ISS AFRICAN FUTURES

South Africa

Combined Agenda 2063 scenario

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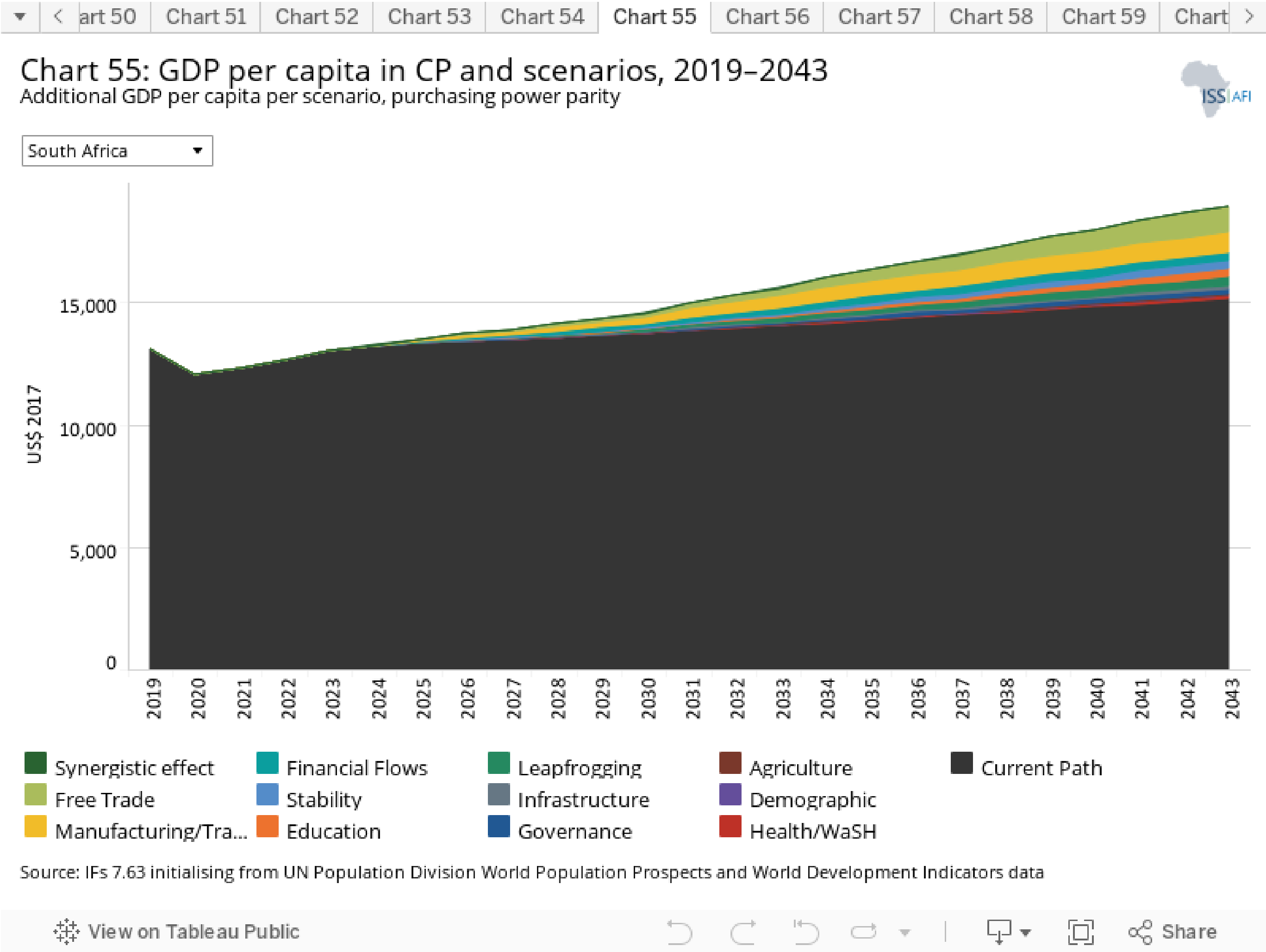
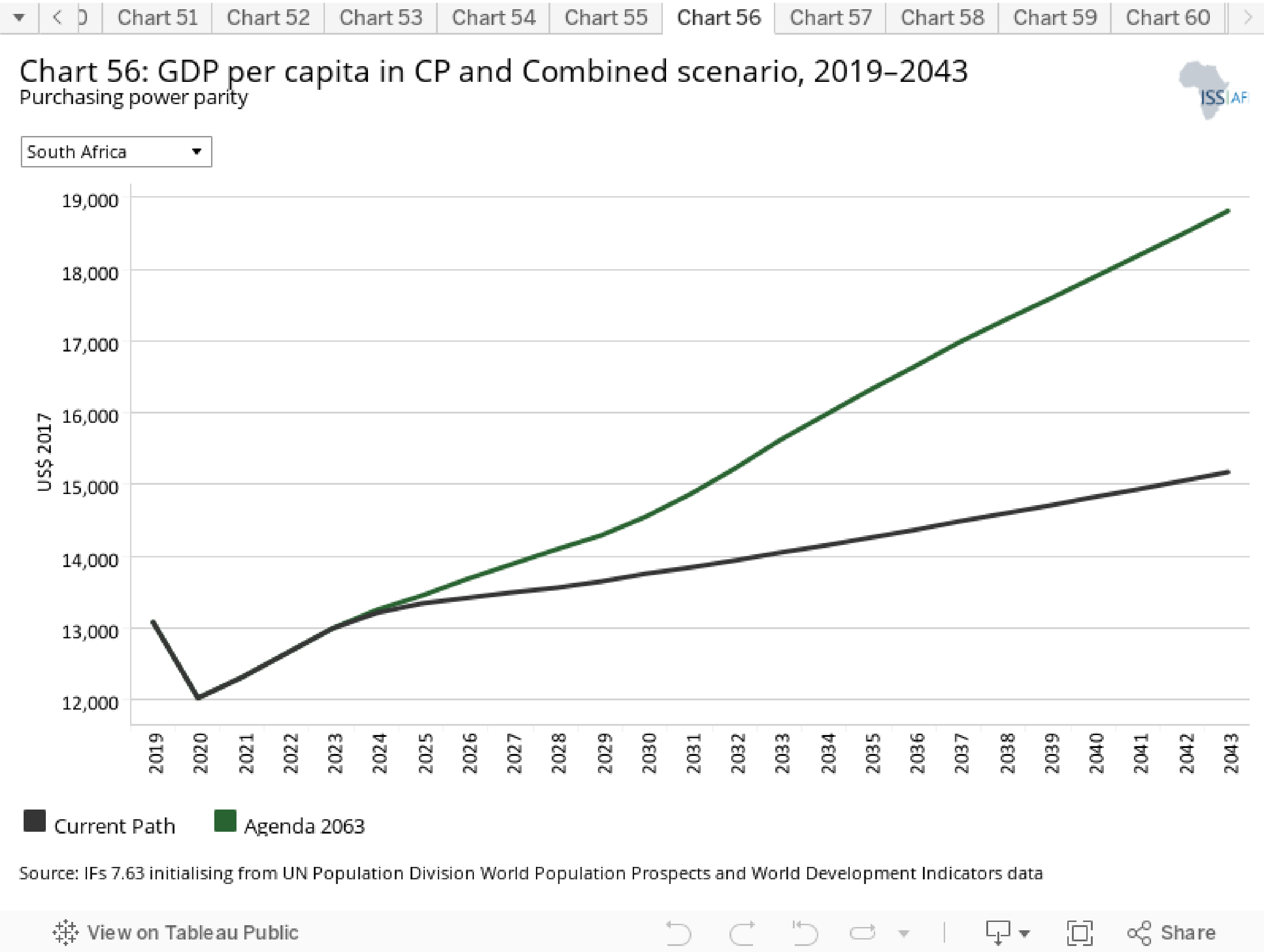


