

Outline

- Introduction
- Policy priorities and budget reforms
- Structural reforms to the economy
- Changes to the fiscal framework
- Changes to the tax system
- Summary

Introduction

- The PBO was established to support the Finance and Appropriations Committees in both Houses of Parliament with the implementation of the Money Bills and Related Matters Act
- The focus of this presentation is mainly on the Budget Review, which includes a summary of the Estimates of National Expenditure and the Appropriations Bill. The Division of Revenue Bill will be discussed on 8 March 2022
- The main objective of the 2022 Budget is to restore fiscal sustainability. This objective requires the slow down in expenditure growth and reforms to support economic growth. The 2022 Budget proposes:
 - Reducing the budget deficit and stabilise the debt-to-GDP ratio
 - Addressing immediate spending pressures, including extending the special COVID-19 social relief of distress grant for 12 months until March 2023, and increasing provincial transfers for health and education
 - Setting aside a portion of higher-than-expected revenue to narrow the budget deficit
 - Supporting economic growth through a range of reforms, including the infrastructure build programme financed through innovative funding mechanisms and supported by improved technical capabilities
- Significant risks to the fiscal outlook include the introduction of unfunded spending programmes, another economic slowdown, higher borrowing costs, the contingent liabilities of state-owned companies and higher-than-budgeted public-service wage settlements
- This presentation includes:
 - The flow from the Presidential policy priorities to the spending priorities of government
 - Budget reforms
 - Structural changes required for economic growth
 - Changes to the fiscal framework
 - Changes to the tax system

Introduction (cont.)

- The global and domestic economic outlook and recovery has improved since the 2021 mid-term budget, as result, there has been additional tax revenue generated
- It is unclear whether the 2022 Budget's macroeconomic and fiscal policy assumptions took into account the tensions between Russian and Ukraine. This situation has deteriorated into armed conflict since the Budget announcements. This conflict could affect the economic outlook and pose significant risks to the fiscal framework.
- South Africa, Zimbabwe and Russia are major global producers of platinum group metals (PGMs). Economic sanctions on Russian (including supply of PGMs) may lead to increased demand for South Africa PGMs at higher prices. Such a scenario could lead to higher than expected tax revenue collection from the mining sector

Introduction (cont.)

- Government estimates that the current budget proposals (and assumptions) should lead to the realisation a primary balance earlier than anticipated in the mid-term budget. An important question to ask is what the cost has been of balancing the books. By the government's own admission, they are unlikely to realise many of the targets of the NDP. The economy has also not seen adequate levels of real investment, even though, the government has repeatedly argued that that stabilizing debt would lead to real investment in the economy
- The United Nations Sustainable Development Goals 8, 9 and 10 compel developing countries to raise maximum revenue (including tax revenue) in order to realise those global aspirations. The discussions around Income tax (including CIT in particular) cannot and should not be isolated from broader debate about the need to reform the tax system, including ensuring that income and profits generated from the digital economy are part of the broadening of the tax base
- The 2022 Budget tax proposals around CIT assume that the statutory tax rate is a key consideration for investment, whereas other factors may be more important – for e.g., reliability and price of electricity, availability of skills, cost of labour, safety etc. Therefore, as part of oversight MPs may request government to provide evidence that lowering tax rates will lead to real investment in the economy

Policy priorities and budget reforms

Policy priorities

How the budget response to the Presidential priorities

Changes to the proportions spent per function group

Additional funds per function group

Structural changes are reflected in the economic classification of the budget

Initiatives to address the high growth in COE

Initiatives to improve infrastructure spending

How does government correct mistakes

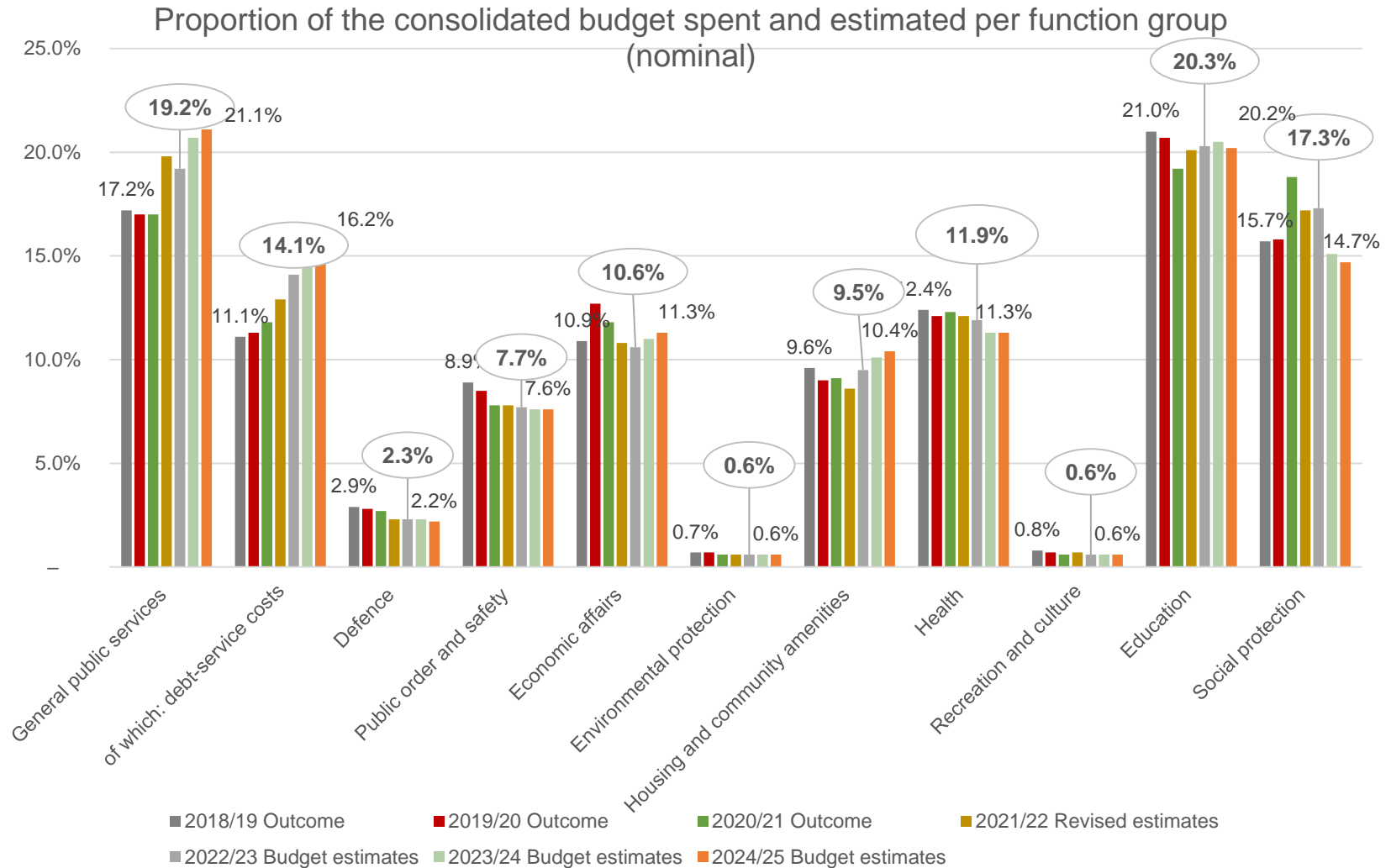
Policy priorities

- The 2022 SONA provides the strategic direction for the Budget
- The 2022 Budget extends government's support to poor and vulnerable South Africans
 - The budget is meant to respond to immediate needs of low-income households by providing short-term assistance. However, the inflation adjustments to income tax and the unadjusted rebates for pensions and medical aid mean that the budget also provide support for more affluent households
- Medium-term fiscal policy focuses on:
 - Allocation for the social wage
 - Supporting youth employment (despite evidence not been presented on the effectiveness of a youth employment incentive) and the creation of short-term jobs in 2022/23 and 2023/24
 - Additional allocation in higher education for NSFAS
 - Teacher retention in basic education, even though, real per capital expenditure on basic education and teacher student ratios will decline over the MTEF
 - Health budgets for new hires, and the continued response to COVID-19 while real per capital expenditure on health declines to below what it was in 2019/20 before the pandemic
- The table on the next slide shows the direct flow from the Presidential priorities to the budget. There are, however, other pronouncements made by the President which are not directly responded to, and also other budget priorities that were not announced in the SONA

