



South Africa

South Africa: Current Path

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Last updated 28 March 2024 using IFs v7.63

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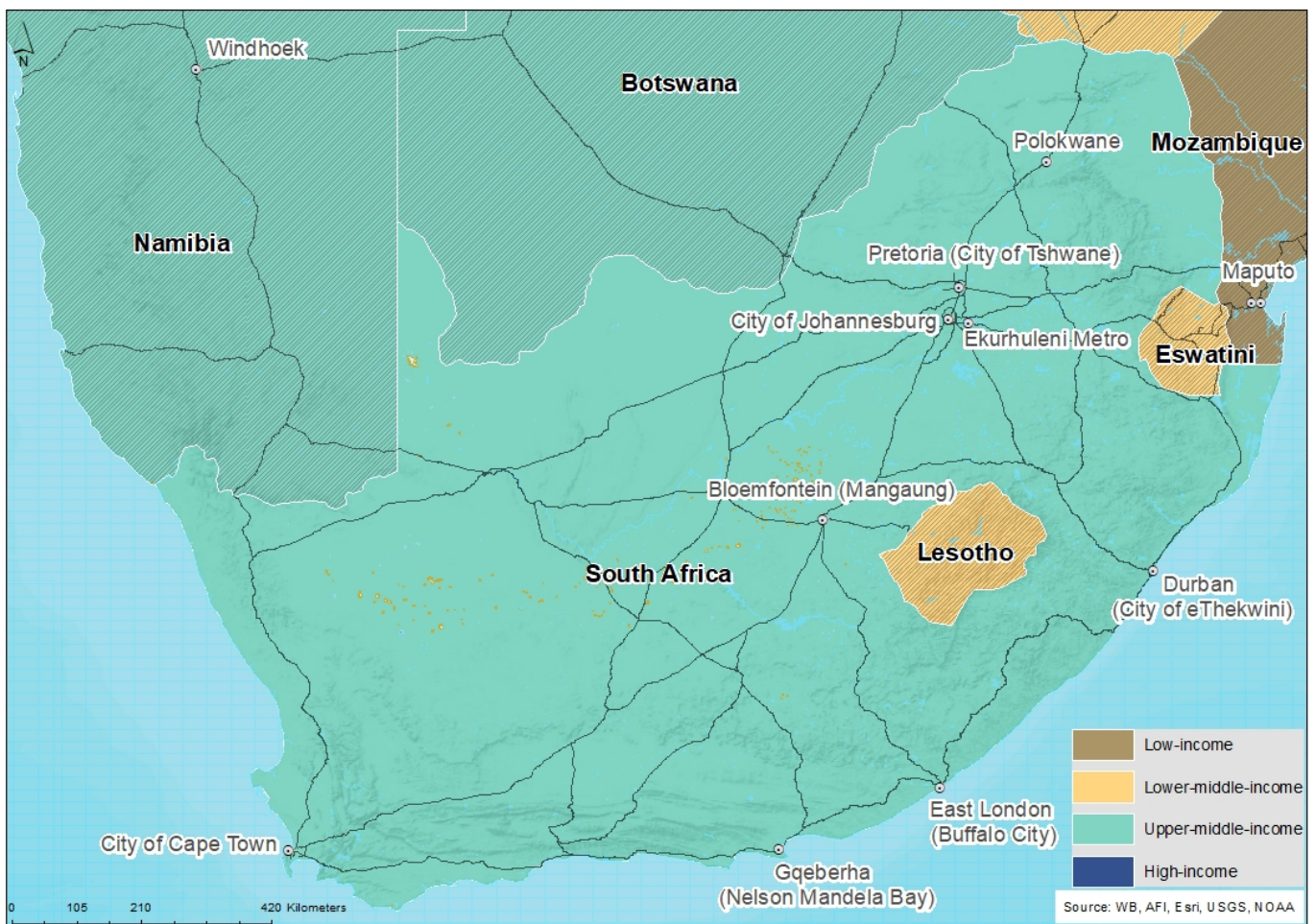
South Africa: Current Path

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South Africa: Current Path forecast

Chart 1: Political map of South Africa



This page provides an overview of the key characteristics of South Africa along its likely (or Current Path) development trajectory. The Current Path forecast from the International Futures forecasting (IFs) platform is a dynamic scenario that imitates the continuation of current policies and environmental conditions. The Current Path is therefore in congruence with historical patterns and produces a series of dynamic forecasts endogenised in relationships across crucial global systems. We use 2019 as a standard reference year and the forecasts generally extend to 2043 to coincide with the end of the third ten-year implementation plan of the African Union’s Agenda 2063 long-term development vision.

Located at the southernmost tip of Africa, the Republic of South Africa is one of seven upper middle-income countries in

Africa. It is a member of the South African Customs Union (SACU) and the Southern African Development Community (SADC). South Africa is situated in the subtropical zone of the southern hemisphere. Its vast coastline stretches from the tropical border of Mozambique in the warm Indian Ocean, around Africa's most southern tip and all the way to the border of Namibia's cold Atlantic Ocean. The country's geographical location and complex topography means that South Africa is subject to a range of climatological conditions. Annual rainfall is highly variable following a declining pattern from the wet and humid eastern coast to the arid western coast. South Africa shares borders with Namibia (that it previously administered), Botswana and Zimbabwe to the north, Mozambique and Eswatini to the east and completely surrounds the independent Kingdom of Lesotho.

South Africa has nine provinces. The economic heartland, the province of Gauteng, includes the commercial hub Johannesburg, as well as the administrative capital Tshwane (Pretoria). The legislature, consisting of a National Assembly and National Council of Provinces, is located in Cape Town in the Western Cape province. Although the smallest province geographically, Gauteng has the largest population at more than 15 million people, followed by KwaZulu-Natal on the east coast. The Western Cape and Eastern Cape have similar population sizes at between 6 and 7 million people each. The Free State and Northern Cape provinces have the smallest populations.

Formerly the Union of South Africa, the country became an independent republic in 1961 and was, from 1948 to 1990, ruled by the whites-only National Party. Internal revolt against the racial system of apartheid saw successive waves of unrest that, together with global pressure, led to the unbanning of a number of political parties, including the African National Congress (ANC), and the release of Nelson Mandela from prison in 1990. These events followed the collapse of the Soviet Union and several years of armed conflict with its neighbours during which apartheid South Africa was increasingly isolated from the international community and under various types of sporting, arms and financial sanctions.

The subsequent constitutional negotiations resulted in a liberal constitution with a clear separation of powers and an entrenched bill of rights. South Africa has a three-tier system of government and an independent judiciary. The three spheres of government (at national, provincial and local levels) all have legislative and executive authority and function as distinctive, interdependent and interrelated authorities. The ANC has won every election since the country's first democratic elections in 1994 and governs in all provinces except the Western Cape which has been governed by the official opposition, the Democratic Alliance, since 2009.

South Africa has the second largest economy in Africa, after Nigeria, and relatively high average income per capita compared to most other countries in the region, although lower than Seychelles, Mauritius and neighbouring Botswana. Colonialism, apartheid and recently poor governance have resulted in extreme levels of inequality, with high rates of poverty, unemployment, crime and violence.

Unlike many other countries with similar challenges, South Africa has a relatively small informal economy and an increased portion of its population survives on social grants from the government. It has a thriving tourist industry that suffered significant losses due to travel restrictions imposed by the COVID-19 pandemic.

South Africa suffers from low levels of investor confidence and government inefficiencies have increased that have seen declining levels of average income for several years, in part due to more than a decade of crippling electricity shortages when the government did not respond to repeated warnings of imminent shortages. A similar situation is now emerging related to water in spite of several years of repeat warnings of an impending crisis due to ageing and failing infrastructure, electricity loadshedding, rapid urbanisation and significant volumes of nonrevenue water.

