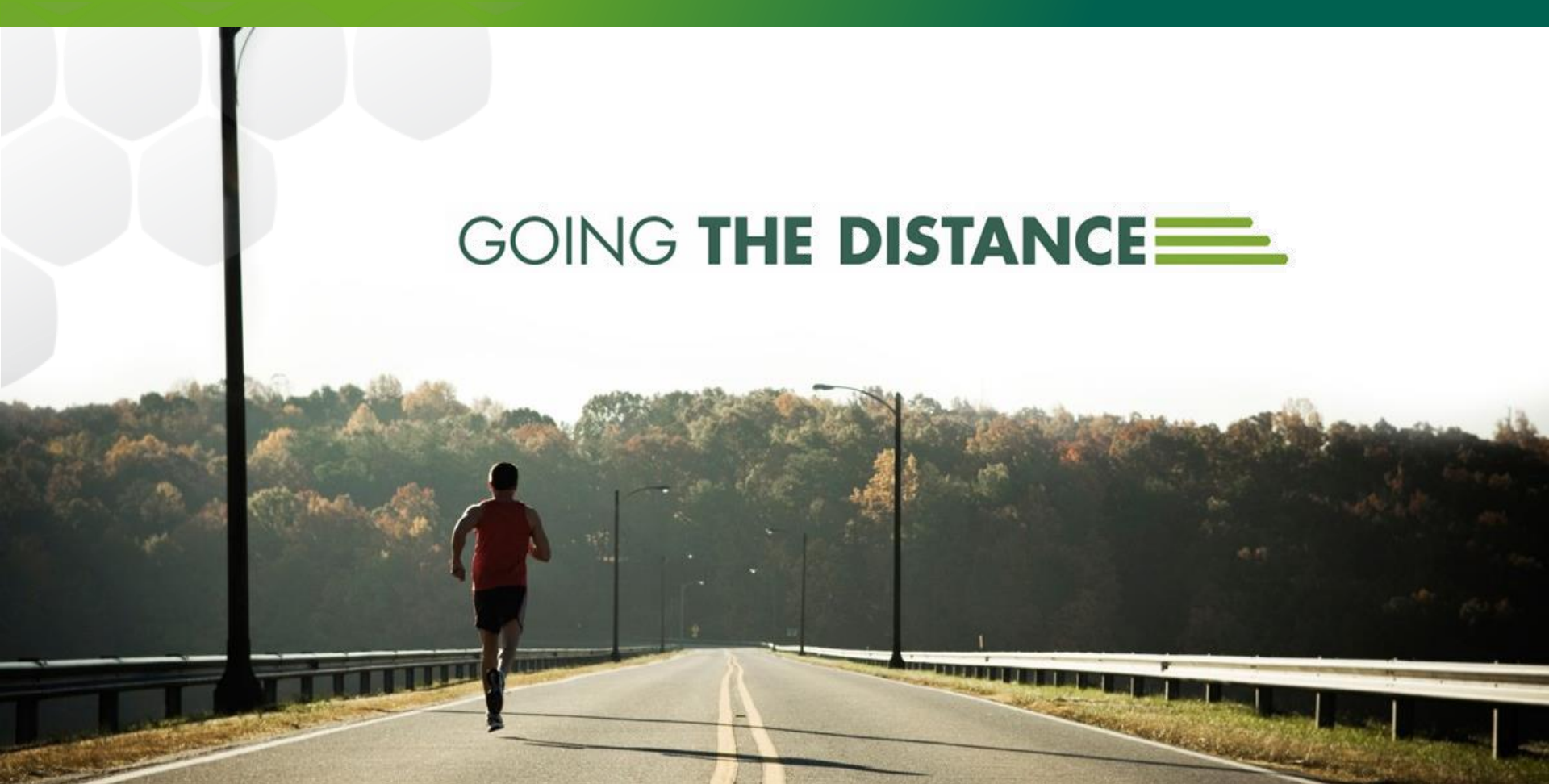


GOING THE DISTANCE



DO GREAT THINGS



OLD MUTUAL
INVESTMENT GROUP



ECONOMIC RECOVERY: WILL SLOW AND STEADY WIN THE RACE? Q1 2014

Johann Els

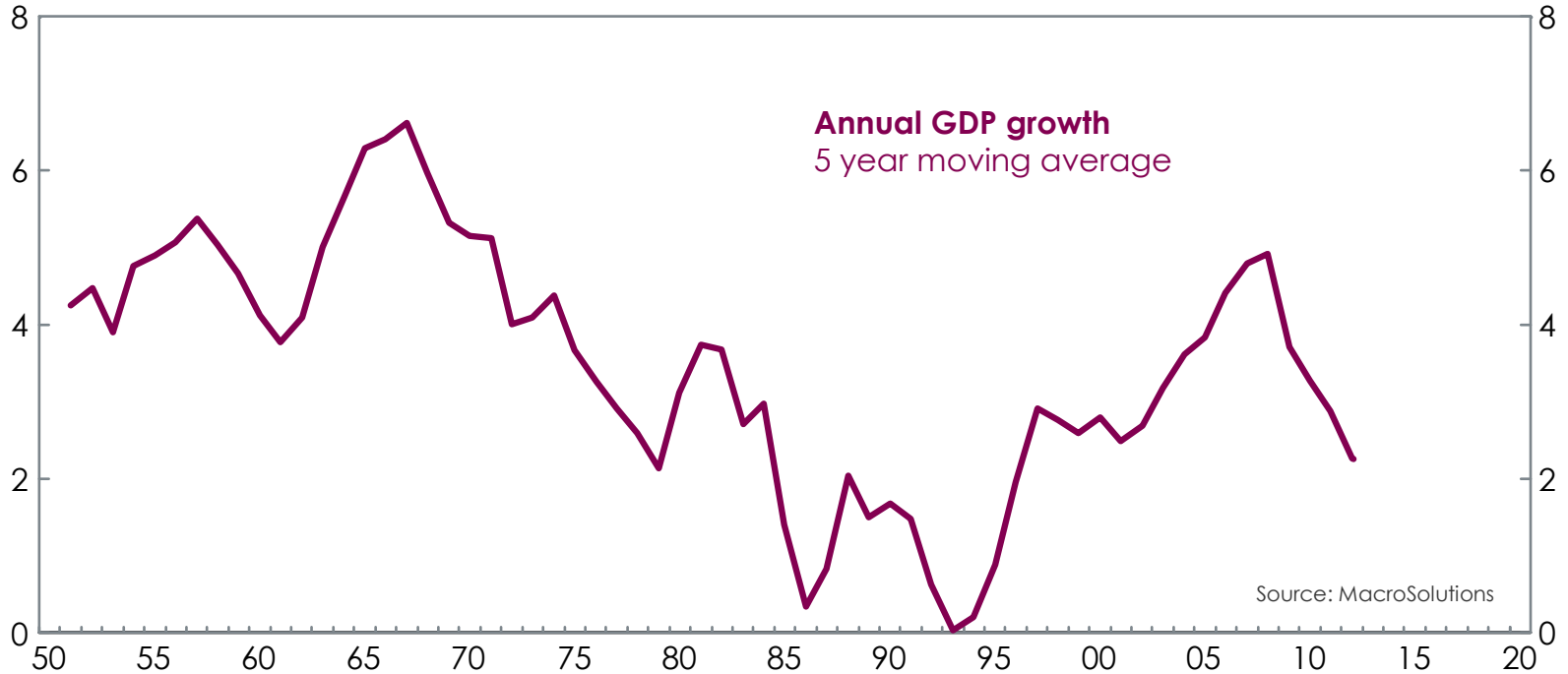
Economist
at Old Mutual Investment Group

