

Budget Council Meeting

Draft Minutes

26 January 2015

1. WELCOME, APOLOGIES AND CONFIRMATION OF AGENDA

1.1 Welcome

- 1.1.1 The Minister of Finance (MoF) Nhlanhla Nene welcomed the members to the Budget Council and extended his welcome to the FFC Chairperson. The MoF advised members that the documents are confidential until the tabling of the 2015 Budget on 25 February 2015 and confirmed that this was the last meeting before the tabling of the budget.

1.2 Apologies

- 1.2.1 Apologies were received from:
- Northern Cape MEC, Mr Block.
 - Standing Committee on Finance Chairperson, Mr Y Carrim.
 - Eastern Cape Treasury Head of Department, Ms M Mbina-Mthembu. Mr J Mhlomi accompanied the MEC of Eastern Cape, Mr Somyo.
 - Western Cape Treasury Head of Department, Mr Zakaria Hoosain. MEC of Western Cape, Mr Meyer, was accompanied by Advocate Pretorius.

1.3 Confirmation of Agenda

- 1.3.1 A change was made to the agenda by shifting the National Health Laboratory Service (NHLS) presentation by the Minister of Health to the first item on the agenda.

2. MINUTES AND MATTERS ARISING

2.1 Minutes of previous meeting

The minutes of the previous meeting on 29 September 2014 were adopted without changes.

3. FISCAL OUTLOOK UPDATE

- 3.1 Michael Sachs, Acting Deputy Director-General (DDG): Budget Office, presented the economic and fiscal outlook. His presentation highlighted the following:

3.1.1 The fiscal framework did not change much since the 2014 Medium Term Budget Policy Statement (MTBPS) but the outlook has worsened since then. National Treasury (NT) has revised its original projected growth expectation of 2.7 per cent for 2014/15 to an expected growth of 1.4 per cent for the same year. Growth slowed in 2014 mainly due to three factors: (a) the absence of a global recovery putting downward pressure on commodity prices; (b) a drop in the global price of oil and (c) the electricity shortage. It appears the slowdown in world growth is permanent. The USA is the only economy expected to accelerate in growth.

3.1.2 These all carry important implications for South Africa's economy that may require shifts in policy and strategy. Additional problems that have eroded the growth potential over the last few years include labour market disruptions in key exporting sectors, low levels of private investment and low levels of confidence in the future prospects for the economy. Unresolved structural weakness persists in the economy, including high levels of inequality and unemployment, poor skills and low-quality basic education, inadequate infrastructure, markets dominated by (private and public) monopolies, inefficient labour markets and uneconomic and inequitable spatial patterns.