Fiscal Credibility: A Myth or Reality in South Africa?

Fiscal policy is often perceived as lacking credibility, primarily due to the frequent failure of governments to meet their targets. Critics contend that this divergence typically manifests on the negative side; tax revenue projections tend to be overly optimistic, while expenditure estimates are understated. This study seeks to critically evaluate the current state of fiscal credibility in South Africa and generate insights on how it can be strengthened. The study considers government commitments and targets set in relation to fiscal sustainability. These include commitments to improve the quality of spending, build fiscal buffers and stabilise debt. Overall, the findings suggest that the debt-to-GDP ratio has failed to stabilise, while the primary balance has consistently remained in deficit. The study advocates for the adoption of flexible fiscal rules that align with South Africa's principles of debt sustainability, supported by strong legal frameworks, effective oversight mechanisms, and enforceable sanctions. These rules should allow for some degree of flexibility in managing public finances while minimising the adverse effects of fiscal consolidation on service delivery and economic growth. Furthermore, the government should consider strengthening institutions responsible for holding it accountable for meeting fiscal targets set in the budget review.

Keywords: *Fiscal credibility, public debt, fiscal rules, budget review*

Introduction

Over the past twelve years, the debt-to-GDP ratio has consistently been revised upwards on the back of lower-than-projected growth and tax revenue (National Treasury, 2021). South Africa's debt-to-GDP ratio has failed to stabilise, while the primary balance has consistently remained in deficit. Public debt has reached record highs, and the gap between revenue and expenditure has widened significantly (Brou & Bouoiyour, 2023). This trend stems from a combination of internal and external factors. Internal drivers are primarily rooted in a government's fiscal policy choices, domestic economic conditions, and political dynamics, while external drivers involve global economic shifts, market volatility, and unforeseen external shocks (Azmy & Goeminne, 2021). Although external factors lie largely beyond government control, internal factors fall squarely within its responsibility. Critics argue that fiscal policy is often perceived as lacking credibility, given that government targets are often not met.

Naert & Goeminne (2014) contend that this divergence typically manifests on the negative side; tax revenue projections tend to be overly optimistic, while expenditure estimates are understated. This misalignment results in budget deficits, which intensify the government's borrowing requirements and elevate debt levels. When the government fails to stabilise debt in accordance with its targets, the credibility of fiscal policy is further undermined (Haryo, 2015). Additionally, rising government debt results in increased debt service costs, which can crowd out essential government spending and divert resources from critical sectors (Panizza & Presbitero, 2014). Reductions in government expenditures may adversely impact service delivery, potentially leading to persistent civil unrest and a decline in public trust toward the government.

One of the most significant external factors that has exacerbated South Africa's debt trajectory was the COVID-19 pandemic. During this period, the country's debt-to-GDP ratio surged from 57.2% in 2019/20 to 70.1% in 2020/21, while the budget deficit widened sharply from 5% to 9.9% (Budget Review, 2023). The absence of fiscal buffers, last seen before the 2008 global financial crisis, left the country's balance sheet highly vulnerable to external shocks. Although some progress has been made since the pandemic, South Africa continues to face structural challenges that undermine growth and debt sustainability (Mathebula & Naape, 2024). Recent policy performance has been hampered by persistent power outages and disruptions in transport and logistics infrastructure (International Monetary Fund, 2025).

Furthermore, ongoing bailouts for state-owned enterprises continue to divert resources from critical sectors, weakening both economic growth and fiscal sustainability (Ngobeni et al., 2023). Rising public unrest and growing demand for public services have made achieving fiscal consolidation targets increasingly difficult. Nevertheless, there is growing optimism regarding South Africa's economic trajectory, particularly with the establishment of the reform-oriented Government of National Unity (GNU) and a steady electricity supply. Dyer (2024) notes that these developments have significantly bolstered consumer, investor, and business confidence. Efforts are also underway to implement sustainable turnaround strategies aimed at improving the operational efficiency and financial viability of State-Owned Enterprises (SOEs) (Packirisamy & Masike, 2025).

Moreover, the coordination between monetary policy and fiscal policy has gained traction, as these strategies hold the potential to address some of the significant challenges posed by the COVID-19 pandemic and the ensuing economic downturn (Mavundla et al., 2025). In light of the increasing complexity of the global economy, emerging nations like South Africa find themselves in a challenging situation, faced with difficult political decisions that must balance fiscal sustainability with pressing socio-economic needs (Naape, 2023). In essence, fiscal credibility can be defined as the government's ability to achieve its budgetary targets (Naert & Goeminne, 2014). Like trust, fiscal credibility is hard to build, easy to lose, and once lost, often impossible to restore (Clark, 2011). As such, government officials face the formidable challenge of ensuring that their commitments are fulfilled.