The election of Cyril Ramaphosa to lead the ANC in December 2017 and assume the presidency of the country shortly thereafter has seen regular announcement of programmes to turn South Africa's developmental fortunes around, end corruption and improve development outcomes. Successive shocks including COVID-19, poor and lack of decisive action

regularly stimulates progress in spite of South Africa's sophisticated private sector, highly developed financial markets and substantial natural assets.

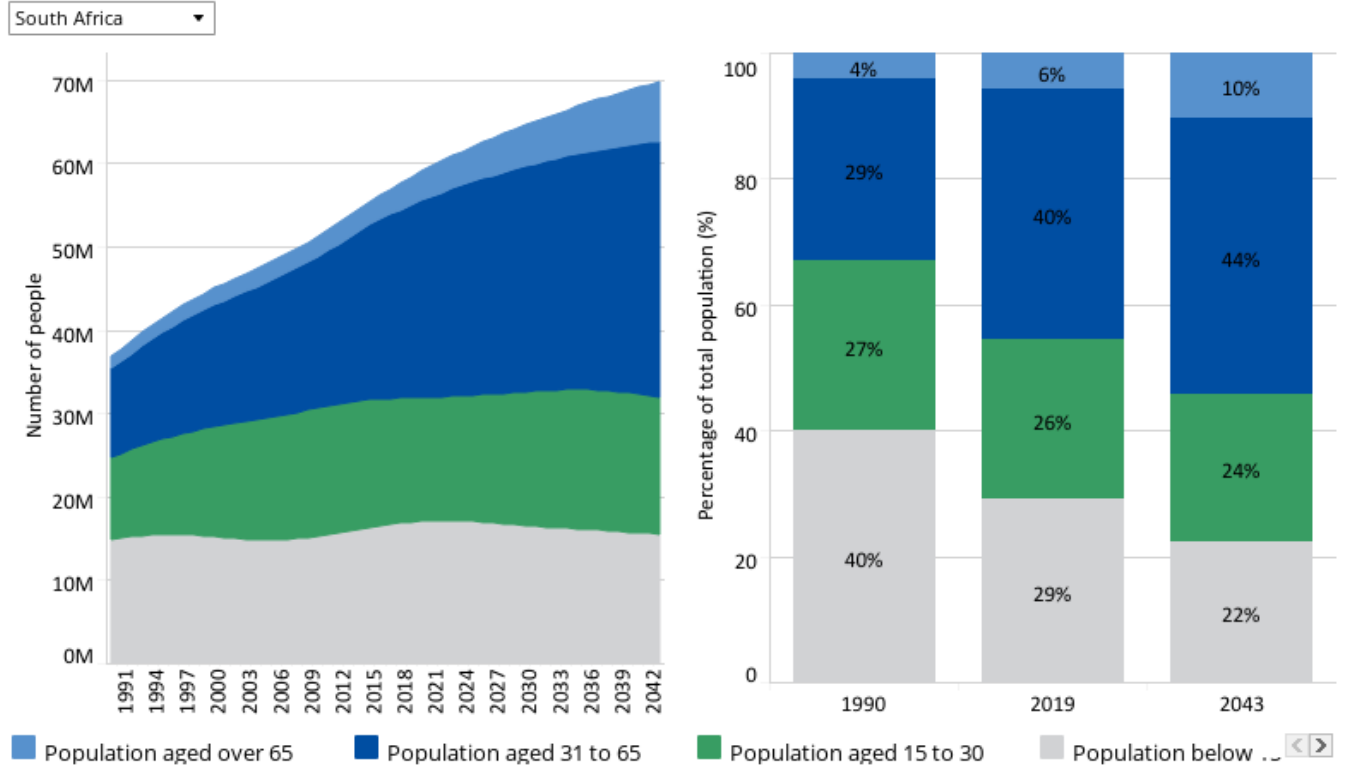


Demographics: Current Path

Chart 2 | Chart 3 | Chart 5 | Chart 6 | Chart 7 | Chart 8 | Chart 9 | Chart 10 | Chart 11 | Chart 12 | Chart 13

Chart 2: Population structure in CP, 1990–2043

By cohort and % of population



Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate and World Development Indicators population data

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Population dynamics play an important role in economic development, and South Africa has clear potential given the relative size of its working-age population to dependants (also see [Chart 16](#)).

The country's population amounted to around 58 million people in 2019 and is expected to grow to approximately 65 million by 2030 and 70 million by 2043. Its average total fertility rate fell from 4.4 births per woman in 1990 to around 2.4 in 2019. It will get to replacement level of 2.1 by 2034. Large inward migration flows from the region have, however, introduced uncertainty in the forecasts with unsettling social consequences together with a steady loss of skills through outward migration.

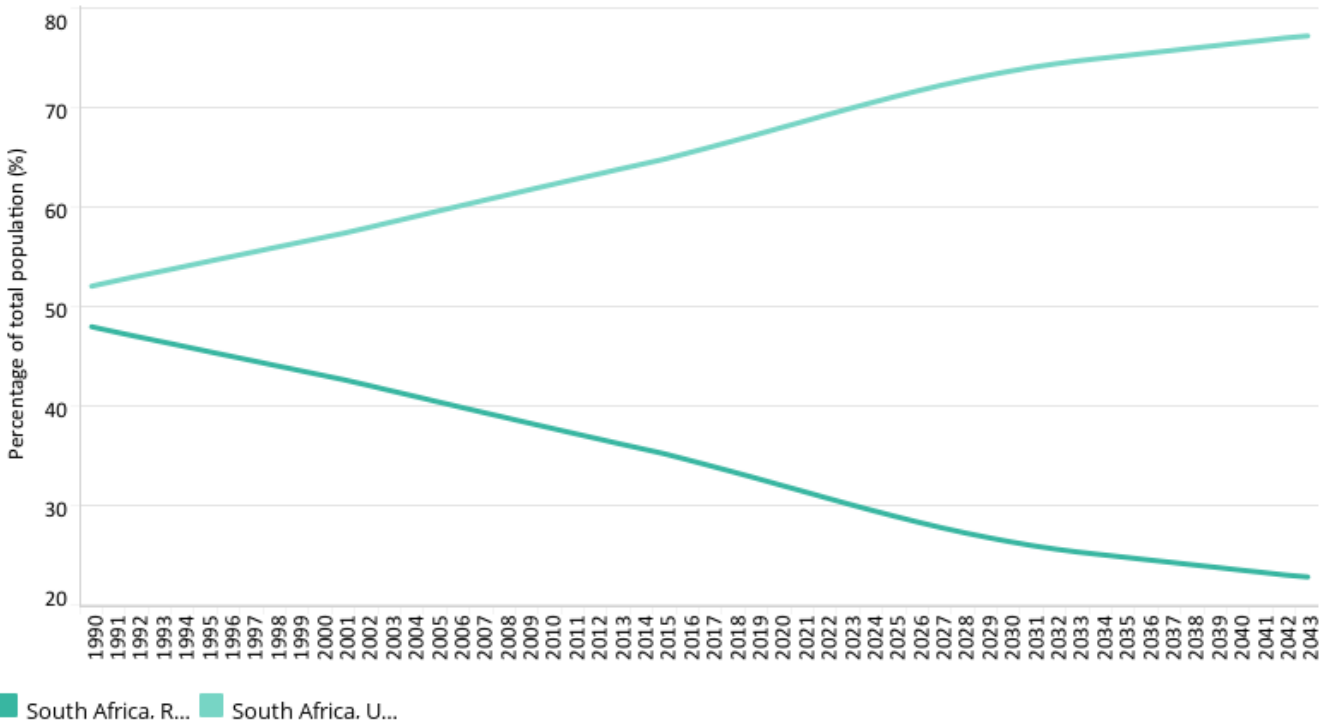
In addition, the population is ageing. Whereas nearly 6% of South Africans were 65 and older in 2019, by 2043 that portion will have increased to 10% while the median age increases from 27 in 2019 to 33 years in 2043. At the same time, the child population age cohort is expected to shrink from 29% in 2019 to 22% in 2043.

