

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 1502 [NW1709E]

1502. Mr E M Buthelezi (IFP) to ask the Minister of Finance:

- (1) Whether the public debt decreased since June 2020 in accordance with the Government's undertaking to reduce it; if not, by what total amount did it increase; if so, by what total amount did it decrease;
- (2) what are the (a) details of the strategies that the Government has implemented since June 2020 to reduce public debt and (c) estimated outcomes in 2021?

NW1709E

REPLY:

- (1) The June 2020 Supplementary Budget projected that gross national government debt will reach R3.97 trillion or 81.8 per cent of GDP by the end of 2020/21. According to the preliminary outcome for 2020/21, gross debt amounted to R3.93 trillion or 79 per cent of GDP. According to the 2021 Budget, gross debt will stabilise in 2025/26 at 88.9 per cent of GDP compared to 95.3 per cent forecasted in the 2020 Medium Term Budget Policy Statement.
- (2) (a) The 2020 Supplementary Budget outlined how Cabinet had endorsed a 2021 budget process that moves towards debt stabilisation. Cabinet had reiterated support for the proposed public-service wage bill reductions announced in February, which would improve the composition of spending.

The 2020 Medium Term Budget Policy Statement (MTBPS) then proposed steps to reduce the fiscal deficit and stabilise debt-to-GDP ratio over a five-year period. The 2020 MTBPS proposed fiscal adjustments to narrow the main budget deficit by 7.3 percentage points of GDP over the 2020 medium-term expenditure framework (MTEF) period, and by an additional 1.8 percentage points in the subsequent two years after the MTEF. To partially offset the effect of the spending adjustment, government had weighted the largest share of reductions to the wage bill, while supporting capital grants and the Infrastructure Fund. Narrowing the deficit and improving the composition of spending requires reductions in the growth of the wage bill, which accounts for about one-third of the consolidated budget.

Government proposed downward adjustments to main budget spending plans over the next three years. Relative to the 2020 Budget, total main budget non-interest expenditure was projected to decrease by R62.9 billion in 2021/22, R92.9 billion in 2022/23 and R150.9 billion in 2023/24.

(c) The 2021 Budget continues this path of expenditure restraint and fiscal consolidation. However, it withdraws the R40 billion in tax measures announced in 2020 SAB. Efforts to narrow the budget deficit and improve the composition of spending – primarily through restraining wage bill growth – remain on course.