



NEDCOR

# BUDGET 2003

February 2003

NEDCOR ECONOMIC UNIT

PO BOX 582, JOHANNESBURG, 2000

## HIGHLIGHTS

- Another expansionary budget in the face of global uncertainties and growing social needs.
- Strong revenue overruns again enables significant tax relief for individuals.
- Poverty alleviation targeted.

### Revenue

- Budgeted to rise by 10,4% to R304,5 billion.
- Thresholds again adjusted for fiscal drag.
- Most marginal rates reduced, but the top marginal rate remains at 40%.
- Company tax and STC left unchanged, but small businesses and capital investment receive further attention and the retirement tax is cut to 18% from 25%.

### Expenditure

- Increases at national level by an aggressive 14,4% to R334,0 billion.
- Non-interest expenditure rises by 15,7%, well above expected inflation of 6,1%.
- Spending on social services targeted.
- Capital spending to increase significantly at an annual rate of 15,2% over the next three years.

### Deficit and financing

- The deficit rises to 2,4% of gdp, from less than 2% in the two previous years.
- The net borrowing requirement rises sharply to R30,2 billion (from a revised R13,7 billion in 2002/03).
- Net borrowing in the bond market rises to R9,3 billion after net repayment of R3,1 billion in 2002/03.
- Net foreign funding eases to R11,8 billion, compared with the 2002/03's R14,5 billion.

### Other issues

- Limited exchange control relaxation, but the amnesty on illegal funds abroad raises interesting questions.

## BUDGET 2003/2004

A combination of better than expected growth and higher inflation boosted revenue in 2002/03 and once again gave the Minister considerable latitude in formulating government's budget for the year ahead. The Minister opted for an expansionary budget, giving significant tax cuts to individuals, raising spending by nearly double projected inflation and by nearly doubling the deficit before borrowing as a percentage of gdp. However, the deficit remains both within the framework set out in the October 2002 Medium Term Budget Policy Statement (MTBPS) as well as international norms.

The authorities opted to allow for some consolidation following the significant changes seen in previous years. New tax measures, such as those directed at small businesses and urban renewal, will have relatively little impact. However, the continued adjustment for fiscal drag on personal taxes is once again welcome.

The strong emphasis on social spending is unsurprising given the promises made in October. Government was also probably motivated by the strong rises in food prices over the past year and a growing sense that more should benefit from the reforms instituted by government over the past few years.

The funding side of the budget remains satisfactory, although the rise in the deficit and weaker than hoped for privatisation revenues will force government to borrow more than it is used to on local and international bond markets.

### Economic background and assumptions

Economic growth surprised on the upside in 2002. Real gdp expanded by 3% last year, well above government's initial and revised growth forecasts of 2,3% and 2,6% released in February and October respectively. While most analysts expected the economy to slow in response to the sharp escalation in inflation and the resultant hikes in interest rates, domestic spending proved remarkably resilient. Fixed capital formation accelerated, while consumer spending was supported by substantial improvements in personal finances during the past few years. However, export volumes faded towards the end of the year as the rand recovered and the global economy faltered. Export revenue remained

reasonable, helped initially by a weak rand and later by higher international commodity prices. Stronger than expected growth, coupled with sharply higher inflation boosted tax revenues in 2002.

The prospects for 2003 are still uncertain. Much will depend on whether the global economy manages to stage a reasonable recovery, as is widely anticipated, or whether further setbacks will occur, as is widely feared. While monetary and fiscal policies within most advanced economies, particularly the US, have been stimulatory, serious structural concerns may dominate sentiment and hamper a typical cyclical upswing from developing. Locally, domestic spending is likely to remain relatively firm. Consumer spending may ease slightly in early 2003 in response to higher real interest rates, but healthy personal finances, enhanced by further tax relief in this year's budget, coupled with the anticipated decline in inflation and lower interest rates, should ensure improved performance in the second half of the year. Fixed capital formation is expected to support the economy throughout the year, with a number of large capital projects underway in the private sector and increased capital expenditure planned by both government and public corporations, notably the Coega Industrial Port. This likely combination of robust domestic spending and weak global conditions may have justified some caution in revenue and expenditure plans in this year's budget. However, by implication government has instead taken a fairly benign view of global prospects.

Government's forecasts, set out in the table below, are once again not significantly different from most private sector forecasts. However, our own forecast for overall growth in 2003 is lower at 2,6%. The main difference is that we anticipate disappointing export performance based on weak global demand.

