

AFRICA RISK CONSULTING**South Africa Monthly Briefing June 2021**

South Africa Summary 23 June 2021

The trial of former president Jacob Zuma (2009-2018) on charges of corruption regarding a 1990s arm deal with France-based arms company Thales is postponed to 19 July. Ruling party African National Congress (ANC) secretary general Ace Magashule takes the ANC to court to challenge his suspension with a trial date set for 24 and 25 June. Statistics South Africa reports better-than-expected 4.6% GDP growth for the first quarter, but inflation rises to 5.2% year-on-year (y/y) in May from 4.4% y/y in April. The government begins implementing some structural reforms as it lifts the restriction on own generation to 100 MW from 1 MW, and establishes an independent Transnet National Ports Authority. The government moves lockdown restrictions up to Level 2 on 31 May and Level 3 on 15 June. Phase 3 of its Covid-19 vaccination plan is due to begin in late June and extends the State of Disaster by yet another month until 15 July.

Zuma trial postponed, Magashule takes ANC to court...

The trial of former president **Jacob Zuma** (2009-2018) on charges of corruption regarding a 1990s arm deal with **France**-based arms company **Thales** has been postponed to 19 July. Day one of former Zuma's corruption trial stalled on 17 May when his legal team demanded the recusal of **Billy Downer** as lead prosecutor.¹ Zuma is facing one count of racketeering, two counts of corruption, one count of money laundering and 12 counts of fraud. He is accused of receiving 791 payments, totaling R4.1m (\$290,000), between 1995 and 2004 from his former financial/economic advisor, **Schabir Shaik**, and Shaik's companies, to help Thales, the second defendant, secure lucrative defence contracts from the government as part of the country's multi-billion rand 1999 armaments deal. Downer was part of the original team that successfully secured Shaik's conviction in 2005.

As Zuma's "Stalingrad" defence drags on, suspended **African National Congress (ANC)** secretary general **Ace Magashule** has his day in court on 24 and 25 June. Magashule is suing the ANC's **Integrity Commission** over its resolution in mid-December that Magashule should step down as secretary general pending the outcome of the corruption case against him.¹ Magashule is facing corruption charges relating to a contract to identify homes with asbestos roofs in the **Free State**. The ANC, at its 2017 national conference, resolved that any representative (elected or employed) who was criminally charged should step aside.² To date, Magashule has dodged the order to step aside, arguing that he can only be instructed to do so by a conference of branches that elected him.³ The NEC convened for four days from 26-29 March, at the end of which it gave Magashule 30 days to step aside from his role or face suspension and disciplinary action by the party (see *ARC Briefing South Africa April and May 2021*).⁴ Magashule had requested a court date of 1 June, which was granted, but the case was shifted to the later date when he insisted on having a full bench hear his case.

Magashule is unlikely to succeed in his legal bid, but an appeal against a negative ruling will further delay his suspension from the party.⁵

¹ Business Day, 15 Dec 2020

² Daily Maverick, 30 Mar 2021

³ Daily Maverick, 30 Mar 2021

⁴ Daily Maverick, 30 Mar 2021

⁵ Source, ARC South Africa analyst

Statistics South Africa reports better-than-expected GDP growth and higher inflation

Statistics South Africa reported a 4.6% quarter-on-quarter seasonally adjusted annualised increase in GDP in the first quarter compared with the **Reuters** consensus forecast of a 2.6% rise.⁶ The higher-than-expected growth rate was largely due to a 7.4% jump in the finance, real estate and business services sector, which is the single largest component, but due to resource constraints at Statistics South Africa, no monthly data series is published.

From the expenditure side, the largest impact was from the change in inventories. Although they were depleted for the seventh successive quarter, the depletion was less than in the fourth quarter. The second largest impact was in part due to a replenishment of some inventories by imports. The change in inventories was responsible for a positive 8.7 percentage point contribution to GDP growth, while the 26.5% surge in imports subtracted 6.8 percentage points from growth.

Consumer inflation rose 5.2% year-on-year (y/y) in May from 4.4% y/y in April, in part due to base effects, as the comparison is with the lockdown-affected May 2020,⁷ Although services inflation was stable at 2.7% year-on-year in both months, goods inflation rose to 8.0% y/y in May from 6.4% y/y in April. One of the drivers was meat inflation, the single largest component of the food basket, as this rose to 8.7% y/y in May from 6.7% y/y in April as farmers rebuild their herds after good summer rains.

