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Pandora's box has been crushed – Budget review

South Africa

24 FEBRUARY 2021

This positive but risky budget surprised – but in some quite complex ways. While we expected the -9.3%GDP budget deficit next year and the gross financing requirement was only marginally lower, there was more consolidation baked in from underlying expenditure cuts in future years, better NT revenue forecasts than expected and only a gradual rise in debt service costs over time. Overall NT sees debt stabilise at 88.9%GDP in 2025/26, around 6.4ppGDP lower than seen before. All this meant that tax hikes weren't needed and above inflation bracket creep was possible.

Substantially more cash is used in the coming year than expected to replace the need for more t-bill issuance and perhaps no regular FRN issued. Overall, we see weekly issuance fall next fiscal year from ZAR6.6bn/week to around ***ZAR5.3-5.4bn/week*** *with some residual conservatism on non-comp. It seems reading between the lines that NT will restart USD3bn/year SOAF issuance next fiscal year. There was nothing on Eskom debt deleveraging in the budget. There was no additional SOE spending outside the expected ZAR7bn for Land Bank.*

There are substantial risks from the need for more grant spending, SOE spending and higher settlements on public sector wages. Yet this budget unusually is factoring in more buffer than normal. As such we see debt rising above NT's projections but slowly and in a less dramatic way than we saw post MTBPS.

A pledge to reform the PPP framework to boost investment was welcome but we wait to see quite how much follow through on this there is. We had hoped there would be more firm action on the positive financial sector reforms from the MTBPS but it seems some of that will come later this week. There were no firm additional details on the Loan Guarantee Scheme as expected but this leaves a gap. We were disappointed, though unsurprised, on the broader infrastructure front that spending had been cut – the political priorities are not translating into reality.

There were no starring roles played by aloe plants today – we are reassured that it is alive, not dead – but there was plenty of surprise, complexity and drama to make up for it.

Budget political context

There was something odd in the tone of the budget speech. This was not a normal ANC minister or budget speech of recent years. Trevor Manuel might have given a speech like this but in easier times of surpluses and with a global boom backdrop.

This was pure Tito. One wonders quite what his cabinet colleagues thought of it. There was the constitution (topical), Archbishop Tutu (twice), Mbeki

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INDEPENDENT, EXPERIENCED, KNOWLEDGEABLE, DEEPLY CONNECTED, RAPID ANALYSIS FROM AN OFFSHORE PERSPECTIVE

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(brave for an ANC leader to quote) and more thrown in. He was blunt that he was not for "swimming" idly in the fiscal tides and was ready for the tough choices. It was meant to show NT elevated on a different plane – guardian of the constitution if others wouldn't be, having the audacity of hope and the mettle to back it up with (reform) actions, and to hark back to controversial times when things were better run (and NT was centre of the action).

In some sense none of this is new – Tito is a fiscal conservative. What is new is that it was done to flatten the debt%GDP curve so much in the context of such large cash stockpiles.

Stepping back, we view this as very much 'my way or the highway (to Magoebaskloof)'. The risk of Tito-xit (the topic we seem endlessly to be asked about) is down to what happens next.

We said before this budget that we saw NT sitting on Pandora's box (ie supressing the urges of others to undertake fiscal laxity in the face of a cash stockpile). That view was correct but the tone of the speech combined with the better (though risky) consolidation profile overall points to Pandora's box being crushed under a Clarks size 8.5 (not recently polished) shoe.

But something doesn't make sense here. How can such a path to consolidation given the social and humanitarian problems left as the Covid tide ebbs be politically acceptable? Central to this is how tax cuts through above-inflation bracket creep could be offered at the same time as a range of below-inflation grant increases. How could cabinet have signed it off?

Our discussions with wider actors in Pretoria this afternoon show some degree of being dazed and confused. NT has won on process again. The rest of cabinet and particularly the wider polity and tripartite alliance seem unengaged, and civil society seemed asleep before this budget.

This cannot last – at some point it must break. We saw it before on VAT hikes and it may happen now on grants. Yet to give real cuts to grants shows serious balls, especially considering it would only cost some ZAR4bn or so more to inflation adjust – small, and debt auction targets could still be roughly met. Tito and NT are out to expand the envelope knowing the future risks. Or baseline sees the crystallisation of these risks but now from a stronger starting point.

The key risk point comes as we move into the MTEF negotiation period from June 2021 towards the MTBPS in October. This is when much more detailed discussions are held. But there needs to be a much greater degree of 'switched-on-ness' in the NEC and tripartite alliance. They blame NT for hegemony and yet cabinet could be used to rally a rejection of this path and the grant cuts – but this doesn't happen. The power of cabinet is never corralled by the left effectively.

So this was a classic win for NT on process. Yet we shouldn't hail the situation too much. A real cut in grants is not satisfactory and nor is the lack of expenditure reviews in the outlook. NT only will do itself and DPE next year. This means that other departments will stretch beyond that and beyond the forecast horizon in actual changes being made. The lack of expenditure reviews means ZBB as both a practical process and as a mindset is not and cannot happen. There can be no discussion of trading off non-comparative

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and mutually exclusive priorities as cabinet. The budget we are left with therefore is deeply inefficient. It wins on cutting underspend and on top trimming – through negative processes rather than a proper positive process of optimisation within the funding constraints. All this makes the situation vulnerable.

We must watch closely what happens next on SOEs, grants and the public sector wage bill – as much politically as any shifts in spending.

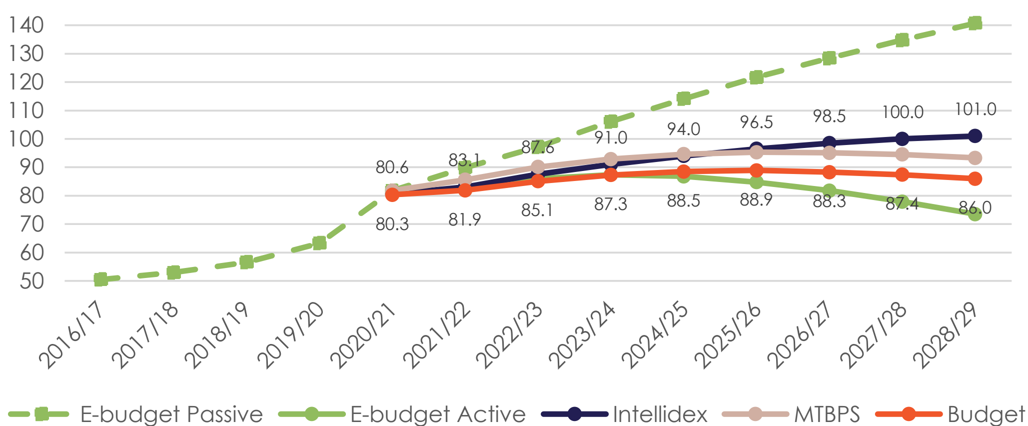
Macro-fiscal

This was a budget constructed around the primary balance consolidation to balance a year earlier in 2024/25 (beyond the MTEF, yes), and debt to GDP showing a meaningfully better profile – peaking below 90%GDP.

The large cash stockpile wasn't spent into larger deficits but into a faster fall in debt issuance than we thought NT would initially offer – particularly focused on lower t-bill issuance in the coming year. Standing back though, total debt issuance will fall very sharply from ZAR722.7bn this year to ZAR435.3bn next fiscal year (higher than in 2019/20) before rising again in the coming two years thanks to cash draw down. This is still substantial and hints at crowding out but clearly of significantly less magnitude than the current fiscal year. At a macro level much will depend on if NT caps non-comp auctions back at 50% or allows them to still fill up to 100% of auctioned – or if the funds will find themselves into investments and the stock market.

Broadly the macro-fiscal is targeted around a small primary surplus long run target to get a stabilisation and then fall in the debt profile, but this fall from 2025/26 to the end of the forecast horizon in 2028/29 is only 2.9ppGDP (slightly up on the 2.0pp seen at the MTBPS). There is still a long run problem – when facing SOE and contingent liabilities as well as NHI and BIG – of where the long run budget is meant to be going. There is so much stress in the system of budget cuts and yet because we can't push on employment level cuts or programme cuts, only salami slicing within the context of a narrow tax base, so this is the profile we get.

Figure 1: Long term gross debt profile (%GDP)



Source: Intellidex, NT

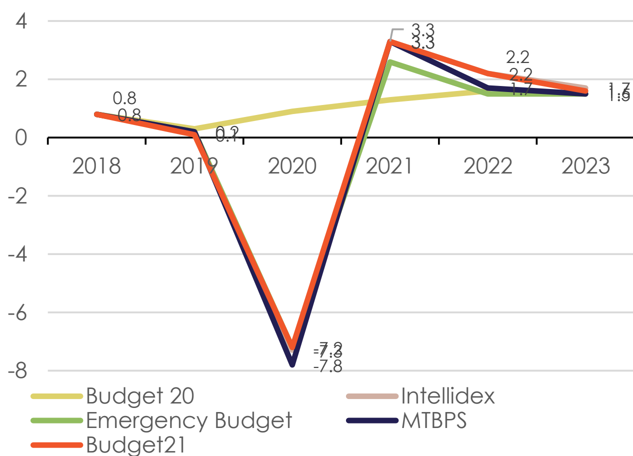
Macro assumptions

The NT assumptions are broadly credible. They are in line with us on real growth and nominal only sees some small deviations – mainly around the tail that exists on the terms of trade boon. We see this fading slightly faster based on current forwards and forecasts of commodity prices into our model. We are both at 3.3% this year and 2.2% next year on real GDP.

