



Struggling to get going

South Africa's economic outlook,
challenges and opportunities in
2023 and beyond

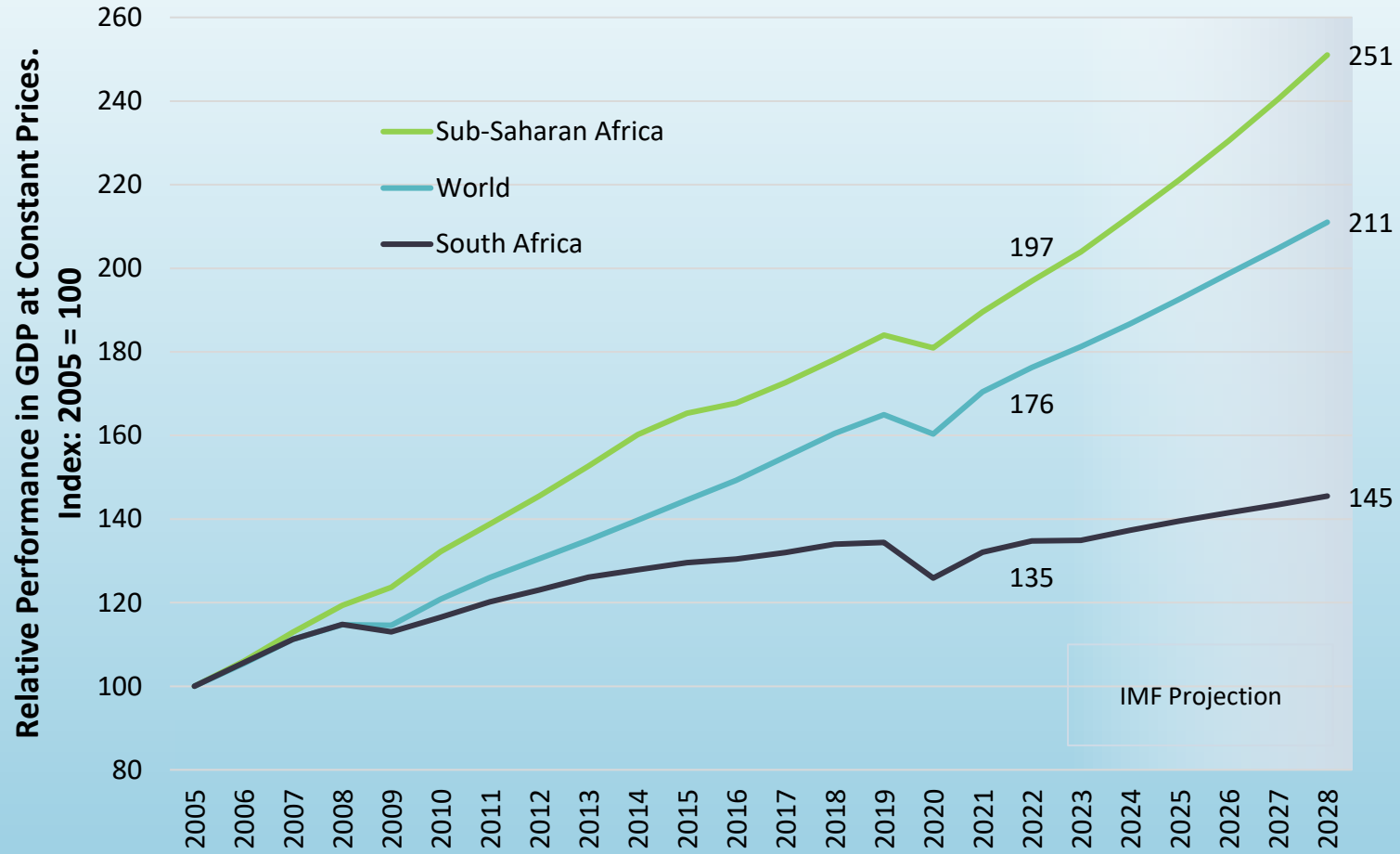
An address to the Inclusive Society Institute by
Keith Lockwood

11 May 2023



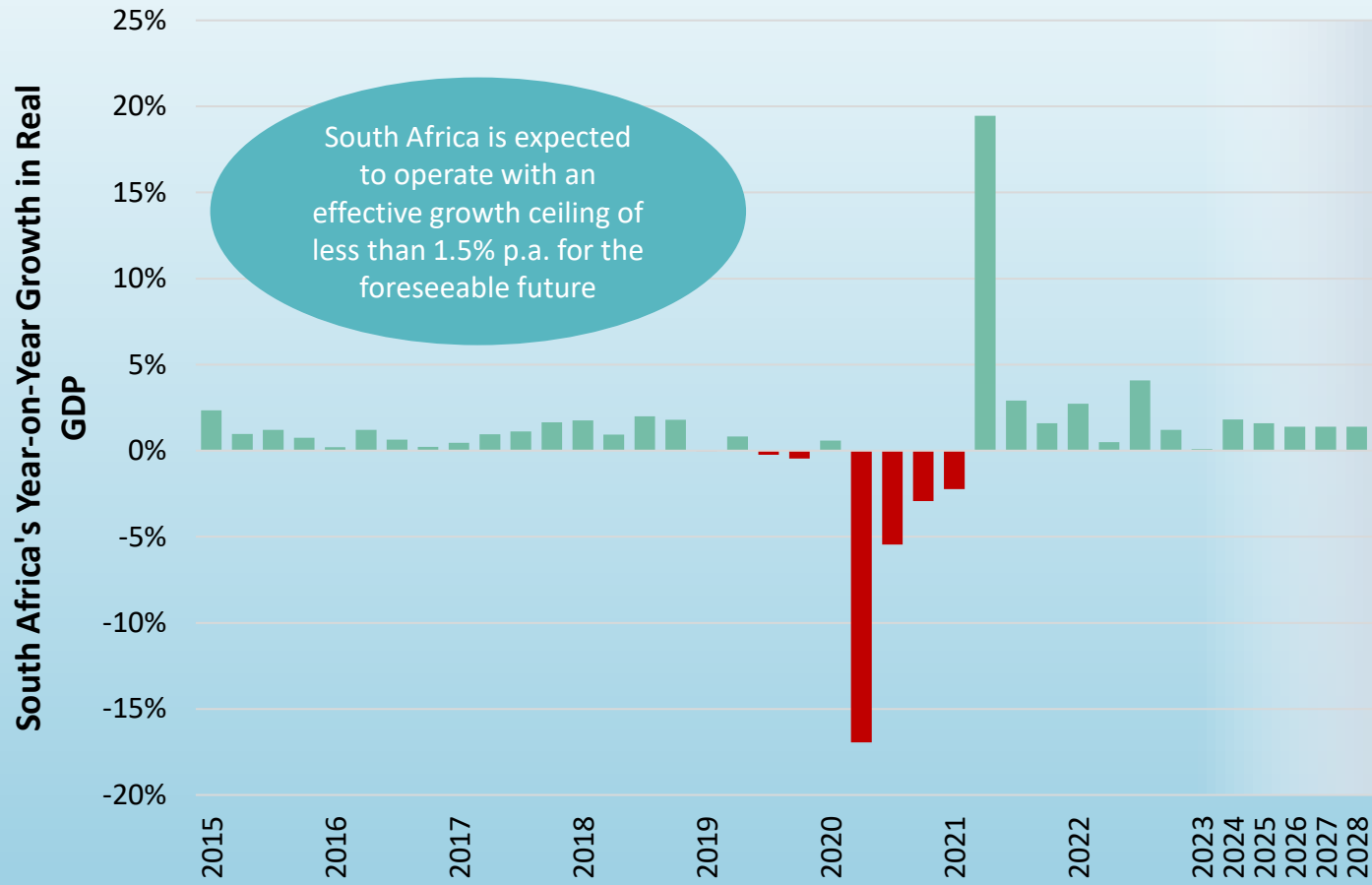
1. Global prospects and South Africa's economic performance relative to the rest of the world
2. Projected growth over the medium term
3. The factors constraining growth
4. Things we need to focus on with an eye to the future
5. Conclusion

Agenda



Source of data: IMF WEO, April 2023

South Africa has significantly under-performed against the world average and the average for Sub-Saharan Africa



Source of data: Stats SA, IMF WEO, April 2023

Eskom's failings are "stealing" the oxygen and preventing other constraints from being addressed with the urgency required



