2026

BUDGET

25 February
#Budget2026

A FISCAL TURNING POINT IN A RESILIENT ECONOMY

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MINISTER OF FINANCE

25 February 2026

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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2030 NDP

The 2026 Budget is a milestone document that achieves fiscal goals, demonstrates resilience and progress

2026 Budget: A fiscal turning point in a resilient economy

- The economic outlook has improved moderately, and the public finances have reached an important milestone.
- The economy is expected to grow by 1.6 per cent in 2026, up from 1.4 per cent in 2025. Real GDP growth is forecast to reach 2 per cent by 2028, supported by continued momentum on structural reforms, improving confidence, lower interest rates and higher investment.
- The debt ratio will stabilise in this financial year and decline thereafter. This will reduce medium-term debt-service costs as a share of revenue and support the sustainable provision of public services.
- Inflation declined to 3.2 per cent in 2025 helping to improve affordability for households and keep interest rates lower.
- Growth-enhancing reforms have progressed in energy, transport, telecommunications and visa provision. But overcoming obstacles to implementation, higher investment and improvements in basic services remain critical to creating jobs and reducing poverty.
- Budget reforms are under way to make government more efficient and cut wasteful programmes and activities.
- The R20 billion tax increase previously pencilled in for the 2026 Budget is withdrawn and personal income tax brackets and medical tax credits will be fully adjusted for inflation, after two years with no inflationary relief.
- Tax thresholds and limits are also adjusted for the impact of inflation, to assist small businesses and encourage savings.
- The 2026 Budget introduces a fundamental shift in subnational fiscal architecture, moving from oversight to active structural intervention. This involves changes to legislation, governance, and technology at the municipal level, and strict headcount controls and compensation discipline at the provincial level.
- The 2026 Budget reflects the improvements in South Africa's debt portfolio, including a credit rating upgrade and declining bond yields, increased investor confidence and lower borrowing costs.

Budget 2026 delivers on the core elements of government's four pillar macroeconomic strategy

Maintaining macroeconomic stability

Stabilising public debt, maintaining sound monetary policy, and committing to fiscal prudence.

New inflation target of 3% with a 1 percentage point tolerance band aims to anchor inflation expectations lower, reduce debt service costs, and reduce inflation over time.

Implementing structural reforms for growth

Significant progress made in stabilising the operations in the electricity and logistics sectors, critical for arresting economic decline.

Interventions aimed at introducing private sector participation are progressing, including the introduction of open access on freight rail and private sector transmission investments.

Institutional reforms underway will support the restructuring of key state-owned companies to reposition their balance sheets and performance, strengthen regulation and create an enabling environment for increased investment.

Boosting state capability

Operation Vulindlela Phase II prioritizes reforms to improve local government, impacting economic activity and millions of people.

Implementing a utility model for water and electricity, emphasizing accountability and business-like operations.

Passing the Public Service Amendment Bill to standardize and professionalize senior official appointments in local government.

Accelerating infrastructure investment

Government plans to invest R1.07 trillion in infrastructure over the medium term

In 2025, government raised R11.8 billion through an infrastructure bond

NT and DBSA are establishing the Infrastructure Finance and Implementation Support Agency

PPP regulations are revised for national and provincial governments, with municipal regulations to be finalized by June 2026.

Metro trading services reform will ensure the reinvestment of service revenues into infrastructure, with R27.7 billion allocated over the MTEF.

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Domestic economic growth is forecast to rise to 2% by the end of MTEF and inflation remains well anchored

Domestic economic forecast

Percentage change	2024 Actual	2025 Estimate	2026 Forecast	2027 Forecast	2028 Forecast
Final household consumption	1.0	3.1	1.8	2.0	2.2
Final government consumption	-0.1	0.3	2.4	0.0	0.3
Gross fixed-capital formation	-3.9	-2.0	2.4	3.3	3.9
Gross domestic expenditure	-0.6	2.2	2.0	1.9	2.1
Exports	-2.8	-2.0	1.6	2.4	2.9
Imports	-6.4	1.0	3.0	2.9	3.1
Real GDP growth	**0.5**	**1.4**	**1.6**	**1.8**	**2.0**
GDP inflation	3.9	2.5	4.1	3.4	3.3
GDP at current prices (R billion)	**7 352**	**7 642**	**8 085**	**8 506**	**8 965**
CPI inflation	4.4	3.2	3.4	3.3	3.2
Current account balance (% of GDP)	-0.7	-0.9	-1.0	-1.2	-1.3

Sources: National Treasury, Reserve Bank and Statistics South Africa

- GDP growth is projected at 1.6 per cent in 2026, settling at 2 per cent by the end of the MTEF.
- Household consumption is still expected to drive domestic demand following strong year-to-date performance.
- GDP growth is projected to accelerate marginally to 1.6 per cent in 2026, rising to 2 per cent by the end of the MTEF. This reflects stronger household purchasing power relative to the previous projection.
- The medium- to longer-term outlook, however, still depends largely on the easing of uncertainties, the resolution of production-side constraints, and the stabilisation of macroeconomic policy settings.
- After easing from 4.4 per cent in 2024 to 3.2 per cent in 2025, consumer inflation is projected to average 3.3 per cent over the MTEF, supported by lower core inflation and easing inflation expectations.

