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How indebted is South Africa really?

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Please refer to the glossary on the BER's **website** for explanations of technical terms.

Table of Contents

List of tables

List of figures

Introduction

Fiscal sustainability analysis often starts with an estimate of overall debt, often expressed as a ratio of Gross Domestic Product (GDP). It is also used in determining a country's sovereign credit risk which directly impacts interest rates on government debt. Furthermore, these ratios are used to compare debt levels across different countries. However, if done incorrectly, it could lead to incomplete comparisons, such as comparing apples to oranges. There is also a growing recognition that debt statistics are plagued with significant limitations, and "hidden debt" in the form of unreported or misreported liabilities has become a challenge in many countries.[1]

There are different ways of measuring public debt, and whereas macroeconomic indicators such as GDP are based on internationally accepted methodologies, indicators to measure and report public debt are less standardised.[2] In some cases governments also do not fully disclose liabilities. The implication is that merely comparing different jurisdictions based on reported debt-to-GDP ratios is often misleading, mostly due to differences in debt coverage.[3] Debt coverage broadly refers to which spheres of government and which public institutions are included in the debt calculation, as well as which debt instruments are considered.

Debt levels and how they are measured play an important role in managing fiscal policy. As an example, the United Kingdom's Labour government, which got elected to office towards the end of 2024, decided to keep the UK's standing fiscal rules but decided to change the way in which debt would be defined and measured. This tweak increased the scope for borrowing, without changing the debt target or limit as set out in the UK's fiscal rules.

In South Africa's case, the May 2025 National Budget indicates that gross loan debt reached 76.9% of GDP in 2024/25 and estimates that it will reach 77.4% in 2025/26. Depending on how debt is measured and defined, South Africa's debt levels for 2024/25 range from 69.2% of GDP to approximately 129% of GDP.[4]

This research note explores different elements of measuring government or public debt levels as a percentage of GDP. This is done by firstly considering South Africa's gross and net debt-to-GDP ratios as reported by the National Treasury. Secondly, the note explores different dimensions of measuring gross debt, which include institutional and instrument coverage and valuation considerations. Thirdly, it considers South Africa's public debt if debt coverage is expanded. Fourth, the note looks at cross-country comparisons and how South Africa compares. Then, it explores how contingent liabilities could impact debt measurement.

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[1] Horn, S. , Nickol, P. , Sosa-Padilla, C. (2025) Hidden sovereign debt in developing countries. WIDER Background Note /5. Helsinki: UNU-WIDER. **https://doi.org/10.35188/UNU-WIDER/SSFC2695**

[2] Dippelsman, R. J., Dziobek, C., & Gutierrez Mangas, C. A. (2012). What Lies Beneath: The Statistical Definition of Public Sector Debt. An Overview of the Coverage of Public Sector Debt for 61 Countries. SSRN Electronic Journal. **https://doi.org/10.2139/ssrn.3022048**

[3] Seiferling, M. Apples, oranges and lemons: public sector debt statistics in the 21st century. Financ Innov 6, 37 (2020). **https://doi.org/10.1186/s40854-020-00193-2**

Jaimovich, D., & Panizza, U. (2008). Public debt around the world: a new data set of central government debt. Applied Economics Letters, 17(1), 19–24. **https://doi.org/10.1080/13504850701719785**

[4] SARB- Quarterly Bulletin March 2025. **https://www.resbank.co.za/content/dam/sarb/publications/quarterly-bulletins/quarterly-bulletin-publications/2025/march-/12Statistical%20tables%20Experimental%20tables.pdf**

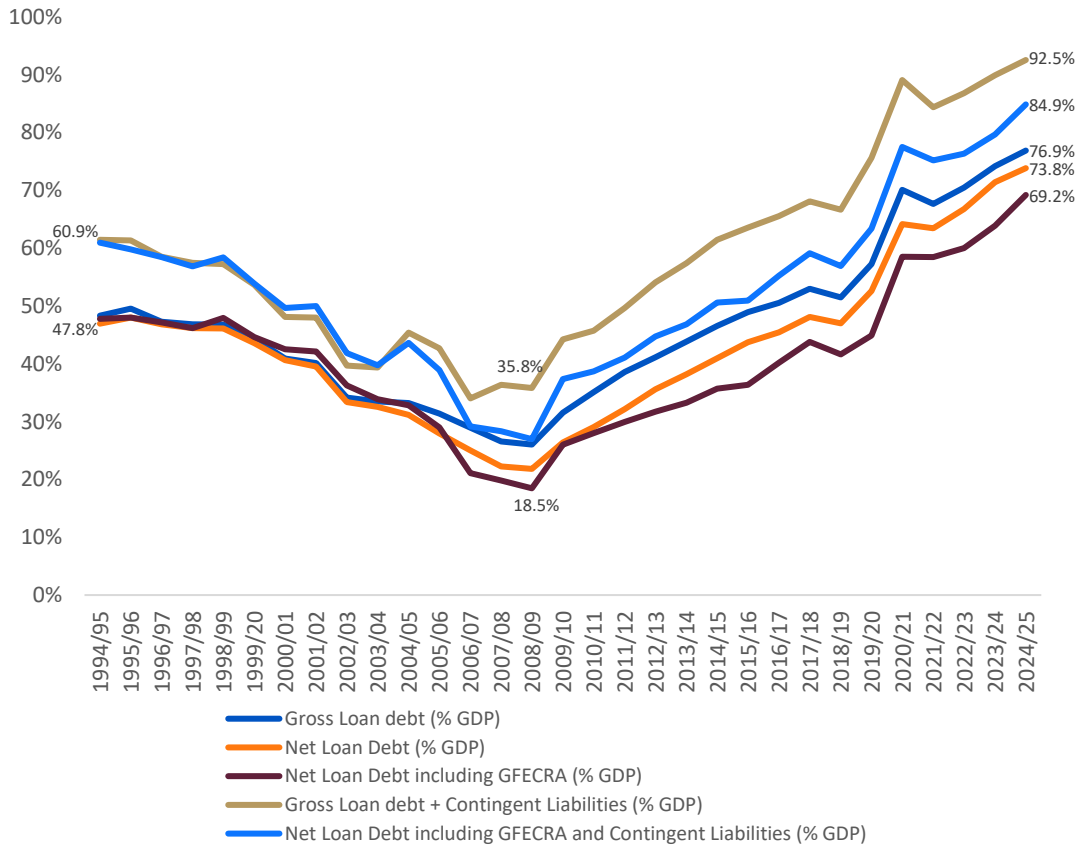
Finally, the note explores forecasts of South Africa's debt burden using the different approaches.

