

South Africa: National Budget 2009/2010

Budgeting during a global credit and economic crisis

Kevin Lings

Economist

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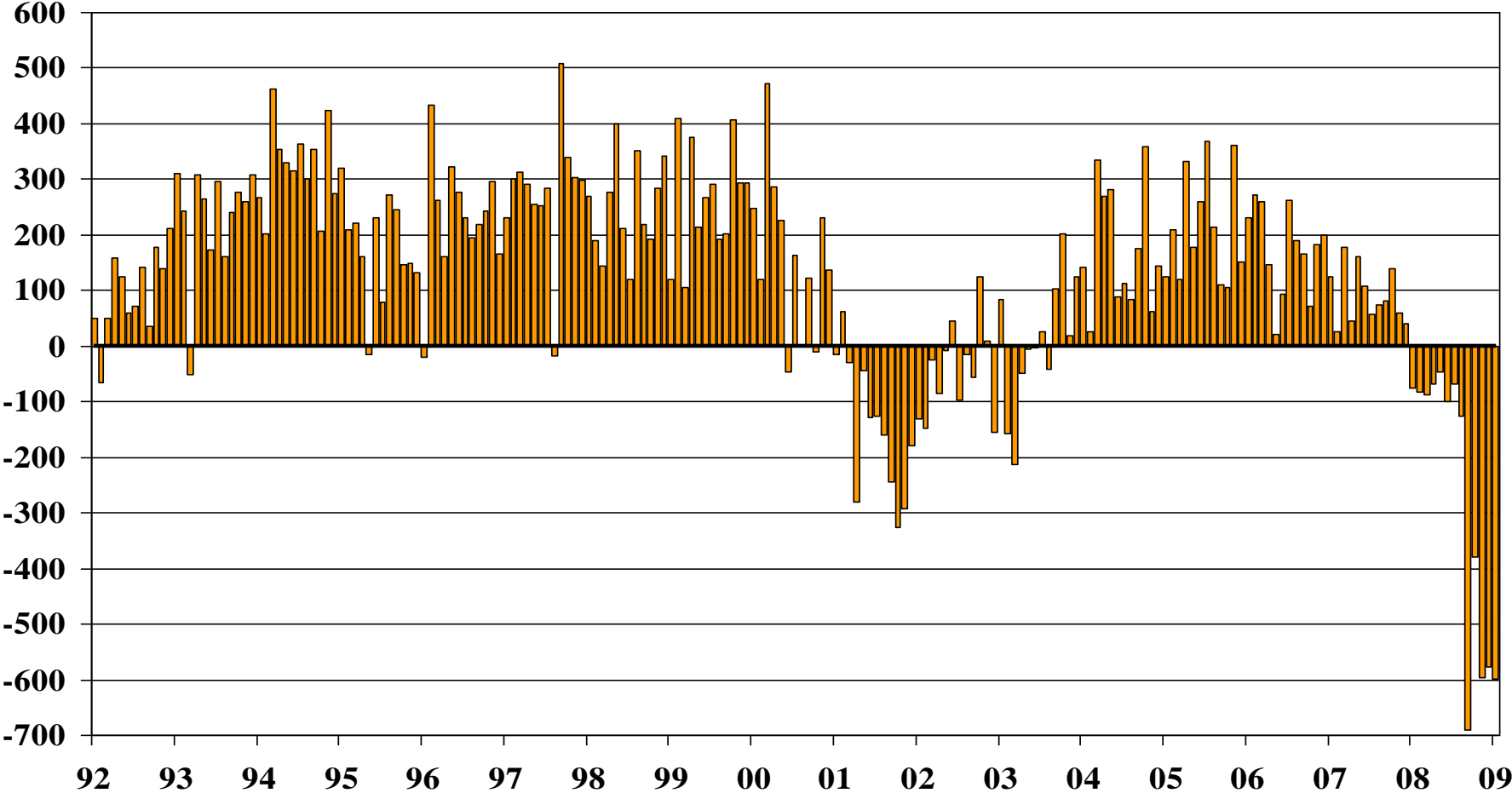
Bennett Chattanooga Times Free Press



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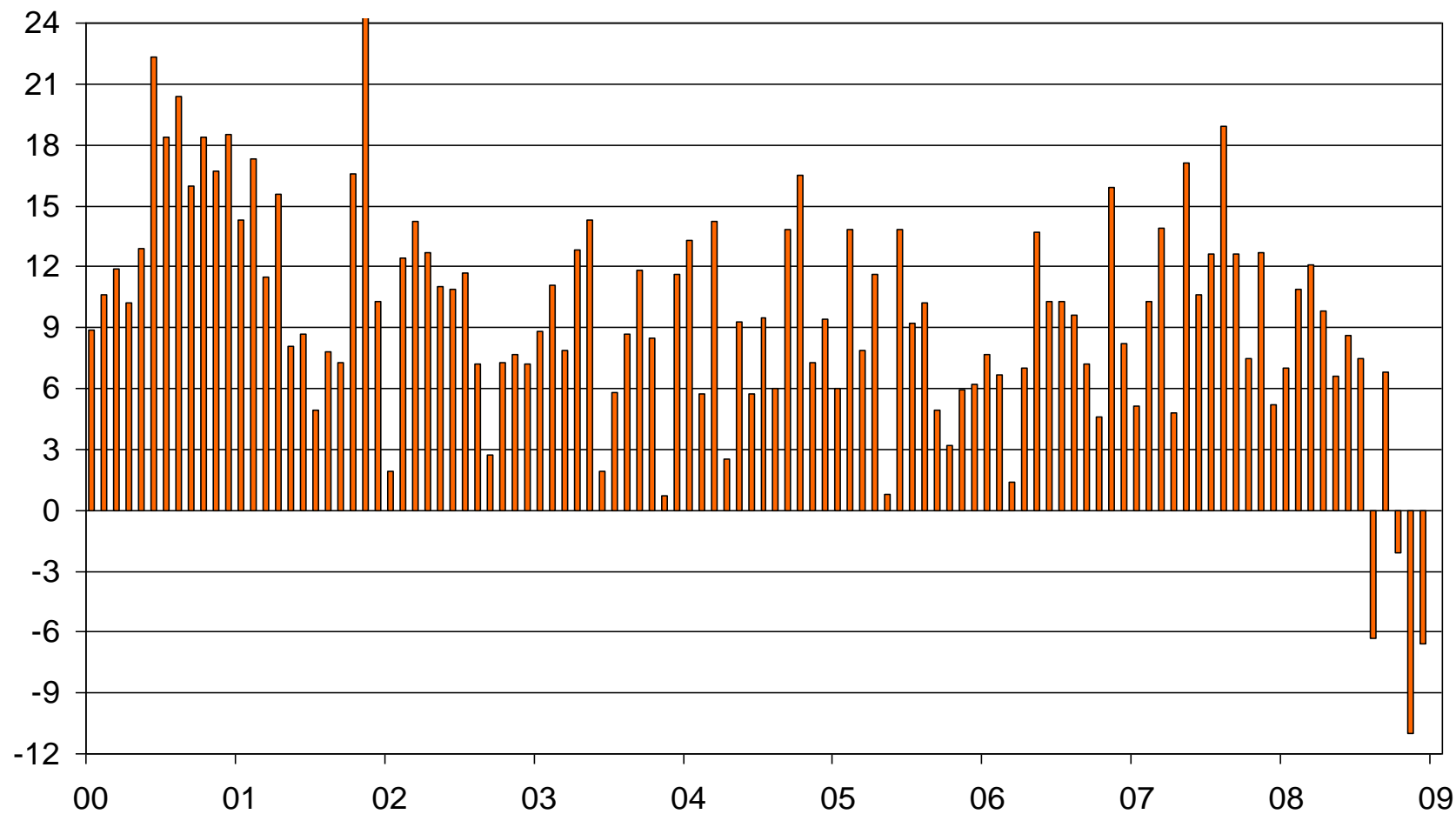
US monthly payroll changes

