

SA and the world: a year of reckoning

In a recent presentation to investment professionals and financial intermediaries, political analyst Daniel Silke shared his thoughts about the current global and local political and economic landscape. 2022 is likely to have its set of challenges, says Daniel.

Global recovery (well, sort of)

The US has recovered from a V-slump to a V-incline. However, Daniel refers to a 'perfect storm' in the US – the rise in inflation and fuel prices and the likelihood of four interest rate hikes have left many Americans unhappy. Also, 41% of Republicans who have been polled, are opting not to get vaccinated compared to 4% of Democrats.

In the UK, Boris Johnson's government is also in trouble, and it's not just about Partygate. Despite the UK's upside growth, British households are facing a 54% increase in energy costs over the next while.

In Russia, the game of chess between President Putin and the US continues and the standoff with the Ukraine has contributed to inflationary threats in Europe.

China's property sector is over-heated and Daniel feels strongly that the Chinese economy will be trending lower this year, with fewer imports from other parts of the world, including South Africa.

Global debt

Daniel noted that global debt is at an all-time high. There isn't a single country that has escaped having to pay for COVID, but what's important is that emerging market economies will be slower to catch up with recovery as we had shallower reserves to dip into when COVID lockdown was at its most severe and to help us out of the post-COVID slump.

What South Africans need to be concerned about is the possibility of the Chinese recovery slowing and the rate hikes in the US. This will affect our exports and our need for foreign investment, which has been ailing.

In our backyard

The battle between the Ramaphosa and Zuma camps in the ANC has resulted in an 'awkward presidency' for President Ramaphosa. While Ramaphosa has slowed patronage networks and the structure that underpinned state capture, corruption has not been dealt with and eliminated. Political will and technical expertise are required to take on the big characters fingered as the perpetrators of corruption and state capture.

Until then, our uninspiring growth will continue. Already, we are living through the longest downward cycle. Further fuel and food price increases and interest hikes will put extreme pressure on the President, which could further undermine stability. In the President's defence, though, these are global issues which he will have to deal with in his own backyard. There are factors beyond his control, so what will he manage that is within his control?

He will have much to contend with this year – the Eskom crisis and the fact that nine million South Africans between the ages of 15 and 34 are uneducated, untrained or unemployed, are just two issues that could derail his presidency and destabilise our nation. On the vaccination front, we are laggards globally.

Green shoots?

Daniel lists some green shoots of hope that have appeared on the landscape:

1. The Zondo Commission started the process of rooting out corruption, but will this process be advanced in a way that sees all of the perpetrators face the full might of the law? Only time will tell how this plays out and if the President places the needs of his people before his party.
2. We've entered a new era of 'fluid politics' – more voters are voting out of personal conviction than political loyalty. The question begs whether the opposition parties have what it takes to advance the needs of citizens.
3. The fourth wave and the Omicron variant of COVID have not been severe and we have seen a decline in the number of deaths in South Africa, although this has not been the case in the US. Societies around the world are resolving to live with COVID. If a more deadly variant comes around though, fear could erode this positive sentiment, but may also increase the uptake of the vaccination.

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