



The sceptical optimist:  
– Mike Schussler Economists.co.za

## **TAU: Macro economic indicators & will SA Farmers be able to supply SA with affordable food in a sustainable way?**

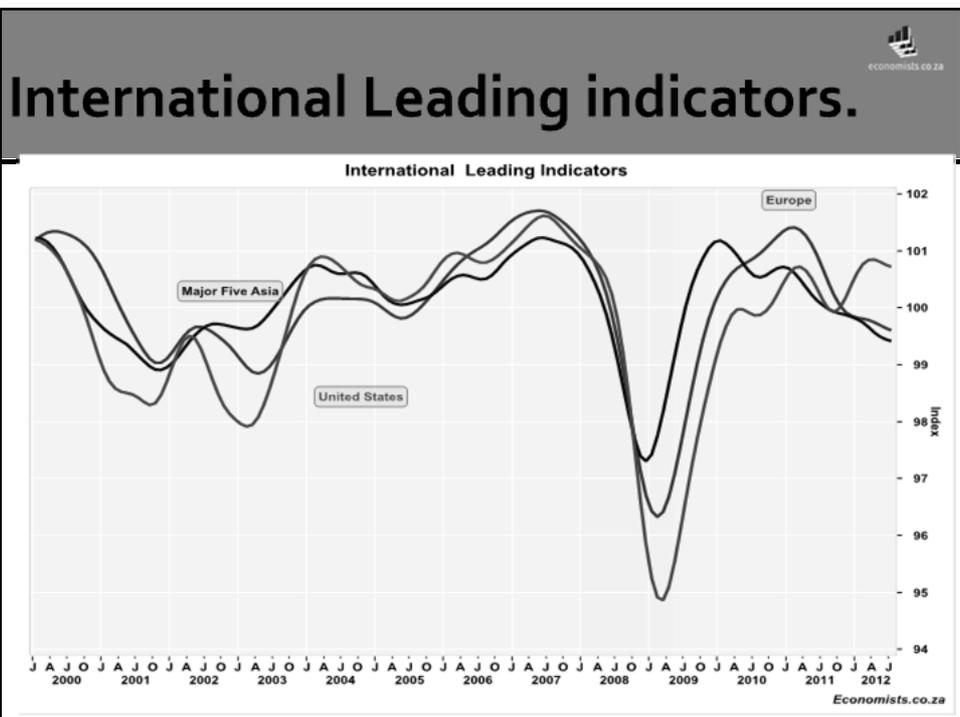
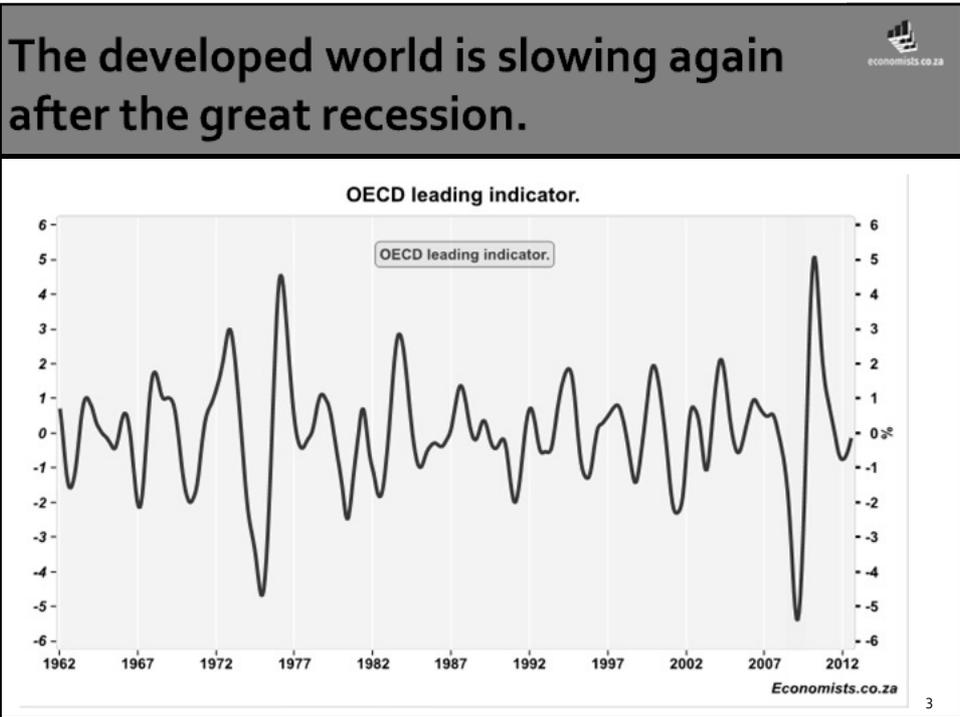