South Africa's gross and net debt-to-GDP ratios

South Africa's gross debt-to-GDP ratio, as reported by the National Treasury, has increased significantly after the 2008 financial crisis, increasing from 26% in 2008/09 to an expected level of 77.4% in 2025/26. This was preceded by a period of debt reduction where gross debt levels decreased from 49.5% in 1995/96 to 26% in 2008/09 (See Figure 1).

Gross debt as referred to by the National Treasury in Budget Reviews refers to the total debt of the national government, excluding extra-budgetary institutions and social security funds. The next section will discuss debt coverage in more detail, however, it is important to note that this represents the narrowest classification of debt coverage and corresponds to what is referred to as "budgetary central government".

Figure 1: Gross and Net loan debt-to-GDP ratio from 1994/95 to 2024/25



Source: National Treasury data and author's calculation

Net loan debt is calculated by deducting government's cash balances from gross loan debt. South Africa has traditionally maintained relatively high cash levels, and these have arguably often been poorly invested. For example, Havemann and Hollander (2024)

estimate that the return on cash holdings is 2% whereas the cost of debt is 6.5%.[5] While such high levels of cash may be inefficient, they do reduce risk as the Treasury can draw down on these buffers.

There is also an argument for including the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) in the net debt calculation, particularly considering the drawdown on the GFECRA in the 2024 Budget in lieu of borrowing. Effectively the GFECRA operates as a second cash buffer. In years where the account sustained losses, including the GFECRA in the net debt calculation would increase net debt, however, in years where the account made "profits", including the GFECRA in the net debt calculation would reduce net debt. As the account started to accumulate from around 2009/10, it is visible from Figure 1 that the difference in net debt and net debt including GFECRA started to widen. If the GFECRA is included in the net debt calculation, South Africa's net debt for 2024/25 would have amounted to 69.2% of GDP as opposed to 73.8%.

However, if the GFECRA is included in net debt calculations, it could also be argued that contingent liabilities need to be accounted for in the calculation. If contingent liabilities and the GFECRA are included in the net loan debt calculation, it would amount to 84.9% of GDP in 2024/25.

Dimensions of measuring debt

Key elements to measuring public debt include the following:

- Institutional coverage
- Instrument coverage of debt
- Valuation of debt instruments (nominal or market value)

INSTITUTIONAL COVERAGE

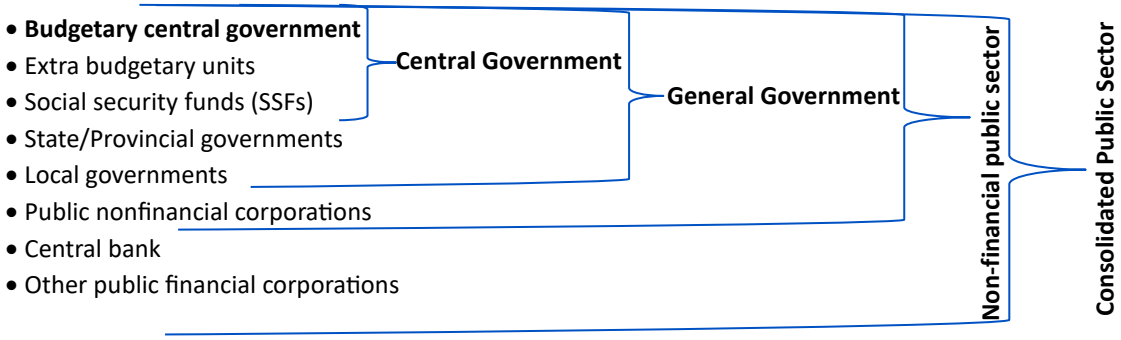
Institutional coverage of debt is broadly categorised as i) budgetary central government ii) consolidated central government iii) consolidated general government iv) non-financial public sector, and v) the consolidated public sector.[6] Budgetary central government represents the narrowest institutional coverage of public debt, whereas the consolidated public sector represents the broadest institutional coverage of public debt.

These categories consist of subsectors. The broader the debt coverage, the more subsectors are included under the category. Figure 2 provides an illustration of institutional coverage and the different categories.

[5] Havemann, R., & Hollander, H. (2024). Fiscal policy in times of fiscal stress (or what to do when r > g). Journal of Policy Modeling, 46(5), 1020–1054. https://doi.org/10.1016/j.jpolmod.2024.07.001

[6] Dippelsman, R. J., Dziobek, C., & Gutierrez Mangas, C. A. (2012). What Lies Beneath: The Statistical Definition of Public Sector Debt. An Overview of the Coverage of Public Sector Debt for 61 Countries. SSRN Electronic Journal. https://doi.org/10.2139/ssrn.3022048

Figure 2: Institutional coverage categories



Budgetary central government is the narrowest classification and does not have additional subsectors. This category refers to a single unit of the central government that encompasses the fundamental activities of the national executive, legislative, and judiciary powers, and is covered by the main (or general) budget.[7] In South Africa, this category simply refers to the national government, and the debt figures contained in the national budget are closely related to the budgetary central government category.

