2016 BUDGET

A RESILIENT SOUTH AFRICA MAKING HARD CHOICES IN DIFFICULT TIMES

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National Treasury
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Tough choices in difficult times

- South Africa faces exceptionally difficult global and domestic economic conditions over the next several years. All the choices before us are disagreeable, some more than others. Drawing on the country's resilience, it is necessary to make tough decisions.

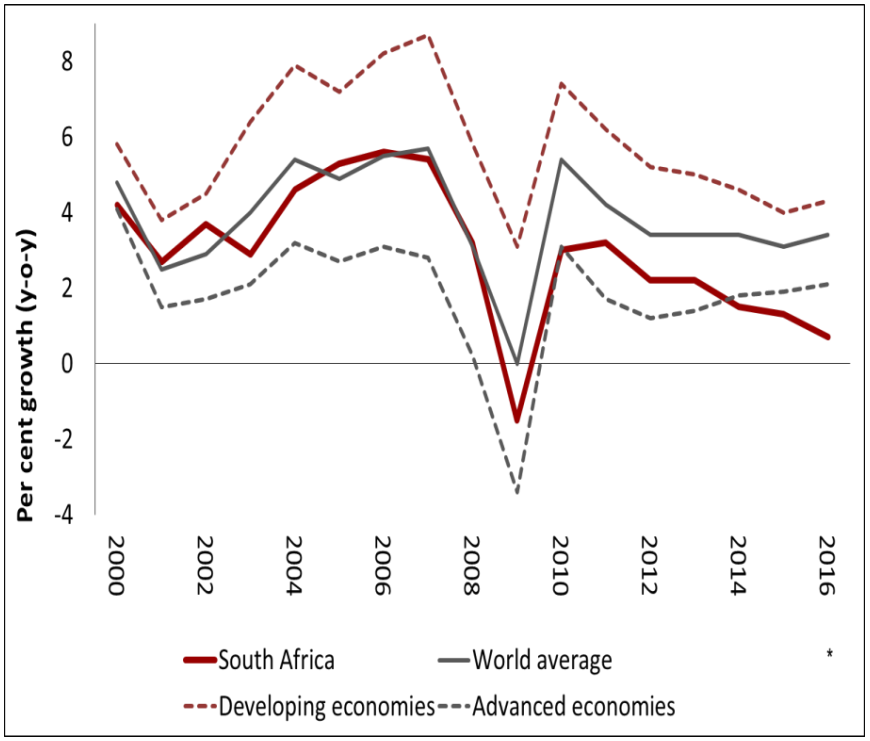
- The 2016 Budget proposals will return the public finances to a sustainable path. The Budget sets out tax increases and spending reductions to narrow the fiscal deficit and stabilise growth of public debt, while protecting core social and economic programmes.

- Yet fiscal measures are not enough. To expand the social wage in a sustainable manner, create jobs and reduce poverty, South Africa needs much faster rates of inclusive economic growth. In today's conditions, doing so requires a sense of common purpose.

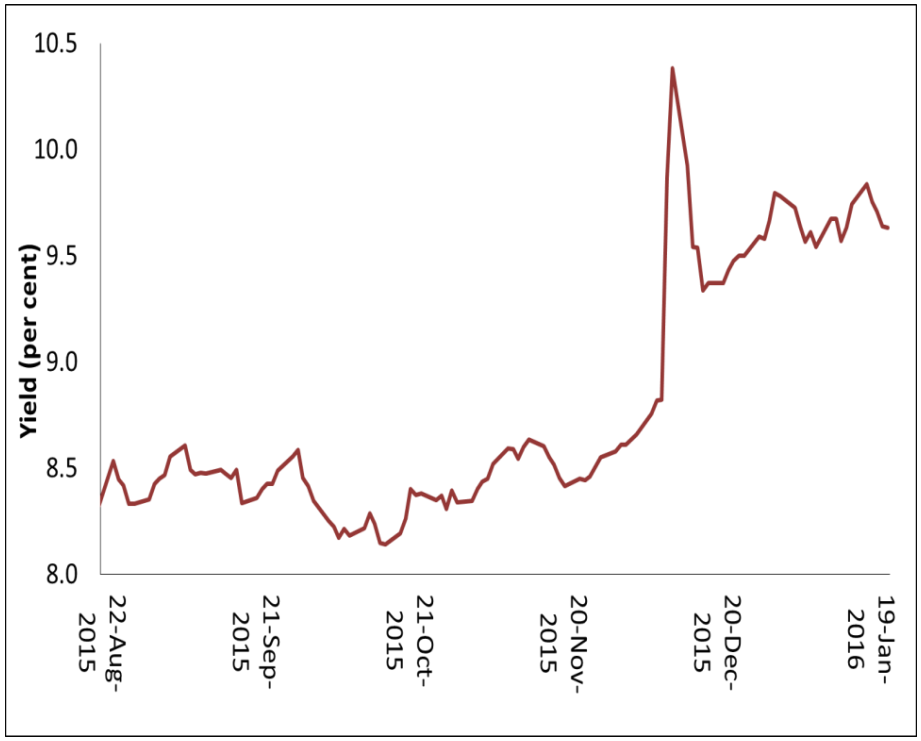
- The 2016 Budget emphasises both public- and private-sector contributions to development. Over the period ahead, government is stepping up its partnerships with business, labour and civil society to realise the vision of the National Development Plan, and to carry out the reforms needed to transform the economy.

South Africa needs to act pre-emptively

Lower growth…



…And higher borrowing costs



- Lower global growth prospects, weaker commodity prices, heightened financial market volatility, concerns around trend developing country growth
- Lower domestic confidence and risk of ratings downgrades

Global growth revised down due to weak emerging market outlook

IMF Growth Projections				
Region/country	**2014**	**2015**	**2016**	**2017**
Percentage		**GDP projections[1]**		
World	**3.4**	**3.1**	**3.4**	**3.6**
Advanced economies	**1.8**	**1.9**	**2.1**	**2.1**
United States	2.4	2.5	2.6	2.6
Euro area	0.9	1.5	1.7	1.7
United Kingdom	2.9	2.2	2.2	2.2
Japan	0.0	0.6	1.0	0.3
Emerging markets and developing economies	**4.6**	**4.0**	**4.3**	**4.7**
Brazil	0.1	-3.8	-3.5	0.0
Russia	0.6	-3.7	-1.0	1.0
India	7.3	7.3	7.5	7.5
China	7.3	6.9	6.3	6.0
Sub-Saharan Africa	**5.0**	**3.5**	**4.0**	**4.7**
South Africa	1.5	1.3	0.7	1.8
South Africa (National Treasury forecast)	*1.5*	*1.3*	*0.9*	*1.7*

1. IMF World Economic Outlook Update, January 2016

- IMF predict world growth recovery will be 0.2 percentage points slower in 2016, due to downward revisions to growth in emerging markets
- Growth in advanced economies to drive global growth in 2016, but still uneven.
- Emerging markets are not rebounding as quickly as forecast, due to low commodity prices, China rebalancing, rising financial market volatility
- Sub-Saharan Africa still one of fastest growing regions – but 2016 growth revised down 0.8 percentage points
- Growth risks remain biased to the downside

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Economic outlook reflects worsening growth

- Growth reduced across the forecast period - drought, weak commodity prices, slower than expected expansion in global growth
  - Investment growth lower due to weaker confidence, rand and commodity prices
  - Household spending reduced by higher inflation, lower job creation
  - Electricity remains a constraint on growth through till 2018
- Headline inflation above target band until 2018 due to weaker rand, drought-related food inflation and electricity price increases

	2012	2013	2014	2015	2016	2017	2018
Percentage change		**Actual**		**Estimate**		**Forecast**	
Final household consumption	3.4	2.9	1.4	1.4	0.7	1.6	2.2
Final government consumption	3.4	3.3	1.9	0.4	1.2	-0.2	0.2
Gross fixed capital formation	3.6	7.6	-0.4	1.1	0.3	1.4	2.7
Gross domestic expenditure	3.9	1.4	0.6	0.1	1.1	1.7	2.2
Exports	0.1	4.6	2.6	9.5	3.0	4.6	5.2
Imports	6.0	1.8	-0.5	5.3	3.7	4.5	4.9
Real GDP growth	**2.2**	**2.2**	**1.5**	**1.3**	**0.9**	**1.7**	**2.4**
GDP inflation	5.5	6.0	5.8	4.0	6.7	6.3	6.0
GDP at current prices (R billion)	**3 262.5**	**3 534.3**	**3 796.5**	**3 998.9**	**4 305.9**	**4 657.5**	**5 052.8**
CPI inflation	5.7	5.8	6.1	4.6	6.8	6.3	5.9
Current account balance (% of GDP)	-5.0	-5.8	-5.4	-4.1	-4.0	-3.9	-3.9