Budget assumptions					
	2001	2002	2003	2004	2005
	%	%	%	%	%
Real gdp growth	2,8	3,0	3,3	3,7	4,0
Real hce growth	3,1	3,1	2,9	3,3	3,7
Real gfcf growth	3,6	6,3	5,8	6,4	6,9
Current account % gdp	-0,2	0,1	-0,5	-1,1	-1,6
Gdp inflation	7,6	8,0	6,9	5,2	4,9
CPI inflation	6,6	10,0	7,7	4,8	5,2

### The policy framework

October 2002's MTBPS – government's fifth – set the framework for this year's budget. The MTBPS provides a rolling 3-year budget that allocates resources over the medium-term and helps to promote efficiency and transparency.

The principle of fiscal discipline originally entrenched in the Growth, Employment and Redistribution (GEAR) strategy announced in June 1996 remains the key objective. The goal is to improve domestic savings, reduce public debt and therefore the interest burden, freeing up resources for more productive purposes. The MTBPS therefore maintains the deficit below 3% of gdp, with revenue estimates kept to maximum of 25% of gdp. With the revenue and the deficit set, expenditure becomes a residual dependent on economic growth.

These broad parameters set out in the MTBPS are then updated and revised at the time of the budget. One of the interesting features of this year's budget is that the deficit target for this year and the following years were revised upwards, suggesting a more expansionary fiscal stance over the medium-term. The deficit target for 2003/04 was pushed up marginally to 2,4% from 2,2% in October. Similarly, the deficit targets for 2004/05 and 2005/06 were increased to 2,4% and 2,3% respectively from 2,1% and 2% originally. The higher deficit, coupled with a constant revenue target, allowed government to push expenditure as a percentage of gdp up to over 27% over the next three years.

Medium Term Budget Policy Statement – October 2002					
As % gdp	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006
Revenue	24,8	24,3	24,4	24,4	24,4
Expenditure	26,3	26,0	26,6	26,5	26,5
Deficit	1,4	1,6	2,2	2,1	2,0

### Budget arithmetic

The budget arithmetic is summarised in the following table. It details last year's (2002/03) budgeted figures and the expected outcome, and the budget for 2003/04, which starts on 1 April 2003. The assumptions for nominal gdp on which all the calculations are based are also shown.

	National budget					
	2002/03				2003/04	
	Budget		Outcome		Budget	
	Rbn	Y-o-y %	Rbn	Y-o-y %	Rbn	Y-o-y %
<b>Revenue</b>	265,2	6,7	275,7	11,1	304,5	10,4
Income taxes	155,7	4,1	162,5	10,3	177,9	9,5
Sales taxes	92,8	10,1	97,6	12,3	109,6	12,4
International	10,6	15,2	9,8	13,0	11,3	15,3
Other	14,3	5,8	14,1	4,1	15,4	8,8
less SACU	8,3	0,7	8,3	0,7	9,7	17,7
<b>Expenditure</b>	287,9	9,6	291,8	11,0	334,0	14,4
Debt service	47,5	0,0	47,3	-0,7	51,0	7,9
Other spending	240,4	11,8	244,6	13,6	283,0	15,7
<b>Deficit</b>	22,7		16,1		29,5	
% gdp	2,1		1,4		2,4	
<b>Primary surplus</b>	24,8		31,2		21,5	
% gdp	2,3		2,8		1,7	
<b>Gdp (Rbn)</b>	1083	9,4	1120	11,1	1235	10,2

### Expenditure

Expenditure in 2002/03 rose to R291,8 billion versus the originally budgeted R287,9 billion. This represents an overshoot of R3,9 billion or 1,4% and an increase of 11,0% over 2001/02. Provision for food relief, increases to social grants and supplementary spending on infrastructure were partly to blame for the overshoot, but adjustments for higher inflation pushed the total significantly higher.

In this year's budget, expenditure at national government level is set to rise by 14,4% to R334,0 billion or 27,1% of gdp. While broader expenditure proposals remain generally in line with those set out in the 2002 MTBPS, more aggressive spending is envisaged over the next three years than was originally anticipated. At consolidated government level (which includes provincial

governments and local authorities), expenditure is budgeted to increase by 13,3% in 2003/04 and at an annual average rate of 10,2% over the next three years. Government remains focused on containing debt service costs, which should help to release more funds for spending on key economic and social priorities. The interest bill is set to increase marginally in nominal terms over the next three years, but will ease to 4,1% of gdp in 2003/04 and 3,8% in 2004/05 from 4,2% in 2002/03. This allows government to grow non-interest expenditure by 14,2% in 2003/04 and at an annual average rate of 11,0% over the next three years. Capital spending at the consolidated level will rise at an annual rate of 15,2% over the next three years and by 30,8% in 2003/04.

Economic and social services were given priority in this year's budget. The greater emphasis on economic services reflects government's aim to expand and upgrade general infrastructure, ranging from transport and road infrastructure to water schemes and services. Greater allocations have also been made for higher education and skills development, with R1,7 billion set aside for this purpose, while R1,9 billion has been set aside for land restitution under the land reform programme. Spending on economic services will expand by 20,4% in 2003/04 and by an annualised 11,1% over the next three years. All components in this category are budgeted to increase significantly in nominal terms.

