

PICK A BIRD. ANY BIRD.



SCENARIOS FOR THE SOUTH AFRICAN ECONOMY: 2026-2030

THIS DOCUMENT OUTLINES A ROUTE TO ECONOMIC SUCCESS: GROWTH THAT LIFTS SOUTH AFRICANS OUT OF POVERTY AND CREATES A PLATFORM FOR SUSTAINED LONG-TERM PROSPERITY.

SOUTH AFRICA's growth prospects have perked up a little thanks to hard-won fiscal discipline, bold shifts in monetary policy and the fact that structural reforms are starting to take hold. But though sentiment has revived, it has yet to translate into the fixed investment needed to spur a rapid recovery. Instead, growth remains fragile and the country highly vulnerable to economic shocks - like the current war in the Middle East.

What is a small, open economy like South Africa to do in the face of a global geopolitical storm?

It cannot control the external environment, but it can focus on building resilience, and tackling its own internal challenges, by undertaking a series of urgent domestic interventions to reinvigorate the economy.

Economic success can be achieved through 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.

Conversely, when reforms stall, uncertainty dominates, investment is delayed, and growth remains consumption-led and fragile.

South Africa faces a set of crucial policy choices.

The political and policy decisions we make now will determine whether growth collapses back to 0.5% a year or soars to 3% over the medium term; whether poverty eases or deepens; whether the fiscal position stabilises or deteriorates; and whether the balance of power tilts towards the reformers or the populists.

To understand both the costs of inaction and the benefits that could flow from timely action, the Bureau for Economic Research (BER) at Stellenbosch University has modelled three scenarios using a similar core econometric model as the National Treasury and the South African Reserve Bank.

They are crafted around a bird theme, with acknowledgement to the iconic Mont Fleur Scenarios (1992) and the Indlulamithi South Africa Scenarios (2024), both of which also used bird metaphors to describe possible futures for the country.

The BER undertook a structured process of engagements with over 60 senior business leaders, government officials and academics and triangulated this with textual analysis of over 600 comments from BER business sentiment surveys. This was complemented with econometric work using the BER Quarterly Model.

Our key finding is that South Africa can create an additional 2.4 million jobs by 2030 relative to 2025. But as we have only a narrow window of opportunity in which to act, we need to focus sharply on a single, simple vision for the economy.

Our African Fish Eagle high-road scenario embodies such a vision. It imagines what South Africa could look like if it achieved 3% growth, a 3% budget deficit, and 3% inflation within three years (3x3x3 in three).

Each of these goals is already implicitly a government target. (1) The President has highlighted that 3% growth is possible, provided structural reforms take root; (2) the Minister of Finance has pencilled in an overall budget deficit forecast of 3% for 2028/29; and (3) the National Treasury and the Governor of the South African Reserve Bank have agreed on a 3% inflation target. To achieve these targets, we must remove the obstacles companies and citizens cite every day: crime, energy and water insecurity, collapsing logistics, failing municipalities, stifling red tape, and policy uncertainty.

We can achieve 3% growth by fixing the basics fast. Operation Vulindlela (OV) is addressing the binding constraints that delay investment decisions, but pace is everything. Confidence rises when reforms are rapidly implemented, not just announced. OV's work needs to be accelerated, deepened and supported. Phase 1 reforms – especially Eskom's unbundling and Transnet's turnaround – need to be fully implemented to shift the dial on growth.

Electricity distribution is a new crisis frontline, while inadequate and dilapidated infrastructure at ports and freight rail corridors remains a barrier to exports. Fixing these is South Africa's highest-impact growth lever, though the fresh crises in water and criminal justice are fast becoming the country's most urgent priorities.

TEN THINGS TO BOOST CONFIDENCE

CRIMINAL JUSTICE REFORM	PUBLIC SECTOR REFORM	PROCUREMENT REFORM	BUDGET REFORM	SOE REFORM
1. Roadmap to overhaul the entire criminal justice system, starting with NPA	4. Enact the Public Sector Amendment Bill to professionalise the public service	7. Embed greater transparency in public procurement and make cost-effectiveness the priority of procurement law	8. Redirect state resources from unproductive to productive activities	10. Appoint strong, independent and accountable boards to SOEs
2. Make the NPA financially and operationally independent of the Department of Justice & Constitutional Development	5. Modernise administrative systems; introduce a 'silence-is-consent' rule		9. Target savings of R100 billion a year through scrapping the SETAs, shifting the RAF to a private insurance model and curbing mandate-drift at the UIF	
3. Address the illicit economy, using SARS as the lever	6. Pursue big budget cross-departmental projects, leveraging public-private partnerships to bolster skills and funding			

