



**SA economic trends
pre- and post-COVID-19:
Implications for industrial policy**

TIPS Forum

1 August 2023

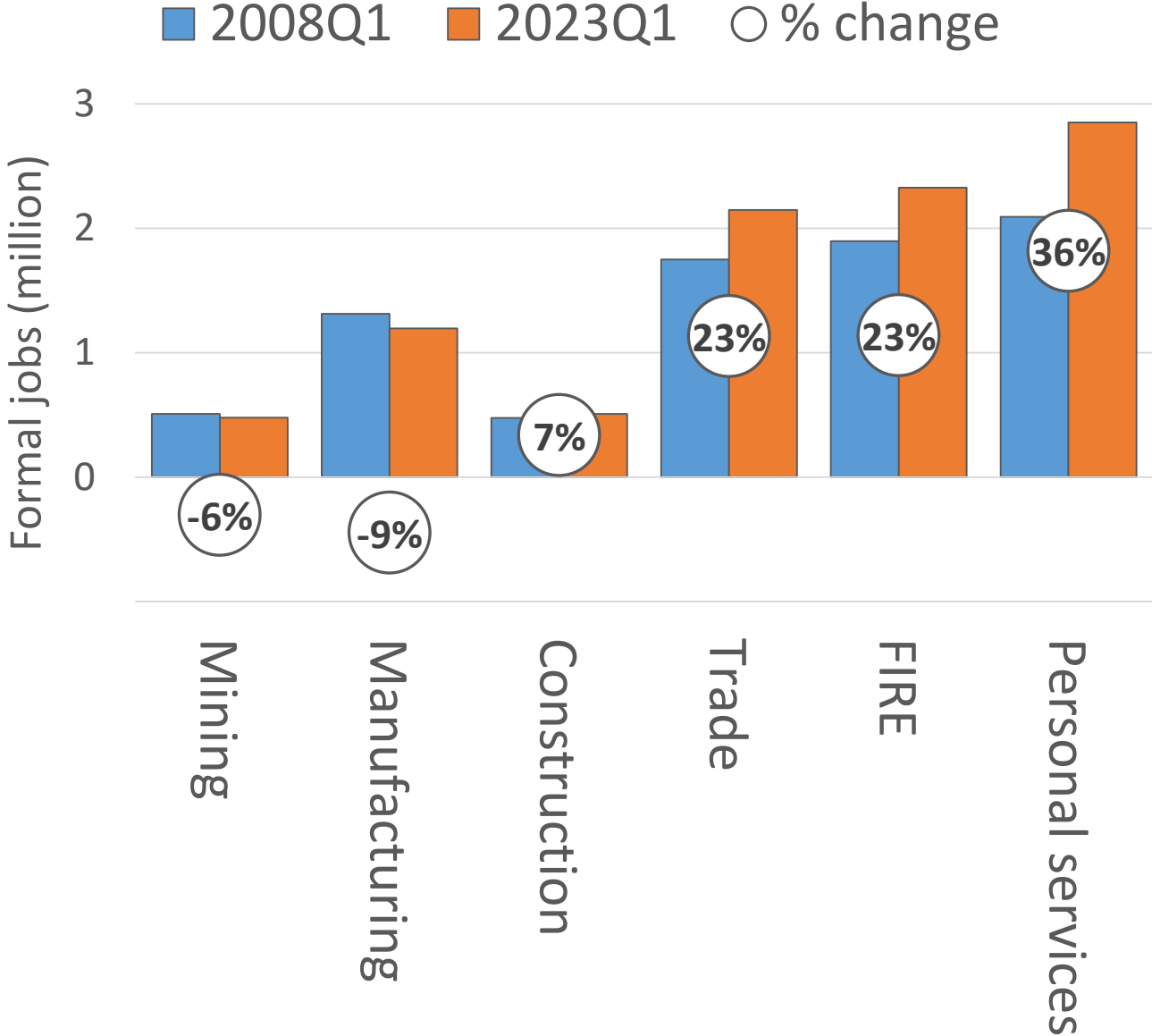
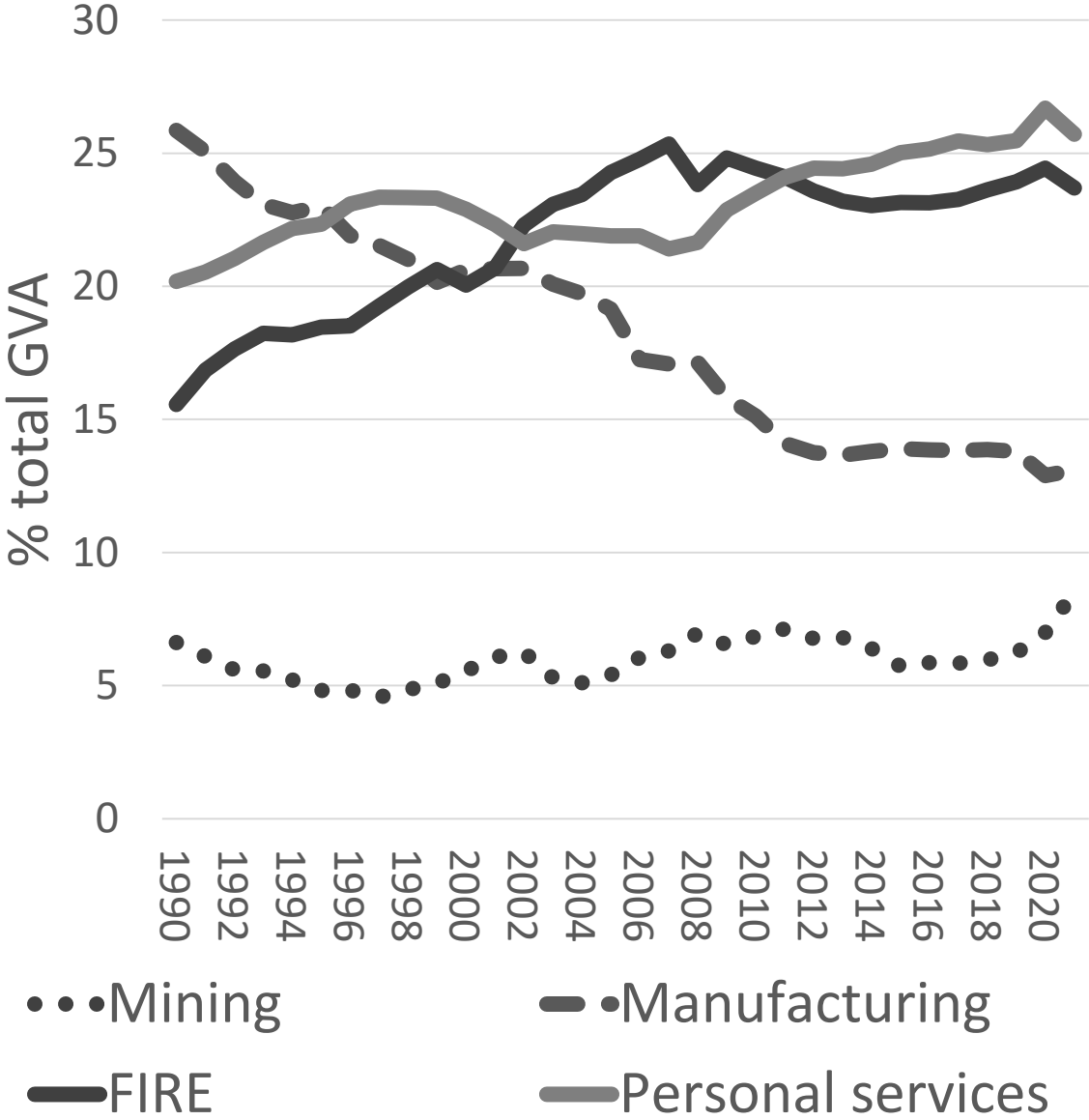
Nishal Robb

