RichardCluverPredicts
In our 33rd year of service to the investing public

Volume: 33
Issue: 25
26 June 2020

Economists regularly tell us that South Africa's current economic problems are the result of socialist policies but few understand what this means. Crudely put, socialism is a political philosophy that aims at serving the majority of the people at the expense of a wealthy few.

But the ANC has turned that idea on its head by enriching a few politically connected people at the expense of everyone else. And, never before has Government's failure to serve the best economic interests of all our people been more starkly illustrated than by this week's official unemployment rate – already the world's worst - reaching a new record of 30.1 percent.

Compared with a year ago when there were 6 201 000 unemployed workers, we now have 7 070 000. That figure, furthermore, ignores a further 2 918 000 people of employment age who have given up hope of ever finding gainful employment and another 12 504 000 who are regarded as not economically active. All of that, furthermore, is before we take into account the pandemic which, observers calculate, could lead to as many as 1 790 000 further job losses.

Now couple that with Auditor General Kimi Makwetu's latest report this week, of a further deterioration in municipal audit results and you have proof that the ANC has little intention of ending the theft and corruption that is destroying the country. Only eight percent of municipalities now provide clean audits while irregular expenditure totalled R25.2-billion.

Seen together, the two facts are compelling proof of just how miserably the ANC's economic plan has failed the people of South Africa.

And it is about to get even worse! Finance Minister Tito Mboweni estimates Government will spend two trillion Rands in the current financial year and get back only R1.12-trillion from taxpayers with the result that its debt levels will rise to 81.8 percent of GDP by the end of this fiscal year. Furthermore he "hopes" it will stabilize at 87.4% of GDP in 2023/24. However past experience has shown us that Treasury estimates are invariably overoptimistic so economists will likely pencil in a much worse scenario. Simultaneously meanwhile, Treasury expects growth to contract by 7.2 percent; the largest contraction in nearly 90 years while the revenue shortfall is expected to be more than R300-bn.

So, we are in a much worse pickle than even the Great Depression brought down upon us!

Prime cause of our economic crisis has been a deliberate Government policy of taxing our people at one of the highest rates in the world and then directing that money towards theft, civil service pay and the dole rather than infrastructure maintenance and development.

Ordinary citizens are thus being stripped of the money that would normally fuel the profits of private sector business and accordingly lead to business expansion and job-creation. Consequently, struggling business meanwhile is obliged to operate in an environment of creaking services; of expensive and unreliable electricity, failing water and sanitary services and a hostile public service which views business as “the enemy.”

Whereas it is universally recognized that the private sector is the prime generator of employment growth, the Government has allowed its public sector wage bill to triple in the past 13 years. If the Finance Minister’s projections are correct, this will eat up 51 percent of all tax revenue in the current year.

Today, South Africa’s best paid people work for the government and, from the general experience of John Citizen, they neither offer levels of service comparable with those of the private sector nor do anything to justify their ever-more strident calls for pay increases and annual bonuses at a time when the average taxpayer/ratepayer is hard pressed to meet even current levels of taxation.

All is not lost, however. Calculations by Stanlib economist Ndivhuho Netshitenzhe suggest that the most effective solution to the problem would be for the State to cut its management staff by ten percent a year which would reduce the headcount by 136 400 senior employees and save R142.7-billion by 2022/23. Minister Mboweni furthermore this week promised that the government will both correct this problem and end the deficit within two years.