000's

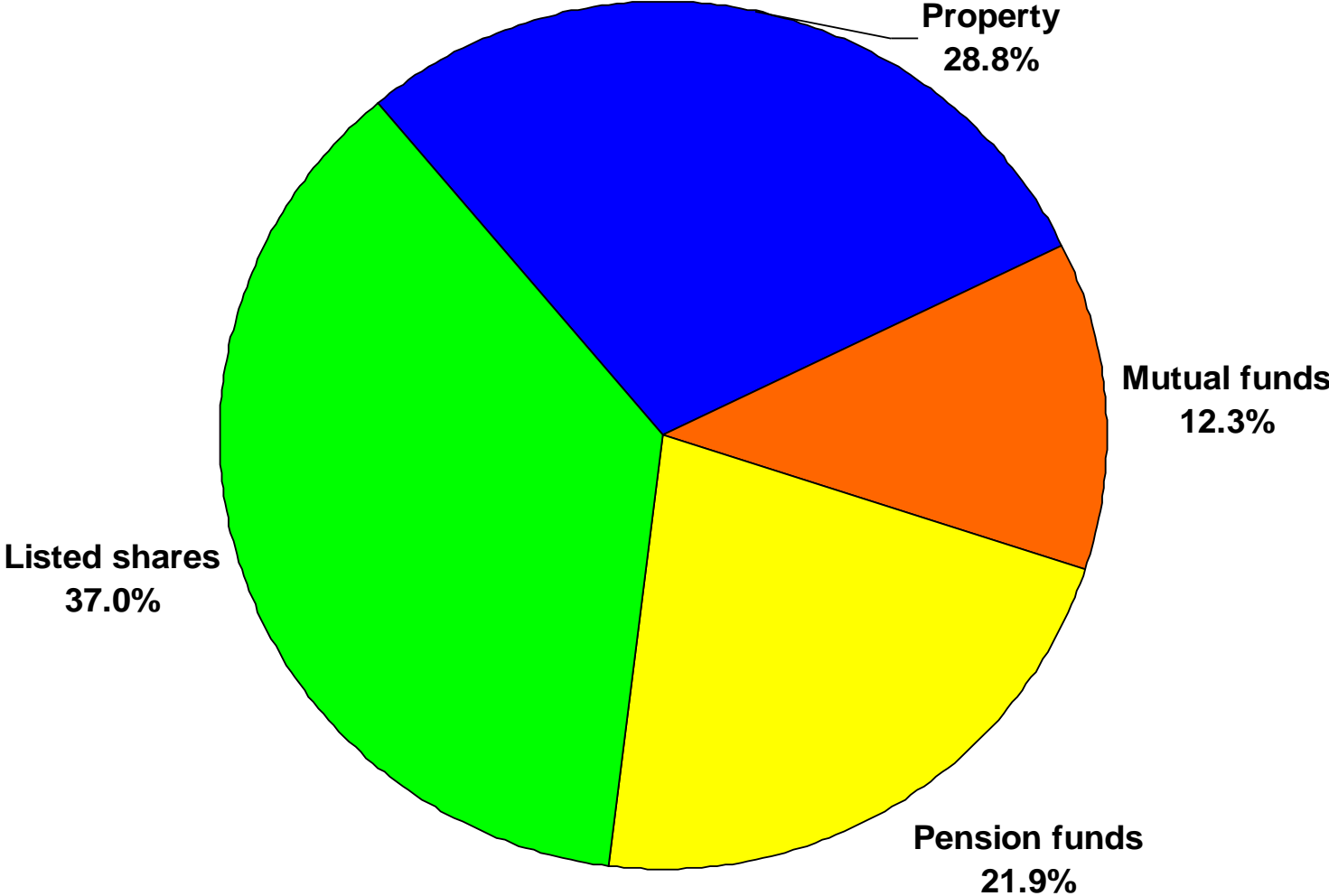


US consumer credit

\$ billion, month-on-month

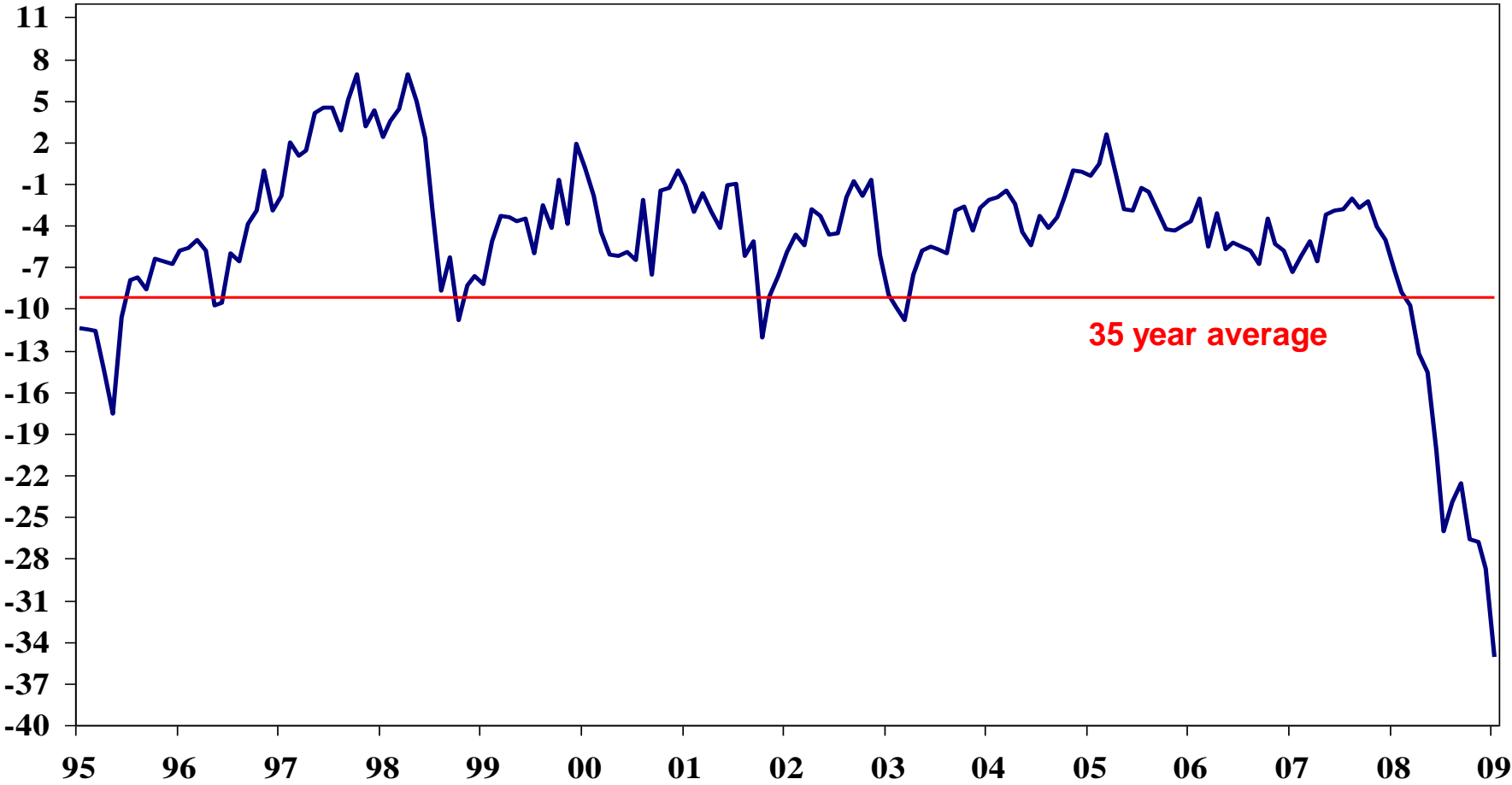


US households have lost \$6.6 trillion in assets over the last year



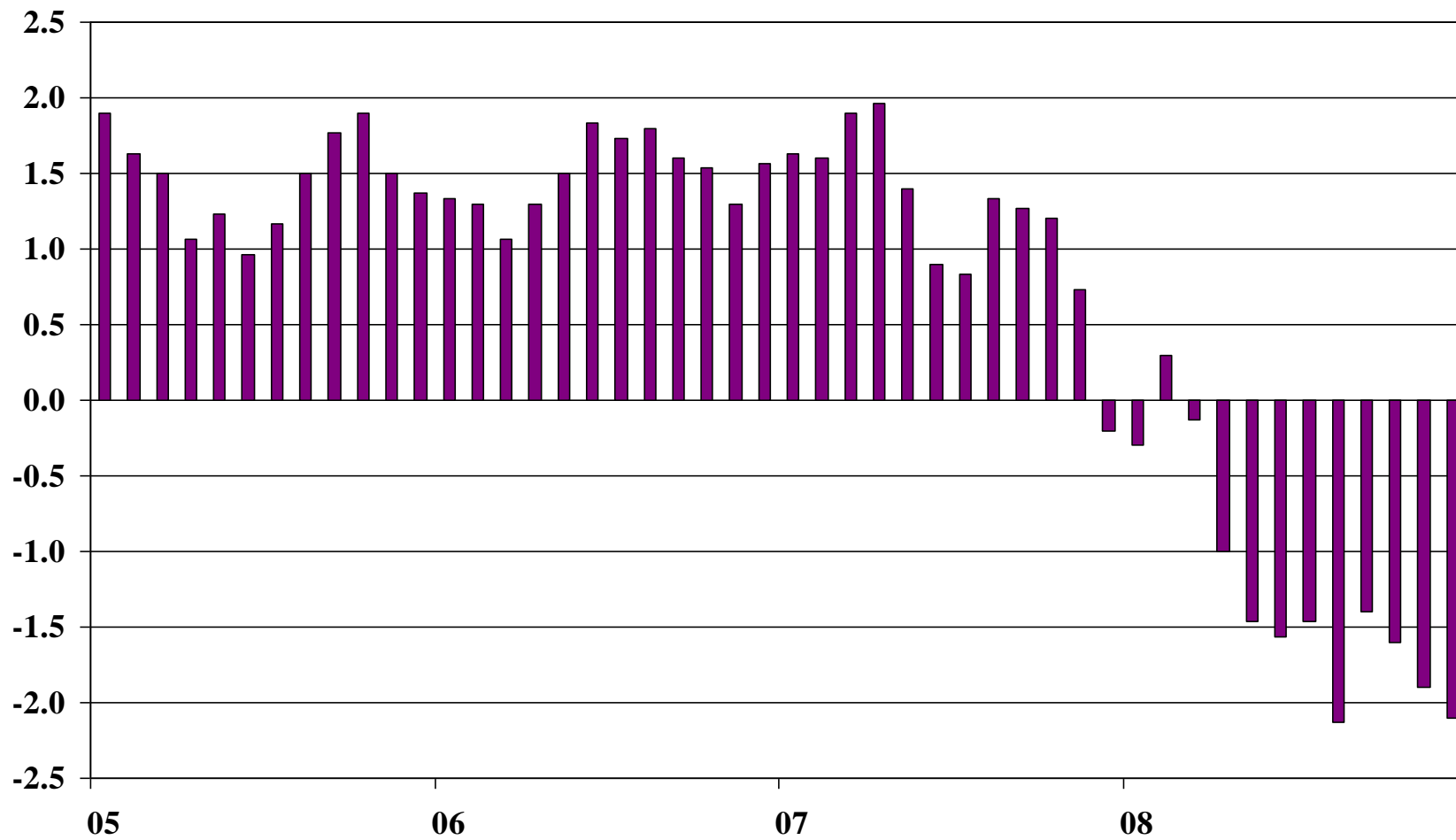
UK consumer confidence

Index



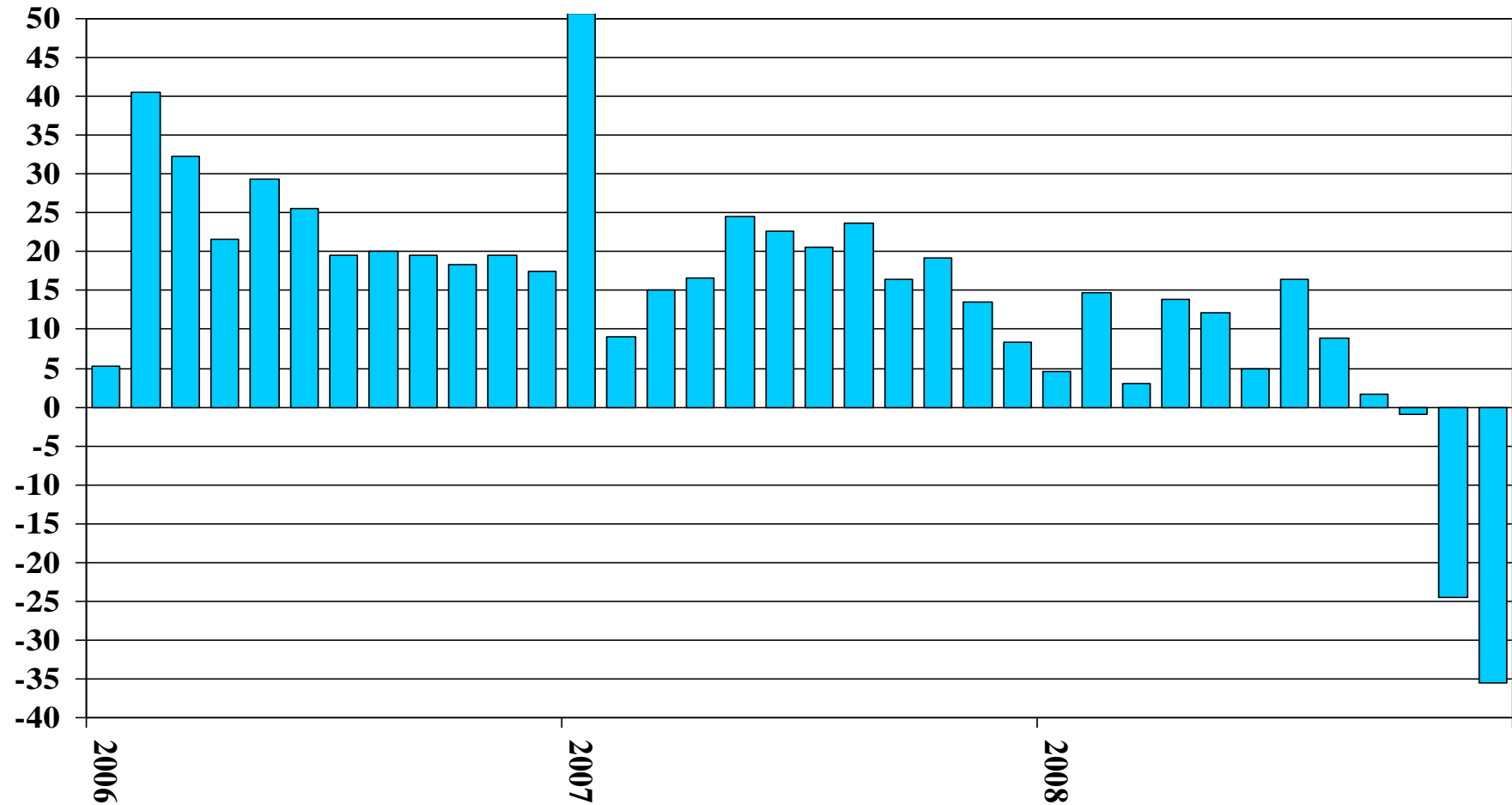
Euro-area retail sales

%y/y, 3-month ave



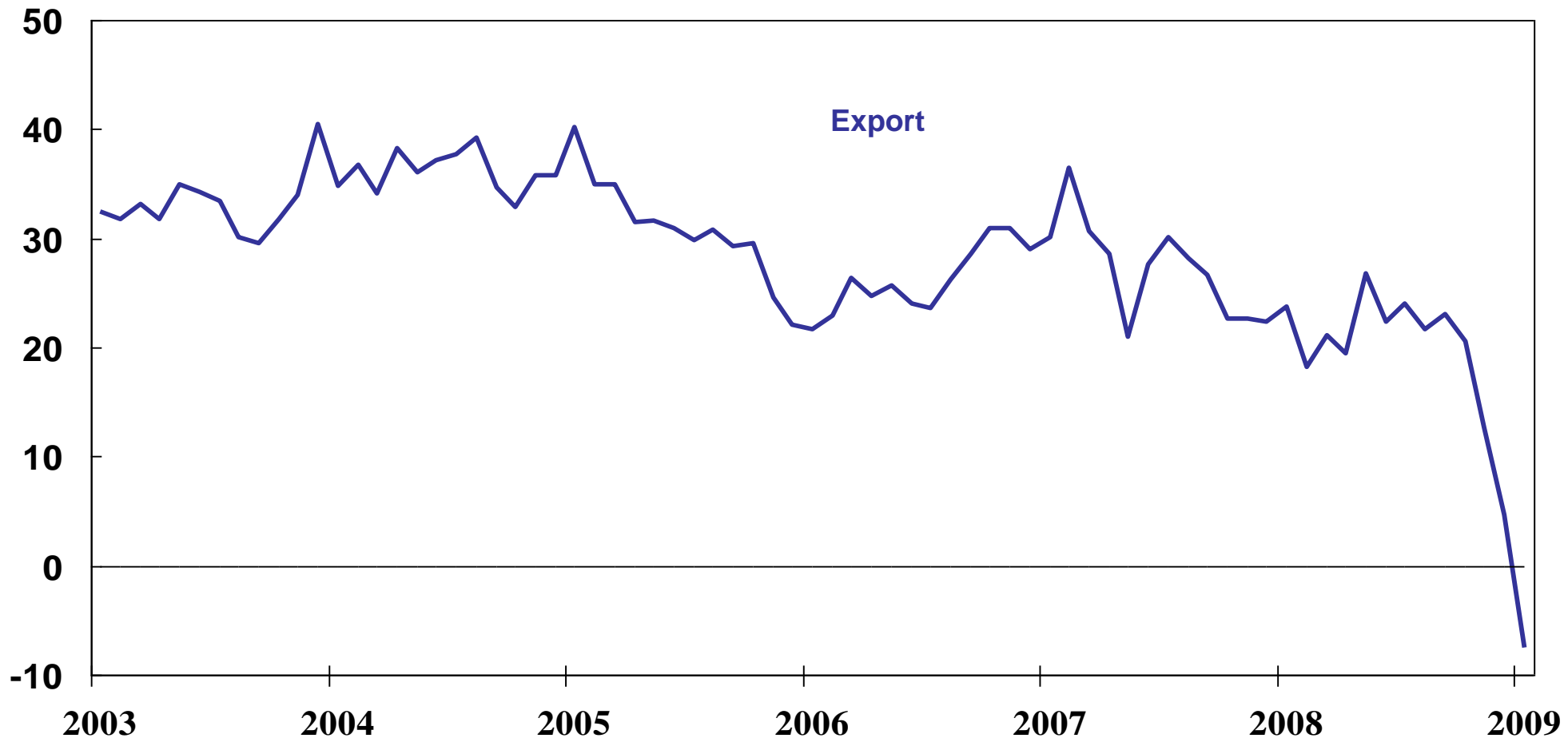
Japan exports

%y/y. Exports declined by 35.5%/y in December

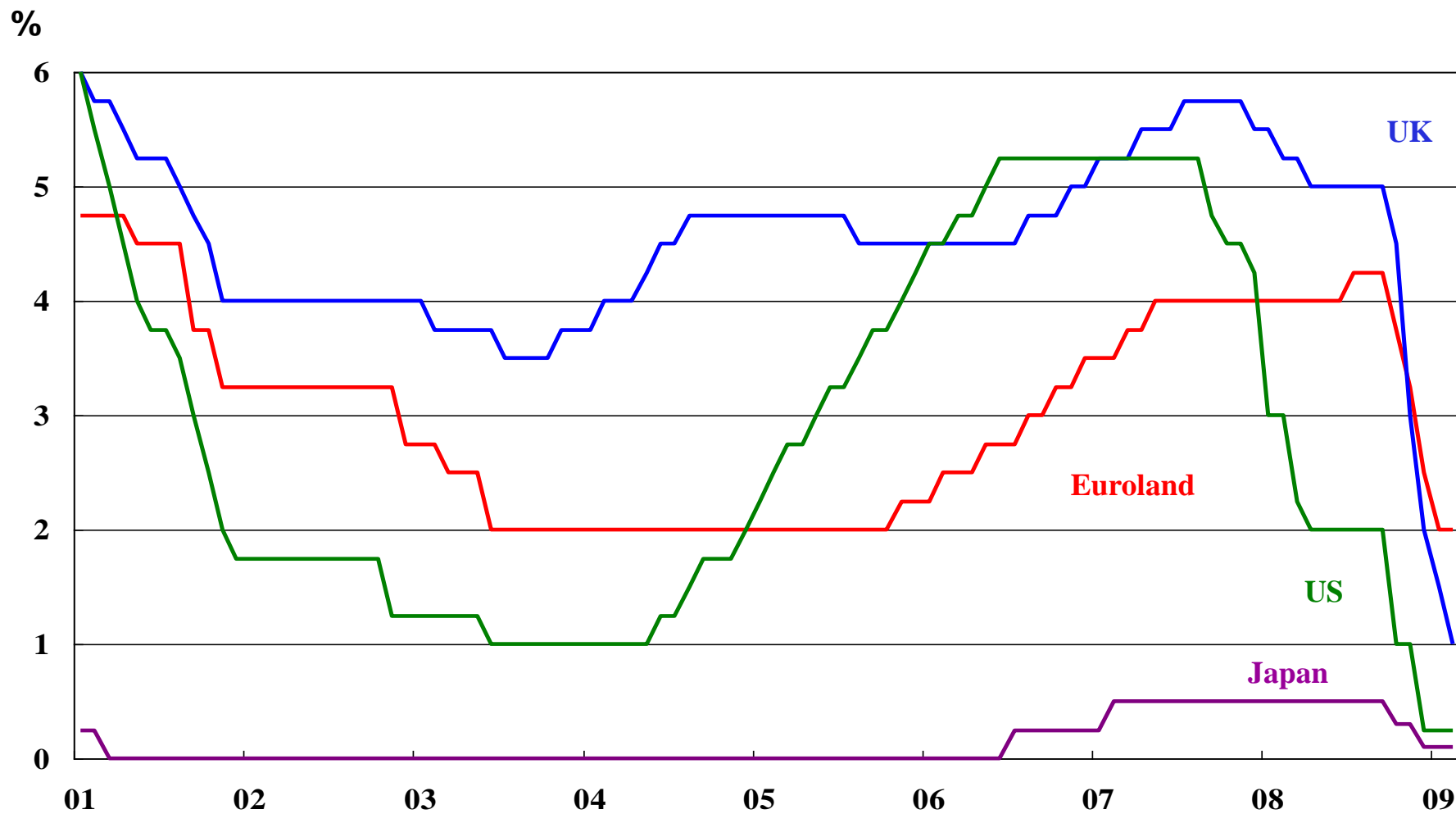


