OASIS

Your Oasis

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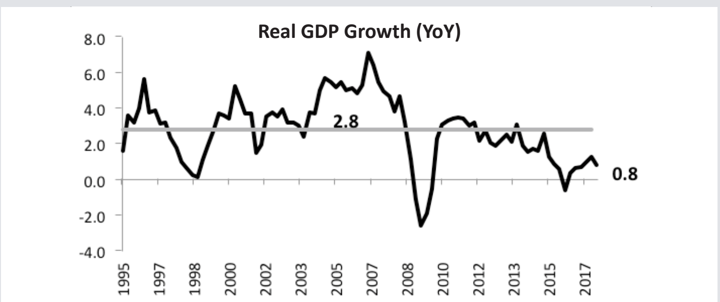
CEO Update

Adam Ebrahim - Oasis CEO

The swearing in of Cyril Ramaphosa as President of South Africa marks a significant sea-change in the political and economic landscape. Under Ramaphosa, tackling corruption and stabilising the State-Owned Enterprises (SOEs) will be a major priority as well embracing economic policies that underpin the National Development Plan. There are early indications of improving business and consumer confidence since the ANC's Elective Conference in mid-December. Financial markets have given the new leadership the clear thumbs up, with the Rand strengthening close to 15% since late 2017. The change in sentiment is very encouraging and, assuming policy initiatives are carried forward, economic growth is likely to be boosted over the coming quarters.

The Finance Minister faces a very difficult balancing act when the Budget is delivered on 21 February. The consequence of the sharp economic slowdown during 2016 and the early part of 2017 is plain to see. For the public finances, this meant revenue growth underperformed notably over the past year, particularly value-added tax (VAT), while expenditure outlays remained 'sticky' given high social requirements. As a result, without any corrective measures the budget deficit looks set to remain close to -4.0% of GDP in Financial Year (FY) 2018.

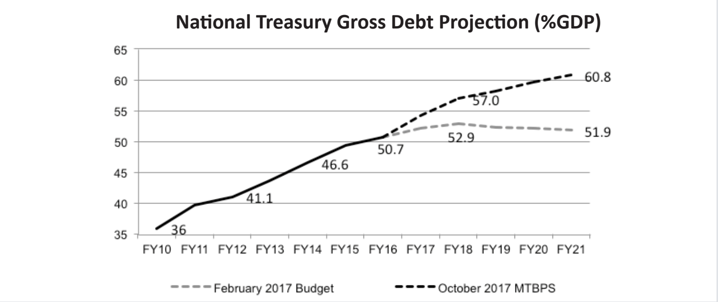
On the plus side, a robust cyclical recovery of the global economy is helping to lift all boats, including South Africa. Consensus forecasts on Bloomberg show that economists expect South Africa GDP to expand 1.5% this year after 0.9% in 2017. That will help the fiscal outlook by boosting tax revenue. If a new government led by Cyril Ramaphosa were to implement growth-friendly economic policies, there may even be some upside to current forecasts.



Source: Statistics South Africa and Oasis Research, 12 February 2018

That said, the fiscal position is of such a concern, that further tax increases look inevitable at this stage. Unfortunately, higher taxes would act as a headwind to spending and investment, and therefore overall economic growth. At Oasis, we believe that the government also needs to look hard at its expenditure, which now comprises some 34% of GDP compared to the post-2010 average of 30%.

With National Treasury estimating that gross debt will rise to 60.8% of GDP by 2021, measures to tighten South Africa's fiscal belt need to be implemented to improve the debt profile of the country, or South Africa may continue to face risks of further downgrades to its sovereign ratings.



Source: National Treasury and Oasis Research, 12 February 2018

A word on financial matters

While the New Year is a perfect time for a fresh start; many individuals spend their first month actively looking for a new job or even a career change. Giving yourself the opportunity to develop further and expand your horizons can certainly be an exciting time for you and your family, but it does require a fair amount of consideration and planning beforehand.

This is especially relevant when it comes to your finances and how it will be impacted, particularly where your retirement savings are concerned. The key principle to remember when changing jobs is to never liquidate your retirement savings but to rather transfer from your employees' pension or provident retirement scheme into a retirement preservation fund.

All too often, we come across many individuals who make the painful mistake of tapping into their retirement funds when they change jobs. At the time, it may seem like too small an amount to be overly concerned about and you may reason with yourself that "you will make up for it with your new job" but all too often that is never the case. Remember money, once lost, can be really difficult to replace. The truth is when you decide to cash your retirement savings prematurely you break one of the cardinal rules of long-term wealth creation and expose yourself to tax payments; which invariably are not worth it. Not only will you need to prepare for a reduced pay-out in the short-term but you are diluting the powerful effect that compounding has on your money over time. Ultimately, you deprive yourself of the satisfaction of experiencing real financial freedom during your retirement years; and from our perspective, there is nothing more rewarding than engaging with investors who have maintained their quality of life into their retirement years. We recommend that you speak to your financial advisor before changing your job so that together you can work on a suitable plan that ensures you preserve your retirement savings.

In the News

Oasis commitment into education and the development of our future leaders continues as the Group welcomed 49 students onto the 2018 Oasis Bursary Programme. At an event attended by over 120 guests, the students were inducted to the programme that ensures they receive financial assistance for the duration of their studies and provides equipment, career guidance, mentorship and skills training.

We wish all our students the very best in the year ahead and look forward to working with them as they continue to progress and grow. Contact our Bursary team on 021 413 7860 or e-mail them at bursary@oasiscrescent.com