



Market survey (Election countdown)

SOUTH AFRICA

The market overall expected an ANC print in the region of 45.5% and sees mixed risks around this (sellside to upside, buy-side balanced) and the prospects of some positive momentum in policy reforms, as well as a positive market reaction post-elections. The market sees the coalition lasting the complete term if not into the 2026 elections (perhaps too positive a view) and that an ANC-IFP-smaller party outcome is most likely though the ANC majority gets a small showing as does confidence and supply. Very low probabilities are assigned to EFF inclusion. Markets see coalitions lasting at least two years if not the full term of five years though other respondents were much more sceptical (and the offshore buy-side more than other market participants). Markets see the DA above 50% in the WC with a small margin, and the ANC around 37.4% in Gauteng and 34.0% in KZN. There were broad expectations of neutral to positive reform momentum and similarly a broad market consensus on a positive reaction to the elections.

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[A reminder that you can find our full preview published last week – [here](#).]

By popular demand, we have re-run our market poll of election outcomes and views on the post-election period. The 2019 poll ([here](#)) was very close to the final outcome – see Figure 19 below, and while we wouldn't want to raise expectations too much (and uncertainty is greater this time with even more degrees of freedom, more parties and more at stake with coalitions) we still have some degree of trust in what the market collectively thinks.

Methodology

We conducted an online self-selecting survey of subscribers and clients as well as others in the financial markets and corporate space from 17-21 May 2024 using Qualtrics software. There were 127 clean responses. The split of respondents is in Figure 18 at the bottom. The list of questions asked is below that. We categorise responses into the buy-side (onshore and offshore), the sell-side (onshore and offshore – though only the aggregate is presented below), corporate (onshore and offshore – though only the aggregate is presented below) and "other" (media, diplomats and academics). We are particularly interested in market views and so generally discuss the buy-side-sell-side spreads below (in that order) and split out the onshore and offshore buy-side sometimes as it is interesting. Graphs below show interquartile ranges (IQR) in the boxes. The average dots are trimmed mean (10% tails removed) to deal with outliers. 'Raw' results and within each category listed, results are not weighted.

Results

In the national ballot we find that the market sees the **ANC** (Figure 1) at 45.4-45.6% (BS-SS) [Krutham forecast 44.8%], with the offshore buy-side a little lower at 44.2% and the onshore a little higher at 45.7%. Corporates are roughly in line with these levels (45.9%) though "other" respondents are much higher at 47.3%. We have commented before on the slow pace many academics and media have taken to drop forecasts with the emergence of the MKP. It

Find our full series of "2024 Countdown" research [here](#).

KRUTHAM 2024 BASELINE	
<u>National</u> ('19)	
ANC	44.8 (57.5)
DA	22.7 (20.8)
EFF	9.8 (10.8)
MKP	7.7 (-)
IFP	4.0 (3.4)
RISE+BOSA	1.8/1.0 (-/-)
PA	1.5 (-)
Turnout 61.7 (66.1)	
Coalition baseline – ANC+IFP+smaller party	
<u>Provincial</u>	
Gauteng – ANC+DA	
KZN – ANC+IFP	
WC – DA	

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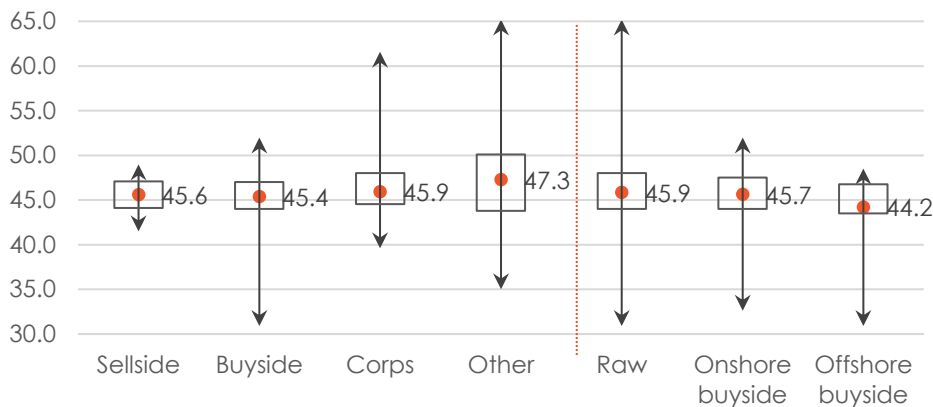
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would seem that the offshore hands on less to the ANC's historic levels as anchor points.