China exports

% y/y, 3mnth ave

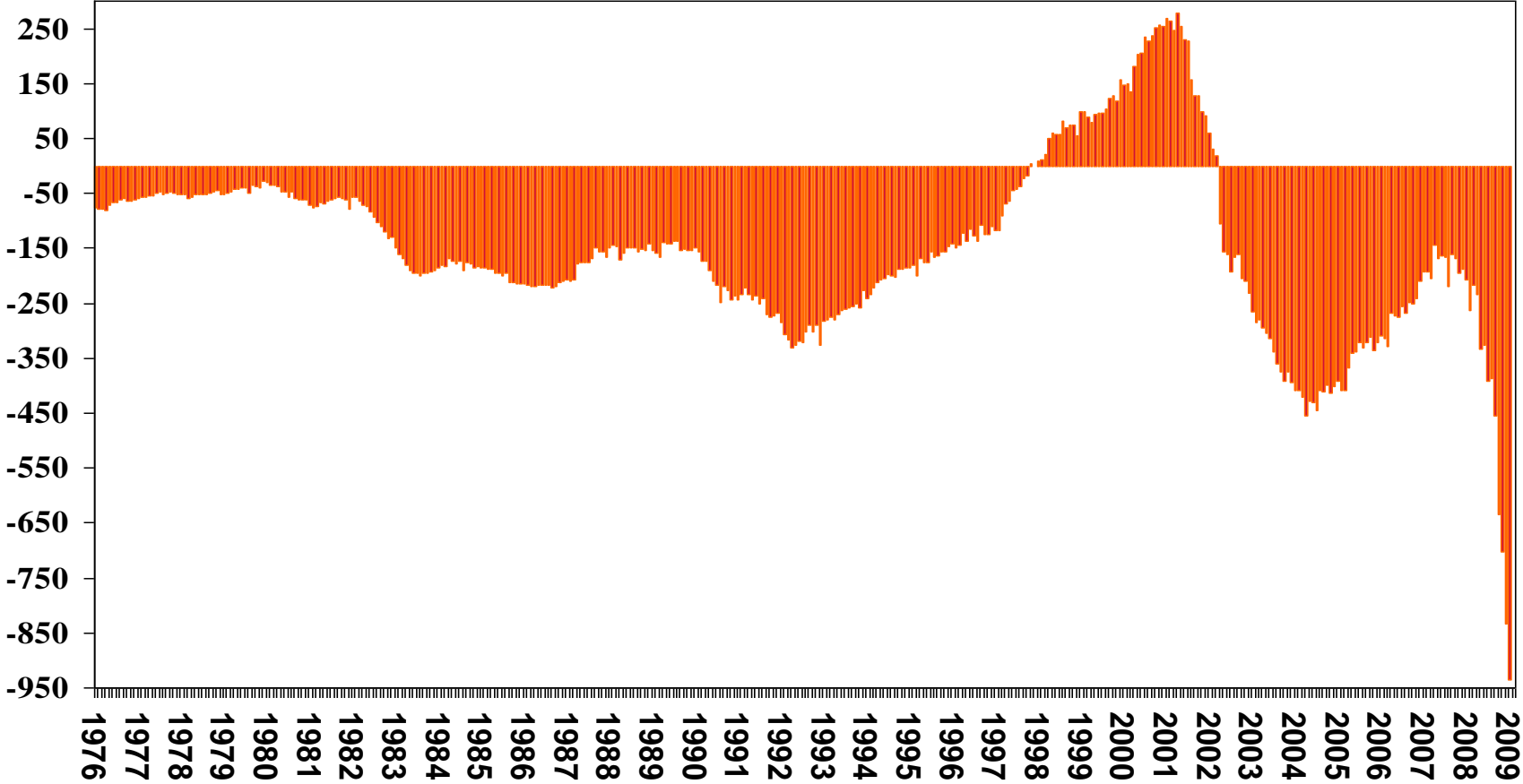


Euro-area, US, Japan and UK official interest rates



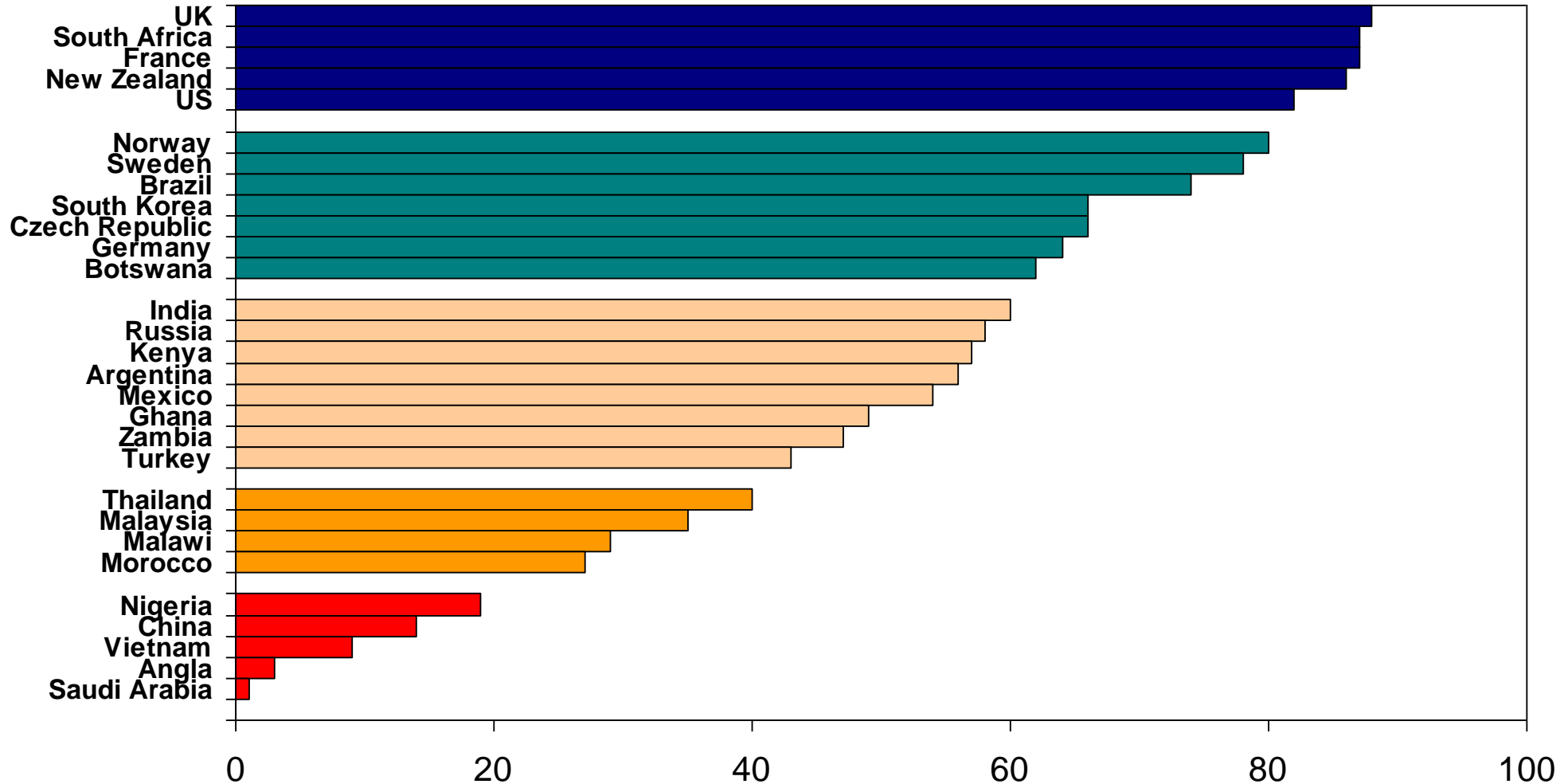
US Federal Budget

\$bn, 12-month running total

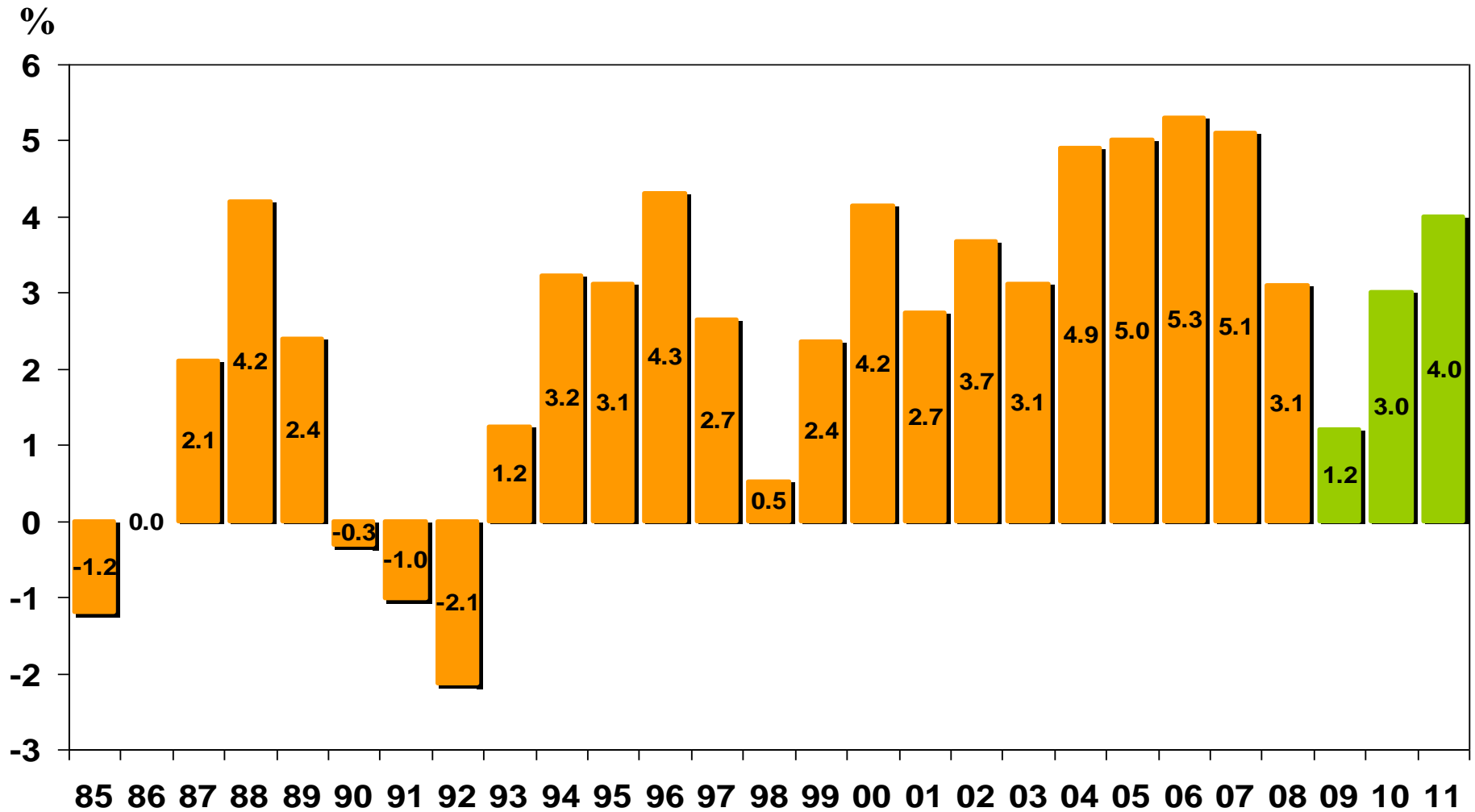


Open Budget Index 2008

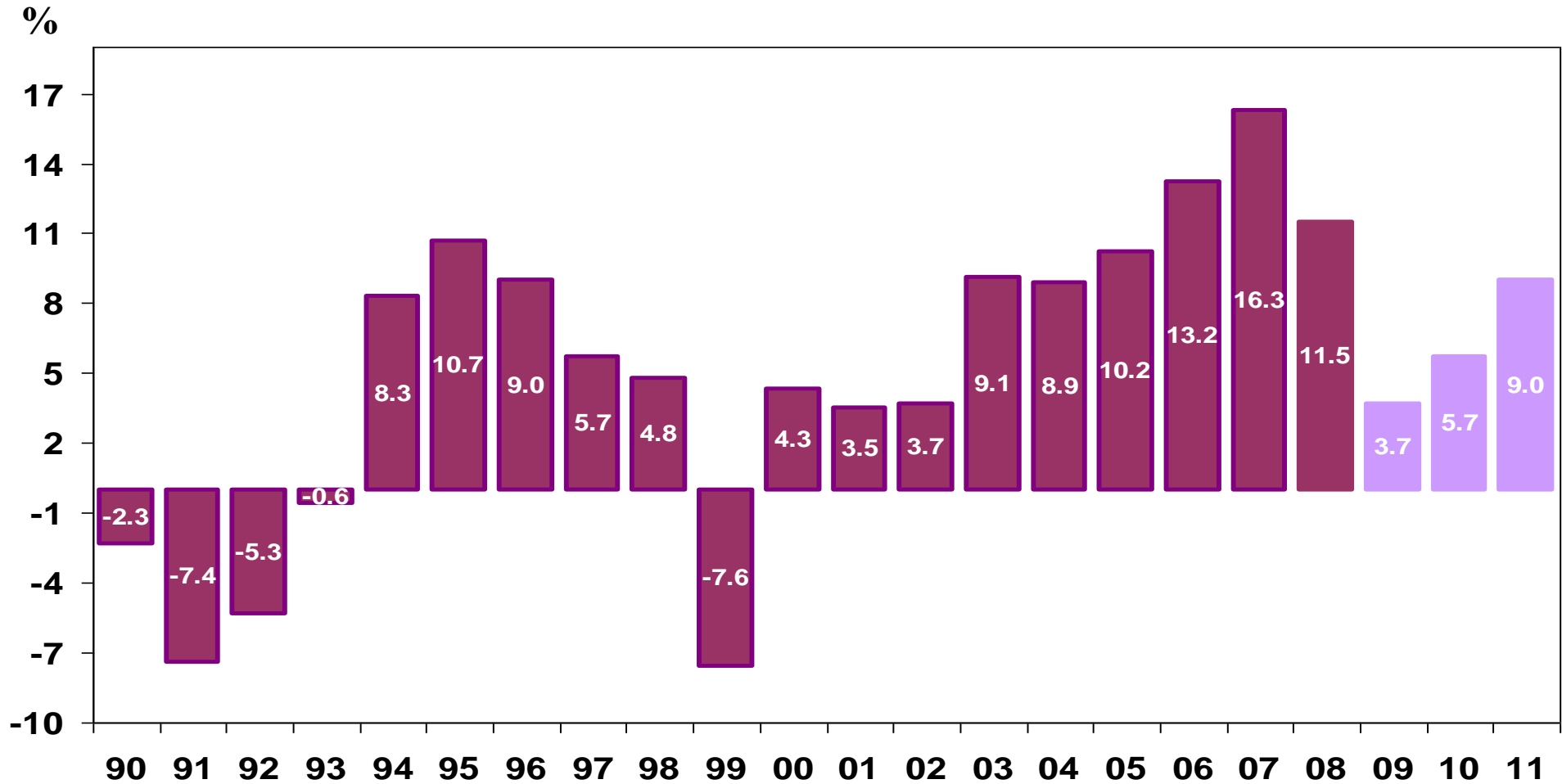
Index out of 100



SA GDP growth (government estimate)

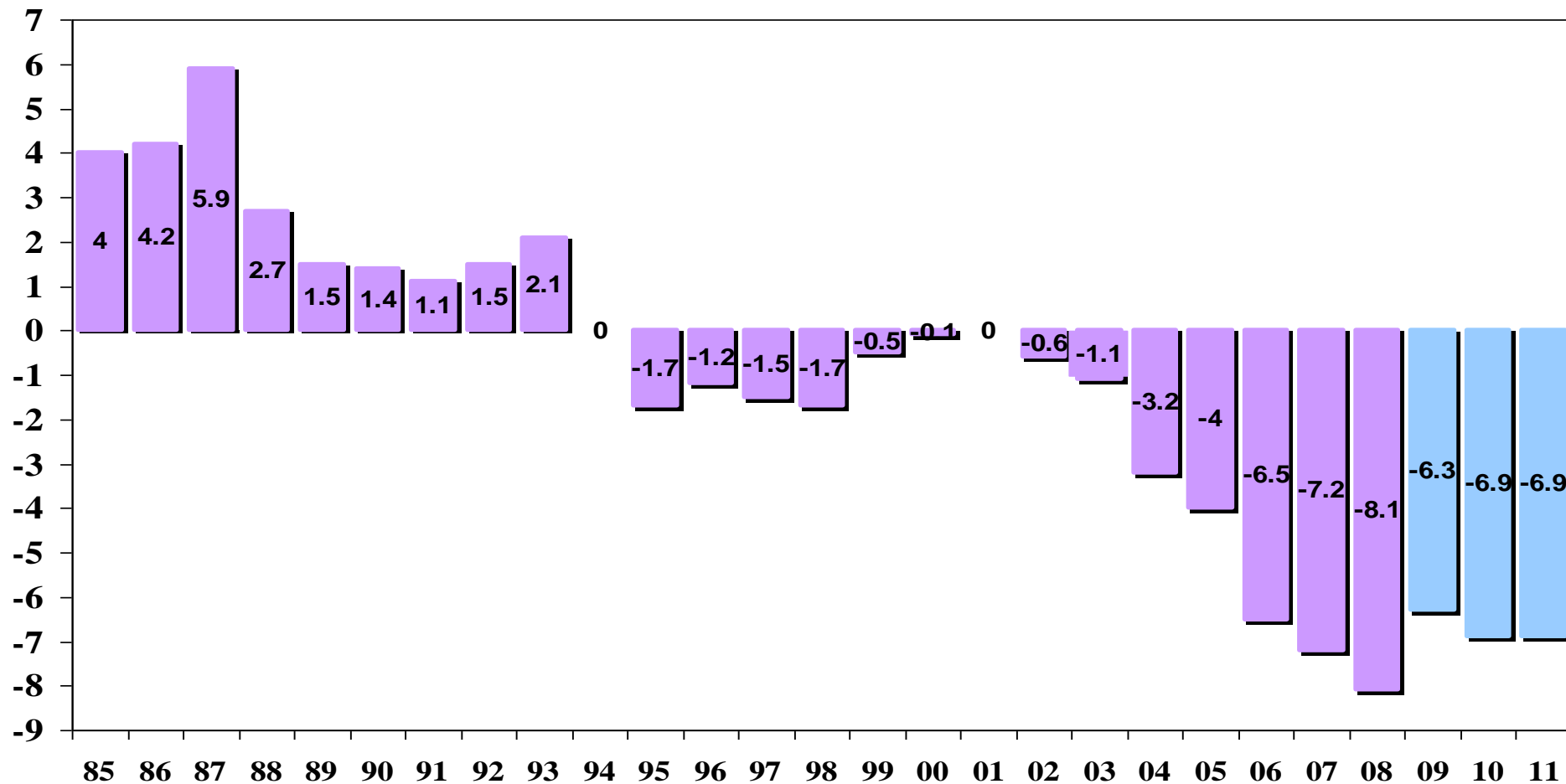


Fixed Investment Growth (government estimate)