Consolidated Central Government consist of the budgetary central government category plus extra budgetary units, and social security funds. **Extra budgetary units** refer to government entities with individual budgets not fully covered by the main (or general) budget[8], and deliver services to the public on behalf of the government. South Africa has 182 extra budgetary institutions, including the South African National Roads Agency Limited (SANRAL), the South African Revenue Service (SARS) and the Public Protector.[9] In 2023/24 extra budgetary units collectively had debts amounting to R76.8 billion, and as of quarter 3 of 2024 debt stood at R96.9 billion.[10]

There are four social security funds in South Africa, namely the Compensation Fund (CF), the Road Accident Fund (RAF), the Compensation Commissioner for Occupational Diseases in Mines and Works (CCOD), and the Unemployment Insurance Fund (UIF)[11]. In 2023/24 the collective debt between these funds amounted to R260.3 billion, and as of the third quarter of 2024 debt stood at R299.8 billion.[12]

Consolidated General Government consists of the consolidated central government, plus state/provincial governments and local governments. In 2023/24 provincial departments and provincial extra-budgetary units had total debts amounting to R32.7 billion, and as of

[7] IMF, Government finance statistics manual 2014. https://www.imf.org/external/pubs/ft/gfs/manual/2014/gfsfinal.pdf

[8] ibid

[9] SARB. (2025). Institutional Sector Classification Guide for SA. https://www.resbank.co.za/en/home/publications/guides/institutional-sector-classification-guide-for-sa#accordion-a3d874a21d-item-4c83ad9ab2

[10] SARB- Quarterly Bulletin March 2025. https://www.resbank.co.za/content/dam/sarb/publications/quarterly-bulletins/quarterly-bulletin-publications/2025/march-/12Statistical%20tables%20Experimental%20tables.pdf

[11] SARB. (2025). Institutional Sector Classification Guide for SA. https://www.resbank.co.za/en/home/publications/guides/institutional-sector-classification-guide-for-sa#accordion-a3d874a21d-item-4c83ad9ab2

[12] SARB- Quarterly Bulletin March 2025. https://www.resbank.co.za/content/dam/sarb/publications/quarterly-bulletins/quarterly-bulletin-publications/2025/march-/12Statistical%20tables%20Experimental%20tables.pdf

the third quarter of 2024, debt stood at R39.9 billion.[13] Whereas debt from local governments amounted to approximately R285.4 billion in 2023/24, and as of the third quarter of 2024 debt stood at R306.1 billion.

The non-financial public sector consists of the consolidated general government plus public non-financial corporations. Non-financial corporations are corporations that are responsible for the production of market goods or non-financial services but are state-owned. Based on SARB's list of public sector non-financial corporations, South Africa has 37 public non-financial corporations, which include for example Eskom Holdings SOC Limited and Denel SOC Limited. In 2023/24 the aggregate debt for public non-financial corporations amounted to R882.9 billion, and as of the third quarter of 2024 debt stood at R927.4 billion.[14]

Consolidated Public Sector consists of the non-financial public sector plus the central bank (SARB) and other public financial corporations. Other public financial corporations in South Africa include for example the Development Bank of Southern Africa (DBSA), the Government Employees Pension Fund (GEPF) and the Public Investment Corporation SOC Limited (PIC). In 2023/24 SARB's total liabilities amounted to R1.2 trillion[15], and debt for the other public financial corporations amounted to approximately R2.75 trillion.

INSTRUMENT COVERAGE OF DEBT

Public debt measurement is influenced by the coverage of financial instruments included in aggregate debt figures. In most cases countries include at least debt securities and loans in their gross debt statistics, however, many countries do not have the resources to compile fully comprehensive gross debt statistics. Table 1 gives an overview of financial instruments.

Table 1: Financial instruments included in public sector debt

Financial instruments	Definition
Debt securities	Debt securities are negotiable financial instruments serving as evidence of debt, such as Treasury bills and bonds.
Loans	Loans are created when creditors lend funds to debtors.
Special drawing rights	Special drawing rights (SDRs) are international reserve assets created by the International Monetary Fund that are allocated to member countries to supplement existing reserve assets. The SDR allocation is part of the debt of the recipient (national government), while SDR holdings form part of a national government's assets.
Currency and deposits	Currency and deposits include currency in circulation and bank deposits.
Other accounts payable	Other accounts payable are financial liabilities created as a counterpart to transactions where

[13] ibid

[14] ibid

[15] South African Reserve Bank Annual Financial Statements 2023/24 https://www.resbank.co.za/content/dam/sarb/publications/reports/annual-reports/2024/SARB%20Annual%20Financial%20Statements%202023-24.pdf

Financial instruments	Definition
	there is a timing difference between the transactions and the corresponding payments.
Insurance, pension and standardised guarantee schemes	Insurance, pension and standardised guarantee schemes constitute the insurance technical reserves of insurers, pension funds and issuers of standardised guarantees.

Source: (Groenewald, 2022)[16]

VALUATION OF DEBT INSTRUMENTS

Most public debt valuations are based on par or nominal values. The nominal value of a debt instrument is a measure of value from the viewpoint of the debtor (for example the government). At any moment it is the amount that the debtor owes to the creditor (bond holder)[17]. Moreover, nominal valuations of debt do not change with changes in interest rates or creditworthiness.[18]

In very rare cases, for example as in the case of Japan[19], public debt is reported at market value. The market value of a traded debt security is determined by its prevailing market price, which is the best indication of the value that economic agents, like investors, currently attribute to specific financial claims.[20] The biggest drawback of market valuations of public debt is that price volatility can distort debt burden levels.