The aggressive spending plan for economic services is to be accompanied by strong increases in social services, which already dominate spending, accounting for over 58% of total non-interest expenditure. Spending on social services is budgeted to increase by 13,1% in 2003/04 and at an annual average rate of 10,6% over the next three years. Within this category, the priority was given to housing and community development, which is budgeted to increase by a strong 22,1% this fiscal year and at an annual average of 13,1% over the three-year period. Government also plans to accelerate spending on welfare services. This is budgeted to increase by 15,9% in 2003/04 and by 14,5% on average over the next three years. The phased extension of the child support grant, real increases in social assistance payments as well as the expanded school nutrition programmes account for the strong increase in this category. Social security pensions and the child support grant have been increased to R700 and R160 per month respectively, while the qualifying age for the latter rises to 9 years in 2003/04, 11 years in 2004/05 and 14 years in 2005/06. Health is budgeted to increase by 11,8% this year and at an annual average rate of 9,3% over the next three years, while education is budgeted to increase by 10,0% to R69,1 billion during the current fiscal year and at an average annual rate of 8,0% over the next three years.

The budget re-emphasised the government's commitment to fight crime, with spending on protection services set to rise by 9,6% in 2003/04 and by 8,3% during the next three years. The focus within this category is on improving the effectiveness of the safety and security services, with spending on policing set to rise by 11,1% in 2003/04 and by 9,9%

over the next three years. The criminal justice sector will receive R2,7 billion, an increase of 8,1% from fiscal 2002/03, with the focus on expanding capacity and improving the effectiveness of courts.

Government expenditure at a consolidated level				
	Budget 2002/03- 2003/04 % change	% of Total Spending 2003/04	Annualised changes 2002/03- 2005/06 % change	1999/00- 2002/03 % change
<b>Protection services</b>	<b>9,5</b>	<b>16,6</b>	<b>8,3</b>	<b>14,4</b>
Defence	8,3	6,4	6,7	20,0
Police	11,1	6,5	9,9	10,6
Prisons	9,5	2,3	9,0	10,5
Justice	8,1	1,5	7,4	15,6
<b>Social services</b>	<b>13,1</b>	<b>49,4</b>	<b>10,6</b>	<b>12,4</b>
Education	10,0	19,7	8,0	9,9
Health	11,8	11,1	9,3	11,1
Welfare (incl soc sec)	15,9	13,8	14,5	16,6
Housing	17,9	1,9	13,2	13,5
Community development	25,0	2,9	13,1	19,5
<b>Economic services</b>	<b>20,4</b>	<b>12,4</b>	<b>11,1</b>	<b>19,2</b>
Water schemes	32,8	1,7	14,1	16,7
Fuel and energy	12,4	0,5	12,4	64,3
Agric, fishing, forest.	17,1	1,9	9,6	13,4
Mining, manufacturing and construction	21,1	0,5	11,9	8,5
Transport,comms	12,4	4,4	11,4	16,8
Other economic services	29,8	3,4	9,6	27,2
<b>Gen government services and unallocated</b>	<b>8,3</b>	<b>6,2</b>	<b>10,4</b>	<b>14,7</b>
<b>Allocated expenditure</b>	<b>13,1</b>	<b>84,6</b>	<b>10,2</b>	<b>13,8</b>
Interest	7,9	14,5	5,2	2,2
Unallocated	0,0	0,9		
<b>Consolidated expenditure</b>	<b>13,3</b>	<b>100,0</b>	<b>10,2</b>	<b>11,7</b>
<b>Memorandum items</b>				
Capital spending	30,8	9,3	15,2	28,5
Remuneration	10,0	34,9	8,0	8,5

## Revenue

Significant revenue overruns occurred during the past fiscal year. Revenue is estimated to have increased by 11,1% in 2002/03 compared with the budgeted increase of 6,7% and October's revised estimate of 10,4%. Although the overrun is significant, the preliminary estimate is likely to be revised even higher in subsequent budgets, given trends in the first three quarter of the fiscal year. Higher inflation, the effect of the weaker rand on export receipts and an unexpectedly buoyant domestic economy all helped to boost both direct and indirect taxes. Direct taxes rose by 10,5% compared with an originally budgeted 4,2%, while indirect taxes increased by 12,2% compared with the budgeted 10,8%.