CRIMINAL JUSTICE REFORM

- The most important institution in need of attention is the **National Prosecuting Authority (NPA)**, but the entire criminal justice system should be overhauled, including the police, detective services and criminal intelligence as well as the courts and correctional services, using recommendations and revelations from the Zondo and Mdlanga commissions.
- A key imperative is to make the NPA fully institutionally independent (like the SA Revenue Service), free of political interference and with the requisite powers to deal with any corrupt officials within its ranks. This will require legislative change to the NPA Act to make the National Director of Public Prosecutions the NPA's accounting officer, insert term limits for NPA deputies, and free NPA salary scales from public service norms. (Currently, the NPA is treated as a programme within the Department of Justice and Constitutional Development with the Director-General serving as its accounting officer.)
- South Africa must implement a comprehensive plan to tackle the illicit economy, which the SA Revenue Service (SARS) estimates has grown from 5% to 12%-15% of the SA economy in the last 25 years. If brought into the tax net, these illicit activities could add R200bn-R300bn to the fiscus, SARS estimates.
- This plan should include a president-led illicit economy disruption programme; upgrading the anti-corruption Fusion Centre into a national collaborative hub with private-sector participation; targeting the disruption of high-value illicit supply chains; a border management campaign; dedicated prosecutors and courts to expedite illicit economy cases; and making greater use of asset forfeiture.

PUBLIC SECTOR REFORM

- The Public Service Amendment Bill needs to be enacted urgently to depoliticise the appointment of senior public officials, strengthen accountability, and draw private sector skills into the state.
- The slow digitisation of the deeds office, backlogs in mining licences, and unresponsive bureaucracies contribute to a system that over-regulates and under-delivers and is suffocating investment. To kick start the modernisation of administrative systems, the state should introduce a silence-is-consent rule for all licensing regimes in terms of which approval is deemed granted if the state has not replied after six months.
- The state needs to end the siloed way it executes policy and the fragmented way it allocates capital budgets, shifting, where appropriate, from making many small disbursements to multiple departments to allocating single, big budgets to big, catalytic projects – like fixing the Lebombo border crossing between SA and Mozambique. Public-private partnerships should be leveraged to bolster skills and funding and help push big projects over the line.

PROCUREMENT REFORM

- South Africa's public procurement system has been in a state of flux since the courts struck down the preferential procurement regulatory powers once exercised by the National Treasury. Section 16 of the new **Public Procurement Act** (PPA) gives procuring entities significant powers to determine their own procurement rules and strongly prioritises equity considerations over cost-effectiveness and efficiency.
- The real focus should be on achieving the best value for money in government procurement decisions.
- The National Treasury has enhanced the **eTender Portal** to display detailed, searchable, quarterly information on all tender awards, including vendor names, beneficial-ownership details, and directors' details. Previously it was not a legal requirement for municipalities to publish tender-related information on the portal, but it will be mandatory for all procuring institutions to do so when the PPA comes into force. The improved transparency could be a gamechanger in combatting corruption and improving accountability in public procurement.

BUDGET REFORM

- A substantial redirection of state resources from unproductive to productive activities is needed.
- The Treasury's Targeted and Responsible Savings Initiative (TARS) identifies a meagre R4 billion a year in savings over the medium term. This is to be redirected to funding infrastructure and addressing other spending pressures but is less than 0.1% of GDP. The goal should be to save R100 billion a year. This means tackling dysfunctional aspects of the state's architecture can no longer be put off. For instance:
- **Scrap the Sector Education and Training Authorities (SETAs):** The deeply inefficient SETA system should be replaced with a private sector-driven scheme to restore employer confidence, align incentives to job creation, broaden access to quality private providers, and embed transparency and accountability throughout the skills funding system. The R20bn annual skills levy should be retained to fund a revenue-neutral skills tax incentive.
- **Reform the Road Accident Fund (RAF):** It has a R400 billion unfunded liability related to unsettled road accident compensation claims. It should be restructured as a capped benefit scheme, with the balance of cover left to insurance providers.
- **Curb the Unemployment Insurance Fund (UIF):** The Treasury should scrap the fund's plans to massively expand its staff, budget and activities given that it lacks sufficient oversight of these intended off-budget ventures. The broader goal should be to include state entities, like the UIF, in departmental budget votes so they are subject to spending limits.