Budget's response to SONA

Function group	President's Pronouncements: SONA	Budget's response to SONA
Economic development	A new, redesigned loan guarantee scheme is being introduced to enable small businesses to bounce back from the pandemic and civic unrest	A new business bounce-back scheme will be launched: <ul style="list-style-type: none"> • Small business loan guarantees of R15 billion will be facilitated through participating banks and development finance institutions • A business equity-linked loan guarantee support mechanism (R20 billion), which will be facilitated through DFIs
Economic development	Government has prioritised infrastructure projects to support economic growth and better livelihoods, especially in energy, roads and water management	<ul style="list-style-type: none"> • SANRAL receives an additional R9.9 billion for maintaining the non-toll road network • R2.1 billion is allocated for raising the Clan William Dam • The Lepelle Water Board is allocated R1.4 billion for the Olifantspoort and Ebenezer plants • The Umgeni Water Board is allocated R813 million for the Lower uMkhomazi Water Supply Scheme
Economic development	The first two phases of the Presidential Employment Stimulus programmes have supported over 850 000 opportunities	<ul style="list-style-type: none"> • An additional R18.4 billion is made available for the Presidential Employment Initiative. Evidence of the creation of these jobs are not visible in annual reports. The Department of Health indicated in the 2020/21 Annual Report that these funds will be surrendered
Social development	Government will extend the R350 Covid-19 Social Relief of Distress Grant for one further year, to the end of March 2023	R44 billion is allocated for a 12-month extension of the R350 social relief of distress grant
Peace and security	Government will make resources available to recruit and train an additional 12 000 new police personnel	R8.7 billion is added to the Police budget. The department is allocated R1 billion to implement personnel reforms. Another R800 million may be available in the following year, subject to satisfactory progress
Health	Vaccine Rollout: 30 million doses of COVID-19 vaccines have been administered so far	Additional R15.6 billion allocated to provincial health departments to support their continued response to COVID-19
Economic development	The SAYouth.mobi platform for young work seekers to access opportunities and support now has more than 2.3 million young South Africans registered	R18.4 billion is allocated to support youth employment and the creation of short-term jobs in 2022/23 and 2023/24
Peace and security	The fight against corruption will take on a new intensity, the strengthening of law enforcement agencies and the implementation of new anti-corruption	<ul style="list-style-type: none"> • Government to take bold steps to improve state capability and reduce the scope for procurement corruption • National Treasury is also dealing with illicit trade • NT addressing the weaknesses in fighting fraud and money laundering

The functional budget structure reflects the spending priorities, not structural changes



Source: National Treasury

Note: The consolidated budget includes the main budget framework and spending by provinces, social security funds and public entities financed from their own revenue sources. (BR T8)

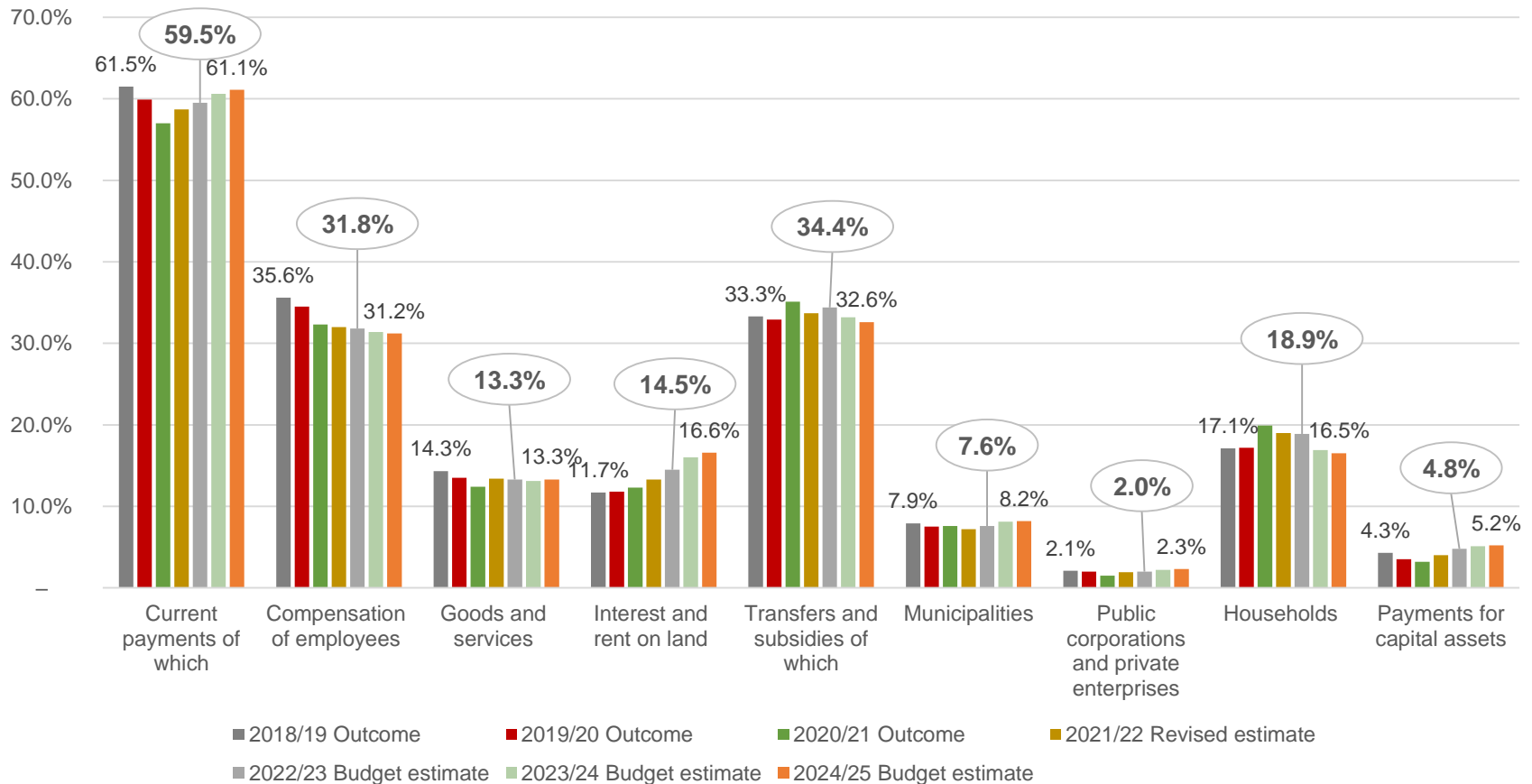
Additional spending within functional groups since the 2021 MTEF

Learning and Culture	2022/23	2023/24	2024/25	MTEF total
Net change from the 2021 baseline (percentage)	7.7%	6.2%	4.7%	6.2%
Net change to function baseline R million	31 099.7	25 419.4	20 109.9	76 629.0
Social Development: Mainly for Covid-19 SRD				
Net change from the 2021 baseline (percentage)	19.1%	2.7%	3.4%	8.3%
Net change to function baseline R million	44 873.1	6 432.9	8 466.8	59 772.8
Health: Mainly for the distric health programme grant				
Net change from the 2021 baseline (percentage)	6.5%	2.2%	2.5%	3.7%
Net change to function baseline R million	15 153.7	5 007.2	6 108.4	26 269.3
General Public Services: Transfer to Eskom				
Net change from the 2021 baseline (percentage)	36.2%	2.2%	1.9%	13.6%
Net change to function baseline R million	23 411.3	1 383.3	1 194.8	25 984.5
Community development: Increase in LGES				
Net change from the 2021 baseline (percentage)	2.5%	5.9%	6.6%	5.1%
Net change to function baseline R million	5 538.7	13 491.0	15 789.5	34 819.2
Economic development: Increase to the IDC and GTAC				
Net change from the 2021 baseline (percentage)	1.2%	4.2%	4.0%	3.1%
Net change to function baseline R million	1 806.8	6 573.0	6 697.8	15 077.6
Peace and security: Mainly for COE and benefits				
Net change from the 2021 baseline (percentage)	3.7%	1.6%	1.7%	2.3%
Net change to function baseline R million	7 856.9	3 443.1	3 669.8	14 969.7