A practical example[21] of how market value can yield significantly different results than a nominal valuation is Greece's gross debt levels from 2009 to 2010. Over this period Greece's gross debt increased from €299 billion in 2009 to €329 billion in 2010 at nominal value. Over the same period Greece's debt at market prices decreased from €309 billion to €280 billion. As such, gross debt decreased by approximately 9% based on market value but increased by approximately 10% based on nominal value.

[16] Groenewald, C. (2022, 06). Note on South Africa's public sector debt statistics- Section in the Quarterly Bulletin – No 304 – June 2022. The South African Reserve Bank. **https://www.resbank.co.za/en/home/publications/publication-detail-pages/quarterly-bulletins/quarterly-bulletin-publications/2022/FullQuarterlyBulletinNo304June2022#:~:text=The%20level%20of%20real%20GDP,the%20first%20quarter%20of%202022.&text=The%20real%20output%20of%20the,the%20first%20quarter%20of%202022**.

[17] IMF, Government finance statistics manual 2014. **https://www.imf.org/external/pubs/ft/gfs/manual/2014/gfsfinal.pdf**

[18] IMF (2011). Public sector debt statistics: Guide for compilers and users. International Monetary Fund. **https://www.elibrary.imf.org/display/book/9781616351564/9781616351564.xml**

[19] IMF, Japan: 2024 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Japan. International Monetary Fund. **https://doi.org/10.5089/9798400276644.002**

[20] IMF (2011). Public sector debt statistics: Guide for compilers and users. International Monetary Fund. **https://www.elibrary.imf.org/display/book/9781616351564/9781616351564.xml**

[21] Example used from Dippelsman, R. J., Dziobek, C., & Gutierrez Mangas, C. A. (2012). What Lies Beneath: The Statistical Definition of Public Sector Debt. An Overview of the Coverage of Public Sector Debt for 61 Countries. SSRN Electronic Journal. **https://doi.org/10.2139/ssrn.3022048**

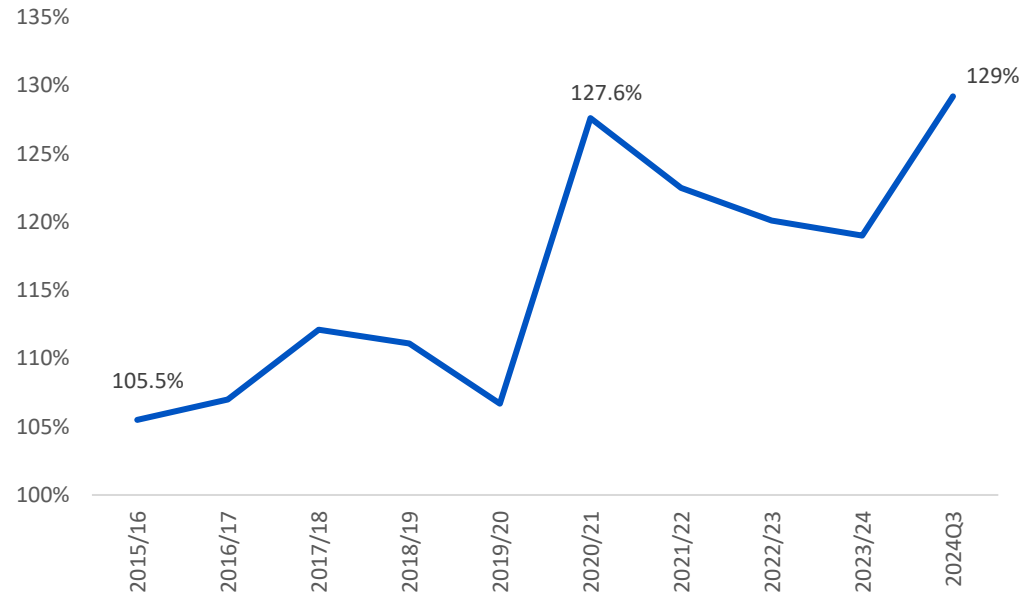
Expanding South Africa's debt coverage

By expanding institutional coverage, South Africa's gross debt-to-GDP ratio looks completely different. The IMF estimated that South Africa's total consolidated gross public sector debt amounted to 131% of GDP in 2021/22[22] whereas the SARB's estimation of total consolidated gross public sector debt amounted to 129.2% of GDP as of the third quarter of 2024, and total consolidated net public sector debt amounted to 98%.

If South Africa's total consolidated public debt for 2023/24 is adjusted to only exclude the central bank, the gross debt-to-GDP ratio would be approximately 100.9% for 2023/24.[23] Alternatively if South Africa's gross debt-to-GDP levels are adjusted to only exclude extra budgetary units, the gross debt-to-GDP ratio would have been approximately 117.9% in 2023/24.

As depicted in Figure 3, South Africa's total consolidated public sector gross debt-to-GDP ratio increased from 105.5% in 2015/16 to 129% in the third quarter of 2024.

Figure 3: Total consolidated public sector gross debt-to-GDP ratio 2015/16 to 2024Q3



Source: SARB Quarterly Bulletin March 2025

[22] IMF. (2024c). South Africa: Technical Assistance Report-Fiscal Transparency Evaluation. International Monetary Fund. https://doi.org/10.5089/9798400271670.019

[23] Author's calculation using SARB's March 2025 Quarterly Bulletin and SARB's 2023/24 Financial Statements.

Cross-country comparisons

Cross-country comparisons are very often incomplete, especially when debt coverage is not considered, which leads to significantly different debt sustainability assessments and incomplete comparisons. Very often the IMF's World Economic Outlook (WEO) database is used to compare debt levels for different countries. However, the database poses significant challenges in terms of standardisation across countries and could easily lead to misperceptions in terms of cross-country comparisons.