Source: Reserve Bank, National Treasury

Government has responded to restore confidence

- Fiscal policy has responded pre-emptively to avoid the risk of a negative cycle of declining confidence, lower growth and increased borrowing costs.
- Fiscal consolidation measures totalling R18 billion in 2016/17, R25 billion in 2017/18 and R30 billion in 2018/19 due to higher revenue, lower spending and reprioritisation

R billion	2015/16	2016/17	2017/18	2018/19
2015 Budget Review				
Expenditure reductions	10	15		
Revenue increases	17			
2016 Budget Review				
Expenditure reductions			10	15
Revenue increases		18	15	15

- Net debt is projected to stabilise at 46.2 per cent of GDP in 2017/18, two years earlier than was estimated at the time of the 2015 MTBPS
- Net MTEF additions of R33.7 billion to the provincial equitable share; R4.2 billion added to the local government equitable share

Fiscal consolidation accelerated

Tax measures

- In 2016/17, an additional R7.6 billion raised through limited fiscal drag relief, R9.5 billion through increases in the fuel levy and specific excise duties, and R2 billion from adjustments to capital gains tax and transfer duty.
- Tax increases of R15 billion in 2017/18 and R15 billion in 2018/19, with details of proposals to be set out in subsequent budgets following consultation and review.

Spending ceiling

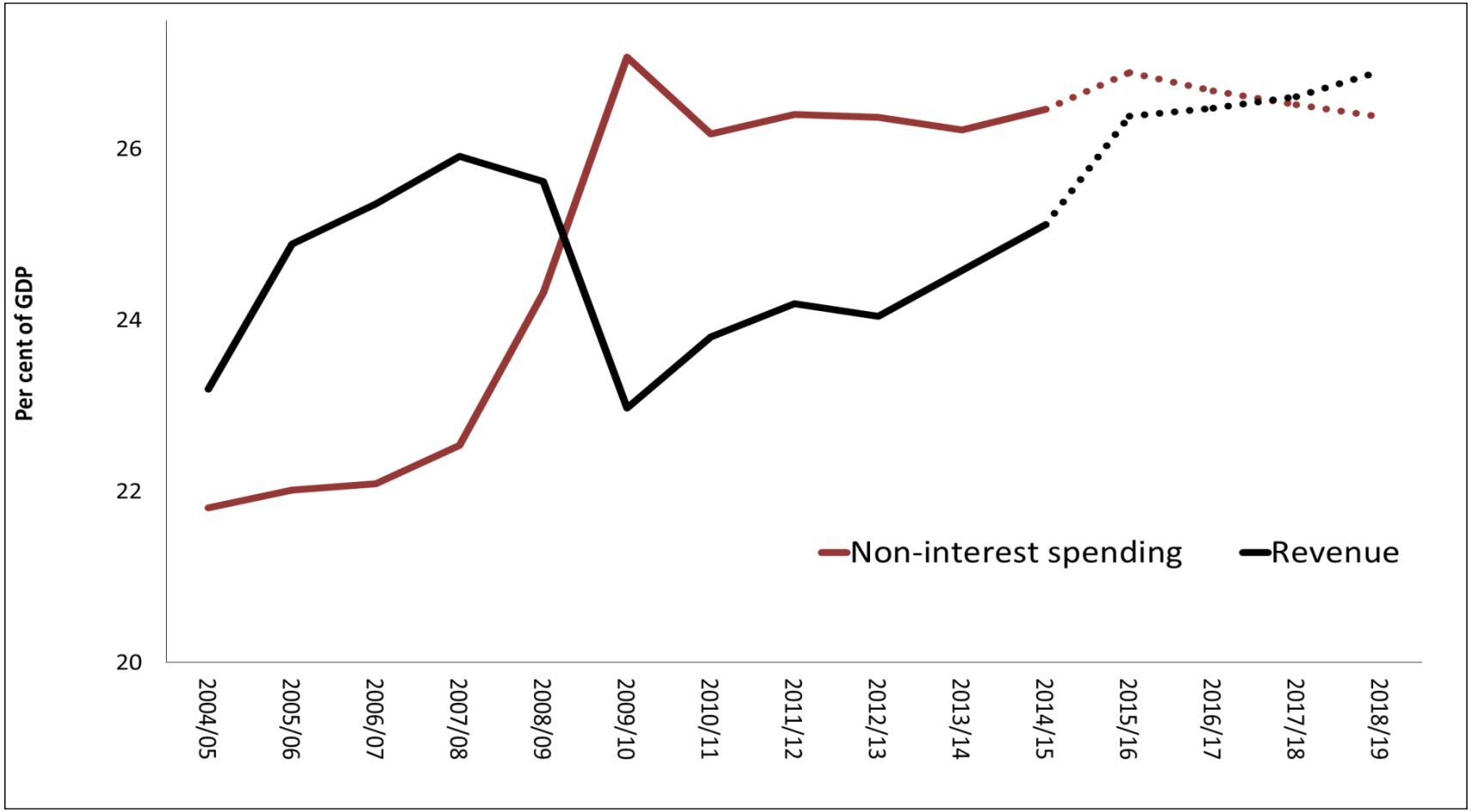
- Reductions of R10 billion in 2017/18 and R15 billion in 2018/19 applied to the compensation budgets of national and provincial departments.
- A block on administrative and managerial vacancies starting in April 2016. Appointments considered only after departments have submitted clear human resource plans aligned with reduced compensation budgets and greater efficiency.

Reprioritisation

- Reprioritisation of R31.8 billion over the MTEF period to support higher education, South Africa's contributions to the New Development Bank, and for a larger contingency reserve.
- Funding reprioritised away from non-essential goods and services in national departments, compensation budgets of departments with high vacancy rates, and underspending infrastructure programmes

The primary deficit closes more rapidly than proposed in October 2015

Main budget revenue and non-interest expenditure



Consolidated fiscal deficit narrows sharply over the medium term

Consolidated budget framework

R billion/percentage of GDP	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
		Outcome		Revised estimate	Medium-term estimates		
Revenue	**907.6**	**1 008.1**	**1 100.0**	**1 223.1**	**1 324.3**	**1 436.7**	**1 571.6**
	27.3%	*27.9%*	*28.6%*	*30.0%*	*30.2%*	*30.2%*	*30.4%*
Non-interest expenditure	950.1	1 034.5	1 116.5	1 245.6	1 308.9	1 403.4	1 509.6
	28.6%	*28.7%*	*29.0%*	*30.6%*	*29.8%*	*29.5%*	*29.2%*
Interest payments	93.3	109.6	121.2	135.3	154.3	168.7	185.6
	2.8%	*3.0%*	*3.2%*	*3.3%*	*3.5%*	*3.6%*	*3.6%*
Expenditure	**1 043.4**	**1 144.1**	**1 237.7**	**1 380.9**	**1 463.3**	**1 572.1**	**1 695.2**
	31.4%	*31.7%*	*32.2%*	*33.9%*	*33.3%*	*33.1%*	*32.8%*
Budget balance	**-135.9**	**-136.0**	**-137.8**	**-157.9**	**-139.0**	**-135.3**	**-123.6**
	-4.1%	*-3.8%*	*-3.6%*	*-3.9%*	*-3.2%*	*-2.8%*	*-2.4%*
Primary balance	**-42.6**	**-26.4**	**-16.6**	**-22.6**	**15.4**	**33.4**	**62.0**
	-1.3%	*-0.7%*	*-0.4%*	*-0.6%*	*0.4%*	*0.7%*	*1.2%*