Fiscal credibility affects monetary policy conduct and the economy in numerous ways. For example, it affects monetary policy conduct through price stabilisation in the inflation targeting framework (Kuncoro, 2015). This can happen either through the aggregate demand channel or indirect taxes. Notably, inflation expectations are also induced by agents' expectations of public debt (Montes et al., 2017). Earlier studies (i.e., Arizala et al., 2025) have established that the fiscal balance matters for the success of inflation targeting. The fiscal balance puts pressure on inflation due to the risk of using expansionary monetary policy to finance the public debt.

Nonetheless, the state of fiscal credibility in South Africa remains questionable. Also, research on this concept and its relevance to South Africa is scarce, if not absent. It is for these reasons that the objective of this study is to critically evaluate the current state of fiscal credibility in South Africa and generate insights on how it can be strengthened, if not fully restored. The structure of the study is as follows: Section 2 outlines the conceptual and empirical frameworks related to fiscal credibility. Section 3 details the research methodology, while Section 4 examines various government commitments and targets in relation to fiscal sustainability. Section 5 concludes the study and offers recommendations in line with findings.

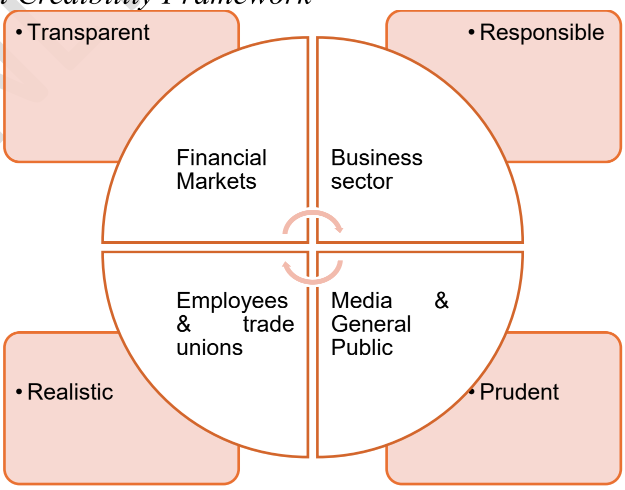
Literature Review

This section presents both conceptual and empirical perspectives on fiscal credibility, drawing insights from prior research.

Conceptual Framework

This section introduces a simplified framework for fiscal credibility (*see Figure 1*), highlighting the core principles of disciplined fiscal policy and the roles of key stakeholders. Financial markets are central to the budget process as they have access to timely information regarding the financial climate, including the terms and conditions of borrowing. Since governments often operate with budget deficits, understanding the costs and terms of both domestic and external borrowing is essential (Schick, 2003).

Figure 1. *Fiscal Credibility Framework*



Source: Clark (2011)

Employees and the business sector also play significant roles, as a large share of government revenue is derived from taxes, specifically, personal and corporate income taxes (Naape & Mahonye, 2021). Additionally, trade unions advocate for wage increases on behalf of employees, which directly affects the civil service wage bill and, to some extent, the contingency reserve (Budget Review, 2025). Public opinion, often expressed through media outlets, policy consultations, and, in extreme cases, civil unrest, has a bearing effect on the budget process as it can translate into political and economic uncertainty, ultimately eroding investor and business confidence (Matta et al., 2021). Given the consultative nature of the budget process and the essential roles played by various stakeholders, it is imperative for the government to conduct the budget process in a balanced and inclusive manner, considering the perspectives of all parties involved.

The government must carefully explain to all stakeholders why action is necessary, the nature of the actions being considered, and how such actions affect them today and in the future. Moreover, the public must be convinced that actions are necessary, that they are equitable and likely to yield long-term benefits, despite the potential for short-term pain (Clark, 2011). The key question is: What factors do stakeholders consider when evaluating the credibility of fiscal policy? While economic theory often relies on assumptions, the realities of the world demand practical solutions. Fiscal policy commitments must therefore be realistic and achievable. A realistic fiscal policy is one that is accommodative, balanced, sustainable and achievable (Schick, 2003). Moreover, it should be able to accommodate and effectively address real-world issues using both short-run and long-run tools.

