



**FRONTLINE AFRICA**  
— **ADVISORY** —

# Local Political and Economic Report

## February 2024

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### Introduction

- This February edition of the Local Political and Economic Report covers the Independent Electoral Commission's (IEC) second voter registration weekend and touches on the launching of elections manifestos by the country's three largest political parties
- On the international relations front, the report takes a look at the simmering tensions between South Africa and the United States.
- The report then moves onto economic updates, focussing on economic indicators including S&P Global's Purchasing Managers' Index and inflation.
- It also touches on the 2024 Budget.
- Finally, the report gives a snapshot of the risks facing the country's political and economic landscape over the coming months.

## Road to the 2024 Elections

- February kicked off with the IEC holding its second voter registration weekend, reporting that it managed to get 1.2 million more people onto the voter's roll, which now sits at 27.6 million. This is the highest number of registered since the dawn of democracy.
- However, there are still about 14 million people who are of voting age, but not registered to vote.
- This month also saw the country's three largest political parties, the African National Congress (ANC), the Democratic Alliance (DA) and the Economic Freedom Fighters (EFF) launch their election manifestos, effectively kicking their election campaigns into full gear.
- The 3 parties' manifestos are mainly centred on key issues facing the country, such as energy, service delivery, crime, healthcare and economic development.
- The ANC and the EFF launched their manifestos in KwaZulu Natal, a province that has become an important electioneering ground for nearly all the country's major political parties.
- The DA chose the country's administrative capital, Pretoria. This was symbolic of the party's stated wish to occupy the seat of government in a coalition it hopes to lead after the elections.
- The DA manifesto, themed the "DA's Rescue Plan for South Africa," consists of seven key priorities on mainly the key topical challenges facing the country.
- The EFF in its manifesto presented a lengthy list of priorities, in line with its 7 'Cardinal Pillars'
- The ANC's continues to be haunted by former president Jacob Zuma's MK party. But the latter faces teething problems as the over leadership squabbles. Internal party squabbles can lead to disastrous consequences at the polls, as seen previously with the ANC.



## Potential Implications

- While pre-election polls predict large leaps in polling numbers for opposition parties such as the DA and EFF, and a huge plunge for the ANC, it is unlikely that any of the parties' numbers will change so drastically that the ANC will not have a fighting chance, even if that chance comes via a coalition.
- All these parties will face a difficult election considering how contested the election will be, especially when it comes to provincial votes.
- Unlike in previous elections, many South Africans are disillusioned with several political parties and still find themselves unclear as to who to vote for, with others probably opting to not vote at all.
- The ANC will have a hard time convincing voters to give it an outright majority again, especially looking at the current state of crime, unemployment and basic service delivery. This is in part the reason President Cyril Ramaphosa used the occasion of the State of the Nation Address to recount the major success the country has made under the ANC government over the last 30 years. It's biggest headache, especially in KZN, is Zuma's MK party. The ANC may be hoping that its challenge at the Electoral Court against the MK over the name and trademarks will disorientate the MK.
- The next few months will likely see government working a bit harder to try and resolve some of the issues flagged, in an attempt to woo voters and then take on a slower pace following the elections as tends to be the case with every election. Ramaphosa has already stated that provincial and national government will step in to provide services where municipalities fail to do so.
- Government will continue to receive criticism on the slow pace of structural and economic reforms, especially as the private sector continues to suffer while at the same time is expected to help solve problems like unemployment.

## Crime and the Rule of Law

Category	Jul-Sep 2022	Jul-Sep 2023	Change
Robbery of cash in transit	56	64	+8 cases
Attempted murder	6 155	6 911	12.30%
Shoplifting	13 289	14 016	5.50%
Commercial crime	29 516	30 630	3.80%
Robbery at residential premises	5 825	6 045	3.80%
Common robbery	12 024	12 467	3.70%
Assault with the intent to inflict grievous bodily harm	41 251	42 297	2.50%
Common assault	44 389	45 348	2.20%