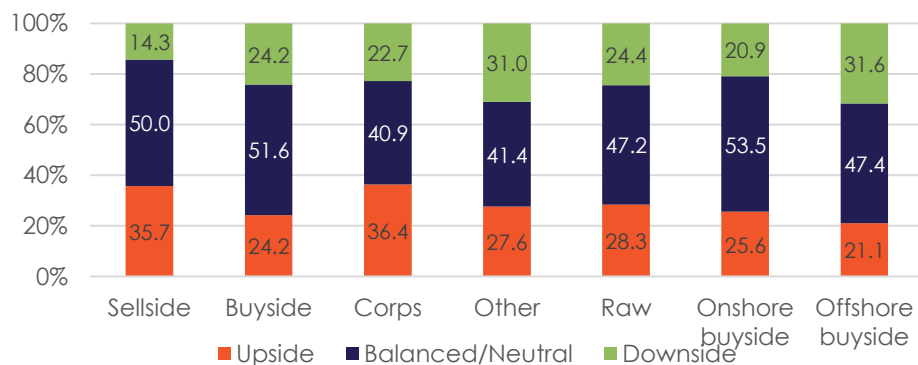
Interestingly, looking at risk skew in the ANC's outcome expectations (Figures 2-4); we find that the sellside sees the strongest upside risk to their forecast for the ANC outcome while the buyside in total is quite balanced in risk view, but the offshore buyside is somewhat to the downside even despite their already lower forecast [Krutham's view is upside risks with the first alternative scenario at 48%]. Corporates also see some upside risks with "other" closer to neutral.

Figure 1: ANC expected vote share on national ballot (%)



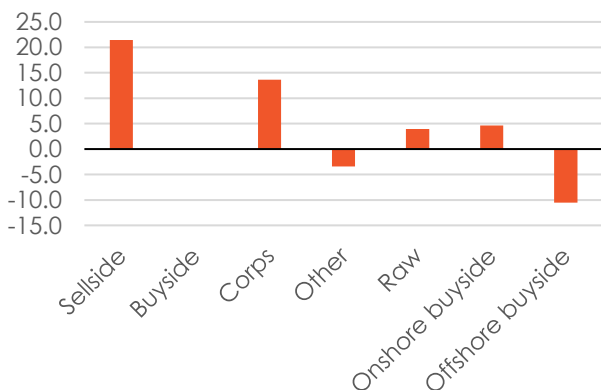
Source: Krutham

Figure 2: ANC national vote risk skew (%)



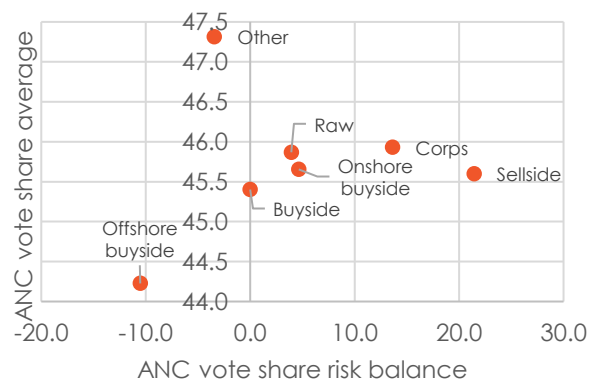
Source: Krutham

Figure 3: Net balance of ANC vote share risk skew (up positive, pp)



Source: Krutham

Figure 4: Balance of risk skew on ANC (pp) vs ANC vote expectations (%)



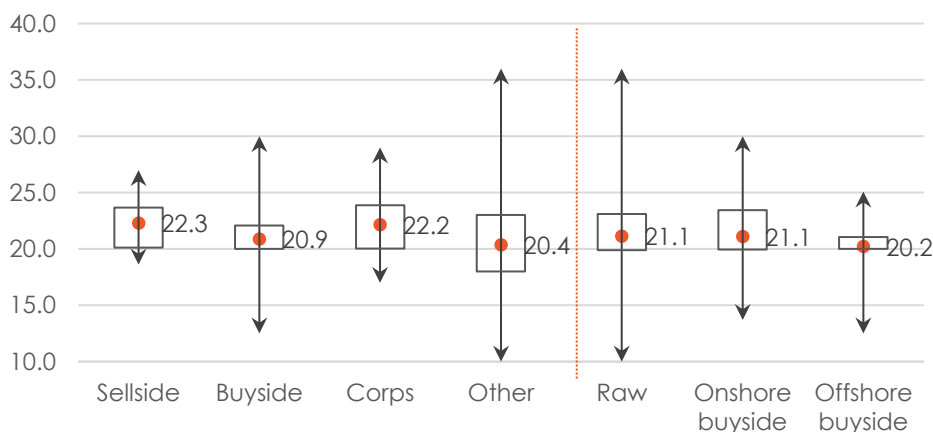
Source: Krutham

Turning to the current opposition, on the national ballot, the market sees around 20.9-22.3% (BS-SS) for the **DA** (Figure 5) (Krutham 22.7%), remarkably low and only marginally stronger than the previous figure (20.8%). The offshore buy-side is the most bearish alongside "other", with corporates matching some of the sellside optimism but really it is very contained overall. The DA's confidence and 25%+ expectations management rhetoric clearly is not rubbing off on markets. It is also a little weaker than where the SRF daily polls currently are.

