Assessment of Supplementary Budget

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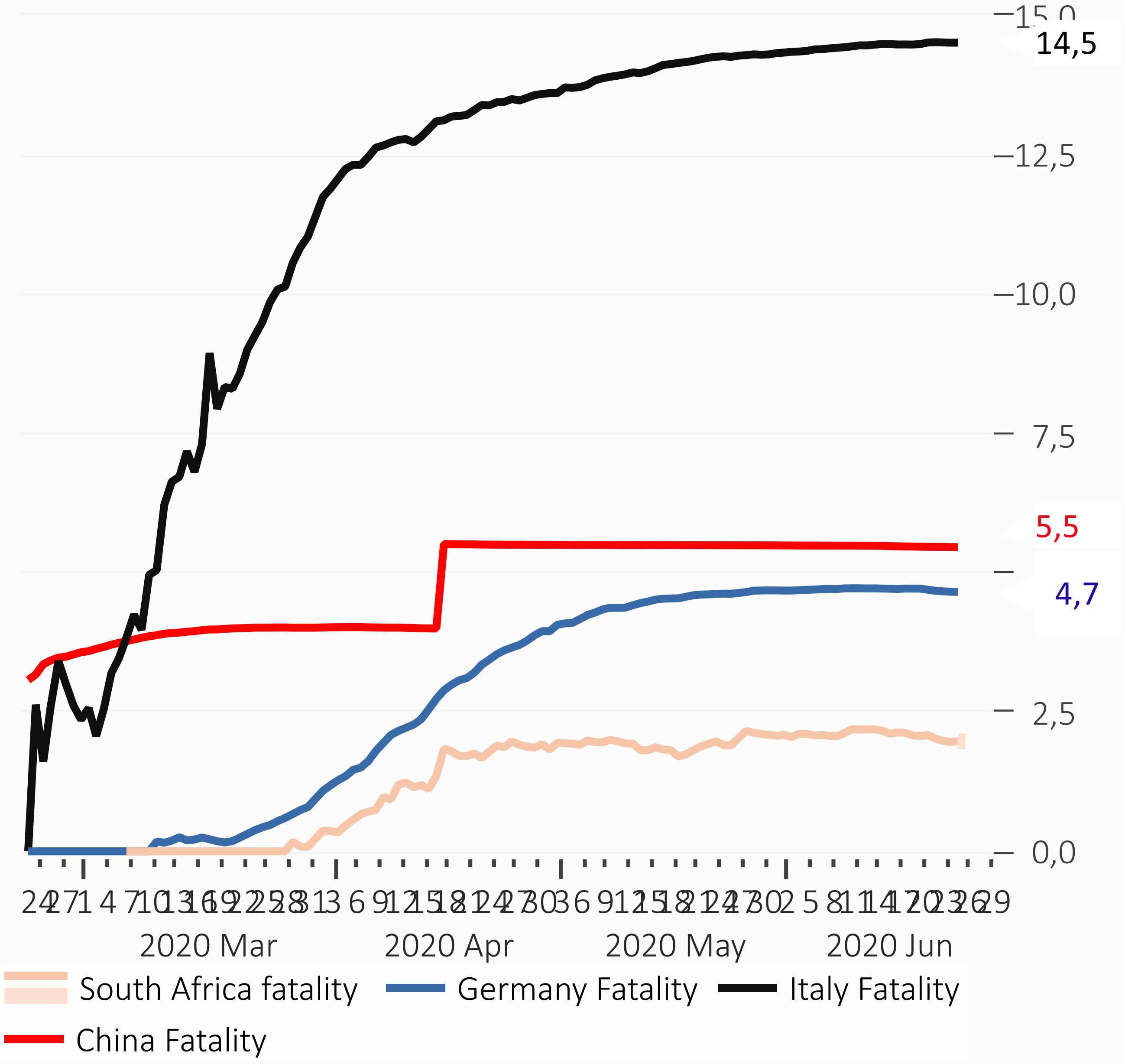
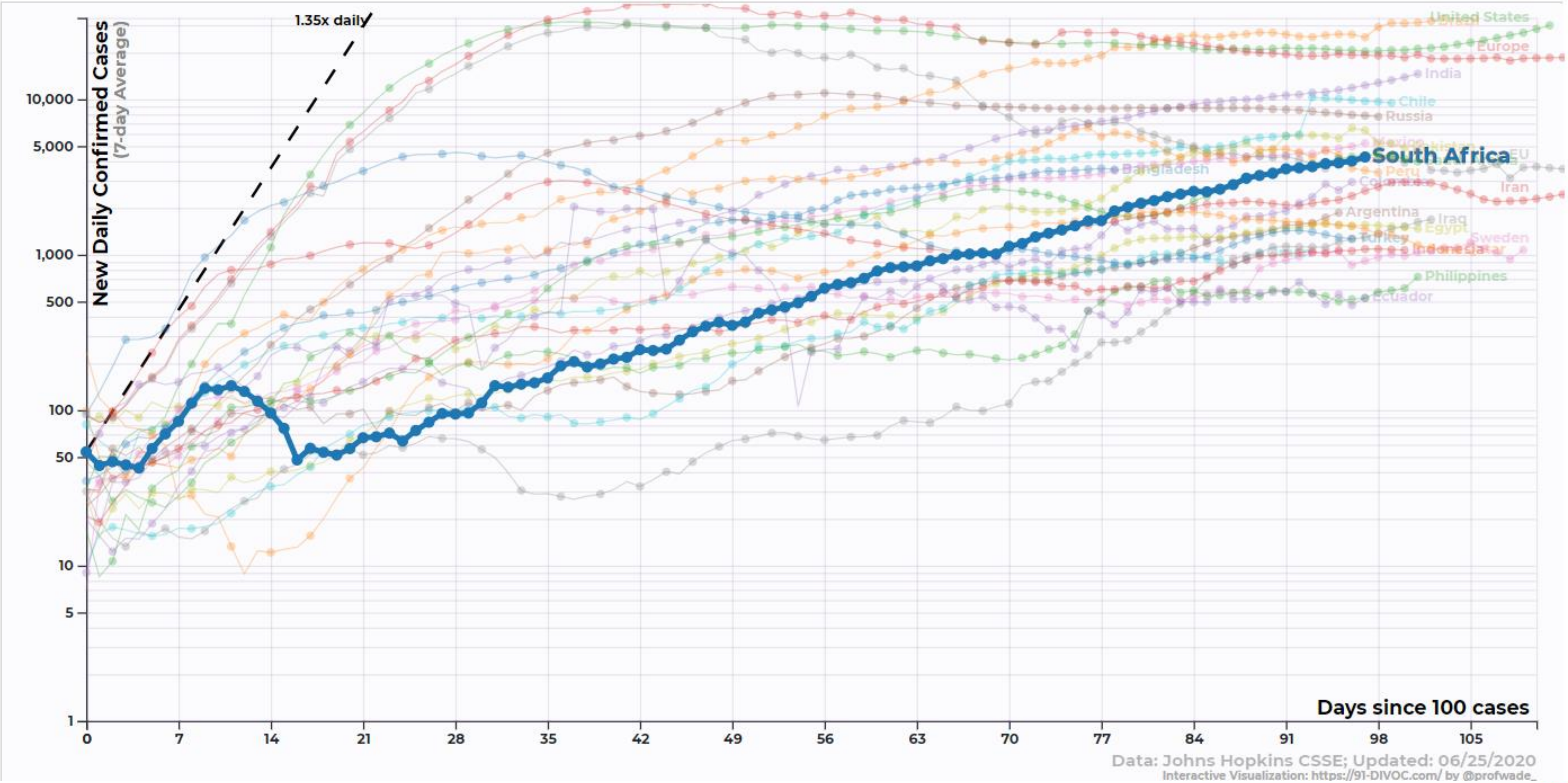
NWU

