

# GLOSSARY

<b>Adjustments estimate</b>	Presentation to Parliament of the amendments to be made to the appropriations voted in the main budget for the year.
<b><i>Ad valorem</i> duties</b>	Duties levied on commodities at certain rates per centum on their value.
<b>Appropriation</b>	The approval by Parliament of spending from the National Revenue Fund, or by a provincial legislature from the Provincial Revenue Fund.
<b>Balance of payments</b>	A summary statement of all the international transactions of the residents of the nation with the rest of the world during a particular period of time.
<b>Baseline</b>	The initial allocations used during the budget process, derived from the previous year's forward estimates.
<b>Budget Council</b>	A body established to co-ordinate financial relations between national and provincial government, comprising the Minister and Deputy Minister of Finance and the nine provincial MECs for finance.
<b>Budget deficit</b>	The amount by which budgeted expenditure exceeds budgeted revenue.
<b>Capital gains tax</b>	Tax levied on the profits realised from the disposal of capital assets or investments by a taxpayer. A capital gain is the excess of the selling price over the original purchase price of a capital asset.
<b>Capital inflow</b>	The receipt of money by a host country from one or more foreign countries.
<b>Conditional grants</b>	Allocations of money from one sphere of government to another, conditional on certain services being delivered or on compliance with specified requirements.
<b>Consolidated expenditure</b>	Total expenditure by national and provincial government, excluding allocations to local government other than <i>agency payments</i> .
<b>Consumer price inflation</b>	Price increases as measured by the consumer price index (CPI), which reflects the prices of a representative basket of consumer goods and services.
<b>Consumption expenditure</b>	Expenditure on goods and services that are used up within a short period of time, usually a year. Salaries absorb most of Government's consumption expenditure.
<b>Contingency reserve</b>	An amount that is set aside and not allocated in advance, in order to accommodate changes to the economic environment and to meet unforeseen spending pressures.
<b>Conventional deficit</b>	Total revenue less total expenditure
<b>Core inflation</b>	Consumer price inflation, excluding certain items such as mortgage costs, indirect taxes and the costs of certain foods.

<b>Corporatisation</b>	The transformation of state owned enterprises into commercial entities, subject to commercial legal requirements and governance structures, while retaining state ownership.
<b>Cost-push inflation</b>	Inflation that is caused by an increase in production costs, such as wages or oil prices.
<b>Coupon (Bond)</b>	The periodic interest payment made to the bondholders during the life of the bond. The interest is usually paid twice a year.
<b>CPIX inflation</b>	Consumer price inflation excluding mortgage costs.
<b>Current account</b>	The difference between total imports and total exports, also taking into account service payments and receipts, interest, dividends and transfers. The current account can be in deficit or surplus.
<b>Debenture</b>	A certificate of indebtedness of a government or company backed only by the general credit of the issuer and unsecured by property or assets.
<b>Debt interest/service costs</b>	The cost of interest on government debt.
<b>Debt switching</b>	The act of restructuring the term structure and maturity profile of government debt.
<b>Depreciation (exchange rates)</b>	A reduction in the external value of the rand. Depreciation makes South African goods cheaper to foreign purchasers, and imported goods more expensive to South African buyers.
<b>Direct investment</b>	Investment from abroad in physical assets such as factories.
<b>Direct taxes</b>	The term <i>current taxes on income and wealth</i> replaces <i>direct taxes</i> , and refers to taxes payable on incomes, profits and capital gains. In addition, the terms <i>current taxes on capital</i> and <i>miscellaneous current taxes</i> are introduced. The former refers to periodic taxes on the property or net wealth of institutions, with the latter applicable to poll taxes and license payments by households.
<b>Dissaving</b>	The difference between current income and current expenditure, including the depreciation of fixed capital.
<b>Division of revenue</b>	The allocation of funds between the spheres of government as required by the Constitution.
<b>Domestic absorption</b>	Total spending in the economy on household consumption, government consumption and investment.
<b>Effective tax rate</b>	Actual tax liability (or a reasonable estimate thereof) expressed as a percentage of a pre-tax income base rather than a percentage of taxable income, i.e. tax rates that take into account not only the statutory or nominal tax rate, but other aspects of the tax system (e.g. allowable deductions), which determine the tax liability.
<b>Emerging markets</b>	A name given by international investors to middle income economies.
<b>Equitable shares</b>	The allocation of revenue to the national, provincial and local spheres of government as required by the Constitution.
<b>Financial and Fiscal</b>	An independent body established by the Constitution to make

<b>Commission (FFC)</b>	recommendations to Parliament and provincial legislatures about financial issues affecting the three spheres of government.
<b>Fiscal policy</b>	Policy on tax, spending and borrowing by government.
<b>Foreign direct investment (FDI)</b>	Direct investments in productive assets by a company incorporated in a foreign country, as opposed to investments in shares of local companies by foreign entities
<b>GDP inflation</b>	A measure of the total increase in prices in the whole economy. Unlike CPI inflation, GDP inflation includes price increases in goods that are exported, excludes imported goods, and includes intermediate goods such as machines.
<b>Government debt</b>	The total amount of money owed by government.
<b>Gross domestic product (GDP)</b>	A measure of the total national output, income and expenditure in the economy. GDP per head is the simplest overall measure of welfare, although it does not take account of the distribution of income, nor of goods and services that are produced outside the market economy, such as work within the household.
<b>Gross fixed capital formation (GFCF)</b>	The addition to a country's fixed capital stock during a specific period, before provision for depreciation.
<b>Growth</b>	An increase in the total amount of output, income and spending in the economy.
<b>Improvements in conditions of service (ICS)</b>	The sum set aside to meet the costs of pay increases for public servants. The distribution of improvements in conditions of service depends on the agreements between the Government as employer and the public service unions.
<b>Inflation</b>	A sustained increase in the general price level.
<b>Inflation targeting</b>	A monetary policy framework intended to achieve price stability over a certain period of time. The Reserve Bank and Government agree on a target rate to be achieved over a stipulated period.
<b>Integrated Justice System</b>	The cluster of government activities consisting of Correctional Services, Justice and the South African Police Services.
<b>Inventories</b>	Stocks of goods held by firms. An increase in inventories reflects an excess of output relative to spending over a period.
<b>Investment</b>	The flow of expenditure on new capital goods.
<b>Macroeconomics</b>	The branch of economics that deals with the whole economy – including issues like, growth, inflation, unemployment and the balance of payments.
<b>Marketable securities</b>	Tradeable financial securities listed with the securities exchanges such as the JSE, SAFEX and BESA.
<b>Medium Term Expenditure Committee (MTEC)</b>	The technical committee responsible for evaluating the MTEF budget submissions of national departments and making recommendations to the Minister of Finance regarding MTEF budget allocations to national departments.

