

GLOSSARY

Adjustments estimate	Presentation to Parliament of the amendments to be made to the appropriations voted in the main budget for the year.
Agency payments	Payments made by one government department to another department or sphere of government to pay for services administered by the body receiving the payments. Agency payments do not form part of the budget of the receiving body. (See also <i>conditional grants</i> .)
Appropriation	The approval by Parliament of spending from the National Revenue Fund, or by the provincial legislature from the Provincial Revenue Fund.
Available expenditure	That part of the national budget which can be divided between the national, provincial and local spheres of government, after debt interest and the contingency reserve have been taken into account.
Balance of payments	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.
Baseline	The initial allocations used during the budget process, derived from the previous year's forward estimates.
Budget Council	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.
Budget deficit	The difference between budgeted expenditure and budgeted revenues.
Capital inflow	An increase of foreign assets in the country or a reduction in the country's assets abroad.
Conditional grants	Allocations of money from one sphere of government to another, conditional on certain services being delivered or on compliance with specified requirements. Conditional grants appear as expenditure in the budget of the department making the grant and as revenue of the province or municipality

	receiving the grant. (See also <i>agency payments</i>)
Consolidated expenditure	Total expenditure by national and provincial government, excluding allocations to local government other than <i>agency payments</i> . Consolidated expenditure includes spending by provinces financed from their own revenues. It is therefore the sum of national and provincial spending, excluding the double counting of transfers from national to provincial government.
Consumer price inflation	Price increases as measured by the consumer price index (CPI), which reflects the prices of a representative basket of consumer goods and services. (See also <i>inflation</i> ; <i>core inflation</i> ; <i>GDP inflation</i> .)
Contingency reserve	The portion of the spending total which is set aside and not allocated in advance, in order to accommodate changes to the economic environment and to meet unforeseen spending pressures.
Core inflation	Consumer price inflation, excluding certain items such as mortgage costs, indirect taxes and the costs of certain foods.
Current account deficit	The difference between total imports and total exports, also taking into account service payments and receipts, interest, dividends and transfers. A current account deficit means that South African residents consume and invest more than they produce, which must be financed by capital inflows from abroad.
Debt interest	The cost of interest on government debt.
Depreciation (capital)	A reduction in the value of fixed capital as a result of wear and tear as well as redundancy.
Depreciation (exchange rates)	A reduction in the external value of the rand. A depreciation makes South African goods cheaper to foreign purchasers, and imported goods more expensive to South African buyers.
Direct investment	Investment from abroad in physical assets such as factories. (See also <i>portfolio investment</i> .)
Direct taxes	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.
Dissaving	The difference between current income and current

	expenditure, including depreciation of fixed capital.
Division of revenue	The allocation of funds between the spheres of government as required by the Constitution.
Domestic demand	The total level of spending in an economy, including imports but excluding exports.
Emerging markets	A name given by international investors to middle income economies.
Equitable shares	The allocation of revenue to the national, provincial and local spheres of government as required by the Constitution.
Financial and Fiscal Commission (FFC)	An independent body established by the Constitution to make recommendations to Parliament and provincial legislatures about financial issues affecting the three spheres of government.
Fiscal policy	Policy on tax, spending and borrowing by government.
GDP inflation	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. (See also <i>consumer price inflation</i> ; <i>core inflation</i> ; <i>inflation</i> .)
Government debt	The total amount of money owed by government.
Gross domestic product (GDP)	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.
Growth	An increase in the total amount of output, income and spending in the economy.
Improvements in conditions of service (ICS)	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.
Inflation	The rate of increase of prices. (See also <i>consumer price inflation</i> ; <i>core inflation</i> ; <i>GDP inflation</i> .)
Inventories	Stocks of goods held by firms. An increase in inventories reflects an excess of output relative to spending over a period.
Investment	The flow of expenditure on new capital goods.

Macroeconomic	To do with the branch of economics dealing with the whole economy – for example, growth, inflation, unemployment and the balance of payments.
Medium term expenditure framework (MTEF)	The three-year spending plans of national and provincial governments published at the time of the budget.
Merchandise exports	Exports of goods, but not services. In the South African accounts this usually excludes exports of gold.
MinMEC	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.
Monetary policy	Policy in relation to interest rates, the exchange rate and the supply of money in the economy. Monetary policy is usually focused mainly on keeping control of inflation.
National budget	The projected revenue and expenditures which flow through the national revenue fund. Does not include spending by provinces or local government from their own revenues.
Net open forward position	The difference between aggregate future commitments of purchases and sales of foreign exchange by the South African Reserve Bank, net of holdings of gold and foreign reserves.
Nominal exchange rates	The current rate of exchange between the rand and foreign currencies.
Outcomes	The effect on individuals and communities as a result of the activities of government.
Outputs	Goods and services delivered by government.
Portfolio investment	Investment in financial assets such as stocks and shares or government bonds.
Public sector borrowing requirement (PSBR)	The consolidated cash borrowing requirement of general government and public enterprises.
Real effective exchange rate	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.
Real expenditure	The level of expenditure after taking account of inflation.
Recession	A period in which national output and income declines. A recession is usually defined as two consecutive quarters of

	negative growth.
Remuneration	The costs of personnel including salaries, housing allowances, car allowances, and other benefits received by personnel.
Repo rate	The rate of interest that the Reserve Bank pays on repurchase agreements with money market participants.
Reserves (expenditure)	See <i>contingency reserve</i> ; <i>unallocated reserves</i> .
Reserves (foreign exchange)	Holdings of foreign exchange, either of the Reserve Bank only, or of the Reserve Bank and domestic banking institutions.
Rolling budgets	A budget system in which three year forward projections are revised each year.
Saving	The difference between income and spending.
Service delivery indicators	Quantitative measures of how well expenditure is achieving its purpose. Indicators could, for example, measure a service's outputs, its effectiveness in terms of outcomes and its unit cost. They could also bring out how well a department was addressing issues of transformation, or show how well it reached those most in need.
Technical committees	Committees of national and provincial officials which provide support to MinMECs and the Budget Council.
Unallocated reserves	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.
Vertical division	The division of revenue between spheres of government.