

PwC on 14 February 2018 unveiled the 2018 South African Budget Speech Predictions.

In her opening remarks, Lullu Krugel, PwC Africa Chief Economist confirmed that ” This is going to be a tough and interesting budget.”

“We expect the budget deficit to be around ZAR250 billion. It’s very likely that the deficit is likely to be 5% of the GDP. The reason for that is, it is difficult at the moment to introduce significant spending cuts in this year’s budget,” concedes Krugel.

The planning from now on is going to be very crucial in terms of fiscal stability and transparency.

Budget 2018 clarity

The **sugar tax** net impact on estimated tax revenue would range between ZAR631 million to ZAR856 million.

There will be a planned redirecting of ZAR22 billion in medical aid tax credits to NHI. The estimated cost of NHI by 2025 is ZAR256 billion, with an anticipated shortfall of ZAR108 billion.

“State Owned Entities (SOEs) face financial difficulties and rating downgrades which increase financial deficits. Future funding proposals need to be addressed. The change of the Board at Eskom is something that the market reacted positively to but it will definitely take some time to implement these changes and turn SOEs around. Currently, SOEs are struggling to find external funding. Government guarantees remain stable so SOEs are becoming more exposed from a debt perspective,” stressed Krugel.

In terms of the nuclear power plan – it has been confirmed by South African President, Cyril Ramaphosa that “South Africa has excess power and no funds for nuclear power.”

Regarding #FeesMustFall, the estimated cost for 2018 is ZAR12.3 billion.

“Funding will possibly come from increased VAT or implementation of wealth taxes.

Krugel expressed her sentiments regarding the potential the upcoming Budget Speech can bring to for all South Africans.

“We are quite excited about what is happening in South Africa at the moment and we believe that its a good time to invest in South Africa. We’ve seen IMF, the World Bank and the Reserve Bank all upgrading South Africa’s growth forecast for this year. The currency is strong but very volatile,” said Krugel.

She further indicated that during the 2018 Mining Indaba, Anglo American confirmed it’s ready to re-invest in South Africa. In addition, there was a lot of positive feedback from the recent WEF event.

