Explanatory note: new format for the consolidated government account

As announced in the *MTBPS* 2012 and *Budget Review* 2013, the consolidated government accounts are now presented in a new format. This more transparent format presents core budget information in line with the International Monetary Fund's *Government Finance Statistics Manual* 2001. The new format provides:

- Details of operating activities.
- Details of capital and infrastructure investment.
- Transactions in financial assets and liabilities, including extraordinary receipts and payments.

The new format includes all transactions of government in the calculation of the budget balance. Previously, extraordinary receipts and payments were added to the budget deficit to arrive at the net borrowing requirement. They are now mainly included as transactions in financial assets and liabilities. As a result there is no longer a difference between the budget balance and the borrowing (or financing) requirement.

Extraordinary receipts include: premium on bond issues (bonds are issued at a premium and the profit received is recorded as revenue from a financial asset); profit on conversion of foreign currency transactions; and debt portfolio restructuring (in the process of switching bonds, government records profits from such switching transactions, which are recorded as revenue from financial assets). Extraordinary payments include: losses on the Gold and Foreign Exchange Reserve Account; premium on debt portfolio restructuring; and losses on conversion of foreign currency transactions.

The new format is also structured to present operating and capital accounts, as well as transactions in financial assets and liabilities. This allows for a more detailed analysis of the fiscal trends, their sustainability, and interface with the economy.

The current balance shows the surplus or deficit in the financing of government's operating activities. A deficit indicates a need to borrow to run operations, while a surplus indicates the availability of current revenue to finance investment. The balance on the capital account shows the borrowing for capital investment.

Changes to fiscal framework due to new format

The 2013 *Budget Review* forecast a budget deficit of 4.6 per cent of GDP for 2013/14. Extraordinary receipts and payments were then added to calculate the borrowing requirement.

In implementing the changes discussed above, the 2013 *MTBPS* fiscal framework includes extraordinary receipts of R11.4 billion and extraordinary payments of R0.2 billion for 2013/14. As a result, there is a technical improvement in the fiscal deficit of 0.3 per cent of GDP. In the absence of these changes, the 2013 *MTBPS* deficit would have improved by 0.1 per cent to 4.5 per cent of GDP, driven by slower-than-anticipated spending.

R million	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Budget deficit excluding extraordinary transactions	**-116 891**	**-111 347**	**-143 908**	**-155 790**	**-158 632**	**-157 058**	**-134 317**
Percentage of GDP	*-4.3%*	*-3.7%*	*-4.5%*	*-4.5%*	*-4.2%*	*-3.8%*	*-3.0%*
Extraordinary receipts	3 010	5 209	11 534	11 401	1 150	800	120
Extraordinary payments	838.6	1 388	2 587	200	-	-	-
Budget deficit including extraordinary transactions	**-114 719**	**-107 526**	**-134 962**	**-144 589**	**-157 482**	**-156 258**	**-134 197**
Percentage of GDP	*-4.2%*	*-3.6%*	*-4.2%*	*-4.2%*	*-4.1%*	*-3.8%*	*-3.0%*
Borrowing requirement	**-114 719**	**-107 526**	**-134 962**	**-144 589**	**-157 482**	**-156 258**	**-134 197**

The main extraordinary receipts included in the fiscal framework are R5.9 billion from premiums on loan transactions and R5 billion from revaluation profits on foreign currency transactions. No significant extraordinary payments are expected.