STATE-OWNED ENTERPRISE (SOE) REFORM

- The government needs to assess about 740 state-owned enterprises (SOEs) and decide which to fix, merge, dissolve, sell or find strategic partners for. Most of the reform effort should be focused on fixing weaknesses in accountability, governance, and procurement as well as on improving financial and operational performance.
- It comes down to the appointment of strong, independent but accountable boards and executives with extensive corporate experience.

- Instead, the government has become too focused on changing the SOE ownership model as per the National State Enterprises Bill, which would centralise the management of struggling SOEs under a single state asset management holding company with strong influence from the presidency. However, it is not clear how this will depoliticise the SOE environment, make private participation in SOEs any easier, or improve their governance and management.

LESSONS FROM THE REST OF THE WORLD

There are three key risks that could derail SA's positive trajectory, according to a new research paper, *'The political economy of growth coalitions'* commissioned by the BER from Prof Johan Fourie, Chair in Economics, History and Policy at Stellenbosch University.

First, coalition fracture: if the ANC and DA cannot resolve disagreements on specific policies, the coalition could collapse. (Even if this is unlikely, the fear that it could happen at any moment undermines confidence.)

Second, reform fatigue: if early delivery is too slow, public patience may erode and populist alternatives gain ground, narrowing the political space for reform.

Third, external shocks: a global recession or commodity collapse could overwhelm the coalition's capacity before reforms produce results.

Equally, there are **three clear lessons** for the GNU that can be distilled from other countries which have faced critical junctures where coalition dynamics and reform trajectories have diverged. They are - to **build credibility by executing reforms based on a clear policy programme; deliver visibly on infrastructure; protect existing institutions and build coalition coherence around a shared reform scorecard.**

- **Deep crises create reform windows by lowering the political cost of policy reform. But only credible political settlements, which reduce policy uncertainty, can translate those windows into sustained private investment and growth.**

After more than a decade of economic stagnation, the GNU must construct urgency about SA's need to reform by being honest about the cost of inaction. It must also achieve visible delivery milestones – like stabilising Johannesburg's water infrastructure - to build the credibility necessary to shift the investment climate. But much will depend on the state's implementation capacity. Where delivery systems are weak, even coherent policy may fail to reduce uncertainty.

- **Reform sequencing matters: infrastructure first, labour last. Successful reformers start with high-visibility, broadly beneficial reforms that build political capital and defer the most politically divisive changes (like labour market reform) until a growth dividend materialises. But they do not defer the hard choices indefinitely.**
- **Reforms survive beyond the government that enacted them only when institutional constraints make reversal costly and the coalition maintains operational coherence around a focal programme.**

The presidency of Jacob Zuma eroded many of the institutional gains made under his predecessors. The task of institutional repair remains critical but is not enough on its own. The GNU lacks operational coherence. Its breadth provides broad legitimacy but unless its ten member parties can cohere around a clear, joint policy programme (based on, say, infrastructure delivery) its size could become a liability. An infrastructure mandate would give the coalition a shared reform scorecard that all coalition partners could endorse publicly. This would reduce factional free-riding and provide a basis for public accountability.

PICK A BIRD: THREE SCENARIOS

What will South Africa's economy and society look like if a 3% annual GDP growth rate is achieved by 2030?

Conversely, what will the socio-economic and political fallout be if we continue to muddle along with low growth and increasing unemployment or, at worst, slide towards a failed state?

We model three scenarios for South Africa (see Annexure for detailed modelling output):

- The Hadedda (Muddling Through) The
- Marabou Stork (Low Road) The African
- Fish Eagle (High Road)

SCENARIO	HADEDA	MARABOU	FISH EAGLE
Core driver	Partial reform	Reform failure + shocks	Fast reform + confidence
Annual GDP growth	Around 1 to 1.7%	Below 0.5%	Above 3%
New jobs added relative to 2025	1.4 million by 2030	450k by 2030	2.4 million by 2030
Political equilibrium	Fragile coalition politics	Populism, fiscal stress	Stable, reformist centre
Poverty outcome	Poverty stagnates	Poverty rises	Poverty falls materially

We are not on the path of success yet. The BER's baseline forecast is for economic growth of 1.7% over the longer term. The National Treasury's long-term forecast is not much better at 2%. Unfortunately, neither will make much of a dent in the unemployment rate.

