



15 February 2018

South Africa has spoken

Presidential change offers new dawn

Over the past 9 years, South Africans have suffered a prolonged period of political and policy uncertainty. A culture of patronage and corruption has been ripping South Africa's young democracy apart. This has been accompanied by low economic growth, very weak business and consumer confidence and a material deterioration in institutional quality and investigative capacity. While many of these factors coincided with the global economy's slow and painful recovery from the global financial crisis, some were the direct consequence of decisions made by the political leadership of the country. It has been a tumultuous time of high anxiety and challenge for us all.

We have already seen a significant improvement in sentiment in the period immediately following the ANC elective conference in December 2017, as the country looks to the new leadership to right many of the wrongs of the previous administration.

Today, February 15, 2018, Cyril Ramaphosa was sworn in as South Africa's president by Chief Justice Mogoeng Mogoeng. He was elected at a special sitting of the National Assembly, and voted for unanimously in an open poll. This follows the resignation of now former president Jacob Zuma late on Wednesday, 14 February pursuant to his recall by the ANC's National Executive Committee, and ahead of fast-tracked preparations to table a vote of no confidence the next day, should he have refused to resign. President Ramaphosa will deliver the delayed State of the Nation Address on Friday evening (16 February). In the coming days or weeks, it appears likely that he will reshuffle his Cabinet, and all eyes will be on the Budget Speech for 2018 which is currently scheduled for Wednesday, 21 February. After a long wait and weeks of seemingly tough negotiations, this swift conclusion paves the way for a new era in national politics.

The positive sentiment experienced as a result of this change has been significant. While sentiment may not be tangible, it has a very powerful and visible impact on society, and on political and economic outcomes. The very long period during which the people of South Africa - ordinary citizens, parents, employees, employers, and business leaders alike - have viewed the current economic environment as bleak, has had a material influence on economic activity. Each decision not to spend, not to borrow, not to buy a durable good, not buy a new machine to replace an aging one in a factory, or start planning a capital expansion, have all undermined growth momentum, exacerbated inequality and entrenched poverty. In fact, for the five years from 2010, real GDP growth dwindled from an average of 2.6% - already weak relative to history - to just 0.9% over the past three years. And the more durable the period of depression, the more it has undermined the economy's capacity to grow. Without growth, our resources with which to address the quality of life and distribution of income of those very citizens, become more and more scarce. Since the announcement of the change in the presidency, Moody's has stated that they will be closely watching the policy impact of the change in leadership, potentially staving off a detrimental ratings downgrade at the end of the month. In order to translate the positive perception into economic reality, the new president will be required to make tough decisions, and soon, in order to capitalise on this momentum.



South Africa's push back, through our brave independent media, feisty civil society and strong judiciary has succeeded in bringing about leadership change. This change of leadership brings with it hope, and an opportunity for the government to do things better. Cyril Ramaphosa campaigned on, and was elected ANC president with, a mandate to deliver a 'New Deal'. He has committed to dealing decisively with corruption, to implement policies that strengthen institutions and support growth and transformation. He has already made good appointments to fragile state-owned companies, and brought Parliamentary process against those individuals implicated in corruption cases.

We are standing at an important juncture in South Africa's evolution. By showing the will and ability to do the right thing for the people of South Africa, a new leadership must seize the opportunity to build confidence, restore capacity in state and economic institutions and to create an environment in which the incredibly resilient people of South Africa can get back to building the future our country so richly deserves.

Kirshni Totaram
Global head of institutional business