and R8.2 billion in 2027/28. Government will partially draw down on the contingency reserve to meet these costs. Although the agreement exceeds the 2024 Budget and MTBPS projections, its three-year duration reduces uncertainty in budget planning.

In addition, government is reactivating early retirement without penalties to help manage wage costs. An amount of R11 billion is allocated over the next two fiscal years for this initiative. The plan is to manage headcounts by incentivising employees over 55 years old to retire and moderate compensation spending as new recruits join the public service at entry-level salary grades. Preliminary savings are expected to average R7.1 billion per year over the medium to long term. Savings will be retained by departments.

CHANGES IN REVENUE AND EXPENDITURE

Revenue

Since the 2024 MTBPS, gross tax revenue projections have been revised up by R5.6 billion in 2024/25 and by R137.8 billion over the 2025 MTEF period.

Table 3.2 Revised gross tax revenue projections

R billion	2023/24[1]	2024/25	2025/26	2026/27	2027/28
Revised estimate	**1 740.9**	**1 846.3**	**2 006.1**	**2 163.5**	**2 306.2**
Buoyancy	*0.66*	*1.12*	*1.24*	*1.22*	*1.01*
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	–	5.6	34.4	52.4	51.0
Projected variance against 2024 Budget	9.5	-16.7	14.9	30.5	

1. Actual outcome
Source: National Treasury

Relative to the 2024 MTBPS, non-tax revenue estimates have been lowered by R3.3 billion in the outer two years of the MTEF period, mainly driven by lower projections for mineral and petroleum royalties. The R4 billion revenue expected from the sale of strategic oil reserves will flow to the National Revenue Fund in 2025/26. Projections for National Revenue Fund receipts have been revised up by R1 billion in 2025/26, mainly due to higher expected revaluation profits on foreign-currency transactions.

Payments to the Southern African Customs Union have been revised up by R2.2 billion in 2026/27 and R5.4 billion in 2027/28 compared with the 2024 MTBPS estimates, mainly due to upward revisions to customs duties projections.

Overall, compared with the 2024 Budget estimates, main budget revenue is projected to be R17.5 billion lower in 2024/25 and, in total, R55.4 billion higher in 2025/26 and 2026/27, mainly reflecting the impact of tax increases.

Table 3.3 Revisions to main budget revenue estimates

R billion/percentage of GDP	2025/26			2026/27			2027/28
	2025 Budget	Deviation from the 2024 MTBPS	Deviation from the 2024 Budget	2025 Budget	Deviation from the 2024 MTBPS	Deviation from the 2024 Budget	2025 Budget[2]
Revenue							
Gross tax revenue	2 006.1	34.4	14.9	2 163.5	52.4	30.5	2 306.2
Non-tax revenue	36.4	2.4	3.6	31.7	-1.5	-0.6	31.7
SACU[1]	-73.6	-0.0	3.7	-77.7	-2.2	2.1	-91.8
National Revenue Fund receipts	1.5	1.0	0.9	0.9	0.2	0.5	0.5
Main budget revenue	**1 970.5**	**37.8**	**23.0**	**2 118.4**	**48.8**	**32.4**	**2 246.6**
	24.6%			*24.9%*			*24.8%*

1. Southern African Customs Union. Amounts made up of payments and other adjustments
2. The main budget revenue for 2027/28 estimated in the 2025 Budget is R43.9 billion higher than the estimate in the 2024 MTBPS
Source: National Treasury

Expenditure

Main budget non-interest expenditure increased by a net R6.9 billion in 2024/25 compared with the 2024 Budget projection. This was mainly as a result of the proposed spending additions for rollovers, the troop deployment in the Democratic Republic of the Congo, the repayment of debt for the Gauteng Freeway Improvement Project and spending announced in the 2024 Budget, including an increase in the *COVID-19 social relief of distress grant*. These increases are partially offset by declared unspent funds, projected underspending, and drawdowns of the contingency reserve and provisional allocations.

Table 3.4 shows proposed medium-term revisions to main budget non-interest spending.

