RESEARCH FAX

Final Election Preview

Contrast with Zimbabwe

Even the prestigious British publication The Economist has made some facile comparisons between South Africa and Zimbabwe. However, consider the following evidence:

- In South Africa, the government-controlled petrol price will increase on election day (June 2) by 12c a litre. This comes on top of an 18c-per-litre increase last month.
- This combined increase of 30c per litre will have a considerable impact on public transport, the form of transport overwhelmingly used by black commuters - most of them likely supporters of the ANC.
- Yet, the increases are going ahead, in spite of the election and with full political support from Government.
- In Zimbabwe, the government has refused to approve a petrol-price increase, despite the impact of a weaker currency and international oil-price movements on domestic fuel prices.
- The Zimbabwe decision was plainly based on political expediency.
- Zimbabwe's side-stepping of a price increase now, will probably result in fuel rationing later.

CONCLUSION

The two countries' policy responses are sharply contrasted.

Forecast on Mbeki

Our forecast on Thabo Mbeki stands. He will pursue: -

- **sound economic policies** (*vide* the petrol-price increase and the Transnet announcements on restructuring last week);
- **transformation**, i.e. the advancement of blacks (*vide* the appointment of a black candidate to the Constitutional Court in preference to the recommended white candidate); and
- **a strong moral crusade** (*vide* the suspension of the shady director-general of Home Affairs).

CONCLUSION

The markets will respond positively to the first and third objectives. Mbeki's approach will reinforce the structural adjustment we have forecast for the South African economy. As this process becomes clearer over the next five to six months, it is likely to inspire the markets.

B•O•E Securities (Pty) Limited (Reg. No. 96/15589/07)
A member of The Johannesburg Stock Exchange, The Bond Exchange and the SA Futures Exchange

Johannesburg
187 Rivonia Road, Morningside, Sandton, 2057
P O Box 1007, Johannesburg 2000
Telephone: +27 11 302 1111; Fax: +27 11 302 1233

Analyst: J P Landman **+27 11 302 1228** **31 May, 1999**