Robbery with aggravating circumstances	38 412	38 851	2.10%
Theft out of or from motor vehicle	22 792	22 850	0.30%
Murder	7 004	6 945	-0.80%
Sexual Offences	13 283	13 090	-1.50%
Malicious damage to property	29 337	28 924	-1.60%
Carjacking	6 149	6 009	-2.30%
Truck hijacking	561	542	-3.40%
Theft of motor vehicle and motorcycle	9 937	9 586	-3.50%
All theft not mentioned elsewhere	70 576	67 632	-4.20%
Burglary at non-residential premises	15 596	14 775	-5.30%
Stock-theft	7 342	6 935	-5.50%
Burglary at residential premises	40 550	38 151	-5.90%
Arson	1057	980	-7.30%
Robbery at non-residential premises	5 294	4 910	-7.30%
Bank robbery	3	0	-3 cases

Category	Jul-Sep 2022	Jul-Sep 2023	Change
Sexual offences discovered as result of police action	2 154	2 581	19.80%
Illegal possession of firearms and ammunition	4 047	3 984	-1.60%
Drug-related crime	38 956	42 561	9.30%
Driving under the influence of alcohol or drugs	10 761	14 127	31.30%

## Potential Implications

- Despite increased police visibility in some areas, as well as crime-busting operations (which sometimes appear to be more of public relations exercises), the country's crime problem continues unabated.
- President Cyril Ramaphosa announced during this year's State of the Nation Address that 20,000 police officers had been recruited in the past two years and another 10,000 will be recruited this year.
- While this is welcome, it is a mere drop in the ocean given the extent and gravity of crime in the country.
- There are also questions of resources and capacity of the South African Police Service, the Hawks and the National Prosecuting Authority, which require urgency.
- This is because police visibility and arrests alone will not solve crime. An improvement in the rate of successful prosecutions and convictions is a necessity.
- The NPA is already seen as slow in its implementation of the State Capture Commission recommendations and prosecuting other cases of crime and corruption, including within the country's law enforcement agencies. For its part, SAPS has been dodged , by serious allegations of crime and corruption, sometimes involving its higher echelons.
- Perhaps the biggest challenge facing South Africa in respect of crime is lack of political will at the highest level to decisively act against it. As the saying goes, 'where there is will, there is a way!'
- There is a general lethargic political attitude towards fighting the scourge of crime. Communities have to resort to taking the law into their own hands for government to listen to the cries.
- This is an untenable situation for communities that live in perpetual fear of gangs that terrorise them every minute. It also makes a mockery of the government's stated mission of making communities safe.

# International Relations

## South Africa–US Relations Under the Spotlight



- Tensions are beginning to simmer once again between South Africa and the US, one of its biggest trading partners, as the two countries support different sides in the Israeli-Hamas conflict, as well as the on-going Russia-Ukraine war.
- Congressmen and women from both the Republican and Democratic parties introduced a bill that would eventually lead to a full review of the bilateral relationship between South Africa and the US.
- This relationship is likely to be further strained as South Africa has once again turned to the ICJ on an urgent basis to try and get the court to stop Israel from bombing Rafah in Southern Gaza.
- These continued tensions jeopardise South Africa's participation in programmes such as the Africa Growth and Opportunity Act (AGOA) deal.

- This is not the first time South Africa and the US have had differing positions on an international conflict, as they also did not agree with the US and UK's decision to start a war in Iraq back in 2003, especially after experts had reported that there were no weapons of mass destruction in the country.
- However, up until this point in South Africa's democracy, there has probably never been a time whereby the two were at such odds that bilateral relations were being reviewed by either country.
- It is yet to be seen how other western powers such as the UK will approach the situation, seeing as though they have also supported Israel's "right to defend itself," even in the wake of the large death toll in Gaza.
- In the meantime, South Africa will be sending a delegation to Washington to try and smooth relations with the US, but sticking to its guns on the Israeli-Palestinian situation.

