



# South Africa's fiscal path

Governance Accountability Platform | Fiscal Policy Webinar Series | 15 January 2021

- Patterns of growth since 1994
- Fiscal choices
- A painful path ahead

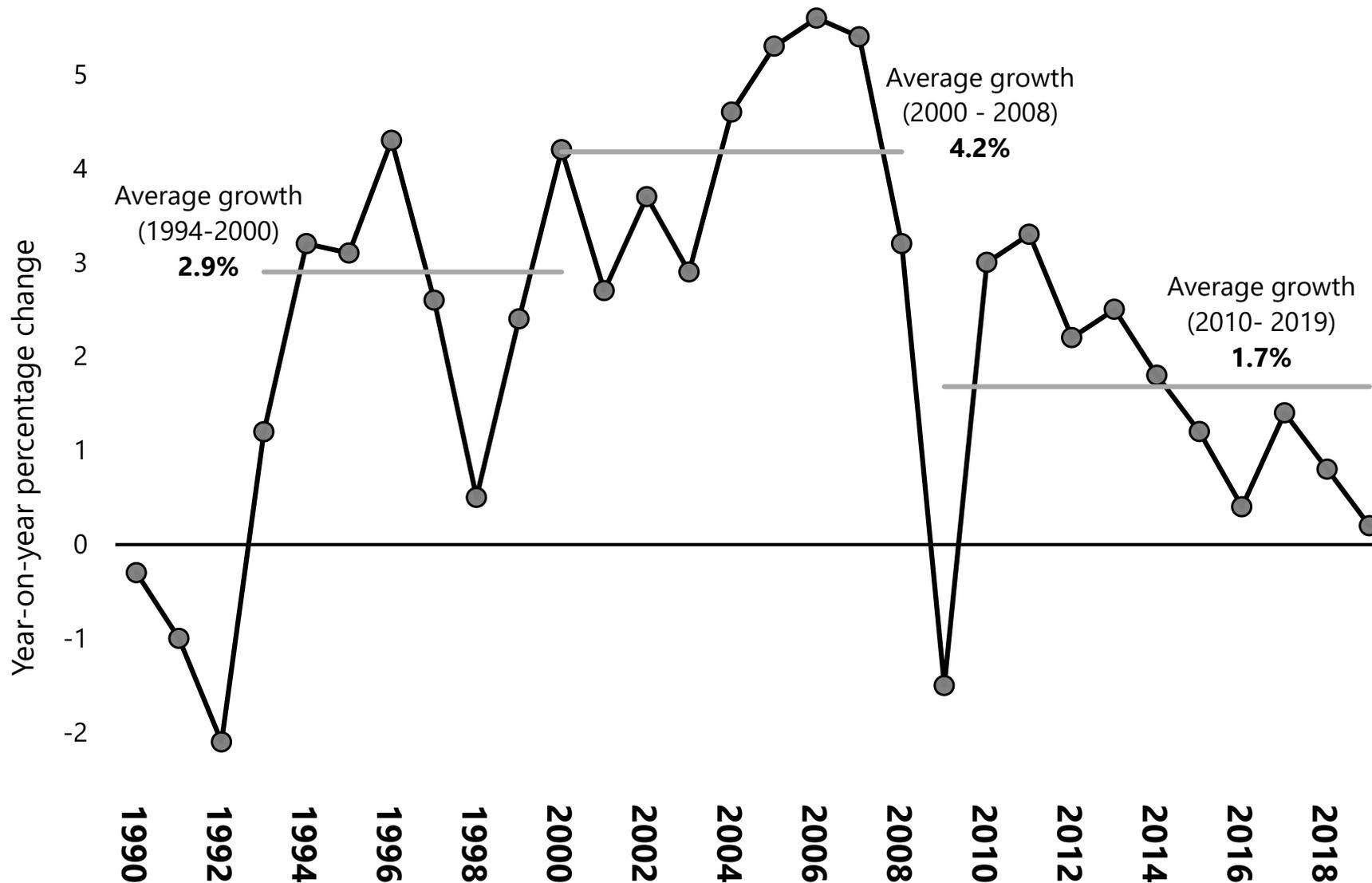




# Growth patterns



### South Africa GDP growth 1994-2019



Source: SARB, IHSMarkit and author's calculations

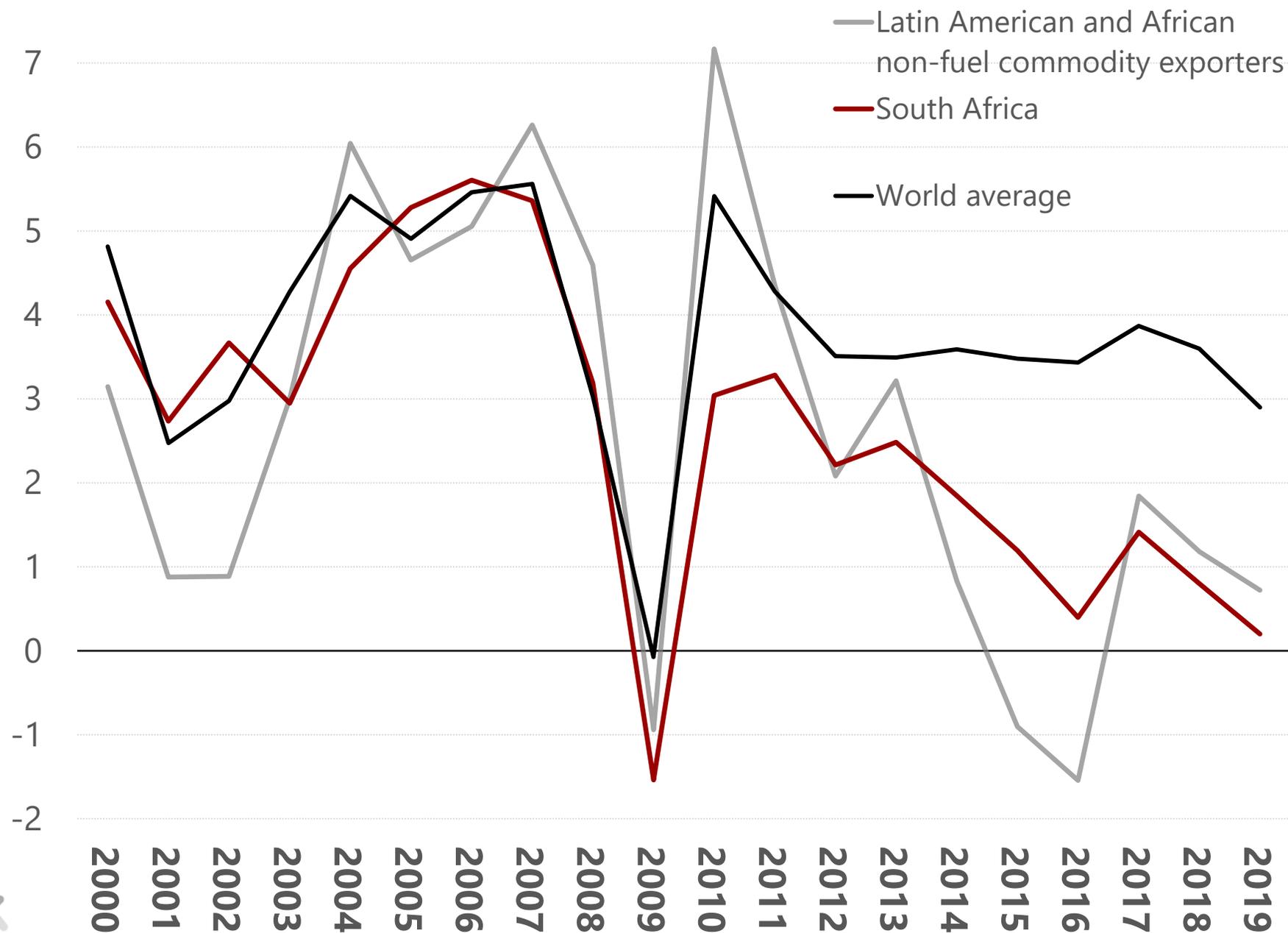




