



Our Weekly Paid Newsletter

Richard Cluver Predicts

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South Africa experienced a miracle this week but I wonder how many of us, bowed down by pessimism as we are, noticed it happen? In a nutshell Cyril got his dream team of ANC reformists and the Jacob Zuma/RET faction is toast.

I am writing, of course, about the ANC's provincial nominations which have made it very clear that the ANC now fully understands it has just over a year to fix its image if it is not to pass into history in 2024 and thus condemn the country to the vast uncertainty of coalition politics which has, at a municipal level, so far proved an almost complete disaster for the people of South Africa!

Probably the single biggest hurdle that had to be overcome within the ANC from an administrative level was to unseat people like Nkosazana Dlamini Zuma and Lindiwe Sisulu who have openly challenged every reform our State President has tried to implement during his first term of office, effectively hobbling him and contributing in very large measure to his unfortunate epithet as "Timid Cyril."

Meanwhile, as the lights have gone out of our economic future because of Eskom's steady deterioration, the fact that the ANC's leaders could spend the entire weekend of their last big indaba arguing about the break-in at Ramaphosa's game farm instead of directing their minds towards ending the multi-billion-rand-a-day crises at Eskom, Transnet and the country's enormous clutch of parastatals, speaks volumes about the state of our government.

As columnist Justice Malala so succinctly put it this week, *"Now we speak of this leadership race as if it is normal, but it is not. On the one hand you have Ramaphosa, who stands to lose his presidency because thieves broke into his house and stole his money. Not a single "victim" has stepped forward and laid charges against him. On the other hand, you have people who are clustered around Zuma, a man who has been shown by a judicial inquiry to have been at the centre of industrial-scale looting of public funds through state capture."*

Hopefully that is all about to change because it is becoming increasingly clearer by the day that those who still care about the founding values of the ANC – and the masses of poor South Africans who have seen their poverty increase exponentially as the few in power have corrupted and looted – have had enough. The provinces have spoken and although nothing is completely certain until the December conference is completed, the Ramaphosa faction has such a towering provincial vote lead over those who still hope to perpetuate the looting that it is nearly impossible to imagine an outcome that does not see the ANC reformists in complete charge come Christmas.

For me, however, I will not completely give over to optimism that the ANC can still turn itself around until I hear President Ramaphosa publicly recant the statement he made to the Zondo Commission that cadre deployment would remain the policy of the party so long as it remained in power. Unless the government gives up on promoting party loyalists rather than the best men and women for the job, it is clear that the streets of South Africa will continue to be flooded by sewage and our lights will go out with ever-increasing frequency.

The second Christmas promise I hope to hear from Cyril is that municipalities throughout the country will contract with their ratepayers to buy all the electricity they can produce from rooftop solar panels. With such

contracts in hand property owners of every description could end the country's power shortage and make tidy amounts of pocket money for themselves. But most importantly, our current power uncertainties are now arguably the GREATEST contributor towards unemployment and low economic growth.

At the stroke of his administrative pen Cyril could thus switch the power back on by making it possible for property-owners to get comparatively cheap bank finance to facilitate rooftop power. Oh, and how about scrapping VAT on solar panels and lithium batteries if you really want to spur progress!

This week I have been reading an old book, 'Tax, lies and Red Tape by Efficient Group economist Dawie Roodt which was first published back in 2013 in the middle of the Jacob Zuma presidency when we had little idea of the catastrophic consequences of his decision to hand over executive power to the Gupta family. Nevertheless, many of Dawie's ideas remain very pertinent today.

Take his calculation that a family earning R1-million a year back then (that's R1.61-million in today's money) gets back less than five cents in the form of goods and services from the State for every Rand of tax paid. Critically important however, the taxes they pay support 20 poor South African families. The numbers have changed since then with, arguably even more poor families dependent upon a steadily-shrinking middle class of tax-payers. But here are the pertinent facts:

- In stark numbers, according to Bernard Sacks, a partner at Mazars, for every high-net worth person who emigrates, an average of R1.2 million in income taxes disappears from the system while the spending, value-added tax and economic activity they generate is also lost. Fewer than 14 million South Africans in the working-age population of 39 million are registered taxpayers and those earning more than R1 million a year pay 40.2% of all personal income levies.
- Latest tax statistics show that just 120 751 individuals earned over R1.5-million last year and together they paid R160-billion in income tax, 42,868 banked between R2 million and R5-million while just 7,993 individuals earned above R5 million.

Putting it into language you and I easily understand, Dawie Rood simply points to the fact that every family that packs for Perth leaves 20 fewer families that the State can afford to support with services like unemployment grants, policing, health care and education.

There in stark numbers is the reason why all of these vital State services are crumbling and collapsing. Given a City Press report recently that a million South Africans have left the country over the past five years, the increasing hardship of the poor is now easily understood.

That is why Communist economics failed, because of the idea that by taxing people out of sight to try and level the playing fields and make everyone equal ends up in persuading your brightest and most innovative people to pack up and leave.....that is why East Germany had to resort to building the Berlin wall in order to try and keep people from escaping the crumbling ruin of their "workers paradise."

Listening to Dawie Rood in a recent seminar, it is clear that he is a lot less optimistic about whether SA can be fixed. His current view is that the country is in "deep trouble." But his abiding solution in his 2013 book was simple. Configure the State so that you create as many millionaires as possible. That's how you achieve full employment and a prosperous society.