Fiscal policy commitments should also be responsible, ensuring that the government is committed to establishing and maintaining a sustainable medium-to-long-term fiscal framework (Pakkies, 2016). At the core of policy design should be macroeconomic strategies that yield constant, if not increasing, returns. To ensure that fiscal policy is credible, it must be prudent, providing a reasonable level of insurance to safeguard against economic defaults and forecasting errors (National Treasury Policy Document, 2011). Given the role and involvement of key groups, commitments to fiscal policy should be transparent. The general public, including global interest groups, needs to know what the government intends to do, how it intends to do it and how this will affect their overall well-being. Montes & Acar (2020) assert that a lack of commitment to fiscal targets makes it challenging for market participants to form accurate expectations about future fiscal outcomes. In their study, the authors explored how increases in fiscal credibility can reduce discrepancies in expectations.

Empirical Literature

Various studies that have observed the concept of fiscal credibility are discussed in this section, along with their findings. It is important to note, however, that indicators of fiscal credibility remain limited. First, there is no universal agreement on what constitutes fiscal credibility (Ciro & De Mendonça, 2017). Second, the absence of a standardised measurement framework has contributed to the scarcity of research on this concept. While some scholars, such as de Mendonca & Machado (2013), have proposed a fiscal credibility index, others, like Kuncoro (2015), have focused on measuring the gap between budget plans and actual budget outcomes as well as deviations from fiscal rules. Similarly, the study by Naert & Goeminne (2014) measured fiscal credibility by analysing deviations between actual budget balances and prior-year projections across European Union member states during 1999 - 2009. Other researchers, such as Montes et al. (2019), have sought to determine whether a correlation exists between fiscal credibility and central bank credibility. The authors employed various econometric methods, including the Ordinary Least Squares and system Generalised Method of Moments technique. Their findings revealed a positive correlation between fiscal and central bank credibility. This finding underscores the importance of strong coordination between fiscal and monetary policy, as misaligned objectives can significantly undermine the effectiveness of both frameworks.

Montesa & Acar (2020) examined whether fiscal credibility and revisions to primary surplus targets influence market expectations regarding future public debt and primary budget balances in Brazil. Their findings indicate that stronger fiscal credibility reduces disagreement among market participants. Conversely, weak commitment to fiscal targets makes it difficult to predict the future fiscal path, increasing uncertainty in forecasts. Similarly, Montes et al. (2019) explored the relationship between fiscal credibility and central bank credibility in Brazil. Using a range of econometric techniques, the study found a positive correlation between fiscal credibility and central bank credibility, highlighting the importance of policy coordination.

Sarr (2015) examined the impact of fiscal transparency on budget credibility and reliability, focusing on its influence on budget execution and the quality of macroeconomic assumptions underlying fiscal planning. Using an Ordered Logit model, the study found that greater transparency significantly increases the likelihood of producing a credible and reliable budget. Furthermore, improved transparency is associated with more accurate projections of GDP growth and inflation. Similarly, Putri et al. (2015) investigated whether fiscal policy credibility, specifically in the form of deficit and debt rules, affects interest rate stability in Indonesia. By employing quarterly data from 2001 (Q1) to 2013 (Q4) and analysing it through an Auto Regressive Distributed Lag model, the study concluded that the debt rule is credible and exerts a long-term influence on interest rates in Indonesia.

Poniatowski (2018) identified key features of an effective fiscal governance framework, highlighting incentives that strengthen adherence to fiscal rules. By adopting a dynamic principal-agent approach and a set of econometric tools, the study finds that both economic and institutional factors significantly influence fiscal discipline. Fiscal balances are shaped not only by the economic cycle but also by public debt levels and global economic conditions. Furthermore, the study revealed that the presence of numerical fiscal rules, strong legal entrenchment, robust surveillance mechanisms, and credible sanctions plays a critical role in curbing deficits. Similarly, Calitz et al. (2013) examined the accuracy of fiscal projections in South Africa, arguing that fiscal credibility would have been severely tested if the largest annual errors across key aggregates had coincided. End & Hong (2022) developed indicators to measure fiscal credibility by assessing how policy announcements anchor expectations, based on deviations between private expectations and official targets across 41 countries. Their findings show that policy announcements partially re-anchor expectations and that fiscal rules, strong institutions, and a solid policy track record amplify this effect, thereby enhancing fiscal credibility. Moreover, the findings suggested that markets reward credible policies with more favourable sovereign financing conditions. A study by Kuncoro (2016) examined the impact of fiscal rule credibility on output growth stability in Indonesia using quarterly data from 2001 to 2013. The study found that a credible debt rule reduces output growth volatility, whereas a non-credible deficit rule has no significant effect. Both systematic and unsystematic components of discretionary fiscal policy were found to have a stabilising influence.