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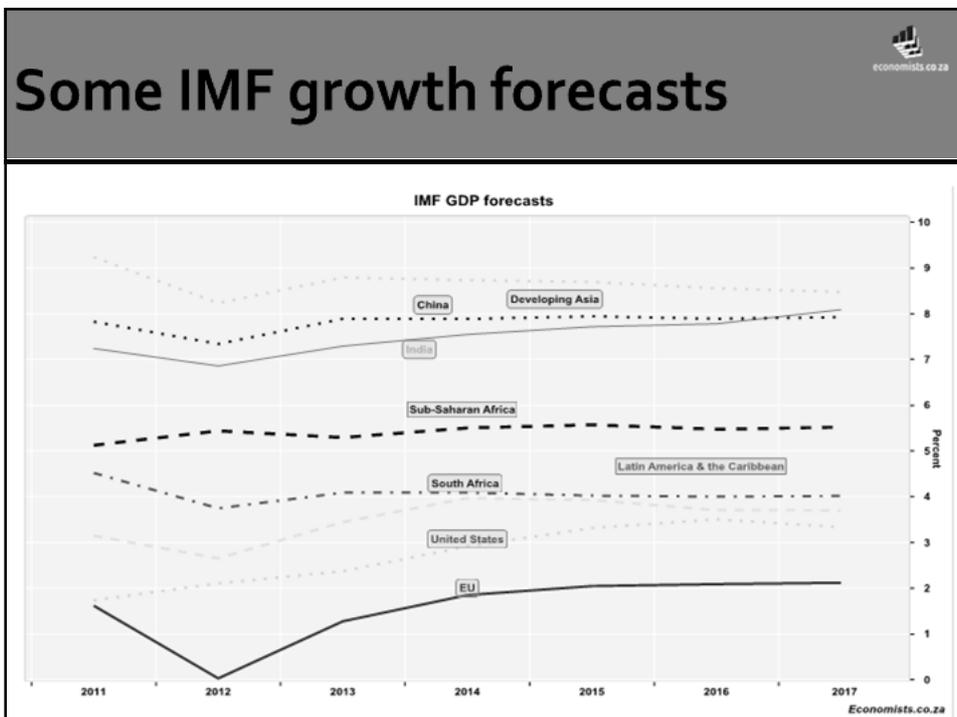
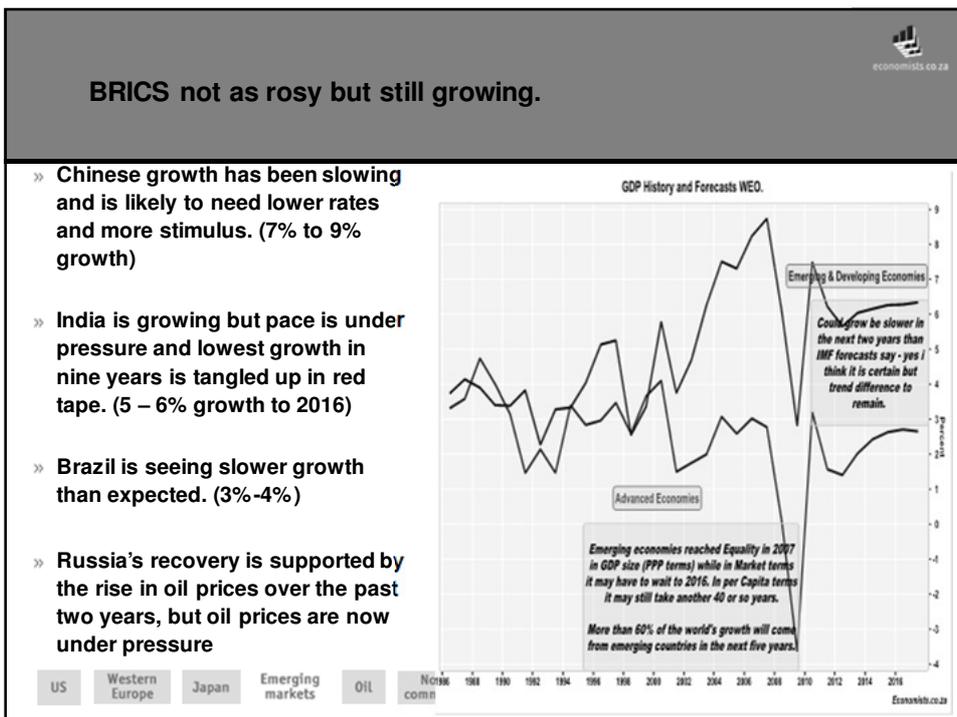
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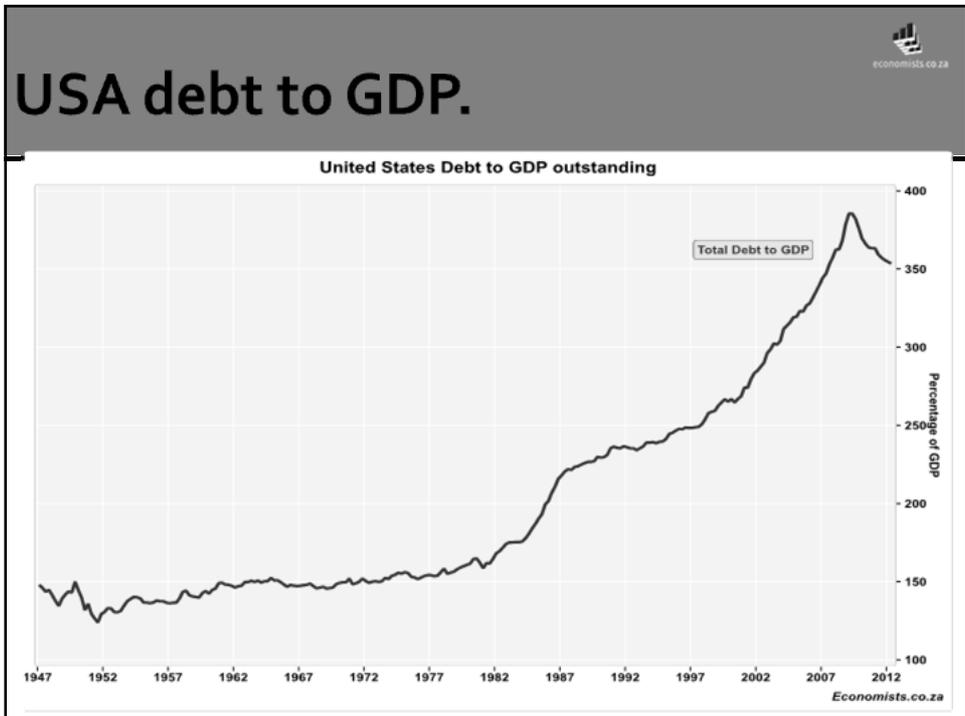
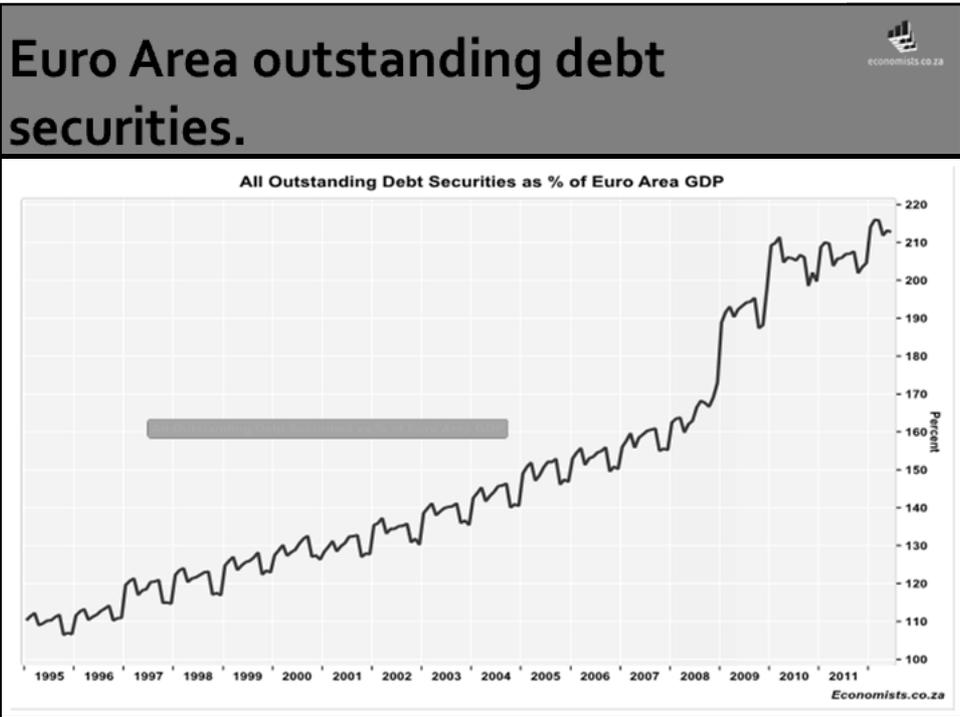
## **You are not the only person with a debt problem.**

