

# EFFICIENT + GROUP

*Dawie Roodt*

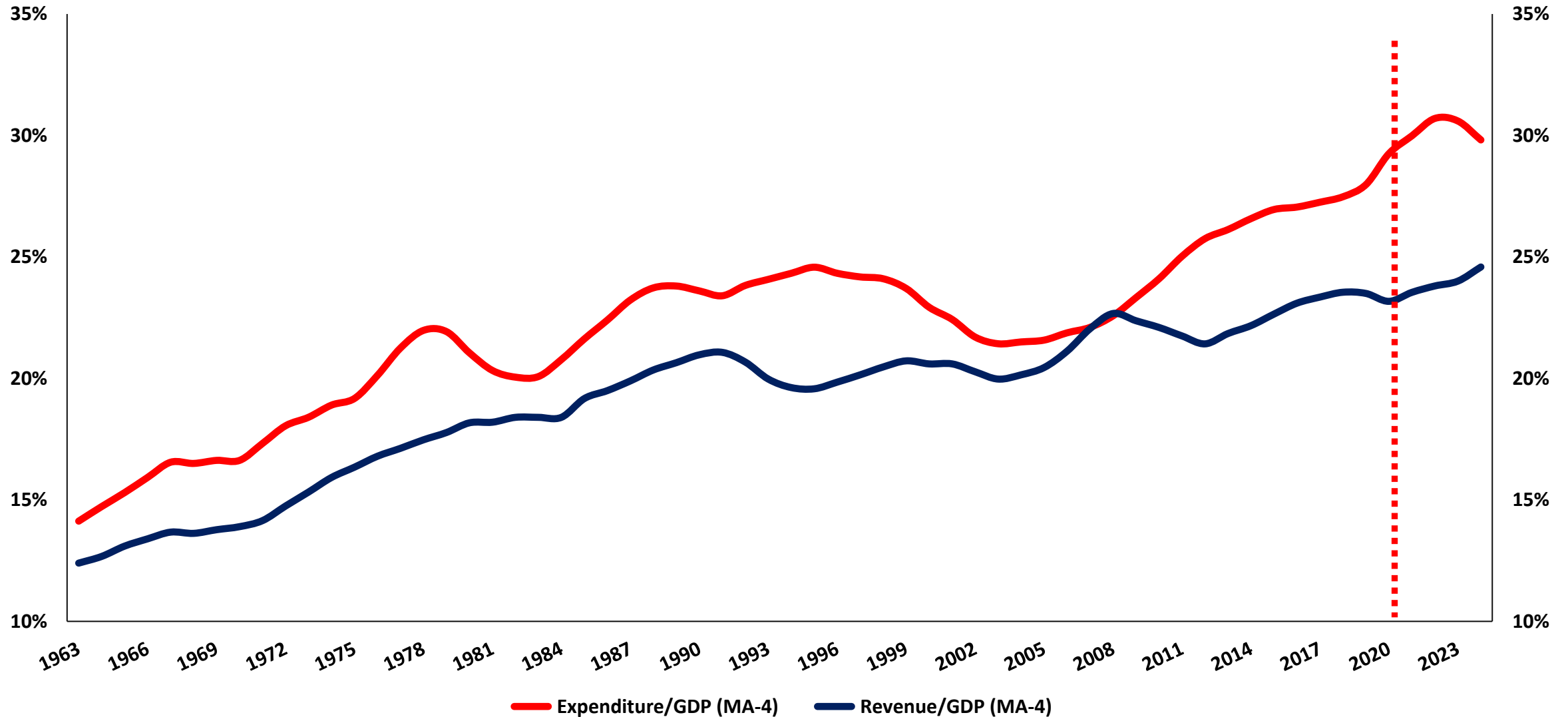
Efficient Group Chief Economist

## THE 2022 BUDGET... LIKE A CAT ON A HOT TIN ROOF

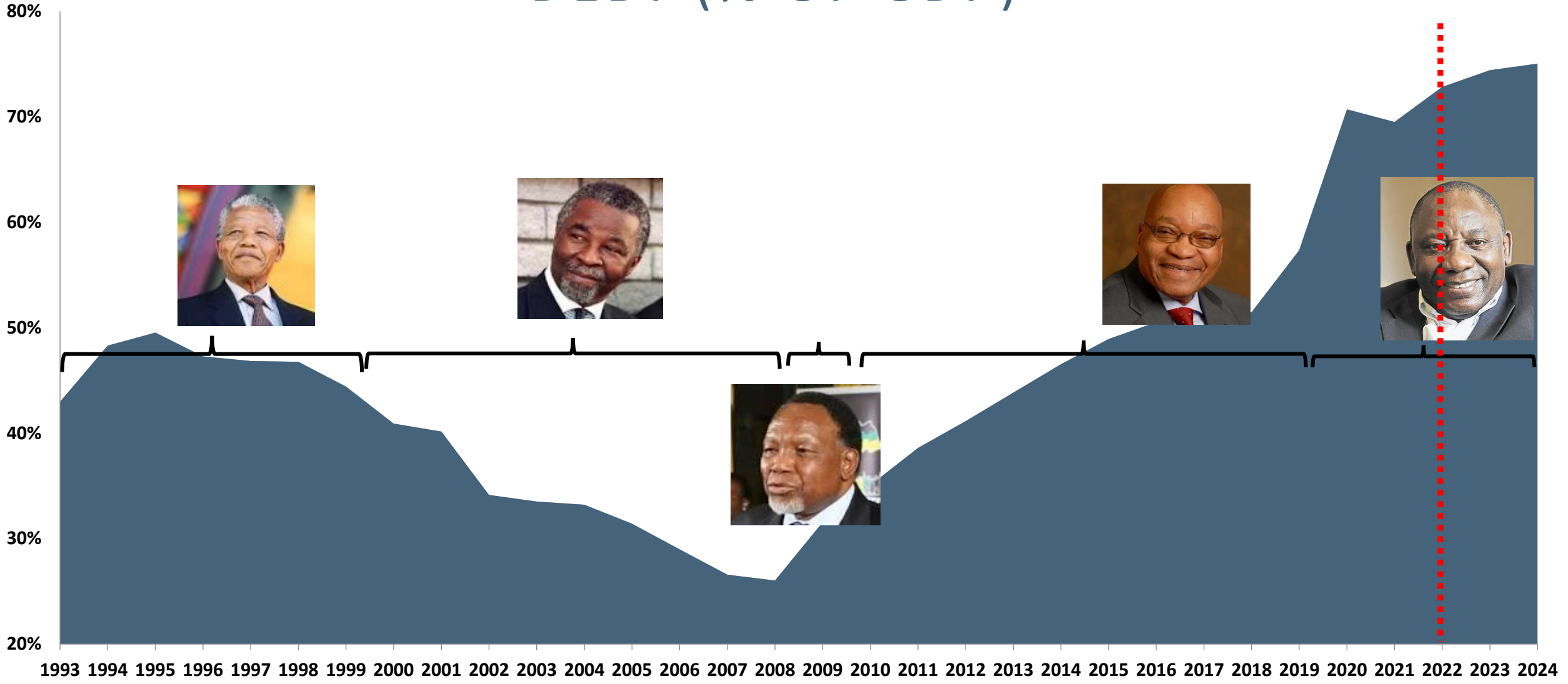


Live webinar will start at 18:00 | Please post questions in the Q&A window

# LIKE A CAT ON A HOT TIN ROOF GOVERNMENT FINANCES (% OF GDP)



# LIKE A CAT ON A HOT TIN ROOF DEBT (% OF GDP)



THE 2022 BUDGET...

LIKE A CAT ON A HOT TIN ROOF

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*Dawie Roodt*

Efficient Group Chief Economist

**THE 2022 BUDGET...**

LIKE A CAT ON A HOT TIN ROOF



LIKE A CAT ON A HOT TIN ROOF  
GLOBAL CONTEXT

- + The great re-opening
- + The rise of inflation
- + Less fiscal stimulus
- + The end of monetary stimulus
  - + Tighter monetary policy
- + Ukraine and Taiwan

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THE 2022 BUDGET...

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## GLOBAL CONTEXT

- + Commodity cycles
- + Result: Exposed countries are at risk
  - + BoP
  - + Exchange rates
- + The employment riddle
  - + Where has everyone gone?

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THE 2022 BUDGET...

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LIKE A CAT ON A HOT TIN ROOF  
GLOBAL CONTEXT

- + Markets
  - + Uncertainty and volatility
  - + Will earnings last?
  - + Oil price to fall (Enoch)

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THE 2022 BUDGET...

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GLOBAL CONTEXT

- + AI
- + Retail changes
- + Gig economy
- + Significant financial technological changes

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THE 2022 BUDGET...

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LIKE A CAT ON A HOT TIN ROOF  
LOCAL CONTEXT

- + ANC infighting
- + Disrespect for the Constitution
- + Continuous mismanagement, corruption, and incompetence
- + A new Finance Minister – with a skeleton in the closet...
- + SONA vs. the Budget

LIKE A CAT ON A HOT TIN ROOF

THE 2022 BUDGET...

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LIKE A CAT ON A HOT TIN ROOF  
IN THE MEANTIME...

LIKE A CAT ON A HOT TIN ROOF

THE 2022 BUDGET...

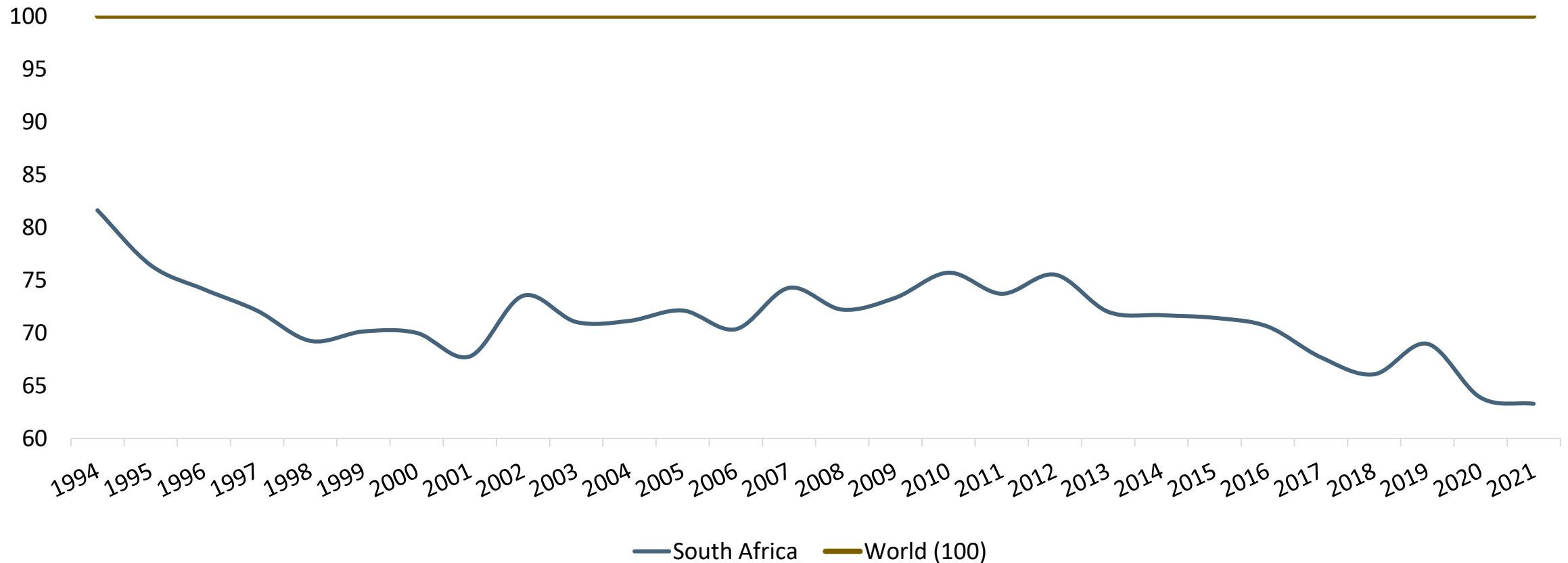
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# THE LEGACY OF THE ANC