The **EFF** (Figure 6) nationally is seen at 10.7-9.7 (BS-SS) which is weak again vs their expectations management and rodomontade. The buy-side's views are more uniform. (Krutham 9.8%, previous 10.8%). Overall, there seems some agreement in markets that the EFF will be the "losers". "Other" respondents see a little positive momentum vs the prior results. The level of uncertainty (seen in the IQR size) is quite low actually).

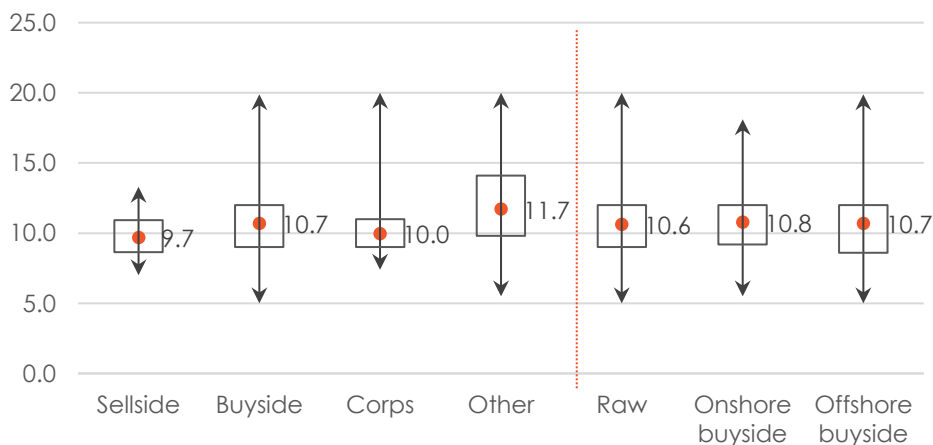
The newcomer, the **MKP** (Figure 7) is seen at 6.4% across the market, though the onshore buy-side is a little lower (5.8%) and the offshore buy-side is a little higher (7.5%). (Krutham 7.7%, previous NA). Corporates are coming in rather low with "other" respondents higher. This is quite a bit lower than where the SRF daily polling is; as we have commented before we cannot really get things to add up to the high levels seen in the daily polls working bottom up, and the market appears to have done the maths as well.

Figure 5: DA expected vote share on national ballot (%)



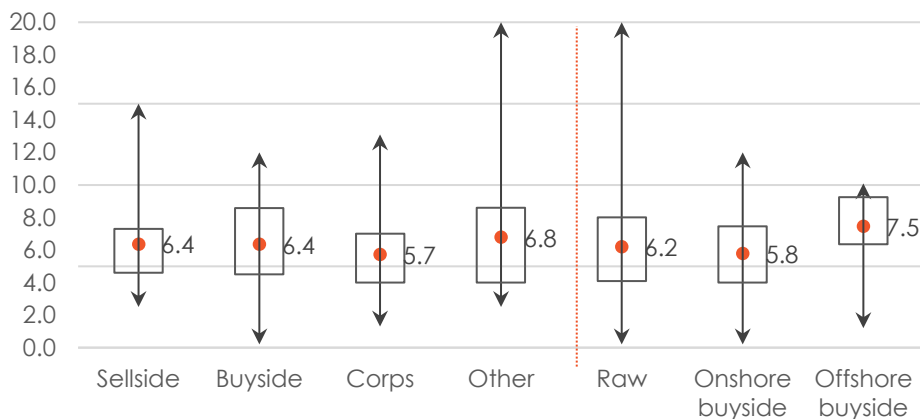
Source: Krutham

Figure 6: EFF expected vote share on national ballot (%)



Source: Krutham

Figure 7: MKP expected vote share on national ballot (%)