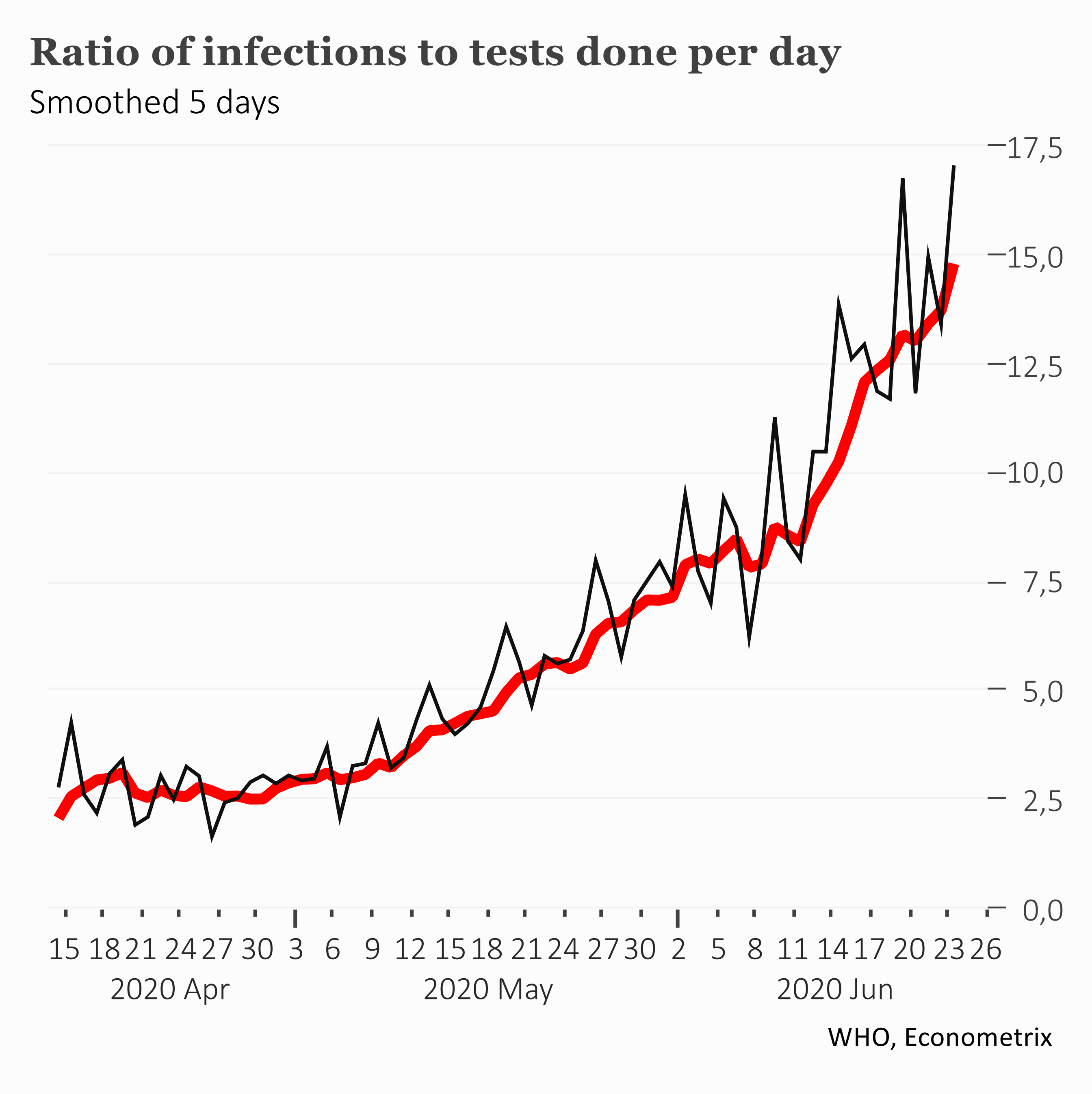
25 June 2020

COVID-19 fatality rates (as %), various



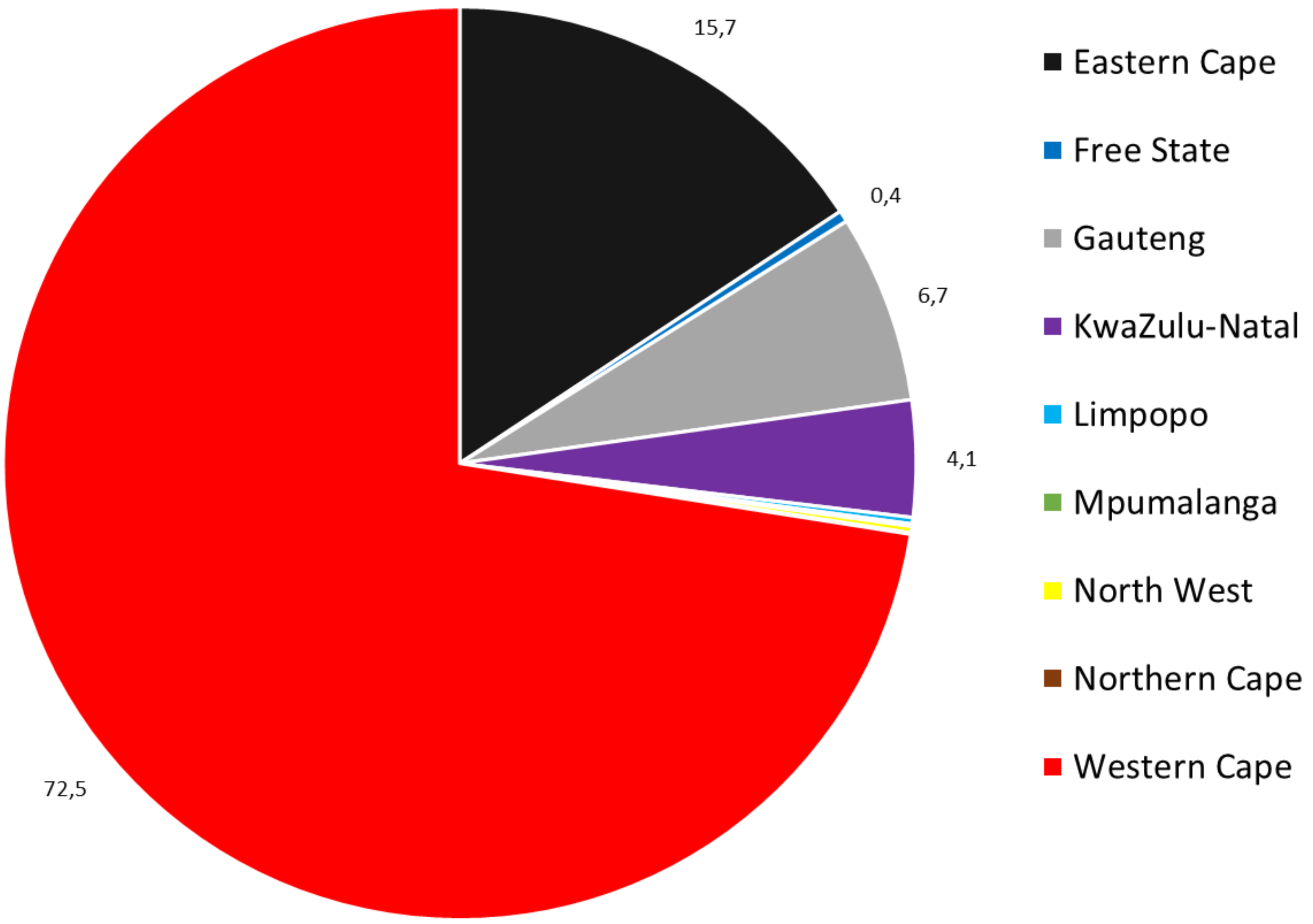
New Confirmed COVID-19 Cases per Day





Ratio of infections to tests done per day
Smoothed 5 days
17,5
15,0
12,5
10,0
7,5
5,0
2,5
0,0
15 18 21 24 27 30 3 6 9 12 15 18 21 24 27 30 2 5 8 11 14 17 20 23 26
2020 Apr
2020 May
2020 Jun
WHO, Econometrix

Proportion of fatality per province



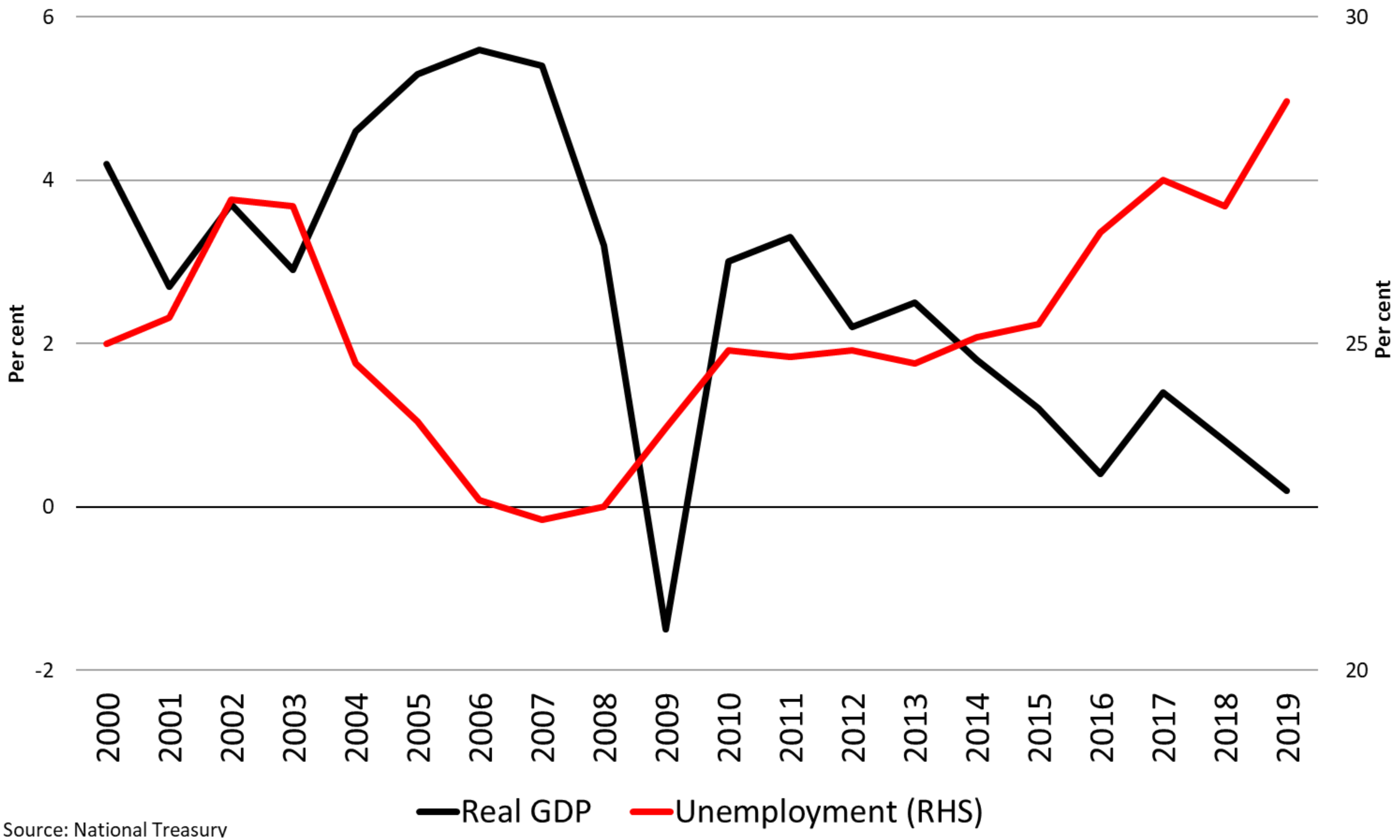
Source: National Institute for Communicable Diseases

Growth (%) in Positive COVID-19 Infections

Change compared with a week earlier

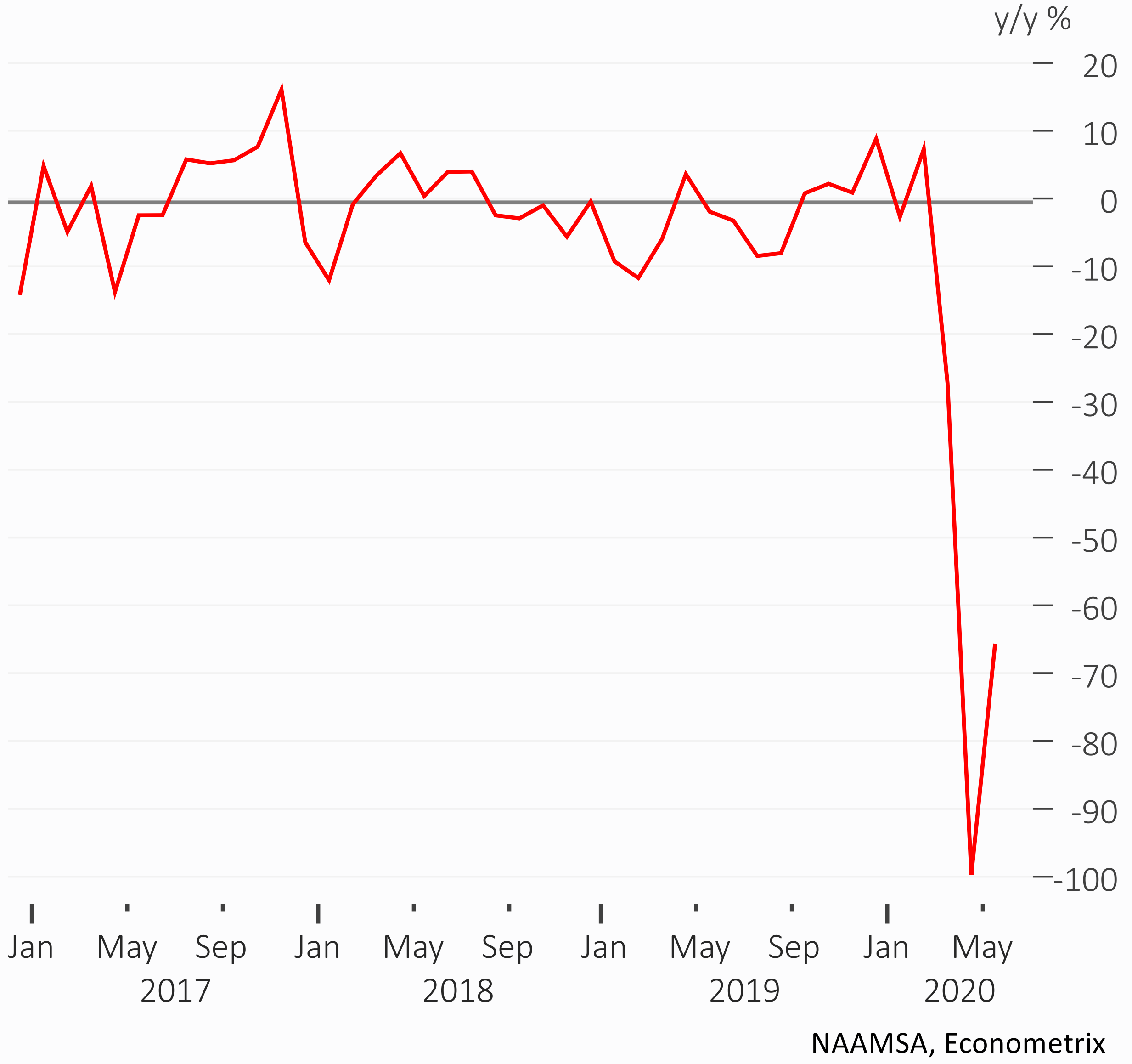
	Total	Western Cape	Eastern Cape	Gauteng	KZN
31-May	45,1	54,7	46,3	43,3	36,4
07-Jun	48,5	42,1	49,7	49,1	20,9
14-Jun	43,0	33,7	64,3	75,9	28,2
22-Jun	38,9	20,9	57,1	86,5	29,8