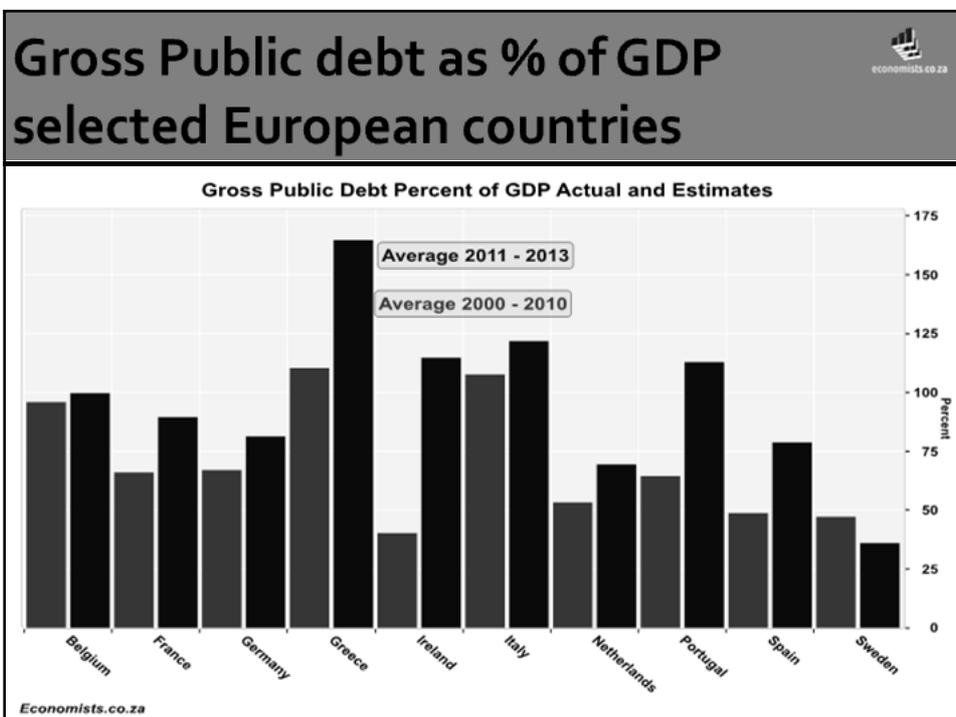
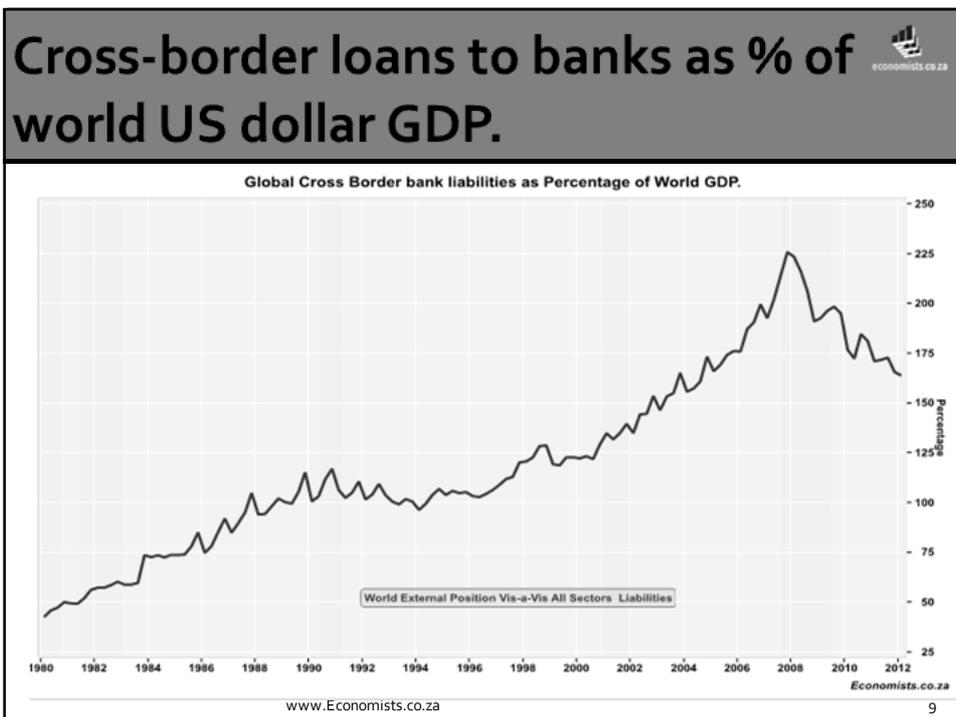


- Global.
  - Business cycle indicator.
  - Debt a new word.
  - Risk another new word.
  - Revolutions happened and happening.
- South Africa.
  - Inflation
  - Growth and sectors
- SA farmers part.









## Debt was the cause of the revolution even back in 1788.



- France in 1788 was a nation overcommitted. The state had inherited commitments to its creditors, its office holders and its citizens, not all of which could possibly be kept given the state's prospective resources.
- The monetary and fiscal affairs of the French Revolution (1789-1799) centred on a struggle to unwind past commitments and elaborate new ones.
- An outcome of the over commitment was a sequence of serious government fiscal crises that culminated in the decision of Louis XVI to convene the Estates General in 1789 for the purpose of redistributing fiscal burdens among the three Orders of France.

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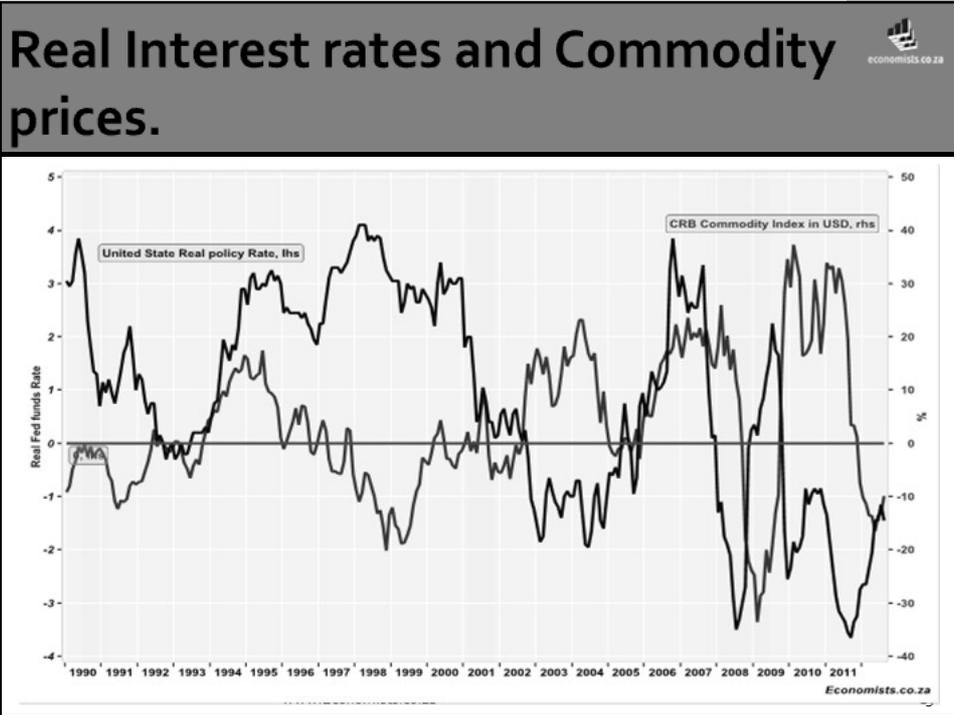
## Oh yes this is a major debt adjustment.