The Combined Agenda 2063 scenario consists of the combination of all 11 sectoral scenarios presented above, namely the Stability, Demographic, Health/WaSH, Agriculture, Education, Manufacturing/Transfers, Leapfrogging, Free Trade, Financial Flows, Infrastructure and Governance scenarios. The cumulative impact of better education, health, infrastructure, etc. means that countries get an additional benefit in the integrated IFs forecasting platform that we refer to as the synergistic effect. Chart 55 presents the contribution of each of these 12 components to GDP per capita in the Combined Agenda 2063 scenario as a stacked area graph.

In 2019, the GDP per capita in South Africa was US$13 167 and is set to increase to US$15 173 by 2043 in the Current Path forecast. The Free Trade scenario makes the largest contribution to the GDP per capita in 2043 (a US$1 090 improvement), followed by the Manufacturing/Transfers scenario (US$828.4 improvement) and the Leapfrogging scenario (US$370.6 improvement). Because South Africa is already in a demographic window of opportunity, the Demographic scenario makes the least contribution to the GDP per capita by 2043, on par with the Agriculture scenario which, due to its small size, contributes less than 2% of GDP by 2043.

Poor human capital is the largest structural constraint on South Africa's growth, even as a focus on investment and modern industrialisation is needed to unlock more rapid growth in the short and medium-term. [1]

