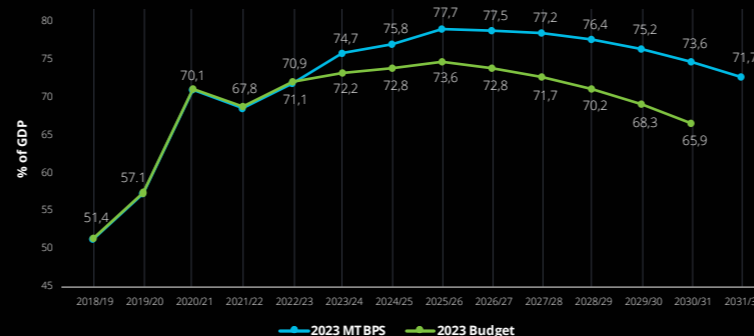




### MTBPS 2023 highlights

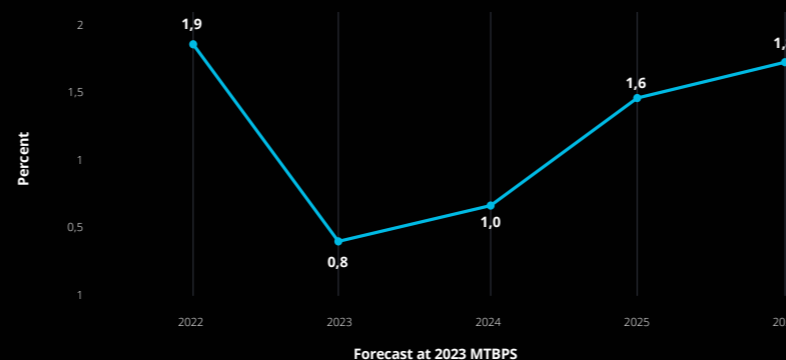
- Current growth trajectory is **insufficient to achieve desired development outcomes**.
- Public finances have weakened and gross debt is expected to exceed R6 trillion in 2025/26, when it will stabilise at approximately 77% of GDP.
- Escalating **debt-services costs are crowding out social spending**, with debt-service costs as a share of revenue increasing to 22.1% in 2026/27.
- Additional **funding is allocated to health, education and police services**, and the COVID-19 Social Relief of Distress grant.
- Spending has been curtailed by R21 billion** for 2023/24, with reductions of R64 billion in 2024/25 and R69 billion in 2025/26 proposed.
- The **structure and size of the state are to be reviewed** in line with the President's 2023 State of Nation Address (SONA) commitment, inter alia addressing redundancy and executive remuneration.
- New electricity generation from renewable energy investments, alongside the return of offline units, liberalised self-generation and sizeable private investment are likely to **curb power cuts**.
- Reforms are needed in the transport sector** to resolve the current crisis and Treasury is working with Transnet to ensure that immediate debt obligations are met.
- Treasury acknowledges the **important role of infrastructure investment in driving economic growth**, with the establishment of an Infrastructure Finance and Implementation Support Agency to help crowd-in private sector finance and expertise.
- The **procurement system is being modernised** with the Public Procurement Bill to strengthen integrity, enhance transparency and promote transformation.

