

Building socio-economic resilience in South Africa

By Dr Miriam Altman, thought leader, strategist and economist

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



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'. A grey rhino is a highly probable but neglected threat that has an enormous impact; you know what could happen, but you use old responses to approach the event.

South Africa is a small, open-minerals economy deeply affected by global movements and currency growth. Fixing domestic institutions should be a strategic priority to solve local problems and become globally resilient.

In South Africa, our grey rhinos are:

- The commodity cycle – Chinese economic growth will be 8% this year (2021), but will decline to around 5% into 2022 (that may still be high for us, but not for China). As a result, the commodity cycle will fall.
- The automotive industry is in decline owing to the shortage of semiconductors. Major automotive companies (globally and in South Africa) 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 South Africa's resilience in the face of global uncertainty. Structural reforms are critical for enabling this.

6 Trends to watch

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 South Africa, 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.

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.

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 need to be a strategic priority.

Geopolitical forces are turning east

Africa, and specifically South Africa, need to take care not to be caught in the middle. In the early 2000s, South Africa 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.

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 South Africa.

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 future waves 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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