



Turning the Tide

QT, climate, inflation, investment, growth

25 May 2022

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Researching Capital Markets and Financial Services

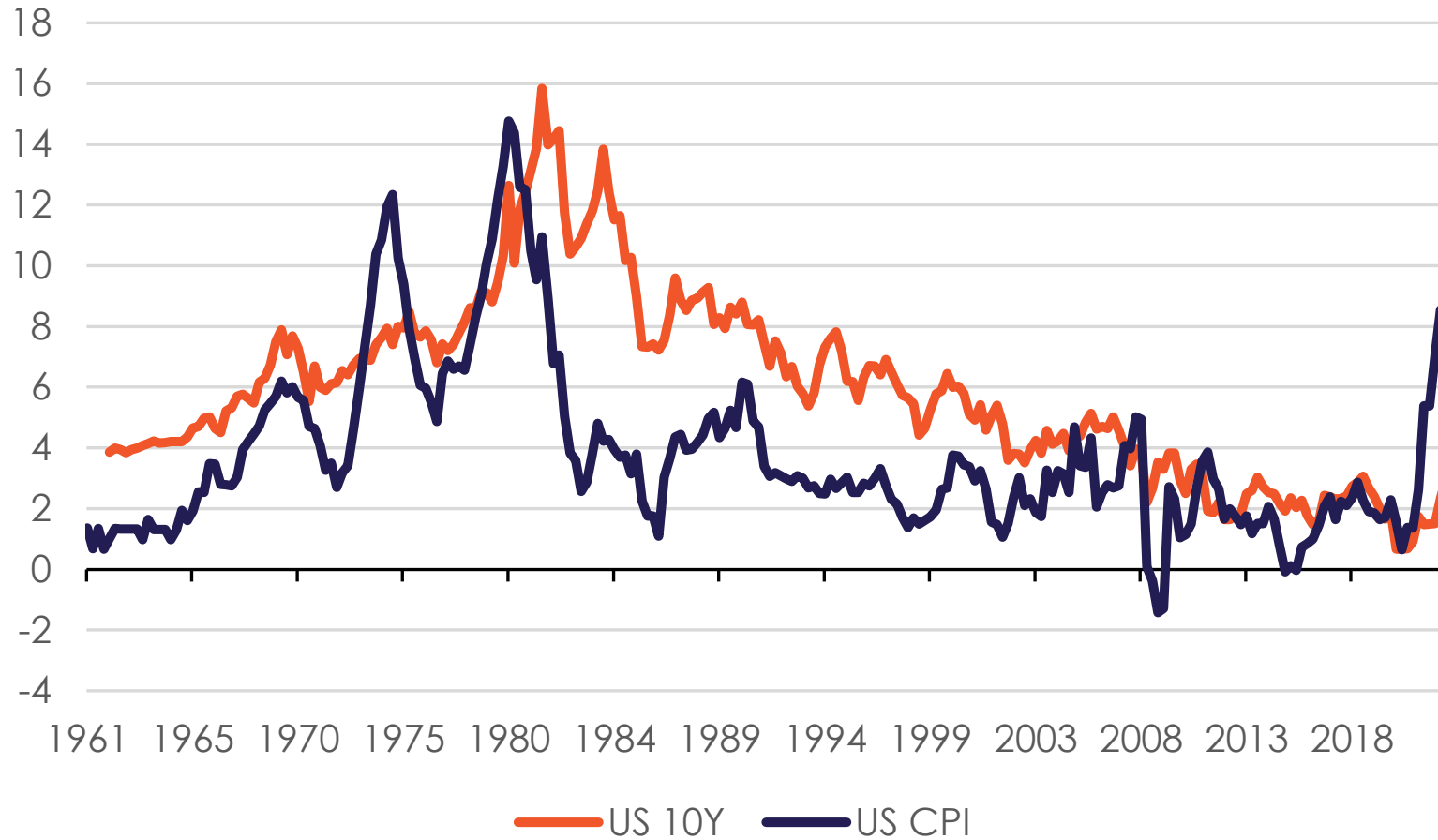
 **SAVCA**
SOUTHERN AFRICAN VENTURE CAPITAL
AND PRIVATE EQUITY ASSOCIATION

fluidity
SAVCA
