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## The Macro Research Desk

The 2019 National Elections: The ANC secures 57.5% in the most hotly contested polls since 1994

### Highlights

- The African National Congress (ANC) won 57.5% of the national vote (previously 62.2% in 2014), followed by 20.8% (previously 22.2%) by the Democratic Alliance (DA) and 10.8% (previously 6.4%) by the Economic Freedom Fighters (EFF).
- Voter turnout disappointed at 66% for the national vote, which was most likely due to rising distrust in government. Voter turnout was highest in the more populous urban areas, including Gauteng (GP), the Western Cape (WC) and Kwa-Zulu Natal (KZN), but lowest for the North West Province (NW) and Limpopo (LP), which have larger rural voting bases.
- The ANC narrowly maintained its hold over GP, while the DA secured a comfortable majority win in the WC.
- The ANC lost the most support in KZN and the Free State (FS), while the DA and EFF gained the most in Mpumalanga (MP) and KZN, respectively.
- Financial markets (fixed income and currency) responded positively to the results of the 2019 national elections.
- If President Cyril Ramaphosa believes the results strengthened his standing within the party enough to challenge the status quo by enacting meaningful policy change subsequently, the resultant positive effect on economic growth in time could support the rand, local bonds and the South African (SA) equity market.

### SA fixed income and currency markets reacted positively to the 2019 national election results

The rand reacted positively to the final election results and appreciated from R14.43 to the US dollar on the evening of 7 May 2019 (before the day of elections) to R14.19 on 11 May 2019. Fixed income markets reacted similarly. The yield on the SA R186 government bond edged lower from 8.59% on the eve of elections to 8.45% after the bulk of the votes had been tallied at market close on 10 May 2019.

SA equities followed global markets weaker, as investor concerns over the ongoing trade dispute between the United States (US) and China remained elevated. Rand-hedge proxies on the FTSE/JSE All-Share Index fell on the back of currency strength, while domestic

shares fared better. The index fell 2% between the closing price on 7 May and 10 May 2019.

The pertinent effect of the national election outcome on the local economy and asset classes will largely be determined by how secure Ramaphosa feels within the ANC on the back of the election results. If Ramaphosa believes the results strengthened his standing within the party enough to challenge the status quo by enacting meaningful policy change subsequently, the resultant positive effect on economic growth in time could support the rand, local bonds and the SA equity market.

In contrast, a lame-duck election result for Ramaphosa could force the ANC into a more populist policy direction, with negative resultant consequences for local growth and financial asset classes.

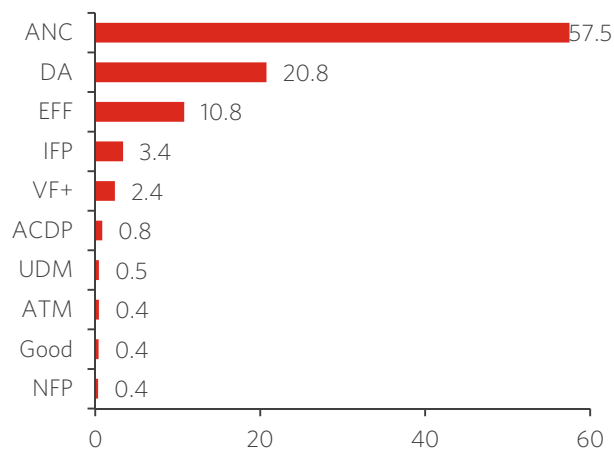
Nevertheless, whatever the eventual political outcome, by tapping into a widely diversified array of asset

classes, strategies and mandates, Momentum Investments' outcome-based investing philosophy should ensure a high probability that client investment goals are reached at an appropriate risk level.

## Ruling party emerges with national support of 57.5%

The ANC won 57.5% of the national vote, followed by 20.8% by the DA and 10.8% by the EFF (see chart 1). Voter support for church-orientated parties, such as the African Christian Democratic Party (ACDP) and the African Transformation Movement (ATM) featured in the 10-highest results from the 48 registered parties that participated in the 2019 national elections.

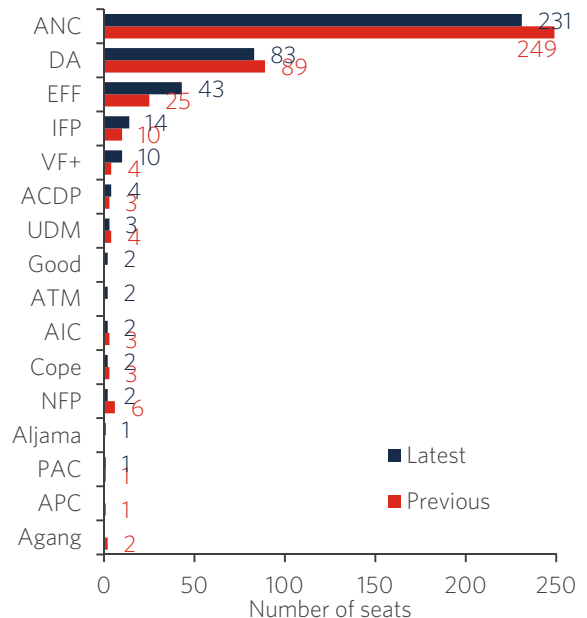
**Chart 1: 10-highest national election results (% support)**



