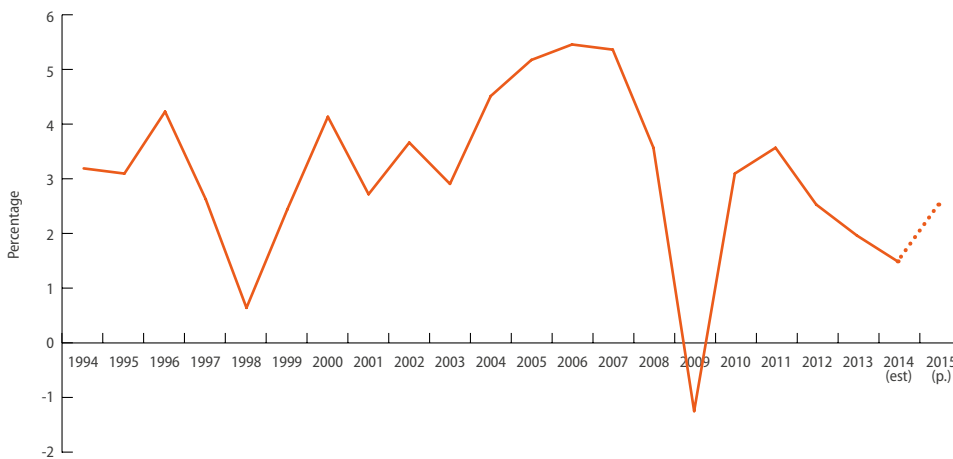


The Economy at a Glance

In the 2014 Medium Term Budget Statement, the growth estimate for the year was revised downwards from 2.7 per cent to 1.4 per cent due to global and domestic factors. The ongoing energy crisis, coupled with skills shortages and other constraints, continues to impact negatively on South Africa's growth trends. The National Treasury has projected growth levels to increase to 2.5 per cent in 2015. Creating a more inclusive economy will no doubt rely on increased and sustained growth levels of at least 5 per cent as set out in the National Development Plan. The government's consolidated budget deficit for the year is estimated to widen to 4.1 per cent from the 4 per cent projections of February 2014. The National Treasury has warned that public debt is fast approaching 'the limits of sustainability', and this could see the government reprioritising spending to service debt, away from planned infrastructure programmes. It is also likely to raise taxes. The continued bailing out of parastatals like Eskom is likely to have a negative impact on deficit levels. The Financial and Fiscal Commission has cautioned that across-the-board cuts to control debt may threaten good programmes. Noticeably, the public sector wage as a percentage of GDP has been growing. It is worrisome that the negative budget deficit trend correlates with a growing public sector wage bill. The ratio of gross fixed capital formation to GDP (a measure of investment spending) is still below the peaks of 2007 and 2008. According to the National Planning Commission, the acceptable standard for infrastructure investment is 25 per cent of GDP.

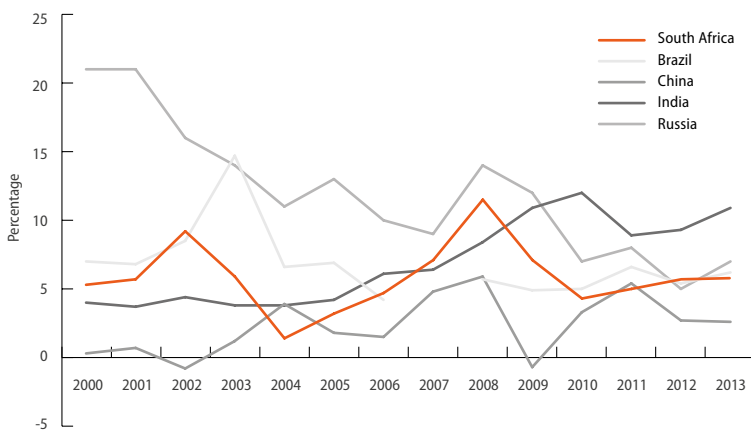
South African year-on-year GDP growth, 1994–2015



< Source: National Treasury, Medium Term Budget Statement, October 2013; World Bank, World Development Indicators 2012; National Treasury, Medium Term Budget Policy Statement 2014
Data notes: The MTBPS 2014 was used to update the figures from 2013 onwards (the previous sources were used for figures before this year); however, the 2014 figure is an estimate, and that of the 2015 is forecasted.