Conference
2022

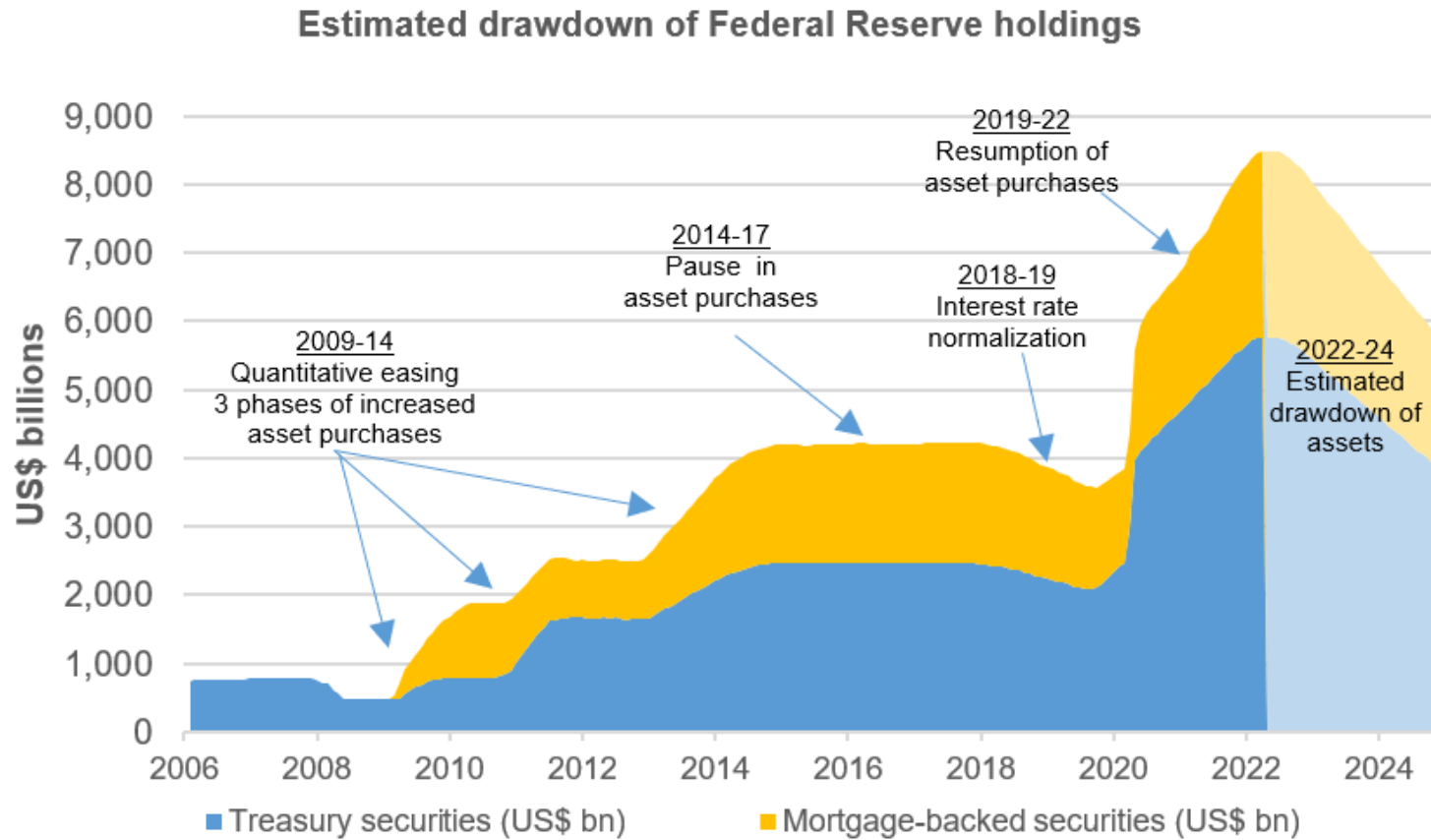
Setting the scene



Unusual shocks...



QT is coming

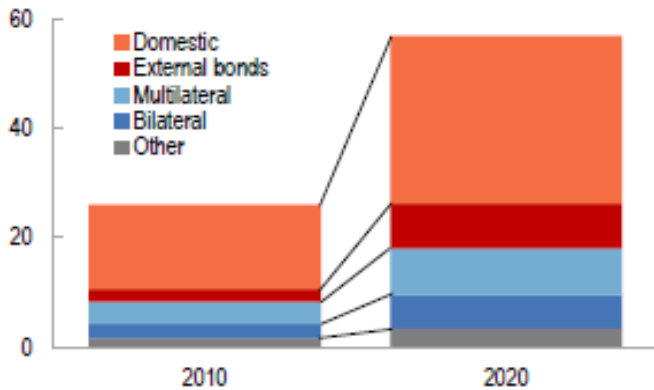


SSA

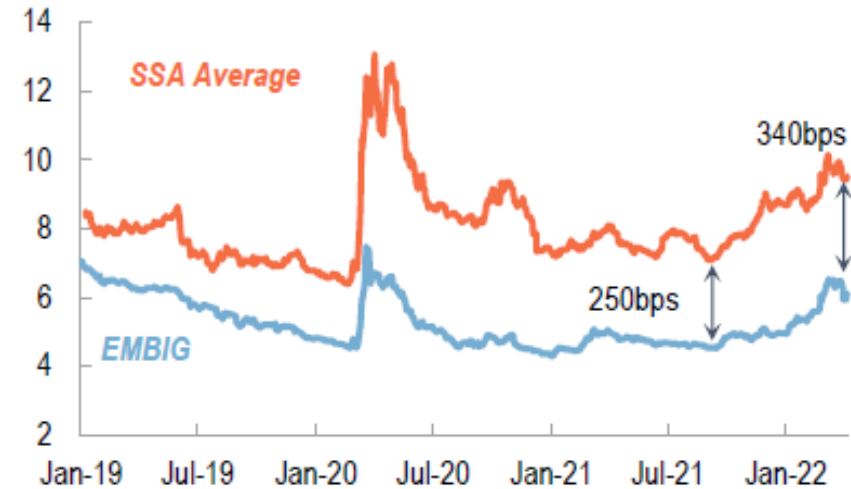


SSA is not ready?

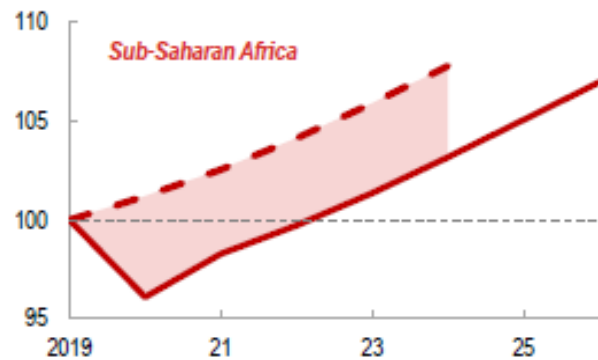
Debt % GDP has risen, in particular local currency....



