

Contact Us



81 Dely Road
Hazelwood
Pretoria
0081



+27 (12) 460 9580



info@efgroup.co.za



www.efgroup.co.za



"What seems to us as bitter trials are often blessings in disguise."
- Oscar Wilde

ECONOMIC COMMENTARY - By Francois Stofberg

In the latest local news this week unemployment figures reached new highs, 26.7%. This came mostly as a result of job losses in the mining and manufacturing sectors. One can understand that a two-season drought would place pressure on employment in the agricultural sector, but the employment issues in the other sectors stem from internal issues. The World Economic Forum (WEF) last year released a report that showed how 8 out of 10 jobs globally are created by the private sector. It amazes me how, with this knowledge, certain governments still can't understand that their role is to support the private sector. The private sector's job is to create wealth, which the government can then redistribute equitably. But, instead of supporting the private sector, taxes are continuously raised, claims on ownership are enforced, minimum wages are set (even though current wages are already above peer averages), laws support employees at the cost of the employers, and government finances are spent on absurd bonuses instead of economic upliftment. Until these issues aren't addressed, and a real friendly-to-business environment is created in which high input costs (wages and electricity) are curbed, the cost of doing business in SA will keep long term investors at bay.

We've also had a look at government finances, in anticipation of the medium term budget policy statement (MTBPS), due later in October. The MTBPS is more commonly referred to as the mini-budget and usually doesn't introduce any changes to the structure of government finances. It does however, give feedback of the last 6 months of government finances. We'll go into more detail in the next couple of weeks, but I can tell you know, things aren't looking good. It seems as though revenue will undershoot between R20 - R30 bn. Ultimately the budget deficit will most likely increase from the Minister's expectation of 3.6%, to our forecast of 4.1%, and government debt might reach an all-time high of 51%. This does not bode well in the eyes of credit agencies.