

Box 4 The 2026 Budget Review¹

The theme of the 2026 Budget centred around strengthening economic stability and promoting sustainable economic growth. Accordingly, National Treasury expects growth in real gross domestic product (GDP) to improve slightly to 1.6% in 2026, from 1.4% in 2025, and further to 2.0% in 2028, bolstered by improved fiscal conditions, lower inflation expectations and improved investor confidence in the medium term. However, challenges such as logistical bottlenecks, weak public infrastructure, and adverse climate and weather-related events pose risks to the outlook, as they add to the cost of doing business.

Macroeconomic projections*

Percentage

	2023	2024	2025			2026	2027	2028
	Actual outcome		Budget	MTBPS	Budget**	Medium-term estimates**		
Real GDP growth	0.8	0.5	1.4	1.2	1.4	1.6	1.8	2.0
Consumer price inflation	5.9	4.4	3.7	3.3	3.2	3.4	3.3	3.2
Current account balance***	-1.1	-0.7	-0.7	-1.0	-0.9	-1.0	-1.2	-1.3

* Calendar years

** 2026 Budget Review

*** As a percentage of GDP

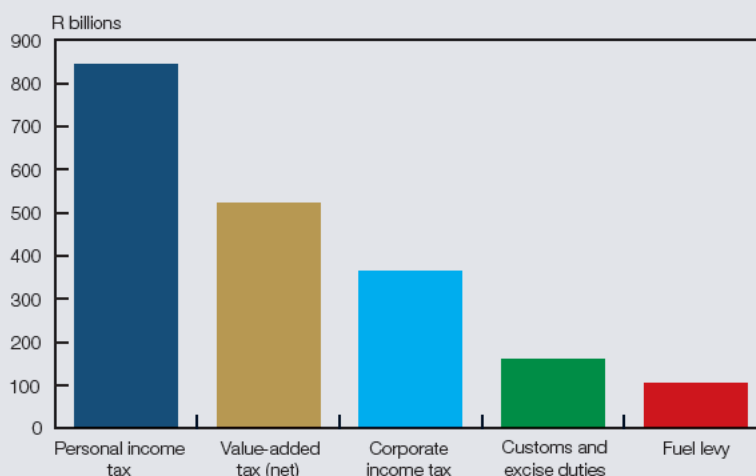
Sources: National Treasury, Stats SA and SARB

The 2026 Budget marks an important turning point, with the economic outlook expected to improve moderately and public debt projected to stabilise in fiscal 2025/26 and decline over the medium term. The Budget proposed that government should introduce legislation requiring each new administration to table a medium-term fiscal plan to ensure fiscal sustainability. Furthermore, government will announce proposals for a principles-led fiscal anchor in the *2026 Medium Term Budget Policy Statement (MTBPS)* instead of one based on numerical rules.

The budget deficit is projected to narrow, while the primary surplus is anticipated to increase steadily over the medium term. Risks to the fiscal outlook include weaker-than-expected global and domestic economic growth, commodity price volatility, the financial health of state-owned companies (SOCs) and higher borrowing costs due to geopolitical risks, adverse global monetary conditions or changes in investor sentiment.

The 2026 Budget projected that gross tax revenue will be R21.3 billion higher in fiscal 2025/26 than previously expected in the *2025 Budget Overview*. The revenue overrun is due to higher collections of net value-added tax, corporate income tax and dividends tax, with the tax-to-GDP ratio expected to increase from 25.1% in fiscal 2024/25 to 25.9% in fiscal 2025/26. Consequently, the proposed R20 billion tax increase in the *2025 Budget Overview* was withdrawn as key fiscal targets are expected to be achieved. This change supports economic growth by allowing households and businesses to retain a larger share of their income. As a result, total tax revenue was revised cumulatively lower by R57.2 billion over the medium term.

Major sources of consolidated government revenue in fiscal 2026/27



Sources: National Treasury and SARS

¹ The Minister of Finance presented the *2026 Budget Review* to Parliament on 25 February 2026.

