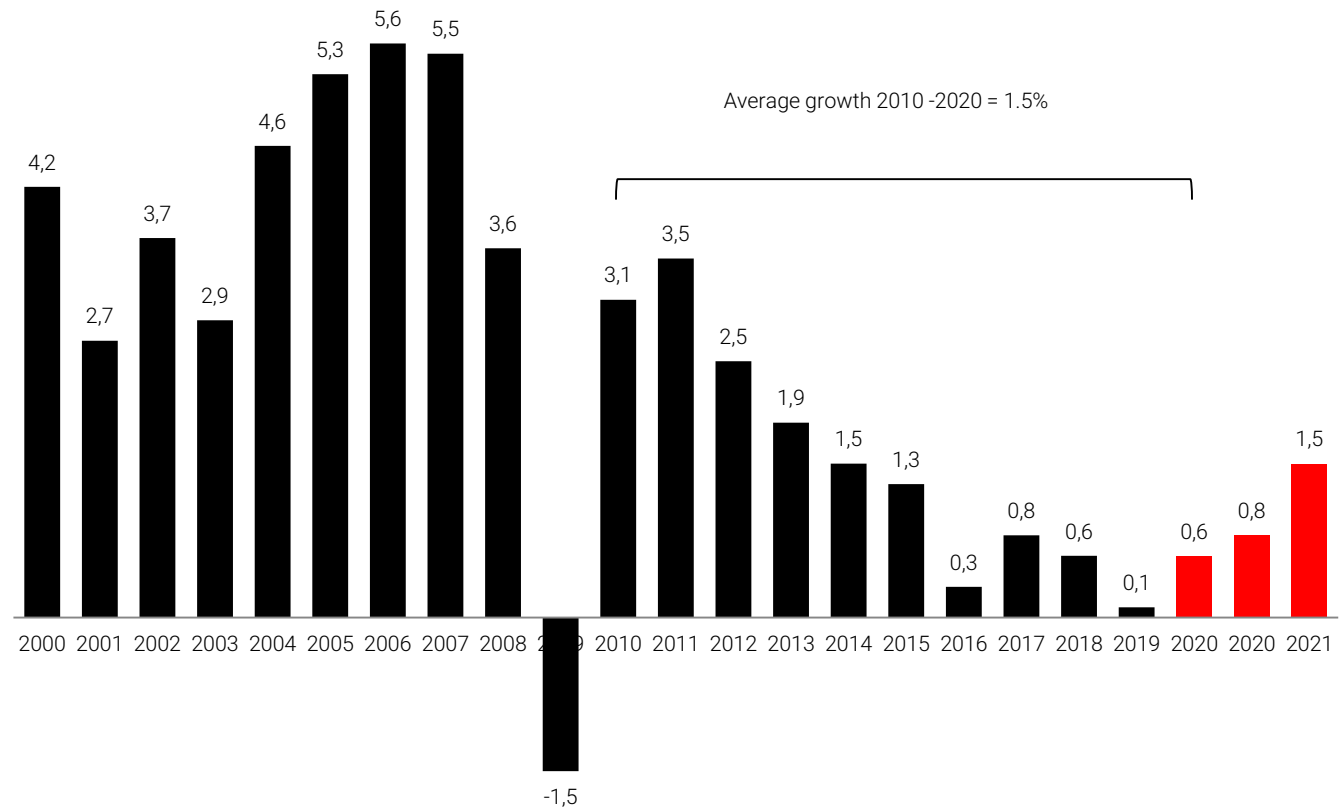


# South Africa: A captured economy



The 9 wasted years

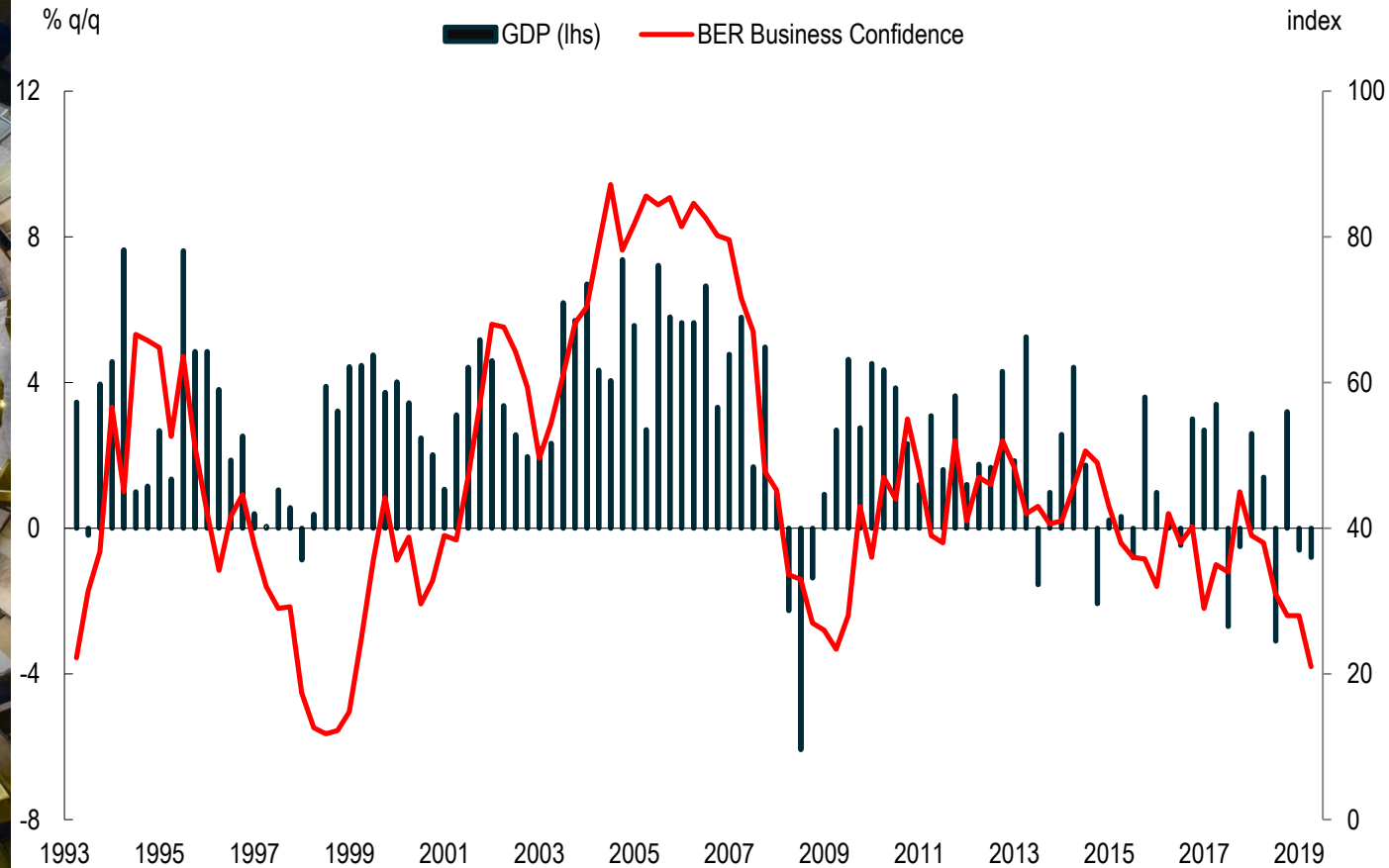
# GDP





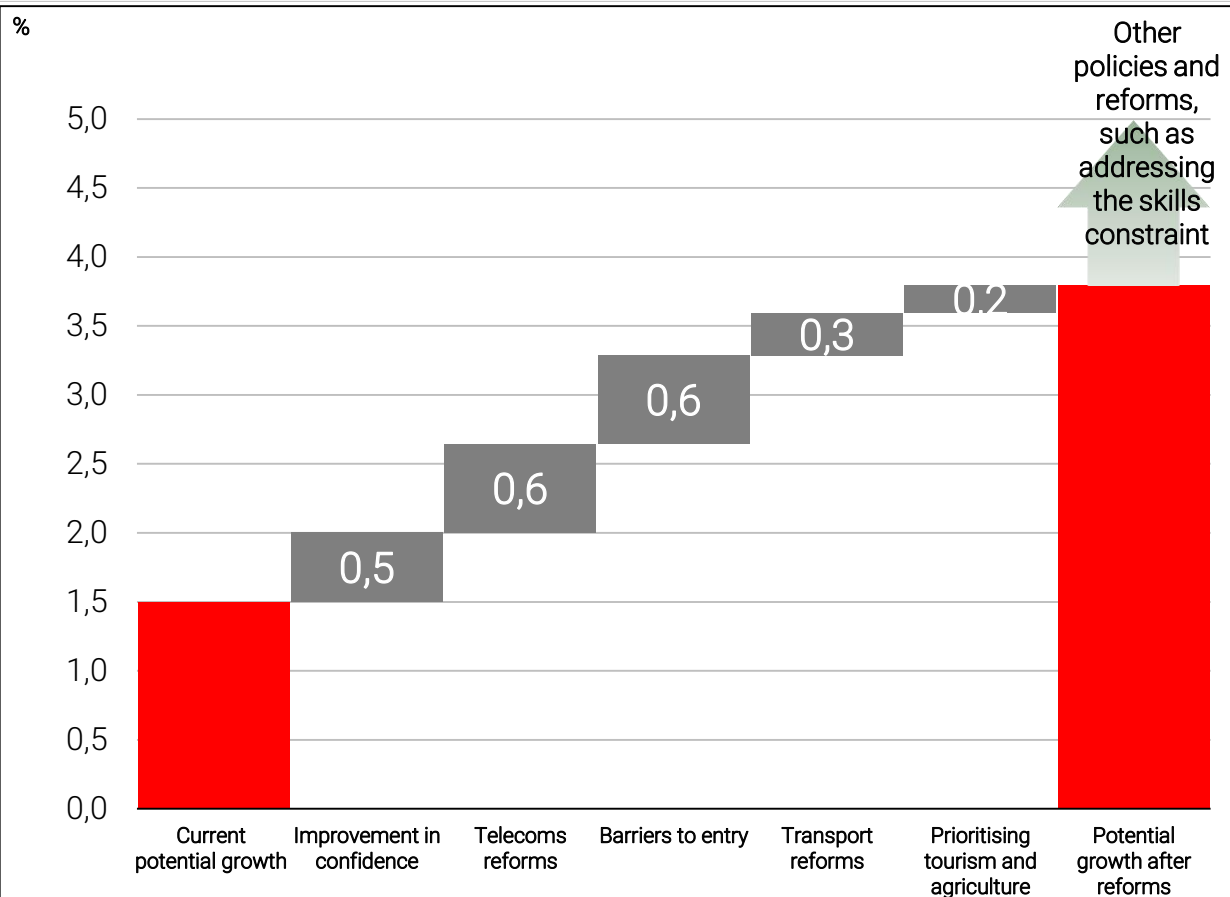


## GDP and Business confidence





# Potential impact of selected NDP on GDP growth



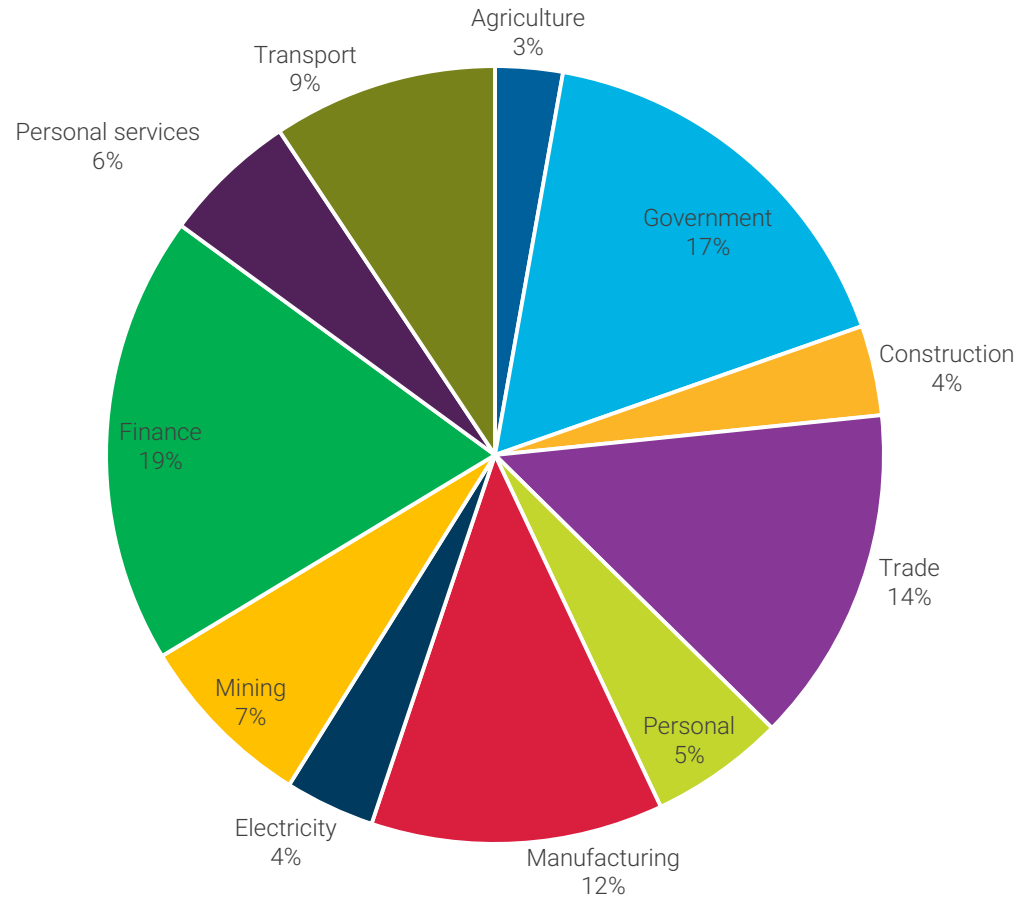


Production-side

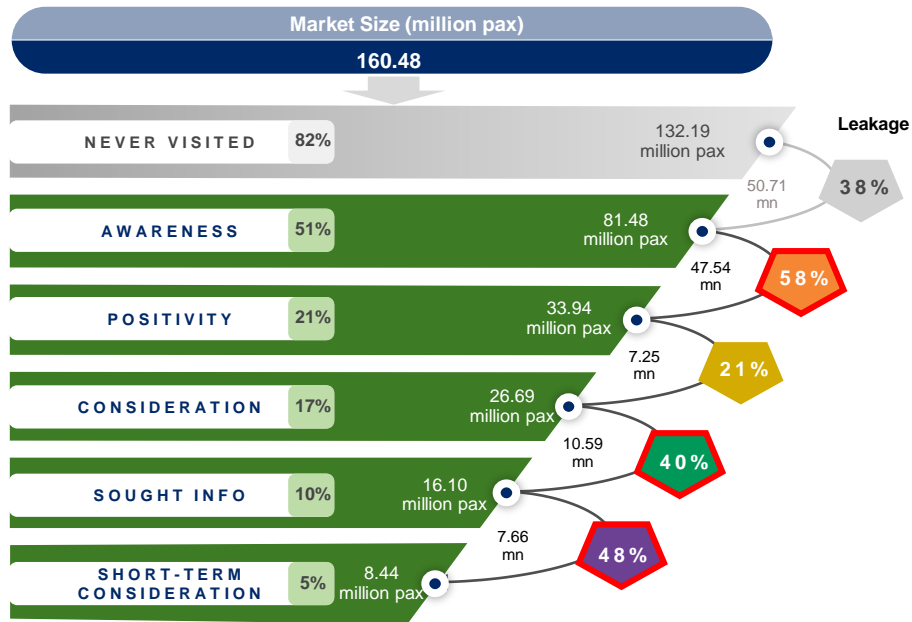




# GDP: Production



# Leakage at Stages of the Brand Journey | Barriers – 2019



Reduce Leakage Points 2, 5 and 4 followed by Point 1

## Barriers

### Safety

Concerns for my personal safety

Uncertain about political climate

Concern about health risks

### Cost

Too expensive to get there

Too expensive once there

### Other

Another destination was more appealing

No particular reason

Too much time to get there

Don't know anyone there

Not a relaxing destination

Nothing interesting to do there

Bad Climate

Difficult to get a VISA

	2	3	4	5
Concerns for my personal safety	42%	21%	24%	28%
Uncertain about political climate	33%	17%	20%	18%
Concern about health risks	20%	12%	11%	8%
Too expensive to get there	24%	29%	32%	29%
Too expensive once there	11%	14%	14%	12%
Another destination was more appealing	41%	31%	42%	40%
No particular reason	12%	17%	17%	15%
Too much time to get there	16%	15%	17%	16%
Don't know anyone there	11%	9%	8%	7%
Not a relaxing destination	11%	4%	4%	4%