### Potential Implications

- While the bill exists, it still needs to go through US legislative processes and might not even pass. Apart from media reports of several politicians speaking out against South Africa, there has not yet been overwhelming coverage about the US seeking to cut ties with South Africa on certain issues.
- The bill could be nothing more than some congressmen with a "US big brother mentality," trying to have the country flex its power over South Africa. The country could still avert punishment and get away within nothing more than outbursts of anger and frustration from the US.
- However, this is not to say that South Africa is in the clear, as the country's AGOA status remains in jeopardy, with the US not backing down on what it perceives as South Africa's distant threat to its national interests.
- Interestingly, while South Africa is being hailed for a 'progressive' human rights-based foreign policy in respect of Palestine, other BRICS countries have not openly supported the country's case at the ICJ, perhaps out of realisation that an open confrontation with the US carries major diplomatic and trade risks.

## South Africa's Continental Relations

- As the United Nation's Peacekeeping Mission in the Democratic Republic of Congo (DRC) is set to withdraw completely by the end of 2024, the Southern African Development Community (SADC) deployed its own mission to the country, with South Africa also committing to deploy 2900 soldiers this month at a cost of R2 billion.
- The SADC mission will be hoping to achieve success in fighting rebels in the Eastern Part of the DRC. The conflict has been raging on for more than two decades.
- Previous missions have failed to achieve a ceasefire or end the conflict in the area. In 2022, the East African Community (EAC) deployed 12 000 soldiers and are considered to have failed by the Congolese government and people.

### Potential Implications

- South Africa may well be on course to recalibrate its foreign policy. While its deployments to the DRC are not something new, this latest deployment matters on two fronts.
- Firstly, it comes on the back of the Ramaphosa-led Peace Mission to Russia and Ukraine last year, as well as the country's ICJ case (both of which have bolstered South Africa's image on the international stage).
- Secondly, the DRC conflict remains one of the longest and protracted conflicts in Africa that no significant continental player can afford to ignore.
- One of the questions to ask is how well South Africa's military will fare as the government has kept its defence under-resourced. The two recent killings of South African soldiers from airstrikes from the rebels have sent home a startling reminder that South Africa cannot under-resource its defence and hope to play a prominent peace-keeping role in the DRC and elsewhere.
- The other question is that of diplomacy. How South Africa navigates regional dynamics in the Great Lakes region, noting Rwanda and Uganda's involvement, will be key to the success of the mission.



# Economic Updates

## Economic Activity Indicators

<u>Indicator</u>	<u>Rate</u>	
PMI	49.2	▲
Inflation	5.4%	▲
December 2023 Mining production	0.6% y-o-y	▲
December 2023 Retail trade sales	2.7% y-o-y	▲
December 2023 Wholesale trade sales	8.0% y-o-y	▼

## S&P Global Purchasing Managers' Index



- The year started off with the Purchasing Managers' Index (PMI) remaining below the 50.0 neutral mark in January, reading at 49.2 which is only slightly up from December 2023's 49.0.
- According to S&P Global, demand levels in the country's private sector continued to worsen, signalling the sharpest drop in new order volumes in a year. Firms reported a decrease in new business for the ninth month in a row, citing "weak economic conditions and reduced client spending power," as among the challenges they faced.
- Firms suggested that worsening global demand and shipping disruptions led to a drop in sales and new orders from abroad.
- Output is recorded to have contracted, with firms facing continued supply challenges driven by the Durban port crisis. According to S&P the delays to the processing of shipping containers meant that one-in-five firms saw their delivery times lengthen over the latest survey period.

- The impact of inflation was not too severe this time around, with survey data showing that purchase costs had risen at a slower rate for the sixth month running. Wage costs on the other hand lifted modestly and to the least extent in two years, as weaker demand weighed on hiring and salary pressure.
- In January, businesses worked to soften the rate of staff retrenchments, leading to employment falling at the slowest pace for three months. Some firms reported that staff numbers had dropped due to lower workloads and financial issues, while others noted the filling of previously vacated roles.