Revenue growth is budgeted at 10,4% in 2003/04, before easing to 8,7% in 2004/05 and rising to 9,1% in 2005/06. Strong revenue trends created scope for significant tax relief in this year's budget. **Individuals** were the prime beneficiaries. While the top marginal tax rate was left unchanged at 40% after being reduced from 42% in last year's budget, significant adjustments were made to the minimum tax thresholds and tax brackets to counter the effects of fiscal drag. The income tax threshold (i.e. the point at which individuals start to pay taxes) was raised to R30 000 from R27 000, while the threshold at which the top marginal tax rate kicks in was hiked to R255 000 from R240 000 previously. The bulk of the tax relief was concentrated on the lower to middle income groups. The fiscus sacrifices R13,3 billion through this tax relief, with 56% accruing to taxpayers earning less than R150 000

per annum, 23% to taxpayers earning between R150 000 and R250 000 per annum and 21% to taxpayers earning more than R250 000 per annum. Adding to the income tax reductions, domestic interest and dividend income exemptions were also increased to R10 000 from R6 000 for taxpayers under the age of 65 and to R15 000 from R10 000 for taxpayers aged 65 and above.

Tax relief for **companies** was more modest, amounting to around R2 billion. As expected, the company tax rate and the Secondary Tax on Companies (STC) were left unchanged at 30% and 12,5% respectively. Instead, the tax relief for companies was once again selective and aimed at promoting fixed investment in specific productive sectors. An accelerated depreciation allowance was introduced for taxpayers undertaking investment in stipulated underutilised urban areas, targeted specifically at the construction and refurbishment of buildings. This incentive will cost government around R60 million in lost revenue in the first year and is aimed to encourage the regeneration of specific urban areas. Apart from this, the original cutoff date for the accelerated depreciation allowance on investments in the manufacturing sector was set aside, thereby extending this incentive indefinitely.

Government has also decided to provide some incentive for upgrading business assets. Comprehensive tax relief for both ordinary income and capital gains is obtained when the proceeds from the sale of a movable depreciable asset are reinvested in another movable asset within an 18-month period. Added to this, the treatment of business assets sold at a loss has also been simplified, while an accelerated depreciation allowance has been introduced for research and development activities undertaken by companies.

Continued concerns over unemployment once again motivated government to provide further relief to **small businesses**. These are currently subject to a 15% tax rate on the first R150 000 of taxable income. While this threshold limit was left unchanged, the definition of a small business was broadened to include companies with an annual turnover of less than R5 million, up from R3 million in 2002/03. Government has also provided small businesses with a double deduction for the first R20 000 of start-up expenses.

There were the usual increases in **excise duties**, with duties on most goods rising in line with inflation. Certain tobacco products have been more penalised, however, with duties increased by up to 40%. The fuel levy on both diesel and petrol was increased. The levy on leaded petrol was increased by 3 cents a litre, while that on unleaded petrol increases by between 6,2 and 9,2 cents a litre. Similarly, the levy on diesel fuel increases by 4 cents a litre to 85 cents per litre, while the Road Accident Fund levy rises by 3 cents a litre. VAT remained unchanged at 14%, but ad valorem excise duties on new motor vehicles were adjusted for effects on inflation and those on new computers were abolished. As part of the package to promote savings for lower income households, some financial transaction taxes were abolished, with stamp duties on insurance policies

and fixed deposit investments removed. This will cost the fiscus R200 million.

**Transfer duties** were also reduced. No transfer duty will now be payable on property with a value of less than R140 000, while the average duty on property with a value of R200 000 will drop to 1,5% from 2,5% previously and duty on a property with a value of R400 000 will fall to 3,9% from 4,5% previously.

Revenue estimates				
	2003/04 (Rm)	% growth	% of tax	Proposals (Rm)*
<b>Total revenue</b>	304 459	10,4		-15 057
<b>Total capital &amp; other</b>	125	-61,1		0
<b>Total current revenue</b>	304 334	10,5		-15 057
<b>Non-tax revenue</b>	4 031	12,3		0
<b>Tax revenue</b>	300 303	10,5	100,0	-15 057
Income and profits	177 864	9,5	59,2	-15 486
Individuals	96 714	3,8	32,2	-13 426
Companies	65 820	20,0	21,9	-210
STC	8 000	27,0	2,7	0
Retirement fd tax	5 950	-13,8	2,0	-1 850
Other	1 380	10,4	0,5	0
Payroll and workforce	3 600	9,1	1,2	0
Skills Dev Fund	3 600	9,1	1,2	0
Property	5 890	10,4	2,0	-435
MST	1 500	11,1	0,5	0
Transfer duties	3 815	9,0	1,3	-435
Other	575	18,6	0,2	0
Goods and services	109 614	12,4	36,5	1 064
VAT	81 000	14,7	27,0	300
Fuel levy	16 342	7,5	5,4	642
Excise duties	11 364	10,5	3,8	907
Other	908	-38,3	0,3	-785
International trade	11 307	15,3	3,8	0
Customs duties	11 000	15,8	3,7	0
Other	307	0,6	0,1	0
Stamp duties and fees	1 750	9,4	0,6	-200
Less: Customs UA	9 723	17,7	3,2	0
Memorandum items:				
- Direct taxes	182 039	9,5	60,6	-15 486
- Indirect taxes	118 264	12,0	39,4	429

\* Proposals show the gain or loss to the fiscus resulting from the proposed taxation measures

As stated in the MTBPS, government released new information on its future plans in dealing with the tax on retirement income. Government plans to release a detailed discussion document on the reform proposals and the underlying policy considerations some time this year, but in the interim the **retirement fund tax rate** will be reduced to 18% from 25% previously.

