



9 JULY 2021

Musings of an Afro-Optimist

I have often warned people that I should come with a warning label ‘Afro-Optimist’. Now that’s not to say that I am immune to the despair that is so easily raised by reading headlines or just by interacting in many parts of our society. I also have my bad days. Rather, I choose to consider that human interaction globally has constantly demonstrated that human beings are sadly driven by economics more than by ideology (or possibly that economics trumps ideology). Put rather more succinctly – follow the money! We have always highlighted that the mainstream press loves bad news because sensation sells papers, so I thought it would be good to highlight a few positives.



**Robin
Gibson**

What follows is a selection of positive events that we have witnessed over recent times that can encourage us to stay positive. We do not have space or time to evaluate them in extreme depth, or even entertain the naysayers, but hopefully, this will provide a smorgasbord of optimism for all but the most embittered cynic.

The Rand

We looked at the Rand’s recent movements and the reasons for them in our recent Insight YouTube video (if you missed it click [here](#)). South Africans were anxious that a downgrade by Standard & Poors would lead to a collapse in the currency. Many thought their fears were coming true as the Rand penetrated 19 to the Dollar in March as our Covid lockdown hit. Yet despite the recent weakness caused by the Delta variant fears and slightly softer commodity prices, the Rand remains below levels first reached in 2015 and 25% stronger than the worst level reached in 2020.

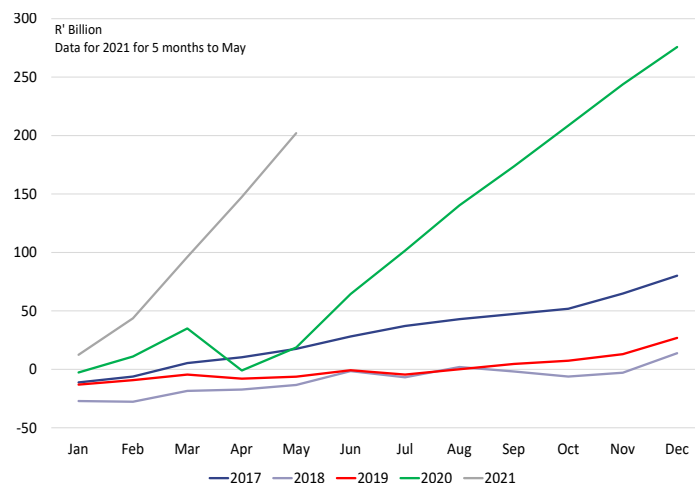
Government Finances

Economists were highlighting the dire state of Government Finances and the “Hippo’s Jaw” as revenue sank and costs rose. SA Treasury indicated that to finance the deficit was going to require an escalation in weekly bond auctions of more than R2 billion every week. This was implemented throughout 2020. At the end of March, however, Treasury reduced its bond auction amount by R800 million per week as Revenue collection exceeded expectation, largely on mining profits and royalties. In addition, the SA Balance of Payments has been the most positive for many years which has helped with external debt costs and the cost of fuel internally which has supported the inflation target despite

SPEED READ

- As South Africans, nothing surprises us and we know more bad news is just around the corner. We have largely become desensitised to good news.
- The last 12 months have seen many positives appear contrary to expectations, and while we could never claim that all our ills are cured, it may be that the forecast of our death was exaggerated.
- Positives have arisen in multiple quarters, Government Finances, electricity, the Rand, the Balance of Payments to name a few. The cloud is still there but there is a silver lining.

SA TRADE BALANCE



Thanks to the global commodity boom, our exports have soared, resulting in a substantial trade surplus, which has underpinned the recovery in our currency.

rising oil prices.

This comment is a little anecdotal, but while attending a recent tax update course, the lecturer from a large tax consultancy suggested that taxpayers would be unwise in their attempts to outwit the Fiscus concerning their tax returns. The lecturer highlighted that she was witnessing the return of high calibre individuals within the SA Revenue Services (SARS) such that collections are likely to be far more efficient going forward (and hopefully this also is bad news for those in the government's employ who cannot explain their rather swollen balance sheets relative to their more modest earnings!)

Corruption & Prosecutions

We have all watched excerpts of the Zondo Commission, probably with a fair amount of exasperation. It is also clear that corruption exists right down to your local authority. The task facing the National Prosecuting Authority (NPA) is enormous and at times overwhelming. Recent events however have given us much to be hopeful for:

- Ace Magaashule (suspended Secretary-General of the ANC) faces charges of corruption linked to the Free State Asbestos Tender and has been suspended by the ANC National Executive Council (NEC).
- Health Minister Dr Zweli Mkhize was linked to Covid tender corruption via the Digital Vibes scandal earlier this year. Despite him being a strong Ramaphosa ally, we have seen him placed on special leave and a Special Investigation Unit (SIU) investigation initiated (which has not been reported in his favour), all in a fairly short time.
- Jacob Zuma has now fallen foul of the Constitutional Court and although he continues to play his ridiculous games, he has flipped from "I will go to jail" to "I don't want to go to jail". Our courts have shown themselves to be active and willing to act and this is just a contempt charge. He still has to face the Arms Deal trial (to be continued from 19th July).

These are the high profile cases, but there are others down the 'pay-grade that are happening with successful convictions, and as the NPA restores the quality of staff (just like SARS) this too will accelerate.

Electricity

Yes, load-shedding remains. Eskom still has R400 billion in debt and both electricity and cable theft remain rampant problems. Electricity remains the greatest threat to GDP growth. On the 10th June 2021, President Cyril Ramaphosa announced that the threshold to produce embedded power (power for your own use) without a licence had been raised from 1MW to 100MW. This certainly isn't going to happen

overnight, but you can be sure that many mines and other industrial giants will take the opportunity to push the button on their in-house projects and this linked with the movement in dividing Eskom into separate Generation, Transmission and Distribution entities will find us in a different place completely within the next five years.

While none of the above constitutes a solution that will see South Africa challenge developed markets for economic status or create a phoenix-like recovery, there is no doubt that these are some of the areas of sustained recovery growing from initial green shoots. We have not touched on events such as the reversal of the Eskom Econ contract, the Karpowership Deal, the Interpol Red Notice on the Guptas or other recent events that could contribute to this narrative. What is more important is that these events reflect a material change of trajectory relative to historic behaviour. If they are sustained, they will create a meaningful groundswell, which reminds me of a piece of Shakespeare oft-repeated to me by my father, but highly pertinent here:

"There is a tide in the affairs of men
Which, taken at the flood, leads on to fortune;
Omitted, all the voyage of their life
Is bound in shallows and in miseries.
On such a full sea are we now afloat;
And we must take the current when it serves,
Or lose our ventures."

We are hopeful that this tide leads to a flood that will benefit us all in the years to come.



Has South Africa got an early spring in our national affairs? If we look closely, there are some encouraging signs.



Please note, due to the concerns over the 3rd wave of Covid, Harvard House has decided to cancel our Insight presentations until further notice.



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Topic: n/a

Natal Midlands

Date:	TBC
Venue:	Fernhill Hotel Midmar / Tweedie Road Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

Johannesburg

Date:	TBC
Venue:	Rosebank Union Church, Cnr William Nichol and St Andrews Road, Hurlingham
Time:	7am for 7.30am

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