- Biggest increases of 36.2 per cent and 19.1 per cent in 2022/23 are in the general public service and social development function groups
- Almost all votes within the function groups received additional funding for compensation of employees (COE)
- Police receives an additional amount of R3.8 billion for COE in 2022/23, (reduction of R15 billion in 2021 ENE)

Structural changes are reflected in the economic classification of the budget

Proportion of consolidated budget spent and estimated per economic classification (nominal)

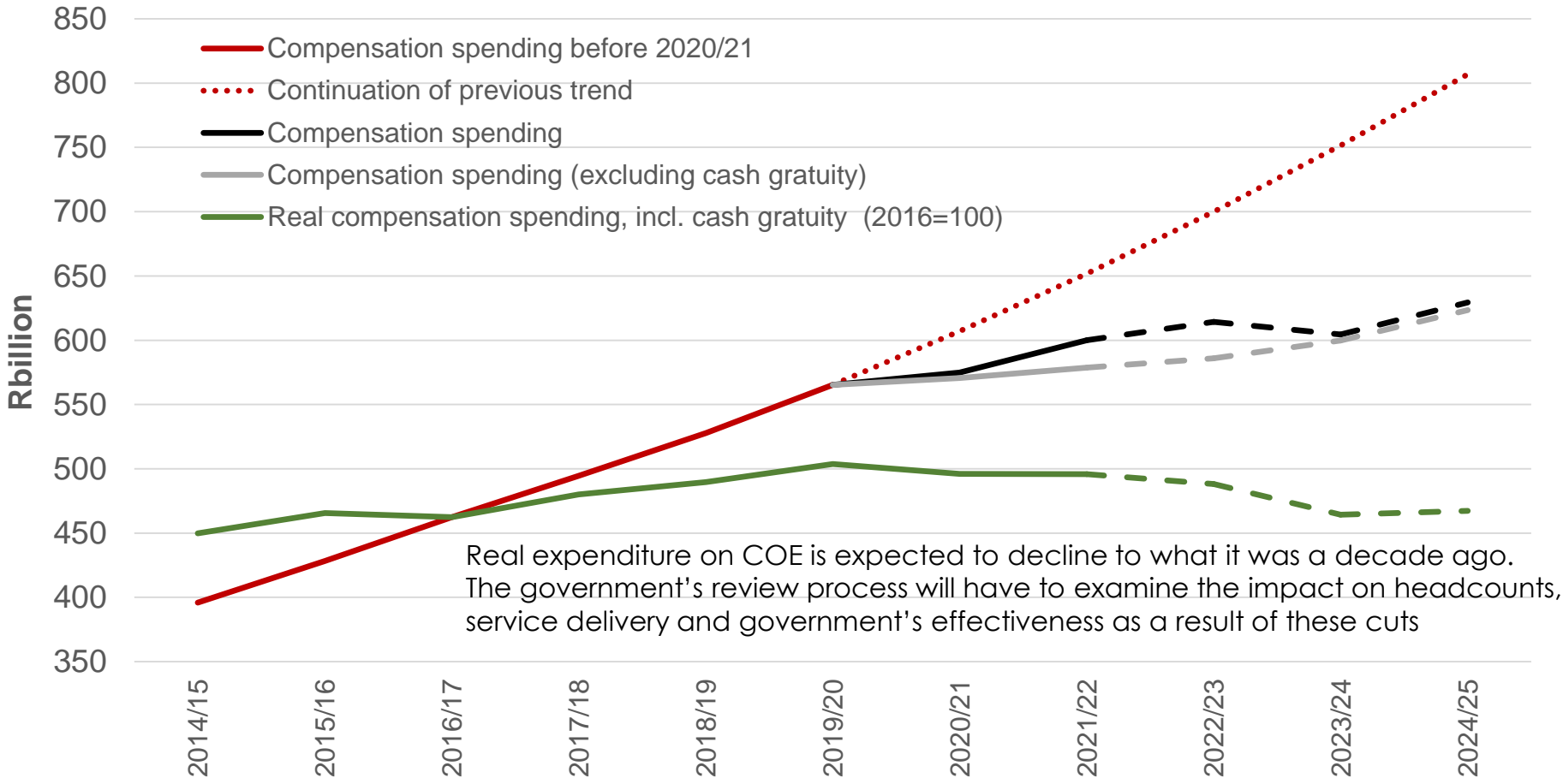


Source: National Treasury

Note: The consolidated budget includes the main budget framework and spending by provinces, social security funds and public entities financed from their own revenue sources. (BR T8)

Consolidated budget compensation of employees (excluding public entities)

- COE is a key structural changes mentioned in the budget, despite :
 - The non-completion of organisational redesigns
 - The review of public entities
 - Wage agreements
- } Review process in place



Source: PBO calculations based on National Treasury data

Initiatives to improve infrastructure implementation

- The Infrastructure Technical Assistance Facility (ITAF):
 - Designed by the European Union (EU) and the National Treasury to:
 - Improve the infrastructure policy, regulatory and institutional framework.
 - Complement and catalyse various reform programmes
 - This initiative is funded by the EU and amounts to €9 million over eight years
- The DPWI is developing a comprehensive, focused infrastructure plan: The National Infrastructure Plan 2050
- Infrastructure South Africa is working to unblock policy and regulatory obstacles to build a credible and bankable pipeline of projects
- The Budget Facility for Infrastructure (BFI) and the Infrastructure Fund is increasing:
 - The rigor in the planning and appraisal of projects
 - Skills and capacity in the structuring of blended finance projects where most of the financing will come from the private sector

Structural reforms identified by government for intervention

Progress in implementing structural reforms to support economic growth. Key actions and announcements include:

- Increase in private sector investment in electricity generation
- Corporatization of Transnet National Ports Authority through the creation of an independent subsidiary with its own board

A few examples where work has been done:

- **Restructuring** of Eskom
- Streamlining the application **process** for water-use licenses
- Preparatory work on the **establishment** of a National Water Resources Infrastructure **Agency**
- Development of the e-visa **system** has been completed to be rolled out in 2022
- Speedy resolution of issues blocking the release of high demand spectrum and making affordable data available to firms and households as well as ensuring the completion of digital migration by March 2022
- Reviewing the **legal regime** governing skilled migration
- Accelerating infrastructure investment of 61 priority infrastructure projects
- The mobilisation of R131 billion (US\$ 8.5 billion) in concessional and grant funding over the next three to five years to support South Africa's just **transition to a low-carbon**, climate -resilient future.

Most of these reforms relate to governance matters that needs to b addressed to ensure an efficient, effective and development-orientated public service. "Government must make radical shifts/structural reforms in governance/administration to correct mistakes, improve on its **poor performance**, and make the necessary impact on society" (MTSF priority 1).

How does government correct mistakes and improve performance?

- Challenges identified by government include:
 - Tensions in the political-administrative interface
 - Instability in administrative leadership (5-year contracts)
 - Skills deficits
 - The erosion of accountability (monitoring and evaluation system)
 - Poor organisational design (programme design)
 - Low staff morale (due to poor infrastructure and support)
- Tools available to ensure efficiency and effectiveness:
 - 2019-2024 MTSF priority 1 provides for actions that need to be taken for a developmental state that will provide conditions that grow the economy, create jobs and improve society's quality of life
 - State Capture Commission
 - Programme performance budgeting
 - Quarterly Performance reporting/In-year monitoring
 - Outcome based performance
 - The Programme of Action/bi-annual report to cabinet
 - Evaluations/Reviews ([Employment programme](#))
 - Zero-based budgeting/specific budget tagging methodologies (climate change)
 - Annual Reporting

Structural changes for economic growth

Where will growth come from?