Outline

Overall focus on growth, investment, employment

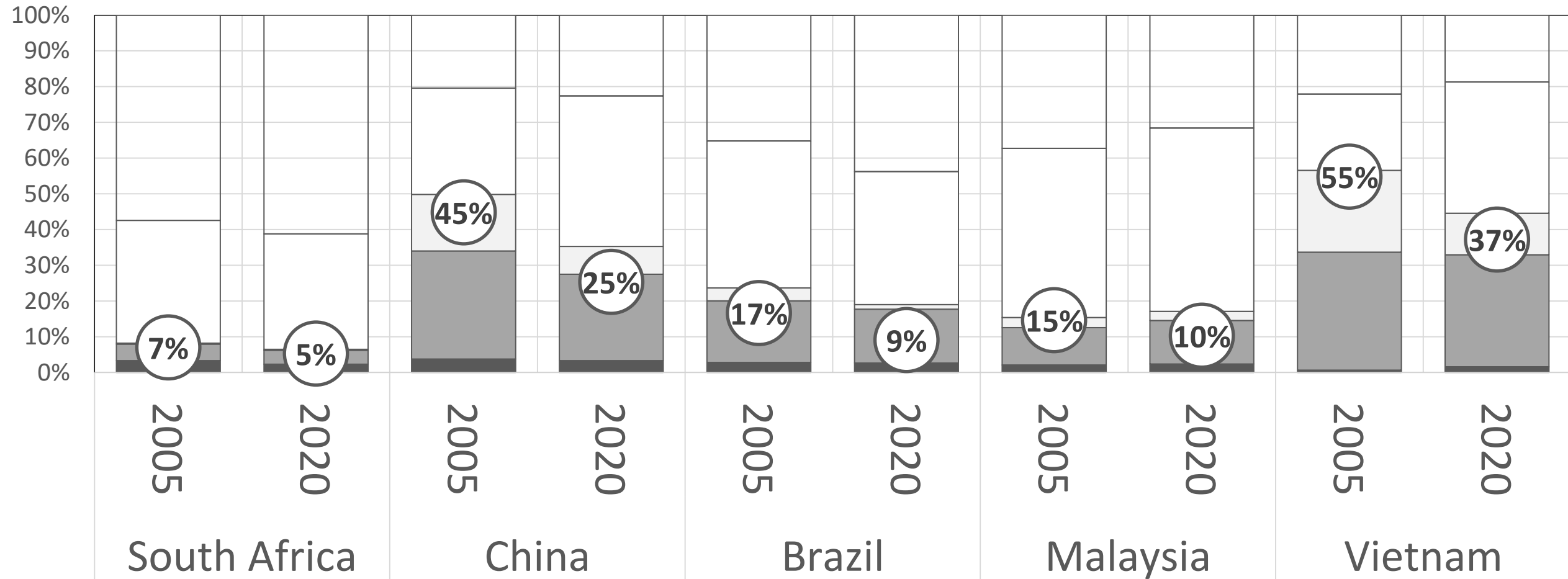
1. Economic structure
2. Key trends in COVID-19 context
3. Implications for industrial policy

