



Box 3 The 2024 Medium Term Budget Policy Statement¹

The 2024 Medium Term Budget Policy Statement (MTBPS) sets out a pro-growth agenda to address South Africa's prolonged economic and fiscal weakness. Over the medium term, the strategy is focused on supporting economic growth and reducing poverty and unemployment, while ensuring long-term fiscal stability by maintaining macroeconomic stability and sustainable fiscal policy, implementing structural reforms, supporting growth-enhancing public infrastructure investment and building a capable state that delivers a reasonable and reliable standard of public service to foster the necessary environment for inclusive economic growth and job creation.

The main expected outcomes of the 2024 MTBPS are to achieve a primary budget surplus² of 1.8% of gross domestic product (GDP) in fiscal 2027/28 and to stabilise national government's gross loan debt at 75.5% of GDP in fiscal 2025/26.

Leading up to the 2024 MTBPS, the South African economy was faced with challenges in logistics and port operations. However, Transnet's freight volumes grew from 149.5 million tonnes at the end of March 2023 to approximately 151.7 million tonnes by the end of March 2024, supported by the implementation of a recovery plan from October 2023 and reversing the prolonged decline in freight volumes. Although the risks to the domestic economic outlook were assessed as balanced at the time of the 2024 Budget, the 2024 MTBPS revised the projection for real GDP growth lower to 1.1% in 2024 from the 1.3% projected in the 2024 Budget Review. However, the country's fiscal and economic outlook remains optimistic over the medium term, with the economy projected to grow by an annual average of 1.8% over the medium term as a result of the early benefits of the implementation of reforms.

In the second half of 2024, headline consumer price inflation receded to its lowest rate in over three years, supported by lower food and transport prices, and is projected to stabilise around the midpoint of the 3–6% inflation target range over the medium term. Risks to the inflation outlook include higher administered prices and unfavourable weather conditions for agriculture.

Macroeconomic projections*

Percentage

	2023**	2024		2025		2026		2027
		Medium-term estimates***						
	Outcome	Budget	MTBPS	Budget	MTBPS	Budget	MTBPS	MTBPS
Real GDP growth	0.7	1.3	1.1	1.6	1.7	1.8	1.7	1.9
CPI	5.9	4.9	4.6	4.6	4.4	4.6	4.5	4.5
Current account balance (as a percentage of GDP)	-1.6	-2.8	-1.8	-3.0	-2.1	-3.0	-2.2	-2.5
GDP at current prices (R billions)	7 024	7 346	7 397	7 801	7 898	8 298	8 404	8 954

* Calendar years

** 2024 MTBPS

*** 2024 Budget Review and 2024 MTBPS

Source: National Treasury

The 2024 MTBPS revised consolidated government revenue lower by R15.1 billion to R2 022 billion compared with the 2024 Budget Review's original estimate of R2 037 billion for fiscal 2024/25, largely reflecting downward revisions in tax revenue. By contrast, National Revenue Fund (NRF) receipts have been revised upwards by R3.2 billion, mainly due to higher-than-expected revaluation profits from foreign currency transactions and provincial conditional grant surrenders from fiscal 2023/24. The gross tax revenue projected for fiscal 2024/25 has been revised downwards by R22.3 billion compared with the 2024 Budget Review estimate of R1 863 billion, largely on account of the reduced collection of import value-added tax (VAT), personal income tax (PIT) and the net fuel levy.

1 The Minister of Finance presented the 2024 Medium Term Budget Policy Statement (MTBPS) to Parliament on 30 October 2024.

2 A primary budget surplus is attained when revenue exceeds non-interest expenditure.

Fiscal framework*

R billions/percentage of GDP

	2023/24**	2024/25		2025/26		2026/27		2027/28
		Medium-term estimates***						
	Outcome	Budget	MTBPS	Budget	MTBPS	Budget	MTBPS	MTBPS
Total consolidated revenue	1 941	2 037	2 022	2 176	2 167	2 324	2 314	2 472
Total consolidated expenditure	2 259	2 369	2 395	2 471	2 510	2 598	2 624	2 767
Of which: Debt-service costs***	356.1	382.2	388.9	414.7	419.1	440.2	445.7	475.7
Primary balance****	33.2	61.2	3.2	106.5	75.3	153.0	120.6	166.7
Percentage of GDP	0.5	0.8	0.4	1.3	0.9	1.8	1.4	1.8
Consolidated budget deficit (fiscal balance)	-317.5	-332.4	-373.5	-295.0	-343.7	-274.2	-310.1	-295.3
Percentage of GDP	-4.5	-4.5	-5.0	-3.7	-4.3	-3.3	-3.6	-3.2
Gross loan debt of national government	5 259	5 522	5 622	5 959	6 055	6 293	6 424	6 817
Percentage of GDP	74.1	74.1	74.7	75.3	75.5	74.7	75.3	75.0

