

MBA BOLAND

Concordiastr/St. 23 Suider Paarl
Posbus/PO Box 1402, Suider-Paarl 7624
Tel. (021) 863 3330 Faks/Fax (021) 863 3331/086 6178 7
E-Pos/E-Mail safety@mbaboland.org.za
www.mbaboland.org.za

Director: Daniël Uys



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Dear MBA member

MBA BOLAND NEWSLETTER: MARCH 2020

The year started with a bang and so many things are happening simultaneously all over the world that have an impact South Africa. The greatest news event is certainly the Corona Covid-19 virus. It is still under control to a great extent, but the impact on world trade has certainly exceeded the most pessimistic predictions. Later more on this topic.

The predictions for the construction industry are dampened to a great extent by several factors. In the Western Cape the predictions are a bit more optimistic than elsewhere in South Africa. However, the slump in our national economy is felt more and more than before due to the negative economic outlook for South Africa in 2020 as a whole.

The long-awaited budget speech will also be discussed later and the impact thereof on the economy and the taxpayer. There are several issues which are a great relief to the average taxpayer in order to survive the tough times ahead. Although it is only applicable to the short term it is somewhat of a relief.

1. International news

The Corona Covid-19 virus did not only strike hard at the people, but the impact on international economy exceeded most of the economists' negative predictions. Since China is one of the top four economies in the world, world trade cooled down significantly to such an extent that many products cannot be imported or exported freely anymore due to the possibility of contact with the virus. The tourism industry has been hit very hard on a worldwide scale. International flights are hugely impacted, and many international flight routes have been either

cancelled or cut down, therefore international air trafficking has been slowed down to a greater extent we could have ever imagined.

The USA has even cut down on their repo rate with 0.5% to be effectively between 1.0% and 1.25% in order to stimulate their own economy. There was a saying that if the USA sneeze, the world will have flu. It seems that the same goes for China. Nobody could ever imagine what impact this would have on the world economy. The Rand has even strengthened against most international currencies. I believe this will only be a temporarily phenomenon for South Africa due to our weakening economy. However other countries will follow suit of the USA in order to protect their own economies. The Presidential elections in the USA is now strongly underway and it should be very interesting to see who is going to win, because the winning party's economic policies will impact distinctly different on South Africa.

The fuel price dropped significantly since the demand for fuel internationally has dropped, due to the slump in international air traffic and trade. This is good news for South Africa given the fact that our currency is weakening on a monthly basis due to the ever-growing scepticism regarding South Africa's economic possibilities. For the time being we are safe, only if the danger of the Covid-19 virus is an eminent danger to world health.

Brexit is now something of the past and the result of it will play gradually out over the next twelve months to the rest of the world. Therefore, there can be no definite predictions of this event on the current situation internationally due to the volatile situation on the international scene. The world's attention is now mostly focused on the Covid-19 virus.

Moody's already indicated that despite of the fact that Minister Tito Mboweni's budget speech sent out a lot of positive messages, they are still very sceptical about the current government and the direction they are now heading with the South African economy and that we are heading to junk status within the next 3 months depending on several factors. The Eskom debacle is surely top of the list as well as the SAA problem. South African government has taken a stand that they are adamant to save SAA despite numerous advisors, urging them to sell it or even better, close it down. However, the next 3 months will be of utmost importance in order to see how the downgrading of South Africa's economy to junk status will impact the economy. The payback terms and conditions of international loans will definitely be affected. South Africa will become less and less attractive to international investors.

2. National

South Africa's growth rate in January 2020 is now officially a shocking -0.1%. It dropped from 0.4% overall end of last year to the current level. The economy has grown with only 0.2% for 2019. The predictions for 2020 are looking very bleak. Moody's and the World Bank has predicted a growth rate of only 0.2% for South Africa for 2020. On top of this low expected growth rate, the world economy is also expected to decrease with 0.25%. This may cause the SARB to drop the repo rate once again on the 19th March 2020 in order to curb the shrinking South African economy. Although the taxpayers received good news that there will be no increase in personal tax and company tax, the Sword of Damocles is hanging over our heads. The Construction Industry has decreased with a shocking -5.9%. The most worrying factor is the Primary Sector decreasing with -0.4%, the Secondary Sector decreasing with -2.9% and the Tertiary Sector decreasing with -1.0%. Overall the GDP has decreased due to the abovementioned factors. Agriculture has shown the biggest decrease of -7.6% in growth who is also the biggest employer of people. The GDP has decreased overall with -1.4% in 2019.

