

What to watch globally that affects us in SA

“Our fate is tied into how we respond to uncertainty and change”, cautioned Dr Miriam Altman, thought leader, strategist and economist at a recent Glacier webinar. “We need to get back to growth, but growth was in decline before COVID-19, so what do we consider for a new path and direction?”. Dr Altman shares her thoughts on how we can build socio-economic resilience in SA

Grey rhinos

We’ve been talking about COVID-19 being a ‘black swan’ event, but Dr Altman thinks of it more as a ‘grey rhino’. Grey rhinos are highly probable but neglected threats that have an enormous impact. You know what could happen, but you use old responses to approach the event.

SA is a small, open minerals economy deeply affected by global movements and currency growth. Fixing domestic institutions should be a strategic priority to sort out local issues as well as become globally resilient.

In SA, our grey rhinos are:

- The commodity cycle – Chinese growth will be 8% this year but will decline to around 5% (that may still be high for us, but not for China). As a result, the commodity cycle will fall.
- The auto industry is in decline due to the shortage of semiconductors. Major auto companies (globally and in SA) are on short time in factories.
- The future of consumption – where is it going? And how do we become positioned for fiscal resilience? Fiscal stability will be central to SA’s resilience in the face of global uncertainty. Structural reforms are critical to enable this.

Six trends to watch

1. Global forces are driving rising inequality, working poverty and fear of unemployment. There is a fear of rising unemployment where it hasn’t happened yet, globally. In SA, unemployment has been stagnant for some time. Working poverty is when people have employment (in services, retail and security industries) but are still trapped in poverty because of low productivity and low wages. Deep poverty reduces adaptability and puts pressure on states.

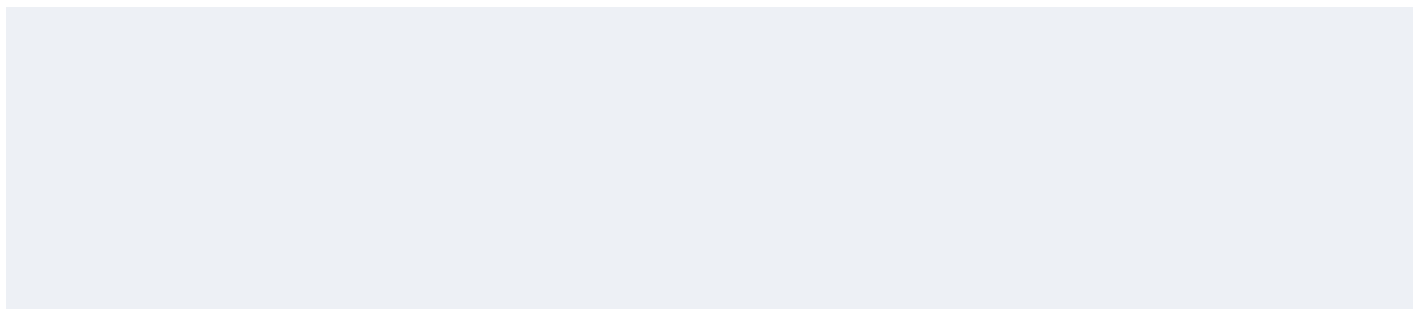
2. Digital transformation is accelerating, but global (and local) governance has not kept up with the transformation. Digital transformation affects how we live, work, and do business and poverty prevents us from participating in this transformation.
3. High-end crime leading to systemic risk. Ethical leadership has been a global priority at least since the Enron case, possibly even before then. Disasters emanate from the failure to lead ethically and even to monitor behaviour. Instances like Steinhoff create systemic risk and pull the rug out from shareholders and pension funds. Therefore, institutional changes, fraud in companies and strengthening institutions to mitigate these risks must be a strategic priority.
4. Geopolitical forces are turning east. Africa, and specifically SA, must take care not to be caught in the middle. In the early 2000s, SA relied economically on India and China's growth. China became our single biggest trade partner, but now their growth has slowed. US-China tensions are increasing causing global trade tensions.
5. Environmental sustainability is a growing global priority. Therefore, it must be for us. Carbon emissions and our reliance on fossil fuel is a critical challenge in SA.
6. COVID-19 health response. The pandemic has taken hold of all of our lives. It has altered the social and economic landscape – but to what extent? We simply don't know. How will the fourth wave play out? What are the effects of the vaccine? These are unknowns. The sectors affected most negatively have been those sectors that employ the working poor – and by proxy, adversely affecting women and the youth.

Five actions to ensure a sustainable fiscal and financial future

- Restore confidence in the Budget process and commitment to a fiscal framework.
- Restore and modernise revenue collection capability.
- Chart public sector bargaining to a sustainable result.
- Restore governance in top infrastructure state-owned entities.
- Strengthen municipal management and finances.

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