Anzoátegui-Zapata & Galvis-Ciro (2021) investigated how fiscal imbalances influence expectations in an emerging economy operating under an inflation-targeting regime. To conduct this analysis, they developed a fiscal credibility index and assessed its effect on inflation expectations over the 2004–2019 period using both OLS and GMM estimation techniques. Their findings revealed that a decline in fiscal credibility, stemming from discrepancies between the fiscal deficit and agents' expectations, can raise inflation expectations by approximately 9% to 12%. Moreover, the study shows that inflation expectations in Colombia are shaped by key macroeconomic indicators, including unemployment, GDP, and exchange rate movements.

Materials and Methods

This section outlines the research methodology, detailing the data collection process and the methods utilised to achieve the study's objectives. The choice of research method is largely determined by the specific aims of the study (Barroga et al., 2023). In this instance, the research seeks to critically assess the current state of fiscal credibility in South Africa, taking into account government commitments and targets related to fiscal sustainability. Consequently, the study adopts a mixed-methods approach, incorporating both quantitative and qualitative techniques.

Materials

This study relies on budget documents published by the National Treasury of South Africa. These documents provide detailed insights into the government's fiscal plans, including projections for revenue and expenditure, primary balance and commitments to debt stabilisation. This study focuses specifically on budget reviews covering the fiscal years 2012/13 to 2023/24. The Budget Reviews were chosen for their credibility and the accuracy of the information they provide. Additionally, the nationwide scope of the budget reviews ensures that the data reflects the broader economic and fiscal context of the country. For completeness, the budget review is a comprehensive document outlining the policy considerations that shape the national budget.

The budget review draws on the most up-to-date data from various government departments and sets out the country's fiscal framework, including detailed projections for revenue and expenditure over the next three years (National Treasury, 2021). Furthermore, it presents information on the distribution of revenue, illustrating how taxes and other financial resources are allocated among national, provincial, and local governments. It also offers a brief overview of the economic outlook that informs the formulation of these revenue and expenditure projections. Moreover, the budget review details information about the government's commitment to fiscal sustainability.

Measurement

This study's methodological framework builds upon prior studies that have sought to quantify fiscal credibility, including work by Annet (2006) and Pina & Venes (2011). In this context, the credibility of South Africa's fiscal policy ($E_{i,t}$) is measured as the difference between the actual budget balance for year t ($A_{i,t}$) and the most recent budget balance target set for year t in t-1 ($P_{i,t}$). This is expressed mathematically as:

$$E_{i,t} = A_{i,t} - P_{i,t} \qquad (1)$$

Positive values of $E_{i,t}$ indicate better-than-expected fiscal performance, yielding a higher surplus or a lower deficit. Conversely, negative values suggest weaker outcomes than projected, often due to overly optimistic forecasts, such as underestimating deficits or overestimating surpluses. In calculating $E_{i,t}$, we use data that closely aligns with the information available to policymakers at the time they devise their plans and implement their actual policies. The issue of credibility in government policy has been characterised as a problem of time inconsistency (Kydland & Prescott, 1977). This challenge arises when actions taken at time t_1 diverge from what the government previously announced at time t_0 regarding its plans for t_1. The next phase of analysis will focus on identifying a set of fiscal policy targets and commitments expressed by the government through various budget reviews and determining whether these targets and commitments were met. This assessment will be primarily qualitative in nature.

Findings & Discussions

This section provides an evidence-based analysis of fiscal credibility in South Africa. Notably, fiscal credibility is observed from two strands. First, we consider the accuracy and impartiality of fiscal policy forecasts. Secondly, we observe whether the government has been successful in upholding its commitments towards fiscal sustainability. This is done by comparing what was communicated in the budget reviews and what was actually achieved. As far as fiscal policy is concerned, the government has been committed to improving the quality of spending, building fiscal buffers and stabilising debt.