- The world especially the first world has probably never seen this level of debt either in nominal terms or as a % of GDP.
- We will take at least another five years to reach normal may be a few years longer – some talk of 2022 for near normal debt levels and employment levels.
  - The jobless generation in perhaps upon us.
- The new “normal” will be lower growth.

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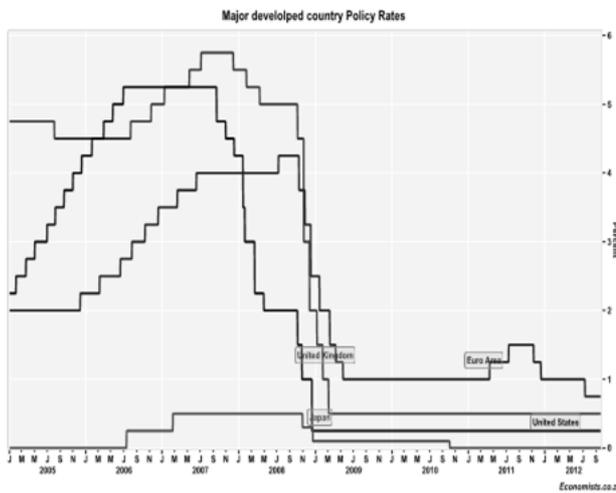
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Loose monetary policy is something you can bank on but not in.....



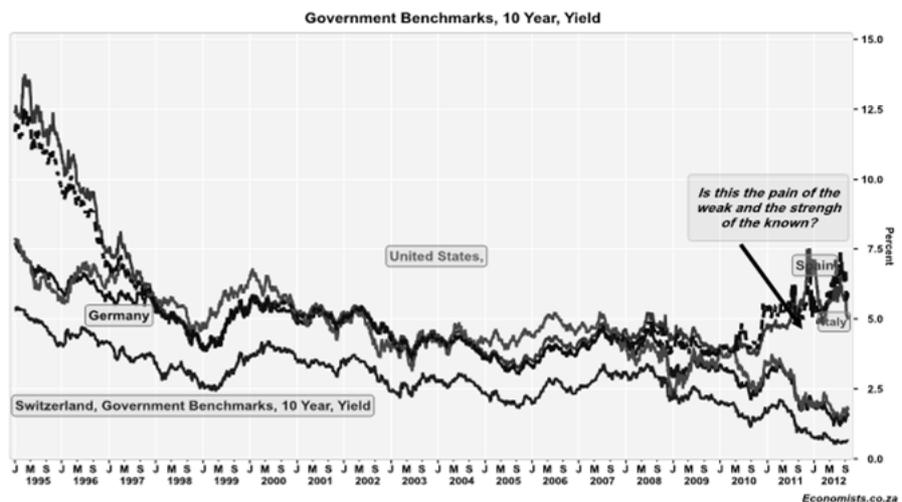
Very low interest rates keep the world going at present.  
They are unlikely to raise any time soon perhaps not even in 2018!



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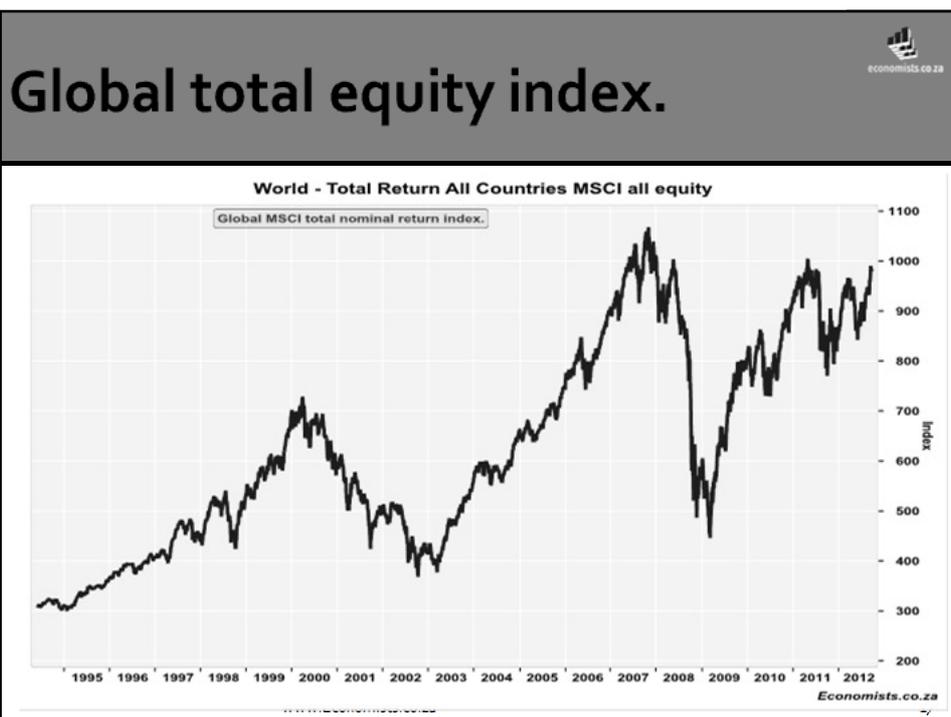
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Long bonds show bigger differences between countries.



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## World summary from IMF

- Global output to expand by 3,5% in 2012 and less than 4% in 2013.
- Advanced economies' growth to slow to 1.5% and estimates of 2% in 2013.
- Emerging markets to see average 5.75% growth, down from 2011 recovering to 6% in 2013.
- Everything just looks slower than before and risks are firmly on the downside.
- Africa is growing 5.4% 2X SA rate.

