

How strong Ramaphosa

10 July 2018

Over the last month or two the narrative has changed considerably – from Ramaphoria to Rama-failure. The sense is that Ramaphosa is stuck and with him SA. Weak business conditions and poor growth numbers obviously contribute to this narrative. There is nothing as bullish for a businessman as a full order book and nothing as bearish as no customers.

What the CEOs say

An opinion poll amongst 1 000 company chief executives by Merchantec Capital found that 47% of CEOs give Ramaphosa 5/10 for his performance thus far; a further 32% gave him 8/10 and 5% gave him 9/10. In total thus, 93% rated him from 5/10 to 9/10.

However, this very favourable rating on Ramaphosa did not prevent the overall confidence level of the CEOs to slump from 60% in the first quarter of 2018 to 47,4% in the second quarter. CEO confidence is now back where it was in the last quarter of 2017. The majority may be happy with Ramaphosa, but they are not confident.

Five reasons were advanced by the CEOs for their lower confidence score: the “Zuma hangover”, uncertainties surrounding expropriation of land without compensation, the VAT increase, the fuel price hikes and the rand/dollar exchange rate volatility.

There is not much Ramaphosa can do about the exchange rate, the international oil price or the necessity to increase the VAT rate. He can influence the land debate and of course the “Zuma hangover”. On both these issues his effectiveness depends heavily on his political position. Let’s analyse that.

What the people say

Ramaphosa’s strong standing amongst CEOs is mirrored in opinion polls amongst the public at large. In February 57% of respondents in the regular Citizen Surveys approved of Ramaphosa; in March that figure rose to 65%. Ok, ‘the honeymoon effect’ and ‘new brooms sweeping clean’ are factors which could have given Ramaphosa an unrealistic boost as he assumed the presidency. Still not a bad start.

But the provincial numbers from the Citizen Surveys reveal a very interesting story.

Ramaphosa was most popular in Limpopo (75% approval) and the least popular in the Western Cape (43%) and KwaZulu-Natal (49%). Given how strong Jacob Zuma is said to be in KZN, that 49% for Ramaphosa is surprisingly high. In the two erstwhile Zuma provinces, North West and Free State, Ramaphosa scored even better – 67% and 69% respectively. These numbers are astonishingly high.

In December 2017 at the ANC elective conference Ramaphosa got 52% of the vote. The conference was very much a 52/48 affair. His margin would not have been that slender had the Zuma provinces been behind him in the numbers emerging now. So something has shifted since December: Ramaphosa’s position in those provinces must have improved; certainly amongst the grass roots, if not amongst the party and branch activists. In the end the activists are not immune from the grassroots – particularly not with an election now ten months away.

True, ANC provinces are in disarray – but which ones?

If one looks beyond the opinion polls to the actual state of the nine ANC provinces, a striking feature emerges.

The provinces that supported Ramaphosa at Nasrec are stable and have by and large held their provincial conferences successfully. The conferences took place and the results are holding despite attempts to interdict them (Limpopo) or have the conference declared invalid (two attempts in the Eastern Cape). Zuma supporters did try to destabilise Gauteng, but the province is now busy with its regional conferences and the provincial conference is scheduled for 21 and 22 July. The Western Cape conference is only scheduled for next year, but at a “general council” held in May all went peacefully and no leadership changes occurred. Threats have been made to have the Northern Cape conference declared invalid, but to date no papers have been lodged. Threats are noise, it is the founding affidavit that counts.

Zuma provinces

But in the erstwhile Zuma provinces things are not going as well. After many delays the Free State at last held its conference, with supporters of Ace Magashule reportedly making a clean sweep. Court papers have been lodged by opponents to challenge the conference. The matter is now in the hands of the High Court. Mpumalanga has not yet convened a provincial general council to replace Mabuza who has left for national government; and some ANC supporters have asked that the current provincial structure be disbanded. North West's travails are well known. It is unthinkable that the (still) ANC chair, Supra Mahumapelo, will be on the posters as the ANC's face going into the election. His goodbye is now getting as long as Patricia de Lille's (and certainly more violent).

KZN is the real problem child. The courts have twice intervened there, and its conference again had to be postponed. A carefully balanced slate comprising both Ramaphosa and Zuma factions were reputedly vetoed by ex-pres Zuma, indicating he still has some clout in the province and want to see "his people" dominate the provincial structure. Rumours abound that Zuma supporters want to establish a political party (although Zuma's son did distance his father from it); or that KZN members will in the election next year vote for the ANC provincially, but not nationally, in an attempt to embarrass Ramaphosa. Such self-destructive behaviour will be precisely that – self-destructive. At some point the KZN provincial leaders will have to ask themselves how long they want to hitch their wagon to the Zuma star and take pain on his behalf. The appearance this week of son Duduzane Zuma in court in two separate cases cannot help his father's political profile either.

On the other hand, it is unlikely that the beachhead Ramaphosa established in that province before the December conference, which helped him to capture the ANC presidency, is any weaker now than it was then.

Is the Top 6 still 50/50?

At the time of the December conference the general view was that the Top 6 was divided 50/50 with three people supporting Ramaphosa and 3 supporting the Zuma camp. Even if it was correct then, is it still the case six months later?

ANC deputy-president Mabuza seems to have thrown this weight behind Ramaphosa. He strongly backed the Ramaphosa camp in the dispute in the Eastern Cape; he echoed the president's carefully calibrated remarks around land reform; and he fully backed removing his old "premier league" ally Supra Mahumapelo as premier of North West.

One should also not forget that the Zuma-supporters blame Mabuza for deserting them at Nasrec and handing victory to Ramaphosa. Indeed, but for a few hundred votes from Mpumalanga, Ramaphosa would not be president. Betrayal like that is seldom forgiven. Mabuza's only safe space may be in Ramaphosa's camp. So, if it was 3/3 in December, it is now closer to 4/2.

It is all about confidence

It is trite to say that confidence is the crucial element that Ramaphosa will have to get in place if we are to see growth. Unless CEOs feel more confident, investment will not take off and there will be little or no growth. Ironically, it's the CEOs that hold the keys to Ramaphosa's and the country's success.

Looking at the 50-odd actions Ramaphosa promised to take in his state of the nation speech on 15 February, progress is steady; more and more items on the list are getting ticked. But so far it has not translated into higher growth. The one item that can be a game changer is the envisaged investment summit. On that, as well as on the land issue with which investment is inextricably linked, we will have to wait and see what the second half of the year brings.

In the meantime, it may very well be non-economic issues that actually boost confidence – people appearing in court for alleged transgressions; the truth coming out through various inquiries; the notion that the impunity of the Zuma years is being rolled back; the rebuilding of institutions.... These may do more for confidence than any investment-specific announcements.

So What?

- In December the ANC conference was basically a 52%/48% affair; in some cases, a 50/50 affair. Looking at opinion polls, developments in the ANC provinces and David Mabuza's position, it now looks like something closer to 60/40.
- Ramaphosa's stronger political position should in due course take care of the "Zuma hangover" and engender more confidence.

- Clearly the swing from from Ramaphoria to Rama-failure is an exaggeration, certainly as far as the “Zuma hangover” is concerned.
- The follow through on the 50-odd State of the Nation promises will be critical for Ramaphosa’s, and the country’s, success.