

Global and national economic outlook

Despite the cheaper oil price, the world economy remains subdued, but is expected to grow moderately to a level of 3.5% in 2015; slightly up from 3.3% recorded in 2014. This growth is projected to further grow to 3.7% in 2016.

In line with the global trends, the IMF (2015), Organisation for Economic Co-operation and Development (OECD) (2014) and the World Bank (2014) made a further downward revision of the national economic outlook for 2015 and 2016, citing weak demand from SA's main trading partners as one of the main reasons. The national economy grew moderately by 1.5% in 2014. It is however expected to expand from 2% in 2015 to 2.5% in 2016.

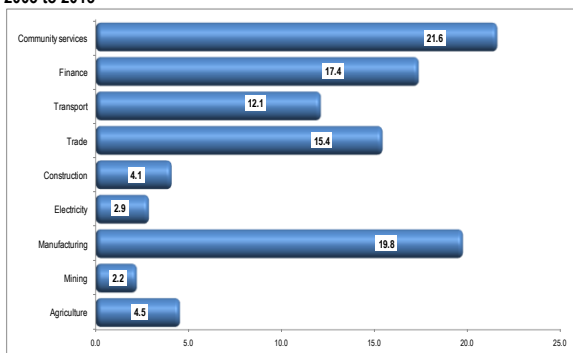
KwaZulu-Natal (KZN) provincial economy

Following global and national trends, the provincial economy recorded a seasonally adjusted and annualized quarterly increase of 1.4% in the third quarter of 2014, compared to 0.1% recorded during the first quarter of 2014. The provincial economic outlook is at an improving trajectory compared to the levels posted during the first half of 2014.

Sector performance analysis

Over the period 2003 to 2013, the economy of the province was driven largely by the community services and manufacturing sectors, contributing 21.6% and 19.8%, respectively. Finance (17.4%) and Trade (15.4%) were also significant sectors in the economy of KZN.

Figure 1: Sector contribution to the provincial real GDP (average percentages), 2003 to 2013



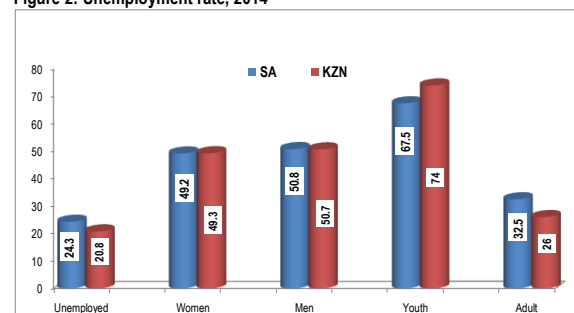
Source: Global Insight, 2014

Unemployment in SA and KZN

Unemployment is one of the socio-economic challenges facing the country. Compared to the national average of 24.3%, the unemployment rate in KZN is

estimated at 20.8%. Unemployment is particularly rife among the youth population in SA, and KZN is no exception.

Figure 2: Unemployment rate, 2014



Source: Stats SA, 2014

Population size

The provincial population is estimated at 10.7 million, constituting 19.8% of the total national population of 54 million.

National Development Plan (NDP)

The national government's long-term economic prospects are highly dependent on the successful implementation of the reforms pronounced in the Medium Term Strategic Framework (MTSF) and the NDP. These include, among others, large public sector infrastructure investments in electricity and transport - expanded partnerships to encourage private sector investment, special economic zones to boost exports, programmes to encourage more dynamic and integrated cities, and initiatives to improve the quality of education and skills development.

Poverty

The majority of people living in poverty in KZN were living below the Upper Bound Poverty Line (UBPL) in 2013 (54.2%), 42% were living below the Lower Bound Poverty Line (LBPL) and 29.5% were living below the Food Poverty Line (FPL).

Development indicators

In 2013, the province had a Gini coefficient of 0.63, a human development index (HDI) of 0.57, and a functional literacy rate of 79.5%. The literacy rate had improved from its 2012 level of 79.3%, the Gini coefficient remained constant, while the HDI declined from a developmental level of 0.59.

Policy priorities driving KZN's 2015/16 MTEF

Education

The South African government spends more on education than on any other expenditure category. KZN DoE has been allocated the largest proportion (41.3%) of the total budget at R42.1 billion in the 2015/16 financial year.

Health

The fact that the Department of Health has received the second largest budget allocation of R33 billion (32.3%) in 2015/16 is evidence of the priority that this portfolio has been given by the provincial government.

