



# SCENARIOS FOR THE SOUTH AFRICAN ECONOMY



**BER** BUREAU for  
ECONOMIC  
RESEARCH



**PICK A BIRD. ANY BIRD.**





# **THREE BIG BIRDS ... SIT BY OUR DOORSTEP**

**THE ULTIMATE OBJECTIVE OF OUR SCENARIOS EXERCISE IS ECONOMIC SUCCESS, WHICH WE DEFINE AS GROWTH THAT LIFTS SOUTH AFRICANS OUT OF ABSOLUTE POVERTY. WITHOUT SUCH GROWTH, TO PARAPHRASE THE BOB MARLEY LYRIC, EVERYTHING IS NOT GONNA BE ALRIGHT.**

**THIS SUCCESS CAN BE ACHIEVED BY CONFIDENCE-DRIVEN INVESTMENT. ECONOMIC REFORMS THAT ARE IMPLEMENTED CREDIBLY AND QUICKLY WILL LEAD TO RISK PREMIA FALLING FURTHER, THE RAND STRENGTHENING, AND PRIVATE INVESTMENT RESPONDING DISPROPORTIONATELY.**

**WHERE REFORMS STALL, UNCERTAINTY DOMINATES, INVESTMENT IS DELAYED, AND GROWTH REMAINS CONSUMPTION-LED AND FRAGILE.**

**OUR 'FLYWHEEL OF SUCCESS' SCENARIO CAN DELIVER 350,000 NEW JOBS ON AVERAGE EACH YEAR, OR 1 MILLION JOBS OVER THREE YEARS.**

**WE HAVE A NARROW WINDOW OF OPPORTUNITY AND WE SHOULD ACT NOW.**

# THE HADEDA

## SCENARIO 1

**THIS IS THE STATUS QUO, MAINTAINED. PARTIAL REFORM DELIVERS STABILITY, BUT THE ECONOMY DOESN'T SOAR.**

**IN THE HADEDA SCENARIO, THE ECONOMY FLIES LOW. ITS DIET IS RESTRICTED BY SKITTISH CONFIDENCE AND STRUCTURAL UNDERINVESTMENT.**

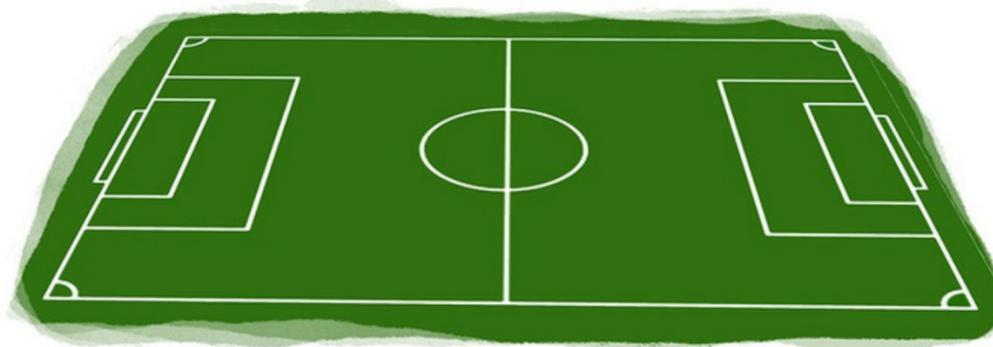
**FOR MOST SOUTH AFRICANS, THERE IS NO REAL PATH OUT OF POVERTY.**



