Economic recovery beckons –

If the NDP is implemented

Dr Roelof Botha

Introducing –
Optimum Financial Services Group *(an authorised FSP)*

✓ International best practice for ethical standards

✓ Highest possible professional practice standards

✓ Strict international competence for investment research & analysis

✓ Offices in Pta, Cape Town, George, Bloemfontein, Upington & Vanderbijlpark

✓ Senior financial advisers in all nine Provinces

✓ Integrated services include: Life & risk cover, Investment, Health & Legal

✓ Returns on Optimum products feature in the top quartiles for most classes

✓ Access to investment platforms of all major investment houses

✓ Tailor-made solutions for comprehensive financial planning

Optimum BCI Balanced Fund (% weighting)

- Offshore fixed income - 6
- Local equity - 36
- Offshore equity - 17
- Local bonds - 6
- Local property - 4
- Local fixed income - 31
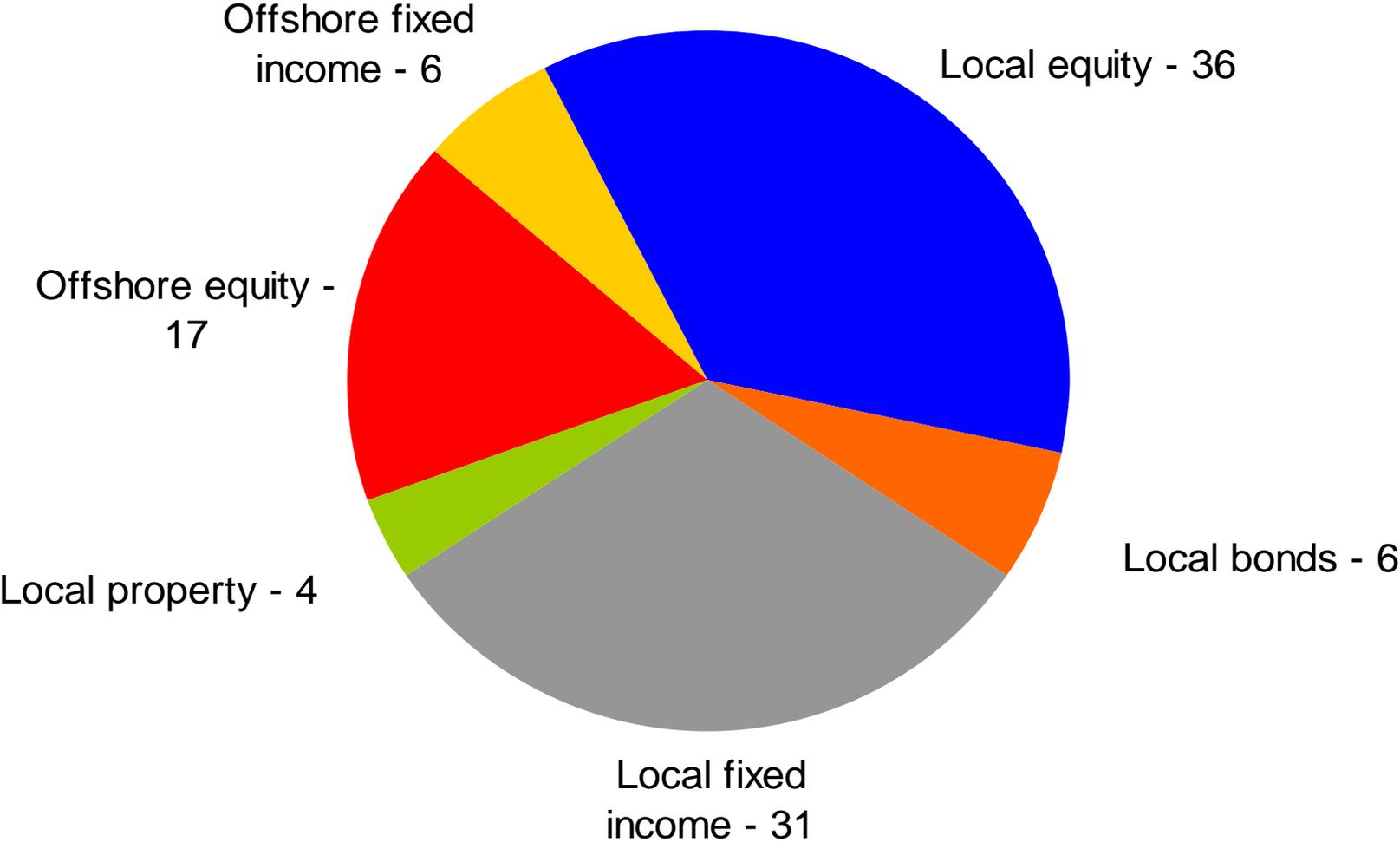
Investment return on equities when p/e ratio is relatively high (at start)
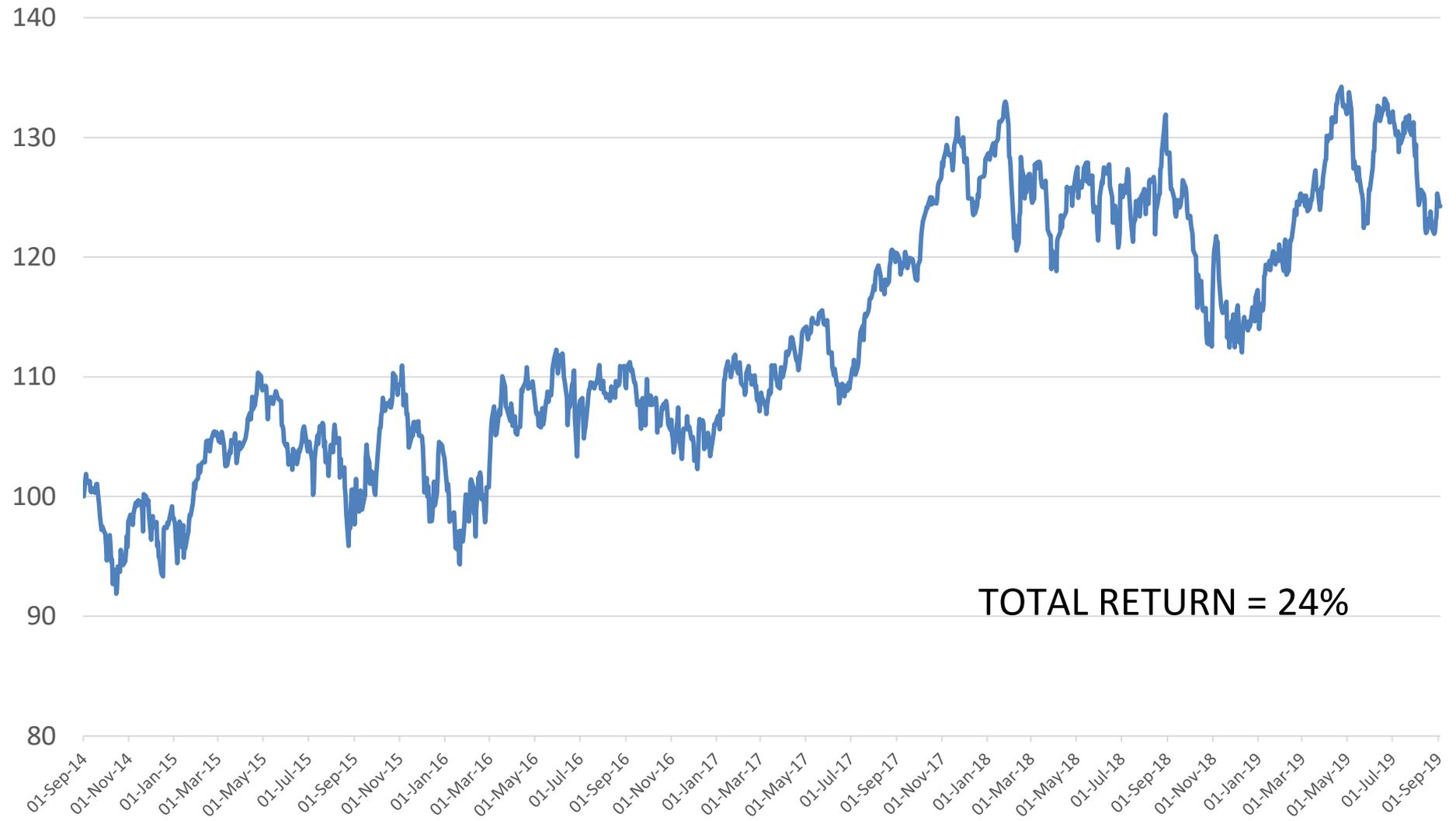
TOTAL RETURN = 24%

Investment return on equities when p/e ratio is relatively low (at start)
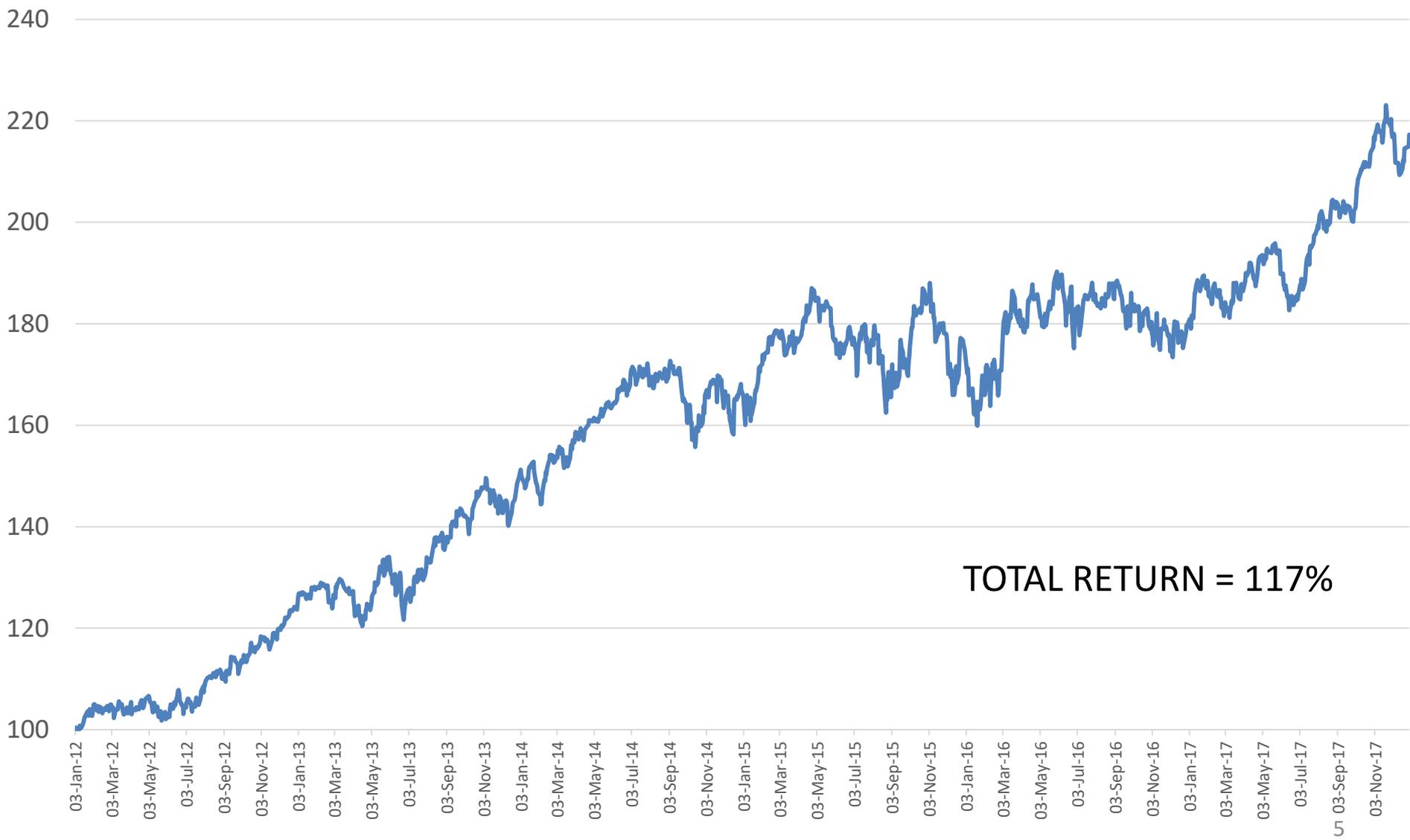
TOTAL RETURN = 117%

OPTIMUM Performance year-to-date (selection)

| Group/Investment	YTD		
	2019/01/01		
	2019/08/15		
	Return (Cumulative)	Peer group rank	Peer group quartile
(ASISA) South African MA Medium Equity			
Optimum BCI Balanced A	6.35	13	1
Number of investments ranked		59	59
Peer Group Median	5.21		
(ASISA) South African MA High Equity			
Optimum BCI Managed Growth A	5.90	27	1
Number of investments ranked		145	145
Peer Group Median	4.55		
(ASISA) South African MA Low Equity			
Optimum BCI Stable A	7.18	10	1
Number of investments ranked		105	105
Peer Group Median	4.78		

Focus on agriculture &
sub-Saharan Africa

Estimated output (turnover) for all agricultural activity In SA - 2017

Agriculture Value Added   R100

Total Primary Agriculture Output   R290b

Secondary Agriculture (Processing)   R465b

- ✓ Meat, fish, fruit & veg
- ✓ Dairy
- ✓ Grain mills
- ✓ Beverages
- ✓ Tobacco
- ✓ Sawmilling
- ✓ Leather products
- ✓ Other food

Retail trade R413b

Wholesale trade R411b

Finance R185b

Communication R75b

Restaurants & caterers R51b

Electricity & Water R46bn

Transport & Construction   R31b

Total linked turnover R1.97 trillion

# Primary agriculture trade balance (R126b surplus since 2013)

(Source: SARS)

# Bestemming van Suid-Afrika se voedseluitvoere – Januarie tot Junie 2019

*(Bron: Statistiek SA)*

Totaal: *R65.6 miljard*

- Res van Afrika - 3.4
- Europa - 20.7
- Res van SADC - 10.6
- Amerika - 3.6
- Mosambiek - 3.7
- Namibië - 4.6
- Botswana - 4.9
- Asië/Oseanië - 14.1

GDP in 2018 – Selected countries in SSA

(Source: IMF)

Country	GDP ($bn)
Nigeria	~397
South Africa	~368
Angola	~108
Kenya	~89
Ethiopia	~80
Ghana	~65
Tanzania	~58
Côte d'Ivoire	~43
DRC	~42
Cameroon	~38

$bn

(Total $1.3t)
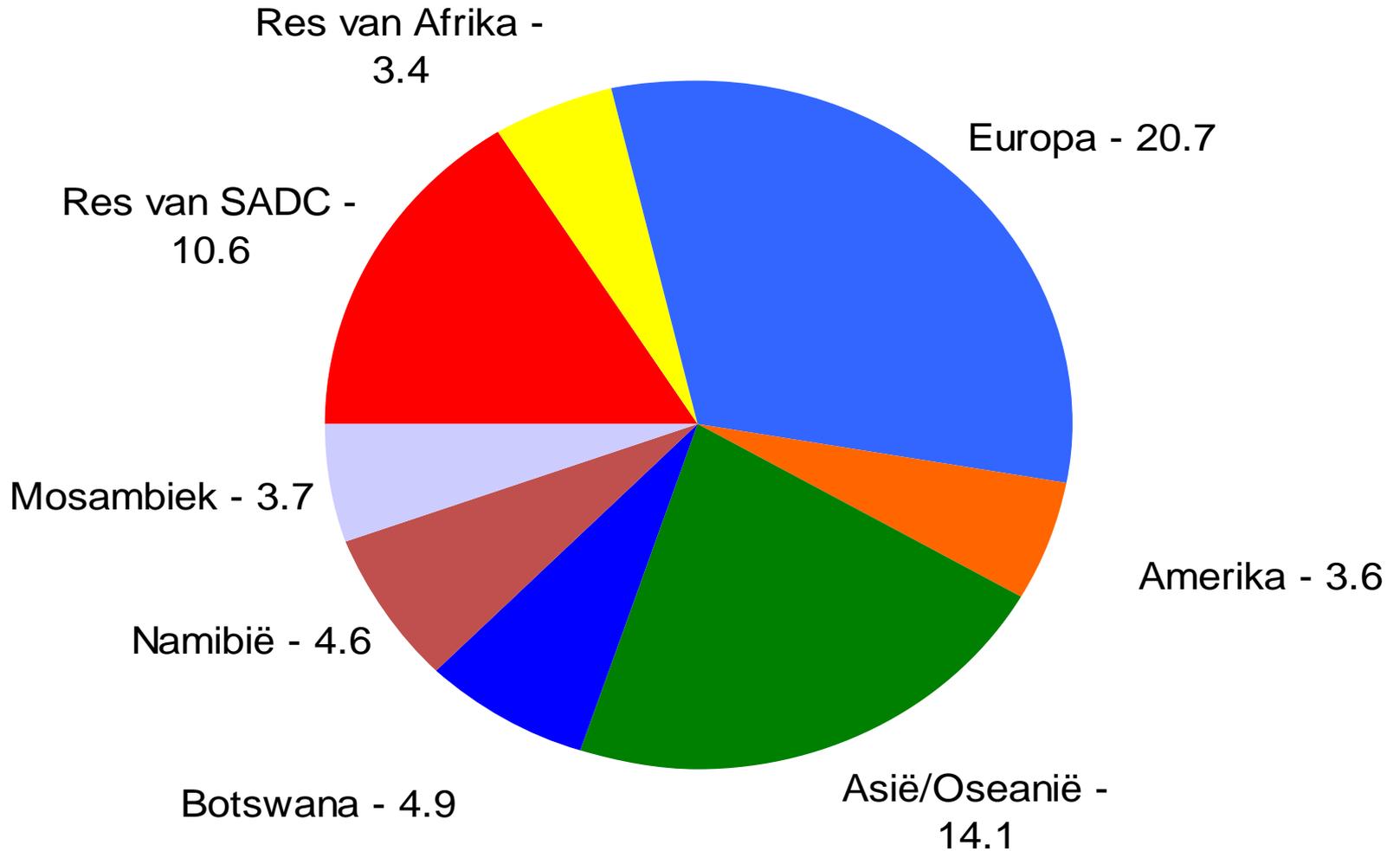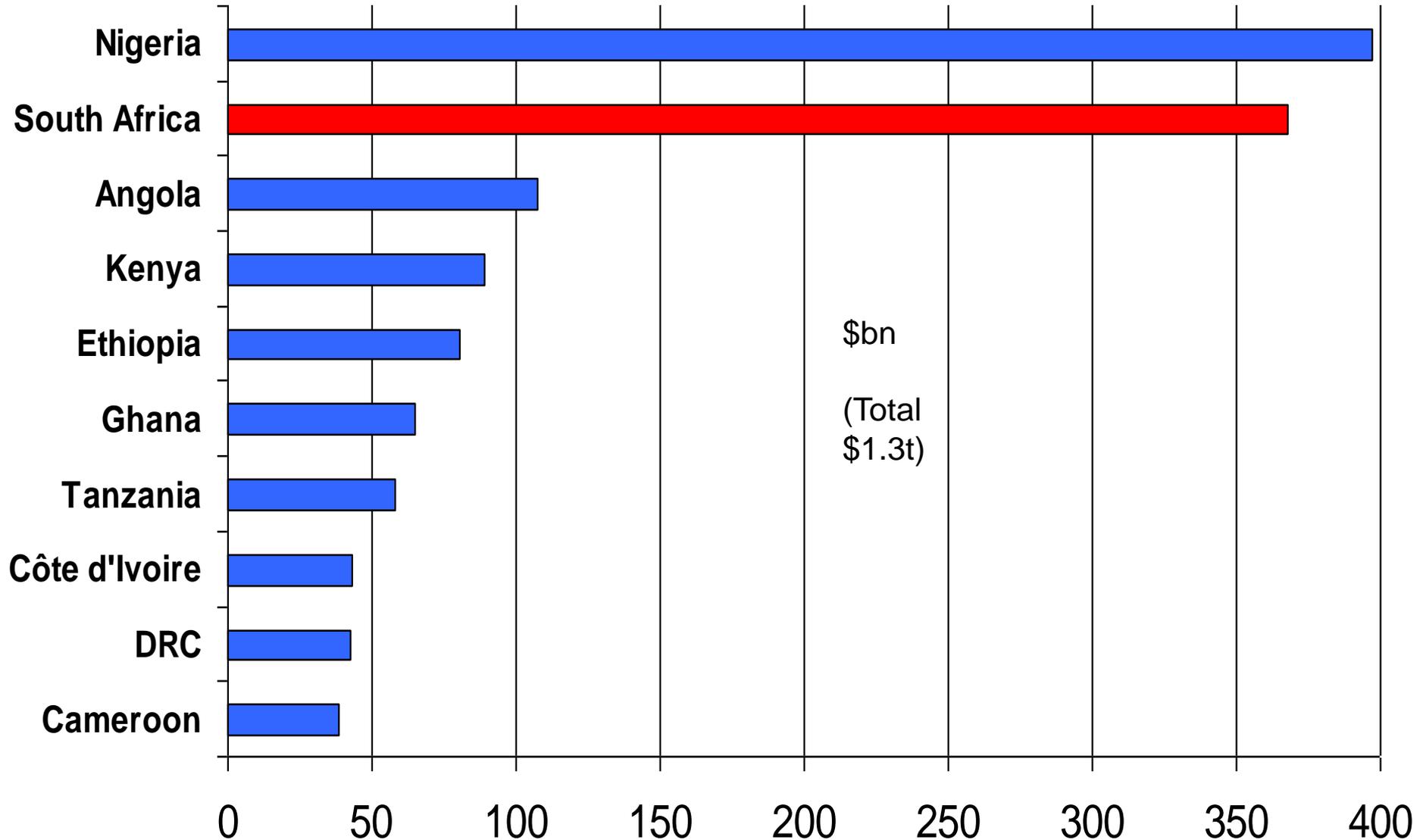
GDP in 2018 – Selected countries in SSA (minnows)