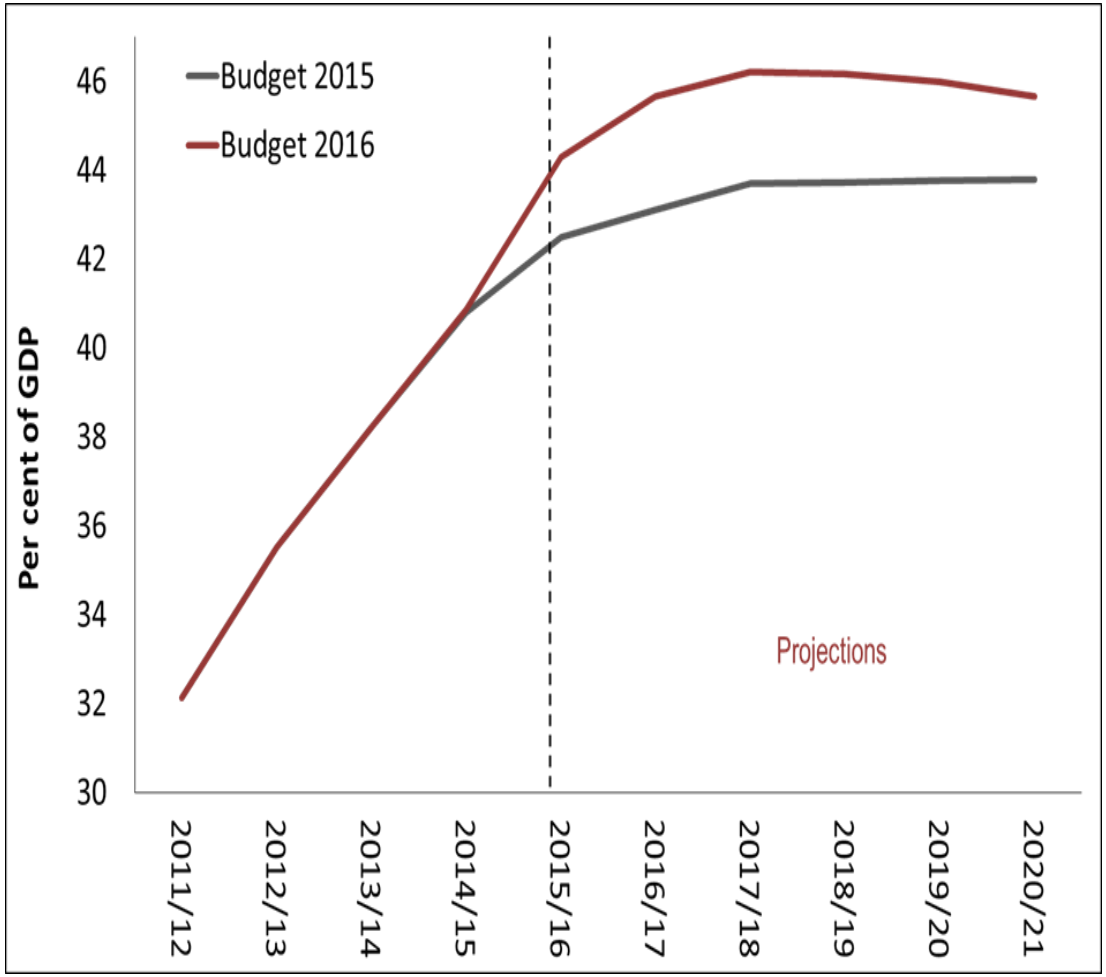
- Budget deficit narrows from 3.2 per cent of GDP in 2016/17 and 2.4 per cent in 2018/19
- A primary surplus in 2016/17 for the first time since 2009 (i.e. revenue exceeds non-interest expenditure)

As a result, national debt stabilises in 2017/18 as a share of GDP

- Net debt is projected to stabilise at 46.2 per cent of GDP in 2017/18, two years earlier than was estimated at the time of the 2015 MTBPS

- The level of the debt-to-GDP ratio has shifted upwards as a result of lower nominal GDP and the sharp depreciation of the rand, which pushed up the value of foreign debt stock

Government debt-to-GDP ratio (net of cash balances)



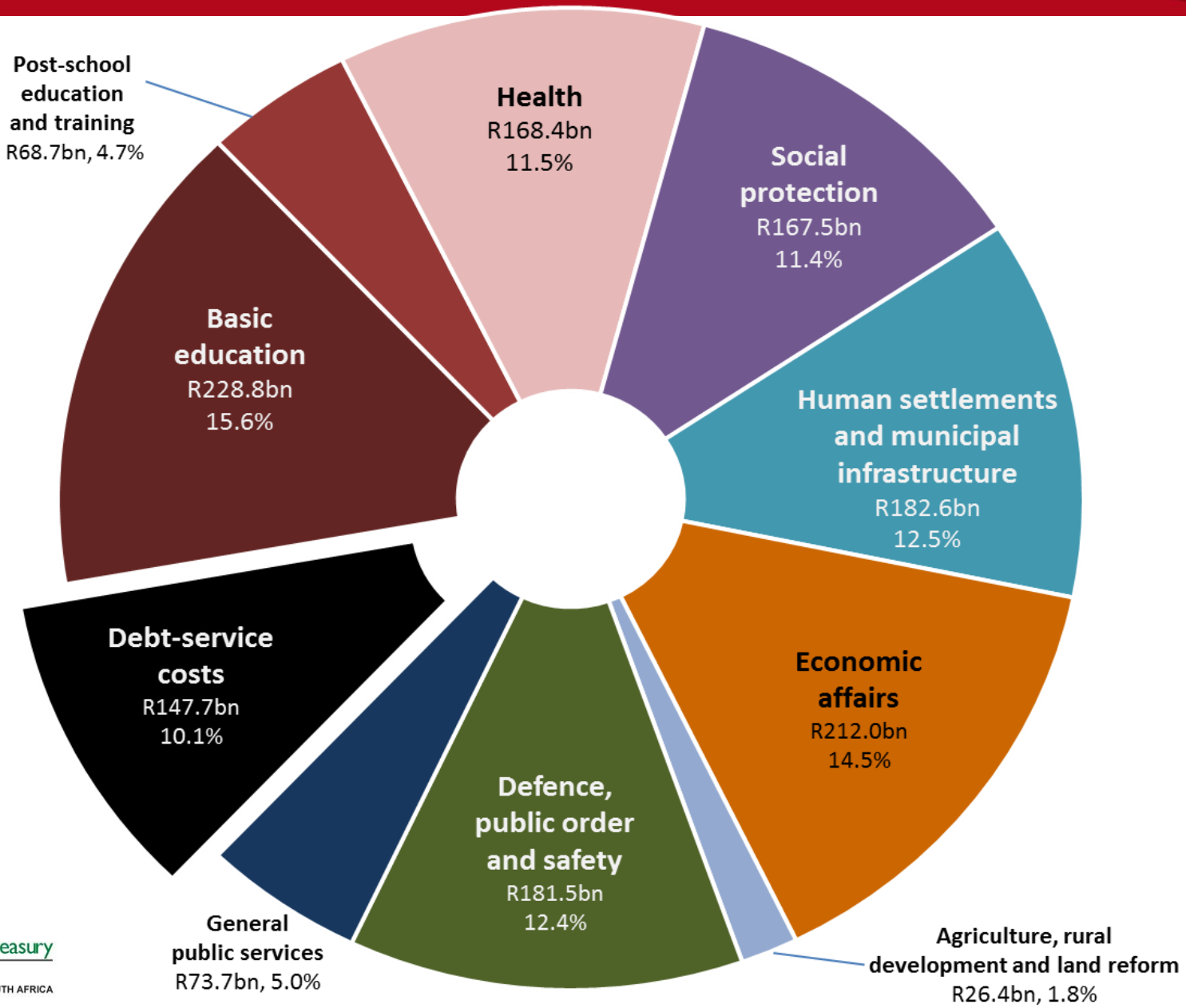
Risks to the fiscal outlook remain, but government is managing them

- **Further deterioration in economic growth**
  - Decline in growth typically results in falling revenue growth, increasing the deficit and debt as a share of GDP.
  - Further increases in interest rates, combined with a weaker exchange rate and rising inflation, would raise the cost of borrowing and increase the stock of debt.
  - › Government is committed to meeting its medium-term fiscal targets and will take additional steps to do so as conditions warrant.

- **Expenditure pressures linked to inflation**
  - Rising inflation would place upward pressure on inflation-linked expenditure, including compensation, social grants and free basic services.
  - › Expenditure ceiling remains in place and budget execution remains excellent, with departments sticking to appropriated expenditure limits

- **Weak financial positions of several major public entities**
  - Government has acted to stabilise several state-owned enterprises.
  - Eskom, SANRAL, SAA and SAPO being closely monitored
  - › Future commitments of state will depend on reforms that resolve problems with governance, and may also involve private-sector participation.