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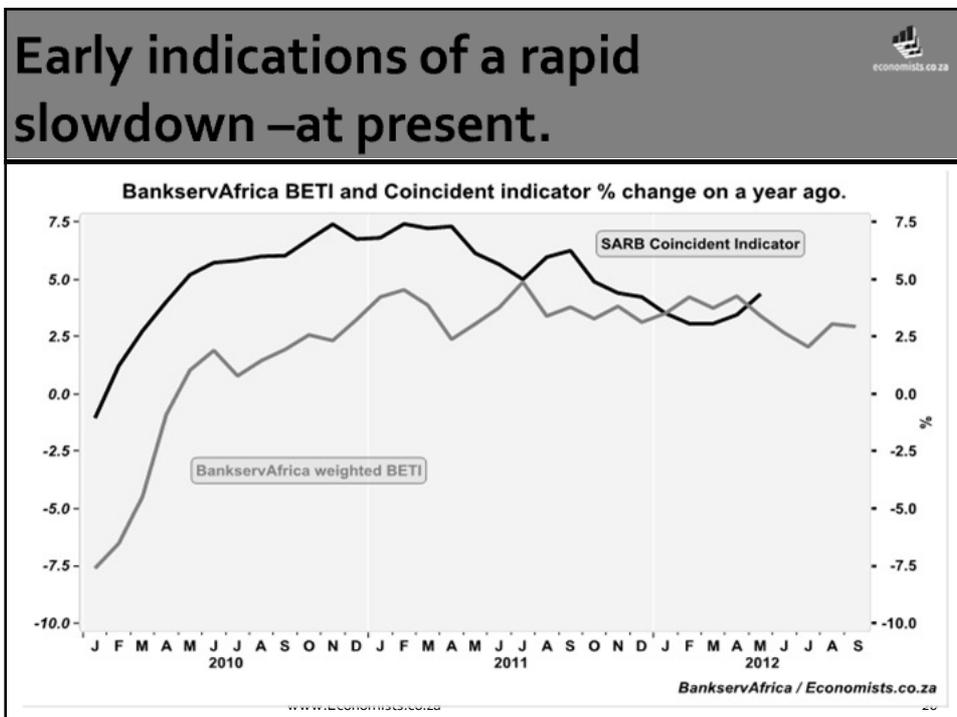


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It's true we have a R<sub>3,3</sub> Trillion Rand economy.

## South African Economy. Slower growth and lower inflation.

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## GDP detail and History.



|  | 2009   | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|--------|------|------|------|------|------|------|
| Agriculture, forestry and fishing          | -3.0%  | 0.9% | -0.4 | 5.3  | 5.6  | 14.0 | -4.0 |
| Mining and quarrying                       | -4.2%  | 5.8% | 0.2  | -1.9 | -1.7 | 6.0  | -0.6 |
| Manufacturing                              | -10.4% | 5.0% | 2.4  | 1.8  | 2.1  | 2.0  | 2.7  |
| Electricity, gas and water                 | -1.6%  | 2.0% | 1.3  | -1.7 | -0.2 | -0.9 | 1.5  |
| Construction                               | 7.4%   | 1.5% | 0.8  | 3.9  | 2.4  | 3.2  | 2.8  |
| Wholesale-, retail-, & accomodation        | -2.5%  | 2.2% | 4.4  | 2.9  | 3.1  | 2.9  | 3.1  |
| Transport, storage and communication       | 0.6%   | 2.9% | 3.3  | 2.4  | 2.9  | 2.4  | 2.7  |
| Finance, real estate and business services | 0.9%   | 1.9% | 3.5  | 3.1  | 2.8  | 3.2  | 3.4  |
| General government services                | 4.1%   | 3.0% | 3.9  | 2.2  | 3.0  | 2.6  | 2.8  |
| Personal services                          | -0.3%  | 0.6% | 2.4  | 2.0  | 2.0  | 2.0  | 2.0  |
| Total value added at basic prices          | -1.5%  | 2.8% | 3.0  | 2.4  | 2.6  | 3.1  | 2.7  |
| GDP at market prices                       | -1.7%  | 2.8% | 3.1  | 2.4  | 2.5  | 2.9  | 3.0  |