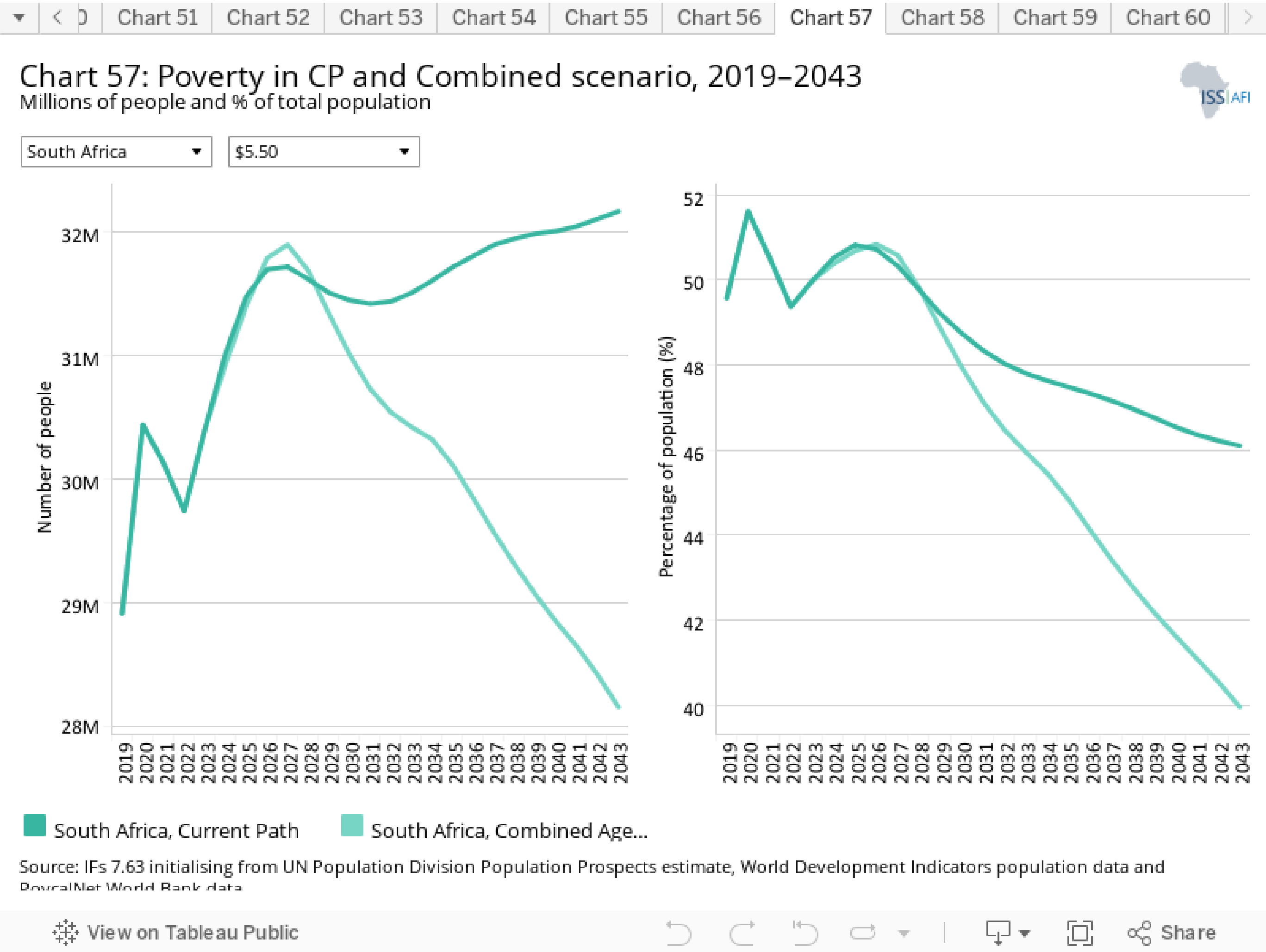


Whereas Chart 55 presents a stacked area graph on the contribution of each scenario to GDP per capita as well as the additional benefit or synergistic effect, Chart 56 presents only the GDP per capita in the Current Path forecast and the Combined Agenda 2063 scenario.

In the Combined Agenda 2063 scenario, the GDP per capita improves to US$18 813 — an increase of 22% above the 2043 Current Path forecast of US$15 173. Looking to 2043, South Africa must aspire to better education and health outcomes if it is to change its current mediocre long-term growth forecast. More immediate progress depends on ramping up investment in renewable energy solutions as a pathway to modern industrialisation, significantly higher levels of investment in the economy and improvements to the ease of doing business. South Africa also needs to deal with crime.