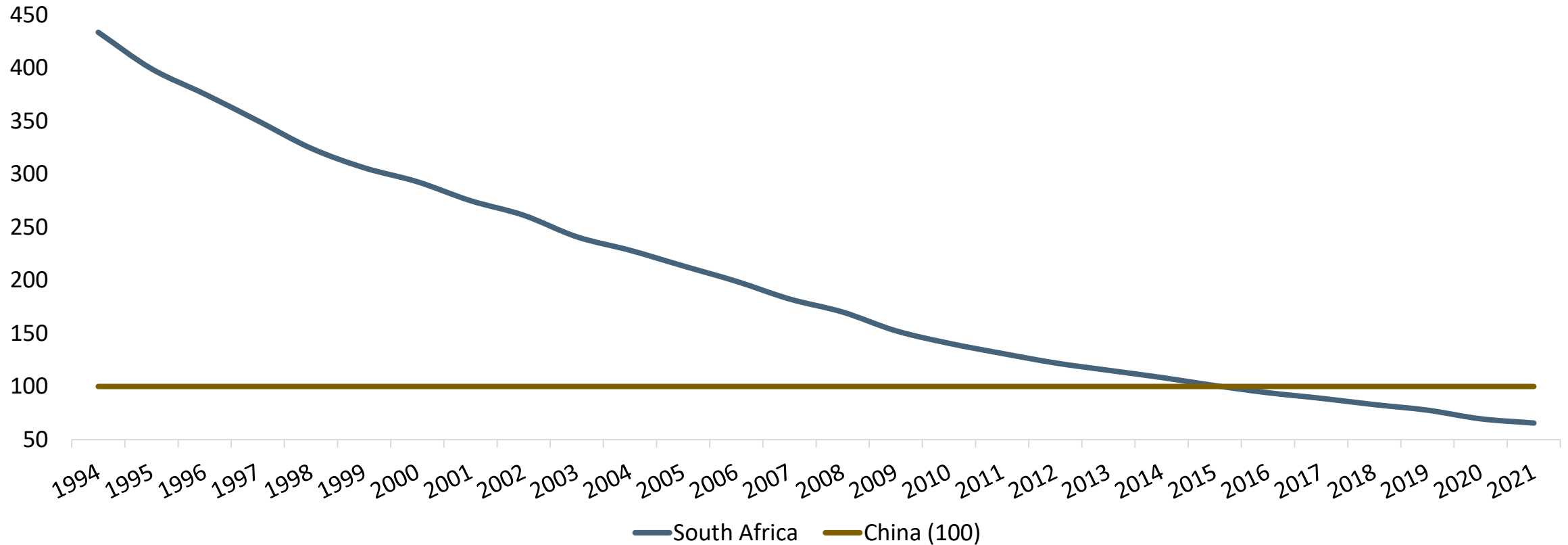
GDP PER CAPITA (PPP US\$): SA RELATIVE TO THE WORLD (100)



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# THE LEGACY OF THE ANC

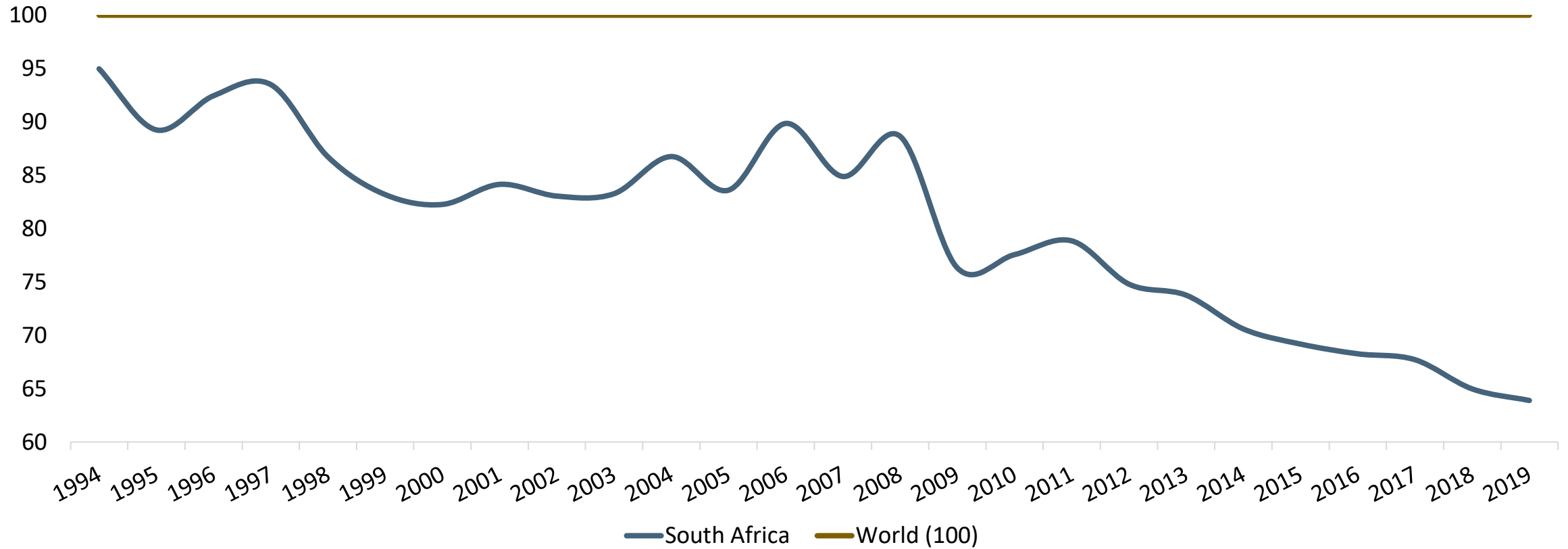
GDP PER CAPITA (PPP US\$): SA RELATIVE TO CHINA (100)



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# THE LEGACY OF THE ANC

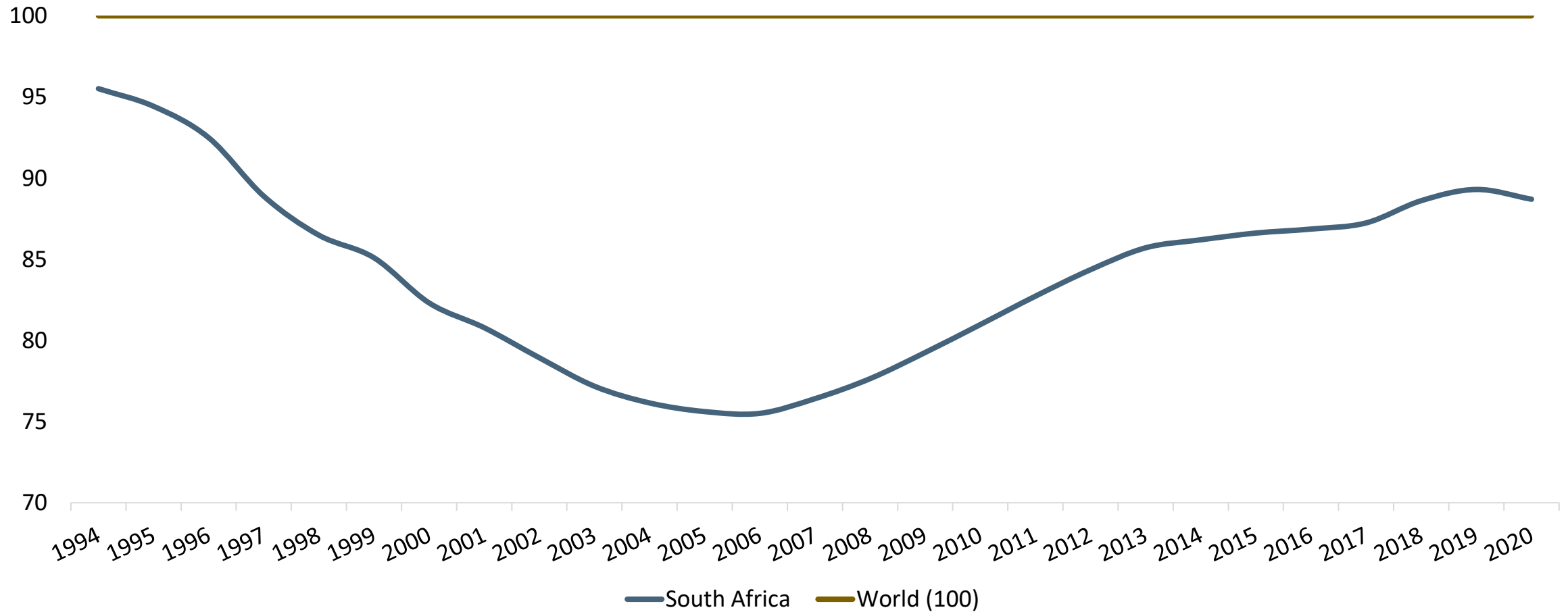
ELECTRICITY GENERATION (MWh): SA RELATIVE TO THE WORLD (100)



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# THE LEGACY OF THE ANC

LIFE EXPECTANCY (YEARS): SA RELATIVE TO THE WORLD (100)



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AND THE RESULT...

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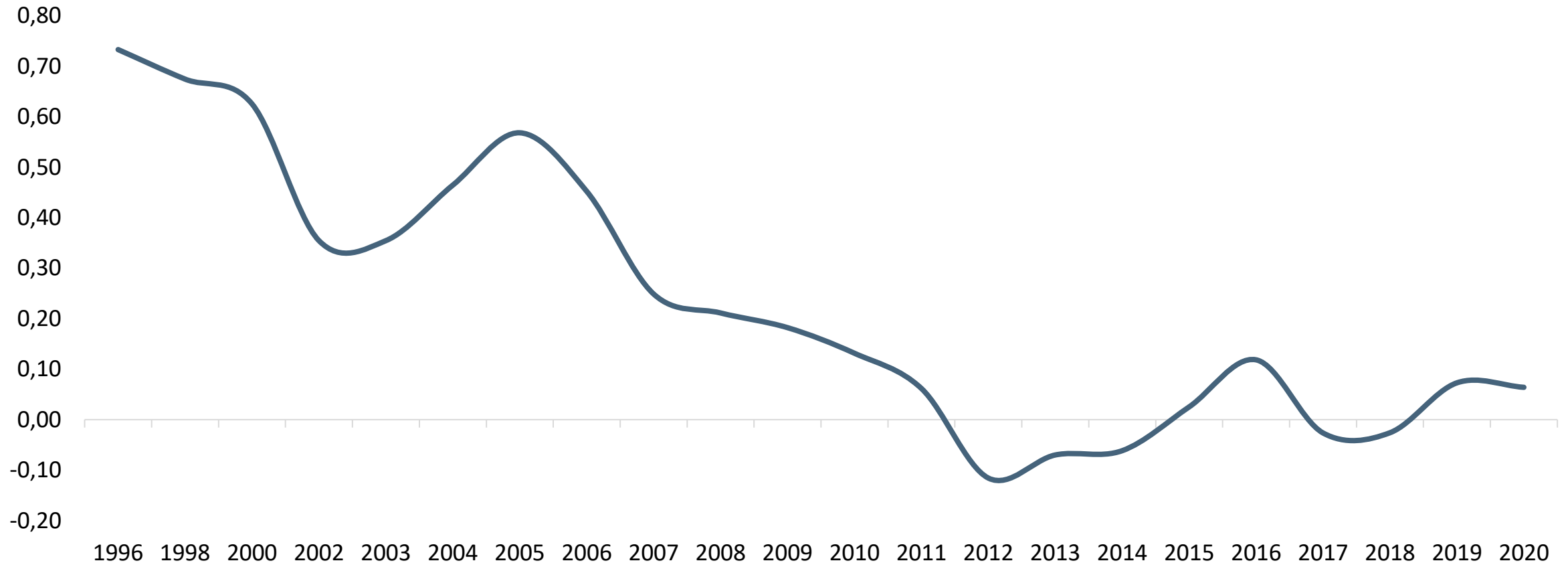


THE 2022 BUDGET...