Source: IEC, Momentum Investments, IFP = Inkatha Freedom Party, VF Plus = Vryheidsfront Plus (Freedom Front Plus), UDM = United Democratic Movement, Good = Good Party, NFP = National Freedom Party

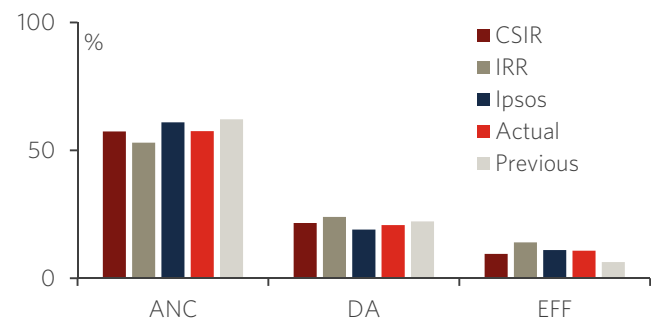
The final tally in the votes should lead to the number of ANC seats in parliament dropping from 249 to 231 and DA seats dropping from 89 to 83. Meanwhile, the number of seats taken up by the EFF will increase substantially from 25 to 43. Newcomers ATM and Good will likely be allocated two seats each in the National Assembly (see chart 2).

**Chart 2: Likely make-up of the sixth democratic parliament in SA**



Source: SABC, Momentum Investments, AIC = African Independent Congress, Cope = Congress of the People, Aljama = Al Jama-ah, PAC = Pan Africanist Congress, APC = African People's Convention

**Chart 3: National election results against the polls**



Source: CSIR, Ipsos, IRR, Momentum Investments

The final election outcome most closely resembles the prediction by the Council for Scientific and Industrial Research (CSIR). The final result for the ANC was lower than that projected by the Ipsos polls (surveying 3 600 voters on a face-to-face basis between 22 March and 17 April 2019), but higher than that indicated by the Institute of Race Relations (IRR), which surveyed 2 375 voters telephonically between 27 April and 4 May 2019 (see chart 3).

On a provincial level, the ANC lost support in all of the nine provinces. KZN and the FS observed the largest fall in ANC support (see table 1). The ANC retained control over GP, despite most polls suggesting a coalition government at a provincial level would be likely in this province. Meanwhile, the DA retained a comfortable majority of 55.5% in the WC. The EFF was the official opposition in LP (14.4%), MP (12.8%) and the NW (18.6), while the IFP was the party with the second-highest number of votes in KZN (16.3%).

The DA increased its voter support in three of the nine provinces, with the biggest gain in MP. Meanwhile, the EFF gained support across the country. The increase in voter support for the EFF was most significant in KZN.

**Table 1: Shift in party votes (%)**

		2019	2014	2009	2004
<b>Total</b>	ANC	57.5	62.15	65.9	69.69
	DA	20.77	22.23	16.66	12.37
	EFF	10.79	6.35	-	-
	Other	10.94	9.27	17.44	17.94
<b>EC</b>	ANC	68.74	70.09	68.82	79.27
	DA	15.73	16.2	9.99	7.34
	EFF	7.84	3.48	-	-
	Other	7.69	10.23	21.19	13.39
<b>FS</b>	ANC	61.14	69.85	71.1	81.78
	DA	17.58	16.23	11.6	8.47
	EFF	12.58	8.15	-	-
	Other	8.7	5.77	17.3	9.75
<b>GP</b>	ANC	50.19	53.59	64.04	68.4
	DA	27.45	30.78	21.86	20.78
	EFF	14.69	10.3	-	-
	Other	7.67	5.33	14.1	10.82
<b>KZN</b>	ANC	54.22	64.52	62.95	46.98
	DA	13.9	12.76	9.15	8.35
	EFF	9.71	1.85	-	-
	Other	22.17	20.87	27.9	44.67
<b>LP</b>	ANC	75.49	78.6	84.88	89.18
	DA	5.4	6.48	3.48	3.59
	EFF	14.43	10.74	-	-
	Other	4.68	4.18	11.64	7.23
<b>MP</b>	ANC	70.58	78.23	85.55	86.3
	DA	9.77	10.4	7.49	6.94
	EFF	12.79	6.26	-	-
	Other	6.86	5.11	6.96	6.76
<b>NW</b>	ANC	61.87	67.39	72.89	80.71
	DA	11.18	12.73	8.25	5
	EFF	18.64	13.21	-	-
	Other	8.31	6.67	18.86	14.29
<b>WC</b>	ANC	28.63	32.89	31.55	45.25
	DA	55.45	59.38	51.46	27.11
	EFF	4.04	2.11	-	-
	Other	11.88	5.62	16.99	27.64
<b>NC</b>	ANC	57.54	64.4	60.75	68.83
	DA	25.51	23.89	12.57	11.08
	EFF	9.71	4.96	-	-
	Other	7.24	6.75	26.68	20.09