**POLICY UNCERTAINTY  
CREATES INVESTOR  
UNCERTAINTY**

**URGENT CALLS FOR REFORM & RULE  
OF LAW ... NOT ECHOED IN PAGE OF  
REFORM ACTION**

**MODEST TAX TAKE LIMITS STATE CAPACITY**



**SLOW GROWTH  
SHRINKS THE  
FISCAL HORIZON.  
(THE FIELD IS TIDY,  
BUT IT'S NO SAVANNAH)**

# THE DNA OF THE HADEDA



## (SOCIO-ECONOMIC & POLITICAL IMPACT)

## (KEY ASSUMPTIONS & CYCLICAL FACTORS)

GLOBAL  
CONDITIONS  
BROADLY  
SUPPORTIVE

POLICY UNCERTAINTY  
WEIGHS ON  
INVESTMENT  
DECISIONS

CRIMINAL  
JUSTICE  
REFORM STALLS

DEFICITS HIGH;  
DEBT KEEPS CLIMBING

INFLATION ABOVE 3%,  
MONETARY POLICY EASES,  
THEN TIGHTENS

GROWTH AT  
1% - 1.5%

## (MACROECONOMIC OUTCOMES)

REFORM  
COALITIONS  
WEAKEN;  
VIOLENT &  
ORGANISED  
CRIME  
PERSISTS

MACRO  
STABILITY  
PRESERVED  
BUT SOCIAL  
FRUSTRATION  
GROWS

GROWTH  
INSUFFICIENT  
TO ABSORB  
LABOUR MARKET  
ENTRANTS

# SA UNDER THE HADEDA



# THE MARABOU

## SCENARIO 2

**AKA THE UNDERTAKER BIRD.**  
**THE MARABOU ECONOMY SCAVENGES**  
**ON HOPE & BURIES GROWTH.**  
**BY FAILING TO REFORM, IT LOCKS IN DECLINE.**  
**POVERTY & UNEMPLOYMENT RISE.**  
**PER CAPITA INCOME FALLS.**  
**POLITICS BECOMES EVEN MORE FRACTURED.**