(Source: IMF)
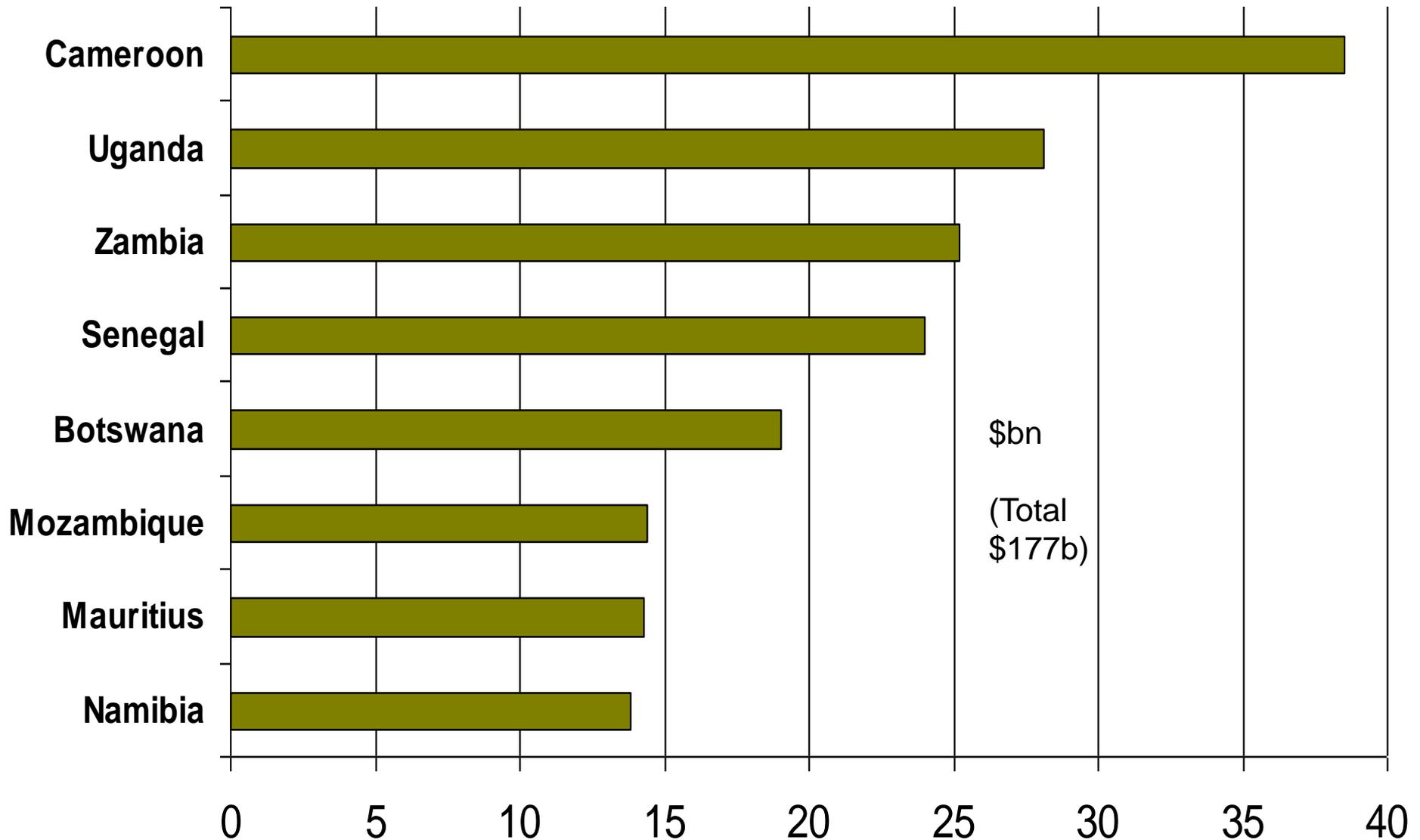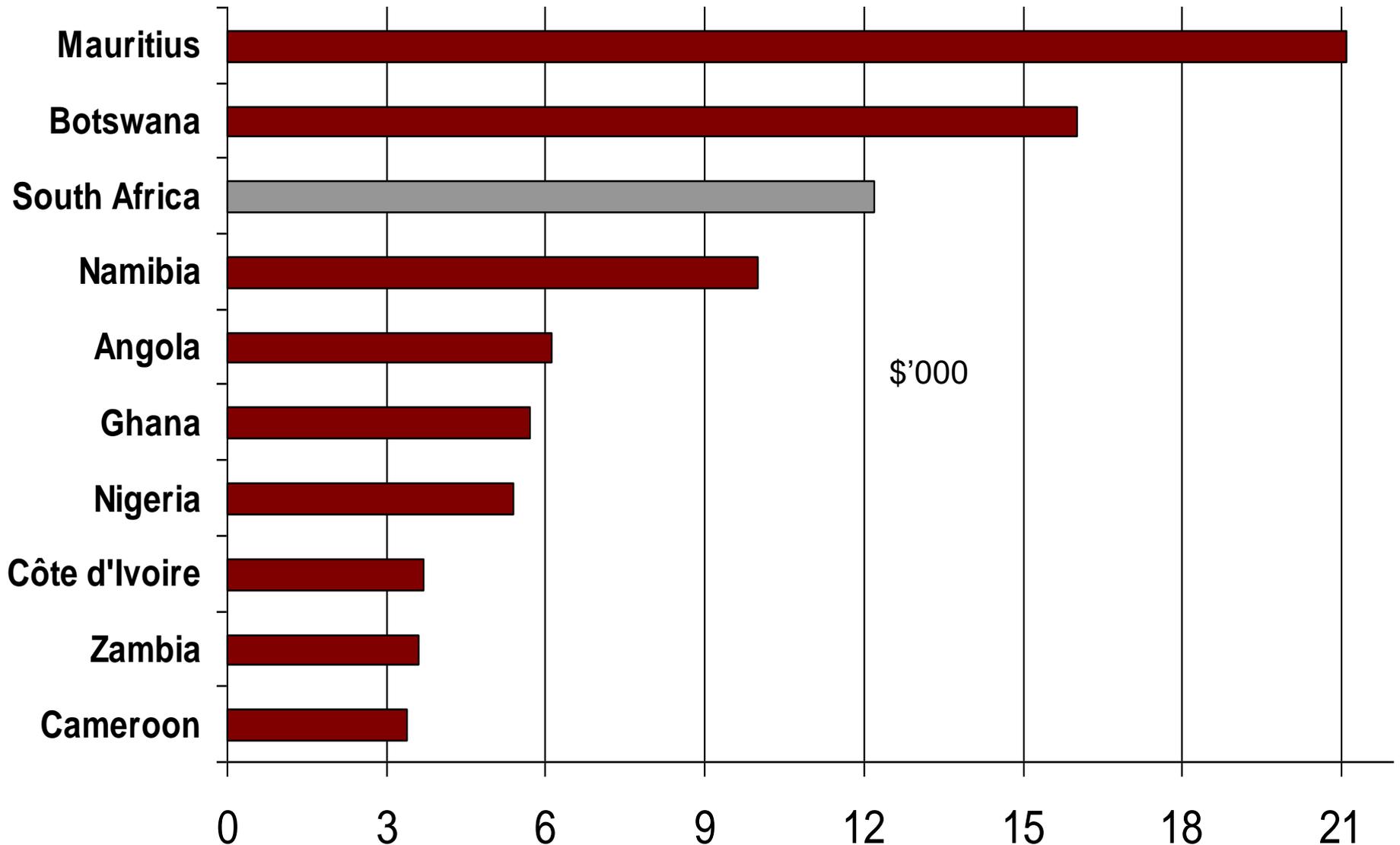
$bn

(Total $177b)

| Country	GDP ($bn)
Cameroon	~38.5
Uganda	~28
Zambia	~25
Senegal	~24
Botswana	~19
Mozambique	~14.5
Mauritius	~14.5
Namibia	~14

0 5 10 15 20 25 30 35 40

GDP *per capita* (at PPP) 2018 – Selected countries in SSA

(Source: IMF)

$'000

% Increase in real GDP *per capita* (at PPP) 2018 – selected countries in SSA

(Source: IMF)

Chart: % increase in real GDP per capita (at PPP) 2018 for selected countries in SSA

Country	%
Ethiopia	8.0
Rwanda	4.7
Ghana	4.2
Tanzania	4.1
Mauritius	3.6
Côte d'Ivoire	3.3
Mozambique	3.0
Kenya	2.8
DRC	2.7
Zambia	2.4
Uganda	2.1
Senegal	1.8
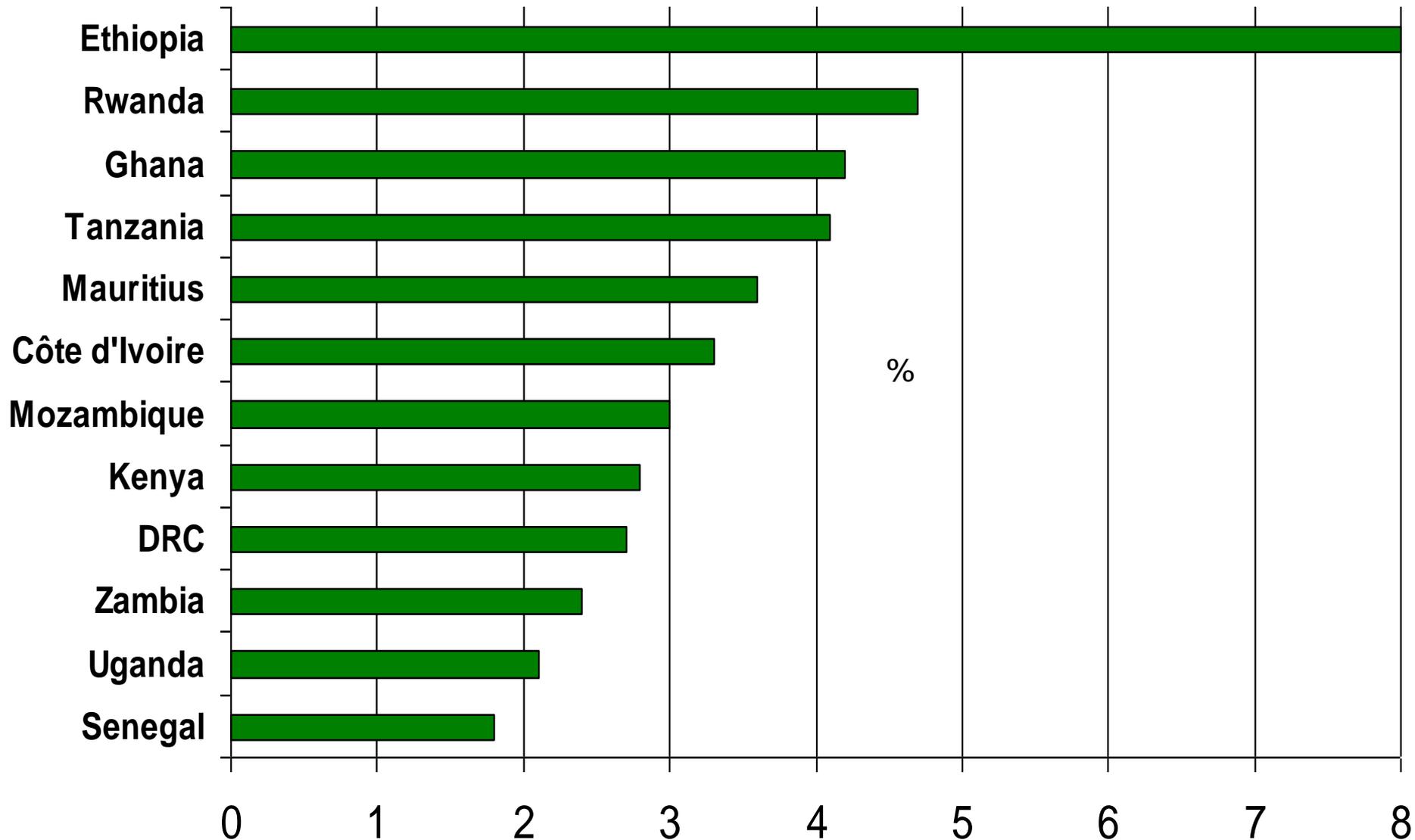
Population in 2018 – selected countries in SSA

(Source: IMF)

Million people

(Total 718m)
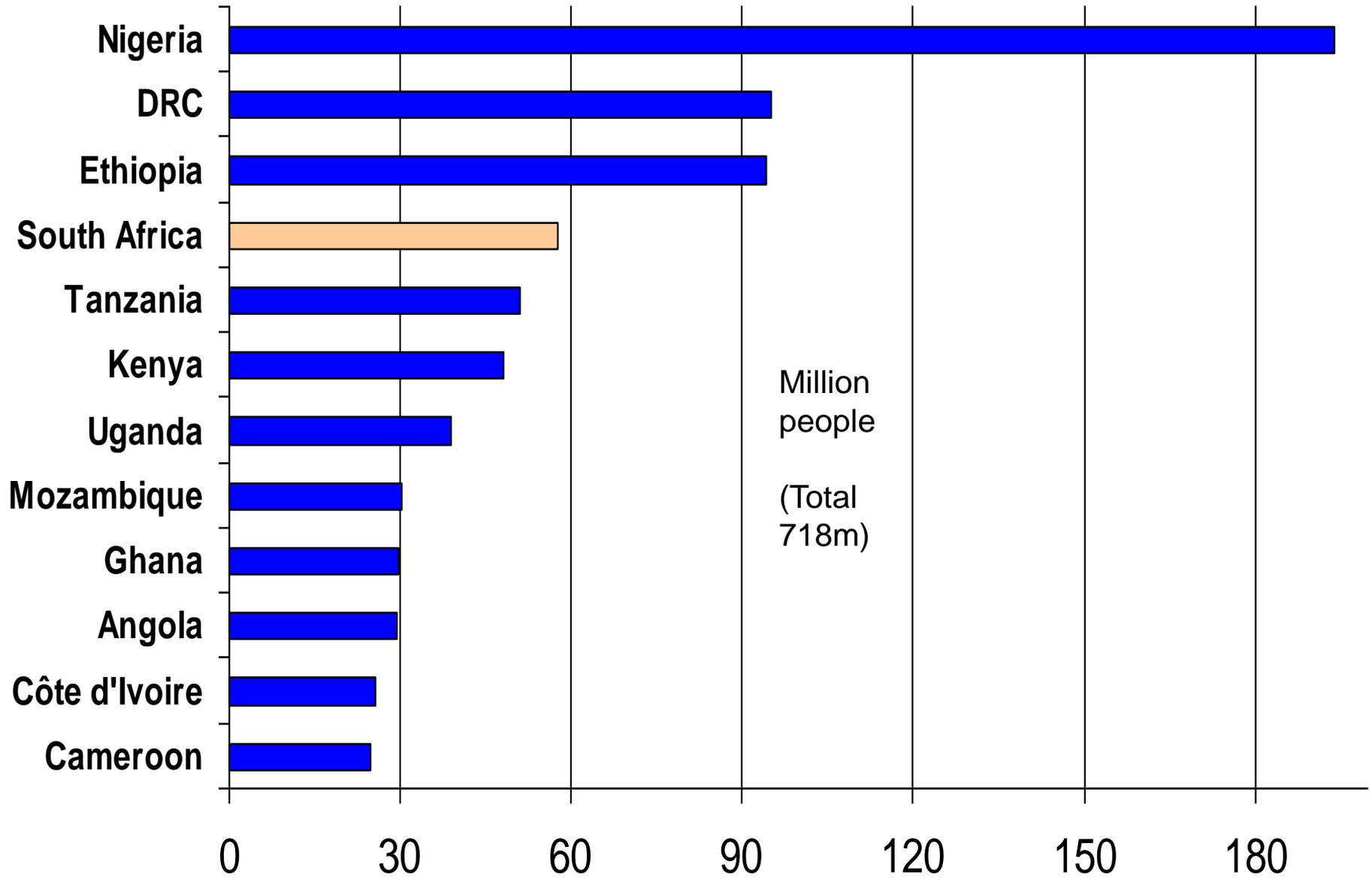
% Increase in population 2008 - 2018 – Selected countries in SSA

(Source: IMF)

Country	%
Uganda	~35.8
Zambia	~35.5
DRC	~35.2
Angola	~34.7
Senegal	~33.6
Mozambique	~31.9
Nigeria	~31.2
Kenya	~30.9
Côte d'Ivoire	~29.2
Ghana	~29.1
Cameroon	~28.3
Rwanda	~26.5

%

Increase = 170m (SSA18)

25   27   29   31   33   35
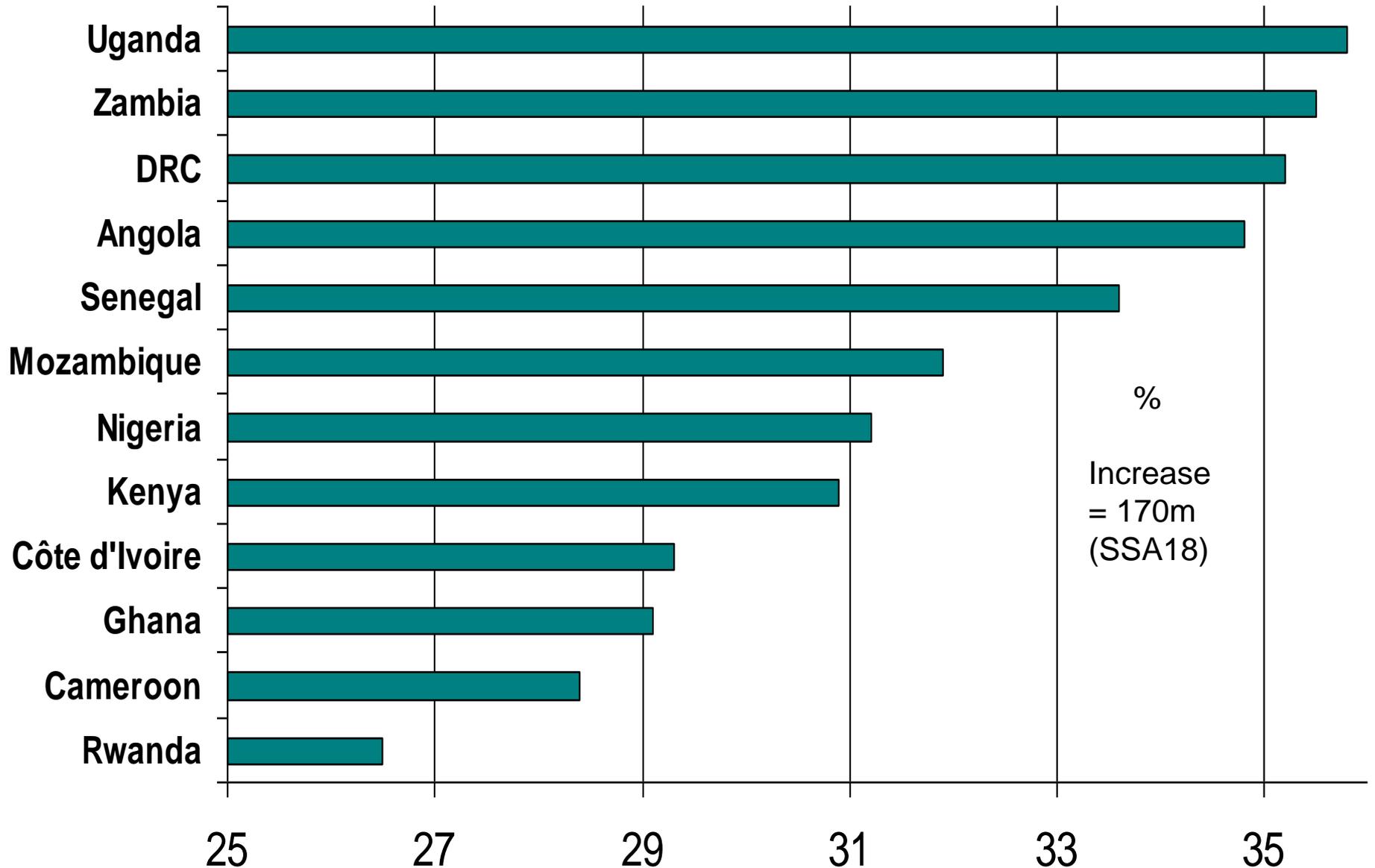
Per capita GDP at PPP (in rand terms, based on 2011 international dollar)   *(Sources: World Bank; own calculations)*
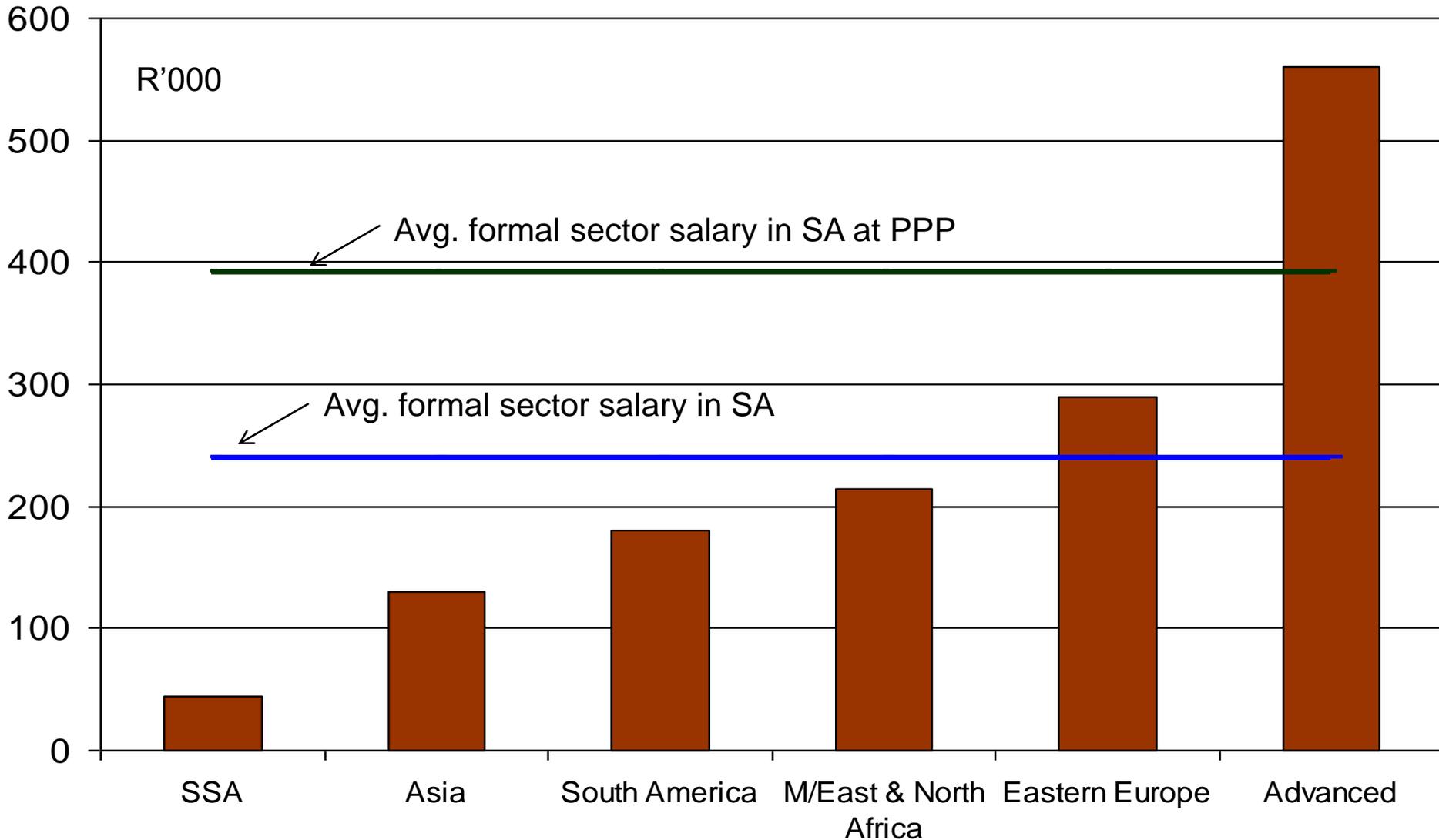
Enabling factors for developing food and agriculture value chains