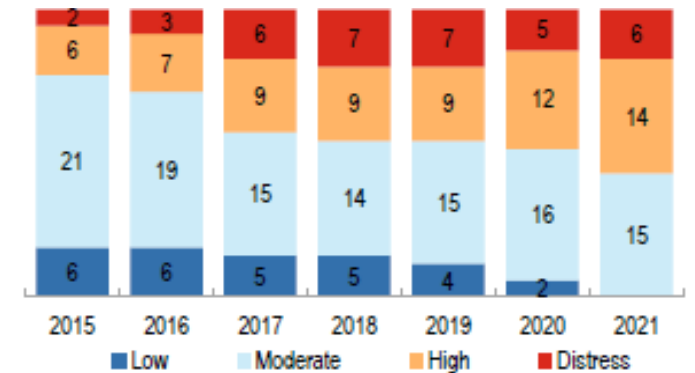
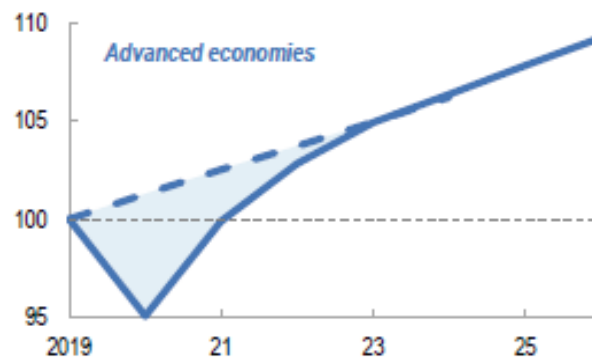
But debt is getting more expensive....



Output is not recovering compounding debt problem....



