

Highlights of the 2001 Budget



Budget Priorities

The 2001 Budget builds on the strong performance in fiscal management since 1994, allowing Government to increase spending, reduce taxes and focus on the quality of services delivered. The priorities of the 2001 Budget are:

- Economic development and job creation
- Poverty alleviation
- Skills development
- Ensuring safety and justice

The big picture

R billion	2000	2001	2002	2003
Gross domestic product	875,9	965,2	1 050,2	1 133,8
Real GDP growth (%)	3,0	3,5	3,7	3,3
Consumer price inflation				
Headline CPI (%)	5,3	6,1	4,9	4,6
CPIX (%)	7,7	6,6	5,3	4,7
	2000/01	2001/02	2002/03	2003/04
Main budget revenue	213,4	233,5	252,9	273,1
% of GDP	23,8%	23,6%	23,6%	23,6%
Total expenditure	235,1	258,3	277,3	297,5
% of GDP	26,2	26,2	25,9	25,8
Deficit	-21,7	-24,9	-24,5	-24,4
% of GDP	-2,4	-2,5	-2,3	-2,1
Debt service costs	46,2	48,1	49,7	51,0
% of GDP	5,1	4,9	4,6	4,4

On the economy

- The economy grew by about 3,0 per cent in 2000 and is expected to grow by 3,5 per cent a year over the next three years.
- Government is well set to meet its target for CPIX of between 3 to 6 per cent in 2002, with inflation expected to fall steadily throughout 2001.
- The positive effects of recent international trade agreements and the competitiveness of the rand will boost both export growth and inward investment.
- The restructuring of state assets, especially the initial public offering of Telkom in 2001, will increase foreign direct investment.
- The real effective exchange rate is projected to stabilise after its depreciation during 2000.

On the spending side, over the next three years

- R7,8 billion increased infrastructure spending directed towards repairing flood damaged infrastructure, new investments in school building, roads, water and sanitation projects and rural development initiatives.
- R16 billion in additional money to provinces to strengthen social service delivery and enhance the capacity of provinces to deal with HIV/Aids.
- R4 billion to the criminal justice sector for an improved salary dispensation and other efficiency enhancing initiatives.
- R2 billion to administrative departments including SARS aimed at improved tax administration, and Home Affairs to technical capacity.
- R2,6 billion additional to local government for infrastructure and to support the provision of free basic services.

On tax

- Personal income taxes have been cut, putting R8,3 billion back into the pockets of low and middle-income taxpayers.
- R600 million has been allocated for a wage incentive to encourage employment and learnerships.
- R3 billion has been allocated over the next 4 years for investment incentives for strategic industrial projects.
- An accelerated depreciation regime is proposed for small businesses. The annual interest and dividend income exemption is raised by R1 000.
- Tax on illuminating paraffin has been removed to lower fuel costs, especially for the rural poor.
- A diesel concession is proposed for primary producers to lower their input costs and enhance competitiveness.

