

Macroeconomic outlook – summary, 2007 – 2010

	2007 Estimate	2008	2009 Forecast	2010
Real growth				
Household consumption	7.0%	3.7%	3.8%	4.2%
Capital formation	15.3%	9.6%	9.7%	9.9%
Exports	7.1%	3.8%	6.0%	6.4%
Imports	11.0%	7.0%	6.9%	6.3%
Gross domestic product	5.0%	4.0%	4.2%	4.6%
Consumer price inflation (CPIX)	6.5%	7.1%	4.9%	4.7%
Balance of payments current account (percentage of GDP)	-7.2%	-7.3%	-7.8%	-8.0%

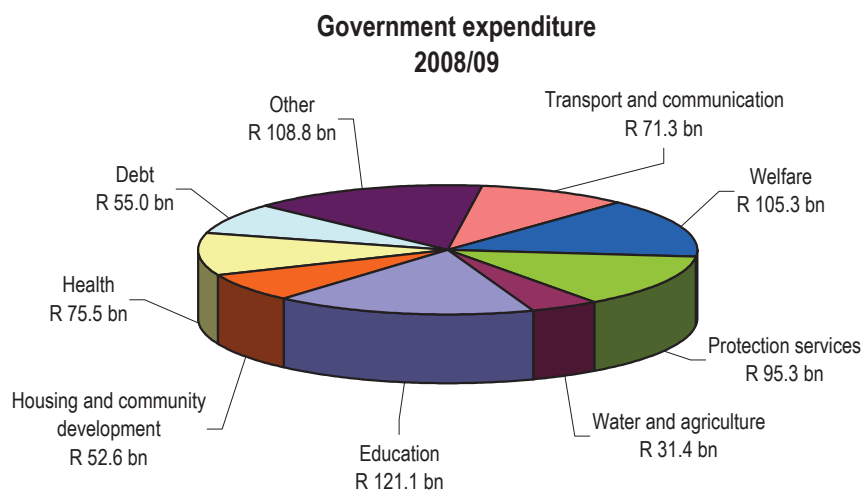
Consolidated national budget, 2007/08 – 2010/11

R million	2007/08 Revised estimate	2008/09	2009/10	2010/11
		Medium-term estimates		
Total revenue	580 417	650 026	720 134	788 980
<i>Percentage of GDP</i>	28.4%	28.4%	28.7%	28.6%
Total expenditure	560 086	631 540	704 116	768 454
<i>Percentage of GDP</i>	27.4%	27.6%	28.1%	27.9%
State debt cost	52 829	51 236	51 125	51 156
<i>Percentage of GDP</i>	2.6%	2.2%	2.0%	1.9%
Budget balance	20 331	18 486	16 018	20 526
<i>Percentage of GDP</i>	1.0%	0.8%	0.6%	0.7%
Gross domestic product	2 045 533	2 286 906	2 506 870	2 758 552

Consolidated government expenditure by function,¹ 2007/08 – 2010/11

R million	2007/08 Revised estimate	2008/09	2009/10	2010/11	Average annual growth 2007/08 – 2010/11
		Medium-term estimates			
Education	105 746	121 087	134 139	146 680	11.5%
Health	68 169	75 492	83 853	92 228	10.6%
Welfare and other social security	92 224	105 309	116 255	125 384	10.8%
Housing and community development	45 540	52 555	60 225	68 142	14.4%
Police, prisons and courts	58 413	64 885	72 434	80 093	11.1%
Defence and intelligence	28 579	30 440	32 016	34 496	6.5%
Economic services	143 213	165 213	178 592	187 136	9.3%
General administration	34 876	40 302	44 426	46 937	10.4%
Allocated expenditure	576 760	655 283	721 940	781 097	10.6%
Interest	55 772	54 960	55 385	55 657	-0.1%
Contingency reserve	–	6 000	12 000	20 000	
Total expenditure	632 532	716 243	789 325	856 753	10.6%

1. Includes national, provinces, social security funds and selected public entities.



2008 Budget highlights

The economy and fiscal stance

- GDP growth of 5 per cent in 2007, with growth averaging about 4.3 per cent a year over the forecast period.
- CPIX inflation rising to 7.1 per cent in 2008 before declining to 4.9 per cent in 2009.
- Gross fixed capital formation projected to rise from 21 per cent of GDP in 2007 to 24 per cent in 2010.
- Estimated consolidated national budget surpluses of 1 per cent in 2007/08 and 0.8 per cent in 2008/09, with projected surpluses over the three-year period.
- Real growth in consolidated government non-interest expenditure of 6.1 per cent a year over the MTEF.
- Government contribution to national savings projected to rise from 0.8 per cent of GDP in 2006/07 to 1.5 per cent in 2010/11.
- R60 billion to support Eskom's capital financing requirements over the next five years.

Tax proposals

- Total tax relief for individuals of R7.7 billion.
- Reduction in the corporate income tax rate from 29 per cent to 28 per cent.
- A simplified tax regime for small businesses.
- R5 billion in tax subsidies over the next three years for labour-intensive industries and industrial policy.
- An electricity levy of 2 cents per kilowatt hour.
- Fuel (petrol and diesel) taxes to increase, from 2 April 2008, by 11 cents per litre.
- A packet of 20 cigarettes will cost 66 cents more.
- A 750 ml bottle of wine will cost 12 cents more.
- A 340 ml can of beer will cost 5 cents more.
- A 750 ml bottle of liquor (spirits) will cost R2.17 more.

Spending on public services

Additions to spending over the next three years:

- R33.2 billion for provinces mainly for school education, health care, welfare services and roads.
- R6.5 billion to municipalities for the extension of free basic services.
- R12.5 billion for social grants, including extension of the child support grant to children up to their 15th birthday in 2009 and lowering of the age of eligibility for men to receive the old age pension to 60.
- R9 billion in conditional grants for school building, HIV and Aids, hospital revitalisation and school nutrition.
- R8.2 billion for public transport, roads and railway infrastructure.
- R6 billion for housing, water and general built environment infrastructure.
- R2 billion for 2010 FIFA World Cup Stadiums and related infrastructure.
- R2.5 billion for industrial development and small, medium and micro enterprises.
- R2.6 billion for agriculture and land reform.
- R2.7 billion for information technology network infrastructure, police forensic laboratories and additional police personnel, and R2 billion for correctional facilities.
- R1.4 billion for higher education, research and knowledge development.
- R1 billion for programmes under the expanded public works umbrella.