

INTERESTING STATS ON SA

Recently I had the opportunity to attend an investment conference hosted by BCI. The economist for the day was Mike Schussler – quite entertaining. I would like to share some slides on South Africa as shared by Mike/BCI which I found quite interesting and relevant (highlighting SA today).

1. SA Government spends more than we say we will...

The Debt to GDP ratio Government Targets and reality



GROSS DEBT TO GDP. BUDGET YEAR & TARGET

- 2009 (For 2011/12) **31,1%**
- 2011 (for 2013/14) 43,1%
- 2014 (for 2015/16) 48,4%
 - Looked at selling Telkom
- 2016 (for 2018/19) **50,5%**
- 2019 (for 2021/22) 58,9%

GROSS DEBT TO GDP. ACTUAL

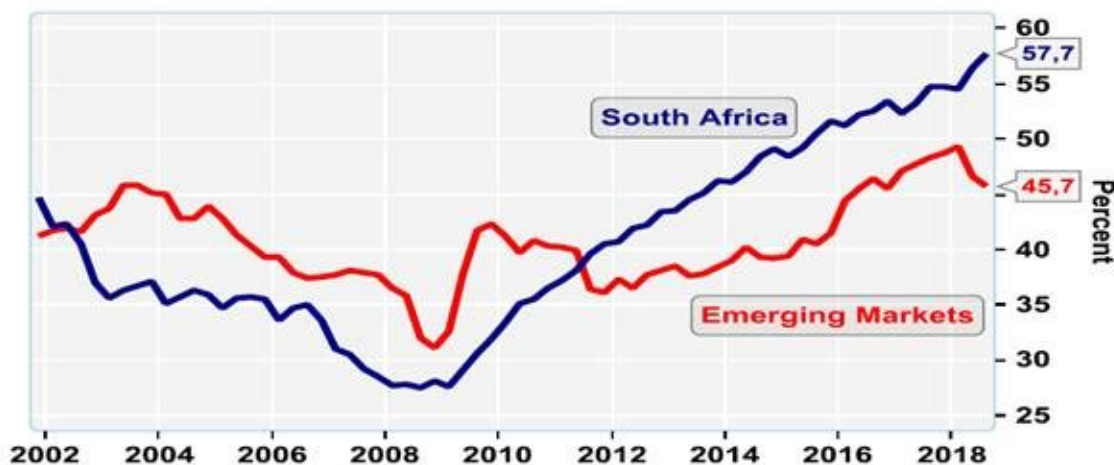
- 2011/12 Actual **39,8%**
- 2013/14 Actual 43,7%
- 2015/16 Actual 48,9%
 - (And sold Vodacom stake for R23 billion)
- 2018/19 latest estimate **55,6%**
- 2021/22 (60% +++)

2. Our Government debt % to GDP relative to the average emerging market is significantly higher.

SA government debt burden is higher than EM average.