Essential enablers

- Property rights
- Adequate infrastructure
- Supporting trade policy

Important enablers

- Standards & regulations
- Sufficient research & development
- Access to financial services

Useful enablers

- Ease of doing business
- Business development services
- Business linkages

Obstacles to growth & other challenges

Consumption expenditure by general government as % of GDP – selected countries

(Source: World Bank)

%

Country	
France	
South Africa	
Brazil	
Russia	
Germany	
Argentina	
Turkey	
US	
Chile	
Mexico	
India	
Nigeria	

5   8   11   14   17   20   23
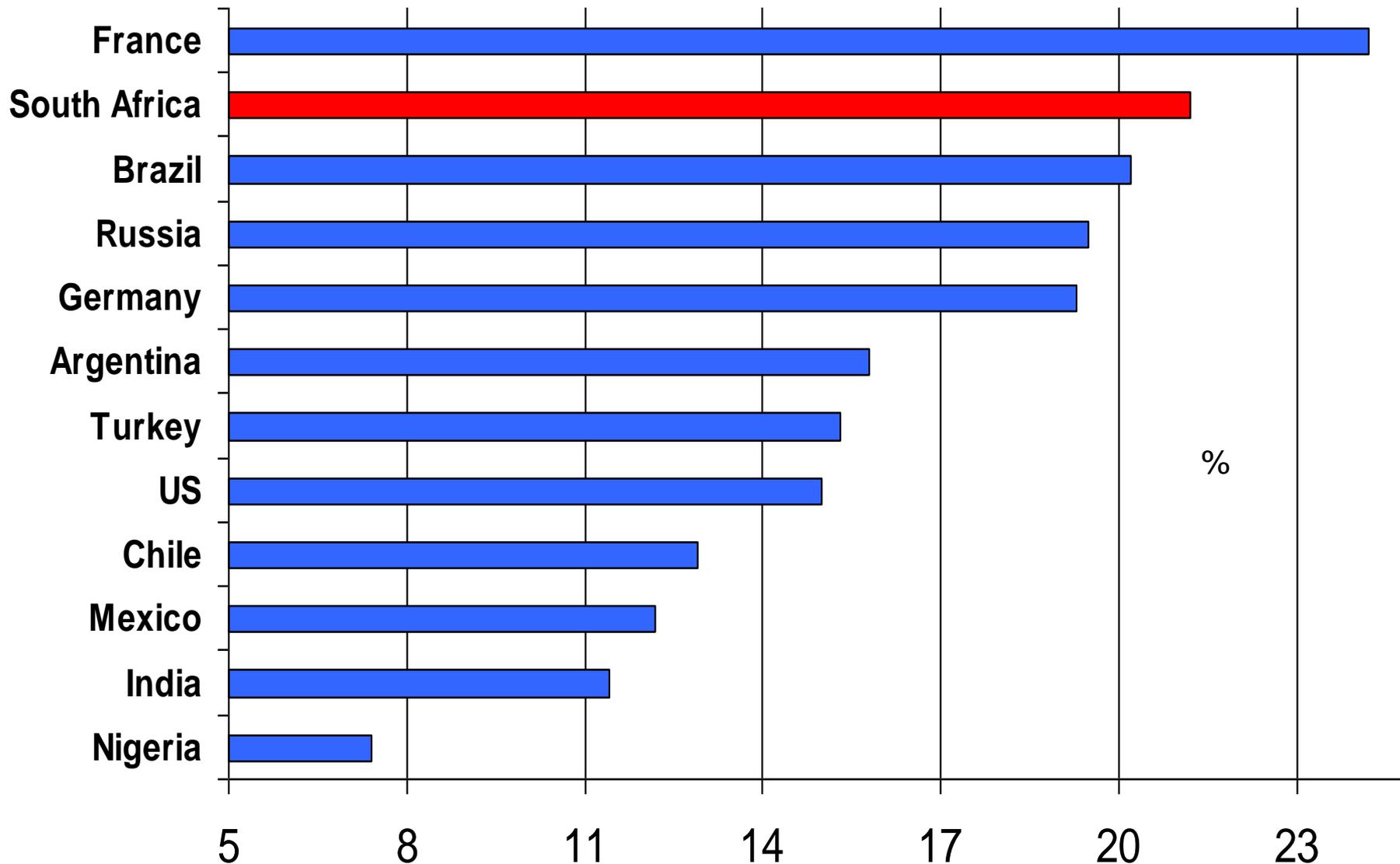
Employment in general government and in manufacturing

(Source: SARB)

Index; 2010 = 100
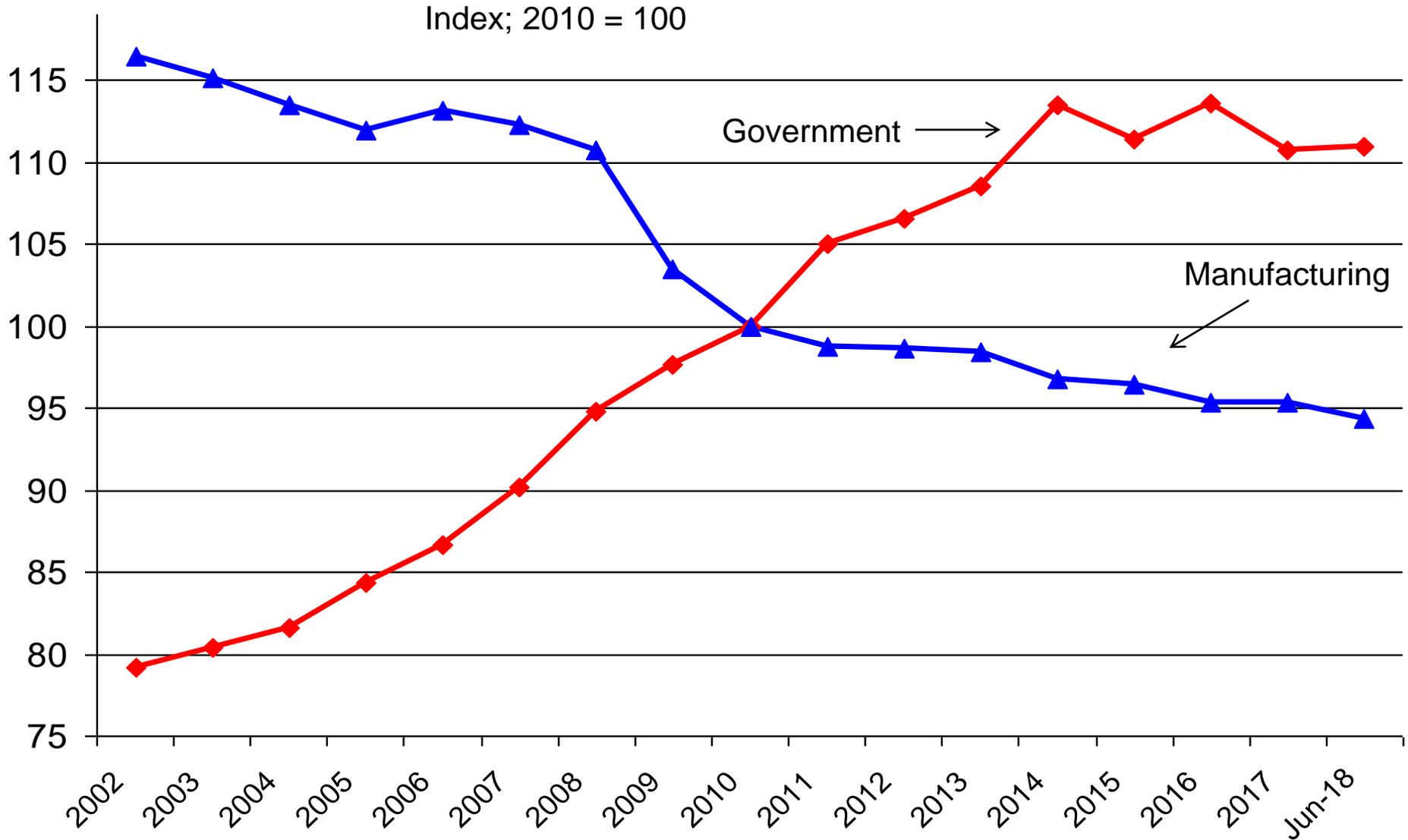
Venezuela - real *per capita* GDP since nationalisation of land

(Source: World Bank)

$'000
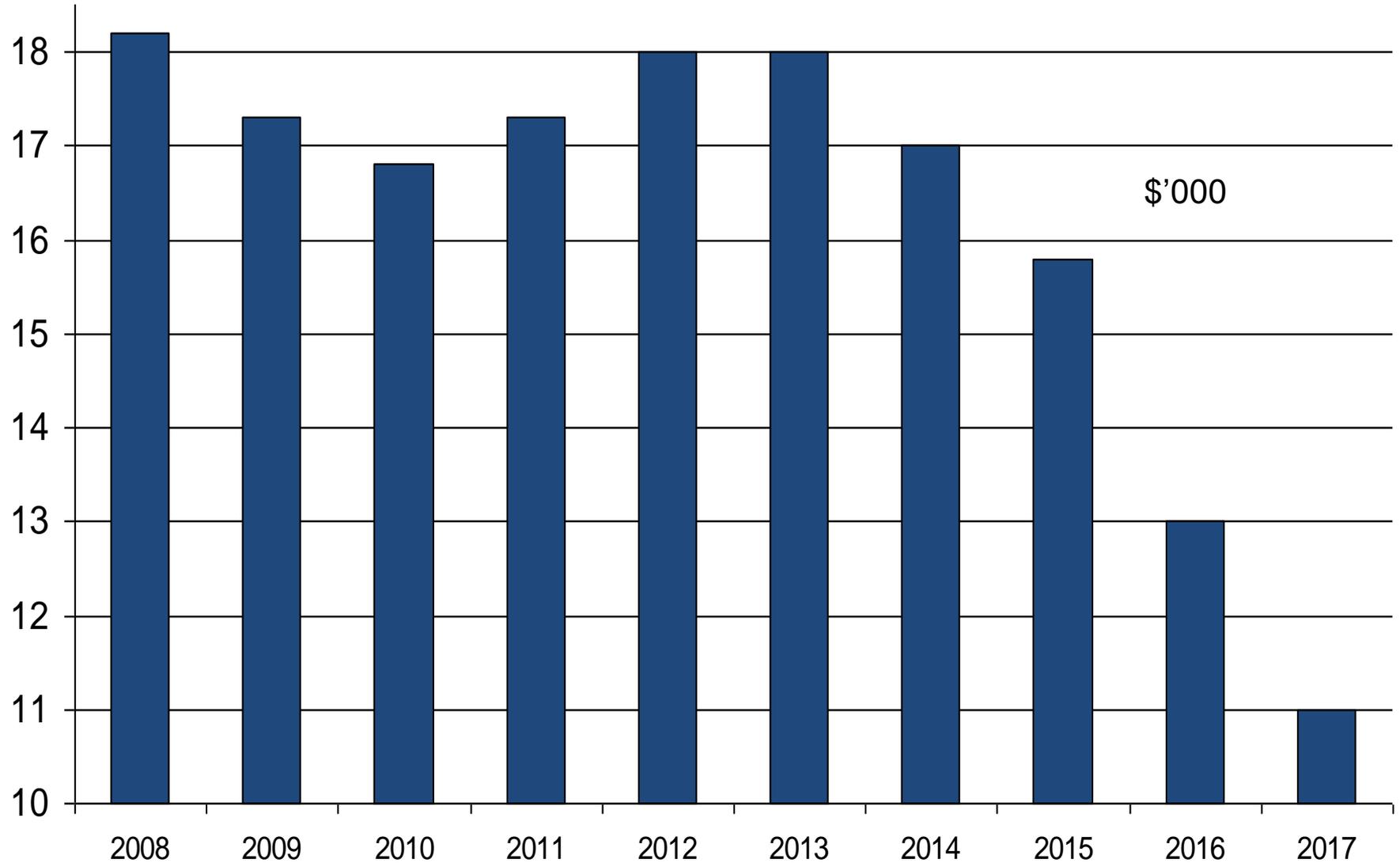
Zimbabwe & Zambia – nominal GDP before & after radical land reform (EWC)

(Note: 2-year moving avg; Source: World Bank)
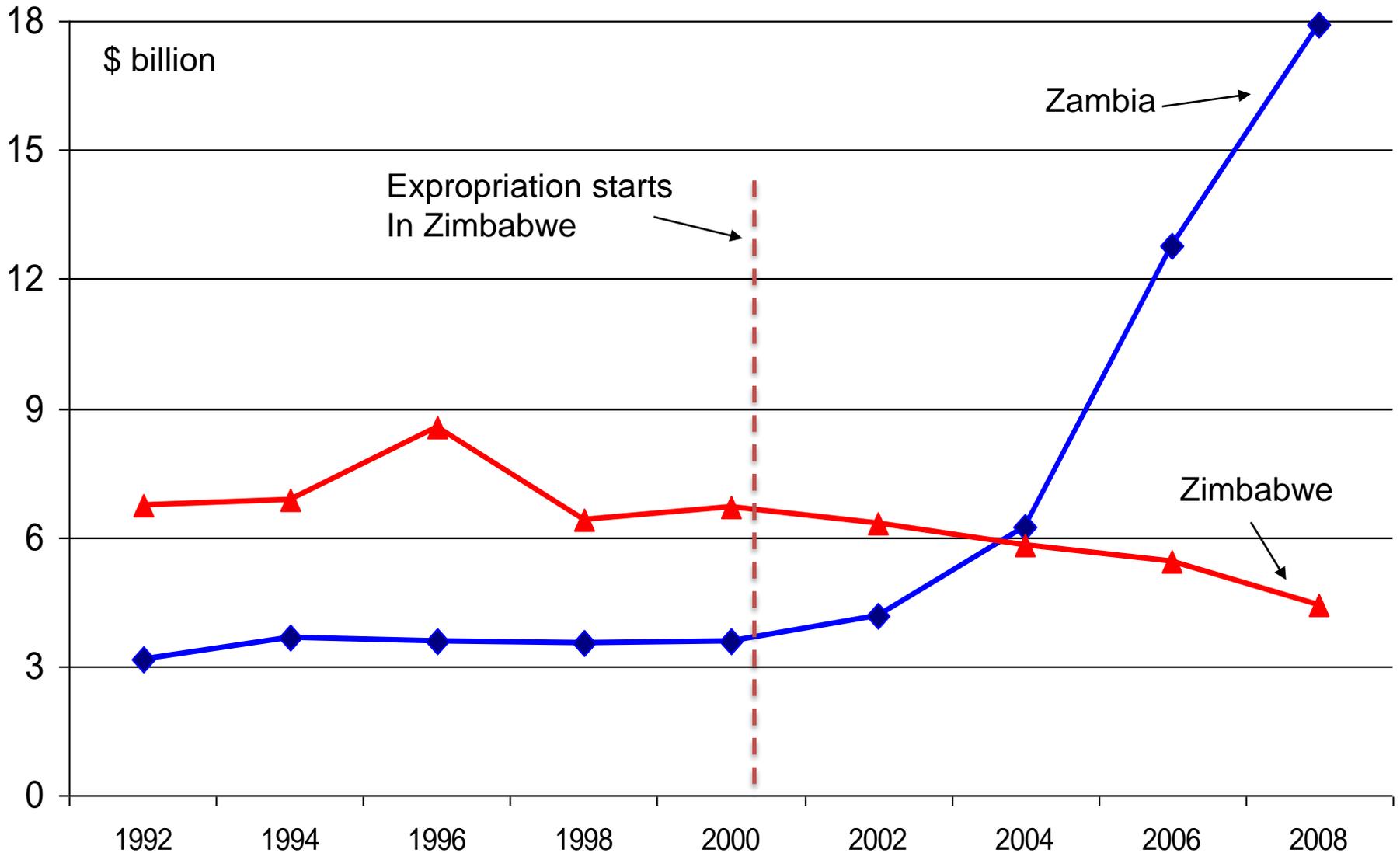
Real GDP forecasts based on a 10-lag model (high & low growth) and EWC scenario 1

(Sources: Stats SA; own calculations)

R trillion

Note: *Quarterly figures at 2018 p*

Scenario 3 – no EWC
& higher growth

Scenario 2 – no EWC
& modest growth

Scenario 1 - expropriation
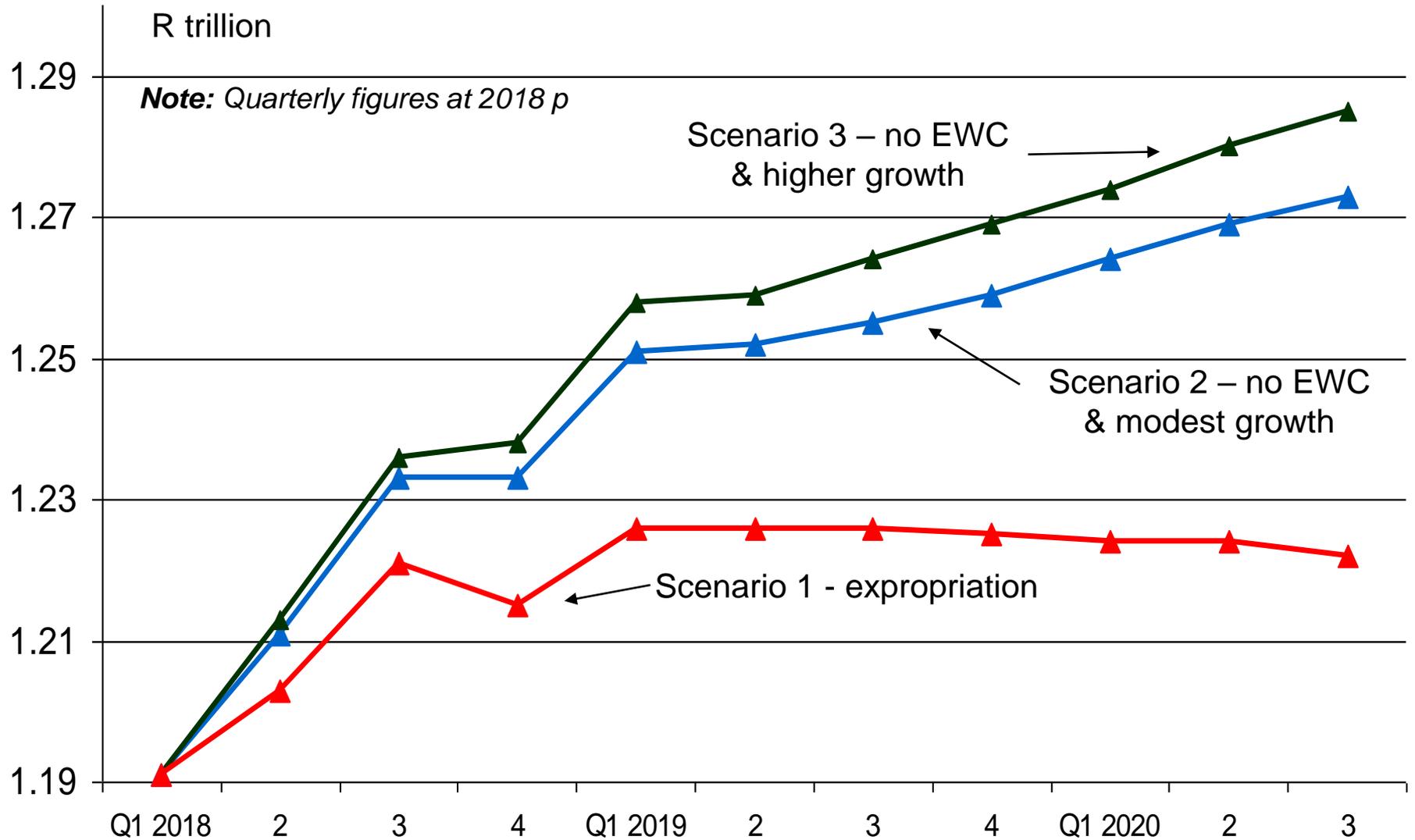
Capital formation/GDP ratios for selected countries & world average - 2017