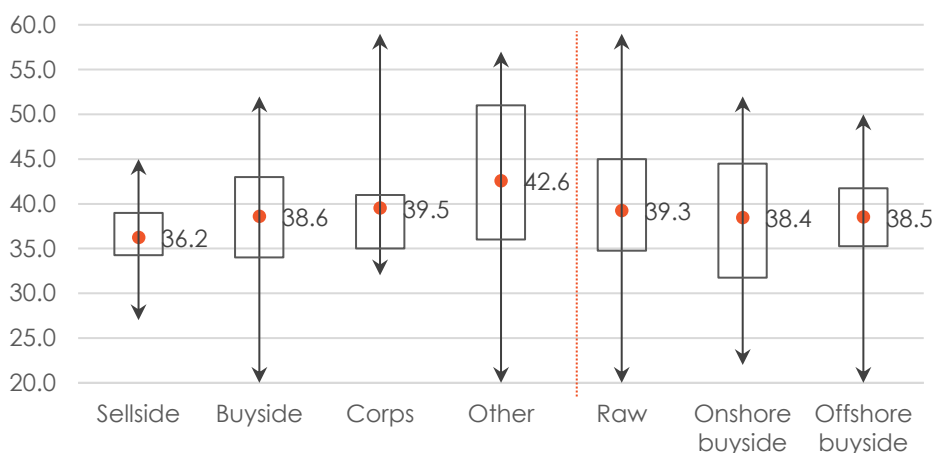
Source: Krutham

Turning to the provinces and the key parties – the market is quite split on **Gauteng** (Figure 8) at 38.2-36.2% (BS-SS) for the ANC on the provincial ballot, with the buyside quite uniform offshore and onshore. The IQR is relatively small however showing a fair degree of certainty over a large fall (and more so than currently seen in some ANC momentum in the SRF daily polls). “Other” respondents are quite a significant amount higher at 42.6%. (Krutham 34.9%, previous 50.2%). There would seem vs our forecast to be quite a bit of downside slippage potential here and a surprise for the market.

In **KZN** (Figure 9) the market is a little more split at 34.6-33.4% (BS-SS) for the ANC, while “other” respondents and corporates are closer to 40%. The onshore buyside is a little stronger than the offshore buyside. (Krutham 33.1%, previous 54.2%). The ranges here are quite a bit wider reflecting perhaps the uncertainty over the four-way vote haggle between the ANC/EFF/IFP/MKP which is more acute than anywhere else. The IRQ averages 10.2pp in KZN vs 6.9% across the buyside and the sellside in Gauteng.

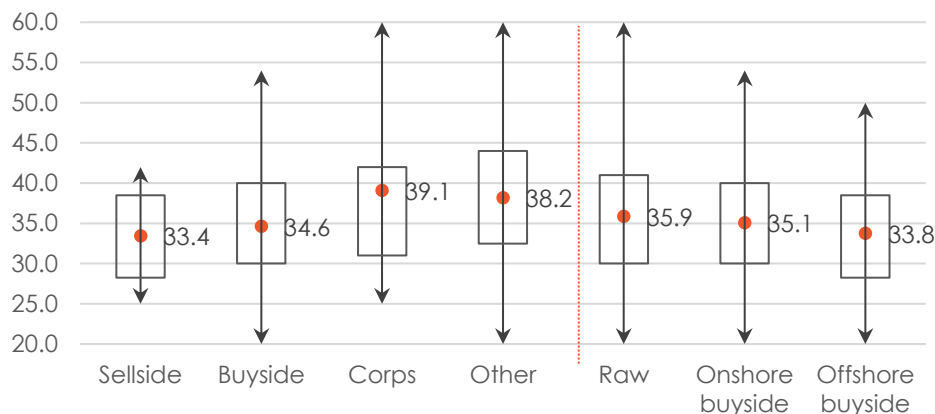
In the **Western Cape** (Figure 10), there is a broad consensus that the DA will be above 50%, though the lower ends of the IRQs do dip just below but not far. Markets see 52.3-51.7% (BS-SS) on average with the offshore buyside a little more optimistic than the onshore buyside. Corporates are the most positive.

Figure 8: ANC expected vote share on Gauteng provincial ballot (%)



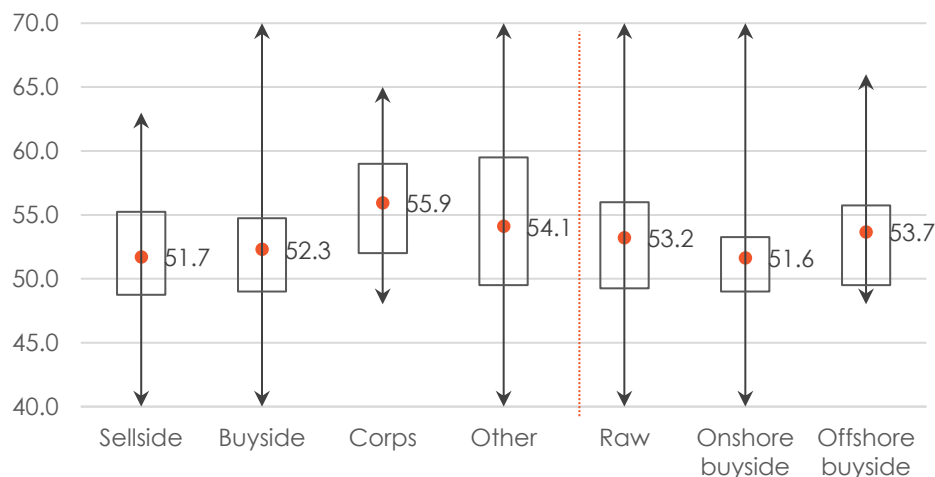
Source: Krutham

Figure 9: ANC expected vote share on KZN provincial ballot (%)