DO GREAT THINGS



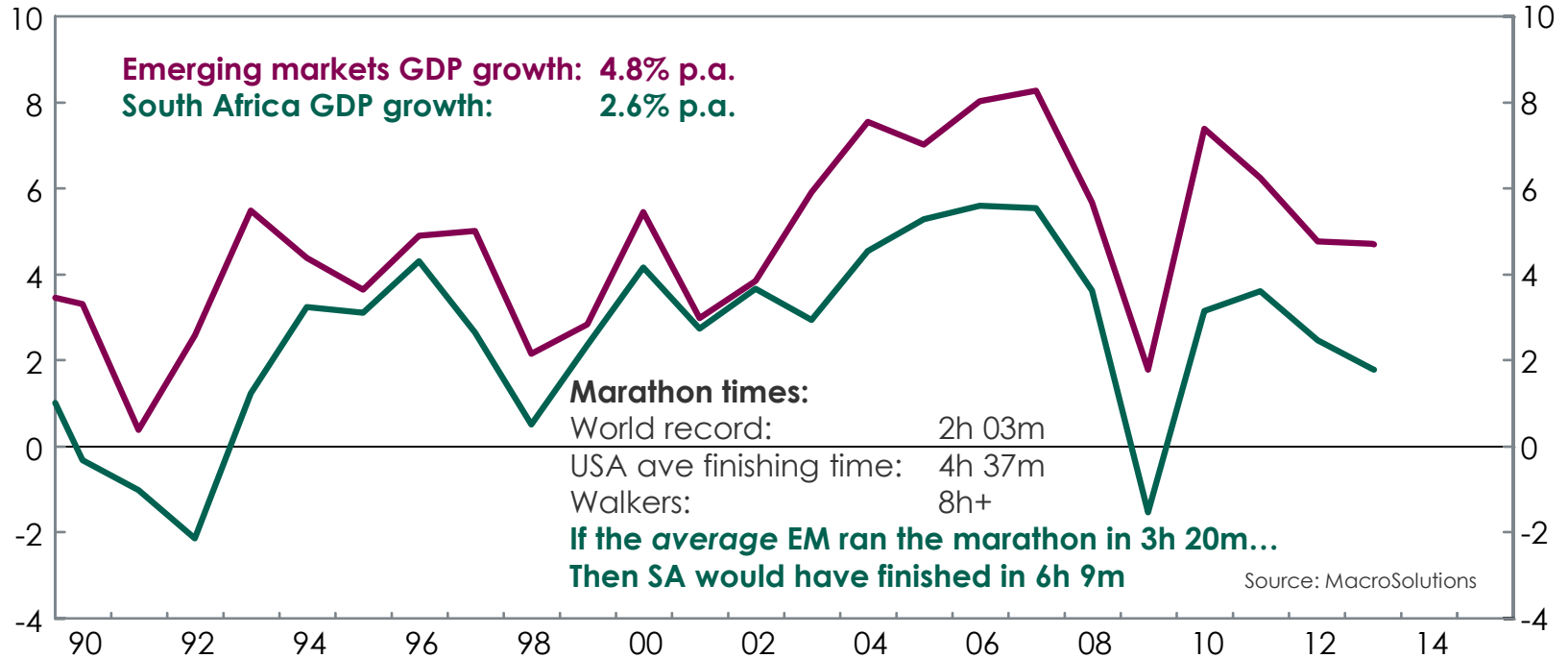
OLDMUTUAL
INVESTMENT GROUP

SA'S ECONOMIC GROWTH MARATHON PERFORMANCE HAS BEEN ERRATIC