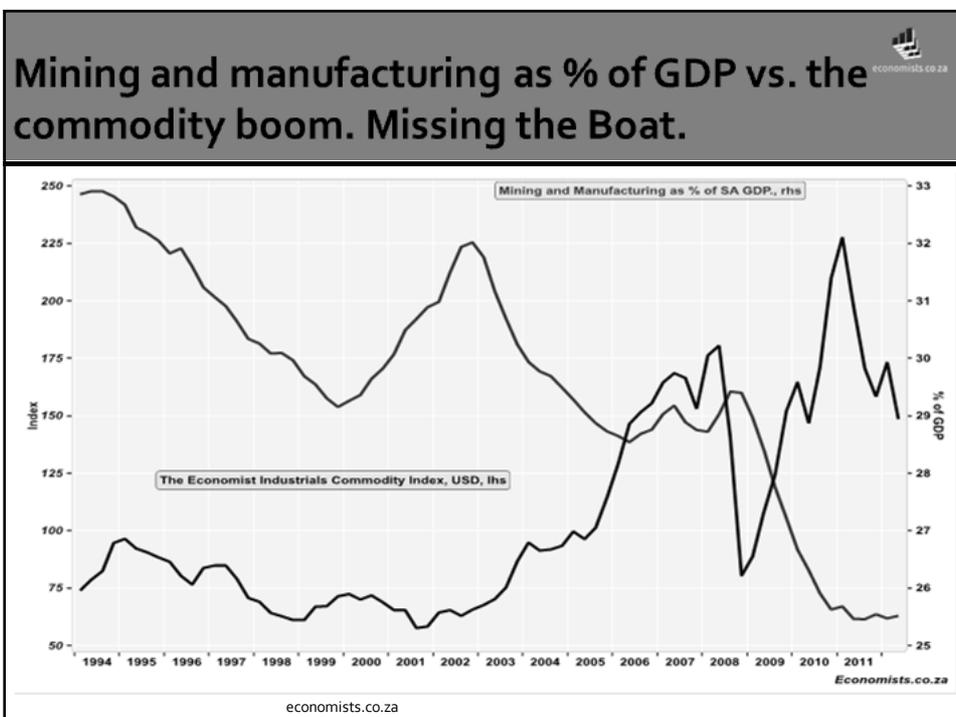
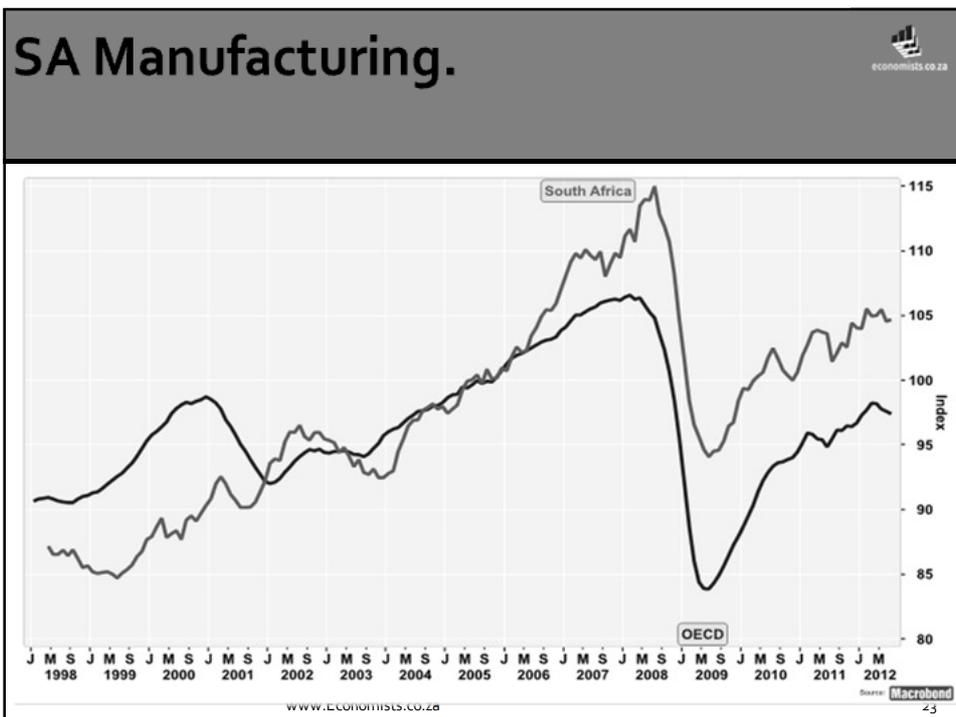
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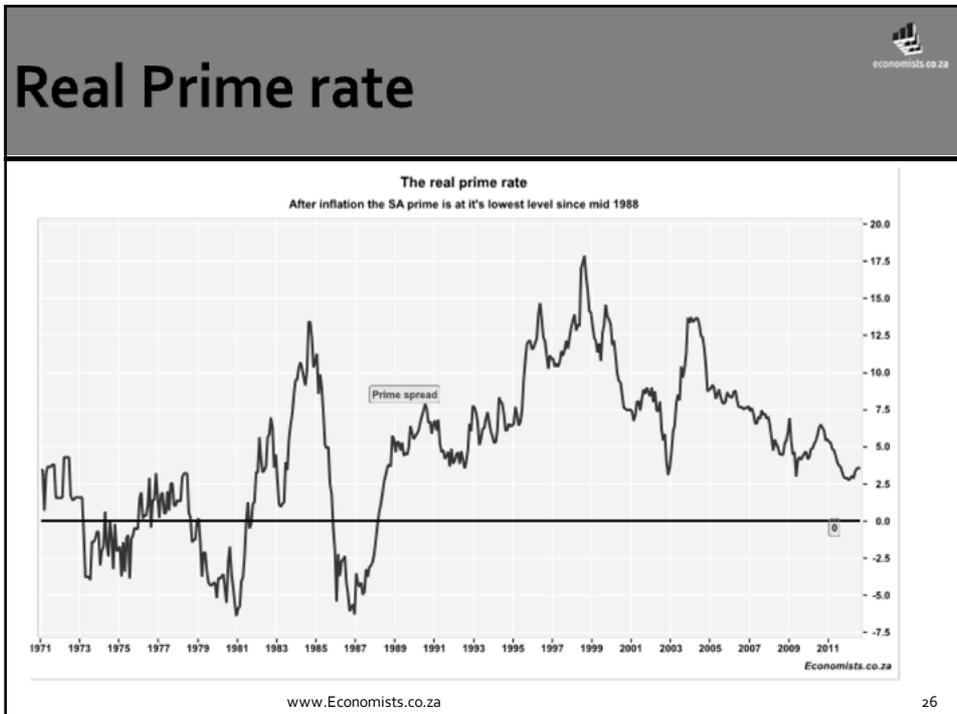
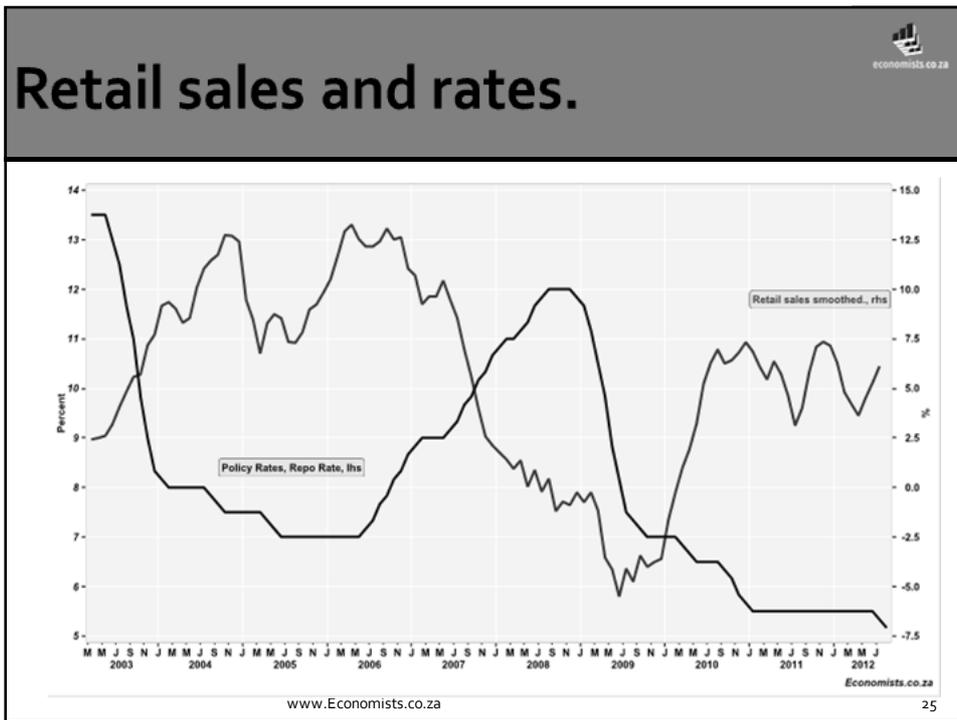
## SA growth.

