

MEDIA RELEASE

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Subject: 2016 Budget – response

Budget 2016: A strong society and economy is built on its people: social grant allocations inadequate.

Minister Gordhan budget seeks to build stronger foundations for our future society and economy. Human capital is core to building a stronger foundation. At the most basic level, greater public investment is needed so that households can access sufficient and nutritious food. **The increase of R90 on an old-age pension and R20 on a child support grant will not allow that.** The implications of not ensuring the core foundational aspect of society is met by ensuring the household base is strong and able to absorb increasingly unpredictable and massive price fluctuations undermines our social and economic outcomes.

Underspending on food will further impact on the public health sector; result in low work place productivity; and underutilization of investments in education and public health.

The social grant increases announced by the Minister will neither stop people from falling into poverty nor help them escape poverty. The increases on social grants would not absorb the high levels of food price inflation projected at beyond 15% in 2016. The February 2016 PACSA food price data shows:

- Food price inflation on the food baskets which low-income households try and buy each month has increased by **+R231.14 (14%)** over the last 3 months from R1 648.10 in November 2015 to R1879.24 in February 2016.
- The PACSA food basket increased by **+R82.20 (4.6%)** in the last month from R1 797.04 in January 2016 to R1 879.24 in February 2016.
- The cost of feeding a small child (3-9 years) a nutritional but basic diet for a month; cost R546.80 per child in February 2016. Month-on-month, the cost of feeding a small child has increased by **R18.55 (3.5%)** from R528.25 in January 2015 to R546.80 in February 2016.
- The cost in February 2016 of a 10kg pocket of potatoes is R70.63; a loaf of brown bread is R9.92; 2 cabbages cost R27.95; a 5kg bag of sugar beans is R86.49; 4 litres of cooking oil is R90.48; and 2 litres of milk is R24.66.

Minister Gordhan has increased the state pension by **R90 (6.3%)** from R1 420 to R1510 (R10 is staggered till October); and the child support grant by **R20 (6.1%)** from R330 to R350. These increases do not take into account the projected CPI peak of 7.8% by the end of 2016.

The CSG's rand value of R350 is not enough to meet the nutritional requirements of a small child in February 2016: **R350 vs R546.80**. This is an underspend of **36%** on the plates of children. The **R20** increase on the grant has almost already been eroded since the month-on-month increased by **R18.55** between January 2016 and February 2016.

The state pension supports entire families. The total pension, with the R90 increase – if every cent was used on food - is not enough to afford a basket of food for households in February 2016: **R1 510 vs. R1 879.24**. Between January 2016 and February 2016, the food basket increased by **R82.20**, already eroding the first tranche of R80.

The increase in the fuel levy by 30 cents as well as the possible electricity increases will also contribute to rising food inflation and will make public transport more expensive – these directly impact on low-income households.

In the light of rising food prices, projected to increase beyond 15% in 2016, with STATS SA projecting an 11% increase towards the end of the year, and the severe household indebtedness and financial stress at household level; we expected that the Minister would have taken bold steps to relieve some of these pressures on low-income households, who make up the majority of households in South Africa.

Low-income households are the majority of households in South Africa. South Africa's low labour absorption rates, low baseline wages earned by the majority of workers, and low social grant levels do not allow households to support themselves whilst ensuring a buffer to absorb price fluctuations. Annual increases in wages and grants are not keeping up with high levels of inflation (well beyond headline CPI) on goods and services for low-income households. This situation, over the last several years has become more severe. Households, unable to absorb shocks by spending more money have been viciously cutting back on expenditures and taking on higher levels of and more expensive unsecured credit. This strategy is now being found wanting, with deprivations acting to undermine health, education and productivity. These 3 aspects are the foundational elements of an economy – with its core in households having access to affordable, good quality nutritious and sufficient food and municipal and public services.

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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