Power constraints



Logistics constraints



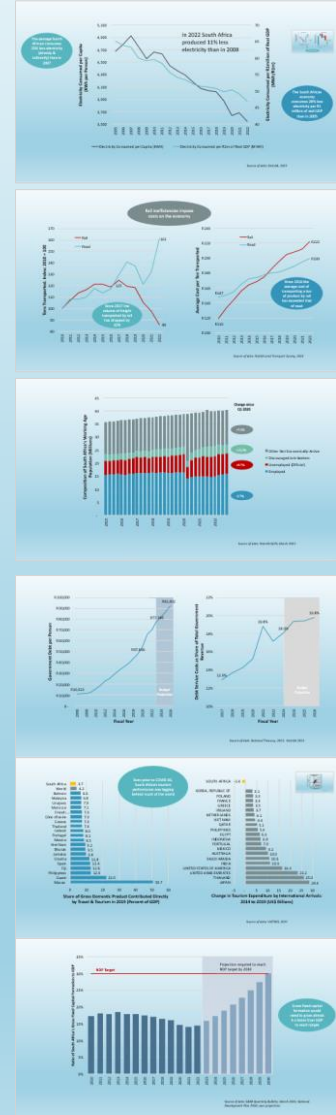
Skills constraints

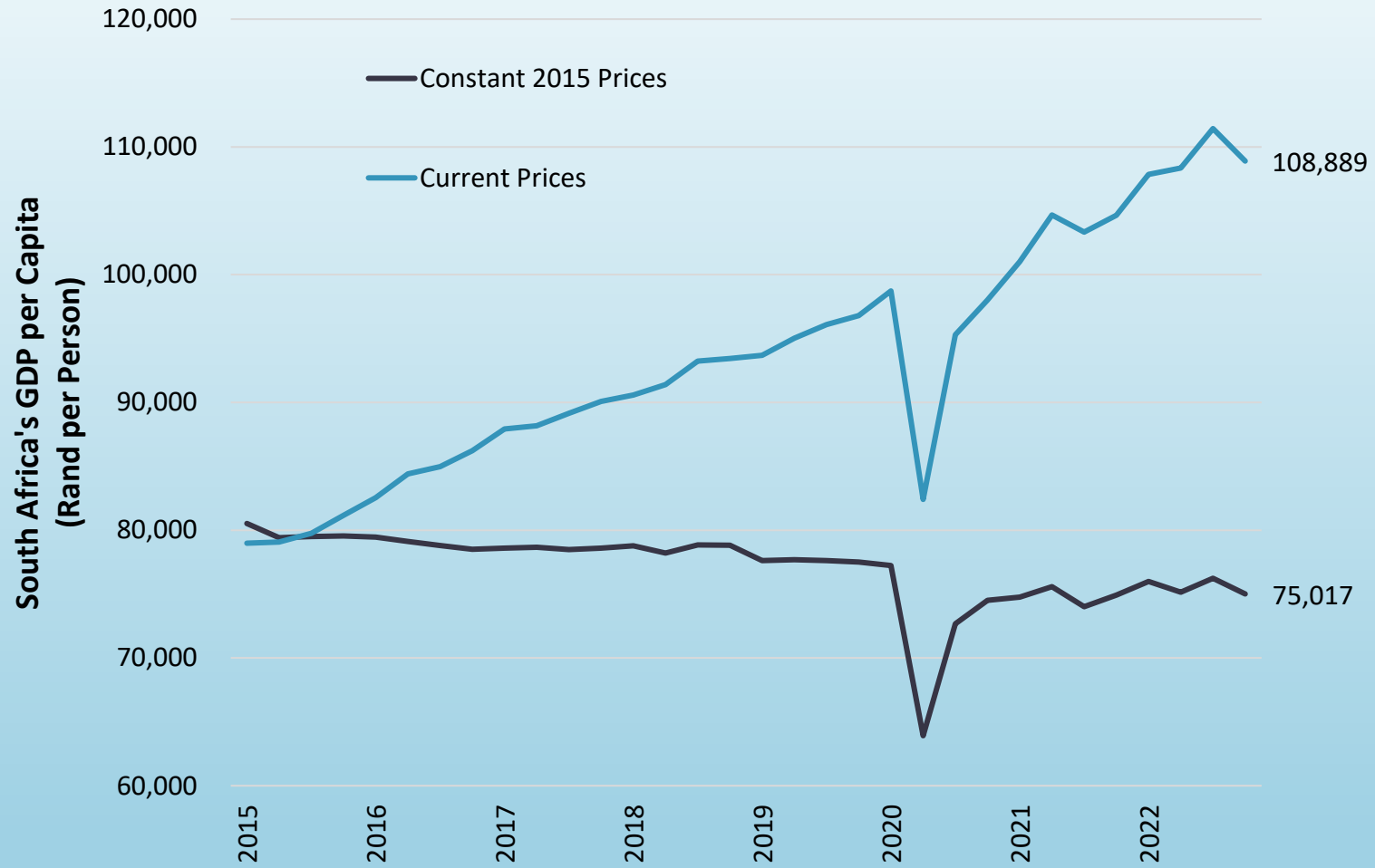


Financial constraints

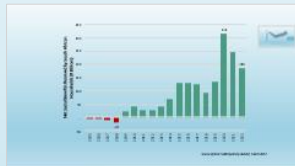
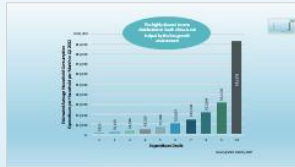


Policy failures – eg. tourism, investment





In real terms GDP per capita has declined by an average of 1.2% a year since 2015



1

Ensure public institutions embed strong governance principles and a long-term vision and build trust by serving their citizens

2

Upgrade infrastructure to accelerate the energy transition and broaden access to electricity and ICT

3

Shift to more progressive taxation, rethinking how corporations, wealth and labour are taxed nationally and in an international cooperative framework

4

Update education curricula and expand investment in the skills needed for jobs and “markets of tomorrow”

5

Rethink labour laws and social protection for the new economy and the new needs of the workforce

6

Expand eldercare, childcare and healthcare infrastructure, access and innovation for the benefit of people and the economy

We are also slow to address other transformation requirements

7

Increase incentives to direct financial resources towards long-term investments, strengthen stability and expand inclusion

8

Rethink competition and anti-trust frameworks needed in the Fourth Industrial Revolution, ensuring market access, both locally and internationally.

9

Facilitate the creation of “markets of tomorrow”, especially in areas that require public-private collaboration.

10

Incentivize and expand patient investments in research, innovation and invention that can create new “markets of tomorrow”.

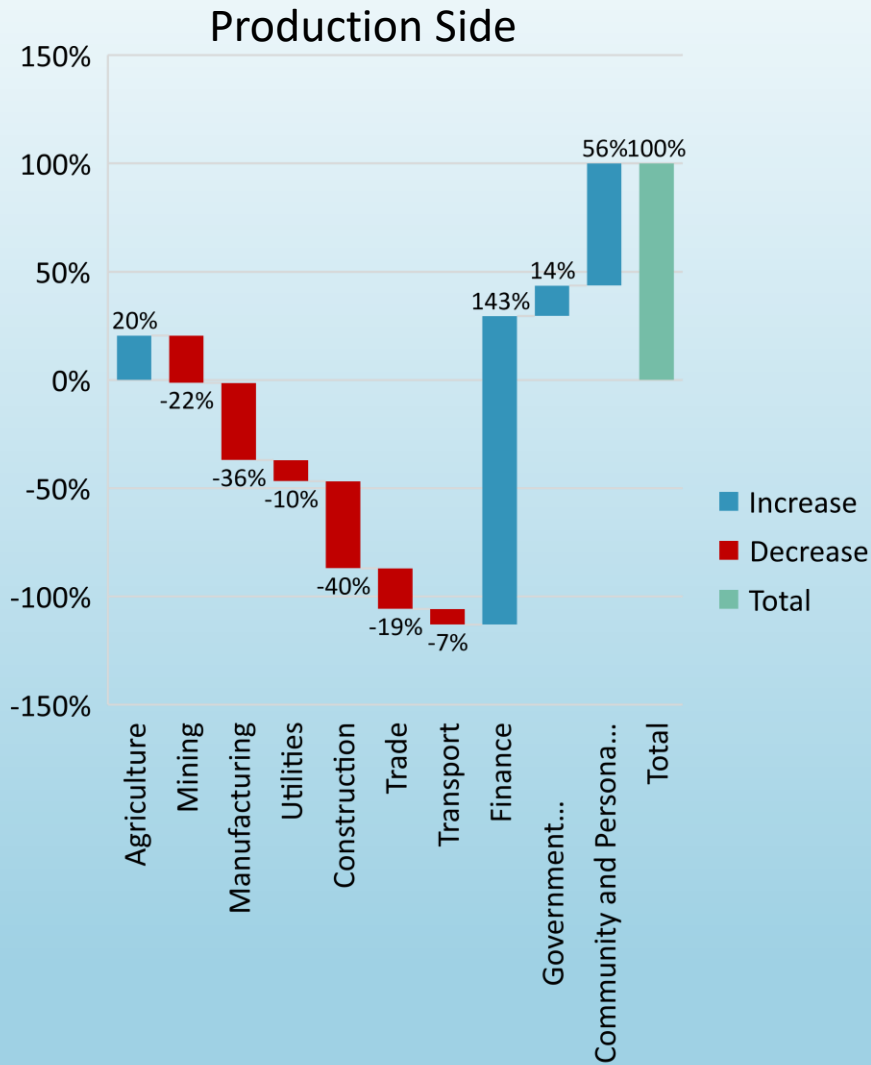
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Incentivize firms to embrace diversity, equity and inclusion to enhance creativity.

