NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 435

DATE OF PUBLICATION: 18 MARCH 2005

MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:

What was the (a) total capital expenditure estimates for the national, provincial and local governments and (b) amount spent by each sphere of government, over the past five years? **N620E**

REPLY:

(a) The past five-year capital expenditure estimates for national, provincial and local governments, including capital transfers to entities are contained in Table 1 below. Each figure is sourced from the relevant document outlining the best estimate preceding the year of expenditure. Capital transfers from national government to other spheres are netted out of the national figures. Due to the reorganisation of local government, municipal capital budget estimates in the 2000/01 and 2001/02 years are estimates made by National Treasury.

Table 1: Five Year Capital Expenditure Estimates from preceding years

R million	**2000/01**	Source	**2001/02**	Source	**2002/03**	Source	**2003/04**	Source	**2004/05**	Source
National	**4 941**	BR 2000	**8 131**	BR 2001	**8 124**	BR 2002	**10 837**	BR 2003	**13 713**	MTBPS 03
Provincial	**7 988**	IGFR 2000	**11 199**	IGFR 2001	**13 994**	IGFR 2002	**18 606**	IGFR 2003	**19 949**	MTBPS 03
Local	**13 700**	BR 2001	**11 700**	BR 2002	**12 402**	BR 2002	**14 040**	BR 2003	**15 022**	MTBPS 03

(b) The capital amounts spent by each sphere of government over the past five years is given in Table 2 below. These figures include capital transfers to entities with national transfers to other spheres netted out. Municipal estimates will be refined going forward, now that municipalities are obliged to supply information to the National Treasury on actual expenditures under the Municipal Finance Management Act.

Table 2: Five Year Capital Expenditure Outcomes

R million	2000/01 outcomes	2001/02	2002/03	2003/04	2004/05 estimate	5 Year Total
National	4 064	7 738	8 647	9 623	10 989	**41 061**
Provincial	7 610	9 975	12 976	17 923	19 462	**67 946**
Local	11 117	11 700	13 100	16 800	16 938	**69 655**
	22 791	**29 413**	**34 723**	**44 346**	**47 389**	**178 662**

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 291

DATE OF PUBLICATION: 4 MARCH 2005

DUE FOR SUBMISSION TO PARLIAMENT: 17 MARCH 2005

MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:

(a) What is the current level of savings expressed as a percentage of the Gross Domestic Product, (b) what is the split between (i) individual, (ii) corporate and (iii) government savings of this percentage, (c) what is the desired level of savings expressed as a percentage of the GDP in order to sustain economic development in excess of six percent, (d) when does he anticipate that the desired level of savings will be achieved and (e) what strategies does the Government have to increase the level of savings in each of the specified categories? **N425E**

REPLY:

(a) Gross savings as a percentage of GDP was 16,3 in 2003 and 14,8 in the first three quarters of 2004.

(b)
   i. Net savings by households (individuals) was 0,8 per cent of GDP in 2003 and 0,7 per cent of GDP in the first three quarters of 2004.
   ii. In 2003, net savings by the corporate sector amounted to 4,2 per cent of GDP (with corporate consumption of fixed capital amounting to 12.9 per cent of GDP). No figures are available for 2004.
   iii. Net savings by government was negative 1,6 per cent of GDP in 2003 and negative 2,0 per cent of GDP in the first three quarters of 2004.

(c) Government does not have an explicit target for the level of savings. However, it is evident that the current savings level is too low and needs to be increased. Research indicates that investment (gross fixed capital formation) of about 25 percent of GDP is needed to sustain economic growth of around 6 percent per annum. Depending on the assumptions regarding the financing of the current account (i.e. foreign savings), gross domestic savings of at least 20 percent of GDP would be required to finance such a level of investment and growth.

(d) As mentioned above, government has no explicit savings target, and cannot speculate on the future.

(e) The government has progressively reduced its poor savings trend by increasing capital expenditure relative to consumption expenditure and thus improved its dissavings ratio. From 5.6 per cent of GDP in 1993, the dissavings ratio fell to around 2 per cent in 2004 and is expected to improve to 1,1 per cent by 2007.

INDIVIDUALS

1. Income tax relief
   Since 1995 government has provided more than R68,8 billion in personal income tax relief, which primarily alleviated the tax burden on low-income earners. In the 2005/06 Budget, Government has announced R6.8 billion tax relief for individual income tax payers. This relief will increase personal disposable income, which in turn, should support personal savings.

2. Interest exemption
   The domestic interest and dividend income exemptions of R11 000 for taxpayers under the age of 65 and R16 000 for taxpayers age 65 and older were raised to R15 000 and R22 000, respectively, in the latest Budget. This will also encourage individuals to save more.

3. Contributions to retirement annuities
   The Income Tax Act allows tax-deductible contributions (up to certain levels) towards pension, provident, and retirement annuity funds. Government is thus effectively encouraging Individuals to save for their retirement, thereby contributing to overall savings in the economy.

CORPORATE

Reduced tax on employment income would favour economic growth and job creation as it would favour individual entrepreneurs. The increased tax-exempt threshold proposed in the 2005 Budget would also benefit small business.