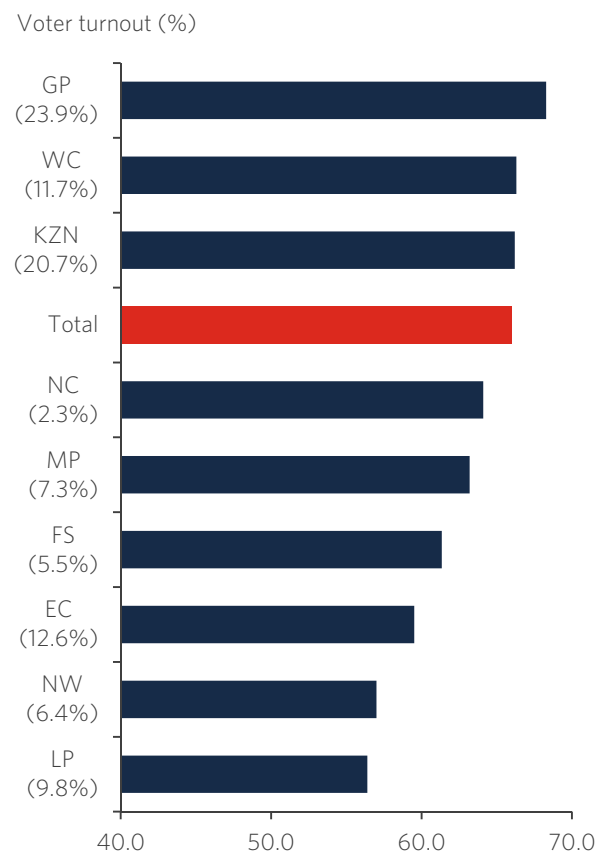
Source: IEC, Momentum Investments, red font = decline in vote share from 2014, blue font = increase in vote share from 2014, NC = Northern Cape, EC = Eastern Cape

## Record-low voter turnout

26.7 million voters were registered on the voter's roll by the middle of April 2019. GP and KZN accounted for 45% of the total registered voters in the country. Voter turnout for the country as a whole disappointed at 66%. Voter turnout in GP, the WC and KZN were the highest from all the provinces at 68.3%, 66.3% and 66.2%, respectively (see chart 4).

Provinces with larger rural voting bases have tended to have a lower voter turnout historically. Voter turnout dropped the most in LP to 56.4% and declined by the least in the WC and GP, where the risk of coalition politics (and competition) was the highest.

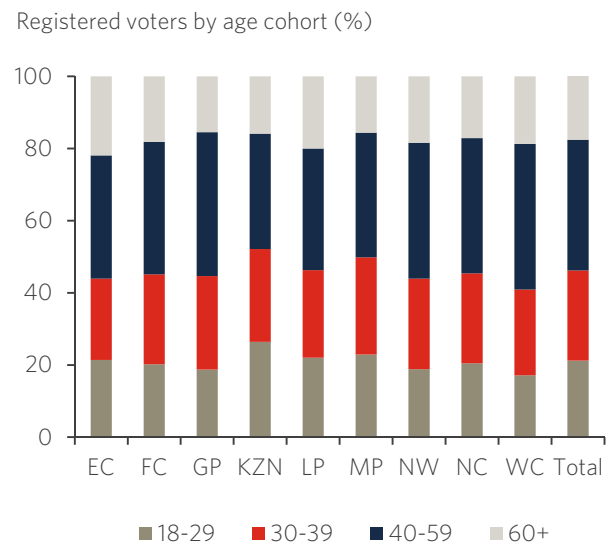
**Chart 4: GP, WC and KZN had the highest voter turnout**



Source: IEC, Momentum Investments, registered voter share per province indicated in brackets

Registered youth voters (under the age of 30) made up around a fifth of the total registered voters (chart 5), while the older age cohorts still accounted for the bulk of registered voters.

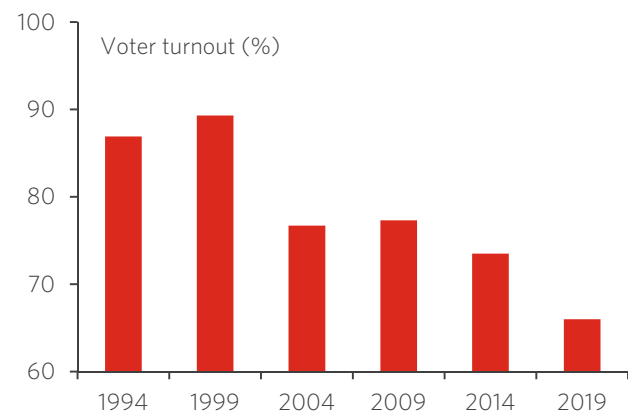
**Chart 5: Registered youth made up a smaller share of the total**



Source: IEC, Momentum Investments

Voter turnout was at its lowest for the 2019 national elections (see chart 6).