The database has gross debt-to-GDP data for 185 countries for 2024; the average debt-to-GDP ratio was approximately 60% in that year. Table 2 gives an overview of the distribution of debt-to-GDP ratios as reported in the database.

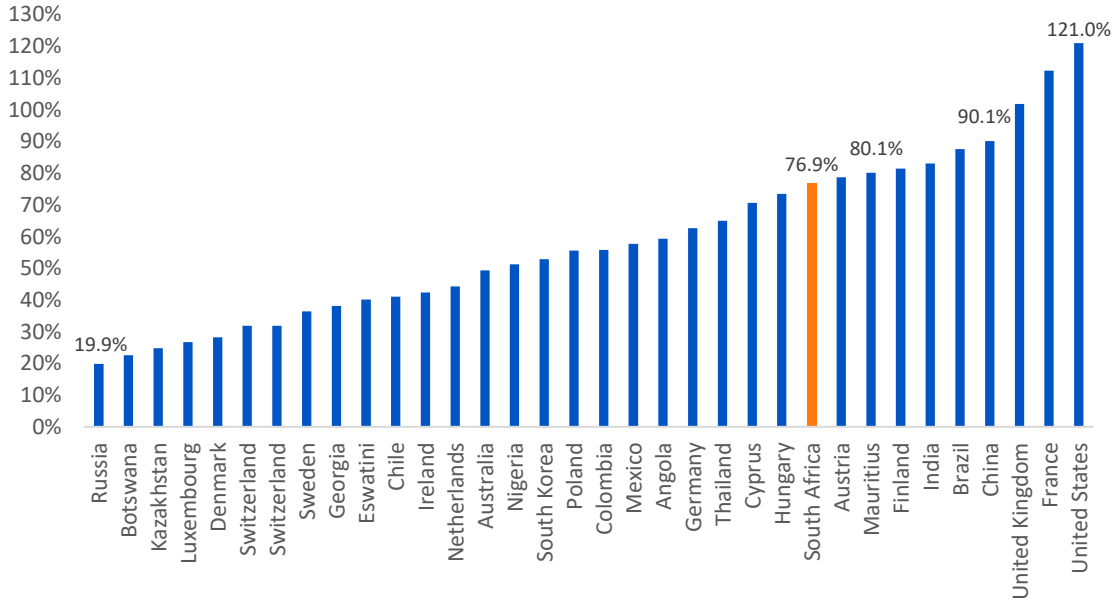
Table 2: Debt-to GDP ratio distribution of WEO Database

Debt-to GDP-ratio	Proportion of countries
0 <40%	28.6%
40%<60%	30.8%
60%<80%	18.4%
80%<100%	13.0%
100%<	9.2%

Source: IMF World Economic Outlook Database

Figure 4 gives a cross-country comparison of gross debt-to-GDP ratios for 2024 as reported in the database, and gives an indication of how South Africa compares, at least on the surface.[24]

Figure 4: Gross debt-to-GDP ratios cross-country comparison for 2024



Source: National Treasury and IMF World Economic Outlook Database

[24] Not all countries in the database are depicted in Figure 4.

These debt-to-GDP ratios are labelled as "general government gross debt" in the database, however, in many cases the reported debt levels do not reflect general government gross debt as per the standard definition, and in many cases, this leads to an incomplete cross-country comparison.

The first clear example is South Africa's gross debt-to-GDP ratio. It corresponds with South Africa's budgetary central government debt which is less comprehensive than "general government gross debt". As such, if the assumption is made that the debt levels for the other countries in the database are for "general government gross debt", it would suggest that South Africa's debt level is understated. However, this is not necessarily a sound assumption, given that the debt figures for other countries also often don't reflect "general government gross debt" as per the standard definition.

A second example is the case of Mauritius. Based on the database, Mauritius's gross debt-to-GDP ratio was estimated to be 80.1% in 2024. However, despite being labelled as "general government gross debt", the figure used is closer to Mauritius's public sector debt-to-GDP ratio, which includes for example non-financial public corporations. Based on Mauritius's budget documentation and 2024 IMF Article IV report, it is clear that the country's "general government gross debt" is closer to 65-68% and the country's public sector debt-to-GDP ratio is closer to the 80.1%, as recorded in the database.[25] So while debt levels appear higher in Mauritius than in South Africa on the surface, this is not an accurate reflection of the true position.

A third example is Finland. Based on the database, its general government gross debt was expected to be 81.39% in 2024, which on the surface would seem to be a higher debt level than South Africa's 76.9%[26]. However, this figure covers Finland's central government, municipalities, joint municipal authorities, statutory pension insurance companies and institutions, other social security funds and employment pension funds.[27] If one had to only consider Finland's central government debt-to-GDP ratio, which still represents broader debt coverage than South Africa's gross debt figure, Finland's debt-to-GDP ratio stood at 61.2% in 2024.

In the case of China, the figure reported in the database of 90.1% includes the central government; local government and social security funds which includes adjustments of China's stabilisation fund, social security fund, and government-managed funds.[28] In fact if only central government debt is considered, the debt ratio is estimated to have been 26.2% of GDP in 2024, and general government budgetary debt was 60.5%.[29] It should be noted that significant debt is carried by local government financing vehicles (LGFV) that is not

[25] See **https://nationalbudget2024.govmu.org/documents/2024_25_AppendixF.pdf**

See page 30 of Mauritius IMF Article IV report **https://www.imf.org/en/Publications/CR/Issues/2024/05/28/Mauritius-2024-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-549629**

[26] Note that the figure used is from Budget Review 2025, whereas the IMF WEO estimated debt to be around 75% for South Africa in 2024.

