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## ECONOMIC COMMENTARY - By Francois Stofberg

According to the weather man, global weather patterns have changed; the El Niño (associated with a band of warm ocean water that develops in the central and east-central equatorial Pacific) has passed and La Niña (another ocean-atmosphere phenomenon that is the counterpart to El Niño) is now upon us. Generally, this means that SA should have more rain and less drought. But, as weather patterns change in our favour, Brazil (the world's farm, and largest producer of coffee, citrus, and sugar) is plagued by unruly weather conditions. With La Niña, Brazil has simultaneously been hit by a drought in its coffee-belt, too much rain in the citrus area, and some nasty early-morning ice in sugar-district. The result is that output in all three of these commodities is expected to fall temporarily; prices on the future's market have already increased for these commodities.

In local news, the government is still struggling to keep up with everyday private sector efficiencies. In the latest bit of poor management and implementation, the state managed fuel fund caused the South African taxpayer to lose out on billions of Rands (almost enough to cover free fees for students in 2017). Initially, the fund reported that the 10 million barrels they sold in December brought in revenues of R5 billion. However, instead of following the correct protocols the fund sold the barrels without National Treasury's approval when oil prices dropped to an 8-year low. In the end, the fund only received R3.9 billion for their sale and realised a loss of R1.1 billion.

Then, on unemployment, which reached 26.6% during quarter two of 2016, according to Statistics South Africa (STATSSA). The only way to reduce structurally high unemployment, is to introduce structural reforms. First address the very poor educational results in SA (not by throwing more money into this bottomless pit), then reduce barriers to entry for businesses. This includes reducing the direct and indirect costs of labour, and the cost of electricity (the two largest cost components of most mining and manufacturing related activities). Finally, address ineffective government policies, this includes: the excessive spending on social upliftment instead of economic upliftment, removing policies that deter foreign investors, and educating the government on their role (they have certain key functions to address, which any first year economics student was taught, they are not primarily responsible for creating jobs).