Infrastructure

In an effort to support SA's medium to long-term economic and social objectives, the province of KZN is budgeting to spend R12.1 billion in 2015/16 on infrastructure projects. This constitutes 11.8% of the provincial budget allocation.

Table 1: Summary of infrastructure payments and estimates by category, 2015

	Audited Outcome			Main Appropriat	Adjusted Appropriat	Revised Estimate	Medium-term Estimates		
	2011/12	2012/13	2013/14				2015/16	2016/17	2017/18
R thousand									
Existing infrastructure assets	6,926,285	8,741,114	9,049,888	9,334,246	8,323,913	8,717,931	9,396,153	9,328,802	9,509,109
Maintenance and repair: Current	2,945,393	3,413,945	3,290,201	4,203,727	3,621,627	3,574,156	4,194,686	4,321,595	4,531,495
Upgrades and additions: Capital	2,517,630	3,815,037	4,088,800	3,340,802	3,348,122	3,662,166	2,949,034	2,677,979	2,830,379
Refurbishment and rehabilitation: Capital	1,463,262	1,512,132	1,670,887	1,789,716	1,354,163	1,481,608	2,252,433	2,329,228	2,147,235
New infrastructure assets: Capital	2,218,856	2,408,248	1,864,353	2,322,663	2,397,558	2,091,678	1,773,278	1,670,250	1,905,512
Infrastructure transfers	585,685	615,401	668,611	826,067	642,391	642,391	890,127	805,346	781,288
Infrastructure transfers: Current	11,559	4,950	3,322	54,181	3,300	3,300	1,650	1,650	1,650
Infrastructure transfers: Capital	574,126	610,451	665,289	771,886	639,091	639,091	888,477	803,696	779,638
Infrastructure: Payments for financial asset:	-	-	-	-	-	-	-	-	-
Infrastructure: Leases	-	-	-	-	-	-	-	-	-
Total	9,730,826	11,784,763	11,582,852	12,482,376	11,363,862	11,362,000	12,059,557	11,804,398	12,195,902
Capital infrastructure	6,773,874	8,345,869	8,289,329	8,225,067	7,738,634	7,784,543	7,863,221	7,491,153	7,862,764
Current infrastructure	2,956,952	3,418,895	3,293,523	4,257,308	3,624,927	3,577,457	4,196,336	4,323,245	4,533,145

Source: KZN Treasury, 2015

Grant Beneficiaries

KZN has the highest number of grant beneficiaries (3.9 million) in the country, followed by the EC (2.7 million) and LP (2.3 million). The majority of KZN grant beneficiaries were in respect of Child Support.

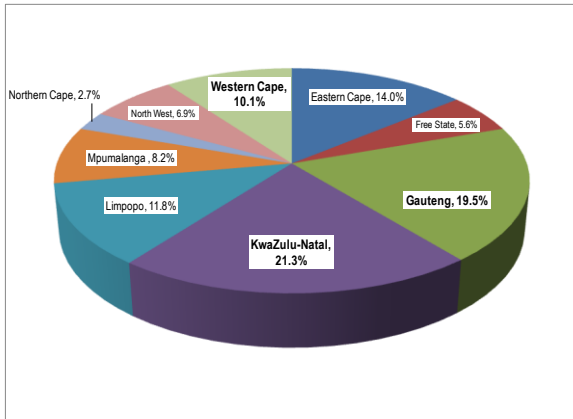
Table 2: Total numbers of social grant beneficiaries by grant type and province as at 30 September 2014

	Old Age Grant		War Veteran's Grant		Disability Grant		Grant-in-aid		Care Dependency Grant		Foster Child Grant		Child Support Grant		Total
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	
South Africa	3,026,260	100.0	366	100.0	1,124,770	100.0	96,433	100.0	124,225	100.0	533,223	100.0	11,480,576	100.0	16,485,853
Eastern Cape	570,029	17.3	62	14.2	181,186	16.1	14,329	14.9	19,706	15.1	123,155	23.3	1,829,822	15.9	2,600,379
Free State	179,201	5.9	6	1.6	77,424	6.9	1,717	1.8	6,277	5.1	43,141	7.8	646,320	5.6	930,116
Gauteng	464,977	15.4	91	24.9	113,401	10.1	2,524	2.6	15,800	12.6	59,984	10.9	1,010,480	14.0	2,267,347
KwaZulu-Natal	621,898	20.6	46	12.6	299,628	25.9	34,172	35.4	36,624	29.0	136,932	24.7	2,733,804	23.8	3,853,324
Limpopo	425,555	14.1	20	7.1	92,904	8.3	16,916	16.6	12,916	10.4	63,725	11.5	1,671,158	14.6	2,302,300
Mpumalanga	221,516	7.3	16	4.4	79,982	7.0	4,382	4.5	9,266	7.5	37,982	6.7	1,015,793	8.8	1,307,147
North West	77,967	2.6	10	2.7	49,779	4.4	6,002	6.2	4,726	3.8	15,376	2.8	284,672	2.5	438,522
Northern Cape	228,641	7.6	12	3.3	80,865	7.1	6,269	6.5	8,774	7.1	43,273	7.8	781,172	6.8	1,154,256
Western Cape	283,487	9.4	107	29.2	154,081	13.7	10,992	11.4	11,646	9.4	30,925	5.6	938,325	7.9	1,389,943

