

Media Release

Automechanika Leading International Trade Fair for the Automotive Sector
Johannesburg Expo Centre, 18 - 21 March 2009

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TREND-SHAPING SOUTH AFRICA IN 2009

In an upbeat and positive address at the first Automechanika SA trade fair at the Expo Centre, Nasrec, in Johannesburg, political and trend analyst JP Landman said although South Africa is experiencing tough times at the moment, future economic growth and demography combine to give the country a unique opportunity.

Mr Landman was speaking at an interactive breakfast presented by Motor Industry Staff Association (MISA) in partnership with BoE Private Clients.

Against the background of the current difficulties caused by factors such as a shrinking economy, job losses, a decline in the export of manufactured products and commodities, and a tough lending climate, it is all too easy to overlook the unprecedented growth and prosperity South Africa has experienced during 14 years from 1994 to 2007.

“The country as a whole has become much more prosperous in this time. For instance, in the 19-year-period from 1975 to 1993 our per capita income actually decreased by 12%, while in the 14 years from 1993 to 2007 we became 27% richer.

“Employment figures, although they are dropping at the moment, increased substantially. In 1995 9,5 million South Africans were in employment – that figure increased to 13,8 million in 2008. At the same time, poverty was reduced from 51% to 41%.”

Another encouraging statistic was the drop in population growth figures. During the 1980s South Africa’s population grew by an average of 2,5% per year. This dropped to 0,7% in 2006 and for 2010 a growth of only 0,3% is projected. This is despite the fact that one migrant crosses out borders every four minutes!

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“There has been a huge decline in population growth,” Mr Landman said. “The South African fertility rate collapsed because of better education, the rise in living standards and, of course, the impact of illnesses such as HIV/Aids, malaria and such.

“What also played a major role was the fact that women have been entering the workplace in increasing numbers, becoming more liberated in the process and having fewer children. In fact, in 1970 the average was 5,8 children per woman. That has decline to 2,5 children per woman today,” Mr Landman said.

Referring to the relationship between politics and economics, Mr Landman said he was “fairly relaxed” about this. Infrastructure investment by the public sector has increased substantially, and that has had tremendous benefits for the country as a whole.

“In the period 1997 to 2004 about 4,5% of GDP was invested in infrastructure. This was far too little and the result was a breakdown in hospital services, potholes in our roads and the Eskom debacle.

“Between 2005 and 2008 that figure rose to more than 8% and it is projected that in 2010 and 2011 between 9,5% and 9,8% of GDP will be spent on infrastructure – a fantastic story!” Mr Landman said.

The ANC government has committed to further investment in infrastructure, both in the Polokwane resolutions of January 2008 and their current election manifesto, which reads, inter alia: “Lead a massive public investment programme for growth and employment creation. In the period ahead, government will accelerate and expand its investment in public infrastructure.”

That the government is delivering on its promises is clear from the Minister of Finance’s latest budget. Of the R787 billion budget a sum of R94 billion, or 9,6%, has been allocated to infrastructure investment.

In spite of an overall rosy picture going forward, there are also risks. A global depression for a prolonged period and a long-term growth rate of below 3% will have serious implications for the South African economy, while the current account deficit and lower interest rates may lead to a decline in the value of the rand.

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What is encouraging is that the South African economy had by the end of 2008 shrunk by 1,8% compared to the 6,2% in the US, 12,1% in Japan, 8,2% in Germany, 6% in the UK, 4,6% in France and 3,4% in Canada. The impact of the global meltdown will be greater as the year goes on, Mr Landman said, but added that he didn't think the recession will last forever.

"The basic trends show that we will experience growth in 2010, and if we could maintain an annual growth rate of 3,1% for the next 9 to 12 years, per capita incomes will rise a substantial 27%.

"The issue in our economy is not money anymore, but efficiency. If we can increase efficiency on all levels in the government and the private sector we can look forward to a prosperous future," Mr Landman said.

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