

## **The Year That Was**

Looking back over 2012 it is clear that the second half of the year was bad, very bad: Marikana in August; several wildcat strikes in the mining and Boland agricultural sectors; and a down-rating by the rating agencies. The mood was further soured by on-going revelations of corruption and Nkandlagate. All the bad news was neatly crowned by articles in the Economist and Wall Street Journal bemoaning the state of the country.

## **People**

Against this background, the near certainty of Pres Zuma's re-election as head of the ANC is seen as more of the same – the Financial Mail summarised the atmosphere on its cover this week: "Can SA endure another 7 years of Zuma?"

Mr Zuma's fortunes are not to be seen in isolation, however. His re-election settles the fate of a politician that once rose with him, one Julius Malema. His expulsion from the ANC has been followed by his virtual freezing out of the public space and severe cutting down of the ANC Youth League. He tried to capitalise on the wildcat mining strikes but did not gain any traction. He is extremely unlikely to make a comeback in politics via the ANC. He would have to do so through some other party or vehicle, and that will be hard.

The big difference between him and Mr Zuma, who came back after his dismissal in 2005 to become president of the ANC in 2007, is that Mr Zuma was never expelled from the party. He remained depressed of the ANC and could use his position to build a platform inside the party. Mr Malema clearly does not have that option. The looming re-election of Mr Zuma and possible elevation of Mr Ramaphosa, who chaired the appeal panel that finally expelled Mr Malema, must be a very bitter pill for the firebrand to swallow. He is not going to have a pleasant Xmas.

The other element that came to the fore as a result of the ANC internal elections, is the possibility of the replacement of Kgalema Mothlanthe by Cyril Ramaphosa as deputy president of the ANC. The latter has been nominated by 5 of the 8 provinces that have so far made nominations and he has clear majority support for that position. The outstanding question is whether he would accept nomination. But would he have allowed his name to float through 5 ANC provinces (so far) without some intention to take the position if the road is clear?

Should Mr Ramaphosa become deputy president of the ANC, and then at some point also of the country, it will pave the way for him to succeed Mr Zuma. That will be a hugely positive development for SA. Mr Ramaphosa has a foot in every camp; he is firmly from the modern wing of society, whereas Mr Zuma is firmly from the traditionalist wing; he comes from the old internal or UDF part of the ANC whilst all the ANC leaders so far were from the exile wing; and he has acquired at least some experience of business.

He will drive the transformation agenda very hard and that may in due course disillusion some, but overall he will be a more unifying figure.

The Mangaung Conference will probably be followed by a cabinet reshuffle, which will give some insights into which people will play a role in the short and medium term.

Turning to the opposition: Mrs Helen Zille had a good year, achieving on-going success in her struggle to convert the DA from a party of English liberals and Afrikaner conservatives into a non-racial South African party with less dogma and a pragmatic desire for solutions. Judging by the Party's recent conference in Boksburg she is making progress.

A successful elevation of Mr Ramaphosa may very well undercut the DA somewhat, especially in Gauteng.

## Policy

Here too, there are indications that the ship is holding steady in spite of often raucous brawls on deck. The National Development Plan 2030 got some unexpected injections of support towards the end of the year. After endorsement by the cabinet in September, the NEC at its meeting on 18/19 November called for the Plan to be supported and then the KZN ANC followed with a request that the Plan be discussed at Mangaung for incorporation into ANC thinking and positions. Talk is cheap and one must not get ahead of oneself, but these are good omens.

By clipping the wings of Julius Malema and the Youth League the most vocal supporters of mine nationalisation have been dealt with. The outstanding issue is one of higher taxation on mining as recommended by an ANC task team.

The July policy conference brought clarity that section 25 of the Constitution, the property clause, remains unchanged and land reform will take place within that ambit. Landowners can rest assured that if their land is expropriated they must be paid for it; and they must be paid a "just and equitable price".

## Money

The bottom line is that the country will end 2012 with growth of about 2.5% against the 2.7% expected at the time of the February budget and the 3% that was briefly expected in the middle of the year.

The stock market continued to do well and investors were well rewarded for being there.

That most sensitive of meeting points between politics and finance, the bond market, hardly moved during the second half of the year in spite of all the negative news flow. Here foreigners were the ones to buoy it up: they continued to pour money into our bond market – a whopping R83 billion by the end of November, almost double the total amount for 2011. As SARB Governor Gill Marcus and others have pointed out, this is not a long term sustainable position, but neither is it to be denied as a very strong lifeline during a stormy time. Further ratings downgrades, if they happen, can impact on these flows.

The day before Marikana in August the rand traded at R8-25 to the US\$, at the time of writing in December it was at R8-85. Given all that has happened since Marikana, the real surprise is that the rand has not depreciated more. The reason is probably those strong foreign inflows into the bond market (which tells us what people who control serious money think in spite of the Economist and Wall Street Journal's musings).

## So What?

- The triple blows of Marikana, unprocedural strikes and downgrades made for a bad 2012.
- Yet, the economy kept growing, foreigners piled into the bond market, the stock market is up and the Rand held reasonably well. The country survived the bad year.
- Potential interesting policy and people changes lie ahead that will help to steady the ship and push it along its journey.

Wishing you a happy festive season and healthy prosperous 2013.