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Global economic growth will hold steady at 3.3 per cent this year amid elevated risks

Global economic outlook: selected countries

Region/country	2024	2025	2026	2027
Percentage	Actual	Estimate	Forecast	
World	**3.3**	**3.3**	**3.3**	**3.2**
Advanced economies	**1.8**	**1.7**	**1.8**	**1.7**
United States	2.8	2.1	2.4	2.0
Euro area	0.9	1.4	1.3	1.4
United Kingdom	1.1	1.4	1.3	1.5
Japan	0.1	1.1	0.7	0.6
Emerging and developing countries	**4.3**	**4.4**	**4.2**	**4.1**
Brazil	3.4	2.5	1.6	2.3
Russia	4.3	0.6	0.8	1.0
India	6.5	7.3	6.4	6.4
China	5.0	5.0	4.5	4.0
Sub-Saharan Africa	**4.1**	**4.4**	**4.6**	**4.6**
Nigeria	4.1	4.2	4.4	4.1
South Africa[1]	0.5	1.4	1.6	1.8
World trade volumes	**3.6**	**4.1**	**2.6**	**3.1**

1. National Treasury forecast
Source: IMF World Economic Outlook, January 2026

- Global economic growth is projected to remain at 3.3 per cent in 2026, easing to 3.2 per cent in 2027, driven by diverging forces.
- Surging technological investments, supportive macroeconomic policy and favourable financial conditions more than counteract trade policy and geopolitical uncertainties.
- Global inflation is forecast to continue moderating to 3.8 per cent in 2026 and 3.4 per cent in 2027, easing pressure on central bank monetary policy
- Risks remain to the downside, with escalating trade barriers and geopolitical fragmentation present primary downside risks

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Operation Vulindlela Phase II is unlocking economic growth including addressing municipal dysfunction

Key areas of progress:

- Significant progress was recorded in the electricity sector, with regulatory approvals and institutional developments that advance the transition to a competitive electricity market.
- Transnet maintained improved operational performance, reflected in higher rail volumes and continued progress with fleet renewal. A major milestone was reached with the signing of the long-term concession agreement for Durban Container Terminal Pier 2, unlocking investment in port capacity and technology.
- The National Water Resources Infrastructure Agency is expected to begin operations in 2026, supporting increased maintenance and investment in water infrastructure, while a dedicated Water Crisis Committee has been established to address, among other things, the immediate water crisis.
- To boost the state's capacity, under the Metro Trading Services Reform, government has allocated performance-based grants to seven qualifying municipalities to strengthen management accountability, financial transparency, cash flows and infrastructure maintenance.

Notwithstanding the above, progress with reform implementation has been slow due to the complexity of some reforms and associated legislative and administrative processes.

Work is under way to unblock these delays, such as technical task teams supporting Eskom restructuring reforms – which will support improved GDP growth.

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Public-sector infrastructure expenditure will amount to R1.07 trillion over the medium term

Public-sector infrastructure expenditure and estimates — summary

R billion	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	MTEF
	Outcomes			Revised estimate	Medium-term estimates			Total
Energy	38.7	46.1	50.6	59.2	69.0	74.4	70.3	213.6
Water and sanitation	35.4	27.5	48.6	62.7	61.2	60.8	63.2	185.2
Transport and logistics	86.4	75.1	109.6	130.7	135.8	147.4	134.4	417.6
Other economic services	18.9	48.1	21.4	24.6	21.9	21.9	21.7	65.4
Health	11.9	13.1	13.6	15.8	14.5	14.4	14.6	43.5
Education	21.1	14.5	19.8	19.1	18.7	20.2	19.5	58.5
Human settlements[1]	14.3	21.3	17.2	18.1	15.5	16.2	16.7	48.4
Other social services	3.3	0.5	3.5	4.6	3.7	3.1	3.1	9.8
Administration services[2]	9.0	10.7	7.4	10.5	8.8	9.3	6.3	24.4
Total	**238.8**	**256.9**	**291.7**	**345.2**	**349.0**	**367.6**	**349.7**	**1 066.4**
National departments	13.2	14.2	13.8	16.1	12.8	13.6	13.8	40.2
Provincial departments	60.1	73.2	71.5	78.9	74.1	71.6	72.2	217.8
Local government	64.7	56.8	72.0	71.0	68.9	67.4	69.5	205.7
Public entities[3]	26.8	26.4	25.9	40.2	41.9	46.9	43.1	131.9
Public-private partnerships	6.0	6.8	7.1	7.8	8.2	8.3	8.7	25.2
State-owned companies[3]	67.9	79.4	101.4	131.2	143.2	159.9	142.4	445.5
Total	**238.8**	**256.9**	**291.7**	**345.2**	**349.0**	**367.6**	**349.7**	**1 066.4**

1. Human settlements includes public housing and bulk infrastructure amounting to R48.4 billion over the MTEF period
2. Administration services include infrastructure spending by the departments of International Relations and Cooperation, Home Affairs, and Public Works and Infrastructure, and Statistics South Africa and their entities
3. Public entities are financed by capital transfers from the fiscus and state-owned companies are financed from a combination of own revenue and borrowings
Source: National Treasury

- 54.1 per cent, or R577.4 billion of the total planned infrastructure expenditure will be executed by state-owned companies and public entities.
- SOCs and public entities will pool funding from the national budget, own revenue and private investors.
- Boosting infrastructure investment will spur longer-term economic growth

