

The road to recovery

At the [2020 Life Investments Summit Webinar](#) held on 6 and 7 August, Glacier framed the current global economic landscape and explored what it may take to witness an economic recovery in South Africa and beyond. The line-up of experts also examined retirement income solutions that can be combined in a simple way to ensure that you have access to the classic as well as the more contemporary alternatives.

How global economies are faring

In his presentation, “Economic update in the midst of COVID-19”, Kevin Lings, chief economist at STANLIB, warned that South Africa is heading for an outright fiscal crisis unless drastic steps are taken by the South African government, to address the revenue shortfall and the GDP deficit of 14.6%.

His synopsis of the global economic climate is as follows:

- China’s economic recovery is a source of hope amid the ongoing COVID-19 crisis, with the region showing signs that the production and infrastructure sectors are nearing pre-COVID levels of activity. The biggest threat in China at the moment remains a second wave of infections. Furthermore, there is a need to beef up international trade going forward.
- Europe has some way to go to report GDP growth, as most countries are in deep recession, and the focus is still on preventing a new wave of infections. Most have the spread of the coronavirus under control, but there has been a resurgence in some regions. Kevin predicts that they will have a positive recovery in 2021, if they can manage to stave off new infections.
- In the US, the recovery of manufacturing will be slower than in China, although the retail sector is doing better than in China – largely a consequence of the aggressive economic stimulus strategy that the US implemented. The resultant excess disposable income amongst consumers, means that US citizens have effectively been paid to shop. Infection control remains the biggest challenge in the US.

- In South Africa, three key factors – other than interest rate cuts – need cogent planning and some heavy lifting by government, for significant growth to happen:
- business confidence (currently at an all-time low) needs to be regained, as business is unwilling to invest, employ or expand in the current climate;
- the R304 billion revenue shortfall in 2020 needs to be addressed immediately;
- government debt (we are currently borrowing what equates to around R1 billion every day) and spending need to be addressed as a matter of critical urgency.

Kevin pointed out that global economic recovery is possible by 2021 but this will depend on virus control, and what strategies are executed to increase GDP and manage or emerge from debt.

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Glacier Financial Solutions (Pty) Ltd.

A member of the Sanlam Group
Private Bag X5 | Tyger Valley 7536 | Email client.services@glacier.co.za | Tel +27 21 917 9002 / 0860 452 364 | Fax +27 21 947 9210 |
Web www.glacier.co.za | Reg No 1999/025360/07
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Private Bag X8 | Tyger Valley 7536 | Tel +27 21 950 2600 | Fax +27 21 950 2126 | Web www.smmi.com |*Reg No 2002/030939/07
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