Nothing interesting to do there	8%	5%	2%	3%
Bad Climate	3%	4%	3%	4%
Difficult to get a VISA	3%	4%	3%	4%



Points with Maximum Leakage



Key Barriers

Note: Based on all respondents (n=25,660); All market sizes are for the 'Never Visited' category in market; All calculations have been done using absolute values, and not the rounded off values. The % figures at different stages are calculated based on those who have never visited South Africa, and the barriers are based on the leakages at those stages; The calculation for barriers is based on marketing spend; 2019 onwards the percentages are direct values after applying filters at different stages without converting them to a sum of 100%

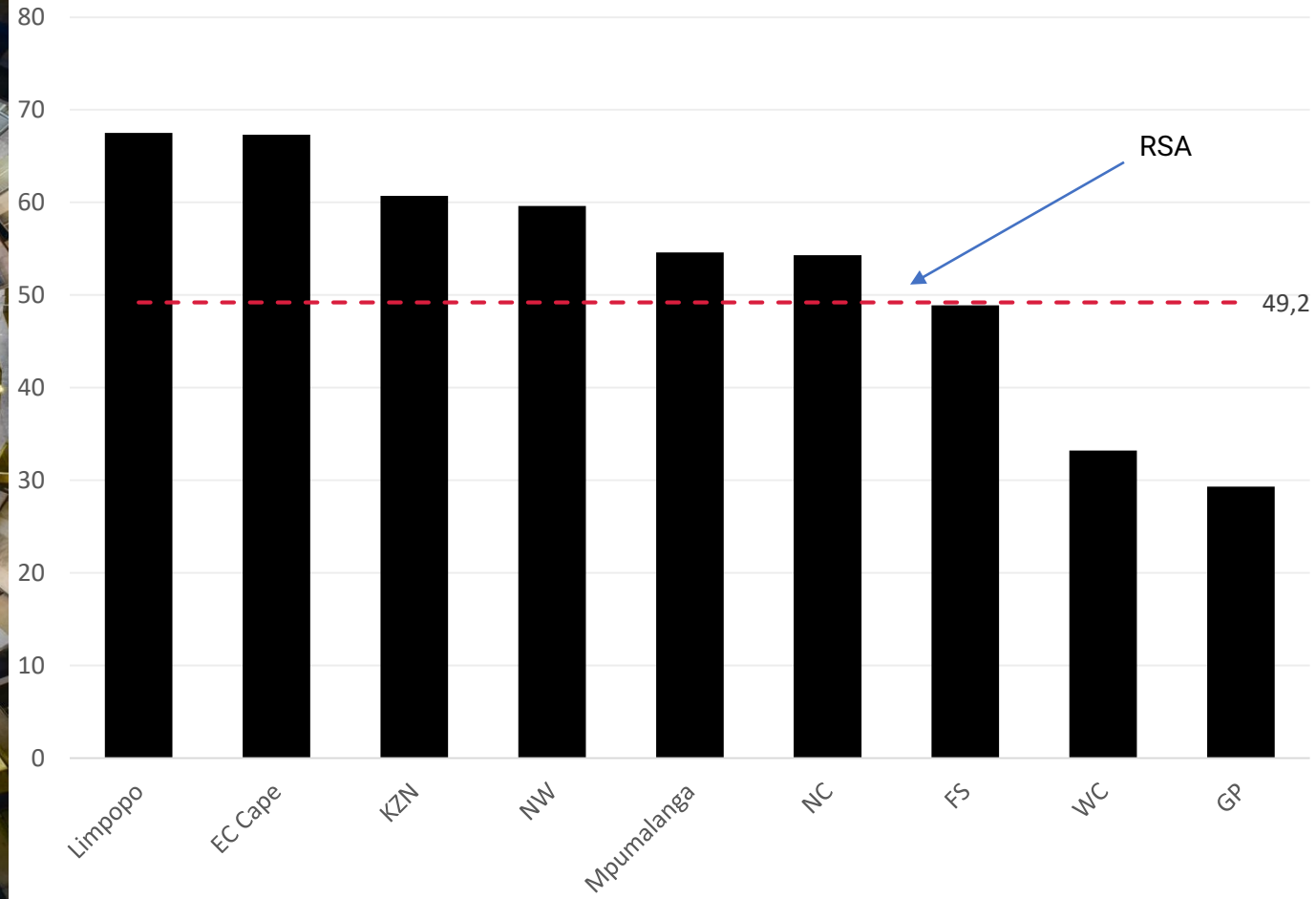
Source: SAT BrandTracker Feb, Jun and Nov-19 waves





Poverty, unemployment, Inequality

# Adults living in poverty

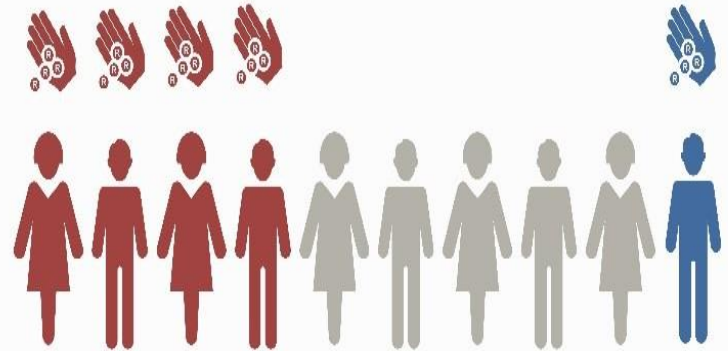


# Inequality in South Africa

- South Africa is known as one of the most unequal countries in the world, reporting a per-capita expenditure Gini coefficient 0,65
- According to the Palma ratio, the top 10% of the population spent 7.9 times more than the bottom 40%

## The Palma Ratio Explained

*The Palma ratio is a measure of inequality. It is the ratio of the richest 10% of the population's share of income/expenditure divided by the poorest 40%'s share.*