Allocations aligned with NDP objectives



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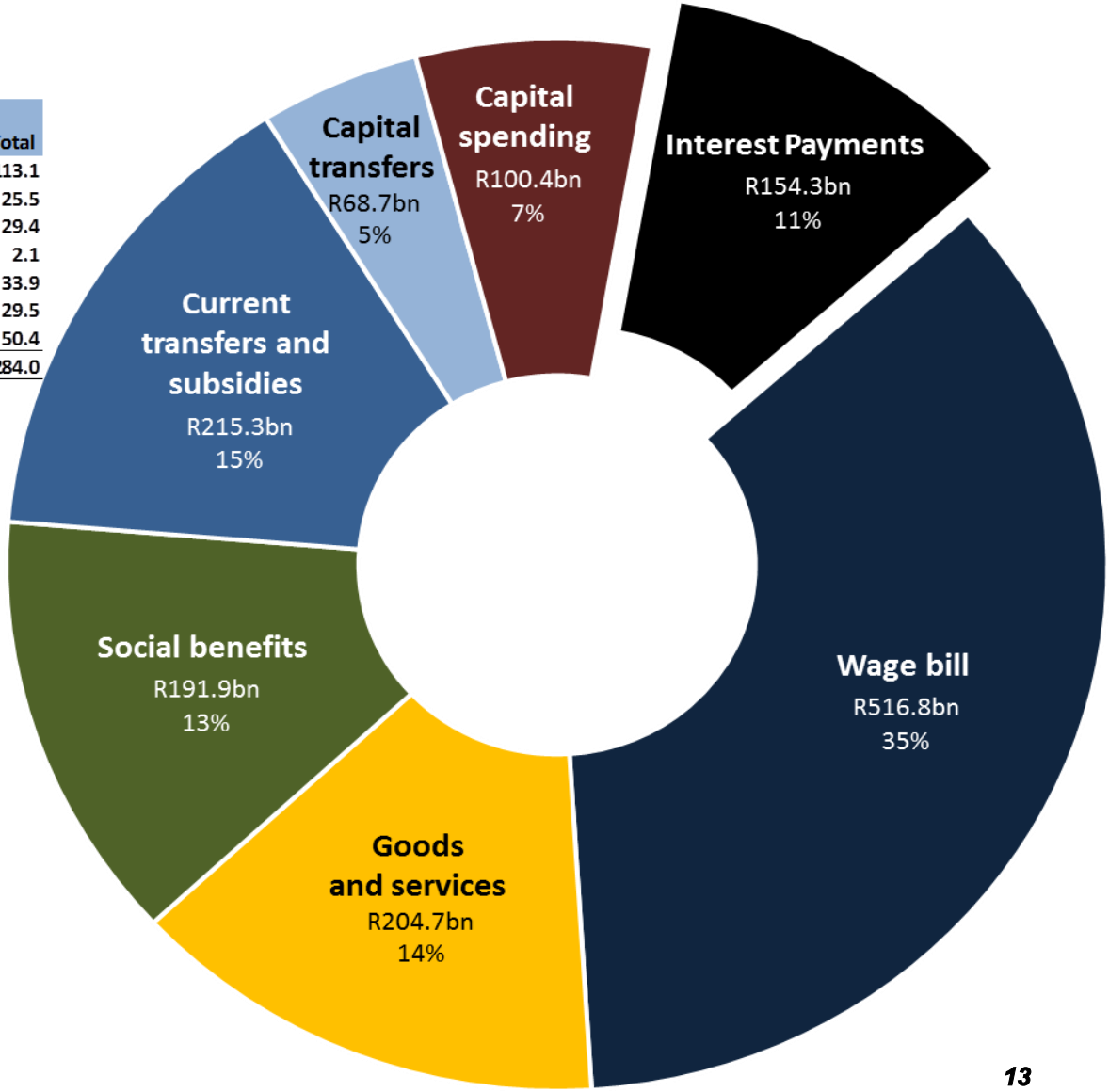
But wages and interest payments take a large share of the budget

Transfers and subsidies (excluding social benefits)	Current	R billion Capital	Total
Municipalities	73.8	39.3	**113.1**
Public Entities	21.0	4.6	**25.5**
Higher education institutions	25.9	3.5	**29.4**
International organisations	2.0	0.1	**2.1**
Public corporations and private enterprises	28.4	5.5	**33.9**
Non-profit institutions	29.5	0.0	**29.5**
Households	34.8	15.7	**50.4**
Total	**215.3**	**68.7**	**284.0**

Social benefits	R billions
Social grants	140.8
Compensation Fund	4.5
Road Accident Fund	31.1
Unemployment Insurance Fund	9.2
Post-retirement benefits	4.1
Other	2.2
Total	**191.9**



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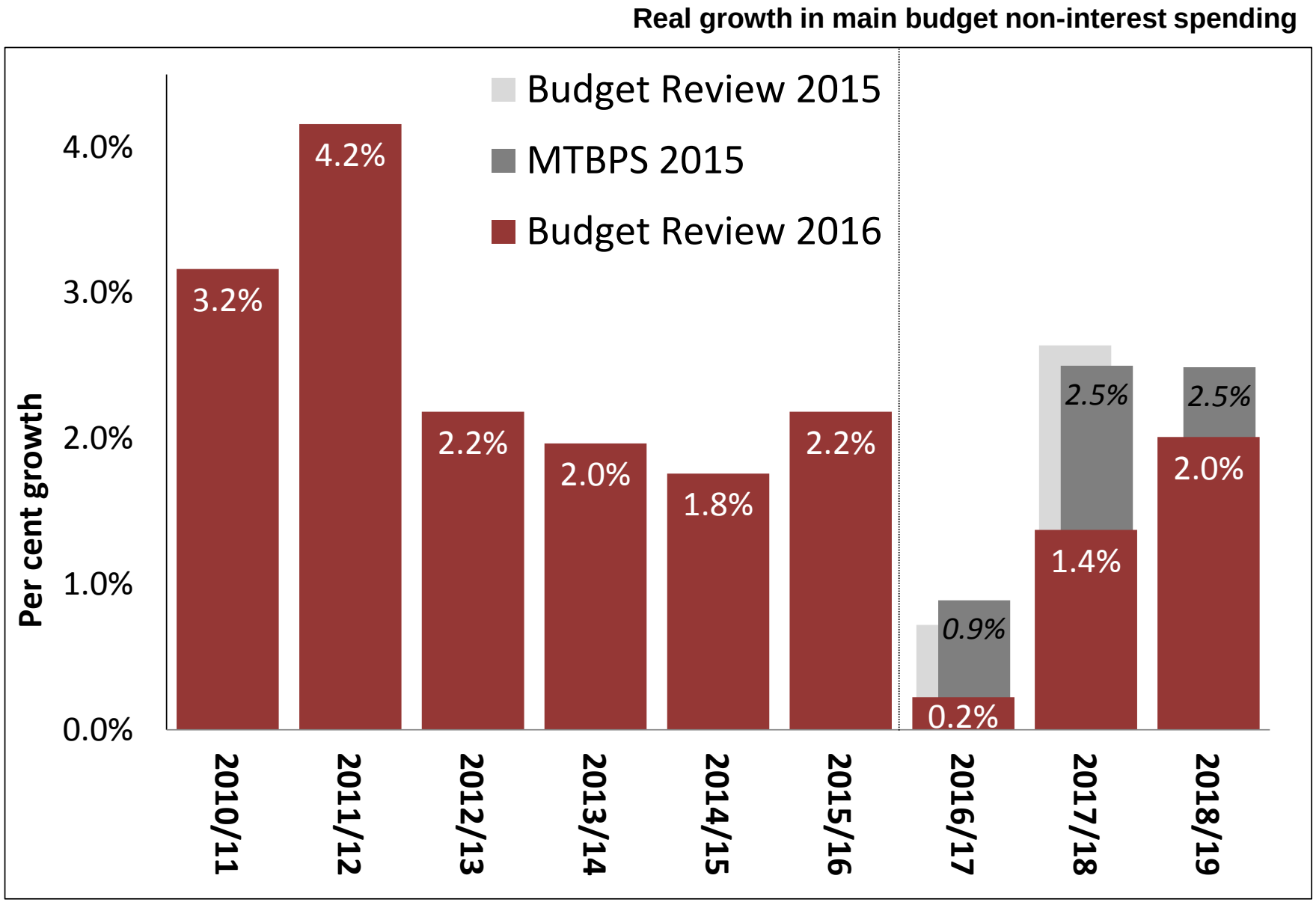
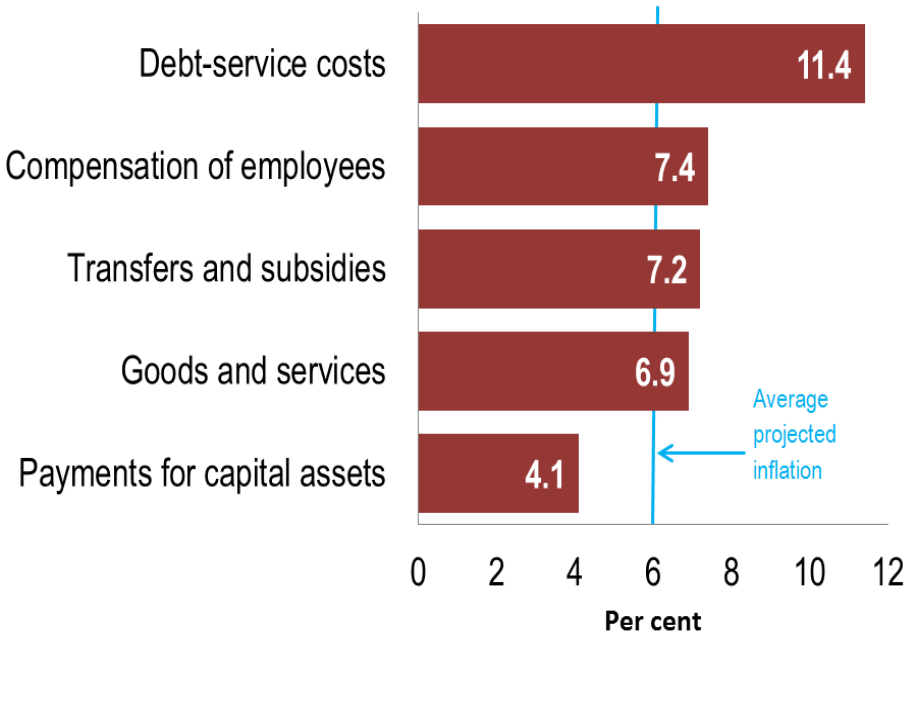
Real non-interest spending growth has been lowered over the medium term