**South Africa and world average  
GDP growth | 2000-2019**

Source: IMF World Economic Outlook dataset, IHSMarkit, author's calculations





## South Africa, world average and commodity exporters' GDP growth | 2000-2019

Source: IMF World Economic Outlook dataset, IHSMarkit, author's calculations

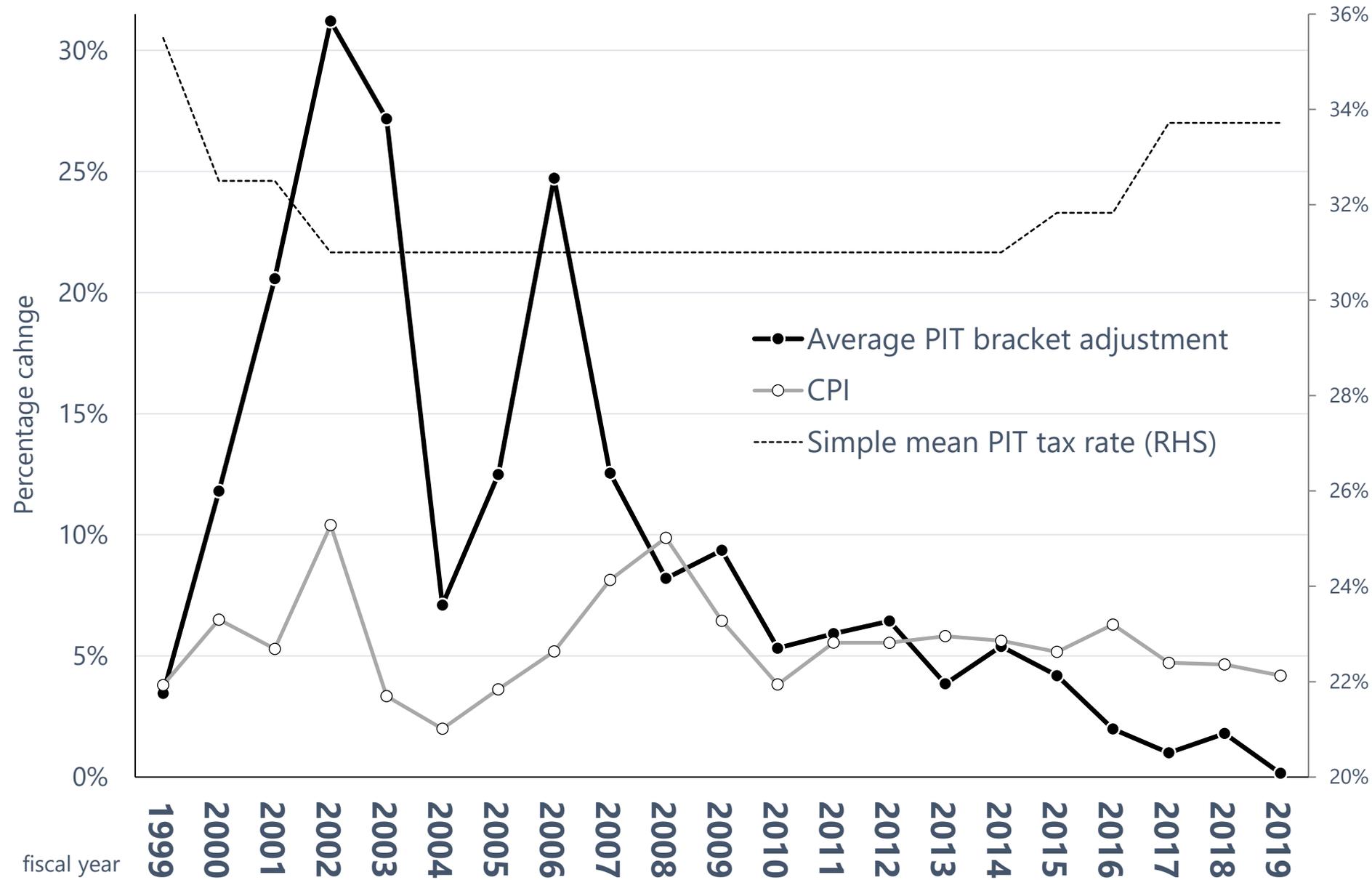
Notes: Weighted average GDP growth in 23 African and Latin American nonfuel commodity exporters. Weights are defined using each nation's average share of world GDP (based on purchasing-power-parity) between 2010 and 2019. Non-fuel commodity exporters are African and Latin American emerging market and developing economies whose main source of export earnings are nonfuel primary products as defined in IMF data (see IMF 2015:149; Table D).