**Chart 6: Disappointing turnout denotes voter apathy**



Source: IEC, Momentum Investments

## Demographic profiles and opinions of the largest political parties

In the SA Citizen Survey (3 600 face-to-face interviews between 22 March and 17 April 2019) for the third quarter of 2018, the results indicated that 95% of those who felt close to the ANC were from the Black population group, 3% were Coloured, 1% was Indian and 1% was White. 45% of the sample set were from rural areas, with 44% residing in GP and KZN, while 41% were below the age of 34.

Popular opinions surveyed by Ipsos, in its Pulse of the People Survey, indicated 59% of sampled ANC supporters believe state capture is being addressed by the ruling party and 68% trust the ANC will live up to its election promises.

Comparatively, the SA Citizen Survey showed support for the DA was more widely representative on a racial basis. 33% of those who said they felt close to the DA were from the Black population group, 35% were Coloured, 3% were Indian and 28% were White. 18% of the sample set were from rural areas. 61% resided in the WC and GP, while 42% were below the age of 34.

The Ipsos survey revealed 75% of respondents were confident the DA had managed the WC, Tshwane and

Johannesburg well, but 39% of respondents were worried the DA was having leadership issues. While 55% of all the registered voters surveyed by Ipsos agreed the DA talked a lot, but did very little for the voters, this sentiment was only shared by a quarter of sampled DA voters.

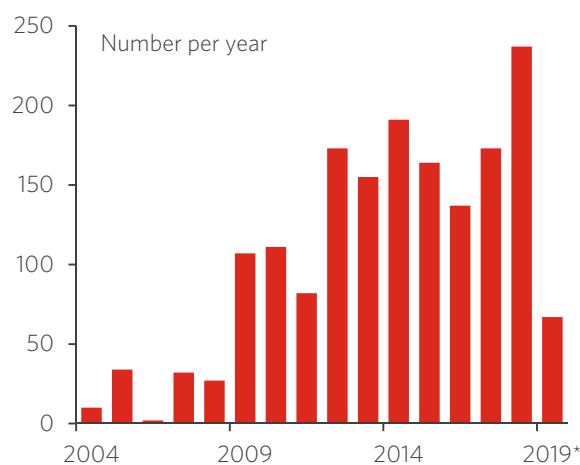
Lastly, the SA Citizen Survey revealed the majority (97%) of those surveyed who felt close to the EFF were Black, while 3% were from the Coloured population group. 28% of the sample set were from rural areas, with 43% living in Gauteng. Only 38% of the sample were female and 70% were below the age of 34.

In the Ipsos Pulse of the People Survey for the third quarter of 2018, 60% of sampled registered voters suggested the EFF was having a negative effect in parliament, while only a quarter of sampled EFF supporters agreed with this statement. 59% of sampled registered voters believe the EFF's policies are too radical, with a third of sampled EFF supporters agreeing. 57% of all sampled registered voters think the EFF is inclined to incite violence, but only a quarter of EFF supporters in the sample were in agreement.

## Elections set against the backdrop of broad-based weakness in economic activity

The 2019 national elections took place against a weak growth setting in SA. Growth in economic activity fell to 1.5% on average for the past 10 years, from its longer-term average of 3% since 1960. The rate of unemployment in the same period increased from 23% to 27.1%. Although the country was making progress in alleviating poverty between 2006 and 2011, poverty levels have increased since. The proportion of the population living below the lower-bound poverty line (individuals who do not have command over enough resources to purchase or consume adequate food and non-food items and are, therefore, forced to sacrifice food to obtain essential non-food items) dropped from 51% in 2006 to 36.4% in 2011, but increased to 40% by 2015.

Chart 7: Record-high service delivery protests

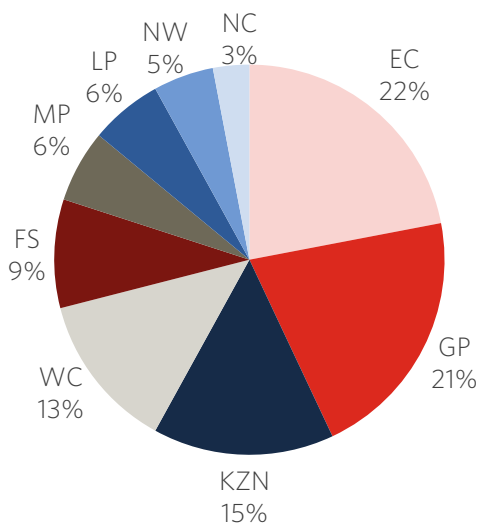


Source: Municipal IQ, Momentum Investments

Rising unemployment levels have correlated with an increase in major service delivery protests, which increased to its highest level on record in 2018 at 237. Protest levels gained traction for the first three months of 2019, amounting to 67 (see chart 7). According to Municipal IQ, these are protests, which have been based on residents raising issues that are the responsibility or perceived responsibility of local government, including councillor responsibility and the quality and pace of basic service delivery.

