South Africa MTBPS Preview: November 2025

Details:

Finance Minister Enoch Godongwana will deliver his Medium-Term Budget Policy Statement before the National Assembly on Wednesday, November 12, at 12:00GMT/14:00SAST. The speech will be broadcast live on Parliament TV as well as Parliament's website and social media platforms.

MNI Point of View: Brighter Fiscal Outlook

It will be another balancing act from Finance Minister Enoch Godongwana, as he treads a tightrope between stimulating growth and promoting fiscal consolidation, but in various respects he is arguably in a more comfortable position than a few months ago. The November Medium-Term Budget Policy Statement (MTBPS) is widely expected to reflect an improved fiscal position and a brighter fiscal outlook, with little sign of infighting among GNU partners over the upcoming mini budget. Godongwana may also provide formal updates on key policy measures, including a fiscal anchor and a lower SARB inflation target.

Sell-side consensus is for South Africa to beat its FY2025/26 fiscal deficit forecast of 4.6% of GDP, possibly by a comfortable margin. Higher tax collections, constrained expenditures, easing borrowing costs, and slightly better growth outcomes should underpin a healthier fiscal position, alongside a potential larger Gold and Foreign Exchange Contingency Reserve Account (GFECRA) drawdown on the back of a rally in gold prices. Looking ahead, Godongwana is set to reaffirm the government's commitment to fiscal consolidation and prudent policy, as well as the intention to render the budget trajectory more sustainable over the longer term. Against this backdrop, there is growing speculation that the MTBPS could prompt rating upgrades in the upcoming round of scheduled reviews.

On the other hand, a number of familiar challenges remain. The growth rate remains underwhelming and the projection for FY2025/26 may be revised slightly lower. A softer global demand and the spillover from diplomatic tensions with the US into trade relations have weighed on exports, placing a constraint on wider economic recovery. Finally, logistics performance has been slowly improving, particularly in terms of energy supply, but there is still much work to be done to reduce heightened transaction costs.

The mini-budget would be an appropriate forum for making a couple of the long-awaited policy announcements, although it is unclear if Godongwana will use the opportunity. Firstly, the Finance Minister could endorse a lower inflation target of +3% Y/Y (already implicitly adopted by the SARB) and at least offer a timeline for its implementation and integration into the legal framework. Secondly, Godongwana could provide a progress update on the proposed fiscal anchor, following up on his guidance from the 2025 Budget.

Furthermore, the process leading to the MTBPS represents a marked improvement compared to the 2025 National Budget, which was only passed on third attempt and brought the Government of National Unity (GNU) to the brink of collapse as its constituent parties wrestled over the proposed VAT hike. This time around, Godongwana made sure to introduce the necessary tweaks to the budget process. Democratic Alliance (DA) leader John Steenhuisen noted that the drafting of the MTBPS was much more consensual and parties were 'allowed to make submissions… So it's been a much better process than just the lump it or leave it approach of the Budget.'

Overall, Godongwana is expected to report ongoing improvement in South Africa's fiscal health in a speech that was consulted with political partners, in a far cry from the chaotic budget process earlier this year. While headwinds to growth remain, structural reforms are slowly beginning to yield fruit, the budget process has become more consensual, and South Africa's fiscal trajectory is slightly better than anticipated. As a result, the message from the Finance Minister should be one of cautious optimism.

Sell-Side Views

Anchor Capital: Improving Fiscal Position Will Be Key Message From MTBPS

- They note that SA's near-term fiscal picture appears comparatively healthy. Strong VAT receipts, together with solid personal and corporate income tax collections, have bolstered revenue this year. Coupled with restrained expenditure growth, this points to a potential budget deficit smaller than the National Treasury's (NT) initial 4.6% of GDP estimate- signalling that an improving fiscal position will likely be a key message in the upcoming MTBPS. Throughout the year, revenue growth has consistently outpaced spending, keeping the fiscal balance in check. After five months of FY25/FY26, the main budget deficit stands at R215bn — notably smaller than over the same period last year. On a rolling 12-month basis, the deficit is around ZARR300bn (or 4% of GDP).
- This stronger fiscal dynamic reflects firm revenue gains alongside subdued expenditure growth. Gross tax revenues have risen 9.0% Y/Y (+ZAR63bn) in the first five months of the fiscal year (two ppts ahead of full-year budget expectations), despite sluggish nominal GDP growth. The outperformance has been broad-based, led by VAT, as well as healthy growth in personal (PIT) and corporate income tax (CIT) receipts.
- SA's near-term fiscal outlook appears relatively healthy, supported by strong revenue performance, contained spending, improved funding conditions, and easing government bond yields. However, the medium-term picture remains more complex. A range of fiscal vulnerabilities persists from a fragile global environment and subdued nominal GDP growth to the slow pace of structural reform and ongoing spending pressures from SOEs, an expanding social safety net, and weak local government finances. Elevated debt redemptions will continue to sustain high borrowing requirements. Political uncertainty within the Government of National Unity (GNU) adds an additional layer of risk to fiscal stability and policy continuity.