Economic structure – Sectoral shifts

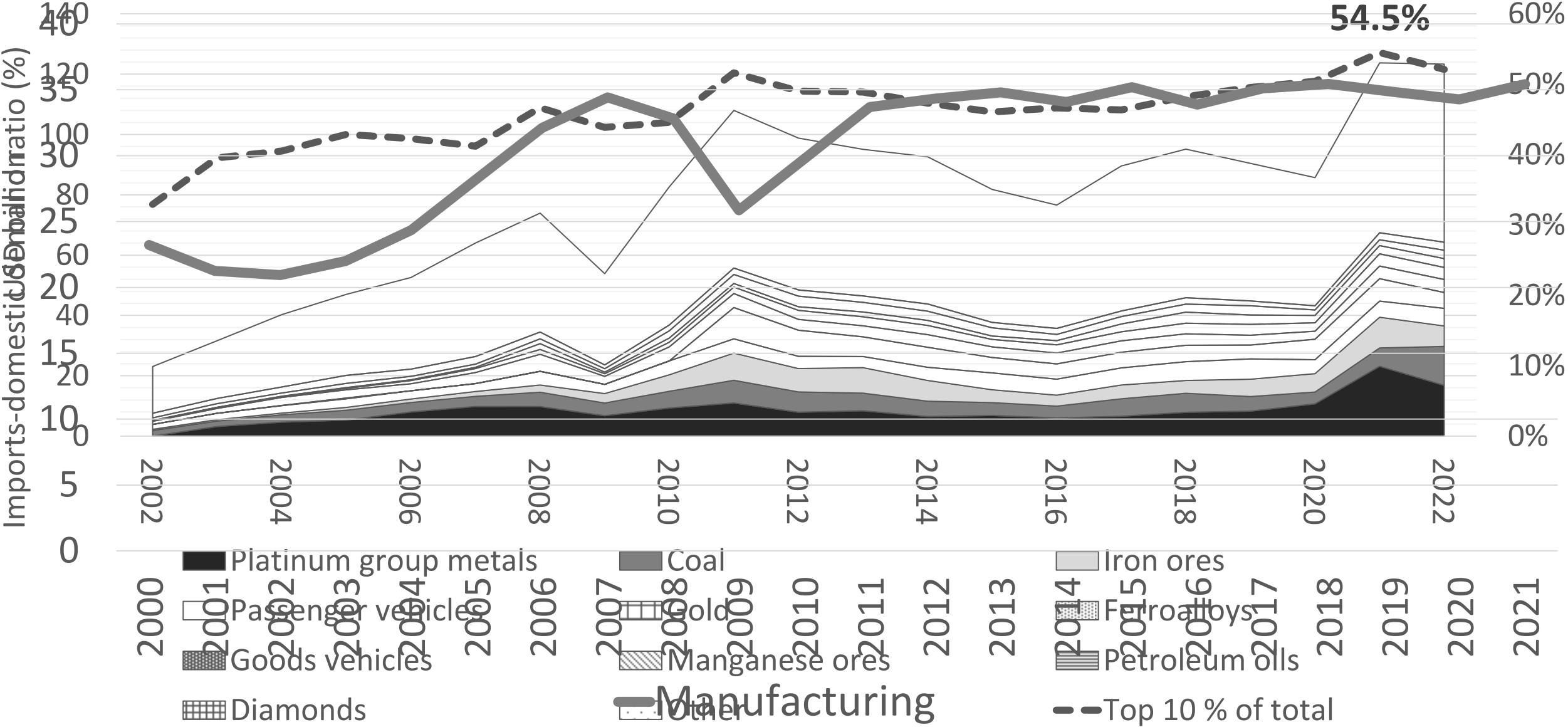


Economic structure – Employment

