

South Africa's fiscal deficits declining "faster than expected" - S&P Global

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South Africa's fiscal deficits are declining slightly faster than initial expectations, but slow progress on the rollout of coronavirus vaccines and structural reforms will continue to hamper progress, ratings firm S&P Global said on Thursday.



The S&P Global logo is displayed on its offices in the financial district in New York City, U.S., December 13, 2018. Reuters/Brendan McDermid

S&P affirmed South Africa's sovereign rating of BB-, or three notches below the investment grade, and kept a stable outlook.

In a presentation during a live webinar, S&P said the 2021 economy performance had been boosted by a "cyclical uplift" driven by higher global commodity prices as well as base effects after the downturn due to last year's Covid-19 outbreak.

South Africa's treasury in the February budget estimated a fiscal, or budget, deficit of 14% in the 2020/21 financial year, and pencilled in a 9.3% shortfall for the 2021/22 fiscal year. Debt, as a portion of gross domestic product, was seen at 81.9% and 85.1% respectively.

S&P trimmed its own forecasts, seeing the budget deficit at 11.2% in the fiscal year ended in March and at only -8.9% in 2021/22. It sees debt-to-GDP at 80.9% in 2021.

The upswing in global commodity prices in late 2020 and into 2021 saw South Africa - the world's largest exporter of platinum metal groups and other commodities like copper, coal and gold - record massive trade surpluses, boosting tax revenues.

The ratings firm sees economic growth at 3.6% in 2021, but warned this might be undermined by the slow rollout of Covid-19 vaccines.

South Africa has been the hardest hit by the virus on the continent, with well over 1.5 million confirmed cases and more than 50,000 deaths. The country has so far only vaccinated close to 1.2-million people, mostly health workers and the elderly.

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