Table ***1*** summarises primary balance forecasts and actual outcomes for fiscal years 2013/14 to 2023/24. First, the analysis reveals that the primary balance remained predominantly negative throughout the period. Secondly, when comparing outcomes with projections (t+1), it is evident that in most fiscal years, the government faced weaker-than-anticipated results, largely due to overly optimistic assumptions that underestimated deficits. However, there were periods where the government's fiscal performance exceeded expectations, resulting in lower primary deficits. This was particularly evident between the fiscal years 2021/22 and 2022/23, with the discrepancy between actual results and projections being 3.1 and 1.3 percentage points, respectively. When compared by estimates (t), it is clear that the government generally achieved better-than-expected outcomes in most fiscal years. It is sufficient to note that, over the past 12 years, Treasury's projections of where the debt-to-GDP ratio will stabilise have consistently shifted upward. This trend has been influenced by, among other things, a persistent primary deficit and ongoing downward revisions to growth and revenue forecasts. Overly optimistic projections of the primary balance carry significant implications for the nation's debt trajectory.

For completeness, the debt trajectory is shaped by the primary balance, which is the difference between revenue and non-interest spending financed by the government. In recent years, the primary deficit has remained persistently high, as both revenue and growth forecasts were repeatedly revised downwards. For instance, during the 2012 Budget Review, the government aimed to narrow the primary deficit to 0.3 per cent of GDP by 2014/15. However, by the time of the 2014 Budget Review, this target had been revised upward to 1.8 per cent of GDP. Higher-than-anticipated primary deficits often translate to missed debt stabilisation targets, thereby undermining the credibility of fiscal policy and raising concerns about the sustainability of public finances. The resulting uncertainty can erode investor and stakeholder confidence.

Table 1. *Main primary balance forecast and outcomes*

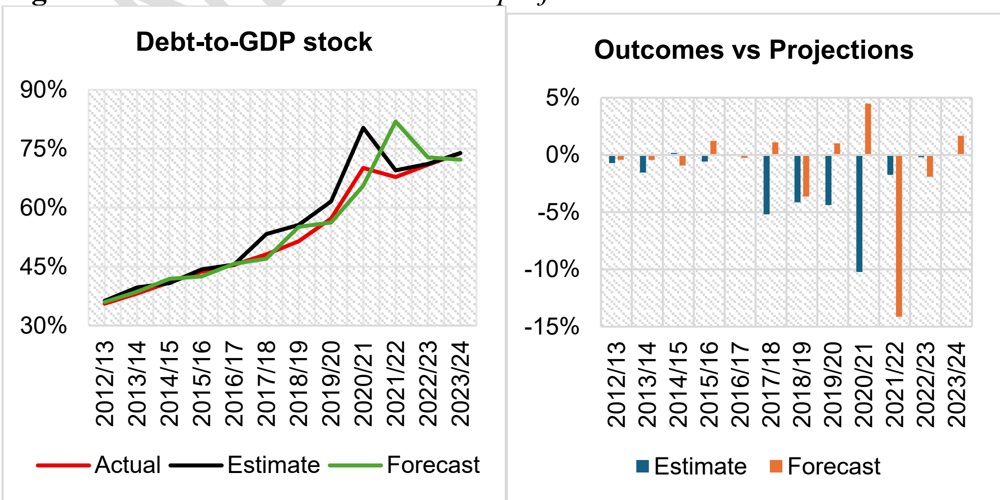
Per cent of GDP	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Budget 2013	-2.3%	-1.6%	-0.9%								
Budget 2014	-1.8%	-1.7%	-1.2%	-0.3%							
Budget 2015		-1.7%	-1.1%	-0.1%	0.0%						
Budget 2016			-1.1%	-0.2%	0.1%	0.5%					
Budget 2017				-0.5%	-0.1%	0.2%	0.3%				
Budget 2018					-1.2%	-0.2%	-0.1%	-0.0%			
Budget 2019						-0.8%	-1.0%	-0.7%	-0.3%		
Budget 2020							-2.6%	-2.6%	-1.9%	-1.1%	
Budget 2021								-7.5%	-4.0%	-1.9%	-0.8%
Budget 2022									-1.3%	-1.3%	0.0%
Budget 2023										0.1%	0.9%
Budget 2024											0.4%
Outcome	**-1.6%**	**-1.3%**	**-1.0%**	**-0.5%**	**-1.0%**	**-1.0%**	**-2.7%**	**-5.7%**	**-0.9%**	**-0.0%**	**0.5%**