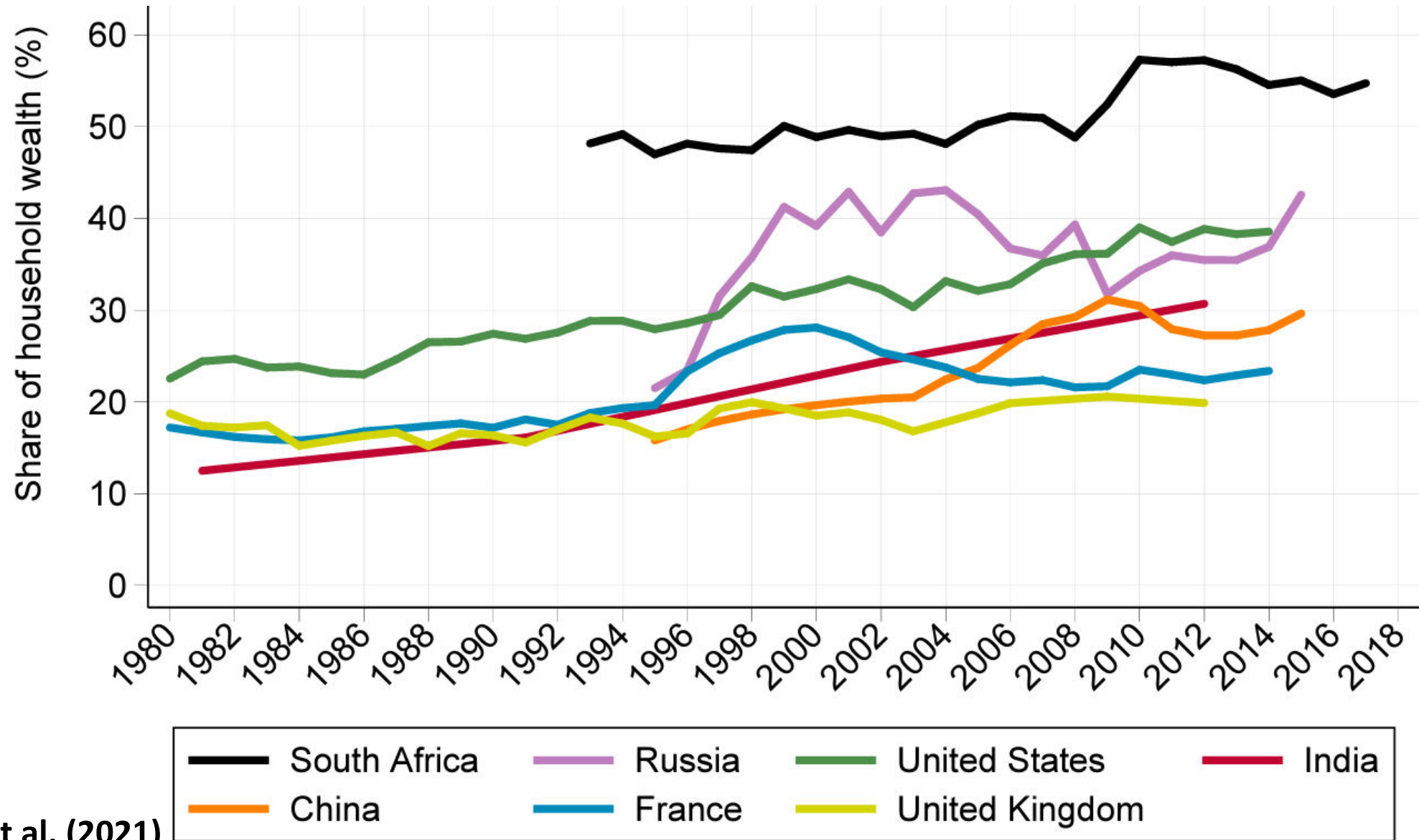
- Employers
- Own-account
- Family workers
- Employees
- ▤ Not employed
- % in agriculture