Meaning debt distress climbing even pre-2022

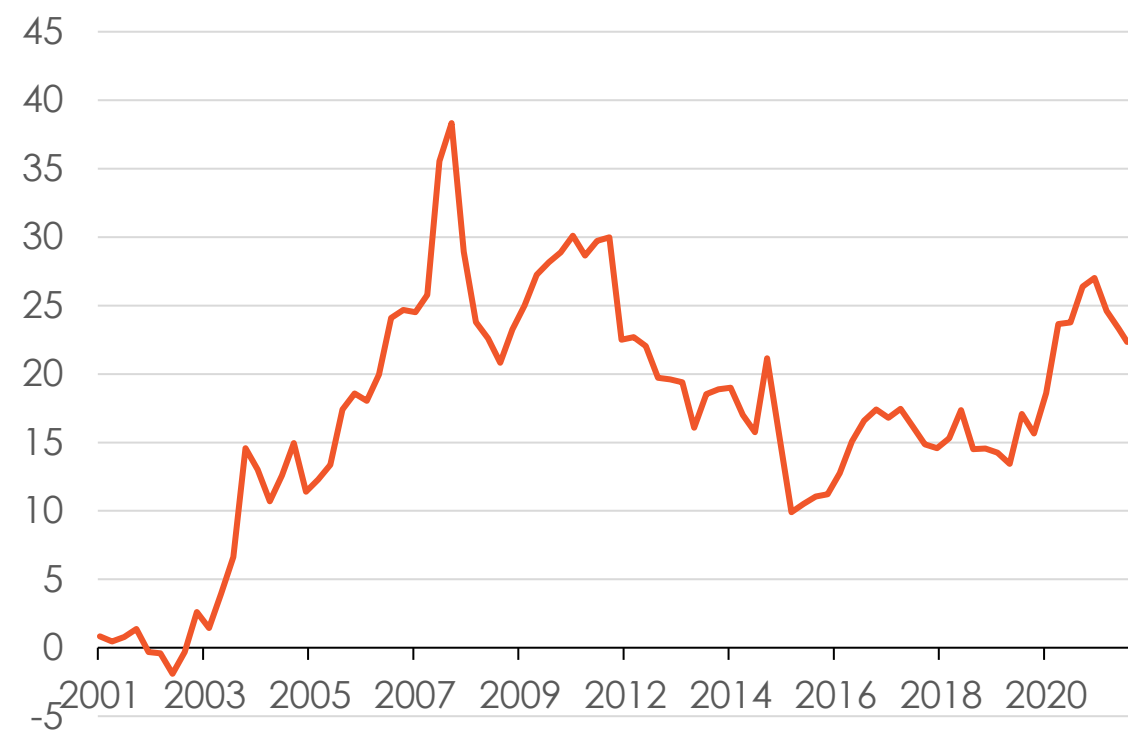


Some South Africa Specifics

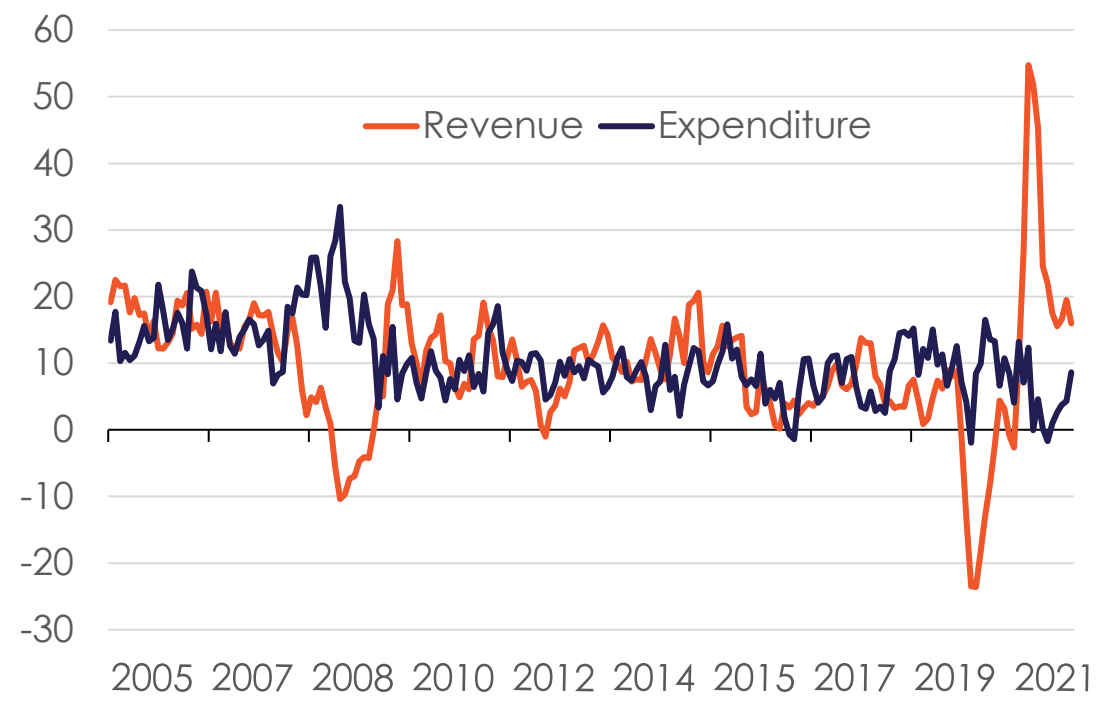


Terms of Trade boon

*Export prices have outpaced import prices
(Terms of Trade index)*



%yoy fiscal metrics showing strong revenue performance still



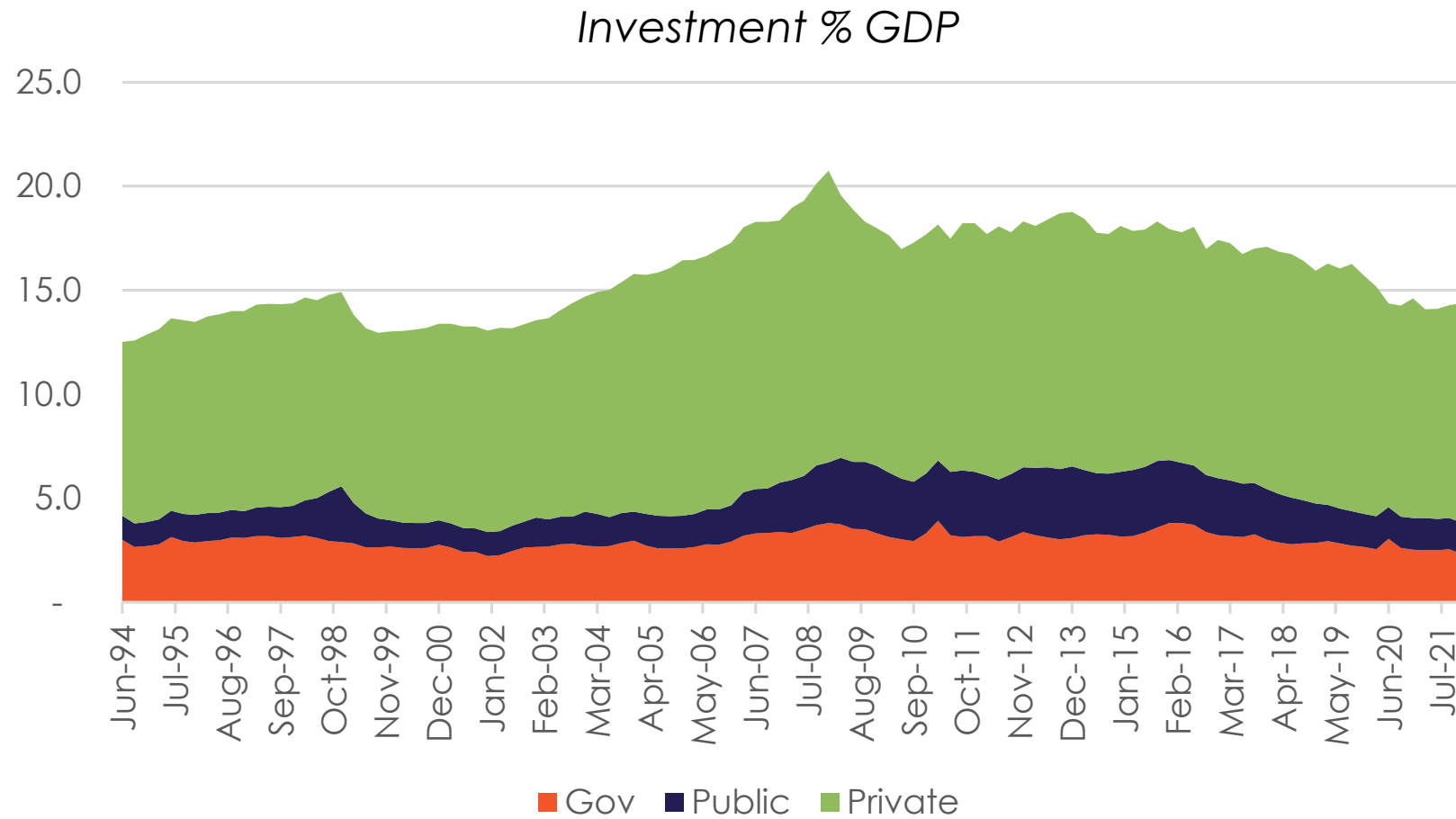
Reforms are happening

#	ACTIONS	STATUS
1	Raise licensing threshold for embedded generation	
2	Implement emergency procurement of 2 000 MW	
3	Procure new generation capacity in terms of IRP 2019	
4	Enable municipalities to procure power from independent power producers	
5	Restructuring of Eskom	
6	Improve Energy Availability Factor (EAF) to over 70%	
7	Address institutional inefficiencies in municipal electricity distribution	
8	Complete spectrum auction	
9	Complete migration from analogue to digital signal	
10	Finalise Rapid Deployment Policy and Policy Direction	
11	Streamline process for wayleave approvals	
12	Improve water-use license application process	
13	Revive the Blue Drop, Green Drop and No Drop water quality monitoring system	
14	Establish an independent economic regulator for water	
15	Finalise the revised raw water pricing strategy	
16	Establish a National Water Resource Infrastructure Agency	
17	Address institutional inefficiencies in municipal water distribution	
18	Corporatise the Transnet National Ports Authority (TNPA)	
19	Improve efficiency of ports	
20	Establish Transport Economic Regulator through Economic Regulation of Transport Bill	
21	Finalise the White Paper on National Rail Policy	
22	Implement third-party access to freight rail network	
23	Publish revised Critical Skills List	
24	Review Policy Framework and processes for work visas	
25	Expand visa waivers and explore visa recognition system	
26	Implement e-Visa system in fourteen countries, including China, India, Kenya, Nigeria	