For the first time since fiscal 2023/24, tax thresholds, rebates and duties have been adjusted to offer taxpayers some relief from the impact of inflation. The main tax proposals include the following:

- In fiscal 2026/27, personal income tax (PIT) brackets and rebates will be adjusted in line with the expected inflation rate of 3.4% for 2026.
- Medical tax credits will increase from R364 to R376 for the first two members, and from R246 to R254 for additional members.
- The updated global minimum tax rules will be implemented in fiscal 2026/27 and are anticipated to reduce profit shifting by multinational corporations by limiting opportunities to benefit from negligible or zero tax rates abroad.
- Excise duties on alcoholic beverages and tobacco products will be increased in line with the projected inflation rate for fiscal 2026/27.
- Given subdued fuel prices, the general fuel levy is proposed to increase by less than inflation from 1 April 2026, to R4.10 per litre for petrol and R3.93 per litre for diesel. The Road Accident Fund (RAF) levy will increase by 7 cents per litre to R2.25 per litre, in line with expected inflation, while customs and excise levies will remain unchanged. The carbon fuel levy will increase to 19 cents per litre for petrol and 23 cents per litre for diesel, effective 1 April 2026.

Consolidated fiscal framework indicators*

R billions

	2023/24	2024/25	2025/26			2026/27	2027/28	2028/29
	Outcome		2025 Budget	2025 MTBPS	2026 Budget**	Medium-term estimates***		
Consolidated revenue ...	1 950	2 054	2 201	2 225	2 232	2 345	2 467	2 613
Percentage of GDP	27.4	27.8	28.0	26.9	28.8	28.6	28.6	28.8
Consolidated expenditure	2 257	2 390	2 579	2 589	2 579	2 670	2 768	2 893
Percentage of GDP	31.7	32.3	32.8	31.8	33.2	32.6	32.1	31.9
Consolidated budget balance	-306.5	-336.0	-377.9	-363.4	-347.2	-324.3	-300.8	-280.7
Percentage of GDP	-4.3	-4.5	-4.8	-4.7	-4.5	-4.0	-3.5	-3.1
Primary surplus***	33.2	51.0	65.0	68.5	71.7	131.2	166.9	208.9
Percentage of GDP	0.5	0.7	0.8	0.9	0.9	1.6	1.9	2.3
Gross loan debt***	5 259	5 694	6 091	6 070	6 119	6 326	6 636	6 944
Percentage of GDP	73.9	77.0	77.4	77.9	78.9	77.3	77.0	76.5
Net loan debt***	5 064	5 469	5 964	5 928	5 915	6 178	6 515	6 838
Percentage of GDP	71.2	73.9	75.8	76.1	76.3	75.4	75.6	75.3

* Fiscal years. This is the consolidated budget framework of national, provincial and local government as well as social security funds and selected public entities. Budget data are therefore not strictly comparable with the data published in the SARB's *Quarterly Bulletin*.