The crucial element here is that NT's long run GDP view has only increased a tick from 1.5% to 1.6% - and beyond the forecast horizon we think still remains anchored pretty low. This is the proof of the structural reform pudding – which is often underappreciated by markets – that NT sees Operational Vulindlela delivering reforms that gets us back to only small positive per capita income. This is a stark message but the right one.

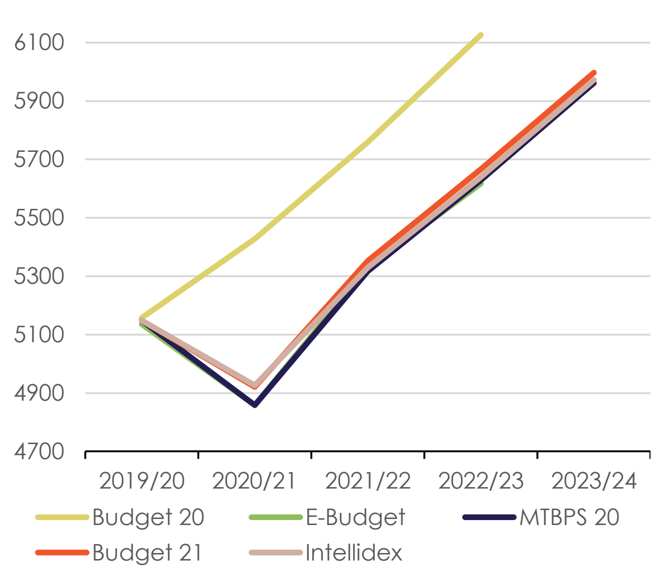
The economic policy part of the budget review was broadly as expected. Operation Vulindlela got a more detailed outing than at the SONA though there were no new reform items mentioned. The reform language is positive for sure but seems over certain – for instance on spectrum now there are legal delays, on the energy reforms given the political blockages and an ITMSO given the logistical delays. The proof remains in the action in the year ahead. We see more success in areas where there isn't resistance like water policy. Electricity which is the main focus in terms of number of areas for OV – is likely to be more frustrated.

Figure 2: Real GDP



Source: Intellidex, NT

Figure 3: Nominal GDP (ZARbn)



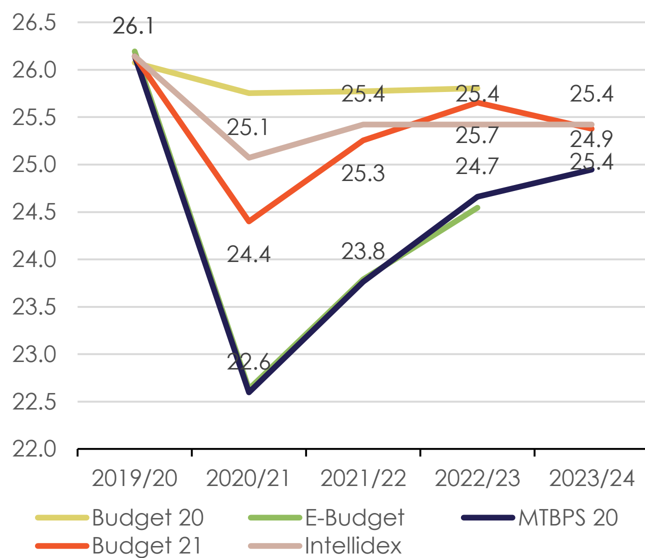
Source: Intellidex, NT

Revenue

The future revenue path was roughly as expected and on our forecast. We are still surprised that NT is not being more positive on this year. We are seeing 0.7ppGDP extra revenue (ZAR35bn) based on the implied January revenue numbers out end this week. This is all pretty academic though considering we know what is going on with the debt levels with more certainty.

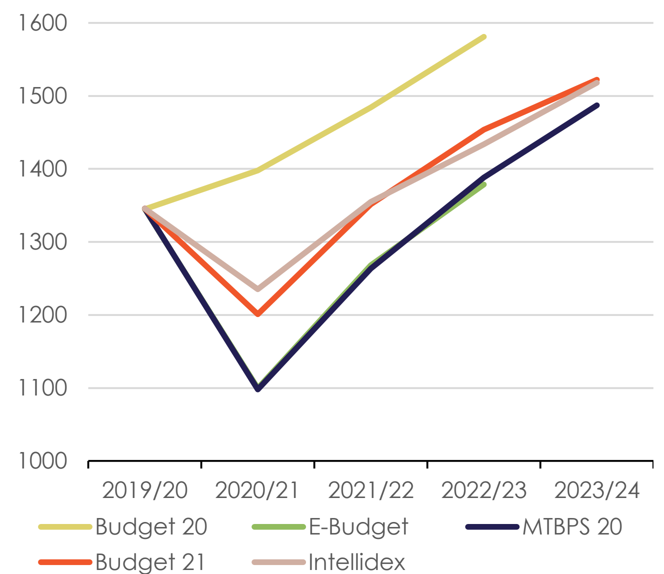
Stepping back though we need to consider that we are some way below the revenue levels seen that the budget a year ago. NT does not see us recovering to these levels given no nominal GDP catchup to trend. This translates into around ZAR130bn less revenue per year than 'trend'. It is important to note however that revenue as a share of GDP is expected to remain below the budget last year – a sign of lower unemployment and higher unemployment as well as some emigration reducing the tax base.

Figure 4: Revenue (%GDP)



Source: Intellidex, NT

Figure 5: Revenue (ZARbn)



Source: Intellidex, NT

Buoyancy estimates fall for this year given the isolated nature of the mining tax base given the larger impact it has on nominal GDP. NT has revised down buoyancy from the MTBPS in a positive move though we come in a little lower still – again given differences between deflator effects and tax effects.

Tax changes

The tax increases initially proposed in the MTBP have been withdrawn – they were small but a major move. This combined with better-than-expected revenue collection over the same period contributed to the decision to not increase taxes.

Excise duties and levies - NT announced that excise duties on alcohol and tobacco will increase by 8.0% for 2021/22. This may place more pressure on the tourism and hospitality sectors (restaurant, bars etc) that already suffered lost business hours and revenue related to the lockdown regulations. Fuel levies will increase by 27c/litre, of which 15c will be for the

general fuel levy and 11c will be paid to the Road Accident Fund. One cent will be paid for the carbon fuel levy.

The above inflation increases are already broadly baked into our CPI forecast and that of the SARB.

Corporate tax – A positive announcement (and positive for the equity market) was the lowering of the corporate income tax rate to 27% from April 2022 (28% previously). While the cut is accompanied by a reduction in interest deductions and assessed losses (which offset the actual rate decline), a decrease in corporate tax increases company earnings which when translated into cash flow, may be re-invested in the business. However, adding in the cutting of the 12J venture capital dispensation and overall corporate tax estimates are seen roughly unchanged, meaning distributions will change across the economy.

Personal income tax - Personal income tax brackets will be increased by 5.0%, which is more than the current inflation of 3.2%. Increasing the income brackets limits the prospect of higher personal income tax that would be payable due to annual salary increases. The bracket increases are expected to provide tax relief of R2.2bn. This offsets the income of the sin taxes and basically means workers give back in a less progressive manner – as unemployed and those earning incomes that are untaxed have to pay sin taxes.

Overall, whilst small, corporate income tax and personal tax relief is positive for the economy at the margin from a signalling perspective (given this was a surprise but we don't think any of this is worthy of shifting forecasts.

Other tax matters

We were disappointed there wasn't more clarity on digital tax. The OECD BEPS process is expected to achieve a consensus in the middle of this calendar year and this is a very hot political topic. NT seems to lack of motivation to say anything on this before we they need to however, and given that the MTBPS isn't the time for making tax moves, it will fall to Budget 2022 to make any policy changes.

There wasn't any clear indication of broader tax changes from the Davis tax commission such as inheritance tax changes. Corporate tax streamlining will be the only initial focus. This may speak to NT lack of capacity but also to limited appetite to distract from the central message of the budget at this stage. This is a disappointment given the positive redistribution effects that can be found in such moves.

Thankfully there was no wealth tax or talk of it though – NT remains set against such an idea as inefficient and costly to implement.

SARS – the tax collection agency – does get an additional ZAR3bn over the MTEF in a surprise move. NT has previously not given into the public debate for SARS to be given more money as an investment. NT now gives them money only from 2022/23 in the hope that efficiencies in the agency can be driven still in the year ahead.

The focus for the agency will be enhancing its oversight of high net individuals and pulling together data to allow wealth and lifestyle audits to be undertaken. Given our revenue forecasts roughly align it would seem NT

still takes the view that such moves generating money is a nice upside surprise in future but no something to be pencilled in a priori.