## Production and Sale Economic Indicators

- Stats SA, published reports outlining the December 2023 performance of key sectors that drive the economy, such as mining and retail.
- In the mining sector, mining production was recorded to have increased by 0.6% year-on-year, which was lower than in 2022. Mineral sales prices increased by 9.2% year-on-year in December 2023.
- Retail trade sales increased by 2.7% year-on-year in December, with seasonally adjusted retail trade sales having increased by 1.4%.
- Wholesale trade sales December 2023, wholesale trade sales decreased by 8,0% year-on-year.
- On food and beverages, the total income generated increased by 5.0% in December 2023, year-on-year, with the main contributors being restaurants and coffee shops.
- Stats SA also revealed that the total number of civil summonses issued for debt in 2023 had decreased by 3.6% when compared to 2022.

## Inflation

- Following declines in November and December, annual consumer inflation rose to 5.3% in January, slightly up from December's 5.1%, but still within the South African Reserve Bank's (SARB) target range of 3% to 6%.
- The monthly consumer price index (CPI) was recorded at 0.1%. With the categories with the largest annual price increases being restaurants & hotels at 8.0%, food & non-alcoholic beverages (NAB) at 7.2%, and health at 6.5%.

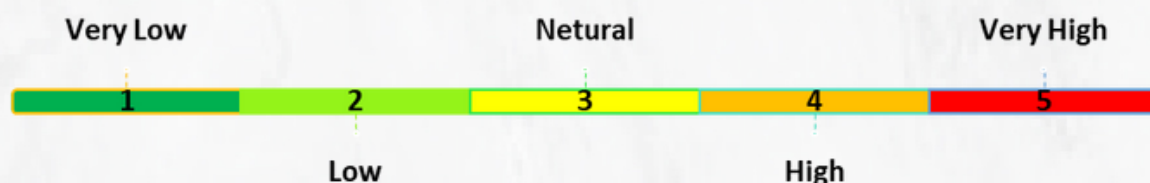
- The annual rate for fuel jumped from -2.5% in December to 3.3% in January, causing a ripple effect that saw annual transport inflation sharply rising to 4.6% in January from December's 2.6%.
- However, according to Statistics South Africa (Stats SA), several transport categories cooled in January, with public transport tariffs decreasing by 2.0% following the end of the festive season.
- Food inflation eased for the second consecutive month, with annual inflation for food and non-alcoholic beverages (NAB) slowing down to 7.2% in January, from 8.5% in December. Apart from sugar, sweets and desserts, oils and fats, and cold beverages, all sub-categories in the food and NAB category recorded lower annual rates.
- Annual inflation for miscellaneous goods and services rose up to 5.4% in January, from 5.1% in December.
- Water and other services saw a 0.1% increase between December and January, with an overall 7.9% increase between January 2023 and January 2024.
- Electricity and other fuels on the other hand remained the same between December and January, having seen an increase of 15.2% between January 2023 and January 2024



## Potential Implications on Economic Activity Indicators

- Although the 2024 Budget delivered on 21 February was balanced, given the many challenges the country faces, it showed that there are still many bridges to be crossed to stabilise the economy. The real GDP growth has been revised downwards to 0.6% for 2023, from the 0.8% projected in the 2023 MTBPS. The budget deficit is expected to worsen from 4% to 4.9% of the GDP.
- Public debt-service costs in 2023/24 have been revised higher, by R15.7 billion to R356 billion. Debt-service costs will absorb more than 20% of revenue.
- Worryingly, spending on debt-service costs is higher than the respective budgets for social protection, health, or peace and security.
- While the South Africa's economy managed to recover to pre-pandemic levels by 2022, but has continued to suffer because of badly managed State-Owned Enterprises (SOEs) that directly affect economic activity.
- Challenges at Eskom and Transnet continue affect businesses, with over 1300 businesses closing last year and over 100 closing in January. While these two SOEs might not be directly responsible for every single business closure, their failures severely hurt the economy and many businesses.
- South Africa's mining industry has been shedding jobs over the Transnet issue and has indicated that it will likely shed even more. If economy conditions do not improve, this trend will continue over the year, causing the unemployment rate to also rise.
- It is hoped that the appointment of Michelle Phillips as Transnet's CEO and Nosipho Maphumulo as CFO, announced by Public Enterprises Minister on 29 February, will help turn around the freight and rail agency.
- While the energy sector will likely see more investments, as the country looks to add renewables to its energy mix, other sectors will continue to suffer because of loadshedding.
- Government revenue collection will then be on a downturn, while public spending is on the increase. At R1.73 trillion, tax revenue for 2023/24 is R56.1 billion lower than estimated in the 2023 Budget.
- This means increased spending on social security, education and health services, among other expenditure pressure points, will likely apply strain to an already weak fiscus.
- If inflation continues to climb, or does not drop below 5%, the SARB could continue with its campaign on inflation targeting, raising interests rates further, which will put an added strain on the already suffocated consumers and also raise the general cost of money.