### The deficit and its financing

The deficit before borrowing is budgeted to rise to around 2,4% of gdp in 2003/04, well up from the conservatively estimated 1,4% of gdp in 2002/03 and higher than the 2,2% set in the MTPBS in October. The deficit will then remain at around 2,4% in 2004/05 before easing marginally to 2,3% in 2005/06. Total state debt is expected to ease over the next three years, falling to 37,3% of gdp in 2005/06 from the current 39,3%.

The net borrowing requirement will increase over the next three years, due to the higher deficit targets and lower than originally anticipated privatisation receipts. Provision has been made for privatisation receipts of R5 billion for this fiscal year, down from the R10,3 billion estimated in 2002/03. The net borrowing requirement is therefore budgeted to

increase to R30,2 billion in 2003/04, substantially up from R13,7 billion in fiscal 2003.

Government financing			
	2002/03		2003/04
	Budget	Outcome	Budget
	Rbn	Rbn	Rbn
<b>National deficit</b>	22,69	16,08	29,51
Plus extraordinary transfers	1,57	7,89	7,00
Proceeds from state assets	12,00	10,22	6,34
<b>Net borrowing requirement</b>	12,26	13,75	30,17
<b>Financing</b>			
Domestic	-6,96	0,88	15,30
Short-term loans	4,00	4,00	6,00
Long-term loans	-10,96	-3,12	9,30
Financing loans	-11,46	-3,39	9,30
New loans	13,26	23,10	36,28
Less: Discount	0,09	0,34	0,54
Redemptions	21,63	21,64	26,44
Buy back	3,00	4,51	0,00
Switches	0,50	0,27	0,00
Loans for extraordinary reasons	0,00	3,57	7,00
Net foreign	16,28	14,52	11,77
Changes in cash balances	2,95	-1,65	3,10
Opening balance	6,95	7,95	9,60
Closing balance	4,00	9,60	6,50
Finance raised	12,26	13,75	30,17

There will therefore be greater reliance on the domestic bond market, while foreign funding is set to ease slightly – but remain relatively high - over the three-year period. The Treasury plans to raise a net R9,3 billion on the bond market in 2003/04, compared with repayments of R3,1 billion in 2002/03. Of the R9,3 billion worth of long-term loans, R7,0 billion of zero coupon bonds will be issued to the SARB in part settlement of the realised losses on the Gold and Foreign Exchange Contingency Reserve Account, while the remaining R2,3 billion of bonds will be raised in the market. Gross bond issues will amount to around R36,3 billion and will be focused on existing fixed income benchmark bonds (the R194, R153, R157 and R186 issues), while redemptions of R26,4 billion are scheduled. No buy-backs and switches are budgeted for in fiscal 2003/04.

Net long-term domestic funding is expected to increase from R9,3 billion this fiscal year to R14,4 billion and R21,5 billion in 2004/05 and 2005/06, respectively. Clearly the supply squeeze of the past few years is easing.

### Assessment

Government has decided to take a more aggressive fiscal stance in this budget. Having reduced the relative interest-servicing bill over successive budgets, expenditure rises significantly in real terms in the year ahead. The minister stressed the importance of delivery and everyone playing their part. Clearly, in this budget, government feels that additional funds can be spent effectively.

The risk in this budget is that revenue falters on lower than anticipated growth brought about by a weak global economy. The stronger rand and potentially lower commodity prices could also jeopardise potential revenue. In contrast, expenditure is unlikely to undershoot its targets. This could result in strong domestic spending at a time when external demand is faltering, with negative

implications for the balance of payments and interest rates.

There will be some disappointment that corporate tax rates and top individual tax rates were not again reduced this year. The overriding principle on the taxation side should be the achievement of the lowest tax rates necessary to fund essential spending. Instead, the minister again allowed for additional specific incentives designed to help certain sizes of business or specific sectors. These complicate the system and rarely achieve their objectives.