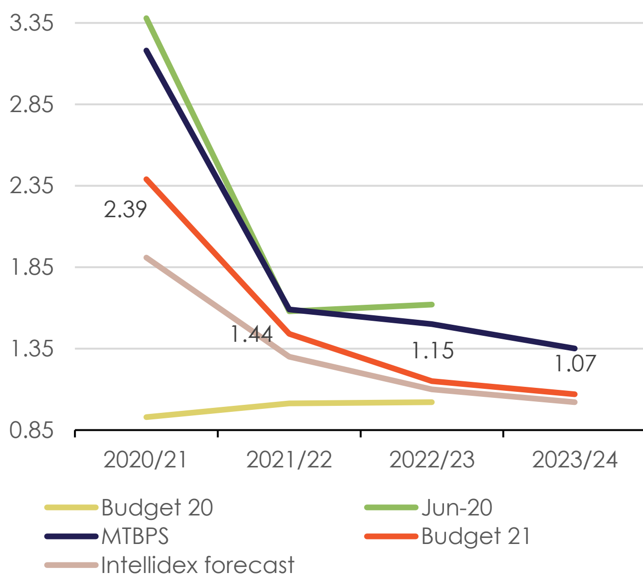
Expenditure

On the surface there was relatively little going on between the MTBPS and the Budget except some vaccine spending, Land Bank and clawing back some underspend – all put into the shade by reductions in debt service costs (by ZAR26.2bn over the MTEF). Non-interest expenditure increased by ZAR40.4bn.

Broadly the profile was similar to the MTBPS in share of GDP terms given the expenditure ceiling. The deviation in the coming year was on Land Bank and higher contingency for additional covid-spending.

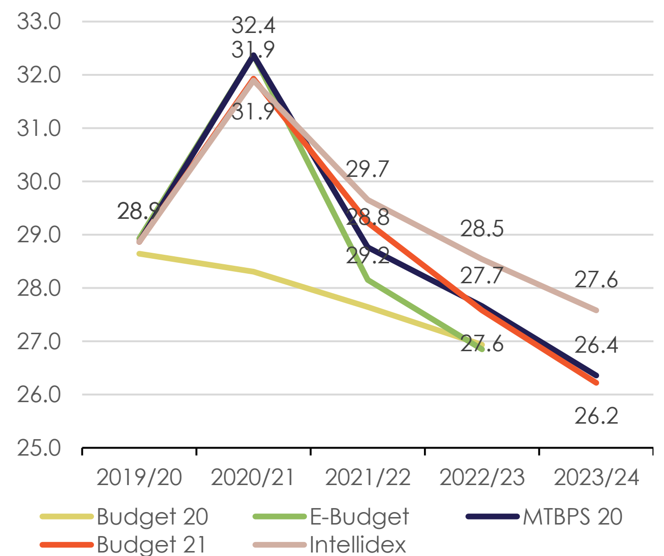
It was a new strategy for NT to bake in more spending in future to the contingency reserve. This allows them to avoid the problems of last year when they couldn't give out money for vaccines without a parliamentary primary legislation route. It does also increase transparency. When contingency monies are being allocated to a line department a report must be tabled in parliament within two weeks. The downside is that the logistical block is gone on other forms of potentially profligate spending to be mandated by cabinet on a change of heart – say on grants.

Figure 6: Revenue buoyancy



Source: Intellidex, NT

Figure 7: Non-interest Expenditure (%GDP)



Source: Intellidex, NT

We can see below some of the drivers of this shift in consolidated expenditure.

2020/21 shifts

For this year most of the revenue outperformance is offset by the greater use of social funds for UIF-TERS. Other changes are small, including a ZAR2bn reduction in expenditure for compensation on attrition and the hiring freeze.

2021/22 shifts

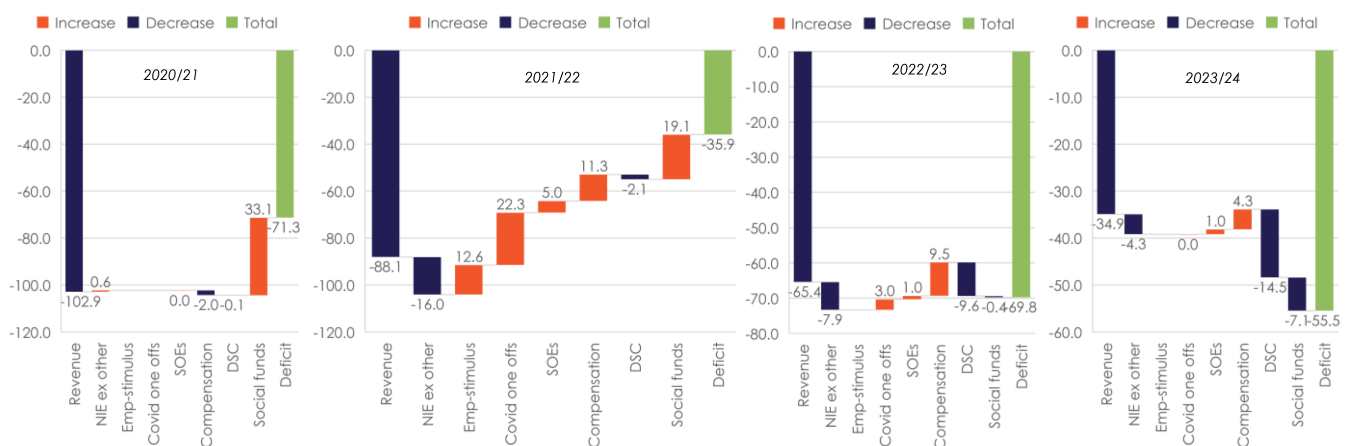
A lot more going on here. The revenue outperformance vs the MTBSP is offset by ZAR13bn for the Presidential Employment Stimulus plan – a positive move that this is being funded. Then ZAR22.5bn of covid spending including vaccines, third wave related spending, the increased contingency reserve. ZAR5bn for Land Bank (out of the ZAR7bn total), more money for compensation (see below), the savings on debt service costs and then the more bearish view on social funds expenditure (UIF etc) next year (where the risks are it will be less).

Extracting from this though we can see that underlying expenditure is cut by ZAR16.0bn – which is the removal of underspend clawed back by NT – including on infrastructure (see the Infrastructure section below) but also more broadly.

2022/23 and 2023/24 shifts

DSC savings grow further and help the shift in the deficit to become more than the revenue shift from the MTBPS. In each case there is some additional compensation spending, minimal extra spending on SOEs (just ZAR1bn per year for Land Bank). Further savings in the consolidated items in the outer year also help. But in each year we see some savings in underlying expenditure from underspend as well – of ZAR7.9bn and ZAR4.3bn respectively.

Figure 8: Drivers of change in consolidated deficit (ZARbn) - change from MTBPS20 to Budget21



Source: Intellidex, NT Note – more negative implies a falling, smaller deficit. Note – social funds includes also other non-main budget revenues and expenditures

Compensation

There is an odd step up in expenditure on compensation despite the freeze – ZAR25bn in total. We understand these are where municipalities and entities like water boards have already agreed above inflation increases with workers and are outside the central bargaining framework. This point is often misunderstood by markets – there is a small but still sizable minority of public sector workers not covered by the central agreements.

NT has thrown expectations of the resolution of next year's wage settlement into the middle of next year – despite the fact that year starts in April. This will upset unions, but is a way of NT trying to force the President's hand by already deploying no increase into April. The decisions – as we've written

about before, is political ultimately and will be made by the President. We worry about a zero real increase scenario (Intellidex1 below) which would add ZAR131bn over the MTEF. A worse scenario (Intellidex2) is if NT loses the constitutional court case and has to deploy back pay. That could add ZAR269bn over the MTEF but is unlikely – our baseline (reinforced by recent papers published for the case by NT) is that the status quo will hold.

Another option though – given the 1.6% increase in grants only, is that we get a similar increase in public sector wages. That would around ZAR65bn over the MTEF. This is an interesting anchoring point to watch.

The lesson here though is we need to be cautious about underlying creep outside the central focus.

Figure 9: Public sector wage bill changes (ZARbn)

		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	MTEF Total
Baselines	MTBPS19	585	631	675	718	759	793	2269
	Budget 20	584	629	639	668	697	727	2092
	MTBPS20	584	626	639	639	647	655	1941
	Budget 21	**584**	**626**	**637**	**650**	**656**	**659**	**1966**
	Intellidex 1	584	626	637	669	699	730	2097
	Intellidex 2	584	626	637	713	744	778	2234
Savings to MTBPS19	Budget 20	-1	-2	-36	-50	-62	-65	-177
	MTBPS20	-1	-5	-36	-79	-112	-138	-328
	Budget 21	**-1**	**-5**	**-38**	**-67**	**-102**	**-133**	**-303**
	Intellidex 1	-1	-5	-38	-49	-60	-63	-172
	Intellidex 2	-1	-5	-38	-5	-14	-15	-34
Savings to Budget 20	MTBPS20	0	-3	0	-29	-51	-72	-152
	Budget 21	**0**	**-3**	**-2**	**-17**	**-41**	**-68**	**-127**
	Intellidex 1	0	-3	-2	1	2	3	5
	Intellidex 2	0	-3	-2	45	47	50	142
Deviations from MTBPS20	**Budget 21**	0	0	**-2**	**11**	**10**	**4**	**25**
	Intellidex 1	0	0	-2	29	52	75	157
	Intellidex 2	0	0	-2	74	98	123	294
Deviations from Budget 21	Intellidex 1	0	0	0	**18**	**43**	**71**	**131**
	Intellidex 2	0	0	0	62	88	118	269
Growth	Budget 20		7.7	1.5	4.5	4.4	4.4	
	MTBPS20		7.2	2.1	0.0	1.2	1.3	
	Budget 21		**7.2**	**1.8**	**2.1**	**0.9**	**0.5**	
	Intellidex 1		7.2	1.8	5.0	4.5	4.5	
	Intellidex 2		7.2	1.8	11.9	4.4	4.5	

Source: Intellidex, NT Note: Intellidex 1 is zero real, Intellidex 2 is some adjustment for back pay for 2019/20 on a loss of court case.