Outcome vs Estimate	0.2%	0.4%	0.1%	0.0%	0.2%	-0.2%	-0.1%	1.8%	0.4%	-0.1%	0.1%
Outcome vs Projections (T+1)	0.7%	0.4%	0.1%	-0.3%	-0.9%	-0.8%	-1.7%	-3.1%	3.1%	1.3%	-0.4%

Source: author using budget reviews (2012-2024). Light shaded blocks indicate one-term estimates, dark shaded blocks indicate medium-term projections (T=1,2,3)

Figure *2* illustrates the trajectory of South Africa's debt-to-GDP ratio. Between fiscal years 2012/13 and 2016/17, National Treasury forecasts and estimates closely aligned with actual debt outcomes. However, between fiscal years 2017/18 and 2022/23, forecast and estimate values increasingly diverged from reality. The data shows a persistent upward trend in debt, with a brief stabilisation in 2020/21 that proved short-lived due to the COVID-19 pandemic and the absence of fiscal buffers to absorb such external shocks. Since then, debt levels have continued to rise. Comparisons of actual outcomes with forward projections (t+1) reveal alternating periods of optimism and pessimism. For instance, in the 2021/22 fiscal year, actual debt exceeded forecasts by 4.5%, signalling weaker-than-expected performance. Conversely, in the subsequent year, fiscal performance exceeded expectations with actual debt levels coming in 14.1% lower than forecasts. This indicates that the National Treasury had adopted an overly pessimistic stance in its projections. When compared with estimates, the data further confirm this trend of pessimism, suggesting that outcomes were consistently better than expectations. This bodes well for fiscal credibility. It is important to note that the accuracy and impartiality of the forecasts used to set the annual national budget carry important implications for the credibility of a country's fiscal policy (Calitz et al., 2016). Notably, forecasting imprecisions have two adverse effects: firstly, they undermine government credibility, thereby reducing the effectiveness of fiscal policy. Secondly, manifestations of "budgetary opacity" are a result of imprecision in fiscal forecasting.

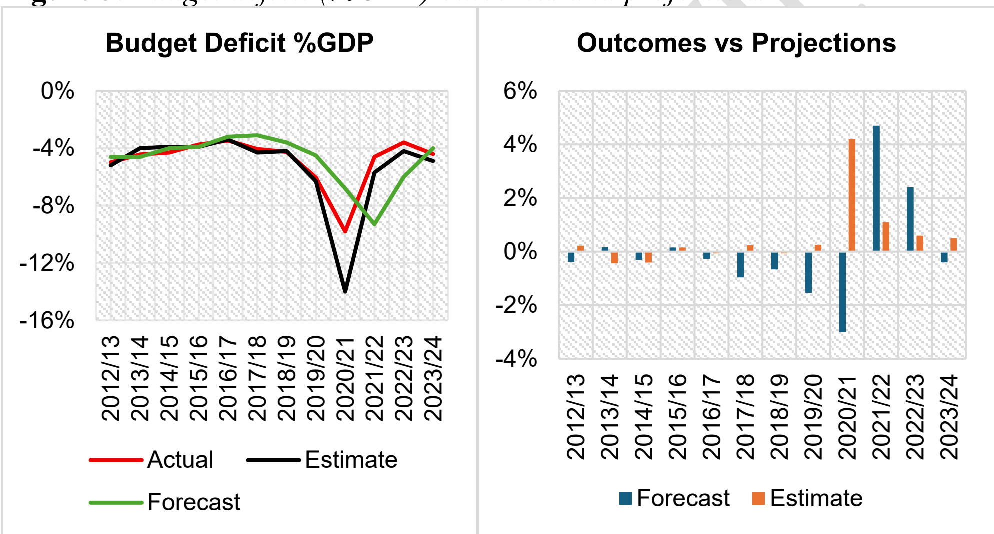
Figure 2. *Debt-to-GDP outcomes and projections*



Source: author using budget reviews (2012-2024)

Figure 3 illustrates trends in the budget deficit as a share of GDP. Generally, the trend indicates that actual budget deficit ratios have largely fallen below forecasted values (t+1), particularly between fiscal years 2016/17 and 2020/21. Conversely, actual budget deficit ratios were predominantly above estimated values between fiscal years 2019/20 and 2023/24. Also, the actual budget deficit ratio has remained persistently negative, underscoring the government's inability to build fiscal buffers to absorb external shocks. In terms of the accuracy of forecasts and estimates, the trend reveals alternating periods of optimism and pessimism. The gap between actual and forecast values was on the downside between fiscal years 2016/17 and 2020/21. During this period, the National Treasury was overly optimistic by underestimating the budget deficit. In contrast, between fiscal years 2021/22 and 2023/24, actual outcomes surpassed estimates, indicating better-than-expected fiscal performance.