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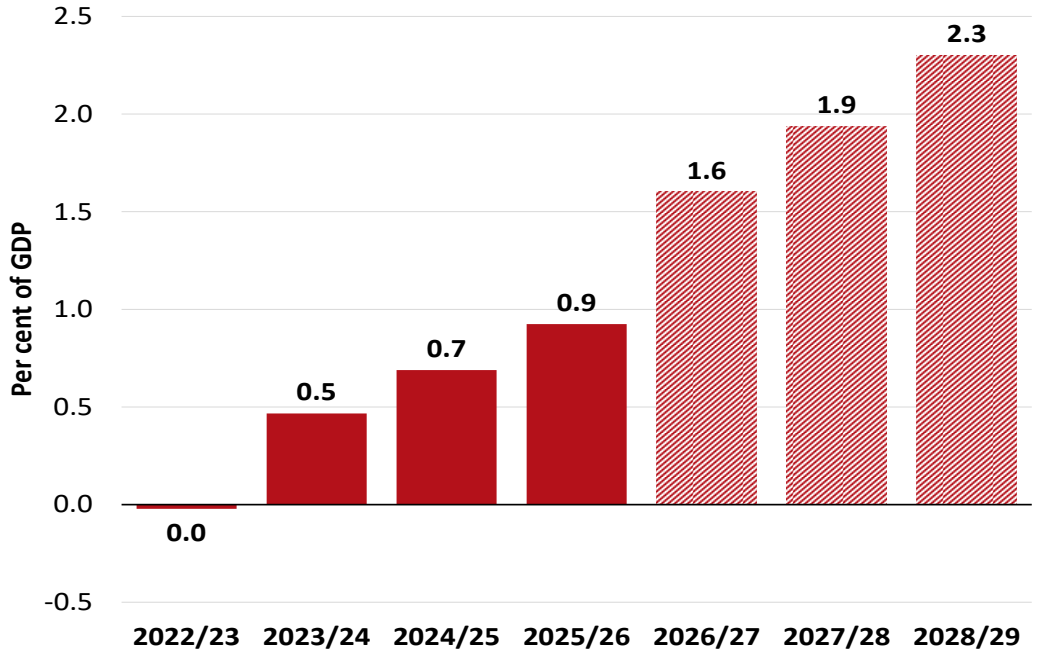
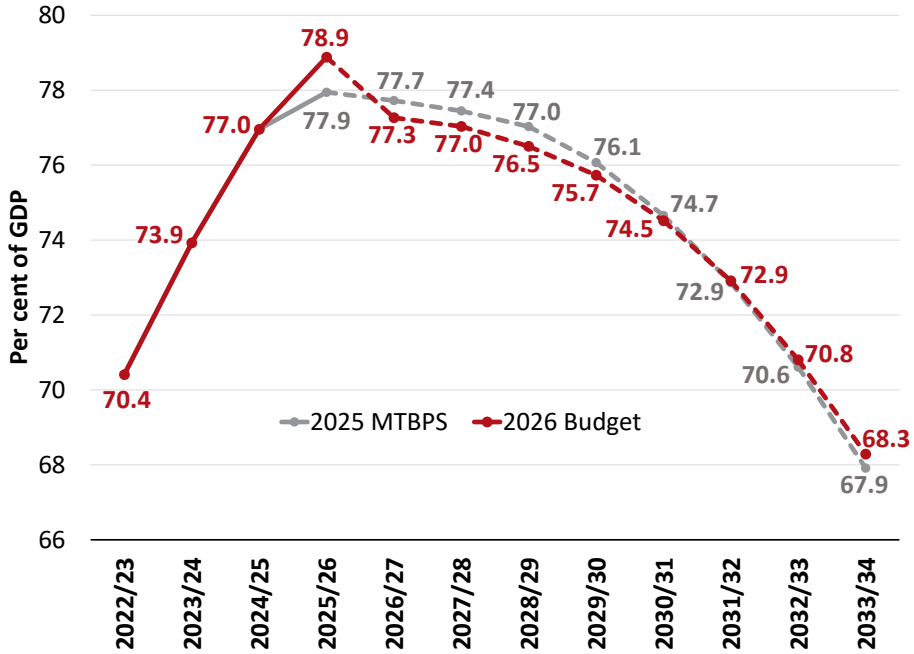
Government will achieve a debt-stabilising main budget primary surplus this year and continue to grow the surplus over the medium term

Main budget primary balance outcomes and estimates



- The main budget deficit and primary surplus for 2025/26 improve slightly due to improved revenue collection, offset by increased non-interest expenditure.
- Debt-service costs are revised down by R10.6 billion over the medium term, driven by improved bond yields, an appreciating rand, and lower inflation and interest rates.
- The main budget primary surplus increases from 1.6 % of GDP in 2026/27 to 2.3% of GDP in 2028/29.

Gross debt-to-GDP outlook



- National government debt is projected to stabilize at 78.9% of GDP in 2025/26.
- The higher debt peak is attributed to weaker nominal GDP growth and increased borrowing in 2025/26.
- A debt-reducing main budget primary surplus will anchor fiscal policy over the medium term.

The fiscal strategy will be supported by three interlocking actions to improve fiscal outcomes

Grow the economy

- The planned R20 billion tax increase for 2026 is cancelled, and tax thresholds are raised to provide relief from inflation.
- The 2026 Budget supports macroeconomic stability and promotes growth by continuing to narrow the main budget deficit.
- Growth enhancing capital investment is the fastest growing item of expenditure.

Improve the composition of spending

- Non-interest expenditure remains redistributive, with 60.2 per cent allocated to the social wage in 2026/27.
- R3.7 billion is allocated to departmental baselines for the Early Retirement Programme in 2025/26 and 2026/27, with an expected saving of R2.6 billion in 2026/27.
- The ghost worker audit identified 4 323 suspicious cases, with a verification process underway to withhold salaries for unverified employees.

Strengthen the public finances

- Government will propose a fiscal anchor requiring new administrations to present a plan for fiscal sustainability.
- Targeted And Responsible Savings (TARS) has identified R12 billion in savings over the medium term, to improve service delivery.
- The National Treasury developed a debt sustainability model to assess risks to the fiscal framework and inform good fiscal decision-making.

The 2026 Budget provides tax relief, assists small businesses and promotes savings

- The fiscal metrics have improved since the 2025 MTBPS and the proposed R20 billion in tax increases are withdrawn
  - Despite SARS being unlikely to collect the equivalent amount in tax debt as outlined in the 2025 Budget and 2025 MTBPS
- The 2026 Budget tax proposals raise no additional revenue over the MTEF period
- Thresholds, rebates and duties are adjusted for inflation, providing relief to taxpayers
  - Personal income tax brackets and rebates, and medical tax credits, are adjusted in line with expected inflation
  - Excise duties on alcoholic beverages and tobacco products increase in line with inflation
  - The combined increase in fuel levies is in line with expected inflation
- Various tax thresholds and limits adjusted for inflation to provide relief to taxpayers, assist small businesses and encourage savings
  - Effective 1 April 2026, the compulsory VAT registration threshold increases to R2.3 million
  - The turnover tax regime for microbusinesses is adjusted for inflation, with the restriction on tax year end dates removed
  - To encourage savings, the tax-free investments annual limit is increased from R36 000 to R46 000