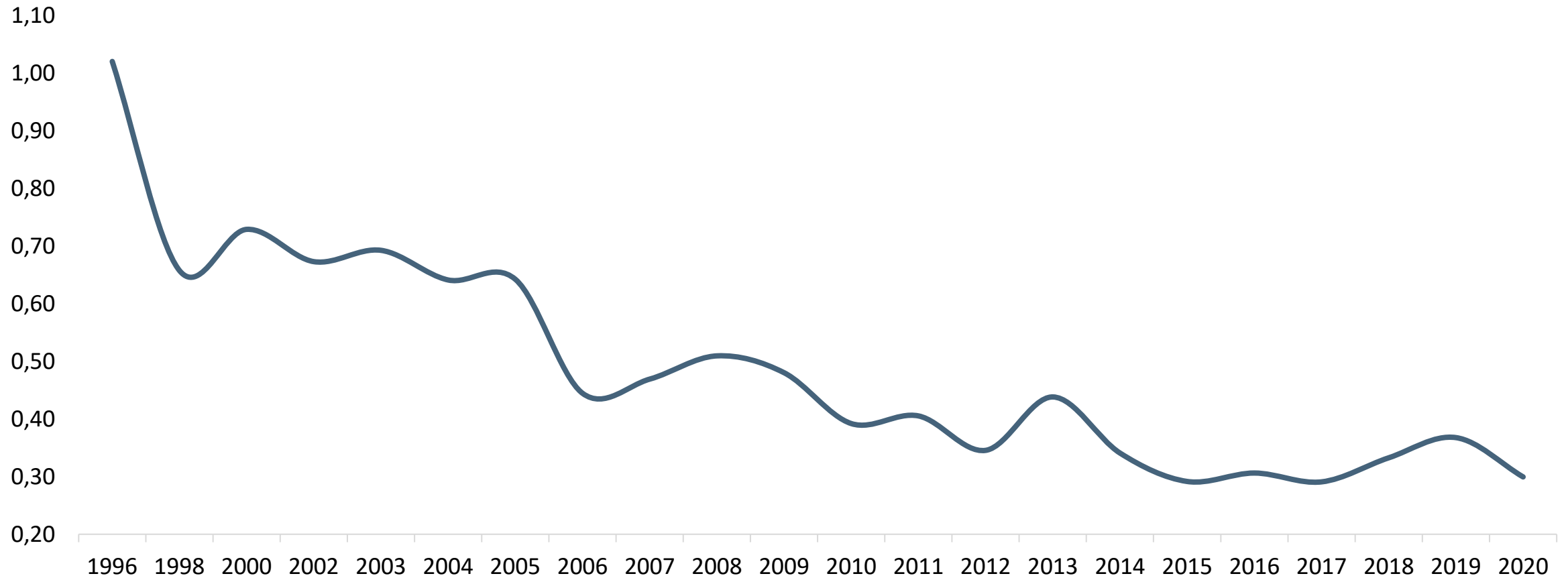
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LIKE A CAT ON A HOT TIN ROOF  
THE LEGACY OF THE ANC  
Control of corruption perceptions in SA



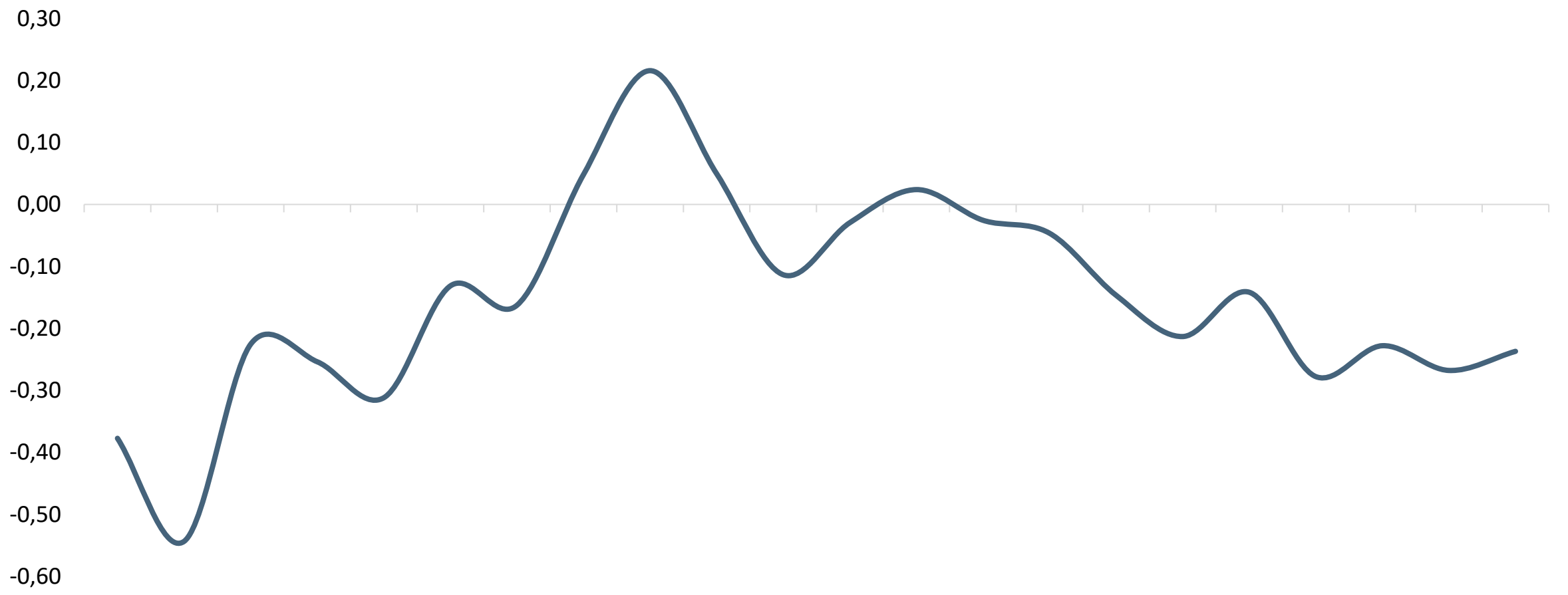
LIKE A CAT ON A HOT TIN ROOF  
THE LEGACY OF THE ANC  
Government effectiveness perceptions in SA



LIKE A CAT ON A HOT TIN ROOF

# THE LEGACY OF THE ANC

Political stability and absence of violence/terrorism perceptions in SA



LIKE A CAT ON A HOT TIN ROOF  
THE BIG CONSTRAINT

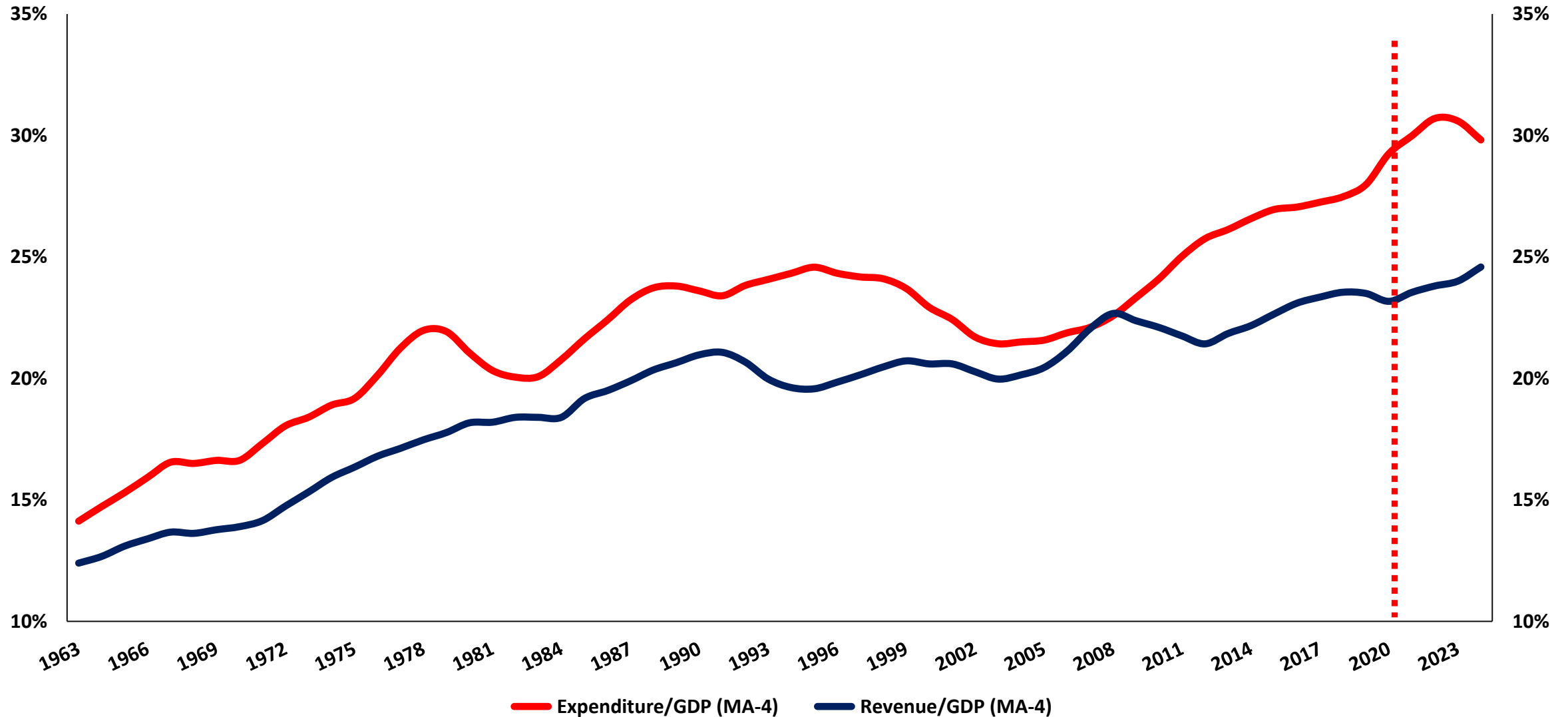
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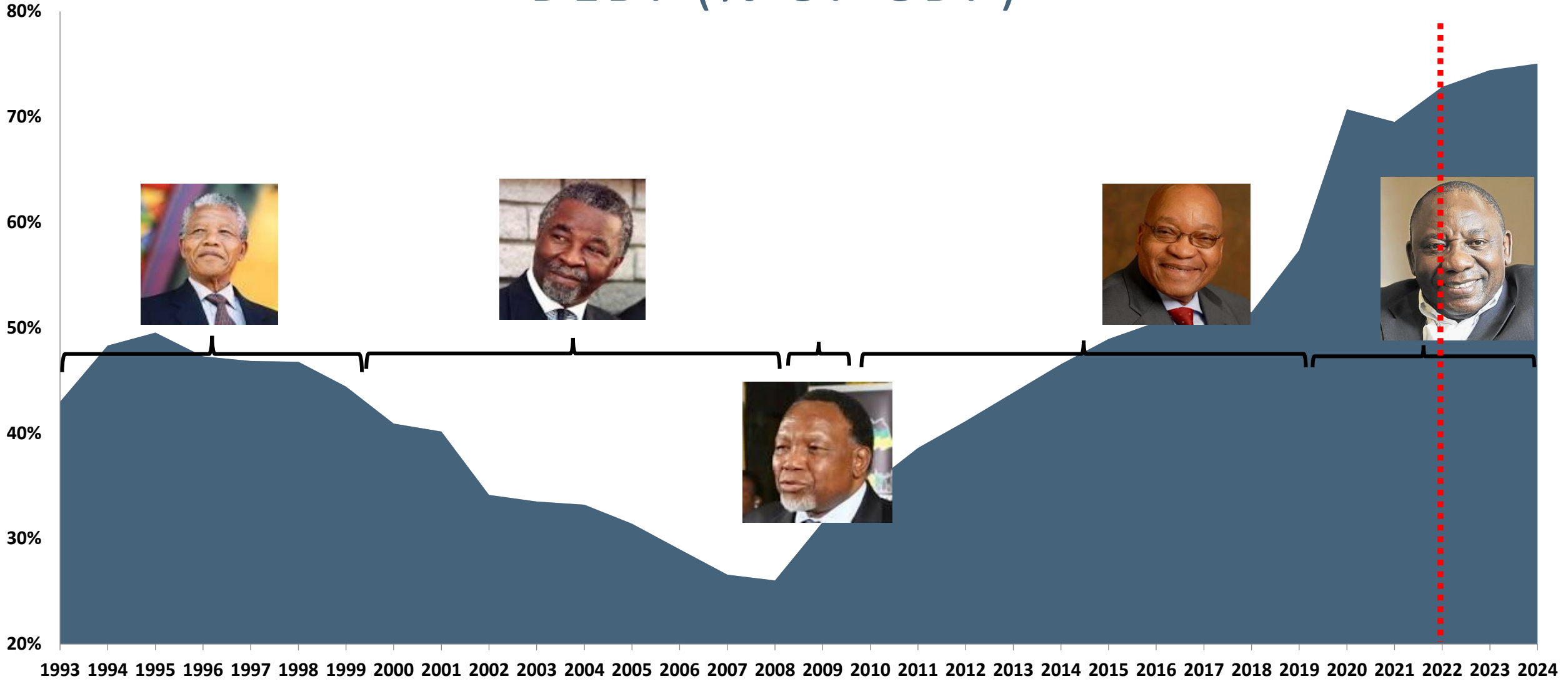
THE 2022 BUDGET...