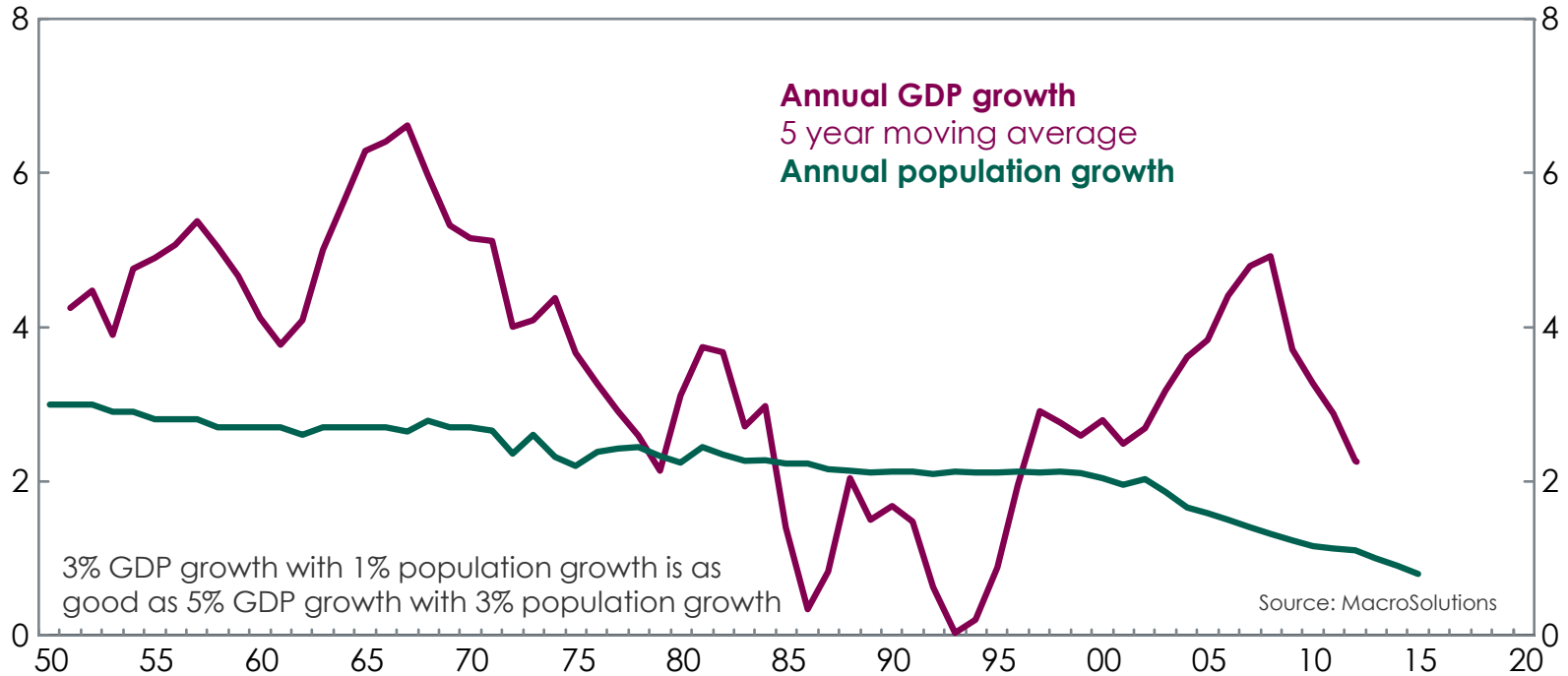


AND OUR PEERS HAVE RUN AWAY FROM US

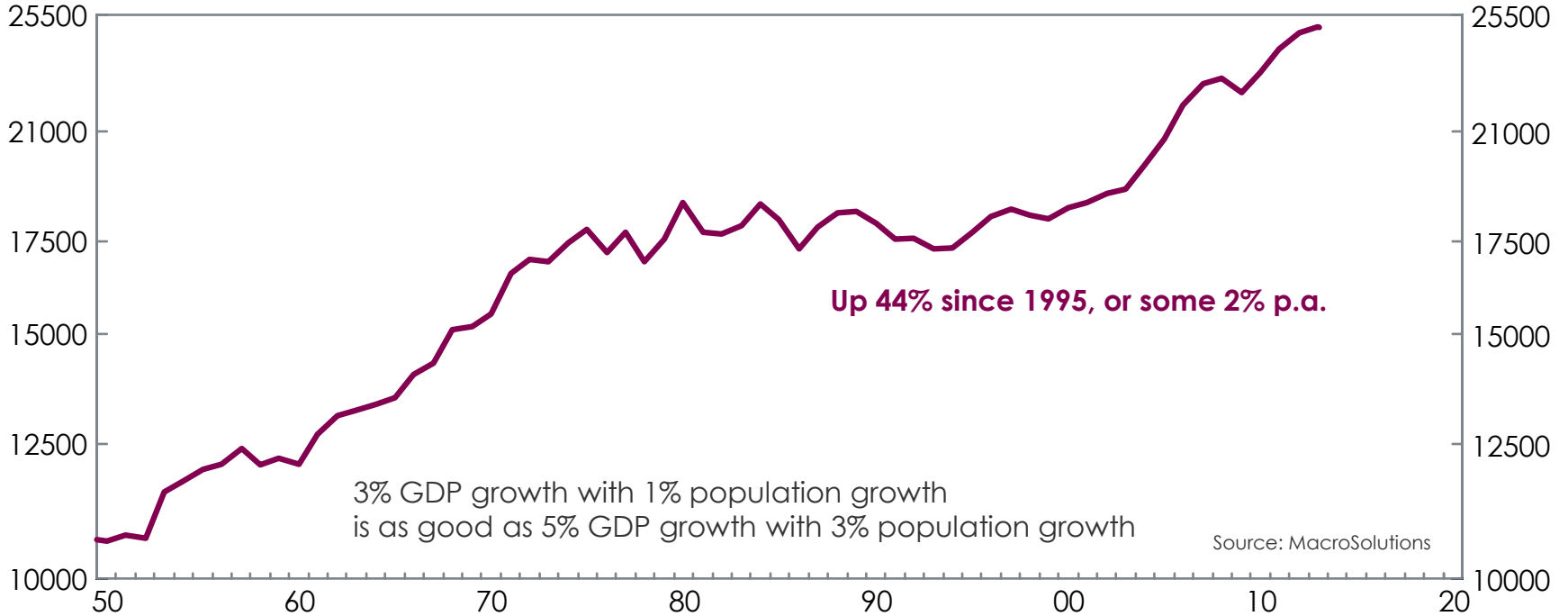
EM ave 4.8% p.a., vs SA 2.6% p.a.