[27] **https://www.treasuryfinland.fi/debt-management/facts-about-central-government-debt/#:~:text=At%20the%20end%20of%202024%2C%20Finland's%20central%20government%20debt%2Dto,in%20the%20Statistics%20Finland%20website**

[28] See notes in the database.

[29] See page 61 of China's IMF Article IV report **https://www.imf.org/en/Publications/CR/Issues/2024/08/01/Peoples-Republic-of-China-2024-Article-IV-Consultation-Press-Release-Staff-Report-and-552803**

incorporated in the general government budgetary debt definition. This largely explains the difference between China's general government budgetary debt and the ratio reported in the database.

Other than creating difficulties in relation to cross-country comparisons, this lack of standardisation also leads to different approaches to fiscal sustainability assessments. As shown in Table 3, fiscal sustainability analyses by the IMF, as contained in Article IV reports, differ significantly between countries based on debt coverage. As an example, for South Africa, only budgetary central government debt is included in the assessment, whereas in cases such as Finland, Mauritius and the USA, almost the entire public sector is included.

Table 3: Debt coverage used in IMF Debt Sustainability Analyses

Country	South Africa	Hungary	Finland	Cyprus	Pakistan	Austria	Mauritius	Colombia	Mexico	Poland	Brazil	India	China	USA	Nigeria
Institutional Coverage															
Budgetary central government	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES*	YES	YES	YES
Extra budgetary units	NO	YES	NO	YES	NO	NO	YES	NO	YES	YES	NO	NO	YES	NO	YES
Social security funds (SSFs)	NO	YES	YES	YES	NO	YES	YES	YES	YES	YES	YES	NO	YES	YES	YES
State/Provincial governments	NO	YES	YES	NO	YES	YES	YES	YES	NO	YES	YES	YES	YES	YES	YES
Local governments	NO	YES	YES	YES	YES	YES	YES	YES	NO	YES	YES	NO	YES	YES	YES
Public nonfinancial corporations	NO	NO	YES	NO	NO	NO	YES	YES	YES	NO	NO	NO	NO	YES	NO
Central bank	NO	NO	YES	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO	YES	NO
Other public financial corporations	NO	NO	YES	NO	NO	NO	YES	YES	YES	NO	NO	NO	NO	YES	NO
Instrument Coverage															
Debt securities	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Loans	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Currency and deposits	NO	YES	NO	YES	YES	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES
Other accounts payable	NO	NO	NO	YES	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
IPSGSs	NO	NO	NO	YES	NO	NO	NO	NO	YES	NO	NO	NO	NO	NO	NO

Sources: IMF Article Iv Reports for each country.

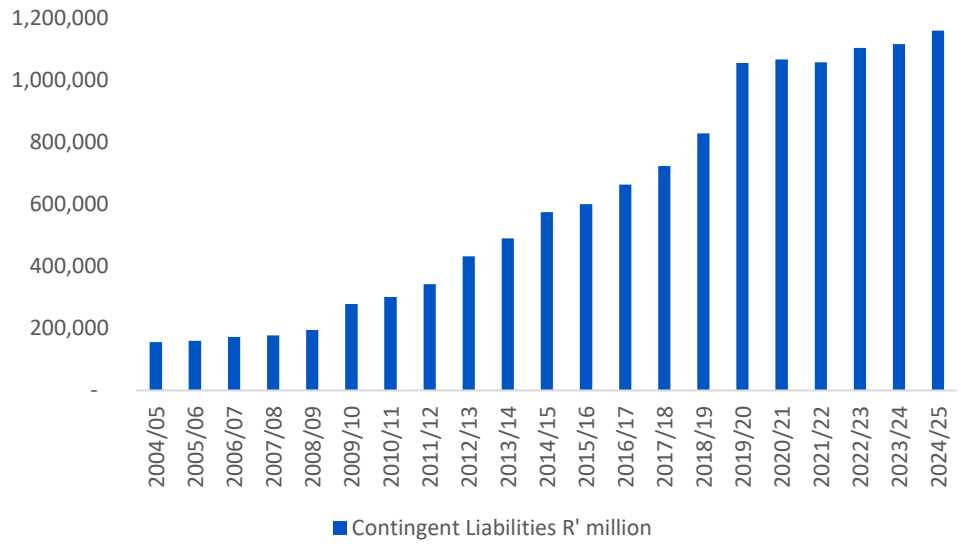
Gross debt and contingent liabilities

Gross debt as reported by the National Treasury could also be adjusted to partially or fully account for contingent liabilities. Contingent liabilities are state obligations that could result in expenditure if specific events occur. As such, these are possible risks to a country's debt burden. Therefore, depending on the risk profile of a country, debt figures are sometimes adjusted in risk assessments by rating agencies.

South Africa's contingent liabilities mainly consist of guarantees to state-owned companies, independent power producers and public-private partnerships (PPPs).

As shown in Figure 5, from 2004/05 to 2024/25 contingent liabilities increased from R15.9 billion to R1.1 trillion. The two biggest contingent liabilities are Eskom's debt and claims against the Road Accident Fund.