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# LIKE A CAT ON A HOT TIN ROOF GOVERNMENT FINANCES (% OF GDP)



# LIKE A CAT ON A HOT TIN ROOF DEBT (% OF GDP)



THE 2022 BUDGET...

LIKE A CAT ON A HOT TIN ROOF

LIKE A CAT ON A HOT TIN ROOF  
THE ECONOMIC VARIABLES

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THE 2022 BUDGET...

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# CONTEXT: LOCAL ECONOMICS

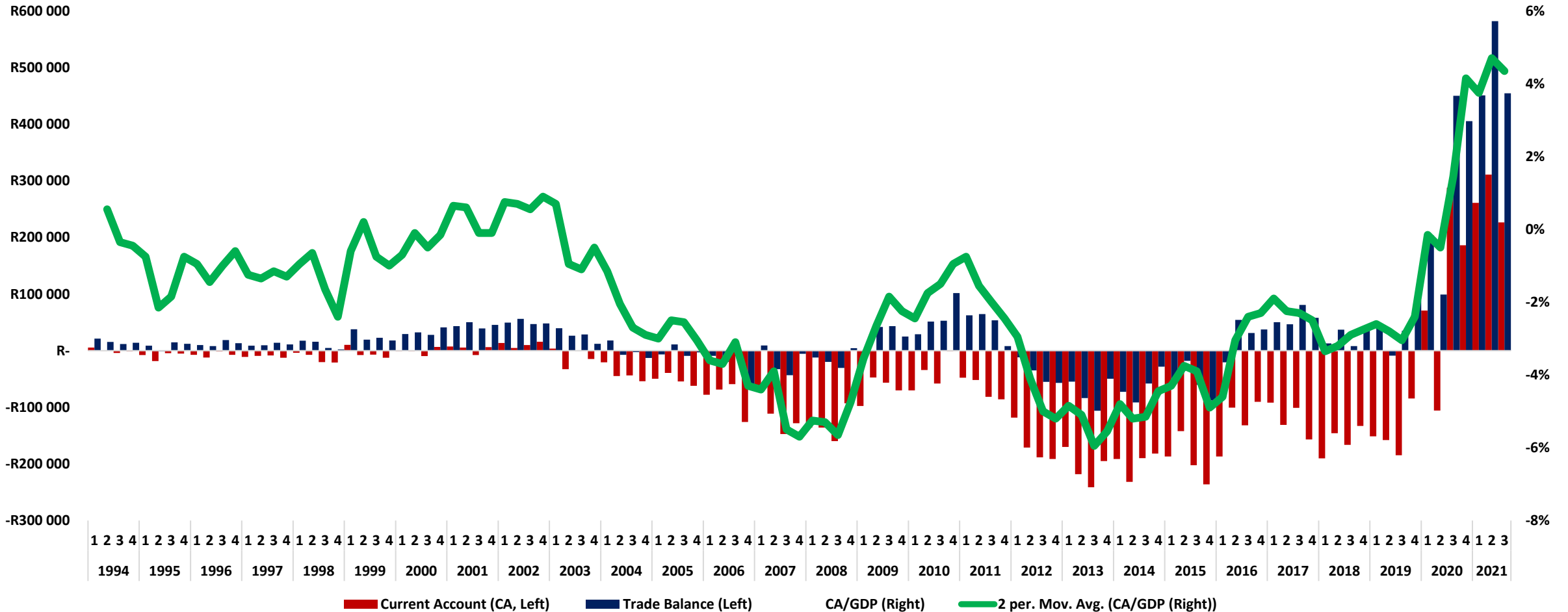
- + CPI and interest rates
  - + M3 and CPI
- + BoP: Flat to negative
- + Exchange rate
- + State dissaving
- + Unemployment
- + GDP: 2.1% (Enoch)



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## LOCAL ECONOMICS

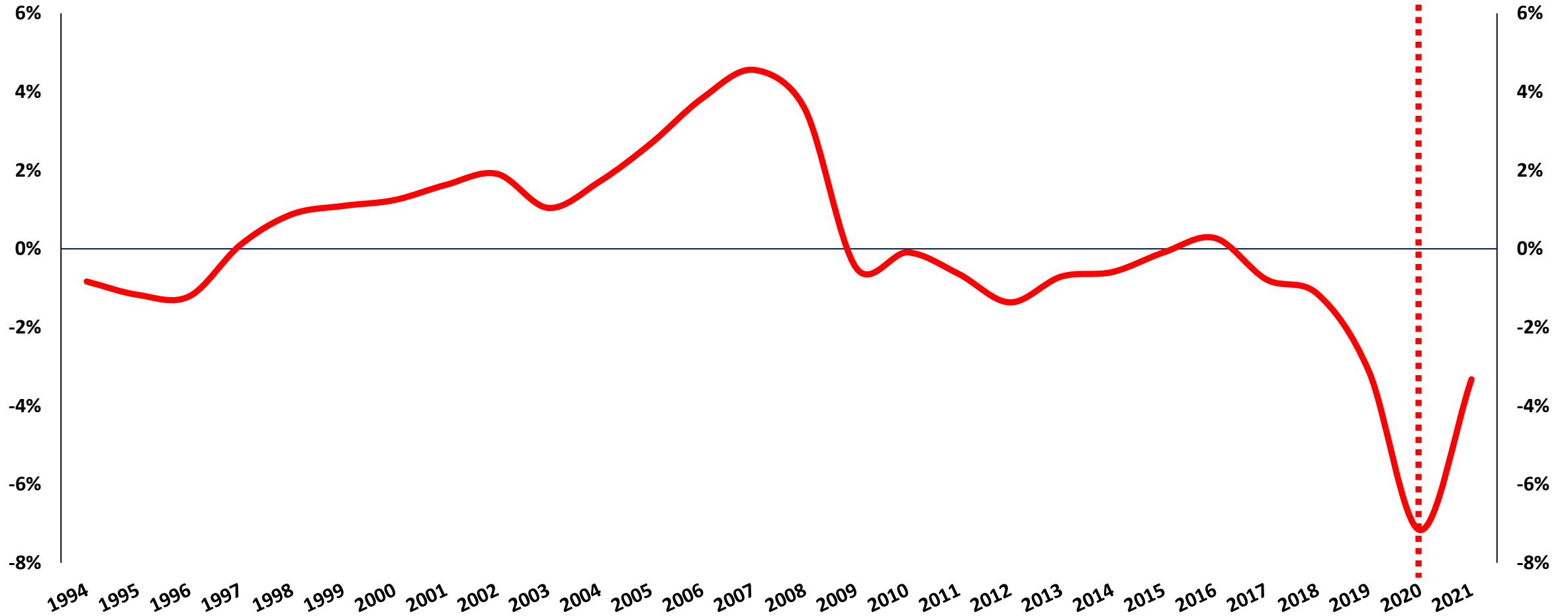
### CURRENT ACCOUNT: CAN THIS LAST?



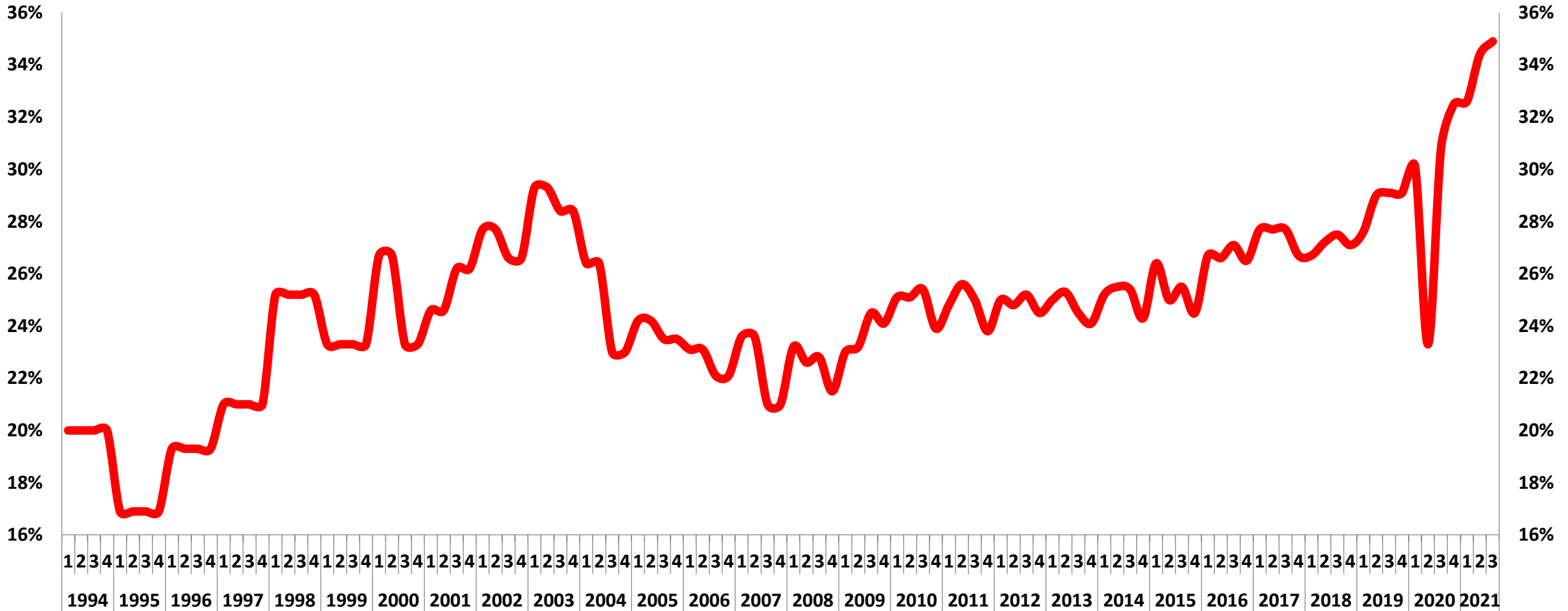
LIKE A CAT ON A HOT TIN ROOF

# LOCAL ECONOMICS

STATE DISSAVING (% OF GDP)



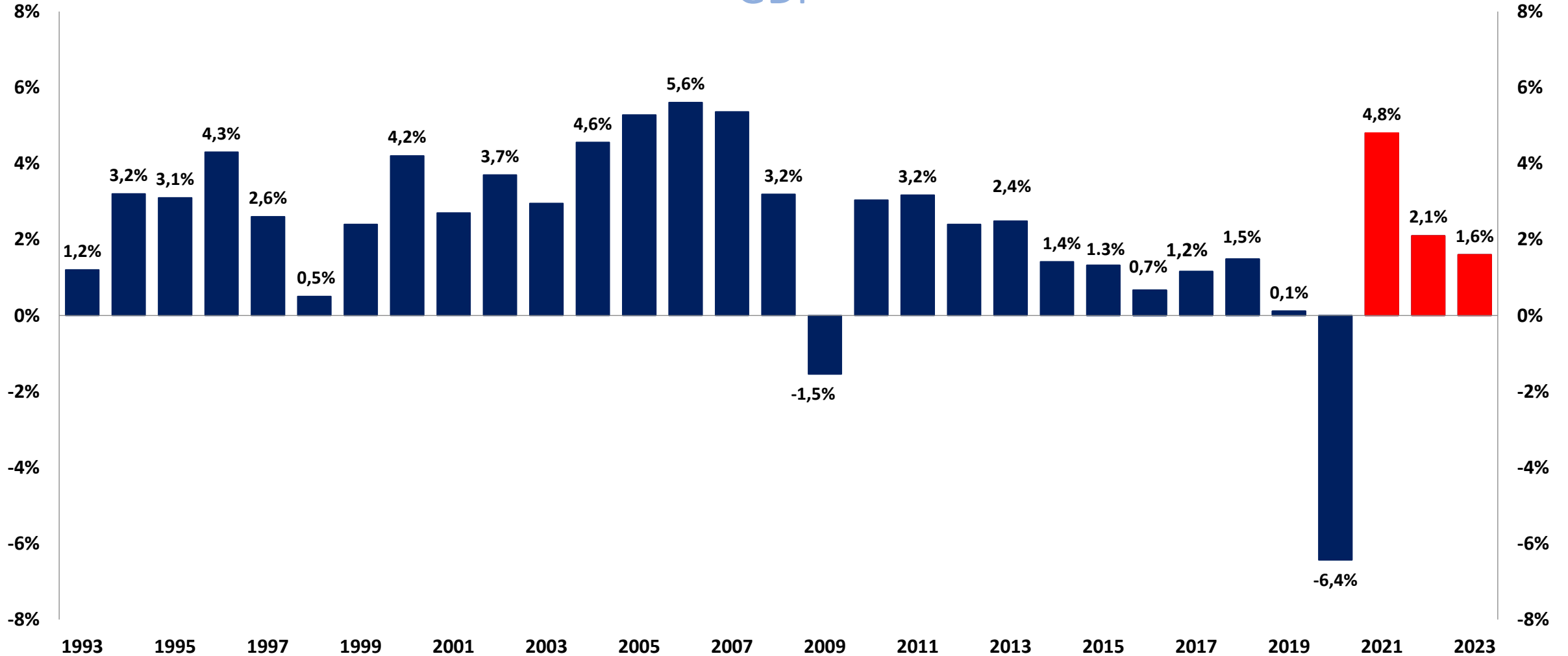
LIKE A CAT ON A HOT TIN ROOF  
LOCAL ECONOMICS  
UNEMPLOYMENT