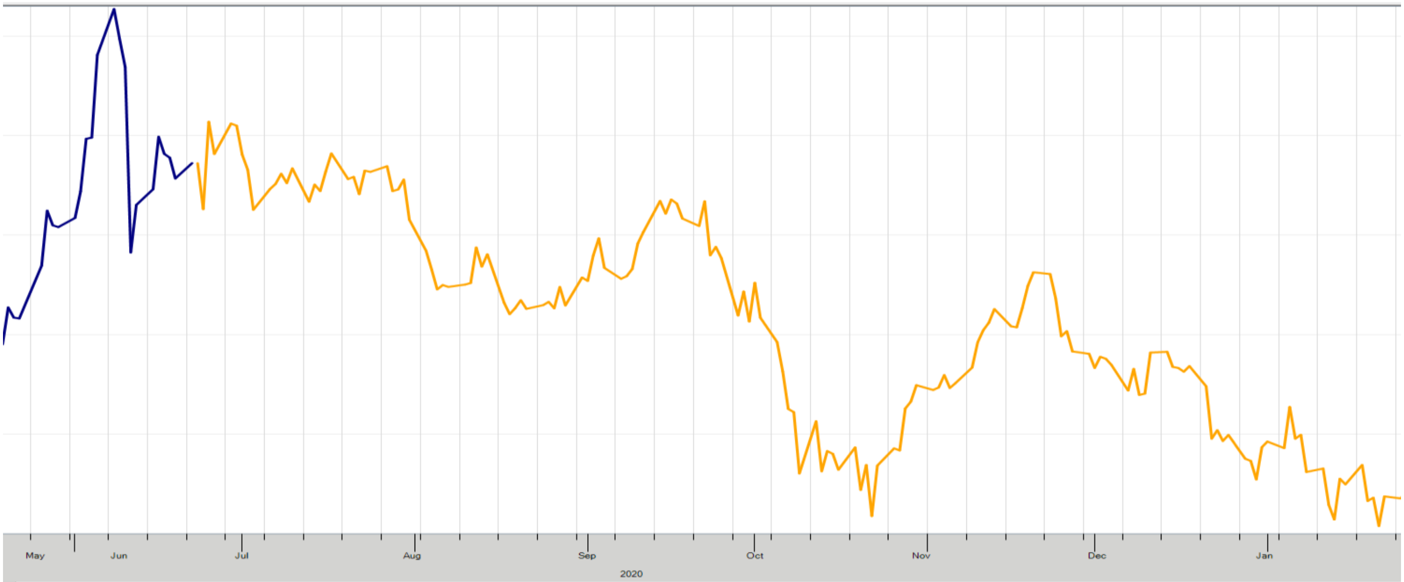
Sadly, not all in the ANC leadership think this is a priority. South Africa has been at the economic crossroads for many years and Government has consistently ignored the warnings. Now we are within months of a situation where all tax revenue will go simply to service the interest on our debt and, when that day comes, many in the ANC believe the Reserve Bank will be able to simply print extra Rands to solve the problem. They do not seem to grasp that doing so would drive us down the route of Zimbabwe, the Weimar Republic of Germany in the 1930s and several other catastrophic examples where explosive inflation destroyed the nation’s currency and impoverished **all of their people**.

Graphs, I believe, offer us the best commentary on the success or failure of policies and nothing better exemplifies the ANC’s failure to manage our economy than how the value of the Rand has declined during the years of their stewardship. The red trend line in my graph below illustrates how the Rand has lost ground to the US Dollar at an annual rate of 6.8 percent since April 27 1994 when the ANC won a parliamentary majority. On that day R3.53 bought you a US dollar.

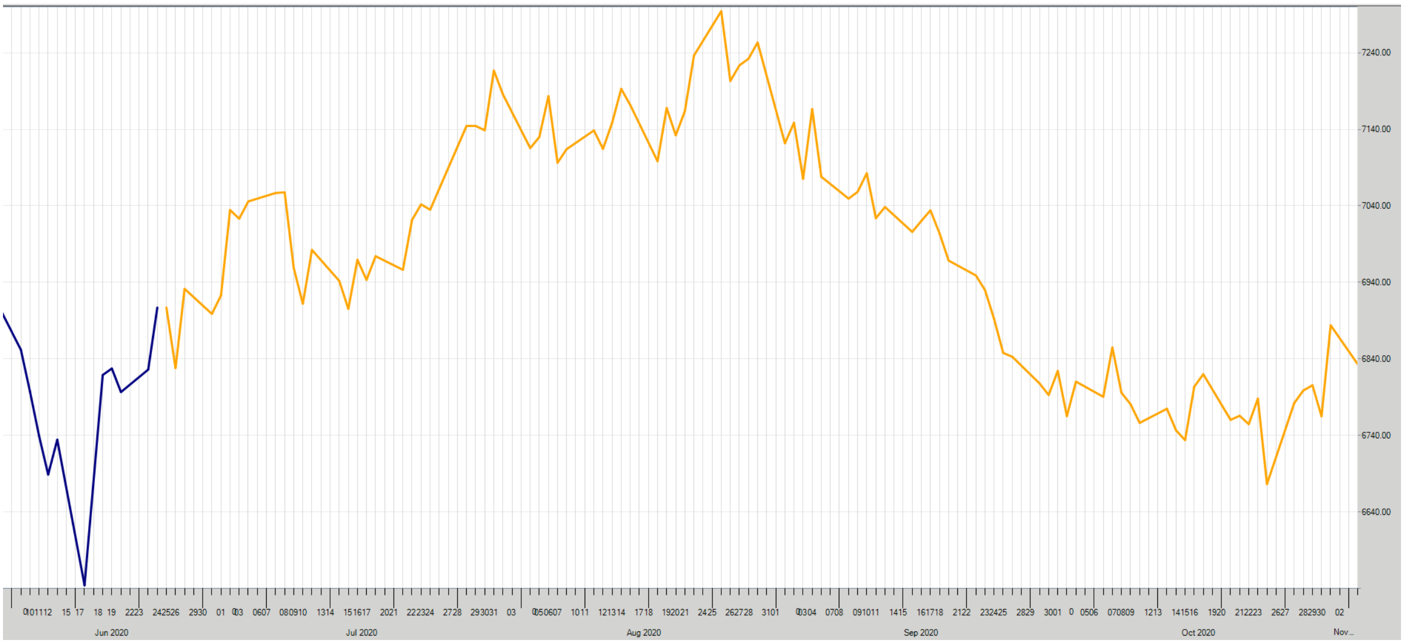
Today we need five times as many Rands to buy a dollar!