Macroeconomic approach

Global risks and uncertainty require resilience built through an inclusive recovery and a just transition

- The International Monetary Fund (IMF), World Bank (WB), United Nations (UN) and International Labour Organisation (ILO) point to risks and uncertainty with regard to future global economic growth. Current intensifying risks include:
 - Future pandemics and other health concerns
 - Geopolitical instability from inequality and tensions between and within countries
 - Environmental damage, climate change and more incidences of severe weather
 - Economic and financial instability and crises
- They all warn about growing debt in developing countries but also caution against moving towards estimated budget surpluses too early
- The UN and ILO, go beyond the IMF and World Bank by arguing that developing countries should pursue expansionary fiscal policies that help them build resilience to future risks not just countercyclical policies and recovery from the pandemic
- The ILO argues that fiscal policies must protect jobs and the underlying reasons for structural unemployment and lack of decent employment opportunities
- UNCTAD cautions that 3 decades of structural reforms and austerity have failed
- UNCTAD points to policy solutions when they say: “No significant attempt has been made to support development, to reorient the global financial and payments system towards productive investment, to establish a debt workout mechanism, and to make trade more conducive to sustainable development

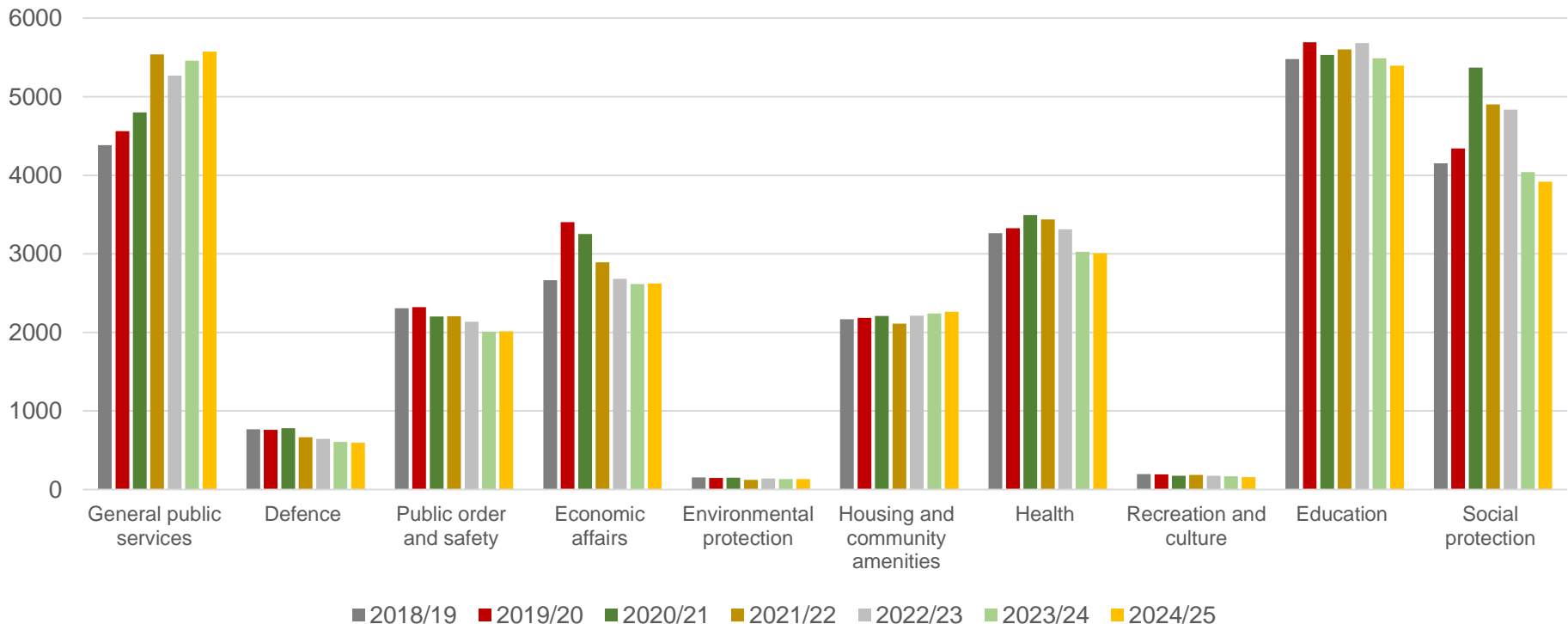
Redistribution, social wage and inclusive growth

- What does it mean in the 2022 BR when government says that it allocates 59.4 per cent of consolidated spending over the MTEF to the social wage?
- This formulation gives the impression that on average the social wage is high and that it is of greater benefit to poorer households and unemployed
- However, extreme unemployment and inequality, continued spatial apartheid, corruption, state capture, and poor service delivery performance means that the percentage spent on the social wage is an inadequate indicator (just like GDP)
- Further, after many years of fiscal consolidation, total consolidated spending may not have increased enough, therefore, while rhetorically 59.4 per cent on the social wage may sound high it may be far from adequate. For example,
 - Real per capita spending on almost all functions is expected to decrease
 - Education outcomes worsen as the expected student to teacher ratio increases
 - Real per capita social protection spending is expected to decline, even though, (i) childhood stunting has been 27 per cent since 1998; (ii) children in female headed households were more likely to go hungry during the pandemic; (iii) StatsSA reported that 13.7 per cent of African and 0.5 per cent of white children suffered from hunger in 2020
- Richer household are better able to benefit from social wage spending while spatial inequality means they also have access to better public infrastructure and services
- In short, the portion spent on the social wage does not necessarily tell us about redistribution and building resilience in our country
- A comprehensive social security system may not only improve nutrition of the poorest households but could also improve their ability to benefit more from basic services