President Ramaphosa moves on structural reforms

President **Cyril Ramaphosa** (2018-present) announced on 10 June that Schedule 2 of the **Electricity Regulation Act** would be changed to allow providers to generate more power without having to go through a long-drawn-out licensing process. The change in Schedule 2 lifts the previous limit of 1 MW to 100 MW. **Johannesburg Stock Exchange (JSE)**-listed multinational precious metals mining company **Sibanye-Stillwater** CEO **Neal Froneman** welcomed the news:

*"It's really good news. It just blows my mind that it took so long. There's no doubt it's going to release a lot of additional investment, but we are not going to see the results tomorrow. We need many more reforms like this."*⁸

Ramaphosa announced on 22 June the establishment of the **Transnet National Ports Authority (TNPA)** as an independent subsidiary of state-owned rail, port and pipeline company **Transnet** with its own board appointed by the minister of public enterprises.⁹ This was legislated in 2005, but never implemented. In announcing the established of the TNPA, Ramaphosa noted the strategic importance of South Africa's ports:

*"South Africa's ports are vital to our trade with the rest of the world and play a crucial role both in our own economy and that of the wider **Southern African** region."*¹⁰

Ramaphosa acknowledged that the performance of South Africa's ports has declined in comparison with other ports on the continent and around the world.¹¹ The **World Bank**, in its inaugural "**Container Port Performance Index 2020**", ranked South Africa's ports poorly. The port of **Cape Town (Western Cape)** ranked 347th out of 351 ports globally; **Durban (KwaZulu-Natal)** 349th and **Ngqura (Eastern Cape)** last. South Africa's ports ranked lower than those of **Djibouti (Djibouti)**, **Abidjan (Côte d'Ivoire)**, **Beira and Maputo (Mozambique)**, **Walvis Bay (Namibia)**, **Dar es Salaam (Tanzania)** and **Mombasa (Kenya)**.¹²

Ramaphosa said the focus of the TNPA was on removing structural impediments:

⁶ Statistics South Africa, 8 Jun 2021

⁷ Statistics South Africa, 23 Jun 2021

⁸ BizNews, 10 Jun 2021

⁹ Government of South Africa press release, 22 Jun 2021

¹⁰ Government of South Africa press release, 22 Jun 2021

¹¹ Government of South Africa press release, 22 Jun 2021

¹² Cape Talk, 22 Jun 2021

*"In particular, it will mean that revenues generated by the ports can be invested in port infrastructure, both for the replacement of old equipment and for the upgrading and expansion of our ports. As part of our **Economic Reconstruction and Recovery Plan**, we are making progress in overcoming long-standing obstacles and bringing an end to delays in the implementation of reforms."*

The number of full containers exported from South Africa surged by 44.6% year-on-year in May, while the number of full containers imported only rose by 14.9% y/y, in part due to congestion at **Chinese** ports.¹³

Phase Three Covid-19 vaccine rollout begins

The government announced the start of the third phase of its **Covid-19** vaccine rollout for late June, targeting teachers and educational support staff. The second phase, targeting vulnerable citizens and those over 60, began on 17 May. The first phase, for health workers, was marred by a slow rollout and concerns about the efficacy of the vaccines against the South African coronavirus variant. The Department of Health said as of midnight on 22 June, 479,768 health workers had received the single dose **United States (US)**-manufactured **Johnson and Johnson** vaccine under the **Sisonke** trial programme, while 1,833,105 seniors had received their first dose of the US-manufactured **Pfizer** vaccine. The "waiting period" between first and second doses is 42 days; as yet no second doses have been administered.

The **World Health Organization (WHO)** is planning a technology transfer hub for producing mRNA coronavirus vaccines in South Africa.¹⁴ WHO chief **Tedros Adhanom Ghebreyesus** told a press conference that the WHO is in discussions with a consortium of companies and institutions to establish the hub:

*"The consortium involves **Afrigen Biologics & Vaccines**, which will act as the hub both by manufacturing mRNA vaccines itself and by providing training to a manufacturer **Biovac**."*

WHO chief scientist **Soumya Swaminathan** said South Africa could start manufacturing the vaccine in nine to 12 months. President Ramaphosa said the hub initiative "will change the narrative of an **Africa** that is a centre of disease and poor development", noting it is "just not equitable" that some people are denied access to coronavirus vaccines because of where they live.¹⁵

The government on 15 June extended the national state of disaster by one month to 15 July.¹⁶ The state of disaster has been extended several times since it was first proclaimed on 15 March 2020. South Africa currently has Level 3 restrictions, which involve a 10pm to 4am curfew. Nightclubs remain closed. Establishments such as shops, restaurants and banks are limited to half their regular capacity in their establishments. Masks are mandatory in public places.¹⁷

