

Election countdown – Update 1

29 MARCH 2019

South Africa

We are launching a regular series of election updates with now six weeks to go until the elections on 8th May.

These will be based on continual research around the main parties, will be ad hoc but probably at least once a week. We will be launching a full preview of the elections in April plus a number of calls with interesting people, but given the level of interest most of you have the key interest will probably be in these updates.

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TOPICS

SOEs

Baseline

Our current baseline ranges with our risk bias within the range, any recent change indicated and 2014/2016 results:

National

- ANC 55-60 (mid, unchanged) // 62.1 / 53.9
- DA 19-22 (mid, unchanged) // 22.2 / 26.9
- EFF 9-12 (mid, unchanged) // 6.3 / 8.2
- Turnout 70-75 (low, unchanged) // 73.5 / 57.9

Gauteng

- ANC 47-52 (upper, unchanged) // 53.6 / 45.6
- DA 29-33 (mid, unchanged) // 30.8 / 37.2
- EFF 13-16 (mid, unchanged) // 10.3 / 11.5

WC

- DA 50-55 (upper, new) // 59.4 / 63.1
- ANC 32-36 (mid, new) // 32.9 / 26.0

Recent events

We take each party in turn:

- **ANC:** The campaign has been variously described to us as chaotic, panicked, and 'blind'.
 - As far as we can see the provincial and national campaigns are largely run separately, with a poor dissemination of directions, money and materials from the centre.
 - Infighting between factions at Luthuli House is largely to blame it seems as well as the lack of leadership from elections head Mbalula, as well as risk aversion from funders meaning that money is much tighter than in previous elections.

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- The party has not been undertaking regular polling or focus grouping at a national level during this cycle, more regular polling is being done in Gauteng. In previous cycles they have done it every two weeks but it seems a lack of money and planning has led to this problem. As such they are seen to be flying 'blind'.
 - Ramaphosa's campaign schedule appears to be undertaken separately from the broader campaign.
 - Overall the strategy appears to be sending ANC leaders door to door and into smaller community group meetings rather than large set piece stadium rallies. The strength of the party remains at local level and its ability to mobilise volunteers to campaign on the ground, even without central direction.
 - Quite a number of investors have commented on the lack of ANC posters seen around Joburg. We have enquired and believe they will be coming in a few weeks in larger numbers, given the party fears them being cut down too quickly.
 - The party is still debating internally, and discussing with Zondo Commission an appearance of Ramaphosa before the Commission. It is not clear there is any consensus in the party on this still and the Commission we believe is risk averse of being used as an election platform and would naturally like him to appear later.
 - The party has not totally kept disquiet about its lists procedure under wraps and a high court case is being launched by a number of people in the North West who were removed.
- **DA:** The party is very much awash with money and a highly controlled and energised centralised machine. It is undertaking high frequency polling and focus grouping.
 - It seems however they are struggling with mobilisation on the ground, in rural areas as is normally their problem, but also in urban areas.
 - Their campaign has also been community led with a lot of focus on the leader.
 - Back at the start of the year they panicked when their internal polling for the WC dropped well below 50% and so deployed David Maynier to run the WC campaign. This appears to have been successful and brought more focus as well as resources.
 - The party remains far too middle classed focused in our view and it getting swings there on loadshedding especially but it seems to be less successful at converting new blocks of voters.
 - It does not seem overly concerned at vote splitting by GOOD, though VF+ is making some inroads once again as it did in 2014 after it fell back in 2016.
 - There was serious disquiet and disruption within the party about their highly complex list process (I can barely understand it with crisscrossing provincial and national lists in little buckets) but it seems the leadership has managed to