Traditionally, GP has been the province most prone to service delivery protests, due to rapid urbanisation leading to inequality and marginalisation for some. However, the EC has overtaken GP, accounting for 22% of protests for the first three months of 2019, possibly owing to rural poverty and economic stagnation (see chart 8).

**Chart 8: Protests split by province (%)**



Source: Municipal IQ, Momentum Investments

In the latest political opinion polls by Ipsos for April 2019, more than 20% of the registered and polled voters suggested “violent protest is the only way to get service delivery”.

Against this weak economic backdrop, business confidence has remained in the doldrums, with the Bureau of Economic Research’s Business Confidence Index averaging 39 points (below the neutral level of 50) since 2009. Investment growth by the private

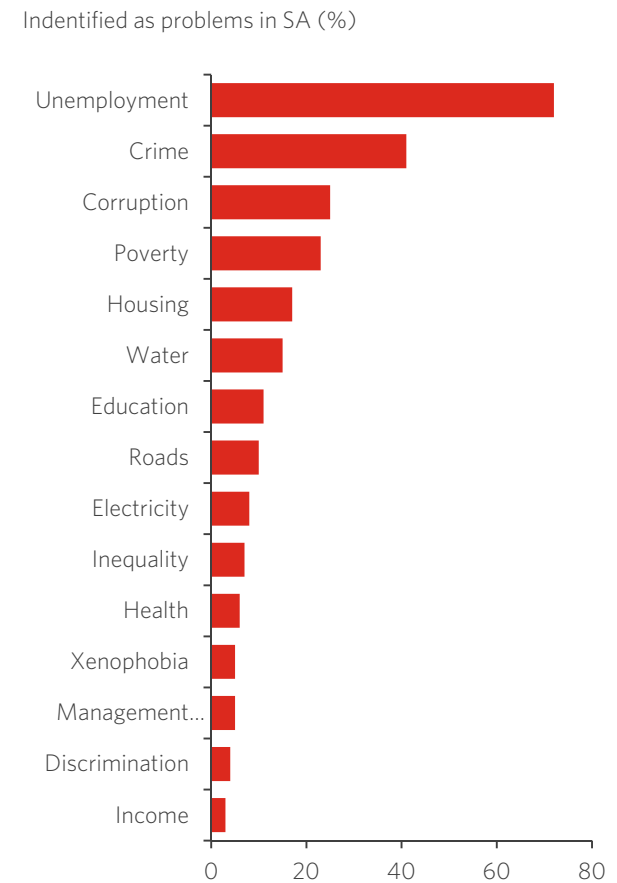
sector has consequently remained muted. Growth in private fixed investment spend dropped to an average of 0.7% since 2009, from an average of 4.4% since 1960.

**Chart 9: SA has slipped on the rankings**



Source: World Bank, Momentum Investments, data up to 2018

**Chart 10: SA’s key problems**



Source: Ipsos, Momentum Investments

Businesses have been reluctant to invest and hire in recent years, due to elevated levels of political, economic and regulatory uncertainty as well as depressed demand. The ease of doing business in SA has deteriorated in the last decade. According to the World Bank's Ease of Doing Business report, SA ranked at 32 out of 181 countries in 2009, but plummeted to 82<sup>nd</sup> out of 190 countries by 2018 (see chart 9). In President Ramaphosa's State of the Nation Address, he promised to promote a business-friendly environment to support investment in SA and pledged to move SA into the top 50 countries in the Ease of Doing Business report. Marked strides will have to be made in SA's areas of underperformance, which include

trading across borders, enforcing contracts, registering property and dealing with construction permits.

The manifestos of the parties with the biggest share of the votes have aligned their priorities with what voters feel are the most important problems facing the country (see chart 10).

At the launch of the ANC's 2019 manifesto, the party president announced the ANC intended to prioritise unemployment and were working to attract investors, while corruption was largely at the centre of the DA's manifesto. Meanwhile, the EFF promised to expropriate land without compensation, which did not feature in the survey's listed top priorities of SA citizens.

