

2021 Mid-Term Budget Speech Summary



It's that time of the year where everyone anxiously awaits to hear the changes and updates that will take place going forward. Finance Minister Enoch Godongwana delivered a very interesting Budget Speech on the 11th of November 2021. While there has been measures put in place to better our economy, a lot has to be done before we get to a place of satisfactory Economic Growth.

[Below find Global and Local's version of the Mini Budget Speech.](#)

Highlights of the budget framework was set out as follows:

- Budget deficit is forecast at 7.8% of GDP for the fiscal year to end-March. That is down from the 9.3% projected in February. This narrows the shortfall to approximately 6% in 2022-2023 and 4.9% by 2024-2025.
- The revenue for this year is expected to overcome the February target by R120.3 billion.
- In 2022 to 2023 spending will decrease to R2.08 trillion from R2.13 trillion.
- The treasury is expected to have a primary surplus by 2024 to 2025.
- Recommendations to supplement social welfare expenditure will be determined by the fiscal position in February 2022.
- Corporate tax rate may be lowered to 27% in February 2022.
- A lower debt peak is expected in the short interim. Currently Gross debt makes up 69.9% of the Gross Domestic Product and is expected to reach a high of 78.1% between 2025-2026.
- The economy is expected to grow by 5.1% in 2021 after experiencing a 6.4% decrease in 2020.
- The economy is expected to grow by an average of 1.7% over the next three years, reflecting structural weaknesses such as insufficient electricity supply.
- South Africa has experienced a quicker recovery due to a higher tax revenue, higher than what was predicted.
- Eskom plans to spread its debt to the following three entities; transmission, generation, and distribution.
- Finance minister further alluded that State Owned Entities (SOE's) will no longer be bailed out.
- R2.9 billion has been allocated to Denel to settle guaranteed debt.
- Fifty-five new infrastructure projects were identified which requires an additional R441 billion.
- The crime that came from the July unrest took a toll on the long-term economic development, therefore, more funds were allocated towards the South African National Defense Force and the Police Services.
- To overcome the social and economic impact of Covid, non-interest spending will be increased by R59.4 billion.
- The government plans to spend R3 billion on vaccine purchases and R11 billion earmarked to South African Special Risk Insurance Association (SASRIA) for risk coverage.
- In terms of retirement reforms a proposal has been made to introduce a "two-pot" system, whereby an individual will have access to the contribution in one pot and the other pot will be saved until retirement, still to be finalised.

As quoted by Minister Enoch Godongwana:

“The task of growing our economy requires that we work together as South Africans; single minded in our understanding that working alone none of us can achieve the desired results.”

Kaycee Kelly
Analyst