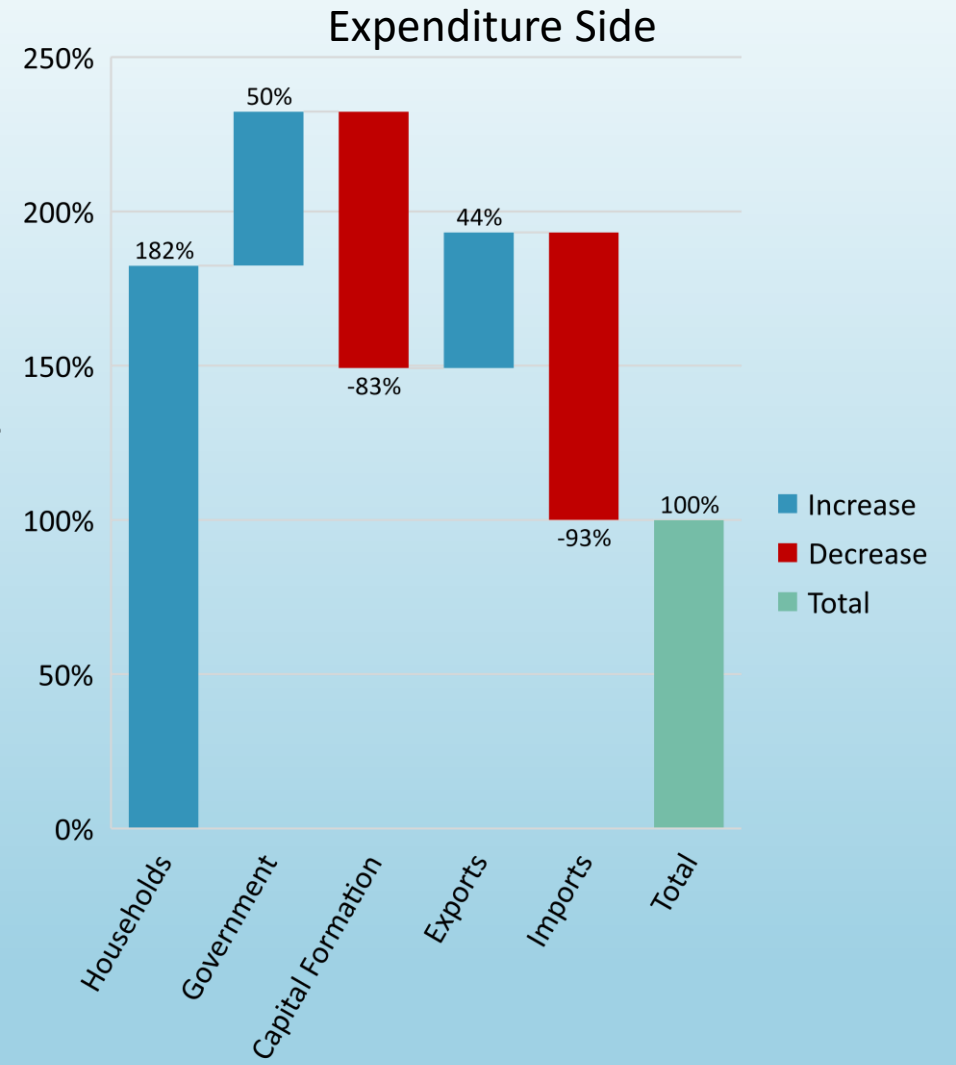
- South Africa has significantly under-performed against both global and continental averages and the global outlook is now less favourable.
- Economic growth is highly constrained by more than just electricity shortages. The key risk is that the focus on Eskom is taking attention away from other constraints that also need to be addressed to raise the growth ceiling.
- In addressing issues we also need to be mindful on the necessary transformation required to survive and thrive in the economy of the future
- Traditional macroeconomic policies have little to offer in this environment. The focus needs to be on easing/eliminating constraints and in positioning the economy for future growth with effective leadership and appropriate resources.
- The good news is that progress can be made quite quickly on some fronts, but there is urgency to do so.

So, in conclusion:

Sector Contribution to the Growth in the South African Economy from 2017 to 2022

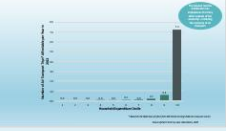


Contribution to the Growth in South Africa's Economy: 2017 to 2022

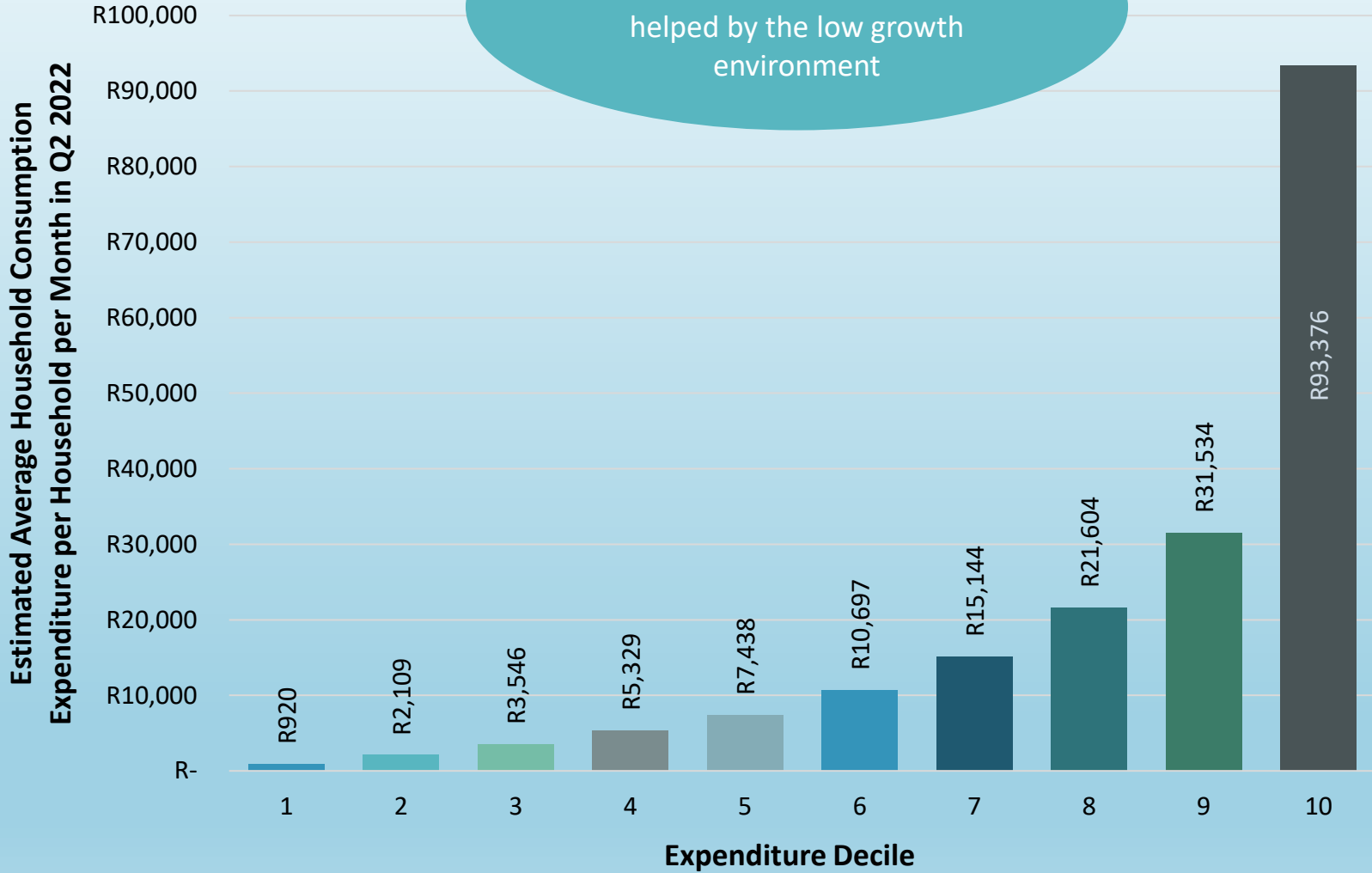


Growth is localised in some sectors and some areas of spending. Both impacted by the electricity constraint

