



SOUTH AFRICA TOMORROW INVESTMENT CONFERENCE

2019

THE STATE OF THE ECONOMY AND ATTRACTIVENESS OF SA AS AN INVESTMENT DESTINATION

A VIEW FROM JOHANN ELS - CHIEF ECONOMIST AT OLD MUTUAL INVESTMENT GROUP

- President Ramaphosa is leading a strong reform-minded government. This administration is busy fixing the state and fighting corruption - things that take time in a country where the rule of law is paramount

- A huge part of the process is rebuilding confidence, which also takes time

- SA institutions are strong and are being kept strong by this government. This is evidenced by the "institutional rating" in the latest Global Competitiveness Index of the World Economic Forum: SA's ranking for "Institutions" has moved from 69 out of 140 countries in 2018 to 55 out of 141 countries in 2019

- SA has a well-regulated and sophisticated financial system

- Strong consumer, business and investor confidence played a huge part in the 2003 to 2007 period when South Africa experienced 5%+ growth rates per annum

- Actual economic growth over the last 5 years (incl. 2019) was on average 1% per year. This was dismal. But the investment plan alone could help lift growth towards 2.5% to 3% by 2022/2023. That is more than double the growth rate of the past 5 years

- Key strengths of SA: Constitutional Democracy; Rule of Law is paramount; Independent Judiciary; Free Media; vigorous public debate

- Global Competitiveness Index of the World Economic Forum: SA's ranking for "market capitalisation" is number two out of 141 countries

- Global Competitiveness Index of the World Economic Forum: SA's ranking for "soundness of banks" is 29/141 countries

- Global Competitiveness Index of the World Economic Forum: SA's ranking for "cost of starting a business" is 4/141 countries

- Key policy successes of the last few years: where government policy has created the enabling policy for the private sector to thrive. The one is the Automotive Production Development Plan (where vehicle manufacturers produce for the local market and exports 30 000 cars per month) and the Renewable Energy programme where government policy created a policy framework where the private sector could invest heavily in renewable energy

- Potential Moody's downgrade not a done deal: Government/National Treasury likely to present a deficit reducing budget in February

- But potential Moody's downgrade is probably largely priced in by the markets - thus any positive news could result in a rebound in the Rand exchange rate and SA government bond yields