# LIKE A CAT ON A HOT TIN ROOF

## LOCAL ECONOMICS

### GDP



# REVENUE

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TIN ROOF

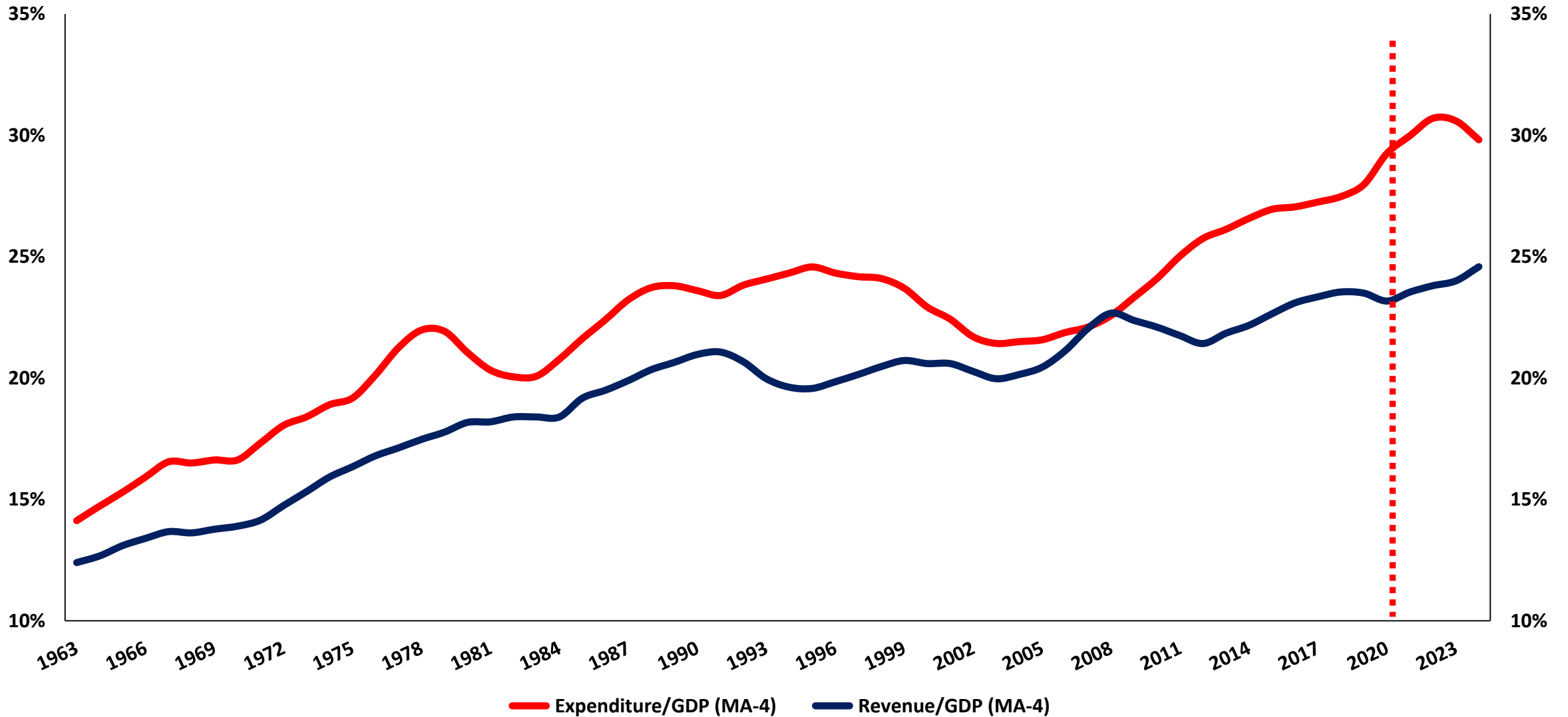


THE 2022 BUDGET... \_\_\_\_\_

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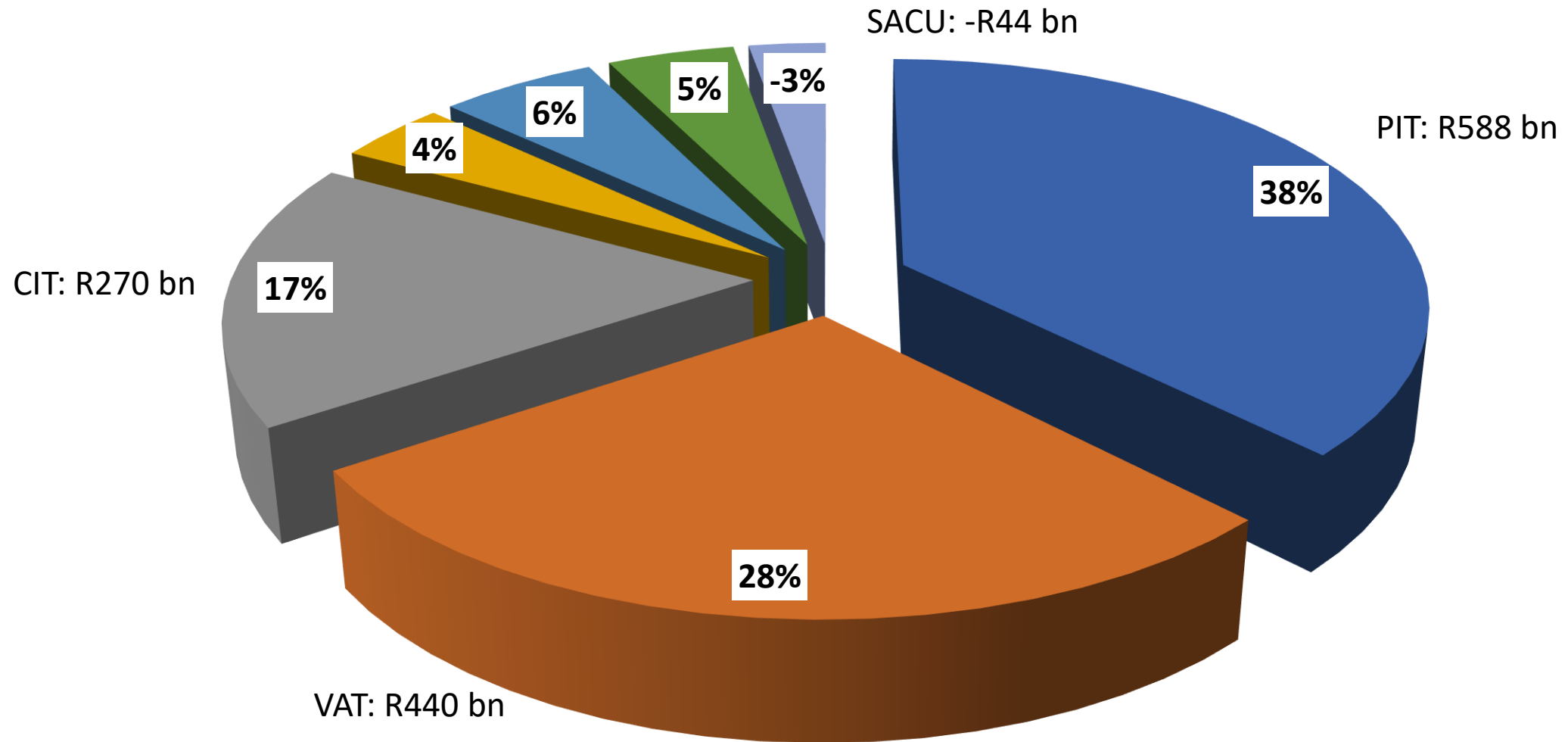
# LIKE A CAT ON A HOT TIN ROOF

## GOVERNMENT FINANCES (% OF GDP)



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# REVENUE COMPOSITION R1.55 tr (2021/22)



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# REVENUE: TAX ANNOUNCEMENTS

- + PIT brackets and rebates adjusted by 4,5% – CPI
- + No Fuel Levy / RAF increase – RAF huge actuarial deficit
- + CIT reduction to 27% (2023) – 80% assessed losses
- + Sin tax / new vaping tax increase – 4,5% to 6,5%
- + Carbon fuel level increase postponed



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# REVENUE: TAX ANNOUNCEMENTS

- + Price of lockdown on sin
- + Prohibition boost underground
- + Revenue overrun R182 bn (R200 bn)
- + Enoch: Tax hikes, not more income

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# REVENUE: TAX ANNOUNCEMENTS

- + Provisional tax-payers – assets +R50 mil to declare at market value
- + Beginning of wealth tax

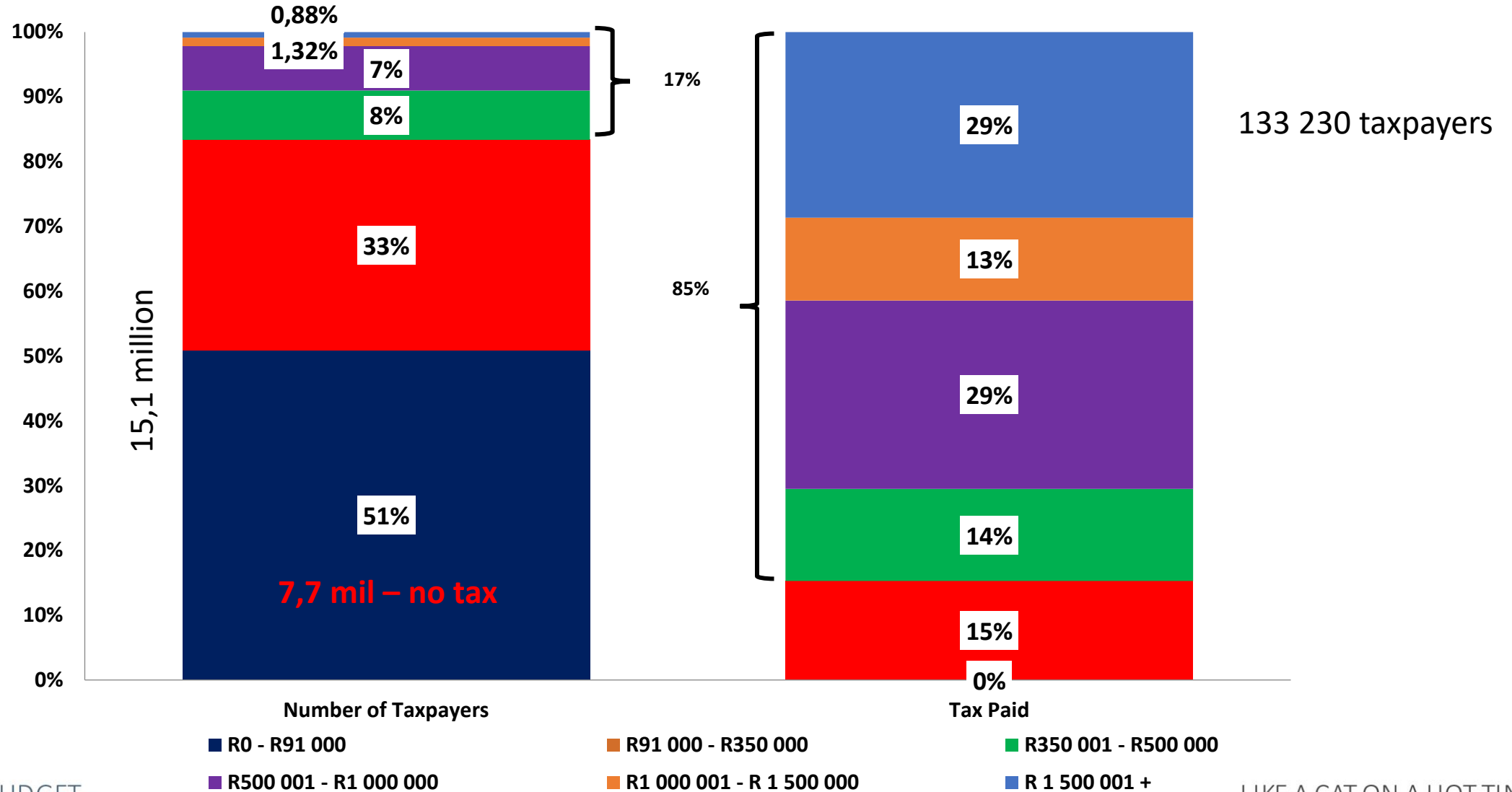
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# REVENUE: TAX ANNOUNCEMENTS