The country's low savings rate contributes to sustained levels of poverty and demands for state benefits for the foreseeable future. [1] At the same time, a smaller child population could provide a much-needed opportunity for quality improvements in services such as education.

Chart 3: Urban and rural population in CP, 1990–2043
% of population



South Africa

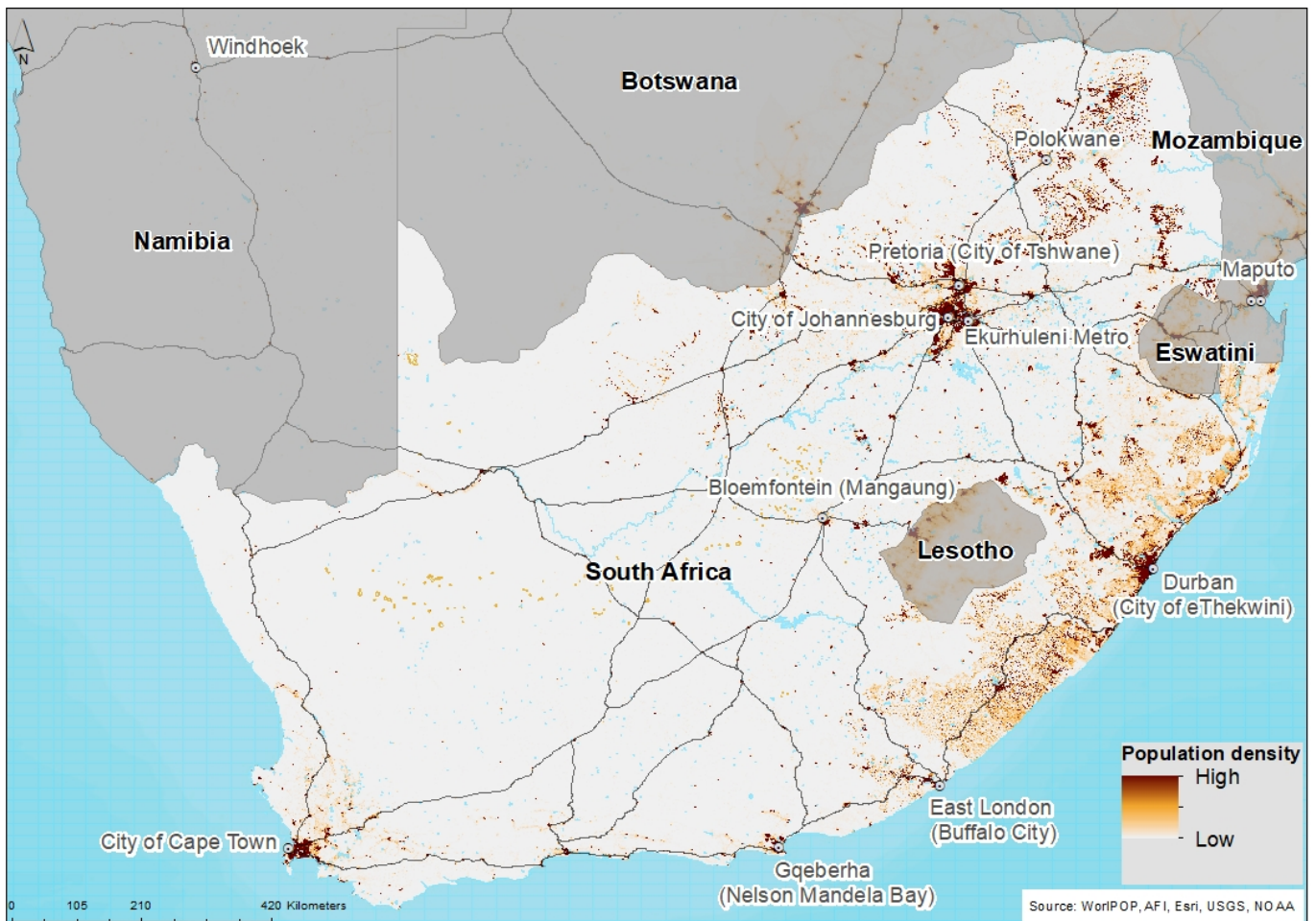


Source: IFs 7.63 initialising from UN World Urbanization Prospects estimate

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South Africa's 1 200 towns and cities host nearly 70% of the country's population while generating 86% of all formal economic activity. [2] In 2019, 67.3% (around 39 million) of South Africa's population lived in urban areas, forecast to increase to 77.2% (54 million) in 2043. Internal migration, especially from traditional authority areas to service towns and inter-provincial travel, e.g. Eastern Cape to Western Cape migration, plays a major role in urbanisation. Much of the anticipated growth in the next two decades will take place in Gauteng, KwaZulu-Natal and the Western Cape with 97% of all growth expected to happen in South Africa's network of cities and towns. [3] This will undoubtedly place enormous pressure on the delivery of housing and basic services.

Chart 4: Population density map for 2019



South Africa has an average population density of 49 persons per square kilometre, roughly equivalent to the average population density for Africa. The density however ranges from dense metropolitan areas such as Johannesburg to the sparsely populated plains of the Karoo in the Northern Cape.

Chart 4 indicates the spatial distribution of South Africa's population, indicating how the landscape is dominated by the metropolitan population clusters of Johannesburg, Tshwane, Ekurhuleni, Cape Town, eThekweni and Nelson Mandela Bay as well as the densely populated rural areas of Limpopo, the Eastern Cape and KwaZulu-Natal provinces. Gauteng, the smallest province, is the most densely populated while the Northern Cape province, geographically the largest, has the lowest population density. More than 40% of South Africans live in one of eight metropolitan municipalities of which three are in Gauteng (Ekurhuleni, Johannesburg and Tshwane), two in the Eastern Cape (Buffalo City and Nelson Mandela Bay), one in the Western Cape (Cape Town), one in the Free State (Mangaung), and one in KwaZulu-Natal (eThekweni).