Other countries have imposed a total of 84 "major restrictions" on South Africa. These include full suspension on travel from South Africa, or refusal of entry from South Africa, or entry only possible for citizens or those who meet strict entrance requirements. By comparison, there are currently 68 moderate restrictions in place on South Africa, where travel is possible, but only if travellers meet certain entry requirements such as taking Covid-19 tests. The **Dominican Republic** and **Costa Rica** have "low-risk restrictions", meaning that travellers are unlikely to face enforced quarantine periods.¹⁸ A total of 32 passengers on a 10 June flight from **Johannesburg** to the southern **Chinese** city of **Shenzhen** tested positive for Covid-19 on 18 June, prompting a suspension of the flight by **Air China** for four weeks.¹⁹

¹³ TPNA, 11 Jun 2021

¹⁴ Deutsche Welle, 21 Jun 2021

¹⁵ Deutsche Welle, 21 Jun 2021

¹⁶ Department of Cooperative Governance and Traditional Affairs, 15 Jun 2021

¹⁷ Department of Cooperative Governance and Traditional Affairs, 15 Jun 2021

¹⁸ Business Tech, 19 Apr 2021

¹⁹ Caixin, 18 Jun 2021

South Africa reported its first case of Covid-19 on 5 March 2020. As of 22 June 2021, it has reported 1,843,572 cases in its population of 60 million. The seven-day average is rising from the 2021 low of 779 in the seven days ending 7 April, reaching 11,787 in the seven days ending 22 June, but remains well below the peak of 19,042 in the seven days ending 11 January.²⁰ As of 23 June, South Africa has reported 59,092 Covid-19 related deaths, with 984 deaths per million people.²¹

Planner

30 Jun 2021 **Pretoria (South Africa) South African Reserve Bank (SARB) centenary;**
 17-18 Jul 2021 **Pretoria (South Africa) Registration of voters for local government elections;**
 19 Jul 2021 **Pietermaritzburg (South Africa) Corruption trial of former president Jacob Zuma;**
 20-22 Jul 2021 **Pretoria (South Africa) SARB MPC meeting;**
 30 Jul 2021 **Cape Town (South Africa) Judicial Services Commission (JSC) to decide whether Western Cape Judge President John Hlophe should face impeachment.**
 21-23 Sep 2021 **Pretoria (South Africa) SARB MPC meeting;**
 27 Oct 2021 **(South Africa) Local government elections;**
 16-18 Nov 2021 **Pretoria (South Africa) SARB MPC meeting;**
 7-10 Feb 2022 **Cape Town (South Africa) Investing in African Mining Indaba;**
 2024 **(South Africa) General election**

Chronology

23 Jun 2021 **Pretoria (South Africa) Statistics South Africa.** Consumer inflation rose to 5.2% year-on-year (y/y) in May from 4.4% y/y in April, 3.2% y/y in March and 2.9% y/y in February, with annual inflation for goods and for services 8.0% and 2.7% respectively; Provincial annual inflation rates ranged from 5.0% in **Mpumalanga, Free State and Northern Cape** to 5.7% in the **North West**;

23 Jun 2021 **Cape Town (South Africa) Infrastructurenews.** President **Cyril Ramaphosa** announces the establishment of the **Transnet National Ports Authority** as an independent subsidiary of **Transnet** with its own board appointed by the minister of public enterprises;

21 Jun 2021 **Pretoria (South Africa) Business Day.** The court battle between the ruling **African National Congress (ANC)** and suspended secretary-general **Ace Magashule** will be heard on 24 and 25 June because Magashule insisted that it be heard by a full bench;

21 Jun 2021 **Pretoria (South Africa) Business Day.** **South Africa** has teamed up with **France** and the **World Health Organization (WHO)** to set up a technology hub to transfer skills to local manufacturers.

18 Jun 2021 **Beijing (China) Caixin.** A total of 32 passengers on a 10 June flight from **Johannesburg** to the southern Chinese city of **Shenzhen** tested positive for Covid-19, prompting a suspension of the flight by **Air China** for four weeks;

16 Jun 2021 **Pretoria (South Africa) Business Day.** The government launches a further initiative, the **National Pathway Management Network**, to support youth on Youth Day, while the opposition **Democratic Alliance (DA)** and **Economic Freedom Fighters (EFF)** used their respective 1976 **Soweto** riot commemorations to campaign for the upcoming local