## Deterioration in trust a root cause of voter apathy

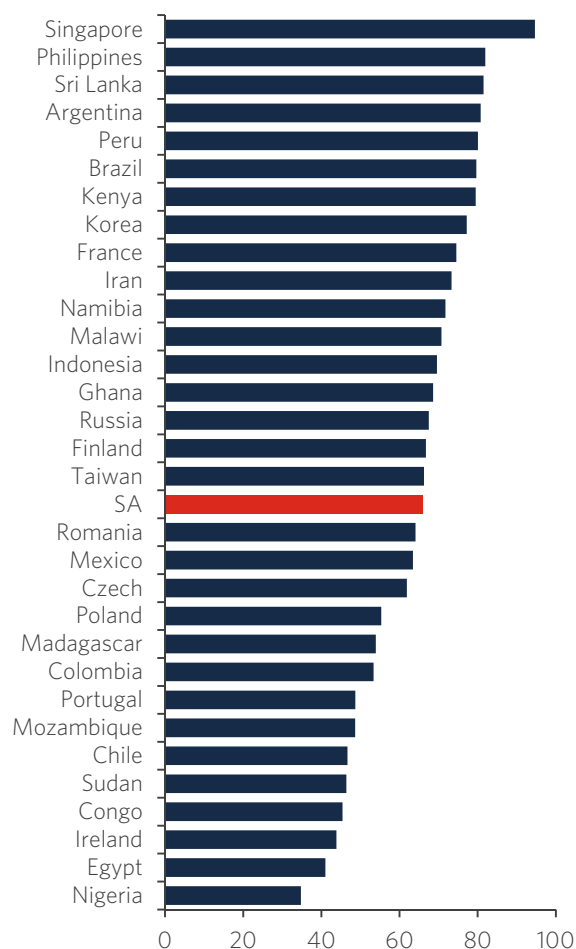
At the United Nations (UN) General Assembly in September 2018, the UN Secretary General warned the world was "suffering from a bad case of trust deficit disorder". Surveys of citizens' trust in politicians and governments have shown a general decline across the globe.

A key symptom of distrust has been the rise in voter apathy, evident in the declining rate of voter turnout. Although voter turnout in SA fares better than in some countries (see chart 11), voter turnout has been on the decline in SA since the 1994 elections (see chart 6).

On a global comparison, SA voter turnout was lower than the turnout in the latest elections in Rwanda (98.2%), Zimbabwe (86.6%), Turkey (86.2%), Brazil (79.7%) and France (74.6%), but more or less in line with that of Russia (67.5%), the US (65.4%) and Mexico (63.4%). Voter turnout in SA, however, compared favourably with that of the Democratic Republic of the Congo (45.4%) and Nigeria (34.8%).

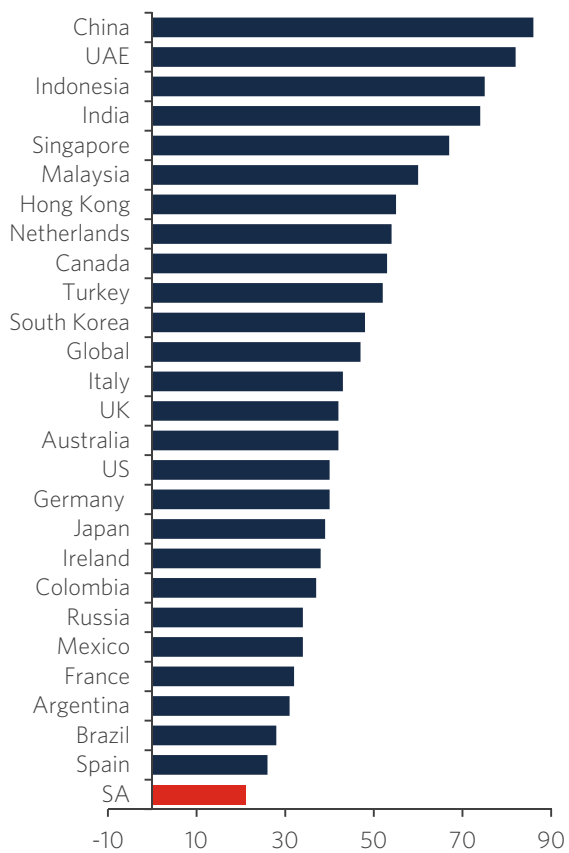
Voter apathy can be linked to a decline in trust in the main political parties. The Electoral Commission reported nearly 27 million people were registered to vote, but 9.8 million eligible voters did not register. Of those, more than 60% were under the age of 30.

Chart 11: Voter turnout by country (%)



Source: Edelman, Momentum Investments

Chart 12: SA is distrustful of its politicians (%)



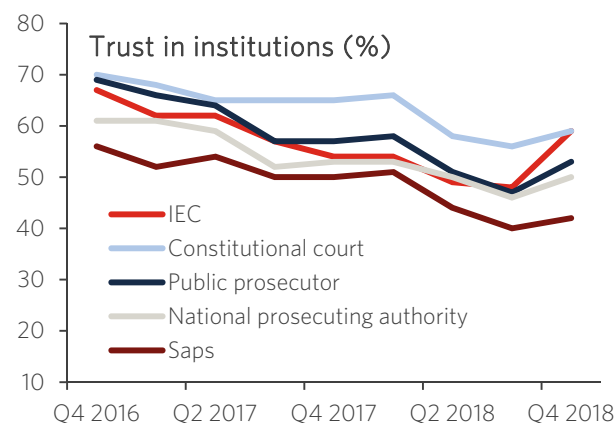
Source: Edelman, Momentum Investments

Trust in SA's government has dropped. SA citizens had the least trust in government, from a number of economies globally, according to the 2019 Edelman Trust Barometer (see chart 12).