GDP growth and unemployment

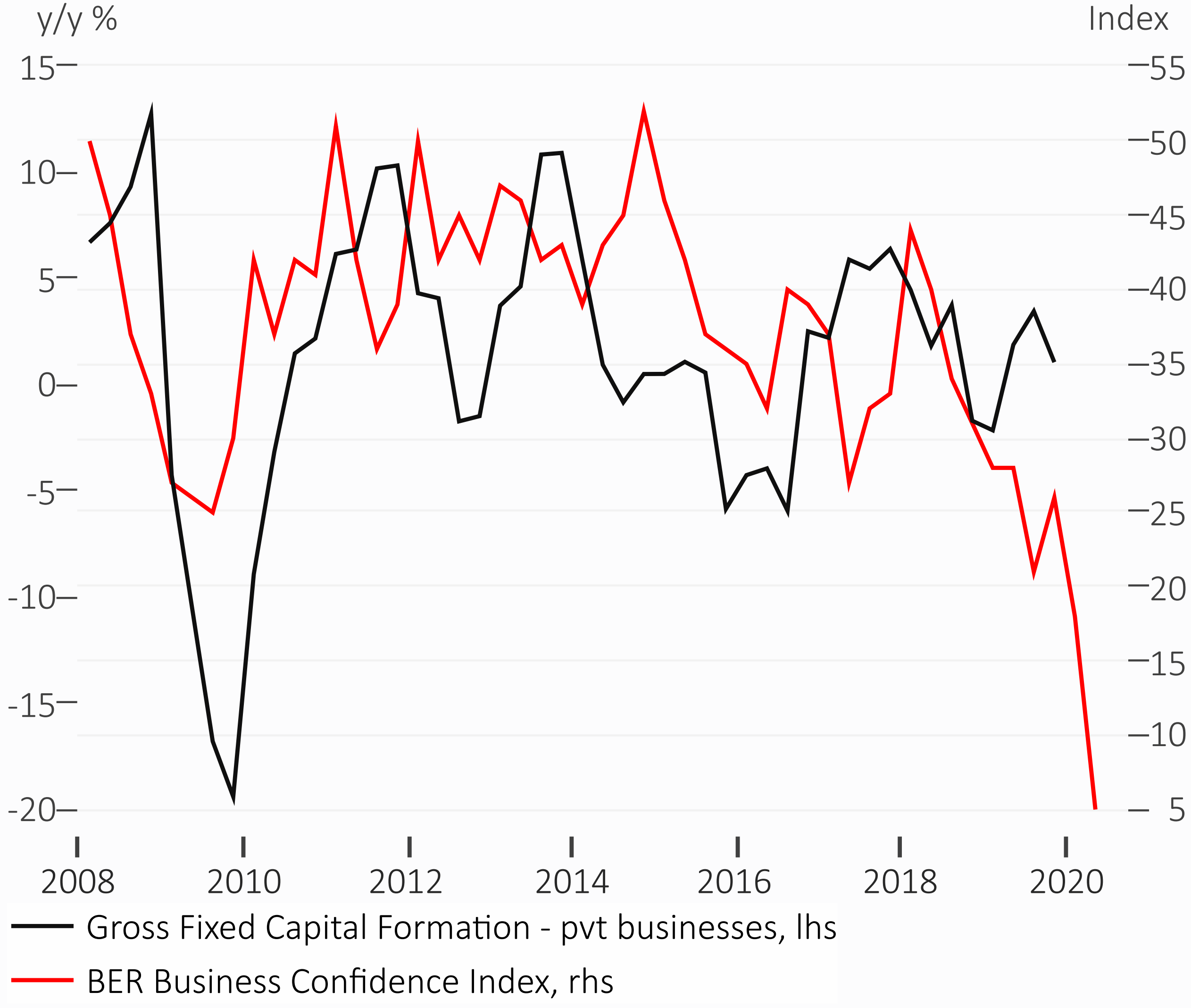


Source: National Treasury

Passenger Vehicle Sales

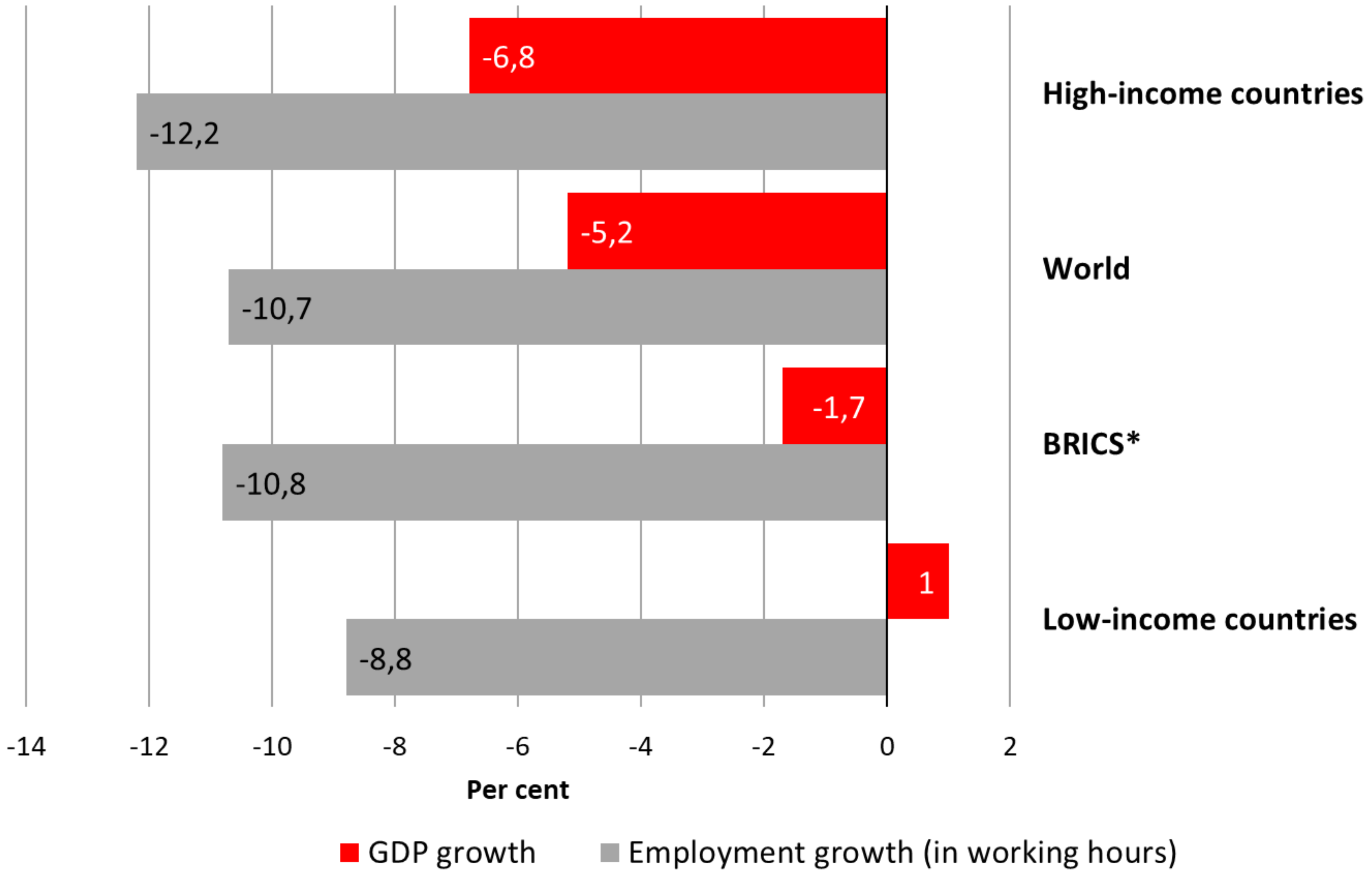


BER Business Confidence Index vs Investment by private businesses

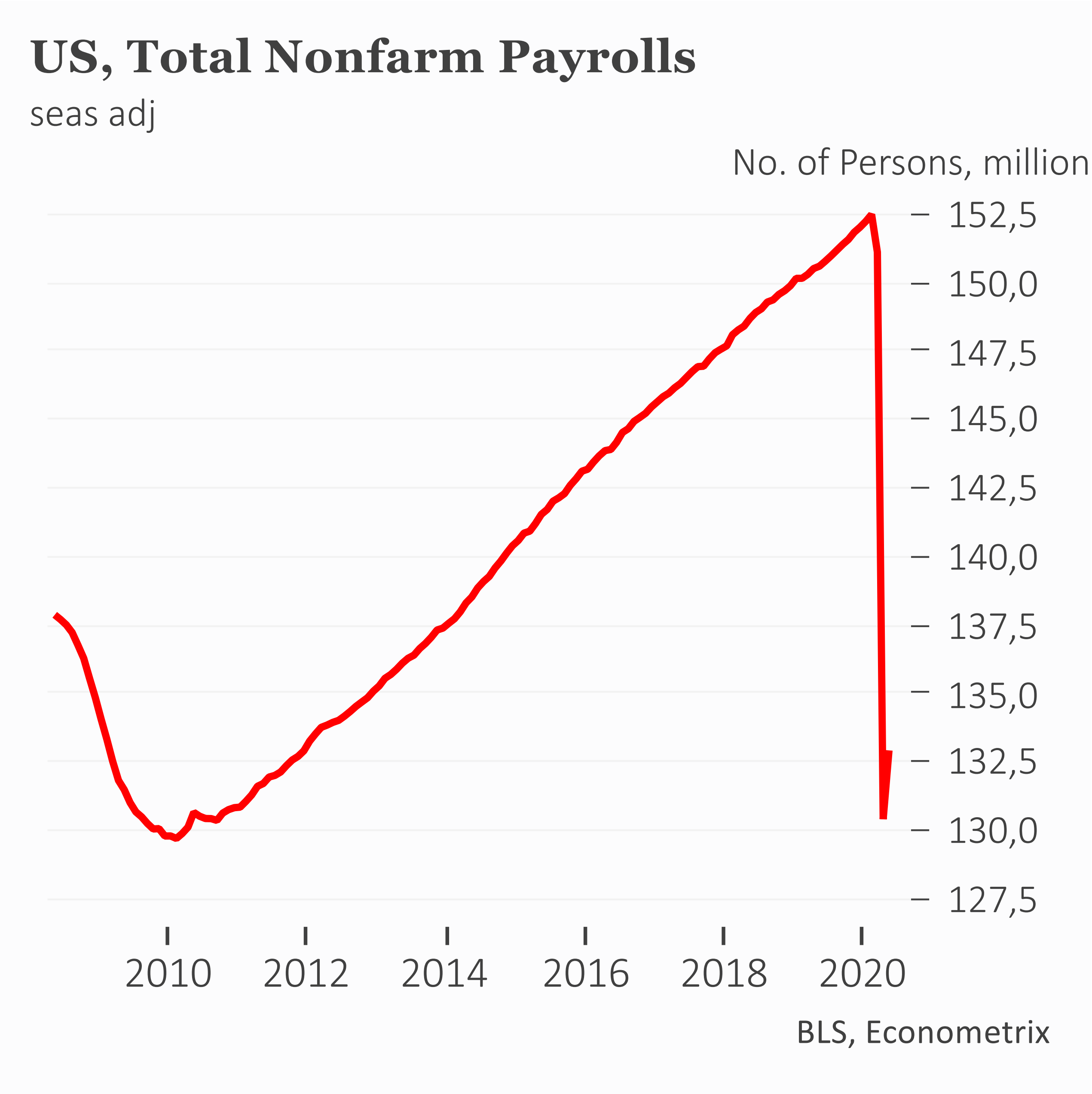


BER, Stat SA, Econometrix

Growth and employment in 2020



Source: National Treasury


US, Total Nonfarm Payrolls
seas adj
No. of Persons, million
152,5
150,0
147,5
145,0
142,5
140,0
137,5
135,0
132,5
130,0
127,5
2010
2012
2014
2016
2018
2020
BLS, Econometrix

Treasury's Macro-Economic Outlook
February 2020 vs Emergency budget
% Change

	2019	2020		2021		2022	
Gross Domestic Product	0,2	0,9	-7,2	1,3	2,6	1,6	1,5
Consumer Price Inflation	4,1	4,5	3,0	4,6	3,9	4,6	4,3

***February 2020** *(values in red)*

Source: National Treasury

Domestic R500bn stimulus package

For the Poor

- R41bn extra in social grant payments
- R2bn to help informal traders

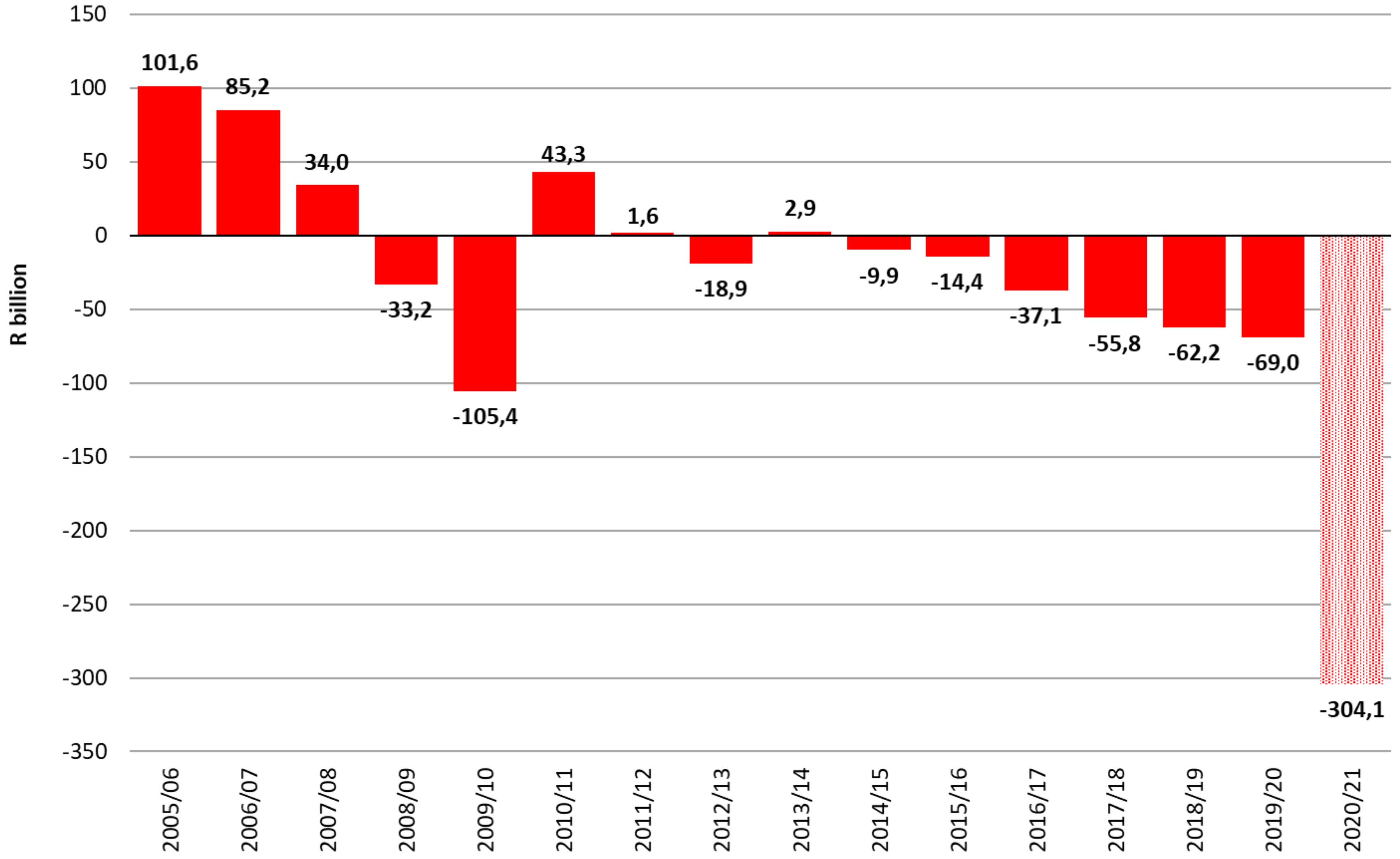
For the Business Sector and Workers

- R40bn from UIF to supplement salaries of people not working (thus far R23bn disbursed to 4,7m workers)
