

“Looking back ... time for a little *nostalgia*”

All too often our minds seem trapped in the present, locally in **Zupta-Gate**, overseas in the “hairstyle kings” of **Trump** and **Kim Jong-un**, etc. – so we thought it was time to distract ourselves by looking over our shoulders and recalling some interesting facts from the past. To stay on point [finances] I’ll kick off with taking some facts from a Finlaw newsletter written 10 years ago – **August 2007!**

Economic indicators

Back then inflation was on the rise – having breached the target at 6.5% - whereas we are now to believe it is decreasing [despite our experiences when shopping]. However, what was very different back then was interest rates, exchange rates and our growth rate. Take a look at the table below:

10-year comparison of economic indicators			
	2007	2017	difference
Inflation	6.50%	4.60%	1.90%
Repo rate	10.00%	6.75%	3.25%
GDP Growth	4.70%	1.10%	-3.60%
ZAR-USD	R7.16	R13.07	(R5.91)
ZAR-GBP	R14.40	R16.89	(R2.49)
ZAR-EUR	R9.70	R15.59	(R5.89)

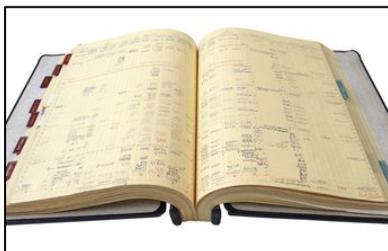
The difference column has been colour coded – with black showing an improvement while **red** shows the negative side of the stats. Of course, a view on the exchange rates depends on where you are standing. As an exporter, it is good to have a weaker currency. The same applies to those who invested offshore a decade ago. The country needs a weak currency to be competitive in the Global market – but sadly with so little beneficiation taking place locally we must import much of our goods and virtually all of our fuel.

The fuel price is one of the most interesting comparisons. The price of crude oil in August 2007 was a hefty \$72.20 per barrel – or more importantly **R516.95** in Rands. The price per barrel at the end of August 2017 was \$49.94 – or **R652.72** in Rands [an increase of **26.26%** in Rands]. Now for the interesting bit – the pump price of petrol at the Coast in August 2007 was a mere **R6.77** per litre whereas at the end of August 2017 it was a hefty **R12.56** – an increase over the decade of **85.52%** ! Shows just how much Tax creep there has been on this vital energy component of our economy. Increased levies and additional “new” taxes on this commodity are revealed by this disparity in pricing! No small wonder that OUTA and other organisations have been so vocal against adding insult to injury with SANRAL tolls!



Technology

When I started working, almost half a century ago, computers were still in the embryonic stage of development with none to be found in the workplace. We kept books of account in manual ledgers, extracted client statements in longhand, then had them typed on manual typewriters for posting. Carbon paper was the only method of copying work until the advent of the early “photocopiers” [a wet chemical process which smudged easily]. For bulk printing, we had the trusty old Roneo Vickers for which wax stencils had to be cut with the manual typewriter before being set on the machine, inked from a tube and turned with a handle for each page required!



Building Societies are where we all saved our money [remember “subscription shares”] with a manual savings book with hand-written entries for your deposits, withdrawals and interest. Banking was all done manually

with deposit slips, cash and cheques. No credit or debit cards. Bank transfers were done by a telex machine [remember those long tapes with meaningless holes punched in them?]. They were the precursor to the telefax machine which came some years later.

Pause for a moment and consider how many skilled people would need to be employed today in the absence of the technology which now pervades our lives. To get a sense of the scale of it – back in 1973 when I started my legal career, Venns Attorneys employed 6 full time bookkeepers – and that represented one-third of the staff complement of 18! When I retired from managing that law firm a decade ago – we still had only 6 bookkeepers – but a staff complement of nearly 150! Without fully computerised accounts, electronic communication and all that goes with it – theoretically the firm would have at least 50 bookkeepers today!



To be fair – technology spread the accounting load with virtually every staff member playing a role in the generation of book entries. It also created many more jobs while reducing the skills level required to fulfil them. Productivity has improved well beyond what we could possibly have envisaged back in the early 1970's. Technology will continue to transform the workplace – taking away job categories while creating new ones.

By looking back, we can get a sense of what is still to come – the pace of change is accelerating, not stagnating – so in 50 years' time “radical economic transformation” [not the type envisaged by our present Government]



will have made our technology of today look just as redundant as the telex machine! Those lucky enough to still be around then may well have one of these ... an electric flying car which goes where you tell it, no matter the terrain [roads not needed] while you work or play!

For those up to speed with smart phone, tablets or internet computers – take this link for a demo of a flying car presently in its test phases – although

there is still a long regulatory road ahead - <https://www.youtube.com/watch?v=j73RmbGsi3U>

Oh ... and about investments ...

Good news should greet you this quarter – the local share market is at near record highs as are the offshore markets. For your overseas investments – ignore the vagaries of the ZAR and focus on the growth you have enjoyed in REAL money. The exchange rate only matters when you cash in some of the offshore exposure you have – and our advice is to leave that nest egg till last!

We are here for you – so give us a call on money matters when the need arises.

“John Wallace” – CEO Finlaw Consulting – 31 August 2017.