The SA Citizen Survey concluded the escalating rate of youth unemployment hinders the ability of the youth to advance in life and they are thus faced with downward social mobility and few opportunities. Often these disenfranchised youth believe their voting makes little difference and instead have other mechanisms of making their voices known, as was seen in the #FeesMustFall movement.

Distrust in government appears to be a more concerning issue than trust in SA's institutions, particularly for the Independent Electoral Commission (IEC) and the Constitutional Court (see chart 13), where trust remains reasonably high.

Chart 13: SA has trust in the IEC (%)



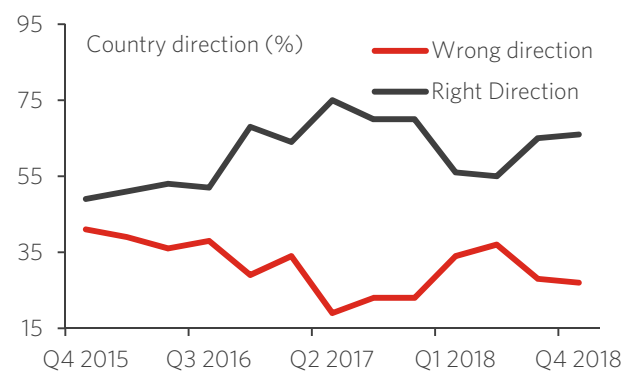
Source: Edelman, Momentum Investments, Saps = SA police service

### SA citizens have faith in the president

Data from the SA Citizen Survey (which collates responses from 3 600 people) pointed to an increase in the percentage of respondents, who believe the country is moving in the right direction, to 66% in the final quarter of 2018 (see chart 14).

Although the extent of state capture allegations involving members of the ruling party has deepened perceptions of corruption in SA (see chart 15), the president remains more popular than the ruling party.

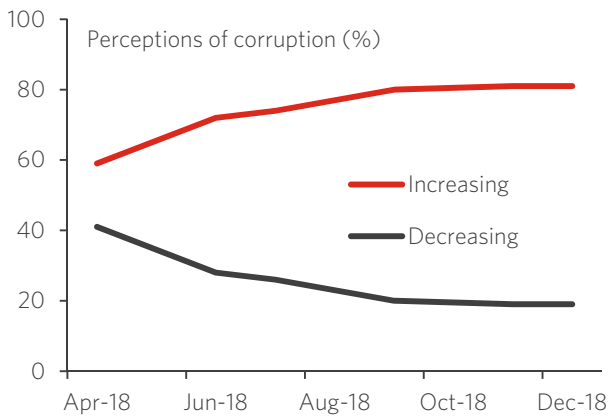
Chart 14: Two thirds believe SA is moving in the right direction



Source: SA Citizen Survey, Momentum Investments



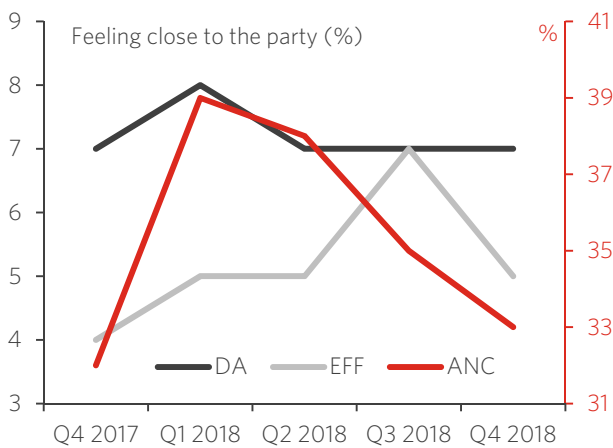
**Chart 15: Perceptions of corruption have risen**



Source: SA Citizen Survey, Momentum Investments

Revelations around state capture have likely dented voters' feelings towards the ruling party, with a smaller percentage of citizens feeling close to the ANC than previously (see chart 16).

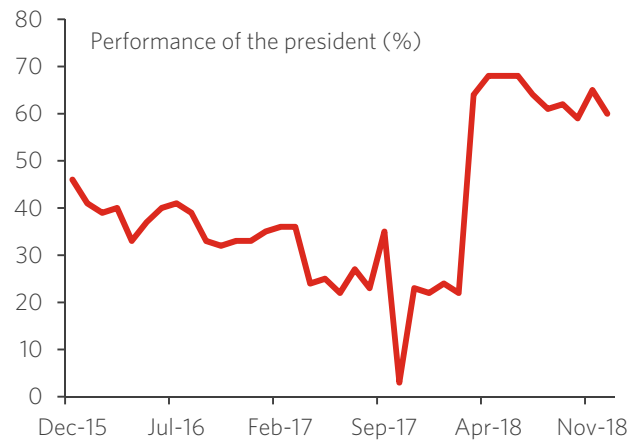
**Chart 16: Political alienation**



Source: SA Citizen Survey, Momentum Investments

This measure is traditionally viewed as political partisanship and speaks to the level of commitment to a political party, which has fallen for the ANC since the first quarter of 2018. Meanwhile, popularity ratings for the president remained favourable (see chart 17).