- R100bn to protect jobs and salaries
- R200bn in loan guarantees through banks, SARB and National Treasury (thus far only R12bn has been disbursed)
- R20bn to purchase healthcare equipment and assist in preparing healthcare system
- R20bn to be dispersed to municipalities to cope with COVID-19
- R70bn in benefits from deferring tax payments & hastening VAT refunds
- R107bn effective stimulus from 2,75% cut in repo rate

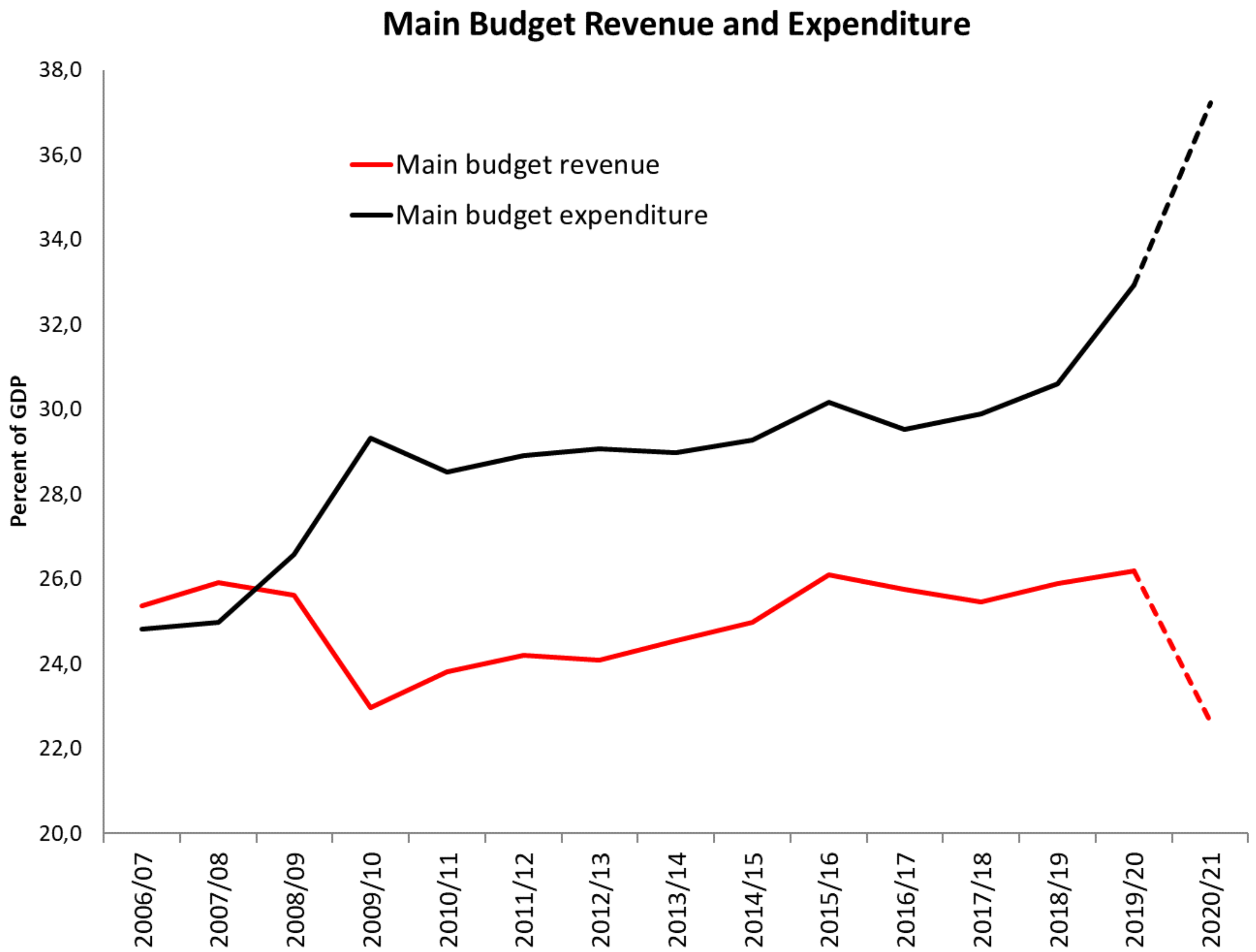
Main budget non-interest expenditure increases

R million	2020/21
Support to vulnerable households for 6 months	40 891
Health	21 544
Support to municipalities	20 034
Other frontline services	13 623
Basic and higher education	12 541
Small and informal business support, & job creation & protection	6 061
Support to public entities	5 964
Other COVID-19 interventions	1 766
Allocated for COVID-19 fiscal relief package	**122 425**
Land Bank equity investment	3 000
Provisional allocations for COVID-19 fiscal relief package	19 575
Total	**145 000**