Source of data: StatsSA, 2023

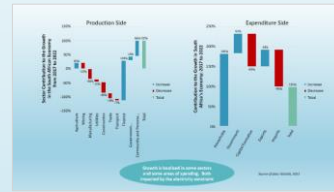
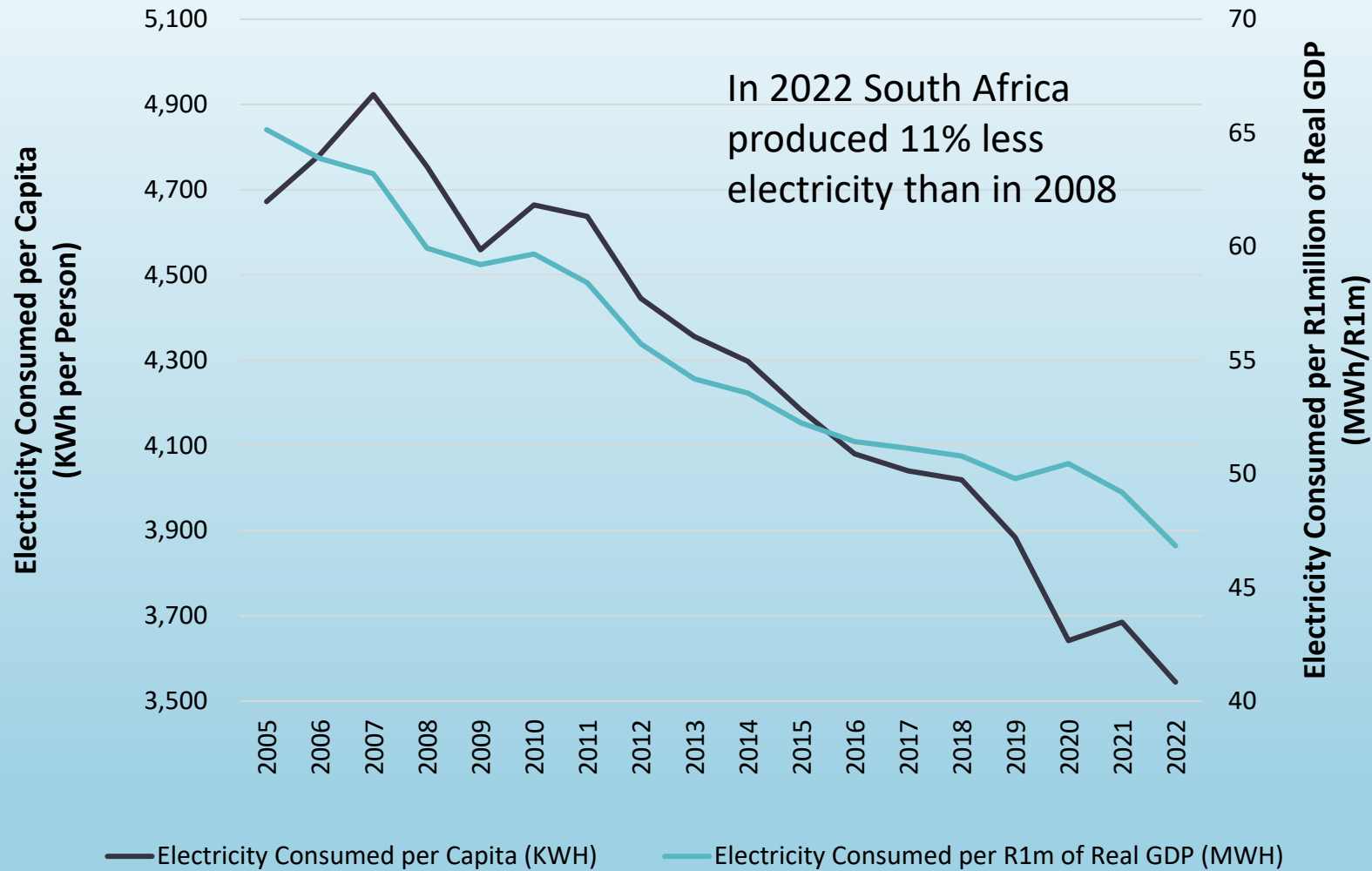


The highly skewed income distribution in South Africa is not helped by the low growth environment



Source of data: StatsSA, 2022

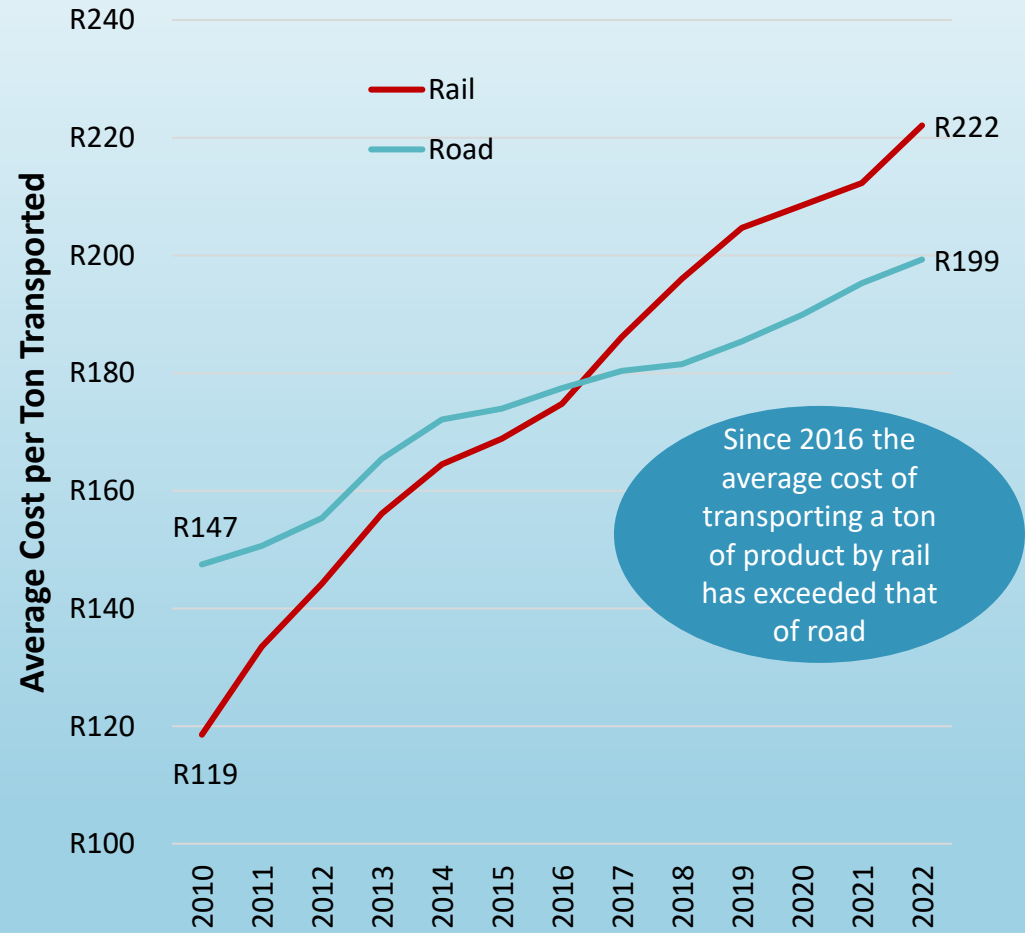
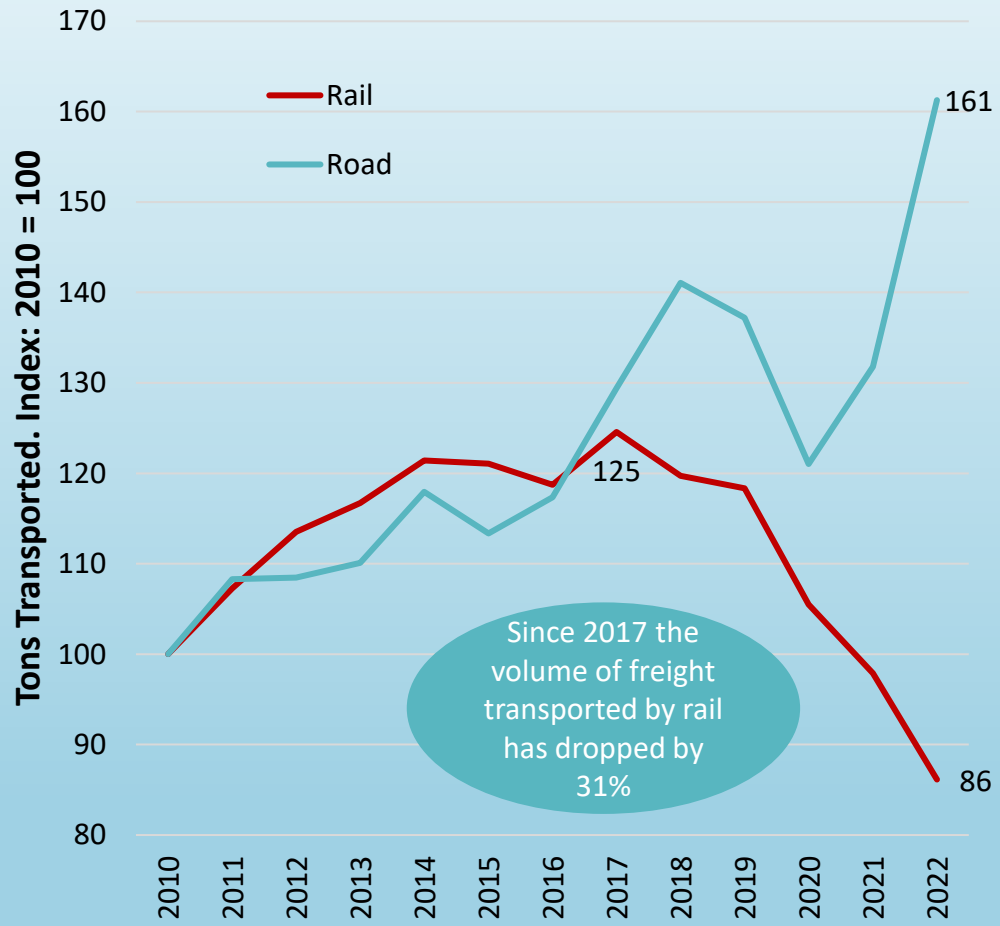
The average South African consumes 25% less electricity (directly & indirectly) than in 2007



