BUDGET FRAMEWORK

- A budget deficit of 3.4 per cent of GDP is expected for 2016/17, narrowing to 2.6 per cent in 2019/20.
- Debt stock as a percentage of GDP is expected to stabilise at 48.2 per cent in 2020/21.
- The main budget non-interest expenditure ceiling has been lowered by R26 billion over the next two years.
- R28 billion in additional tax revenue will be raised in 2017/18. Measures to increase revenue by a proposed R15 billion in 2018/19 will be outlined in the 2018 Budget.
- R30 billion has been reprioritised through the budget process to ensure that core social expenditure is protected.
- Real growth in non-interest spending will average 1.9 per cent over the next three years. Apart from debt-service costs, post-school education is the fastest-growing category, followed by health and social protection.

MACROECONOMIC OUTLOOK – SUMMARY

<table>
<thead>
<tr>
<th>Percentage change</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household consump.</td>
<td>0.9</td>
<td>1.3</td>
<td>2.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Gross fixed capital formation</td>
<td>-3.6</td>
<td>1.5</td>
<td>1.6</td>
<td>2.8</td>
</tr>
<tr>
<td>Exports</td>
<td>-1.2</td>
<td>1.9</td>
<td>4.9</td>
<td>5.0</td>
</tr>
<tr>
<td>Imports</td>
<td>-3.6</td>
<td>2.0</td>
<td>4.3</td>
<td>4.9</td>
</tr>
<tr>
<td>Gross domestic product</td>
<td>0.5</td>
<td>1.3</td>
<td>2.0</td>
<td>2.2</td>
</tr>
<tr>
<td>CPI inflation</td>
<td>-6.4</td>
<td>6.4</td>
<td>5.7</td>
<td>5.6</td>
</tr>
<tr>
<td>Balance of payments current account (percentage of GDP)</td>
<td>-4.0</td>
<td>-3.9</td>
<td>-3.7</td>
<td>-3.8</td>
</tr>
</tbody>
</table>

CONSOLIDATED GOVERNMENT FISCAL FRAMEWORK

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revised estimate</td>
<td>Medium-term estimates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1 297.3</td>
<td>1 414.1</td>
<td>1 535.2</td>
</tr>
<tr>
<td>Percentage of GDP</td>
<td>29.4%</td>
<td>29.8%</td>
<td>29.9%</td>
</tr>
<tr>
<td>Expenditure</td>
<td>1 445.2</td>
<td>1 563.1</td>
<td>1 677.1</td>
</tr>
<tr>
<td>Percentage of GDP</td>
<td>32.8%</td>
<td>32.0%</td>
<td>32.7%</td>
</tr>
<tr>
<td>Budget balance</td>
<td>-147.9</td>
<td>-149.0</td>
<td>-141.9</td>
</tr>
<tr>
<td>Percentage of GDP</td>
<td>-3.4%</td>
<td>-3.1%</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Gross domestic product</td>
<td>4 409.8</td>
<td>4 741.2</td>
<td>5 129.2</td>
</tr>
</tbody>
</table>