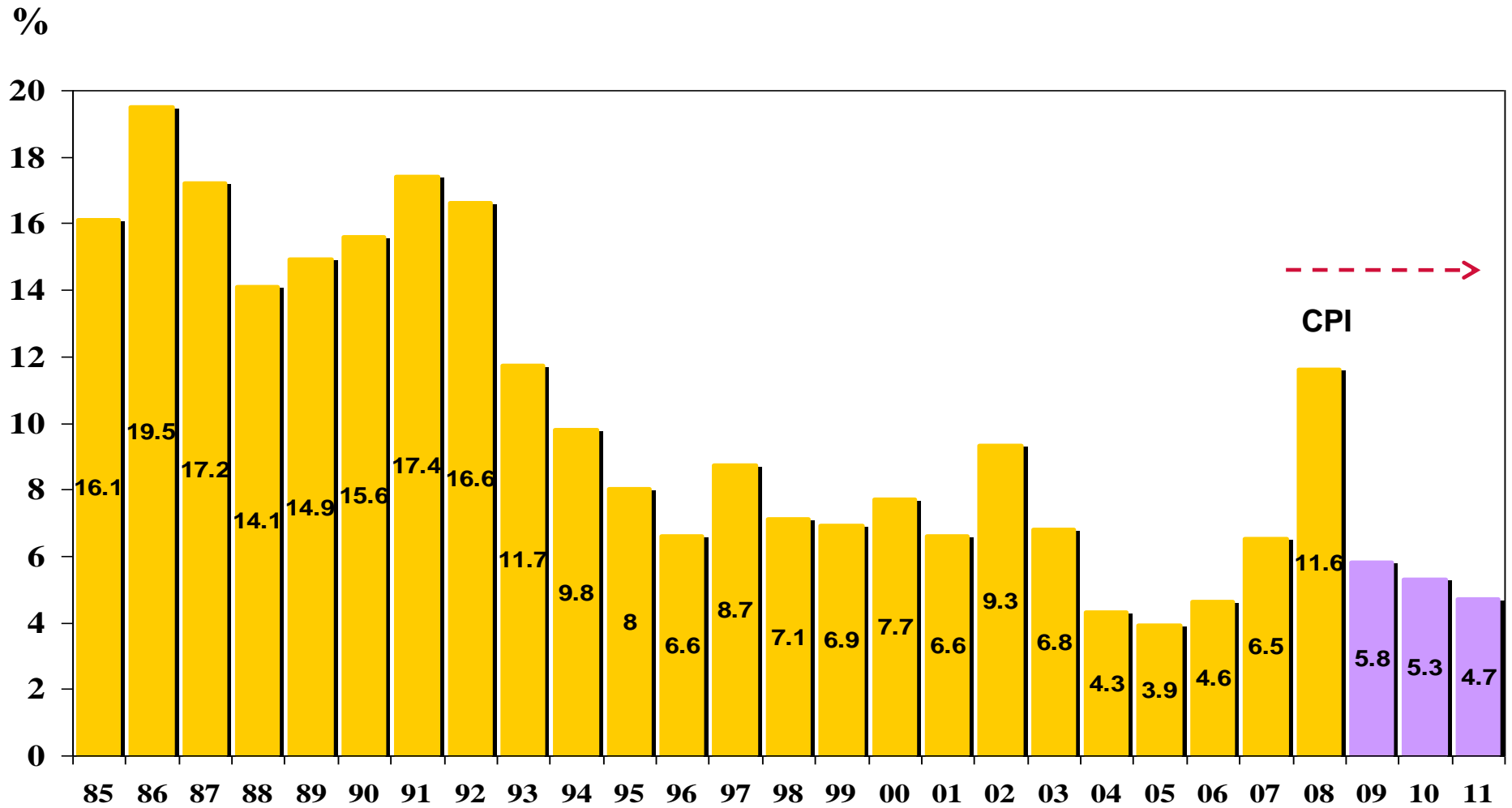


Current account (government estimate)

% of GDP



Inflation (CPIX/CPI) (government estimate)

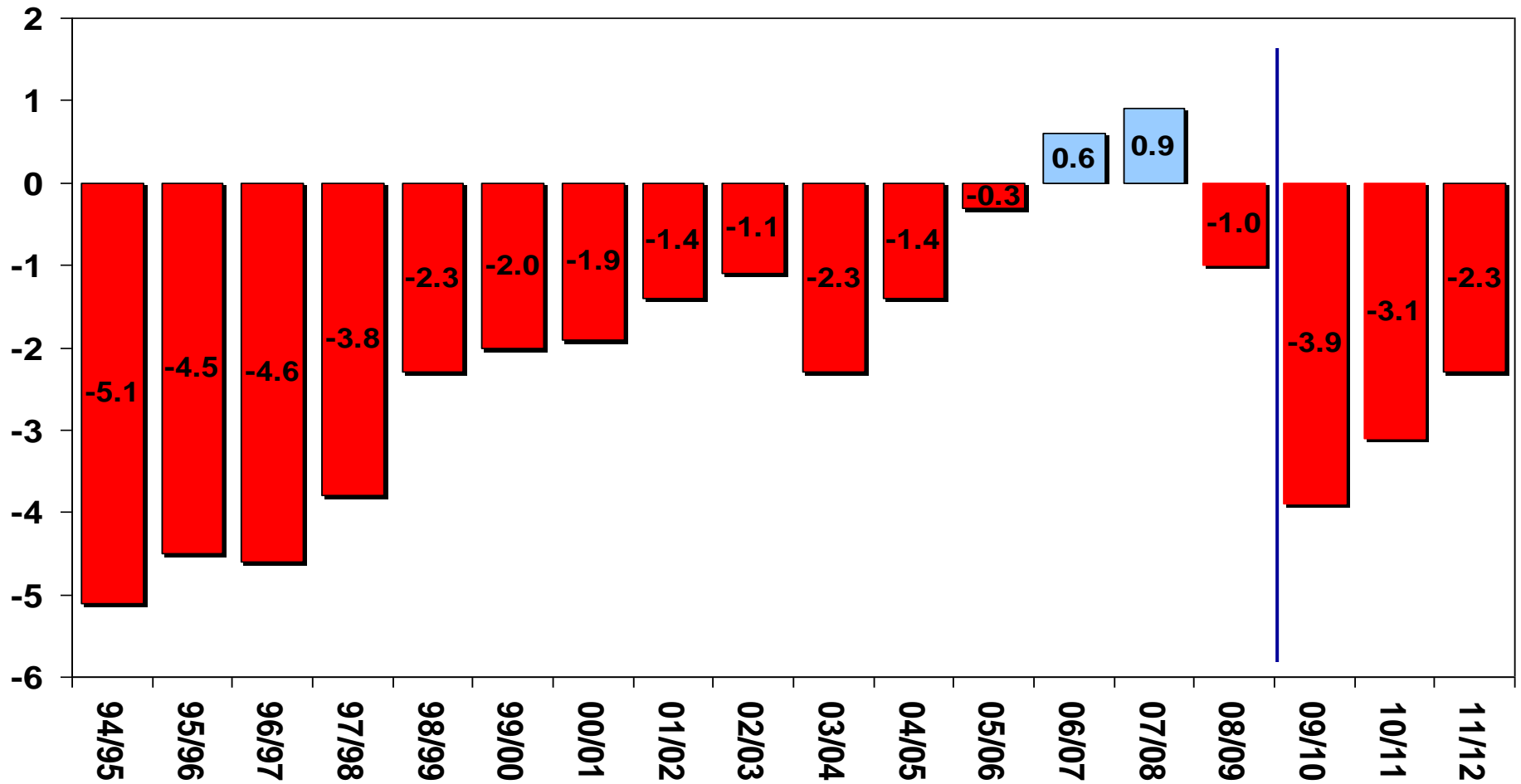


SA government's budget 2009/2010 – main indicators

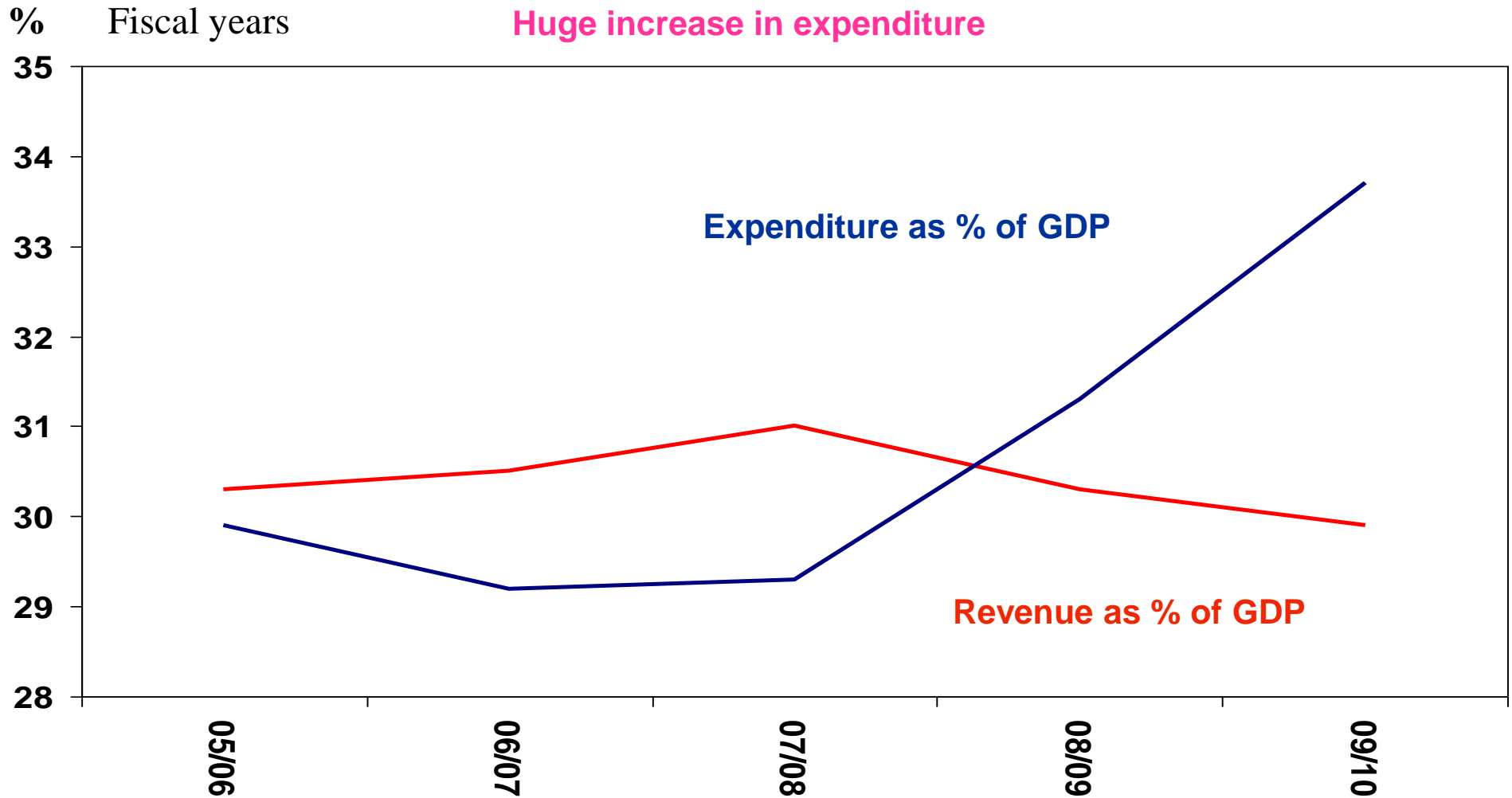
	2008/2009	2009/2010	% change
	R billion	R billion	
Revenue	611.1	643.0	5.2%
Expenditure	633.9	738.6	16.5%
Budget deficit	----- -22.8	----- -95.6	
Deficit as % of GDP	-1.0%	-3.9%	