During the budget speech it was mentioned that the State will cut drastically on its salaries account by R160 billion although it was not yet negotiated with the trade unions. This poses a huge threat to yet another disruption by means of stay away actions of state employees. Hopefully the issue will be resolved as soon as possible, given the current economic recession we are experiencing. The taxpayer's rate was only adjusted with the inflation rate of 4.5% in order to keep track of the current economic situation. VAT was not increased and quite wisely too. The South African economy would not be able to absorb the shock thereof on the taxpayers.

The worrying factor however is the fact that the government is going to proceed with their government aid packages to Eskom with an annual payment of R12 billion for the next 3 years and R16 billion to SAA. The pending and important question is where is the money going to come from? The latest and most worrying noises have come from Minister Tito Mboweni and the President himself, Mr Cyril Ramaphosa, that the money will be most probably come from the pension funds. The leading economists already warned them not to touch it. They can expect very strong opposition from several people and business partners. The reason why the government is giving thought to this, is the fact that state expenditure is running away. Predictions at the current rate of over expenditure shows that state debt will rise to 71.6% of GDP, the state will have to borrow a whopping R454 billion which is boiling down to a runaway train regarding state debt. The world will lend less and less money to South Africa with junk status investment grading. We are surely heading for very tough and lean times. We as South

African citizens should buckle up financially. As one of the political leaders has put it bluntly, the government is not doing what they must, but what they can do within their position of power. In the end of the day all debt must be paid back. The question is, will South Africa be in the position soon to pay back the debt? This is an open question that needs serious consideration by the politicians and the current government.

Unemployment is still on the increase and it is a ticking time bomb. It is just a matter of time that this issue will lead to increasing unrest and boycott actions. It became quite evident that several laws should be adjusted, and other laws should be abolished. Affirmative Action and Black Economic Empowerment failed dismally for various reasons and needs serious reconsideration. This is seriously hampering the development and growth of small to medium businesses. AA and BEE only helped to create a few black elite millionaires and contributed very little to address the unemployment situation in South Africa as well as the economic empowerment of black people due to cadre deployment. The Gini coefficient has increased in South Africa and we are now one of the most unequal countries in the world where poverty actually increased. It is time that drastic changes must be made in terms of economic policies and principles. The time has come to take the right action.

There is a saying we shall either fall together or rise together. Both are within our power. Let us rise together and build a better South Africa.

3. Provincial and Locally

The water situation is still stable in the Western Cape. We had an abnormal warm year once again is characterized with a lot of fires in the last few weeks. This is certainly not favourable to the water situation and therefore all people must take special care not to start unnecessary fires which can lead to veld fires. We are still on level 3 water restriction and we must always use water sparingly. The dam levels are currently as follow:

No.	Dam	Percentage
1	Bergrivier	73.0%
2	Steenbras Lower	50.2%
3	Steenbras Upper	78.6%
4	Theewaterskloof	64.7%
5	Voëlveli	65.6%
6	Wemmershoek	67.7%
	Total	45.9%

More and more reports are telling the same story. Construction projects are decreasing in the Western Cape and the Boland area. Many of our member companies are complaining of less available projects. This is causing a lot of unhealthy competition where companies are willing to work at throat cut prices in order to stay in business. However, we still have a stable and competent provincial government which has a soothing effect in comparison with the national situation.

Government spending in terms of creation of new infrastructure and maintenance of existing infrastructure is still high priority due to the influx of people into the Western Cape. There are still several projects for private investors coming off, but the whole issue of expropriation without compensation has placed somewhat of a damping effect on the growth in the property market and development thereof. Only time will tell what the future has in store for us. The right to own private property and property rights is the cornerstone of the free market. If you tamper with that, you are messing with the economy.

Keep a sharp eye on the coming planned dates of the following courses:

- Health & Safety Representatives
- Fire Prevention
- Scaffolding (Erectors & Inspectors)
- Working @ Heights
- Fall Protection Plan Developer
- Medical Fitness Certificates
- MBA Boland Supervisor

Please take note that you must book the courses to prevent disappointment in this regard.

MBA Boland planned SHE Forum Meetings are as follow:

- 8 April 2020
- 10 June 2020
- 12 August 2020
- 14 October 2020
- 9 December 2020 (Yearend Function)

The Agendas and notifications will be send out in advnace to all member companies.

Remember to build with the best, build with MBA Boland.

MBA Boland regards



WA Liebenberg

B.Sc. Agric. Hons(US), NADSAM Diploma (UNISA), MDP Diploma (UV)

SACPCMP Construction Health & Safety Manager (CHSM/304/2017)

SAIOSH Chartered Member (Member Number: 36756902)

MBA Boland

Sel: 079 501 9321; Tel: 021 - 863 3330; Fax: 021 - 863 3331

E - pos: safety@mbaboland.org.za



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