## Risk Index



**Energy: 4**

**Loadshedding: 5**

**Grid Collapse: 4**

- The risk remains high as we have seen just how quickly the country can move from stage 2 to stage 6 over the last couple of weeks because of set-backs at power stations.
- The Integrated Resource Plan 2023 provides some solutions to the energy security challenges by outlining an energy mix that includes fossil fuels, gas and renewables, but seems to leave out oil. The implementation of this IRP could definitely help solve the country's challenges, but the timelines and how well it will be executed are yet to be seen.
- While government is working to transform the energy sector and planning to build new transmission lines to connect renewable energy projects, it is yet to be seen how quickly they can implement all these new plans. A slow pace could mean that loadshedding carries all the way into 2025.



#### **Fiscal Outlook: 4**

- South Africa's fiscal outlook remains bleak as National Treasury forecasts GDP growth at 1.6% between 2024 and 2026, which is not too far off from the IMF's 1% projection for 2024.
- Compared to a year ago, the budget deficit for 2023/24 is estimated to worsen from 4% to 4.9% of GDP. This effectively means that debt-service costs in 2023/24 have been revised upwards, by R15.7 billion to R356 billion.
- The country finds itself treading deeper into fiscal trouble as it look to start using its reserves. Unemployment could continue to rise this year as the country's energy and logistics challenges have carried over from 2023, which would mean less tax revenue to help fill up the fiscus at a time when government spending is very high.

#### **Crime: 4**

- Last year, South Africa was ranked at 7 on the Global Organised Crime Index, with crime rates rising every quarter of 2024. While 10 000 new police officers were deployed during the festive season, this will not be enough to curb high crime rates, especially in high-crime cities such as Johannesburg, Durban and Gqeberha.
- The third quarter of the 2023/2024 period also saw another rise in contact crime (murder, sexual assault, common assault etc.), with 6953 contact crimes being recorded by the police.
- The longer the South African Police Services remains under resourced, the longer it will take to curb high crime rates, particularly contact crime.
- With elections coming up, the threat of political killings also rises.'
- High crime rates will negatively affect the country's tourism industry as other countries will likely warn their citizens against visiting South Africa because of the issue.
- Government's partnership with business, in the form of the Business Against Crime South Africa (BACSA) could help curb some crime which hurts the economy and restore faith in the country for some investors.

#### **Economy: 4**

- The energy and logistics crises continue to hinder economic growth and are likely to remain a threat over the coming months, threatening further job losses in several industries such as mining.
- The 2023 fourth-quarter gross domestic product figures are expected in March and could reveal a technical recession as predicted by the US investment bank Citi. Citi expects a 0.1% quarter-on-quarter seasonally adjusted contraction for the fourth quarter.

#### **Socio-political Stability: 4**

- With elections coming up, government will be on high alert for social instability over the coming months, but the threat remains high as issues from 2023 have carried on into 2024, including high unemployment and a high cost of living.
- The South African Local Government Association (SALGA) went on to call for random police raids to rid the province of the guns used in political killings.
- Former president Jacob Zuma's comments about the IEC being biased against the MK party and in favour of the ANC could lead to some social unrest in future, especially if he continues with that kind of rhetoric. His arrest already lead to 2 weeks of rioting in 2021 and so his comments could lead to something similar if the party does badly in the upcoming elections.

**END**