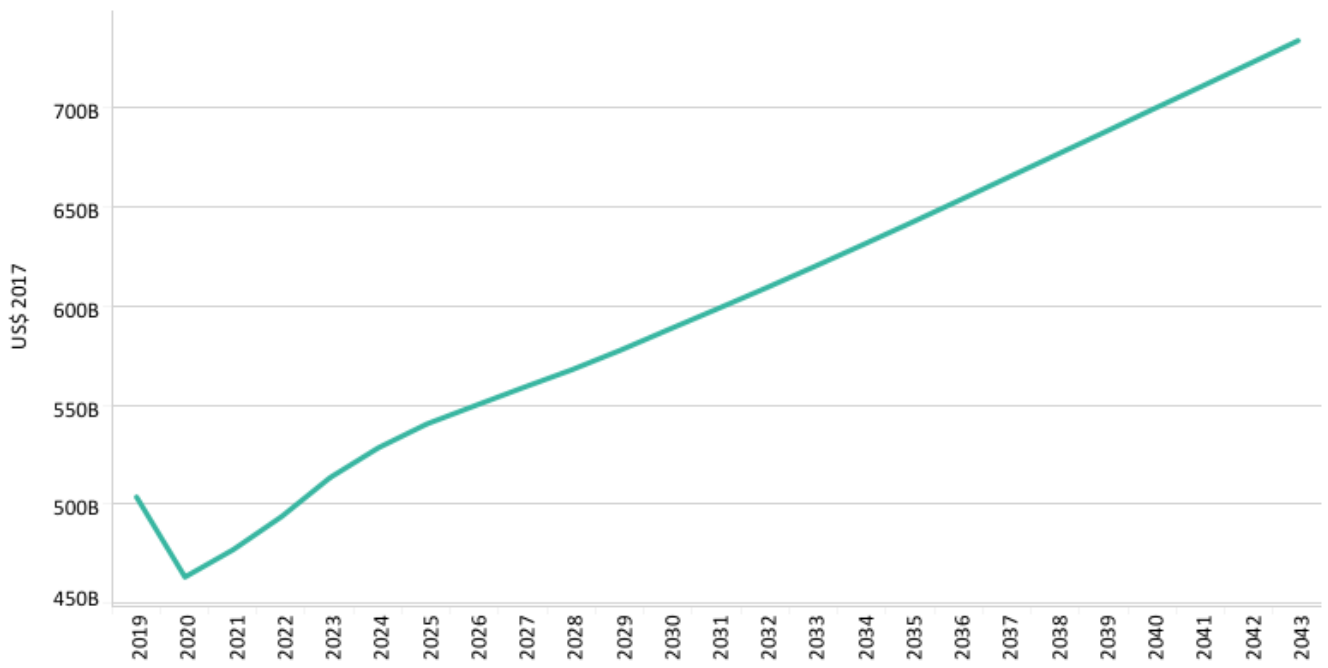


Chart 5: GDP in CP, 1990–2043

Market exchange rates



South Africa



South Africa

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

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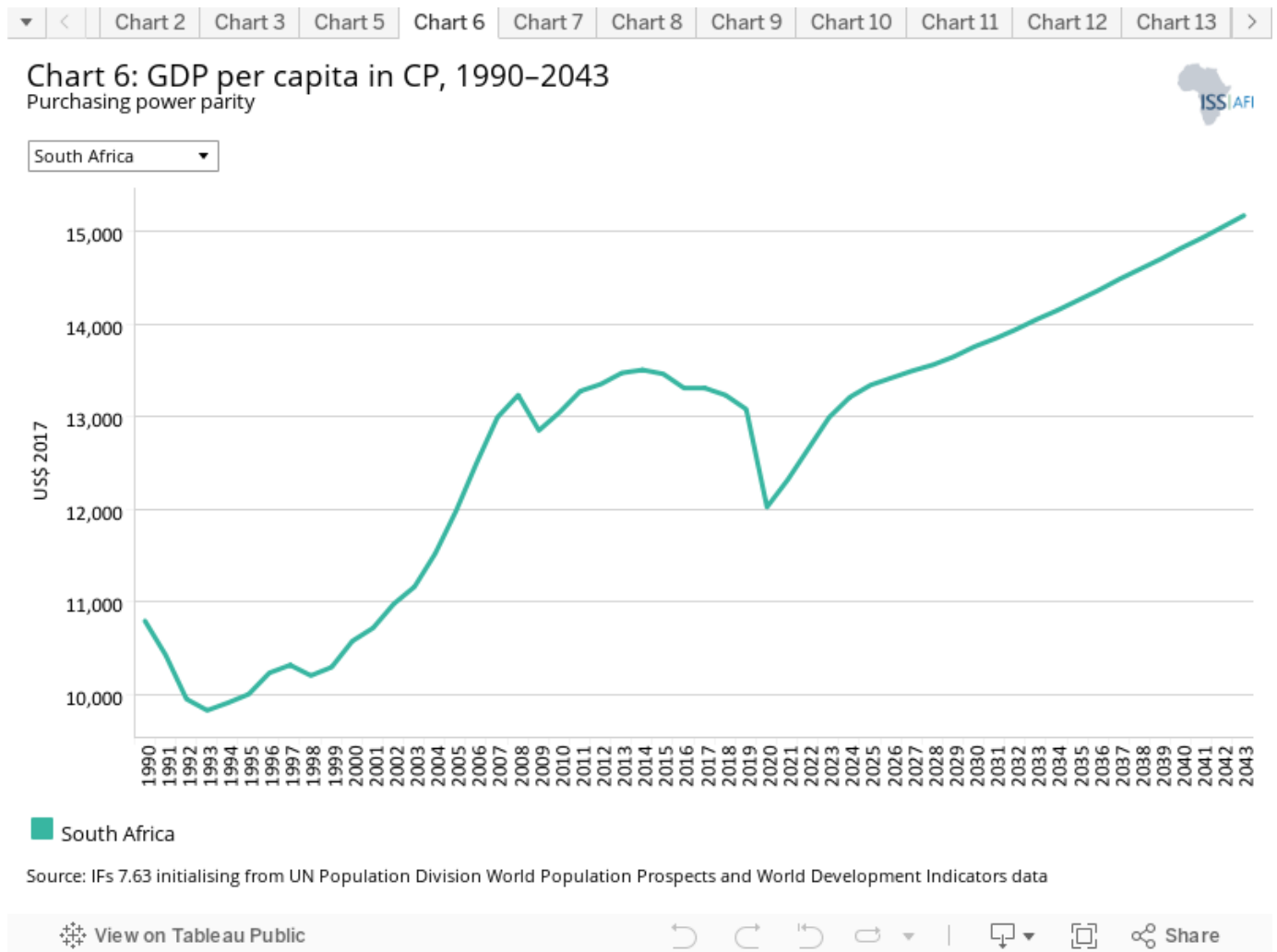
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South Africa is caught in a classic middle-income growth trap, growing more slowly than the average growth rate of upper middle-income countries globally.

The trap is the result of the skewed, two-legged structure of its economy, which has a small but skilled and highly productive (private) sector, a relatively small informal sector, and a large, poorly skilled and unproductive, economically inactive sector, with a substantive public sector somewhere in between these extremes. South Africa’s challenges are rooted in apartheid but have been worsened by the global financial crisis of 2007/08, the impact of poor (and bad) governance, state capture, lack of electricity availability and recently, the impacts of the COVID-19 pandemic. The pandemic was followed by two years of higher growth, but lagged thereafter. Addressing the nation on 21 April 2020, President Cyril Ramaphosa sought to turn the COVID-19 crisis into an opportunity, promising ‘not merely to return our economy to where it was before the coronavirus, but to forge a new economy in a new global reality.’ [4] That, he argued, required a new social compact to accelerate the structural reforms needed to reduce the cost of doing business, promote localisation and industrialisation, overhaul state-owned enterprises and strengthen the informal sector. Little has come of these promises, however and the modest post-COVID recovery did not extent fully to the job market. The official unemployment rate remains extremely high. Thus poverty in South Africa is widespread and inequality amongst the highest in the world.

In the Current Path forecast, the growth rates are expected to linger below 2% throughout the forecast horizon, with GDP

forecast to grow to US\$733.7 billion by 2043.



Although many of the charts in the sectoral scenarios also include GDP per capita, this overview is an essential point of departure for interpreting the general economic outlook of South Africa.

South Africa's GDP per capita peaked in 1981 and declined thereafter as apartheid and global isolation took their toll. The economy started to recover after the historic political transition in 1994 and, from 1999 to 2008, the GDP per capita grew rapidly. Growth slowed down after the 2007/08 global financial crisis that hit South Africa slightly later from 2010 to 2013. In 1990, with the end of apartheid, South Africa's GDP per capita was 167% that of the average for upper middle-income countries globally. By 2019, it had declined to 71% and in the Current Path forecast it is expected to drop to around 53% in 2043.