Monthly PAYE (tax savings) as follows:

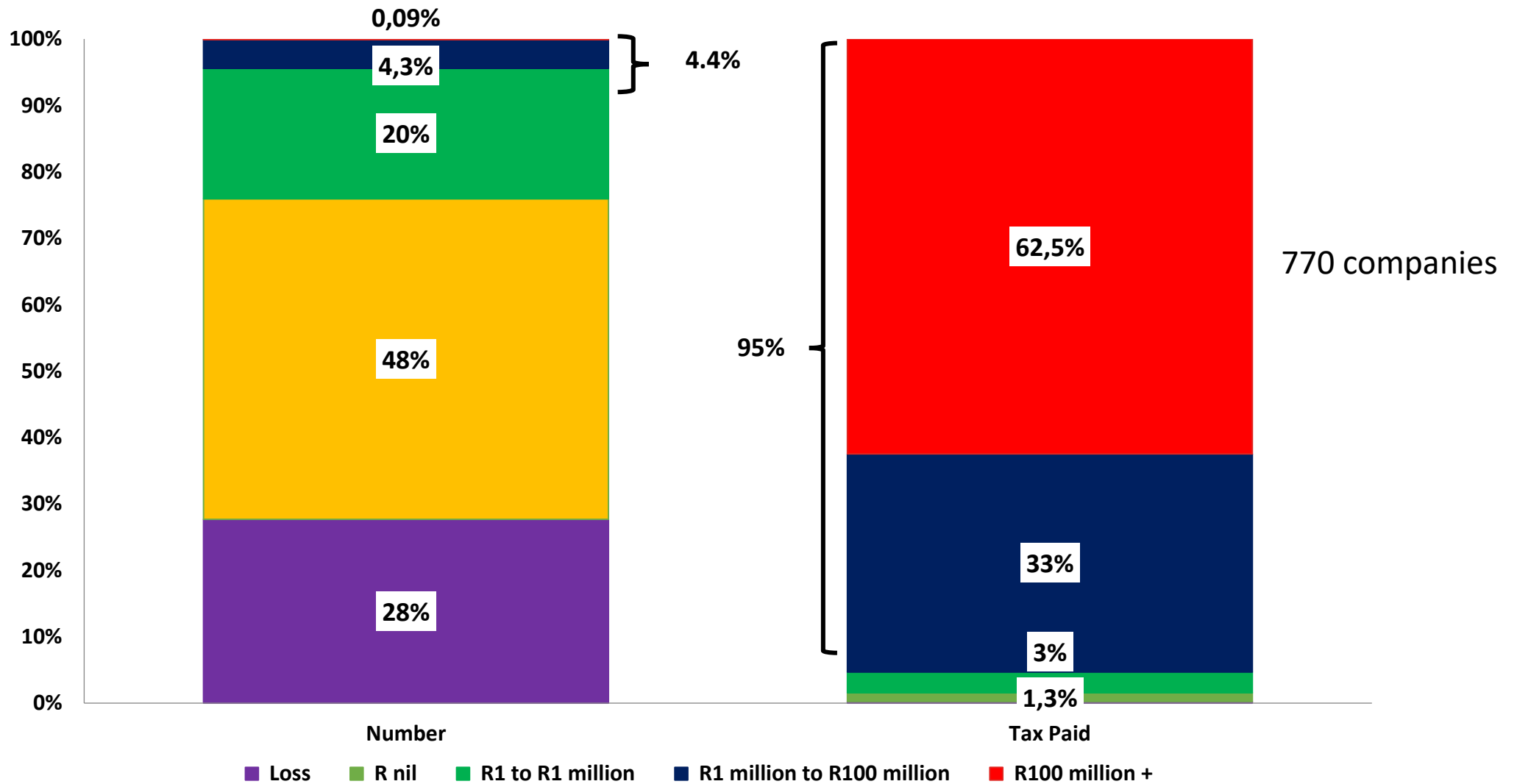
- + Income: R10 000 per month – R59.00 monthly tax saving
- + Income: R20 000 per month – R156.84 monthly tax saving
- + Income: R30 000 per month – R188.34 monthly tax saving

# LIKE A CAT ON A HOT TIN ROOF REVENUE: WHO PAYS WHAT (PIT)



# LIKE A CAT ON A HOT TIN ROOF

## REVENUE: WHO PAYS WHAT (CIT)



# EXPENDITURE

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TIN ROOF

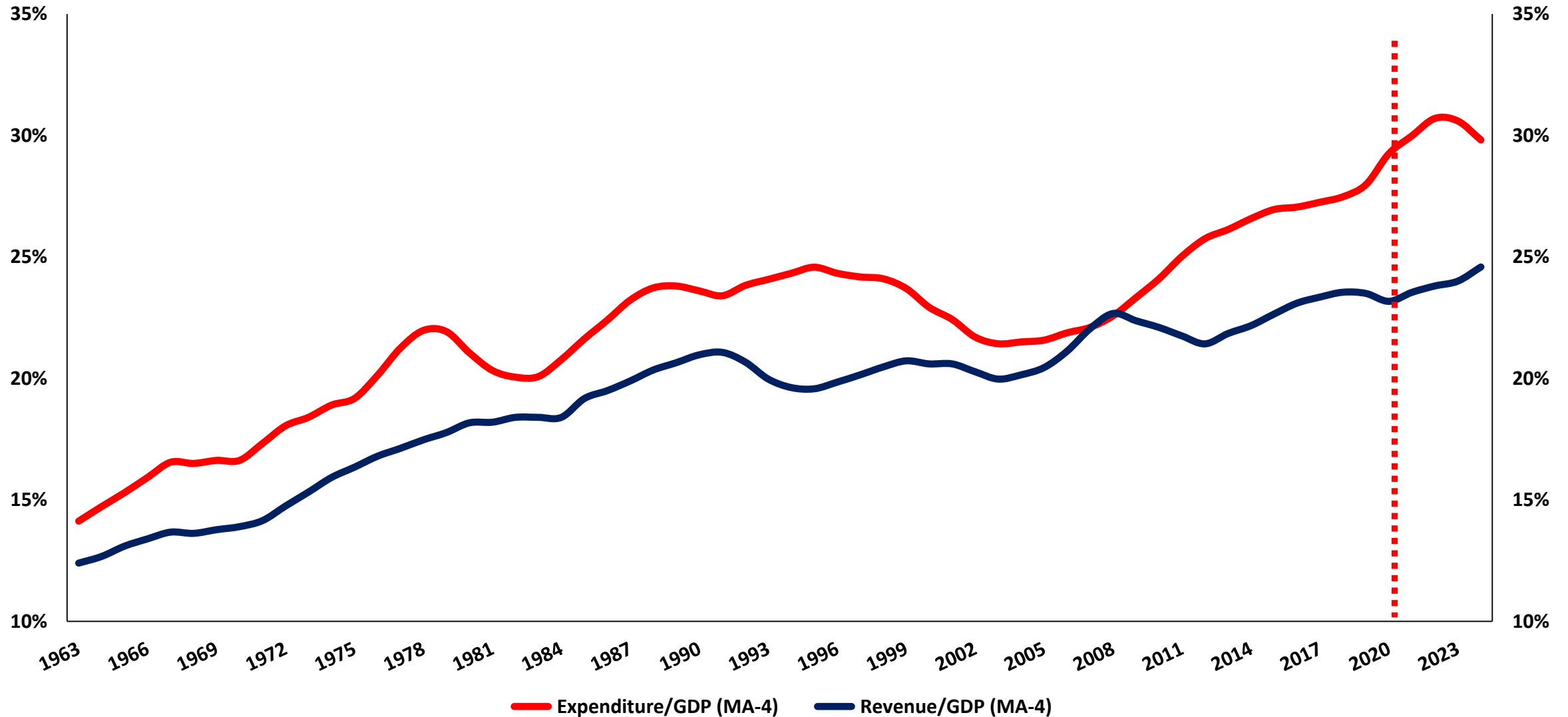


THE 2022 BUDGET... \_\_\_\_\_

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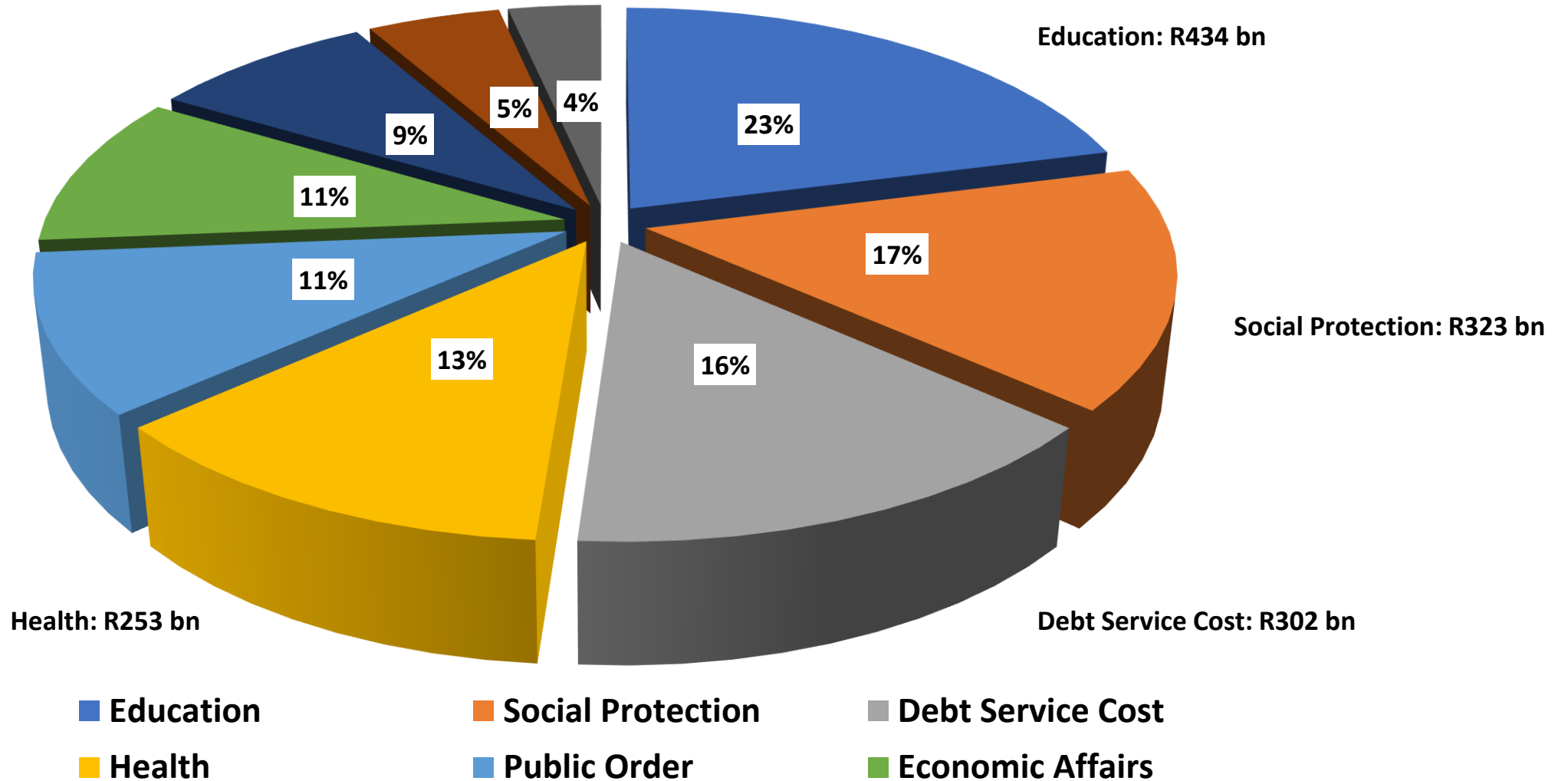
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## GOVERNMENT FINANCES (% OF GDP)