THE HADEDA SCENARIO: (SA CONTINUES TO MUDDLE THROUGH)

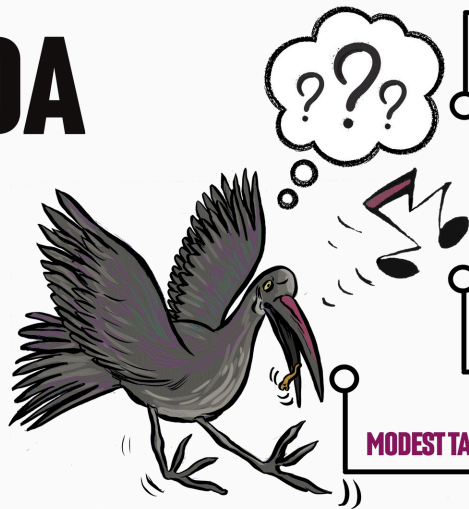
The Hadedda is noisy, low-flying and limited. Partial reform delivers partial stability, but the economy never quite converts cyclical improvements into the sustained capital formation required for lift-off.

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.**

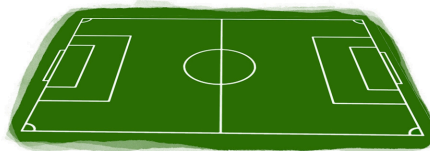


**POLICY UNCERTAINTY
CREATES INVESTOR
UNCERTAINTY**

**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)**



(Core narrative: cautious stabilisation; partial reform delivery)

In the baseline Hadedda scenario, the economy avoids renewed deterioration, but the deeper constraints that have mired SA in a low-growth equilibrium remain unaddressed, and the economy continues to bump along the bottom.

The *initial trigger* on this path is the gradual consolidation of monetary credibility. Inflation expectations continue to fall towards the 3% target, allowing for a measured easing cycle and modest reduction in SA's risk premia. As financial conditions become more supportive, the cyclical recovery that began in 2025 continues into 2026, providing some breathing room for households, firms, and the fiscus.

However, the *second-order trigger* – policy execution – remains partial. The GNU holds together, but coalition complexity and weak state capacity limit its ability to translate reform intent into delivery. There is incremental progress, but implementation is uneven and slow, and the broader state machinery continues to struggle, constraining the economy.

Criminal justice reform advances only gradually. The NPA receives some support, but law-enforcement gains remain uneven, and the illicit economy continues to exert a material drag on confidence, tax revenues, and the investment climate. The rule-of-law dividend is, therefore, disappointing.

Confidence improves modestly, but uncertainty remains high, particularly in the run-up to the 2026/27 Local Government Elections, the 2027 ANC National Conference and the 2029 National Elections.

The upshot is that upward cyclical momentum does not fully transmit into permanent, structural change. So while real GDP growth initially recovers slightly — from 1.3% in 2025 to around 1.8% in 2026 — it settles back near 1.7% thereafter, being driven mainly by consumption rather than investment. Employment gains pick up, but not enough to materially shift SA's structural unemployment trajectory, while fiscal consolidation proceeds only slowly within a narrow and fragile policy space.

Bottom line: This is a scenario of missed opportunity, of stability without progress and of rising long-term risk.

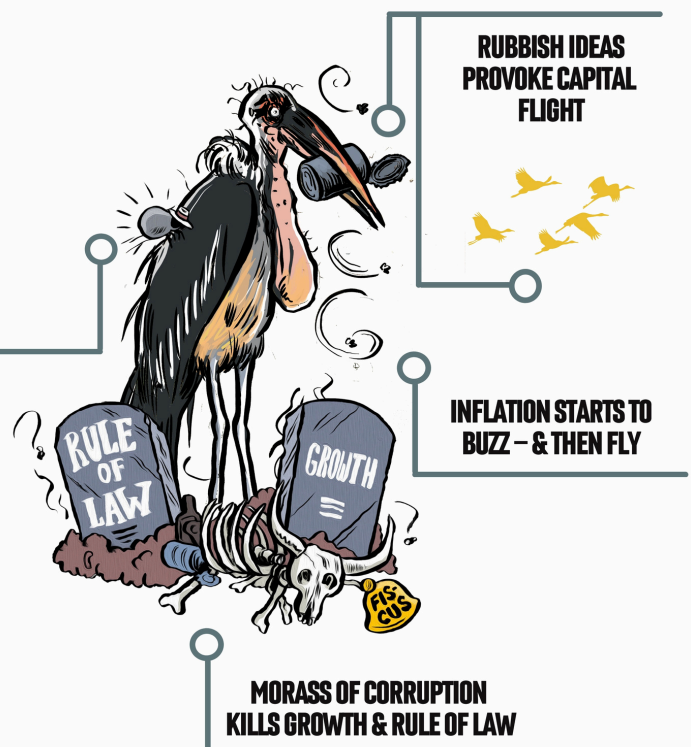
THE MARABOU SCENARIO (ANOTHER LOST DECADE)

