

## ECONOMIC COMMENTARY

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### Newsletter

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#### A GLOOMY APRIL 2019

April started as the news about another Naspers listing broke. After Naspers listed Multichoice late in February, the firm announced that they will also be stripping out their American, European, and Asian (the largest and most valuable asset being their share in Tencent) assets. The objective is to list these assets on the Amsterdam stock exchange in the Netherlands. Naspers will also be selling OLX Africa and therefore only be keeping Takealot and Media24 on the JSE. Naspers hopes that by listing their portion of Tencent on a separate exchange that they can unlock the 15% discount at which this share usually trades. If they are successful, this can lead to an appreciation of the Naspers share price by as much as R600.

In April the International Monetary Fund (IMF), a large global institution that provides money to developing countries or countries in financial distress, reduced their forecast for South Africa's GDP-growth rate from 1.4% to 1.2%. This rate is, however, still higher than our 0.9% forecast. The Bureau of Economic Research (BER) showed that business confidence has been falling throughout 2019, but since March 2018 their index has fallen from 97.6 to 91.8; businesses are finding it ever-more difficult to prosper in South Africa. For this reason, President Ramaphosa explained that his aim is to reduce bureaucratic red tape that hinders businesses from doing what they do best – growing the economy and creating jobs. He recently met with key businessmen in Cape Town. Our view is that he is the correct leader to bring about changes of this nature because he has a unique understanding of labour, business, and politics.

Statistics South Africa (Stats SA) also released disturbing data about the after-tax incomes of South Africans. On average, working South Africans earn R21 000 a month. However, after adjusting for retirement and medical rebates, and subtracting the plethora of taxes (personal income taxes, value added taxes, the fuel-levy, sin-taxes, TV and car licences, property taxes, etc.), an individual only takes home R14 700. By implication, an average salary earner pays 30% of his income to the government. Stats SA also released the latest inflation statistics, showing that inflation increased slightly from January's 4.1% low, to 4.5% in March. What was surprising from this release, was the large increases in the prices of items that make up a relatively large share of the total spending of poor households. As an example, public transport prices increased 10.1%, water and other household services prices increased 11%, and non-alcoholic beverages increased by 10.2%. The only bit of good news for the consumer was that the South African Reserve Bank's quarterly projection model only forecasted an interest rate increase in 2021.

Globally. Nothing happened concerning Brexit, again. The deadline was simply extended, again. To Panasonic's relief, the relationship between Tesla and Panasonic ended. The Japanese battery maker has grown weary of the production shortcomings at Tesla. Leaders in the US financial industry gave feedback to the House of Representatives, no skeletons climbed out of the closets and markets saw it as price-positive. Holding company Facebook saw a third down-time occur among its group of companies, fuelling speculation about the company's ability to protect their customers' data, fight against hate-speech, and keep fake-news from spreading. The US presidency did not extend the waiting period for Iranian sanctions, or allow exclusions, but enforced their sanctions which now prevent any US-trading partner from buying Iranian oil. Although oil prices spiked to \$76 a barrel, a Tweet telling the Saudi's and Russians to produce more oil saw the oil price fall back to levels closer to \$71 a barrel.