Tax thresholds and limits reviewed

Description (R)	Last amended	Current monetary amount	Proposed monetary amount
Small businesses			
Value-added tax (VAT) compulsory registration threshold	2009	1 000 000	2 300 000
Annual turnover limit for the turnover tax	2009	1 000 000	2 300 000
Voluntary VAT registration threshold	2009	50 000	120 000
Capital gains tax (CGT)			
CGT exclusion for small business asset disposal	2012	10 000 000	15 000 000
Exclusion amount on disposal of small business when person over 55 years	2012	1 800 000	2 700 000
Exclusion at death	2012	300 000	440 000
Exclusion in respect of disposal of primary residence	2012	2 000 000	3 000 000
Annual exclusion	2017	40 000	50 000
Savings and retirement			
Tax-free investments: annual limit	2021	36 000	46 000
Retirement fund contribution deduction limit	2016	350 000	430 000
Retirement interest de minimis threshold for annuitisation	2016	247 500	360 000
Living annuity commutation	2020	125 000	150 000
Donations tax			
Exemption for donations made by entities	2002	10 000	20 000
Exemption for donations made by individuals	2007	100 000	150 000
Tax-exempt employment benefits			
Bursaries / Scholarships: annual remuneration ceiling for all employees including persons with disabilities (PwD)[1]	2017	600 000	900 000
Bursaries / Scholarships: annual ceiling for employee relatives' primary / secondary education (PwD)	2017	20 000 (30 000)	30 000 (45 000)
Bursaries / Scholarships: annual ceiling for employee relatives' tertiary education (PwD)	2017	60 000 (90 000)	90 000 (130 000)
Remuneration proxy (cap): employee loans for immovable property	2018	250 000	360 000
Market value of property: employee loans for immovable property	2018	450 000	650 000
Maximum compensation exemption for employees dying in fulfilment of duties	2007	300 000	800 000
Awards for bravery and long service	2003	5 000	16 000

1. Thresholds in brackets are for persons with disabilities (PwD)

Source: National Treasury

MTEF Gross tax revenue is revised down by R57.2 billion relative to the 2025 MTBPS

Revised gross tax revenue projections

R billion	2024/25[1]	2025/26	2026/27	2027/28	2028/29
Revised estimate	**1 855.3**	**2 006.9**	**2 127.0**	**2 248.6**	**2 376.2**
Buoyancy	*1.64*	*1.69*	*1.08*	*1.10*	*1.06*
2025 MTBPS	**1 855.3**	**2 005.3**	**2 143.1**	**2 269.4**	**2 396.3**
Buoyancy	*1.64*	*1.54*	*1.40*	*1.06*	*1.06*
2025 Budget	**1 855.3**	**1 985.6**	**2 141.8**	**2 286.5**	
Buoyancy	*1.48*	*1.12*	*1.29*	*1.05*	
Projected variance against 2025 MTBPS	–	1.7	-16.2	-20.8	-20.2
Projected variance against 2025 Budget	–	21.3	-14.8	-37.9	