In-year revenue compared with Budget forecasts (2020/21 prices)



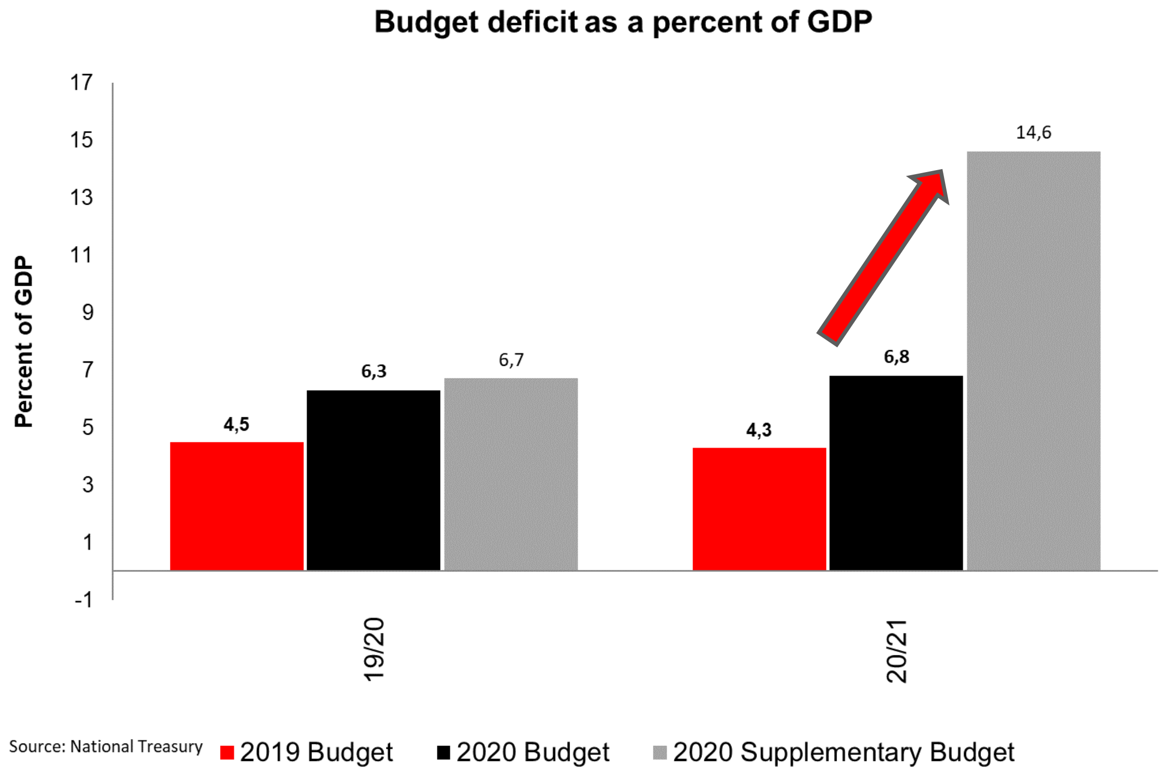
Source: National Treasury



Source: National Treasury

Revenue vs expenditure 2020/21

	R 'bn	% of GDP
Revenue shortfall	-304,1	-6,20%
Increased expenditure	145,0	2,90%

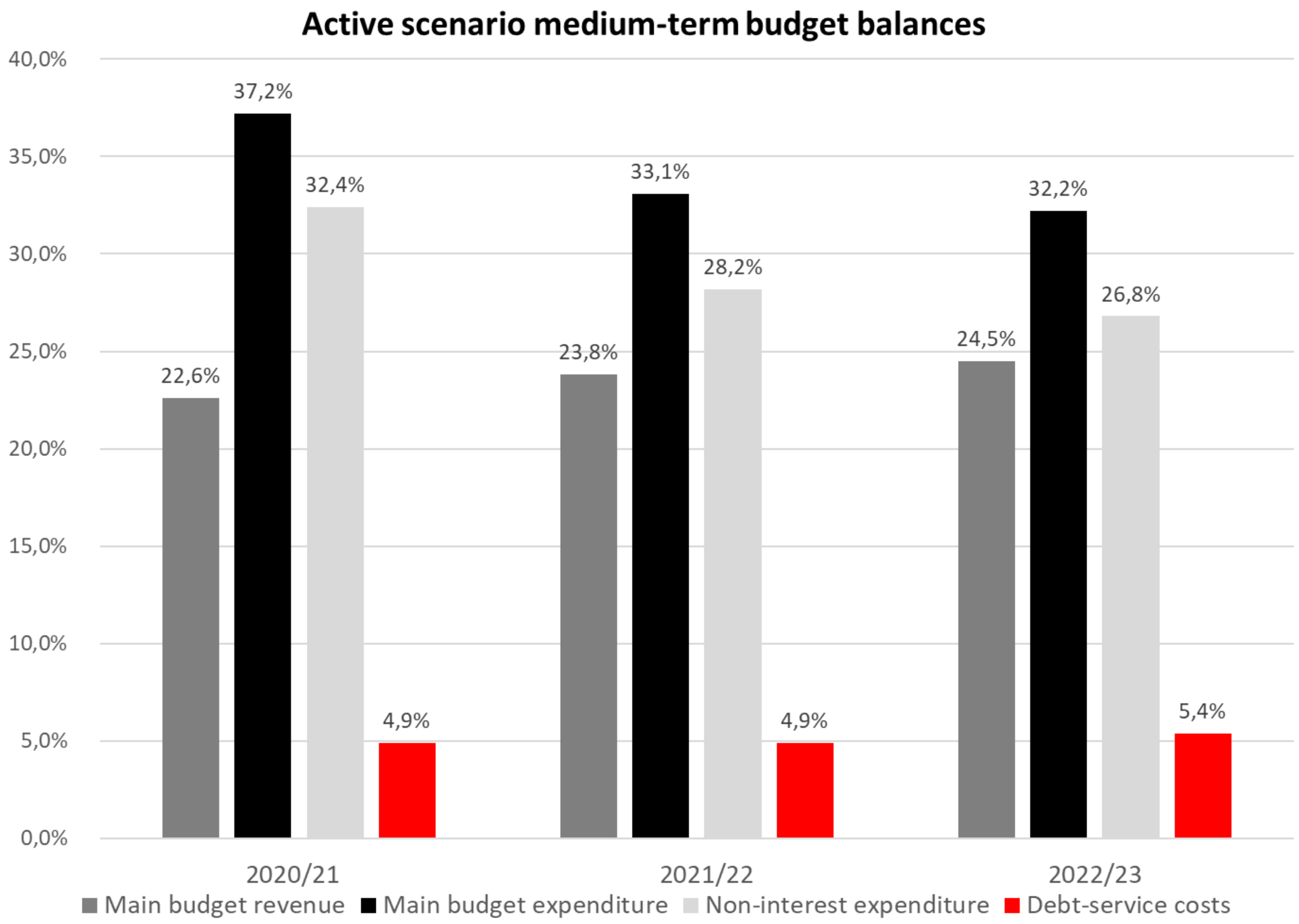


Source: National Treasury

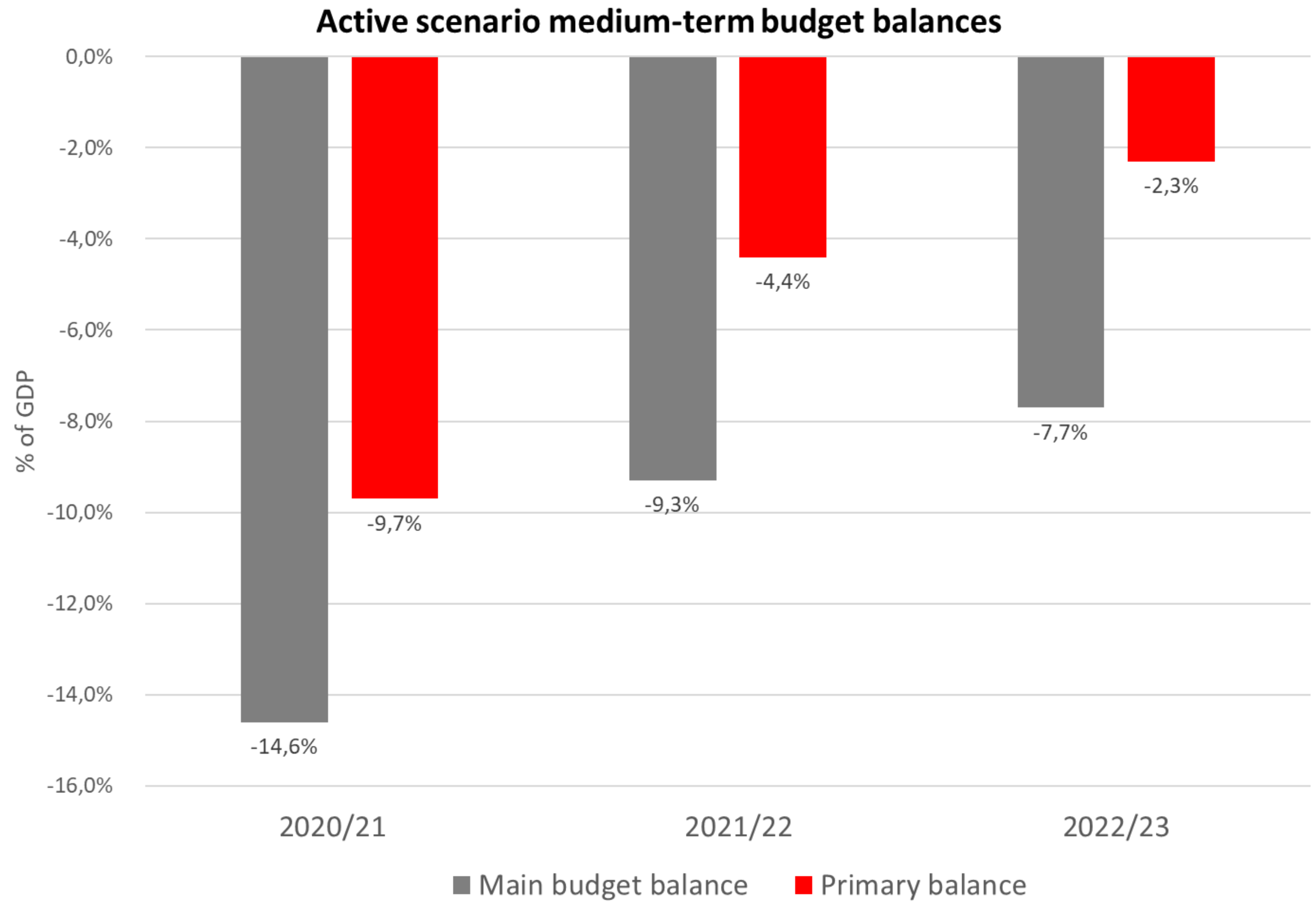
Main revisions to non-interest spending plans by economic classification