SA budget deficit as % of GDP

% Fiscal years

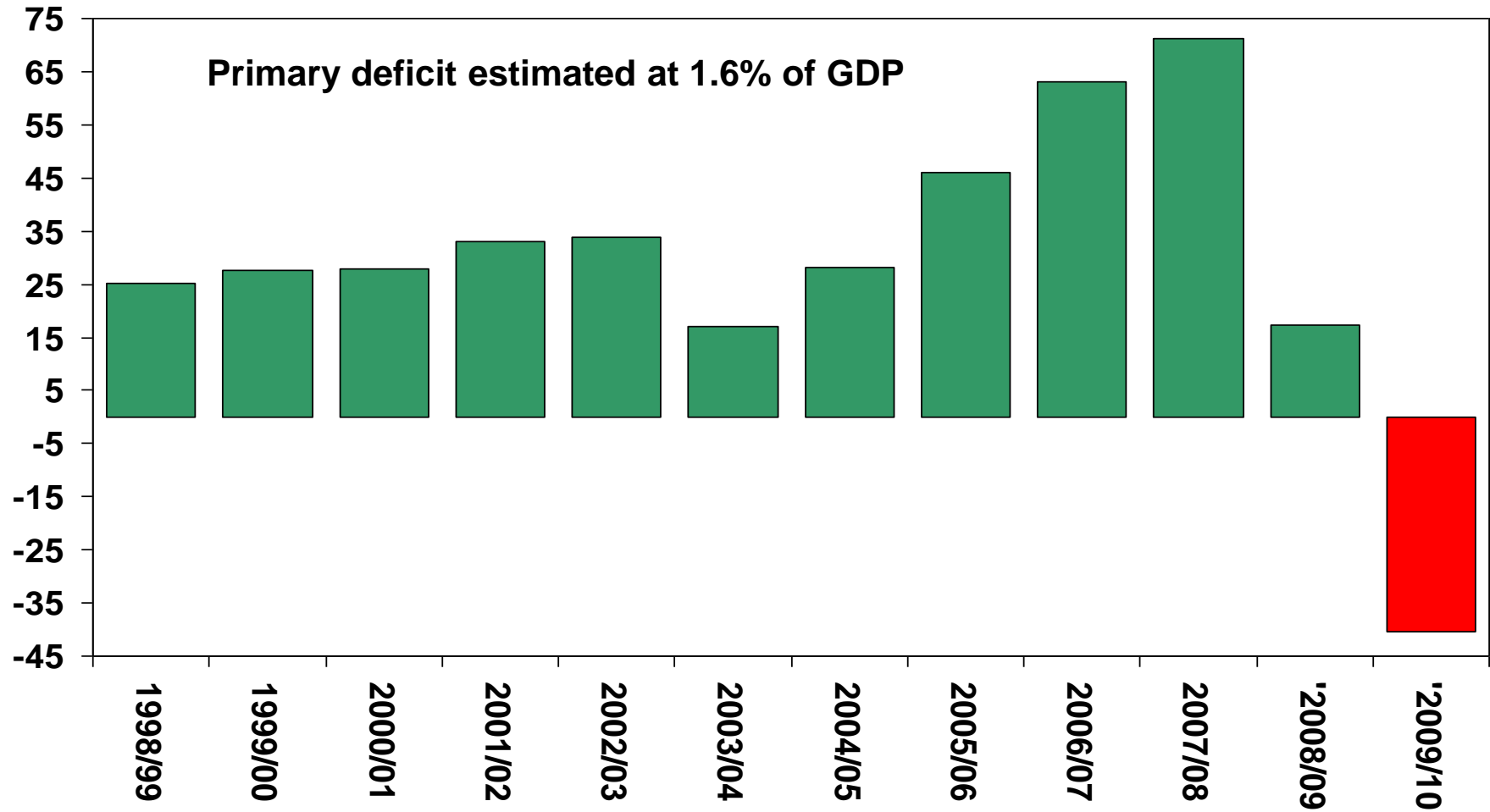


Government expenditure & revenue as % of GDP

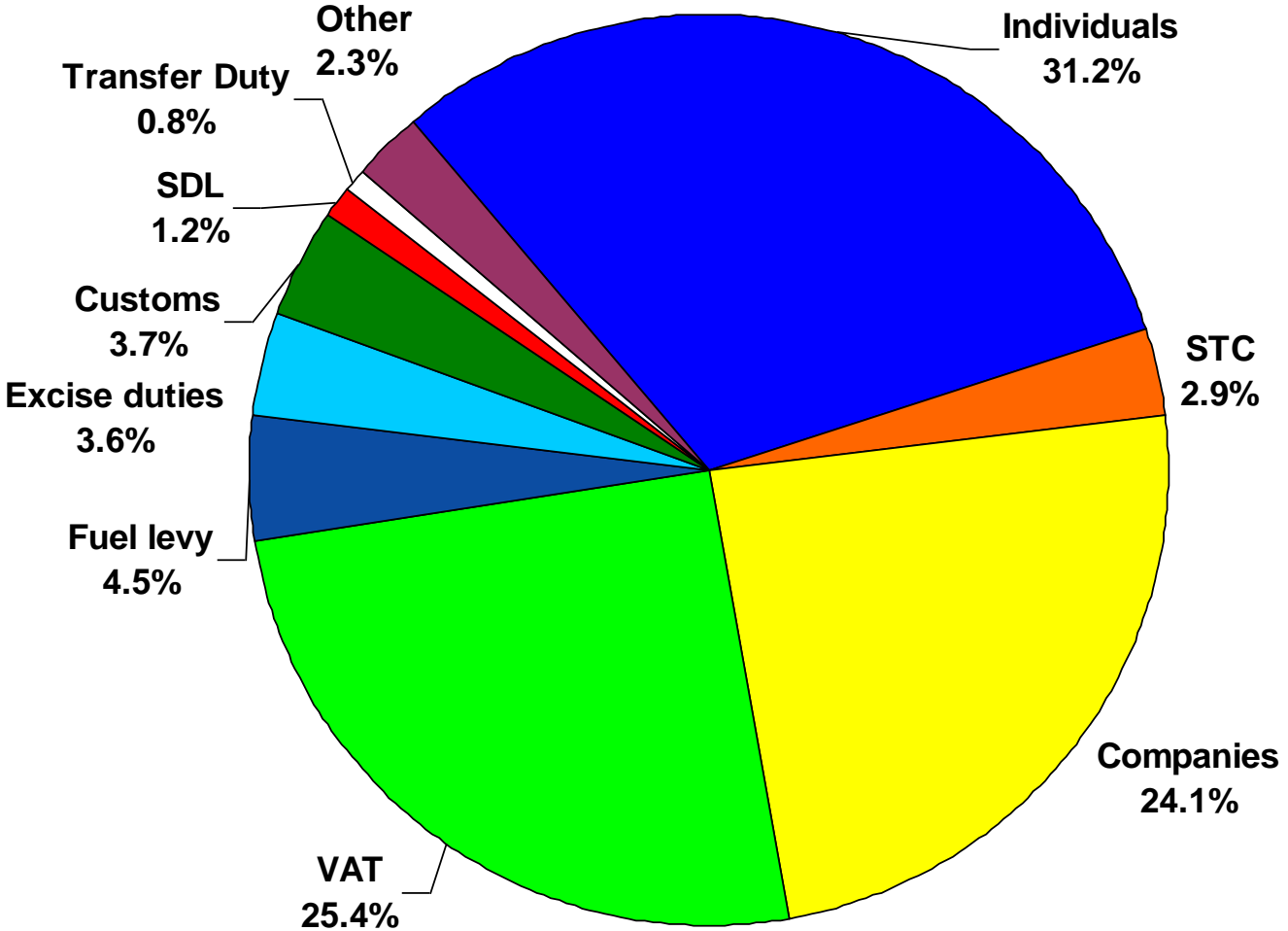


Government running a primary deficit

Rbn Fiscal years

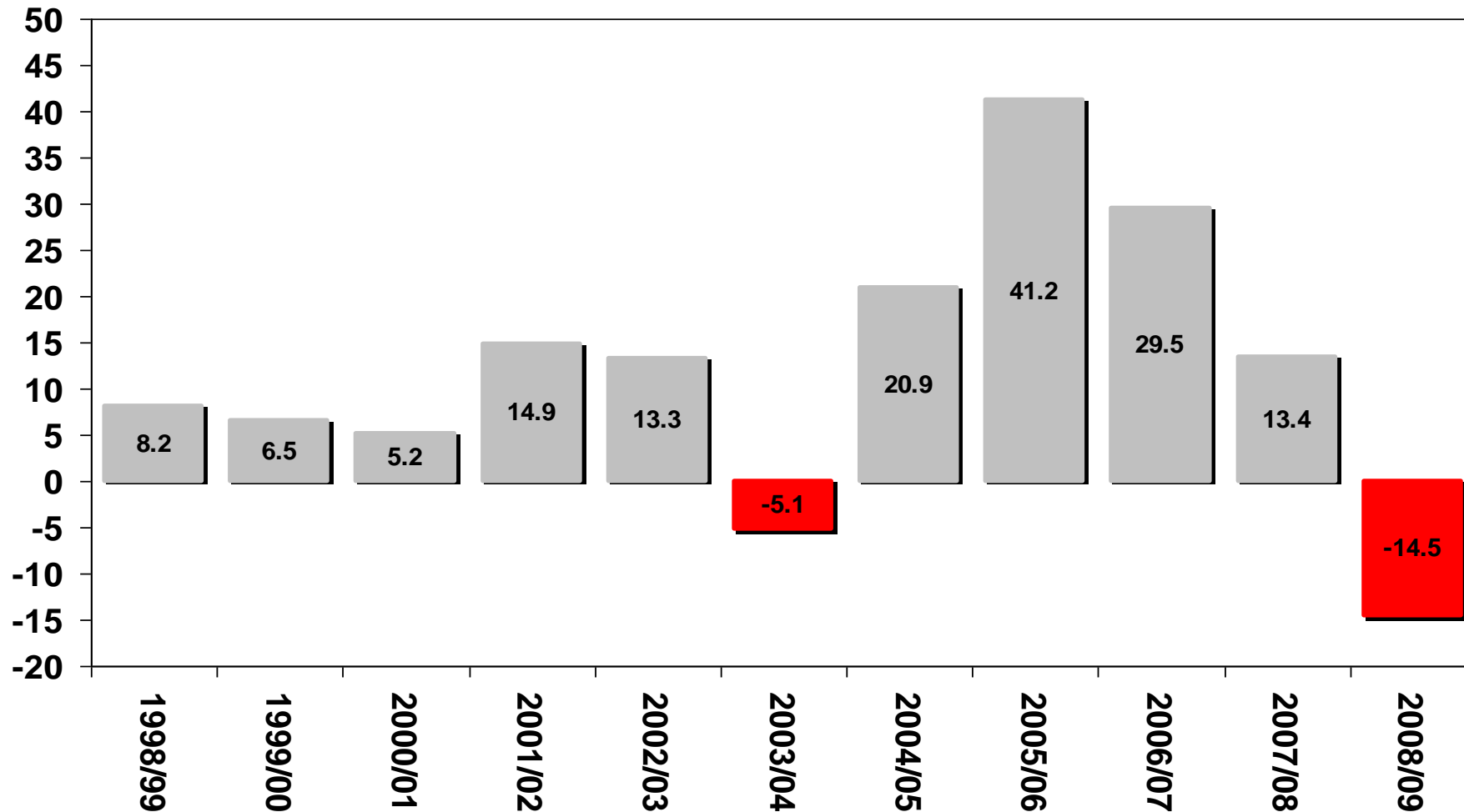


Breakdown of tax revenue (2009/10)

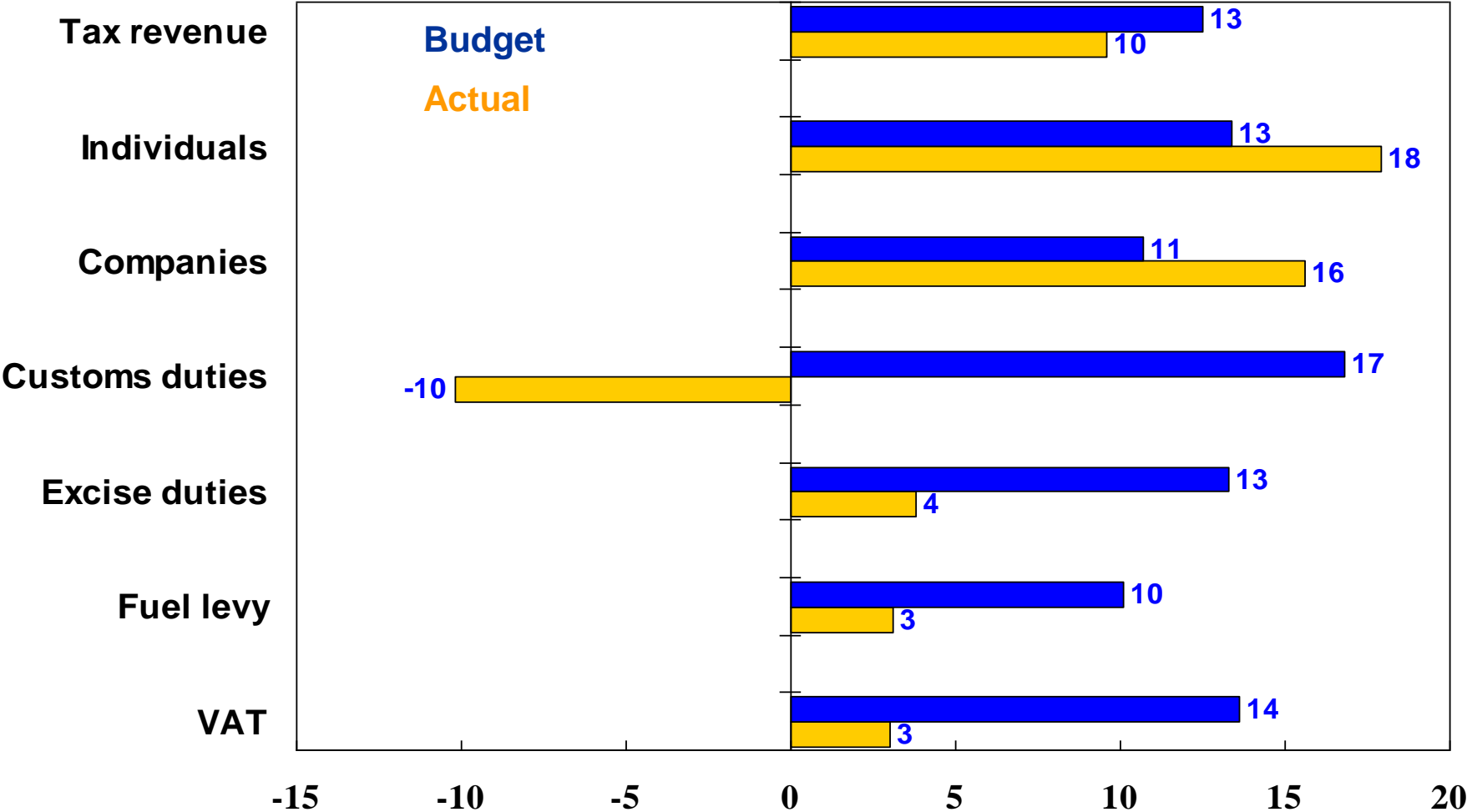


Government budget revenue overruns

Rbn



Revenue: Initial budget vs actual (2008/2009)



Main tax proposals 2009/2010	Additions Rm	Subtractions Rm
Personal income tax		-13 550
Personal income tax adjustment		-13 000
Adjustment in monetary thresholds (savings, medical scheme contributions)		-550
Business tax		-1 000
Industrial policy		-1 000
Indirect taxes	9 975	
Increase in fuel levy	4 890	
Increase in excise duties	2 100	
Electricity levy	2 780	
Incandescent light bulb levy	20	
Air Passenger departure tax	120	
Plastic bag levy	15	
Diamond export levy	50	
LOSS ON TAX PROPOSALS		-4 575

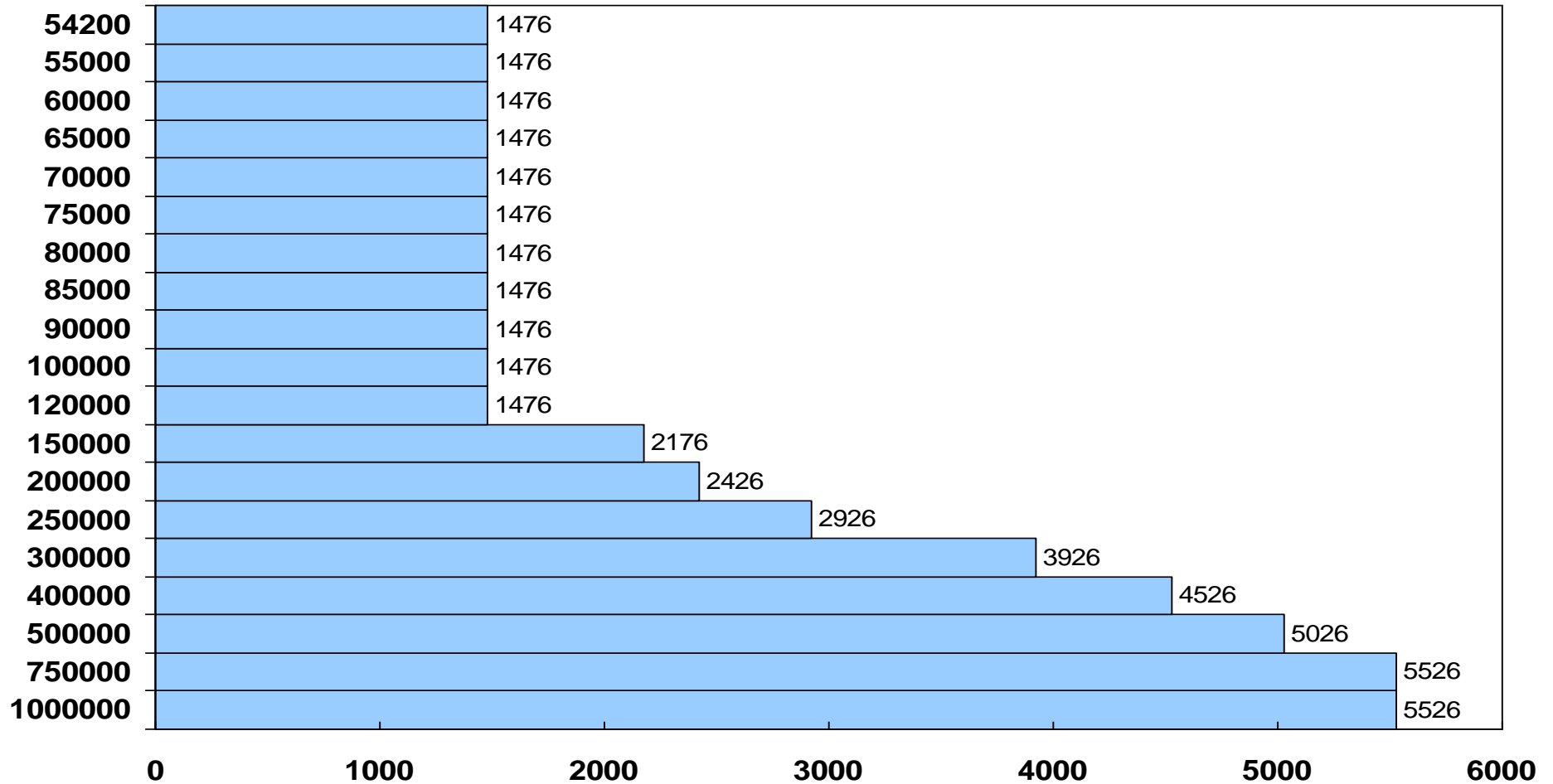
Personal tax relief in previous tax years