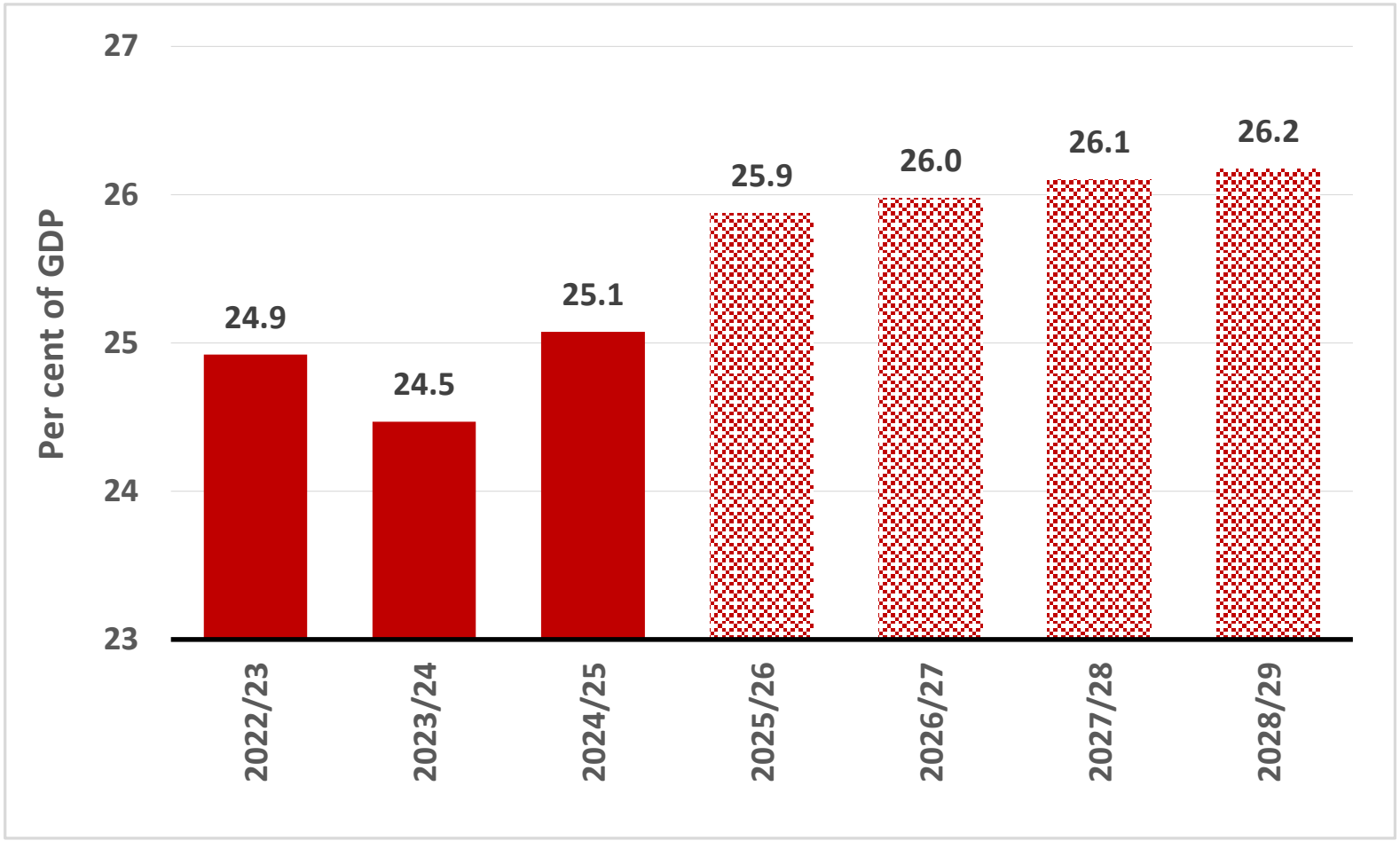
1. Actual outcome

Source: National Treasury

- **The medium-term tax revenue outlook is revised down by R57.2 billion, primarily due to the withdrawal of the proposed tax increases**
- **Improvements in several tax bases partly offset the withdrawn R20 billion in tax increases, and tax buoyancy remains strong**

The tax-to-GDP ratio rises from 25.9 per cent in 2025/26 to 26.2 per cent by 2028/29

Tax-to-GDP ratio



- Despite challenging economic conditions, South Africa's tax system has performed well, with the tax-to-GDP ratio increasing from 25.1 per cent in 2024/25 to 25.9 per cent in 2025/26.
- The tax-to-GDP ratio is expected to reach 26.2 per cent by 2028/29 as economic growth improves.
- Sustained investment and economic growth, and further improvements in tax administration, would support higher revenue collection.

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The 2026 Budget fiscal framework narrows the main budget deficit and slows the growth of debt-service costs

Main budget fiscal framework

R billion/percentage of GDP	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Outcome			Revised estimate	Medium-term estimates		
Revenue							
Gross tax revenue after proposals	1 686.7	1 740.9	1 855.3	2 006.9	2 127.0	2 248.6	2 376.2
Non-tax revenue	51.0	43.9	35.9	38.2	33.4	28.7	29.5
SACU[1]	-43.7	-79.8	-89.9	-73.6	-78.4	-87.7	-86.2
National Revenue Fund receipts	5.2	19.0	8.5	6.6	–	1.1	1.2
Main budget revenue	**1 699.2**	**1 724.0**	**1 809.8**	**1 978.2**	**2 082.0**	**2 190.8**	**2 320.6**
	25.1%	*24.2%*	*24.5%*	*25.5%*	*25.4%*	*25.4%*	*25.6%*
Non-interest expenditure	**1 700.7**	**1 690.8**	**1 758.8**	**1 906.5**	**1 950.8**	**2 023.9**	**2 111.7**
Debt-service costs	308.5	356.1	385.8	420.6	432.4	451.4	469.3
Main budget expenditure	**2 009.2**	**2 046.9**	**2 144.6**	**2 327.1**	**2 383.3**	**2 475.4**	**2 581.1**
	29.7%	*28.8%*	*29.0%*	*30.0%*	*29.1%*	*28.7%*	*28.4%*
Main budget balance	**-309.9**	**-322.9**	**-334.9**	**-348.9**	**-301.2**	**-284.5**	**-260.5**
	-4.6%	*-4.5%*	*-4.5%*	*-4.5%*	*-3.7%*	*-3.3%*	*-2.9%*
Primary balance	**-1.5**	**33.2**	**51.0**	**71.7**	**131.2**	**166.9**	**208.9**
	-0.0%	*0.5%*	*0.7%*	*0.9%*	*1.6%*	*1.9%*	*2.3%*

1. Southern African Customs Union. Amounts made up of payments and other adjustments. The estimates for 2025/26 and 2026/27 include forecast error adjustments for 2023/24 and 2024/25 respectively

Source: National Treasury

- Main budget deficit narrows from 4.5 per cent of GDP in 2025/26 to 2.9 per cent by 2028/29
- Government revises projected debt-service costs down by R10.6 billion over the medium term
- Government proposes a R32.6 billion contingency reserve to mitigate unforeseen fiscal risks