% of total	Budget 2020	Emergency Budget	Change
Current payments	**17,3**	**17,0**	**-0,3**
Compensation of employees	12,2	11,9	-0,3
Goods and services	5,1	5,1	0,0
Rent on land	0,0	0,0	-0,0
Transfers and subsidies	**79,1**	**78,1**	**-1,0**
Provinces and municipalities	50,9	49,9	-0,9
Departmental agencies and accounts	9,3	8,3	-1,0
Higher education institutions	2,9	2,8	-0,1
Foreign governments and international organisations	0,2	0,2	-0,0
Public corporations and private enterprises	2,1	1,9	-0,3
Non-profit institutions	0,6	0,5	-0,0
Households	13,1	14,5	1,3
Payments for capital assets	**1,0**	**0,9**	**-0,1**
Payments for financial assets	**2,8**	**2,9**	**0,1**
Provisional allocations: COVID-19 package	**–**	**1,2**	**1,2**
Provisional allocations not assigned to votes	**-0,5**	**-0,5**	**0,0**
Contingency reserve	**0,3**	**0,3**	**-0,0**
Total	**100,0**	**100,0**	**–**

Source: National Treasury

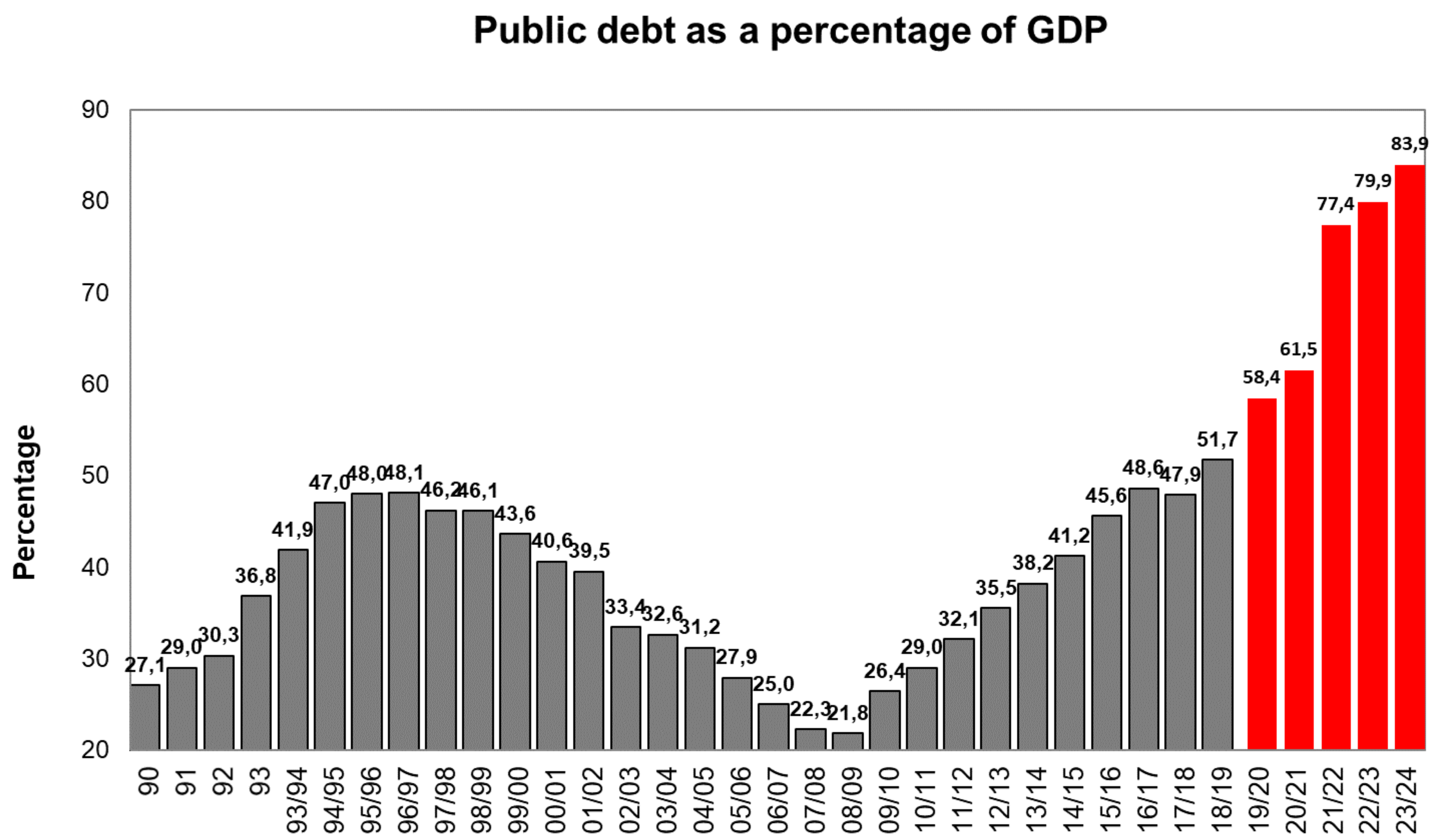


Source: National Treasury

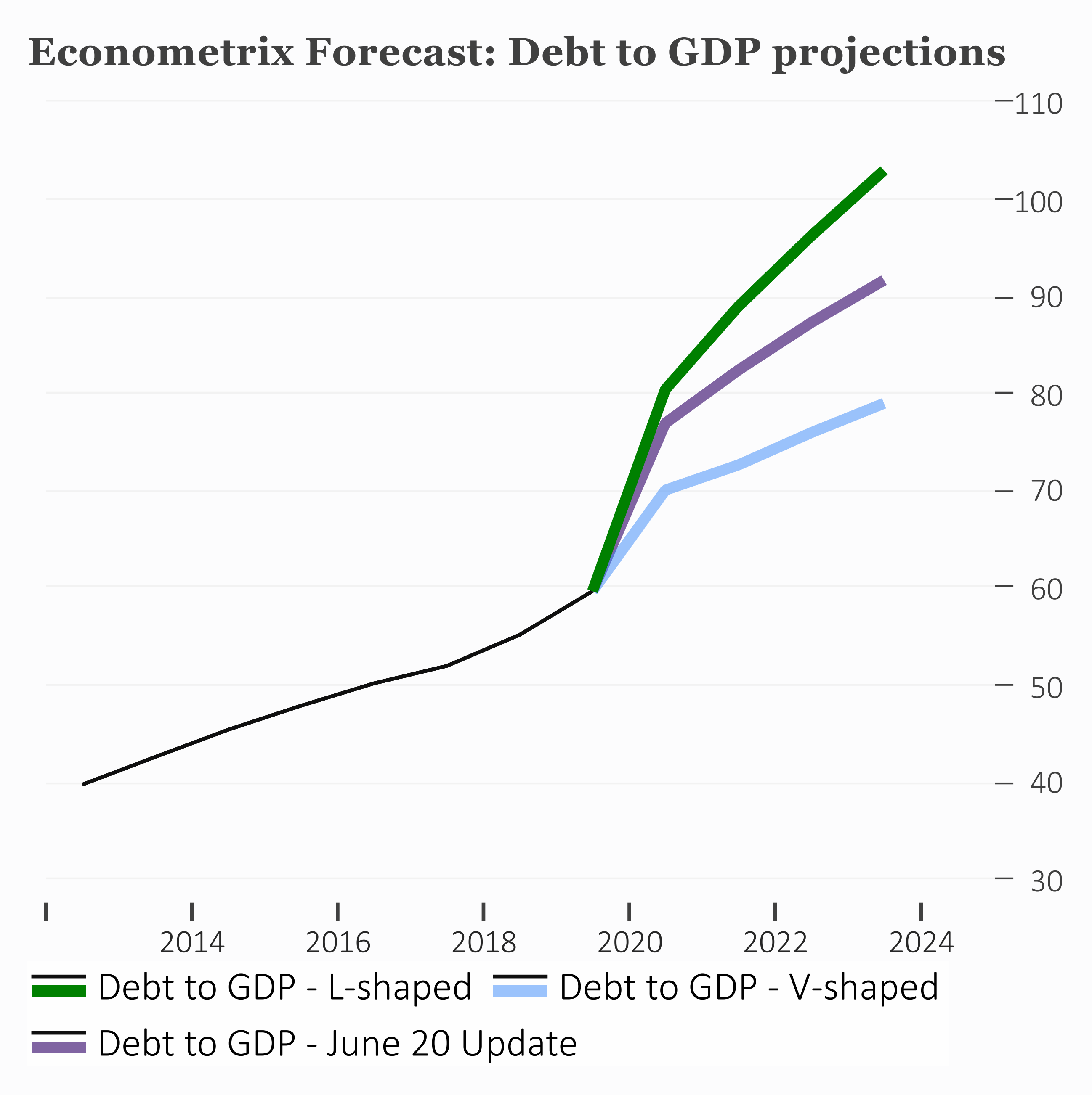


Source: National Treasury

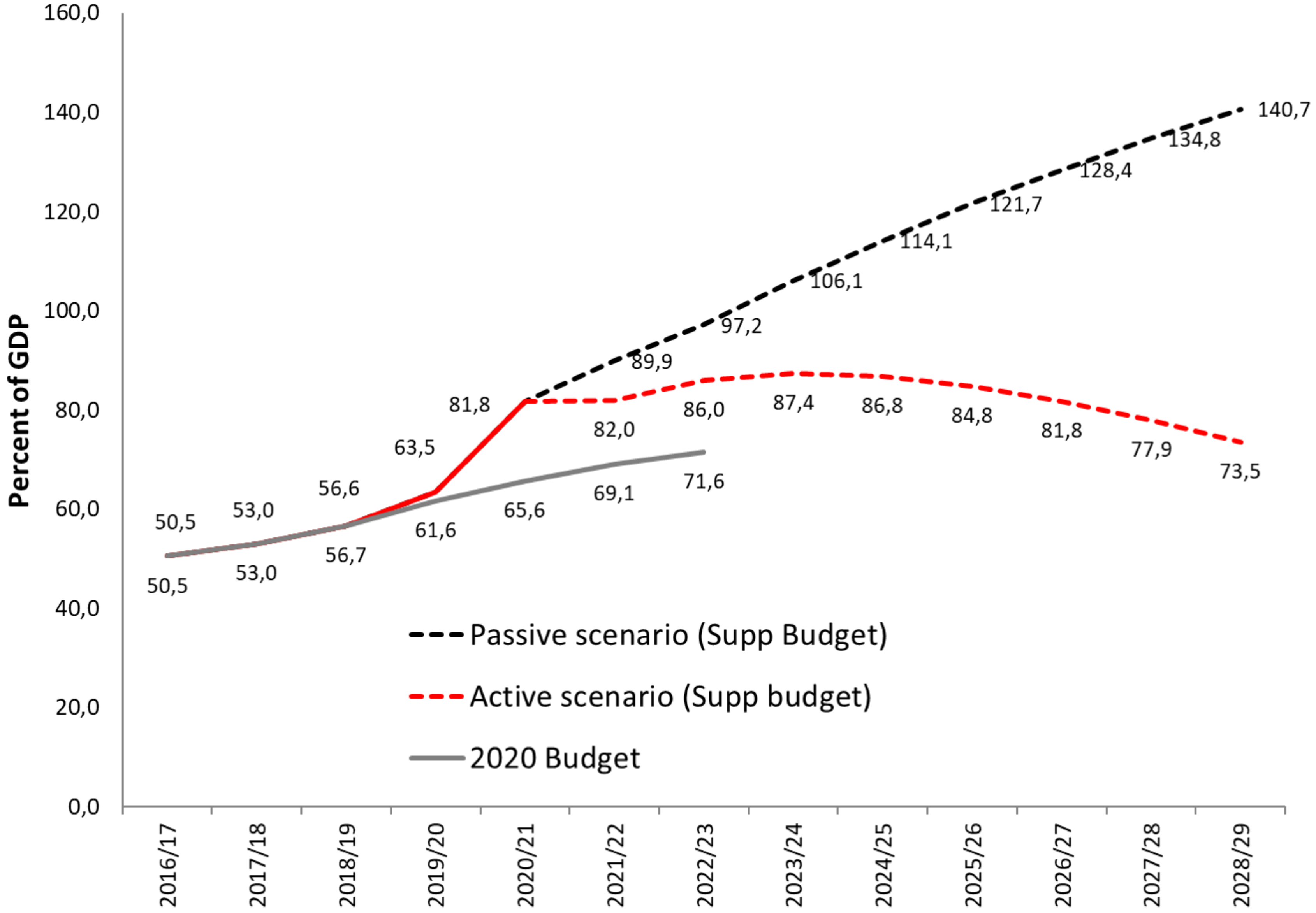
Cabinet has adopted the active approach. It has endorsed the target of a primary surplus by 2023/24, meaning revenue will exceed non-interest expenditure by then