Source: Krutham

Figure 10: DA expected vote share on Western Cape provincial ballot (%)

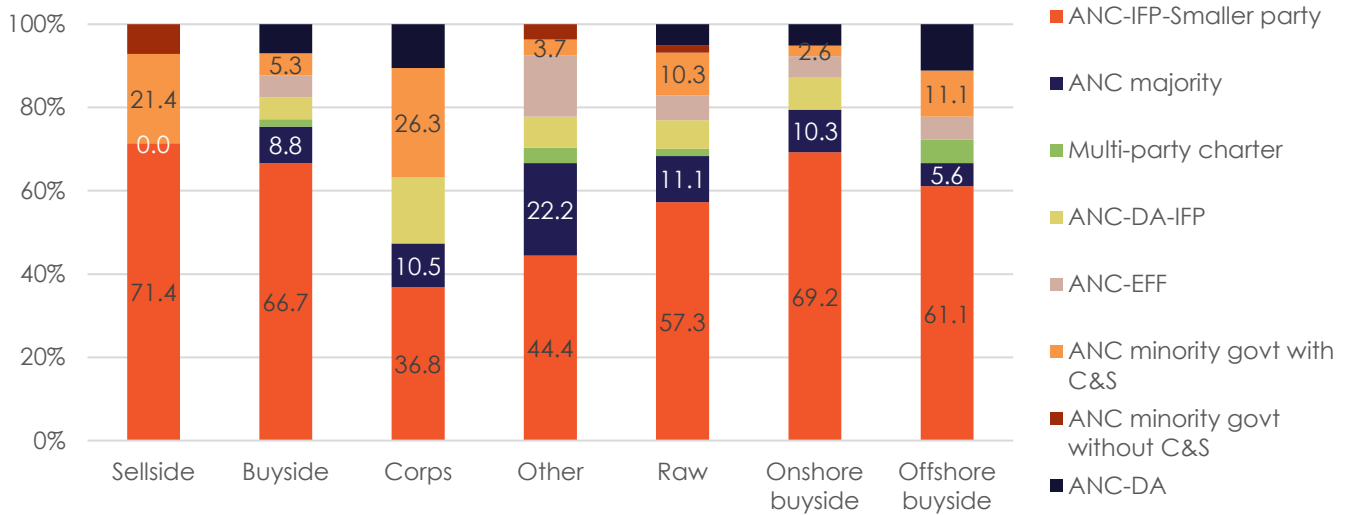


Source: Krutham

Turning to national **coalitions** (Figure 11) – there is a strong plurality across markets expecting as most likely an ANC-IFP-smaller party coalition (at 66.7-71.4% BS-SS), however, this drops off sharply for corporates and “other” respondents who see a wider mix of possibilities (especially an ANC majority for “other” and ANC minority governments with confidence and supply for corporates). Confidence and supply feature more strongly for the sellside than the buyside though again numbers are low. Only 1.7% of respondents saw the multiparty coalition mirroring our view that it’s largely dead, while 11.1% of all respondents saw an ANC majority. No one on the sell side saw an ANC majority while only 8.8% of the buyside saw this outcome. More onshore buyside than offshore buyside see an ANC majority though the numbers are small. An ANC-DA coalition made only a small showing, mostly for corporates and the offshore buyside, not the onshore buyside or sellside or others. ANC-EFF coalitions were seen in very few cases as most likely, dominating “other”, not corporate or the sellside with a tiny number of buyside respondents seeing this as the baseline. (Krutham baseline ANC-IFP-smaller party).

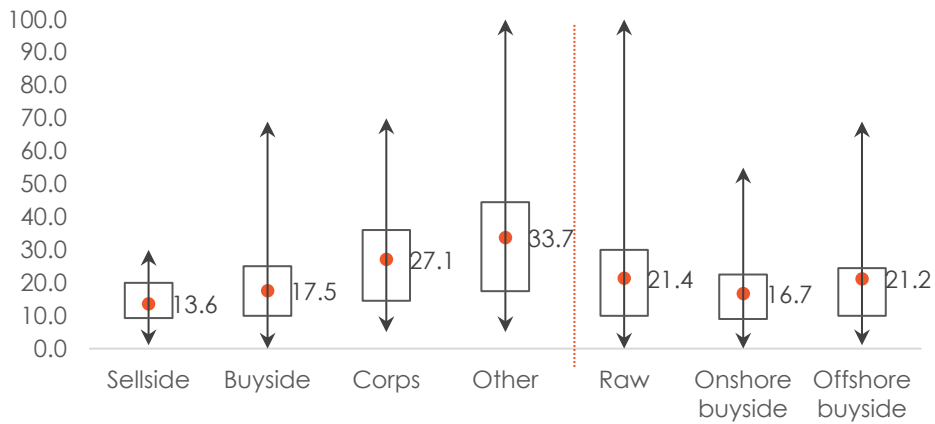
Zooming in on this issue (Figure 12), very low probabilities were assigned to ANC-EFF coalitions by market participants at just 17.5-13.6% (BS-SS). Higher probabilities were seen by the offshore buyside compared with the onshore buyside – “other” assigned higher though still low absolute levels of probability to this outcome.