# Fiscal patterns





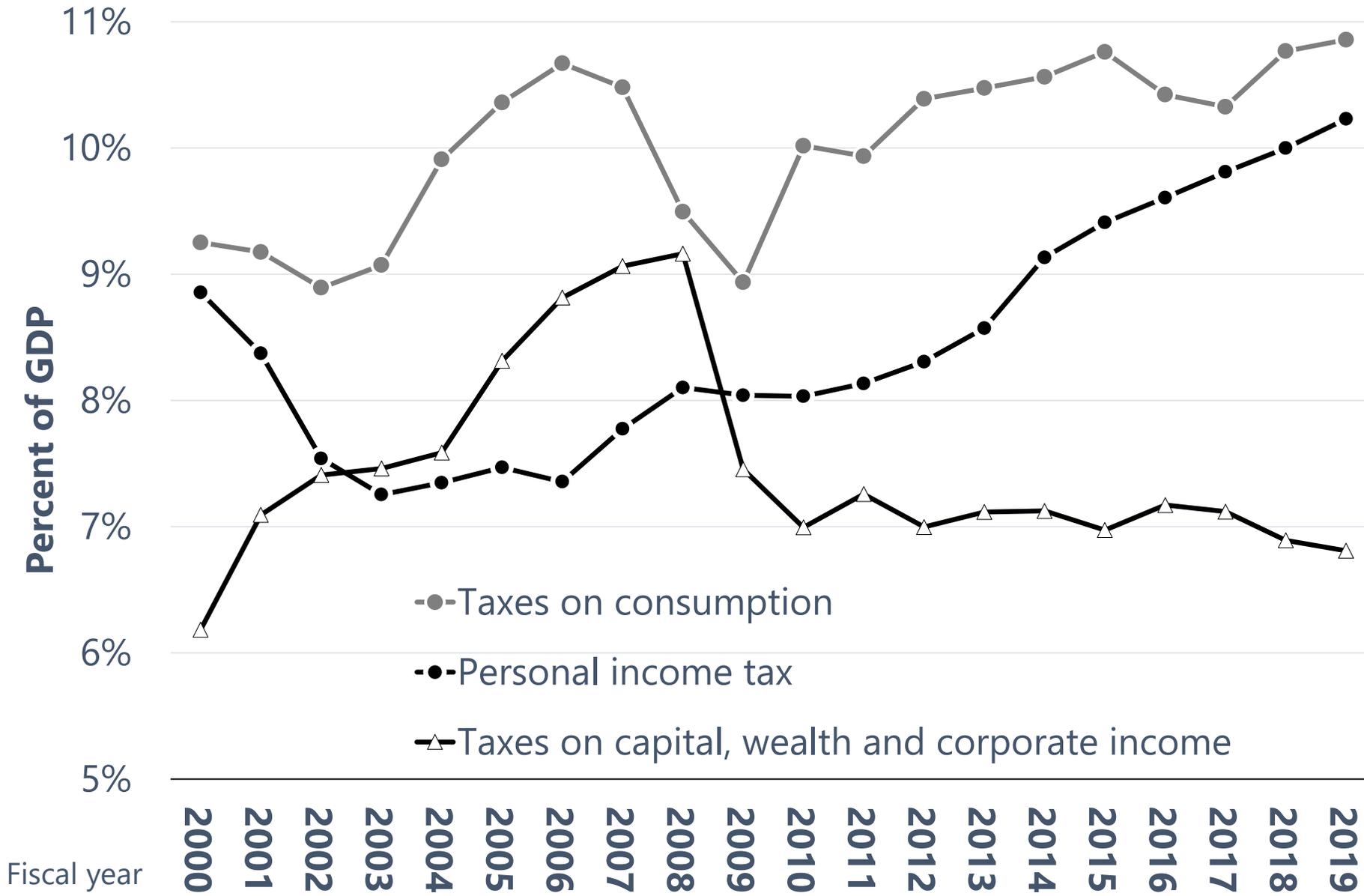
## Bracket creep, consumer inflation and PIT rates

Source: SARB (2020), StatsSA, IHSMarkit and author's calculations

Notes: Average PIT bracket adjustment shows the simple mean of percentage changes on all brackets. Simple mean rate is the average of the rates on all brackets