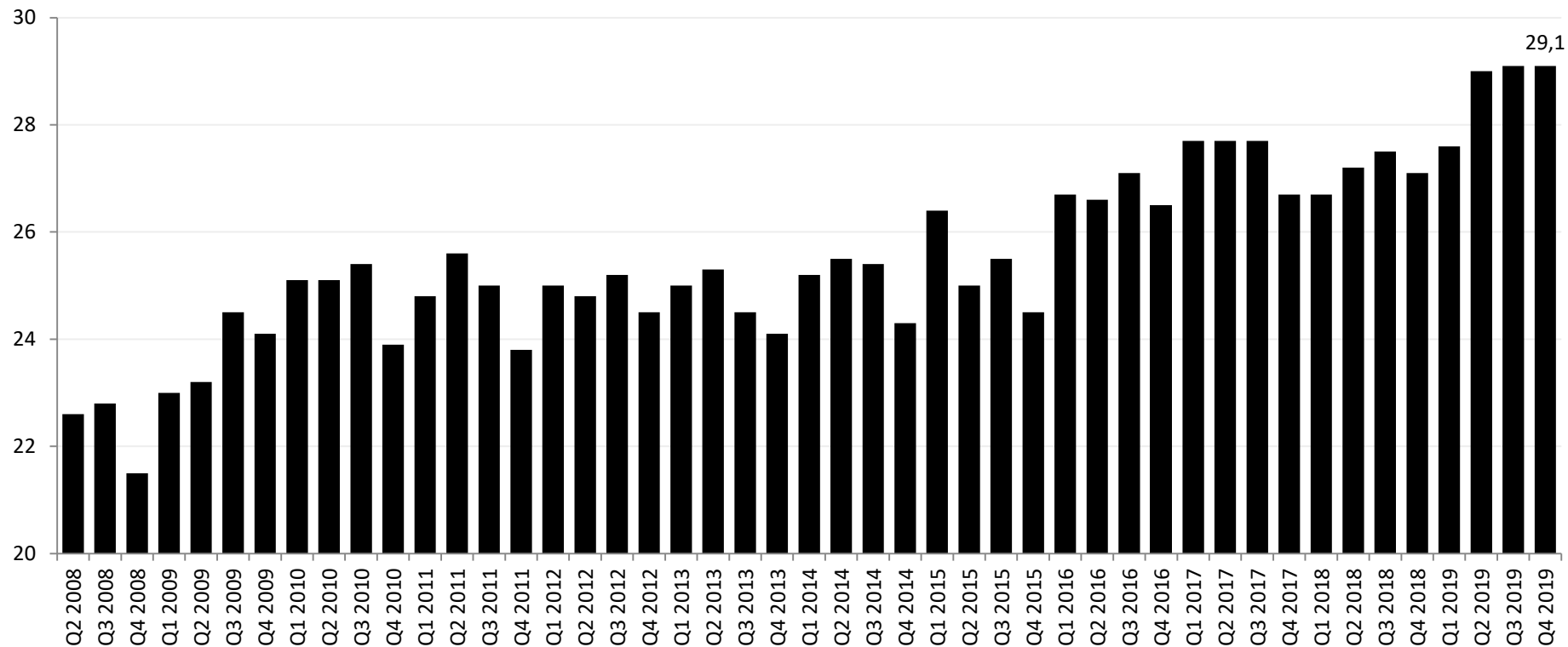


The Palma ratio compares  
the income of the **BOTTOM 40** ..... to the **TOP 10**



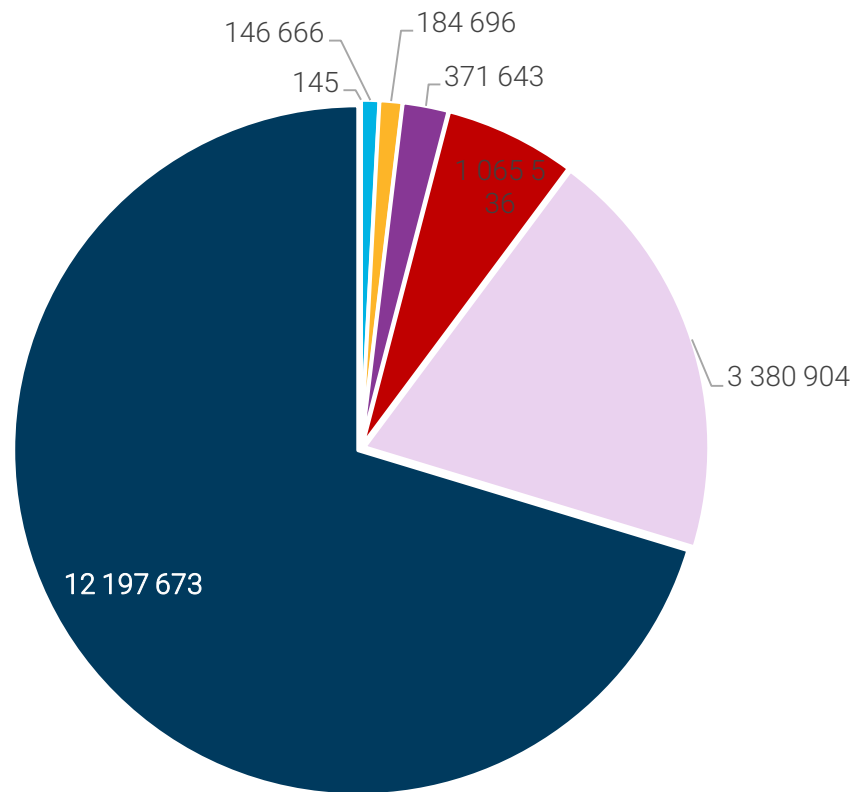
# Unemployment rate

% q/q





## Total number of social grants by type



■ War Veteran's grant

■ Care Dependency grant

■ Grant in Aid

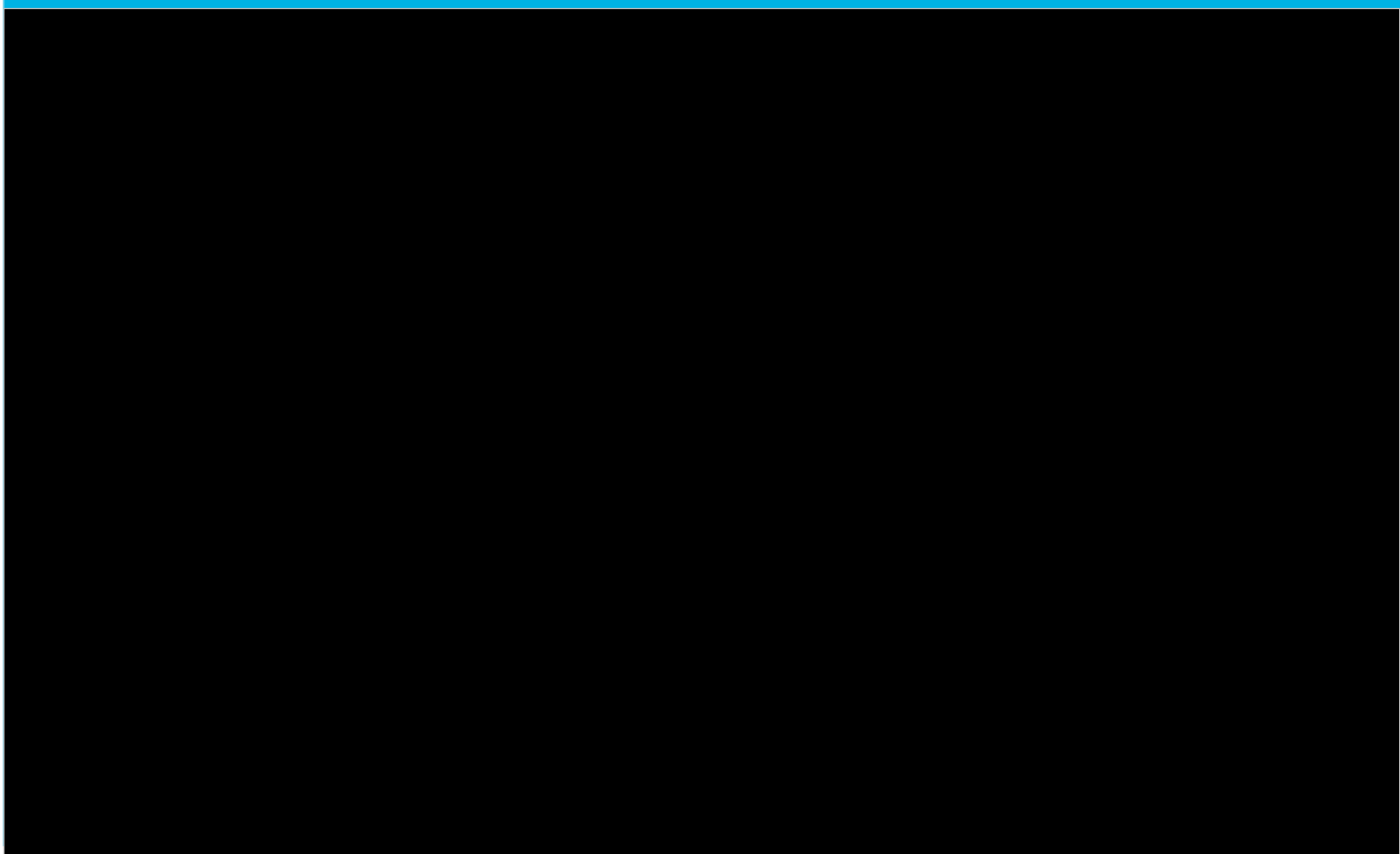
■ Foster Child grant

■ Disability grant

■ Old Age grant

■ Child Support grant

## Service delivery protests





The background of the image is a collage of South African currency. It features several banknotes: a 200 Rand note with a cheetah, a 100 Rand note with a blue and green design and a portrait of a man, and a 50 Rand note with a purple and pink design. There are also several coins: a 2 Rand silver coin, a 5 Rand gold coin, a 10 Rand gold coin, and a 20 Rand gold coin. The text "What is the cost of corruption in South Africa?" is overlaid on the left side of the image in a large, white, sans-serif font.

What is the cost of  
corruption in South  
Africa?

- R506-billion was wiped off the value of South African bonds and listed companies, where pension funds are heavily invested, after the midnight end-of-March 2017 Cabinet reshuffle that saw Pravin Gordhan and Mcebisi Jonas booted from the finance ministry.
- Over two days the market value of the country's 17 biggest financial and property shares fell by R290-billion.
- R378-billion had been wiped out on the Johannesburg Stock Exchange (JSE) and some [148,000 jobs](#)
- South Africa was downgraded to junk status by Fitch and Standard & Poor's in April 2017, both citing institutional and political uncertainty in the wake of the Cabinet reshuffle, policy uncertainty, and possible changes of direction with regard to nuclear power and SOEs.
- South African bonds lost 12% of their capital value (R216-billion)
- Debt service costs were R5-billion higher than initially planned because of the impact of Nenegate

---

Government expenditure R1.95 trillion

**State Capture in the past 4 years = R1.5 trillion**



The  
Economist

Time to intervene in Syria  
Britain's barmy immigration policy  
The lessons from Citigroup's shock  
Obama's town-hall brawl  
How driverless cars will change the world

WEDNESDAY 26TH - 27TH 2012

[economist.com](http://economist.com)

# Cry, the beloved country

South Africa's sad decline



The  
Economist

WEDNESDAY 26TH - 27TH 2012

Should Jerusalem be Israel's capital?  
AI: the battle of the brains  
The true cost of America's tax reform  
Our books of the year

# The corruption of South Africa



The  
Economist

**SPECIAL  
REPORT:**  
*South Africa*

- April 27th 2019
- 1 Country on the brink
- 3 The fight against corruption
- 4 Reforming the ANC
- 5 Mandela, reassessed
- 6 The struggling economy
- 7 Land reform
- 9 Improving education
- 10 An uncertain future

