

1. What's your general opinion with regard to the budget?

Much as expected, with the minister's hands being tied to some extent by global economic realities. The downward revised tax collection figures reflect the impact of the global markets on the fiscus.

2. Any surprises? Is there anything you expected?

There were no real surprises, however, it is worth restating that it continues to be worrying that we appear unable to deploy capital at infrastructural capital formation but run over budget on expenditure, which is not capital forming. The continuing risk is that this generation breaches the stated inter-generational equity goal of treasury. The announcements in the speech of measures to restore the balance are to be welcomed; however, delivery in this

area has been absent for many years. The references to our progress in mining development compared to Australia and Brazil should be a huge cause for concern. In part, ambivalence on policy matters is to blame for South Africa's poor showing. The scale of apparent structural unemployment remains our biggest single challenge.

3. Was it inspiring/not inspiring?

This was a very workmanlike mini-budget with stark facts being placed on the table. There was very little scope for good news.

4. Are you happy with the announcement that the treasury will be backing 10 pilots of the proposed NHI with further funding details to be announced in February 2012?

Many would argue that we simply do not

have the financial or skills resources to fully implement NHI. For this reason, the very conservative 14-year time horizon and the measured roll-out is a prudent strategy. It would be hard to criticise the implementation of the pilots. If nothing else, even if only modestly successful, it will make a huge difference to the delivery of healthcare in the selected areas.

5. Are you concerned with the possible increase in taxation?

Pleasingly, there was only an oblique reference to increasing tax in reference to the way the deficit would be brought into line in future years. It does not appear that tax increases are on the cards; however, the minister continues to focus on improving the depth of collection of tax including VAT by vigilant collection.

BUDGET HIGHLIGHTS AT A GLANCE

If you've forgotten what the budget announcement was all about, we've set out the major highlights for you:

Growth: Economic growth forecast for 2011 is cut to 3.1 per cent, rising to 3.4 per cent in 2012, 4.1 per cent in 2013 and 4.3 per cent in 2014.

Inflation: Headline CPI is expected to average five per cent in 2011 and remain below six per cent over the next three years, within government's 3.6 target range.

Current account: The current account deficit is seen widening over the next three years from 3.4 per cent of GDP in 2011 to 3.8 next year, and 4.2 per cent in 2014 as import growth outpaces export growth.

Budget deficit: The Treasury plans to trim the budget deficit to 3.3 per cent in the 2014/15 financial year from 5.5 per cent in 2011/12.

Debt: National government net loan debt is projected to rise from just over R1 trillion at the end of 2011/12 to more than R1.5 trillion by 2014/15.

Taxes: Total government revenue, as percentage of GDP, is seen falling slightly from an estimated 27.3 per cent in 2011/12 to 27.0 per cent in 2012/13 before reaching 27.7 per cent in 2014/15.

Spending: Total government expenditure, as a percentage of GDP, is seen declining gradually over three years from an estimated 32.9 per cent in 2011/12 to 32.2 per cent in 2012/13 and 31.0 per cent in 2014/15. Budget framework provides for a five per cent annual cost of living adjustment for public sector employees.

Revenue: Tax revenue projection for 2011/12 cut by R13 billion to R728 billion from R741 billion – mainly on VAT receipt revisions – before recovering to R812 billion in 2012/13.

Tax: Government says it will consider policy measures to raise tax revenue if economy fails to recover as predicted.

Job creation: Government will provide R25 billion over the next six years to boost industrial development zones, assist job creation and support transition to green economy.

Health: Treasury backs 10 pilots of proposed National Health Insurance scheme, with further funding details expected in February 2012.

Climate: South Africa to strengthen climate change policies and seek global and private sector funding for green interventions over the next three years.

Source: *Hereford Group*