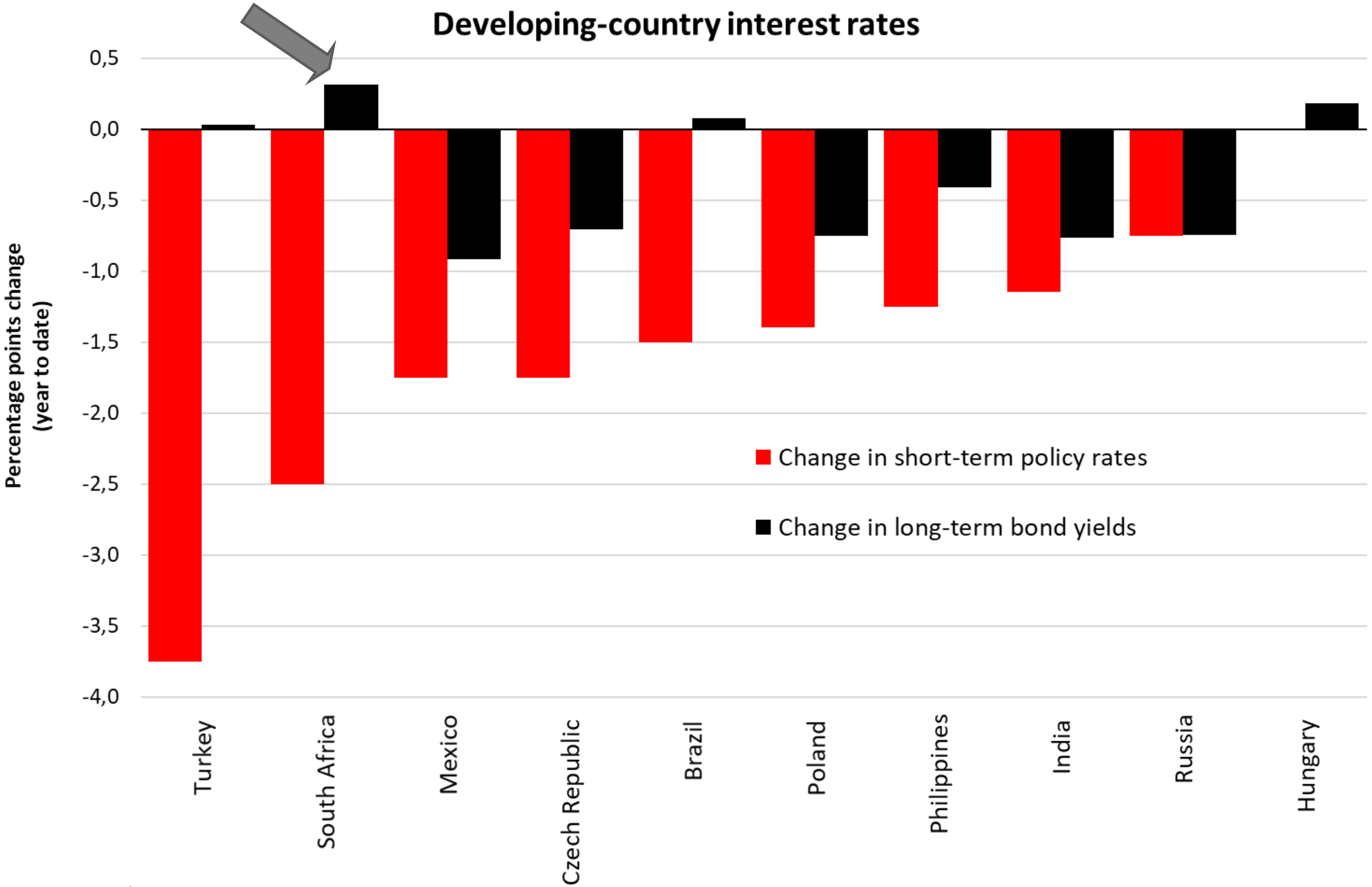
Source: National Treasury


Econometrix Forecast: Debt to GDP projections
110
100
90
80
70
60
50
40
30
2014
2016
2018
2020
2022
2024
Debt to GDP - L-shaped
Debt to GDP - V-shaped
Debt to GDP - June 20 Update