BUT, PERHAPS SA HAS RUN FASTER IN RECENT YEARS THAN WE THINK...

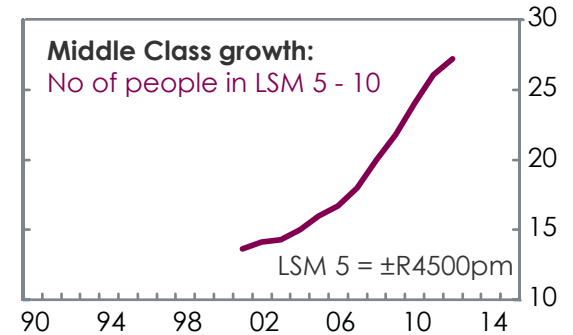
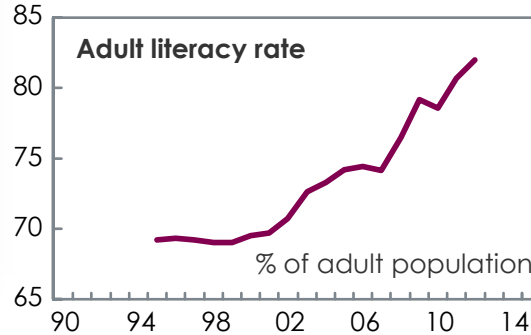
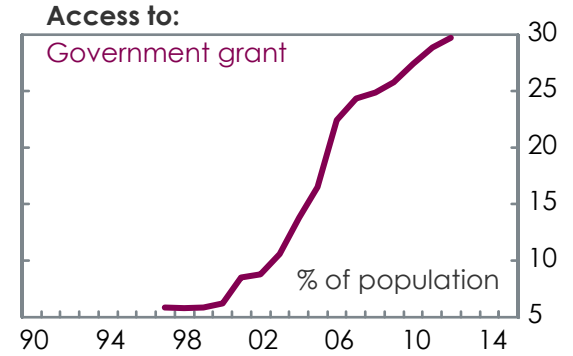
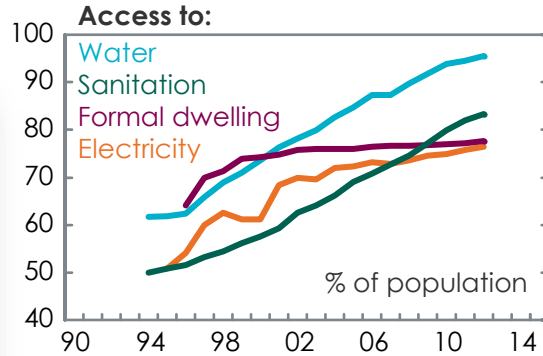


SO, REAL DISPOSABLE INCOME PER CAPITA HAS RISEN SOLIDLY SINCE 1995...



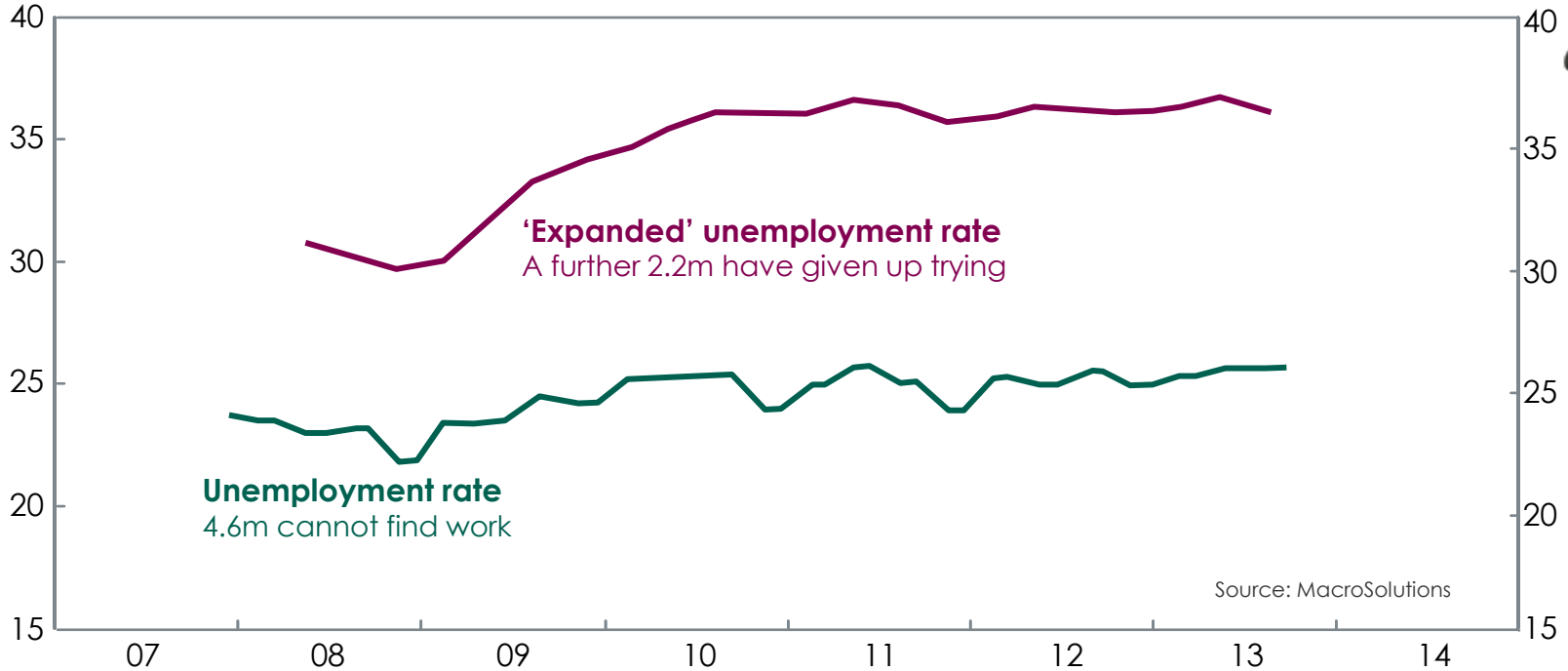
...AND IN OTHER WAYS WE HAVE RUN THE MARATHON PRETTY FAST

