

# 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>Appropriation</b>	The approval by Parliament of spending from the National Revenue Fund, or by a provincial legislature from the Provincial Revenue Fund.
<b>Asset price inflation</b>	An increase in the overall price of assets over a specific period of time.
<b>Balance of payments</b>	A summary statement of all the transactions of the residents of a country with the rest of the world over a particular time period.
<b>Basel III</b>	Reforms developed by the Basel Committee on Banking Supervision to strengthen the regulation, supervision and risk management of the banking sector.
<b>Baseline</b>	The initial allocations used during the budget process, derived from the previous year's forward estimates.
<b>Budget balance</b>	The difference between expenditure and revenue. If expenditure exceeds revenue, the budget is in deficit. If the reverse is true, it is in surplus.
<b>Capital erosion</b>	The deterioration of capital due to the lack of investment in maintenance.
<b>Capital flight</b>	A large outflow of investments from a country in response to heightened economic, political or policy risk.
<b>Capital flow</b>	A flow of investments in and out of a country.
<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 government expenditure</b>	Total expenditure by national and provincial government, social security funds and selected public entities, including transfers to municipalities, businesses or other entities. See also <i>main budget expenditure</i> .
<b>Consumer price index (CPI)</b>	The main measure of inflation, charting the price movements of a basket of consumer goods and services.
<b>Consumption expenditure</b>	Expenditure on goods and services, including salaries, which are consumed within a short period of time – usually a year.
<b>Contingency reserve</b>	An amount set aside, but not allocated in advance, to accommodate changes to the economic environment and to meet unforeseen spending pressures.

<b>Core inflation</b>	A measure of the change in price level that excludes temporary shocks and represents the long-run trend of the price level.
<b>Countercyclical fiscal policy</b>	Policy that has the opposite effect on economic activity to that caused by the business cycle, such as slowing spending growth in a boom period and accelerating spending in a recession.
<b>Credit rating</b>	An indicator of the risk of default by a borrower or the riskiness of a financial instrument. Grades such as AAA, Baa2 and D are given, signifying the extent of the borrower's capacity to meet its financial obligations or the probability that the value of the financial instrument will be realised. See also <i>rating agency</i> .
<b>Crowding-in</b>	Increase of private investment as a result of government spending.
<b>Crowding-out</b>	A fall in private investment or consumption as a result of increased government expenditure.
<b>Current account (of the balance of payments)</b>	The difference between total exports and imports, including service payments and receipts, interest, dividends and transfers. This account can be in deficit or surplus. See also <i>trade balance</i> .
<b>Current balance</b>	The difference between revenue and current expenditure, which consists of compensation of employees, goods and services, and interest and rent on land.
<b>Debt-service cost</b>	The cost of interest on government debt.
<b>Debt redemption</b>	Repayment of the principal and any outstanding interest on a bond.
<b>Depreciation (capital)</b>	A reduction in the value of fixed capital as a result of wear and tear or redundancy.
<b>Depreciation (exchange rate)</b>	A reduction in the external value of a currency.
<b>Division of revenue</b>	The allocation of funds between national, provincial and local government as required by the Constitution.
<b>Economic cost</b>	The cost of an alternative forgone to pursue a certain action.
<b>Employment tax incentive</b>	An incentive meant to encourage the creation of jobs for youths by allowing employers to claim a reduction in employees' tax.
<b>Equitable share</b>	The allocation of revenue to national, provincial and local government as required by the Constitution.
<b>Expenditure ceiling</b>	An overall limit on expenditure that enables government to manage departmental spending levels.
<b>External imbalance</b>	An excessively positive or negative current account balance, reflecting an excess or deficit of domestic investment over domestic savings.
<b>Financial account (of the balance of payments)</b>	A statement of all financial transactions between a country and the rest of the world, including portfolio and fixed investment flows, and movements in foreign reserves.
<b>Financial and Fiscal Commission</b>	An independent body established in terms of the Constitution to make recommendations to Parliament and provincial legislatures about financial issues affecting the three spheres of government.