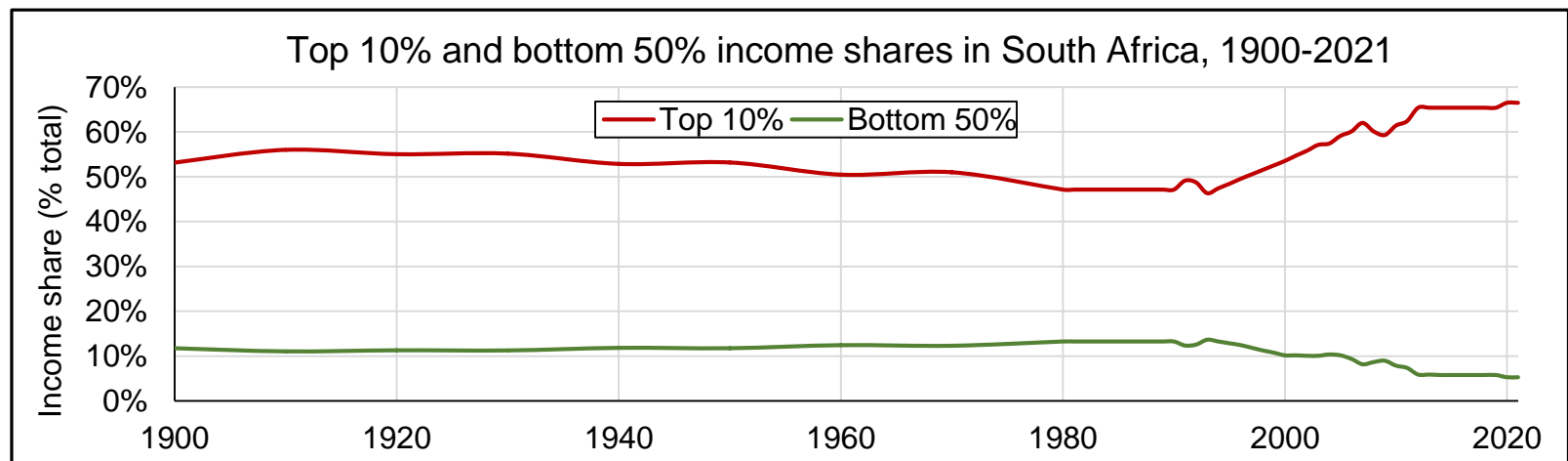
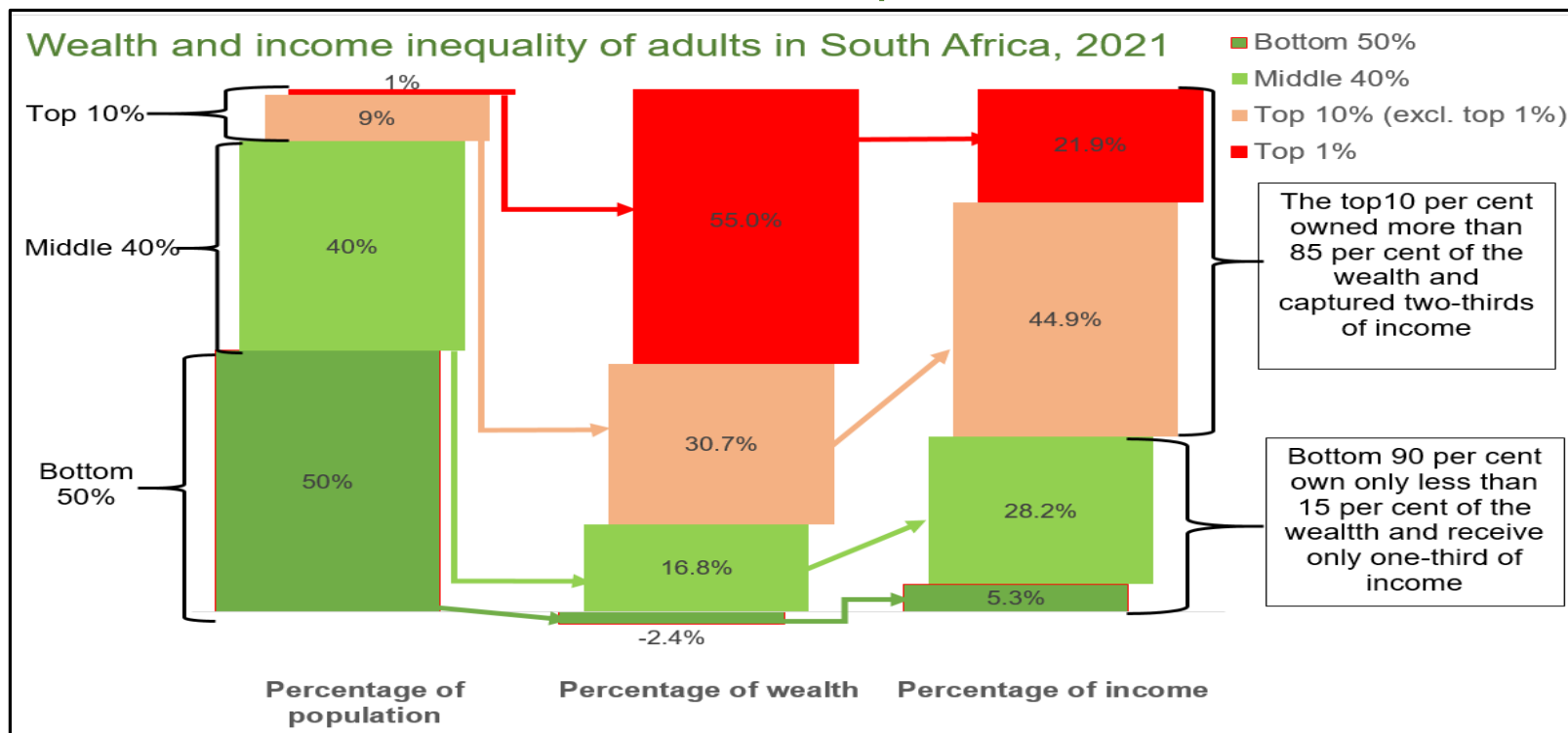
Change in real per capita expenditure per function group

- When taking into account inflation and population growth:
 - Spending per person declines in real terms for the majority of the functions over the medium term with the exception of general public services, economic affairs, housing and community amenities
 - Despite the increases, economic affairs in 2024/25 (R2 621) will be lower than in 2019/20 (R3403)
 - Environmental protection increases between 2022/23 -2024/25, however the slow increase remains below pre pandemic levels.

Real per capita total consolidated expenditure by function group (2016=100)



Extreme inequality causes instability and is a barrier to economic development



The Budget proposals exclude other reasons for lower investment and unemployment

- The Budget offers 3 broad measures for economic recovery and reconstruction
 - Strengthening the fiscal position and stabilizing debt
 - Structural economic reforms
 - Infrastructure development
- The 2022 Budget Review acknowledges significant risks to the fiscal outlook and continued poor levels of growth and extreme unemployment and inequality
- The Budget lacks details on how government is going to build resilience to future crises
 - Lower deficits and debts are insufficient factors to improved macroeconomic stability
 - Extreme unemployment and inequality and global financial volatility are destabilizing, constrain growth and deter investment
- The early evidence shows that government's structural reforms are slow and inadequate to boost growth and achieve meaningful macroeconomic stability over the medium and long term
 - The economy remains concentrated (both markets and wealth)
 - Wealthy individuals, institutional investors (such as pension funds) and financialised non-financial corporations are not adequately allocating money towards real sector investment and job creation but to financial activities inside and outside SA
- There is a risk that infrastructure is too dependent on the private sector:
 - Several developed countries governments are undertaking infrastructure investment themselves and steering away from PPP
 - Private sector infrastructure projects usually require government to mitigate risks
 - While in the short-term costs of PPP infrastructure are not on budget, contingent liabilities related to risk mitigation potentially pose significant future fiscal risks