* Fiscal years

** 2024 MTBPS

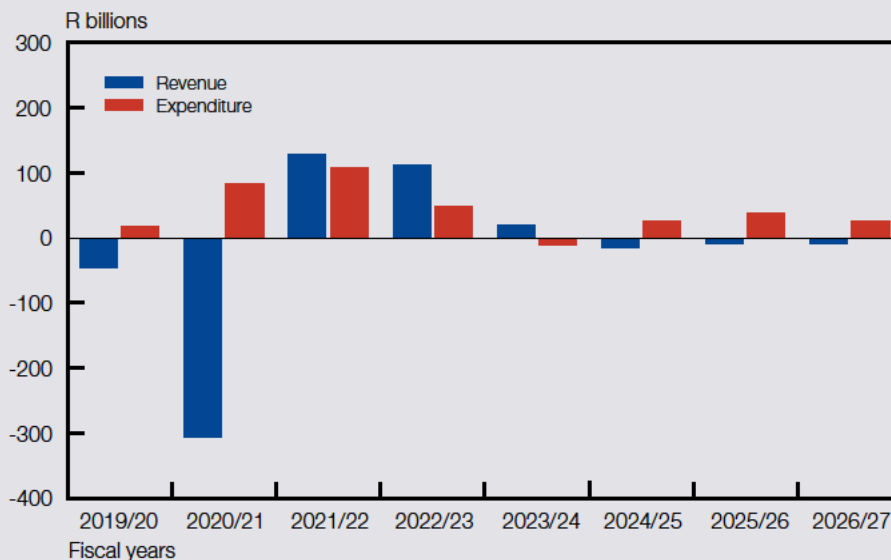
*** 2024 Budget Review and 2024 MTBPS

**** Main budget

Source: National Treasury

The government's medium-term strategy remains focused on achieving fiscal sustainability and as such provides for limited financial support to state-owned companies (SOCs), while remaining committed to completing the resolution of the debt obligations of Eskom and the South African National Roads Agency Limited (SANRAL), enabling them to make critical investments in electricity supply and road infrastructure respectively. The termination of toll collections on Phase 1 of the Gauteng Freeway Improvement Project (GFIP) put SANRAL under significant financial strain. To mitigate these pressures, national government and the Gauteng province took over R47.0 billion of the agency's outstanding liabilities. In fiscal 2024/25 and over the medium term, Gauteng's contribution will amount to R13.1 billion, while national government will provide R4.4 billion, with further commitments beyond this period.