<b>Financial year</b>	The 12 months according to which companies and organisations budget and account. Government's financial year runs from 1 April to 31 March.
<b>Fiscal consolidation</b>	Measures to stabilise a government's debt-to-GDP ratio and narrow its current account deficit.
<b>Fiscal drag</b>	The tendency of inflation and earnings growth to push taxpayers into higher tax brackets
<b>Fiscal policy</b>	Policy on taxation, spending and borrowing by government.
<b>Fiscal space</b>	The ability of a government's budget to provide additional resources without jeopardising fiscal sustainability.
<b>Flexible exchange rate</b>	Determination of currency exchange rates by market forces.
<b>Foreign direct investment</b>	The acquisition of long-term business interests in another country, usually involving management, technology and financial participation.
<b>Full-time equivalent</b>	An indicator measuring the number of workers or students in a system or programme that includes a substantial number of part-time participants. It enables government to estimate costs by aggregating the amount of part-time work or study, and calculating their full-time equivalents.
<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 and intermediate goods such as machines, but excludes imported goods.
<b>Gold and foreign exchange account</b>	A Reserve Bank account that reflects its losses and profits on holdings of foreign currency and gold reserves, driven by changes in the rand/\$ exchange rate and the gold price.
<b>Government guarantee</b>	An assurance made by government to a lender that a financial obligation will be honoured, even if the borrowing government institution is unable to repay the debt.
<b>Gross domestic product (GDP)</b>	A measure of total national output, income and expenditure in the economy.
<b>Gross fixed capital formation</b>	The addition to a country's fixed capital stock over a specific period, before provision for depreciation.
<b>Headline inflation</b>	A measure of the increase in price level that includes temporary price shocks to the economy, such as one-time price changes.
<b>Integrated financial management system (IFMS) project</b>	A project to review, upgrade and integrate government's financial management information technology systems.
<b>Independent power producer</b>	A private-sector producer of power for the national grid.
<b>Indirect grant</b>	A grant allowing a national department to perform a function on behalf of a province or municipality. No funds are transferred, but the end-product of the grant, such as infrastructure built, is generally transferred to provincial or municipal ownership.
<b>Inflation</b>	An increase in the general level of prices.

<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 or range of inflation to be maintained.
<b>Labour force participation</b>	The ratio of employed and unemployed workers (the labour force) relative to the working age population.
<b>Main budget expenditure</b>	National government expenditure and transfers to provincial and local government financed from the National Revenue Fund, excluding revenues and spending related to social security funds, extra-budgetary institutions and provincial own revenue. See also <i>consolidated government expenditure</i> .
<b>Medium-term Expenditure Committee</b>	The committee responsible for evaluating the budget submissions of national departments and recommending allocations.
<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>Medium-term strategic framework</b>	The five-year strategy of government coinciding with the electoral term.
<b>Monetary policy</b>	The actions taken by a country's monetary authority (e.g. the Reserve Bank), normally focused around money supply and interest rates.
<b>Money supply</b>	The total stock of money in an economy.
<b>National budget</b>	The projected revenue and expenditure flowing through the National Revenue Fund. It does not include spending by provinces or local government from their own revenues.
<b>National Development Plan (NDP)</b>	A national strategy to eliminate poverty and reduce inequality.
<b>National Revenue Fund</b>	The consolidated account of national government into which all taxes, fees and charges collected by the South African Revenue Service and departmental revenue must be paid.
<b>Net asset position</b>	The total value of a company's assets minus its liabilities.
<b>Nominal exchange rate</b>	The current rate of exchange between the rand and foreign currencies.
<b>Non-interest expenditure</b>	Total expenditure by government less debt-service costs.
<b>Primary deficit/surplus</b>	The difference between total revenue and non-interest expenditure. When revenue exceeds non-interest expenditure there is a surplus.
<b>Primary expenditure</b>	Non-interest expenditure by government.
<b>Primary sector</b>	The agricultural and mining sectors of the economy.
<b>Private-sector credit extension</b>	Credit provided to the private sector by banks. This includes all loans, credit card balances and leases.
<b>Productivity</b>	A measure of the amount of output generated from every unit of input over a period of time. Typically used to measure changes in labour efficiency.
<b>Protectionism</b>	When a country restricts international trade to protect domestic industries.
<b>Public entities</b>	Companies, agencies, funds and accounts that are fully or partly owned by government or public authorities and regulated by law.