Source: SASSA, 2014

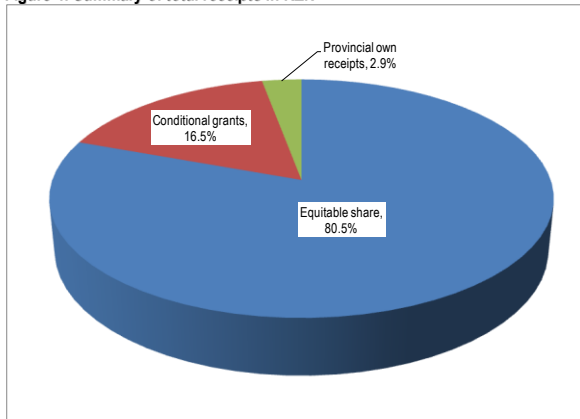
Budget allocation and figures at a glance

Figure 3: Weighted average equitable shares by province, 2015 MTEF



Source: National Treasury, 2015

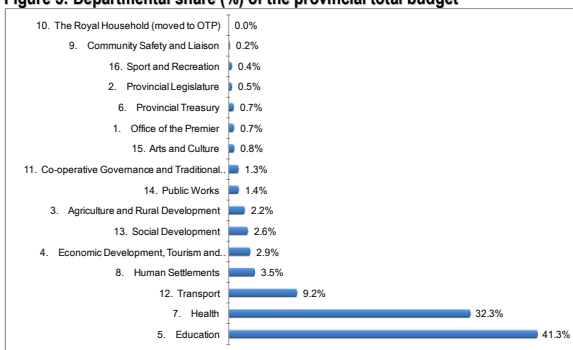
Figure 4: Summary of total receipts in KZN



Source: KZN Treasury, 2015

2015/16 KZN Budget summary: allocation by departments

Figure 5: Departmental share (%) of the provincial total budget



Source: KZN Treasury, 2015

Total budget of KZN for 2015/2016 is R 102 billion, allocated as follows:

- ❖ R 42.1 billion for the Department of Education (41.3% of the total budget)
- ❖ R 33 billion for the Department of Health (32.3% of the total budget)
- ❖ R 9.3 billion for the Department of Transport (9.2% of the total budget)
- ❖ R 3.6 billion for the Department of Human Settlements (3.5% of the total budget)
- ❖ R 3 billion for the Department of Economic Development, Tourism and Environmental Affairs (2.9% of the total budget)
- ❖ R 2.6 billion for the Department of Social Development (2.6% of the total budget)
- ❖ R 2.2 billion for the Department of Agriculture and Rural Development (2.2% of the total budget)
- ❖ R 1.4 billion for the Department of Public Works (1.4% of the total budget)
- ❖ R 1.4 billion for the Department of Co-operative Governance and Traditional Affairs (1.3% of the total budget)
- ❖ R 784 million for the Department of Arts and Culture (0.8% of the total budget)
- ❖ R 743 million for the Office of the Premier (0.7% of the total budget)
- ❖ R 712 million for Provincial Treasury (0.7% of the total budget)
- ❖ R 465 million for the Provincial Legislature (0.5% of the total budget)
- ❖ R 454 million for the Department of Sport and Recreation (0.4% of the total budget)
- ❖ R 187 million for the Department of Community Safety and Liaison (0.2% of the total budget)



Province of KwaZulu-Natal
PROVINCIAL BUDGET 2015

"The KZN Budget: Making people's lives better"



Spending your money wisely

KZN Provincial Treasury's Vision

"Be the centre of excellence in financial and fiscal management in the country"

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