Despite these reservations the budget process remains exemplary. Improved tax collection and fiscal discipline mean that government is in much more powerful position to deliver benefits to all sections of society. The budget will support higher economic growth and should, if anything, help the **equity market**. However, trends in global financial markets will probably overwhelm local developments. The reduction in the retirement fund tax rate is positive for **bonds** and should outweigh increased supply. Once again, though, trends in inflation and short-term interest rates will be more important. Here, the expansionary nature of the budget may lead to a slower easing in monetary policy.

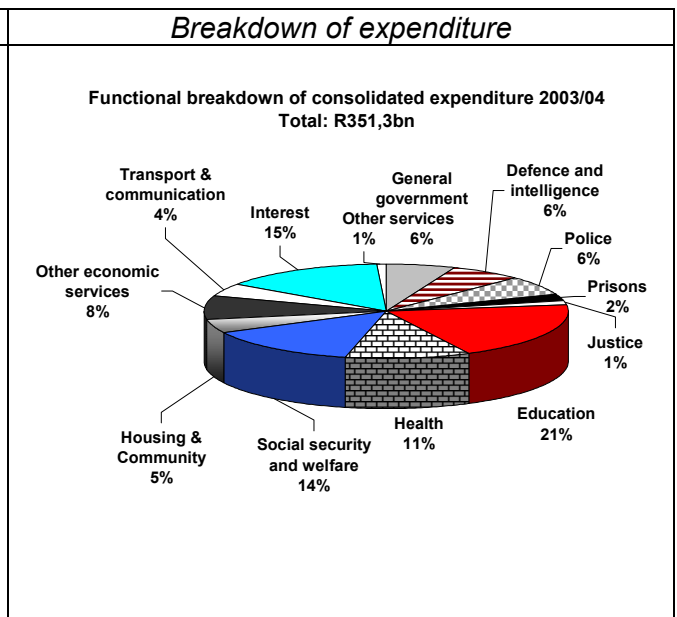
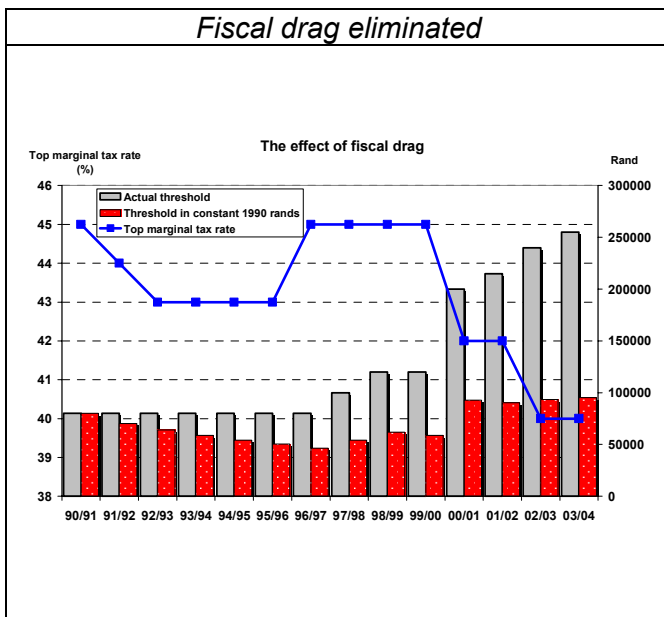
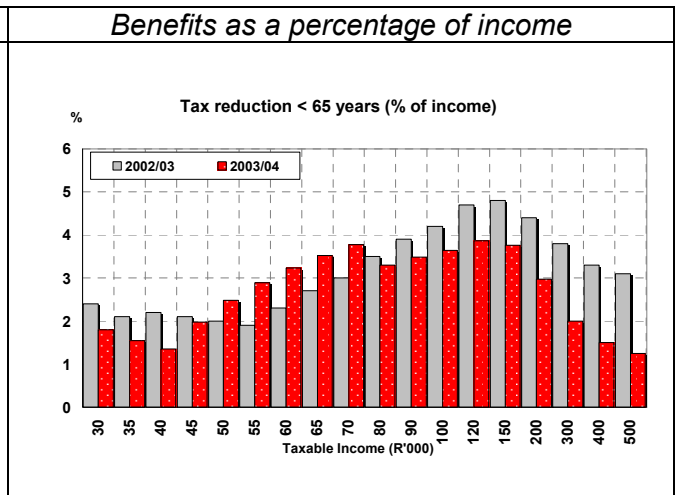
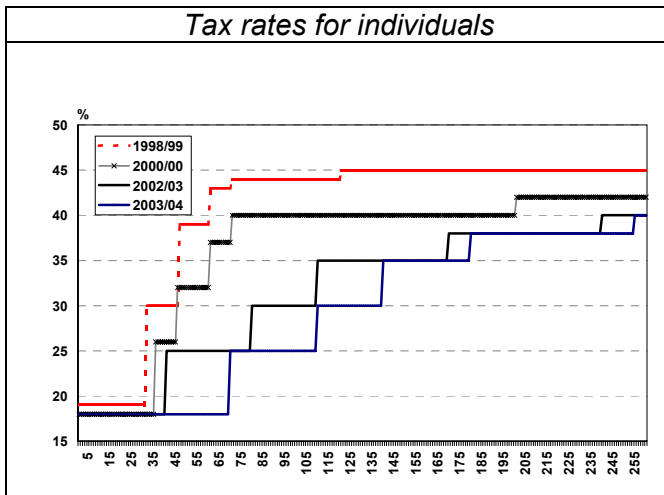
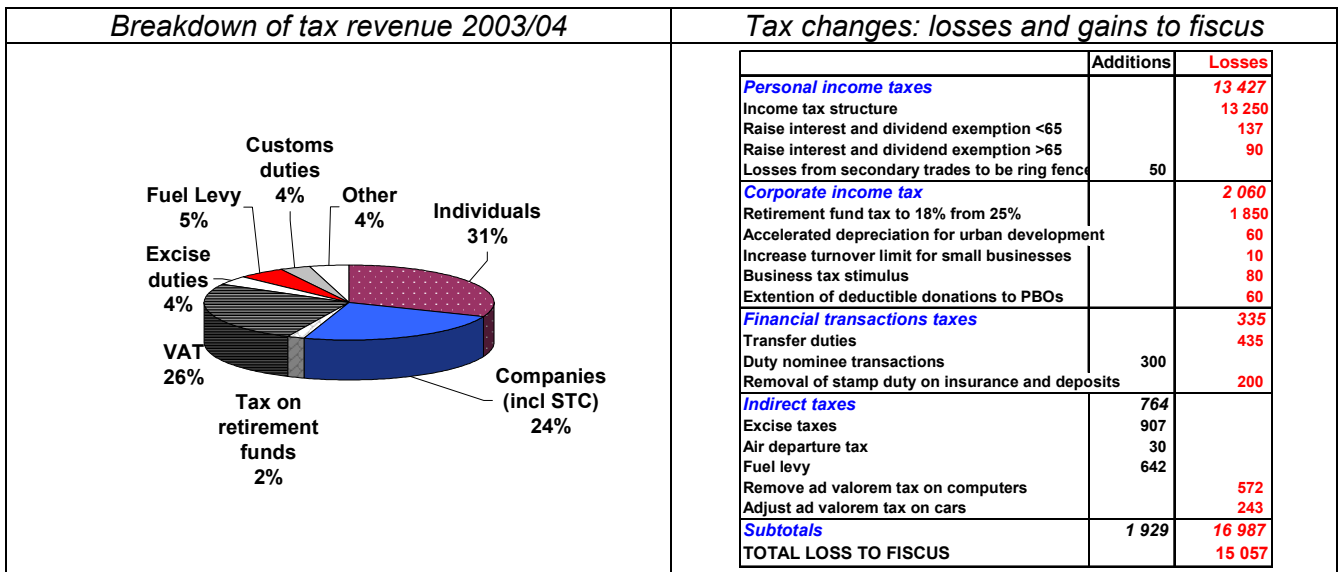
Ironically, the most interesting announcement on 26 March was only partly related to the budget. The 6-month **tax and foreign exchange control regulation amnesty** on illegal funds abroad could have important implications for the rand and tax receipts. These assets can repatriated, subject to a 5% levy, or retained abroad with a 10% levy payable in foreign exchange. The authorities have no idea of the size of these funds and informal estimates are widely divergent. Should the majority of taxpayers in this situation take advantage of the offer, billions of rands could either be repatriated or at least become part of the country's savings pool and tax base. If not, the next few years could lead to uncomfortable disclosures as international surveillance improves and SARS closes the net. Related to this was the concession that blocked rand holders (former immigrants) could take funds out, on application, with a 10% levy. Although not stated by government, this could be finessed to act as a release valve should there be too much upward pressure on the rand in the medium term. Other exchange control measures were limited, but the doubling in the allowance for foreign direct investment for non-African countries to R1 billion is another welcome step towards a fully normalised regime.