# Personal income tax buoyant in the face of economic deceleration



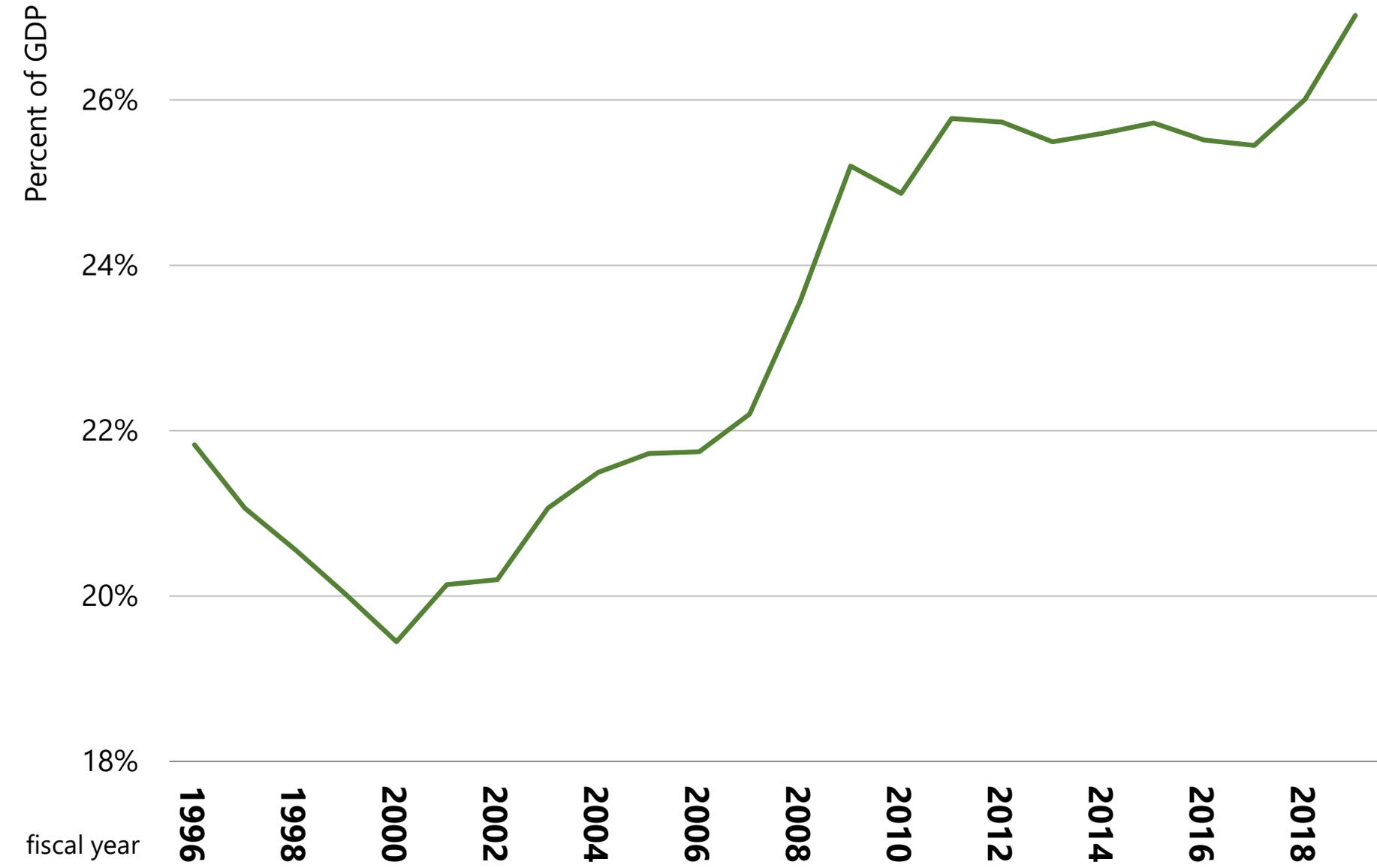
## Major types of taxation | percent of GDP | 2000-2019

Source: National Treasury, Budget Review Table 2 'Main budget estimates of national revenue', and for provincial and local revenue sources SARb (GFS sources/uses of cash), IHSMarkit and author's calculations.

Note: The classification of taxes represented reflects the approach suggested by Saez and Zucman (2019). The aggregates include national, provincial and local taxes, but payroll taxes are not shown. Taxes on consumption includes value-added tax, fuel levies, excise and ad valorem taxes, import duties, trade taxes, provincial taxes and stamp duties and other small levies and charges; Taxes on capital, wealth and corporate income includes taxes on corporate income, mining and other rent and royalties, estate duty, securities transfer tax and transfer duty. tax collected by local government.



# Permanent fiscal commitments, and failure to adjust downwards



**Main budget core spending**  
Percent of GDP | 1996–2019

Sources: National Treasury, IHSMarkit, author's calculations

Note: "Core spending" is main budget non-interest spending excluding self-financing items (such as Skills Levy) and payments for financial assets.



**Table 1: Employment and real compensation in health, education and police**

	fiscal year		Ave. annual growth
	2002	2012	
<b>Health</b> (provincial departments)			
Employees	216 092	310 896	3.7%
Compensation spending per employee (constant 2012 rand)	149 028	238 704	4.8%
Population per employee	174	133	-2.7%
<b>Education</b> (provincial departments)			
Employees	426 915	494 048	1.5%
Compensation spending per employee (constant 2012 rand)	179 317	262 869	3.9%
Learners per employee	28	25	-1.0%
<b>Police</b>			
Employees (fulltime equivalents)	131 560	197 872	4.2%
Compensation spending per employee (constant 2012 rand)	191 770	236 498	2.1%
Population per employee	286	209	-3.1%

*Source:* Author's calculations based on the following data. *Employees and spending:* National Treasury: Intergovernmental fiscal reviews: 2003 (Table 4.1 and Table 5.5), 2004 (Table 4.2 and Table 5.7) and 2014 (Tables 3.4, 4.12 and 11.1); Estimates of National Expenditure: 2003 (Table 25.1) and 2014 (Tables 25.3, 25.12 and 23.2). *CPI deflator and mid-year population estimates:* Stats SA; IHSMarkit. *Learners enrolled in public school system:* Department of Basic Education and Gustafsson (2020).