- Tax relief for individuals:

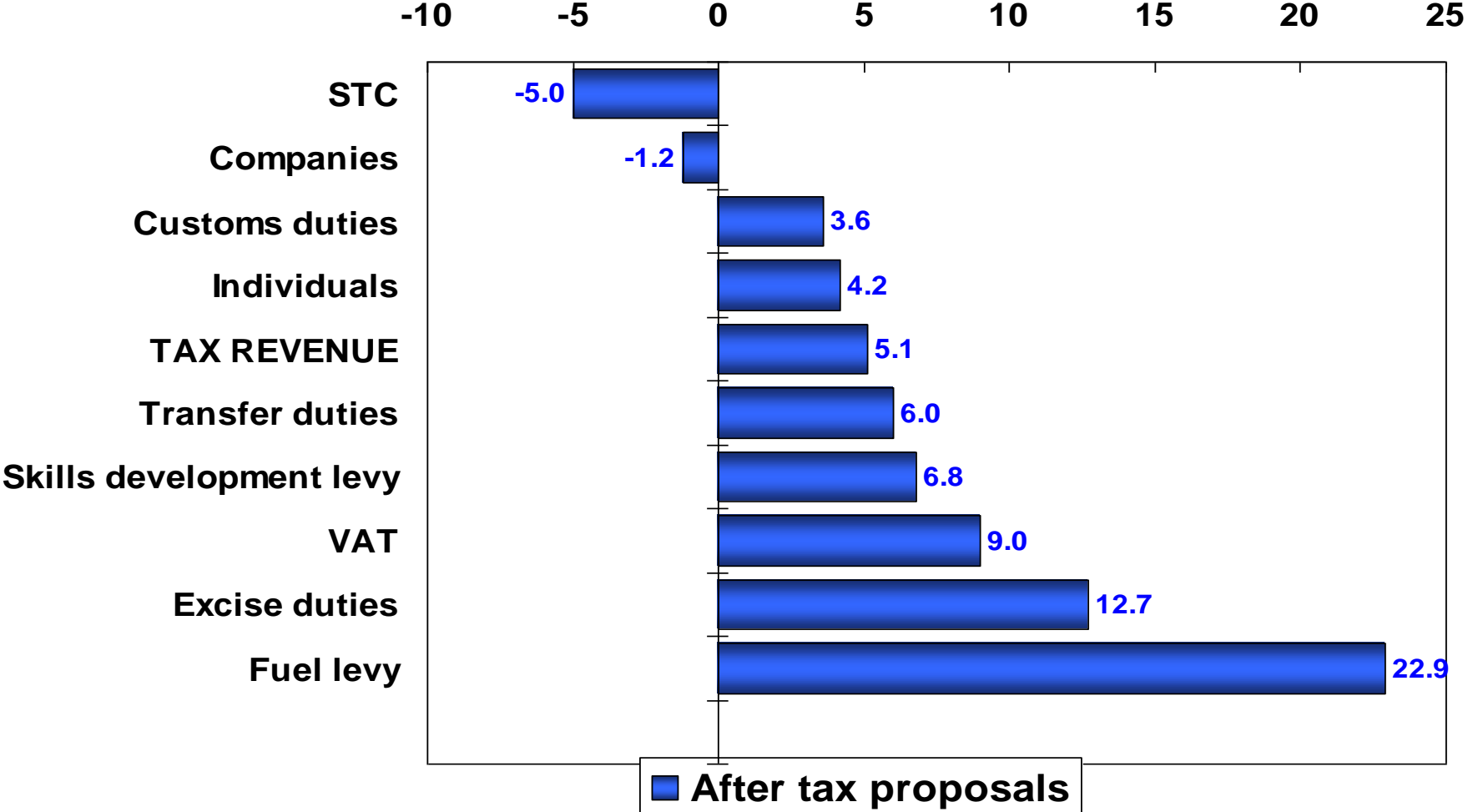
- 1998/1999 R4bn
- 1999/2000 R5bn
- 2000/2001 R10bn
- 2001/2002 R8bn
- 2002/2003 R15bn
- 2003/2004 R13bn
- 2004/2005 R4bn
- 2005/2006 R6.8bn
- 2006/2007 R13.5bn
- 2007/2008 R8.4bn
- 2008/2009 R7.2bn
- **2009/2010 R13.0bn**

Tax reduction for individuals <65

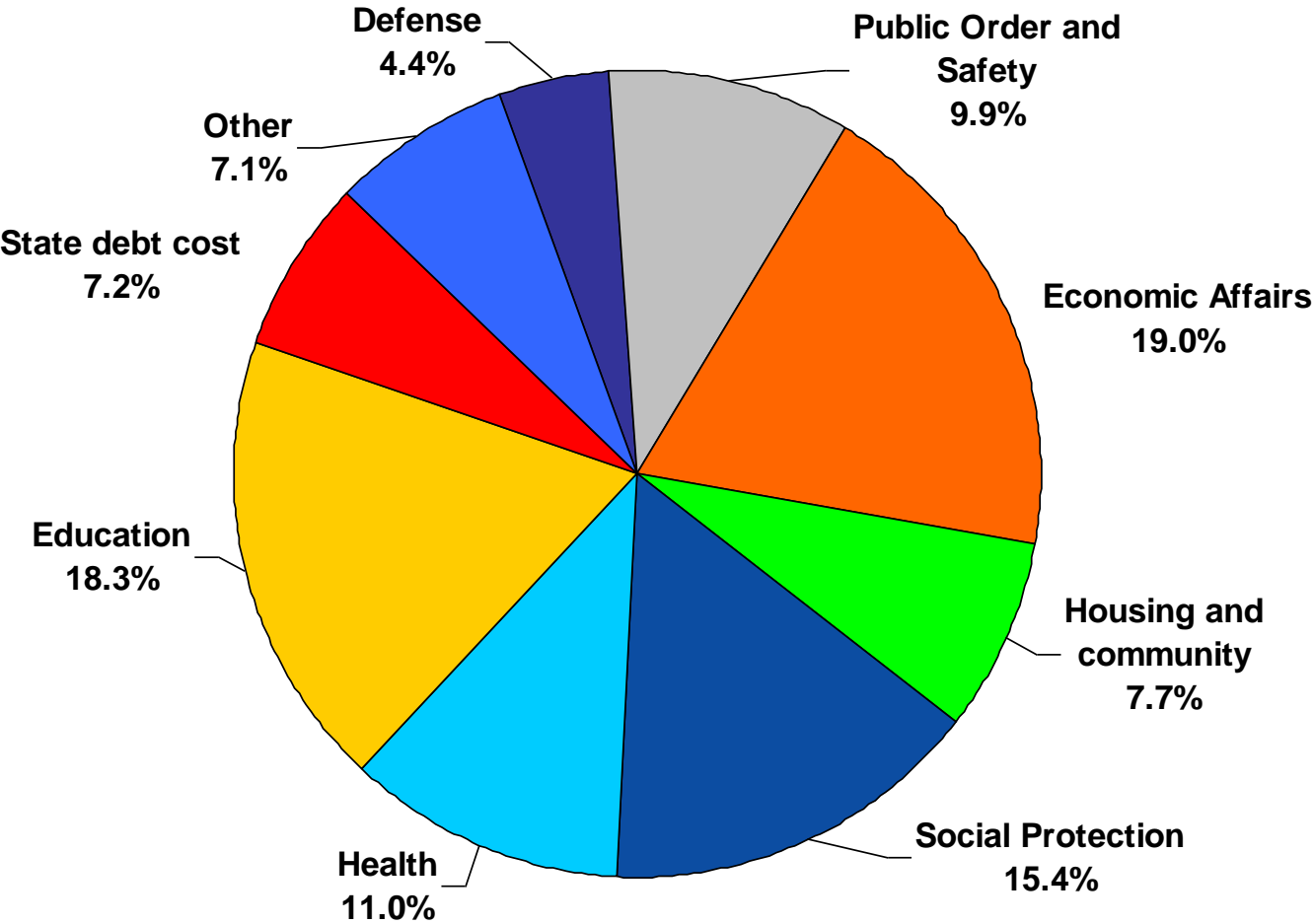
Taxable income (rands). Tax relief of R13.6billion in 2009/2010



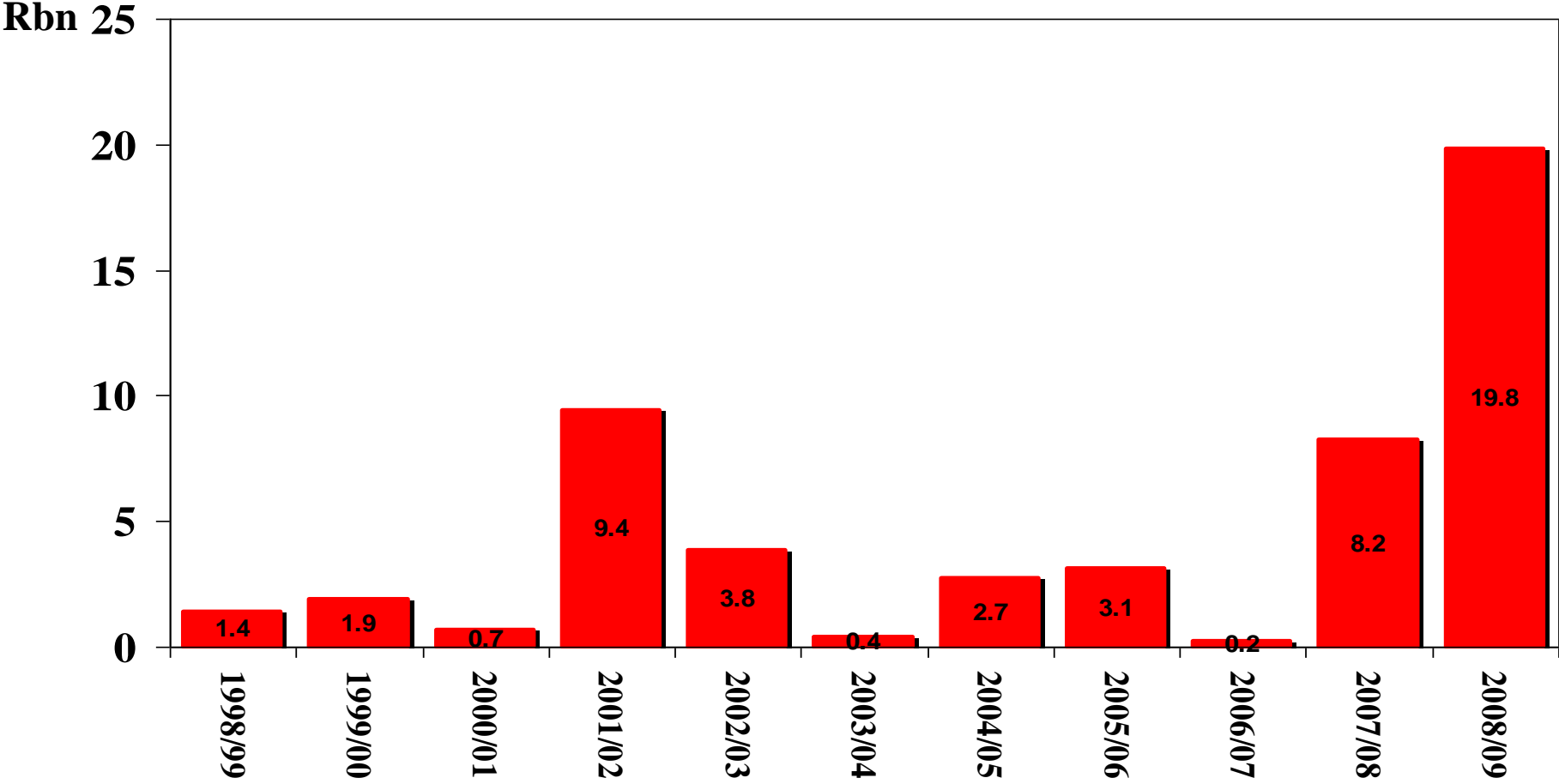
Budget revenue increases 2009/2010



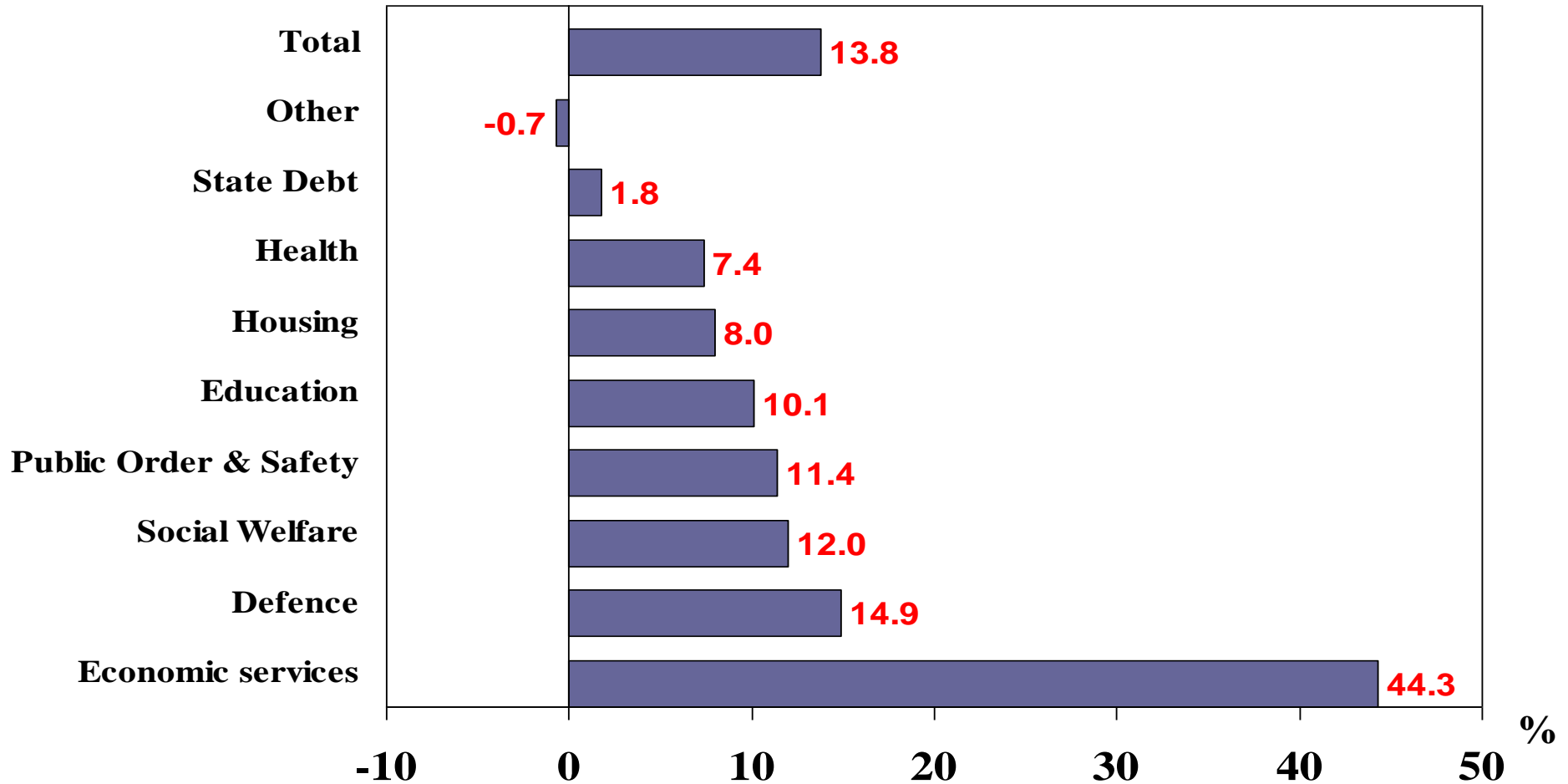
Breakdown of expenditure (including interest)