# Saving the nation

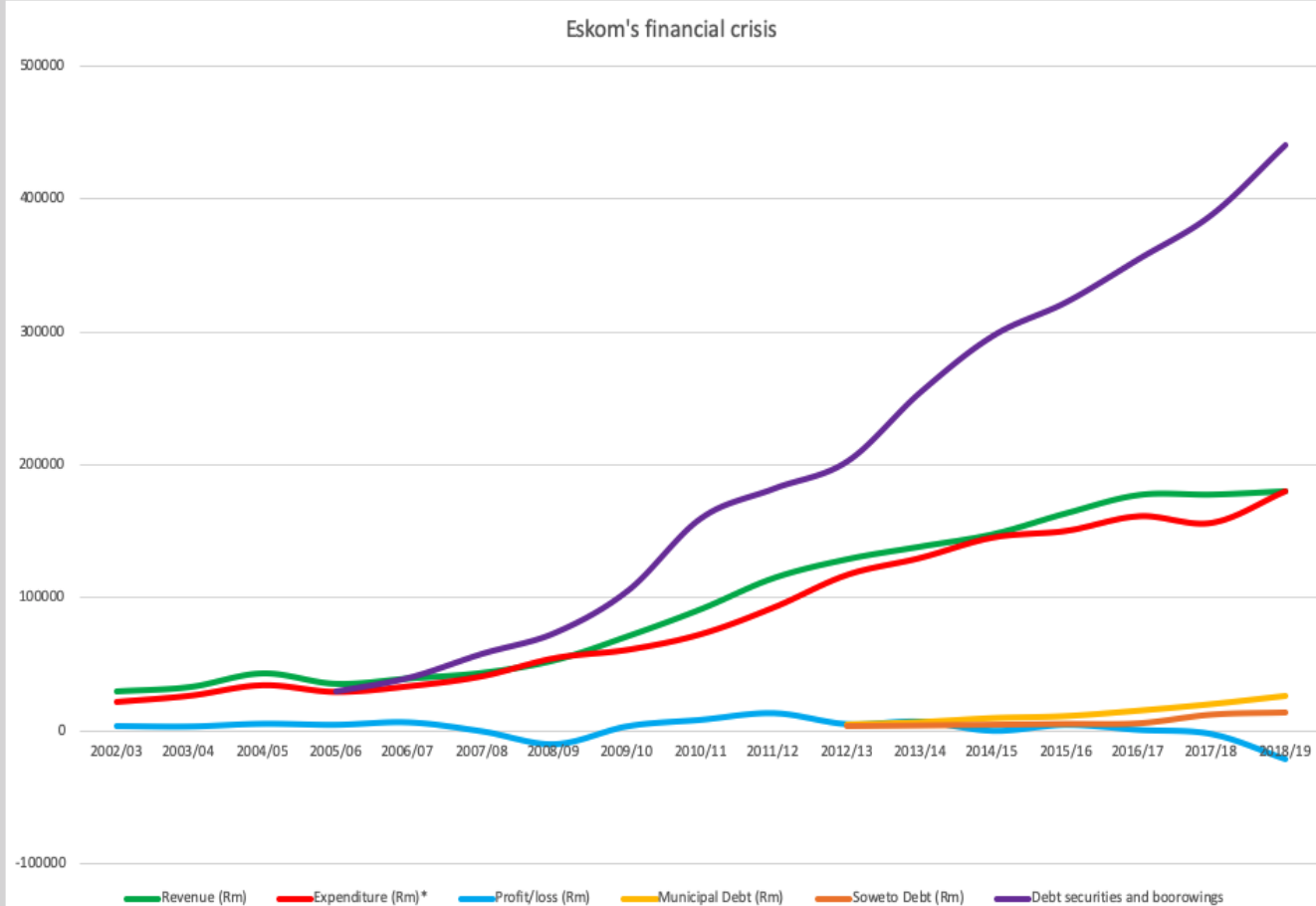




## State of the State-Owned Entities

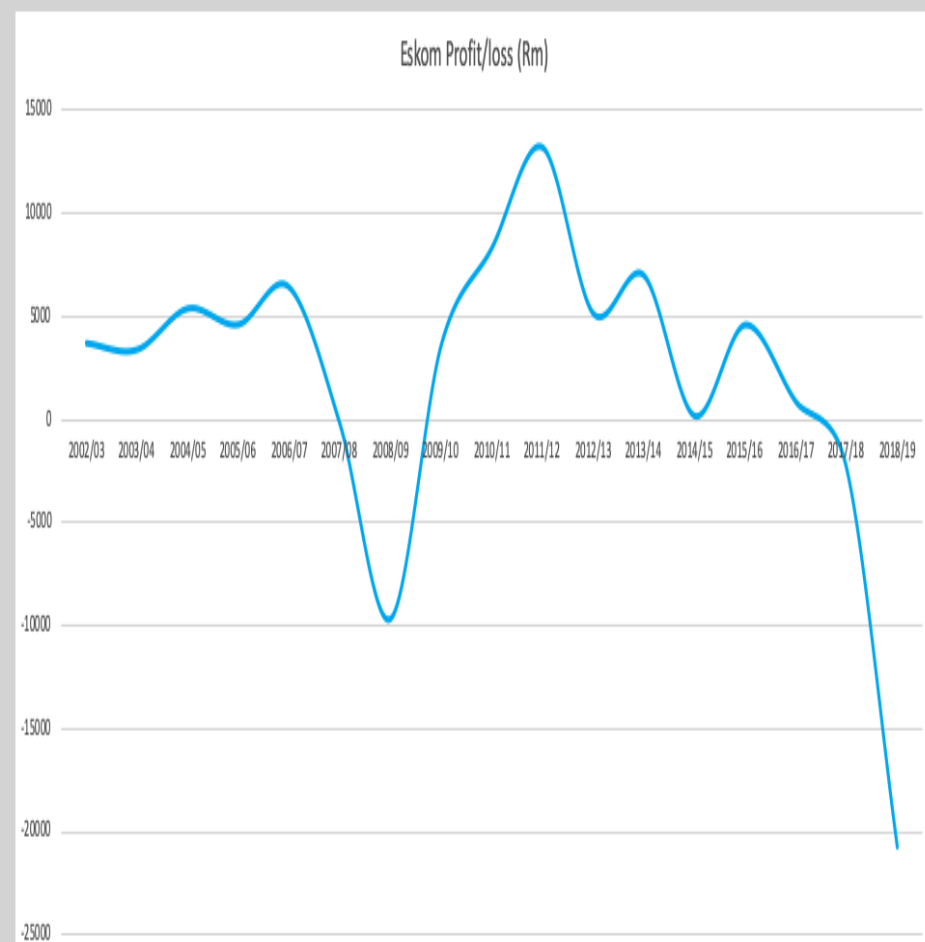
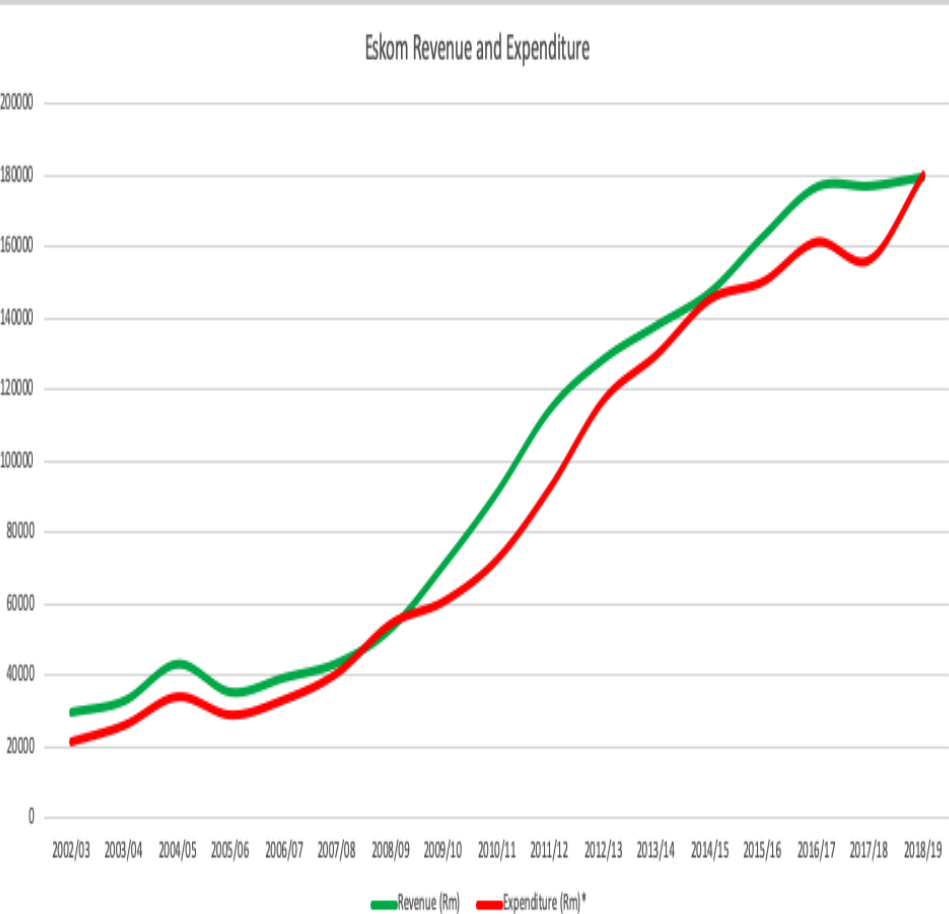


# The BIGGEST liability to South Africa's economy





# ESKOM Revenues and Expenditure





Medupi Power Station



## Cost escalations at Medupi Power Station

R, Bn

250

200

150

100

50

0

80

154

234

2007

2013

2019

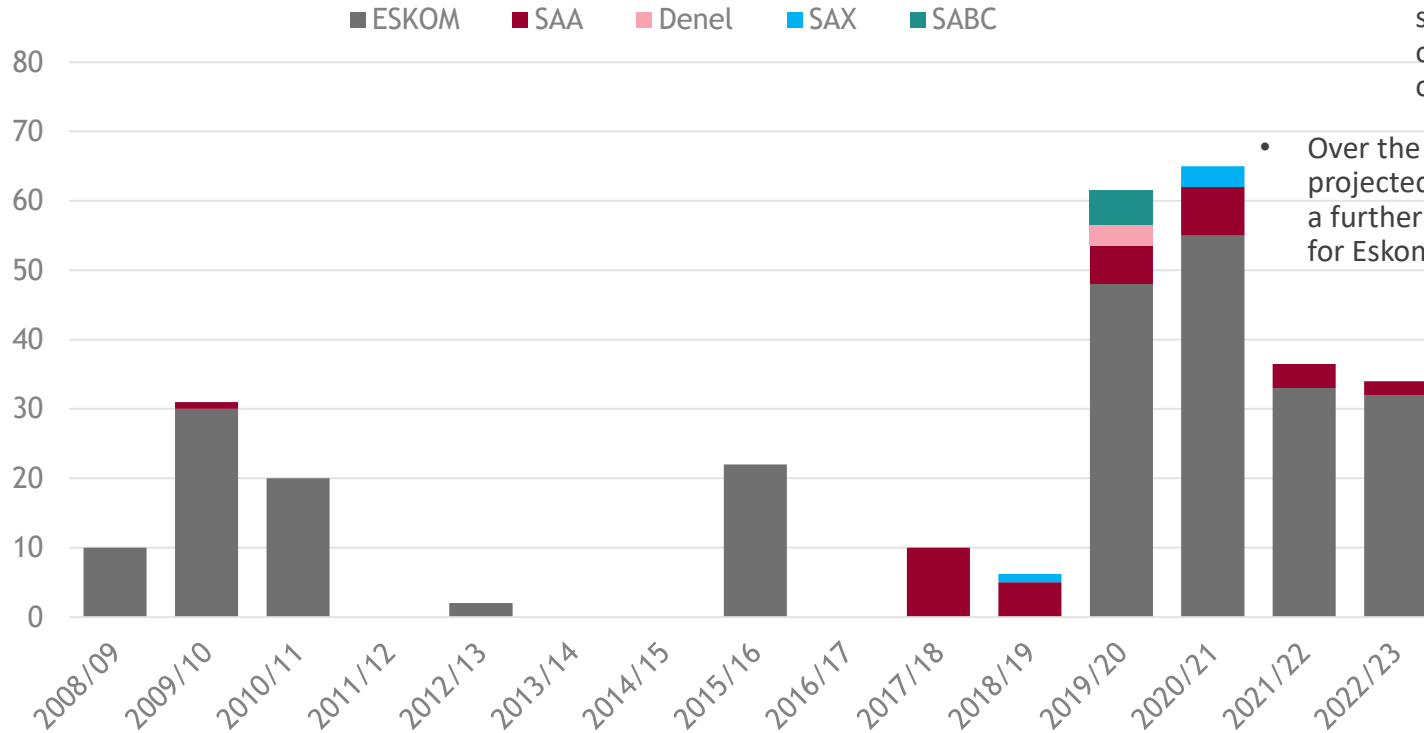
## SOEs: Not generating enough revenues to cover costs

- **Eskom** – given equity injection of R49bn in 2020, R56bn in 2021 and R33bn in 2022
- **Transnet** – net profit to R6bn in FY18/19, however, ratings agencies downgraded Transnet citing increased liquidity risk as a result of loan covenants triggered by an audit qualification
- **SAA** – in Business Rescue since Dec 2019 because it was unable to meet its financial obligations. Since 2008, SAA has incurred net losses of over R32bn. Govt has set aside R16.4bn to settle guaranteed debt.
- **SAX** – illiquid and insolvent and unable to settle short or long-term debt. Incurred losses of about R1.2bn over 10 years. Under involuntary Business Rescue
- **Denel** – faces serious illiquidity problems. Govt provided R1.8bn in FY18/19. Govt guarantee amount to R6.9bn. Additional funding of R576m allocated for FY20/21
- **SABC** – Govt allocated R3.2 in FY19/20. R2.1bn transferred and remainder R1.1bn to be transferred in March 2020



# FINANCIAL SUPPORT FOR SOES

- Between 2008/09 and 2019/20, major SOCs received R162bn in financial support
  - Eskom accounts for 82 per cent of fiscal support to state-owned companies over past 12 years.
- Over the next three years, projected support amounts to a further R129 billion, mostly for Eskom.