**IDEAL HOST  
FOR MAFIA  
PARASITES**



**RUBBISH IDEAS  
PROVOKE CAPITAL  
FLIGHT**



**INFLATION STARTS TO  
BUZZ – & THEN FLY**

**MORASS OF CORRUPTION  
KILLS GROWTH & RULE OF LAW**

# THE DNA OF THE MARABOU



## (SOCIO-ECONOMIC & POLITICAL IMPACT)

ABSOLUTE POVERTY INCREASES

PRESSURE MOUNTS TO WEAKEN FISCAL DISCIPLINE

POPULIST POLICIES HARM CONFIDENCE & DRIVE CAPITAL FLIGHT

STATE CAPACITY FAILURES INTENSIFY

UPPER-TARGET INFLATION & CLIMBING RATES

DEFICITS & DEBT GROW TOWARD UNSUSTAINABLE LEVELS

## (MACROECONOMIC OUTCOMES)

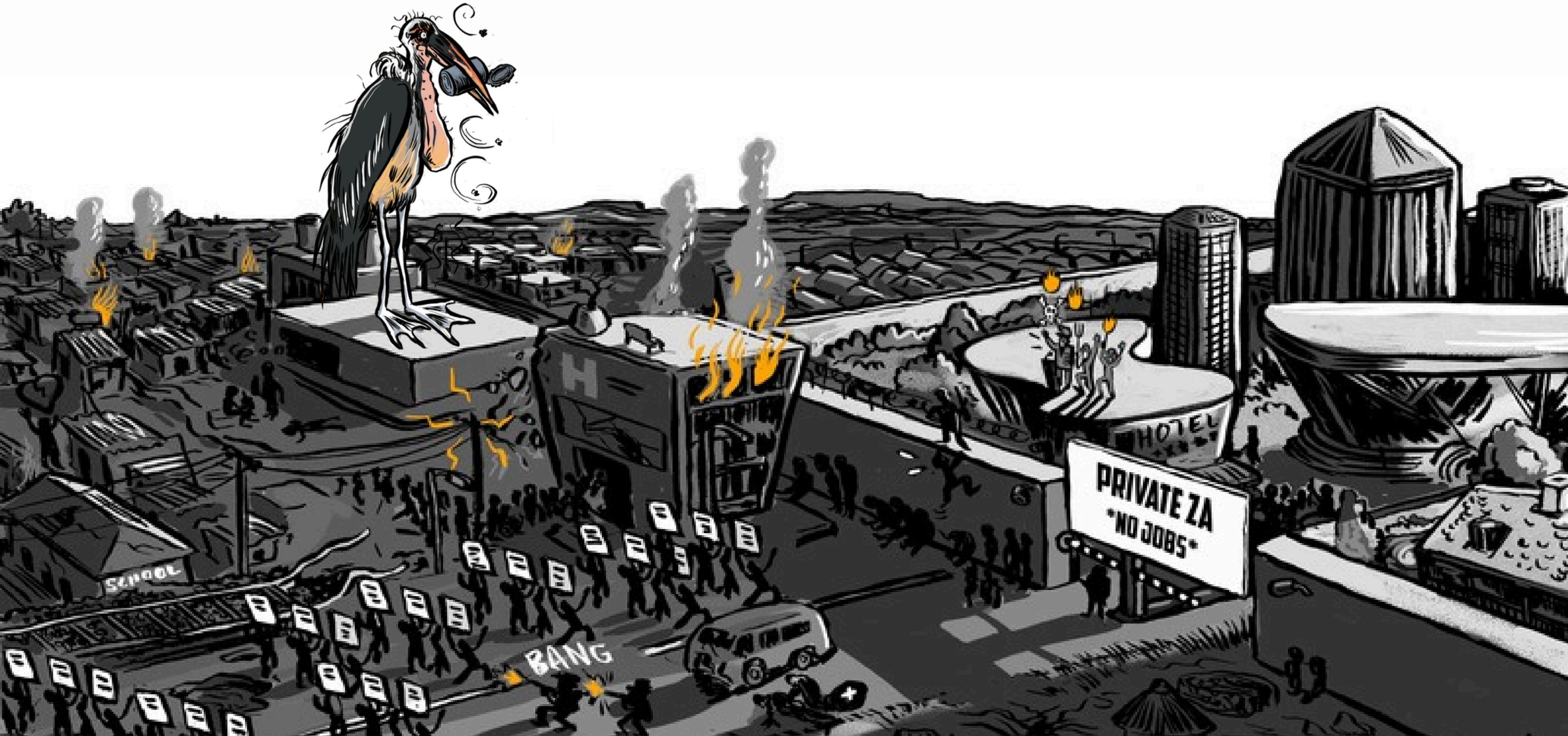