Grants

There is concern that most grant payments (for pensions, disability, veterans and carers) rise by only 1.6% (in nominal terms) in the year ahead (with inflation at 3.2% currently – and inflation for lower income deciles higher still at around 3.5%).

Child support grants rise by 3.4% but are much smaller per month. Foster care grants rise by only 1.0%.

There is likely to be significant pushback from civil society and opposition parties, as well as within the ANC. The last time there was such pushback was with VAT around 5 years ago. That caused a rethink and a slippage of the budget as it was offset with remedial action. We need to watch what happens with amending the budget bills in parliament though that is a highly complex route that is unlikely to succeed. Instead, any action will come from the ANC via cabinet into NT – either now or at the MTBPS to

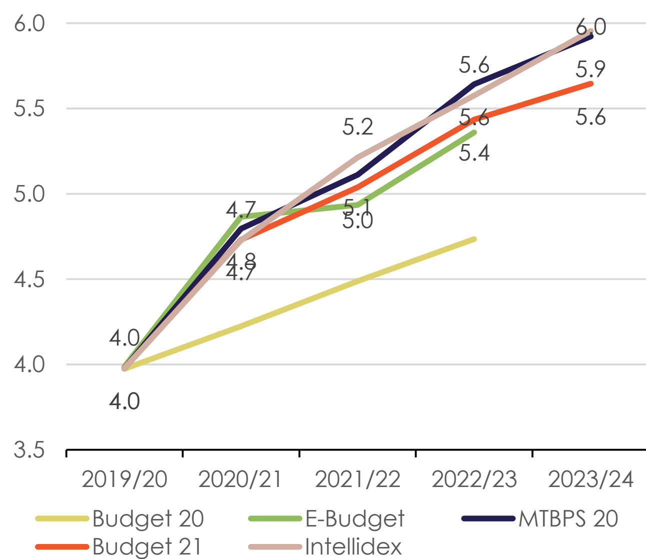
make additional revisions upwards for future years to communicate before the local elections.

The issue puts a further spotlight on food inflation and the cost of living as a political issue.

Debt service costs

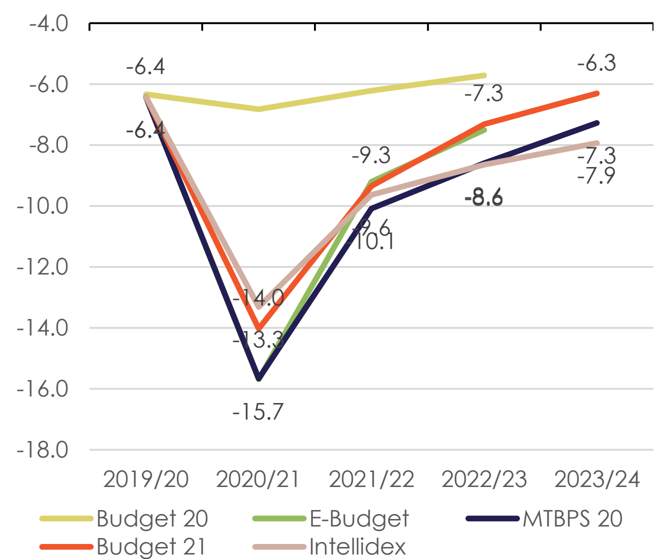
The flatter yield curve than at the MTBPS, combined with a stronger ZAR and higher cash levels earning interest, allowed NT to come with a stronger profile for debt service costs as a share of GDP. Still, it is increasing continually and make SA susceptible to shocks.

Figure 10: Debt service costs (%GDP)



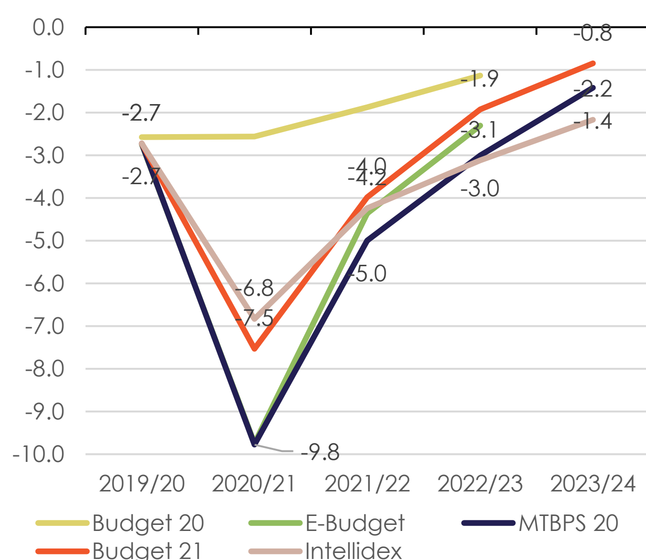
Source: Intellidex, NT

Figure 11: Consolidated balance (%GDP)



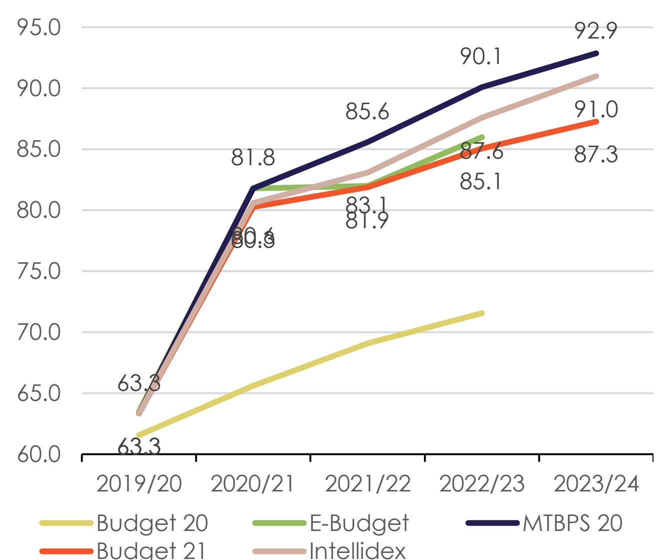
Source: Intellidex, NT

Figure 12: Primary balance (ZARbn)



Source: Intellidex, NT

Figure 13: Gross debt (%GDP)



Source: Intellidex, NT

Deficit profile

When we add all this together, we can see NT targeting parallel step-in of the deficit profile which means that we reach primary balance sooner – though beyond the MTEF in their long-term (unpublished) forecast.

We do, in the long end of the MTEF, end up outperforming the long end of the forecast at the budget a year ago now for the primary deficit – thanks to the mixture of revenue and expenditure shifts outlined above. Still, given that debt service costs remain much higher than a year ago, the consolidated deficit doesn't reach back to the same level.

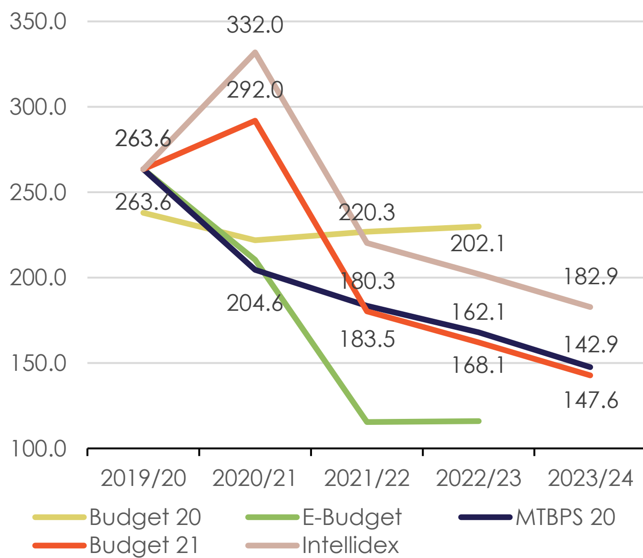
Debt and cash

The net debt profile falls by around 5pp thanks to the shift in the budget balance. The gross debt profile falls faster initially thanks to the utilisation of cash in the coming year – NT pencil in ZAR112.6bn of it being utilised to cushion lower issuance and try and get a flatter curve.

Less cash is spent on redemption in the outer two years than expected. Future potential over-issuance in the year ahead from higher non-comp would be spent on this in our view.