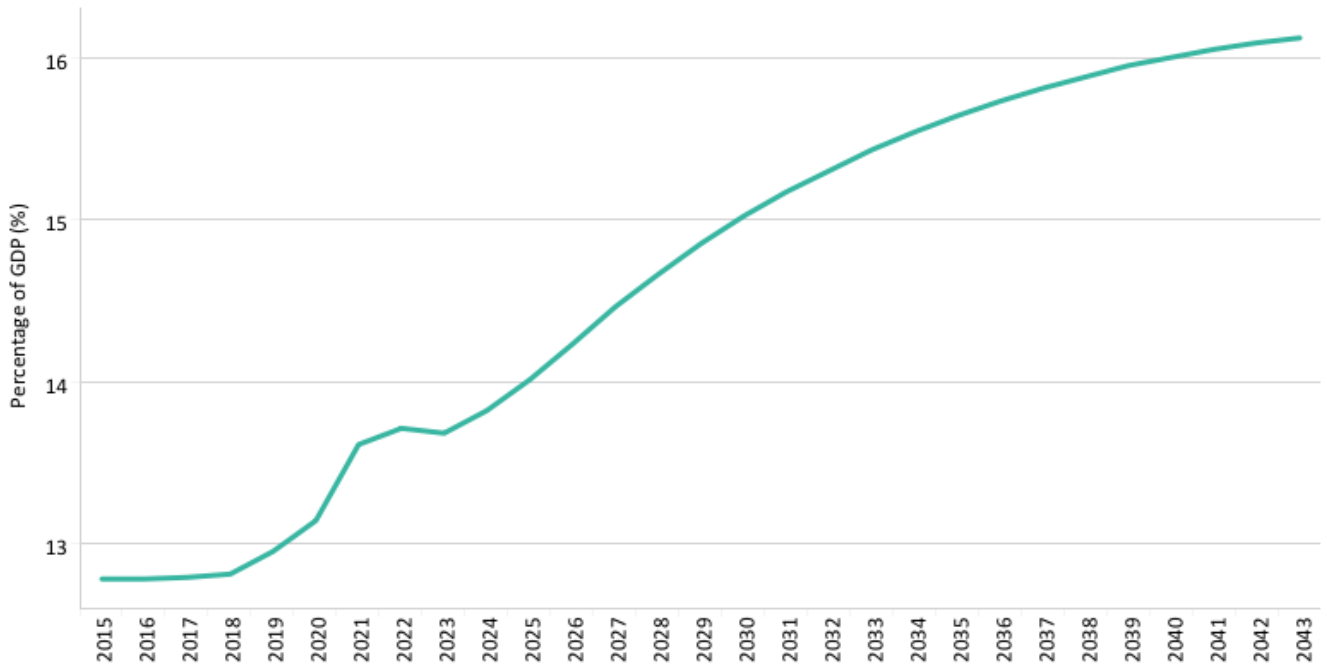
This is in stark contrast to countries like South Korea and Taiwan that historically had lower GDP per capita figures than South Africa but have since surpassed the country's per capita income.

Years of steady deindustrialisation, weak investment, a growing social-grant-dependent population and bad policy in areas such as education have undermined South Africa's growth, particularly during the ruinous administration of former president Jacob Zuma from 2009 to 2017.

Chart 7: Informal sector value in CP, 2015–2043
% of GDP



South Africa



South Africa

Source: IFs 7.63 initialising from UN Economic Commission for Europe [2008]; Elgin and Oztunali [2012]; Schneider and Enste [2012]

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South Africa has a small informal sector relative to its formal sector when compared to other developing countries and given its extraordinarily high levels of unemployment and inequality. Only around 19% of the labour force is employed in the informal sector, and this is forecast to increase to 39% in 2043. In IFs, as a portion of GDP, the size of South Africa’s informal sector is forecast to increase from 13% of GDP in 2019 (US\$65.2 billion) to just over 16% (US\$118.2 billion) in 2043. The IFs forecast for a large increase in size of the informal sector as well as of informal labour is largely due to slow economic growth and the ongoing growth in the size of South Africa’s labour force. The small size of its informal economy and the limited number of informal workers contribute to inequality, extreme poverty and high levels of unemployment. Rates of entrepreneurship and self-employment in South Africa are also low and, as a result, a large portion of South Africa’s working-age population is not economically active. [5]

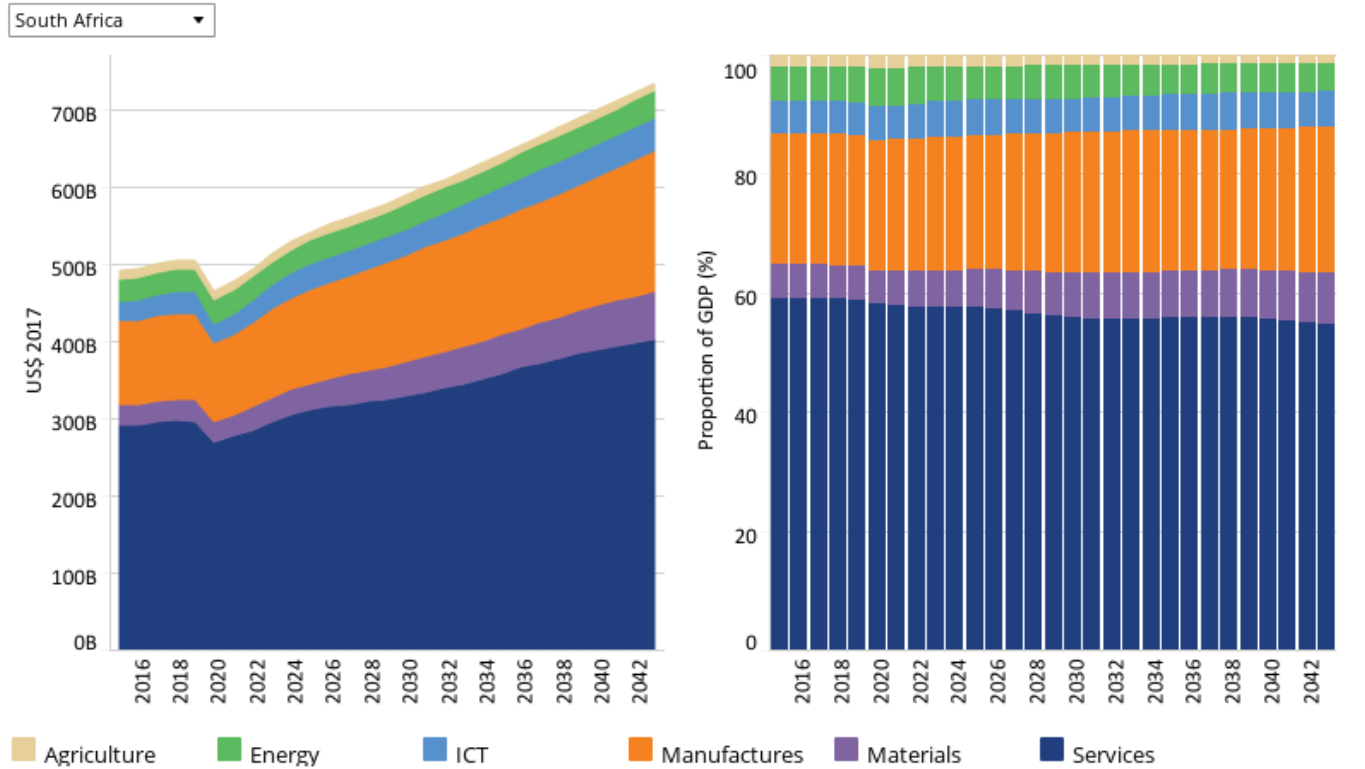
Instead of unlocking economic opportunities such as reforms of the country’s rigid labour market and programmes that provide low-skilled entrepreneurs with business skills in addition to loan programmes, the response by the government has been to roll out a massive social grants programme and constrain skilled inward migration. [6]

The forecast for robust growth in the size of the informal sector and the portion of the labour force active in the informal sector reflect limited opportunities for formal sector growth, reflecting slow economic growth.