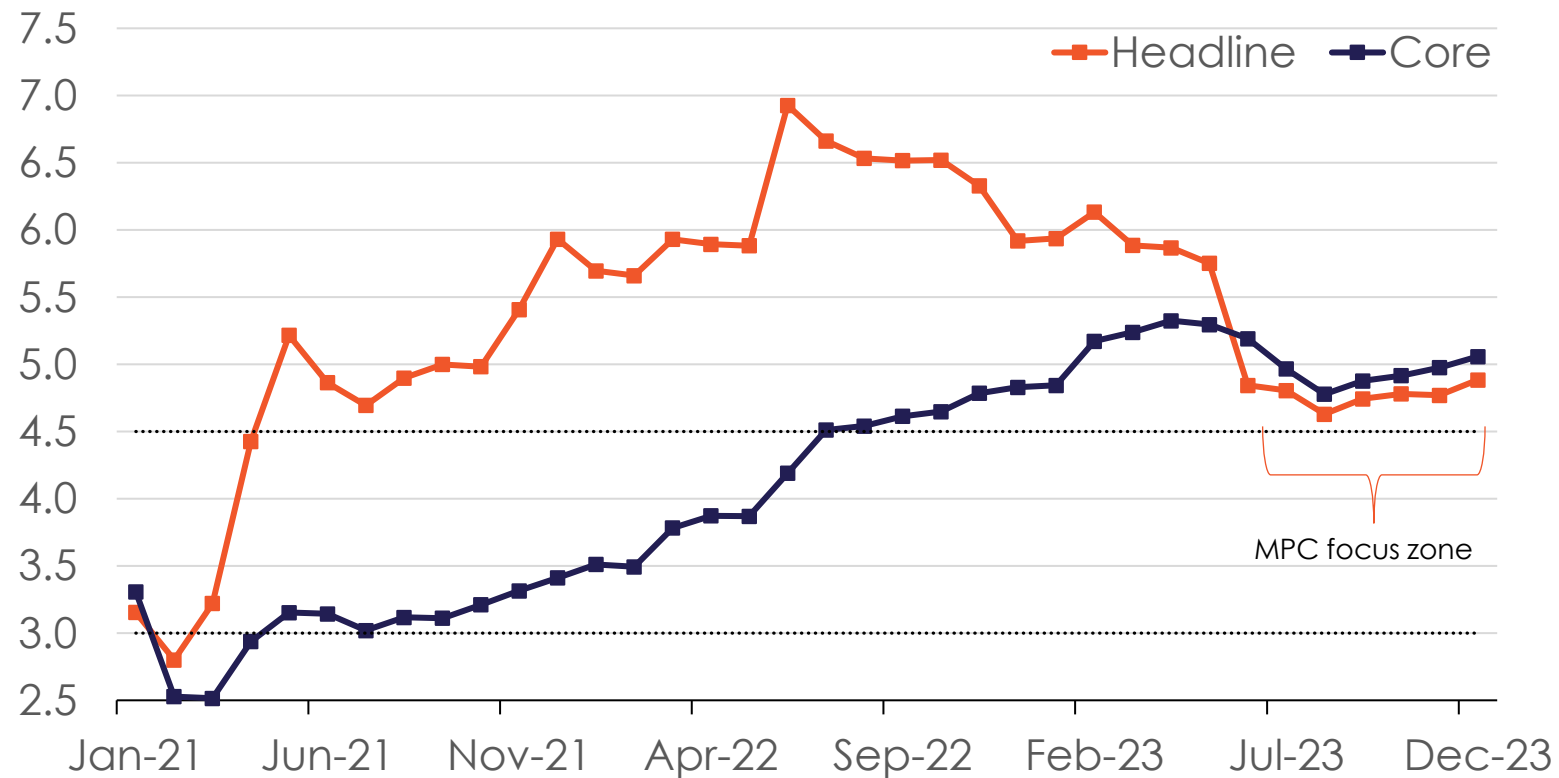


RAG STATUS			
REFORM COMPLETED	CRITICAL CHALLENGES IN IMPLEMENTATION	SOME CHALLENGES OR DELAYS IN IMPLEMENTATION	REFORM ON TRACK OR UNDERWAY

