RISK ALERT

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CRA
Centre For Risk Analysis

First thing every Monday morning as a text and audio note

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New CRA polling data out

New CRA polling released this past week found that **South Africans are pessimistic about the state of the nation.** Some 80% of respondents said their lives had not improved in the past five years — as is to be expected in the face of economic stagnation, Covid lockdowns and rampant crime and corruption. Around 68% believed that state capture was ongoing. In addition, an analysis of voter registration data shows that **the voters' roll has shrunk since 2019, despite a growing population,** as very few first-time voters bothered to register during the September registration weekend.

This is an early signpost **pointing to low voter turnout at the 1 November polls.** Read in conjunction with the national mood, it means that **growing numbers of South Africans are giving up hope** that the path to a better life leads through parties, politicians and voting. Instead, they may increasingly turn to direct **political expression in the form of protests, riots and vandalism** — raising the spectre of a repeat of the unrest and looting that swept through Gauteng and KwaZulu-Natal in July.

The indispensable president

Despite the overall political mood, **President Ramaphosa retains his high favourability ratings,** with 60% of respondents reporting a very or somewhat favourable attitude towards him, while just 20% said that their feelings towards him were very or somewhat unfavourable — giving **a very high net favourability of +40.** When asked about the New Dawn, 65% of respondents said they agreed with the statement that "[The president is] trying hard to introduce reforms to help the country grow".

The president remains the strongest drawcard for the African National Congress (ANC). His favourability stands in **stark contrast to the party's growing reputation for corruption and incompetence** and allows the party to retain far higher support levels than it would in his absence. As such, he represents an obstacle to the political realignment that would be required to introduce the reforms needed to turn the country's fortunes around. At the same time, **his popularity makes him indispensable to the sinking ANC,** which will be well advised to hold on to him for as long as possible. The fact that he is not using this extraordinarily strong position in the party to drive reforms shows that he is not inclined to pursue them.

ANC on a knife-edge

At the party level, our raw polling data shows support for the ANC at 50.3%, the Democratic Alliance (DA) at 20.5% and the Economic Freedom Fighters (EFF) at 11.1%, with a +/- 4% margin of error. Among the smaller parties, the Inkatha Freedom Party (IFP) was picked by 6.7% of respondents, the Freedom Front Plus (FF+) by 2.2% and ActionSA by 1.1%. However, these figures **should not be read as a prediction of the election outcome.** They represent a momentary snapshot of voter sentiment — which is volatile — and do not reflect voter turnout on the day. Our current assessment is that in the elections, **the ANC will in fact fail to win a national majority,** coming in at 49%. We put the DA at 22% and the EFF at 12%, which means the smaller parties and independent candidates will benefit, increasing their cumulative share of the vote by over 50% compared to 2016, from 11% to 17%.

If our call is correct, the two critical implications will be: firstly, any result below 50% will be psychologically damaging to the ANC and **will almost certainly guarantee a loss of the national majority** in the 2024 national elections, presaging an era of messy coalition politics — but also opening up a window to reform. Secondly, the lacklustre performance of the larger parties in the local government elections, and the corresponding improvement in the results of the smaller parties, **will make coalition governments at municipal level far more common** than they are now, with worsening governance and declining service delivery a likely outcome.

Public finances show a primary budget surplus

Between April and June, the South African **government earned more money than it spent,** if interest payments are excluded — a so-called primary surplus. This has been interpreted as a sign that the National Treasury's efforts to bring spending in line with revenue are succeeding. However, that may be an overly optimistic read of the situation, as the country's finances are **profiting from a temporary commodities boom** sparked by the global economic bounce-back after the pandemic.

The fact that South Africa is hardly participating in that recovery, and not introducing any reforms to prepare for the next downturn, leaves it **dangerously exposed to the vicissitudes of the world economy.** The South African Reserve Bank records South Africa as entering its 94th month of a weakening cycle in September — **its longest downward phase since 1945.** Tax windfalls of the kind the government is currently enjoying allow it to delay the required fundamental reforms while maintaining the illusion that things will get better without them.

The finance minister speaks out on reform

At an investment seminar this past week, the Minister of Finance, Enoch Godongwana, spoke about the need for **economic reforms, investment-led growth and "tough choices",** mentioning the need to restore business confidence, reduce red tape and bring the private sector into funding public infrastructure development. More important was what the finance minister did not mention: not a whisper on **property rights, labour market reforms, the long-overdue review of empowerment policies or even education reform.** All the threats to property rights, such as expropriation without compensation, the nationalisation of the health sector and even prescribed assets remain very much on the table.

Much like the president himself, the finance minister talks of reform, investment, infrastructure development and industrialisation, but neglects to adjust **the fundamental policies that prevent growth** from happening. In his willingness to toe the party line, he is a much more harmonious cabinet colleague than his predecessor, the non-conformist Tito Mboweni. **Expect no substantive reforms** from Mr Godongwana.

The government gets out the begging bowl

Instead of introducing the needed reforms to get itself out of trouble, the government is attempting to guilt-trip wealthy Westerners into giving it money and free passes, in the form of climate subsidies, reparations and intellectual property waivers. The thread that connects these stories is that instead of taking responsibility and fixing what is broken at home, **the government is trying to get others to bail it out** by first blaming and then guilt-tripping them — a tactic which, if it works, will only delay the needed reforms.

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