*Note:* Health and education employee numbers and compensation spending reflect the budgets for headcounts and compensation of both professional and administrative employees in provincial government. Employment in the relevant national and municipal functions is excluded from both these sectors. Police reflects total employment in the national budget vote for safety and security. It excludes provincial and local employees carrying out policing functions and includes many employees who may not be police officers. Compensation spending is deflated using a headline consumer price index.



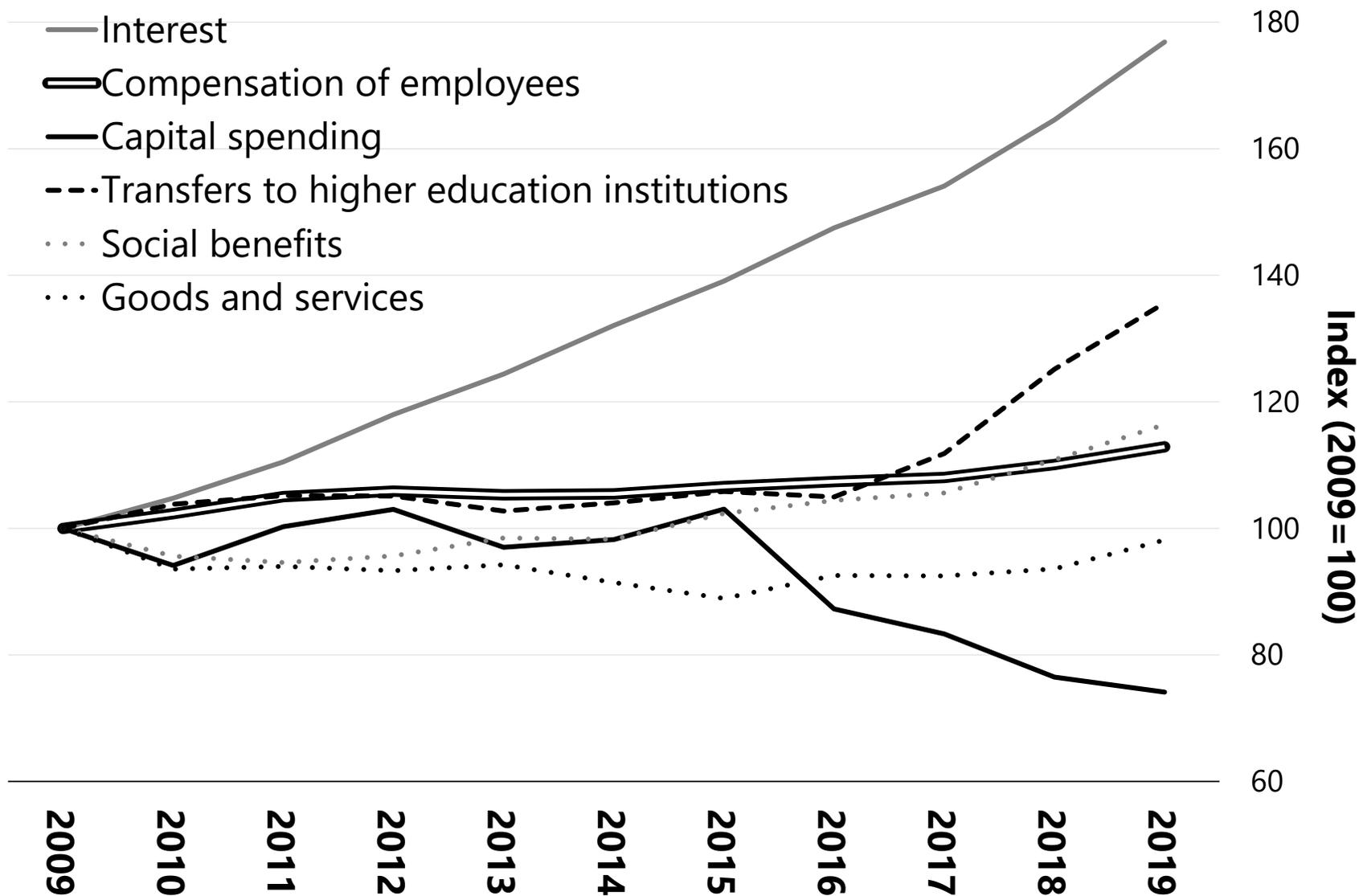
**TABLE 2: Employment and compensation trends in health, education and policing**