1.4%
 South Africa's projected GDP growth for 2014

CPI inflation rate (BRICS), 2002–2013

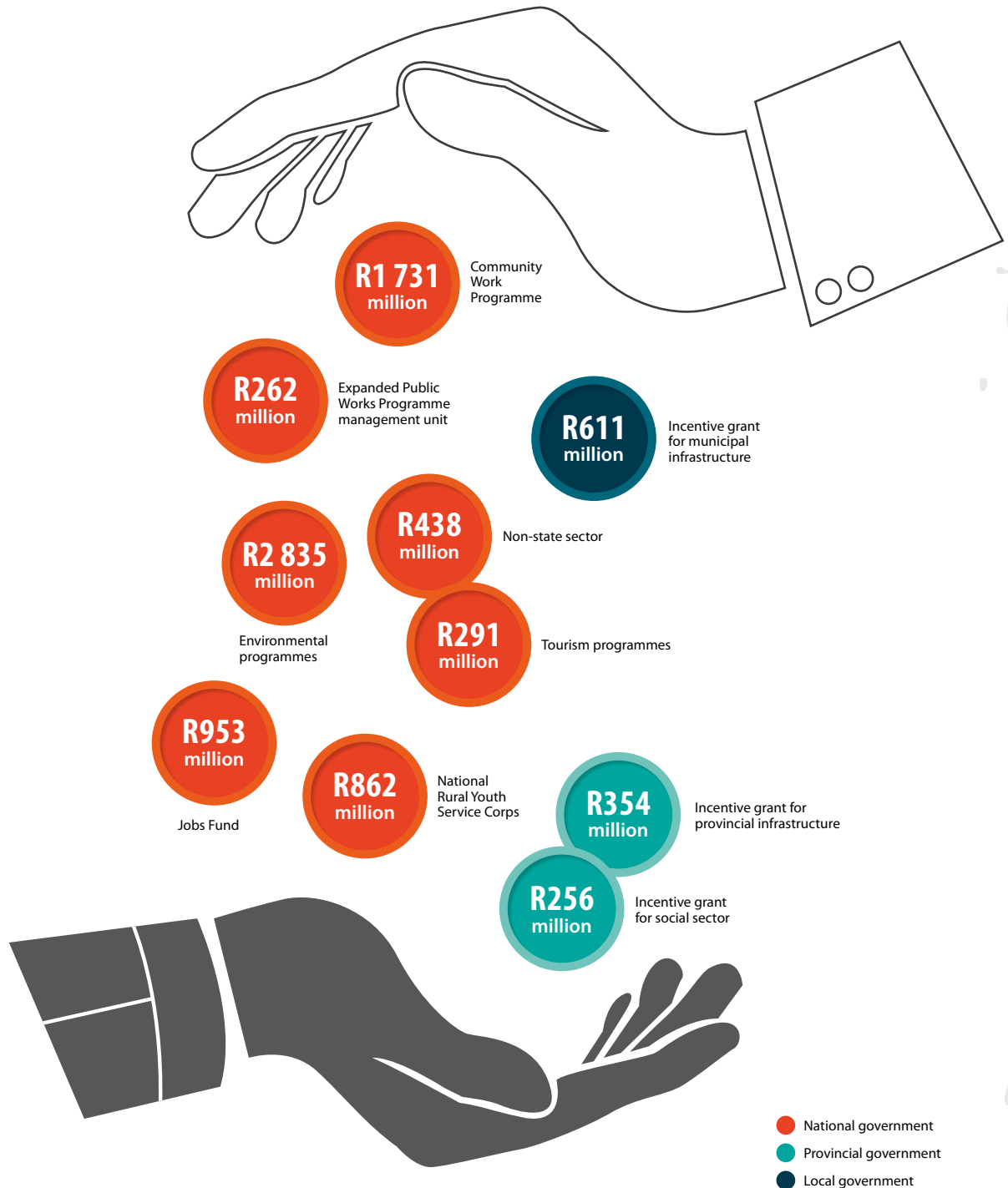


Source: World Bank Website, 2014
Data notes: CPI inflation rate (emerging economies) data were obtained using the World Bank data. 2005–2013 data for South Africa were updated with data from the National Treasury, 2014 Medium Term Budget Statement

Budget expenditure 2014/2015	Expenditure in Rbn	Percentage of expenditure
Basic education	188.0	16.6%
Health	145.5	12.8%
Defence, public order and safety	163.9	14.5%
Post-school education and training	53.3	4.7%
Economic affairs	195.0	17.2%
Local development and social infrastructure	176.4	15.6%
General public services	67.1	5.9%
Social protection	143.4	12.7%
Allocated by function (Total)	1 132.6	100.0%

Source: National Treasury, Budget Review 2014/2015

Funding for employment programmes, 2013/2014



- National government
- Provincial government
- Local government

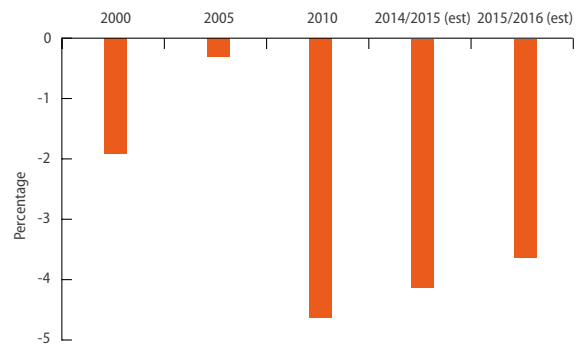
Source: National Treasury, Medium Term Budget Policy Statement 2014

Ranking of the 20 largest emerging economies on selected components of the Global Competitiveness Index (GCI)