So creating a slightly easier life for many

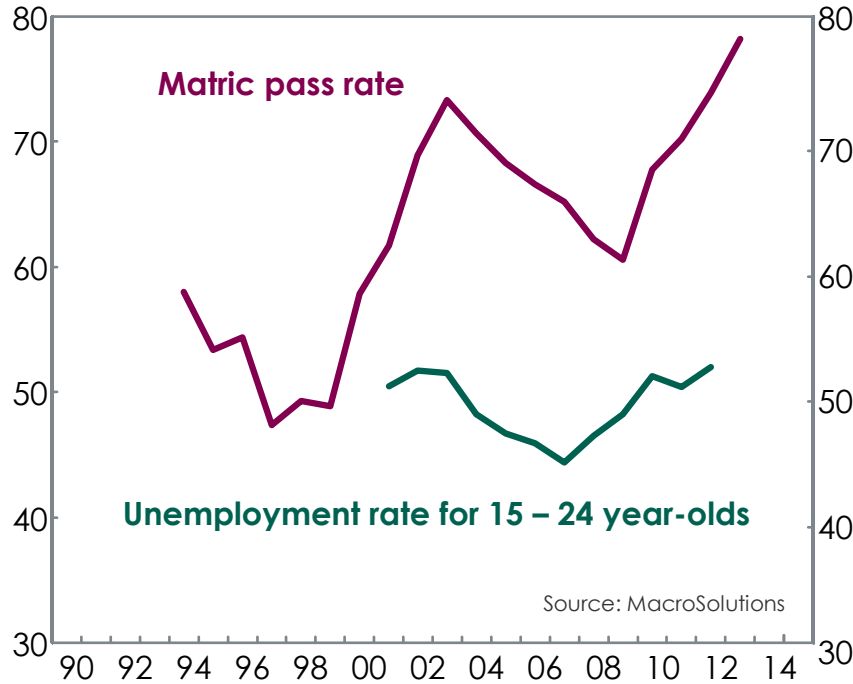


Source: MacroSolutions

...HOWEVER, IN THE EMPLOYMENT RACE WE ARE NOT EVEN WALKING...



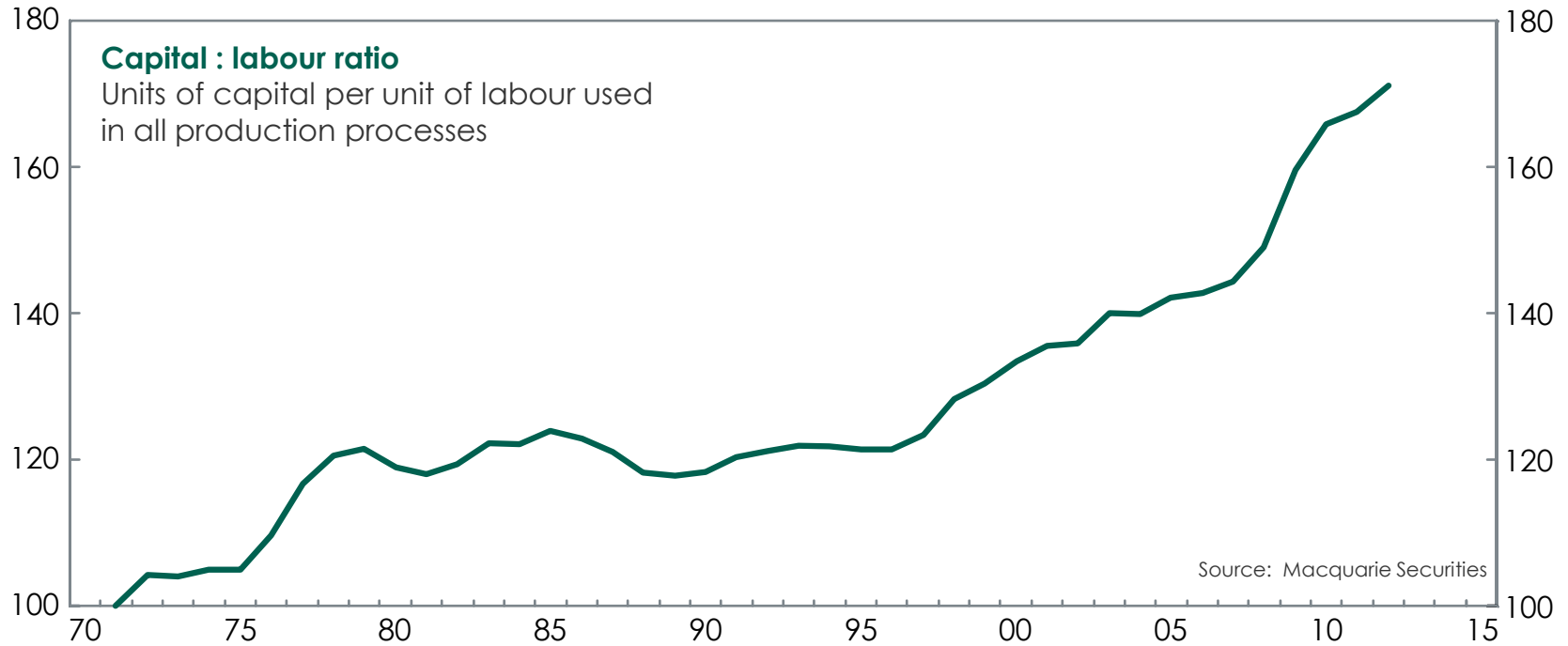
...DESPITE SUPPOSEDLY BETTER EDUCATION OUTCOMES...