Bank of America: Fiscal Performance Is Improving

- They estimate the 2025/26 main deficit at -4.3% of GDP (NT has -4.6%). This is an improvement, despite GDP growth downgrades. However, it is weaker than their -4.1% estimate from last month, as they have incorporated catch-up spending post September fiscal data.
- The National Treasury (NT) could generate about ZAR30 billion in savings by undershooting the Budget target - potentially reducing issuances by up to ZAR250 million per auction. Alternatively, it could beef up cash balances for the 2026 fiscal year. Further GFECRA drawdowns, circa ZAR30 billion, are also likely to be announced in the MTBPS for the 2026 Budget. USD issuance is likely as well post MTBPS, to bolster USD deposits.
- SA is benefiting from supportive global macro and domestic reforms. The Fed's cutting cycle will ease borrowing costs and a weaker dollar = stronger ZAR. Meanwhile, domestic reforms include a lower inflation target, fiscal improvements and logistics reforms. CDS (150bp) and 10-year bond yields (<9%) are at their lowest levels since 2021, reflecting growing market confidence. In BofA's view, near-term economic and fiscal improvements could lead to sovereign rating upgrades into 2026.

Capital Economics: Narrower Deficit Means Fewer Fireworks At MTBPS

- The improvement in South Africa's budget position and sharp fall in local currency bond yields mean less is at stake at next week's Medium-Term Budget Policy Statement (MTBPS) than there was at the Budget back in February. Fiscal policy settings will be largely unchanged but the Treasury may finally settle on a fiscal anchor and it seems increasingly likely the Reserve Bank's inflation target will be formally lowered.

Goldman Sachs: Maintaining Ongoing Fiscal Consolidation Plans

- They expect the MTBPS to maintain ongoing fiscal consolidation plans that translate into an improving fiscal trajectory. This implies a rising primary surplus and a decline in debt over the forecast horizon, with the peak in debt maintained in the current fiscal year (FY2025/26). They think that fiscal improvements, along with slightly stronger recent growth, will warrant a sovereign rating upgrade by S&P from BB- to BB at its scheduled review on November 14, a key market focus given recent dynamics and the positive outlook on the rating.
- National Treasury will need to balance outperformance in the current year against a projected adverse fiscal impact of lower inflation on debt dynamics in the forward period, which in their view should be manageable. The combination of in-year revenue outperformance and a meaningful additional GFECRA distribution –

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plausibly 0.5pp of GDP, in addition to the 0.3pp of GDP programmed – implies scope for a small (at least symbolic) cut in debt issuance via weekly bond auctions, as well as a shift in the parameters tilting incrementally more towards floating-rate instruments that benefit from ongoing disinflation.

- The market has shifted significantly towards pricing in the SARB's recently reduced +3% Y/Y inflation objective (from the mid-point to the lower bound of its +3-6% target range) and Goldman anticipate acknowledgement of this policy shift from National Treasury, reflected in a reduction in its medium-term inflation projections. They expect that National Treasury will announce a formal shift to a lower +3% target in the coming months and MTBPS would, in their view, be an appropriate forum for doing so. However, the timing of this announcement remains uncertain and it could also come at a slightly later date.