GROWTH BELOW 0.5% FOR LONG PERIOD

GLOBAL FINANCIAL CONDITIONS TIGHTEN

US-SA RELATIONS DETERIORATE

## (KEY ASSUMPTIONS & CYCLICAL FACTORS)

# SA UNDER THE MARABOU



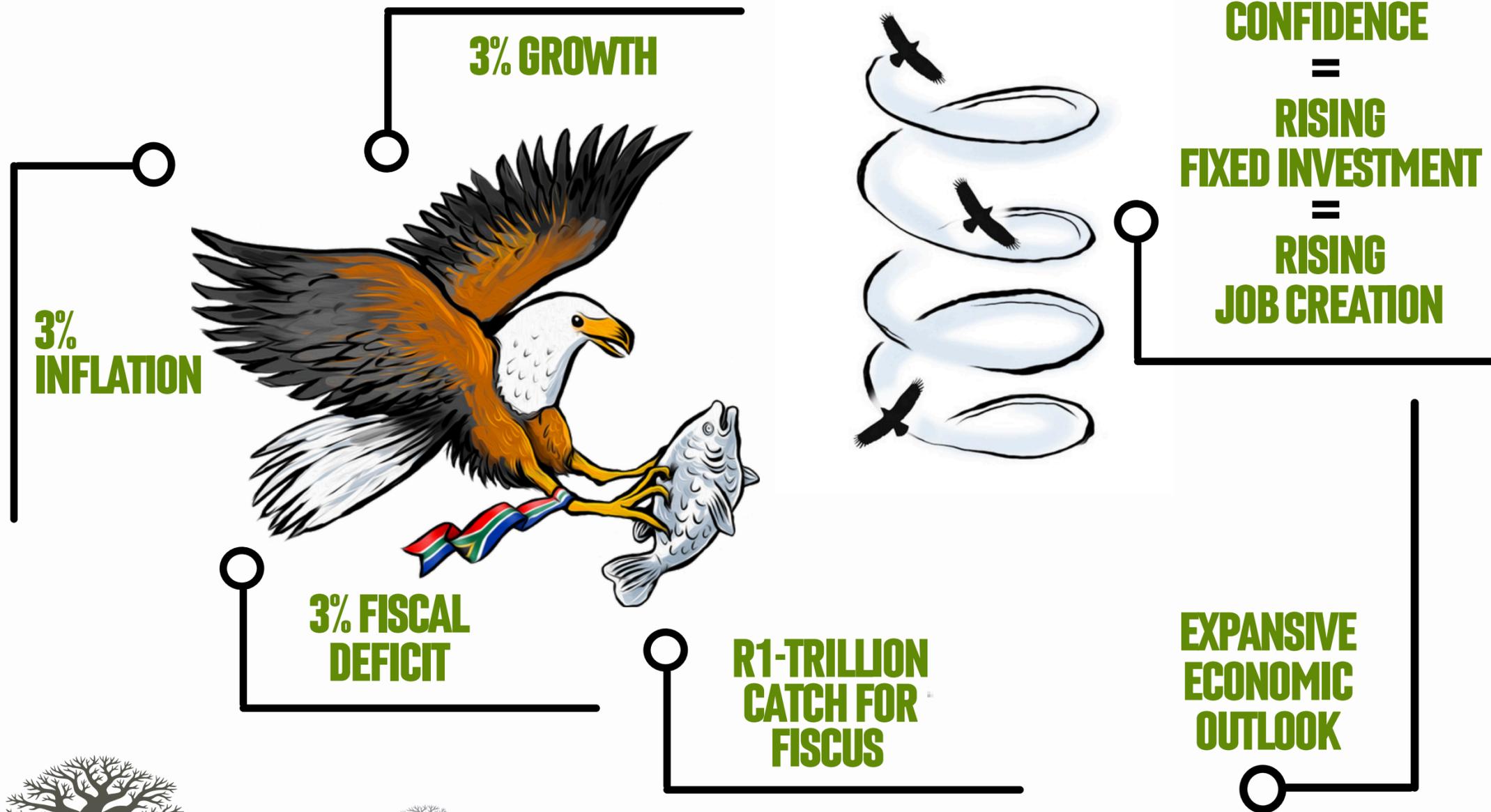
# THE AFRICAN FISH EAGLE

## SCENARIO 3

**AN ECONOMY THAT TAKES FLIGHT. DECISIVE STRUCTURAL REFORMS SUSTAIN A GROWTH RATE OF 3%.**

**THEN THE FISH EAGLE BEGINS TO ALTER SA'S SOCIO-ECONOMIC TRAJECTORY. EMPLOYMENT GROWS, WAGES RISE, POVERTY SHRINKS.**

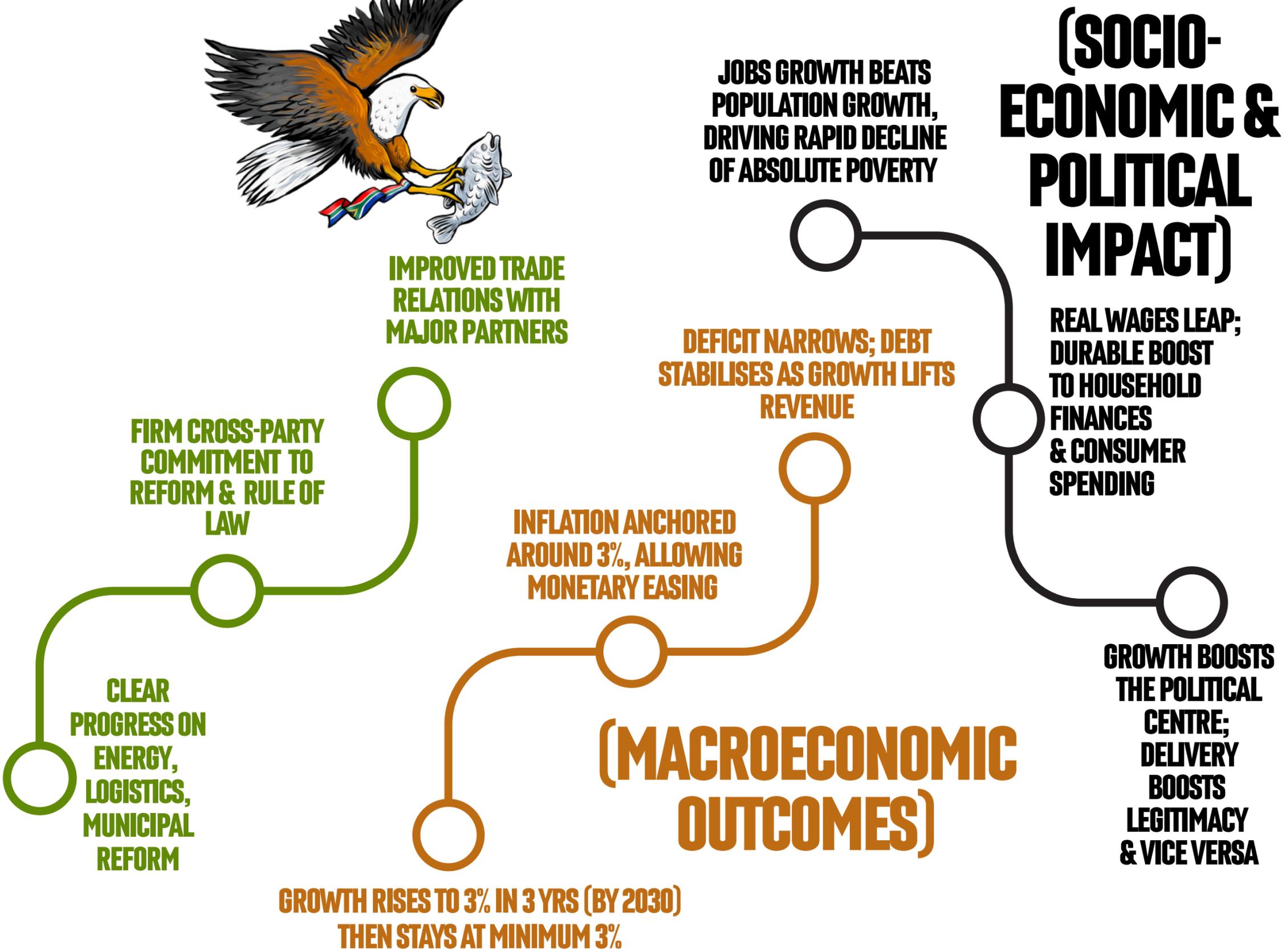
**LEGITIMACY & DELIVERY REINFORCE EACH OTHER.**



