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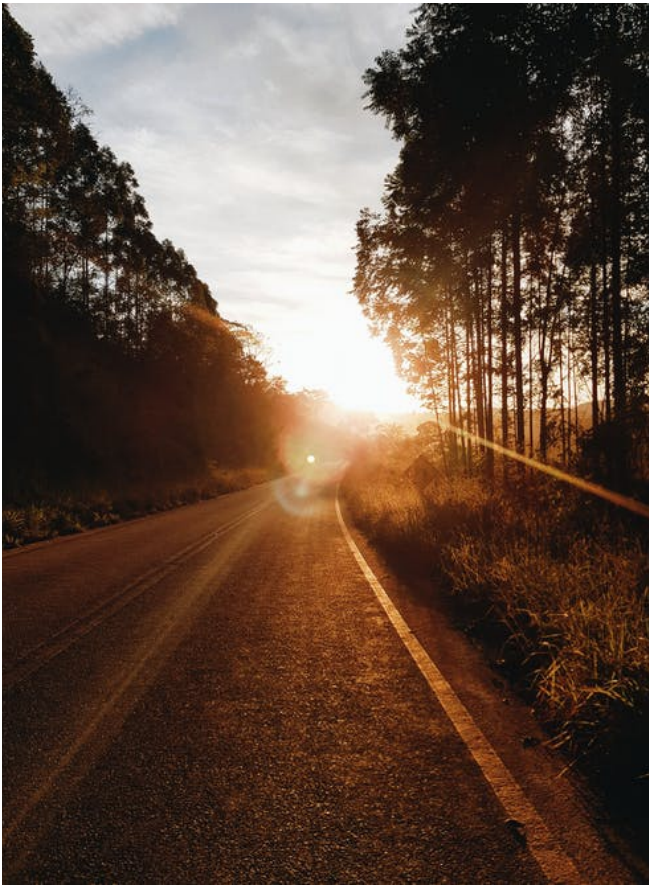
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28 FEBRUARY 2022

Budget Speech 2022

by Paul Fouché





The 2022 Budget Speech by Finance Minister Enoch Gondongwana was one of the top headlines in South Africa during an eventful week on the global stage. The team at New Road Capital believes that all in all the Minister delivered a decent budget. South Africa is fiscally in a much better shape than it was 2 years ago, and the government is also helping the consumer (that are still struggling out of Covid) with some relief in tax.

A few key take aways from the 2022 Budget Speech:

Improved fiscal situation since the MTBPS of last year:

- South Africa bought in an additional R182m more than what was budgeted for last year.
- The vast majority of that is due to the increase in taxes from the miners caused by the increase in commodity prices.
- The budget deficit forecasted for the next fiscal year is going down to 4,2% from 5,7% this year. Although still a deficit, it is a deficit reduction.
- The government is planning on getting into a budget surplus by 2025/2026.
- The Debt-GDP ratio is also forecasted to top out at 75% by 2025/2026, which is an improvement of 3% from last year's MTBPS.
- One of the big risks is that the government needs to control the public sector wage bill. From the budget, it is clear that the government is very aware of that.
- Although not a lot of detail was given on the bailing out of SOEs, the rhetoric around it seems to be moving in the right direction by leaning to a more conservative type of budget when it comes to SOE bailouts. The government understands that it can't just keep on bailing out SOEs all the time.

A bit of tax relief for the consumer:

- The 4,5% bracket creep (which is in line with inflation) in all the tax tables is a positive for the consumer.
- Corporate tax dropped by 1% (28% to 27%).
- VAT was left unchanged.
- There is no increase in the fuel levy, even though some people expected it.
- For the most part, there is a bit of tax relief in the form of the bracket creep and reduction on corporate tax.