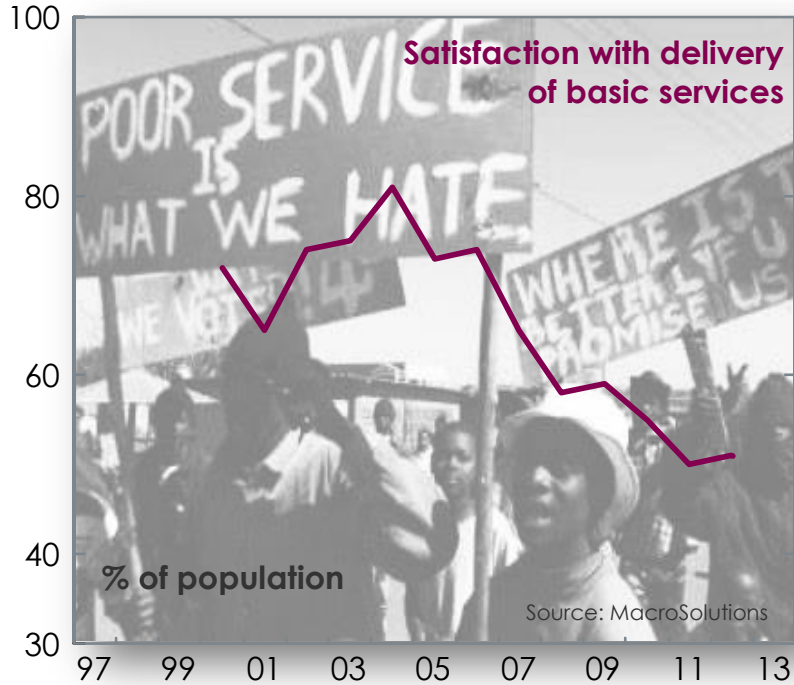
OUR JOB SEEKERS ARE RUNNING WITH 25KG WEIGHTS AROUND EACH LEG...

- Higher quantitative pass rates yes, better qualitative supply of skills, no
 - Few get tertiary education admission (lots then drop out too)
 - For the rest finding meaningful employment is very, very hard
- SA's troublesome labour environment is a huge obstacle to job seekers
 - Labour laws and labour relations are keeping the unemployed outsiders out
- **IMF: “SA do not exhibit the characteristics of fast job-creating countries”**

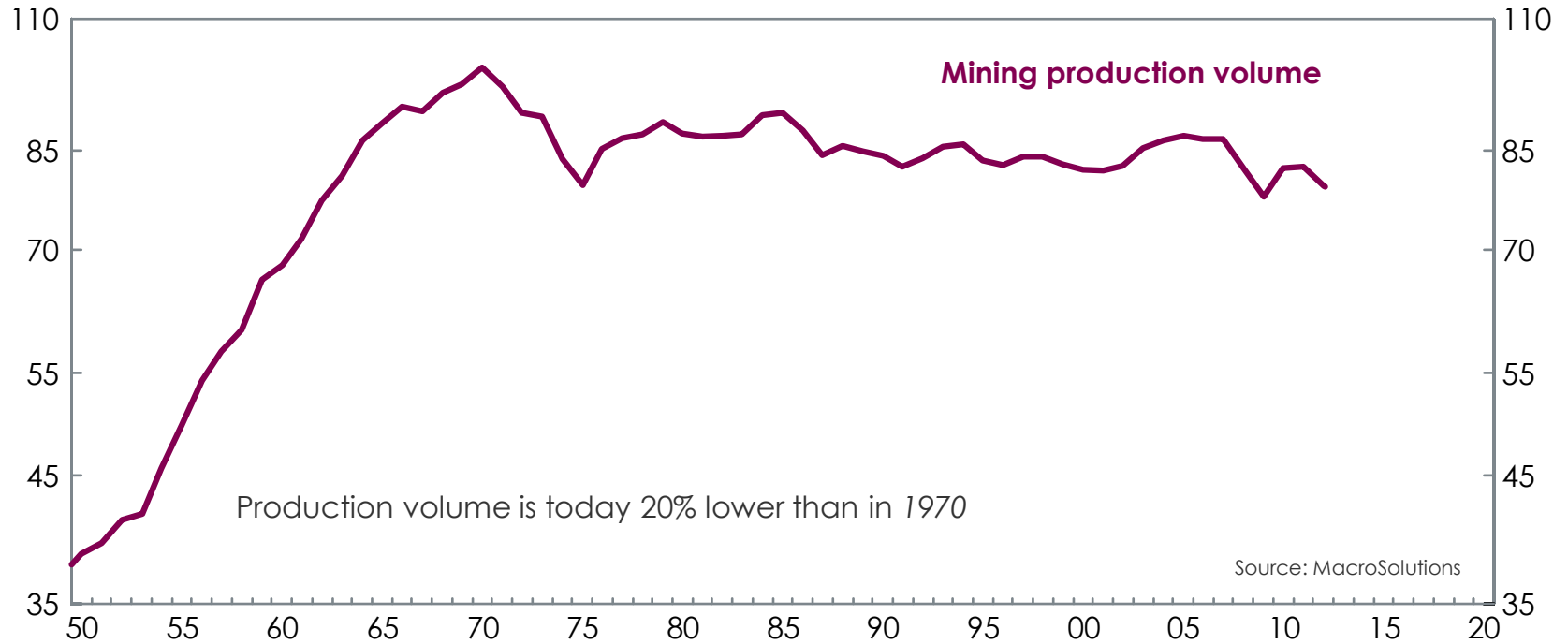
...AS INCREASING MECHANISATION CLEARLY DEMONSTRATES...