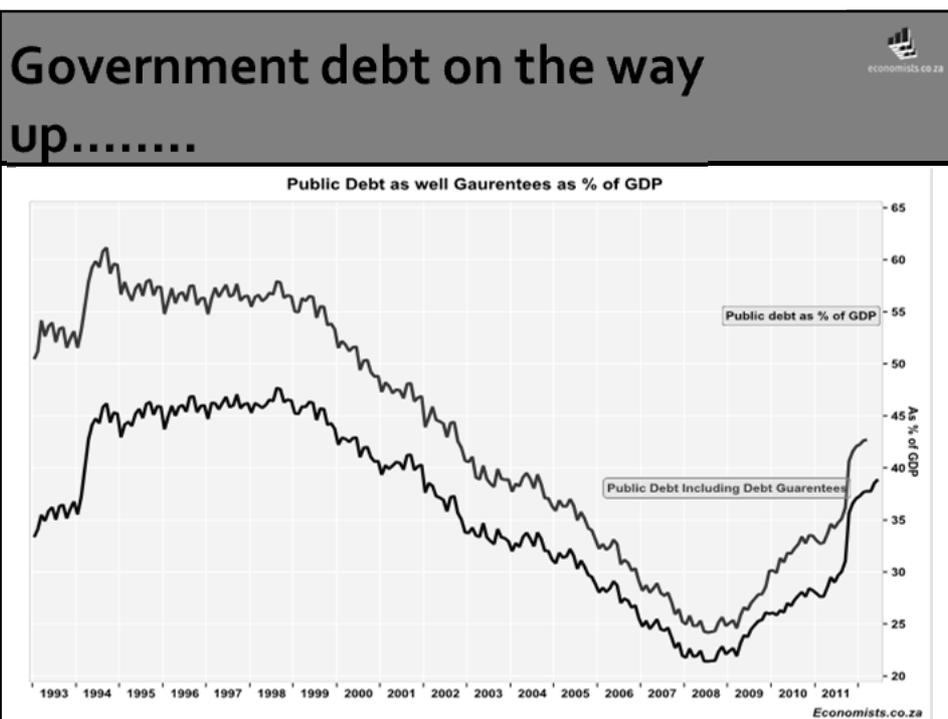


- SA leading indicator negative for six months now.
  - Shows that slowdown is happening.
  - GDP without mining recovery was only 1,7%.
  - Mining and manufacturing running risk of recession as a result of European recession.
  - 10% chance of recession at present but risks are all to the downside.

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## Two real long term problems in SA.

- The children remain under educated.
  - SA schooling is worse than most of Africa.
    - Money is not the problem although it is nice for some to blame it on money to cover their own lack of commitment. (Ghana has better outcomes with a tenth of the money per pupil spent & 20% plus better in maths!)
- The Children remain fatherless.
  - Only 32% of all children have both parents at home (27% for African children and 80% for White Children have both parents)
    - You cannot legislate this fault line.

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## Economically we will do better with some eating.



- Julius Malema will see support from many and if the economy slows he may get more but he can not solve the problems.
  - Current leadership struggles in ruling party are having negative impact on economy and perhaps this is the start of people seeing the non-implication will bring downfall.
- SA needs Wealth creation, Education and understanding of the real facts.

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## All my forecasts.



- GDP 2,4% 2012 to remain under 3% for next two years.
- Inflation at 5,6% in 2012 but will rise to 6,5% or so in next year.
- Rand ends this year at R8,75 to dollar and next year I would guess that R9,35 or so could be on. Weaker generally.
- Food prices generally up for about 18 months before dropping again. (maize and wheat more than meat.)

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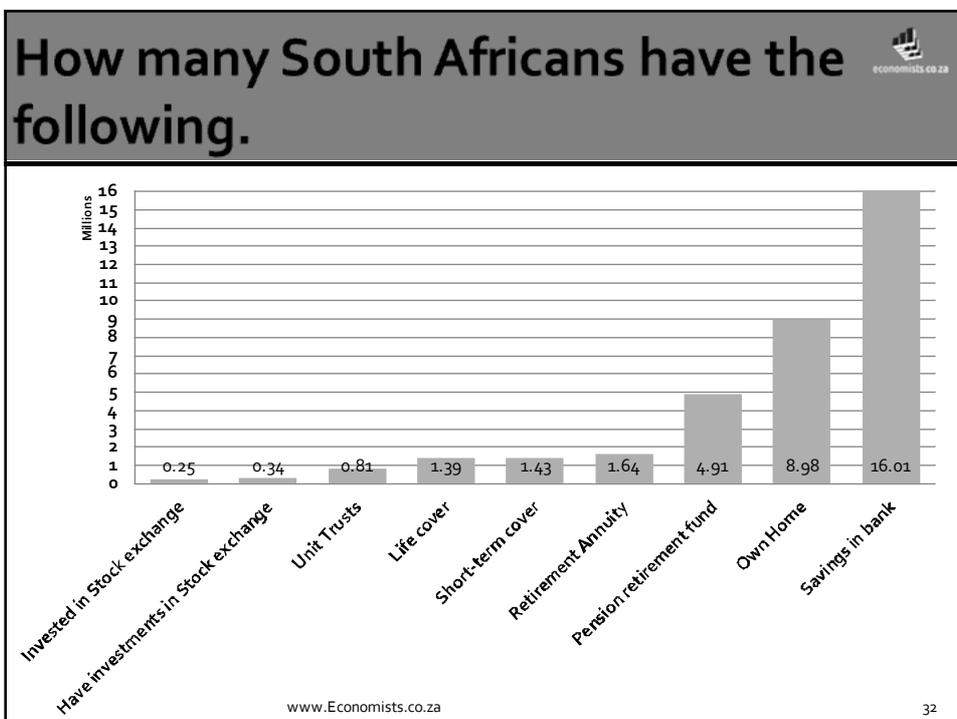
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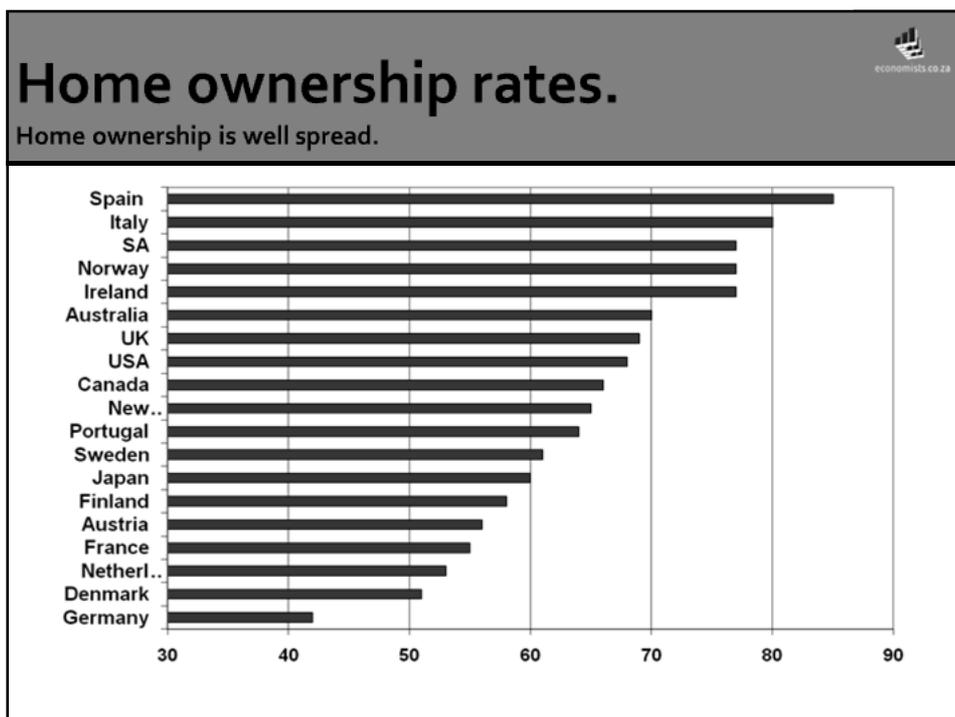
# SA Farmers and their ability to supply SA in a affordable and sustainable way.