The drivers of South Africa's high levels of violent crime are multidimentional and requires an integrated response. High crime rates damage the economy, contribute to the misallocation and inefficient use of resources and undermines the country's development objectives of high and inclusive growth. Numerous studies have been done that indicate that well-designed and implemented policies that target priority crimes, murder in particular, can yield results in the medium term. Tackling organised crime, which has thrived on the declining capacity of the policy and justice institutions with large impacts on economic activity could be another.

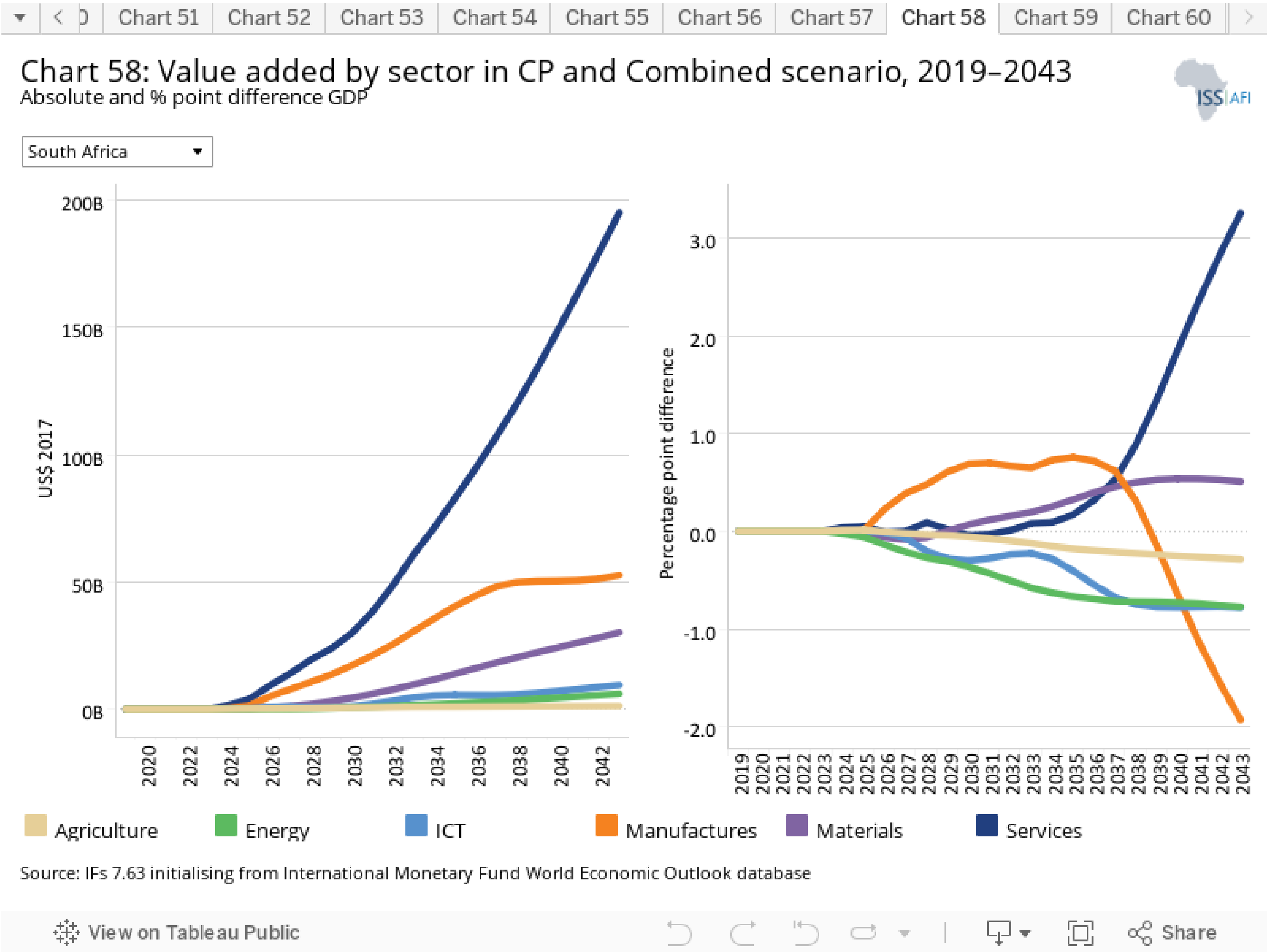
Change to South Africa’s Current Path prospects will inevitably require deliberate choices, determined implementation, leadership and some pain.