Spending grows faster than inflation in most policy areas

- Debt-service costs remains the fastest growing spending category
- Spending on social protection, post-school education and economic affairs shows strong growth over the medium term in support of growing investment in infrastructure and maintaining social core services
- Spending on compensation of employees is projected to grow by 7.4 per cent over the medium term as a result of the 2015 wage settlement
- Transfers and subsidies grows by 7.2 per cent to reflect higher allocation to universities and support provision of basic services

Nominal expenditure growth by economic classification over MTEF



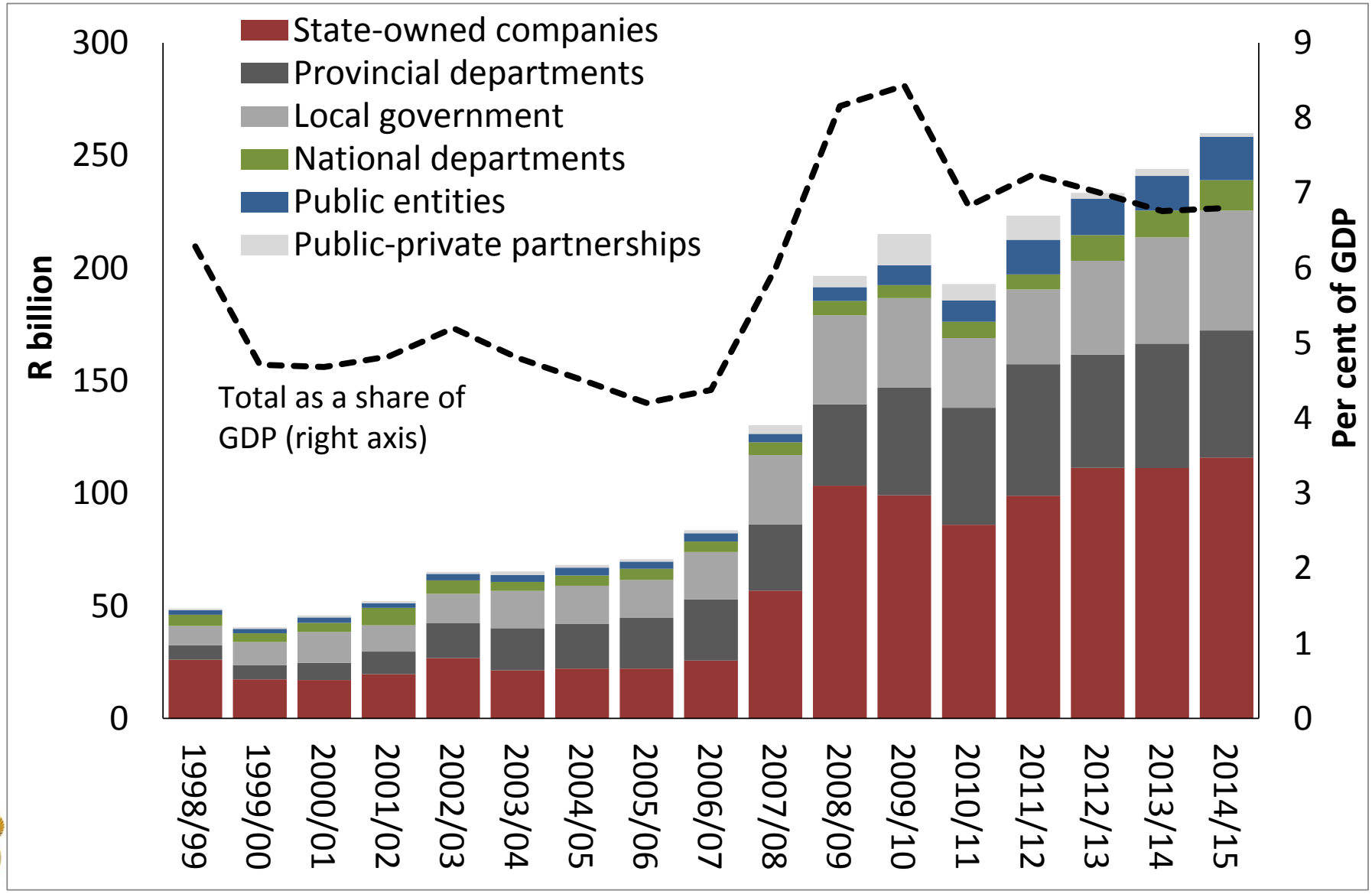
While spending on core priorities continues to expand rapidly

R million	2015/16 Revised estimate	2016/17	2017/18	2018/19	Average annual MTEF growth
		Medium-term estimates			
Community education and training	1 564	2 070	2 237	2 380	15.0%
National Student Financial Aid Scheme	9 247	14 292	13 187	13 722	14.1%
University subsidies	22 985	24 568	28 069	29 827	9.1%
HIV and AIDS and tuberculosis grant	13 671	15 115	17 620	20 032	13.6%
Health: goods and services	44 545	46 463	51 725	58 045	9.2%
Health: buildings and other fixed structures	6 019	5 994	7 230	7 838	9.2%
Central hospital services	28 986	32 430	34 955	37 469	8.9%
Public employment programmes	10 183	11 822	12 871	13 574	10.1%
Water resources and bulk infrastructure	23 275	29 438	31 012	36 403	16.1%
Public transport and commuter rail	31 870	34 558	40 208	42 563	10.1%
Land restitution	2 603	3 168	3 346	3 545	10.9%
Local government	99 650	104 925	113 340	125 811	8.1%
Old age grant	53 274	58 927	64 656	70 833	10.0%
Care dependency grant	2 431	2 677	2 939	3 219	9.8%
Child support grant	47 459	51 951	56 287	60 981	8.7%
CPI inflation	5.4%	6.6%	6.2%	5.9%	6.3%

Spending directed towards core social and infrastructure programmes

- Government continues to maintain social services through additional funding:
  - R984 million for expansion of HIV/AIDS treatment
  - R740 million for the treatment of tuberculosis
  - R300 million to develop a national electronic medicine stock management system
  - R11.5 billion to preserve the real value of social grants
  - R16.3 billion for the post-school education and training
- Spending prioritises investment in public infrastructure and housing.
  - R36.4 billion on water resources and bulk infrastructure
  - R27.4 billion to strengthen and improve the national non-toll road network
  - R1.6 billion to extend broadband access to government institutions and schools
  - R3.8 billion has been reprioritised to municipalities
  - R13.5 billion to subsidise passenger rail
  - R200 million to support preparatory work for nuclear procurement
- Other spending prioritise on industrial and rural development include:
  - R10.2 billion to manufacturing development incentives
  - R3.4 billion to the special economic zones programme, largely for bulk infrastructure
  - R2 billion to develop agri-parks in 44 rural districts
  - R597.8 million to strengthen public order policing