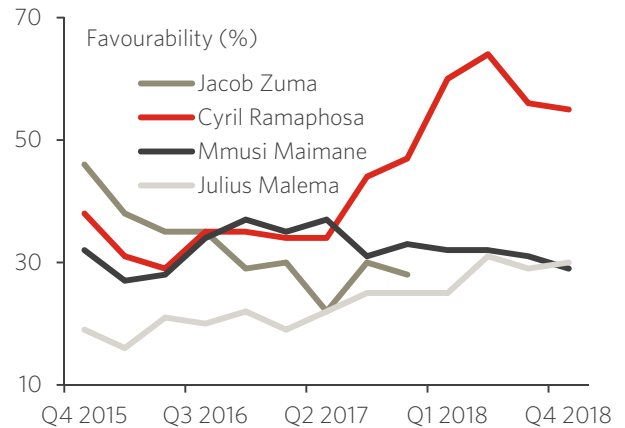
**Chart 17: Faith in Ramaphosa**



Source: SA Citizen Survey, Momentum Investments

Ramaphosa has also consistently scored more favourably against DA leader Mmusi Maimane and the EFF leader Julius Malema in the SA Citizen Survey (see chart 18) since the fourth quarter of 2017, when Ramaphosa was elected as the president of the ANC.

**Chart 18: Ramaphosa favoured by SA citizens**



Source: SA Citizen Survey, Momentum Investments

Consumers reacted positively to Ramaphosa's appointment as president of the country in the first quarter of 2018. The share of consumers expecting personal living conditions and the economy to improve for the next year increased in the first quarter of 2018, but tapered off as 'Ramaphoria' wore off during the year (see chart 19).

Chart 19: 'Ramaphoria' tailed off

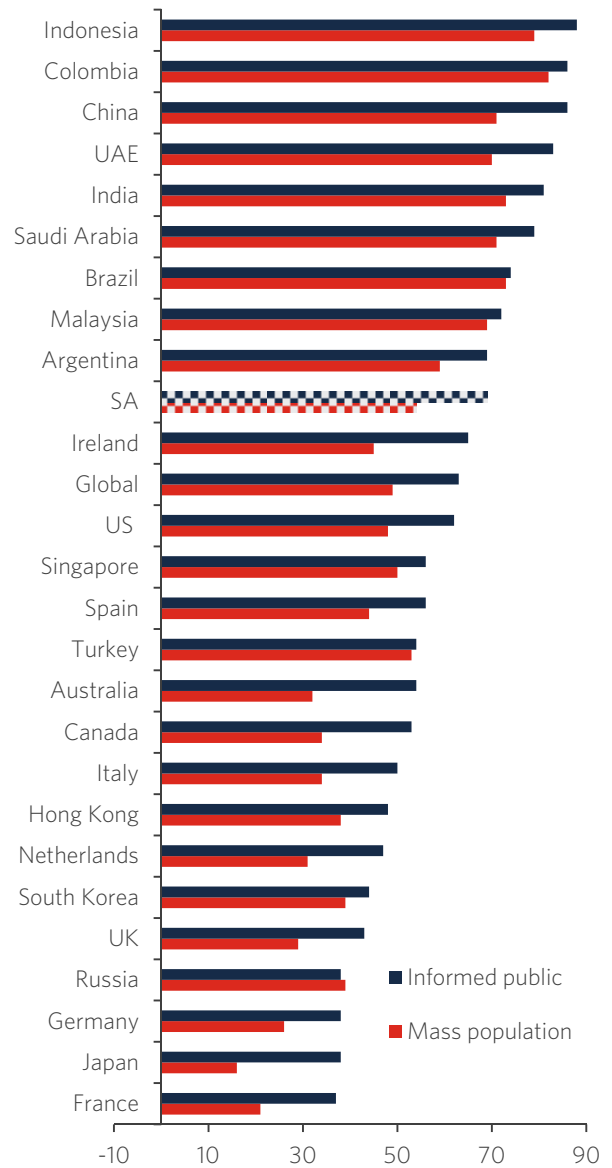


Source: SA Citizen Survey, Momentum Investments, data up to the third quarter of 2018

SA's informed public also has a relatively optimistic five-year view. The 2019 Edelman Trust Barometer pointed out 69% of SA's informed public (aged between 25 and 64 years, college-educated, engage in business news and social media and represent the highest 25% of household income per age group in each market) believes their lives and their families' lives will be better off in five years' time, whereas 54% of the mass population believe this to be the case (see chart 20).

Citizens are also taking a bigger interest in media of late. In 2018, the Edelman Barometer reported 48% of those surveyed in SA consumed news less than weekly. However, this dropped to 27% in the reading for 2019. More citizens reported consuming news at least once a week. The 2018 Brazilian elections have similarly been an example of the importance of incorporating social media into election campaigning.

Chart 20: Percentage believing in a better future



Source: IRESS, Momentum Investments, data up to the fourth quarter of 2018