The South African economy consumes 28% less electricity per R1 million of real GDP than in 2005

Source of data: StatsSA, 2023

Rail inefficiencies impose costs on the economy

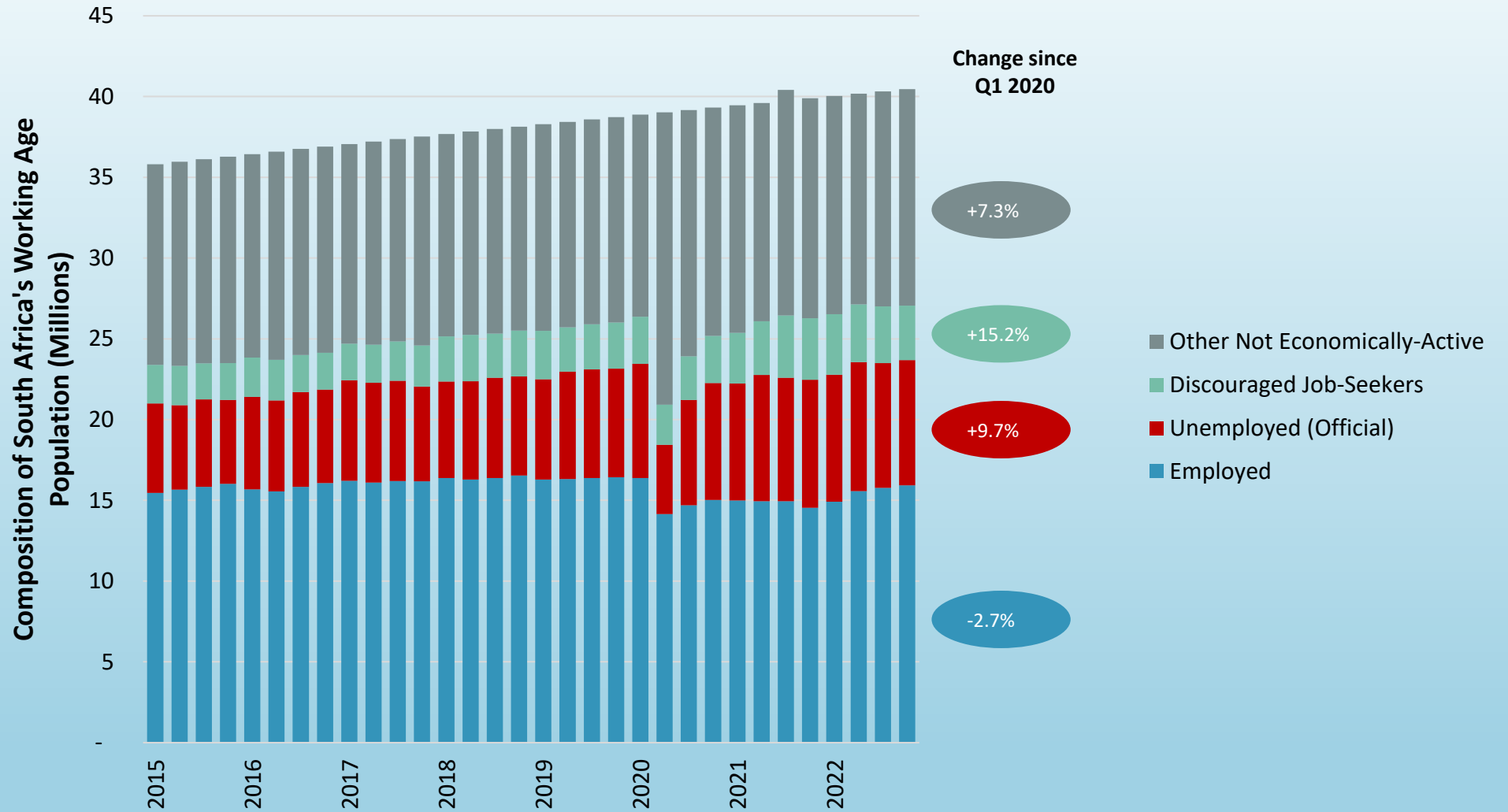


Source of data: StatSA Land Transport Survey, 2023

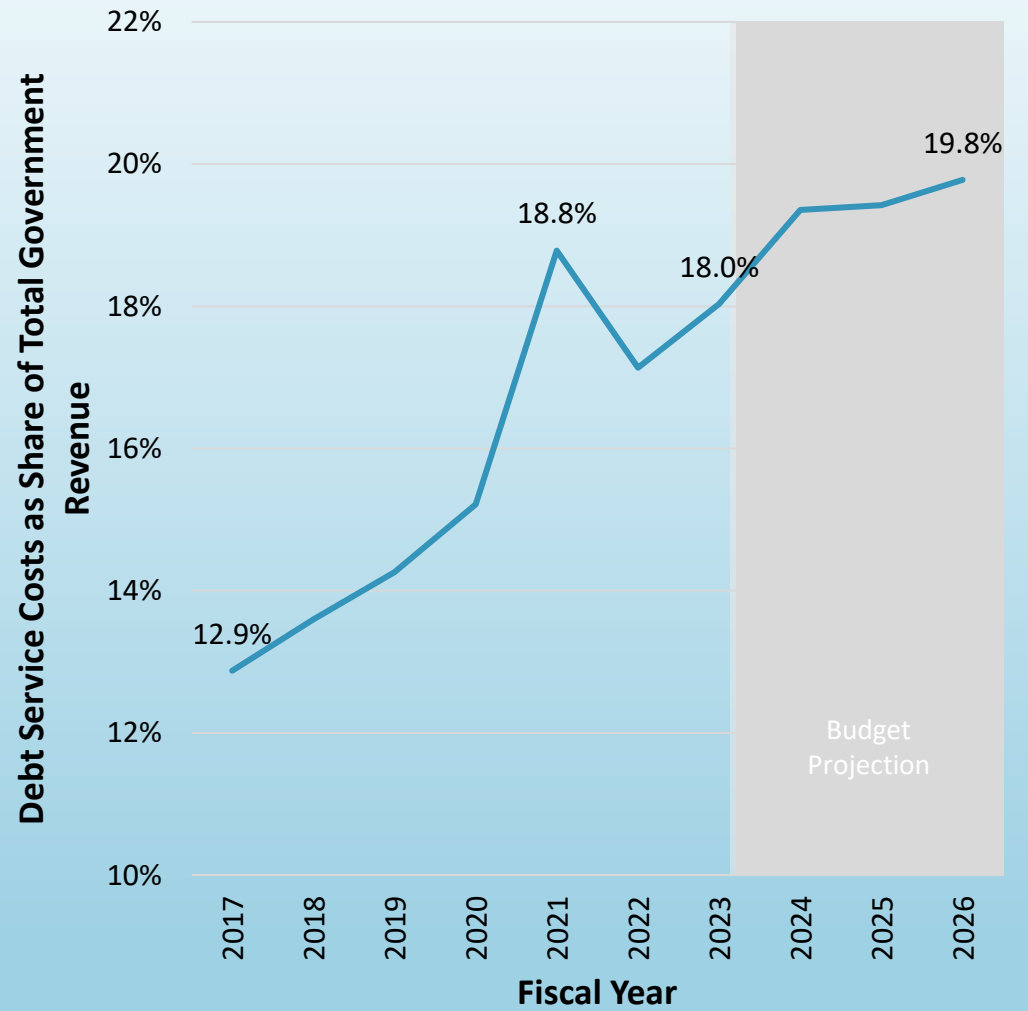
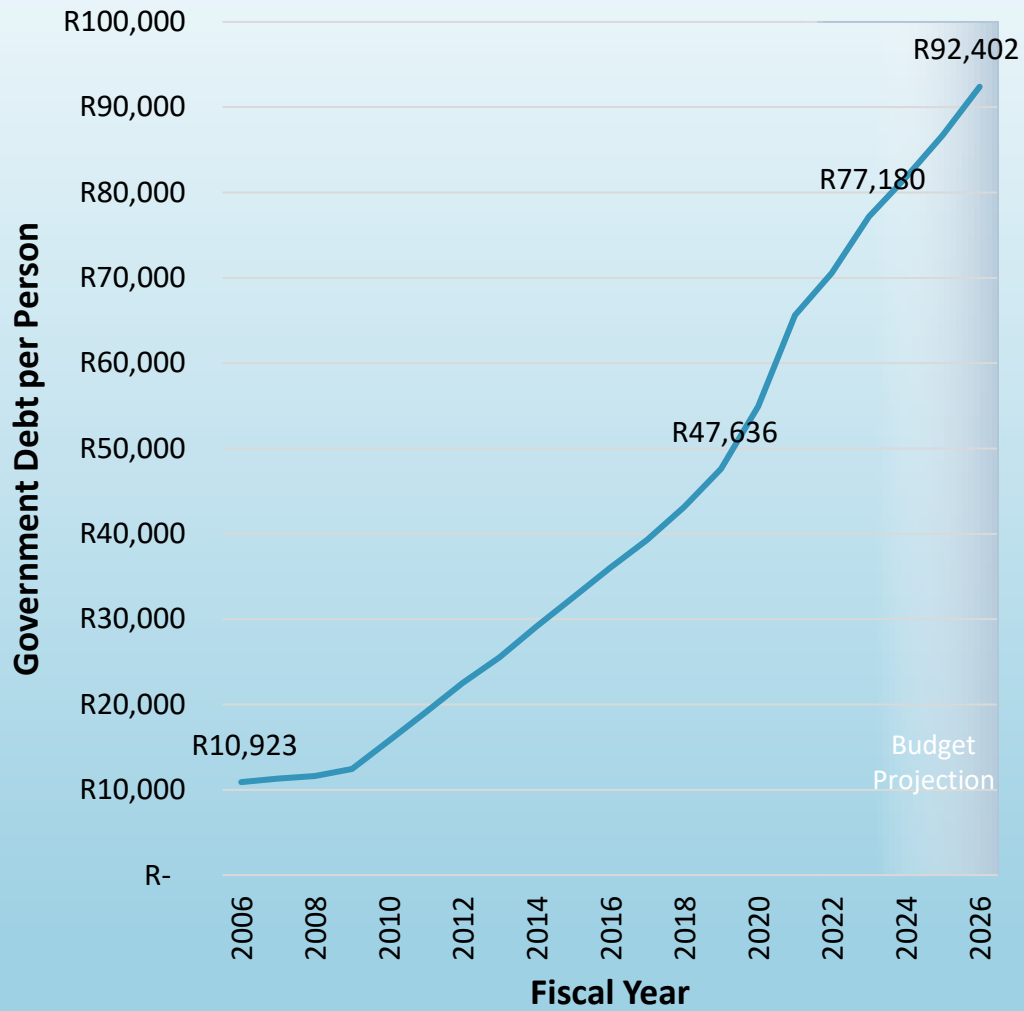