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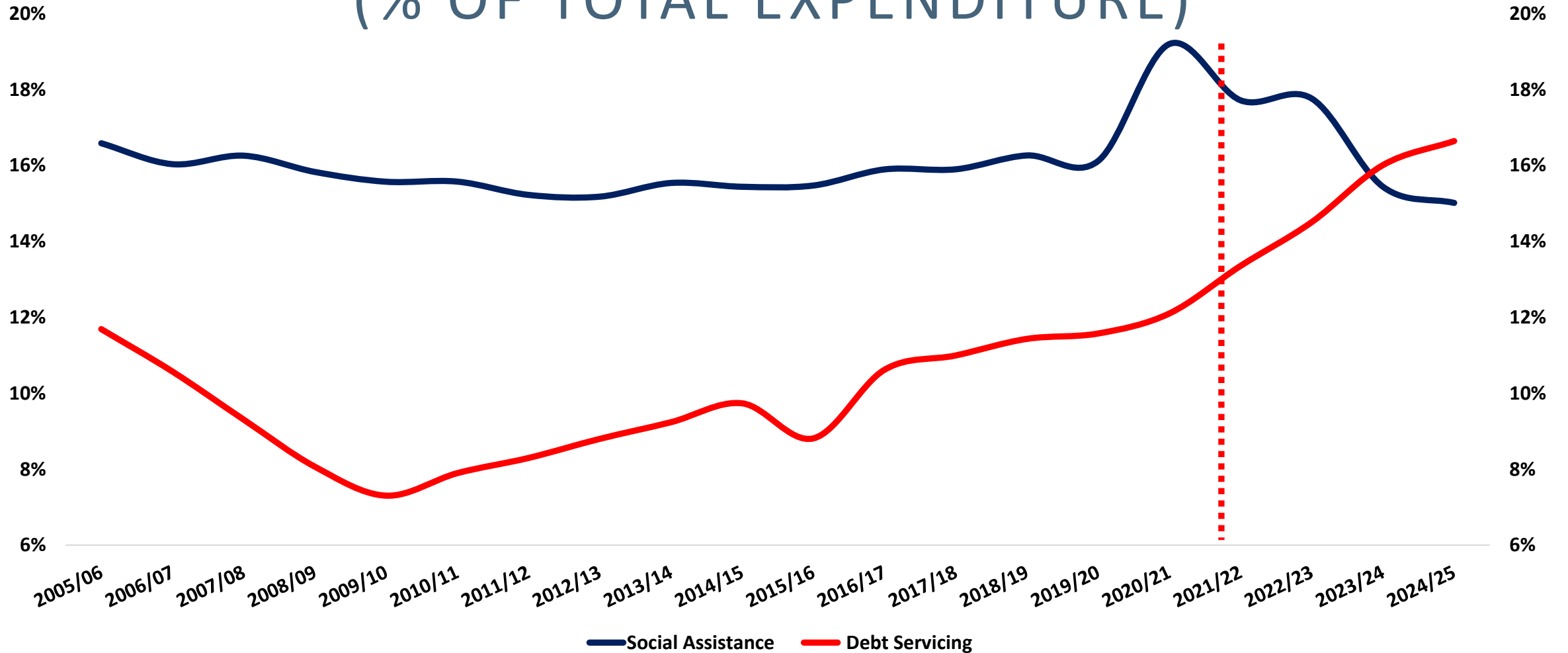
## CONSOLIDATED EXPENDITURE (2022/23)





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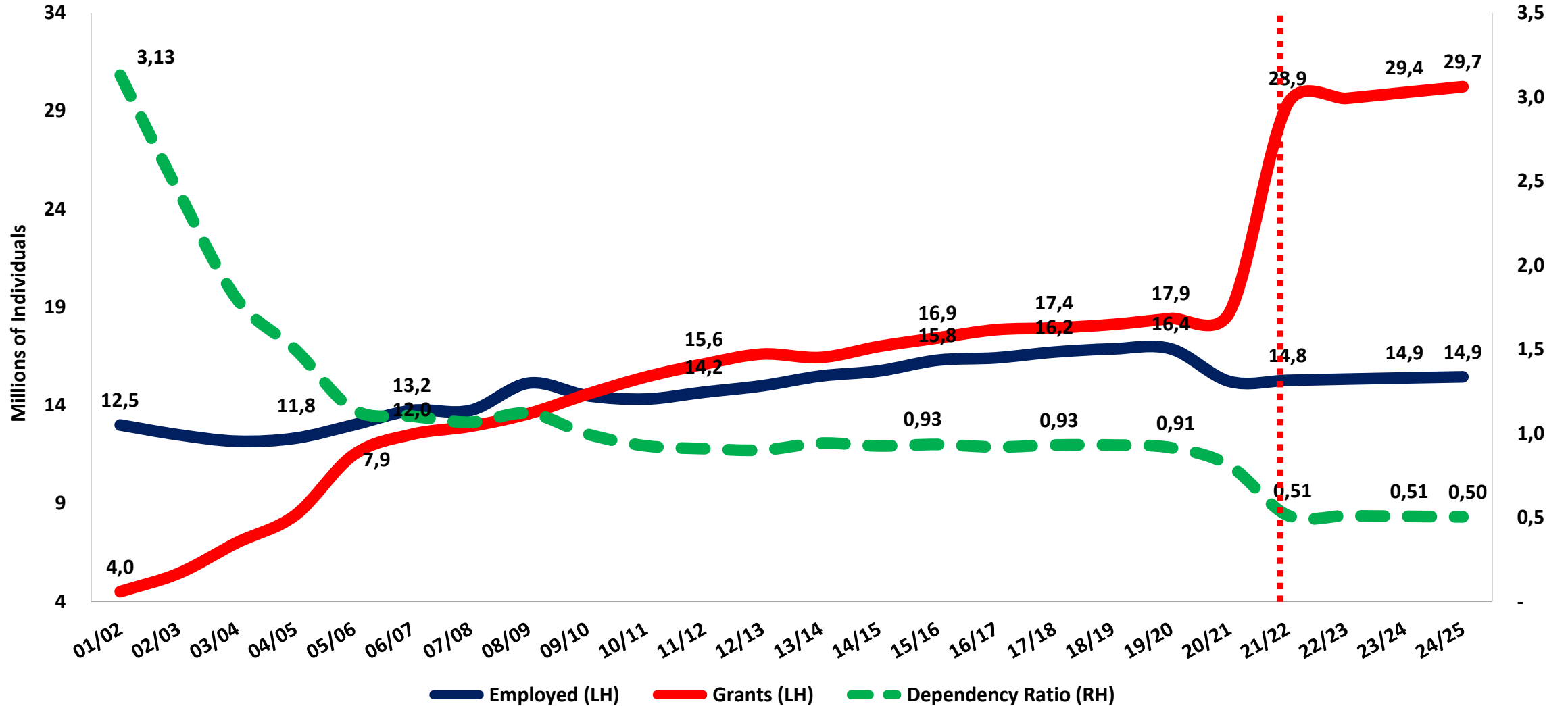
# INTEREST AND SOCIAL ASSISTANCE (% OF TOTAL EXPENDITURE)



# EXPENDITURE: ANNOUNCEMENTS

- + Double expenditure
  - + Minister of Small Enterprises and an appointment to cut red tape
- + 12-month extension of Social Relief of Distress Grant
- + Inflationary increases to permanent social grants
- + Wages up 1.8% plus R20 bn sweetener – COSATU!
- + 50% youth wage support – max R1 500
- + Contingency reserve R10 bn – SOE? Land Bank