Figure 11: Most likely coalition outcome (share of respondents, pp)



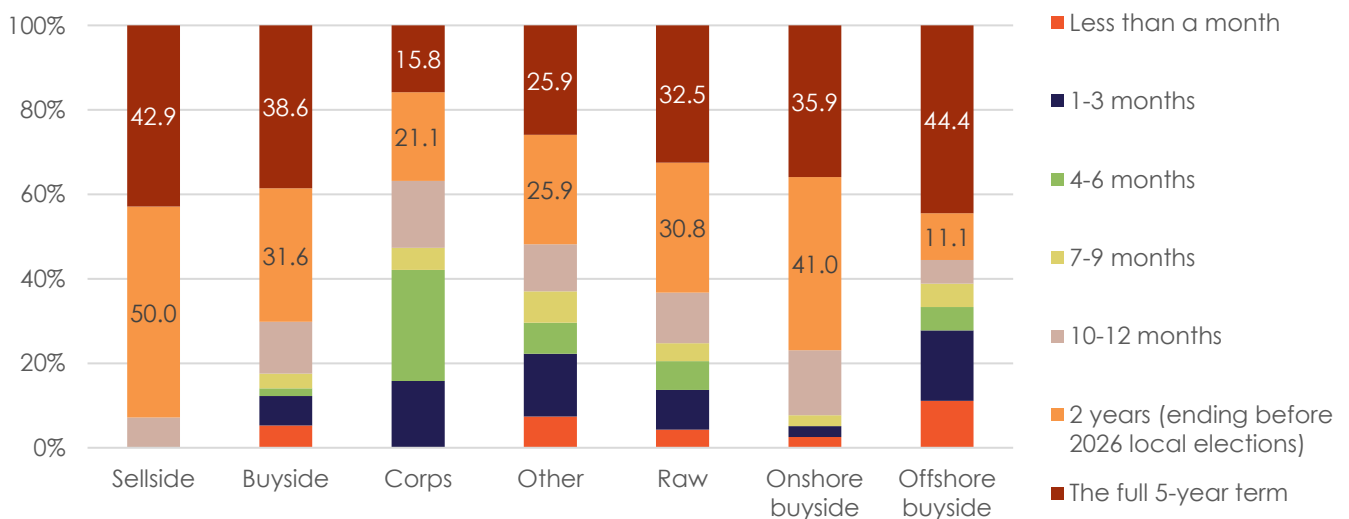
Source: Krutham

Figure 12: Probability of EFF in coalition with ANC (%)



Source: Krutham

Figure 13: Expected length of time in office of initial coalition (share of respondents, %)



Source: Krutham

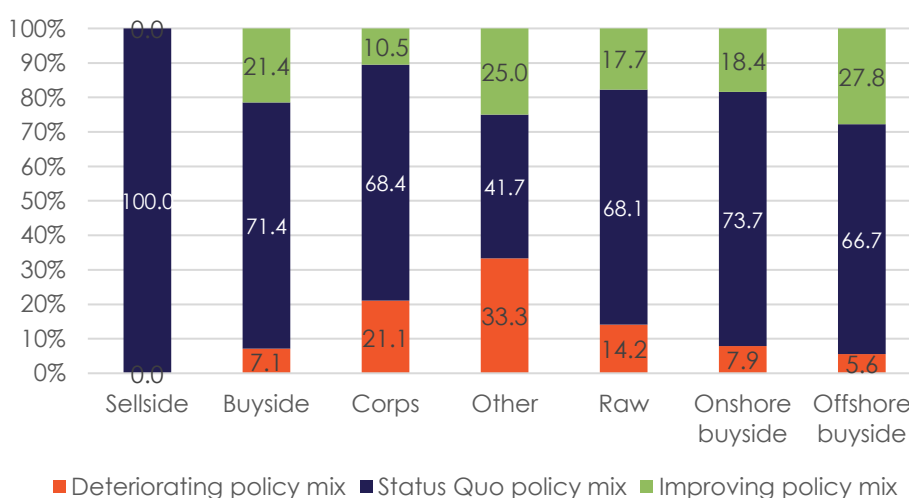
Interesting results emerge for the **length of time** respondents expect the initial coalition (ie the one put in place shortly after this upcoming election) to last (Figure 13). Some 93% of the sellside and some 70.2% of the buy-side saw it lasting two years or longer to the full five years and it was generally the most popular option for the offshore buy-side while the onshore buy-side and sellside generally saw things only lasting two years. Corporates were the most bearish seeing a very short-lived coalition with a more even spread for “other” respondents – indeed on average the sellside saw the longest coalition durability. (We are sceptical that they last beyond the 2026 local election campaign kick-off).