The Marabou depicts an economy where reform failure leads to institutional decay, where the capital stock is steadily eroded, and the foundations for recovery are eaten away by crime and corruption. As SA's investment case dries up, we experience a repeat of the lost decade of 2009 to 2019. Poverty and unemployment rise, per capita income declines, and the country's politics become even more fractured.

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



(Core narrative: reform window closes, structural deterioration resumes)

In the Marabou scenario, SA fails to convert its reform agenda into durable implementation gains, and the window for fixing the country begins to close. While the baseline Hadedra scenario assumes that incremental progress continues, this downside path reflects the risk that state-capacity constraints, institutional fragmentation, and political instability begin to dominate the country's trajectory.

The central trigger is a political realignment over the next two years that results in a GNU that becomes more populist and fails to back the existing reform agenda. As political alignment frays, the ability and willingness to execute catalytic public sector, institutional and procurement reforms through partnerships weakens. Crucial criminal-justice reform stalls, allowing illicit networks to further erode the tax base and the governance ecosystem. Confidence in the rule of law deteriorates, and the investment-led recovery that could have followed improved enforcement is stillborn.

These institutional failures rapidly translate into tighter financial conditions as investor sentiment sours and risk premia rise, reinforcing the country's low-growth trap. Fiscal pressures intensify as weak growth and rising debt-service costs prevent consolidation, causing debt to climb to unsustainable levels.

Over time, structural deterioration, more than weak confidence, becomes the binding constraint. Electricity performance worsens again, logistics infrastructure decays, municipal breakdowns become more frequent, and the capital stock erodes faster than it is replenished.

SA is not simply growing slowly - it is losing the productive base required to grow at all. The economy settles into stagnation, with growth drifting down toward 0.5% over the medium term and remaining depressed below that over the longer term.

Bottom line: This scenario represents a political-economic rupture with lasting damage to prosperity and social cohesion

THE FISH EAGLE SCENARIO

(SUSTAINED ECONOMIC GROWTH OF 3% OR HIGHER)

The African Fish Eagle scenario imagines economic growth of around 3% or more over the next few years. This will mark a meaningful step forward for the economy. The Fish Eagle rises not because conditions are perfect, but because momentum is converted into altitude - a cyclical recovery that is converted into a permanent, structural lift through sustained investment, institutional reform, and capital deepening. In this scenario, the country's politics also become more stable.