Table 3.4 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]	102 438	68 179	61 981	232 598
Infrastructure projects[1]	*14 104*	*15 833*	*16 741*	*46 678*
2025 public-service wage agreement and carry-through costs	*7 317*	*7 842*	*8 211*	*23 371*
Early retirement costs	*4 400*	*6 600*	*–*	*11 000*
COVID-19 social relief of distress grant	*35 169*	*–*	*–*	*35 169*
Social grants above-inflation increases	*1 594*	*3 265*	*3 344*	*8 203*
Provisional allocations for frontline services	*22 234*	*23 504*	*24 978*	*70 716*
Other spending additions[1]	*17 619*	*11 135*	*8 707*	*37 460*
Reductions to provisional allocations[2]	-40 817	-9 098	-16 741	-66 656
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)	**1 899 485**	**1 982 279**	**2 064 386**	**5 946 150**
Change in non-interest expenditure from 2024 Budget	58 572	49 297	34 120	141 989

1. Details are in Table 5.2 in Chapter 5
2. Includes drawdown of provisional allocations for COVID-19 social relief of distress grant and public employment programmes in 2025/26, 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

It shows a net increase of R142 billion compared with the 2024 Budget. This increase comprises spending additions partially offset by reductions in provisional allocations of R66.7 billion and a R21.3 billion drawdown of the contingency reserve. Details on spending additions appear in Table 5.2.

CONSOLIDATED FISCAL FRAMEWORK

The consolidated budget deficit for 2024/25, projected at 4.5 per cent of GDP in the 2024 Budget, is now estimated at 5 per cent. The deficit is projected to decline to 3.5 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 next three years, consolidated non-interest expenditure will increase at an annual average rate of 0.8 per cent in real terms.

Table 3.5 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**	**2 029.2**	**2 221.9**	**2 377.4**	**2 520.6**
	27.7%	*28.1%*	*27.5%*	*27.1%*	*27.8%*	*27.9%*	*27.8%*
Expenditure	**2 047.3**	**2 145.4**	**2 259.5**	**2 404.0**	**2 592.3**	**2 703.0**	**2 834.9**
	32.4%	*31.7%*	*31.8%*	*32.1%*	*32.4%*	*31.8%*	*31.3%*
Non-interest expenditure	*1 771.3*	*1 829.7*	*1 896.0*	*2 006.1*	*2 158.9*	*2 244.6*	*2 346.2*
	28.0%	*27.1%*	*26.7%*	*26.8%*	*27.0%*	*26.4%*	*25.9%*
Budget balance	**-292.6**	**-244.6**	**-311.6**	**-374.7**	**-370.4**	**-325.6**	**-314.2**
	-4.6%	*-3.6%*	*-4.4%*	*-5.0%*	*-4.6%*	*-3.8%*	*-3.5%*

Source: National Treasury

The budgets for basic education, health and the police are projected to grow in nominal annual average terms at 5.9 per cent, 5.9 per cent and 5.2 per cent respectively over the MTEF period. Spending on the community and economic development functions will grow by 4.5 per cent and 8.1 per cent respectively.

Medium-term capital payments and transfers will grow by a nominal annual average of 6.6 per cent. The wage bill and goods and services will increase by 5.7 per cent and 5.4 per cent respectively. The consolidated budget deficit is largely driven by the capital financing requirement.

Table 3.6 Consolidated operating and capital accounts

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		
OPERATING ACCOUNT							
Current revenue	**1 738.3**	**1 879.6**	**1 913.4**	**2 004.7**	**2 196.2**	**2 360.0**	**2 504.8**
Current payments	**1 827.3**	**1 949.2**	**2 087.0**	**2 201.3**	**2 358.8**	**2 469.5**	**2 584.8**
Compensation of employees	666.3	689.3	723.6	763.1	822.8	861.9	900.0
Goods and services	270.8	291.6	315.5	326.5	352.1	364.8	382.1
Interest payments	276.0	315.8	363.6	397.9	433.4	458.4	488.7
Current transfers and subsidies	614.2	652.5	684.3	713.9	750.5	784.4	814.0
Current balance	**-89.0**	**-69.6**	**-173.6**	**-196.7**	**-162.6**	**-109.5**	**-80.1**
	-1.4%	*-1.0%*	*-2.4%*	*-2.6%*	*-2.0%*	*-1.3%*	*-0.9%*
CAPITAL ACCOUNT							
Capital receipts	0.3	0.7	0.7	0.3	0.3	0.2	0.2
Capital payments	73.2	89.8	103.8	116.5	135.2	135.7	147.1
Capital transfers	70.2	59.5	62.4	75.9	81.9	85.1	85.9
Capital financing requirement	**-143.1**	**-148.6**	**-165.6**	**-192.1**	**-216.8**	**-220.6**	**-232.8**
	-2.3%	*-2.2%*	*-2.3%*	*-2.6%*	*-2.7%*	*-2.6%*	*-2.6%*
Financial transactions[1]	-60.5	-26.4	27.7	14.1	13.9	9.9	9.7
Contingency reserve	–	–	–	–	5.0	5.5	11.1
Budget balance	**-292.6**	**-244.6**	**-311.6**	**-374.7**	**-370.4**	**-325.6**	**-314.2**
	-4.6%	*-3.6%*	*-4.4%*	*-5.0%*	*-4.6%*	*-3.8%*	*-3.5%*