(Source: World Bank)

Country	Value
China	~42
Ethiopia	~39
Zambia	~36.5
Tanzania	~33.5
Botswana	~31
India	~28.5
Australia	~24
Uganda	~23.5
World	~23
Rwanda	~23
South Africa	~18.5

%

R 865 bn

10   15   20   25   30   35   40
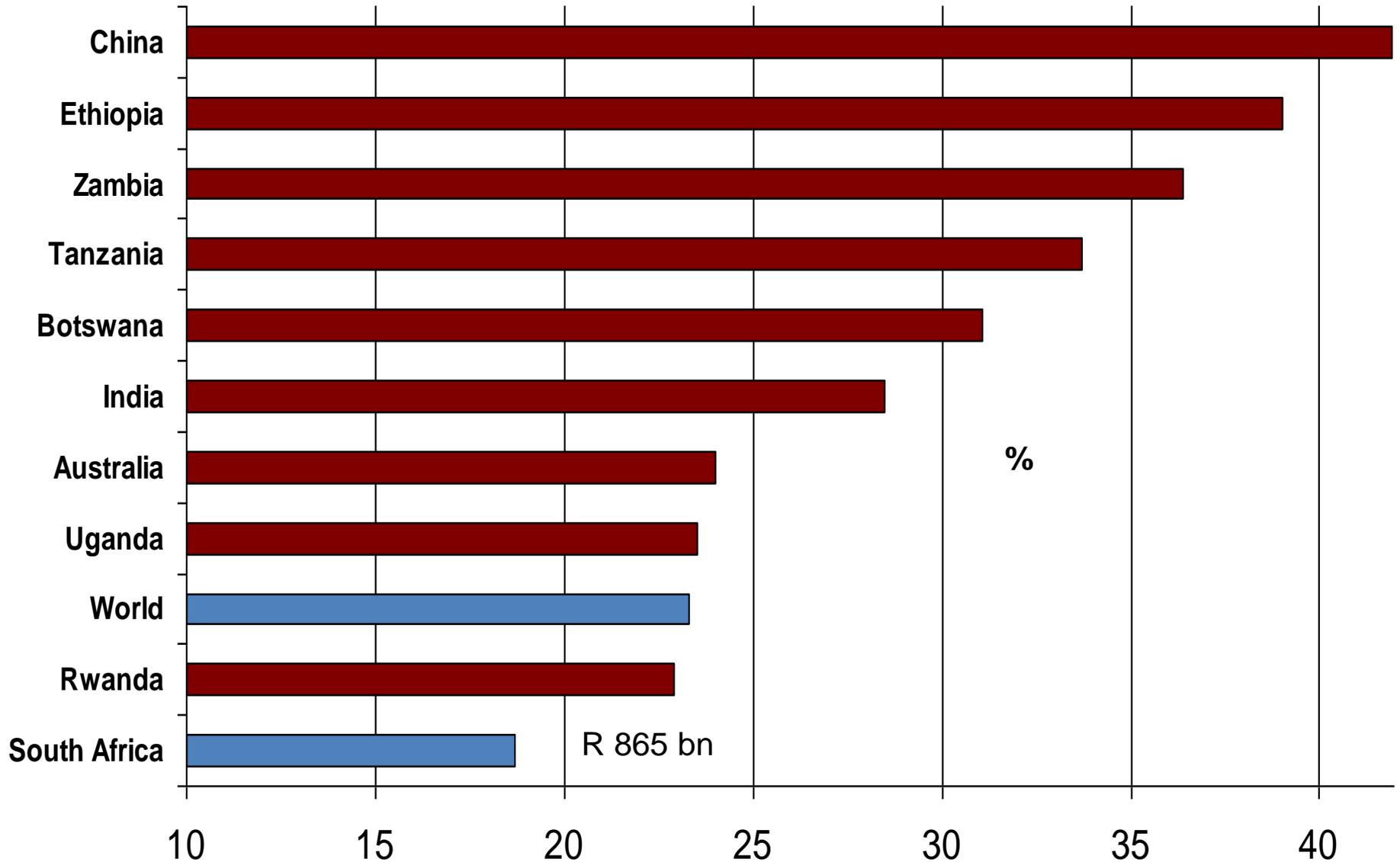
Convergence of total ATMs – ACSA airports (5) & non-ACSA airports (6)

(Note: Excluding OR Tambo)
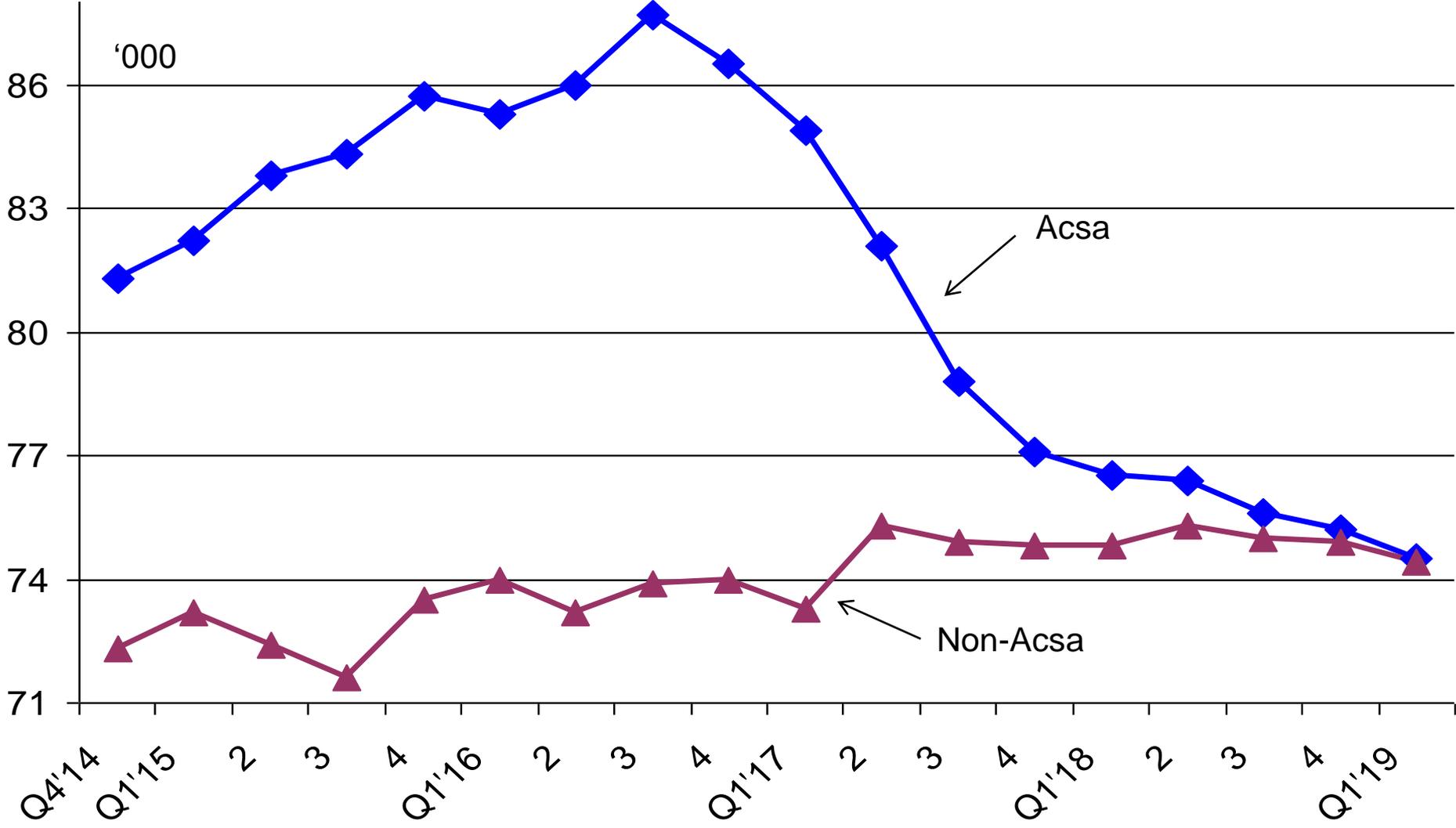
Growing gap since 2015 between real GDP growth & the real prime rate

(Sources: Stats SA; own calculations)

Note: Year-on-year GDP growth rates

Real prime rate

GDP growth rate
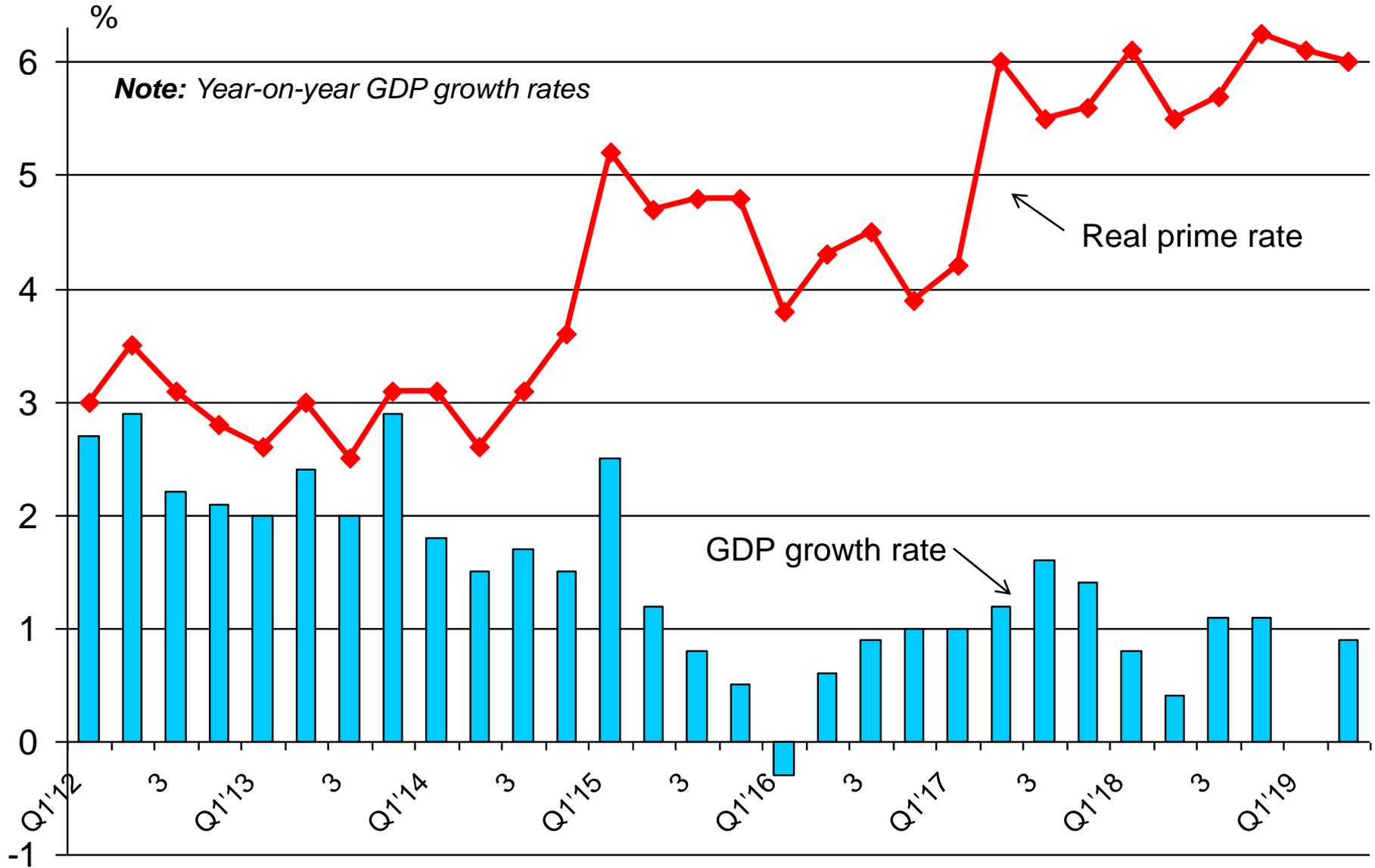
Ratio of household debt to household disposable income
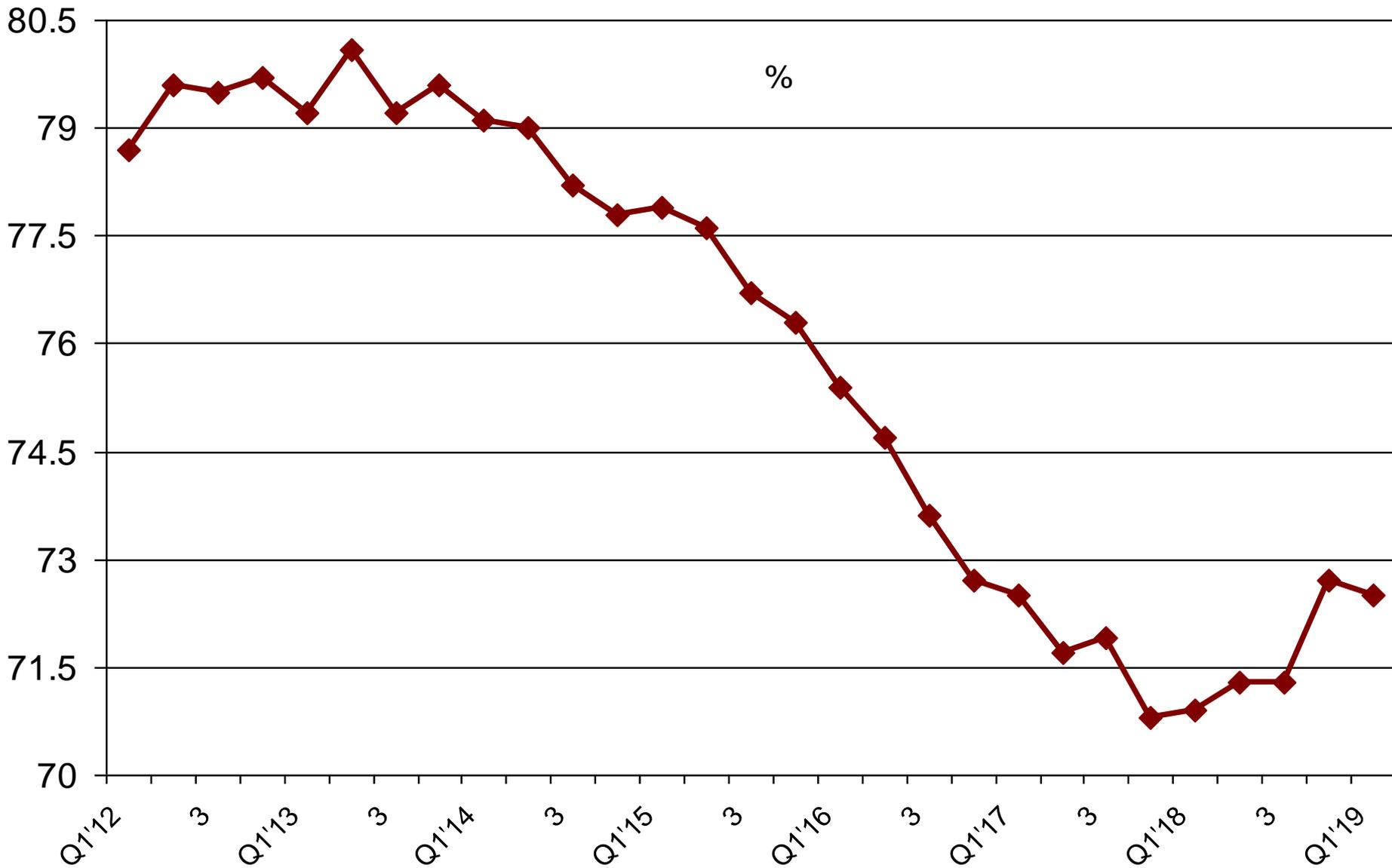
Extent to which real SA repo rate exceeds real central bank rates – selected countries (July 2019)

Basis points

Country	Value
Eurozone	~455
UK	~390
Poland	~325
Average	~272
Australia	~235
US	~205
Chile	~205
Brazil	~100

x-axis: 0, 50, 100, 150, 200, 250, 300, 350, 400, 450
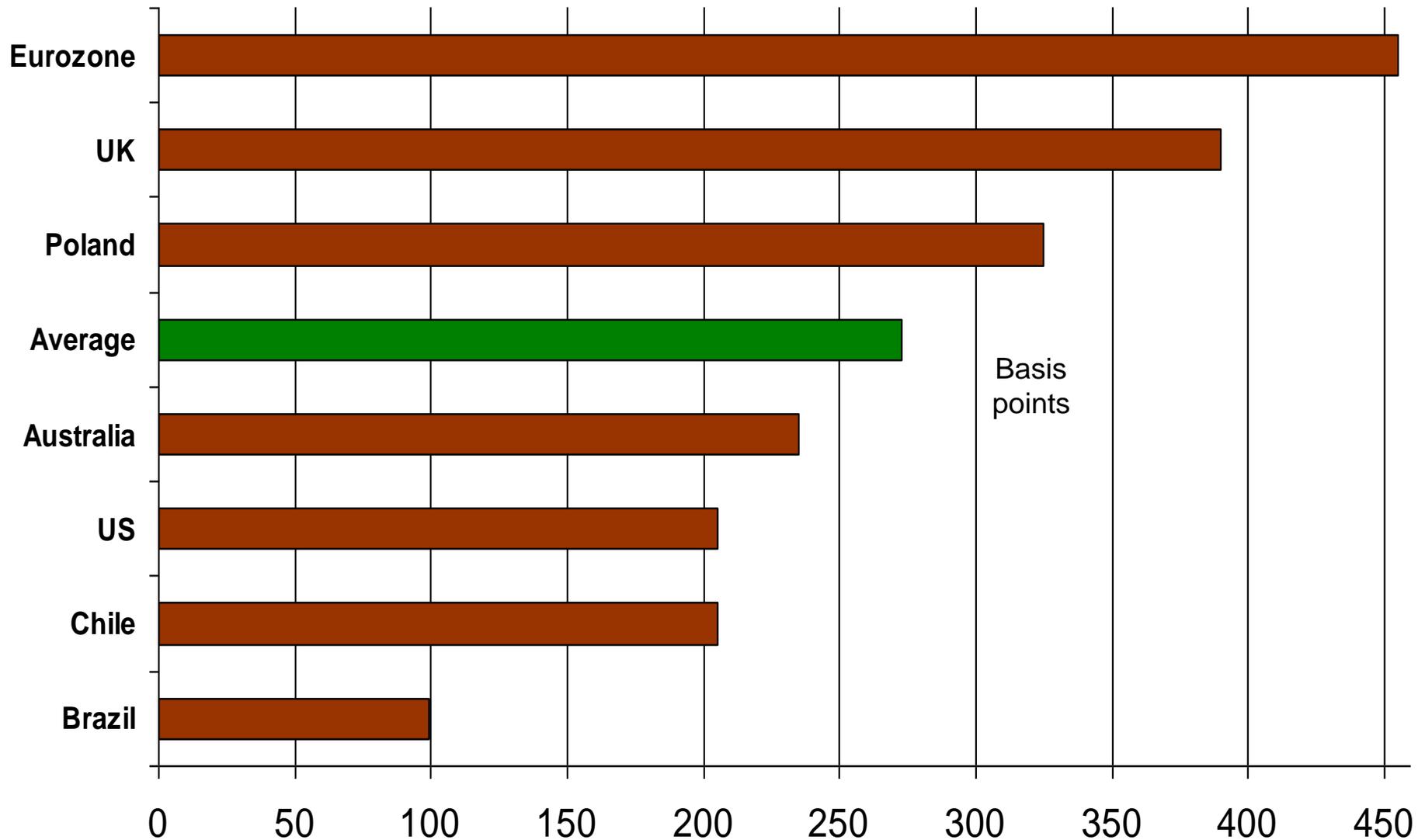
Demand side composition of GDP at constant 2019 prices

