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ECONOMIC COMMENTARY - By Francois Stofberg

STATE OF OUR NATION

The events that occurred during last week's "State Of the Nation Address" (SONA) were fitting to describe the state of our nation. The unhappiness with the ruling party's poor progress (measured in economic and not social terms) over the last two decades have translated into social unrest (from the student halls all the way to parliament), and a support for an even more "transformative" economy.

Last year we expanded the not-so-popular "Unhappiness Index" to try and capture how certain economic variables (interest rates, inflation, debt levels, and deficits, to name but a few) can indicate the level of (economic) unhappiness in a specific country. To no one's surprise, South Africa ranked almost last; a lack of economic performance has made people very unhappy. No wonder we're throwing punches.

The reality, however, is that the "transformed" economy the president is talking about won't do much to grow the economy and create the jobs we so desperately need, which can go a long way to reducing the level of unhappiness. More social investment (taxing the wealthy more, redistributing more, paying more grants), more weak policies aimed at keeping "paracitals" alive, and government's persistent lack of implementing policies effectively, will keep SA's economy in this lower-for-longer growth trajectory. Just as a side note, the reason government is emphasised so extensively is because of its very important role in our economy. Not only does government represent about 37% of GDP, but they also dictate the terms by which other sectors can operate. In general, they write the plans and policies that navigate growth and performance in this economy. Their lack of doing this effectively has played the largest role in the demise of SA's economy.

As always, this economy needs structural reforms, implemented over the long term by a government that understands the benefits of capitalism and how to use it to uplift the masses out of financial and intellectual poverty. These reforms include a world class skills development programme (not the level of education we have currently). Labour laws that do not place a disproportionate amount of power in the hands of workers. Prudent fiscal management that supports economic upliftment (infrastructure and education) more than social upliftment (grants).