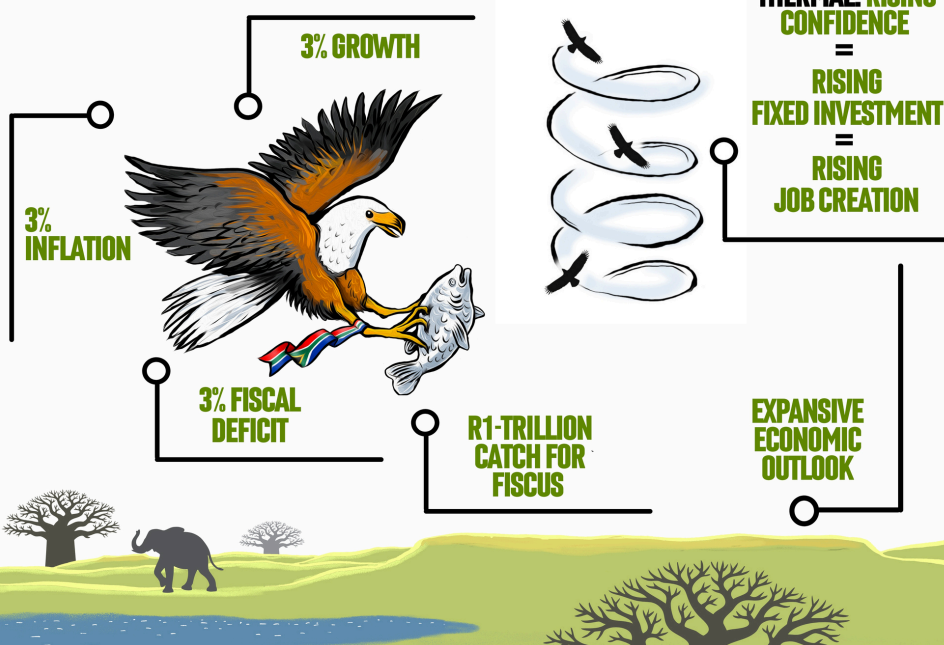
THE AFRICAN FISH EAGLE

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.



(Core narrative: Partnership-driven execution and a rule-of-law dividend)

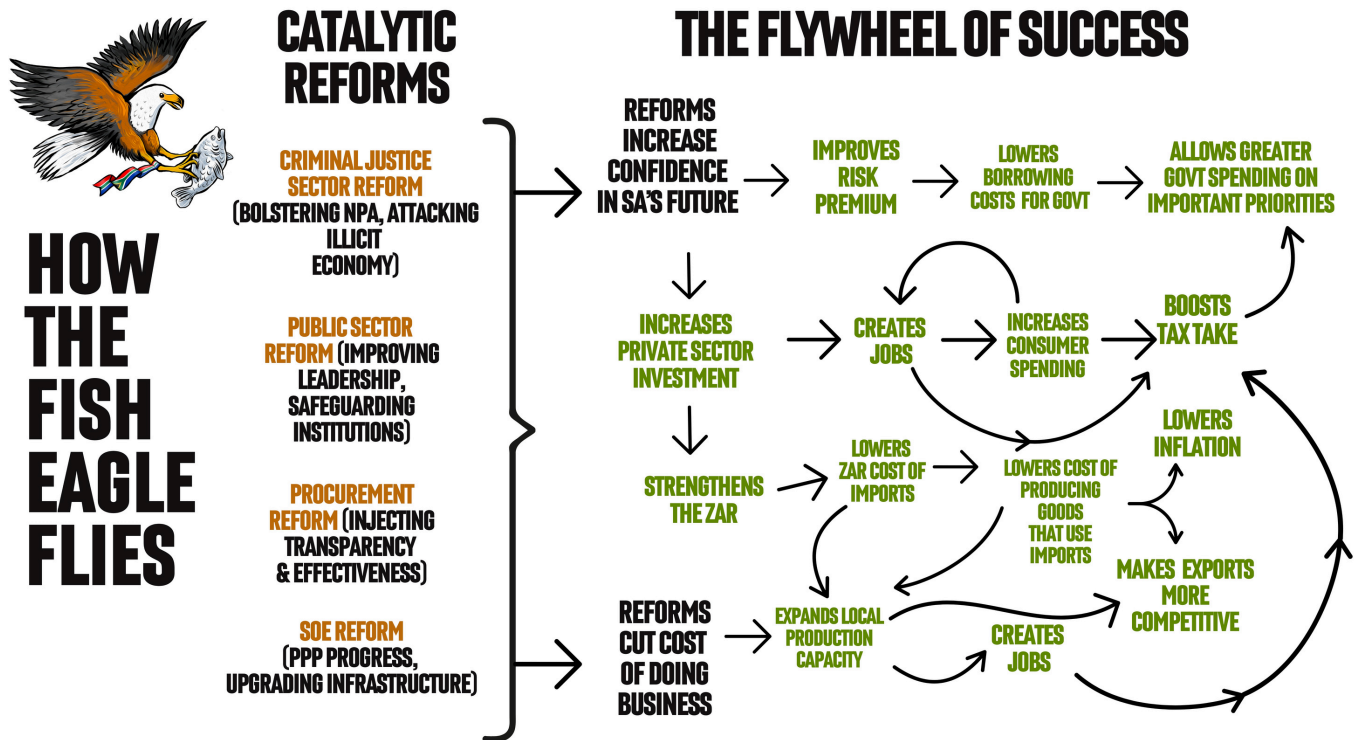
This is a story of implementation, not new plans. In the African Fish Eagle scenario, SA successfully uses the current political window to fix the basics and rapidly deliver on its reform agenda, supported by a step-change in execution driven by Operation Vulindlela and the normalisation of public-private partnerships, which accelerate catalytic infrastructure projects.