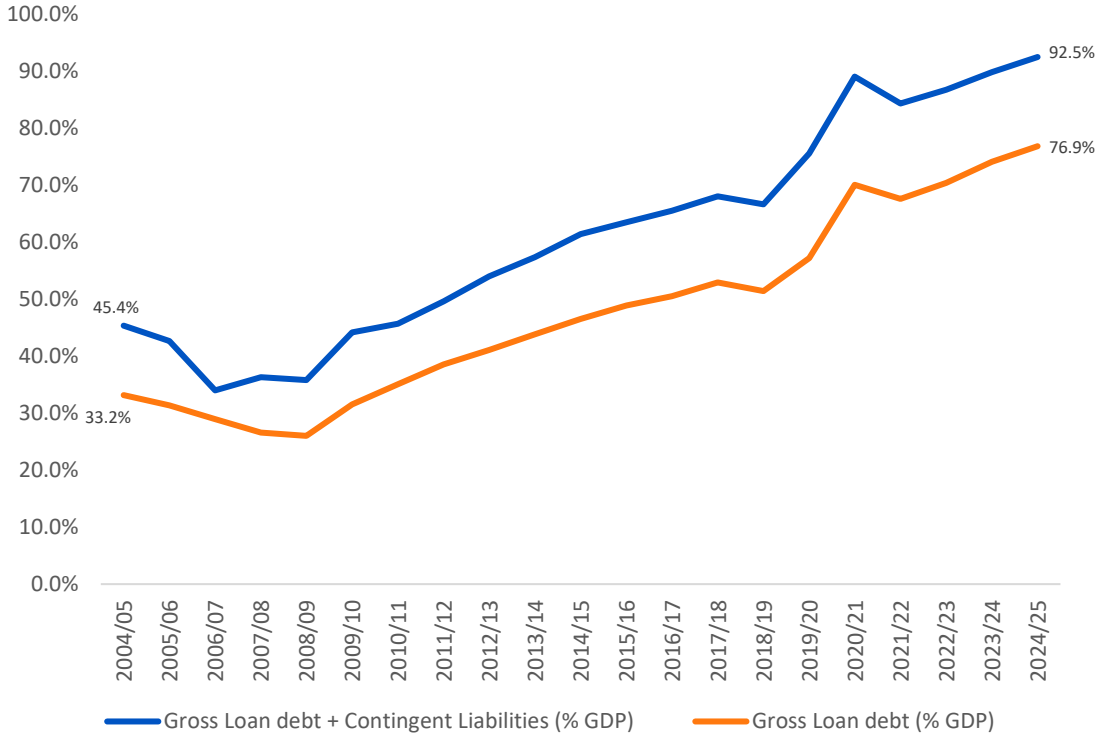
Figure 5: Contingent Liabilities (R'million) 2004/05-2024/25



Source: National Treasury

As shown in Figure 6, adjusting gross debt, as reported by the National Treasury, to include contingent liabilities, would increase the gross loan debt ratio from 76.9% of GDP to 92.5% of GDP for 2024/25.

Figure 6: Gross loan debt-to-GDP ratio adjusted for contingent liabilities (% of GDP)



Source: Calculated by using debt and contingent liability data from the National Treasury

Text Box 1: Government Debt and the Tragedy of the Commons

Andrés Velasco (2000)[30] approaches government debt through the lens of fragmented fiscal policymaking where government resources are "common property" and interest groups can finance their preferred expenditure from the common property.

This results in a tragedy of the commons problem, whereby interest groups do not bear the full cost and risk of their extraction from the common pool of resources. This results in over-extraction.

In fiscal policy terms, this leads to fiscal deficit biases and excessively high public debt. Debt and the cost of servicing debt are not fully internalised by individual interest groups and are distributed across interest groups and deferred to future generations.

In South Africa, the risk and full cost of debt accumulated by SOEs is not fully internalised by individual SOEs. Like in the model from Velasco, SOEs have a claim on the national fiscus, whether directly or indirectly. Eskom's debt transfer to the national government's balance sheet is a good example of this. Furthermore, bailouts to SOEs have come at the cost of government departments, such as provincial departments of health and education as the resultant fiscal squeeze has often led to National Treasury imposing blanket budget cuts across government. This demonstrates how individual interest groups may not bear the full cost and risk of their own debt accumulation.

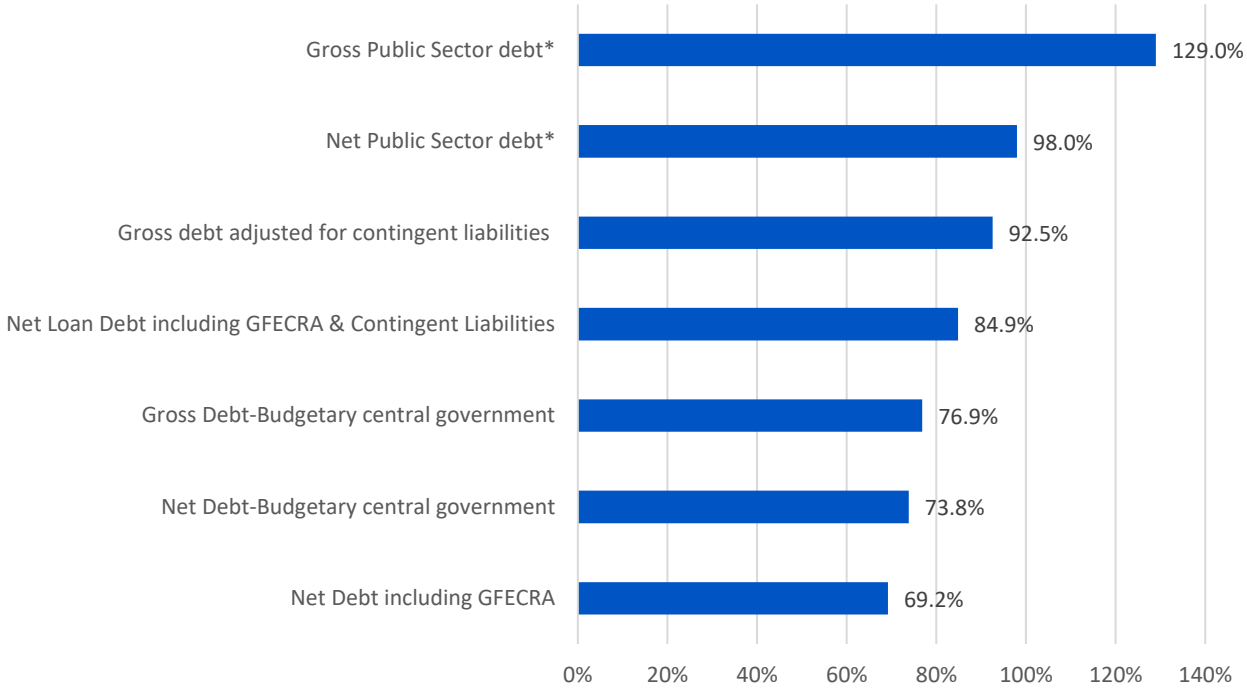
[30] "Debts and Deficits under Fragmented Fiscal Policymaking," Journal of Public Economics, Volume 76, Issue 1, April 2000.