Chart 8: Value added by sector in CP, 2015–2043

Billions US\$ 2017 and % of GDP



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

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The IFs platform uses data from the Global Trade and Analysis Project (GTAP) to classify economic activity into six sectors: agriculture, energy, materials (including mining), manufactures, services and information and communications technology (ICT). Most other sources use a threefold distinction between only agriculture, industry and services with the result that data may differ.

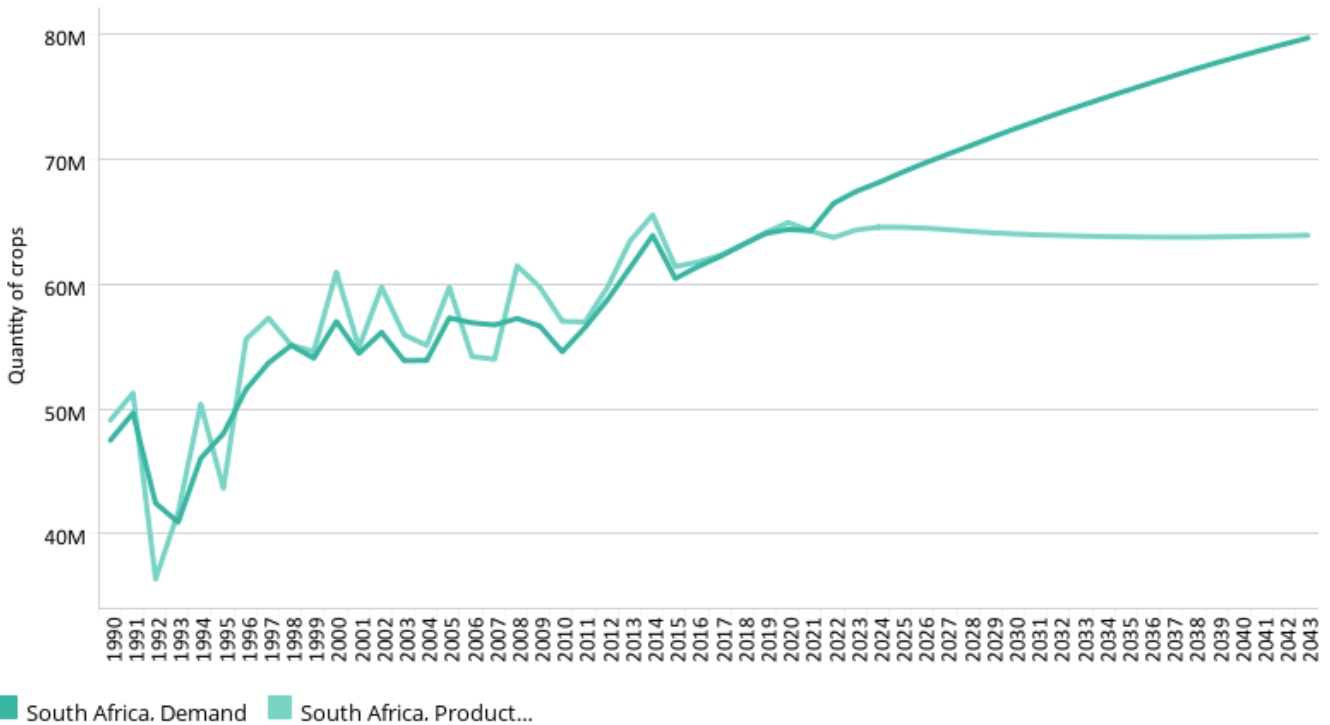
In 2019, agriculture contributed 2.1% to the GDP, energy 5.9%, materials 5.6% manufacturing 22.1%, services 58.8% and ICT 5.5%. In the Current Path forecast, these values remain relatively constant to 2043 with a modest increase in the contribution from manufacturing, materials and ICT, while the agriculture and energy sectors decline in percentage contribution to the GDP. For example, by 2043 the value of the agriculture sector would be similar in value to 2019, at US\$10.4 billion, having declined from 2.1% of GDP in 2019 to 1.4% in 2043.

The contribution to the GDP from ICT is forecast to modestly increase from 5.6% in 2019 to 5.9% of the GDP by 2043, increasing from US\$27.9 billion in 2019 to US\$43.5 billion in 2043. The contribution is far below that of a country such as South Korea (10%) and below the average for Africa’s seven upper middle-income countries. Yet, in 2019, South Africa’s ICT sector was the largest in Africa. By 2043, it could be overtaken in absolute size by the ICT sector in Nigeria, Egypt and Ethiopia.

Chart 9: Agriculture production/demand in CP, 1990–2043
Crops million tons



South Africa



Source: IFs 7.63 initialising from Food and Agriculture Organization Food Balance Sheets

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The data on agricultural production and demand in the IFs forecasting platform initialises from data provided on food balances by the Food and Agriculture Organization (FAO). IFs contains data on numerous types of agriculture but aggregates its forecast into crops, meat and fish, presented in million metric tons. Chart 9 shows agricultural production and demand as a total of all three categories.

South Africa is one of a handful of African countries that is largely food secure at the national level and is a net exporter of agricultural and processed food products. It does that on the back of a small but highly productive agricultural sector (also see Chart 8). However, the Current Path forecast is for a steady deterioration of its food security situation and South Africa is forecast to become a net agriculture importer, which will expose its food supply to greater vulnerability due to supply and price shocks. The IFs Current Path forecast is that demand will start to outstrip supply beyond 2021 to the extent that the country will be dependent on imports for 20% of its agricultural requirements by 2043, equivalent to US\$20.3 billion. By 2043, agricultural production is forecast to be 63.9 million metric tons and demand would exceed 79 million metric tons, translating to a 15.8 million metric ton shortfall.

South Africa's history and racialised politics mean that land ownership and policy is heavily politicised. In an effort to address the historical inequity in ownership, the government has, since 1994, embarked upon a land redistribution program but implementation has been slow and successive targets have been missed. The latest target is for a target of redistributing 30% of the 1994 white farmer land (77 580 hectares) by 2030. Already most commercial farm enterprises are black owned while white farmers now own 61 million ha of freehold farmland, representing 78% of freehold farmland and

covering about 50% of the total surface area of South Africa. Progress with land reform and redistribution was at around 24% by 2022 with the 2030 target now in reach but most large commercial farms, estimated at around 2 600, are still most white-owned. These are responsible for 67% of all farm income and employ more than half the agricultural labour force.[7]

Only about one fifth of the available farmland is suitable for field crop, irrigation and horticultural production and more than half only suitable for extensive grazing, meaning that the potential for farm land to create full-time sustainable livelihoods is limited. A major constraint on land reform and is the communal land useage patterns in former so-called homelands.[8]