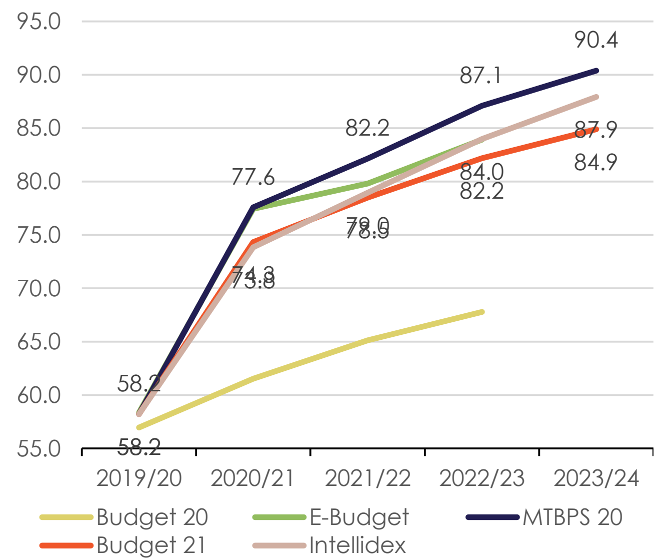
We are still at odds with NT on why cash won't be higher at the end of the fiscal year and its root is partly in the revenue numbers being different but also non-comp into year end possibly as well.

Figure 14: Cash levels (ZARbn)



Source: Intellidex, NT

Figure 15: Net debt (%GDP)



Source: Intellidex, NT

Issuance

There was not figure given for the weekly SAGB auction size alas – though this wasn't unexpected the undue secrecy of NT on this is still baffling. They will announce it at the very end of this fiscal year before the first auction of the next via SENS. This after all was all the market was focused on at this budget.

The context is a much-reduced gross financing requirement from the tighter deficit profile seen – though the redemptions seen have not materially changed since the MTBPS (bar the two switch auctions).

Further offset this with ZAR112.6bn of **cash** utilisation in the year ahead. Half of this goes to reducing t-bill issuance in the year ahead (there was a massive wall to roll that was perplexing the market). The other half goes into lower long bond issuance.

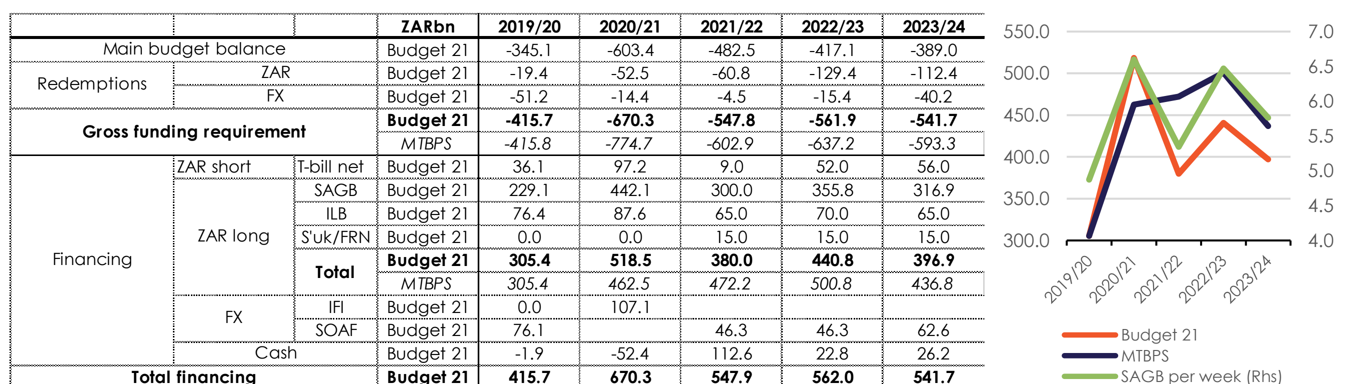
How this falls out is hard to demise – the figure below shows how it might work. If we assume a parallel reduction in **ILB** issuance as SAGB issuance, then we might see ZAR65bn of ILB in the year ahead vs ZAR87.6bn in the current year.

There was no mention of any floating rate note (**FRN**) in the budget though some market expectations persist that it can come. Its non-appearance is a surprise given banks have called on NT so strongly for it. One could still occur – we will have to await the SENS.

NT did announce that they will launch a ZAR denominated domestic **Sukuk**. This taps into an important segment of the domestic saver base. It however cannot be a weekly auction in our view and so we only pencil in ZAR15bn for the full year. Again, we must await the SENS to see the full details.

Finally. then we can back out a fall in SAGB issuance from ZAR442bn to ZAR300bn in the year ahead. Assuming that NT is being conservative and pencil in a 30% non-comp take up and a 10% discount from par – so we can back out (assuming 48 auctions next year) – a fall in issuance from ZAR6.6bn/week SAGBs this fiscal year to around **ZAR5.3-5.4bn/week of SAGBs** in the next fiscal year. This is just below what markets were expecting.

Figure 16: Issuance framework – path for ZAR long bond issuance total + SAGB auction size (ZARbn)



			ZARbn	2019/20	2020/21	2021/22	2022/23	2023/24
Main budget balance			Budget 21	-345.1	-603.4	-482.5	-417.1	-389.0
Redemptions	ZAR		Budget 21	-19.4	-52.5	-60.8	-129.4	-112.4
	FX		Budget 21	-51.2	-14.4	-4.5	-15.4	-40.2
Gross funding requirement			**Budget 21**	**-415.7**	**-670.3**	**-547.8**	**-561.9**	**-541.7**
			MTBPS	*-415.8*	*-774.7*	*-602.9*	*-637.2*	*-593.3*
Financing	ZAR short	T-bill net	Budget 21	36.1	97.2	9.0	52.0	56.0
	ZAR long	SAGB	Budget 21	229.1	442.1	300.0	355.8	316.9
		ILB	Budget 21	76.4	87.6	65.0	70.0	65.0
		S'uk/FRN	Budget 21	0.0	0.0	15.0	15.0	15.0
		Total	**Budget 21**	**305.4**	**518.5**	**380.0**	**440.8**	**396.9**
			MTBPS	*305.4*	*462.5*	*472.2*	*500.8*	*436.8*
	FX	IFI	Budget 21	0.0	107.1			
		SOAF	Budget 21	76.1		46.3	46.3	62.6
	Cash		Budget 21	-1.9	-52.4	112.6	22.8	26.2
Total financing			**Budget 21**	**415.7**	**670.3**	**547.9**	**562.0**	**541.7**

Source: Intellidex, NT Note: cash here is different from movements in cash above which include interest Note: the split in bond issuance is an assumption it is not announced.

The budget was quiet on further IFI borrowing though in a subsequent press conference Minister Mboweni seemed to downplay the idea. As such the variety of options is being kept for a rainy day (such as the NDB CRA – and of course any IMF facility).

Hence, we must see the monies pencilled in for FX borrowing as coming from USD3bn a year of **SOAF** issuance. Timing in the next fiscal year will be dependent on market conditions though if current conditions persist it might be better to wait.

It is worth noting that this is not the original issuance framework we think ALM was intending on publishing, originally with less cash utilisation and more issuance – but under very strong pressure elsewhere in NT and outside, they buckled.

Risk – Intellidex forecast

Why do our forecasts diverge? We roughly agree on GDP and revenue after all (only a ZAR20bn different over the MTEF which is tiny).

We don't see debt%GDP stabilise because we have an extra ZAR130bn in the forecast from assuming a zero real wage settlement rather than a zero nominal one. We also add higher grant spending in future. Combined with wider spending needs on SOEs chewing up contingency reserves (ie they can't become savings) we get a ZAR138bn diverge in spending between us and NT over the MTEF.

There are significant buffers in the MTEF though. There is ZAR12bn of contingency reserve in the coming year – double that assumed in recent years. There is also substantial underspend clawed back that makes additional spending hard within the normal processes. Finally, NT has been very conservative in their assumptions on social funds, assuming sizeable deficits not only this year (ZAR-90bn) but also the coming three years as well. We take some of this out (ZAR7.5bn worth) already but not all of it.

As ever the key issues to watch are SOEs, grants and the public sector wage bill.

We should not forget longer term risks remain however – a Basic Income Grant is now all but government policy (ZAR120bn per year), NHI remains policy and would be substantial, NT continues to worry about the huge liability in the road accident fund which remains unreformed (ZAR425.3bn in the coming year) which will need to be paid down over a substantial but finite period.

Ratings

We think the ratings agencies will be surprised by today and will have to remark their starting points quite substantially. Yet they are likely to keep the same negative trends in the numbers, same scepticism on long run growth and so we don't think their broader views will change substantially.

All this pushes out downgrade risk into next year – at least. The key next steps will be post wage bill settlement later in the year and then anything that happens on SOEs and grants.

The cash pile provides a buffer on the ratings whilst the agencies already include Eskom in their thinking so that is unmoved by any deleveraging to the sovereign. They are also likely to alight on the buffers in the framework here. Ultimately the question is if rising debt%GDP even if from a lower level is consistent with what rating. Broadly in these terms we think, bar an SOE shock, ratings are around 'fair' here.