Land and profits.



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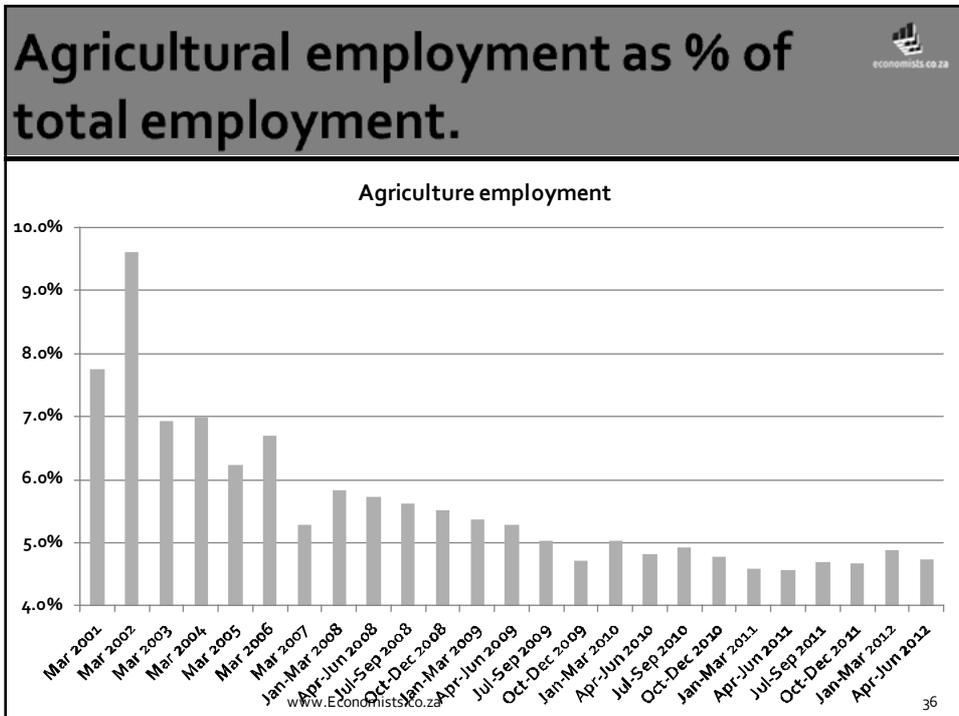
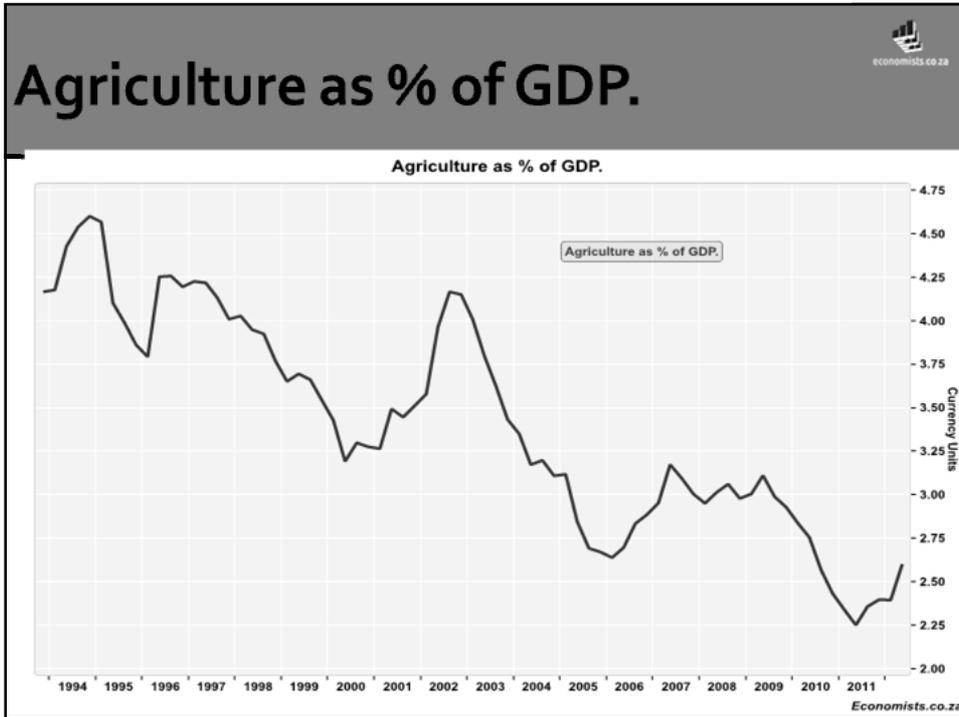




## Business owners in SA. Some facts.

- There are 1,943 000 business owners in SA.
- Only 700 000 of them are employers.
- Only 270 000 of the employer employ five or more people and they make up less than 0,9% of our SA adult population of 33 million.
- In 2007 there were less than 40 000 farming "units" in SA.
- In 2012 the LFS says about 4% of 270 000 (11 000) employers are farmers. (sample size may be a little small for exact numbers)

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## Agriculture in the world today.



- Agriculture is not a fair trade in the sense that subsidies prevail all over the place.
- Employment in Agriculture is declining in many countries.
  - In SA however it seems quicker than most
- Other countries get more help for their farmers than SA.
  - The question becomes more than a simple comparison between countries but a matter of survival for many smaller industries.

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## Agriculture in SA – some context.



- We are not in a fair trade arena so we need to do something.
  - For example we give motor vehicle manufactures about R17 billion in subsidies and tariff support but only about R1 billion to agriculture.
  - The motor manufacturers employ only 34000 people directly or about 150 000 overall in vehicle manufacturing.
  - Agriculture still employs 650 000 albeit at lower wages but in mainly rural SA.

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## SA disadvantages in Agriculture



- No surety for farmers in many areas with land claims.
- SA farmers have little support for exports at present and have to focus on protecting their market against imports often with subsidies.
- Modern farming is capital intensive and interest rates are generally higher here than in developed countries – (unlikely to change)
- Land is not equal but is not as unequal as often stated by government.

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## To keep food prices reasonable and agriculture sustainable.



- At least protect industry a little more from subsidised competition.
- Government help to set up overall export channels that can also act as import channels in times of hardship like drought.
- Manage the Land question better so that certainty can prevail again.
- Get better outcomes from government infrastructure i.e. transport.

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## For farmers: a to do list



- Farmers must also understand the bigger picture.
  - I.e. Government must also play a political game so government will not always say what farmers want to hear.
- Farmers must link themselves closer to rural employment and show the advantages they have.
  - Employment will be what wins elections over the next decade.

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## Farmers and government must get an economic understanding



- An economic understanding that investment only happens with certainty and governments only win elections long-term with an employed community that would show the basis of an understanding.
- Business is about profit that is a fact as most businesses would die otherwise, so understand that government needs to support the profit motive in infrastructure etc.

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Questions.

**Thank you.**

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