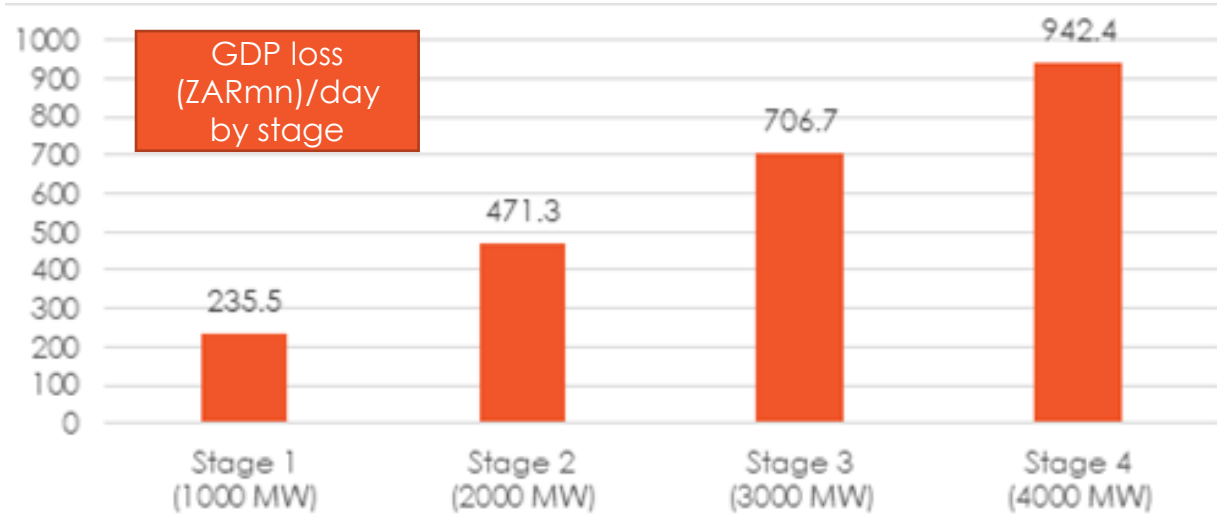
Infrastructure stasis



Cost of living crisis



Loadshedding

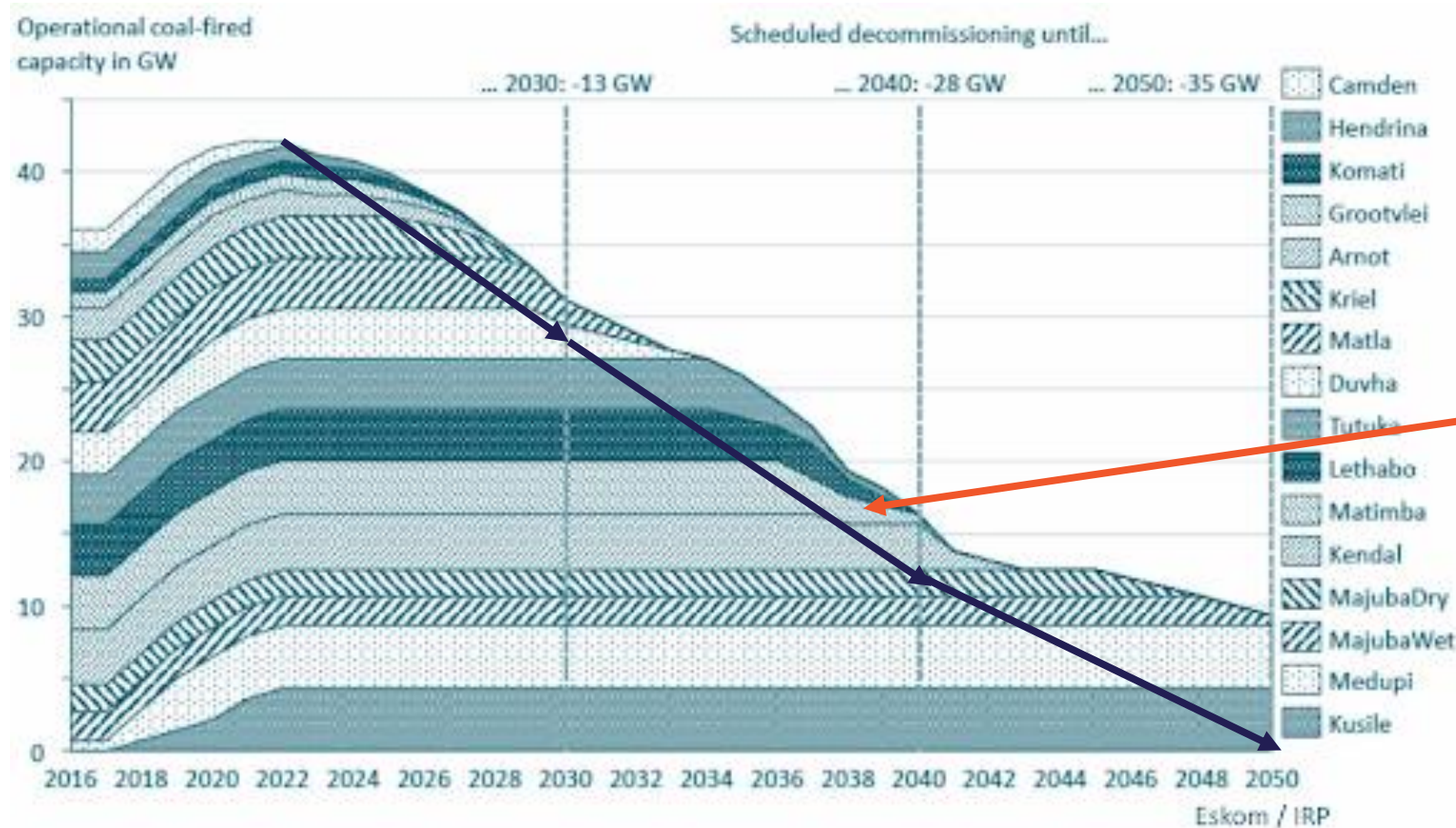


Week Start	Week	MW Contracted	MW Residual Forecast	MW Available Dispatchable Capacity	MW Available Capacity (Less CR and UCL)	MW Planned Maintenance	MW Unplanned Outage Assumption (UA)	MW Planned Risk Level (14200 MW)	Likely Risk Scenario (14200 MW)
02-May-22	18	31204	30603	44338	30138	5174	12000		
09-May-22	19	32204	30665	44673	30473	4839	12000		
16-May-22	20	32896	31347	45828	31428	3884	12000		
23-May-22	21	33244	31605	45988	31798	3514	12000		
30-May-22	22	34254	32515	46904	32704	2605	12000		
06-Jun-22	23	33715	32201	45684	31484	3828	12000		
13-Jun-22	24	33577	32062	45482	31282	4030	12000		
20-Jun-22	25	33577	32063	46332	32432	2590	12000		
27-Jun-22	26	33229	31663	45738	31538	3776	12000		
04-Jul-22	27	33483	31909	45988	31698	3614	12000		
11-Jul-22	28	33931	32358	46434	32234	3078	12000		
18-Jul-22	29	34401	32827	46434	32234	3078	12000		
25-Jul-22	30	34323	32750	46274	32074	3238	12000		
01-Aug-22	31	33489	31924	45186	30986	4326	12000		
08-Aug-22	32	33039	31474	44445	30245	5067	12000		
15-Aug-22	33	33212	31647	44446	30246	5066	12000		
22-Aug-22	34	32861	31303	44783	30583	4729	12000		
29-Aug-22	35	32397	30878	44032	29832	5490	12000		
05-Sep-22	36	32729	30641	44092	29892	5420	13000		
12-Sep-22	37	32971	30883	43764	29564	5748	13000		
19-Sep-22	38	32359	30272	43327	28127	6185	13000		
26-Sep-22	39	32080	29992	42757	27557	6755	13000		
03-Oct-22	40	32414	30308	43624	28424	5888	13000		
10-Oct-22	41	31774	29609	43292	28092	6220	13000		
17-Oct-22	42	32028	30038	43542	28342	5970	13000		
24-Oct-22	43	31415	29451	43356	28156	6156	13000		
31-Oct-22	44	31472	29346	42445	27245	7067	13000		
07-Nov-22	45	31872	29669	42705	27505	6807	13000		
14-Nov-22	46	31613	29430	42324	27124	7185	13000		
21-Nov-22	47	31292	29109	42170	26970	7342	13000		
28-Nov-22	48	31015	28832	41517	26317	7955	13000		
05-Dec-22	49	31023	28837	42567	27367	6855	13000		
12-Dec-22	50	30833	28446	41544	26344	7966	13000		
19-Dec-22	51	29315	27132	40009	24809	9503	13000		
26-Dec-22	52	26867	24680	40664	25464	8848	13000		
02-Jan-23	1	28588	26066	40664	25464	8848	13000		
09-Jan-23	2	29704	27670	41129	25929	8383	13000		
16-Jan-23	3	32496	32481	41102	25902	8410	13000		
23-Jan-23	4	30174	28139	41127	25927	8385	13000		
30-Jan-23	5	30383	28349	40987	25787	8525	13000		
06-Feb-23	6	30997	29208	41520	26320	7992	13000		
13-Feb-23	7	30835	29045	41520	26320	7992	13000		
20-Feb-23	8	30909	29119	42012	27112	7200	13000		
27-Feb-23	9	30721	29183	42074	26974	7438	13000		
06-Mar-23	10	31153	29685	42503	27303	7009	13000		
13-Mar-23	11	30805	29237	42424	27224	7088	13000		
20-Mar-23	12	31014	29366	42289	27089	7223	13000		
27-Mar-23	13	30553	29006	42864	27564	6648	13000		
03-Apr-23	14	32231	30573	40963	26763	8549	12000		
10-Apr-23	15	32506	30846	39707	25507	9806	12000		
17-Apr-23	16	32996	31338	41113	26913	8399	12000		
24-Apr-23	17	33660	32021	41688	27488	7824	12000		
01-May-23	18	33850	32419	42919	28719	6593	12000		
08-May-23	19	34781	33349	42383	28183	7129	12000		

	Base case	Base case + 1 500MW	Base case + 3 000MW
Winter 2022			
Number of LS days	0 Days	37 Days	104 Days
Highest stage of LS	N/A	Stage 2	Stage 3+
OCGT costs	R 1.0bn	R 3.1bn	R 7.1bn
Summer 2022/23			
Number of LS days	16 days	132 days	191 days
Highest stage of LS	Stage 1	Stage 3+	Stage 4+
OCGT costs	R 5.2bn	R 15.9bn	R 28.8bn

