

## Impact of the Mbeki speech

The focus of his speech was the economy and growth. He spent more time on it than any other president did in the last 20 years. He nailed his presidency clearly to the economy and some very specific targets.

### Risks

1. He set clear and unambiguous targets and committed his presidency to them. If his government fails to meet those targets, his presidency will be in serious trouble. If, on the other hand, only half those targets are met, the investment, business and general climate will improve considerably.
2. The review of the banking sector might, depending on the details, create some anxiety for investors.
3. There will also be anxieties around a new social security system. I doubt, however, whether it will undermine fiscal discipline or the drive for lower taxes. It will probably be tied to employment in public works programmes for which money has been set aside.

### Opportunities

4. The winners from this speech are:
  - Telecommunications: the Telkom IPO will proceed; a third cellular license will be allocated; regulatory and policy certainty will be forthcoming.
  - Energy: companies involved in the supply of gas (Sasol, Igoli Gas) will see their business scope increase and extend. So will companies involved in the generation of power and the building of distribution grids.
  - Tourism: private sector camps will be created in the national parks. This will open up an area of investment hereto closed for the private sector.
  - Textiles and clothes.
  - The following export sectors "...will be stimulated through specific policy and regulatory actions that will be effected this year."
    - ❖ agro-processing;
    - ❖ automobiles and components;
    - ❖ mining technology;
    - ❖ Minerals beneficiation.
5. The biggest winner is the economy at large. More competition in basic sectors like energy and telecoms will lower input prices, stimulate investment and increase productivity.

### General comments

6. Mbeki moved away from using any form of divisive language (e.g. two nations or the emphasis on racism) to an emphasis on unity. However, not unity for its own sake, but to develop the country and uplift the poor.