Government budget non-interest expenditure overruns



Budget Expenditure increases in 2009/10



•Consolidated national and provincial expenditure

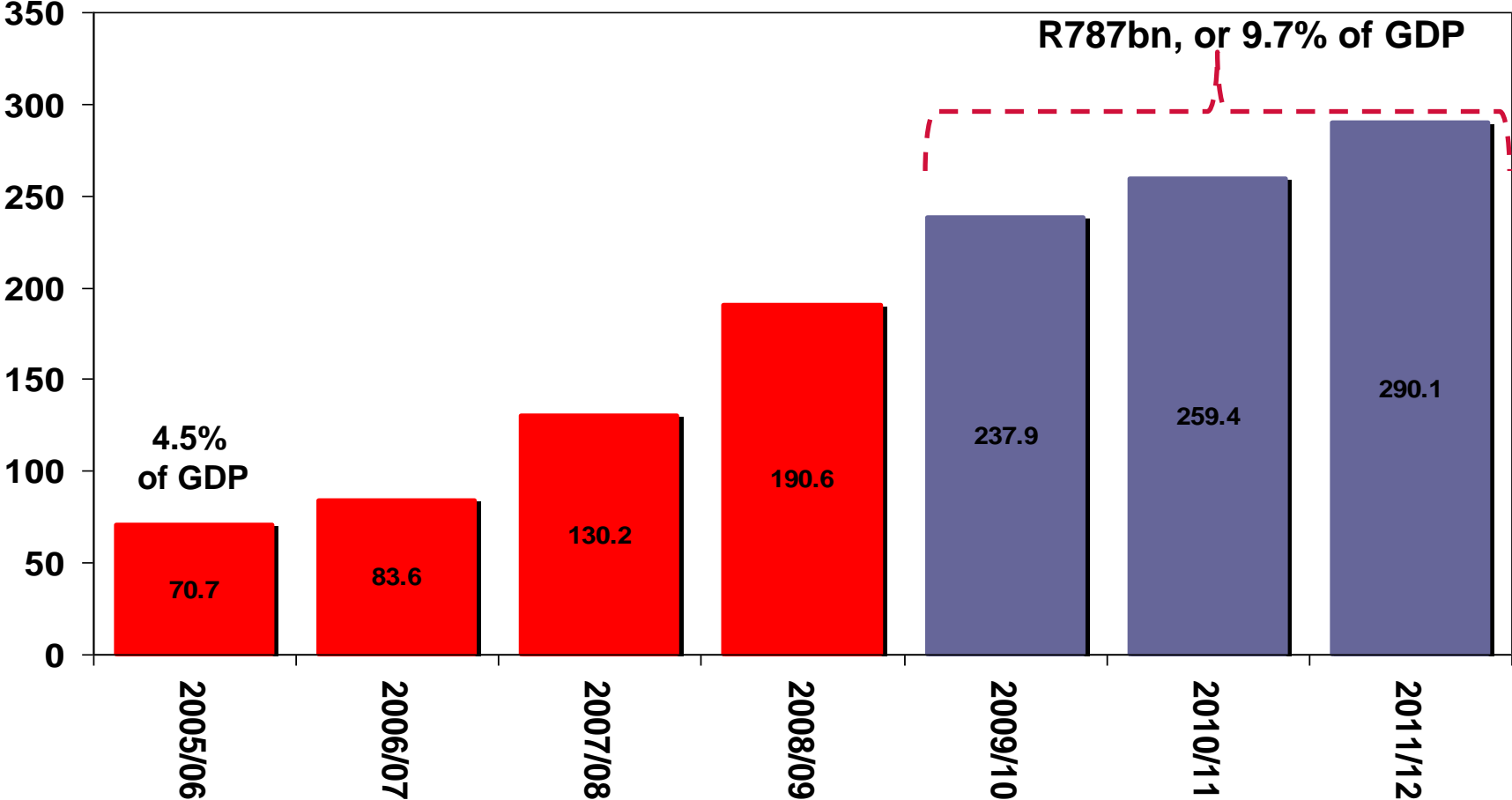
Key expenditure items % of total

	1990/91	05/06	06/07	07/08	08/09	09/10
Defence	13.7	5.7	5.1	4.7	4.4	4.4
Police, courts, prisons	5.6	10.9	10.5	10.5	10.1	9.9
Education	20.9	19.6	19.1	18.5	19.0	18.3
Health	10.1	11.2	11.3	11.3	11.6	11.0
Social security	10.8	16.6	16.4	15.9	15.7	15.4
Economic services		11.2	12.5	13.8	14.9	19.0

Includes water schemes, transport, communication etc

Public sector infrastructural spending

Rbn



Social grant beneficiary numbers

- Number of people obtaining a social grant

● April 2000	2 946 618
● April 2003	5 808 494
● April 2004	7 941 562
● April 2005	9 406 829
● April 2006	10 918 263
● April 2007	11 983 141
● April 2008	12 374 770
● April 2009	13 386278

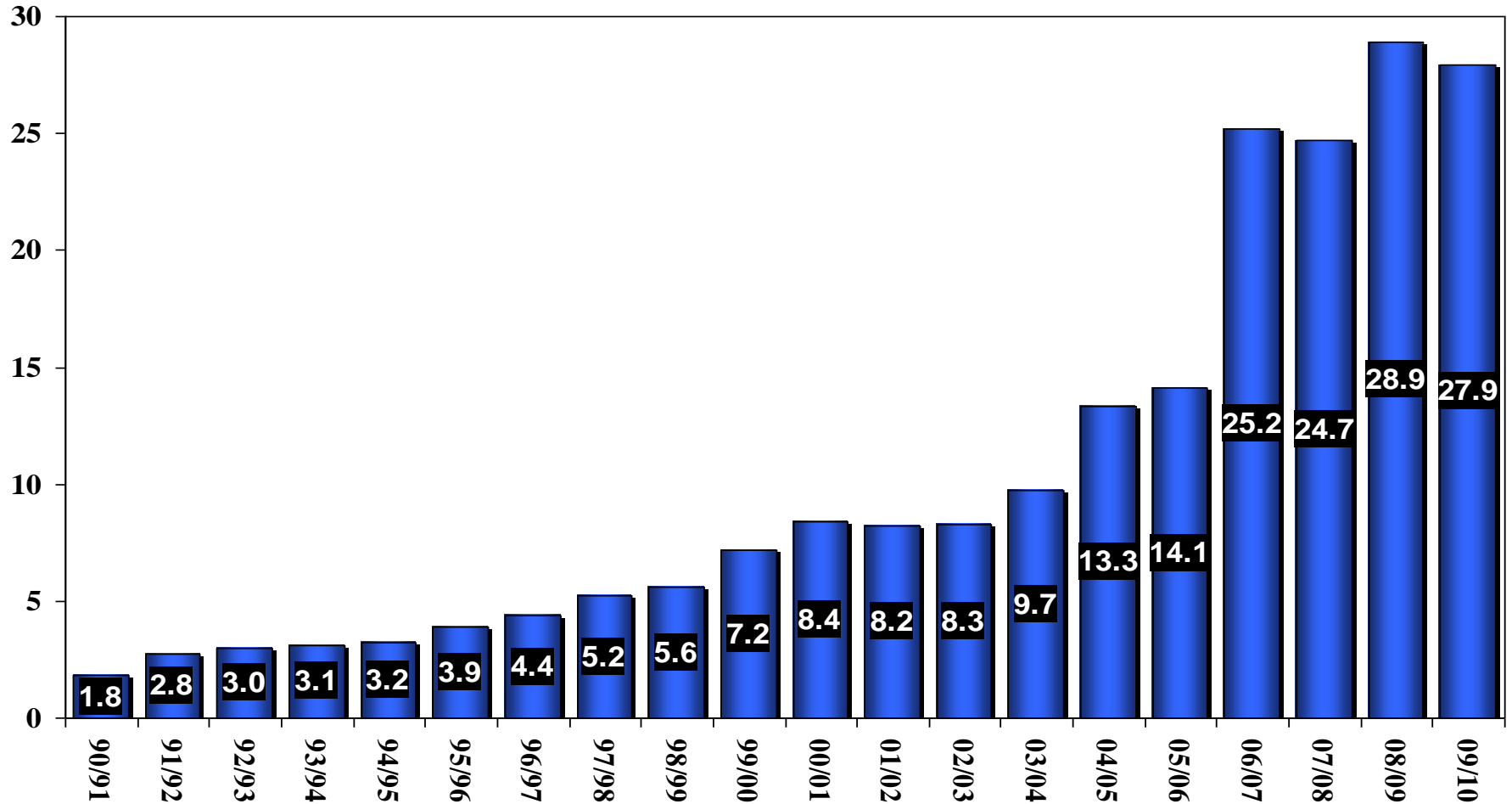
**Social grants represent spending of R80.38bn
which is 3.5% of GDP**

9 061 711 in the form of child support

- There has been a 18.3% average annual growth in the number of people obtaining a social grant from 2003 to 2009