Revisions to consolidated government's revenue and expenditure*



* Budget Review to MTBPS

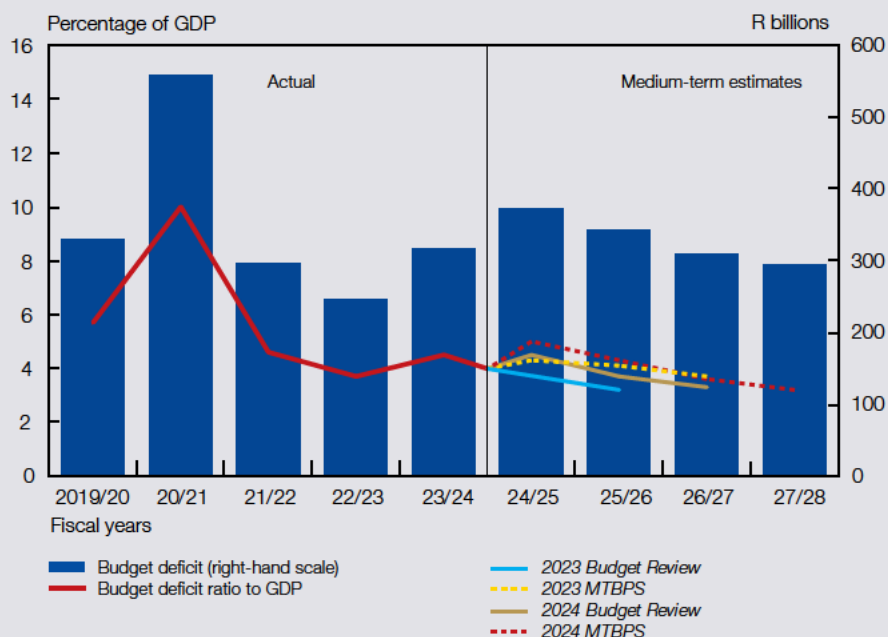
Source: National Treasury



Consolidated government expenditure for fiscal 2024/25 was revised higher in the 2024 MTBPS to an estimated R2 395 billion, from R2 369 billion projected in the 2024 Budget Review due to higher non-interest expenditure and debt-service costs. Non-interest expenditure is projected to increase in the next two years due to the additional allocation of R13.3 billion to SANRAL for the repayment of debt related to the GFIP. In addition, the government approved R11.0 billion to implement early retirement measures in fiscal 2025/26 and fiscal 2026/27 to manage the public service wage bill, while an adjustment of R3.5 billion was made to carry-through costs for the South African National Defence Force's troop deployment in the Democratic Republic of the Congo. Debt-service costs – the fastest-growing component of spending – were revised upwards by R6.7 billion to R388.9 billion in fiscal 2024/25 due to high interest rates and a wider budget deficit. Escalating debt-service costs have diverted funds away from essential services such as education, healthcare and investment in infrastructure.

The consolidated government budget deficit is projected to narrow from 5.0% of GDP in fiscal 2024/25 and to average 3.7% over the medium term.

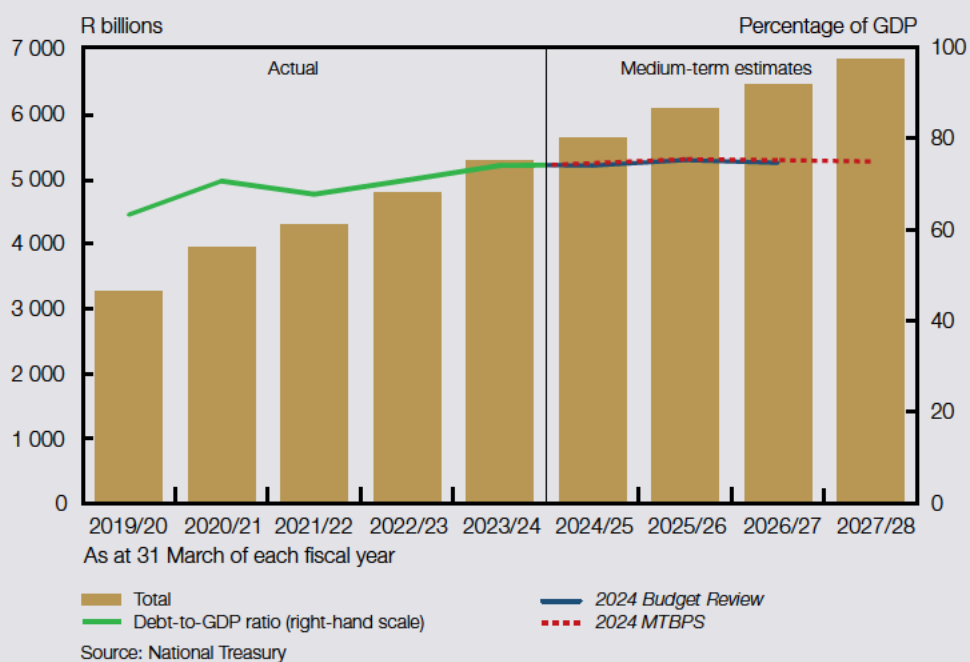
Consolidated government budget deficit



Source: National Treasury

The government's gross borrowing requirement for fiscal 2024/25 – the sum of the budget deficit, maturing loans, the Eskom debt-relief arrangement and the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) settlement – was reduced by R32.9 billion to R424.7 billion. Over the medium term, the gross borrowing requirement is expected to average R557.5 billion. The government's financing strategy in fiscal 2024/25 includes securing US\$3.0 billion from international financial institutions and capital markets, while aiming to raise approximately US\$15.0 billion over the medium term to meet its foreign-currency obligations. To help manage liquidity, the government will also draw down on its foreign exchange balances. Debt redemptions will increase notably from R173.7 billion in fiscal 2025/26 to R306.0 billion in fiscal 2027/28. To honour these redemptions, the government will exchange some shorter-dated bonds for longer-dated bonds.

National government gross loan debt



The total gross loan debt of national government in fiscal 2024/25 was revised higher to R5 622 billion in the 2024 MTBPS and is expected to increase to R6 817 billion in fiscal 2027/28. The increase is attributed to a larger budget deficit as well as fluctuations in interest, inflation and exchange rates. Gross loan debt as a percentage of GDP is projected to stabilise at 75.5% in fiscal 2025/26.

The 2024 MTBPS highlighted some risks to the fiscal outlook in the near to medium term, largely reflecting expectations of lower revenue growth due to weak global and domestic economic growth, difficulties in implementing the government's borrowing strategy as well as potentially increased demands for budgetary support, especially related to SOCs, and higher-than-anticipated public sector wage increases.