Gross fixed capital formation would need to grow almost 6 x faster than GDP to reach target

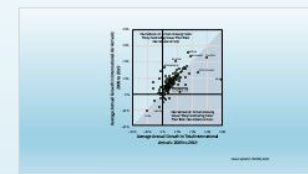
Source of data: SARB Quarterly Bulletin, March 2023, National Development Plan 2030, own projections



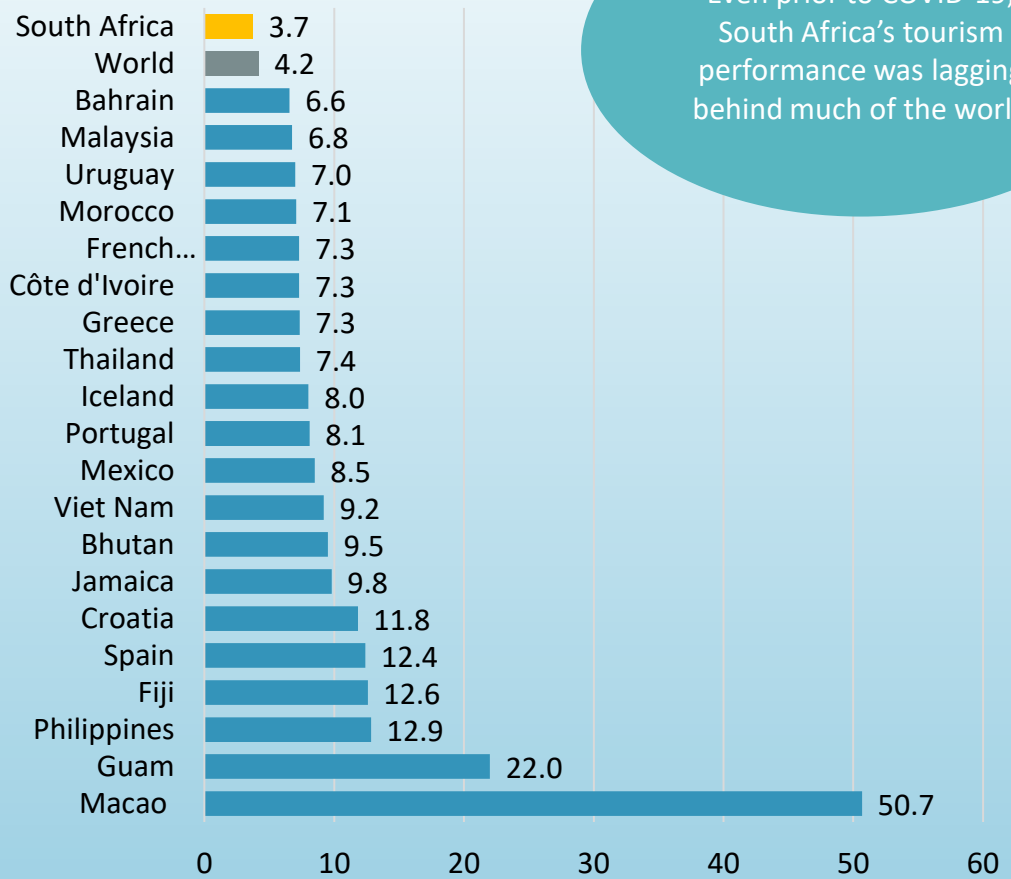
Source of data: StatsSA QLFS, March 2023