Poverty: Current Path

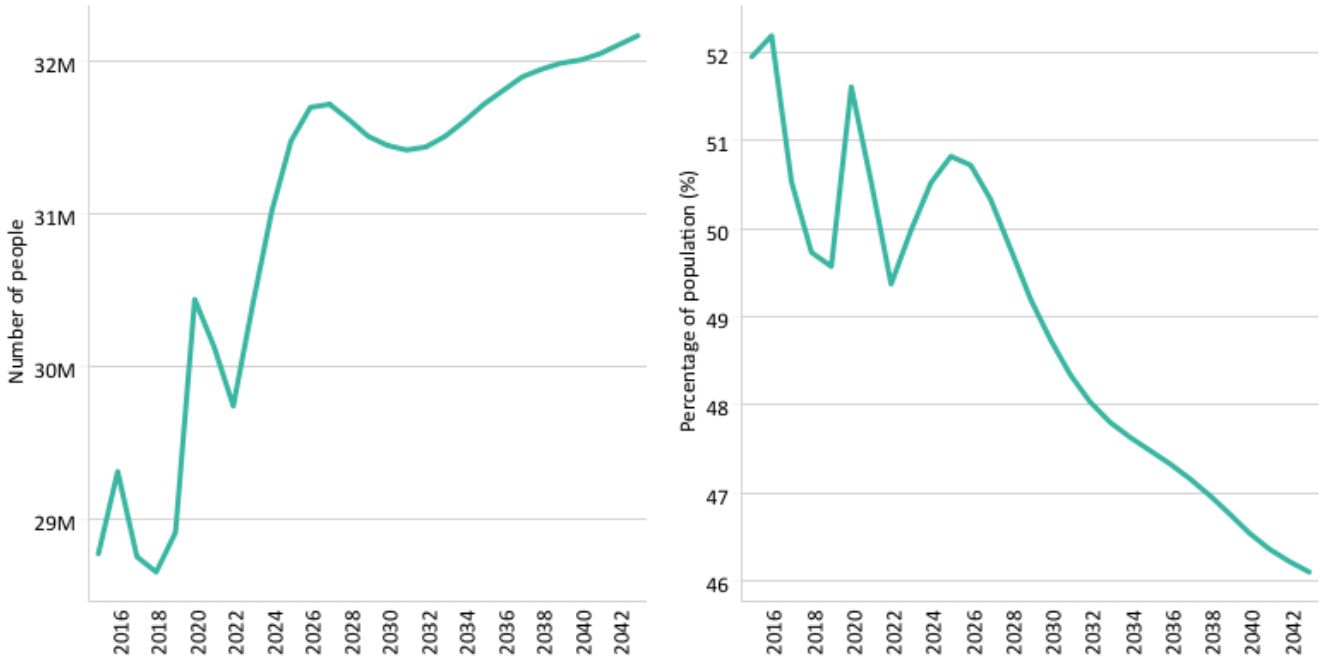
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Chart 10: Poverty in CP, 2015–2043

Millions of people and % of total population



South Africa \$5.50



South Africa

Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate, World Development Indicators population data and PovelNet World Bank data

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There are numerous methodologies and approaches to defining poverty. We measure income poverty and use GDP per capita as a proxy. In 2015, the World Bank adopted the measure of US\$1.90 per person per day (in 2011 international prices), also used to measure progress towards the achievement of Sustainable Development Goal 1 of eradicating extreme poverty. To account for extreme poverty in richer countries occurring at slightly higher levels of income than in poor countries, the World Bank introduced three additional poverty lines in 2017:

- US\$3.20 for lower middle-income countries
- US\$5.50 for upper middle-income countries
- US\$22.70 for high-income countries.

Using the extreme poverty line of US\$1.90 per day, South Africa had 10 million people (17% of its population) in extreme poverty in 2019, forecast to reach 10.8 million in 2030 (16.8%) and 10.5 million by 2043 (15%). At the US\$5.50 income level, the portion of people living in poverty in South Africa stood at 28.9 million (50%) in 2019, forecast to increase to 32 million (46%) by 2043. These numbers are more than double the average for upper middle-income countries globally.

Among the seven upper middle-income countries in Africa, only Namibia has higher rates of extreme poverty and globally

only China, Brazil and Mexico have larger numbers of people living below the US\$5.50 poverty line.

Because of its extraordinarily high levels of inequality and unemployment, its relatively modest economic growth forecasts and relatively small informal sector, South Africa is expected to see a far smaller drop in extreme poverty than most of its peers

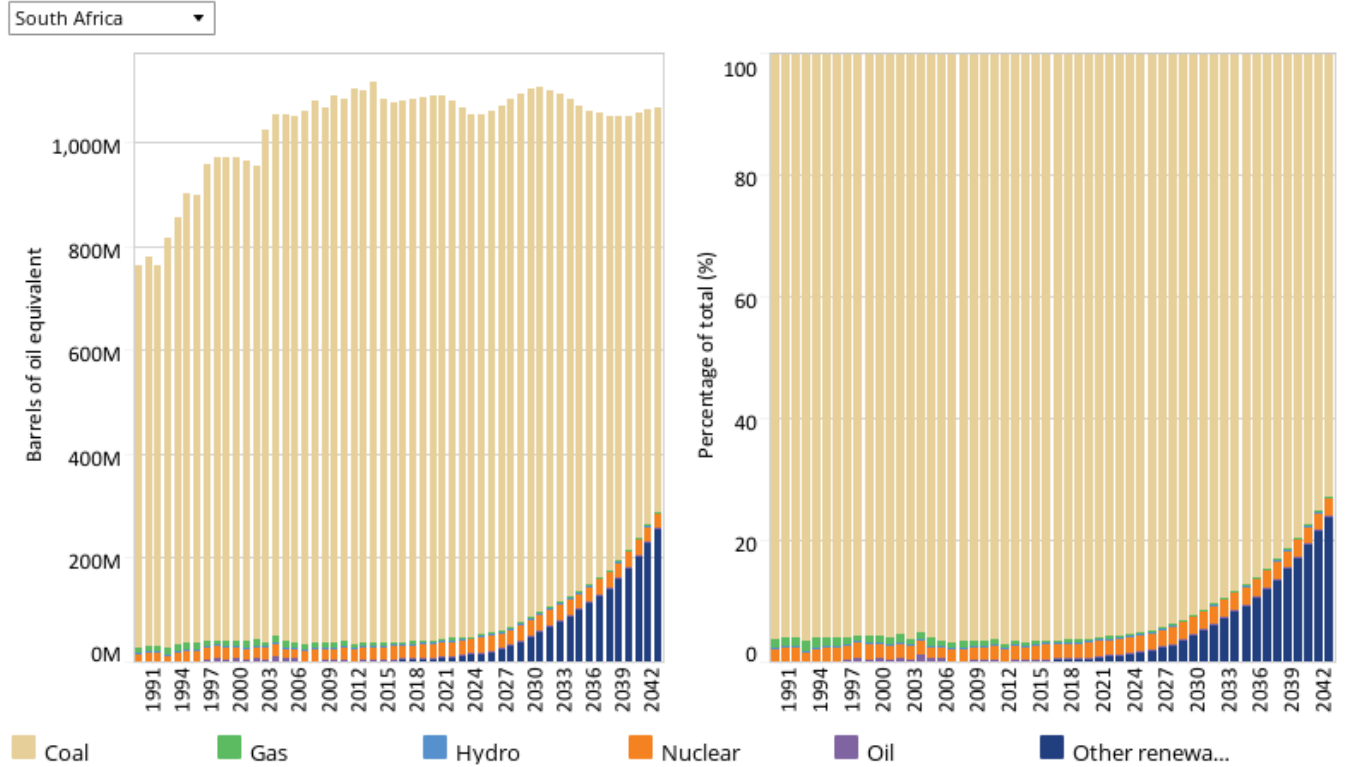
Social grants from the government already support around a third (20 million) of South Africans and play an important role in constraining further increases in poverty and have helped to reduce inequality but is pushing the limits of fiscal prudence.