This is complemented by a sustained confidence dividend arising from a visible enforcement of the rule of law – the second trigger – as the NPA's enforcement credibility improves and illicit networks retreat. These gains feed directly into better financial conditions: risk premia fall, inflation expectations anchor near 3%, borrowing costs decline, and the country returns to fiscal sustainability.

The upshot is lasting structural change as a sustained fixed-investment upswing lifts South Africa's growth potential, pushing it onto a higher, self-reinforcing path.

Real GDP growth rises toward 3% and remains there over the medium term. Relative to 2025, the economy creates an additional 2.4 million jobs by 2030 (one million more than under the Hadedu scenario).

Sustained growth at or above 3% fundamentally alters SA's socio-economic trajectory. Formal employment expands faster than the working-age population, wage growth turns positive in real terms, and absolute poverty declines decisively.



As growth becomes more broad-based, political incentives shift away from redistribution through transfers toward growth-enhancing delivery, reinforcing a stable reform-oriented equilibrium.

Bottom line: This scenario fundamentally alters SA's prospects: rising growth and employment, falling poverty, and political stability reinforce one another in a virtuous cycle that makes the country an attractive investment destination once again. This creates the platform for an ambitious longer-term plan to take the economy to an entirely new level.

CONCLUSION

In the end, the difference between the Hadeda, the Marabou and the Fish Eagle is SA's ability to deliver on its own reforms and a function of how well the state and private sector partner to execute a shared plan to grow South Africa.

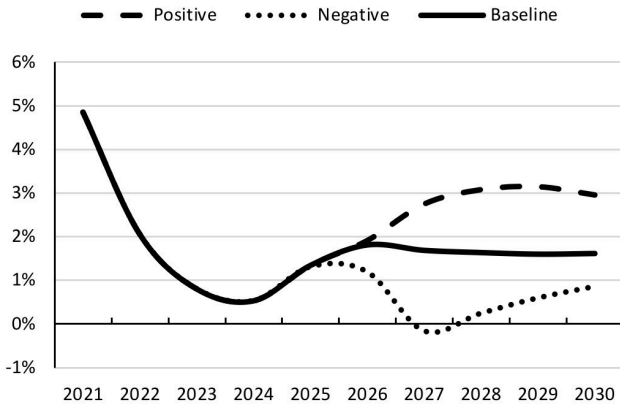
The binding constraint is domestic: whether the country can build its capital stock, restore the rule of law, maintain credible institutions, and connect to the world economy through a cost-effective national logistics system that boosts exports.

The window to lock in the African Fish Eagle scenario is open, but narrow. Implementation speed, not policy intent, will determine which scenario prevails.

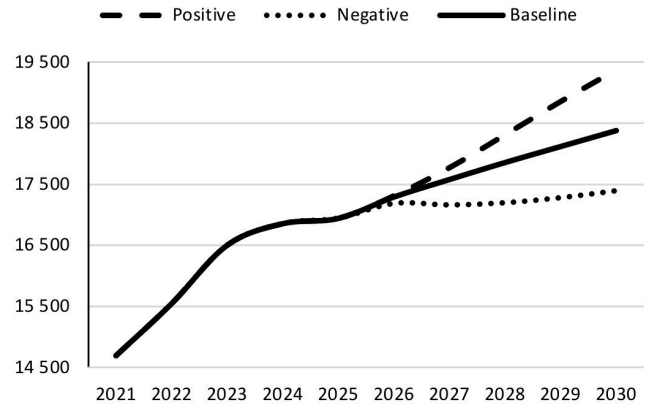
ANNEXURE: MODELLING OUTPUT

The figures and table below show the modelled output of the three scenarios. (The solid baseline on the graphs corresponds to the Hadeda scenario, the negative dotted line to the Marabou scenario, and the positive dashed line to the African Fish Eagle scenario.)