- defuse the threat of court cases that was a real threat some 6w ago or so.
- Threatened splits in the party over policy have been kept on ice but will resurface strongly after the elections. As such the campaign has almost totally avoided the issue of transformation and gone strong on Eskom and corruption.
 - **EFF:** The party has made a remarkable amount of noise considering it has so little money. It is not doing any polling or focus grouping.
 - The party is not running a truly full country wide campaign, it is concentrating on urban lower middle class areas with large scale rallies in stadia and community halls.
 - Shock media tactics remains, anti-Indian rhetoric in particular and outlandish claims (not backed up) have meant it has continued garnering headlines despite not having the theatre of parliament.
 - It has run on a policy light campaign in the media though its rallies are more policy centric in keeping with its highly detailed manifesto.
 - Internal fissures in the party, especially in its top leadership have been totally suppressed as it enters campaign mode, unlike other parties.
 - Party support and rallies appear very racially homogeneous. It is not clear they are gaining any additional support from any wider demographic group beyond the step up they took in the last ear.
 - **Smaller parties:** A range of smaller parties is creating noise but it is as yet clear there is much support beyond expectations –
 - **IFP:** The party's campaign seems to be making inroads into the Zulu nationalist vote with Zuma loyalists and splitting a small segment of the vote in KZN. However the ANC seems where focused (like in by elections) to be actually swinging support the other way and there has been a net swing away IFP of 5pp since start year. As such we see at a national level only a more marginal tick up in IFP than we were seeing before.
 - **VF+ :** The conservative party has made some decent inroads into DA areas at the margins and should regain some previously lost ground but we see no national wide break out. Their campaign is particularly peri-urban areas.
 - **SWRP:** The NUMSA associated party (set up to "to overthrow the brutal capitalist system") has been failing to get significant media airtime, doesn't seem to have its own website and lacks money. It appears to be a campaign largely to get Irvin Jim into parliament and their one strength – ground numbers in one of SA's largest union, appear not to be bearing fruit looking at event turnout. They should get a very small handful of seats but we doubt they will breach 2%.
 - **GOOD:** The split off from the DA seems to have lost a large amount of momentum after some supposedly decent campaigning and briefings that they were encouraged by support even in Gauteng. The DA seem surprisingly

unconcerned by them. They appear to have money problems though and a lack of ground structure except in quite tight pockets in WC. They will shave a small but decent share off of the DA in WC but nationally we see them failing to break above 3% now. They seem to be getting virtually no media attention at all.

- **ZACP:** The 'capitalist party' has made quite a shock with some headline grabbing libertarian focused policies and saying what they think, plus some gorilla social media advertising. Their air time seems to vastly outweigh their likely end result, and they might not even get one seat, though with a lack of options and many urban folk stuck between not wanting to vote DA or ANC they could be a small, but interesting surprise to watch.
- **ATM:** This Zuma front party has made a surprise showing of 30% in the Eastern Cape by-election but seems to have little structure nationally and little media time. We fail to see where its base is coming from though a few tightly targeted pockets of support could win it one seat.
- **ACDP:** The Christian party is making a decent showing as a DA alternative in WC though still lack significant reach. The party has however recently persuaded Vytjie Mentor (who was offered money to be the Gupta's DPE Minister and was one of the first people to

Andile Ramaphosa/BOSASA/Loadshedding

I am sceptical that much on the corruption front severely affects the ANC's vote share, in part because of a lack of alternatives.

News that Andile Ramaphosa, the President's son, took ZAR2mn from BOSASA (the corrupt entity deeply enmeshed into the ANC, who's dirty laundry is now being aired at Zondo), for 'consulting work' has shocked many but is not new news. The Ramaphosa/BOSASA links have been well aired in the past six months and so this is simply a further level of granular detail. The same questions of what President Ramaphosa knew when and the changes in story that have occurred trying to explain what has happened will continue to fester, the Presidency's response to the latest story made little sense to us. However this sort of thing plays to the middle class vote only and as such moves the dial only marginally nationally.

The same can be said of loadshedding. Poor service delivery is baked into the ANC voter bases expectations already and the narrative that the DA will procure its own electricity is too complex. As such again we see loadshedding nibbling at the margin for the ANC (especially in Gauteng) but this is not a -10pp type of hit at all either provincially or nationally. Such large vote swings do not occur when the margin vote is ANC/don't vote.

SANRAL

The announcement yesterday that SANRAL will not pursue toll debtors is deeply problematic for NT. SANRAL has government guaranteed bonds outstanding that are securitised from toll payments and as such its balance sheet is often viewed in two halves.

The first issue is that NT was not consulted on the move despite its impact on the fiscus, and the decision appears to have been taken for political

reasons and rushed through given the elections. Second this now declares open season on tolls and there will be no reason for anyone to pay. Payment rates were low and there is currently ZAR1bn outstanding. The SOE expected income from tolls of around ZAR3bn but it is currently only getting just below ZAR1bn. We expect this to now fall sharply.

NT, in the MTBPS extended a ZAR5.9bn bailout to the entity but this will have to raise by a further ZAR1bn per year to cover operating costs. The bailout only covered redemptions and interest this fiscal year. **A further ZAR11.4bn bailout will be required next fiscal year already to cover larger still redemptions and interest bills.** This is currently not baked into the fiscal numbers, and combined with SOEs shows how small entities can still create a fiscal headache on top of a 'minimum' Eskom bailout annual payment that has upside risks.

We watch for further such political announcements that end up having fiscal implications.