### Gross debt-to-GDP outlook



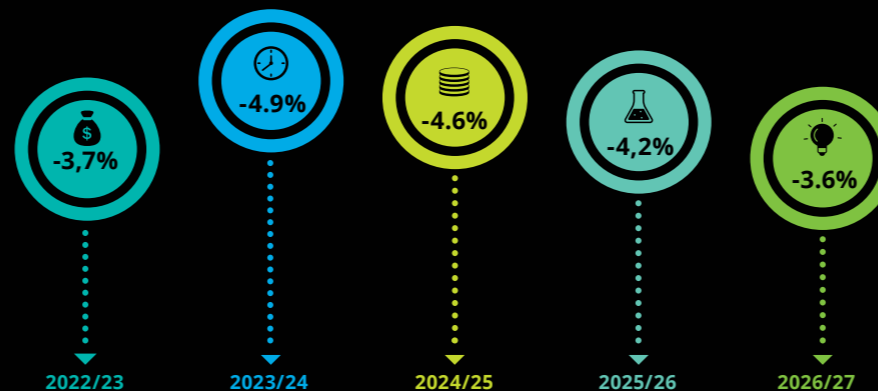
The gross debt-to-GDP outlook has worsened since the 2023 Budget and is estimated to reach 74.7% in 2023/24, up from the 72.2% forecast in the 2023 Budget. Debt-to-GDP is now forecast to reach a high of 77.7% of GDP in 2025/26 before declining to 71.7% in 2031/32.

### Revised GDP growth forecast



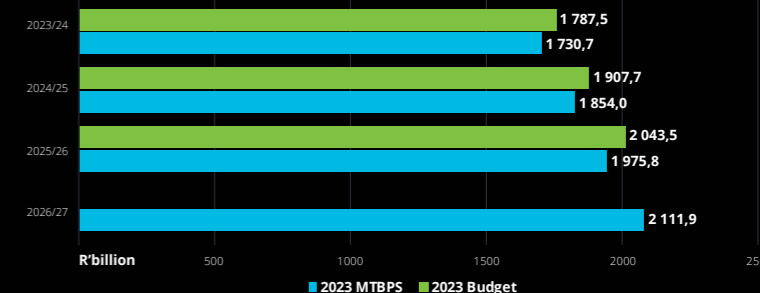
Global GDP growth is expected to decrease in 2023 as a result of a poor growth outlook for China as well as the risk that US interest rates will remain stubbornly high. South Africa is forecasting GDP growth of 0.8% in 2023 (down from the 0.9% growth forecast for 2023 at the time of the 2023 Budget) and to reach 1.8% in 2026.

### Budget deficit



The budget deficit for 2022/23 came in better than expected at 3.7%, however the deficit under the medium-term estimate is projected to deteriorate to 4.9% in 2023/24 before reducing to 3.6% by 2026/27.

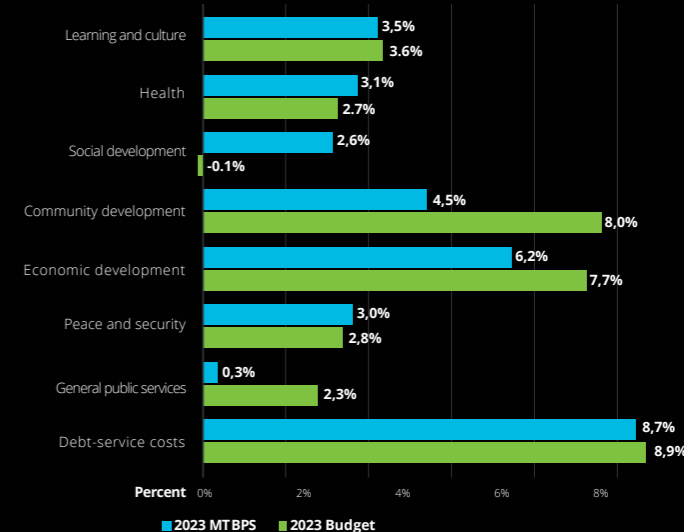
### Gross tax revenue collection



Gross tax revenue collections are anticipated to be R56.8 billion less than initially forecast for 2023/24 and R53.7 billion less than initially forecast for 2024/25. These decreases are driven primarily by a fall in corporate income tax collections and by stronger VAT refunds.

### Government spending priorities

#### Average nominal growth in spending in the medium term



The budget continues to prioritise social spending, including education, health and social grants, with social development expenditure forecast to increase at a higher pace of 2.6% over the relevant medium-term forecast period, compared to -0.1% forecast at the 2023 Budget.

### Contacts

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