Meanwhile, this week's three quarters of a percent repo rate increase was clearly exactly as expected and, while it will undoubtedly contribute to further job losses and a further slowing of the economy, the JSE has responded well with most leading shares well into the green.

Have a good weekend

The month ahead:

New York's SP500: I correctly predicted perhaps two weeks more of gains before the festive decline gathers way and now I see the peak. I expect the market to go down-hill until mid-February.

Nasdaq: I correctly saw an interim sideways pattern which could last right up to mid-January followed by a fairly sharp decline until mid-February.

London's Footsie: I expected that London would peak around November 14 and so have been surprised by this week's strength. But from here on in I see declines until late February.

France's Cac 40: I correctly predicted the market late this week and expect it to be downwards from now until late February.

Hong Kong's Hangsen: I expected Far East markets to move sideways until now and so this week's down-turn was a little surprising but it does signal the beginning of my predicted relentless decline until May.

Japan's Nikkei: I have been expecting a steady decline until April. Now I have changed that view and expect gains until early January ahead of a decline until early May.

Australia's All Ordinaries: I correctly predicted that gains would peak this week followed by a decline which I expect to last until mid-February.

JSE Top 40 Index: I correctly predicted the market would peak around now followed by a steep decline which I expect from now until late January when the next up-cycle appears likely to begin.

ShareFinder JSE Blue Chip Index: I correctly expected that the market was peaking and I still continue to expect declines until early-January.

Rand/Dollar: I correctly predicted brief gains ahead of further weakness which I believe is now beginning and is likely to continue right through to Christmas followed by a sideways trend until early February when I expect further weakness continuing through to early March.

Rand/Euro: I correctly predicted a resurgence of strength through to mid-January.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.83 percent. For the past 12 months it has been 94.5 percent.

■ **OPINION** | **HOME & ABROAD** | PREMIUM ARTICLE

JUSTICE MALALA: ANC Handicap now a one-horse race

The noise and the fury around the ANC leadership race is receding, if only just a bit. Things are becoming clearer. Patterns are emerging. It's becoming easier to identify who is sprinting ahead to win the top six positions — and who will be embarrassed come December 16.

President Cyril Ramaphosa, unless something catastrophic happens, will win hands down, as my colleague Natasha Marrian [informed FM readers](#) weeks ago. His challenger, Zweli Mkhize, is addressing every single crowd he can muster, but he still has the support of only the KwaZulu-Natal branches of the party. Ramaphosa has six provincial structures supporting him. Even if Mkhize receives support from the Free State and the Western Cape — the two outstanding provinces — he is still not assured of victory.

Paul Mashatile will certainly win the deputy presidency. He is unassailable and controls the party machinery, as I have said before here. Indeed, so powerful is Mashatile's position now, should Mkhize and Ramaphosa be ensnared by their legal troubles (Mkhize is heavily implicated in the Digital Vibes scandal while Ramaphosa had foreign currency stolen from him at his Phala Phala farm), he will be the man most likely to step in.

Mdumiseni Ntuli is not a dead cert for the secretary-general's office, but he is emerging stronger the closer the race gets to December 16 and the start of the conference.

For the rest, prospects are dimming. Nkosazana Dlamini Zuma's campaign is run by her former husband, Jacob Zuma, who was sprung from jail illegally by former spy boss Arthur Fraser last year. The courts have declared that he should not have been released. Dlamini Zuma's candidacy for the presidency of the ANC has sputtered to a halt. Only a handful of branches want her. It's over.

Lindiwe Sisulu has spent the year insulting judges. It hasn't helped her. Her only chance at power is to hitch her wagon to Mkhize as his running mate, but Mkhize better be warned: she might stab him in the back the way she has relentlessly attacked Ramaphosa this past year, despite him keeping her in his cabinet.

Now we speak of this leadership race as if it is normal, but it is not. On the one hand you have Ramaphosa, who stands to lose his presidency because thieves broke into his house and stole his money. Not a single "victim" has stepped forward and laid charges against him. On the other hand, you have people who are clustered around Zuma, a man who has been shown by a judicial inquiry to have been at the centre of industrial-scale looting of public funds through state capture.

This is what's problematic with this ANC race. The bar is extremely low at almost every level. Ramaphosa's

track record as South Africa's captain over the past five years, barring positive movement on rebuilding some law enforcement agencies, is woeful. He has consistently placed his party's unity above South Africa and its people, appointing incompetents and corruption-accused to the cabinet. His "new dawn" turned out to be an absolute yawn.

Yet, believe me, Ramaphosa is an angel compared with the hyenas snapping at his heels. Those massed against him are incompetent and corruptible. We know this because they were in charge between 2008 and 2018 and they brought South Africa to its knees. You hear them now making a mountain out of the Phala Phala molehill. Well, don't be fooled. They just want to trip up Ramaphosa but have zero interest in law or order. If indeed these were people who wanted to stop illegal money flows (as they claim to be doing in Ramaphosa's case), why have they not given the evidence they claim to have to the police? We know why. They aim to use such kompromat (if indeed it does exist) to blackmail those who are coming after them.

This is where we are now, with just a few weeks to go to the ANC conference. The field is dire, to say the least. What is even more amazing is the fact that none of us is even bothering to ask what any of these candidates' stands for if it is not to stay out of jail. Economic policy? Crime-fighting measures? Jobs? Who cares about that?

It's the "just keep me out of jail" contest.