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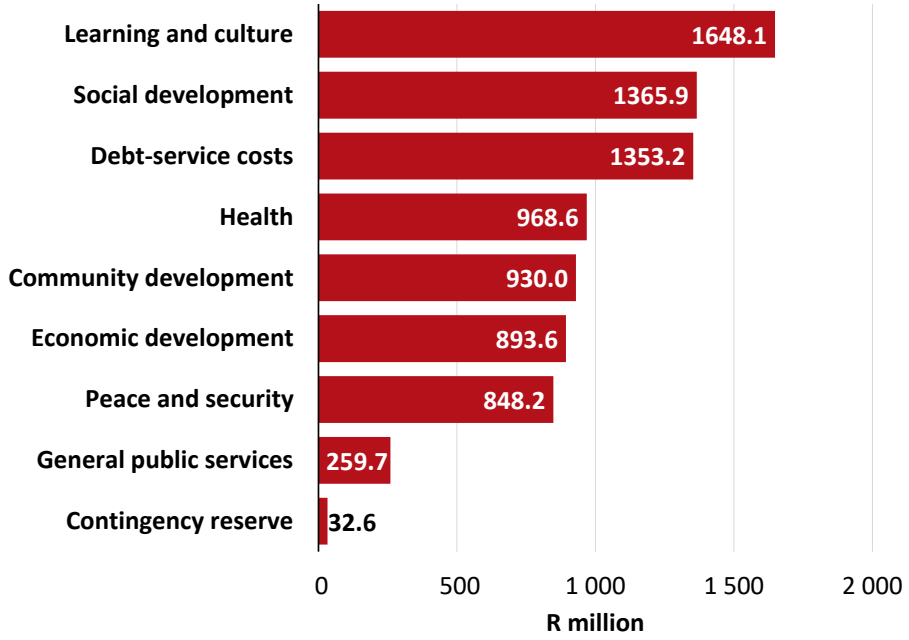
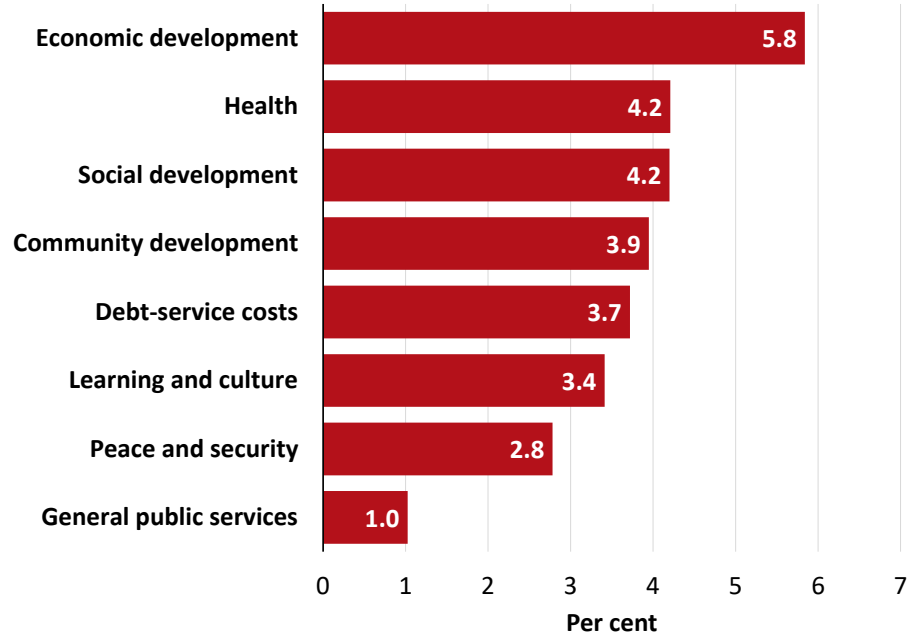
Consolidated government expenditure is projected to increase from R2.58 trillion in 2025/26 to R2.89 trillion in 2028/29

Consolidated government expenditure R billion



Consolidated government expenditure, average MTEF growth



- Government's 2026 medium-term expenditure plans reflect its priorities of supporting infrastructure development, protecting social services and improving the quality of basic services.
- Expenditure remains strongly redistributive in line with government's commitment to reducing poverty and inequality. The social wage makes up about 60 per cent of non-interest spending over the medium term.
- Learning and culture constitutes the largest component of consolidated expenditure by function at 23.7 per cent over the medium term.
- Ongoing budget reforms aim to remove duplication and waste and reconfigure or wind down low-priority and ineffective programmes.

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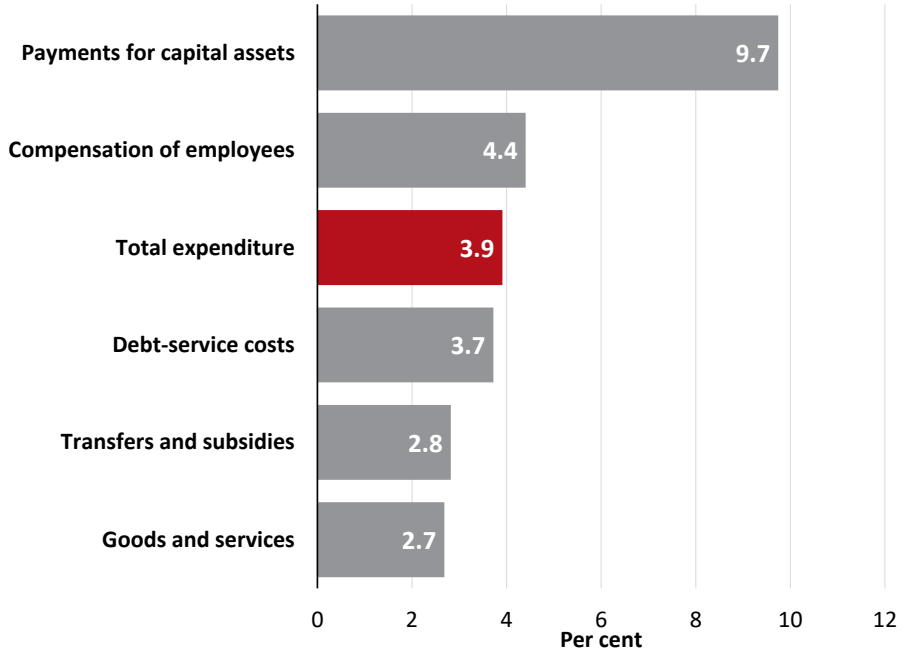
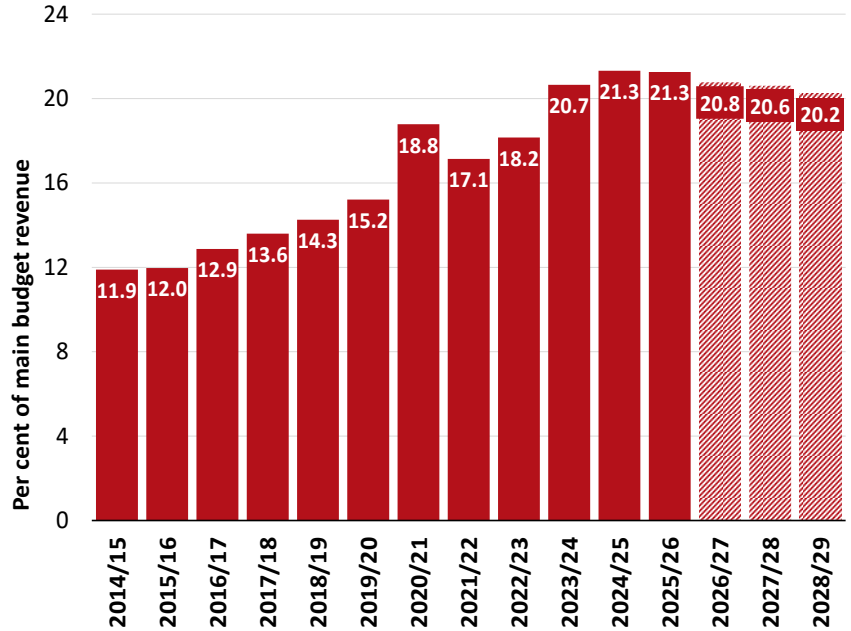
Infrastructure investment is the fastest-growing expenditure item by economic classification