## The Fiscus







## ANC Govt 2020 Budget Speech in a nutshell

My fellow South Africans... the money is all gone. There is nothing left in treasury...



My comrades have stolen it all – it is gone.



Now you, the people of South Africa, must pay back the money we stole.

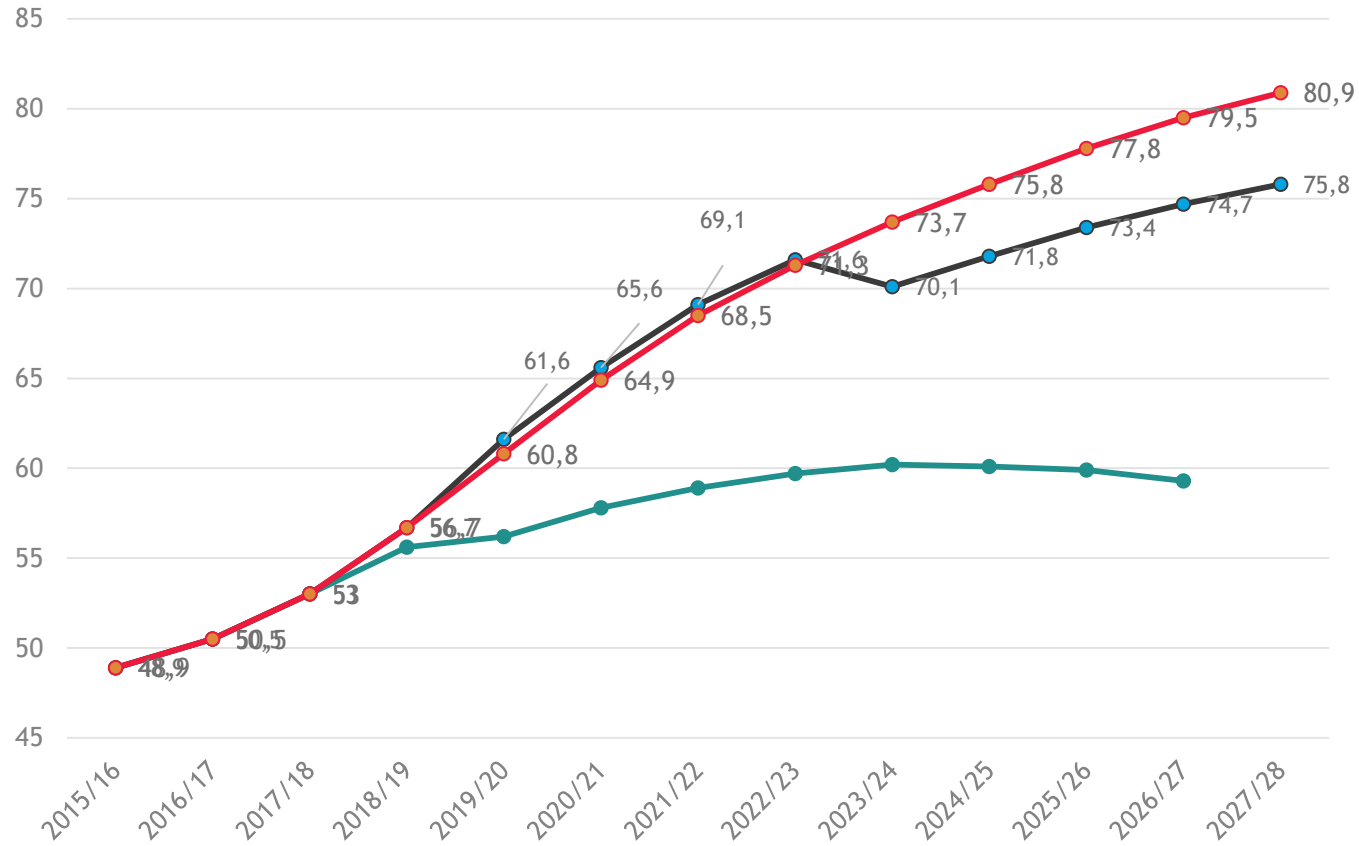




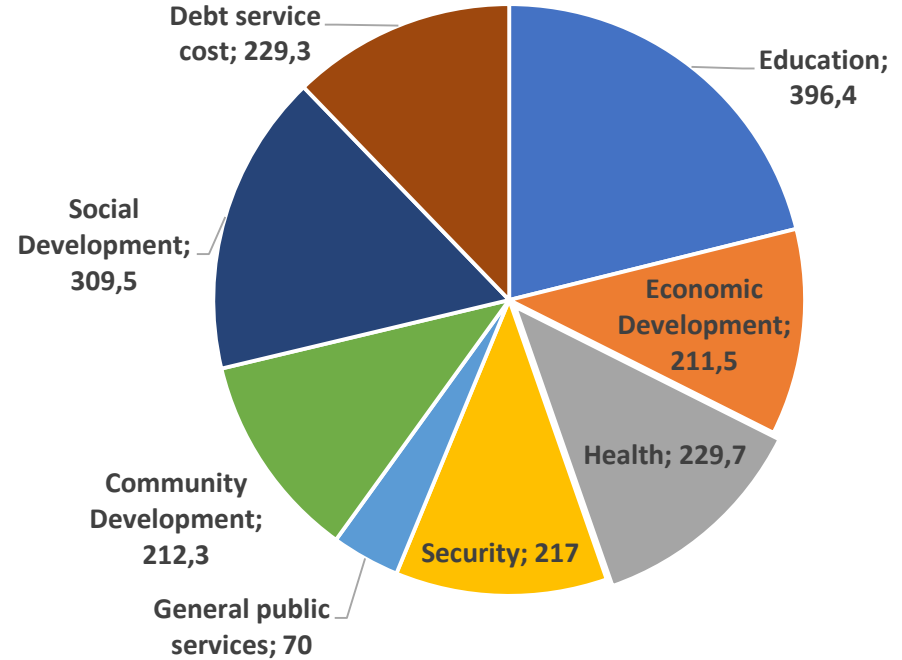
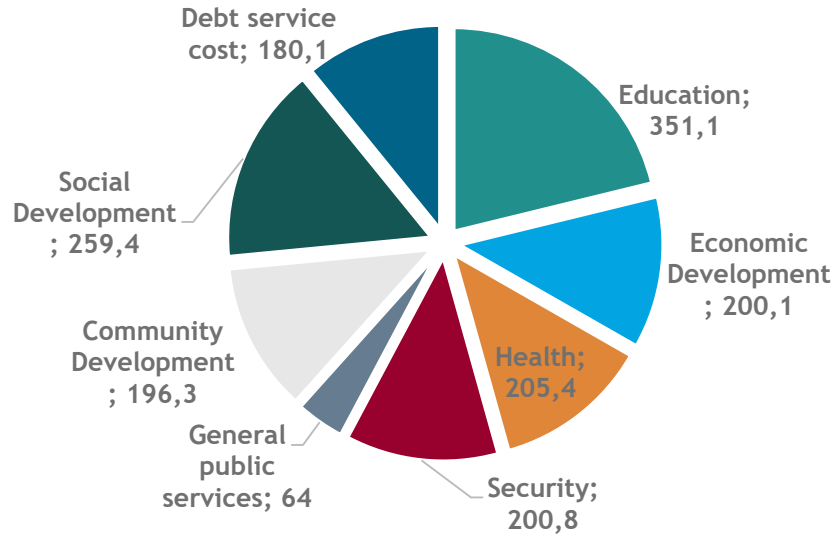


# Gross debt-to-GDP

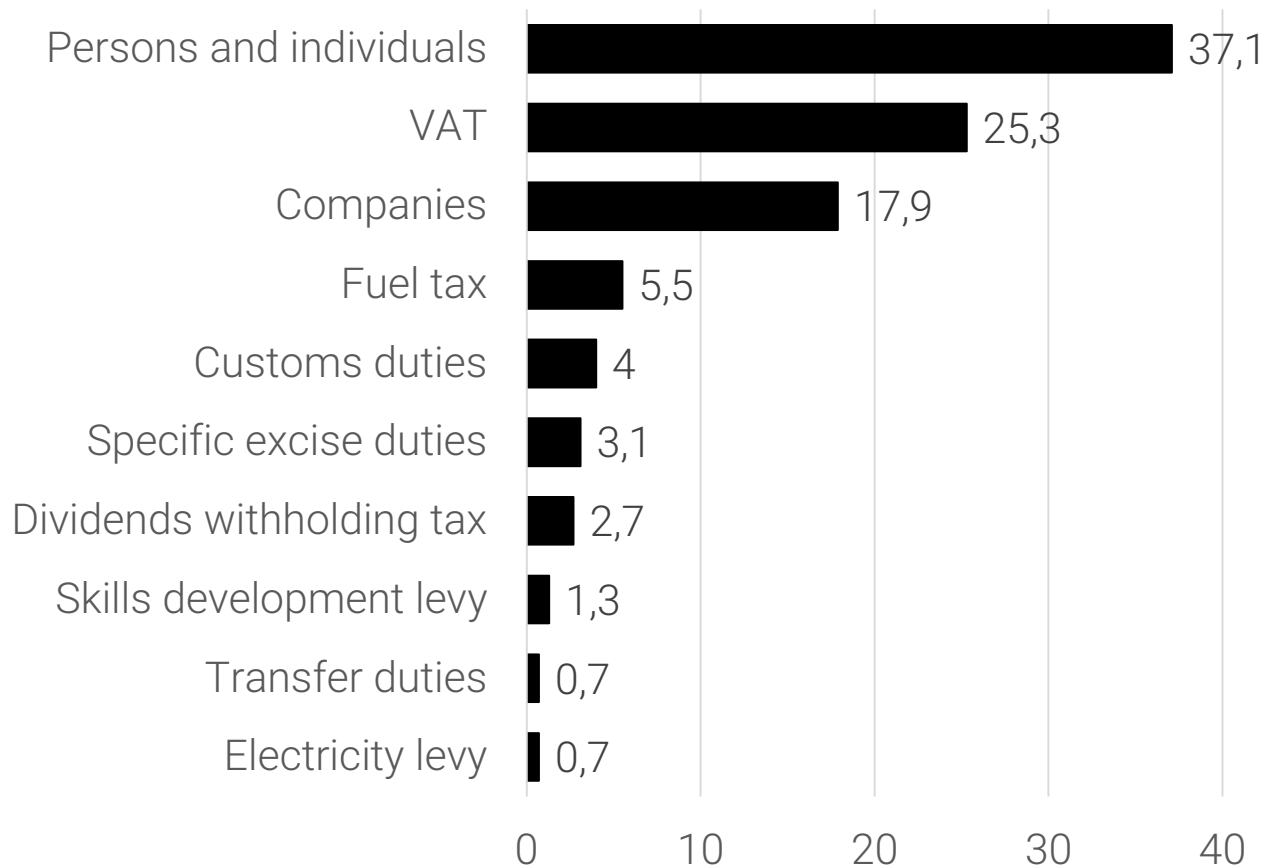
2019 Budget  
Gross loan debt with financial support for Eskom  
Gross loan debt without financial support for Eskom