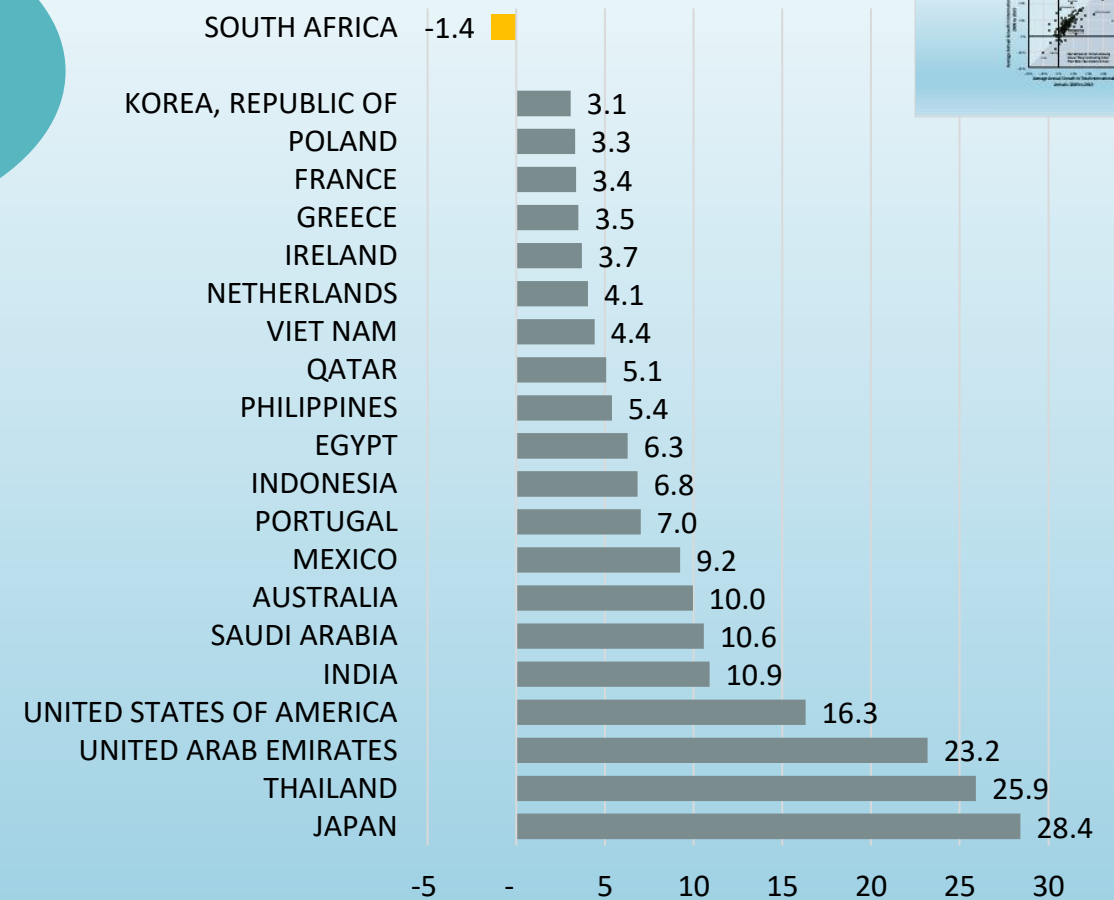
Source of data: National Treasury, 2023. StatsSA 2023



Even prior to COVID-19, South Africa's tourism performance was lagging behind much of the world

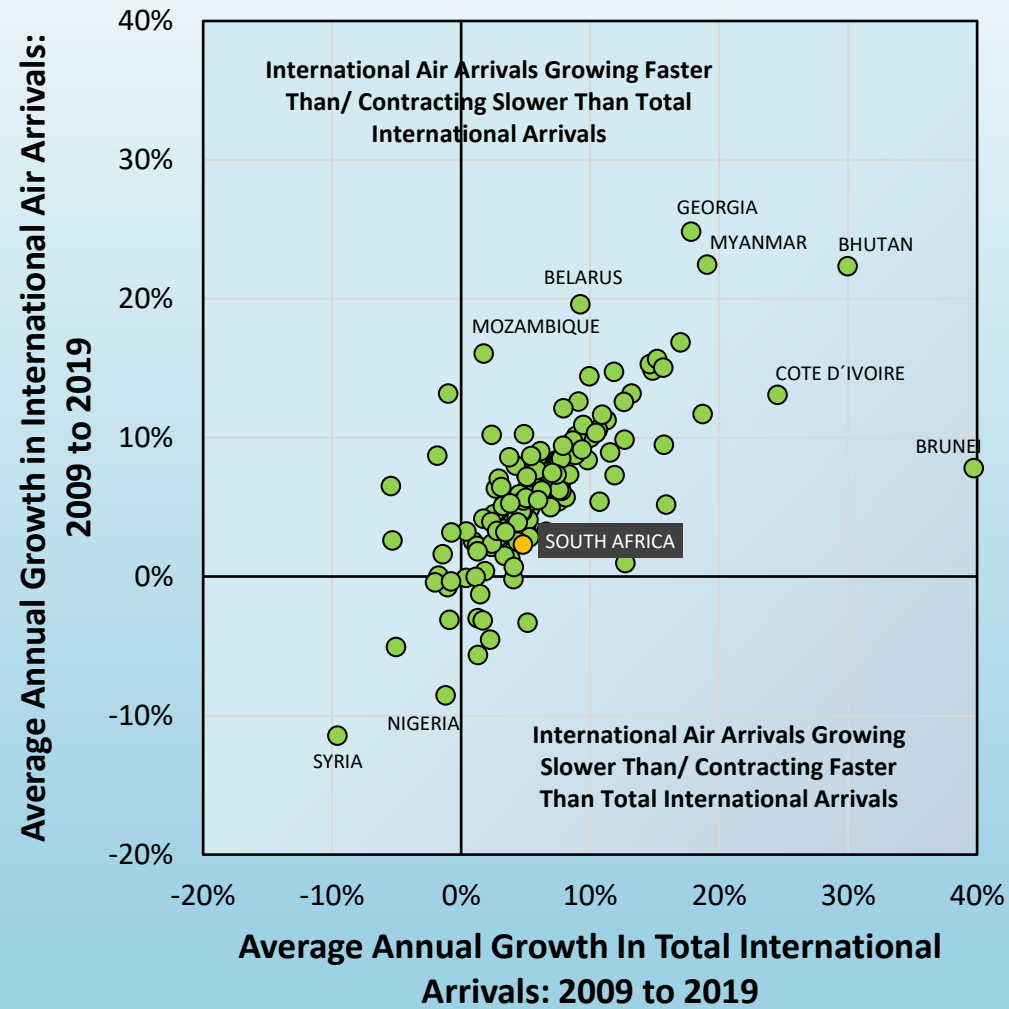


Share of Gross Domestic Product Contributed Directly by Travel & Tourism in 2019 (Percent of GDP)

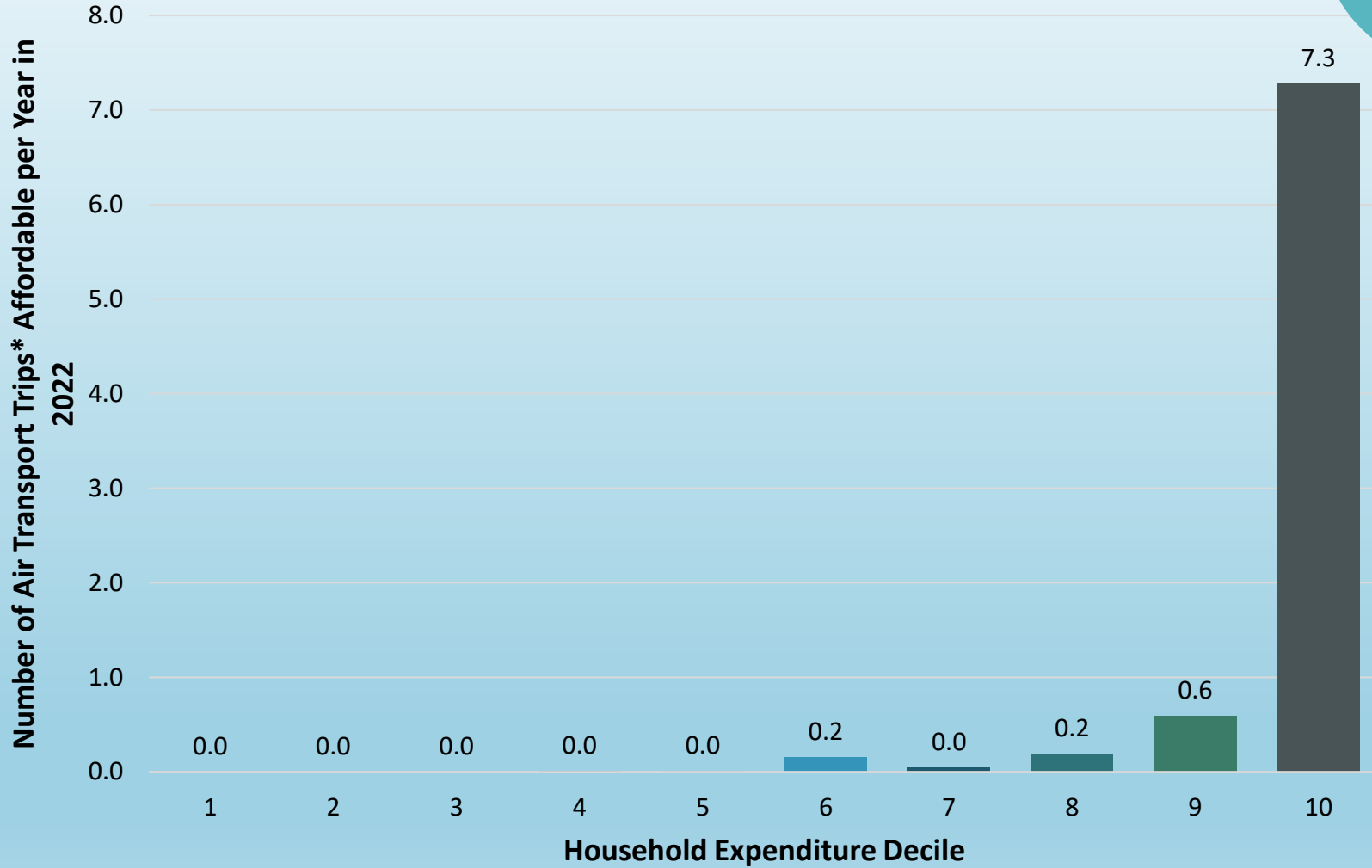


Change in Tourism Expenditure by International Arrivals: 2014 to 2019 (US\$ Billions)

