



ECONOMIC COMMENTARY - By Dr. Francois Stofberg

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GOVERNMENT'S LACK OF INTEGRITY AND SOME NUMBERS

In South Africa (SA) the president, Cyril Ramaphosa, delivered his annual State of the Nations (SONA) address and highlighted four key points:

- + Defeating the coronavirus pandemic,
- + Accelerating economic recovery,
- + Implementing economic reforms to create sustainable jobs and drive inclusive growth, and
- + Fighting corruption and strengthening the state.

Except for the first point, the president's list of priorities is basically everything we have heard the ANC pay lip service to for more than a decade. In some instances, the ruling party has been making promises for almost three decades, which constituents have yet to see fulfilled. Not being able to effectively keep their promises destroyed the economy and millions of jobs have been lost. But a breakdown in integrity of this nature also tarnished their reputation, fuelling mistrust and misbehaviour. In this sense, a lack of integrity leads to a further breakdown of integrity. In business, a primary metric of integrity is market share, which reflects how well a company attracts and satisfies customers over time. Similarly, if we consider how the ANC has lost their majority vote, from roughly 67% in 1994 to 57% in 2019, they have been unable to consistently deliver on their promises. Or simply act with integrity.

But blaming government alone would be too easy. Society has an equally important part to play, not only by the vote they cast, but also in the way they conduct themselves daily. Especially when engaging with government. A society with or without integrity forces the hand of the state that governs it. As such, integrity breaks down on an individual level, in the smallest of things. It is not about the big-ticket items like state-capture, but in paying or accepting bribes, showing favouritism, or even skipping a stop sign, just to name a few examples. Citizens who take the law into their own hands or join in with the breakdown in integrity are therefore equally guilty.

On a less serious note: a survey conducted by the Wall Street Journal showed that economists are increasingly optimistic about the 2021 recovery in the United States (US). The average forecast increased from January's 4.3% estimate to 4.9%, driven in large by COVID-19 vaccine distributions and the prospect of additional fiscal stimulus. Although GDP estimates were increased, inflation once again disappointed when price increases remained unchanged for a second consecutive month. Even the annual figure, measuring January 2021 over January 2020, only increased by 1.4%, much lower than the Federal Reserve's (Fed) target of 2%. Fed officials are adamant about keeping monetary policy as accommodative as possible and are even willing to let inflation breach their target in the short-term. Nevertheless, weaker inflation puts pressure on the US dollar and caused the rand to strengthen. In South Africa, Statistics South Africa reported that mining production fell by -10.7% and manufacturing by -11% in 2020, driven by lockdowns and electricity shortages. But steady price increases and a rise in December's output have left many hopeful about 2021.