Figure 3. *Budget deficit (%GDP) outcomes and projections*



Source: author using budget reviews (2012-2024)

Table ***2*** summarizes the National Treasury's fiscal targets as outlined in successive budget reviews. In the 2013 Budget Review, the National Treasury projected that national debt would stabilise at around 40% of GDP by 2015/16 and committed to narrowing the budget deficit to 3.1% of GDP over the same period. However, by 2015, national debt had not stabilised and was instead expected to stabilise at 43.7% in 2017/18, two years later than initially anticipated. Despite implementing cost-containment measures in 2013/14 to curb spending and reduce debt, government debt continued to escalate. For instance, the 2018 Budget Review forecasted debt stabilisation at 53.2% of GDP by 2023/24, but three years later this figure was revised upward to 88.9% of GDP. Although the National Treasury consistently sets debt stabilisation targets, these targets have been repeatedly shifted out and met with scepticism by credit rating agencies due to overly optimistic economic growth projections, increased spending pressures, and a history of missed targets. In its latest 2025 Budget Review, the National Treasury projects that debt will stabilise at 77.4% of GDP by 2025/26. However, given the persistent history of missed targets, this projection has drawn widespread criticism and heightened concerns about South Africa's fiscal credibility.

The shifting nature of these fiscal targets highlights several underlying issues within South Africa's fiscal framework. Firstly, the repeated upward revisions of debt stabilisation points to structural challenges in both revenue collection and expenditure management. Despite efforts to curb expenditure (i.e., cost-containment measures), the government has struggled to rein in rising debt. This ongoing trend reflects not only domestic pressures but also external shocks, such as the COVID-19 pandemic, which exacerbated fiscal pressures and limited the government's capacity to respond due to a lack of fiscal buffers. Furthermore, the credibility of South Africa's fiscal policy has been undermined by the consistent failure to meet stated targets. Credit rating agencies and market participants have taken note of the recurring optimism bias in economic growth projections, which has led to unrealistic assumptions about future revenue and, by extension, the sustainability of debt levels. As a result, South Africa's sovereign credit ratings have been subject to downward pressure, raising the cost of borrowing and further complicating fiscal consolidation efforts.

Notably, the ongoing delays in debt stabilisation has also affected broader perceptions of government transparency and accountability. Discrepancies in projected and actual outcomes creates uncertainty for investors and the public. This uncertainty, in turn, can reduce the effectiveness of fiscal policy as a tool for macroeconomic management, as stakeholders may question the government's ability to deliver on its commitments. In summary, while the National Treasury continues to articulate clear fiscal targets, the persistent divergence between projections and outcomes underscores the need for more realistic forecasting and stronger fiscal discipline. Without these improvements, future budget reviews and fiscal frameworks may continue to face scepticism and criticism, with potential negative implications for South Africa's economic stability and growth prospects.