²⁰ National Institute for Communicable Diseases, 23 Jun 2021

²¹ Worldometers, accessed 23 Jun 2021

government elections, accusing the ANC of being responsible for many of the challenges facing youth;

14 Jun 2021 **Pretoria (South Africa)** *IOL*. President **Cyril Ramaphosa** announces a move to adjusted Level 3 lockdown from 15 June in response to the third wave of **coronavirus** cases, especially in **Gauteng**;

10 Jun 2021 **Pretoria (South Africa)** *EWN*. President **Cyril Ramaphosa** says Schedule 2 of the **Electricity Regulation Act** will be changed to allow providers to generate more power without having to go through a long-drawn-out licensing process, lifting the limit of 1 MW to 100 MW;

9 Jun 2021 **Pretoria (South Africa)** *Reuters*. The **United Arab Emirates** ratifies a 2018 extradition treaty with South Africa, which the government hopes will lead to the return of the **Gupta** brothers to face corruption charges;

8 Jun 2021 **Pretoria (South Africa)** *Statistics South Africa*. The economy grew by 4.6% q/q seasonally adjusted annualised in the first quarter, far higher than the **Reuters** consensus forecast of 2.6%; Growth excluding agriculture was 5.0%;

7 Jun 2021 **Cape Town (South Africa)** *Cape Talk*. The **Judicial Services Commission (JSC)** postpones its decision to 30 July on whether **Western Cape** Judge President **John Hlophe** should face impeachment;

6 Jun 2021 **Pretoria (South Africa)** *Daily Maverick*. **Economic Freedom Fighters (EFF)** deputy leader **Floyd Shivambu's** brother **Brian** secretly paid back R4.55m (\$320,000) after admitting that he received the **VBS Mutual Bank** money gratuitously; Brian Shivambu's attorneys insisted on a secrecy clause;

4 Jun 2021 **Pretoria (South Africa)** *Daily Maverick*. The **National Prosecuting Authority** executes a wide-ranging restraint order for assets belonging to the **Gupta** brothers and their former associate, **Iqbal Sharma**;

3 Jun 2021 **Cape Town (South Africa)** *EWN* President **Cyril Ramaphosa** says in Parliament that his government's focus on economic reforms is beginning to pay off, with the economy showing signs of recovery, reflected in a strong rand, higher commodity prices, good agricultural export earnings, signs of life in manufacturing and household spending;

2 Jun 2021 **Cape Town (South Africa)** *The South African*. The **Competition Commission of South Africa** decides to block the acquisition of **Burger King SA** by a private equity firm on the grounds of "transformation" as the shareholdings of historically disadvantaged individuals (HDIs) would fall to zero from 68%;

30 May 2021 **Pretoria (South Africa)** *The South African*. President **Cyril Ramaphosa** announces that as of 31 May, South Africa moves to Level 2 Lockdown due to a spike in **Covid-19** infections;

28 May 2021 **Pretoria (South Africa)** *National Treasury*. The fiscal deficit widened to R80.3 billion (\$5.67 billion) in April 2021 from R51.2 billion (\$3.62 billion) in April 2020 due to a 45.1% year-on-year surge in outlays, while revenue jumped by 35.5% y/y;

27 May 2021 **Johannesburg (South Africa)** *eNCA*. Former President **Jacob Zuma** turns to the **Constitutional Court** to appeal an estimated R10m (\$705,000) costs order against him which the **High Court** granted in 2017, arguing that the costs order was incorrect given that at the time he was acting in his capacity as president;

26 May 2021 **Pietermaritzburg (South Africa)** *eNCA*. The criminal trial of former president **Jacob Zuma** is postponed to 19 July in the **Pietermaritzburg High Court**, with both Zuma and his co-accused, **France**-based arms company **Thales**, having earlier entered pleas of not guilty in relation to corruption during the 1990s arms deal;

25 May **Cape Town (South Africa)** *EWN*. Human rights group **Black Sash** pushes for **COVID** relief funds to continue, saying it gets no response from government, which has abandoned its constitutional obligation to the vulnerable; the grant ended on 30 April;

25 May 2021 **Johannesburg (South Africa)** *The South African*. A criminal complaint will be laid against former **South African Airways (SAA)** chairperson **Dudu Myeni** after she failed to make a scheduled appearance before the **Zondo Commission**;

24 May 2021 **Durban (South Africa)** *Daily Maverick*. **Richards Bay Minerals (RBM)** general manager **Nico Swart** is shot dead in latest violent incident to hit operations; RBM is controlled by **Australian** mining giant **Rio Tinto**, which halted work on a planned \$463m extension to RBM two years ago in the face of violence and protests;

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