(Source: Stats SA)
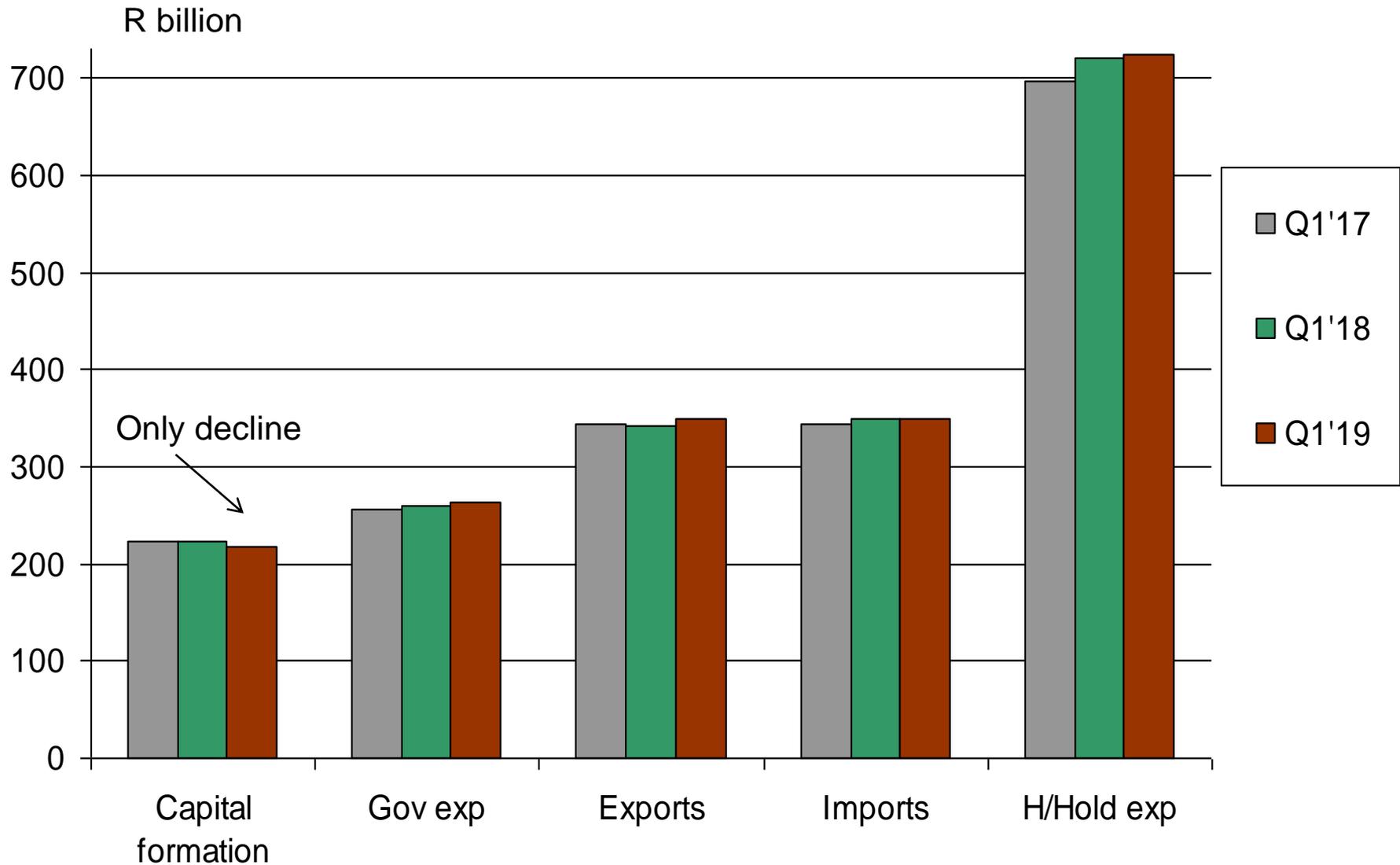
% Change in key household expenditure items Q1'19 (y-o-y)

(Source: Stats SA)

%

Category	Value
Alcohol	2.9
Health	1.6
Education	1.5
Food	1.4
Furnishings	0.9
Clothing	0.6
Housing & utilities	0.5
Recreation & hotels	0.2
Communication	-0.1
Transport	-4.0

-4 -3 -2 -1 0 1 2 3
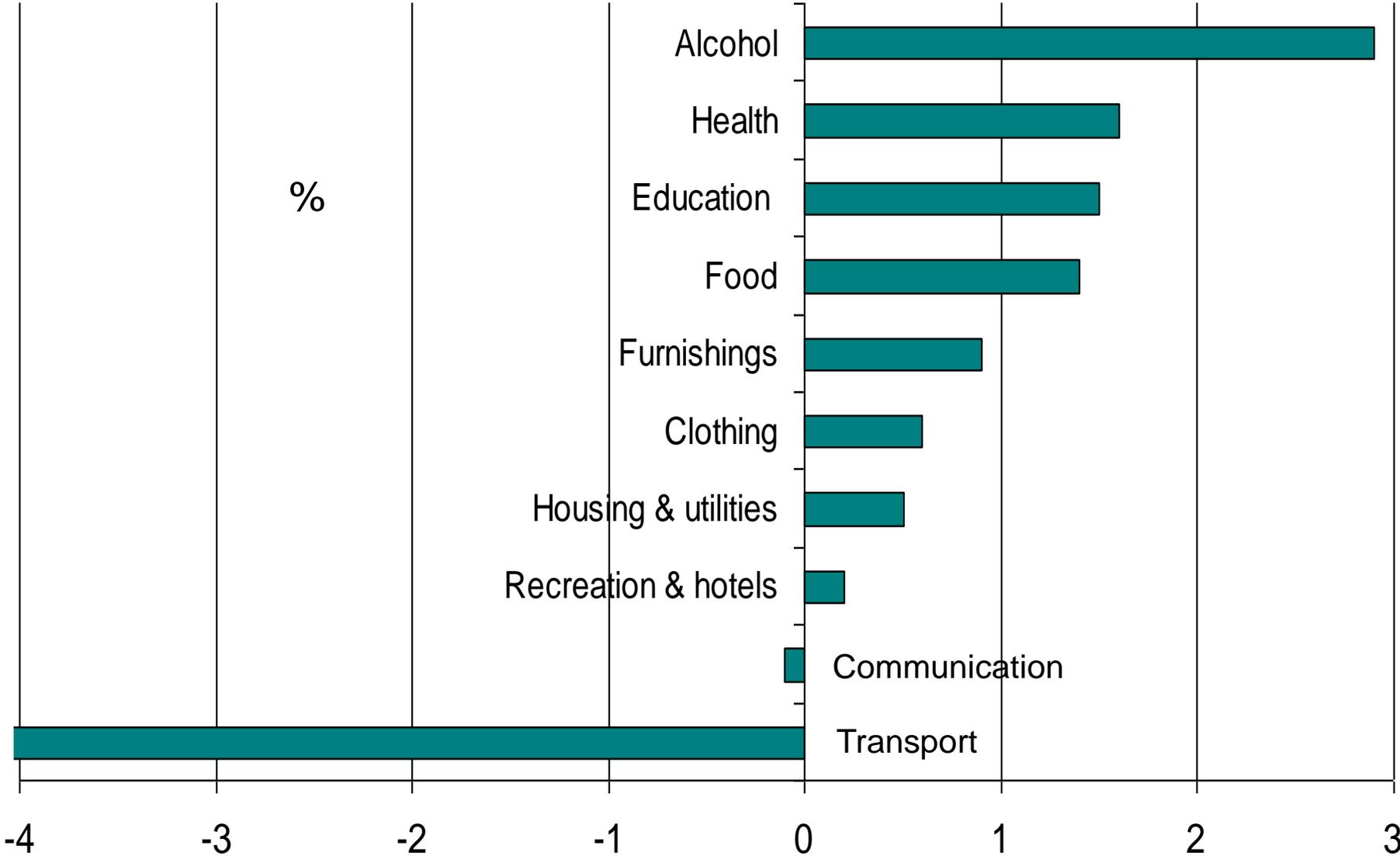
The Ramaphosa effect
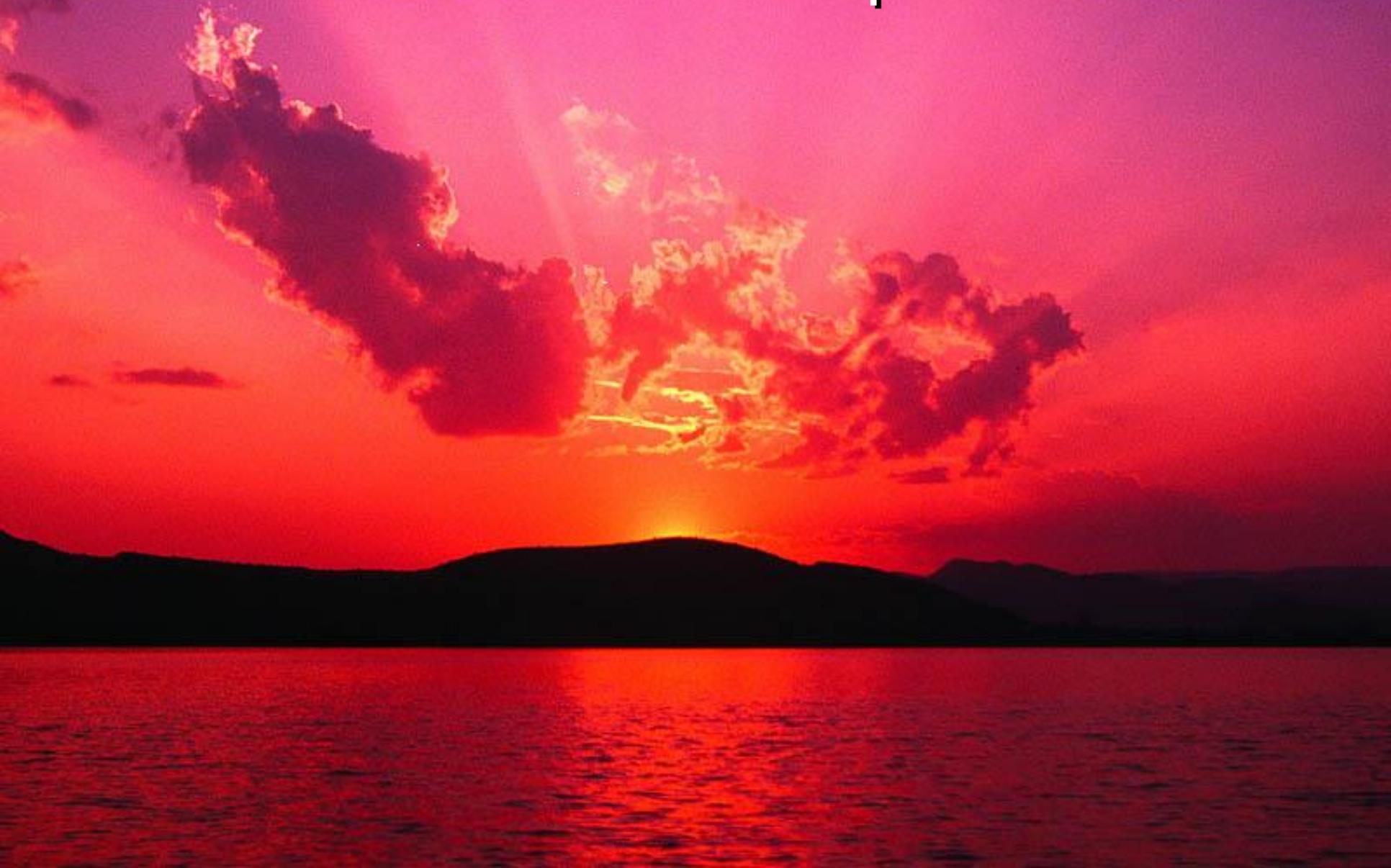
Distribution of national assembly votes by major parties – what has changed?

(Sources: IEC; own calculations)
(Note: EFF since 2014)
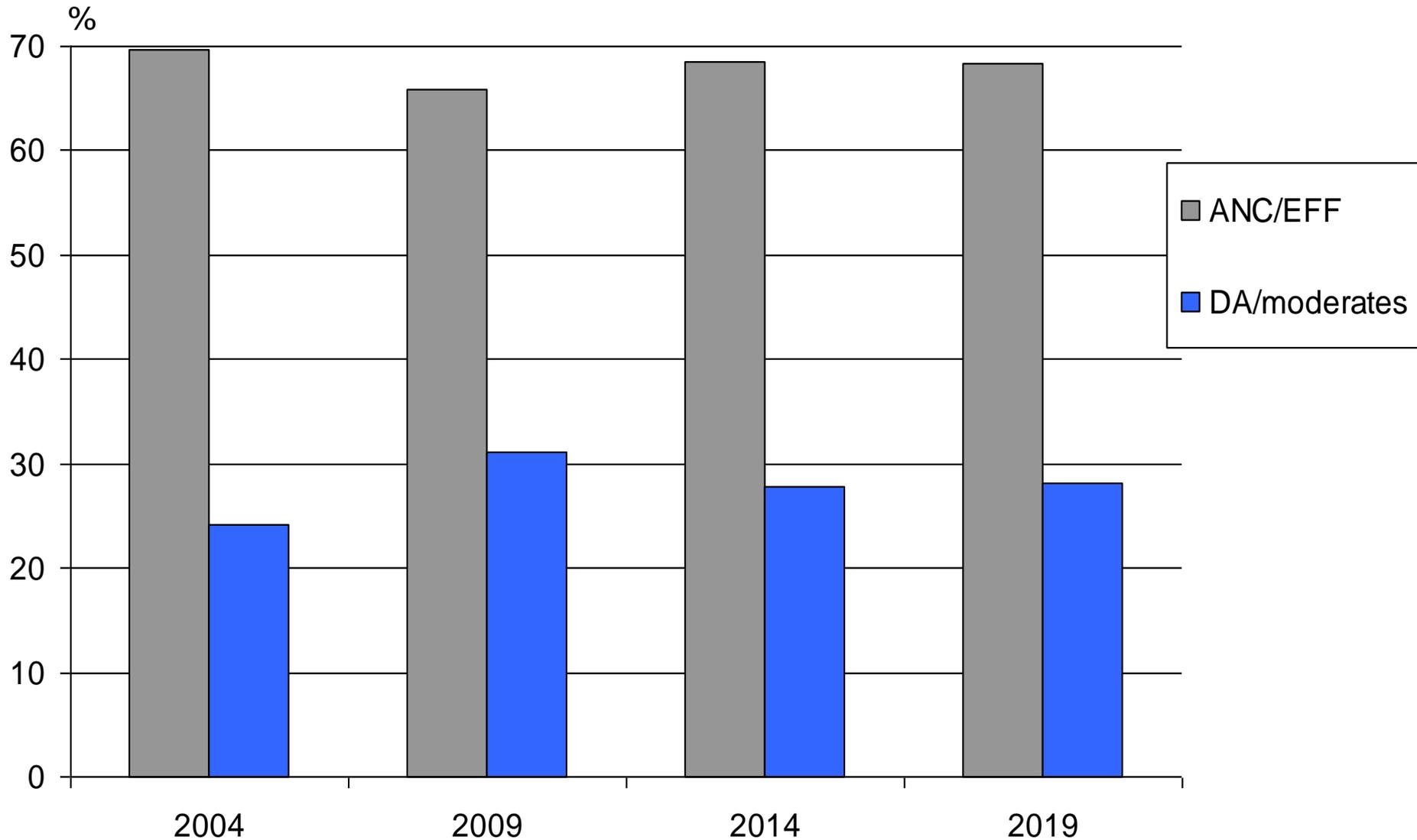
Recent volatility of the exchange rate of the rand against the US dollar

(Source: Oanda interbank rates)
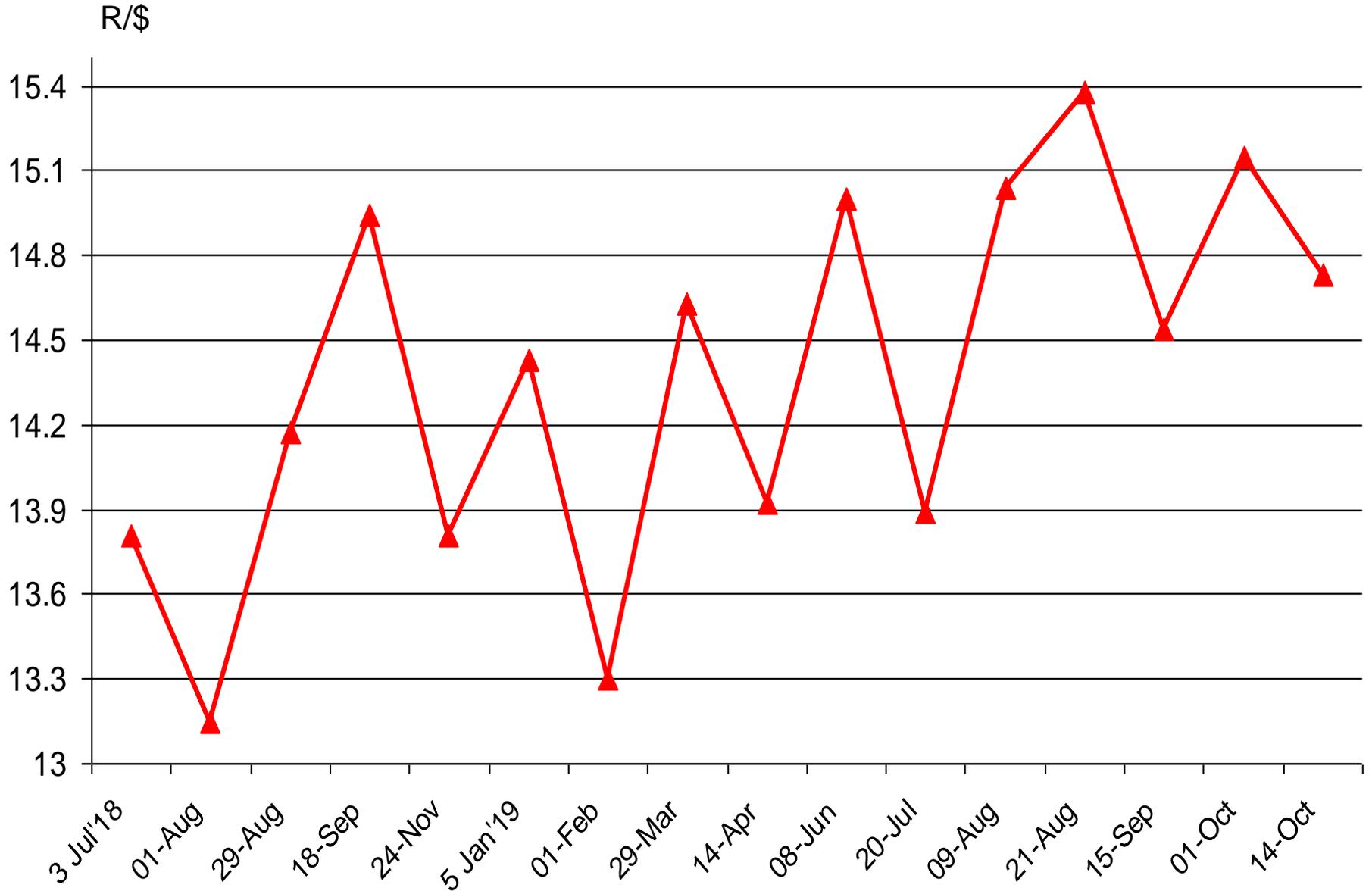
Rand remains stronger against the US dollar than in 2016 (quarterly average)

(Source: SARB)
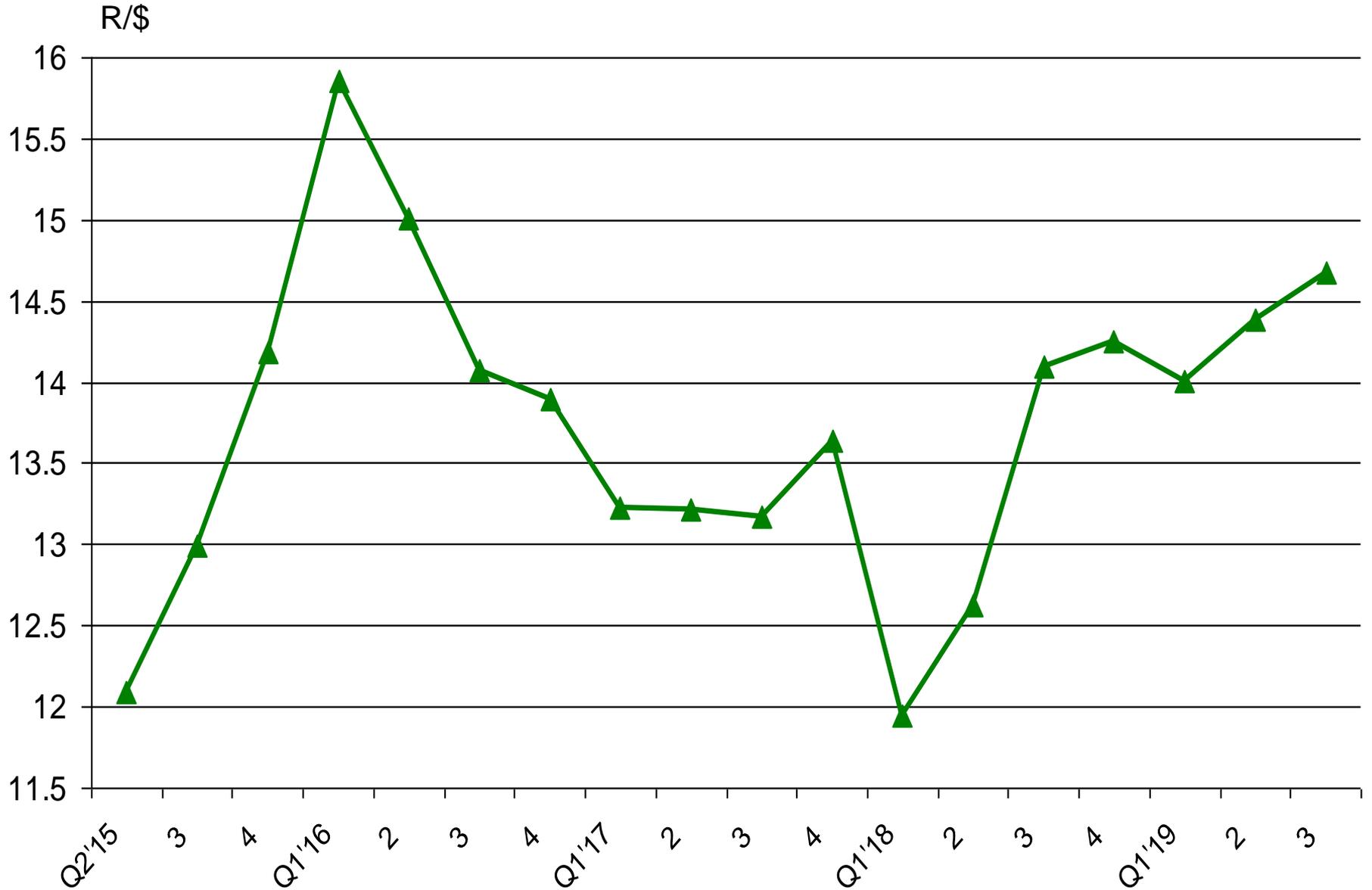
# Real effective exchange rate (REER) of the rand

