



ECONOMIC COMMENTARY - By Dr. Francois Stofberg

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IS YOUR HOUSE IN ORDER?

You often hear me say that South Africa (SA) is a small, open economy. Not to belittle our achievements, or our people, but to remind you that we are part of something bigger. As such, we are often exposed to external shocks. Be it a good wave, like a commodity boom, or a bad storm, like the global financial crises caused by the COVID-19 pandemic. A good leader, whether he or she is a corporate executive or senior public official, is mindful of this and ensures that his or her house is in order. Leaders understand that a company or country's position of vulnerability is caused more by its own undertakings, than those of others. Good leaders are also forward-looking, visionaries of sort, who do not merely react to every storm or wave but influence their surroundings by being consistently efficient in their undertakings. At most, they realign their strategies to play into long-term trends which they have so little control over. Because of this, a company with resonant leaders like these, who implement appropriate policies (strategies), is better able to weather the storm or ride the wave of opportunity. The same with a small open economy. By doing this, they improve the livelihoods of their employees or constituents.

If we view SA through this lens, the failings of our political leaders become evident:

- + Unemployment is at record highs,
- + Sentiment is shod,
- + The fiscus is in shams,
- + The quality of our health and education is often the worst in the world, and
- + Loadshedding.

These are just the highlights, the list goes on and on. Although the private sector has been doing much better for their employees, they have fewer responsibilities and too often hide behind narrow, outdated mindsets about the role of business. Being aware of a (social) shortcoming, and having the ability to improve the outcome, too many imply that you are morally responsible to do so. Market-leading companies in all industries understand this and incorporate a wider set of non-market strategies to play an ever-growing role in modern society.

So, where does that leave us? Despite all the uncertainty and volatility that we will undoubtedly face, it appears another good wave, or two, is heading our way. China's fourth quarter GDP, and with it, their 2020 economic performance, will be stellar. After successfully launching their vaccine campaign, India is set to follow in their footsteps. Despite all the noise about the United States (US) economy, the trajectory remains upbeat, albeit with a depreciating currency. But a weak dollar is welcome news for a commodity exporter like us. A clever Joe Biden is using the negative press towards Trump to garner Republican support for an even greater support package, \$1.9 trillion, compared to the initial \$900 billion that was agreed upon in December. That is not the end of it: he is talking about spending upwards of \$3.9 trillion on fiscal assistance and expansion within the first few years of his presidency. Even in the lagging Eurozone, economic sentiment is improving with talk about more fiscal and monetary support. Inflation is a concern, remember Turkey, but I am not entirely convinced that an inflation-induced global recession will be lasting. Historically, healthy economies and their markets usually recover within a few short years. Therefore, ensure that your house is in order so that you do not miss the opportunity to ride the good wave (or two) heading our way.