<b>Medium term expenditure framework (MTEF)</b>	The three-year spending plans of national and provincial governments published at the time of the budget.
<b>Merchandise exports</b>	Exports of goods, but not services. In the South African accounts this usually excludes exports of gold.
<b>Microeconomics</b>	The branch of economics that deals with the behaviour individual firms and consumers.
<b>Ministers' Committee on the Budget (Mincombud)</b>	The political committee that considers key policy and budgetary issues that pertain to the budget process before they are tabled in Cabinet.
<b>MinMEC</b>	A MinMEC is a political forum where national and provincial departments in the same sector discuss policy issues. It consists of the national Minister and the nine provincial MECs, supported by key departmental officials.
<b>Monetary policy</b>	Government policy that is delegated to central banks to implement policies that address the total money supply, exchange rates and the general level of interest rates.
<b>Money supply</b>	The total stock of money in an economy.
<b>National budget</b>	The projected revenue and expenditures which flow through the National Revenue Fund. It does not include spending by provinces or local government from their own revenues.
<b>Net Open Forward Position</b>	Gold and foreign exchange reserves minus oversold forward book. The figure is expressed in dollars.
<b>Nil coupon bonds</b>	A security which makes no interest payment, paying the investor only the face value at redemption.
<b>Nominal exchange rates</b>	The current rate of exchange between the rand and foreign currencies.
<b>Portfolio investment</b>	Investment in financial assets such as stocks and shares or government bonds.
<b>Primary sector</b>	The agricultural and mining sectors of the economy.
<b>Primary surplus</b>	The difference between revenue and non-interest expenditure
<b>Private sector credit extension</b>	Credit provided to the private sector by banks. This includes all loans, credit cards and leases.
<b>Public Private Partnerships (PPPs)</b>	A contractual arrangement whereby a private party performs part of a government function and assumes the associated risks. In return, the private party receives a fee according to predefined performance criteria.
<b>Public sector borrowing requirement (PSBR)</b>	The consolidated cash borrowing requirement of general government and public enterprises.
<b>Private sector credit extension (PSCE)</b>	Credit provided to the private sector by banks. This includes all loans, credit cards and leases.
<b>Producer price index (PPI)</b>	A measure of the prices paid based mainly on published price lists by producers.

<b>Real effective exchange rate</b>	A measure of the rate of exchange of the rand relative to a trade-weighted average of South Africa's trading partners' currencies, adjusted for price trends in South Africa and the countries included.
<b>Real expenditure</b>	The level of expenditure after taking account of inflation.
<b>Remuneration</b>	The costs of personnel including salaries, housing allowances, car allowances and other benefits received by personnel.
<b>Repo rate</b>	The rate of interest that the Reserve Bank pays on repurchase agreements with money market participants.
<b>Reserves (foreign exchange)</b>	Holdings of foreign exchange, either of the Reserve Bank only or of the Reserve Bank and domestic banking institutions.
<b>Residence-based income tax system</b>	A tax system where income that accrues to a resident of a country is subject to the taxes of that country.
<b>Reverse repurchase agreement</b>	A form of the Reserve Bank's money market operations where a single agreement to buy a bond or other asset is entered into and sold back again to the same counterparty for settlement on a later date at an agreed price.
<b>Saving</b>	The difference between income and spending.
<b>Source-based income tax system</b>	A tax system where income is taxed in the country where that income originates.
<b>Southern African Customs Union (SACU)</b>	An agreement that allows for the unrestricted flow of goods and services between South Africa, Botswana, Namibia, Lesotho and Swaziland.
<b>Southern African Development Community (SADC)</b>	A regional governmental organisation which promotes collaboration, economic integration and technical co-operation throughout Southern Africa.
<b>Syndicated loan</b>	A large loan in which a group of banks, headed by a lead manager, work together to provide funds which they solicit from their clients for the borrower.
<b>Tax base</b>	The aggregate value of income, sales or transactions on which particular taxes are levied.
<b>Unallocated reserves</b>	Potential expenditure provision not allocated to a particular use. Mainly consists of the <i>contingency reserve</i> and amounts of money left unallocated by provinces.
<b>Unit labour costs</b>	The cost of labour per unit of output. Calculated by dividing average wages by productivity (output per worker per hour).
<b>Vertical division</b>	The division of revenue between spheres of government.
<b>Yield</b>	A financial return or interest paid to buyers of government bonds. The yield/rate on return on bonds takes into account the total of annual interest payments, the purchase price, the redemption value and the amount of time remaining until maturity.