

From Brexit to understanding local better

A large number of clients have contacted us and asked for our comments on Brexit. The simple truth is, nobody knows. Not even the Brits.

At the moment the UK has neither a government nor an opposition; that will remain the case for a further two months till 9 September when the Tories will announce a new leader. Both leading contenders have indicated they are in “no hurry” to trigger Article 50 “this year”. (Article 50 is the mechanism to exit the EU.) Add Scotland’s strong desire to remain in the EU, and the vagueness just compounds.

So uncertainty is the name of the game. The markets could of course force the pace of events and the hands of politicians, but that statement also brings us no more certainty.

Rather than speculate on something which is profoundly uncertain, we will let events unfold and focus on something much less headline-ish, but infinitely more tangible for investors – the results of the 2016 Community Survey for South Africa which was released on 30 June. Amidst Brexit it got no attention – so let’s go there.

Understanding local better

The Community Survey is a mini-census undertaken every five years, in between the main ten-year-a-part censuses and provides a snapshot of the country. It is relevant for investors precisely because it measures the society in which we are invested in. By comparing it to previous censuses’ data it also gives us the contours of socio-economic changes.

Population growth and households

Over the past five years since the 2011 census the population increased by 1,5% per year. This includes immigrants. The 1.5% is slightly lower than the 1.65% number that we have given to clients. The total population is now 55.7 million.

Interestingly, the number of households increased at double that pace – by 3.1% per year. There are now 2.4 million households more than in 2011, a total of 16.9 million. The implications are profound.

The average household size has declined from 4.5 persons in 1996 to 3.3 - a healthy 26% decline, opening the door to a better quality of life. The downside is that more households require more services, putting more pressure on local governments (see “Basic services” below).

Houses

An interesting aspect of these 16.9 million households is that nearly 55% live in dwellings which are their *own* and *fully paid off* (my emphasis). This is a significant increase from 41% in 2001. South Africans clearly want their own property and are prepared put a lot of money into it. (What was that about not saving?)

A further nearly 11% live in their own dwellings, but have not yet paid them off. So 66% live in their own dwellings! Conversely, the percentage living in rented dwellings declined from 25% in 2001 to 18.4% currently. Some 9.8% occupy dwellings rent free – a lot of granny flats in the nation.

As for **what kind** of house, 79% live in formal dwellings; 13% in informal dwellings; and 7% in traditional dwellings. Formal dwellings have grown at the expense of informal and traditional dwellings.

Perhaps these trends are behind the Zulu King’s recent announcement that residential properties in communal areas under the control of chiefs will get title deeds. South Africans have invested a lot in their

own dwellings and they want the security of a title deed. This is a truly a revolutionary announcement ... and got very little media coverage.

Education

Educational enrolment and attainment shows continued and consistent increases across all categories.

Enrolment rates for 5 to 9 year olds have quadrupled from 22.5% in 1996 to 91% currently. Economically speaking this is important. A striking graph in the Financial Times on returns to education spending clearly shows that, the younger the children when money is spent on them, the higher the return. A good investment then that democratic SA increased enrolments for the younger ages by 4 times.

The number of students who completed secondary school education trebled from 3.5 million in 1996 to 11.9 million in 2016.

It is not just the youngsters. In my age group, 55 to 64, the number of people with Bachelor's degrees increased threefold over 20 years – earlier investment has clearly given us a lift off in one generation.

On the other side of the spectrum, those citizens with no schooling whatsoever, declined by 38% from 3.7 million to 2.3 million. Illiteracy and no education have not been wiped out, but it has certainly been rolled back.

None of this negates the NDP's observation that many of our children, particularly Black children, still get an inferior education, but it does negate the nonsensical wisdom that SA is becoming less educated.

Basic services

Service delivery protests are as much in the headlines as Brexit. But how much delivery has actually taken place?

Water

The number of households with piped water increased by 2 million – from 13.2 million to 15.2 million. That is 217 households for every *working hour* of every working day over 5 years. But as a percentage of total households those with water only increased from 90% to 91% (because there are 2.4 million new households!!). These numbers also illustrate the challenge of progress – the more progress there is (smaller households), the more you have to do (connect more houses to water). The task will continue until everybody has running water. Ditto for electricity, sanitation, housing

Electricity

Households with access to electricity increased to 90.3%. In 1996 it was 58.1%. It brings its own problems of some not wanting to pay for electricity – just like some do not wish to pay e-tolls. Problems of progress: better infrastructure, some unwilling to pay for it.

Sanitation

60.6% of households now have a flush toilet connected to a sewerage system. Pit latrines, chemical toilets and the infamous bucket system make up the rest. The number with no access to sanitation sits at 2.4%, half of what it was in 2011. Encouragingly, 45.6% of households now have a latrine located inside their house, 49.5% with one outside their house, but still in their yard and 4,5% have access to one outside their yard.

Refuse removal

Perhaps one reason why there is so much litter lying around in SA is that only 61% of households enjoy waste removal once a week. This is an increase from 52% in 1996, but a decline on the 62% in 2011. Again the problem of more houses. A quarter of households have "their own" refuse dump, down from 32% in 1996. Once the other basics are provided for, refuse and litter will have to get attention.

Poverty and hunger

Nearly one in five (19.9%) households reported that they ran out of money to buy food before the end of

the month during the 12 months before the Survey was done. 13.5% of households reported that they actually skipped a meal sometime in the 12 months.

Crime

In the 12 months prior to the survey 7.5% of all households in SA experienced crime and 92.1% did not. The Western Cape and Gauteng were above the national average with 9.7% and 9.1% of households respectively experiencing crime. Since this is a household survey, it is likely to pick up crimes unreported to the SAPS and thus give a more comprehensive picture of crime.

The most experienced type of crime was housebreaking, followed by robbery, home robbery, theft of motor vehicles/motor cycles, theft of livestock and murder.

So What?

- As Brexit has underlined, the kind of society in which one invests in is important. The 2016 Community Survey helps us to better understand South Africa.
- Compared to previous censuses and surveys, the picture is one of continuous socio-economic improvement over a range of areas.
- Household sizes are shrinking; people invest in their own housing; they save enormously by having most of those houses debt free; education levels are improving; there is a consistent increase in the delivery of basic services to citizens; but hunger is a problem for some as is crime.
- Perhaps appropriate to paraphrase Churchill: certainly not the end, not the beginning either, but the end of the beginning of building a new society.