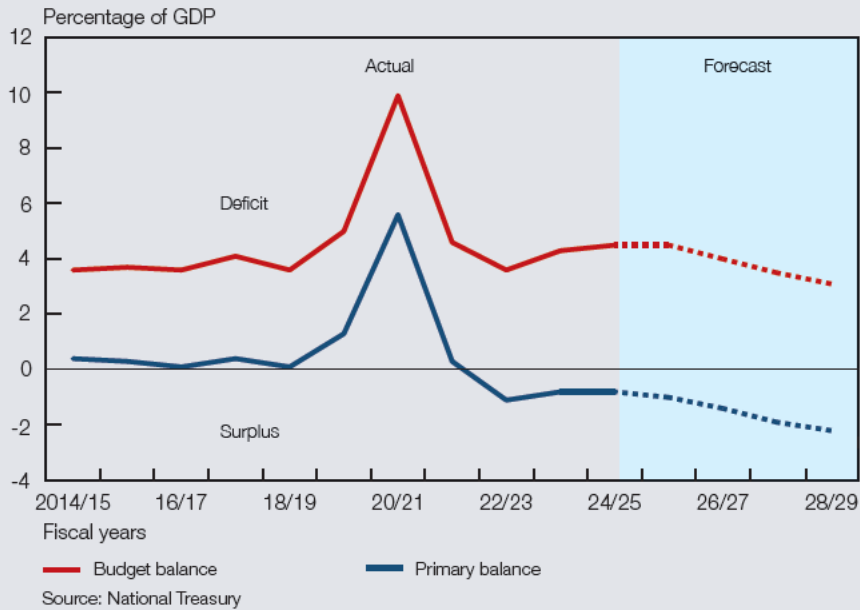
** 2026 Budget Review

*** Main budget

Source: National Treasury

Consolidated government expenditure is projected to increase at an average annual rate of 3.9% over the medium term, rising from R2.6 trillion in fiscal 2025/26 to R2.9 trillion in fiscal 2028/29. Consolidated non-interest expenditure is expected to increase at an average annual rate of 3.9%. The cost of servicing debt is anticipated to decline from 21.3% of total revenue in fiscal 2025/26 to 20.2% in fiscal 2028/29, with a downward revision of R10.6 billion over the medium term. The 2026 Budget remains highly redistributive, allocating approximately 60% of non-interest spending to social programmes over the medium term, primarily towards basic education, health and social protection. Capital payments, the fastest-growing expenditure item, is expected to increase by 9.7% per annum on average over the medium term, thereby improving access to public services, expanding the economy's productive capacity and unlocking more private investment.

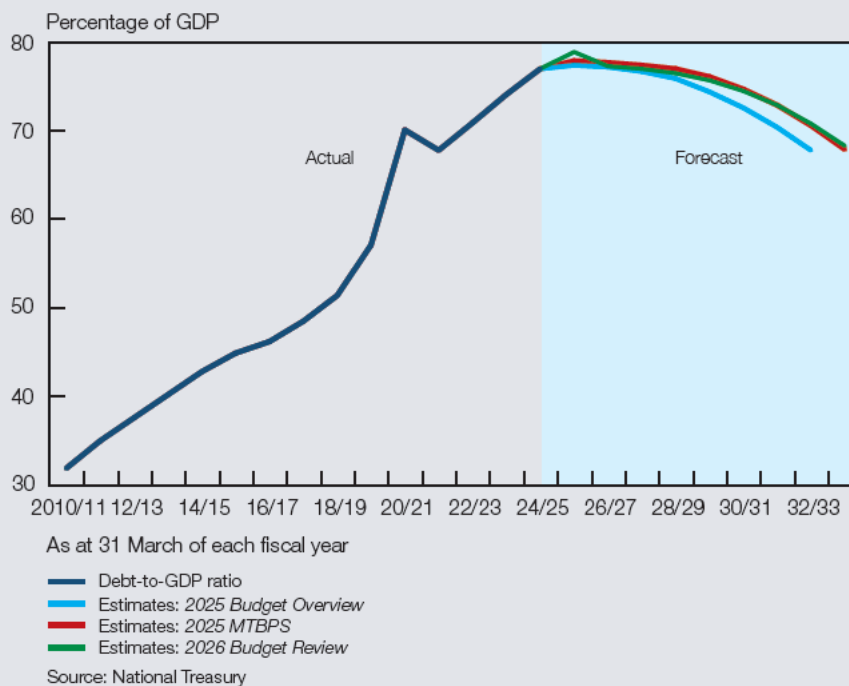
Consolidated fiscal balances



The consolidated budget deficit was revised lower to 4.5% of GDP in fiscal 2025/26 compared with 4.8% projected in the *2025 Budget Overview*, and is expected to narrow further to 3.1% in fiscal 2028/29. In addition, the consolidated government’s expected primary surplus (attained when revenue exceeds non-interest expenditure) of 1.0% of GDP in fiscal 2025/26 is projected to increase to 2.2% of GDP in fiscal 2028/29.

In line with the fiscal strategy, gross loan debt as a share of GDP is expected to stabilise at 78.9% in fiscal 2025/26 before declining to 76.5% in fiscal 2028/29. The stock of gross loan debt is expected to increase from R6.1 trillion in fiscal 2025/26 to R6.9 trillion in fiscal 2028/29, which is R277.4 billion lower than projected in the *2025 Budget*, demonstrating the positive impact of improved fiscal management. Over the medium term, government will raise about US\$13.2 billion from multilateral development banks, international financial institutions and international capital markets to meet its foreign exchange commitments.

National government’s gross loan debt



The 2026 Budget strikes a balance between social spending and measures to support economic growth, including investment in infrastructure and strengthening the service delivery capabilities of local government. The tax proposals are aimed at putting more income in the pockets of individuals and businesses.