<b>Public-private partnership (PPP)</b>	A contractual arrangement in which a private party performs part of a government function and assumes the associated risks. In return, the private party receives a fee based on predefined performance criteria.
<b>Public-sector borrowing requirement</b>	The consolidated cash borrowing requirement of general government and non-financial public enterprises.
<b>Purchasing managers' index (PMI)</b>	A composite index measuring the change in manufacturing activity compared with the previous month.
<b>Rating agency</b>	A company that evaluates the ability of countries or other borrowers to honour their debt obligations. Credit ratings are used by international investors as indications of sovereign risk. See also <i>credit rating</i> .
<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.
<b>Real expenditure</b>	Expenditure measured in constant prices, i.e. after taking account of inflation.
<b>Real interest rate</b>	The level of interest after taking account of inflation.
<b>Revaluation gain/loss</b>	The difference between the value of a foreign currency deposit from the original (historical) rate to execution of a trade based on the spot rate.
<b>Repurchase (repo) rate</b>	The rate at which the Reserve Bank lends to commercial banks.
<b>Reserves (foreign exchange)</b>	Holdings of foreign exchange, either by the Reserve Bank only, or by the Reserve Bank and domestic banking institutions.
<b>Rollover</b>	Funds not spent during a given financial year that flow into the following year's budget.
<b>Seasonally adjusted and annualised</b>	The process of removing the seasonal volatility (monthly or quarterly) from a time series. This provides a measure of the underlying trend in the data. Annualised: to express a rate as if it were applied over one year.
<b>Social wage</b>	Social benefits available to all individuals, funded wholly or partly by the state.
<b>Southern African Customs Union (SACU) agreement</b>	An agreement that allows for the unrestricted flow of goods and services, and a sharing of customs and excise revenue, between South Africa, Botswana, Lesotho, Namibia and Swaziland.
<b>Southern African Development Community (SADC)</b>	A regional intergovernmental organisation that promotes collaboration, economic integration and technical cooperation throughout Southern Africa.
<b>Sovereign debt</b>	Debt issued by a government.
<b>Special economic zone</b>	A designated area where infrastructure and incentives are provided to clusters of businesses to encourage private investment and employment growth.
<b>Supply-side constraints</b>	A situation where a country's productive capacity cannot keep up with rising demand.

<b>Switch (auction)</b>	Auctions to exchange bonds to manage refinancing risk or improve tradability.
<b>Tax buoyancy</b>	The ratio of the growth of a revenue stream to the growth of its underlying tax base.
<b>Terms of trade</b>	An index measuring the ratio of export prices to import prices.
<b>Trade balance</b>	The monetary record of a country's net imports and exports of physical merchandise. See also <i>current account</i> .
<b>Transversal term contract</b>	A fixed-term contract for the procurement of goods or services needed by more than one government department.
<b>Treasury bills</b>	Short-term government debt instruments that yield no interest but are issued at a discount. Maturities vary from one day to 12 months.
<b>Twin deficit</b>	A budget deficit in combination with a deficit on the current account.
<b>Twin peaks</b>	An approach to organising financial sector regulation and supervision involving two regulators. One is responsible for ensuring financial services firms sell their products in an appropriate way. The other is responsible for ensuring financial firms remain financially sound and are generally prudent.
<b>Undercapitalisation</b>	Lack of sufficient funds (capital) to conduct day-to-day operations.
<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>Unsecured lending</b>	A loan that is not backed or secured by any type of collateral to reduce the lender's risk.
<b>Yield</b>	A financial return or interest paid to buyers of government bonds.