# THE DNA OF THE FISH EAGLE



## (KEY ASSUMPTIONS & CYCLICAL FACTORS)



**GROWTH RISES TO 3% IN 3 YRS (BY 2030)  
THEN STAYS AT MINIMUM 3%**



# HOW THE FISH EAGLE FLIES

## CATALYTIC REFORMS

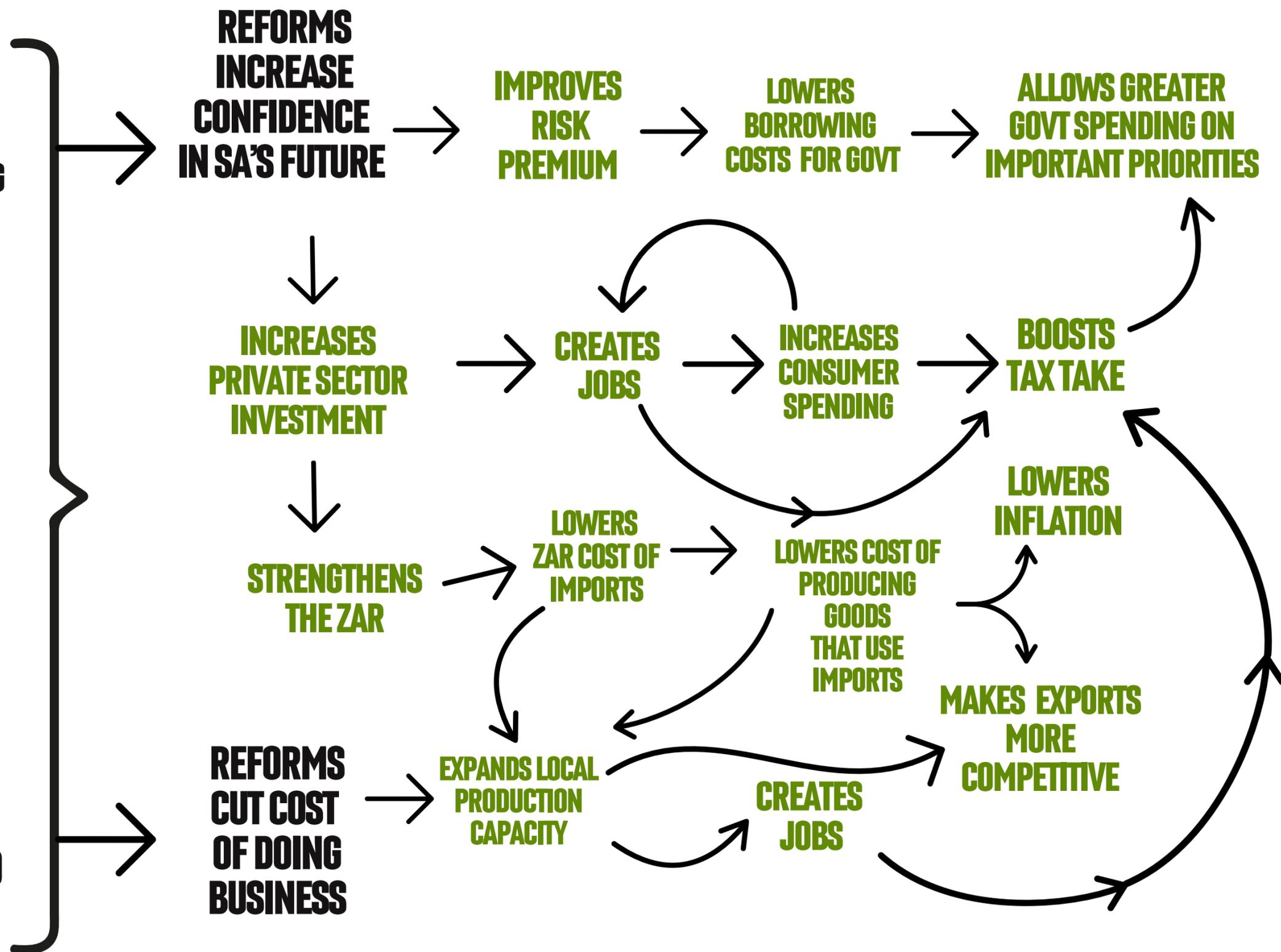
**CRIMINAL JUSTICE SECTOR REFORM**  
(BOLSTERING NPA, ATTACKING ILLICIT ECONOMY)