Growth in consolidated government expenditure over the 2026 MTEF



Debt-service costs to revenue



- The 2026 Budget also prioritises spending on infrastructure, shifting the composition of spending to support service delivery and economic growth.
- Medium-term payments for capital assets grow by 9.7 per cent, compared with growth of 4.4 per cent for employee compensation.
- For the first time this decade, government is tabling a fiscal framework in which debt-service costs grow more slowly than overall expenditure.
- Debt-service costs will reduce from 21.3 per cent of revenue in 2025/26 to 20.2 per cent in 2028/29.

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The consolidated budget deficit is projected to narrow over the medium term

Consolidated fiscal framework

R billion/percentage of GDP	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Outcome			Revised estimate	Medium-term estimates		
Revenue	**1 902.4**	**1 950.2**	**2 053.8**	**2 231.7**	**2 345.4**	**2 467.3**	**2 612.7**
	28.1%	*27.4%*	*27.8%*	*28.8%*	*28.6%*	*28.6%*	*28.8%*
Expenditure	**2 146.6**	**2 256.7**	**2 389.8**	**2 578.9**	**2 669.7**	**2 768.1**	**2 893.4**
	31.7%	*31.7%*	*32.3%*	*33.2%*	*32.6%*	*32.1%*	*31.9%*
Non-interest expenditure	*1 830.8*	*1 893.1*	*1 996.7*	*2 150.7*	*2 228.9*	*2 307.8*	*2 413.1*
	27.1%	*26.6%*	*27.0%*	*27.7%*	*27.2%*	*26.8%*	*26.6%*
Budget balance	**-244.2**	**-306.5**	**-336.0**	**-347.2**	**-324.3**	**-300.8**	**-280.7**
	-3.6%	*-4.3%*	*-4.5%*	*-4.5%*	*-4.0%*	*-3.5%*	*-3.1%*

Source: National Treasury

- The consolidated budget includes the main budget framework and spending by provinces, social security funds and public entities financed from their own revenue sources.
- The consolidated budget deficit has narrowed to an estimated 4.5 per cent of GDP for 2025/26, from 4.8 per cent in the 2025 Budget.
- The main budget deficit continues to narrow, but social security funds, provinces and public entities move into a combined cash deficit over the 2026 MTEF period.

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The division of revenue continues to allocate more than half of nationally raised revenue to provinces and municipalities

Proposed 2026 Division of revenue

R billion	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Average annual MTEF growth
	Outcome			Revised estimate	Medium-term estimates			
Division of available funds								
National departments	**855.9**	**826.9**	**860.5**	**939.4**	**951.7**	**939.9**	**987.9**	**1.7%**
of which:								
Indirect transfers to provinces	*3.5*	*4.1*	*3.7*	*4.6*	*3.0*	*2.6*	*2.7*	*-16.5%*
Indirect transfers to local government	*7.2*	*8.2*	*7.1*	*7.6*	*7.5*	*8.0*	*8.3*	*2.8%*
Provinces	**694.1**	**706.3**	**730.6**	**788.8**	**810.5**	**845.9**	**872.4**	**3.4%**
Equitable share	570.9	585.1	600.5	649.3	670.3	698.6	720.4	3.5%
Conditional grants	123.3	121.2	130.2	139.4	140.2	147.2	152.0	2.9%
Local government	**150.7**	**157.7**	**167.7**	**178.3**	**182.3**	**189.3**	**195.3**	**3.1%**
Equitable share	83.9	92.3	99.5	103.8	110.1	114.5	118.0	4.4%
Conditional grants	51.4	50.0	52.1	57.7	54.7	56.6	58.5	0.4%
General fuel levy sharing with metros	15.3	15.4	16.1	16.8	17.5	18.2	18.8	3.7%
Provisional allocations not appropriated[1]	–	–	–	–	1.3	38.2	39.2	
Non-interest allocations	**1 700.7**	**1 690.8**	**1 758.8**	**1 906.5**	**1 945.8**	**2 013.3**	**2 094.8**	**3.2%**
Percentage increase	*5.0%*	*-0.6%*	*4.0%*	*8.4%*	*2.1%*	*3.5%*	*4.0%*	
Debt-service costs	308.5	356.1	385.8	420.6	432.4	451.4	469.3	3.7%
Contingency reserve	–	–	–	–	5.0	10.6	17.0	
Main budget expenditure	**2 009.2**	**2 046.9**	**2 144.6**	**2 327.1**	**2 383.3**	**2 475.4**	**2 581.1**	**3.5%**
Percentage increase	*6.5%*	*1.9%*	*4.8%*	*8.5%*	*2.4%*	*3.9%*	*4.3%*	
Percentage shares								
National departments	*50.3%*	*48.9%*	*48.9%*	*49.3%*	*48.9%*	*47.6%*	*48.1%*	
Provinces	*40.8%*	*41.8%*	*41.5%*	*41.4%*	*41.7%*	*42.8%*	*42.4%*	
Local government	*8.9%*	*9.3%*	*9.5%*	*9.4%*	*9.4%*	*9.6%*	*9.5%*	

1. For early retirement costs in 2026/27 and SRD in the outer two years
Source: National Treasury

- Significant weaknesses in provincial and municipal operations and financial management persist, despite two decades of programmatic reform interventions.
- The 2026 Budget Review consequently marks a shift to structural intervention, with a focus on local government.
- Continued financial deterioration and instability in municipalities have adverse consequences for people's daily lives.
- Provinces are rationalising public entities by reviewing mandates, governance arrangements and financial sustainability to identify duplication and non-performance.