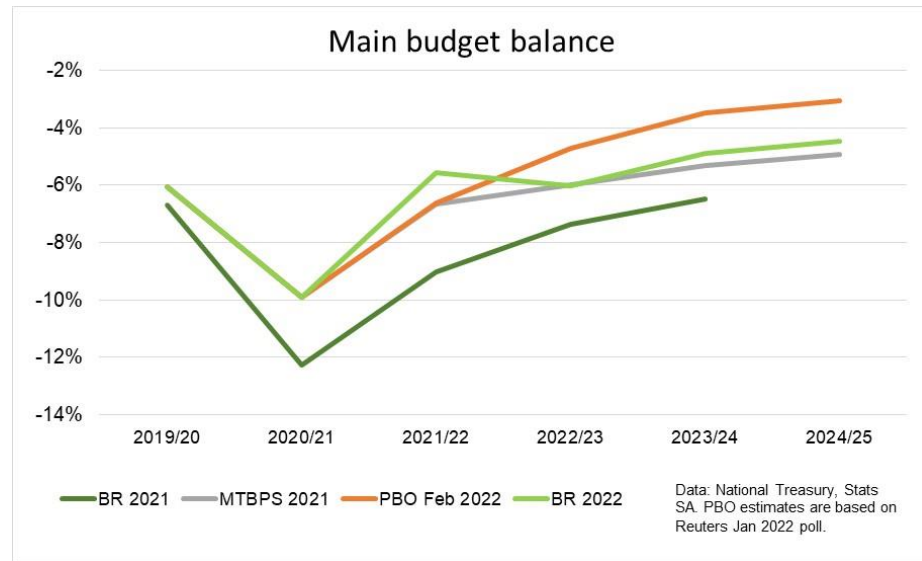
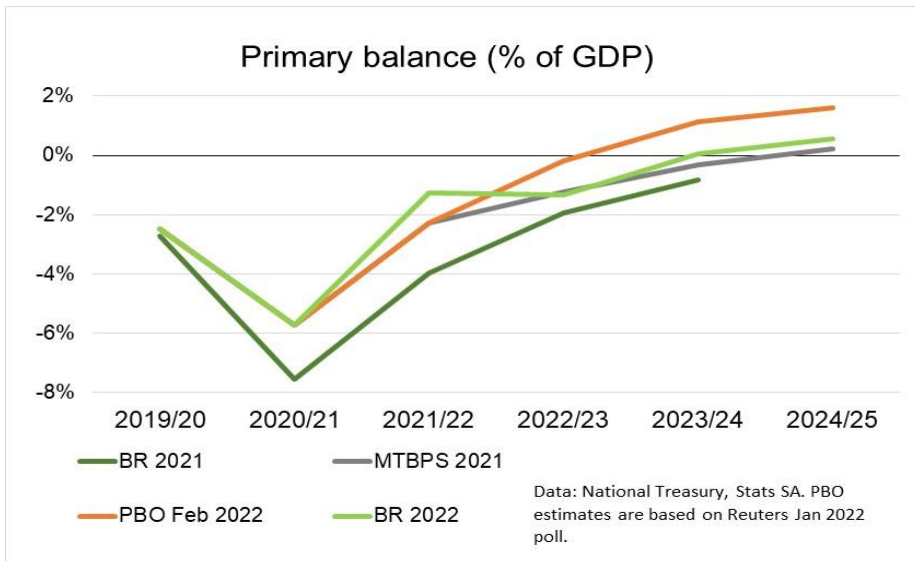
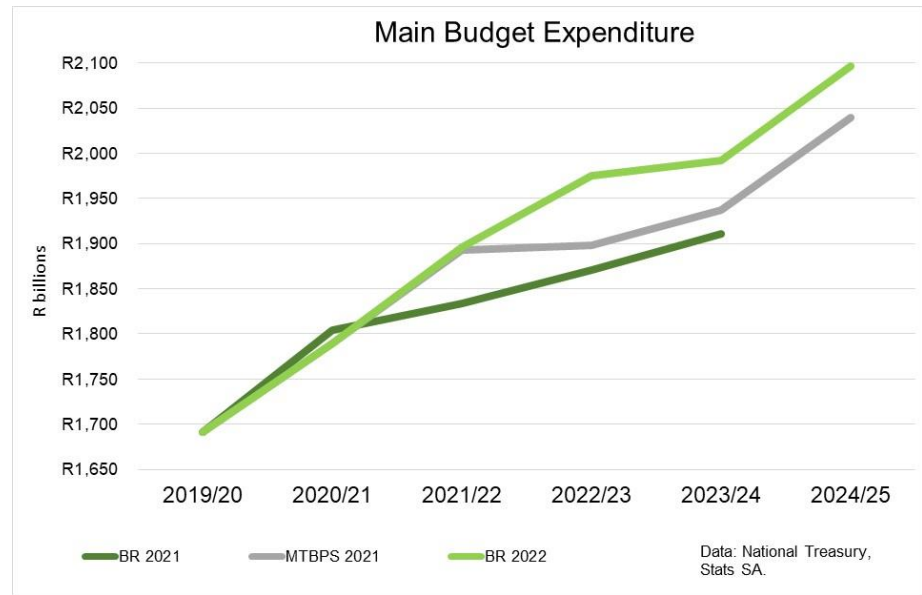
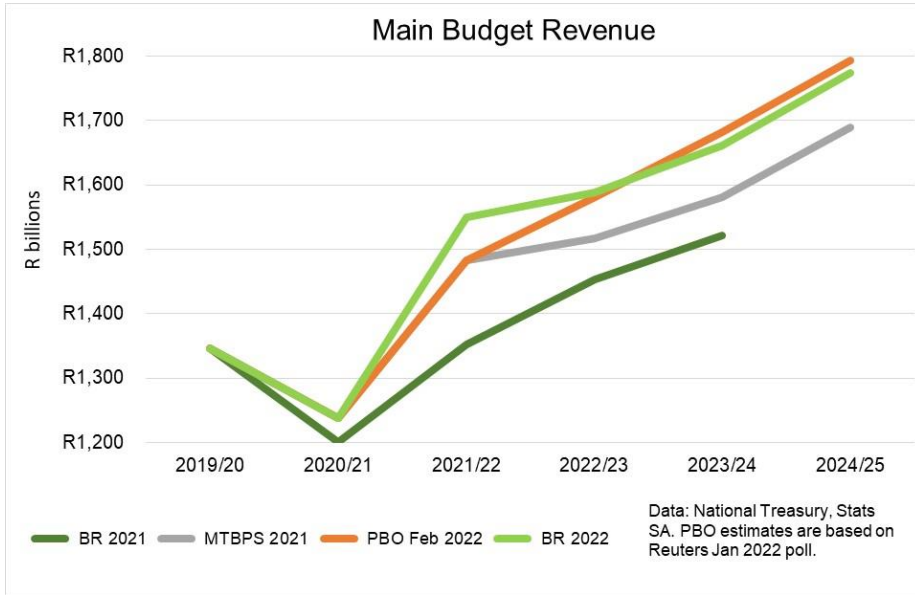
Changes to the fiscal framework

Budget balance

Contributors to stabilising debt

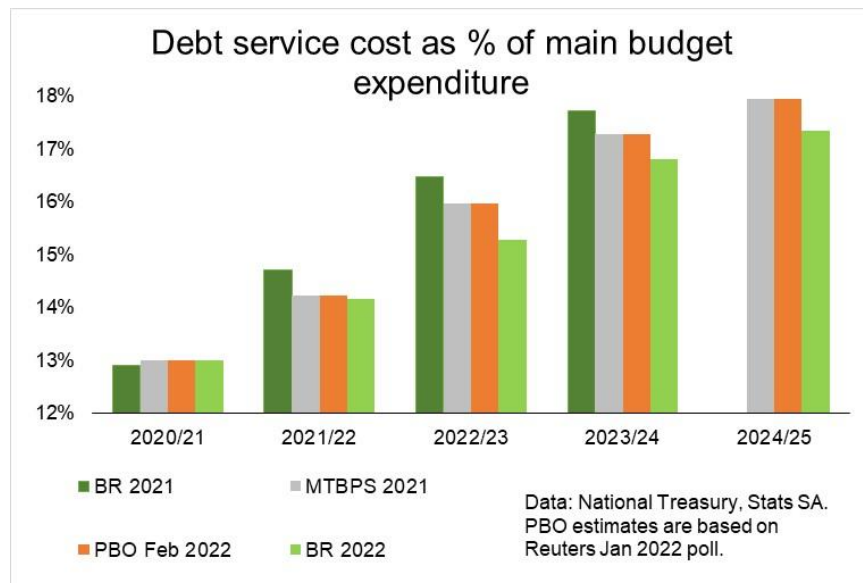
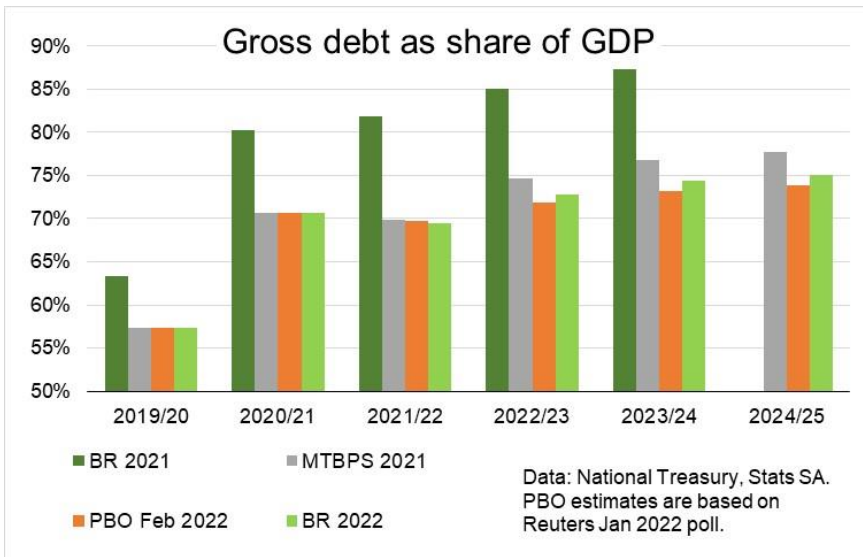
Contingent liabilities and risks