***This document replaces the March Economic Profile.***

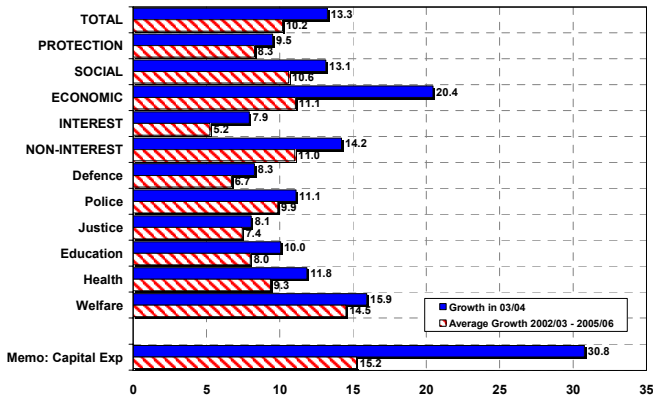
***Please note that regular economic analysis is now available on Nedcor's internet site, <http://www.nedcor.co.za>.***

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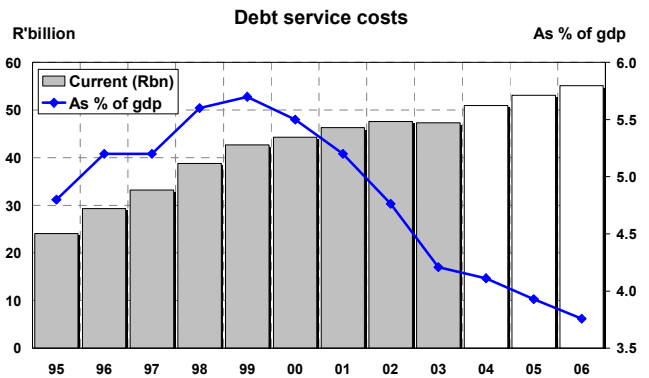
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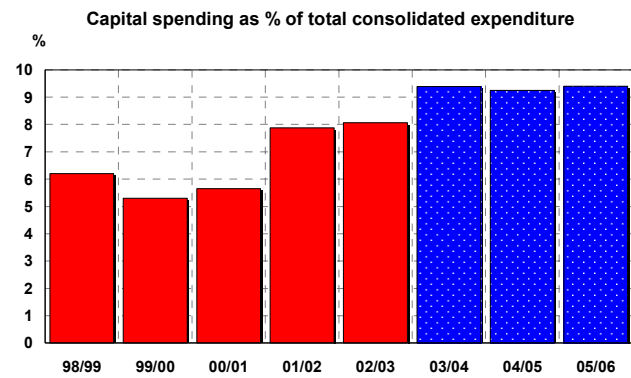
### Increases in expenditure: key items



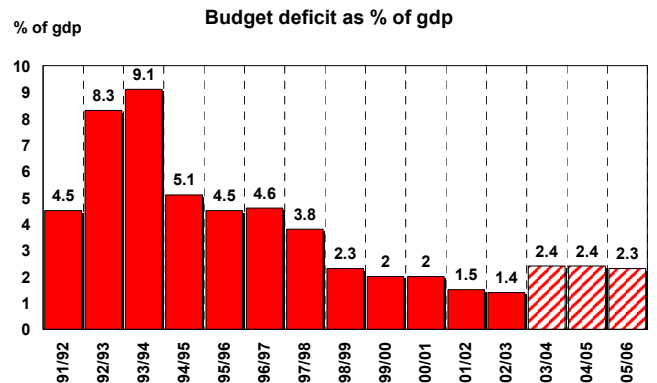
### Debt servicing trends



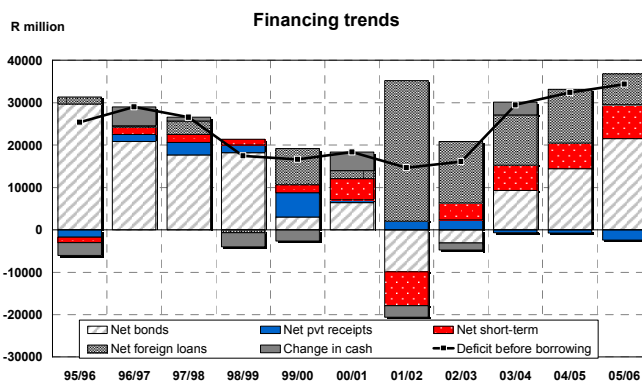
### Improved capital spending by government



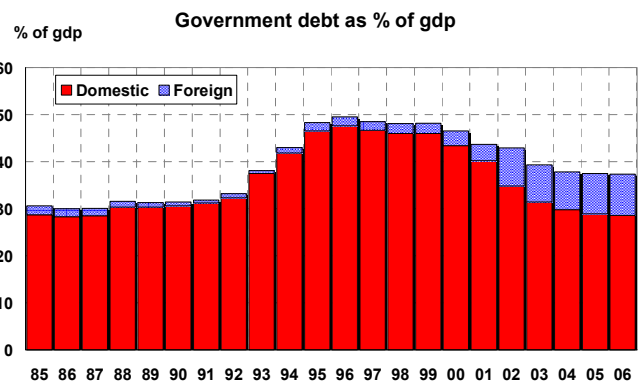
### Deficit remains under control



### Continued reliance on foreign funding



### Debt to ease as a percentage of gdp



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