SOEs

In terms of bailouts for SOEs, the only funding that National Treasury has explicitly committed to is a total of ZAR7bn for Land Bank over the next three years. The funding will be financed through budget reallocations of ZAR5bn in 2021/2022 and ZAR1bn each in the 2022/23 and 2023/24 fiscal years. The Finance Minister has indicated that there will be conditionality attached to the bailout to Land Bank.

No other monies were provided for any other entity, despite asks from Denel, SAPO, SABC and others. Here NT certainly held the line.

NT also made a landgrab on SAA. There is some ambiguity around funding for SAA as the budget flags ZAR19.3bn in funding earmarked for the airline, ZAR14.0bn of which was to come from government while the remainder would be sourced from a strategic equity partner (ZAR5.3bn). The ZAR14bn includes the ZAR10.5bn allocated in 2020/2021. What seems to be happening is that the gap has become reliant on conditionality being met by DPE before it will be pencilled in.

The budget detailed no further specifics on bailout requirements over the coming years, yet the risk that various SOEs may require some form of financial support remains pertinent. The following SOEs are candidates for such funding:

- **Eskom:** There was no announcement of any additional funding required by Eskom following the ZAR56bn allocated in 2020/21 and ZAR 31.7bn for 2021/22. Government in conjunction with Eskom have devised an implementation plan that will supposedly ensure that the transmission division is legally separated from the entity by December 2021 while the separation of the generation and distribution divisions are to be completed by December 2022. These timelines should be viewed with some scepticism and in the interim Eskom continues contending with capacity constraints amidst falling demand, hindering its ability to generate revenues.
    - The Eskom debt deleveraging that is due to take place this saw no mention at all, in a subsequent press conference NT stated that the exercise was not its responsibility. This still strikes us as a very odd attitude. NT is the keeper of sovereign stability and must make these things its business. Instead, NT is sitting back waiting for Eskom to come to it asking for blessing. This is a risky strategy allowing DPE to more aggressively capture the public rhetoric.
- **Denel**: The firm continues grappling with dwindling revenues, high overheads and substantial debt servicing costs. While government is in discussion with Denel to ensure that a turnaround plan is implemented, the operational challenges that the SOE is facing could result in it requiring further financial support.
- **SABC**: Following the ZAR3.2bn bailout granted in 2019/20 Adjustment Budget, the SARB has implemented measures to trim operational expenditures (such as staff retrenchments). To avoid needing further financial support from government, it needs to fast track the process of selling non-core assets.

- **Transnet**: the business is grappling with lower revenue as a result of Covid-induced trade restrictions while it has underspent meaningfully on investment (ZAR9.6bn vs budgeted spending of ZAR15.6bn). Such underspending risks creating operational disruptions and in turn business revenue shocks over the medium term.

Financial sector reforms

The financial sector updates felt somewhat insignificant compared to previous budgets. There was little progress on reforms that had been announced in last year's budget and the MTBPS. Among notable absences was anything about inward-listed securities that caused much confusion post the MTBPS. The market had been guided to expect a new exchange control circular to replace circular 15/2020, but nothing emerged. Similarly, long promised exchange control reforms were merely mentioned as ongoing.

However, a new draft regulation 28 was announced (as "published" in the Budget Review; but "coming this week" in the Budget Speech) which will make interesting changes for pension funds investing in infrastructure and private equity.

Loan Guarantee Scheme

NT was less hawkish than we expected on the loan guarantee scheme, saying it is being extended to non-banks to support financing of distressed firms. The mechanism for this is very unclear - the original scheme depended on the SARB funding windows and SARB's profits as the first line of losses, and so could only be done with registered banks that SARB has mechanisms to fund. Going to non-bank lenders makes sense and the Gauteng Government tried to create a smaller scheme with the SA SME Fund to do this as part of a Covid response, but was ultimately frustrated by PFMA restrictions. We could imagine routes to non-banks but it would require bank intermediaries to happen. So, we may see the existing scheme gain a specific dispensation for banks to wholesale lend to non-bank lenders, who can then on-lend to companies. There are some impressive non-bank lenders in this space that often get lumped in with less salubrious corners of the non-bank lending industry but do offer quality operations that can scale. Special guarantee provisions would have to be made for this category of borrower in terms of the scheme. It will also take some commitment from commercial banks to enact, which has so far been lacking in regard to the scheme overall, with most banks decidedly nonchalant.

Simplifying cross-border trade and financial flows

- There is ongoing development of the legislative framework for the new capital flow management system announced in the 2020 Budget. The Reserve Bank will issue a new set of Capital Flows Management Regulations in terms of the Currency and Exchanges Act (1933). This framework is being developed with the Financial Intelligence Centre and the South African Revenue Service.
    - We had hoped this would be finalised and announced with this budget. The Framework will lead to a significant

simplification of the exchange control manual and bring South Africa closer to OECD standards for capital flow liberalisation. It has been several years in the making but is still not ready.

- From 1 March 2021, specific rules for companies with a primary listing offshore, including dual-listed structures, will be aligned to current foreign direct investment rules. This change will be applied automatically to affected companies once the Reserve Bank has finalised these arrangements.
  - We are not quite sure what is meant here – some thought it may imply reclassifying companies with secondary listings on the JSE as foreign, which would be dramatically negative and not at all what we think is intended. Rather this is likely to be about reporting, allowing secondary listed companies to counted in FDI figures, which would make South Africa's FDI look far more rosy.
- During 2021, government will continue working to implement reforms promoting South Africa as a financial hub for the continent in light of the African Continental Free Trade Agreement.
  - We were disappointed there was very little mention of the detail here. There has been some work underway regarding policy space for non-ZAR fund management by collective investment scheme mancos, life companies and platforms, as well as non-ZAR collateral for listed derivatives and non-ZAR listings on the JSE. However, after being signalled in the MTBPS partly for implementation with this budget, not enough progress has been made. We now expect these will be worked on for implementation with the MTBPS in October.

Supporting financial stability

This was achieved in January when the National Treasury and the Reserve Bank finalised the Financial Stability Framework that defines how the Reserve Bank will independently fulfil its financial stability responsibilities in terms of the Financial Sector Regulation Act (2017).

Promoting financial technology to improve financial inclusion

Fintech has become an important to enhance the efficiency of the financial sector and improve financial inclusion. As such, initiatives that promote growth and development of fin tech within the regulatory environment will contribute to the soundness and sustainability of the financial sector. Additionally, policies that lead to digitisation of the payments will have significant cost benefits to the banking sector. Updates to this include the following:

- Fostering innovation and promoting competition – This was done through the launch of an innovation hub in April 2020. The hub provides a coordinated facility to enable live testing of new financial products or services in a controlled setting. Regulators are also using the hub to publish their policies and regulatory stances on crypto assets, open banking –and the regulation of digital platforms (such as crowdfunding platforms).

- Reimagining the financial sector for a more inclusive economy - In 2021, the Reserve Bank will review the feasibility of a retail central bank digital currency or digital cash, which is a digital form of currency that would be issued to the general public. The review, which will be published after completion, will assess potential effects on financial inclusion, monetary policy, financial stability and financial intermediation.

Some good work is being done at the intersection of payments, the SARB/FSCA fintech sandbox, and the Presidential Commission on the Fourth Industrial Revolution that is contributing here.

Responding to climate risks and building a sustainable economy

Climate change continues to be topical globally and policies around disclosures are gaining momentum.

The National Treasury published a draft paper, "Financing a Sustainable Economy" was released in May 2020 is the current policy response. The paper is a framework for financial institutions to disclose and report on issues related to climate risk, and highlighting opportunities for the sector to support the transition to a low-carbon and climate-resilient economy.

This is part of the Sustainable Finance Initiative, funded by Swiss and Swedish donor money, under the auspices of the IFC, which is gaining momentum. The initiative we think will become an important part of the overall Just Energy Transition policy debate that is needed for South Africa's evolution into a post-carbon energy producer. National Treasury has done well to position itself at the centre of the conversation.

Other reforms

A number of other reforms are currently on the go. These include:

- **International assessment of South Africa's financial sector** – This review conducted by the IMF and World Bank found our sector to be operationally effective under the supervision of the Prudential Authority and the FSCA. The were also some suggestions made on areas that require strengthening. This review will be finalised in June 2021

- **Broadening and deepening financial inclusion** – A paper will be finalised this year that will develop a financial inclusion strategy, including a monitoring mechanism, to assess the state of financial inclusion and the impact of this policy. This follows the draft policy paper, *An Inclusive Financial Sector for All,* that was published for public comment.

- **The Conduct of Financial Institutions Bill** - The second draft of the Conduct of Financial Institutions Bill was published in 2020 for public consultation. The National Treasury is engaging stakeholders to discuss and clarify comments received. A revised draft of the bill will be tabled in Parliament in 2021.

- **Transformation and financial inclusion** - The Financial Sector Transformation Council established seven subcommittees to review the targets in the Financial Sector Code to strengthen transformation. The subcommittees are developing targets for management control and skills development, socioeconomic development and consumer education, retirement funds and ownership, access to financial services, preferential procurement, and empowerment financing. This year, the subcommittees will finalise and submit the revised targets to the Financial Sector Transformation Council for approval and then to the Department of Trade, Industry and Competition to publish for public comment.