Comparison of different methods

As shown in Figure 7, depending on what method is used, South Africa's debt-to-GDP ratio for 2024/25 ranges from 69.2% to 129%. The former relates to net debt of the budgetary central government, as reported by the National Treasury, adjusted for the GFECRA, which renders a ratio of 69.2%. The latter relates to gross public debt, which represents the broadest coverage of all the methods, and renders a ratio of 129% (third quarter of 2024).

However, the most commonly reported ratios in South Africa are the net debt-to-GDP and the gross debt-to-GDP ratios which are contained in National Treasury's Budget Reviews.

Figure 7: South African debt-to-GDP ratios for 2024/25 based on different methods



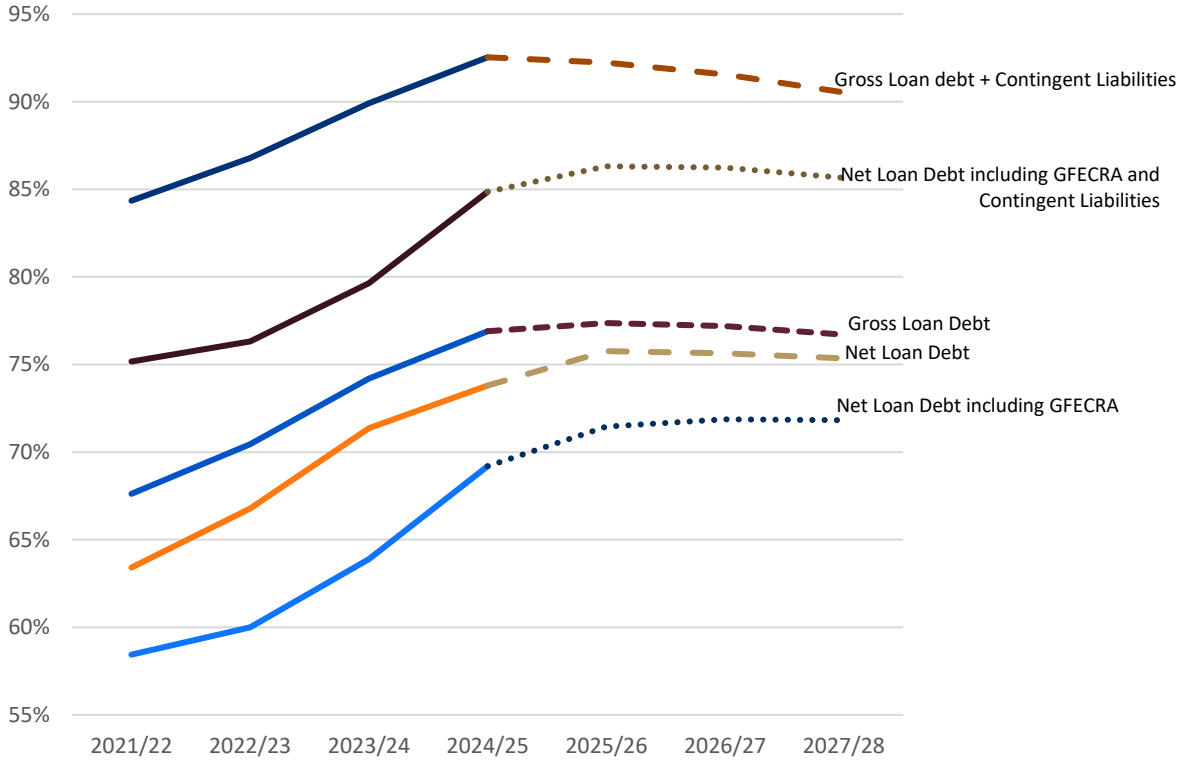
Source: Author's calculation based on National Treasury's Budget Overview 2025, and SARB's March 2025 Quarterly Bulletin
**Quarter 3 of 2024*

Forecasting debt levels

Figure 8 depicts the outlook for SA's debt levels based on the projections presented in the Budget Review 2025, augmented to account for the GFECRA and contingent liabilities.

As depicted in Figure 8, using National Treasury's projections, and if contingent liabilities remain relatively stable, debt levels should stabilise over the medium term.

Figure 8: Debt forecasts 2025/26-2027/28



Source: Author's calculation based on National Treasury's Budget Overview 2025

Conclusion

A country's debt-to-GDP ratio is one of the critical indicators of its debt burden and is often used to compare relative debt levels between countries. However, there are different methods of measuring debt, and debt comparisons are often inadequate if the issue of debt coverage is not considered.

One country might, on the surface, seem to have higher debt levels than another, however, considering debt coverage could yield a different conclusion, as was demonstrated by comparing South Africa's debt levels with those of Mauritius and Finland.

Furthermore, debt ratios are often adjusted to account for contingent liabilities as a way to account for risks to a country's debt profile. In SA, the argument could also be made that the GFECRA should be accounted for as a contingent asset, which would influence net debt calculations.

Based on the different approaches to measuring debt, South Africa's debt-to-GDP ratio ranges from 69.2% to 129% for 2024/25.