Economic structure – Exports



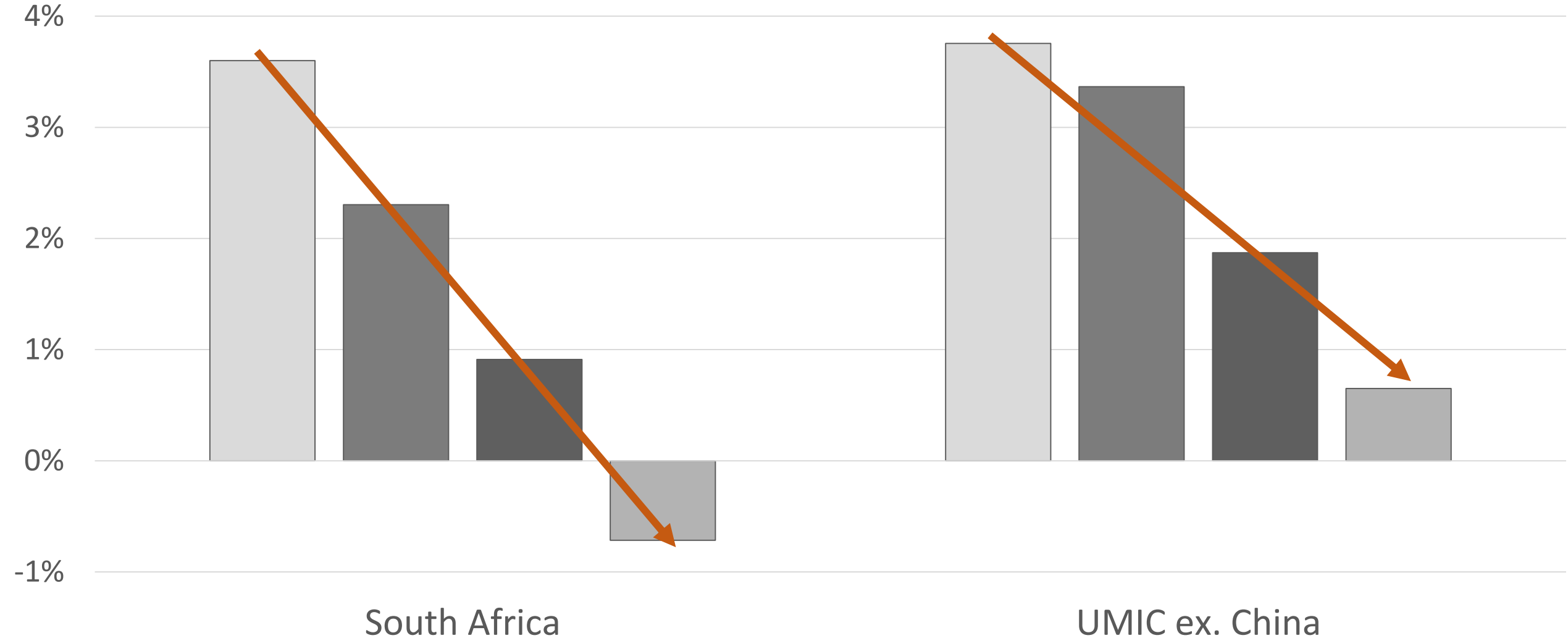
Economic structure – Inequality



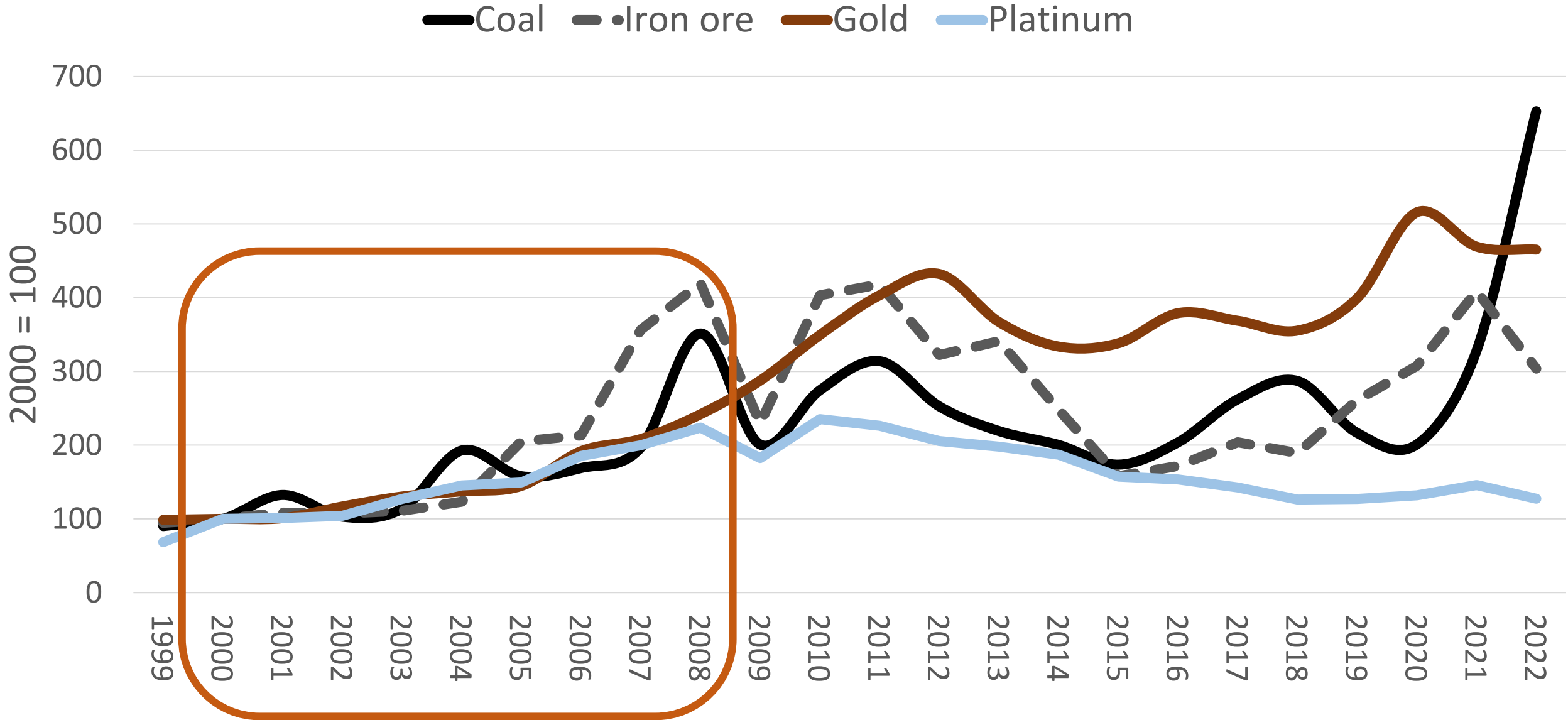
Source:
Chatterjee et al. (2021)