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BUDGET

The borrowing requirement reflects rising investor confidence and lower borrowing costs

Financing of national government's gross borrowing requirement

R million	2024/25 Outcome	2025/26 Budget	2025/26 Revised	2026/27 Medium-term estimates	2027/28 Medium-term estimates	2028/29 Medium-term estimates
Main budget balance	**-334 856**	**-361 321**	**-348 910**	**-301 250**	**-284 529**	**-260 469**
Redemptions	**-98 620**	**-171 705**	**-159 520**	**-134 753**	**-284 151**	**-194 575**
Domestic long-term loans	-61 001	-111 357	-102 905	-98 590	-260 250	-147 724
Foreign loans	-37 619	-60 349	-56 616	-36 163	-23 901	-46 850
Eskom debt-relief arrangement	**-64 000**	**-80 223**	**-80 000**	**–**	**–**	**-10 000**
GFECRA settlement (net)[5]	**100 000**	**25 000**	**25 000**	**56 000**	**–**	**–**
Total	**-397 475**	**-588 249**	**-563 430**	**-380 003**	**-568 680**	**-465 043**
Financing						
Domestic short-term loans	**39 508**	**37 162**	**39 583**	**26 900**	**45 200**	**35 900**
Treasury bills (net)[4]	38 932	38 400	40 663	26 900	45 200	35 900
Corporation for Public Deposits	577	-1 238	-1 080	–	–	–
Domestic long-term loans	**347 744**	**345 300**	**387 900**	**242 500**	**406 800**	**323 200**
Market loans	346 361	345 300	388 713	242 500	406 800	323 200
Loans issued for switches	1 131	–	-726	–	–	–
Loans issued for repos (net)	252	–	-87	–	–	–
Foreign loans	**67 357**	**98 874**	**110 572**	**53 735**	**85 768**	**87 409**
Market loans	67 357	98 874	110 572	53 735	85 768	87 409
Change in cash and other balances[2]	**-57 134**	**106 913**	**25 375**	**56 868**	**30 912**	**18 534**
Cash balances	-33 803	92 795	16 017	53 700	27 442	15 400
Other balances[3]	-23 331	14 118	9 358	3 168	3 470	3 134
Total	**397 475**	**588 249**	**563 430**	**380 003**	**568 680**	**465 043**
Percentage of GDP	*5.4*	*7.5*	*7.3*	*4.6*	*6.6*	*5.1*

1. A longer time series is presented in Table 1 of the statistical annexure at the back of the Budget Review
2. A positive value indicates that cash is used to finance part of the borrowing requirement
3. Differences between funds requested and actual cash flows of national departments
4. Represents a net between gross issuances and gross redemptions
5. In 2024/25, the Reserve Bank paid R200 billion to government in partial settlement of the GFECRA balances. Of this amount government paid the Reserve Bank R100 billion towards the contingency reserve
Source: National Treasury

- The gross borrowing requirement for 2025/26 decreased by R24.8 billion to R563.4 billion.
- Higher cash balances will be used to ease cash-flow pressures and partially finance the borrowing requirement in 2026/27 and 2027/28.
- In 2026/27, government will receive an additional R31 billion drawdown from GFECRA.
- Debt redemptions will average R204.5 billion over the medium term; increasing from R134.8 billion in 2026/27 to R284.2 billion in 2027/28, before declining to R194.6 billion in 2028/29.
- Over the medium term, domestic long-term borrowing is expected to increase from R242.5 billion in 2026/27 to R406.8 billion in 2027/28, before declining to R323.2 billion in 2028/29.
- Over the medium term, government will raise US$13.2 billion from international financial institutions and international capital markets.

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The 2026 Budget is a milestone document that achieves fiscal goals, demonstrates resilience and progress

2026 Budget: A fiscal turning point in a resilient economy

- The economic outlook has improved moderately, and the public finances have reached an important milestone.
- The economy is expected to grow by 1.6 per cent in 2026, up from 1.4 per cent in 2025. Real GDP growth is forecast to reach 2 per cent by 2028, supported by continued momentum on structural reforms, improving confidence, lower interest rates and higher investment.
- The debt ratio will stabilise in this financial year and decline thereafter. This will reduce medium-term debt-service costs as a share of revenue and support the sustainable provision of public services.
- Inflation declined to 3.2 per cent in 2025 helping to improve affordability for households and keep interest rates lower.
- Growth-enhancing reforms have progressed in energy, transport, telecommunications and visa provision. But overcoming obstacles to implementation, higher investment and improvements in basic services remain critical to creating jobs and reducing poverty.
- Budget reforms are under way to make government more efficient and cut wasteful programmes and activities.
- The R20 billion tax increase previously pencilled in for the 2026 Budget is withdrawn and personal income tax brackets and medical tax credits will be fully adjusted for inflation, after two years with no inflationary relief.
- Tax thresholds and limits are also adjusted for the impact of inflation, to assist small businesses and encourage savings.
- The 2026 Budget introduces a fundamental shift in subnational fiscal architecture, moving from oversight to active structural intervention. This involves changes to legislation, governance, and technology at the municipal level, and strict headcount controls and compensation discipline at the provincial level.
- The 2026 Budget reflects the improvements in South Africa's debt portfolio, including a credit rating upgrade and declining bond yields, reflect increased investor confidence and lower borrowing costs.

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Thank you

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