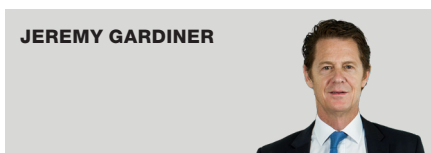


# 2018 – A brave new world, but not for everybody

January 2018



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Had Zuma's preferred candidate won, we would almost immediately have been downgraded by Moody's

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My goodness, that was close. 179 votes separated us from where we are now and economic desolation. Whilst one doesn't want to appear overly dramatic, I don't think many South Africans realised just how close we came to taking a fundamentally irreversible road towards terminal economic decline.

There seems to be a fair amount of commentary around whether or not Cyril Ramaphosa, given his somewhat compromised top six, is going to be able to achieve what we as a country so desperately need. For what it is worth, my money is absolutely on him succeeding. In fact, just his victory has already achieved so much, and I think we are too quick to forget last year's feelings of constant anxiety (and at times nausea).

Whilst we had been in decline for some time, our descent really accelerated when the President removed Pravin Gordhan last year, effectively going rogue and rushing us unashamedly head-on into total state capture and potentially an entirely unnecessary and possibly bankrupting nuclear deal. From there on things deteriorated fast economically. Business investment virtually froze completely, growth slowed and would have collapsed if not for agriculture; tax revenues started drying up; and our state-owned enterprises were on the brink of collapse, wounded significantly by mismanagement and bleeding capital profusely, in favour always of the same few names. Unemployment was rocketing (which means crime rockets too), and confidence was at 40-year lows (back to apartheid days), as we stumbled from one downgrade to the next, proceeding towards further irreversible national bankruptcy by the day, knowing that with the old crew in charge, the only way forward was down.

And then came the conference, and hats off to the ANC for pulling it off so effectively. I am still amazed that the President and the Guptas didn't have an emergency plan B, and that says something about the strength of our democratic institutions.

Had Zuma's preferred candidate won, we would almost immediately have been downgraded by Moody's. Junk status across the board would have seen us exit the Citibank WGBI (World Government Bond Index), significant outflows would have ensued, and with that, the currency would probably have settled around R18 to the Dollar at best. The fuel price would have rocketed, corporate investment would have collapsed and the deterioration mentioned above would simply have accelerated.

179 votes, that's how close it came. After a herculean effort fighting for good over evil. Fighting for the very survival of our beautiful country. Particular credit must go to the journalists (would the result have been the same without the Guptaleaks?) for being so brave. Credit must go to the SACP and Labour, for stepping away from the tripartite alliance and calling out corruption and mismanagement, as did the elders of the ANC. Corporate SA can also take credit for working behind the scenes, fighting state capture through the courts, and using contacts to globally publicise the exploits of the Gupta family.



Sipho Pityana from SaveSA and Bonang Mohale from Business Leadership SA in particular deserve mention. Numerous NGOs, fighting everything from state capture to the nuclear deal, also need enormous thanks. Huge credit must go to key ANC leaders who bravely spoke out against their own party, risking not only political isolation, but also sometimes personal risk to themselves and their families. And finally, credit to the branch members at the conference who rejected 'persuasive packages' and voted in the best interest of the majority of people in this country. Most of all, civil society stood up collectively and successfully defended us against an economic onslaught of military precision.

And so, as the Business Day put it recently, for the first time in a long time, South Africans can look forward to the New Year being better than the last. And correctly, one must caution against over optimism. Ramaphosa is not the Messiah, and to say he inherited a mess is a massive understatement. If Trump thinks (which he does because he constantly reminds us), that he inherited a mess from Obama, then what Cyril inherited from Zuma is positively apocalyptic. Imagine if Trump had taken over an America designated to Junk, filled with bankrupt state-owned enterprises, all due to corruption and maladministration by Obama. Can you imagine what he and the rest of the world would have had to say? We sometimes are too tolerant and forgiving down at the bottom tip of Africa.

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So don't expect an instantly perfect world from Cyril. He has a compromised top six, and we're an emerging market, so there will always be action. However, his victory has already achieved so much. Confidence is back, corporates will start investing, foreigners will start returning, unemployment numbers will peak and we'll start creating rather than losing jobs. Growth numbers are being revised upwards not downwards. The law enforcement wheels are moving. The SOE decline will be arrested shortly, as soon as Pravin Gordhan (or someone equally competent) is in charge and not Lynne Brown. JZ needs to go – talk is that it's not so much getting rid of him that's the problem, but it's who to make interim president. If Cyril does it, then constitutionally he can potentially only serve one term after that, so ideally we need an interim president until 2019 is out of the way. But who can be trusted not to obfuscate the justice machine moving on state capture and JZ?

So while 2018 will no doubt have its challenges, enjoy this new feeling of hope. Relish the lack of anxiety. Bask in the glow of a strengthening economy and currency. Most of all, appreciate having leaders that for once we can be proud of, anywhere in the world. As we saw with Davos, we have a team we can send out on our behalf, which is world class and makes us proud. It's been a long time since we could say that. Large parts of the globe, including Britain and America, certainly cannot say the same. For them, 2018 will simply be more of the same.

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