- **Financial markets legislation** – Following the release of *Building Competitive Financial Markets for Innovation and Growth – A Work Programme for Structural Reforms to South Africa's Financial Markets* in February 2020, a draft bill will be published to adjust the Financial Markets Act (2012) in line with some of the received comments and recommended reforms aligned with international standards.

- **Retirement fund reform** - Annuitisation for provident funds takes effect from 1 March 2021. In addition, the National Treasury has published draft amendments to Regulation 28 of the Pension Funds Act (1956) for public comment. The proposed amendments seek to make it easier for retirement funds to increase investment in infrastructure and improve the measurement of infrastructure investment by the FSCA. The proposed amendments refer to infrastructure investment already permitted through various asset classes and suggest delinking the asset category related to "hedge funds, private equity funds and other assets not referred to in this schedule". Delinking this asset category will make private equity a separate asset class with a higher investment limit. Draft amendments to Regulation 28 will be published for public comment in the coming week.

- **Levies** - The Financial Sector Levies Bill, to be submitted to Parliament in 2021, will provide for levies enabling financial sector regulatory bodies to carry out their duties.

There was no change to the SARB mandate.

Infrastructure

The budget revealed how policy intentions are not translating into reality. Most shocking was that the 2019/20 expenditure outcome was 27% below the estimate made in the 2020 budget. There have also been substantial downward revisions of the next two years. The MTEF estimate is "only" -2.9% down thanks to high estimates in the final year of the MTEF. This stands in stark contrast to the rhetoric around infrastructure that has been central to the economic thinking of the Ramaphosa administration.

On the positive side, however, NT signalled that they are getting busy with the policy reforms needed to change this poor outcome, particularly on public-private partnerships. We have been hoping that NT would be more

public about the PPP reform process that has been underway under World Bank guidance for two years. The recommendations of reforms are highly positive and we hope political focus settles on driving these forward as a key mechanism to unlock the infrastructure pipeline.

Outcome disappointment

The graph below summarises the shifts:

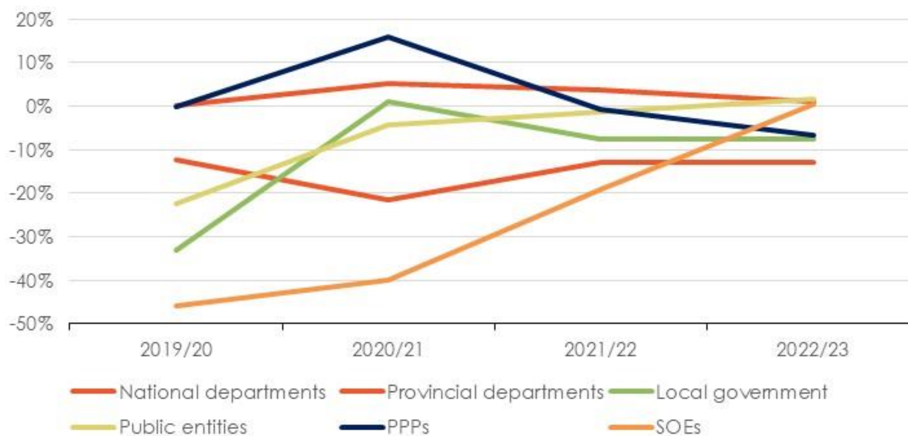
Figure 17: Total infrastructure spending estimates from Budget 2020 to Budget 2021 (ZARbn)

Source: Intellidex, NT

It is hard to understand how the expenditure outcome for 2019/20 was over a quarter below the estimate last year. And along with it are substantial downward revisions of the next two years' expected spending.

The 2019/20 outcomes were most clearly down on state-owned enterprises and local government, though central government and national departments were also negative (see graph below).

Figure 18: Downward revisions in expenditure from Budget 20 to 21, by public sector segment (%)



Source: Intellidex, NT

This graph shows that the big disappointments last year are all now expected to recover (perhaps except for national departments) over the rest of the MTEF. SOEs in particular are expected to be back at earlier estimated spending levels by 2022/23.

In our view, these disappointing outcomes are about two things: capacity constraints in the civil service and balance sheet stress in SOEs. Overall fiscal weakness makes it hard to fix as on budget expenditure can be saved. The poor local government performance shows that the civil service is struggling to manage procurement, from project conceptualisation to delivery. SOEs cannot raise the funding for infrastructure investment.

State-owned companies are the largest contributor to capital investment, spending a projected ZAR293.7bn over the next three years, so the projected recovery is going to be key to delivering on overall expenditure forecasts. Provinces are expected to spend ZAR181.9bn on infrastructure over the same period, while municipalities are forecast to spend ZAR190.8bn. Municipalities are where the skills shortages are most keenly felt. It is to be sceptical about the outlook for recovery.

Policy reforms

If there is to be a recovery in spending, a key move needs to be reform to the policy environment that currently makes it difficult to originate and deliver infrastructure projects in the public sector.

One of the most positive signals on this front is a whole chapter in the Budget Review focused on PPP framework reforms. PPPs are the answer to bringing private sector skills and capital to filling in for state capacity. South Africa has had a fairly good PPP framework but there has been missing political will to use it and it is vastly more complex than using traditional on-budget public procurement. Now these weaknesses are being addressed.

NT has quietly been working on reforms with the World Bank for two years. The Bank has produced a world class document on reforms to change several aspects of the PPP framework. Most of these are to simplify processes and reduce the burden of viability assessments while speeding up procurement decision making. We have long been frustrated that NT has not been more vocal about these reforms while the wider infrastructure policy debate has raged about setting up an infrastructure fund and creating Infrastructure South Africa as a new overarching institution. These to our minds are poor ways of getting around the problems with the PPP framework.

The Budget Review chapter signals this is changing. We hope the political momentum refocuses on PPPs as a result. If NT follows through on the reforms, then the long-awaited pipeline of projects may well find its way to private sector funders who are ready and waiting for bankable opportunities.

The Public Procurement Bill, first tables in February last year, has been flagged as the legislative mechanism to make these changes, as well as changes to improve on-budget infrastructure procurement too.

Elsewhere in the Budget Review, NT has also tried to engage on the Infrastructure Fund and wider infrastructure policy effort being led by the presidency. There does seem to be some progress in this regard, particularly that the Infrastructure Fund, which has effectively been divisionalised into the DBSA, will be lined up with the Public Facility for Infrastructure. The Infrastructure Fund will spend its time pitching projects to the PFI at its "windows" in which it considers what projects to fund. In practice, NT has earmarked budgets over the MTEF (adding up to R100bn) that will be

undertaken through the Infrastructure Fund with blended finance and other risk mitigation used. Interestingly, the PPP chapter starts out saying that "most" of the projects through the Infrastructure Fund "are expected to be PPPs" which we think will come as news to others working on the Fund outside of NT who have steadfastly tried to avoid the formal PPP framework.

In what we see as a tactical move, NT also published a list of projects that have been added to the Infrastructure Fund pipeline, which is notable mostly for how many are still in the "pre-feasibility" conceptual stage, or still under feasibility review. There are three areas that appear more "real": student housing, broadband for government facilities (branded "South Africa Connect") and the water infrastructure programme. Money has been allocated for project preparation for these. This may well lead to something real – combined with a raft of 27 seasoned infrastructure secondees that the private sector has provided to Infrastructure South Africa, some pipeline may well start filling.