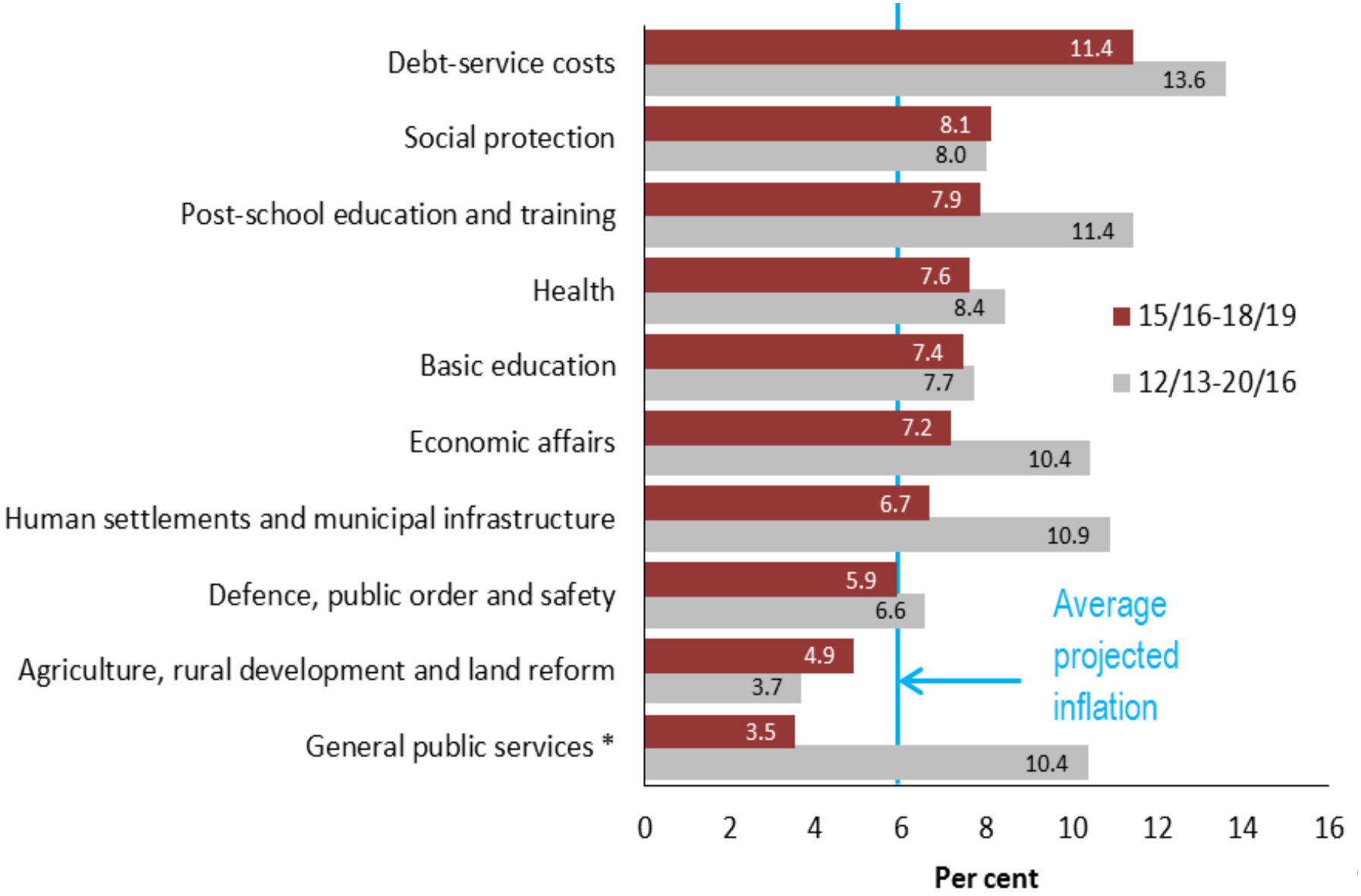
Public infrastructure spending remains strong



The budget continues to support infrastructure investment

- General government has made a large contribution to investment growth over the last two years, while private-sector investment has remained muted.
- Proposed medium-term budget allocations of R528 billion include:
  - R131 billion in roads and public transport
  - R62 billion in public housing
  - R33 billion in water and sanitation infrastructure
  - R48 billion in other municipal infrastructure
  - R39 billion in school buildings
  - R11 billion in tertiary education capital projects
  - R28 billion in health facilities and equipment
  - R18 billion to extend the electricity grid to poor households.
- In addition, infrastructure plans by large state-owned companies amount to R337 billion over the next three years.

Nominal expenditure growth by function
Annual average over the MTEF



** Excludes equity investment in Eskom*

Tax revenue weaker due to economic growth

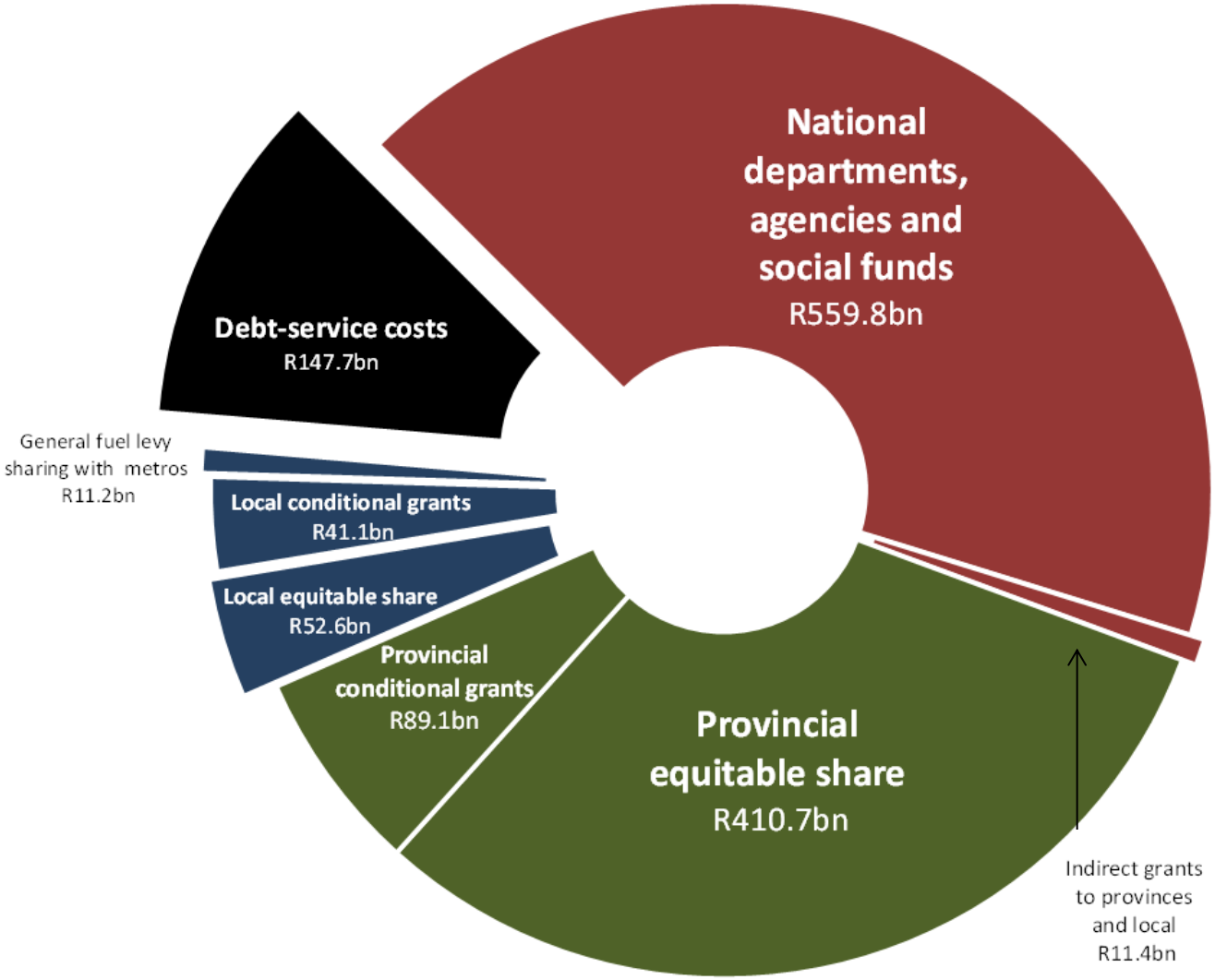
- Gross tax revenue for the 2015/16 fiscal year has been revised downwards to R1 069.7 billion, R11.6 billion lower than the original estimate at the 2015 Budget:
  - Corporate income tax the largest downward revision of R13 billion
  - VAT is down by R5.7 billion
  - Personal Income Tax is marginally down by R1.9 billion
  - Mineral & petroleum royalty revenues are significantly below the 2015 Budget estimate, largely due to the decline in commodity prices.
  - Custom duty revenues are revised upwards by an estimated R4.3 billion