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 3.7 summarises spending financed from the National Revenue Fund. In 2023/24, the main budget deficit outcome of 4.6 per cent of GDP was close to the 2024 Budget estimate of 4.7 per cent of GDP. The 2024/25 main budget deficit is projected at 4.7 per cent of GDP, compared with 4.3 per cent in the 2024 Budget, due to weaker growth and lower revenue.

Relative to the 2024 MTBPS projections, higher main budget primary surpluses and lower budget deficits are projected in 2026/27 and 2027/28, as higher spending is more than offset by higher revenue. Debt-service costs have been revised up by R12.1 billion over the MTEF period. The deficit is expected to continue narrowing over the medium term, from 4.4 per cent of GDP in 2025/26 to 3.3 per cent by 2027/28.

Government proposes to maintain a R21.6 billion contingency reserve over the MTEF period to manage major unanticipated risks.

Table 3.7 Main budget framework

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
R billion/percentage of GDP		Outcome		Revised estimate		Medium-term estimates	
Revenue							
Gross tax revenue after proposals	1 563.8	1 686.7	1 740.9	1 846.3	2 006.1	2 163.5	2 306.2
Non-tax revenue	40.4	51.0	43.9	31.9	36.4	31.7	31.7
SACU[1]	-46.0	-43.7	-79.8	-89.9	-73.6	-77.7	-91.8
National Revenue Fund receipts	6.1	5.2	19.0	9.2	1.5	0.9	0.5
Main budget revenue	**1 564.3**	**1 699.2**	**1 724.0**	**1 797.6**	**1 970.5**	**2 118.4**	**2 246.6**
	24.7%	*25.1%*	*24.3%*	*24.0%*	*24.6%*	*24.9%*	*24.8%*
Expenditure							
National departments	822.8	855.9	826.9	862.3	912.8	910.2	943.9
Provinces	660.8	694.1	706.3	730.7	767.8	798.4	833.8
Local government	135.6	150.7	157.7	167.7	176.8	185.1	190.8
Contingency reserve	–	–	–	–	5.0	5.5	11.1
Provisional allocations not appropriated	–	–	–	–	37.1	83.0	84.7
Non-interest expenditure	**1 619.2**	**1 700.7**	**1 690.8**	**1 760.7**	**1 899.5**	**1 982.3**	**2 064.4**
Debt-service costs	268.1	308.5	356.1	389.6	424.9	449.2	478.6
Main budget expenditure	**1 887.3**	**2 009.2**	**2 046.9**	**2 150.3**	**2 324.4**	**2 431.5**	**2 543.0**
	29.8%	*29.7%*	*28.9%*	*28.8%*	*29.1%*	*28.6%*	*28.0%*
Main budget balance	**-323.0**	**-309.9**	**-322.9**	**-352.7**	**-353.9**	**-313.0**	**-296.4**
	-5.1%	*-4.6%*	*-4.6%*	*-4.7%*	*-4.4%*	*-3.7%*	*-3.3%*
Primary balance	**-54.9**	**-1.5**	**33.2**	**36.8**	**71.0**	**136.1**	**182.3**
	-0.9%	*-0.0%*	*0.5%*	*0.5%*	*0.9%*	*1.6%*	*2.0%*

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 2023/24 and 2024/25 respectively
Source: National Treasury

Social security funds, public entities and provincial balances

In 2023/24, public entities, social security funds and provinces recorded a combined cash surplus. The social security funds cash surplus was mainly the result of underspending in social benefits payments by the Unemployment Insurance Fund. Over the medium term, public entities are projected to run cash deficits, mainly due to higher capital spending by the South African National Roads Agency Limited, the Passenger Rail Agency of South Africa, the Trans-Caledon Tunnel Authority and the water boards.

