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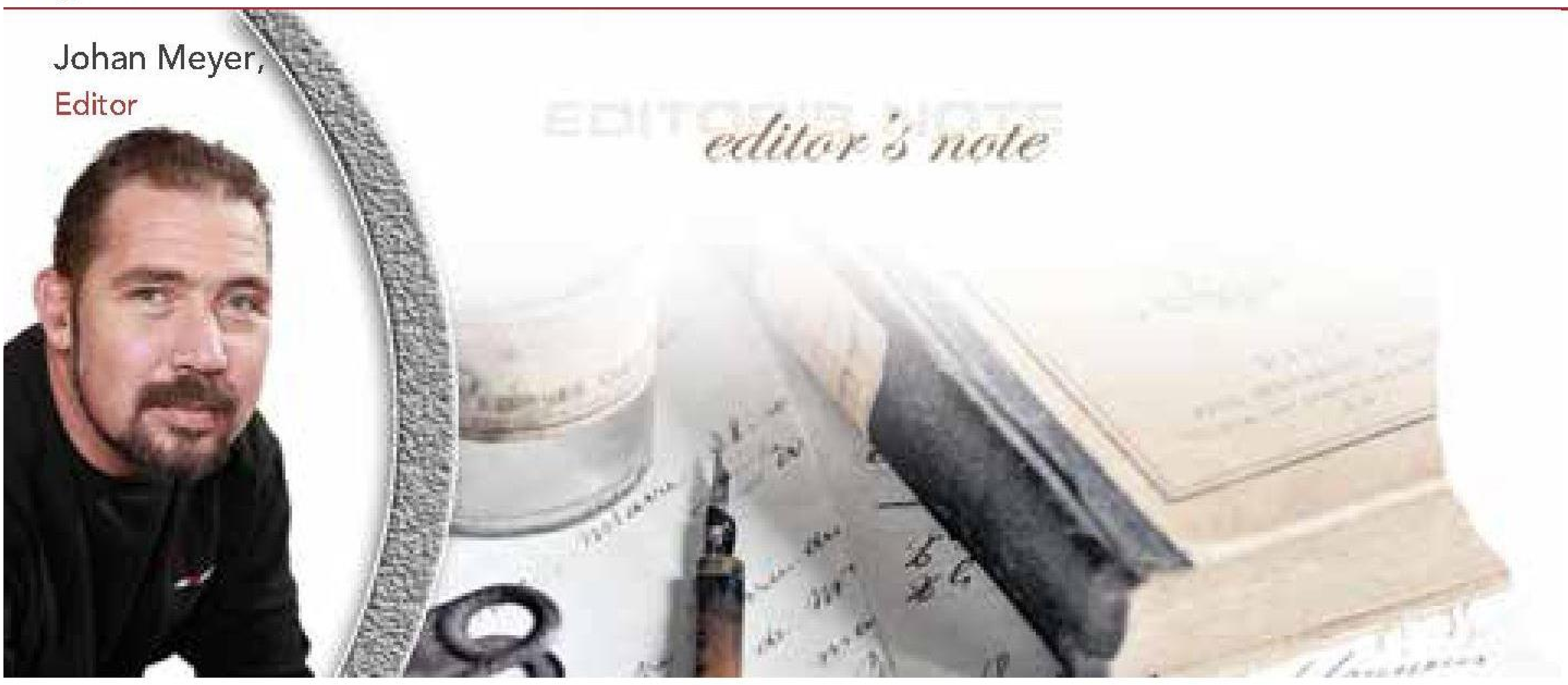

South Africa fails to keep up with global trends

Extracts from the final instalment of the Brenthurst/Moneyweb/ Quo Vadis seminar series in Cape Town on 21 June.

Ten years of wealth destruction under former president Jacob Zuma meant South Africa was one of very few countries that has not recovered after the financial crisis. Tt missed a global economic upturn and the benefits that come with it in terms of trade and job creation.

Magnus Heystek, director of Brenthurst Wealth Management said there has been no growth in wealth per capita, while in other emerging markets it has increased. South Africans' purchasing power parity – our wealth in international terms – is dropping significantly.

Land expropriation an investment deterrent

Expropriation, if handled badly, could lead to a further acceleration in the decline of FDI. On other measures, like debt servicing costs and the world competitive index, South Africa is being overtaken by countries like Mauritius, Rwanda and Morocco.

The effect of all of these issues on wealth is a collapse or stagnation in the property market, with the average property price around 2005 levels.

The long-term effects of state capture

Sygnia CEO Magda Wierzycka, commenting on the political environment, said that 18 months ago, state capture and Gupta leaks weren't part of the lexicon in South Africa, but now this information is out, and state-owned enterprise (SOE) by SOE is compromised.

The biggest constraint is job creation, and Zuma's greatest crime was to destroy basic education, "condemning another generation of youth to unemployment."

While the world had "an unprecedented period of growth," South Africa did not participate.

SA must change its narrative

Stumbling blocks for foreign investors include the mining charter and land appropriation, and as much as the resource sector is a sunset industry, it's an employer of manual labour.

Acceptance of the 'once empowered, always empowered' concept was "a very positive sign that government recognises the realities facing SA." Land reform, however, was problematic. Wierzycka said the ANC never gave any thought to what it meant and is only now starting to put frameworks in place.

South Africa needs foreign investment to create jobs and generate growth, she said, adding that South Africa was the only emerging market last year "to attract negative foreign investment". Getting investment will be difficult, and South Africa needs to change the narrative, stop talking about state capture and the Guptas, and start talking about the positives.

- *Source: Brenthurst Wealth.*