**PUBLIC SECTOR REFORM** (IMPROVING LEADERSHIP, SAFEGUARDING INSTITUTIONS)

**PROCUREMENT REFORM** (INJECTING TRANSPARENCY & EFFECTIVENESS)

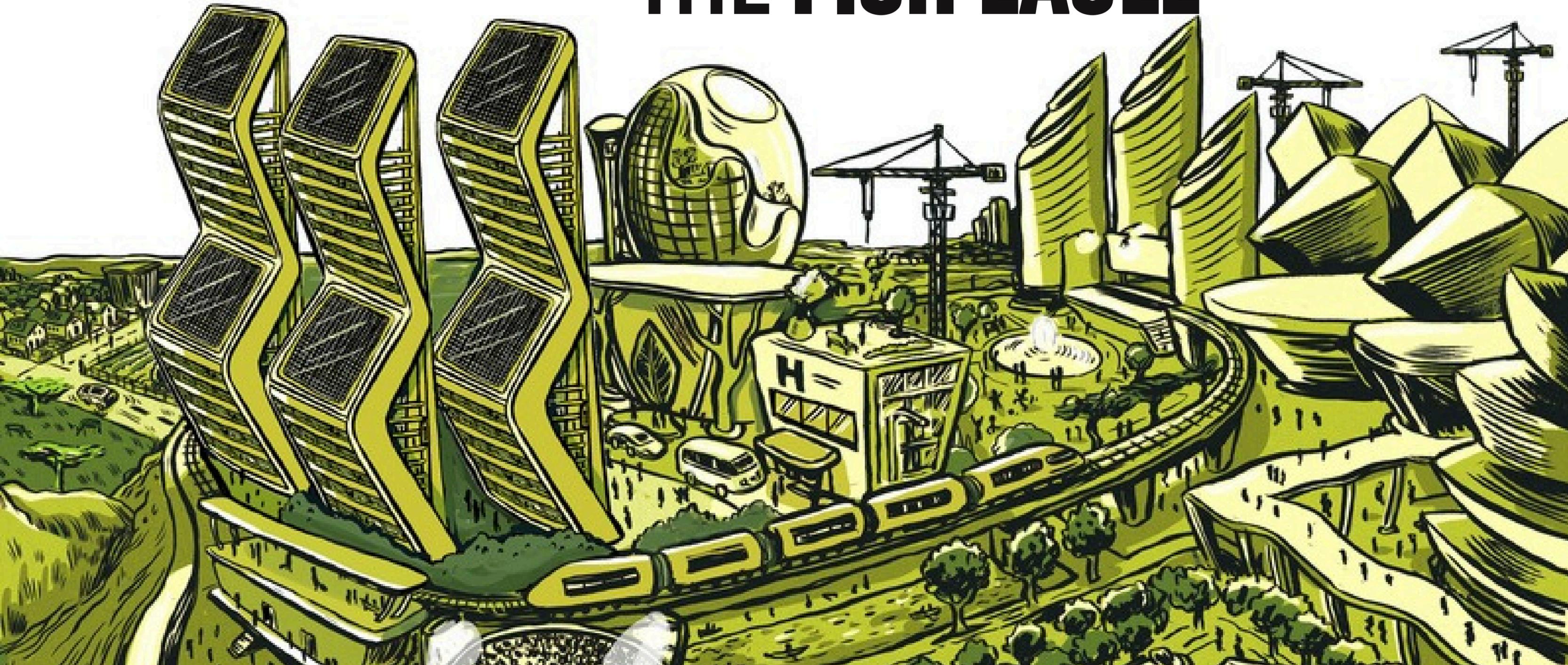
**SOE REFORM**  
(PPP PROGRESS, UPGRADING INFRASTRUCTURE)