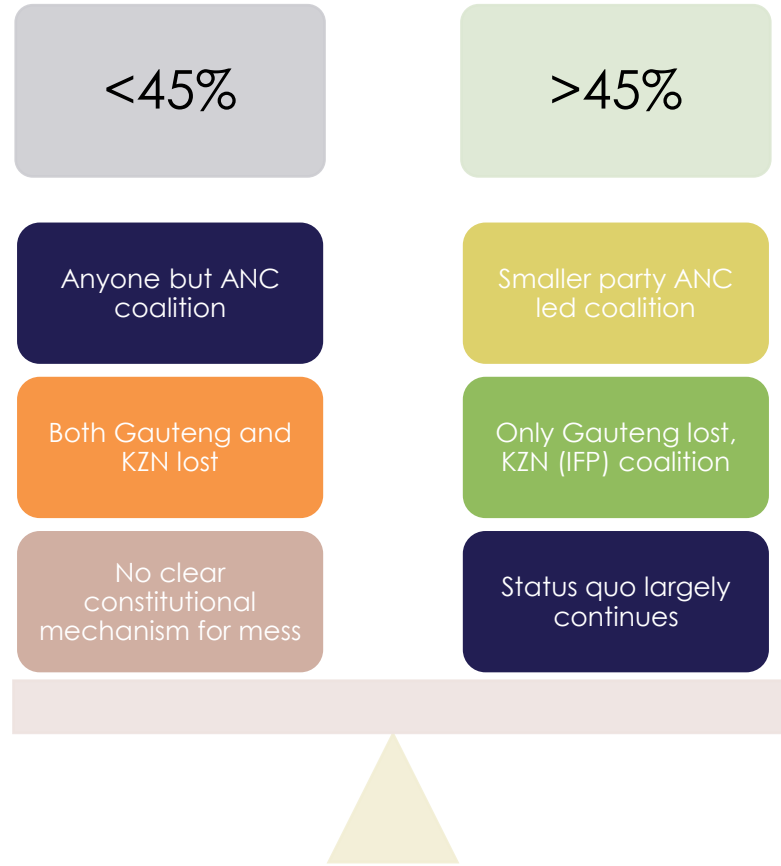
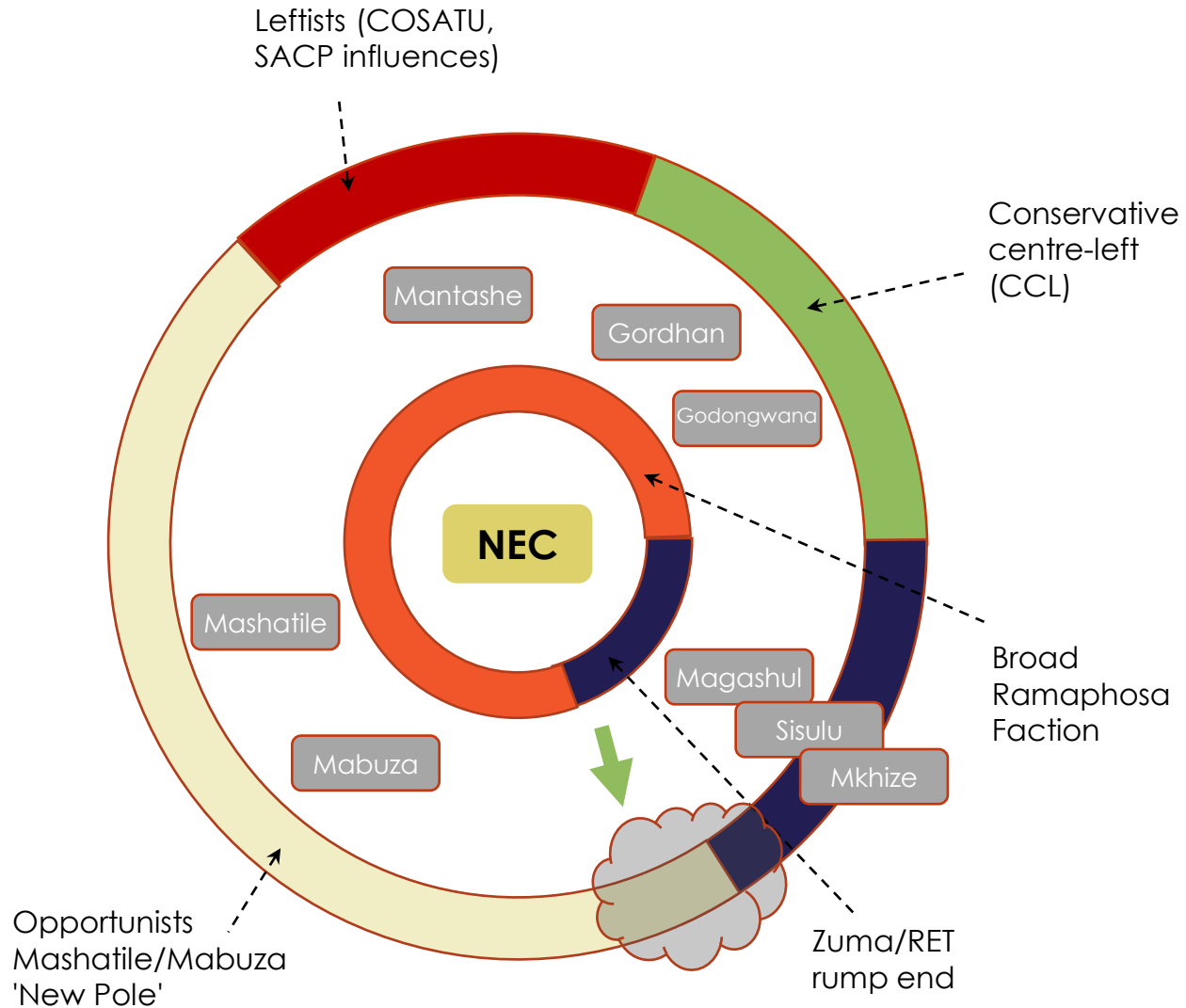
Significant increase in load shedding days and OCGT cost for only 1 500MW change in UCLF

Decarbonisation acceleration



Required path

December vs 2024



Concluding Thoughts



What we ponder

- What is the ideal country in the face of QT?
 - Terms of trade support, current account surplus, net food exporter => SA?
 - One with fiscal space to smooth food and climate shocks=>?
- What is causing increases in social stability risk?
 - SA Floods – more specifically lack of rebuilding
 - SA and SSA Cost of living crisis vs real cuts in grants – rise of populism/nationalism
- Are right decisions being made fast enough?
 - SSA
 - AFCTA moving slowly – what is its role in food security?
 - SA
 - Electricity crisis – infrastructure more broadly
 - JETP/Climate financing
- Private equity plays a key role in ‘animal spirits’ and leap frogging ‘change gap’

How we turn the tide

- **Ambition**
 - SA and SSA: Cut through energy constraint faster with new ways of procuring
 - SSA: Require debt restructuring and effective application of official sector flows
 - SA: Rethink institutions – parliament, infrastructure
- **Singular leadership**
 - Avoid conflicting policy directions (OV vs DTIC in SA)
 - Examples like Zambia latched onto – Reverse example of Ethiopia also important
- **Robustness**
 - Huge volumes of MFI/Philanthropy being directed to SA and SSA – is it catalytic to deal with wider socio-economic problems? Does it build lasting institutions and capacity?
- **Private equity can play a key role in boosting connectivity/trade and risk adaptation – deploy dry powder**

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