R million	2015/16 - Estimates			Revised 2016 vs. Budget 2015		Revised 2016 vs. MTBPS 2015	
	Budget 2015	MTBPS 2015	Revised 2016	R million	%	R million	%
Persons & Individuals	393 890	396 000	392 000	-1 890	-0.5%	-4 000	-1.0%
Companies	202 032	189 000	189 000	-13 032	-6.5%	-	0.0%
Value-added tax	283 794	280 500	278 060	-5 734	-2.0%	-2 440	-0.9%
Dividend witholding tax	22 484	25 000	23 650	1 166	5.2%	-1 350	-5.4%
Spesific Excise Duties	34 483	35 000	35 100	617	1.8%	100	0.3%
Fuel Levy	56 700	56 300	56 700	-	0.0%	400	0.7%
Customs	41 660	42 800	46 000	4 340	10.4%	3 200	7.5%
Other	46 233	49 100	49 190	2 957	6.4%	90	0.2%
Gross tax revenue	**1 081 275**	**1 073 700**	**1 069 700**	**-11 575**	**-1.1%**	**-4 000**	**-0.4%**
MPR	**6 221**	**3 200**	**3 460**	**-2 760**	**-44.4%**	**260**	**8.1%**

Tax policy proposals

- The 2016 tax proposals are aligned with broader goals of reducing inequality, developing skills, encouraging environmental sustainability and promoting public health and include the following:
  - Increasing the general fuel levy by 30 c/litre (raising an estimated R6.8bn)
  - The marginal personal income tax brackets and rebates will be partially increased for inflation, providing limited fiscal drag relief of R5.5 billion, thereby enabling government to raise an additional R7.6 billion
  - Proposing an enhanced voluntary disclosure programme
  - Increase the capital gains inclusion rates (raising an estimated R2bn)
  - Changing the tax treatment of trusts to curb avoidance
  - Increase the maximum transfer duty rate from 11% to 13% on properties valued above R10 million
  - Increases in excise duties on alcoholic beverages and tobacco products (R2.3bn)
  - Implementation of a tyre levy
  - Review of the learnership and employment tax incentives
  - A tax to discourage excessive consumption of sugar-sweetened beverages

Division of revenue reflects functions and revenue-raising capacity

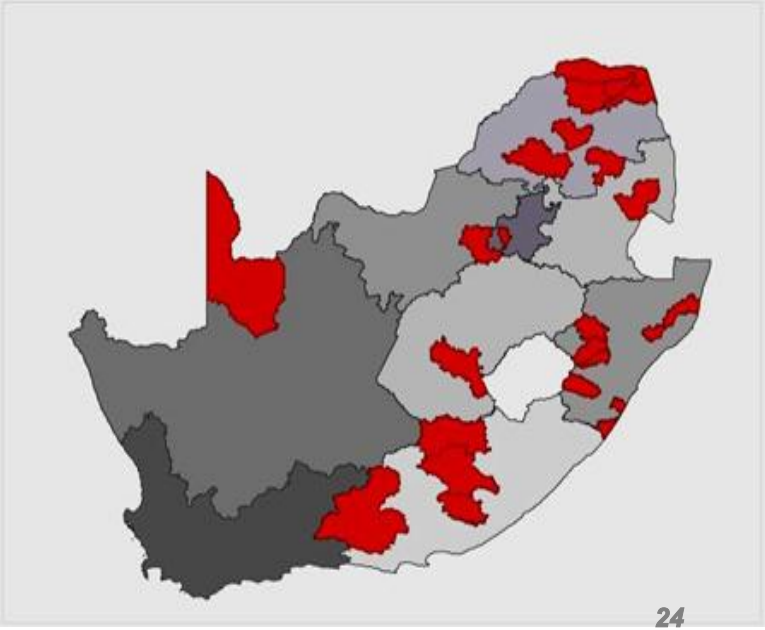


- Provincial equitable share: R49.15bn added in MTBPS and R14.9bn reduced post-MTBPS
- Provincial conditional grants have been reduced by R3.3bn post-MTBPS
- Local government equitable share: R6bn added in MTBPS and R1.8bn reduced post-MTBPS
- Local government conditional grants have been reduced by R1.8bn post-MTBPS

Changes to transfers to provinces and municipalities

- **Provincial allocations**
  - Net MTEF additions of **R33.7 billion** to the provincial equitable share
  - Changes to conditional grants include: improving funding of TB treatment; supporting the rollout of the ideal clinics and improved IT systems in NHI sites; a new grant to fund improvements to early childhood development (from 2017/18); merging the indirect grant for school infrastructure with the direct grant; and incentivising improved road maintenance
- **Local government allocations**
  - **R4.2 billion** added to the equitable share
  - Allocations aligned to new municipal boundaries and R409m allocated to the Municipal Demarcation Transition Grant
  - Reforms to infrastructure grants include: greater emphasis on refurbishing and sustaining infrastructure; consolidating water sector grants; and enhancing differentiation for urban and rural grants

Municipalities impacted by major re-demarcations



Responding to funding pressures within provincial and municipal budgets

- Provincial and local government allocations continue to grow over the MTEF, but the cost of providing services will increase even faster, requiring greater efficiency
- Provinces have agreed to a number of measures, with details to be announced by Finance MECs in their budget speeches. These will include:
  - Control the number of employees appointed in non-frontline services
  - Review and rationalise provincial public entities
  - Further reductions in non-core goods and services and transfers
  - Delay some infrastructure projects and maximise efficiency in capital spend
- Municipalities must:
  - Improve billing and revenue collection
  - Invest in repairs and maintenance and reduce water and electricity losses
  - Ensure alignment of budgets, staffing and service delivery functions
- Revised cost-containment guidelines for municipalities to be released shortly

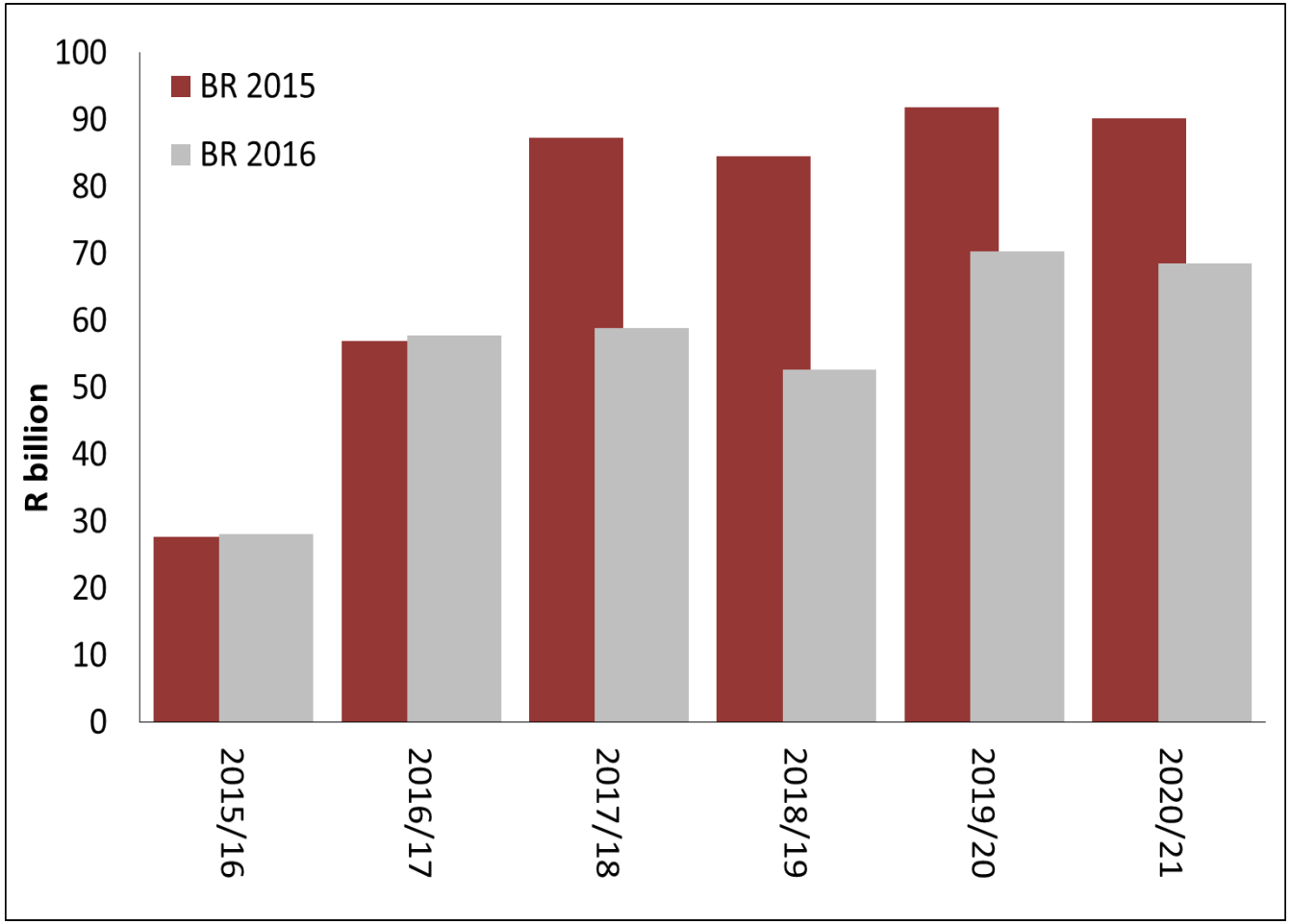
Financing of national government borrowing requirement, 2014/15 – 2018/19