	2008	2012	2018	Ave. annual growth 2008-2012	Ave. annual growth 2012-2018
<b>Health</b> (provincial departments)					
Employees (fulltime equivalents)	269 216	325 580	335 866	4.9%	0.5%
Compensation spending per employee (constant 2018 rand)	267 432	316 345	365 272	4.3%	2.4%
Population per employee	185	162	172	-3.2%	1.0%
Population per OSD employee	391	248	249	-10.7%	0.1%
<b>Education</b> (provincial departments)					
Employees (fulltime equivalents)	494 841	526 180	498 621	1.5%	-0.9%
Compensation spending per employee (constant 2018 rand)	288 631	341 038	384 225	4.3%	2.0%
Learners per employee	25	24	26	-1.1%	1.5%
Learners per OSD employee	29	28	31	-1.1%	1.8%
<b>Police</b>					
Employees (fulltime equivalents)	172 162	196 420	191 284	3.4%	-0.4%
Compensation spending per employee (constant 2018 rand)	254 163	294 139	337 080	3.7%	2.3%
Population per employee	289	269	303	-1.8%	2.0%
Population per OSD employee	363	341	389	-1.5%	2.2%

Source: Author's calculations based on National Treasury, Persal, StatsSA, Department of Basic Education.

Note: This table is based on data drawn directly from Persal (government's payroll system) and provided by the GTAC public expenditure and policy analysis unit. This data differs from table 1 (which was based on numbers reported in published budget documents) in that (a) senior management service employees (i.e. non-OSD level 12 – 16 employees) are excluded, and (b) all employee numbers are stated as full-time equivalents. Otherwise the coverage and categorisation are comparable to table 1.



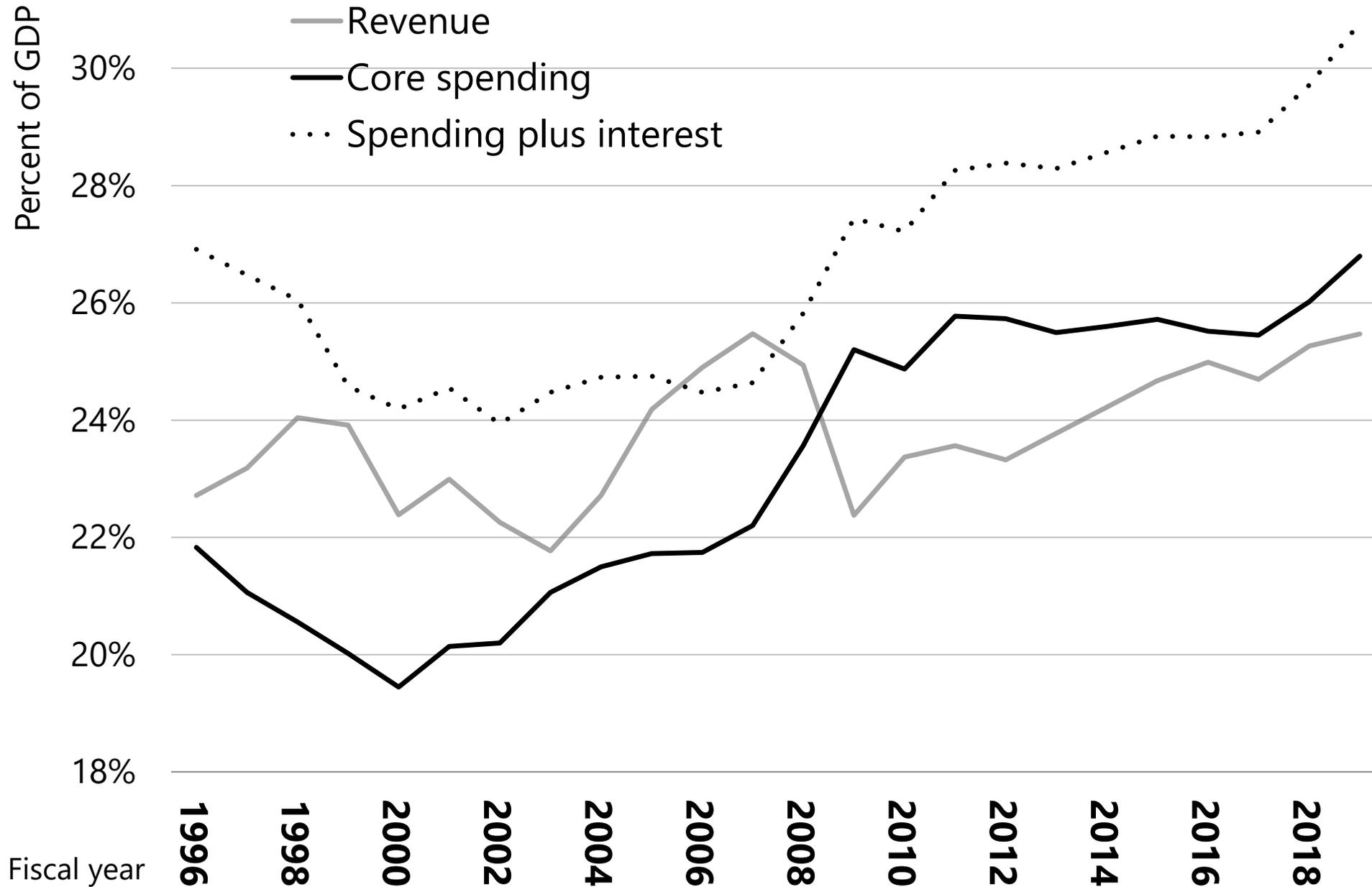


**Spending by national and provincial government as % of GDP**  
Selected items | 2009–2019

Sources: Source: National Treasury (Budget Review Table 5: Consolidated national, provincial and social security funds expenditure: economic classification) and author's calculations.