Minister Mboweni has promised that from this week his government is setting out to "build a bridge to recovery." The behavior of the Rand in coming weeks will tell us whether the world believes him!

Meanwhile, the second wave of the great Wall Street market decline that I have long predicted, is now under way. My next graph offers ShareFinder's projection of the Dow Jones Industrial Index which suggests that Wall Street peaked on June 9 and is now headed down until the end of October when another bounce up is likely until late November when a final run-down phase is likely to last until the end of January.



Local Blue Chips are, however, likely to be less affected than usual by events on Wall Street. ShareFinder sees them continue rising from here to the end of August before sliding down to the end of October:



Have a good weekend!

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The month ahead:

New York's SP500: I correctly predicted that it was likely to be down-hill until early September followed by a three-week run-up then another down run down until early November.

London's Footsie: I correctly predicted the decline which is now likely to last until early August followed by a recovery trend lasting until mid-October and then down until late January.

Germany's Dax: I prematurely predicted a decline which I now see beginning and lasting until mid-August followed by gains until the second week of October and then a final run down until early December.

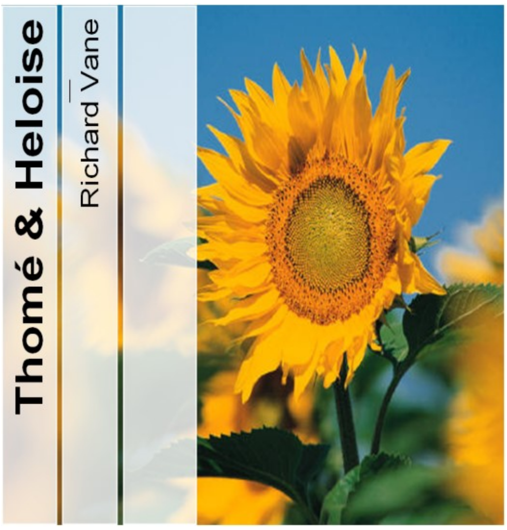
France's Cac 40: I correctly predicted volatile gains until late September followed by a decline until late November.

Hong Kong's Hangsen: I correctly predicted the start of a long but volatile recovery until the end of December when the next down-turn is likely with some interim weakness likely to begin about now until the end of June.

Japan's Nikkei: I also correctly saw brief weakness last week followed by a brief up-tick and then a fresh down-turn until early August ahead of the next short up-surge until mid-September and then down-hill again until mid December.

Australia's All Ordinaries: I correctly predicted until the end of June followed by a brief two week up-surge until July 15/20 and then downhill again until the second week of August before the last up-surge until mid-September.

JSE Industrial Index: I correctly predicted a volatile decline which I expect to last until June 22 followed by a recovery until June 29 and then another decline until July 3 ahead of a recovery until late July ahead of a decline until late August.



Our launch last week of a new venture aimed at offering some light reading in the Covid-19 era, the first issue of a collection of Richard Vane novels, has seen many of you downloading the free trial. So please let us have some feedback. Do you want us to release more? **Write to:** support@rcis.co.za

If you have not yet done so why not try the free download of the first 50 pages. Click here to download the opening chapters.

If you then wish to read on, at a cost of $5, Click here

JSE Top 40 Index: I correctly predicted a decline which I still see lasting until the first week of July and then a recovery until late July/early August and then a decline until the end of August.

ShareFinder JSE Blue Chip Index: I correctly predicted declines which I now see lasting until the first week of July followed by volatile gains until late July ahead of a long decline bottoming in late January.

JSE Gold shares: I correctly predicted brief and then a down-turn which is likely to end today ahead of gains until + - July 9 before the down-turn resumes continuing well into the new year.

Gold Bullion: I correctly predicted the continuation of a long recovery likely to continue well into 2021.

The Rand/US Dollar: I correctly predicted gains as part of a volatile sideways to strengthening trend until late August when the next weakness is likely.

The Rand/Euro: I wrongly predicted weakness would begin in mid-June but I believe it was delayed and still see weakness ahead until mid-July within an overall strengthening trend until the end of October.

The Predicts accuracy rate on a running average basis since January 2002 has been 85.84%. For the past 12 months it has been 96.35%.

Richard Cluver