R million	2014/15 Outcome	2015/16 Budget	2015/16 Revised	2016/17 Medium-term estimates	2017/18 Medium-term estimates	2018/19 Medium-term estimates
Main budget balance	**-166 580**	**-173 054**	**-172 799**	**-156 342**	**-157 396**	**-151 337**
Financing						
Domestic short-term loans (net)	**9 569**	**13 000**	**13 000**	**25 000**	**33 000**	**23 000**
Treasury bills	10 011	13 000	7 557	25 000	33 000	23 000
Corporation for Public Deposits	-442	–	5 443	–	–	–
Domestic long-term loans (net)	**157 014**	**144 809**	**144 457**	**116 200**	**106 681**	**107 850**
Market loans (gross)	192 414	172 500	174 979	174 000	165 500	160 500
Loans issued for switches	-1 160	–	-2 479	–	–	–
Redemptions	-34 240	-27 691	-28 043	-57 800	-58 819	-52 650
Foreign loans (net)	**8 361**	**7 797**	**12 372**	**7 811**	**17 914**	**19 566**
Market loans (gross)	22 952	11 530	16 220	23 205	22 635	21 900
Redemptions (including revaluation of loans)	-14 591	-3 733	-3 848	-15 394	-4 721	-2 334
Change in cash and other balances	**-8 364**	**7 448**	**2 970**	**7 331**	**-199**	**921**
Cash balances	-5 838	3 662	-7 655	3 230	-4 342	-3 006
Other balances	-2 526	3 786	10 625	4 101	4 143	3 927
Total	**166 580**	**173 054**	**172 799**	**156 342**	**157 396**	**151 337**

Source: National Treasury

- Net borrowing requirement declining from R173 billion in 2015/16 to R151 billion in 2018/19
- Domestic long-term bonds declining from R175 billion in 2015/16 to R161 billion in 2018/19 - the lowest level since 2011/12
- The rand equivalent of US$4.5 billion will be borrowed in the international capital markets over the medium term.

Government bond switch programme successfully reduces bond repayments



- Government will continue with its bond switch programme to mitigate refinancing risk
- Switch programme reduces loan redemption by R103 billion over the period 2017/18 to 2020/21

State Owned Companies

- State-owned companies need to generate sufficient returns to contribute strategically to development without draining national resources.
- The combined return on equity has been declining over the past five years, reaching -2.9 per cent in 2014/15. Most of the decline is the result of large losses in the Central Energy Fund (CEF) and South African Airways (SAA) during 2014/15.

R billion/per cent growth	2010/11	2011/12	2012/13	2013/14	2014/15
Total assets	639.7	710.1	800.3	910.7	1 042.2
	23.5%	*11.0%*	*12.7%*	*13.8%*	*14.4%*
Total liabilities	423.0	470.7	543.7	633.6	737.1
	23.8%	*11.3%*	*15.5%*	*16.5%*	*16.3%*
Net asset value	216.7	239.4	256.6	277.1	305.1
	23.0%	*10.5%*	*7.2%*	*8.0%*	*10.1%*
Return on equity (average)	6.7%	7.5%	4.8%	3.3%	-2.9%

1. Major state-owned companies listed in Schedule 2 of the PFMA, excluding development finance institutions

Source: National Treasury

State Owned Companies Reforms

- A series of reforms are under way, intended to strengthen the ability of public-sector institutions to support National Development Plan outcomes.
- An inter-ministerial committee chaired by the deputy president is overseeing implementation of these reforms. Broadly, 4 areas of reform have been identified:

Area of reform	Description	Progress
Stabilisation	Aims to improve near-term financial and operational performance	A framework to quantify the cost of developmental activities has been developed.
Coordination and collaboration	Maximization of contribution to the economy and elimination of duplication.	Joint infrastructure projects are taking place in the energy, transport, mining and water sectors
Rationalisation and consolidation	Reduction of state participation in sectors where several entities operate with overlapping mandates.	Currently underway with the rationalization of Broadband Infraco.
Governance framework	Enactment of overarching legislation, informed by a review of the current shareholder management model.	Board appointment processes will be standardised, and remuneration frameworks reviewed to ensure that compensation growth is contained and linked to efficient performance.

Structural reform is needed to accelerate growth

- NDP points out we need structural changes to move to higher growth:
  - Lower reliance on resource extraction and energy intensive sectors
  - Increase reliance on job-rich sectors that can adapt to new global conditions
- China's rebalancing is making the process of structural reform harder
  - Global trade growth is slower and volatility is higher
  - Jobs and growth falling in mining, steel, iron, basic metals
- We need an economy where new businesses can start up and replace jobs being lost
- This requires tackling the structural rigidities that stop new business from emerging:
  - Electricity and skills shortages
  - High broadband costs
  - Low levels of competition

Government is taking action to accelerate growth

- Government is acting to restore confidence and support private investment
  - Encouraging private sector involvement and co-investment in renewable energy and state-owned companies
  - InvestSA to encourage domestic and foreign investment
  - 9 Point Plan and Operation Phakisa delivering focused sector-specific strategies
- Reducing infrastructure constraints and bottle necks
  - R865 billion over MTEF to improve infrastructure
  - Reprioritised spending enhances future growth
- Improving the ease of doing business
  - Visa regulation amendments
  - Targeted small business support with municipalities
  - Project in 9 municipalities to improve regulatory processes to best practice
- Increasing policy certainty and coordination
  - Socioeconomic Impact Assessments improve engagements on new policies
  - Minerals and Petroleum Resources Development Amendment Bill likely finalised
- Enhancing labour relations and labour market stability
- Regional integration – through infrastructure and trade negotiations

But more could be done to create growth-enablers

- Find those areas of the economy that can grow faster
- **Tourism** offers high jobs potential as well as ability to quickly take advantage of weaker rand – it makes up 3% GDP and 4.5% of employment
- **Agriculture** offers potential to boost growth - every R1million in extra agricultural output raises entire economic growth by R1.7 million and total employment rises by 4.9 jobs
- Interventions should aim at unleashing the private sector to try and allow it to flourish – we should not seek to control it

Sector multipliers[1]

	Domestic output multiplier	Employment multiplier effect
Agriculture, forestry and fishing	1.7	4.9
Mining and quarrying	1.4	1.6
Manufacturing	1.4	2.6
Electricity, gas and water	1.6	1.4
Construction	1.9	4.9
Wholesale, retail and motor trade; catering and accommodation	1.6	5.3
Transport, storage and communication	1.6	2.9
Finance, real estate and business services	1.7	3.1
Community, social and personal services	1.5	4.1

1. Note that this does not include the effects of higher employment on consumption and therefore growth; it assumes there are no supply constraints in the economy Subsector multipliers may vary considerably

Source: National Treasury based on Statistics South Africa 2012 supply and use tables

A key characteristic of high-growth economies is ***"Willingness to experiment, act in face of uncertainty about policy impacts, and avoid paralysis"***
Michael Spence

Areas where government can do more

- Encouraging special economic zones to roll out innovative approaches to policy to boost economic activity.
- Speeding up spectrum allocation and broadband roll out.
- Encouraging greater competition through cohesive trade, competition and regulatory policies, including those governing state-owned companies.
- Ensuring migration policy helps ease the skills constraint.
- Supporting employment-intensive services by taking advantage of global opportunities
  - information and communication technology,
  - financial and other professional services.
- South Africa is well positioned to grow its services in an expanding African market – and the Tripartite Free Trade area negotiations are currently under way