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ECONOMIC COMMENTARY - By Francois Stofberg

We did some interesting calculations this week I thought you might appreciate. We've all heard about the shady nuclear deal that seems to be creeping forward. Now, we're not energy experts, but we know a thing or two about government finances, and how important its independence is. So, when the government decides to go forward with a + R1.8 tr nuclear deal, our attention is caught; what could we have done with the money? Some energy experts conclude that there are cheaper options available, which would cost about R1.3 tr. We'd have the same amount of energy, but save R500 bn over the next 14 years. But, it doesn't stop there.

One of South Africa's major competitive production problems is that our labour is too expensive; compared to any other Asian market. Another big problem is youth unemployment, which is more than 52%. So, we would propose taking the cheaper energy deal and then use the R500 bn "saving" to adjust the youth wage subsidy to include most other wage categories. Currently, the government only spends about R2.3 bn annually on the youth wage subsidy, which subsidises the wages of about 650 000 youth in SA. Using the additional R36 bn we've saved from not going with the nuclear deal, we can subsidize the wages of 10 mil workers in SA. Thereby reducing the cost of labour, which reduces the input costs of firms in SA, which in effect makes us more competitive, which in the end, boosts GDP growth.

On the international front the latest global GDP figures have been released by "The Economist", which show that globally, the economy has slowed down to 2.7% quarter-on-quarter. This is largely as a result of slower growth in Asia, but also slower growth in the US. In Asia, both China and India surprised with growth of 6.7% and 7.6%, however, this was lower than their first quarter growth. These economies respectfully contribute 17% and 7% to the global economy (measured in PPP-dollars). Also, surprising was the lack of growth in the US (which contributes 16% to global GDP), analysts were expecting a growth figure of 2.5%, but reality is that the American economy only grew at 1.2%.