# BUDGET EXPENDITURE

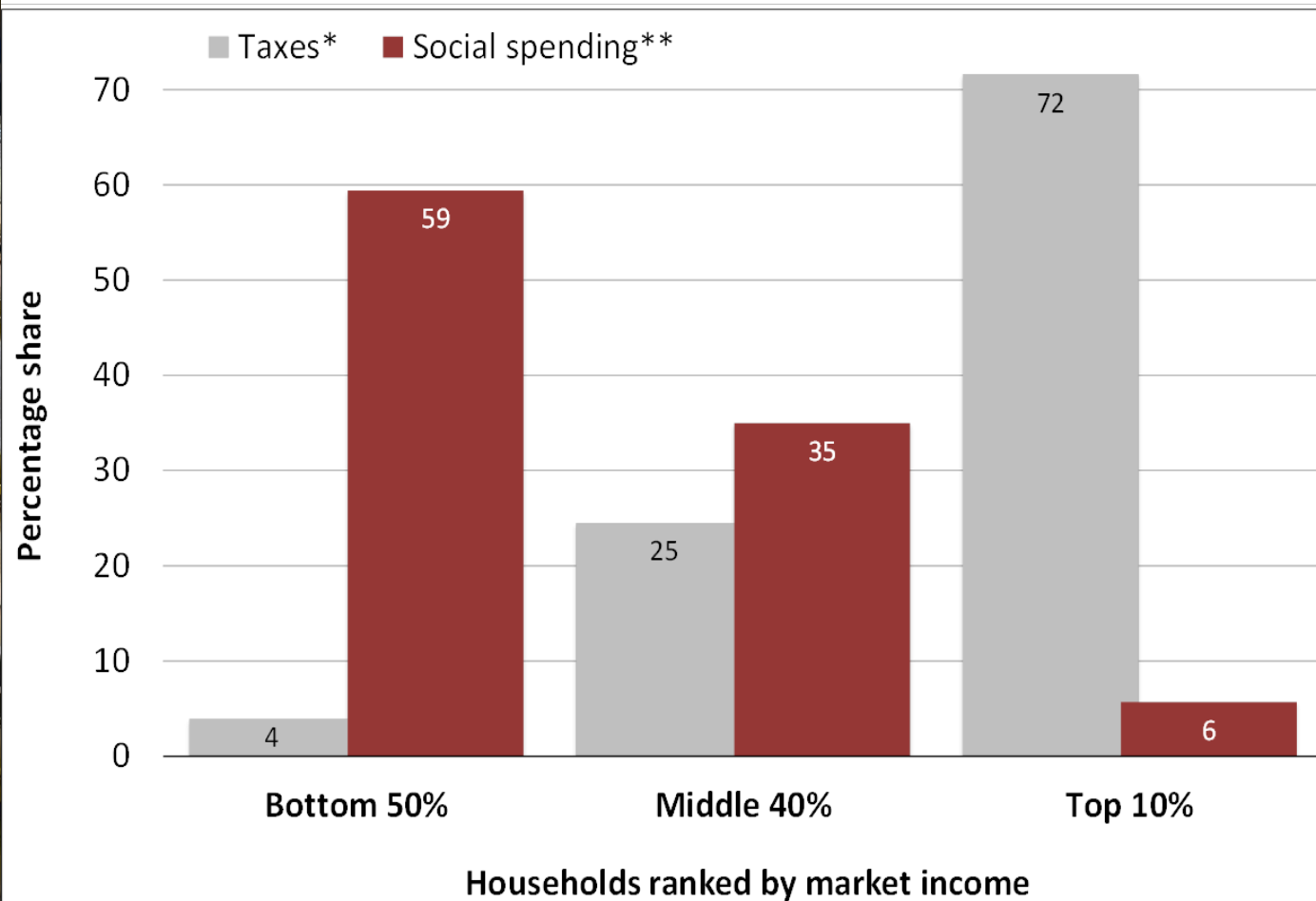


## Composition on tax revenues





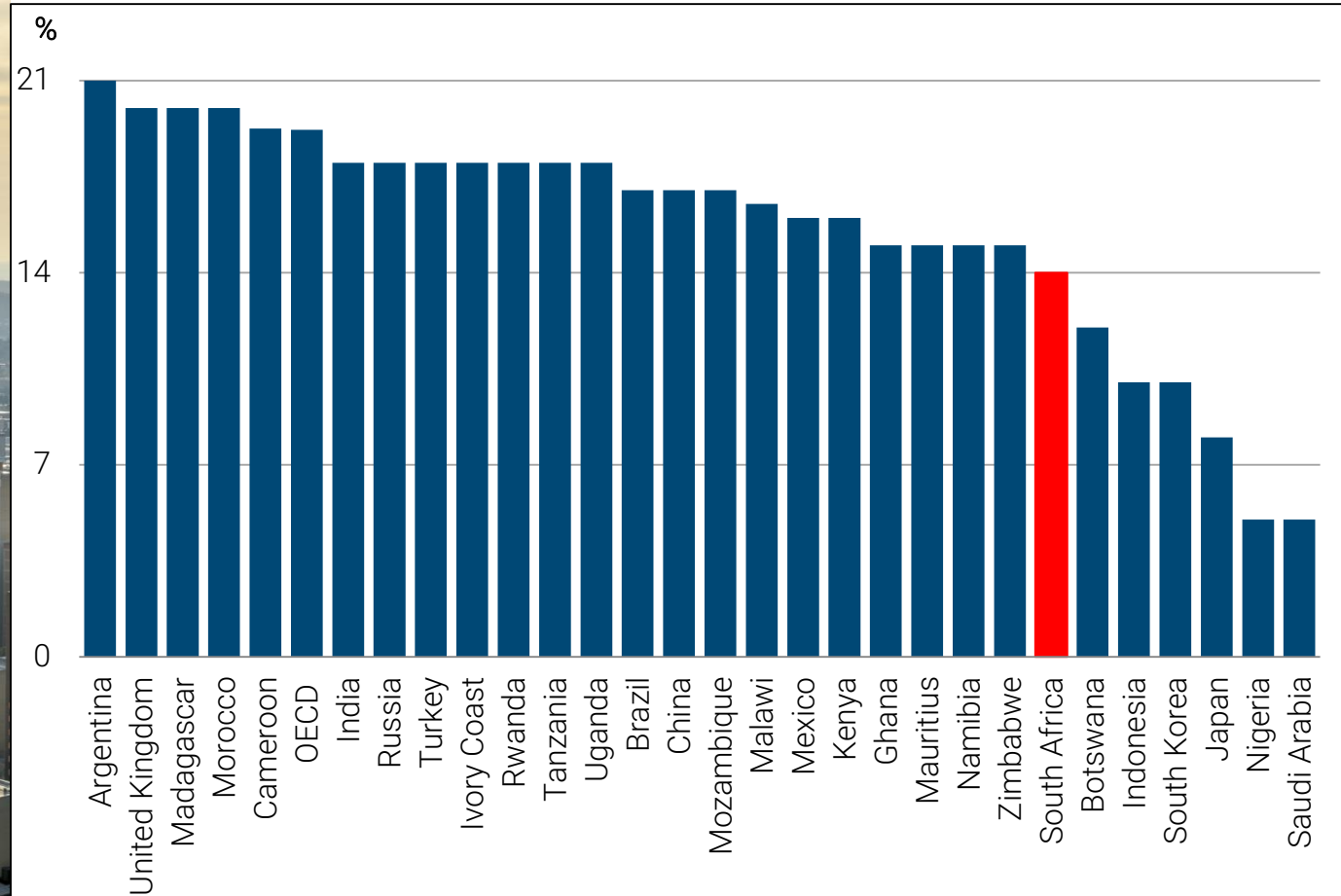
## Distribution of taxes and spending by household income