Continuation of fiscal consolidation



*PBO estimates are pre-Budget, and not policy adjusted

Allowing for debt stabilisation and improved expenditure composition



- Gross debt as a share of GDP is expected to be steady during the current MTEF, and start to decline from 2025/26
- Significant improvement from BR 2021
- This will allow for a more favourable composition of public spending, with the share of expenditure allocated to debt service costs declining
- However previous projections of realising a primary surplus (allowing for debt stabilisation) have been missed

Possible pressures to the 2022 MTEF

- Global and domestic economic performance
- Cyclical nature of revenue growth
- Wage bill growth
- Financing for a further extension of the SRD/alternate form of universal grant

Changes to the Tax system

Impact of tax proposals

Understanding changes to CIT

Other incentives and revenue developments

Expected impact of tax proposals on 2022/23 revenue

R million	Effect on tax proposals
Gross tax revenue (before tax proposals)	1 603 647
Budget 2022/23 proposals	-5 200
Direct taxes	-2 200
Personal income tax	
Increasing brackets by inflation	–
<i>Revenue if no adjustment is made</i>	13 500
<i>Increase in brackets and rebates by inflation</i>	-13 500
Expansion of the employment tax incentive	-2 200
Corporate income tax	
Reform package	–
<i>Reduction in corporate income tax rate to 27 per cent</i>	-2 600
<i>Restriction of assessed losses</i>	1 100
<i>Additional interest limitation</i>	1 500
Indirect taxes	-3 000
Fuel levy	
Not adjusting the general fuel levy	-3 500
Specific excise duties	
Increase in excise duties on alcohol	400
Increase in excise duties on tobacco	100
Gross tax revenue (after tax proposals)	1 598 447

NT objectives of changes to the tax system:

- Broaden the tax base
- Improve administration
- Lower tax rates

Budget 2022 proposes:

- R5.2 billion in tax relief, of which R2.2 billion will be from the expansion of the Employment Tax Incentive
- The 4.5 per cent increase in the personal income tax bracket will provide relief – disproportionately to upper income households. More than half of registered taxpayers do not benefit. While 16,7 per cent of registered taxpayers get 65 per cent of the benefit
- Corporate Income Tax will be lowered from 28 per cent to 27 per cent with effect from 1 April 2022:
- Fuel levy and Road Accident Fund levy adjustment will provide significant relief in the context of high inflation (estimated at 4.8 per cent in 2022)

Understanding changes to Corporate Income Tax

- South Africa, like many other developing countries, relies more on income tax (including CIT) as a source of government revenue than advanced countries
 - Long term impacts for CIT revenue need to be assessed relative to the reduced rate
- Research by the PBO (and other studies) have shown that:
 - Out of 10 factors considered before investing, corporate tax was only number five
 - RSA CIT tax rate (28%) compares well with many developing countries
 - Despite the CIT rate of 28 per cent, the Effective Tax Rate (actual tax paid by corporate tax payers) was 15 per cent, which was lower than many countries including advanced countries
 - Proposal assumes that CIT rate is a key consideration for investment, whereas other factors may be important – e.g. reliability and price of electricity, availability of skills, cost of labour, safety etc.
 - Some sector Effective Tax Rates are far lower, for e.g., the mining sector reported rates of lower than 10 per cent (Judge Dennis from the DTC, has noted that South African ETR is lower than the CIT statutory rate)
 - SMMEs and informal business, however, continue to experience higher ETR than their larger counter-parts, in part due to compliance costs associated with claiming the tax relief and allowed deductions

Corporate tax incentives

Tax incentive	Implications	Decision
Section 12D, Research and development tax	<ul style="list-style-type: none"> - A deduction equal to 150 per cent of expenditure incurred directly for Research & Development and - An accelerated depreciation deduction (that is, 50:30:20) for capital expenditure incurred on machinery or plant used for R&D. 	Extend until 31 December 2023
Section 12DA, dealing with deductions in respect of rolling stock	Allows for an allowance equal to 20% of the cost actually incurred by a taxpayer on the acquisition or improvement of any rolling stock.	Retired by 28 February 2022
Section 12F, dealing with deductions in respect of airport and port assets	Allows for an equal to 5% of the cost incurred by a taxpayer to acquire new and unused airport assets	Retired by 28 February 2022
Section 12O, providing for an exemption in respect of films	Stimulate production of films by providing for the exemption from normal tax of income derived from the exploitation rights of approved films	Retired by 31 December 2021
Section 13sept, sale of low-cost residential units	Allows for a deduction equal to 10% of the amount owing to the taxpayer by the employee for the unit at the end of the taxpayer's year	Retired by 28 February 2022

Other incentives and revenue developments

- In the medium term, non-tax revenue declines from approximately R50 billion to R32 billion in the outer year. Mineral and petroleum royalties are expected to decline during this period
- The offshore limit for all insurance, retirement and savings funds is harmonised at 45 per cent inclusive of the 10 per cent African allowance, even though government wants to promote increased domestic fixed investment and localisation of manufacturing
- These allowances have tended to benefit wealthy investors who can afford the higher minimum investment amounts. It also has implications for local business' ability to raise funds from insurance, retirement and savings to invest in the economy.
- The foreign direct investment limit for companies investing funds offshore will increase from R1 billion to R5 billion, even though domestic investment rates are low. Net effect on investments in the country will be impacted. Institutional investors that receive savings from South African workers are now allowed to move more of it to seek higher short-term returns abroad or to increase fixed investment in other countries. The implication may be lower investment in South Africa.
- Authorised dealers may process transfers from the parent company to the domestic treasury management companies up to a maximum of R5 billion (an increase from R3 billion) per calendar year for listed entities. Assessment is required on the tax implications.
- Increase of 50 per cent in the value of the employment tax incentive, effective from 1 March 2022. This incentive needs to be reviewed to assess its efficacy, including the extent to which it has generated jobs that would have not have been generated without the incentive . In addition, distribution needs to be assessed.
- The first phase of the carbon tax will be extended by three years for the period 1 January 2023 to 31 December 2025. The low increase (1 cent per litre for petrol and diesel) seem to indicate that rapid increases may be required to meet the COP26 obligations in the future.

