



## MEDIA RELEASE

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### **Budget 2015: A regressive budget for poor and working class households**

PACSA is deeply disappointed at the tentative nature of Finance Minister Nhlanhla Nene's inaugural national Budget which fails to take a stand on the issue of poverty and inequality or to convince South Africans of the government's commitment to long-term sustainability.

Furthermore by failing to meaningfully increase social grants, the state has placed greater pressure on poorer households which depend on the state for social security, while appeasing business and bailing out parastatals.

At a juncture when the market was expecting a much a more aggressive budget and individual and corporate tax payers were girding themselves for belt-tightening, we contend that the honorable minister has squandered a prime opportunity to make a significant impact on the structure of South Africa's economy. Instead, it is the poorest of the poor who are forced to tighten their belts.

Despite his contention that the "primary challenge is to deal with the structural and competitiveness challenges that hold back production and investment in our economy," Nene's budget fails to deal with the most important structural challenge we face in South Africa: unacceptably high levels of poverty and a chronic non-investment in the capacity of poor South Africans.

Nowhere is this lack of investment more evident than in the failure to implement meaningful increases to social grants which are known to sustain millions of households in South Africa. In particular we are concerned that the child support grant has only been raised by R10 (R10 less than last year's increase) to R330. This represents an increase of just 3.1% -- far below inflation and the food CPI of 6.5%. Practically speaking, the increase will allow families to buy just one extra loaf of the cheapest available bread per child per month.

PACSAs extensive research shows that social grants are spent predominantly on food and electricity. We know from our work that children of poor households are not receiving sufficient amounts of nutritious food to ensure their healthy development. Our research shows that the cost to meet the most basic nutritional needs of a small child for a month is R486.58. Investing in the future health of our children is one of the soundest long-term economic security strategies we have at our disposal, yet our budget has totally side-stepped this responsibility.

On the issue of the old-age pension, we are equally disappointed with the R60 increase to R1,410. This increase of 4.4% matches the state's estimated inflation levels, but fails to match food inflation which currently stands at 6.5% and anticipated municipal service rates increases (in areas such as Pietermaritzburg) of up to 9.9%. PACSA's research shows that the cost of a basket of food for a household of five is R2,711.29 while the cost of an average municipal service bill is R1,168.40 for that same family.

The net result of this budget is that taking inflation into account, poorer households will have less money rather than more. They will effectively regress rather than progress.

This is not a budget to reduce inequality. In fact it is a regressive budget for the majority of South Africans and will not contribute to long-term sustainability or building the social base on which future economic growth and prosperity lie. It will deepen poverty cycles and make it more difficult for households to climb out of poverty.

Against this backdrop, the minister's raising of the personal tax rate by a mere 1% and failure to increase corporate tax seems a highly cynical move, deliberately placing a greater burden on the poor of South Africa.

With the corporate sector having escaped an increase in tax, PACSA believes there is a significant opportunity for the sector to agree to a minimum wage of R8,000 for all workers. In that way the corporate sector will contribute directly to the building of our social base.

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### **About PACSA**

The Pietermaritzburg Agency for Community Social Action (PACSA) is a faith-based social justice and development NGO that has been in operation since 1979. PACSA tracks the price of a basket of 36 basic food items from six different retail stores servicing the lower-income market in Pietermaritzburg and issues a monthly food price barometer which serves as an index for food price inflation and provides insight into the affordability of food and other essential household requirements for working class households.

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