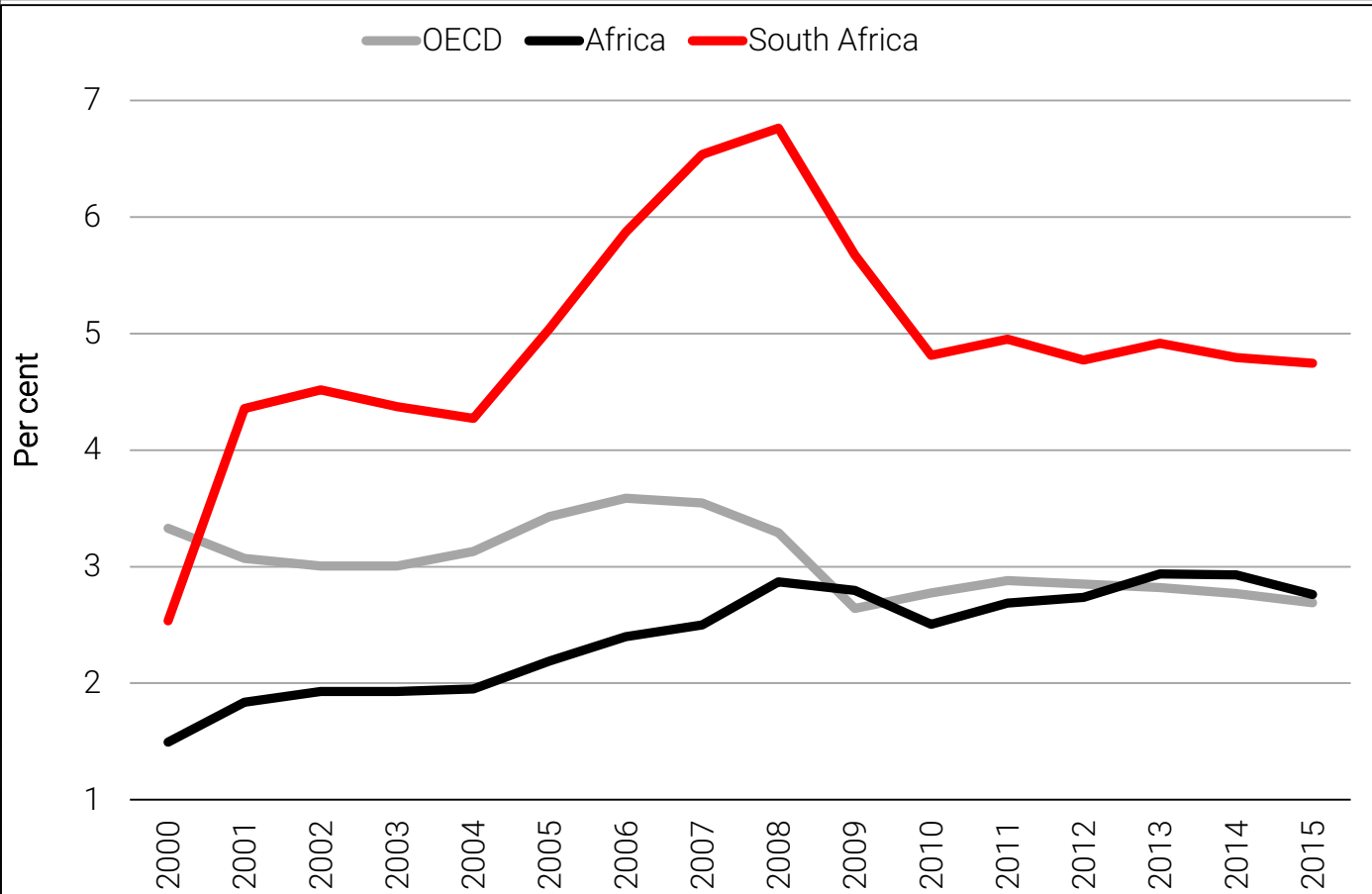


## Comparative standard VAT rates by country

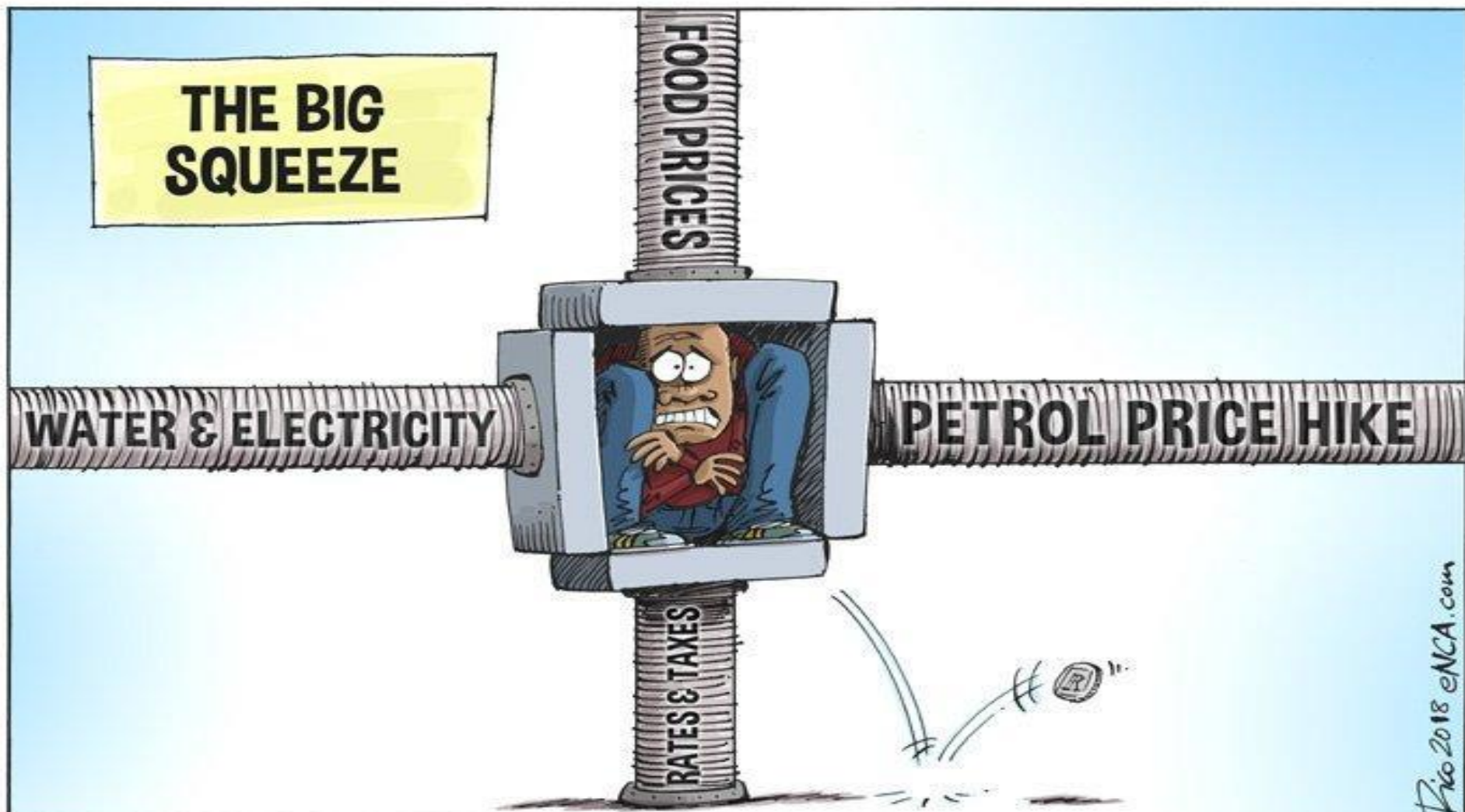




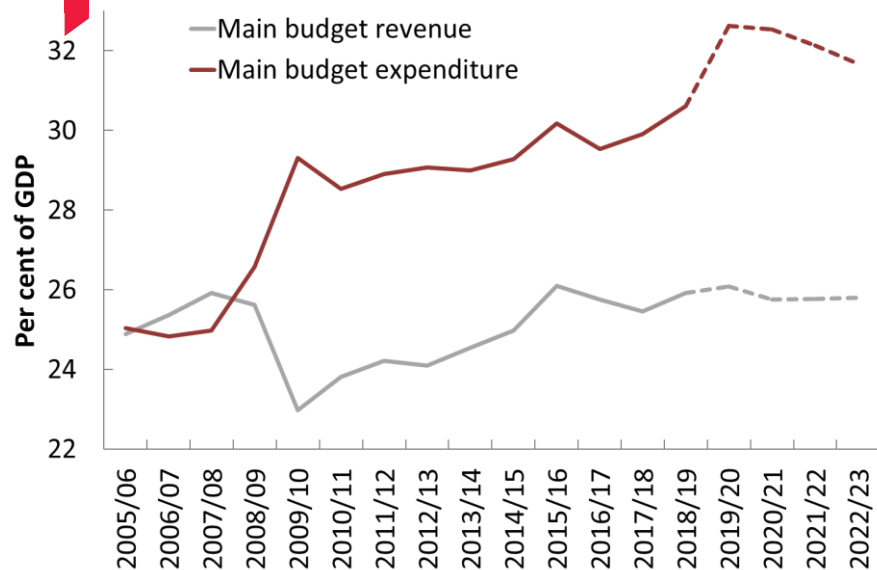
## Corporate income tax as a share of GDP



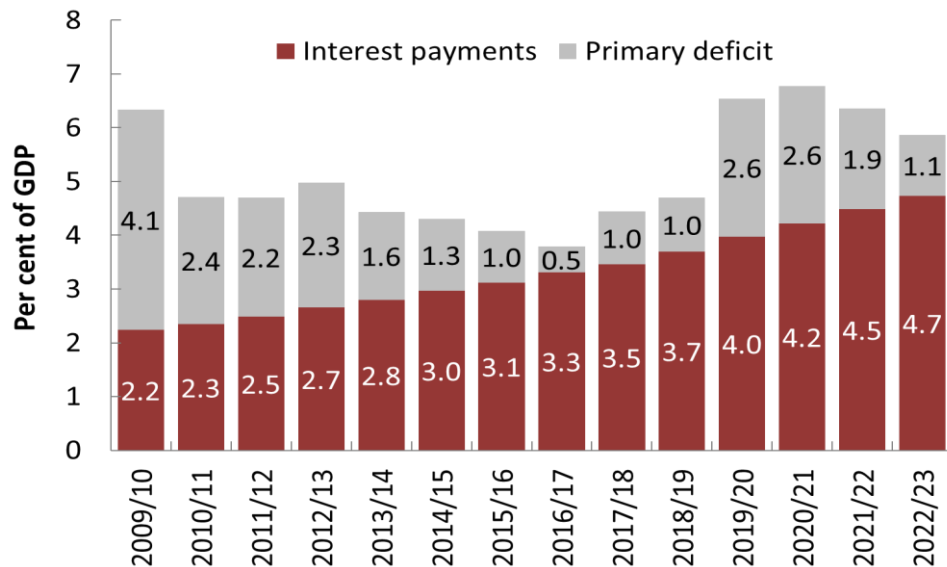
# THE BIG SQUEEZE



# WIDENING BUDGET DEFICIT



Source: National Treasury

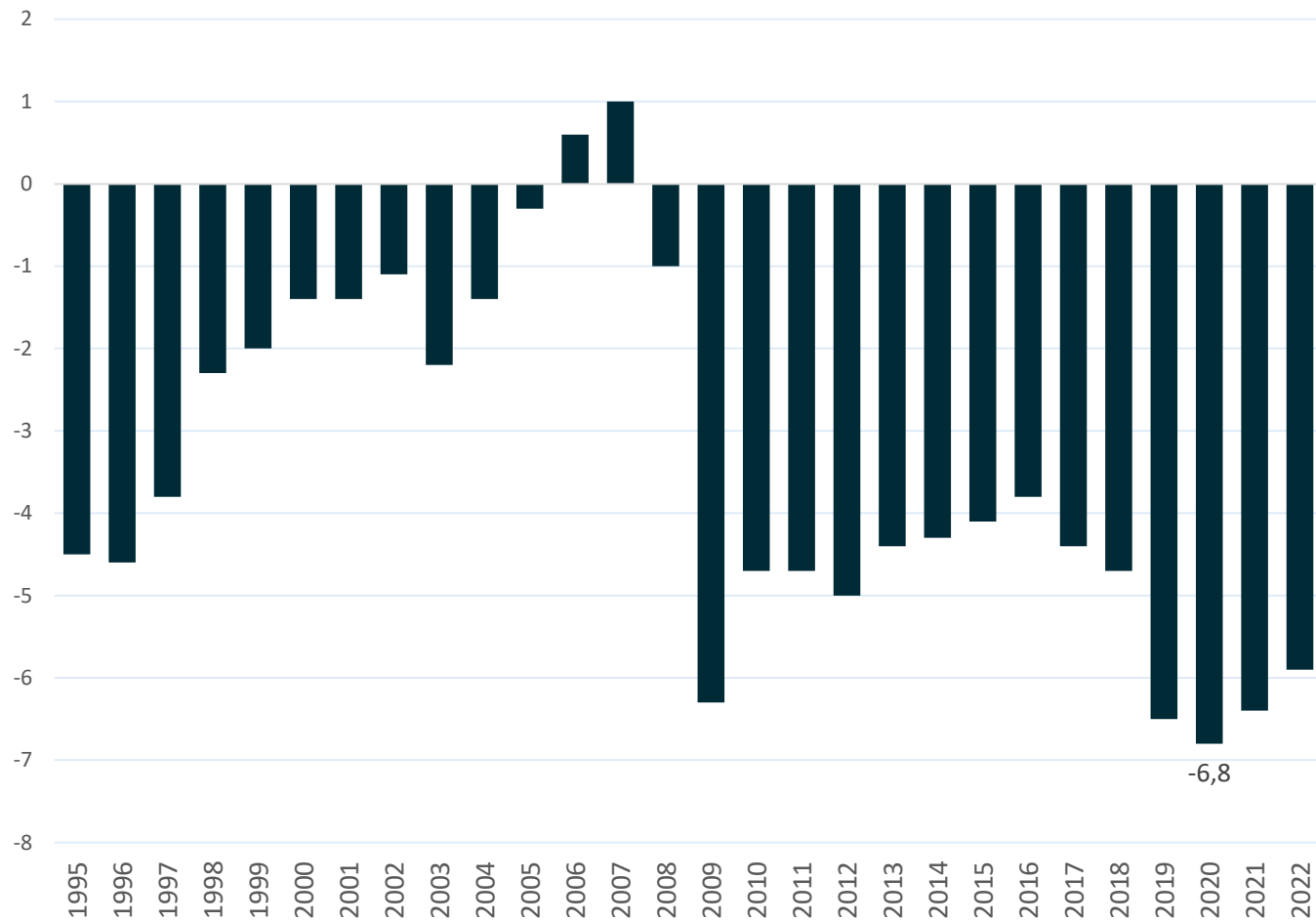


- A widening gap between revenue and expenditure, with debt-service costs making up an increasing share of the budget deficit.
- The spike in the deficit in 2019/20 reflects lower economic growth, increased support to state-owned companies and a downward revision to nominal GDP.



