

The 2014 budget speech – hope for industry

Like others, the construction industry keenly awaited the 2014 budget speech, eager to learn what relief could be expected. Following the 2008 global recession, the global economy remains unstable, with many economies struggling to keep their heads above water. South Africa has been no different. The last few years have been difficult, characterised by tough trading conditions, a weakening currency and on-going labour unrests. We continue to experience slower than expected growth, leaving most industries desperate for relief.

As part of a global community, South Africa remains vulnerable to economic pressures from elsewhere in the world. Like many other markets across the globe, South Africa showed the first signs of growth in 2013. While this is still far from ideal, this trend is expected to continue in 2014 and 2015 as opportunities like exports present themselves.

To the business world, the 2014 budget was a measure of things to come. Many were excited to see the National Development Plan (NDP) as one of the key focus areas in the budget speech. Initiatives such as accelerated infrastructure investment, new development plans for cities and more public works programmes are amongst the initiatives that are likely to improve economic growth and give industry the boost it so desperately needs. Below are some focus areas of interest as highlighted by the Finance Minister, Pravin Gordhan:

Infrastructure investment

The Minister committed to the acceleration of the existing infrastructure backlogs by increasing momentum on existing projects while eliminating obstacles that have been experienced in the past. Initiatives such as the Medupi power station need to be accelerated, while work on the five large water transfer schemes is to commence. Amongst other key areas, R847 billion was allocated towards public infrastructure investment, while R40 billion was allocated to municipalities for infrastructure grants towards water, sanitation, energy and environmental functions. Together with private sector spending, this is expected to boost growth in construction and related jobs in the country, providing the much needed jobs.

City developments

Urban development also took centre stage, with the introduction of the city development grant of R814 million over the medium term. Issues that have been the cause of much public protest such as water supply received attention, while small towns and rural municipalities development received an allocation of R3.9 billion. The minister also committed to accelerating human settlement development over the next three years.

Promoting economic growth

Under the current economic climate, it is important to promote entrepreneurship development. The 2014 budget also focused on reducing the tax burden on micro-enterprises. R10.3 billion was allocated towards manufacturing development initiatives, while R3.6 billion was allocated to special economic zones to promote exports and generate jobs. The minister emphasised the opportunity for synergies between the government and private sector and committed to providing an enabling environment. The government is eager to continue supporting investment to the rest of the

continent through relaxed exchange rates and other incentives. In addition, they are keen to further simplify trading conditions in South Africa in an effort to attract investment.

While the 2014 budget has been hailed as a generally conservative one, mostly prompted by the upcoming elections, the general sentiment has been that it encourages economic growth and job creation. Apart from the National Development Plan, the speech highlighted the need for infrastructure development and capital investment.

Going forward, the business world now looks forward to the translation of the speech into reality as the battle for survival continues.