...PEOPLE ALSO RECKON GOVERNMENT IS NOT DELIVERING AND THEY ARE UNHAPPY...



...AND A KEY INDUSTRY IS PERFORMING SHOCKINGLY BADLY...



ASSESSMENT OF SA'S DIFFERENT MARATHONS

- **Social delivery:** smooth, above average speed
- **Economic growth:** erratic speeds, but about average speed
- **Employment and government performance:** crawl speed, missing the cut-off times

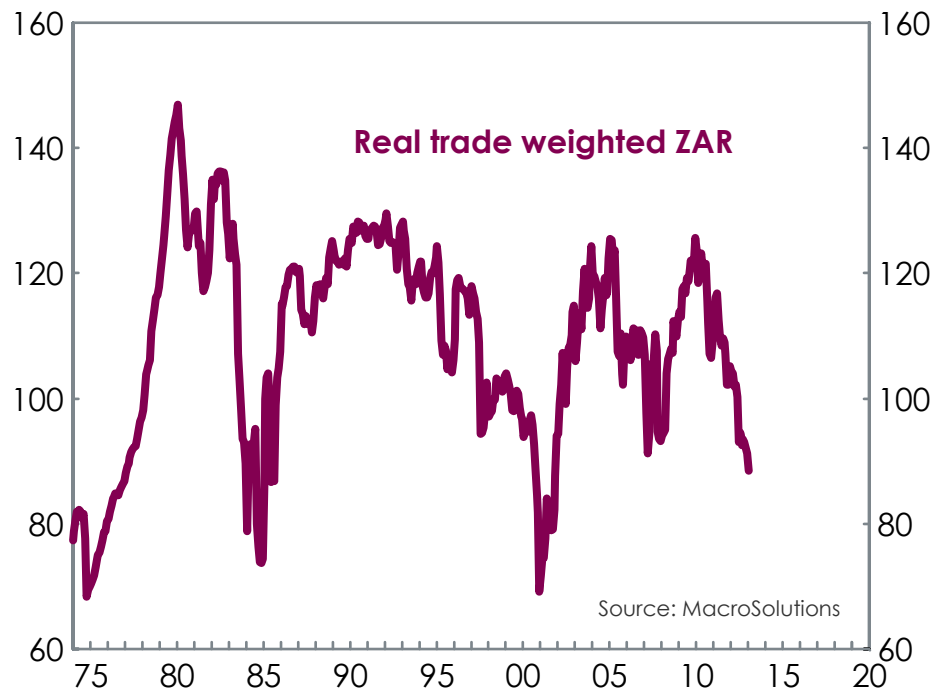
- **Is there any hope on improvement?**

A UNIQUE OPPORTUNITY MAY LIE AHEAD...

- A growing sense of urgency to
 - effect growth-enhancing reforms
 - improve Government's performance
- A good plan is on the table
- Politics will give 5 years breathing space
- NDP opposition is fragmented and weakened
- The Rand is much more competitive
- The SARB has shown it will protect the ZAR's new-found competitiveness
- The world economy is looking better
- **But, limited urgency in improving labour market functioning**