Using US$1.90, South Africa had 10 million people (17% of its population) living in extreme poverty in 2019 and is forecast to reach 10.5 million people (15% of its population) by 2043. In the Combined Agenda 2063 scenario, extreme poverty will decline to 11.5% (8.1 million people) in 2043, some four percentage points lower. At the US$5.50 income level, the proportion of people living in poverty in South Africa was at around 28.9 million (49.6%) in 2019 and is forecast to increase to 32 million (46.1%) in 2043. In the Combined Agenda 2063scenario, it will decline to 28 million people (40%), a difference of 6.1 percentage points.

The relatively small drop in extreme poverty compared to most of its peers in the Combined Agenda 2063 forecast is because of South Africa’s extraordinarily high levels of inequality and unemployment, its constrained economic growth forecasts and its relatively small informal sector.

Social grants from the government already support around a third of South Africans and play an important role in constraining further increases in poverty and inequality.



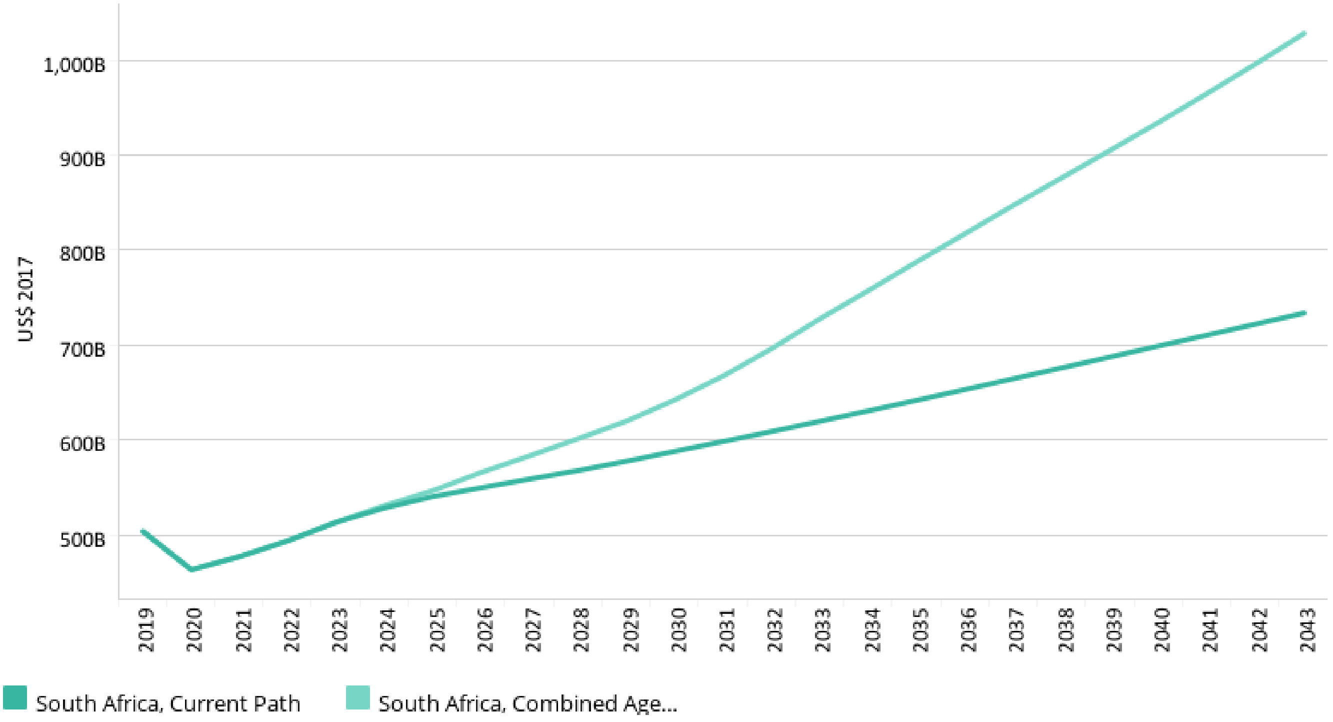
See Chart 8 to view the Current Path forecast of the sectoral composition of the economy.