(Sources: SARB; Currencies Direct)

Foreign currency unit/R; Index; 2010 = 100

Actual REER

Ramaphoria

$14.67

L/T avg. (93.3)
($13.53)

Trade war

World recession

Zuptagate

Argentina
financial crisis
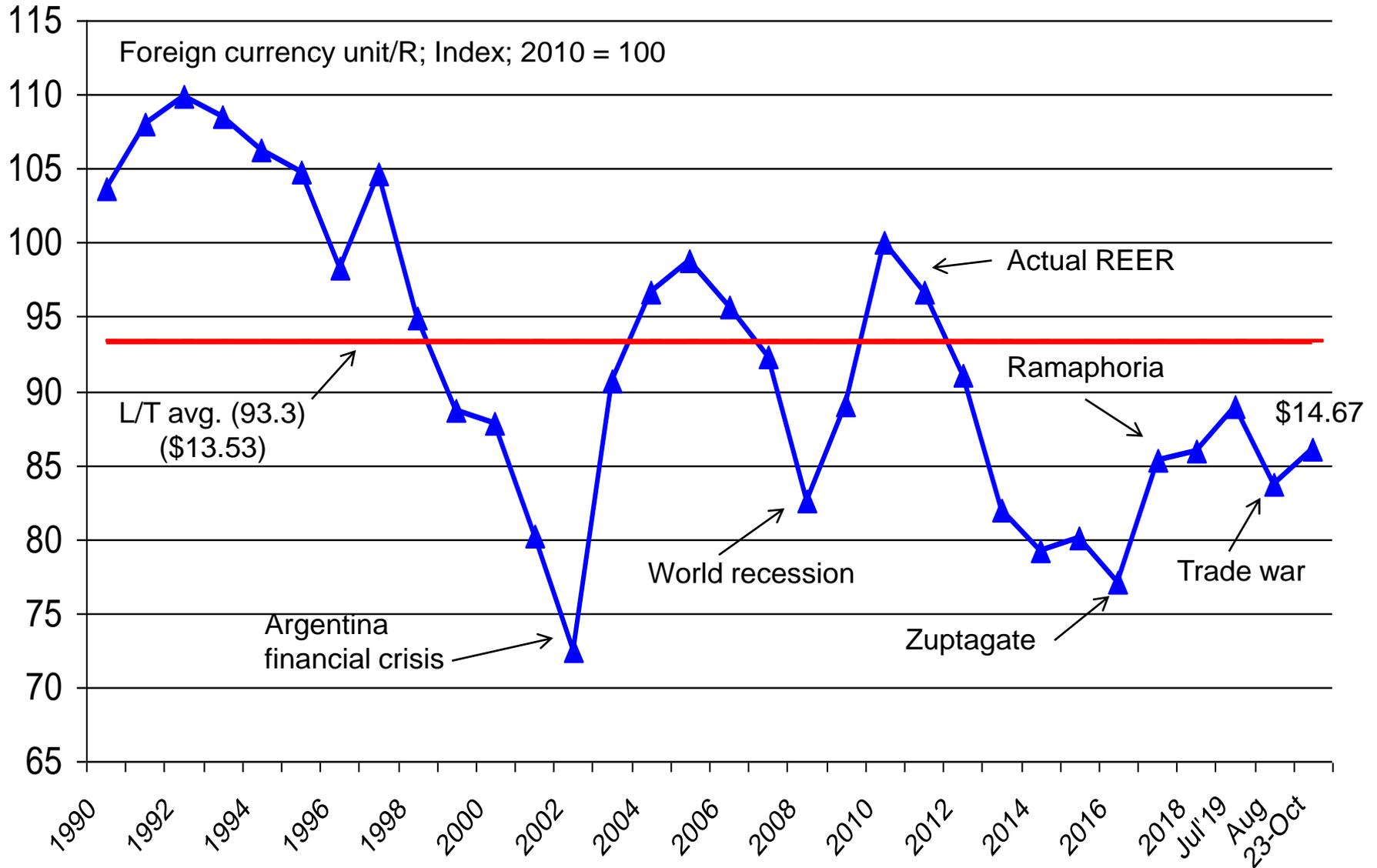
Optimum Index of Household Financial Resilience (HFR)

Index; Q1 2012 = 100
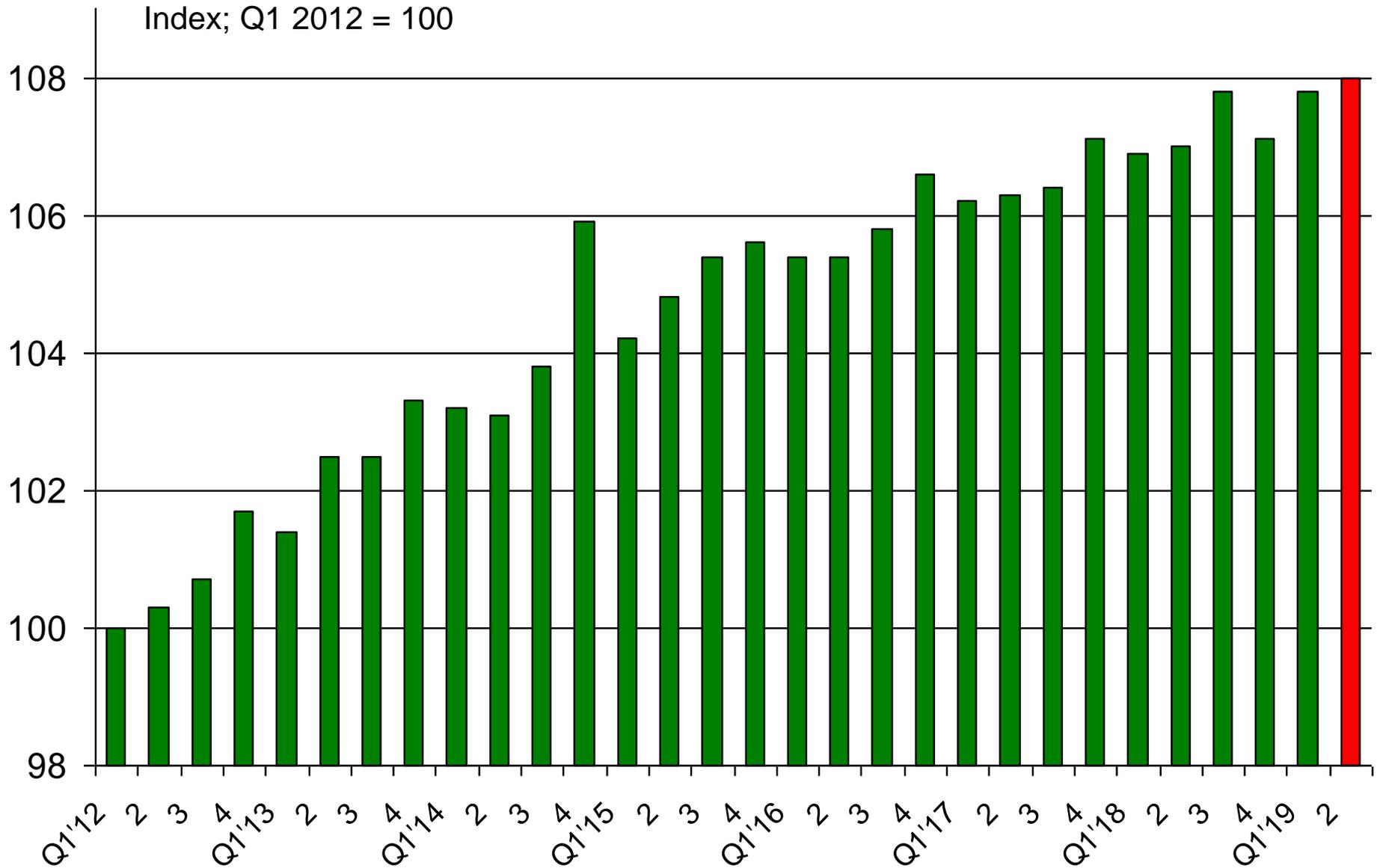
Nuclear power project canned

Energy Costs R/kWh — bar chart comparing energy costs:

Source	Energy Cost (R/kWh)
Mid-merit coal	~1.48
New nuclear	~1.45
Baseload coal	~1.20
Mid-merit gas	~1.10
Coal IPP	~1.00
Gas turbines	~0.72
Photo-voltaic	~0.61
Wind	~0.61
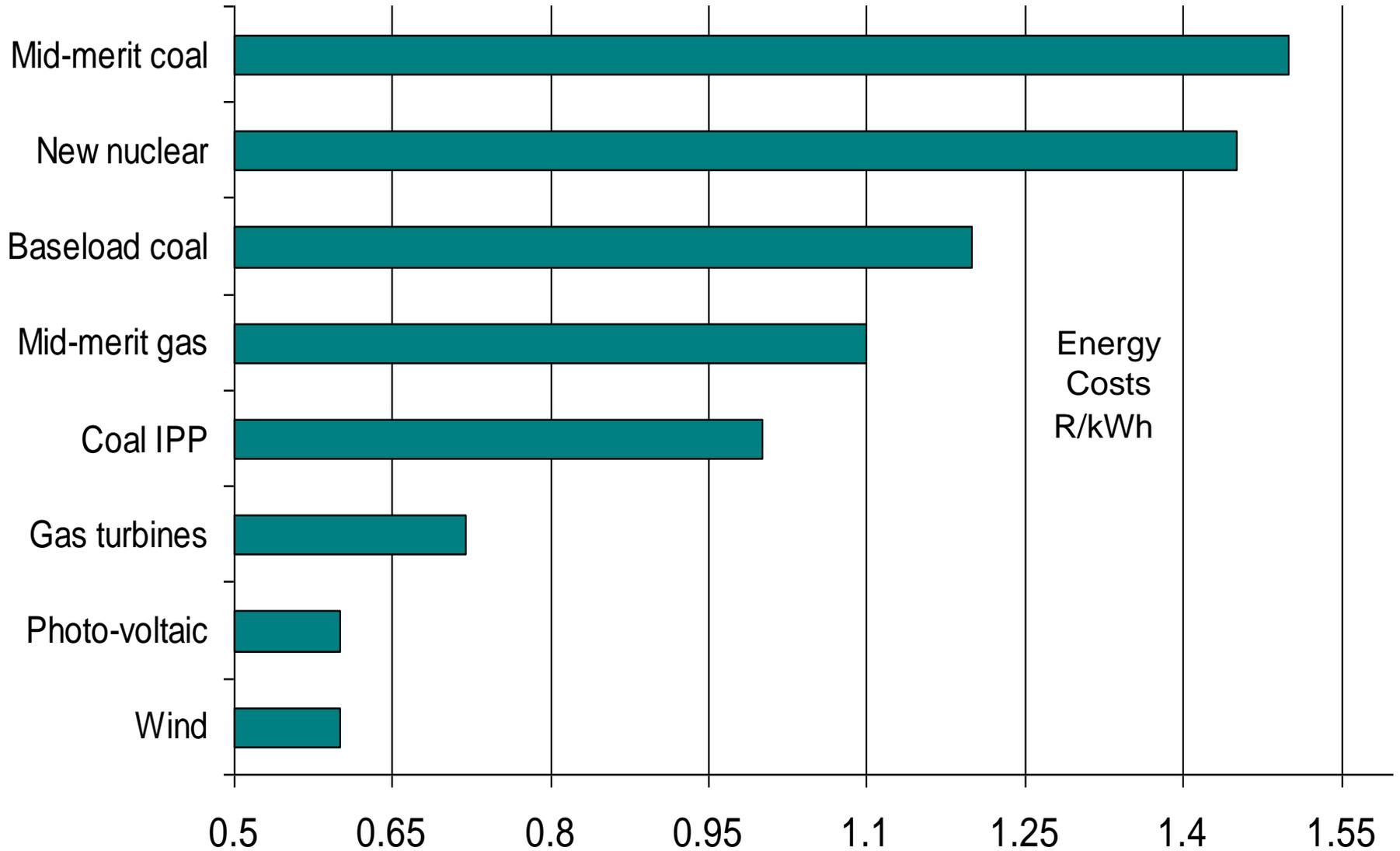
Foreign direct investment into South Africa

(Source: SARB)
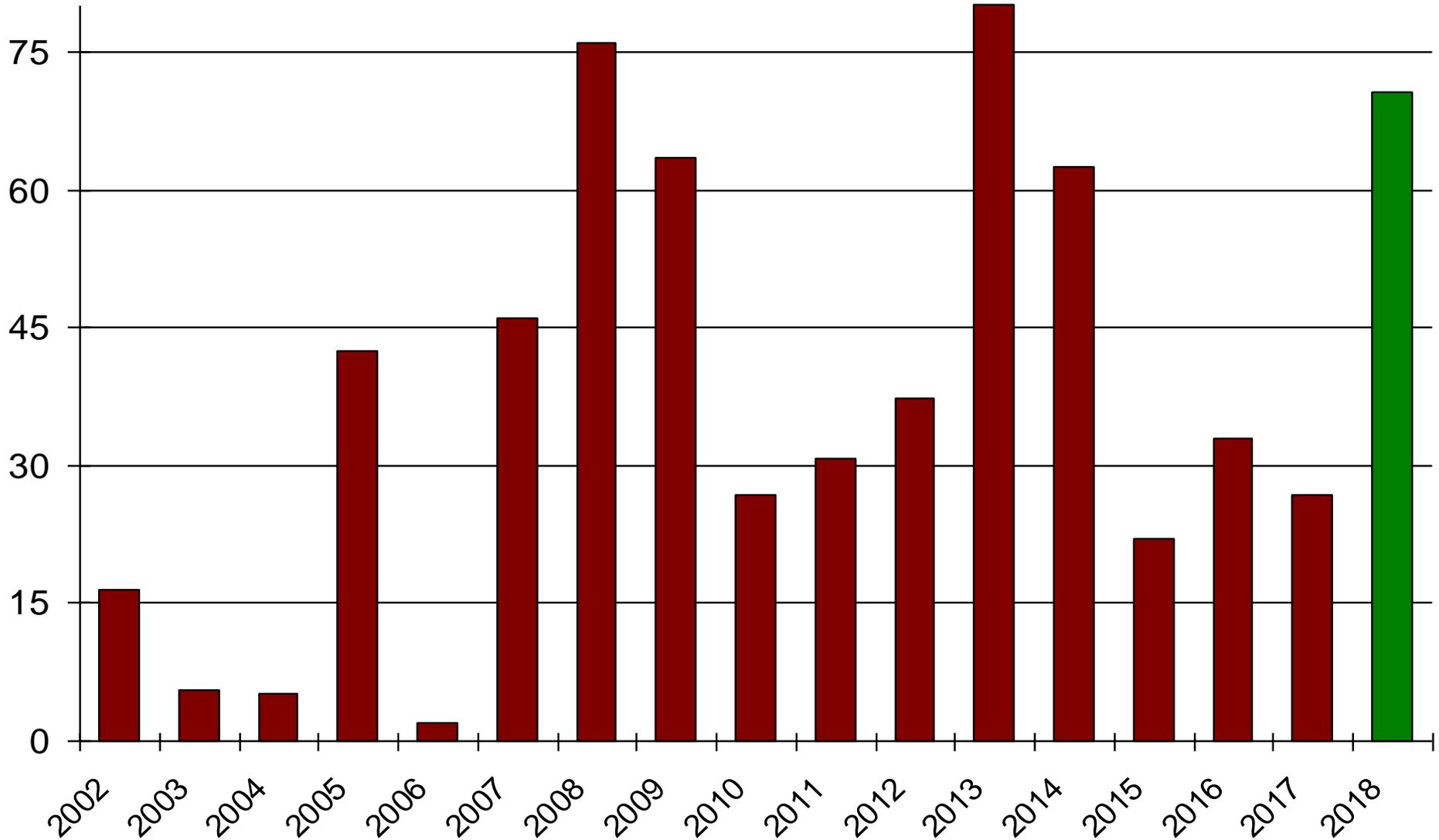
Green shoots appearing

Tourist arrival from overseas

(Source: Stats SA)

Number ('000)
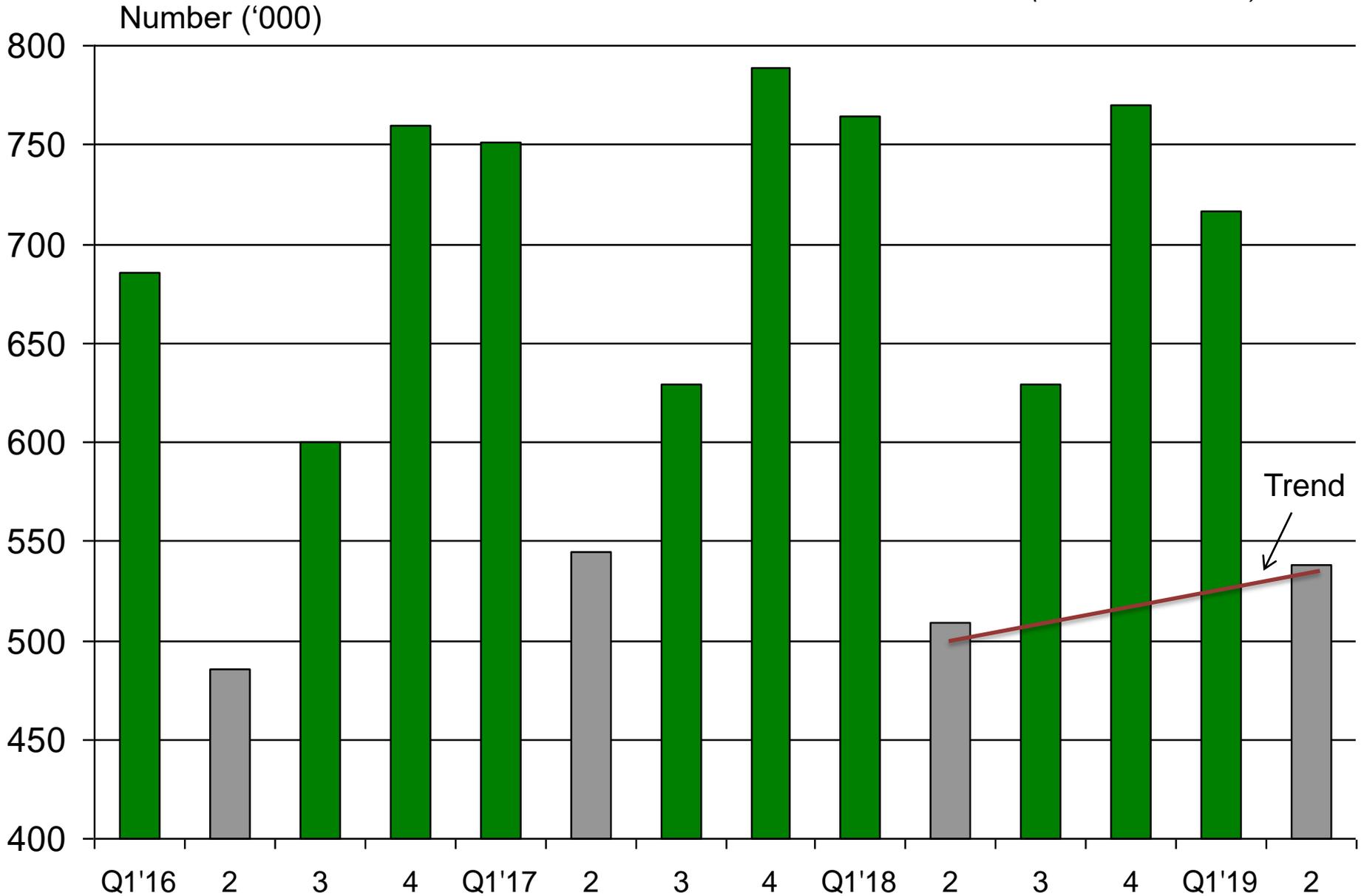
Source countries for inbound tourism – April 2019

