

South Africa against a backdrop of the world

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In a recent presentation at Glacier by Sanlam, Dr Adrian Saville, director at the Centre for African Management and Markets, examined opportunities and prospects from a South African economic viewpoint, in light of some profound global geopolitical and economic challenges. He has some points for us to think about to help us embrace the opportunities that exist for South Africa.

1. Step off the dancefloor and observe it from the balcony.

Before we discover and embrace opportunities, Adrian explains that leaders need to take a step back from volatility, drama and noise. And key to this is recognising the difference between noise and news. While noise is distracting, unhelpful and makes it difficult – though not impossible – to ‘hear’ the news, news is information that has integrity and leads to insight and intelligence.

How do we disentangle from the noise? It starts with recognising what news actually is for us. Donald Trump making a spectacular comeback to the US political landscape, arguably is noise, while India overtaking China as the world’s largest population is news and could have an enormous positive impact on that country’s economic growth. What does that mean for China? What does that mean for the rest of the world? What does that mean for South Africa?

2. Know the words that define the period we’re in.

Over recent years, there were words that defined a specific year. In 2020 and 2021, the words may have been ‘COVID’, ‘isolation’ and ‘market crash’. In 2022, perhaps ‘war in Ukraine’ and ‘fuel supply disruption’? In 2023, what are the defining words? Are they perhaps ‘inflation’, ‘interest rate hikes’ and ‘ChatGPT’? It’s interesting to note that at the end of 2022, ChatGPT was a relatively unknown concept in the main, and yet this technology has become really important in just six months.

3. Appreciate the importance of circumstance and context.

‘Know and understand the importance of South Africa’s circumstance and context’, says Adrian. In any business, there are factors that, combined, determine success (or failure) of that entity. Strong

leadership, human capital, market share and technology, are just a few. Adrian argues that the most important over-riding factor that determines successful business is economic growth. The thing to fix if you want to grow businesses, is the economy. This improves the business circumstance, creates jobs and increases GDP.

4. Countries cause companies, not the other way around.

China's 8% annual economic growth over the past 30 years clearly has created an environment for growth of its businesses. Now, for example, global names like Alibaba, which originated in China, are taking over their Western counterparts in size of market and revenue. Alibaba currently represents eight times the size of the US's total online sales. Also, between 2013 and 2018, Alibaba built a bank the size of any one of the four main banks in South Africa, with assets under management of around \$267 billion.

While economic growth for India and China have been between 5% and 8% per annum (making them the fastest growing economies in the world over the past 20 years), in South Africa, Brazil and Russia, economic growth in those countries has been between 0.1% and 1%.

5. Know what league we're really in.

South Africa speaks of itself as if we are an economic miracle like Chile, which went from dictatorship and economic collapse in the 1970s to the most successful industrial country in Latin America in the 1990s and early 2000s. Today, it boasts the highest income per capita in that region.

Conversely, Adrian describes Argentina as a stuttering economy, full of promise, but distracted, noisy, and as a result, not delivering great results. Is South Africa in Argentina's league? What do we observe from the balcony? What needs to be done to turn South Africa into an African version of Chile?

6. We need to recalibrate to match our circumstance.

It is possible to grow competitive global enterprises out of challenging circumstances. [Globant](#) in Argentina is a fine example of this. However, we need to see many perspectives of the dancers on our dancefloor, so moving on the balcony is an imperative.

7. Know what could work in our favour as a country.

In South Africa, the following factors could serve us well:

- South Africa's strong social welfare system (which unfortunately has not been harnessed

effectively).

- There are few better places in the world to build alternative fuel energy sources. Our investment in renewables and alternatives, could set us apart.
- South Africa enjoys support from somewhat elevated commodity prices. How will India's 6% growth help commodity prices as China's starts to drop off.
- We have some exceptional neighbours in Ethiopia and Rwanda. Their growth has been phenomenal in the past 20 years. We need to stop looking past Africa to do business and grow our economy.

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