Events to watch for

This election is not really like one in the UK or US – there is not a broad arc of events that are trackable in quite the same way, but there are some key things to be on the watch for.

- IRR should do one more poll end April and we believe that IPSOS may do one more too. There will be a number of smaller ones clamouring for attention though we have not heard of anyone with a particularly meaningful sample size or better methodology. We don't believe there is any private polling going on outside the two main parties (despite our best efforts....), the stress/benefit ratio of doing such a thing is simply not there for the private sector.
- Theme wise we continue to see negative headlines coming from Zondo and a focus coming up on the early years of the Zuma presidency as well as more on BOSASA should be negative for the ANC though not new news into national vote share. There is still some chance that Ramaphosa goes to Zondo to apologise for state capture pre-elections, loadshedding may force this though we understand the commission is not particularly ready for him so it's a hard one to call and just a risk to watch at present.
- Loadshedding is likely to be the key swing factor driving the ANC outturn lower – the system is expected to be especially tight in the first week of April and the week of elections, with actual loadshedding only forecast after though the tightness of the system means other bouts of loadshedding are likely in the interim. The DA's campaign push partly rests on a legal challenge to allow municipalities to directly procure electricity from IPPs – a narrative that is having some resonance we believe but the court challenge is unlikely to be successful, though will only rule post elections.
- Lawsuits against the ANC list process should start in the coming two weeks.
- Watch for any DA 'foot shooting' related incidents over policy, especially empowerment.
- The EFF remains the most proactive around the country with large scale rallies where as the ANC is opting for a more mass-door-to-door style. The EFF is not especially running on a policy platform, nor

is the ANC however so the media cycle remains somewhat adrift with the DA only getting partial coverage for their policy media matrix.

- We are watching for further land reform related events, especially Ramaphosa handing over packages of land to various communities, some major announcements on farming support in traditional leadership areas and him 'receiving' packages of state owned land.
- Smaller parties like GOOD and SWRP seem to have failed to mobilise particularly strongly though GOOD should be watched in Gauteng though probably will split the DA vote and not affect the ANC share particularly. Be cautious about some smaller parties may gain abnormal levels of coverage, for instance ZACP (the Capitalist Party) despite the remote possibility of it getting one seat, seems to be gaining outsized media coverage given their blunt comms style.

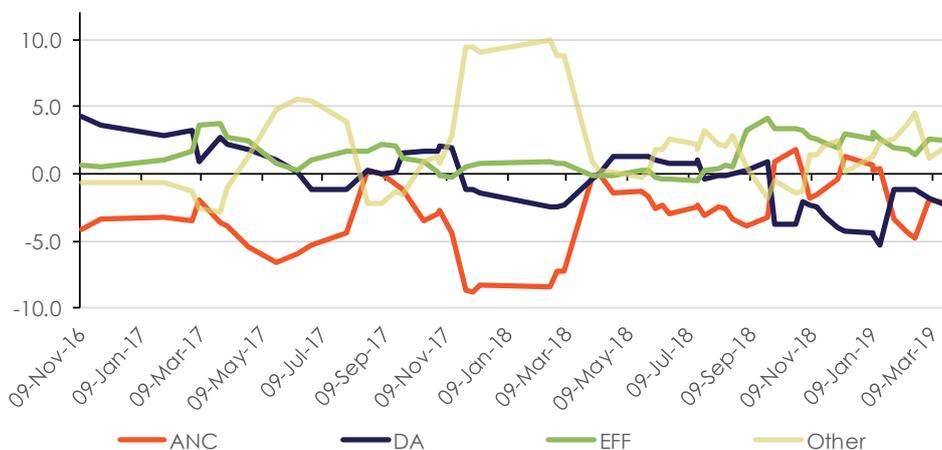
By election update

There were four by-elections this week. VF+ did surprisingly well whilst the ANC kept back IFP, however overall we saw a strong tick up in 'other'. ATM also featured strongly suddenly in Eastern Cape though we put this down to pre-May focus rather than the ability of the party to pull things together nationally. Overall with it being so close to a national election and all parties spending money now by-elections can be somewhat distortionary.

Overall EFF's swing remains pretty constant across by-elections at +2.5%. The DA and ANC are on -2.4% and -2.2% respectively, whilst other ticked up somewhat. The ANC however continued to focus attention and gain seats, including one from IFP, and since the start of the year has gained a total of 10% of seats fought, vs the DA net losing 3% of them. Broadly the by-election swing-o-meter shows no dramatic additional shift away from the ANC for loadshedding.

One more set of by-elections is expected on 10th April.

By-election swing vs 2016, rolling 90 day (ex-Christmas) period



Source: IEC, Intellidex

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