Trends – Growth

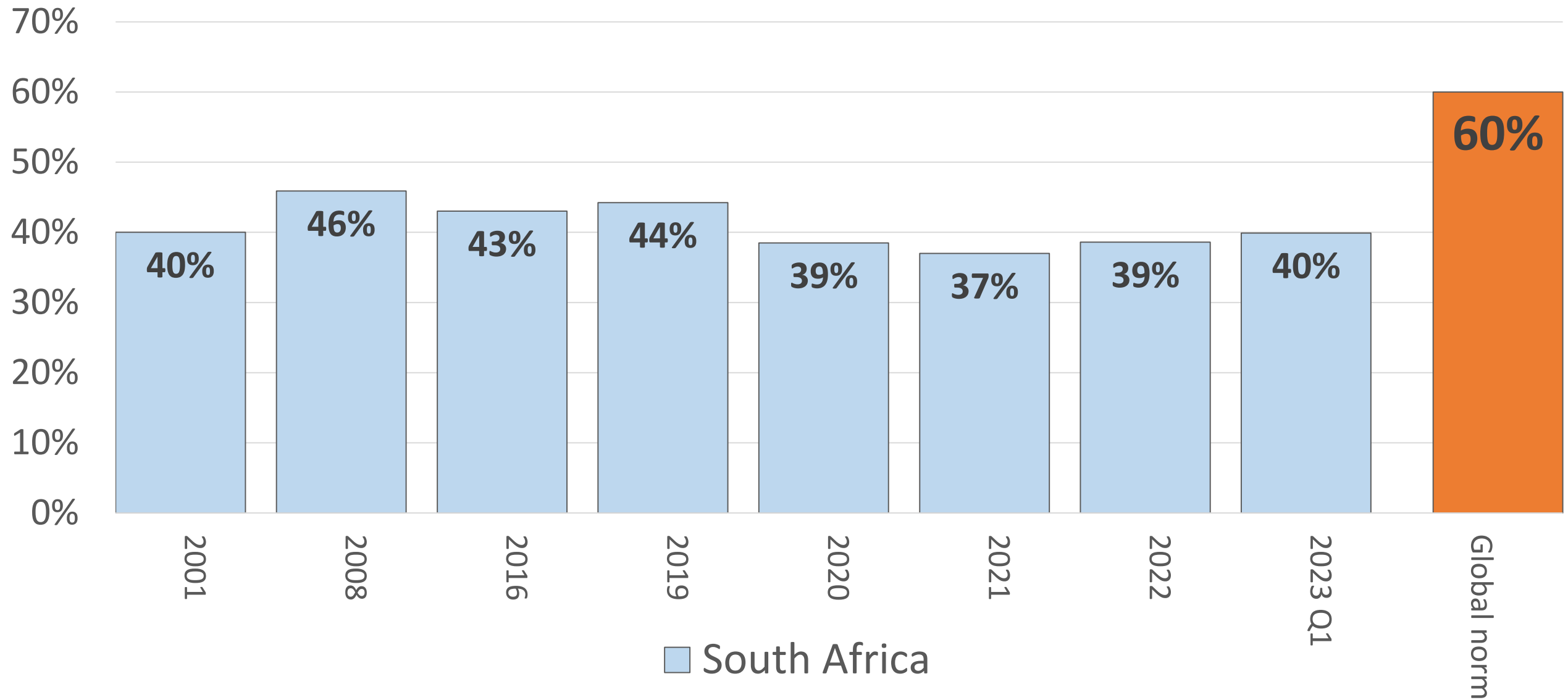
2000-2009 2010-2015 