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South Africa
Medium-Term Budget Policy Statement 2025
Persevering in a challenging environment

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MTBPS 2025 highlights

South Africa is no longer on the FATF grey list, making the country more attractive to foreign investors and helping international trade. Moreover, the country is hosting the G20 Leaders' Summit in November showcasing South Africa on the global stage.

Economic growth for 2025 is now forecast at 1.2%, slightly lower than the previous 1.4% estimate. Growth is expected to average 1.8% between 2026 and 2028.

While growth is improving, it remains insufficient to meet all of South Africa's developmental needs. The government is focusing on reforms in the energy and transport sectors to help boost economic growth.

The Reserve Bank and National Treasury have set a new inflation target of 3%, with a one percentage point tolerance either side of the target to be implemented over the next two years. This aims to keep prices stable and support economic growth. While potentially causing short-term pain, the Finance Minister is confident that the long-term gains will outweigh near-term costs.

Government debt is expected to stabilise at 77.9% of GDP in 2025/26, slightly above the May Budget but better than recent years. The budget deficit, gap between government spending and income - is projected to shrink from 4.5% of GDP in 2025/26 to 2.7% by 2028/29.

The government is exploring new ways to manage public finances more transparently and responsibly through a fiscal anchor. Moreover, efforts are being made to cut wasteful spending, with R6.7 billion reallocated from underperforming programmes.

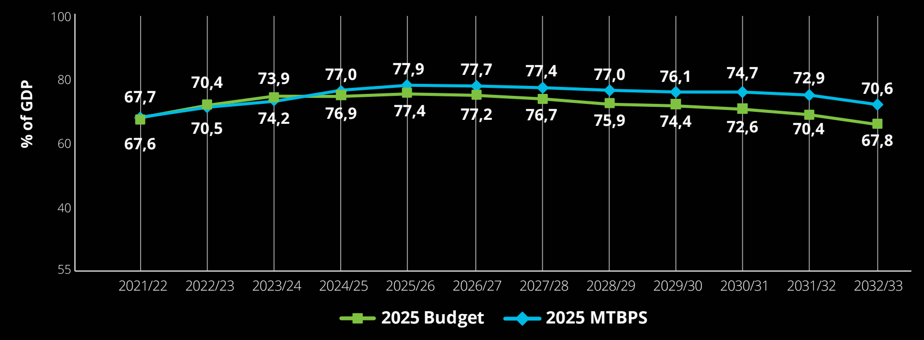
Stronger household spending and windfall from higher commodity prices (gold, PGMs) has led to higher tax revenues, allowing the government to fund some extra, once-off expenses, including next year's local government elections.

Government plans to invest R1 trillion in infrastructure over the next three years, with changes to Public Private Partnerships regulations and new risk sharing instruments to attract investment.

Key reforms in the electricity, logistics, and water sectors are progressing, as part of Operation Vulindlela Phase 2.

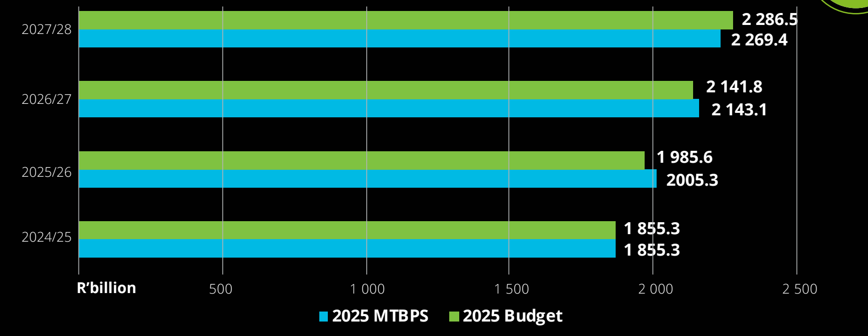
Furthermore, there is a renewed focus on supporting local governments, especially those that are struggling, and on improving service delivery in major cities.

Gross debt-to-GDP outlook



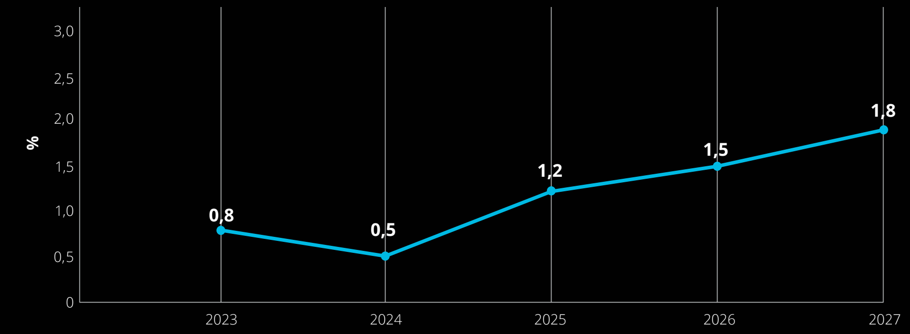
The gross debt-to-GDP outlook has worsened slightly since the 2025 Budget and is estimated to reach 77.9% in 2025/26, up from the 77.4% forecast in the 2025 Budget. Debt-to-GDP is now forecast to reach its highest point of 77.9% in the current year 2025/26, before declining to 67.9% in 2033/34.

Gross tax revenue collection



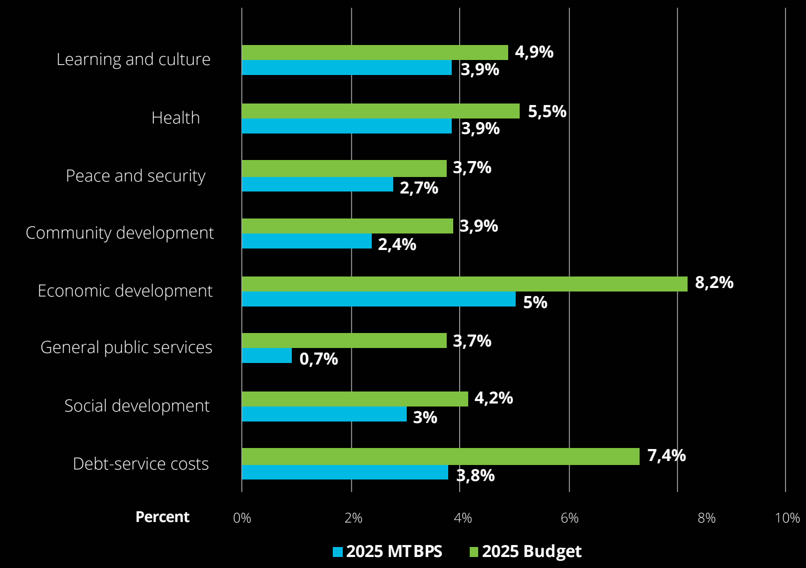
Despite revising the revenue collection in 2025/26 up by R19.7 billion, collections are are still expected to fall below the 2025 budget estimates by R15.7 billion in 2026/27 and 2027/28. This shortfall is mainly due to lower inflation. As a result, tax growth estimates have been revised downward.

Revised GDP growth forecast



GDP growth for South Africa is forecast by National Treasury to increase by 1.2% in 2025 (down from the 1.4% growth forecast for 2025 at the time of the 2025 Budget) and to reach 1.8% in 2027.

Government spending priorities



The budget prioritises social spending, including education, health, and social grants. Economic development spending is expected to grow by 5%, as compared to by 8.2% in the 2025 Budget.

Budget deficit

The budget deficit is expected to remain at 4.5% in 2025/26. In the medium term, the deficit is projected to decrease to 3.2% in 2027/28 and even further to 2.7% in 2028/29.

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