SA vs. Emerging Markets. Government debt as % of GDP

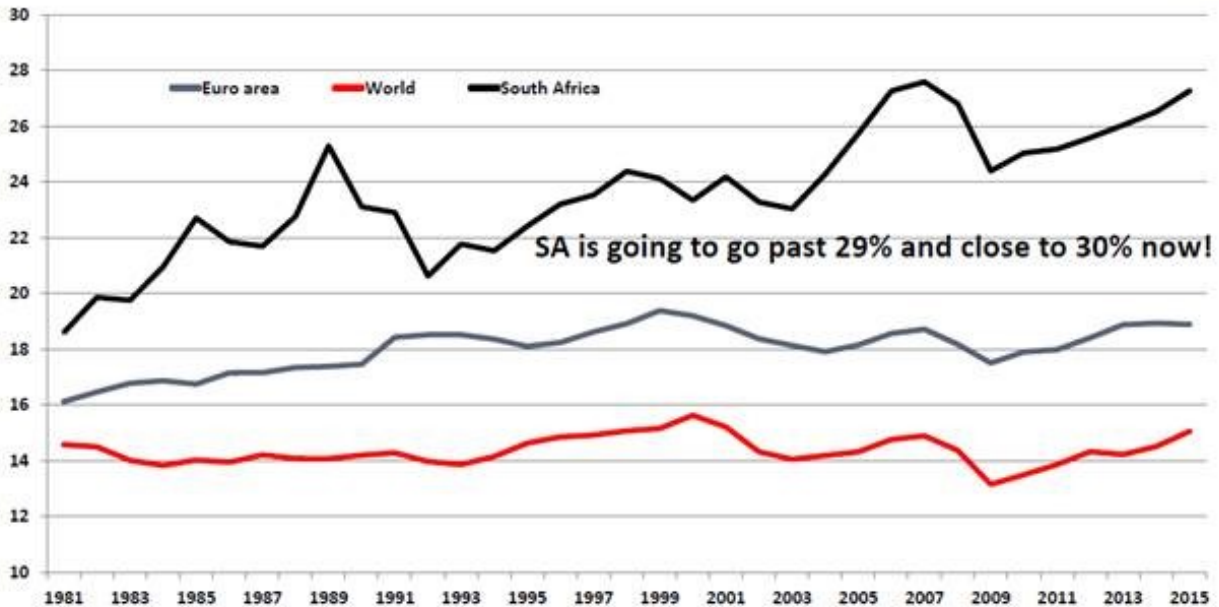


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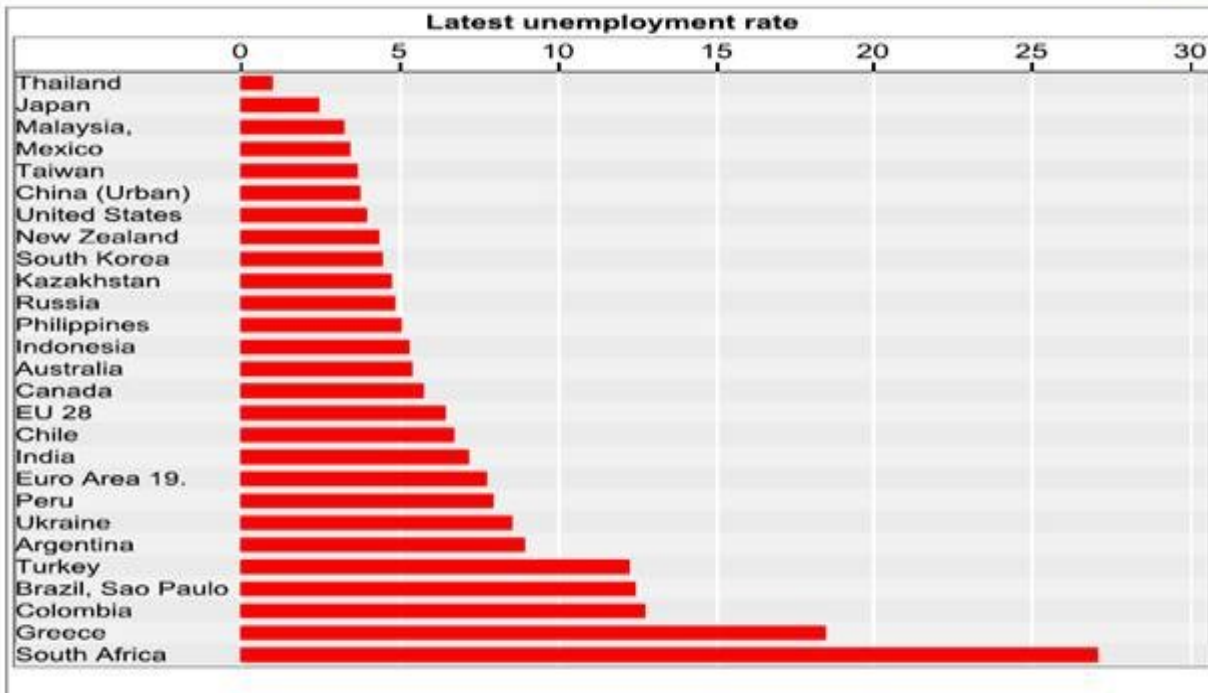
- 3. The average tax we pay (as a % of SA GDP) is significantly higher than the rest of the world and the Euro zone specifically.**

Tax to GDP compared over time.



