

PERSONAL FINANCE



NUMBER ONE. President Jacob Zuma's tenure has been a tempestuous one that has taken money out of every South African's pocket. Picture: Moneyweb

**We all got
poorer over
the last year**

ZUMANOMICS: MIDDLE-CLASS WEALTH BEING SENT DOWN THE DRAIN

» Love him or hate him,
Jacob Zuma made you poorer – whether you own listed
assets or just a bicycle.

Magnus Heystek

Jacob Zuma will be remembered for many things – being accused of rape and impregnating a friend's daughter, to Waterkloofgate, Nkandlagate, GuptaGate, SpytapeGate, Nenegate ... corruption, cronyism and scandals.

In my view, Zuma will also be remembered for something with far more destructive, serious, longer-term consequences: bad economic policies.

The inflation-adjusted returns of all local investments have over the past 12 months been negative versus the inflation rate. With inflation set to increase massively – as a result of petrol, electricity and food price increases – expect to become poorer this year, perhaps dramatically so.

Let's have a look at major local asset class returns over the past three years compared with the inflation rate:

Listed equities

- ▶ Over the past three years the cumulative returns of a JSE-listed investment with dividends reinvested to March 31, 2016 was 4.4% (CPI 16%);
- ▶ Over two years 15.8% (CPI 9.8%)
- ▶ Over one year a mere 3.5% (CPI 5.5%).

Listed property

- ▶ Over three years the cumulative return was 47% (CPI 16%),
- ▶ Two years 43.8% (CPI 9.8%)
- ▶ One year 4.2% (CPI 5.5%).

Money market funds

- ▶ Over three years the cumulative return was 16.9% (CPI 16%),
- ▶ Two years 10.9% (CPI 9.8%)
- ▶ One year 5.5% (CPI 5.5%).

Multi-asset high equity (pension and provident funds)

- ▶ Over three years the cumulative return was 34% (CPI 16%),
- ▶ Two years 16.3% (CPI 9.8%)
- ▶ One year 4.4% (CPI 5.5%).

Residential property

Whichever method to measure the market is used it still reflects a depressed residential property market, with a price increase in nominal terms on average not more than 5% to 6%.

Matters could be even worse than what the statistics portray. Property economist Neville Berkowitz, who created low commission estate agency HomeBid, says his figures suggest residential property prices rose by less than 1% in 2015 – definitely not the 5% to 6% the market tries to project.

Berkowitz says the discrepancy lies in the limited sales and transfer samples used. He looks at every house bought and sold in SA based on South African Property Transfer Guide figures.

In summary, the SA middle class is currently being crushed by a combination of sharply rising inflation – especially food – and underperforming investment assets.

And the rand's 25% drop in 2015 is putting the cost of imported goods beyond the average consumer's reach.

But this all pales into insignificance compared with the poor who spend most of their money on food, transport and clothing.

We need policies to create growth and prosperity, fast.

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