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ECONOMIC COMMENTARY - By Francois Stofberg

The Rand continues to strengthen as global investors look for yield, which they can't find in the developed, "safe", world. Another helping hand was the strengthening in our trade surplus, which has improved from a cumulative deficit of R23 bn last year, to a R13 bn surplus this year July. Also, as we've mentioned in the past, the Rand is too undervalued compared to its historic average, so the recent movements below R14.00 to the US\$ came as no surprise. The good news is that this is helping to push down the local price for fuel; as you might have heard petrol prices are set to decrease this Wednesday with 99 cents, and diesel with 73 cents.

Local elections are unlikely to impact on the economy, unless accompanied by violence. However, we expect peaceful elections, and would further urge everyone to do their civil duty. The reason local elections scarcely impact the economy is because they are not about policy, but about local issues, bread and butter issues. What you might see is sentiment changes on markets in the short run, which will stabilize in the weeks following the elections. National elections are more about policy (fiscal policy, trade, labour issues, and the like), which would have a more direct and severe impact on the economy.

Further, we believe the local election results may hold some surprises; the ANC will remain the dominant party, but may lose further support while the EFF and DA are both expected to make handsome gains. However, our view is that exceptionally huge shifts in support are unlikely to happen. Nevertheless, the local results could be indicative of possible changes in the national political environment, which aids the short term sentiment changes we might see in markets.