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## ECONOMIC COMMENTARY - By Francois Stofberg

At the end of last year, we explained that the theme for this year would be Uncertainty. We're almost halfway through this year and thought it only fitting to look back over the last couple of months, as many of the uncertainties have now played out.

Although Trump has not been able to increase infrastructure spending and reduce taxes, the US has been able to do something few thought possible. That is, experience an exchange rate depreciation whilst increasing interest rates. Much of this is due to the return of certainty in the European Union (EU). This comes after Emmanuel Macron, a pro-EU member, won the French elections in the week past. It is also true that the US\$ is still trading at relatively strong levels compared to the Euro. Particularly if one considers historic exchange rate levels, and recent inflation-differentials which should inflate the level of PPP under/over-valuation and thereby support a weaker US\$. However, should the US continue to produce strong growth figures, whilst maintaining low levels of unemployment, and finally see the wage increases they've been waiting for, the Dollar might return to parity before long.

In South Africa, we've also seen some of the year's initial uncertainty play out. The minister of finance was indeed fired, the president's cabinet reshuffled, government debt downgraded to junk, and inflation has remained outside of the Reserve Bank's upper limit. Despite all this, the Rand has remained quite resilient, and has not spiralled out of control like many expected. The first quarter's GDP figures (due in early June), and the vote for a new leader of the ANC (due in December), should also help to remove more of the uncertainty that clouds SA's economic future. Considering it all, we still believe SA is stuck in a trough of low growth and high unemployment, and will remain there until government starts implementing structural reforms. These reforms definitely do not include their plans for so called "economic transformation", which is nothing more than social engineering and redistribution of the current wealth-pie.

In other local news. Both the Auditor General and his Deputy quit their jobs, which most believe was a direct result of the president sacking of Pravin Gordhan. This crucial role is responsible for auditing all government departments and many state-owned enterprises, to ensure that government finances are optimally and efficiently used. Unfortunately, the Auditor General's report usually shows exactly the opposite. The most recent report once again highlighted the dire state of government finances and the complete lack of accountability. Most government departments had qualified audits (meaning that they do not meet minimum accounting standards) and irregular and wasteful expenditure amounted to almost R 85 billion. The new appointees will have their hands full!