Load shedding, downgrades, rugby and investment success

Peter Middleton

COMMENT

In the midst of a depressing year for South Africans, it has been a very turbulent few weeks. Eskom load shedding began again on Wednesday 16 October – and continues. On Tuesday 29 October, Pravin Gordon presented his Eskom recovery plan, which he suggested could take between 5 to 10 years before we feel its positive effects. "Eskom can't remain as it is. We need a reliable source of energy for South Africans. We must resolve operational issues and shift towards a new model. It's a case of reducing the debt, breaking plants into clusters and hiring the right people," he said… "but I'm optimistic that a turnaround is possible."

The next day, Tito Mboweni delivered the 2019 medium-term budget policy statement. "It is time for us to sow the seeds of renewal and growth," he said. "But for the seed to be prosperous, as Zechariah enjoins us, we must first cultivate the soil..."

He built his budget on six fundamental prescripts: achieving a higher rate of economic growth; increasing tax collection; maintaining reasonable, affordable expenditure; stabilising and reducing debt; reconfiguring state-owned enterprises; and managing the public sector wage bill.

Who can disagree? Yet where are the solutions and the brave and noble people needed to implement them?

Elegantly summarising our economic situation for the coming year, he said: "We expect revenues of R1.58-trillion and spending of R1.83-trillion. That means we will spend R243-billion more than we earn. Put another way, we are borrowing about R1.2-billion a day, assuming that we don't borrow money on the weekend." That made me smile.

"Restoring our finances and fixing our state owned enterprises will take great courage. But it can be done," he went on to assure.

Three days later. Moody's was due to review South Africa's credit rating. Mboweni's advice to the nation was to pray that we weren't downgraded to junk status. Perhaps thanks to those who did, when D-day arrived, Moody's Investors Service changed the outlook on the Government of South Africa's ratings from stable to negative, but affirmed the Baa3 long-term foreign-currency and local-currency issuer ratings. The sigh of relief could almost be heard.

The agency's explanation in the report of Friday November 1, reads: "Moody's decision to change the outlook to negative from stable reflects the material risk that the government will not succeed in arresting the deterioration of its finances through a revival in economic growth and fiscal consolidation measures". An analysis suggesting a very lucky and potentially temporary reprieve.

Then, on Saturday November 2, the accumulated gloom was completely obliterated when South Africa's Siya Kolisi-led Springbok rugby team outplayed and comprehensively defeated England to win the 2019 Rugby World Cup, putting "years of struggle behind them".

On his return to South Africa, Kolisi said their World Cup triumph was for all South Africans who "make our wonderful country an even better place".

When South Africa won at home in 1995, it was Nelson Mandela who donned the Springbok jersey, in Japan, it was Cyril Ramaphosa. Similarly, though, the Springboks came to the aid of our country when we most needed a little inspiration.

Congratulating the victorious team, Desmond Tutu and his wife, Leah, said: "You have achieved much more than winning a Rugby World Cup; you have restored a self-doubting nation's belief."

On the economic front, further good news emerged on Wednesday November 6, when Cyril Ramaphosa's Investment Conference secured R363-billion in new private and public sector investments. He described these as "a vote of confidence in the economy" and announced that the total pledged was 17% more than the figure raised last year during his inaugural investment conference.

"For us to have achieved this success at a time when our economy is struggling is a real achievement," said Ramaphosa.

Notable new investments include: R20-billion from a group of ten French companies including Total, Air Liquide and home improvement retailer Leroy Merlin; R50-billion from MTN for the roll-out of digital infrastructure development; R2.4-billion from Toyota SA for the manufacture of its new car in Durban; R6-billion from the National Association of Automobile Manufacturers of South Africa (Naamsa) for an Automotive Industry Transformation Fund to support black participation in the automotive industry; and a R12.9-billion venture announced by Roelf Meyer to support emerging farmers through an initiative backed by the Department of Agriculture, Land Reform and Rural Development.

In his *African Fusion* comment this month, new executive director John Tarboton points out the #StrongerTogether hashtag adopted by our winning Springboks. "This motto is also vital to waken our sleeping economy and enable us to reduce unemployment, poverty and inequality," he says.

Hear, hear! ❑

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