Source of data: UNTWO, 2022



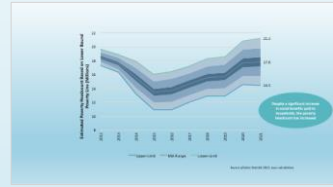
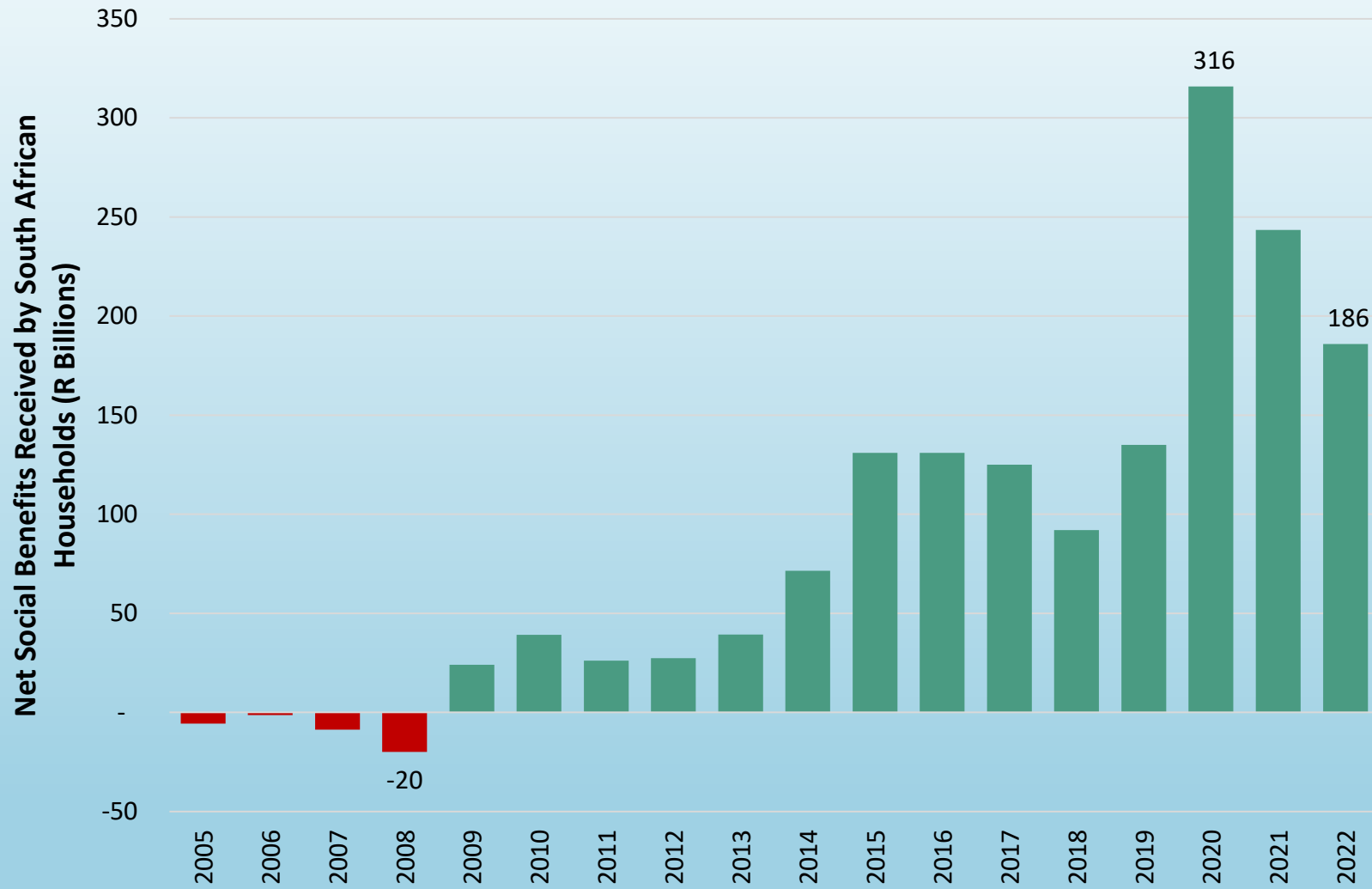
Source of data: UNTWO, 2022



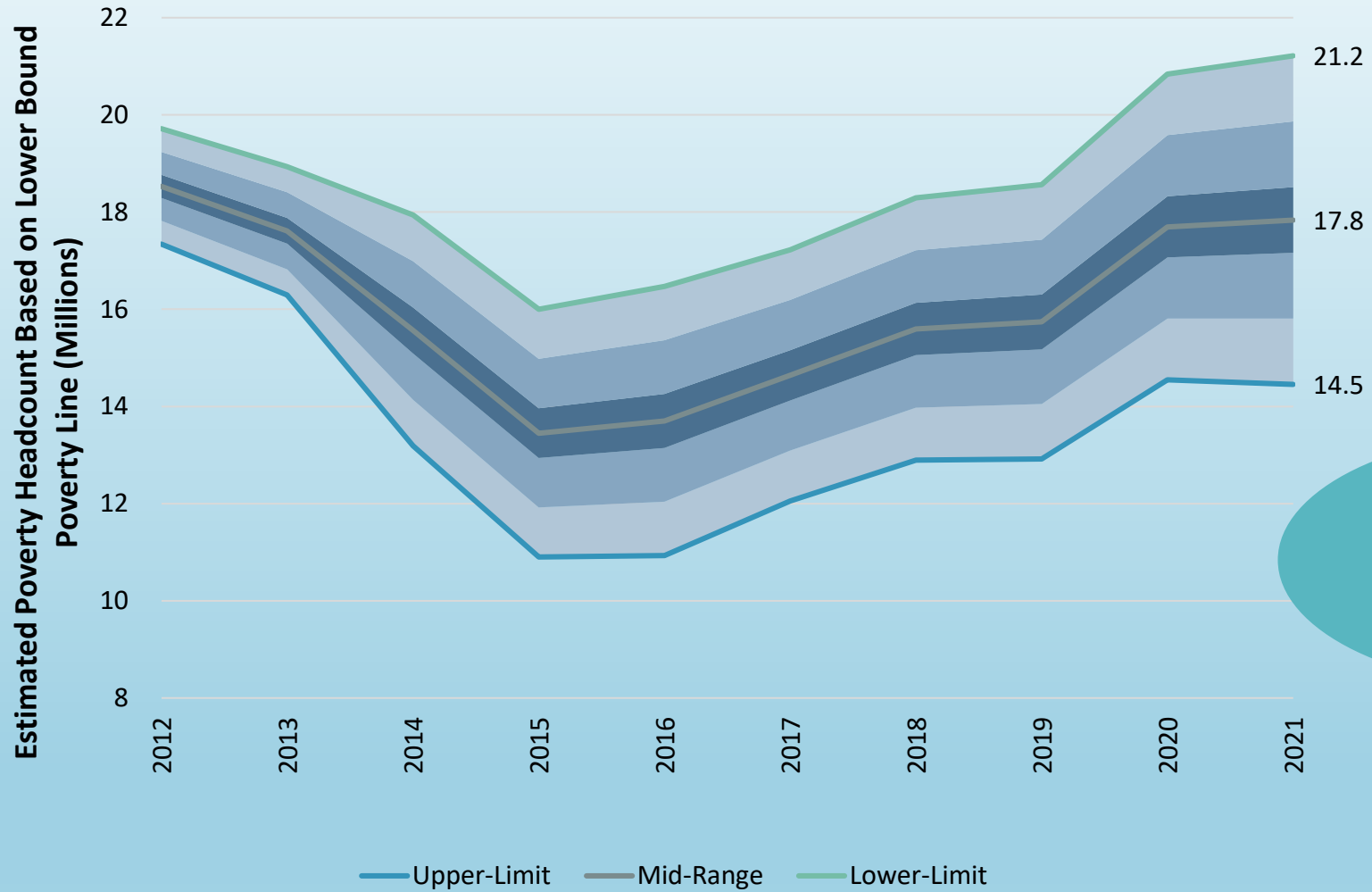
The skewed income distribution has implications for many other aspects of the economy – including the recovery of air transport

* Based on the R832 cost of a fare from OR Tambo to King Shaka on a low cost carrier

Source of data: Stats SA, own calculations, 2023



Source of data: SARB Quarterly Bulletin, March 2023



Despite a significant increase in social benefits paid to households, the poverty headcount has increased

Source of data: StatsSA 2022, own calculations