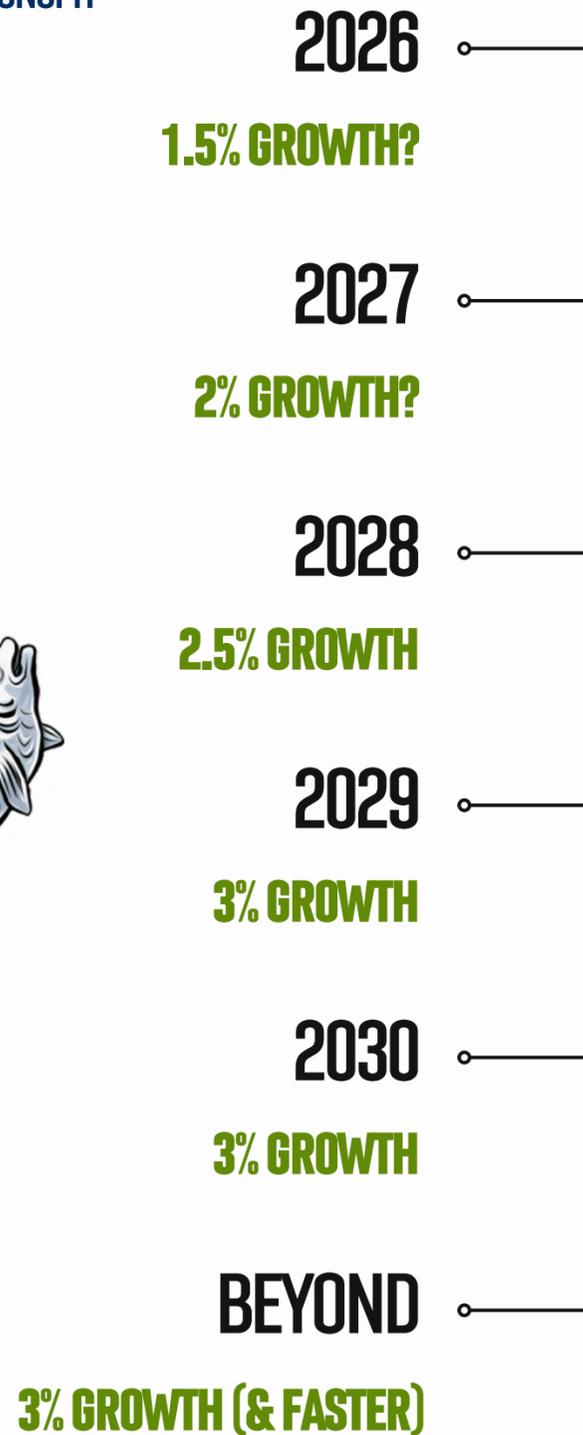
## THE FLYWHEEL OF SUCCESS





# SA UNDER THE FISH EAGLE





# DECISION TIME

**SOUTH AFRICA IS AT AN INFLECTION POINT.**

**THE POLICY DECISIONS WE MAKE NOW WILL DETERMINE WHETHER GROWTH RETURNS TO 0.5% A YEAR, OR RISES TO 3%, AND WHETHER POVERTY FALLS OR RISES, WHETHER THE FISCAL POSITION STABILISES OR DETERIORATES, AND WHETHER POLITICS REWARDS REFORM OR POPULISM.**

**THE WINDOW TO LOCK IN THE HIGH ROAD IS OPEN, BUT IT IS NARROW. IMPLEMENTATION SPEED, NOT POLICY INTENT, WILL DECIDE WHICH SCENARIO PREVAILS.**