Total: *217,000*

Other Europe - 43.1

UK - 39.8

Australia - 10.6

Netherlands - 11.3

USA - 27.8

Germany - 25.8

France - 14.3

Other Americas - 14.2

Asia & M/East - 30.2
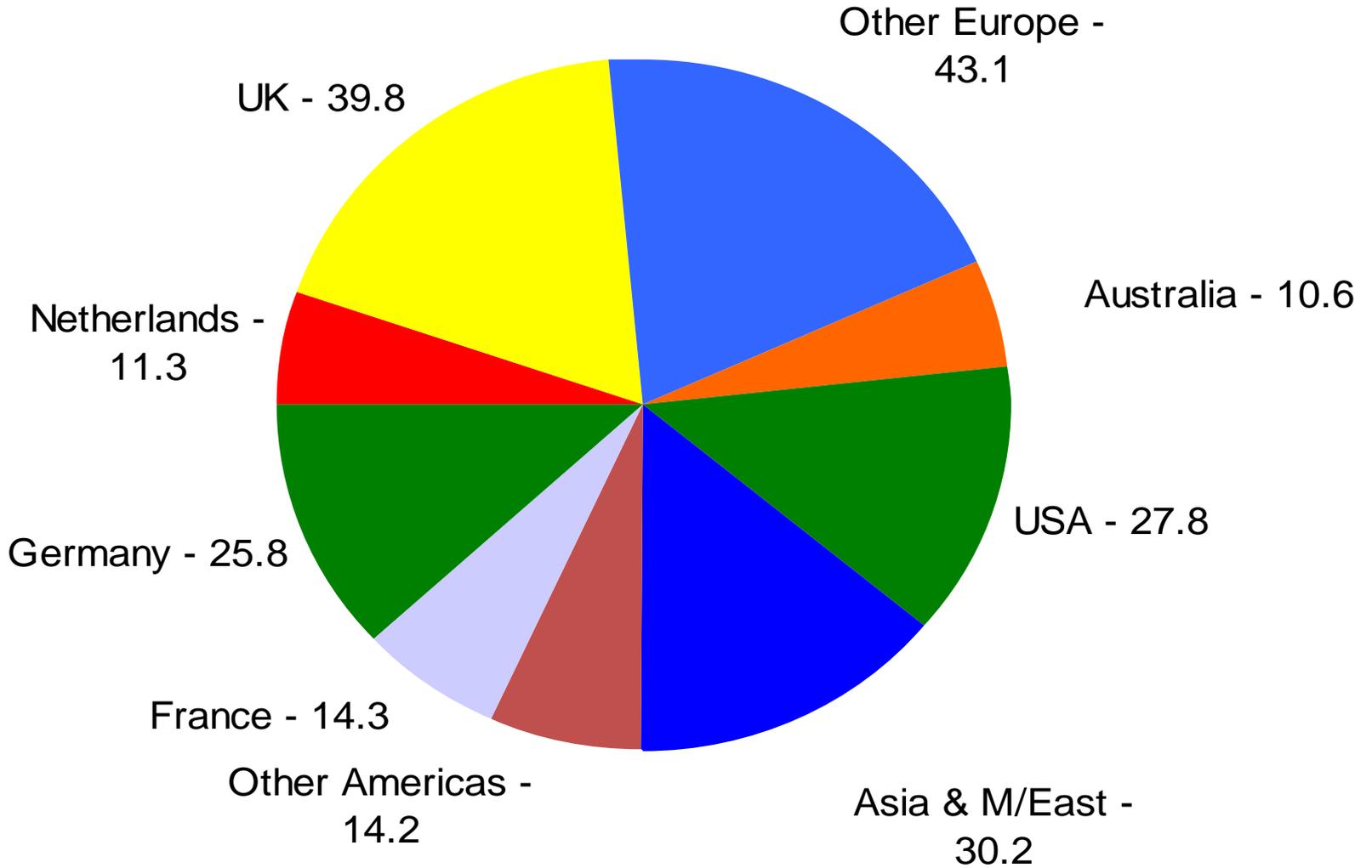
Real remuneration per worker

(Sources: SARB; Stats SA)

Index; 2010 = 100

Public sector

Private sector
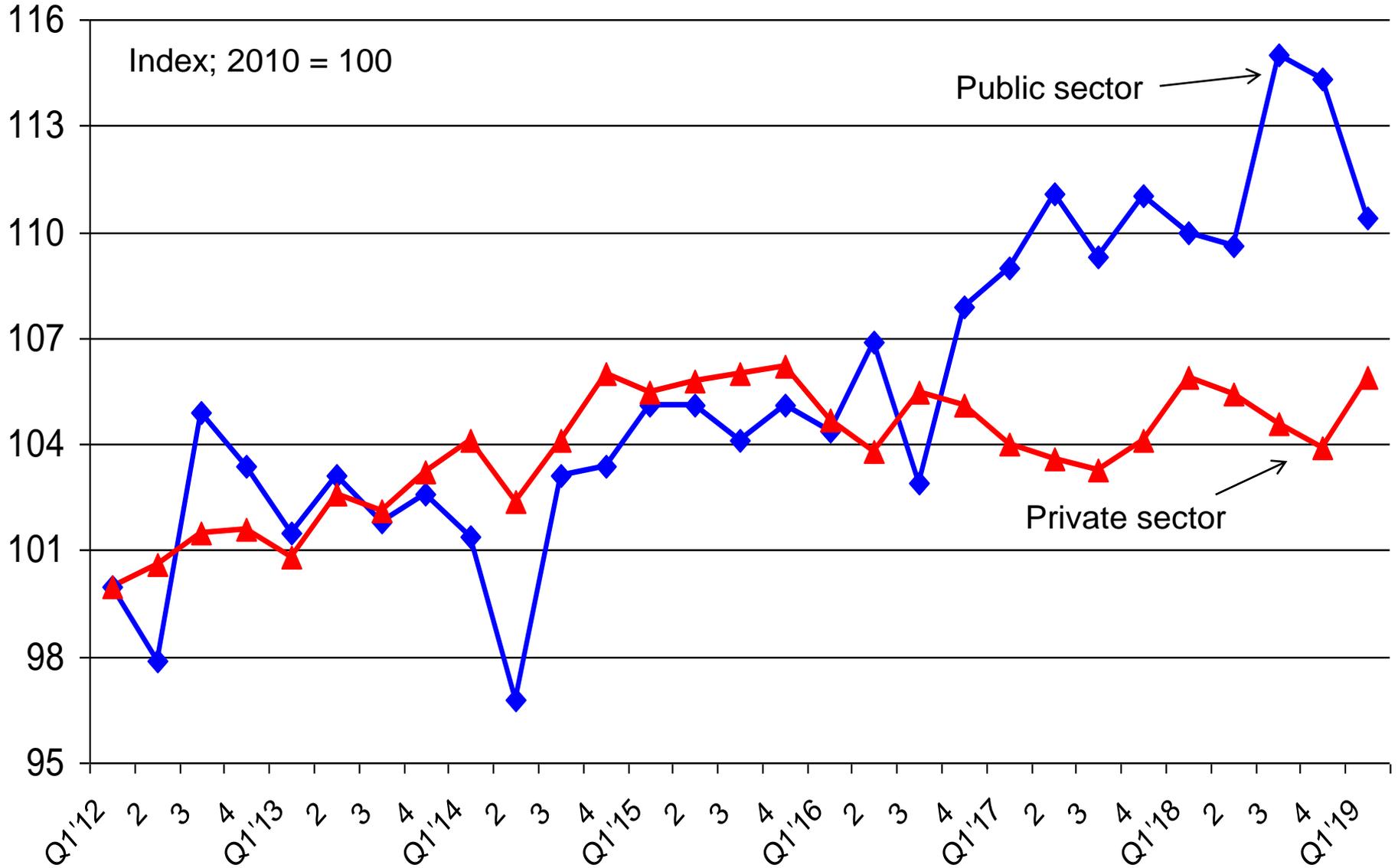
Afrimat Construction Index (ACI) – 2nd quarter 2019

Index; Q1 2011=100

4Q average
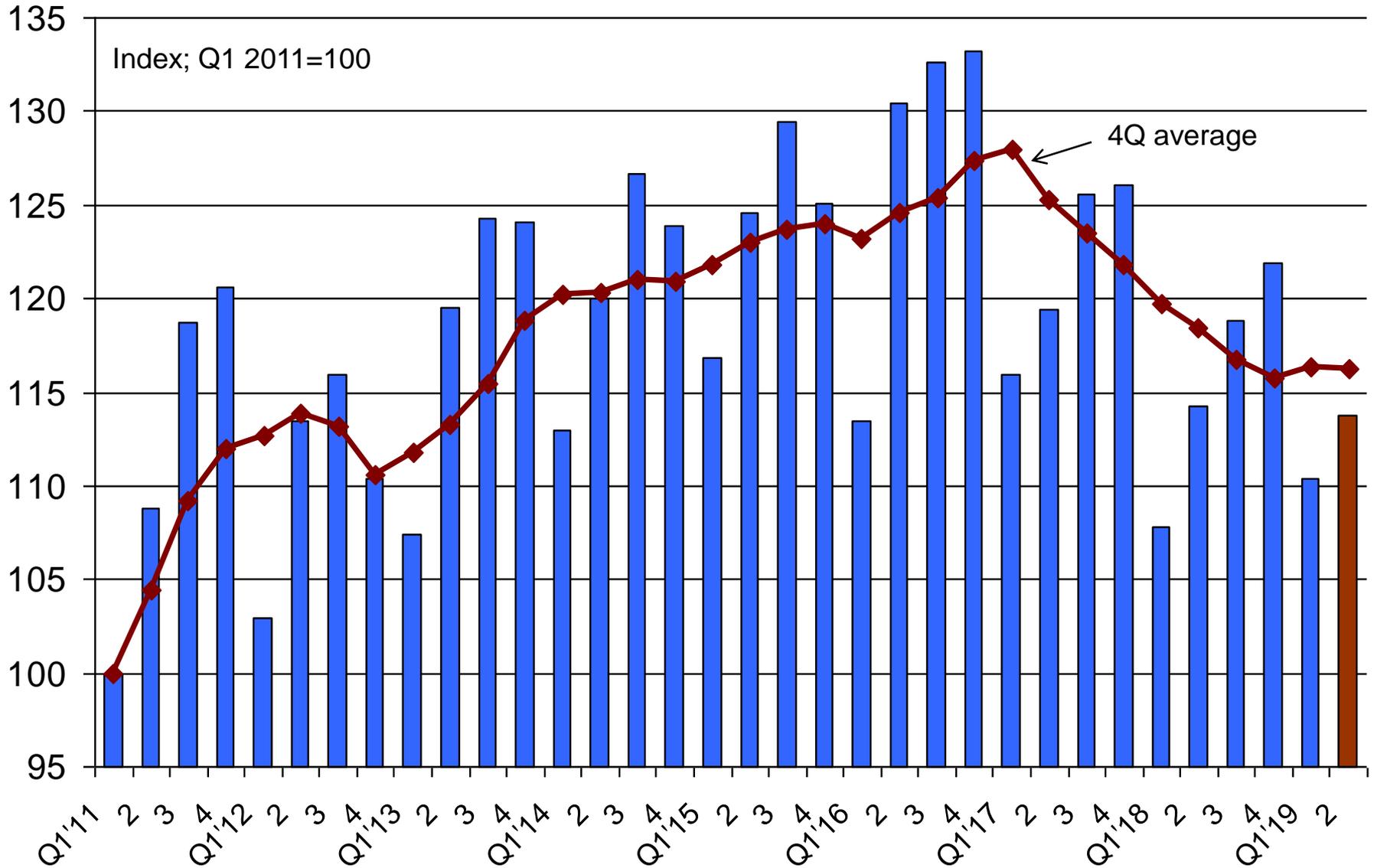
Investment income for long-term insurers recovers in 2018 (constant 2018 prices)

R billion

Quarter	Value
Q4'12	27.9
Q1'13	28.1
2	30.1
3	30.7
4	32.0
Q1'14	33.3
2	32.0
3	32.1
4	31.0
Q1'15	31.5
2	32.2
3	32.7
4	33.3
Q1'16	35.3
2	35.5
3	36.1
4	35.6
Q1'17	34.2
22	33.6
3	33.4
4	33.9
Q1'18	34.3
2	34.9
3	35.1
4	35.3
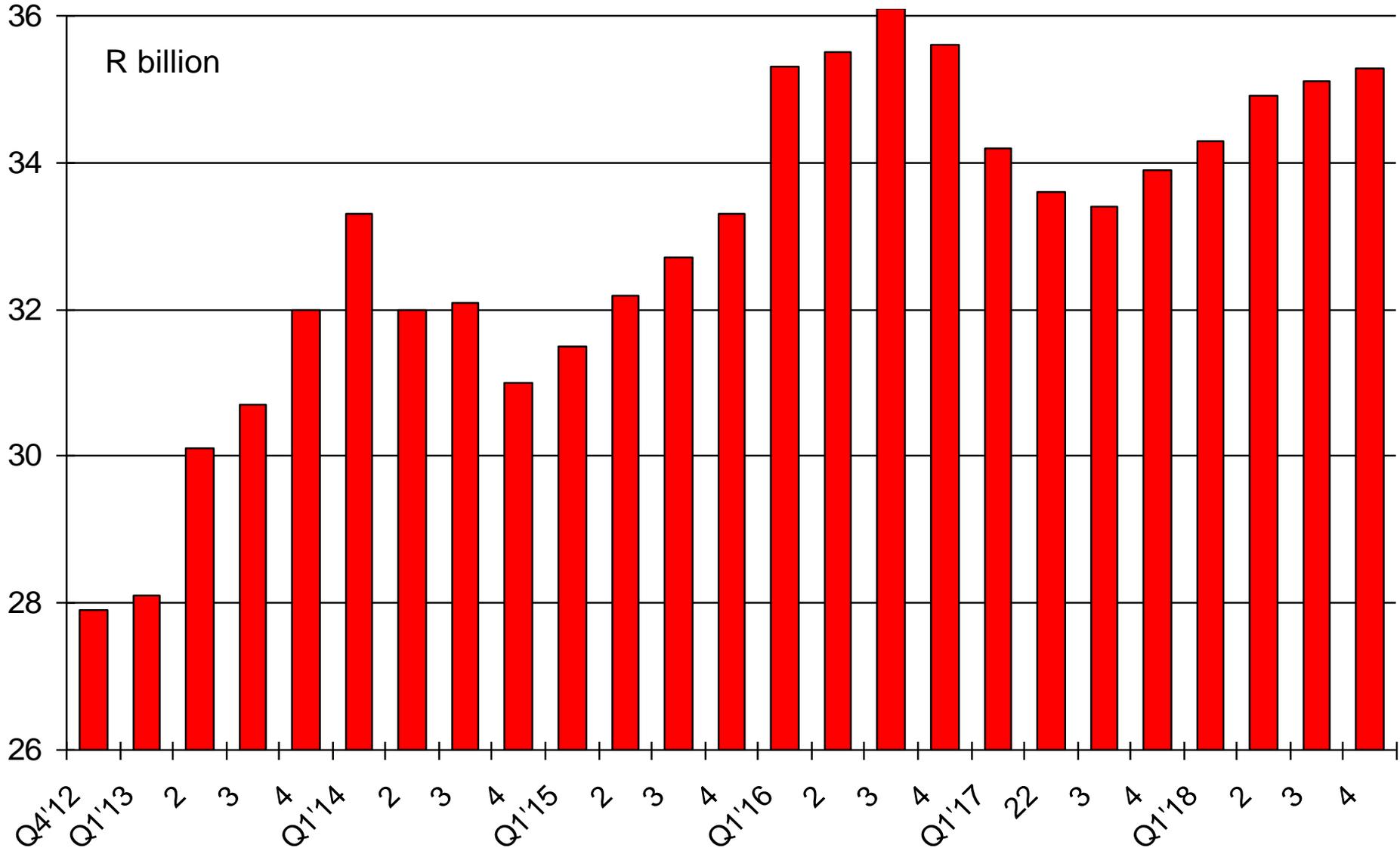
Merchandise exports & imports for the 1st semester