Summary

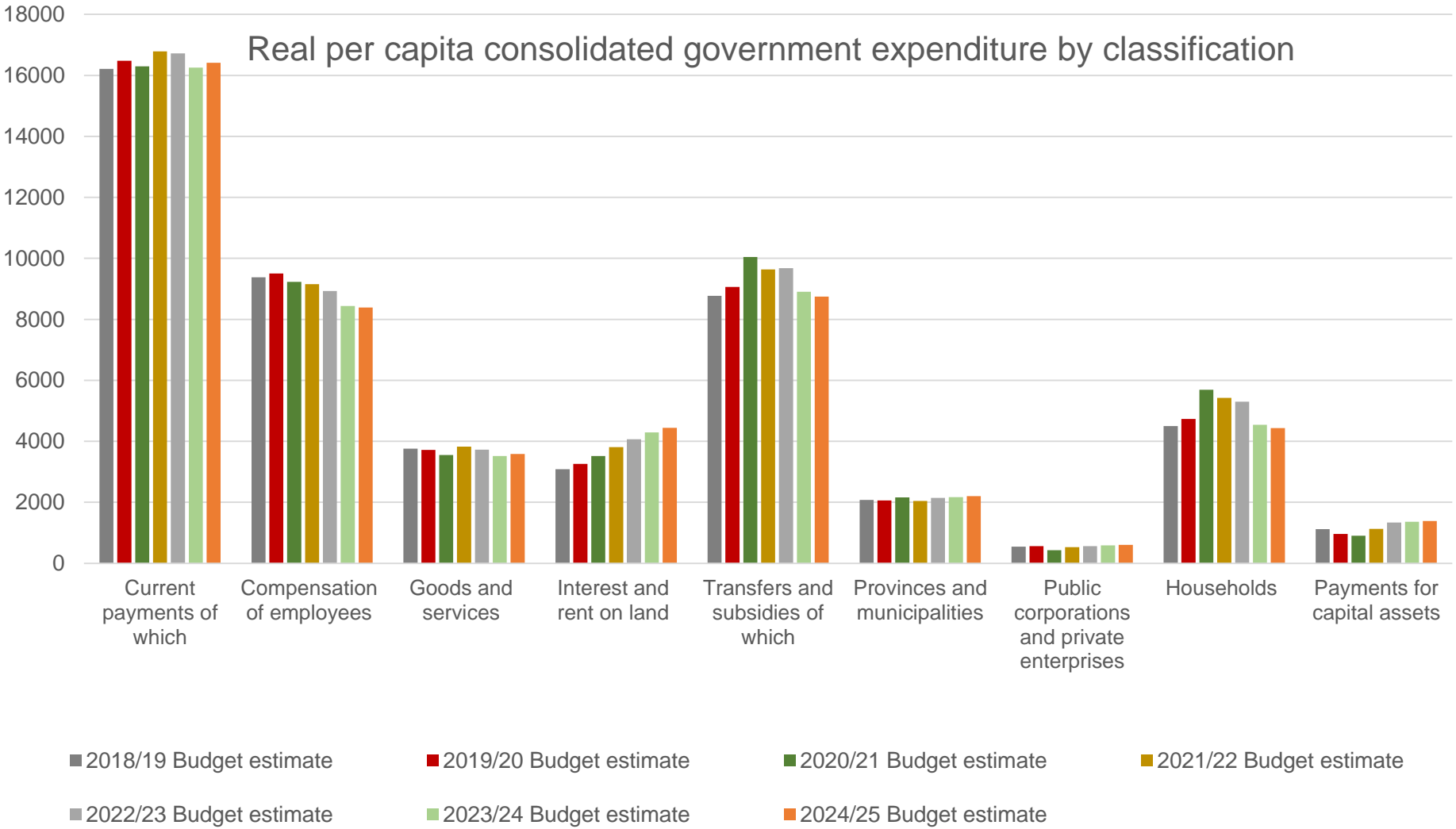
- The main objective of the 2022 Budget is to restore fiscal sustainability. This objective requires slow down in expenditure growth and reforms to support economic growth while still providing support to poor and vulnerable South Africans
- The slow down in expenditure growth is visible throughout the budget, specifically the cost of employment.
- The analysis of the functional budget structure over the years shows the effect of the high proportion spent on debt-service on the other functions provided by government
- Analysis of the proportions of government spending on the economic sectors of government spending shows a shift away from current expenditure towards capital expenditure
- A budget surplus and lower debt levels do not mean increased macroeconomic stability and growth in business confidence, particularly given the severity of the triple crisis in South Africa
- The government's structural reforms are slow and inadequate to boost growth and achieve meaningful macroeconomic stability over the medium and long term
 - The economy remains concentrated (both markets and wealth)
 - Wealthy individuals, institutional investors (such as pension funds) and financialised non-financial corporations are not adequately allocating money towards real sector investment and job creation but to financial activities inside and outside SA
 - At the same time, deregulation of controls are allowing institutional investors to take much more money out of the country

Summary

- Extreme unemployment and inequality, continued spatial apartheid, corruption, state capture, and poor service delivery performance means that the percentage spent on the social wage is an inadequate indicator (just like GDP)
 - Real per capita spending on almost all functions is expected to decrease
 - Education outcomes worsen as the expected student to teacher ratio increases
 - Real per capita social protection spending is expected to decline, even though, (i) childhood stunting has been 27 per cent since 1998; (ii) children in female headed households were more likely to go hungry during the pandemic; (iii) StatsSA reported that 13.7 per cent of African and 0.5 per cent of white children suffered from hunger in 2020
- Economic recovery and reconstruction has to be inclusive and 'not return us to the crisis before the crisis'. A new economic growth path built on increasing the well-being and buying power of the poor majority will enhance the ability of millions of unemployed South Africans to more effectively contribute to the economic future of the country

Thank You

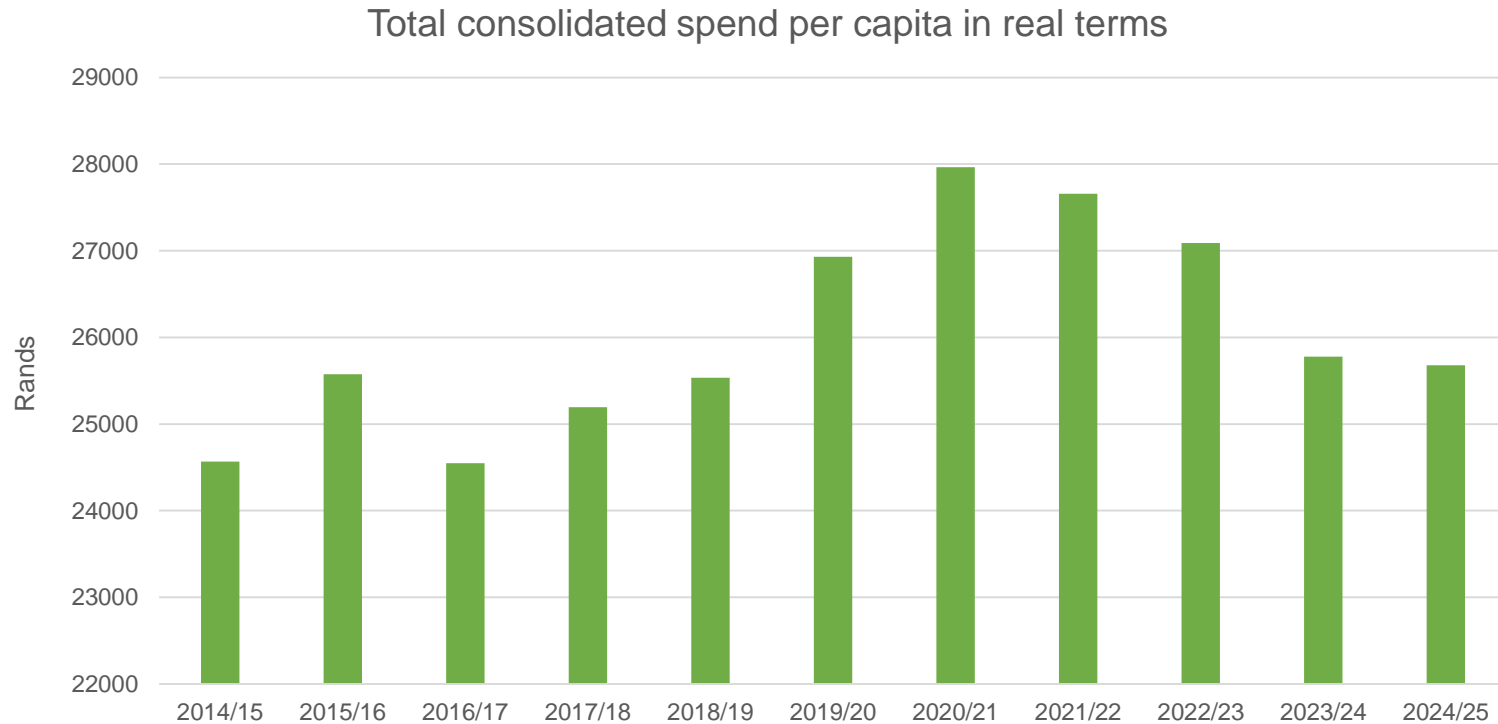
Structural changes are reflected in the economic classification of the budget



Source: PBO calculations based on National Treasury data

Total consolidated real per capita expenditure trend

- Real total consolidated expenditure per person declines in real terms (taking into account population growth and inflation) in the medium term
- In 2022/23, spend per person is R27 088, and declines to R25 679 in 2024/25
- Expenditure per person will be lower in 2024/25 than the pre pandemic level of R26 931 per person in 2019/20



Source: PBO calculations based on National Treasury consolidated expenditure data and Statistics South Africa Population Statistics

Note: Real per capita total consolidated expenditure (2016=100)