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PETER ATTARD MONTALTO: An inequality of hope ravages the country

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by PETER ATTARD MONTALTO

In SA, there is a widening inequality of hope. Picture: ESA ALEXANDER

It has started to become grating. Another week of meetings in Cape Town and Johannesburg and the refrain “oh, you are quite positive” comes out.

I roll my eyes and let out a groan normally reserved for South Africans putting ice cubes in wine. “But we haven’t even been talking about inequality, healthcare, education, corruption, labour markets, industrial policy or anything else,” I cry.

There is a widening inequality of hope.

Things markets care about are advancing. The formal and more developed parts of the economy are now far more robust against load-shedding, while underlying reforms continue to develop the electricity markets, private build of new capacity, and private investment in transmission at scale.

The economy has become marginally robust against Transnet's failures by using the private sector, either by flying goods or by trucking and shipping via privately run ports in neighbouring countries. Plans for deep and meaningful reforms are being put in place, though these will take time to implement.

Fiscal policy consolidation and sustainability have advanced and later in February the National Treasury is likely to again surprise naysayers in the market with an ability to keep SA government bond issuance flat through the coming fiscal year, and detailing most of the cuts that were pencilled into the medium-term budget policy statement.

Combined with monetary policy remaining just in tight territory for some time ahead, bonds and the currency are relatively happy and might be able to remain on the front foot.

So yes, I do have some optimism, but it only goes so deep and depends what lens you want to put on things.

Growth is likely to be around zero per capita in 2024 given its underlying resilience — the likes of the IMF have been consistently too bearish on the resilience of the economy and growth. There is a logistics crisis and we are all debating if fourth-quarter GDP was a few tenths of a percentage either way.

The state of the nation address will do nothing to influence the mood either way. Investors and local and foreign businesses are not willing to give any benefit of the doubt to any SA policymaker in advance with promises on the table only. Florid commitments to bullet trains and artificial intelligence and the like rather smack of trying to be all things to all people and not focusing on the basics.

There has been a general expectation therefore of a "boring" state of the nation address. Indeed, there might well be little particularly new to say beyond the hijacked Rugby World Cup celebration address or the ANC's January 8 statement.

It will contain a review, not only of the past year but of the past 30 years, to show that larger numbers were affected by socioeconomic progress — which probably with a better functioning state could have been achieved in the last five years. Plus a peppering of fear about opposition parties taking over and returning to apartheid and

just some small angle on the errors the government has made (otherwise the speech would just sound crazy, wouldn't it?).

Yet, the state of the nation address actually should be important for two very big reasons.

The first is that the most likely outcome of the elections is a 47% ANC vote share and a coalition with smaller parties, which means the status quo largely remains in terms of power, control and outcomes. Yet the status quo is obviously deeply unsatisfactory from a socioeconomic perspective and implies a public health system that goes over the cliff edge (National Health Insurance is never going to happen as now conceived) and an education system that by the end of the next five-year administration would have fallen over as the tsunami of retiring teachers breaks over the system and outweighs new hires.

The status quo cannot work. So, what we need to hear — which we haven't so far in any of the ANC's election communications — is what the second Ramaphosa administration actually will do (or, let's not forget, the seventh ANC administration). This is a high (impossible?) credibility hurdle for the speech to cross.

The second reason is the very big and dangerous foreign policy currents the ANC is now playing in and a proper vision needs to be laid out. For a long time (at least since the Thabo Mbeki administration) the government has struggled to give serious set-piece speeches on policy at all (outside budgets), let alone on foreign policy from the president or international relations & co-operation minister.

SA is very much playing in the big league now, with the comically absurd notion being raised by the president and others that the CIA and Mossad might try to throw this election (for whom? Roger Jardine?) SA certainly has every right to punch above its weight, but to what end, is what we need to know.

There appears to be some vision of the Global South and an expanded Brics driving faster growth, but the data is clear that this is not happening (as was laid out by Neva Makgetla in these pages last week).

Similarly, the expressions of triumph over the AfCFTA free trade area's first shipment last week were interesting, since it actually exposes SA to far more competitive economies growing faster elsewhere on the continent and their better ports and logistics. Where it counts on the economic front — like trying to rally the Global South against the EU's Carbon Border Adjustment Mechanism (CBAM) — there have been similar foreign policy failures.

Instead, we are likely to see the International Court of Justice partial victory for SA — a case it was fully entitled to bring regardless of whatever hypocrisies — as somehow the key to goodness knows what for South Africans on the ground. This is even before we consider Donald Trump and the African Growth and Opportunity Act and other forces at play.

In any case, much will be written about the speech. Much fact-checking will be done (the media had fact-checked the Rugby World Cup address and January 8 statement within a matter of hours) and we shall all move on to the budget. Then we shall all be able to shut down and go on holiday until the elections.

The real question to be answered at this state of the nation address is what drives things. What drives a second term, what drives foreign policy to what end, what drives sorting out the deeper problems in society faster.

It won't be possible for investors or business to escape from a view of problem after problem stacking up on the horizon — despite progress being made on the first set immediately in front of us — unless an underlying sense of motivation and drive is communicated.

Until then the optimism will remain narrow — serving some markets and more established parts of the economy — but not those who really need it.

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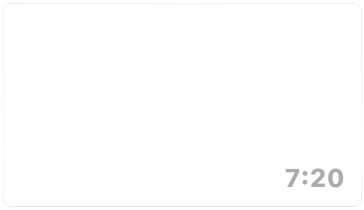

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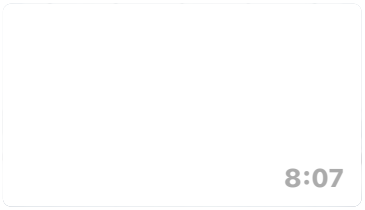

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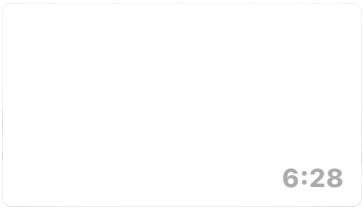

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