Table 2. *Extracts of the National Treasury's fiscal targets*

	FISCAL FRAMEWORK	
	Public Debt	**Budget deficit**
Budget Review 2012	Debt stock and interest costs as a percentage of GDP to stabilise over the medium term.	Budget deficit of 4.6% projected in 2012/13, 4% in 2013/14 and 3% in 2014/15.
Budget Review 2013	Debt stock as a percentage of GDP to stabilise at about 40 per cent in 2015/16.	Budget deficit of 5.2 per cent of GDP expected for 2012/13, narrowing to 3.1 per cent in 2015/16.
Budget Review 2014	Debt stock as a percentage of GDP to stabilise at 44.3 per cent in 2016/17.	Budget deficit of 4.0 per cent of GDP expected for 2013/14, narrowing to 2.8 per cent in 2016/17.
Budget Review 2015	Debt stock as a percentage of GDP is expected to stabilise at 43.7 per cent in 2017/18.	A budget deficit of 3.9 per cent of GDP is expected for 2014/15, narrowing to 2.5 per cent in 2017/18.
Budget Review 2016	Debt stock as a percentage of GDP will stabilise at 46.2 per cent in 2017/18.	The budget deficit will fall from 3.2 per cent in 2016/17 to 2.8 per cent in 2017/18 and 2.4 per cent the following year.
Budget Review 2017	Debt stock as a percentage of GDP is expected to stabilise at 48.2 per cent in 2020/21.	A budget deficit of 3.4 per cent of GDP is expected for 2016/17, narrowing to 2.6 per cent in 2019/20.
Budget Review 2018	Net debt is expected to stabilise at 53.2 per cent of GDP in 2023/24.	The budget deficit is projected to narrow from 4.3 per cent of GDP in 2017118 to 3.5 per cent in 2020/21.
Budget Review 2019	Gross debt is expected to stabilise at 60.2 per cent of GDP in 2023/24.	The consolidated budget deficit is projected to narrow from 4.5 per cent of GDP in 2019/20 to 4 per cent in 2021/22.
Budget Review 2020	Debt is not projected to stabilise over the medium term.	Government to narrow the consolidated budget deficit from 6.8 per cent of GDP in 2020/21 to 5.7 per cent in 2022/23, with debt rising to 71.6 per cent of GDP over the same period.
Budget Review 2021	Gross debt has increased from 65.6 per cent to 80.3 per cent of GDP for the year 2020/21.	The budget deficit has been revised to 14 per cent of GDP in 2020/21 in response to the spending and economic pressures of the COVID-19 pandemic.
Budget Review 2022	Gross loan debt will stabilise at 75.1 per cent of GDP in 2024/25.	The consolidated budget deficit is projected to narrow from 6 per cent of GDP in 2022/23 to 4.2 per cent of GDP in 2024/25.
Budget Review 2023	Government debt will stabilise at 73.6 per cent of GDP in 2025/26, later and at a higher level than in the 2022 MTBPS.	The consolidated budget deficit will decline from 4.6 per cent of GDP in 2021/22 to 4.2 per cent of GDP in 2022/23, reaching 3.2 per cent of GDP in 2025/26.
Budget Review 2024	Government is staying the course on the fiscal strategy outlined in the 2023 MTBPS and will achieve a primary budget surplus in 2023/24, with debt stabilising by 2025/26.	The consolidated budget deficit is projected to narrow from 4.9 per cent of GDP in 2023/24 to 3.3 per cent by the end of the 2024 MTEF period.

Source: author using budget reviews (2012-2024)

Conclusion

In conclusion, this study set out to assess South Africa's fiscal credibility stance. The study made use of several budget documents to identify and compare fiscal targets with actual outcomes. In addition, the study laid out a simplified framework for understanding fiscal credibility in the South African context. Overall, the analysis revealed that South Africa's debt trajectory has largely failed to stabilise, and the primary balance has persistently remained negative, indicating that non-interest expenditure continues to outweigh revenue. This persistent imbalance suggests that the government faces ongoing challenges in curtailing expenditure growth and enhancing revenue collection, which are crucial for achieving fiscal sustainability.

Furthermore, the analysis revealed alternating periods of optimism and pessimism in the projection and estimation of fiscal indicators. These findings carry several implications for the credibility of South Africa's fiscal policy. During some years, the government's fiscal forecasts appeared overly optimistic, underestimating the challenges posed by economic headwinds and revenue shortfalls. In other periods, projections were more conservative, reflecting concerns about the impact of external shocks and domestic structural issues. These fluctuations highlight the complexity of budget forecasts in an environment subject to global economic uncertainty, commodity price volatility, and domestic economic pressures. It is important to emphasize that discrepancies between announced targets and actual outcomes can erode trust among investors, rating agencies, and the public, potentially increasing the cost of borrowing and limiting the scope for countercyclical fiscal action.

In light of the above, the study advocates for the adoption of flexible fiscal rules that align with South Africa's principles of debt sustainability, supported by strong legal frameworks, effective oversight mechanisms, and enforceable sanctions. Such rules should be designed to allow for some degree of flexibility in managing public finances while mitigating the adverse effects of fiscal consolidation on service delivery and economic growth. For instance, automatic stabilisers and escape clauses could be incorporated to ensure that fiscal adjustments do not unduly constrain essential public investments or social expenditure during downturns. Additionally, the government should consider strengthening the institutions responsible for ensuring accountability in meeting fiscal targets outlined in the budget review. Effective oversight by parliamentary committees, independent fiscal councils, and auditing bodies can help monitor compliance with fiscal rules and promote greater accountability. Enforceable sanctions for non-compliance would further incentivise adherence to fiscal targets. Ultimately, the credibility of fiscal policy depends not only on the design of rules and fiscal frameworks but also on the government's commitment to transparent and responsible fiscal management.

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