



ECONOMIC COMMENTARY

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*For every one to attain
financial well-being*

2026 BUDGET: A LITTLE RELIEF, A LOT OF RESPONSIBILITY

The most important number in this year's Budget is R21.3 billion, representing the upward revision of gross tax revenue compared to 2025's estimate. It is also the number that bought Treasury room to withdraw the previously pencilled-in R20 billion tax increase, restore inflation relief, and present a Budget that feels less punitive than many feared. That is not the same as saying that South Africa (SA) suddenly has fiscal abundance. It means that Treasury got a temporary revenue cushion and chose to use it to steady the mood.

For households, the Budget matters immediately. After two years without full inflationary relief, bracket creep is no longer doing all the work for the South African Revenue Service. The tax-free annual investment limit rises from R36 000 to R46 000, and the retirement fund deduction cap increases from R350 000 to R430 000. These are sensible signals: Save more, build resilience, and rely less on the state. But investors should not confuse tax relief with higher real prosperity. Relief from fiscal drag helps cash flow; it does not create income growth.

And the Budget quietly claws some of that relief back. The General Fuel Levy rises by 9 cents a litre for petrol and 8 cents for diesel. On top of that, the Carbon Fuel Levy and Road Accident Fund Levy also rise. Tobacco and alcohol excise duties go up, too. In practice, this means that many households will 'feel' the Budget less through their tax tables and more through transport costs, distribution costs, and the slow spread of higher living expenses. That is the real story for households: Not a fiscal gift, but a slightly softer squeeze.

For small businesses, the most practical move may be the increase in the compulsory value-added tax registration threshold from R1 million to R2.3 million. This is meaningful: It reduces compliance pressure on smaller firms, preserves working capital, and removes a layer of admin. It may not create a boom, but it could improve survival at the margin: And, in SA, margins are where many businesses live or die.

At a national level, the Budget is clearly about stabilisation, not escape velocity. Treasury projects real gross domestic product (GDP) growth of 1.6% in 2026, with growth averaging 1.8% over the medium term. The consolidated Budget deficit narrows to 4.5% of GDP in 2025/2026, while gross debt stabilises at 78.9% of GDP before easing. Treasury also plans to table a principles-based fiscal anchor in the Medium-Term Budget Policy Statement. These are all good signs. But they do not change the deeper reality: SA is still trying to become fiscally safer faster than it is becoming economically stronger.

The real limit remains growth. Debt-service costs still rise in nominal terms to R420.6 billion in 2026, and they absorb 21.3% of main Budget revenue in 2025/2026 before gradually declining. That is the hidden tax in this Budget: The cost of old mistakes. Every rand spent servicing debt is a rand not spent fixing municipalities, expanding productive infrastructure, or strengthening the state's capacity where it actually matters. Fiscal credibility has improved, yes, but fiscal freedom has not.

Government is also still heavily redistributive: The social wage remains more than 60% of non-interest spending. That protects the floor under society, and rightly so. But it also tells investors something uncomfortable: This Budget is better at preventing deterioration than generating lift.

Economist Dawie Roodt captured the mood well when he said that SA is "probably not going to get poorer, but certainly will not be getting richer". And that is the real verdict on the 2026 Budget: It lowers the risk of a fiscal accident. It gives households and businesses a bit more breathing room. Subtly, it also reinforces a core financial well-being truth: Resilience will still have to be built largely at the household and business levels, not outsourced to Treasury. For investors, this is a Budget to respect, not celebrate. It improves the base case. It does not yet change the long-term one.

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