

South Africa investors cheer Ramaphosa rival's suspension

By [Alexander Winning](#)

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Investors are celebrating the suspension of one of the main party rivals of South African President Cyril Ramaphosa as a sign that he is finally tightening his grip on the governing African National Congress (ANC).



President Cyril Ramaphosa delivers his State of the Nation address in parliament in Cape Town, South Africa, February 11, 2021. Esa Alexander/Pool via Reuter/File Photo

But they say Ramaphosa must move far more quickly on reforms before they can turn bullish on the growth prospects of Africa's most industrialised economy.

Ramaphosa has slowly consolidated control over the divided ANC after narrowly winning a leadership contest in December 2017 that also saw enemies elected to powerful party posts.

He only felt confident enough last week to move against secretary general Ace Magashule, who has been charged with corruption, after his allies in the ANC's national executive pushed through tougher rules for members charged with serious crimes.

"It shows an element of steel that has been missing," Adrian Saville, a longtime fund manager and economics professor at GIBS business school in Johannesburg, told Reuters.

Magashule denies the corruption allegations and has called the charges he faces flimsy.

But his suspension clears a major obstacle to Ramaphosa's bid for re-election as party leader next year. The secretary general oversees the day-to-day running of the ANC and plays a central role in conferences where party posts are won and lost.

Nolan Wapenaar, Anchor Capital's co-chief investment officer in Cape Town, said sidelining Magashule could cut the number of "nerve-racking headlines" that sap confidence in South Africa.

The rand has rallied and local bond yields edged lower since Magashule's suspension, although other factors have also contributed, including the National Treasury cutting debt issuance.

Hurdles remain

Ramaphosa is not out of the woods yet.

The ANC is riven by factions that are in constant flux, including one that still remains loyal to Ramaphosa's scandal-plagued predecessor Jacob Zuma.

The Covid-19 pandemic has exacerbated the weak state of public finances and longstanding problems such as unemployment.

Many investors feel Ramaphosa has not delivered on promises to clear policy blockages in sectors such as energy, where red tape still prevents big companies from generating their own power despite state utility Eskom regularly implementing outages.

"The direction of travel is the right one, but the speed has been slow," said Pavel Mamai, partner and portfolio manager at London-based ProMeritum Investment Management.

Wapenaar said South Africa still faced a "policy quagmire", noting that miners were not opening new mines despite a commodity boom.

Changes to visa rules affecting skilled migration and the release of radio frequency spectrum for telecoms firms are two other areas where the president had not met expectations, said Peter Attard Montalto, head of research at Intellidex who tracks reforms under Ramaphosa.

"Magashule's suspension is an important step, but it does not shift the dial on reform," he said. "Factional politics is not blocking policy."

Additional reporting by Karin Strohecker in London