



## What we can expect from tomorrow's Medium Term Budget

Tomorrow's release of the Medium Term Budget Policy Statement is expected to be a brief review of this year's National Budget. Here are some of the expected highlights:

- The minister could allude to the possibility of a slightly lower than expected nominal growth estimate for this fiscal year. We expect that his real GDP estimate for this calendar year could only reach 2.0% versus the 2.7% stated in the February budget.
- It is likely that his GDP inflation projection could be significant, therefore propping up his nominal estimate to approximate the figure in the budget. This could mean that there is no effect on his fiscal deficit to GDP estimate.
- The slower economic growth environment could also account for weaker revenue estimates, but we are not sure to what extent he will reveal the shortfall on the 2013/14 revenue budgeted amount. We estimate revenue to miss the budgeted target of R872.9bn by R5.6bn – losses occurring mainly in the Personal Income Tax, Secondary Tax on Companies and Value Added Tax categories of revenue. (This might only become evident in the 2014 budget review.)
- On the expenditure side, there could be a chance of significant under spending during this fiscal year. Again, we do not expect this message to feature in tomorrow's speech.
- Even though we expect the budget deficit to be about 0.1 percentage points of GDP weaker than budgeted, we doubt whether there will be any mention of this as we believe the minister will focus on calming the nerves of the public and investors, while sending a confident message to rating agencies.
- It is most likely that rating agencies will focus on tomorrow's statement for guidance on future ratings and outlook calls for South Africa.

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