(Source: SARS)
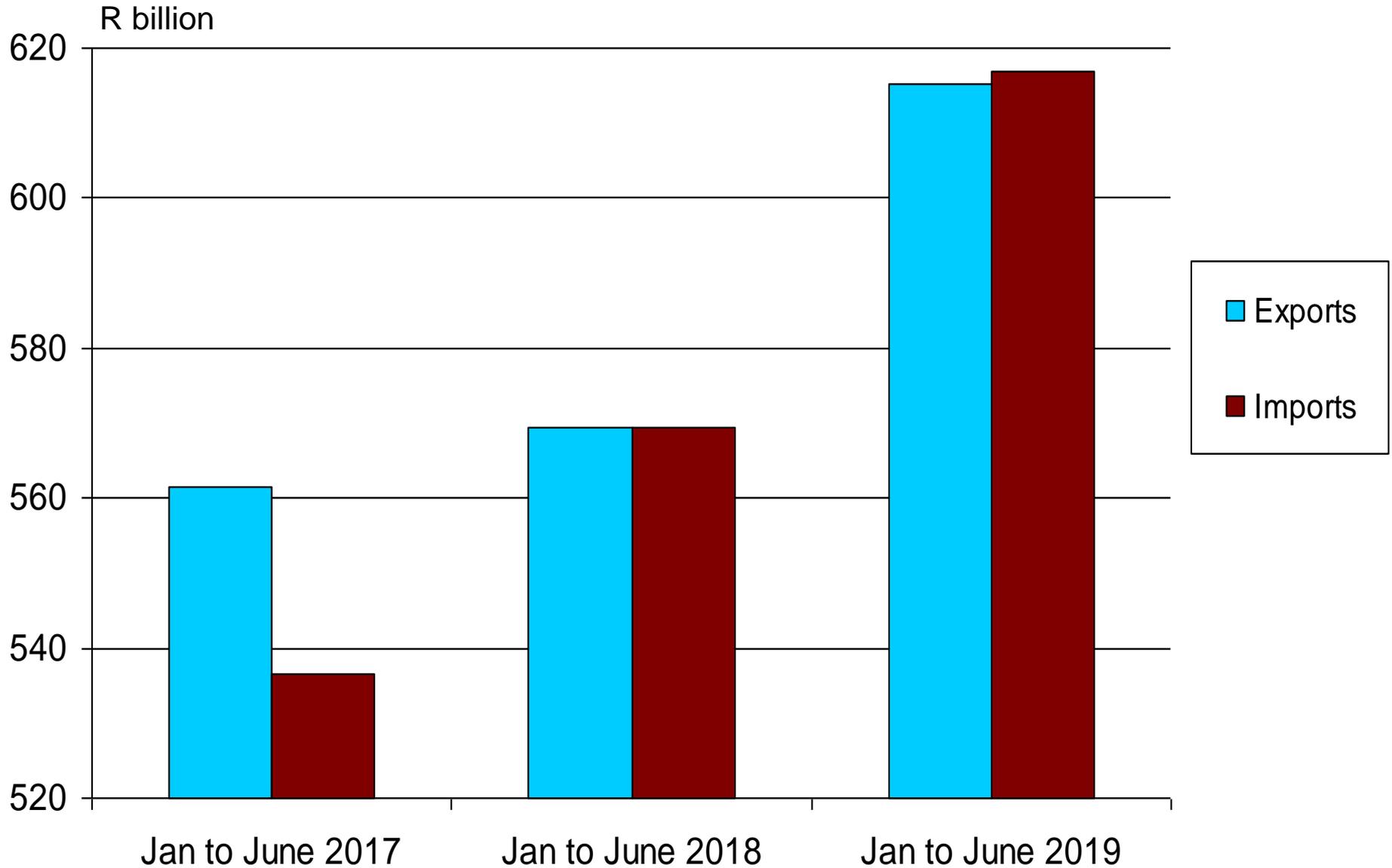
# First semester manufacturing sales values at constant 2019 prices
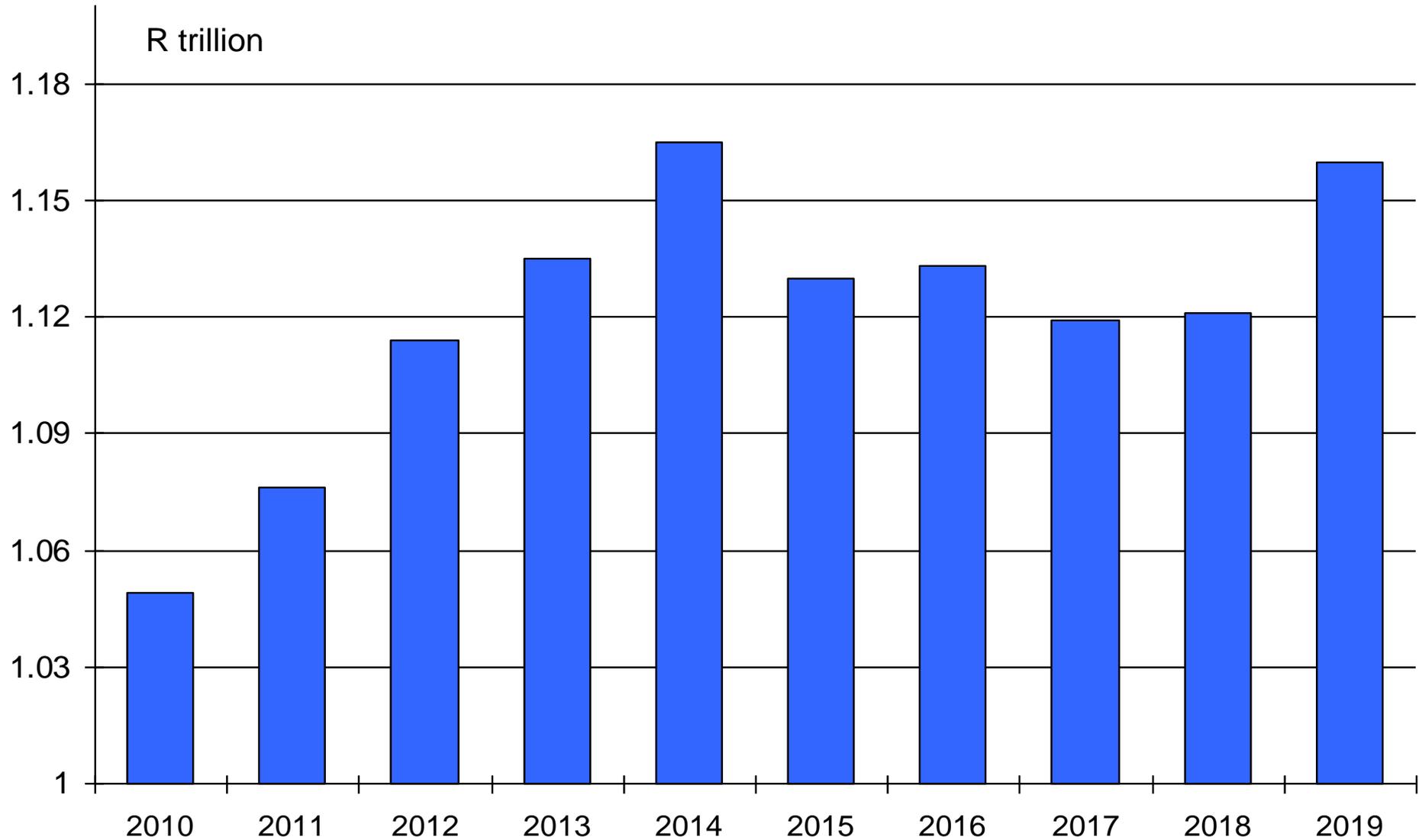
Year-on-year % change in real retail trade sales (3-month moving average)
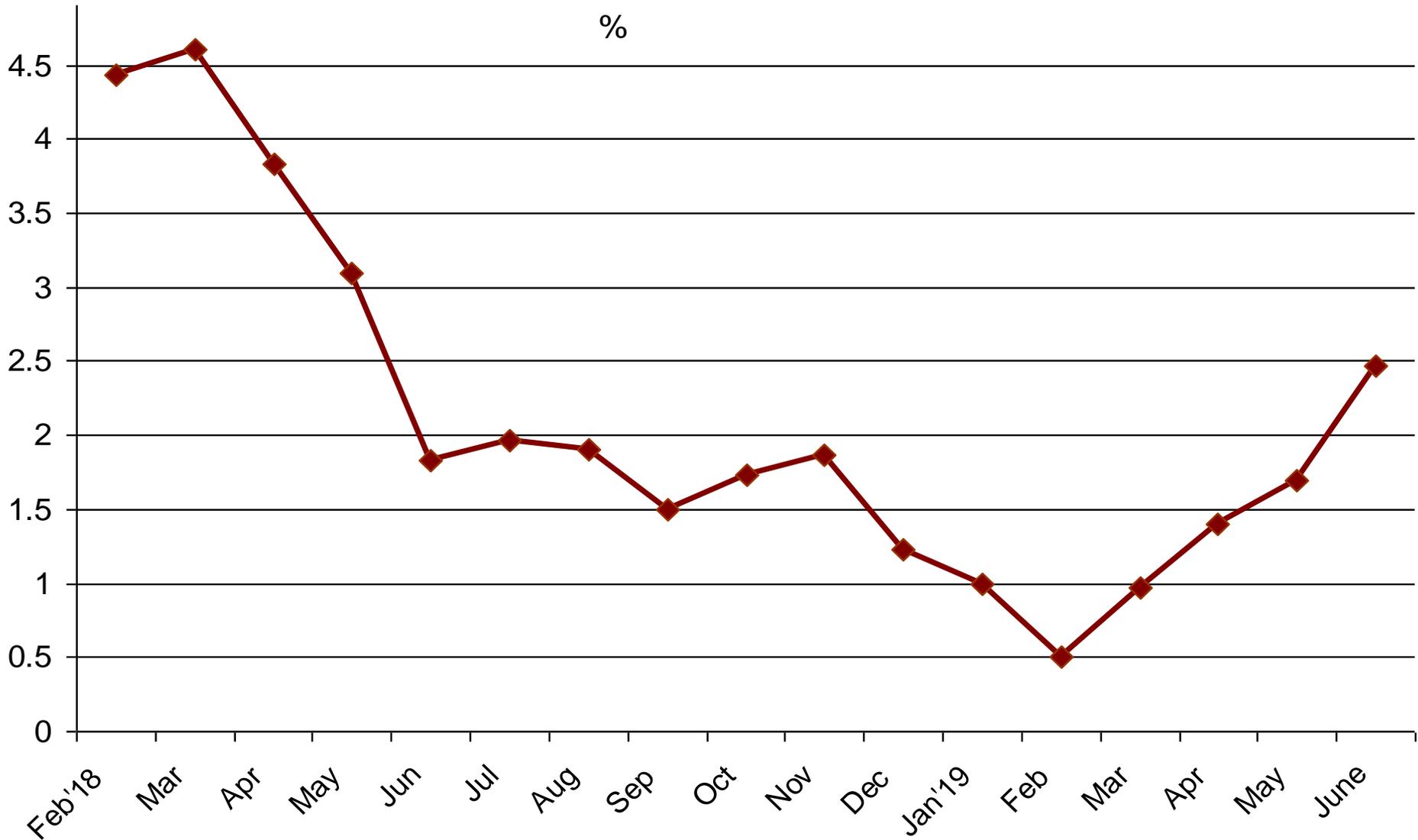
1ˢᵗ semester mineral sales at current prices

(Source: Stats SA)
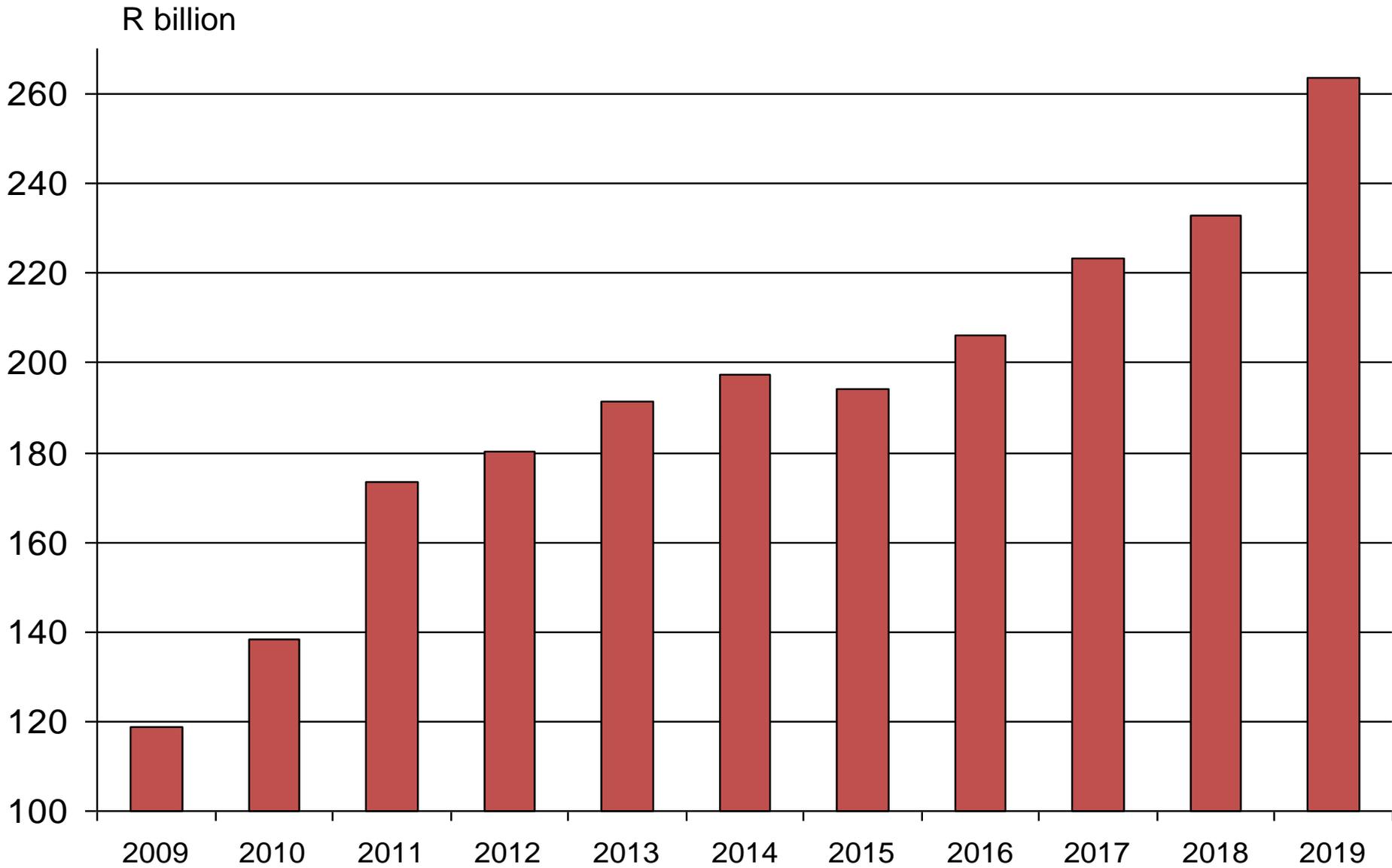
# Short-term insurers – premiums received (constant 2018p)

(Sources: SARB; own calculations)

R billion

Trend
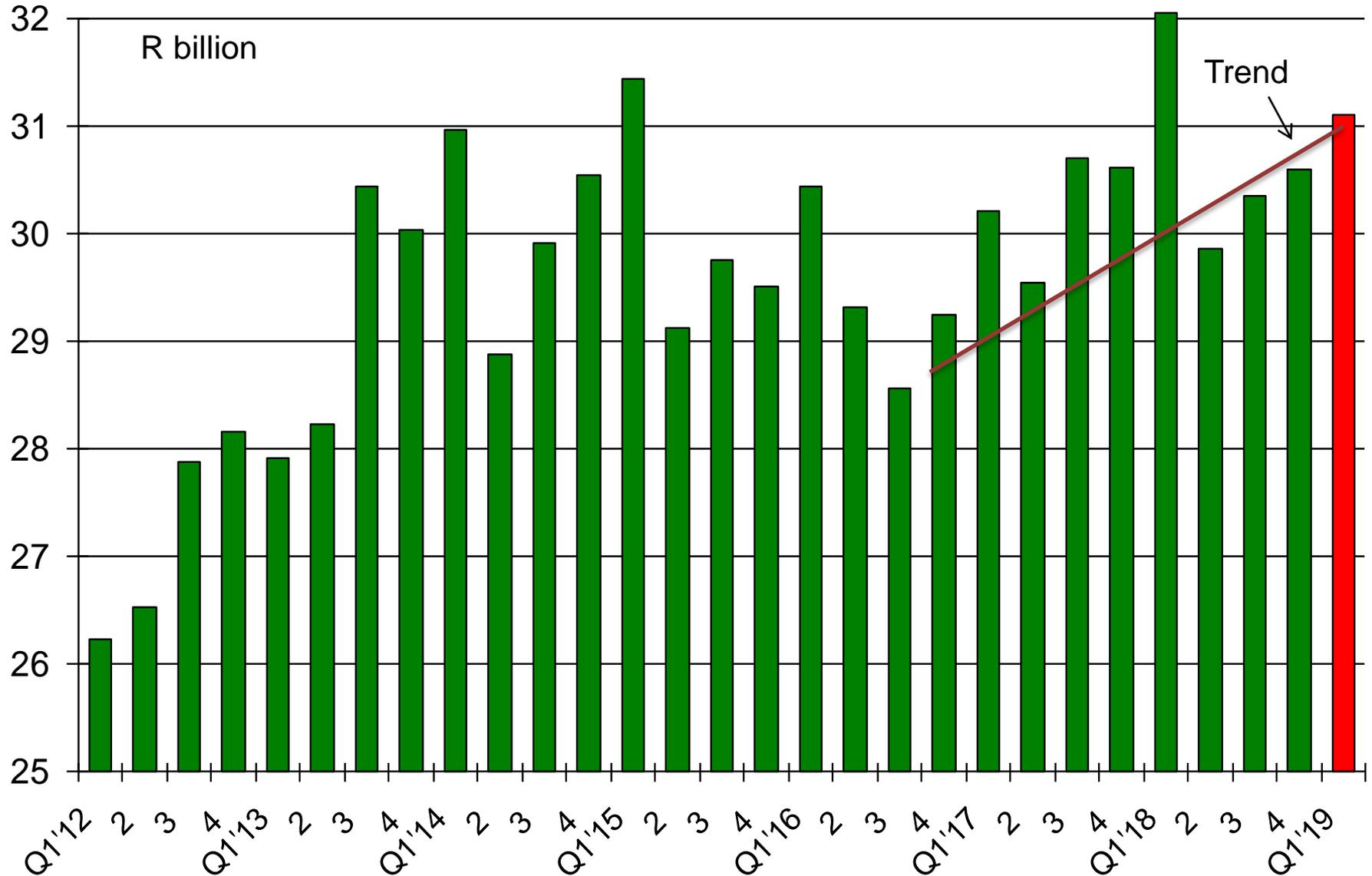
# Household disposable income continues to grow (constant 2017 p)

(Sources: SARB; own calculations)
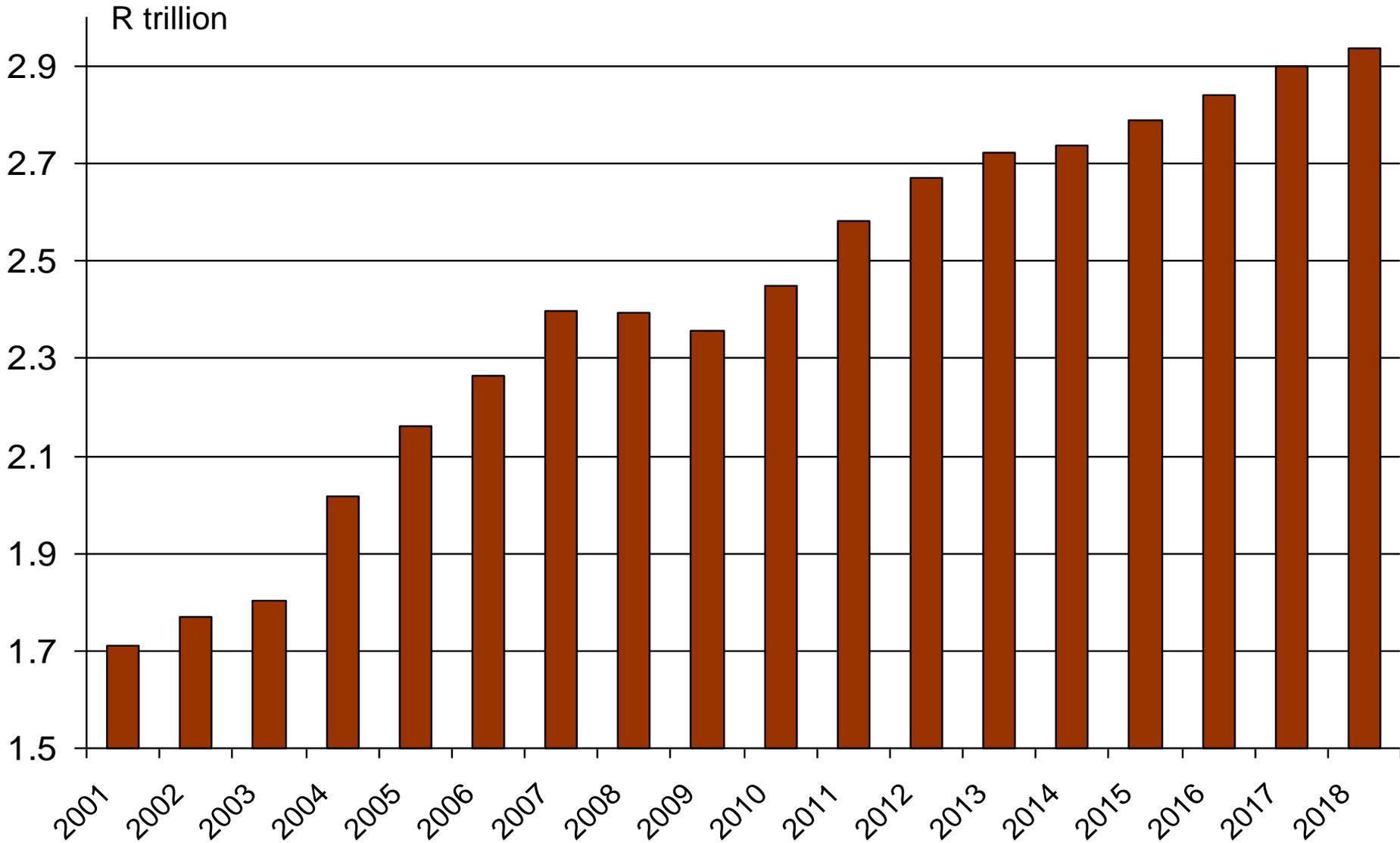
Gross capital formation at constant 2019 prices

(Sources: Stats SA; own calculations)
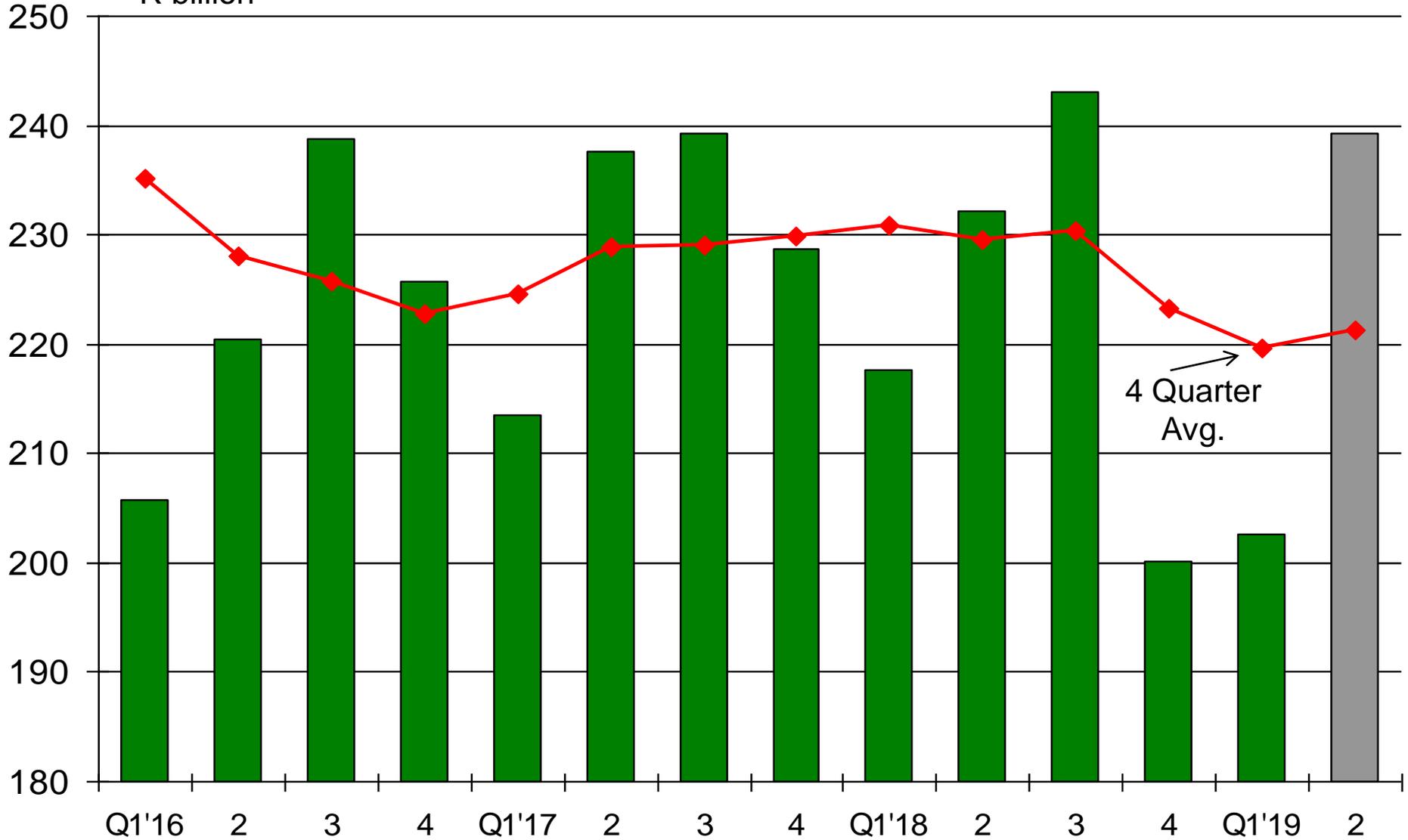
South Africa's *per capita* GDP at constant 2017 prices