# Austerity without consolidation

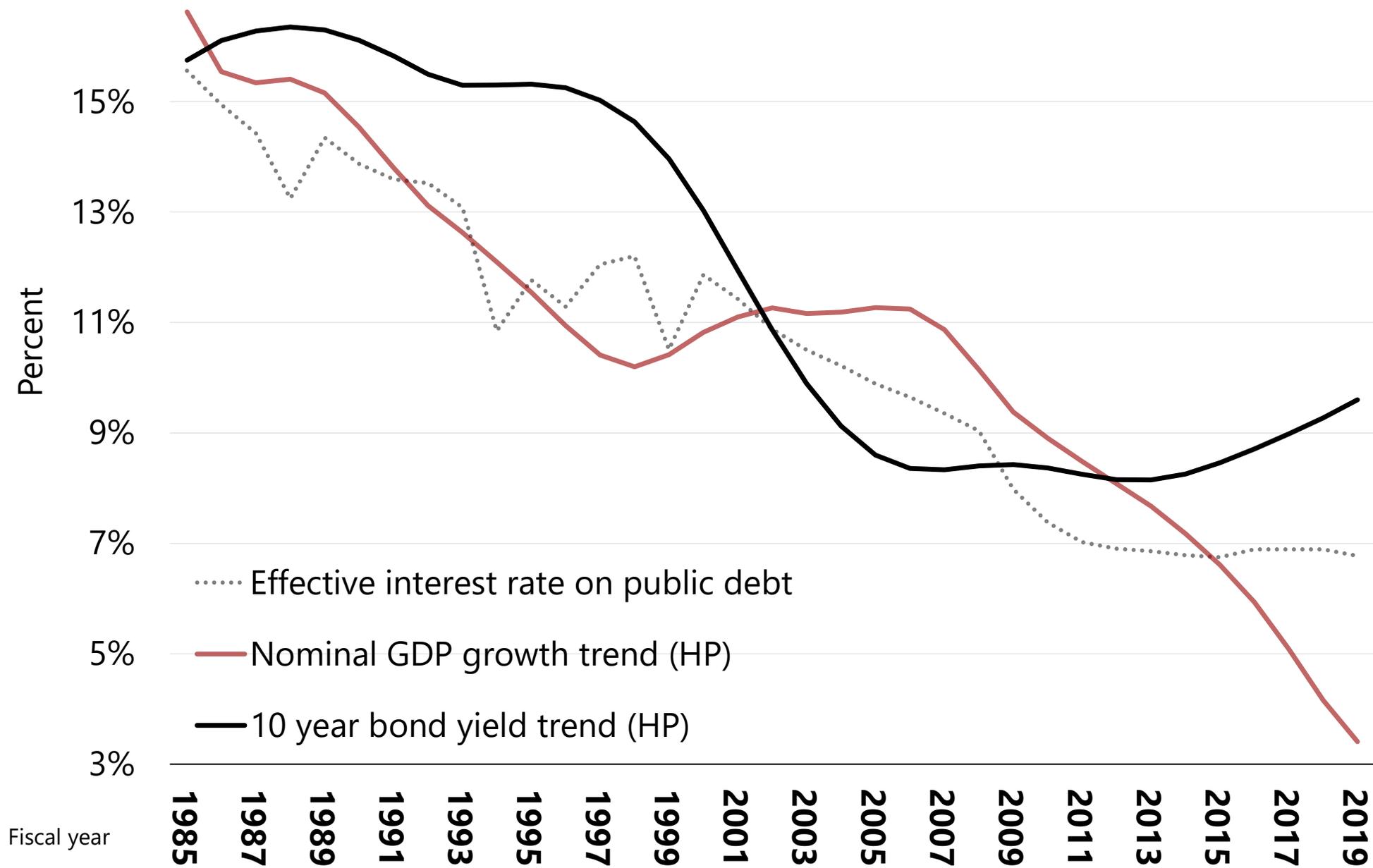




## **A painful path ahead**



# An impossible consolidation



# Is permanent austerity feasible?