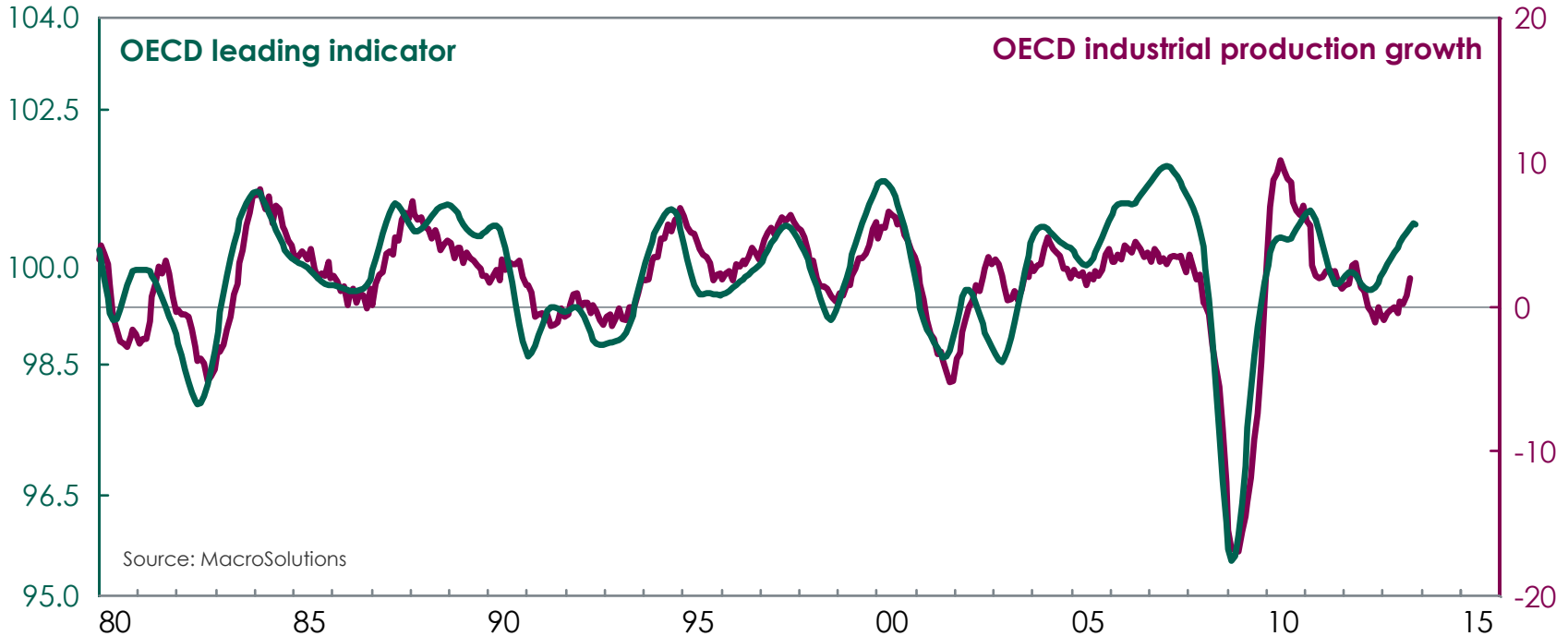


THE WEAKER RAND IS A WIND IN THE BACK...

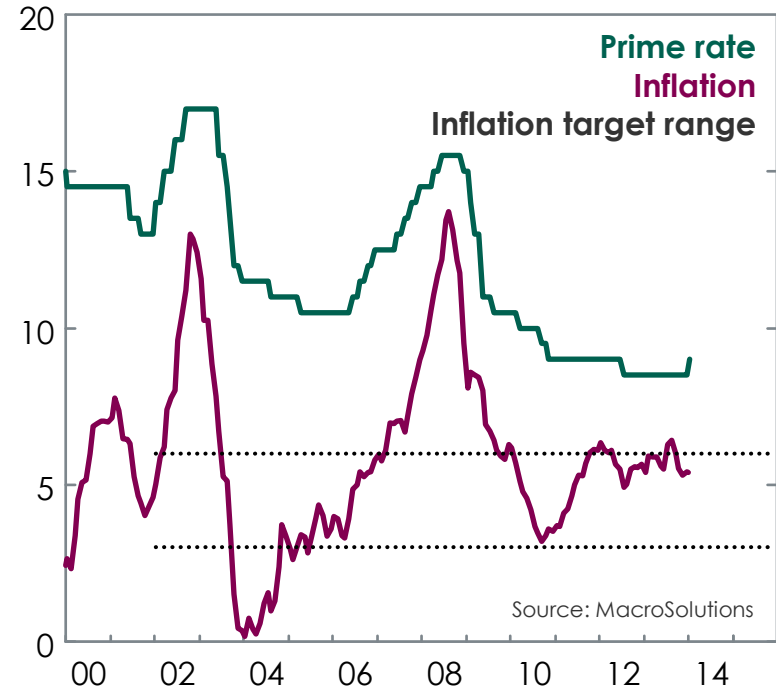
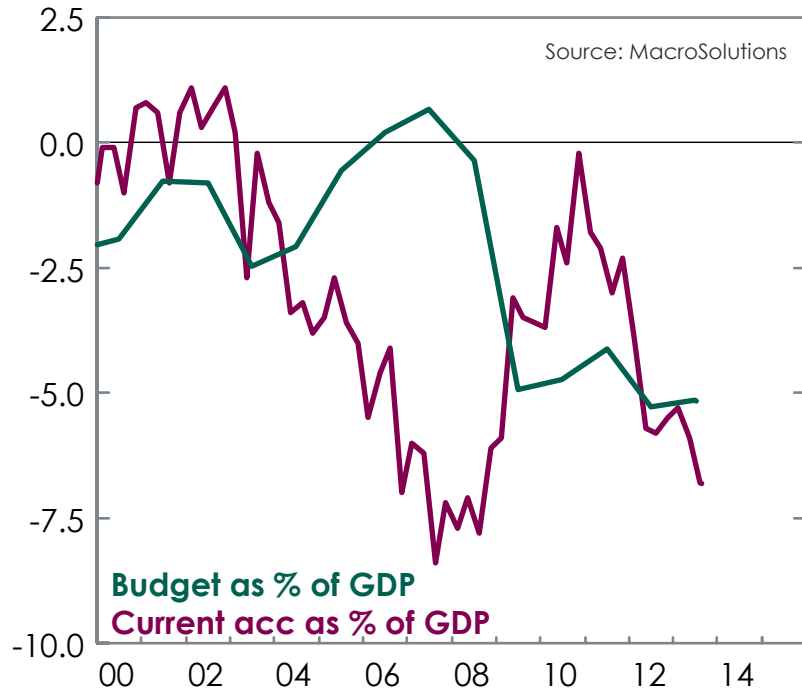


... SO IS GLOBAL GROWTH...

A synchronised global recovery is under way



BUT, WE ARE FACING A FEW STEEP HILLS IN THE SHORT TERM



IN SUMMARY...

- SA's macro marathon performances range between very good and very poor
- A good plan is on the table to improve performance everywhere
- A unique opportunity exists to make considerable progress
- It is up to Government to grab the opportunity
 - If they do, the current wave of pessimism may be reversed and performance enhanced
 - But, it will take time...