- 4. But that is expected when you see our high unemployment rate relative to other countries... (less people employed means fewer people to carry the tax burden).**

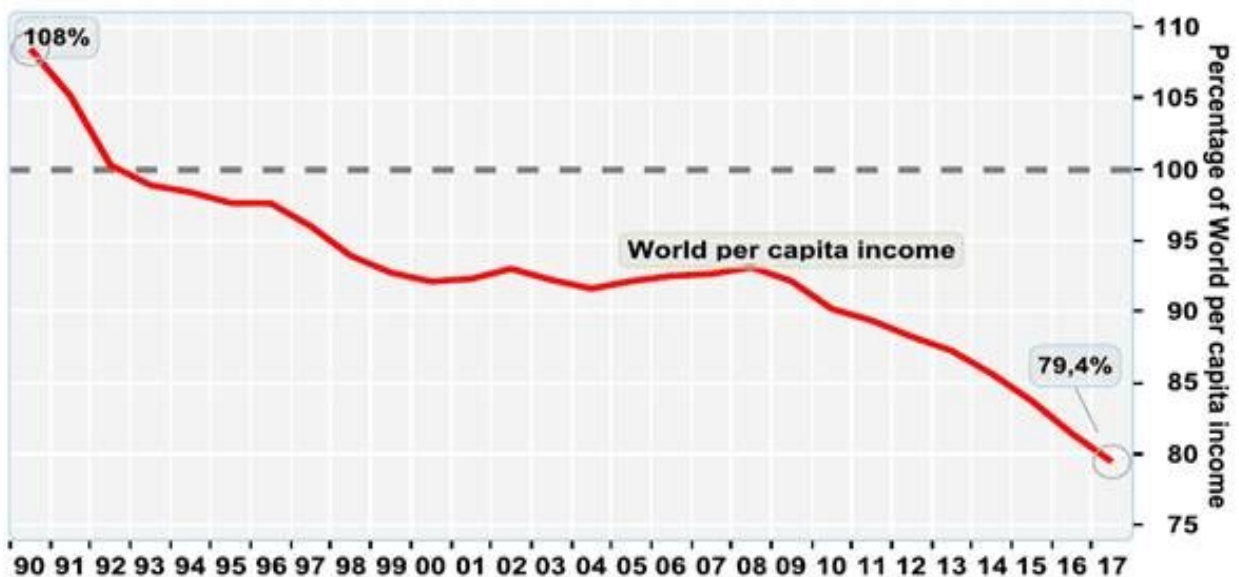
Perspective on unemployment.



5. We also find that we as South Africans have actually become poorer relative to the rest of the world.

Per capita income SA vs. World:

South African per capita income as % of World per capita income



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6. And this is his forecast for SA in the year ahead.

- 2019 SA may get to **1% growth** but due to Eskom & Rand; inflation will increase to around 5% - no rate relief.
 - Average forecast is 1,3%
- Consumer may start coming back near 2nd half of the year.
- Election years are difficult as one extra holiday and build-up to elections creates uncertainty.
- Moody's could downgrade SA by end 2019.
 - Rand should tank a little due to downgrades
- **Unemployment** will increase to closer to 30% by end 2019 or early 2020
- JSE will probably not go anywhere until after elections and downgrade.
 - Consumer stocks may start pricing in recovery toward year end but unemployment may make the forecast difficult.
 - JSE firms continue to invest in Africa and elsewhere.
 - Pay-off still a year or three away.
- The "Zuma" disaster lingers still but much less so.

Obviously, this is just one view and we need to bear in mind that the weather man is far more accurate at forecasting the weather than an economist is at predicting the future... therefore I encourage you to continue asking your questions, getting the feedback and making up your own mind. Just be ever so cautious of who you lend your ear out to – I believe one should look at the data, cut out the noise!