# LIKE A CAT ON A HOT TIN ROOF GRANTS AND EMPLOYEES



# DEFICIT AND DEBT

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LIKE A CAT ON A HOT

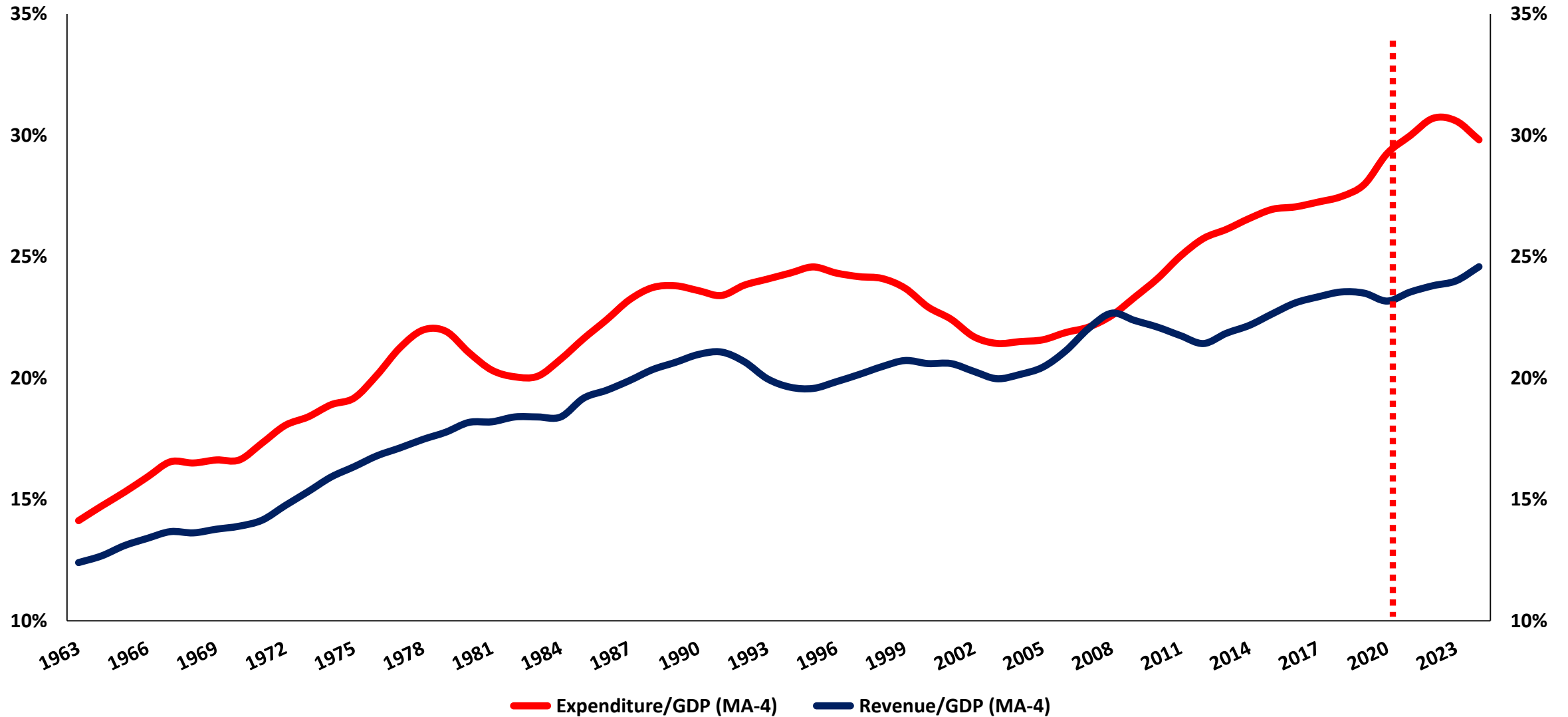
TIN ROOF



THE 2022 BUDGET... \_\_\_\_\_

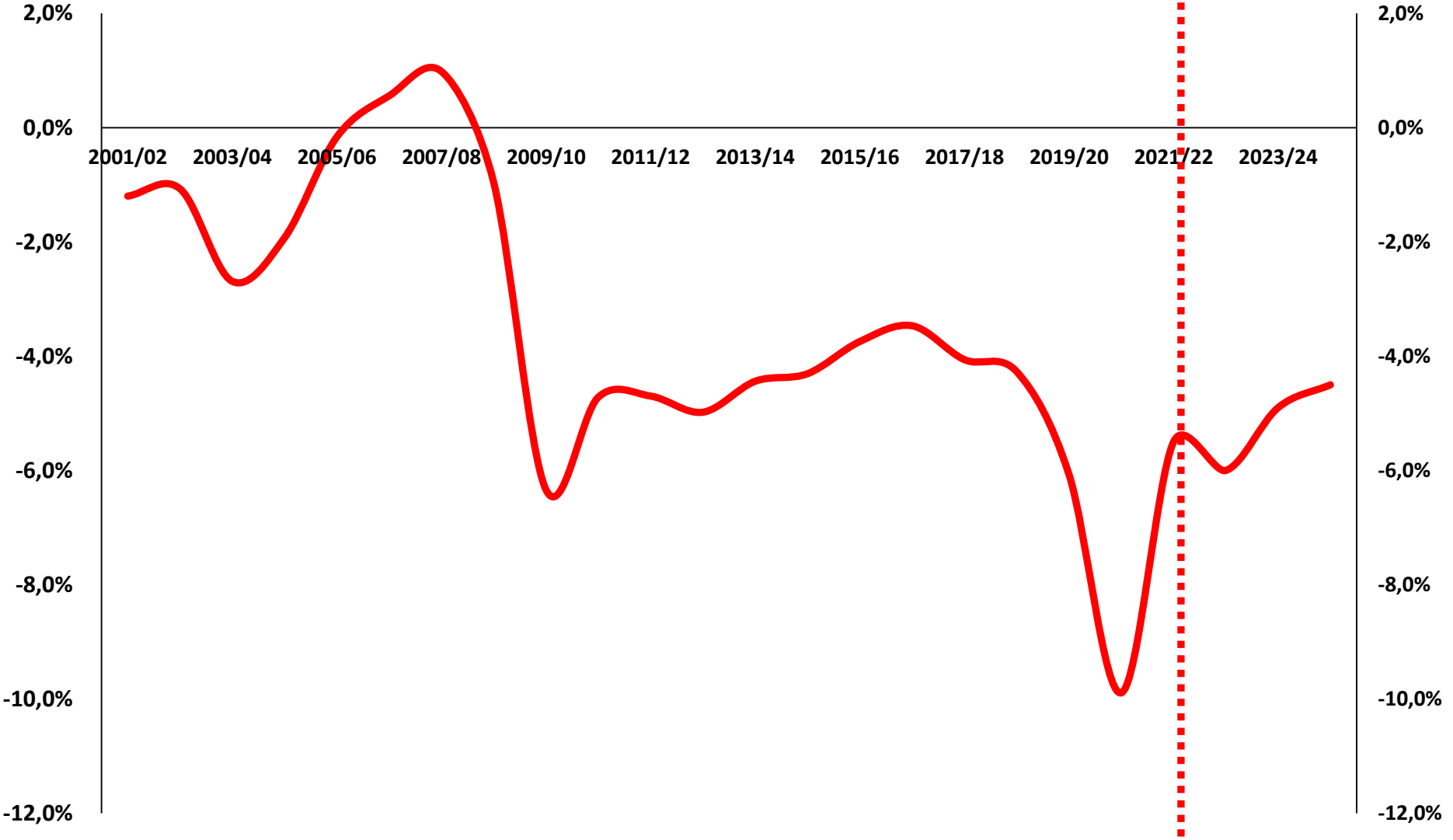
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## GOVERNMENT FINANCES (% OF GDP)

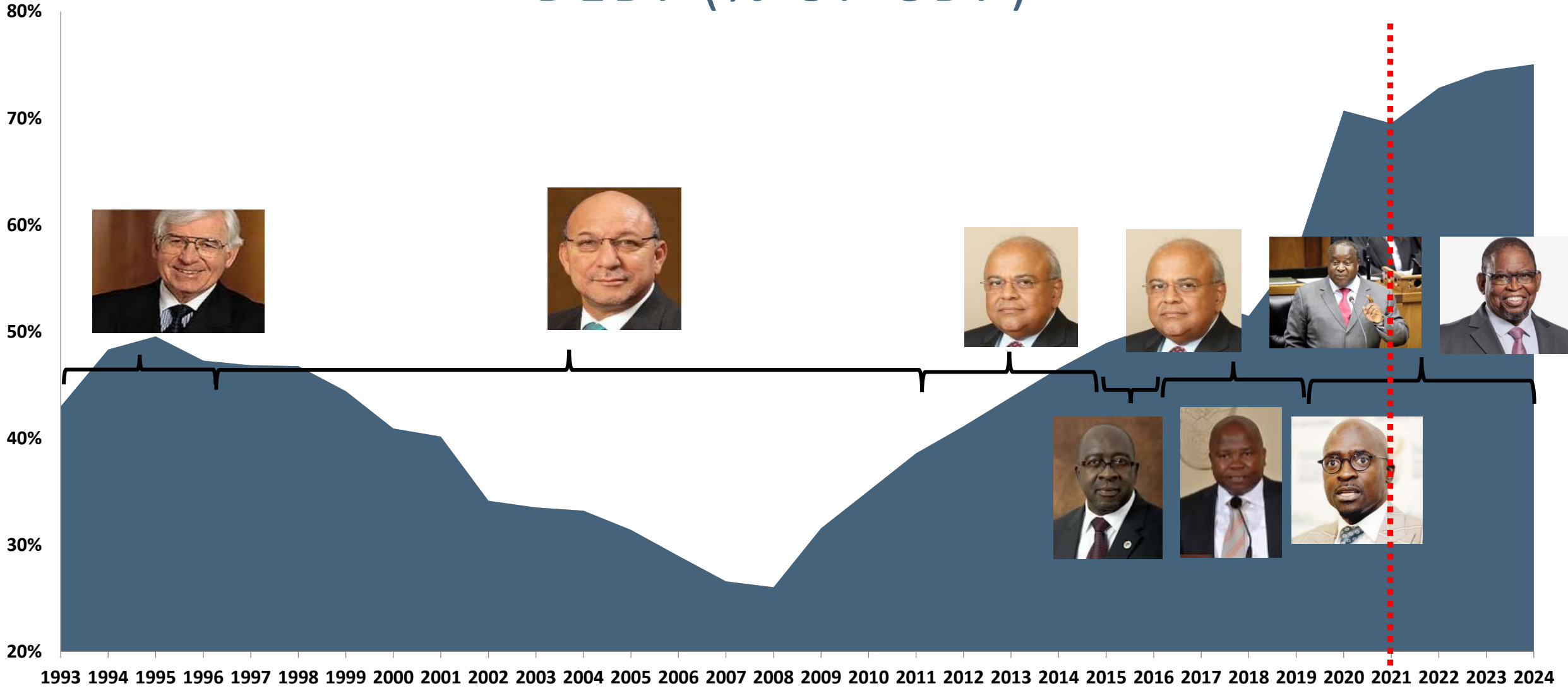


# LIKE A CAT ON A HOT TIN ROOF

## MAIN BUDGET DEFICIT (% OF GDP)



# LIKE A CAT ON A HOT TIN ROOF DEBT (% OF GDP)



THE 2022 BUDGET...

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# DEFICIT AND DEBT: ANNOUNCEMENTS

- + Primary surplus 2023/24 – 1 year earlier
- + Interest per capita R4 300
- + Debt to stabilize 75.1% 2024/25?

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THE 2022 BUDGET...

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# DEFICIT AND DEBT:

## DEBT INSTRUMENTS

- + Domestic loans, R245 bn
- + Foreign loans, R35 bn
- + Change in balances, R106 bn
- + Deficit, R387 bn (-6%)

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THE 2022 BUDGET...

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THE DEVIL IS  
IN THE DETAIL

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TIN ROOF



THE 2022 BUDGET...

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SOME REMARKS

- + What happened to zero-based budgeting?
- + And the SOEs?
- + Access to pension funds – legislation
- + Customs union R44 bn – development aid R22 bn?
- + Monetary area transfer R1.8 bn – more developmental aid

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# SOCIAL CONCERNS

- + The Wage Bill
- + Political disruptions/unrest
  - + IMF predictions
  - + Owing to economic hardship

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## PRIVATISATION

### + SAA

+ 1980: 100% government-owned

+ 2021: 0% government-owned

### + Broadcasting

+ 1980: 100% government-owned

+ 2021: 15% government-owned

### + Telkom

+ 1980: 100% government-owned

+ 2021: 15% government-owned

# LIKE A CAT ON A HOT TIN ROOF

## PRIVATISATION

- + Post Office
  - + 1980: 100%
  - + 2021: 10%
  - + 2021: 100% of letters
- + Railroads
  - + 1980: 90% of freight transport
  - + 2021: 10% of freight transport
- + Others, police, health, education...

# THE TAKEAWAYS

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TIN ROOF



THE 2022 BUDGET... \_\_\_\_\_

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WHAT THE FUTURE HOLDS

- + Final impressions
  - + SA land of opportunity
  - + Fiscal accounts hovering on the edge
  - + Exceptional political leadership required

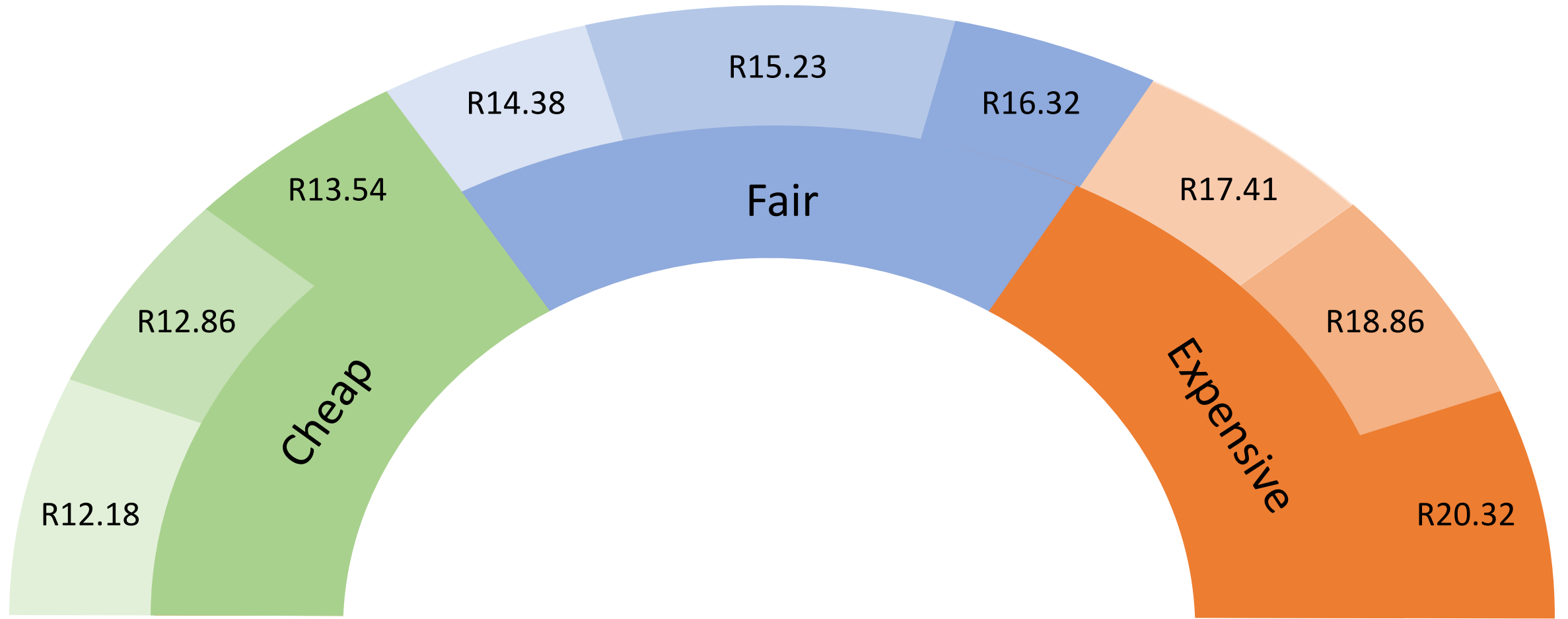


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WHAT THE FUTURE HOLDS

- + Ideal asset allocation
  - + Local bonds, overweight short term
  - + Local equities, overweight short term
  - + International bonds, underweight
  - + International equities, volatile
- + Personal asset distribution, overweight offshore

**WEALTH TAX!!**

LIKE A CAT ON A HOT TIN ROOF  
LOCAL ECONOMICS:  
RAND FAIRNESS BAROMETER



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