Investec: Balancing Growth Support With Fiscal Prudence

- They expect the MTBPS to feature marginal downgrades to GDP and CPI projections for 2025, with a cyclical acceleration and higher CPI inflation forecasts likely to remain unchanged. Tax revenue estimates are expected to be revised upward by approximately ZAR45bn in FY25/26, with the improvement extending across the Medium-Term Expenditure Framework (MTEF) period. This stronger revenue trajectory removes the need for additional tax increases in the baseline forecast over the next two fiscal years.
- The main budget deficit is now projected to narrow to 4.0% of GDP (previously 4.6%) or ZAR311.0bn (previously ZAR361.3bn) in FY25/26, declining further to 3.0% of GDP by FY27/28. The primary surplus is expected to rise to 1.2% of GDP (from 0.8% previously), reflecting improved fiscal discipline and revenue gains. The gross debt-to-GDP ratio is projected to edge higher – from 77.4% to approximately 78.3% – owing to slower nominal GDP growth, and switch auction activity and prefunding.
- A potentially bigger drawdown of GFECRA over and above the ZAR25bn in the baseline forecast could occur, supported by the increase in the gold price. The Tuesday nominal bond auction sizes are expected to remain stable, with potential reductions announced in February 2026, and a reduction in 75% allocation at non-competitive bond auctions on Thursdays. Switch auctions of the ZAR187 (December 2026) will continue in FY26/27 but National Treasury is likely to maintain higher cash balances in anticipation of large redemptions in FY27/28, amounting to nearly ZAR260bn.
- While the likelihood of an announcement of a firm statement of intent about the fiscal anchor is unclear, the Minister of Finance is expected to provide an update. The intent of a fiscal anchor will also be to enhance a culture of fiscal responsibility that must be embedded in institutional and legal frameworks rather than enforced through rigid numerical constraints, which can be broken – as evidenced in the EU and Argentina – and which reduces the credibility of the fiscal anchor. There is also a need to link to the quality and efficiency of spending which is where the TARS programme is coming in.
- The Minister of Finance is expected to make an announcement about a lower inflation target at either the MTBPS or February 2026 Budget Review. The joint statement on September 1 indicated that Minister of Finance and SARB Governor will agree on any changes to the target band. Technical work regarding the effect of a lower inflation target on the fiscal framework, has been concluded. A possible outstanding issue is public consultations on a lower inflation target.

JP Morgan: Budget In Focus

- They expect the MTBPS to re-affirm the commitment to a rising primary surplus, despite softer input assumptions. The main budget fiscal deficit tracks three-tenths narrower at -4.3% in FY25/26 (from -4.6% in the Budget), lifting the primary surplus to 1.1% of GDP (Budget: 0.8%; FY24/25: 0.7%). Revenue momentum remains solid at 46.6% of the full-year target, largely due to a beat in VAT receipts.

Nedbank: Narrower FY2025/26 Deficit On Strong Tax Collection & Slower Expenditure Growth

- The National Treasury will present the 2025 Medium-Term Budget Statement (MTBPS) against the backdrop of a modest domestic recovery and an increasingly tumultuous global landscape. Treasury will likely reduce its GDP growth forecast for 2025 slightly due to shrinking fixed investment and lower exports in the first half of the year. For the next three years, Nedbank expect Treasury will reflect an upward trajectory as subdued inflation and lower interest rates sustain consumer spending and easing energy and logistical constraints enable a recovery in fixed investment, offsetting the continued, and potentially deepening, drag from net exports.

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- Moderately faster growth in domestic demand, elevated gold and platinum prices and more efficient tax collections have boosted revenue. Consequently, Nedbank project higher revenue growth in fiscal year 2025/26 (FY2025/26), supported by robust increases in personal, corporate and value-added taxes. Their estimates translate into an overshoot in gross tax revenue of ZAR60 billion in FY2025/26 and ZAR200 billion over the Medium-Term Expenditure Framework period (MTEF, which runs from FY2025/26 – 2027/28).
- Spending growth in FY2025/26 will likely fall short of May's projections, mostly due to the long delays in approving this year's budget. Beyond this year, they forecast moderate expenditure growth in both nominal and real terms. Encouragingly, much lower inflation will likely contain the increase in the public sector wage bill to around 4% over the next two fiscal years. Debt service costs will also rise at a slower rate, due to lower interest rates and softer growth in public debt. Overall, they expect expenditure growth of 6.5% in FY2025/26, compared to the Treasury's projected 7.5%.
- Nedbank project a slightly smaller consolidated budget deficit of 4.4% of GDP for this fiscal year, than the 4.8% projected in Budget 2025. Thereafter, they see the shortfall narrowing slowly, staying above 3% in FY2028/29. Their forecasts indicate that the primary surplus will hover around 2% of GDP by the end of the forecast period.
- They expect a higher public debt ratio compared with the Budget 2025 estimates due to their lower nominal GDP forecast. The debt-to-GDP ratio will remain sticky, peaking at 78.1% in FY2027/28 and start to ease slowly as the primary surplus widens.

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