Appendix

Figure 19: Full fiscal framework

			2019/20	2020/21	2021/22	2022/23	2023/24
GDP	Budget 20	ZAR	5157.3	5428.2	5759.0	6126.3	
	Jun-20	ZAR	5135.9	4858.2	5330.5	5617.3	
	MTBPS	ZAR	5148.3	4858.3	5317.0	5629.3	5961.3
	Budget 21	ZAR	5148.3	4921.0	5352.2	5666.3	5997.2
	Deviation	**%**		**1.3**	**0.7**	**0.7**	**0.6**
	Intellidex	ZAR	5148.3	4926.0	5330.0	5639.1	5971.8
Revenue	Budget 20	ZAR	1344.8	1398.0	1484.3	1580.9	
		%GDP	26.1	25.8	25.8	25.8	
	Jun-20	ZAR	1345.3	1099.5	1268.2	1378.8	
		%GDP	26.2	22.6	23.8	24.5	
	MTBPS	ZAR	1345.9	1097.9	1263.6	1388.3	1487.1
		%GDP	26.1	22.6	23.8	24.7	24.9
	Budget 21	ZAR	1345.9	1200.8	1351.7	1453.7	1522.0
		%GDP	26.1	24.4	25.3	25.7	25.4
	Deviation	**ZAR**		**102.9**	**88.1**	**65.4**	**34.9**
		%GDP		**1.8**	**1.5**	**1.0**	**0.4**
	Intellidex forecast	ZAR	1345.9	1235.0	1355.0	1433.6	1518.1
		%GDP	26.1	25.1	25.4	25.4	25.4
Expenditure	Budget 20	ZAR	1682.3	1766.0	1850.7	1940.2	
		%GDP	32.6	32.5	32.1	31.7	
	Jun-20	ZAR	1690.6	1809.1	1763.7	1809.3	
		%GDP	32.9	37.2	33.1	32.2	
	MTBPS	ZAR	1691.0	1805.7	1801.1	1874.8	1924.6
		%GDP	32.8	37.2	33.9	33.3	32.3
	Budget 21	ZAR	1691.0	1804.2	1834.2	1870.8	1911.1
		%GDP	32.8	36.7	34.3	33.0	31.9
	Deviation	**ZAR**		**-1.5**	**33.1**	**-4.0**	**-13.5**
		%GDP		**-0.5**	**0.4**	**-0.3**	**-0.4**
	Intellidex forecast	ZAR	1691.0	1804.2	1858.5	1923.8	2002.9
		%GDP	32.8	36.6	34.9	34.1	33.5
Non-interest Expenditure	Budget 20	ZAR	1477.3	1536.7	1592.2	1650.1	
		%GDP	28.6	28.3	27.6	26.9	
	Jun-20	ZAR	1485.8	1572.7	1500.6	1508.2	
		%GDP	28.9	32.4	28.2	26.8	
	MTBPS	ZAR	1486.2	1572.7	1529.3	1557.2	1571.5
		%GDP	28.9	32.4	28.8	27.7	26.4
	Budget 21	ZAR	1486.2	1571.3	1564.5	1562.8	1572.5
		%GDP	28.9	31.9	29.2	27.6	26.2
	Deviation	**ZAR**		**-1.4**	**35.2**	**5.6**	**1.0**
		%GDP		**-0.4**	**0.5**	**-0.1**	**-0.1**
	Intellidex forecast	ZAR	1486.2	1571.3	1580.6	1609.4	1647.3
		%GDP	28.9	31.9	29.7	28.5	27.6
Debt service costs	Budget 20	ZAR	205.0	229.3	258.5	290.1	
		%GDP	4.0	4.2	4.5	4.7	
	Jun-20	ZAR	204.8	236.4	263.1	301.1	
		%GDP	4.0	4.9	4.9	5.4	
	MTBPS	ZAR	204.8	233.0	271.8	317.6	353.1
		%GDP	4.0	4.8	5.1	5.6	5.9
	Budget 21	ZAR	204.8	232.9	269.7	308.0	338.6
		%GDP	4.0	4.7	5.0	5.4	5.6
	Deviation	**ZAR**		**-0.1**	**-2.1**	**-9.6**	**-14.5**
		%GDP		**-0.1**	**-0.1**	**-0.2**	**-0.3**
	Intellidex forecast	ZAR	204.8	232.9	277.9	314.4	355.6
		%GDP	4.0	4.7	5.2	5.6	6.0
Main budget balance	Budget 20	ZAR	-337.5	-368.0	-366.4	-359.3	
		%GDP	-6.5	-6.8	-6.4	-5.9	
	Jun-20	ZAR	-345.3	-709.6	-495.5	-430.5	
		%GDP	-6.7	-14.6	-9.3	-7.7	
	MTBPS	ZAR	-345.1	-707.8	-537.5	-486.5	-437.5
		%GDP	-6.7	-14.6	-10.1	-8.6	-7.3
	Budget 21	ZAR	-345.1	-603.4	-482.5	-417.1	-389.1
		%GDP	-6.7	-12.3	-9.0	-7.4	-6.5
	Deviation	**ZAR**		**104.4**	**55.0**	**69.4**	**48.4**
		%GDP		**2.3**	**1.1**	**1.3**	**0.9**
	Intellidex forecast	ZAR	-345.1	-569.2	-503.5	-490.3	-484.7
		%GDP	-6.7	-11.6	-9.4	-8.7	-8.1
Consolidated items	Budget 20	ZAR	10.9	-2.5	8.9	9.6	
		%GDP	0.2	0.0	0.2	0.2	
	Jun-20	ZAR	15.0	-52.1	4.9	9.0	
		%GDP	0.3	-1.1	0.1	0.2	
	MTBPS	ZAR	14.5	-53.3	1.6	2.6	4.1
		%GDP	0.3	-1.1	0.0	0.0	0.1
	Budget 21	ZAR	14.5	-86.4	-17.5	3.0	11.2
		%GDP	0.3	-1.8	-0.3	0.1	0.2
	Deviation	**ZAR**		**-33.1**	**-19.1**	**0.4**	**7.1**
		%GDP		**-0.7**	**-0.4**	**0.0**	**0.1**
	Intellidex forecast	ZAR	14.5	-86.4	-10.0	3.0	11.2
		%GDP	0.3	-1.8	-0.2	0.1	0.2
Consolidated budget balance	Budget 20	ZAR	-326.6	-370.5	-357.5	-349.7	
		%GDP	-6.3	-6.8	-6.2	-5.7	
	Jun-20	ZAR	-330.3	-761.7	-490.6	-421.5	
		%GDP	-6.4	-15.7	-9.2	-7.5	
	MTBPS	ZAR	-330.6	-761.1	-535.9	-483.9	-433.4
		%GDP	-6.4	-15.7	-10.1	-8.6	-7.3
	Budget 21	ZAR	-330.6	-689.8	-500.0	-414.1	-377.9
		%GDP	-6.4	-14.0	-9.3	-7.3	-6.3
	Deviation	**ZAR**		**71.3**	**35.9**	**69.8**	**55.5**
		%GDP		**1.6**	**0.7**	**1.3**	**1.0**
	Intellidex forecast	ZAR	-330.6	-655.6	-513.5	-487.3	-473.5
		%GDP	-6.4	-13.3	-9.6	-8.6	-7.9
Main budget primary	Budget 20	ZAR	-132.5	-138.7	-107.9	-69.2	
		%GDP	-2.6	-2.6	-1.9	-1.1	
	Jun-20	ZAR	-140.5	-473.2	-232.4	-129.4	
		%GDP	-2.7	-9.7	-4.4	-2.3	
	MTBPS	ZAR	-140.3	-474.8	-265.7	-168.9	-84.4
		%GDP	-2.7	-9.8	-5.0	-3.0	-1.4
	Budget 21	ZAR	-140.3	-370.5	-212.8	-109.1	-50.5
		%GDP	-2.7	-7.5	-4.0	-1.9	-0.8
	Deviation	**ZAR**		**104.3**	**52.9**	**59.8**	**33.9**
		%GDP		**2.2**	**1.0**	**1.1**	**0.6**
	Intellidex forecast	ZAR	-140.3	-336.3	-225.6	-175.8	-129.1
		%GDP	-2.7	-6.8	-4.2	-3.1	-2.2
Gross Debt	Budget 20	ZAR	3176.0	3562.0	3979.0	4384.0	
		%GDP	61.6	65.6	69.1	71.6	
	Jun-20	ZAR	3261.3	3974.0	4371.0	4830.9	
		%GDP	63.5	81.8	82.0	86.0	87.4
	MTBPS	ZAR	3261.3	3974.1	4551.8	5071.3	5536.2
		%GDP	63.3	81.8	85.6	90.1	92.9
	Budget 21	ZAR	3261.3	3949.7	4382.8	4819.9	5234.5
		%GDP	63.3	80.3	81.9	85.1	87.3
	Deviation	**ZAR**		**-24.4**	**-169.0**	**-251.4**	**-301.7**
		%GDP		**-1.5**	**-3.7**	**-5.0**	**-5.6**
	Intellidex forecast	ZAR	3261.3	3969.7	4428.8	4939.1	5433.8
		%GDP	63.3	80.6	83.1	87.6	91.0
Cash	Budget 20	ZAR	238.0	222.0	227.0	230.0	
		%GDP	4.6	4.1	3.9	3.8	
	Jun-20	ZAR	263.6	210.5	115.5	116.0	
		%GDP	5.1	4.3	2.2	2.1	
	MTBPS	ZAR	263.6	204.6	183.5	168.1	147.6
		%GDP	5.1	4.2	3.5	3.0	2.5
	Budget 21	ZAR	263.6	292.0	180.3	162.1	142.9
		%GDP	5.1	5.9	3.4	2.9	2.4
	Deviation	**ZAR**		**87.4**	**-3.2**	**-6.0**	**-4.7**
		%GDP		**1.7**	**-0.1**	**-0.1**	**-0.1**
	Intellidex forecast	ZAR	263.6	332.0	220.3	202.1	182.9
		%GDP	5.1	6.7	4.1	3.6	3.1
Net Debt	Budget 20	ZAR	2938.0	3340.0	3752.0	4154.0	
		%GDP	57.0	61.5	65.2	67.8	
	Jun-20	ZAR	2997.7	3763.5	4255.5	4714.9	
		%GDP	58.4	77.5	79.8	83.9	
	MTBPS	ZAR	2997.7	3769.5	4368.3	4903.2	5388.6
		%GDP	58.2	77.6	82.2	87.1	90.4
	Budget 21	ZAR	2997.7	3657.7	4202.5	4657.8	5091.6
		%GDP	58.2	74.3	78.5	82.2	84.9
	Deviation	**ZAR**		**-111.8**	**-165.8**	**-245.4**	**-297.0**
		%GDP		**-3.3**	**-3.6**	**-4.9**	**-5.5**
	Intellidex forecast	ZAR	2997.7	3637.7	4208.5	4737.0	5250.9
		%GDP	58.2	73.8	79.0	84.0	87.9

Source: Intellidex, NT Note: Deviation refers to the MTBPS to Budget 21 shift.

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