The Combined Agenda 2063 scenario will result in an economy that is significantly larger in 2043 (see Chart 59). By 2043, the service sector will contribute an additional 3.3 percentage points (or US$195.1 billion) to South Africa's GDP above the Current Path forecast. The only other sector to grow in relative terms will be materials, growing with an additional 0.51 percentage points above the Current Path forecast. All other sectors will contribute less to the GDP, but all sectors will be larger. For example, the size of the manufacturing sector will increase by US$53 billion and the materials sector by US$30.2 billion. Recent events such as the 2018, 2019 and 2022 South Africa Investment Conferences and policies such as the 2019 White Paper on Science, Technology and Innovation reflect a commitment to improving the climate for investment and innovation. However, achieving sustained, inclusive growth requires a reliable supply of electricity, reining in the dysfunctional state-owned enterprises and a move towards a more flexible, pro-growth approach to the economy.

Chart 51 | Chart 52 | Chart 53 | Chart 54 | Chart 55 | Chart 56 | Chart 57 | Chart 58 | Chart 59 | Chart 60

Chart 59: GDP in CP and Combined scenario, 2019–2043
Billions US$ 2017, market exchange rates

South Africa



Source: IFs 7.63 initialising from International Monetary Fund World Economic Outlook database

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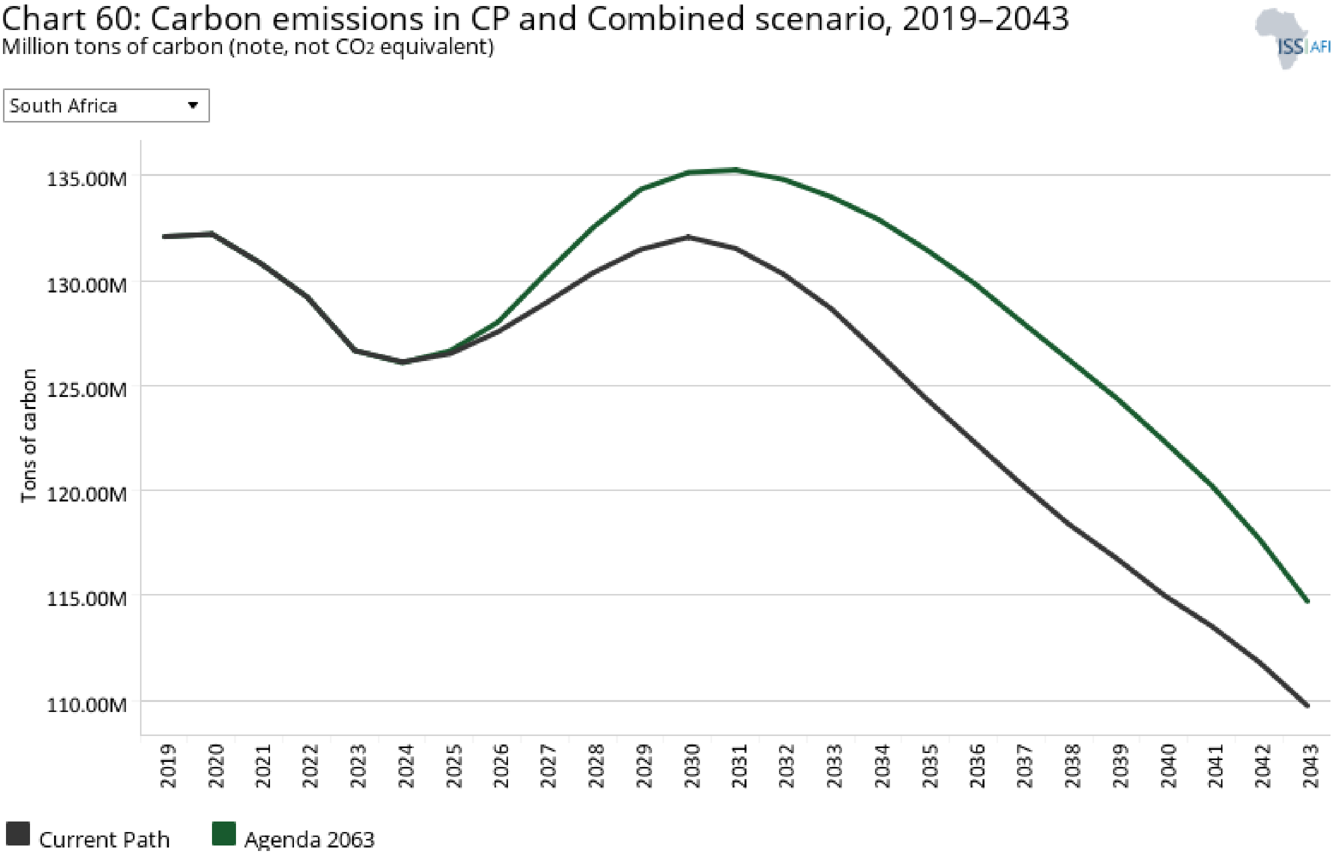
In 2019 the size of the South African economy stood at S$503.7 billion. In the Combined Agenda 2063 scenario, the South African economy will be US$294.5 billion (or 40%) larger in 2043 (at US$1 028 billion compared to US$733.7 billion in the Current Path forecast).

Poor human capital stands out as South Africa’s greatest challenge to sustained, rapid growth. The country has a small comparative advantage in both knowledge capital, which is a net contributor to growth, and in physical capital. The positive contribution from knowledge capital is underpinned by South Africa’s relatively high levels of integration into the global economy compared to most other African economies, and the positive impact of knowledge diffusion through the larger number of trade and multinational corporations active in the country compared to other African countries. The positive impact of physical capital flows from South Africa’s relatively high levels of infrastructure and basic service provision such as water and sanitation.

Chart 51 | Chart 52 | Chart 53 | Chart 54 | Chart 55 | Chart 56 | Chart 57 | Chart 58 | Chart 59 | Chart 60

Chart 60: Carbon emissions in CP and Combined scenario, 2019–2043

Million tons of carbon (note, not CO_2 equivalent)



Source: IFs 7.63 initialising from Carbon Dioxide Information Analysis Center data

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Coming from very high levels of carbon emissions (due to its reliance on coal for electricity generation) means that South Africa has significant potential to reduce emissions. In the Current Path forecast, carbon emissions reduce from 132 million tons in 2019 to 110 million tons in 2043. By 2043, in the Combined Agenda 2063 scenario, South Africa will be the third largest emitter of carbon in Africa, having been overtaken by Nigeria and Egypt, and the country will have changed from being the 14th to the 16th largest emitter of carbon globally.

Endnotes

1. A Markle and J Cilliers, South Africa first! Getting to Thuma Mina, ISS, Southern Africa Report 36, March 2020, 3.

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About the authors

Dr Jakkie Cilliers is the ISS's founder and former executive director of the ISS. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria oce of the ISS. His 2017 best-seller Fate of the Nation addresses South Africa's futures from political, economic and social perspectives. His three most recent books, Africa First! Igniting a Growth Revolution (March 2020), The Future of Africa: Challenges and Opportunities (April 2021), and Africa Tomorrow: Pathways to Prosperity (June 2022) take a rigorous look at the continent as a whole.

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