

QUICK BRIEF 2020



7 April 2020

Turbulence as the New Normal

The decisive and collaborative approach shown by the South African Government, organised business and broader society in the face of the COVID-19 pandemic is extremely encouraging. While the current focus is squarely on managing the spread and short-term health impacts of the disease, rebuilding the South Africa economy after an extended shutdown will require an 'all hands-on deck' attitude from all parties.

A key realisation is that every South African has a role to play in the country's recovery by using their voices in their spheres of influence to drive a positive agenda. Rather than being influenced by subjective concerns, these interactions should be informed by an objective understanding of South Africa's position in the broader context. The information provided by a range of relevant global indices supports data-driven and factually accurate conversations about the country's many positive attributes and relative attractiveness.

The National Business Initiative (NBI) and Brand South Africa recently hosted a presentation by **Dr Petrus de Kock** that provided a global perspective on South Africa's position in the world and the many positives the country has as an investment destination. **Brand South Africa's Nation Brand Knowledge Hub** provides a pool of innovative and informative resources on various subjects such as trade, business and investment in South Africa, as well as research and analysis conducted by Brand South Africa's research team. This includes the comprehensive '**Case For Investing In South Africa 2019**' report.

South Africa started 2020 with low levels of business and consumer confidence, a contracting economy, load shedding and widespread frustration at the lack of evident action on the disclosures coming out of the Zondo Commission. However, the global economy also faced challenges on multiple fronts, including slowing GDP, disruptions to international trade relationships, Foreign Direct Investment (FDI) on a downward trend, policy uncertainty in the US and Britain, an ongoing refugee crisis and the rise of right wing influences in Western Europe.

These trends were flagged in the **World Economic Forum (WEF) Global Risks 2020** report, which highlighted the risks of a global economy facing a synchronised slowdown, increasing cyber-attacks, challenges to social cohesion due to increasing inequality and a worsening of the global economic outlook.

Examples of the factors that can negatively affect local perspectives ironically arise from some of the country's most positive governance characteristics: a constitutional democracy with high levels of transparency and a strong free press (31/180 on the **World Press Freedom Index**). This creates a situation where bad news is frequently exposed and widely disseminated, and can dominate the narrative.

While governance is a key concern within the South African public and private sectors, the **Good Country Index**, which measures the contribution each country makes to the common good of humanity, ranks South Africa at 47 out of 163 and third out of 153 countries in International Peace and Security.

The **Ibrahim Index of African Governance** ranks South Africa at seven out of 54 countries, with a Top 10 performance in all four categories – Sustainable Economic Opportunity, Safety and Rule of Law, Participation and Human Rights, and Human Development.

The 2019 **World Economic Forum (WEF) Global Competitiveness Report** showed South Africa improving its rank from 67 out of 140 countries in the 2018 report to 60 out of 141, with improvements in 11 of 12 indicators. South Africa consistently ranks extremely well in key indicators such as market size, finance system and innovation capability. In the African context, South Africa is second after Mauritius at 52.

A less positive development was the country's fall of two places in the **World Bank Ease of Doing Business** ranking to 84 out of 190. However, President Ramaphosa has made the goal of enhancing ease of doing business a major priority.

Interventions such as the annual Investment Conference, and economic reforms, have helped South Africa to buck the international trend and increase inward FDI flows. The **EY Africa FDI Attractiveness Survey 2019** showed that South Africa attracted the largest number of FDI projects, while Egypt was the top FDI destination in terms of value due to higher capital intensity of projects. Despite being a relatively small economy, South Africa had the fifth largest FDI into other African markets, demonstrating that our corporates have the financial muscle and expertise to globalise successfully. Examples include Shoprite's early entry into Angola and PEP's expansion into Angola and Nigeria.

South Africa has world-class infrastructure, including an excellent transport network, low-cost energy and sophisticated telecommunications facilities. The **World Bank Logistics Performance Index** rates South Africa as a service excellence hub in Africa that is positioned to support regional performance.

The **African Continental Free Trade Area (ACFTA)** established in 2018, aims to boost intra-African trade and create a market of 1.3 billion people with a combined gross domestic product of USD2.3 trillion that will unlock industrial development.

The planned revitalisation of industrial parks and development zones around South Africa and a new boost for South African small businesses outlined in the National Budget create an opportunity for new business partnerships with innovative entrepreneurs around South Africa.

South Africa's competitive advantages, strong infrastructure, and positioning as a member of the ACFTA, G20, BRICS, and a host of critical global multilateral institutions can support the country's recovery from the impact of COVID-19 and the credit rating downgrades. But it is our responsibility to make sure that we understand and promote the country's strong position. Our positive perspectives in promoting South Africa as a compelling investment destination will be critical to support the country's recovery and to ignite the growth needed to drive socioeconomic transformation and inclusivity.

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The National Business Initiative (NBI) is an independent and voluntary coalition of South African and multinational businesses launched in 1995 by the then President, Nelson Mandela

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