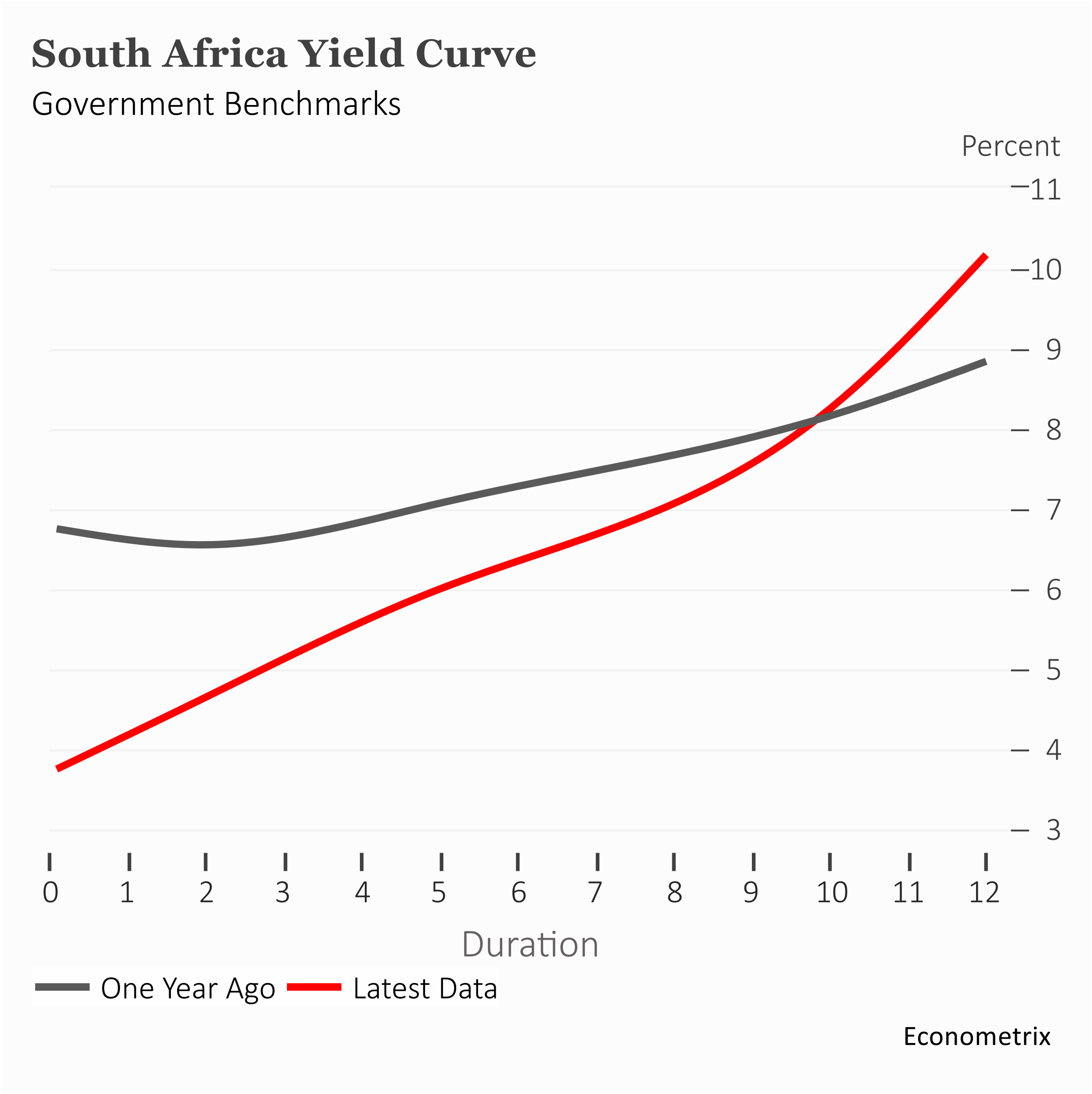
Debt Outlook Scenarios



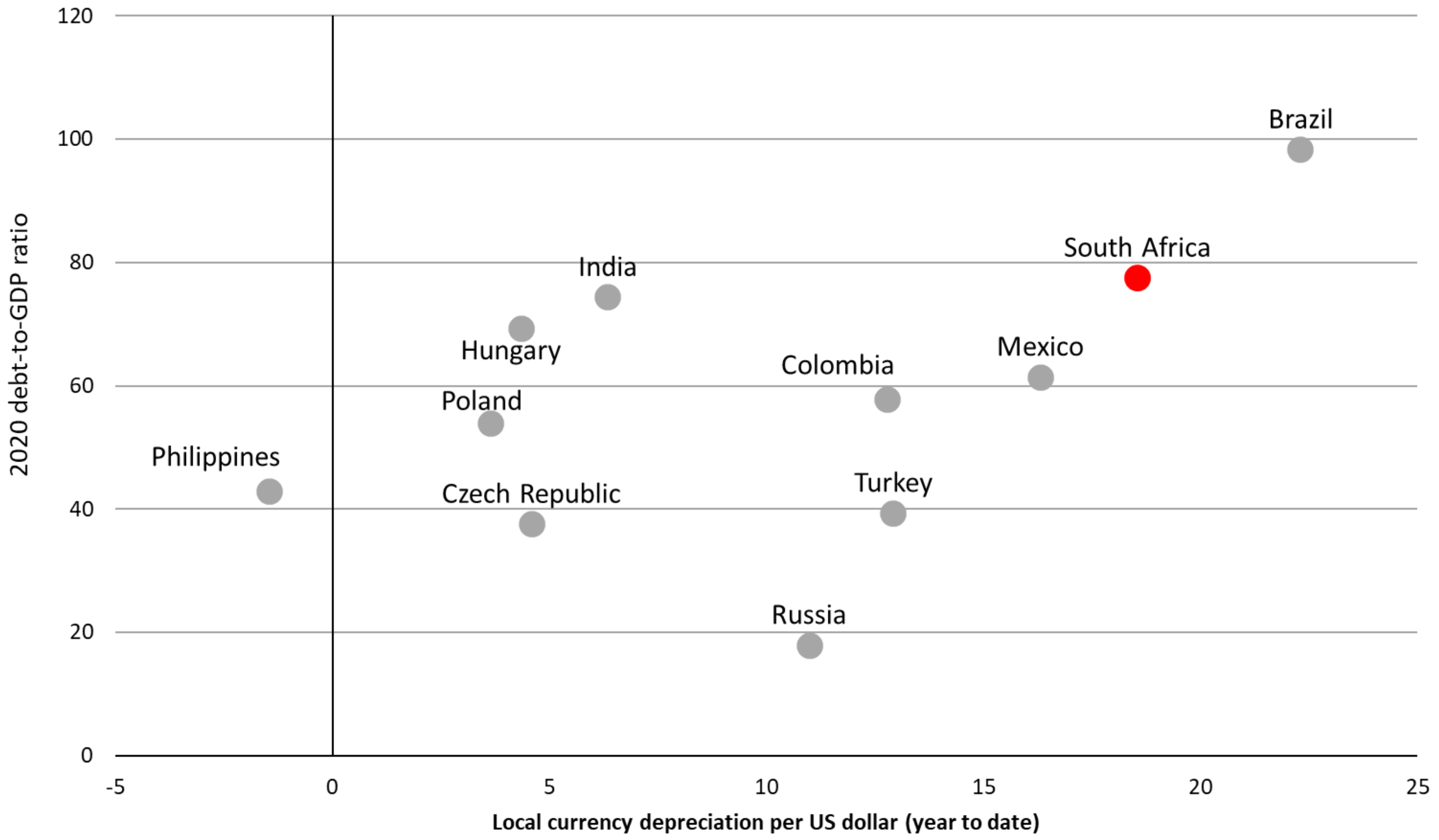
Source: National Treasury



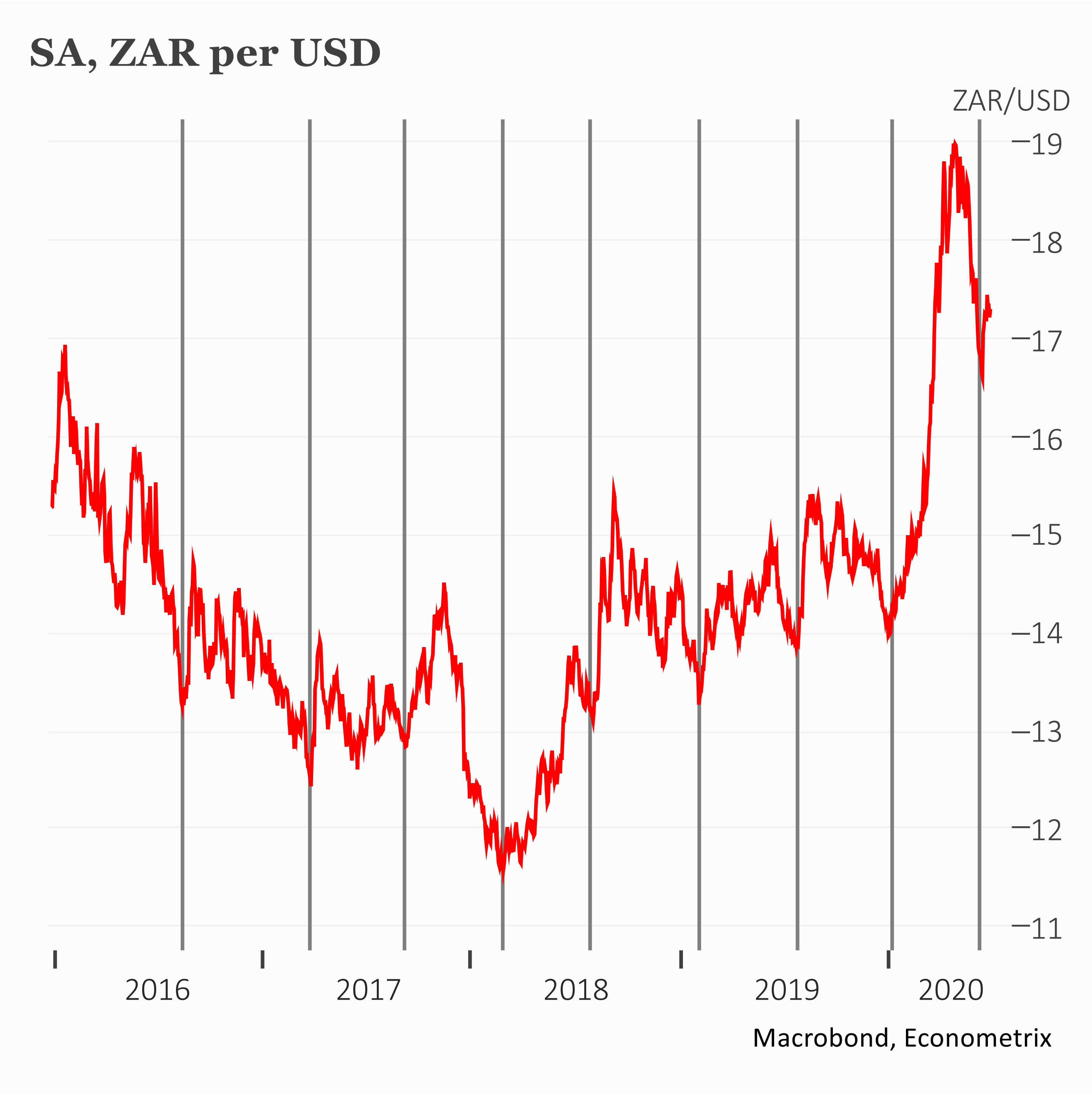
Source: National Treasury

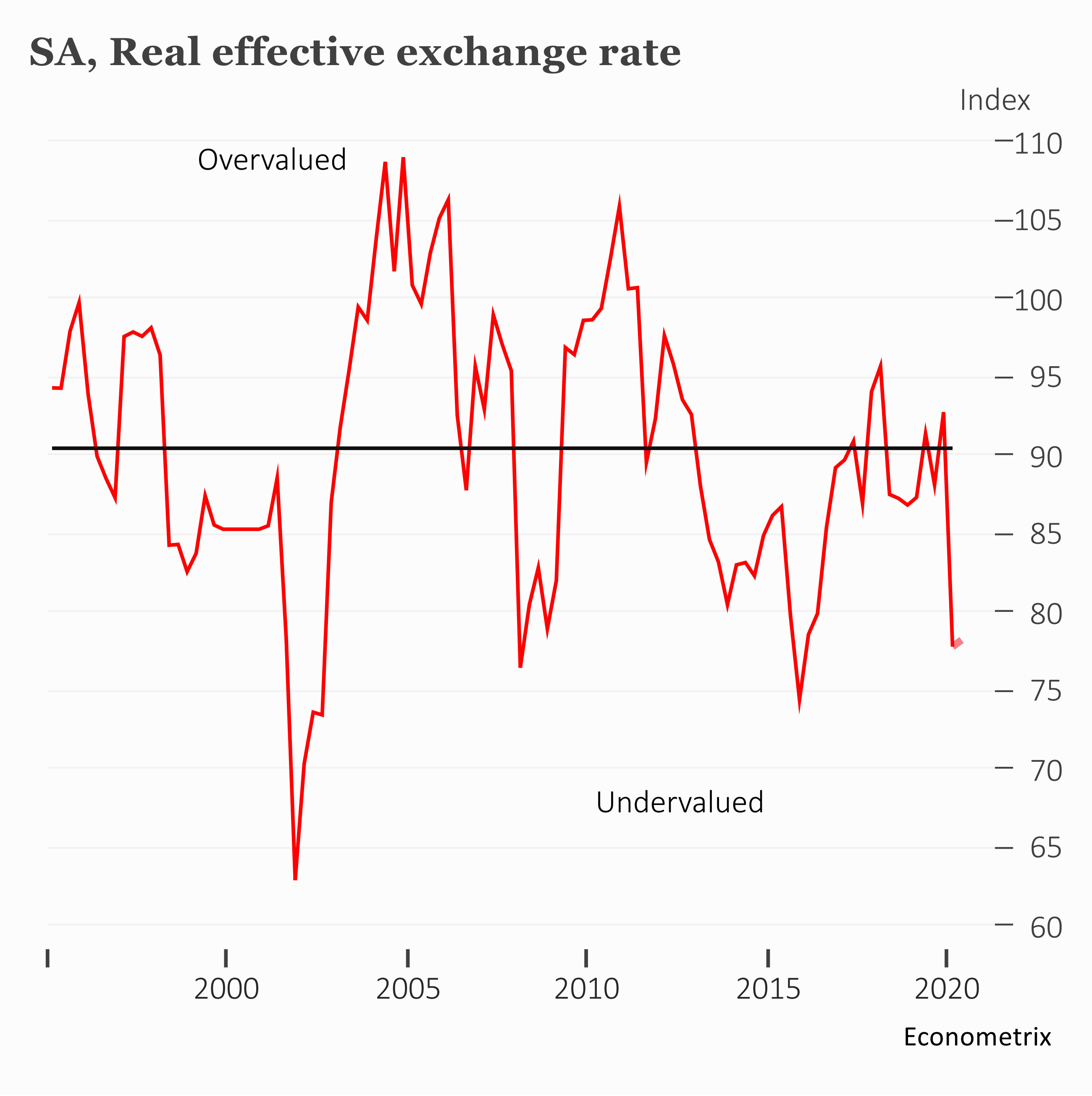

South Africa Yield Curve
Government Benchmarks
Percent
11
10
9
8
7
6
5
4
3
0
1
2
3
4
5
6
7
8
9
10
11
12
Duration
One Year Ago
Latest Data
Econometrix

Developing-country currencies and debt



Source: National Treasury


SA, ZAR per USD
ZAR/USD
19
18
17
16
15
14
13
12
11
2016
2017
2018
2019
2020
Macrobond, Econometrix


SA, Real effective exchange rate
Index
110
105
100
95
90
85
80
75
70
65
60
Overvalued
Undervalued
2000
2005
2010
2015
2020
Econometrix

Take away from the Supplementary Budget Speech

- An exercise of formality to acquire Parliamentary agreement for the R500bn rescue package
- Increase in deficits and public debt in line with expectations
- Our budgetary parameters based on unduly optimistic forecasts of economic growth?
- Only moderate tax increases envisaged
- Government for once seems to be taking the risk of an impending debt crisis seriously
- Government pledges determination to rein in the public debt trajectory longer term
- However, scepticism to remain regarding the ability to rein in expenditure in the face of populism
- Mboweni tries to persuade us of a buy in by government and his Cabinet
- Financial markets dominated by international events rather than parlous fiscal situation
- A debt crisis longer term remains a real possibility as reflected by steepening of yield curve

THANK YOU