Table 3.8 Consolidated budget balances

R billion	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Main budget	-323.0	-309.9	-322.9	-352.7	-353.9	-313.0	-296.4
Social security funds	-6.2	8.6	10.9	-8.1	-5.7	-2.6	-3.1
Provinces	2.1	13.4	-6.2	-6.4	1.9	2.3	3.5
Public entities	35.1	43.0	6.6	-7.6	-13.1	-12.8	-18.9
RDP Fund[1]	-0.6	0.2	0.0	0.2	0.4	0.5	0.7
Consolidated budget balance	**-292.6**	**-244.6**	**-311.6**	**-374.7**	**-370.4**	**-325.6**	**-314.2**

1. Reconstruction and Development Programme Fund
Source: National Treasury

PUBLIC-SECTOR BORROWING REQUIREMENT

In 2023/24, the public-sector borrowing requirement rose to R395.1 billion, or 5.6 per cent of GDP, reflecting the widening of the consolidated budget deficit. The borrowing requirement for 2024/25 is revised up by R62.1 billion to R394.6 billion compared with the 2024 *Budget Review* estimate.

Table 3.9 Public-sector borrowing requirement[1]

R billion/percentage of GDP	2021/22	2022/23	2023/24	2024/25			2025/26	2026/27	2027/28
	Outcome			2024 Budget	2025 Budget	Deviation	Medium-term estimates		
Main budget	323.0	309.9	322.9	320.9	352.7	31.8	353.9	313.0	296.4
Social security funds	6.2	-8.6	-10.9	0.1	8.1	8.1	5.7	2.6	3.1
Provinces	-2.1	-13.4	6.2	3.9	6.4	2.5	-1.9	-2.3	-3.5
Public entities	-35.1	-43.0	-6.6	7.5	7.6	0.1	13.1	12.8	18.9
RDP Fund	0.6	-0.2	-0.0	-0.1	-0.2	-0.1	-0.4	-0.5	-0.7
Consolidated government	**292.6**	**244.6**	**311.6**	**332.4**	**374.7**	**42.3**	**370.4**	**325.6**	**314.2**
National borrowing for Eskom debt-relief arrangement	–	–	76.0	64.2	64.2	–	80.2	–	–
GFECRA settlement	–	–	–	-100.0	-100.0	–	-25.0	-25.0	–
Consolidated borrowing	**292.6**	**244.6**	**387.6**	**296.5**	**338.9**	**42.3**	**425.7**	**300.6**	**314.2**
	4.6%	*3.6%*	*5.5%*	*4.0%*	*4.5%*		*5.3%*	*3.5%*	*3.5%*
Local authorities[2]	**7.5**	**8.7**	**7.5**	**14.5**	**14.0**	**-0.5**	**12.9**	**10.6**	**11.7**
	0.1%	*0.1%*	*0.1%*	*0.2%*	*0.2%*		*0.2%*	*0.1%*	*0.1%*
State-owned companies[3]	**15.6**	**53.1**	**–**	**21.4**	**41.8**	**20.3**	**29.4**	**25.4**	**38.4**
	0.2%	*0.8%*	*0.0%*	*0.3%*	*0.6%*		*0.4%*	*0.3%*	*0.4%*
Borrowing requirement	**315.7**	**306.5**	**395.1**	**332.5**	**394.6**	**62.1**	**468.0**	**336.6**	**364.3**
	5.0%	*4.5%*	*5.6%*	*4.5%*	*5.3%*		*5.9%*	*4.0%*	*4.0%*

1. A negative number reflects a surplus and a positive number a deficit
2. 2023/24 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. 2023/24 outcome excludes Eskom and Transnet because their quarterly reports are outstanding. Eskom, SAA, ACSA and Denel are not projecting to borrow in 2024/25 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

Risks to the fiscal outlook remain balanced. The conclusion of wage negotiations with a multi-year agreement and the early retirement initiative reduce compensation risks over the period ahead. 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.

CONCLUSION

Government will achieve a longstanding ambition to stabilise debt next year through the strengthening primary surplus. The fiscal strategy will continue to manage fiscal risks, support essential services and encourage economic growth.