CONSOLIDATED GOVERNMENT EXPENDITURE, 2016/17 – 2019/20

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revised estimate</td>
<td>Medium-term estimates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic education</td>
<td>226.6</td>
<td>243.0</td>
<td>261.3</td>
<td>280.1</td>
</tr>
<tr>
<td>Health</td>
<td>170.9</td>
<td>187.5</td>
<td>201.4</td>
<td>217.1</td>
</tr>
<tr>
<td>Defence, public order and safety</td>
<td>190.0</td>
<td>198.7</td>
<td>210.8</td>
<td>225.0</td>
</tr>
<tr>
<td>Post-school education and training</td>
<td>69.0</td>
<td>77.5</td>
<td>80.9</td>
<td>89.8</td>
</tr>
<tr>
<td>Economic affairs and agriculture</td>
<td>227.7</td>
<td>241.6</td>
<td>255.9</td>
<td>273.8</td>
</tr>
<tr>
<td>Human settlements and municipal infrastructure</td>
<td>179.8</td>
<td>195.8</td>
<td>210.2</td>
<td>226.4</td>
</tr>
<tr>
<td>General public services</td>
<td>70.0</td>
<td>70.7</td>
<td>72.5</td>
<td>75.6</td>
</tr>
<tr>
<td>Social protection</td>
<td>164.9</td>
<td>180.0</td>
<td>193.5</td>
<td>209.1</td>
</tr>
<tr>
<td>Allocated expenditure</td>
<td>1 298.9</td>
<td>1 394.8</td>
<td>1 486.4</td>
<td>1 597.0</td>
</tr>
<tr>
<td>Debt-service costs</td>
<td>146.3</td>
<td>162.4</td>
<td>180.7</td>
<td>197.3</td>
</tr>
<tr>
<td>Contingency reserve</td>
<td>-</td>
<td>-</td>
<td>6.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Consolidated expenditure</td>
<td>1 445.2</td>
<td>1 563.1</td>
<td>1 677.1</td>
<td>1 814.3</td>
</tr>
</tbody>
</table>

TAX REVENUE 2017/18

<table>
<thead>
<tr>
<th>R482.1bn</th>
<th>Personal income tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>R312.8bn</td>
<td>VAT</td>
</tr>
<tr>
<td>R218.7bn</td>
<td>Corporate income tax</td>
</tr>
<tr>
<td>R96.1bn</td>
<td>Customs and excise duties</td>
</tr>
<tr>
<td>R70.9bn</td>
<td>Fuel levies</td>
</tr>
<tr>
<td>R84.9bn</td>
<td>Other</td>
</tr>
</tbody>
</table>

TAX PROPOSALS

In 2017/18:
- A new top marginal income tax bracket for individuals combined with partial relief for bracket creep will raise an additional R16.5 billion.
- R8.8 billion will be collected through a higher dividend withholding tax rate. Increases in fuel taxes and alcohol and tobacco excise duties will together increase revenue by R5.1 billion.
- As soon as the necessary legislation is approved, government will implement a tax on sugary beverages.
CONSOLIDATED GOVERNMENT EXPENDITURE

R1.56 TRILLION

ECONOMIC AFFAIRS & AGRICULTURE
R241.6bn

DEFENCE & PUBLIC SAFETY
R198.7bn

GENERAL ADMIN
R70.7bn

DEBT-SERVICE COSTS
R162.4bn

R884 BILLION

SOCIAL SERVICES

R320.5bn

EDUCATION

Basic education
R216.7bn

University subsidies
R31.6bn

Skills development levy institutions
R21.1bn

Education administration
R15.8bn

National Student Financial Aid Scheme
R15.3bn

Technical and vocational education and training
R7.4bn

R187.5bn

HEALTH

District health services
R83.6bn

Central hospital services
R35.9bn

Provincial hospital services
R32.3bn

Other health services
R25.8bn

Facilities management and maintenance
R9.9bn

R195.8bn

LOCAL DEVELOPMENT AND INFRASTRUCTURE

Municipal equitable share and infrastructure grant
R72.9bn

Human settlements, water and electrification programmes
R52.8bn

Public transport
R44.1bn

Other human settlements and municipal infrastructure
R26.0bn

R180.0bn

SOCIAL PROTECTION

Old-age grant
R64.5bn

Child-support grant
R56.3bn

Disability grant
R21.2bn

Provincial social development
R19.2bn

Other grants
R10.7bn

Policy oversight and grant administration
R8.3bn

R1.56 TRILLION

Economic infrastructure and network regulation
R89.5bn

Employment, labour affairs and social security funds
R75.9bn

Industrial development and trade
R28.9bn

Agriculture, rural development and land reform
R26.5bn

Science, technology, innovation and the environment
R20.6bn

Police services
R93.8bn

Defence and state security
R54.0bn

Law courts and prisons
R43.8bn

Home affairs
R7.2bn

General public administration and fiscal affairs
R43.9bn

Executive and legislative organs
R14.3bn

External affairs and foreign aid
R12.4bn