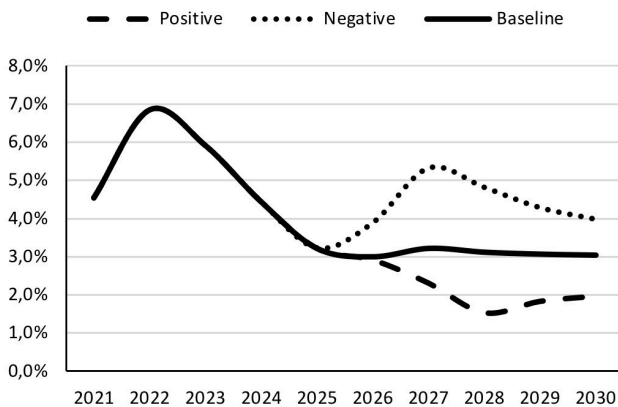
GDP GROWTH



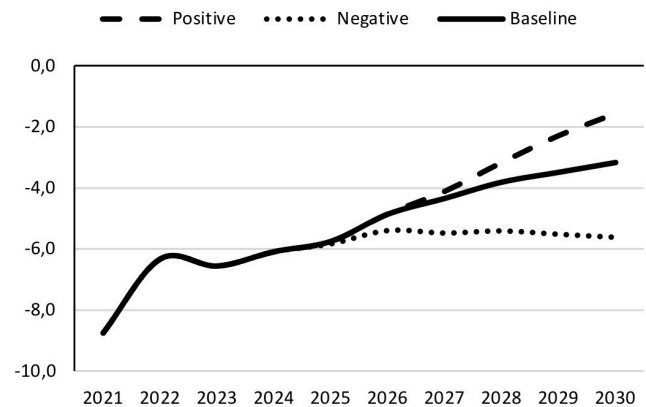
EMPLOYED ('000)



INFLATION (%)



DEFICIT (% TO GDP)



KEY INDICATORS

Main economic indicators	Average	Short term			Medium term			Long term			Average		
	2016-2025	2026			Average 2027-2028			Average 2029-2030			2026-2030		
	Actuals	Baseline BER forecast	Negative Scenario	Positive Scenario	Baseline BER forecast	Negative Scenario	Positive Scenario	Baseline BER forecast	Negative Scenario	Positive Scenario	Baseline BER forecast	Negative Scenario	Positive Scenario
Rand/US dollar (level)	15.80	16.27	17.18	16.04	16.55	18.98	15.04	17.04	20.03	15.4	16.69	19.04	15.39
CPI inflation	4.9	3	3.9	2.9	3.2	5.1	1.9	3.1	4.1	1.9	3.1	4.5	2.1
Repo rate (% eop)	6.75	6.00	6.50	6.00	5.75	7.50	5.00	5.75	7.50	5.00	5.75	7.50	5.00
Employment	0.9	2.1	1.4	2.2	1.6	0	2.8	1.5	0.6	2.9	1.6	0.5	2.7
Unemployment rate (%)	30.4	31.9	32.3	31.8	31.5	33.6	30.3	31.3	34.7	28	31.5	33.8	29.7
Real household consumption expenditure	1.5	2.1	1.6	2.3	1.8	-0.1	4.5	1.6	0.8	4.6	1.8	0.6	4.1
Real private fixed investment	-0.6	4.8	1.7	4.8	2.2	-4	4.6	1.5	-1.1	4.5	2.4	-1.7	4.6
Real gross domestic expenditure	0.8	2.3	1.8	1.9	1.7	-0.4	4	1.5	0.8	3.9	1.7	0.5	3.7
Total real exports	0.8	3.2	1.6	3.3	3.3	0.8	4.2	2.8	1	3.4	3.1	1	3.7
Total real imports	0.9	4.9	3.6	5.3	3.3	-0.9	7.8	2.5	1.1	6.1	3.3	0.8	6.6
Real gross domestic product	0.8	1.8	1.2	1.9	1.7	0	2.9	1.6	0.7	3.1	1.7	0.5	2.8
Budget balance (% of GDP)	-6.5	-4.9	-5.4	-4.8	-4.1	-5.4	-3.6	-3.3	-5.6	-1.9	-3.9	-5.5	-3.2

The BER's baseline forecast was updated in February 2026 – prior to the escalation of tensions in the Middle East. A prolonged war in Iran may result in a higher oil price in 2026, with implications for the short-term inflation and interest rate outlook. The medium-term projection remains unchanged.

Compiled by the BER: March 2026