Carbon Emissions/Energy: Current Path

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Chart 11: Energy production by type in CP, 1990–2043
 Barrels of oil equivalent and % of energy production



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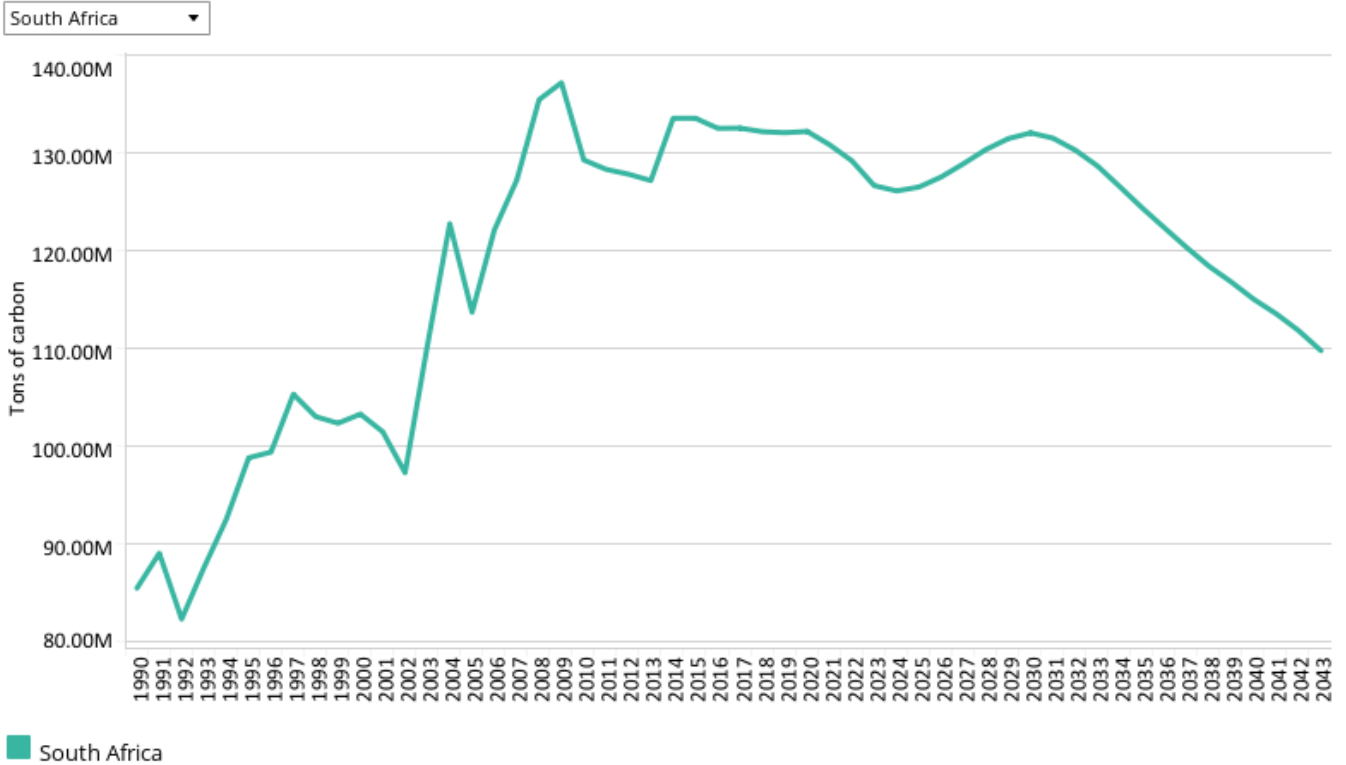
The IFs platform forecasts six types of energy, namely oil, gas, coal, hydro, nuclear and other renewables. To allow comparisons between different types of energy, the data is converted into billion barrels of oil equivalent (BBOE). The energy contained in a barrel of oil is approximately 5.8 million British thermal units (MBTUs) or 1 700 kilowatt-hours (kWh) of energy.

Poor planning has led to ongoing electricity shortages in South Africa that have lasted more than a decade and are expected to continue until at least to 2025/26.

The updated Integrated Resource Plan [9] that was approved by the cabinet in October 2019 goes some way in acknowledging the potential for a renewable-based energy system and movement away from an economy that is essentially powered by coal. In 2019, coal contributed 1.046 BBOE (or 96%) of South Africa’s energy production, followed by 2.6% from nuclear. As a result, South Africa is the largest emitter of carbon in Africa and the 14th largest globally (see Chart 12). By 2043, 73% of South Africa’s energy production will come from coal and 24% from renewables. South Africa currently imports power from the region, including 1.150 GW from the Cahora Bassa hydropower dam in neighbouring Mozambique but the agreement is *unlikely* to be renewed when it lapses in 2030.

Because of a modest economic growth forecast and improvements in energy efficiency, South Africa’s total energy production remains relatively constant across the forecast horizon with a gradual uptake of renewables.

Chart 12: Carbon emissions in CP, 1990–2043
 Million tons of carbon (note, not CO₂ equivalent)



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

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Carbon is released in many ways, but the three most important contributors to greenhouse gases are carbon dioxide (CO₂), carbon monoxide (CO) and methane (CH₄). Since each has a different molecular weight, IFs uses carbon. Many other sites and calculations use CO₂ equivalent.

Because of its large reliance on coal for electricity production, South Africa is the largest emitter of carbon in Africa, releasing 132 million tons of carbon into the atmosphere in 2019. Coming from such high levels, carbon emissions are set to decline to 110 million tons in 2043, at which point South Africa's emissions will be overtaken by Nigeria and Egypt in Africa, and the country will change from being the 14th to the 17th largest emitter of carbon globally.

Endnotes

1. South Africa also has a very low savings rate: on average, South Africans can only expect to earn 16% of their working salaries in retirement, compared to 69.5% in Brazil and 87.4% in India. See: [Organisation for Economic Co-operation and Development \(OECD\), Pensions at a glance 2017](#)
2. A le Roux et al. [Profiling the vulnerabilities and risks of South African settlements. Understanding the social and environmental implications of global change](#). 2017, 26–35
3. A Le Roux, K Arnold, S Makhanya and G Mans, [Green Book. South Africa's urban future: Growth projections for 2050](#). Pretoria: CSIR, 2019
4. President Cyril Ramaphosa: [Additional Coronavirus COVID-19 economic and social relief measures](#), 21 April 2020
5. H Bhorat and B Stanwix, Policy Choices for the Labour Market, in G Mills, M Jonas, H Bhorat and R Hartley, [Better Choices: Ensuring South Africa's Future, Picador Africa](#), Pan Macmillan, 2022, 80–82.
6. H Bhorat and B Stanwix, Policy Choices for the Labour Market, in G Mills, M Jonas, H Bhorat and R Hartley, [Better Choices: Ensuring South Africa's Future, Picador Africa](#), Pan Macmillan, 2022, 80–82.
7. J Kirsten and W Sihlobo, [Land reform in South Africa: 5 myths about farming debunked](#), The Conversation, 26 November 2022
8. J Kirsten and W Sihlobo, [Land reform in South Africa: 5 myths about farming debunked](#), The Conversation, 26 November 2022.
9. As published in [Government Gazette](#), 42779:652, 18 October 2019

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Jakkie Cilliers (2024) South Africa. Published online at futures.issafrica.org. Retrieved from <https://futures.issafrica.org/geographic/countries/south-africa/> [Online Resource] Updated 28 March 2024.



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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 office 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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