GCI 2014–2015 Rank	Country	Public institutions		Market competition		Labour market efficiency	
		2014–2015	Since 2010*	2014–2015	Since 2010*	2014–2015	Since 2010*
20	Malaysia	23	+21	9	+20	19	+16
24	Saudi Arabia	26	-5	33	-24	64	+2
28	China	43	+3	86	-22	37	+1
32	Thailand	93	-23	47	+6	66	-42
34	Indonesia	53	+4	57	+3	110	-26
43	Polanda	56	-2	46	+3	110	-26
45	Turkey	67	+23	44	+18	131	-4
52	Philippines	75	+49	109	+12	91	+20
53	Russia Federation	102	+16	119	+10	45	+12
56	South Africa	45	+8	35	+8	113	-16
57	Brazil	104	-8	135	-3	109	-13
61	Mexico	109	+1	110	+6	121	-1
66	Colombia	123	-6	127	+3	84	-15
70	India	69	-10	111	-23	112	-20
83	Iran, Islamic Rep.	98	-24	121	-18	142	-7
104	Argentina	138	-5	143	-5	143	-15
118	Egypt	101	-40	126	-42	140	-7
127	Nigeria	132	-10	78	+11	40	+34
129	Pakistan	125	-11	108	-10	132	-1
131	Venezuela	144	-5	144	-5	144	-6

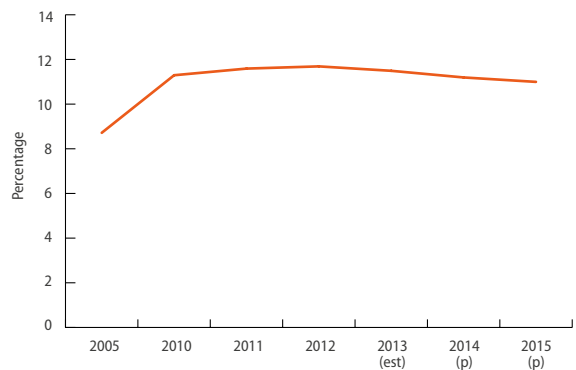
Source: World Economic Forum, The Global Competitiveness Report 2014/2015
 Data note: Countries are listed according to their overall GCI rank. Ranks are out of 144 countries

Budget balance as percentage of GDP, 2002–2015



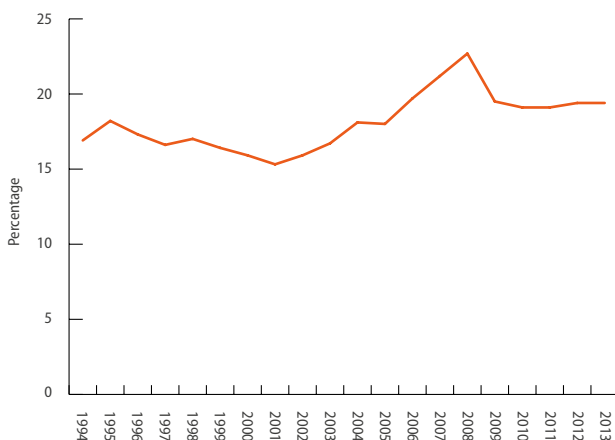
Source: National Treasury, MTBPS 2011; MTBS 2012; MTBS 2013; MTBS 2014
 Data notes: The data were updated from 2010/11 onwards using the relevant Medium Term Budget Statement for the outcome of each year. This is because each policy statement has estimates and forecasts for the following years, but in order to record the most accurate figures for each year, the most up-to-date policy statement was used for each year. The 2014 MTBPS was used for medium estimates for the years 2014/15, 2015/16.

Public sector wages and salaries as a percentage of GDP, 2005–2015



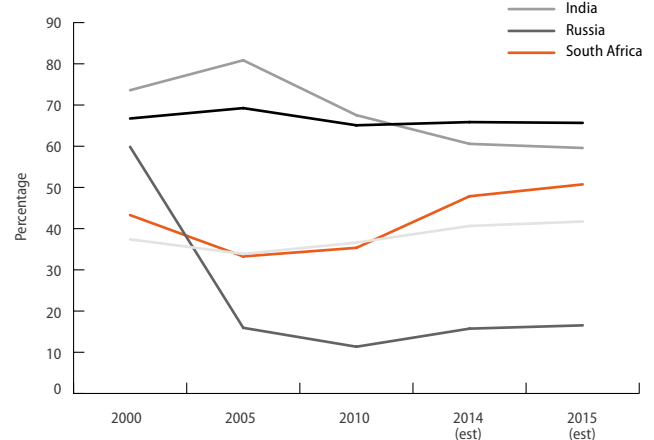
Source: African Economic Outlook, South Africa 2014
 Data note: 2013 estimates (e) and 2014–2015 projections (p)

Gross capital formation as percentage of GDP, 1994–2013



Source: World Bank

Government gross debt as percentage of GDP, BRICS, 2000–2015



Source: International Monetary Fund (IMF), World Economic Outlook October 2014
 Data notes: 2014–2015 are IMF estimated; shaded cells indicate IMF staff estimates