Policy and market reaction views

As with our 2019 survey, some of the most interesting and important responses are about market response and policy outlook. Unlike in 2019 however, there is already a fair pace (though we often argue underappreciated or underestimated) of reform now already going on with Operation Vulindlela (OV). As such we must be careful about how we interpret the “status quo” – it is not as passive as it was in 2019, even if we think the market doesn't quite “get it”.

Interestingly we find (Figure 14) that the sellside sees total status quo while the buy-side sees a slightly more positive mix of policy momentum emerging at the margin with limited views of a deterioration. Interestingly there is a slightly larger negative component for the onshore buy-side and corporates vs the offshore buy-side who are more positive overall. This reflects a long-standing view we have that corporates and the onshore buy-side don't “get” OV in the way that the offshore buy-side does. “Other” respondents seem the most negative. We can see all this reflected in the net balance of responses (Figure 16). Overall then markets do appear to be expecting a continuation of reforms which will perhaps lead to higher growth interpreting the data here. The more positive view of the offshore rather than the onshore buy-side actually reflects the answers given in similar questions about optimism on growth-boosting reforms in our 2019 poll (though arguably everyone there underestimated the successes that OV has had in the policy space albeit not leading to higher growth yet).

Figure 14: Expected change in policy mix after elections (share of respondents, %)



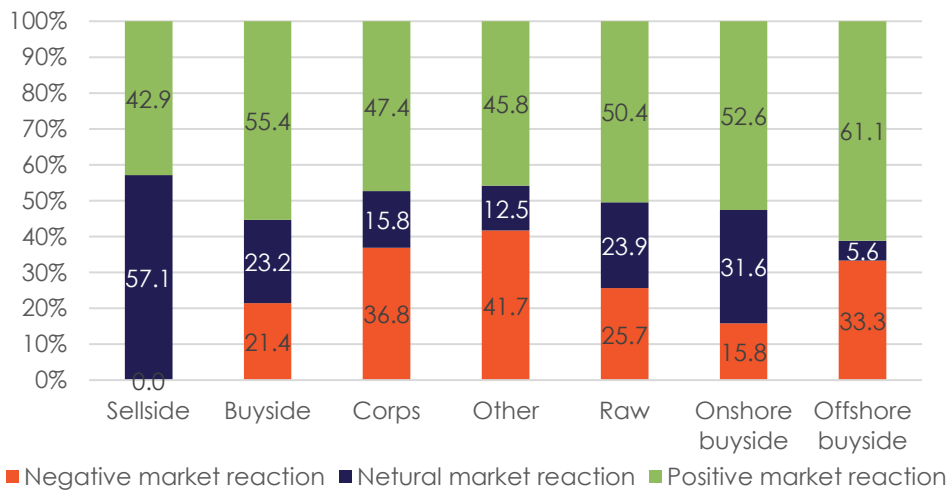
Source: Krutham

Shifting to look at the market reaction (Figure 15) we can see a broad positivity here across all categories, though arguably the sellside is more reticent and neutral. "Other" respondents and corporates are more negative, while the offshore buyside is more split in this view between the extremes which is very interesting (looking at the details of the responses this could be more a view that a lot is priced in already).

On balance looking at net responses (Figure 16), the sellside is the most positive, followed by the onshore buyside, then the offshore buyside with corporates and "other" respondents more neutral net. Given that the market rally had already shown some legs into this survey period in recent days, the positivity from market participants is interesting and perhaps hints to a view that positioning is still light and there are more structural, medium-run, trades to put on.

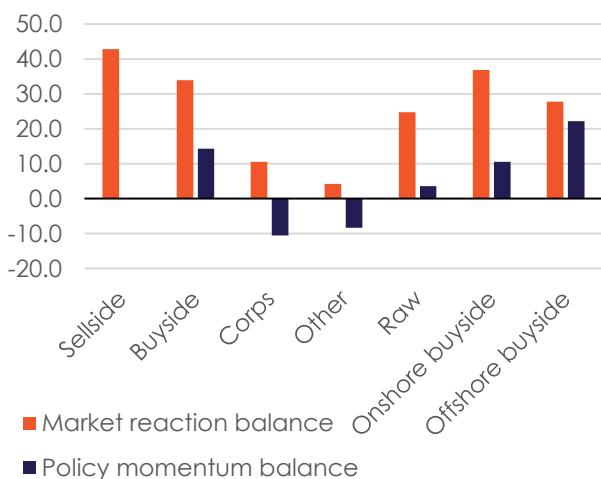
Looking at the compatibility of views we can see that the sellside is perhaps a little overoptimistic on the market reaction given that they don't see the policy momentum to carry it through, while the offshore buyside is more balanced (Figure 17).

