

## ECONOMIC COMMENTARY

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### Newsletter

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#### **A whining SONA**

Local news all hinged around President Cyril Ramaphosa's State of the Nation Address (SONA). The much anticipated speech was well received but has since been met with a lot of scepticism which we don't necessarily agree with. Firstly, the SONA is not the forum to go into specifics about senior ANC officials implicated in recent corruption investigations. And, to that point, Rama (our endearing term for the president) has probably done more to fight (and beat) corruption than most of his predecessors – a trend we hope he will continue after his electoral win in March. Secondly, a SONA is also not really the place to go into specifics about SA's dire fiscal position, especially not if the annual budget speech is less than a few weeks away. There will be enough time to talk about SA's ballooning debt, thin tax base, and overspending on all sorts of unnecessary items.

Our concern, however, was the rather muted response we saw from SA's currency and equity markets. We would have hoped that news of an unbundling at Eskom would at least bring back some of the Ramaphoria we saw last year. Markets should have realised that President Ramaphosa is continuing SA on the long, hard road to redemption. But, it appears not even the rand seemed impressed. We believe that news of the unbundling, return of the Scorpions, and greater public/private relationships, amongst others, would have had a greater impact if the global environment wasn't as hostile. However, the truth is that SA is a small open economy and therefore, exposed to the whims of the rest of the world.

News of Donald Trump's reluctance to meet with Xi Jinping before the March deadline of new US tariffs sent global markets into a frenzy. Markets are still holding their breath for the "inevitable" recession that will finally end the longest bull run and current goldilocks-type global economic environment. The result was that markets were more fearful about the potential indirect impact of a slowdown in global demand than they were about the direct potential benefit of a more robust local economy. As we explained at the start of the year, this rapid and volatile environment is something we will have to get used to as markets continue to move towards more normal levels of global interest rates.

On some lighter news. Imported wine, which South Africans like so much, will become considerably cheaper in 2019. Spanish and Italian varietals will become cheaper due to large harvests in these countries. Argentinian varieties, however, are set to cost less because of a weaker peso. A stronger rand on the other end is also helping a lot. Facebook also recently turned 15 and after 15 years it's still the most used webpage. Making something "Facebook-official" still hasn't lost its spark.