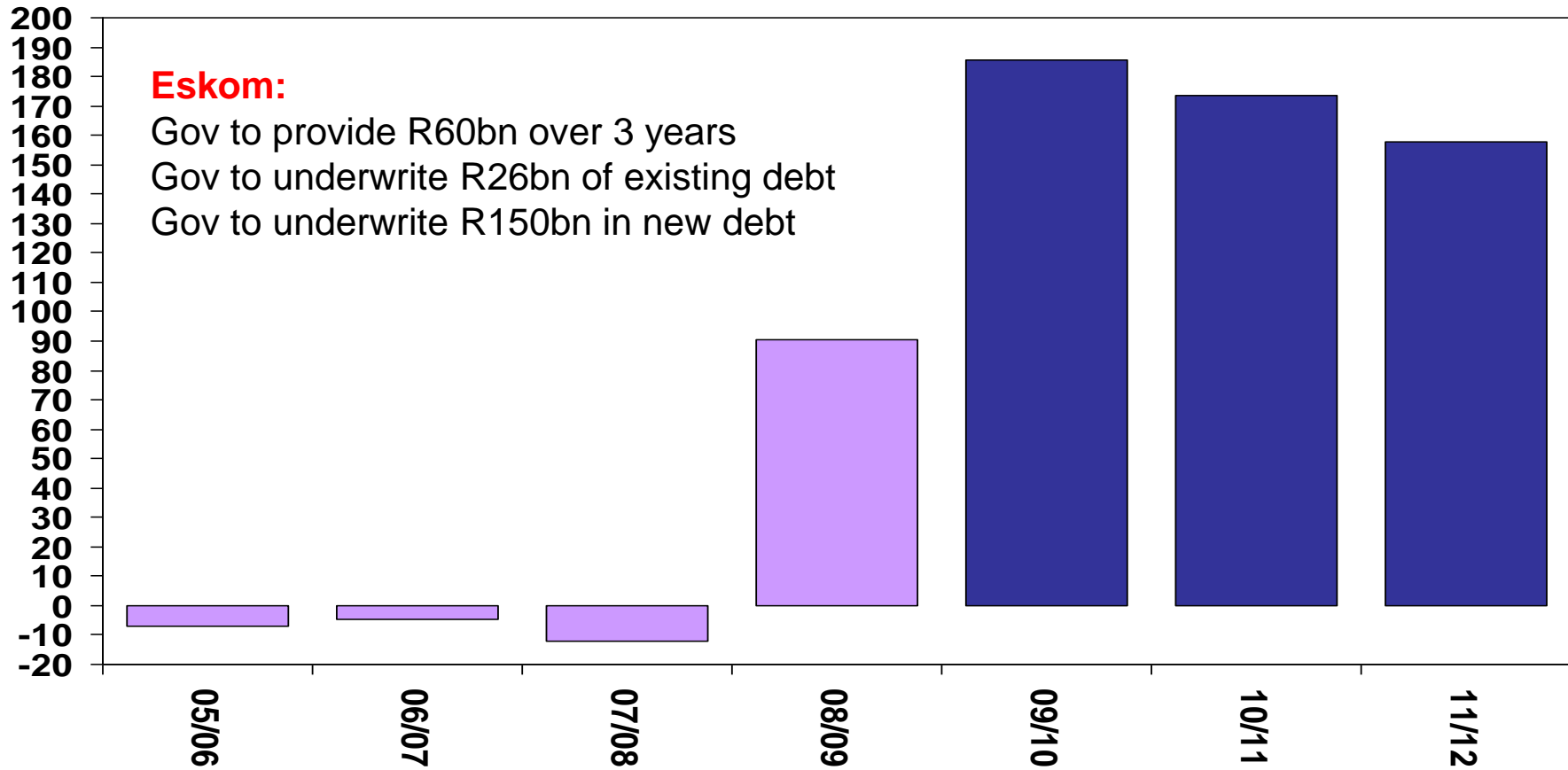
Customs union payments by SA govt

Rbn



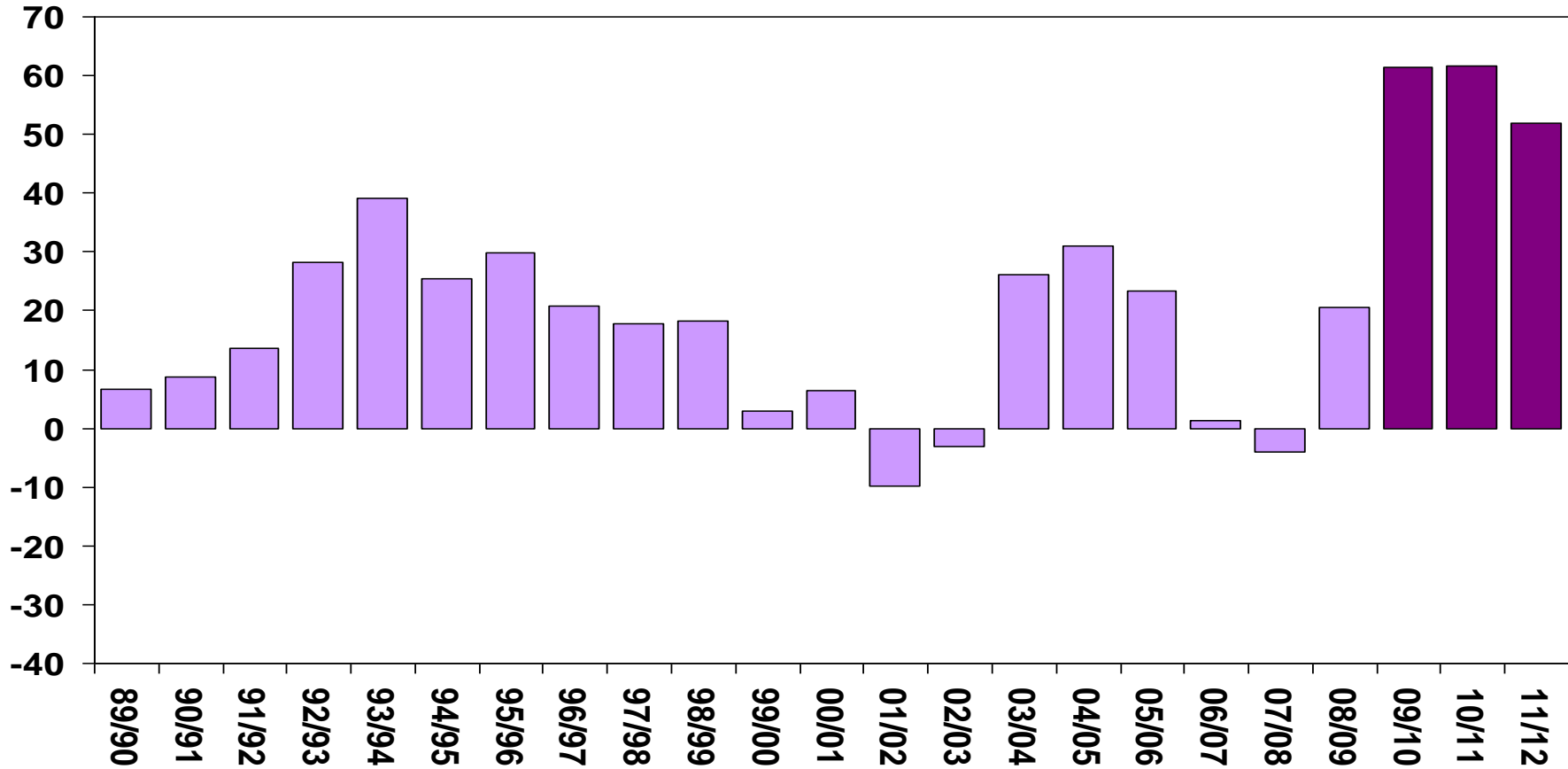
Public sector borrowing requirement

Rbn Fiscal years

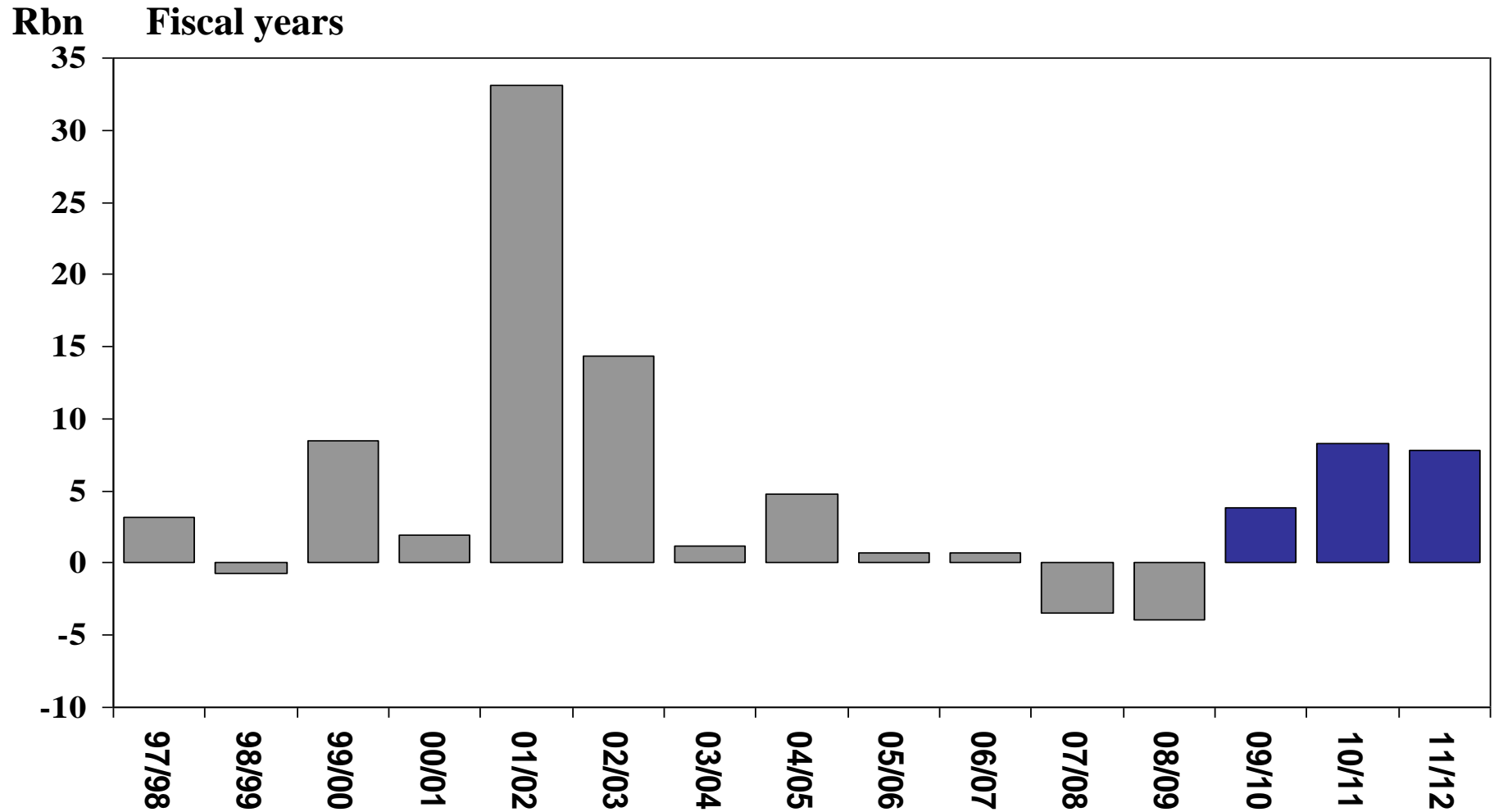


Government net domestic long-term bonds issued

Rbn Fiscal years

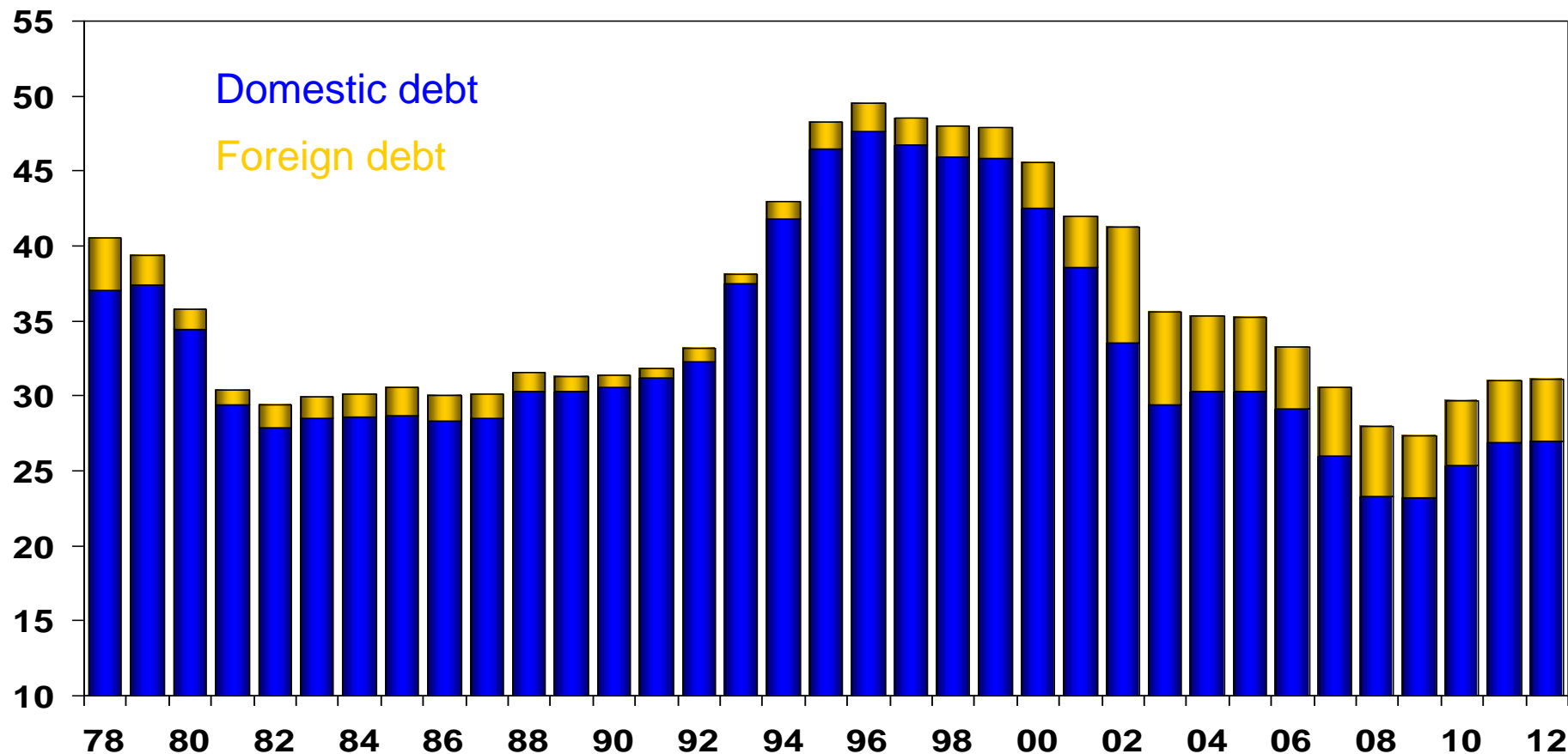


Government net foreign funding



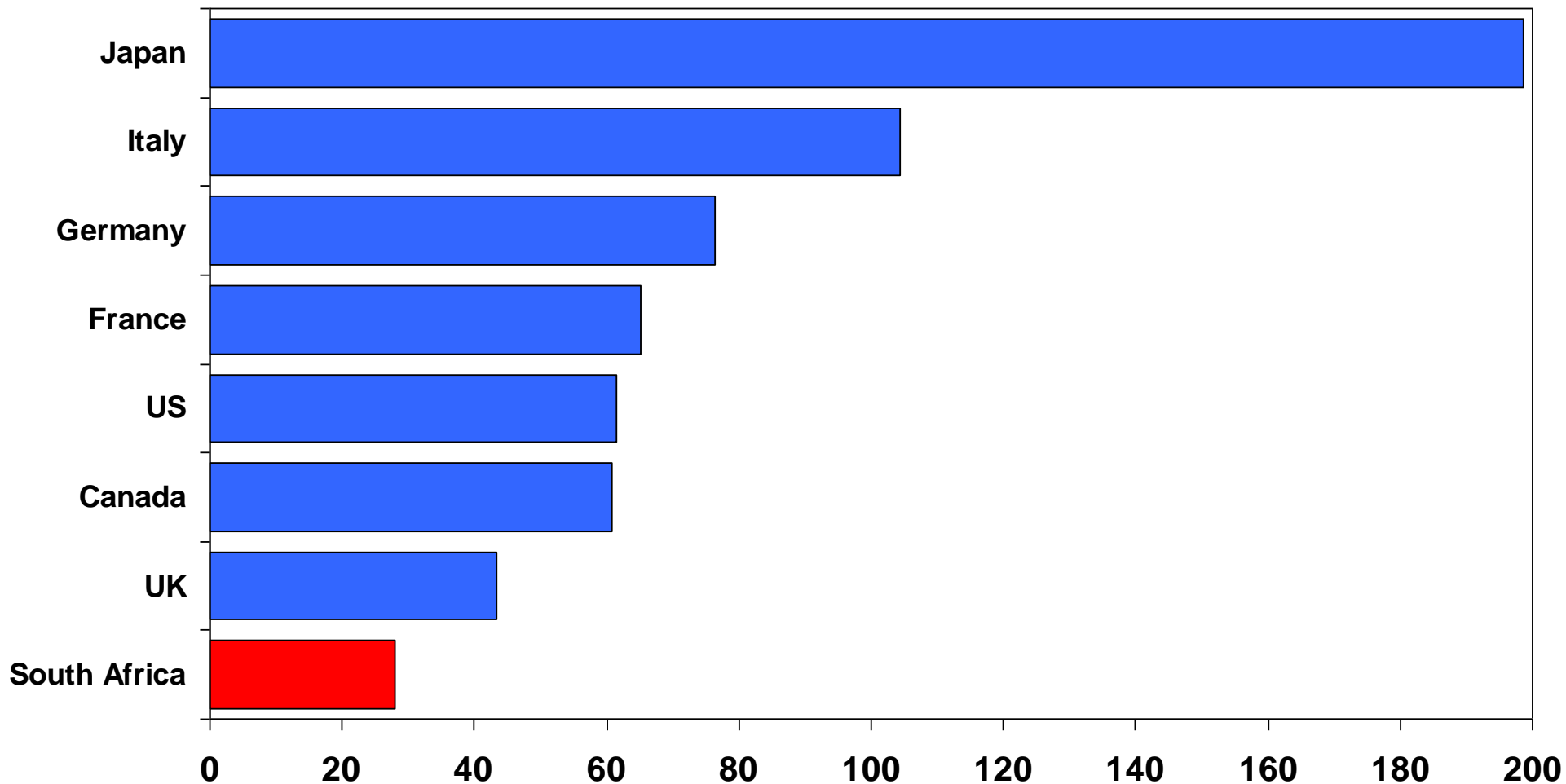
Government debt as % of GDP

%



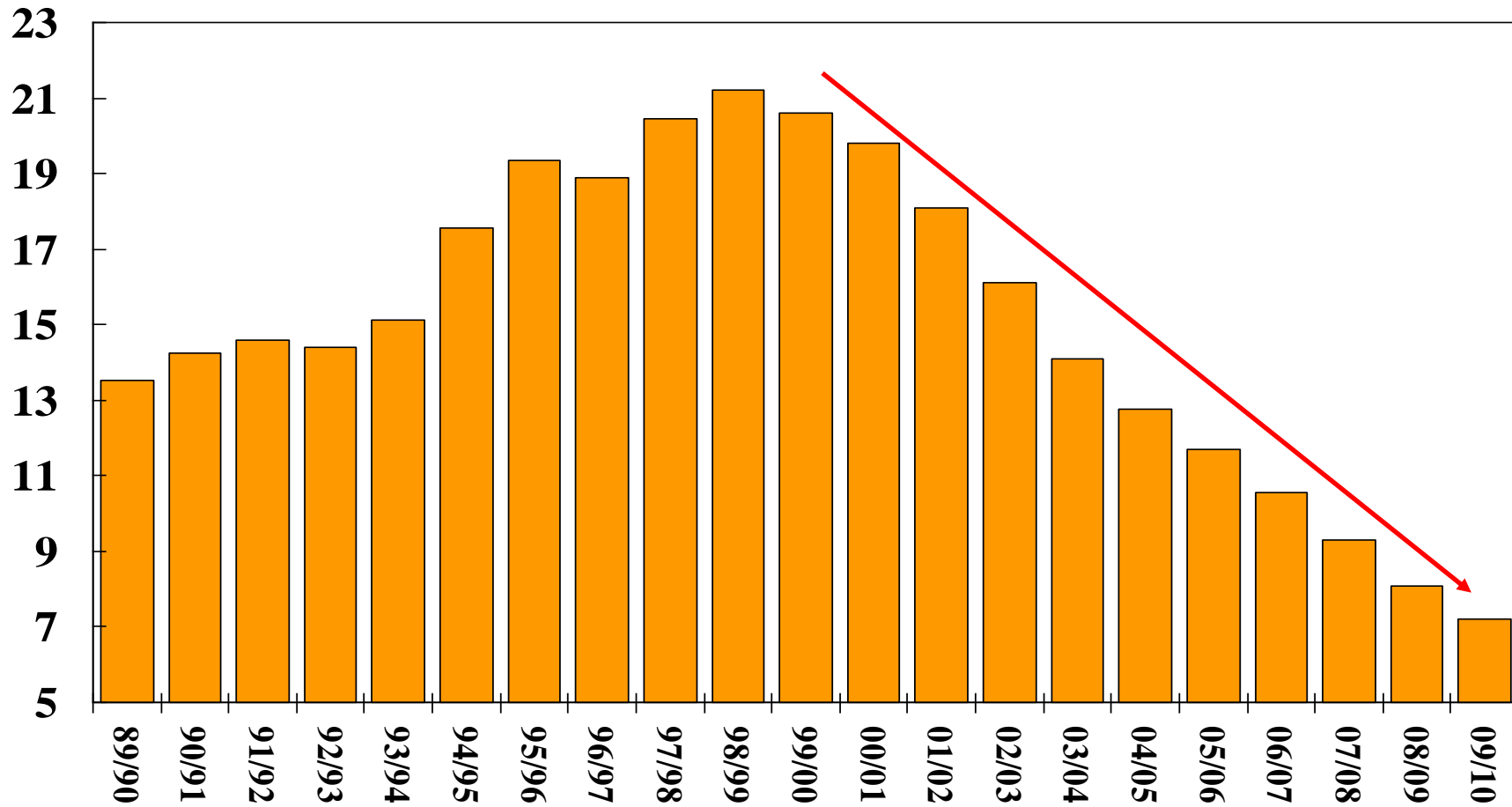
Government debt (gross) as % of GDP (2008)

%



Debt servicing as % of total spending

% Fiscal years



Evaluate the budget

Aims	Negative	Positive
Budget should be guide to govt's intentions		Yes
Budget deficit contained		Yes
Spending - efficiency		Yes
Revenue - no ad hoc measures		Yes
- efficiency of collection		Yes
Positive impact on the economy - Growth		Yes
- Inflation	No	
- Rand		Yes
Exchange control relaxation	No	
Encouraging private sector investment	No	
Unemployment and Job creation	No	
Law & Order, Crime and Violence	No	
Poverty relief		Yes
Encourage savings		Yes
Encourage small business		Yes
Innovation	No	

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