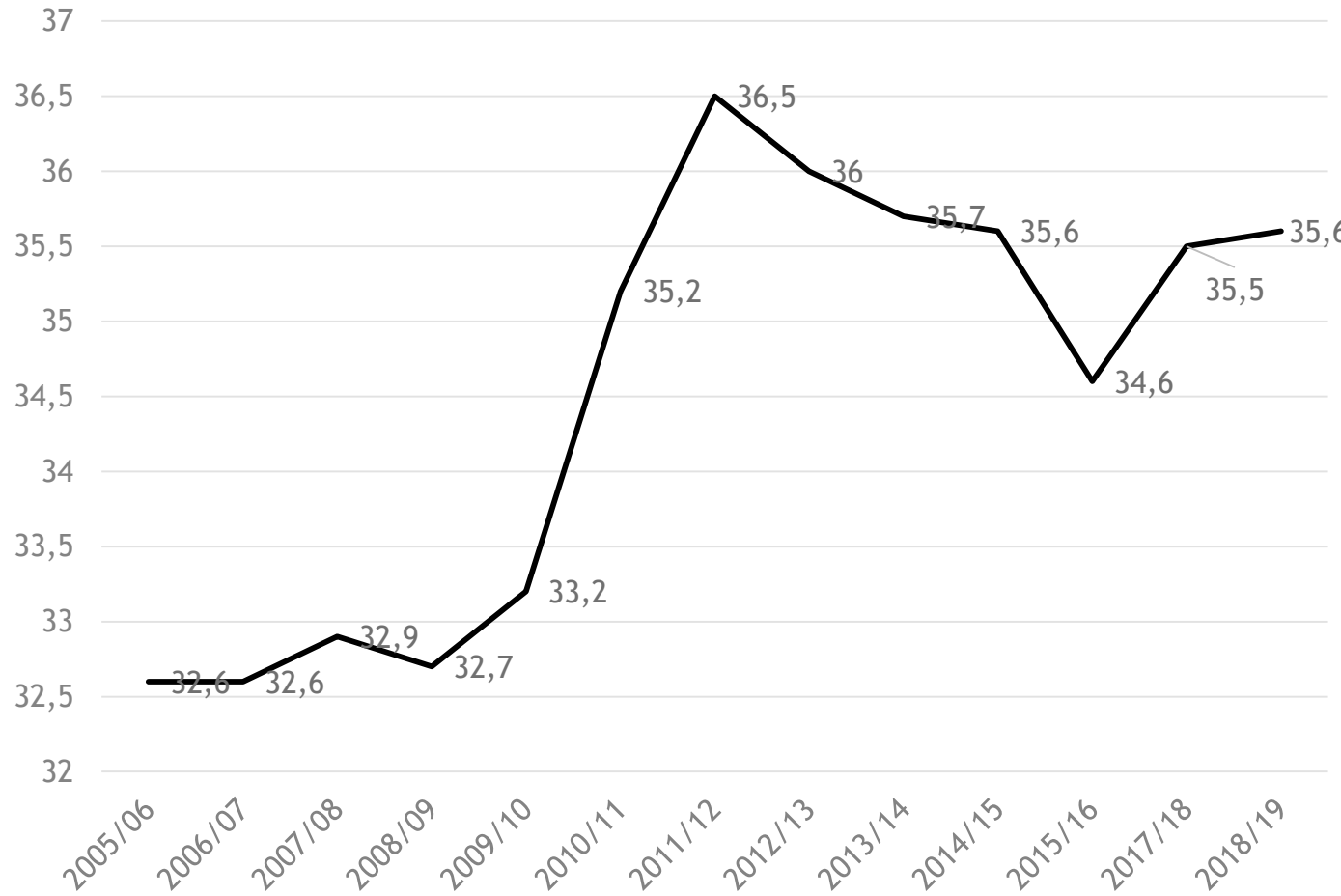


National budget deficit as percentage of the GDP, 1990 to 2022





## PUBLIC SECTOR WAGES % OF CONSOLIDATED EXPENDITURE



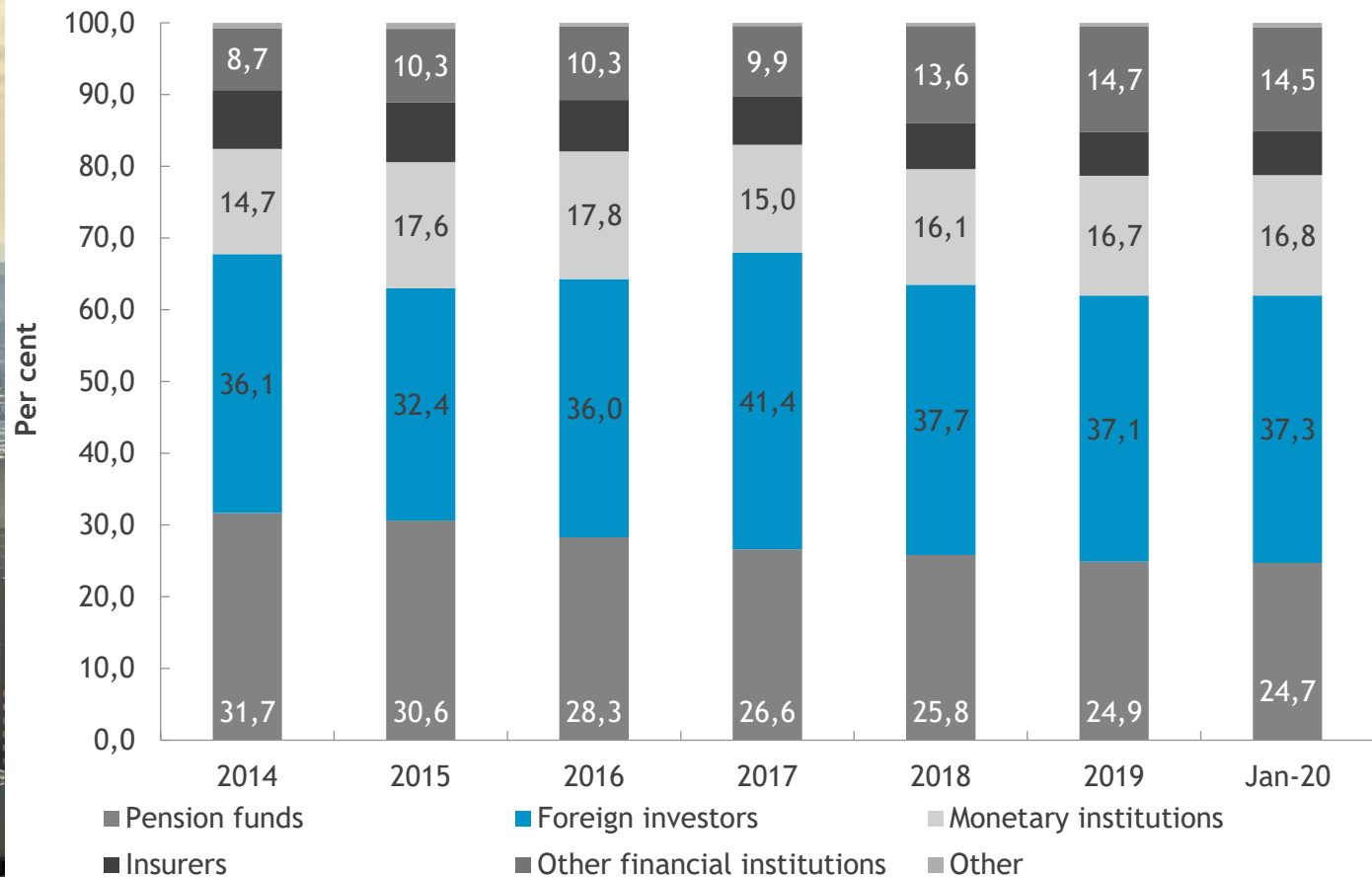
R160bn to be raised in the next three years from slowing the rate of growth of the wage bill...But labour says its also being squeezed unnecessarily!



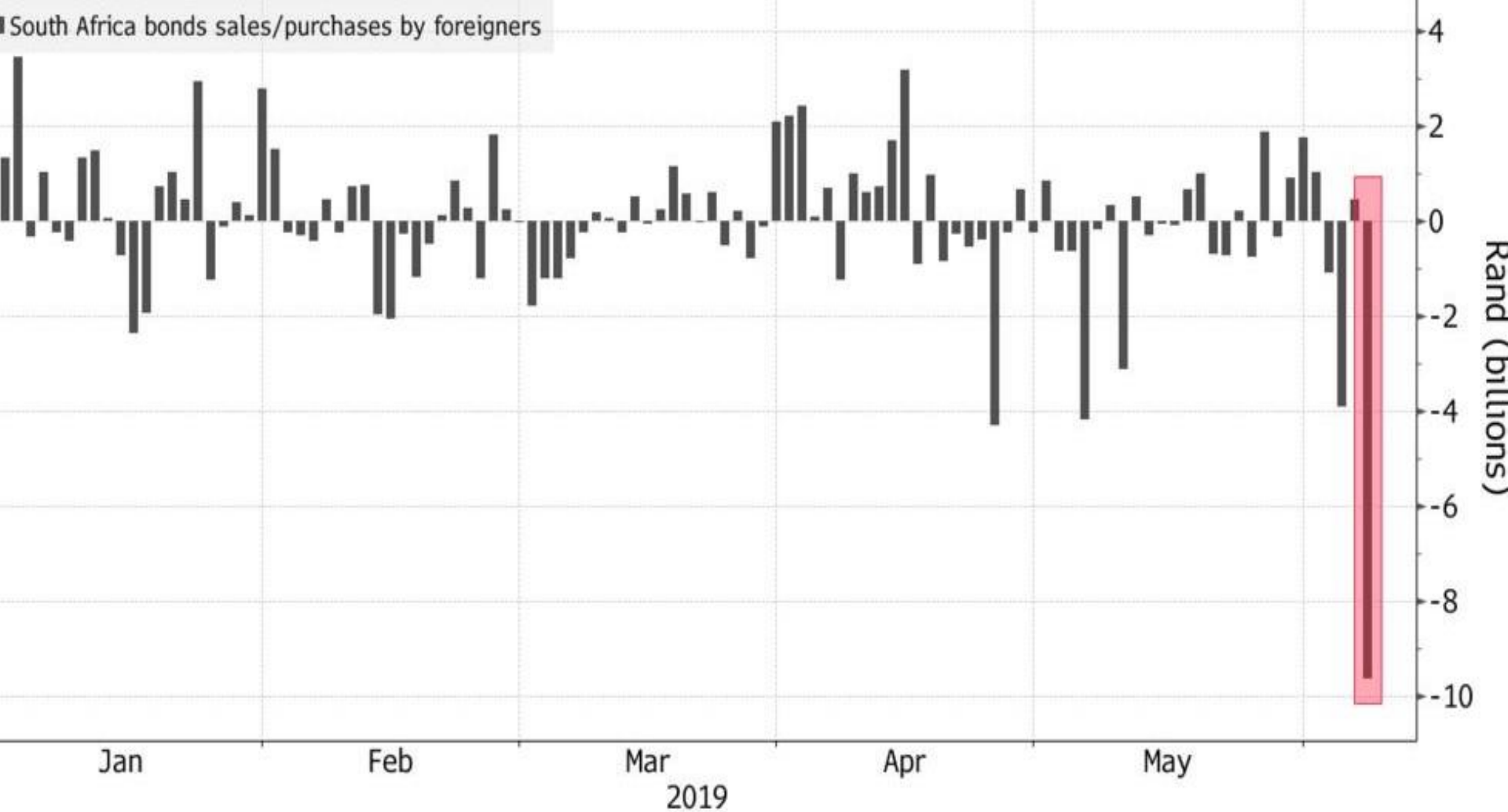




## Ownership of domestic government bonds







Source: JSE/Bloomberg



CLUNK

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	Ratings of Long Term Debt Emerging Markets		
	Standard & Poors	Moody's	Fitch
Singapore	AAA	Aaa	AAA
China	AA-	Aa3	A+
Chile	AA-	Aa3	A+
Czech Republic	AA-	A1	A+
South Korea	AA-	Aa2	AA-
Botswana	A-	A2	-
Malaysia	A-	A3	A-
Poland	BBB+	A2	A-
Taiwan	AA-	Aa3	A+
Thailand	BBB+	Baa1	BBB+
Mexico	BBB+	A3	BBB+
Peru	BBB+	A3	BBB+
Colombia	BBB	Baa2	BBB
Philippines	BBB	Baa2	BBB-
India	BBB-	Baa3	BBB-
Indonesia	BB+	Baa3	BBB-
Turkey	BB+	Baa3	BBB-
Russia	BB+	Ba1	BBB-
South Africa	BB+ (negative)	Baa2 (negative)	BB+ (stable)
Hungary	BB+	Ba1	BB+
Brazil	BB	Ba2	BB+
Nigeria	B+	Ba3	BB-
Kenya	B+	B1	B+
Ghana	B-	B3	B
Egypt	B-	B3	B
Venezuela	CCC	Caa3	CCC
Argentina	SD	Caa1	PD