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## ECONOMIC COMMENTARY

- By Francois Stofberg

**Mental Health, Fracking, and Institutions**

On a serious note; you may not know this but 10 October was set aside, globally, to raise awareness for mental health and related illnesses. A study was recently done in collaboration with the London School of Economics to estimate the cost of depression on various economies around the world. It was estimated that depression costs South Africa (SA) roughly R232 billion annually, almost 5.7% of our economy. The cost is estimated based on a number of days that depressed individuals are absent from work, or unproductive at work.

Medical research has shown that depression affects an individual's memory, which may lead to procrastination. Depression can cause severe tiredness, difficulty with concentrating, panic and fear, to name but a few. All of this ultimately has an impact on an individual's productivity. Having almost 4.5 million individuals struggle with depression in SA means that we incur losses of roughly 4.23% (as a percentage of GDP) due to a loss in productivity – the highest percentage loss in the world.

On a lighter note; an interesting topic came up again this week (away from the normal talk of politics and a depreciating rand), that of fracking in the Karoo. To summarise this debate to date, one can simply say that more information is needed before concrete conclusions can be made. The gathering of more information is important, specifically because of the cost of power generation, but even more so, the cost of not having sufficient amounts of power. Generating power in SA is essentially funded by scarce tax revenues. For this simple reason (although there are others as well) we continue to disapprove of nuclear power.

If one considers other power generating alternatives, however, the list quickly gets quite short. Considering geographical restrictions to the source, one cannot fully rely on wind and solar energy. It's just too costly to transport energy from wind turbines or solar fields, for example. The two-season drought in SA emphasises water shortages and helps to motivate why local hydro is not a real alternative, which is why we've been importing it. Coal, on the other hand, is dirty and it wastes away at agricultural land and water resources. This brings us to possible gas reserves and motivates the process of gathering information. Currently, the outlook does seem bleak. Estimates are that there are only about 20 trillion cubic feet of gas reserves in the Karoo, which is 40 times less than what the known coal reserves are.

Some good news; institutions like jurisdiction, regulatory authorities, free media, and free markets, are of utmost importance in any healthy economy. These institutions form the backbone of any stable society and have kept the SA economy from slipping into the abyss. Although SA's independent institutions have remained resilient and strong, they have been under severe attack over the past few years. True to their resilient nature, the rule of the law was upheld again this week when the Supreme Court of Appeal supported the High Court's 2016 ruling. These rulings will ultimately see the reinstatement of hundreds of corruption charges that were filed against Jacob Zuma before his presidency but set aside by state prosecutors in 2009 to pave the way to Jacob Zuma's electoral victory.