Figure 15: Expected market reaction in initial months after elections (share of respondents, %)



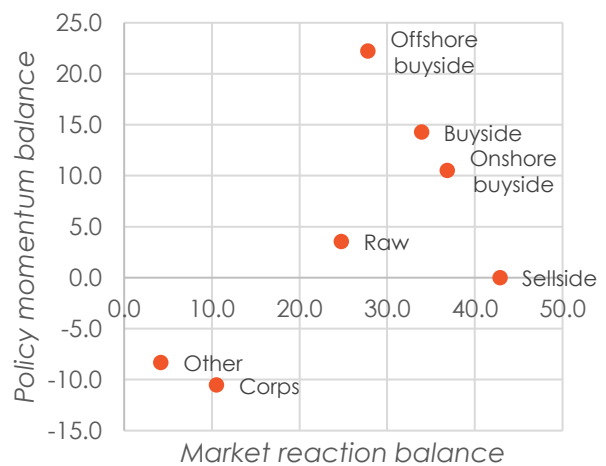
Source: Krutham

Figure 16: Balance of views (up net positive, %)



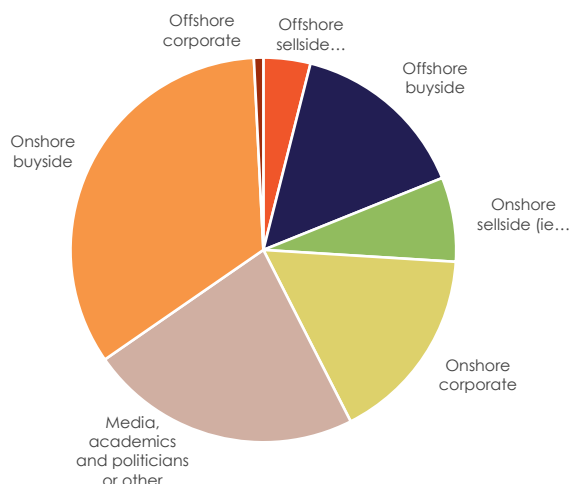
Source: Krutham

Figure 17: Comparison of net balance reactions (%)



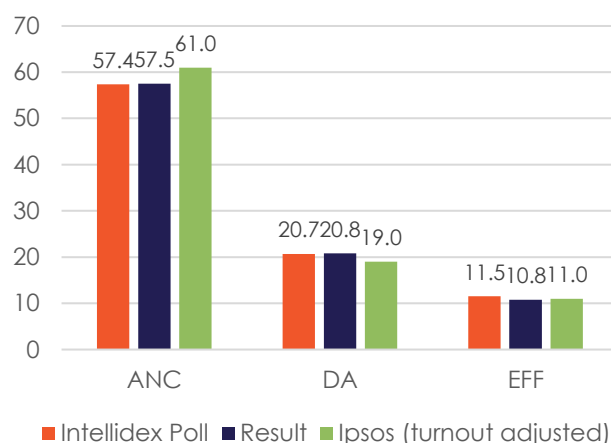
Source: Krutham

Figure 18: Split of respondents (%)



Source: Krutham

Figure 19: Comparison of ANC vote share view and length of coalition survival



Source: Krutham

Question list

1. Who are you? Please select the most appropriate category
2. What do you think will be the vote share of the ANC in terms of the national election ballot on 29 May? - ANC
3. What do you think will be the vote share of the DA in terms of the national election ballot on 29 May? - DA
4. What do you think will be the vote share of the EFF in terms of the national election ballot on 29 May? - EFF
5. What do you think will be the vote share of the MKP in terms of the national election ballot on 29 May? - MKP
6. What is your risk bias on your baseline for the ANC on the national election ballot on 29 May?
7. What do you see the ANC getting in the following provinces on their respective provincial ballots on 29 May? - Gauteng
8. What do you see the ANC getting in the following provinces on their respective provincial ballots on 29 May? - KZN
9. What do you see the DA getting in the Western Cape on the provincial ballot on 29 May? - DA
10. What coalition outcomes do you see as your baseline for national government after 29 May?
11. What probability do you place on the ANC choosing the EFF at the national level as a coalition partner? - Please select
12. How long do you think your baseline outcome would last?"
13. Thinking about your baseline but also other probable scenarios (not extreme tail risks), what is your prognosis on the outlook for the broad mix of policy (macro and structural reform related)?

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