2016-2019 2020-2021



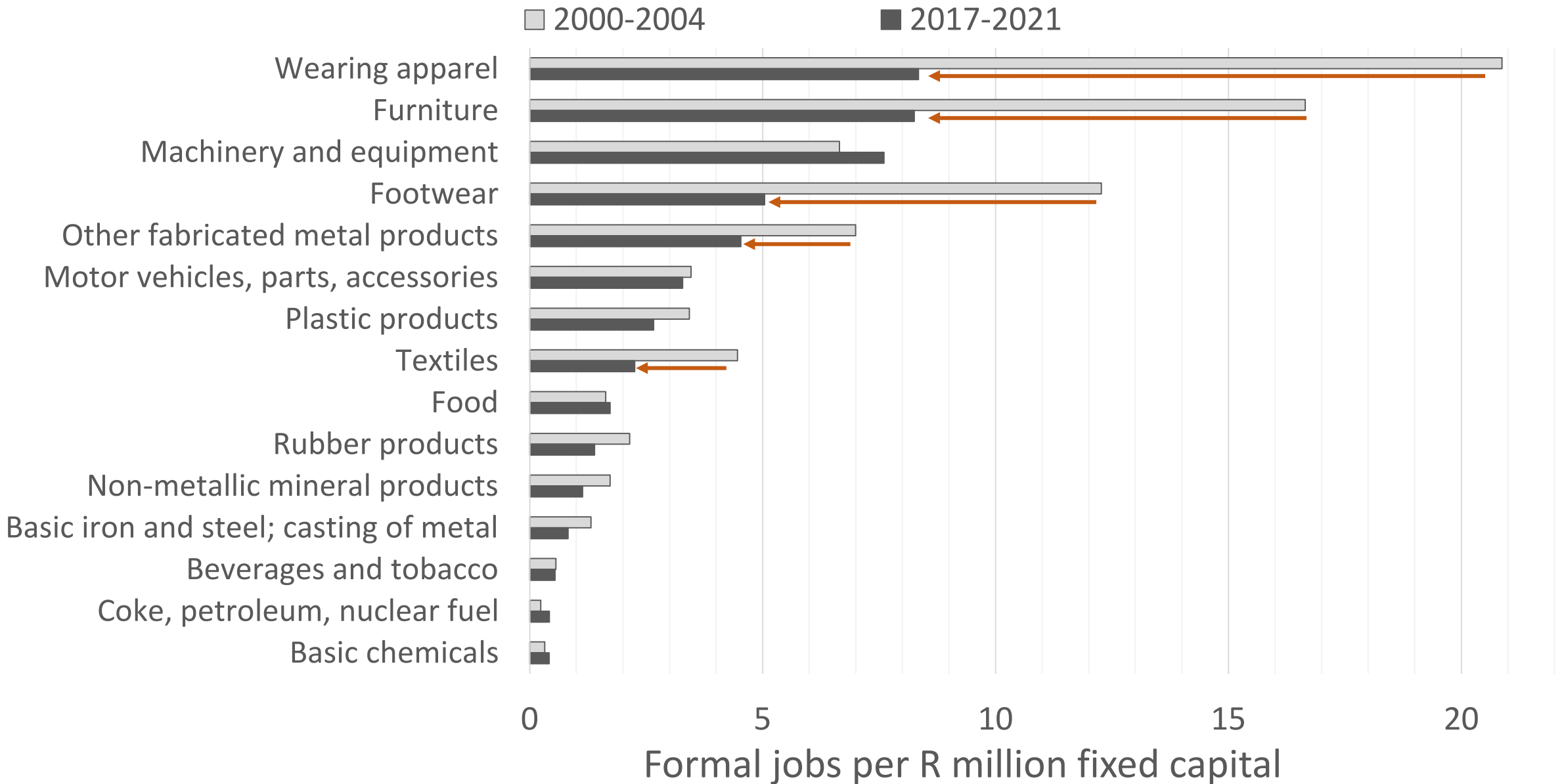
Trends – Growth



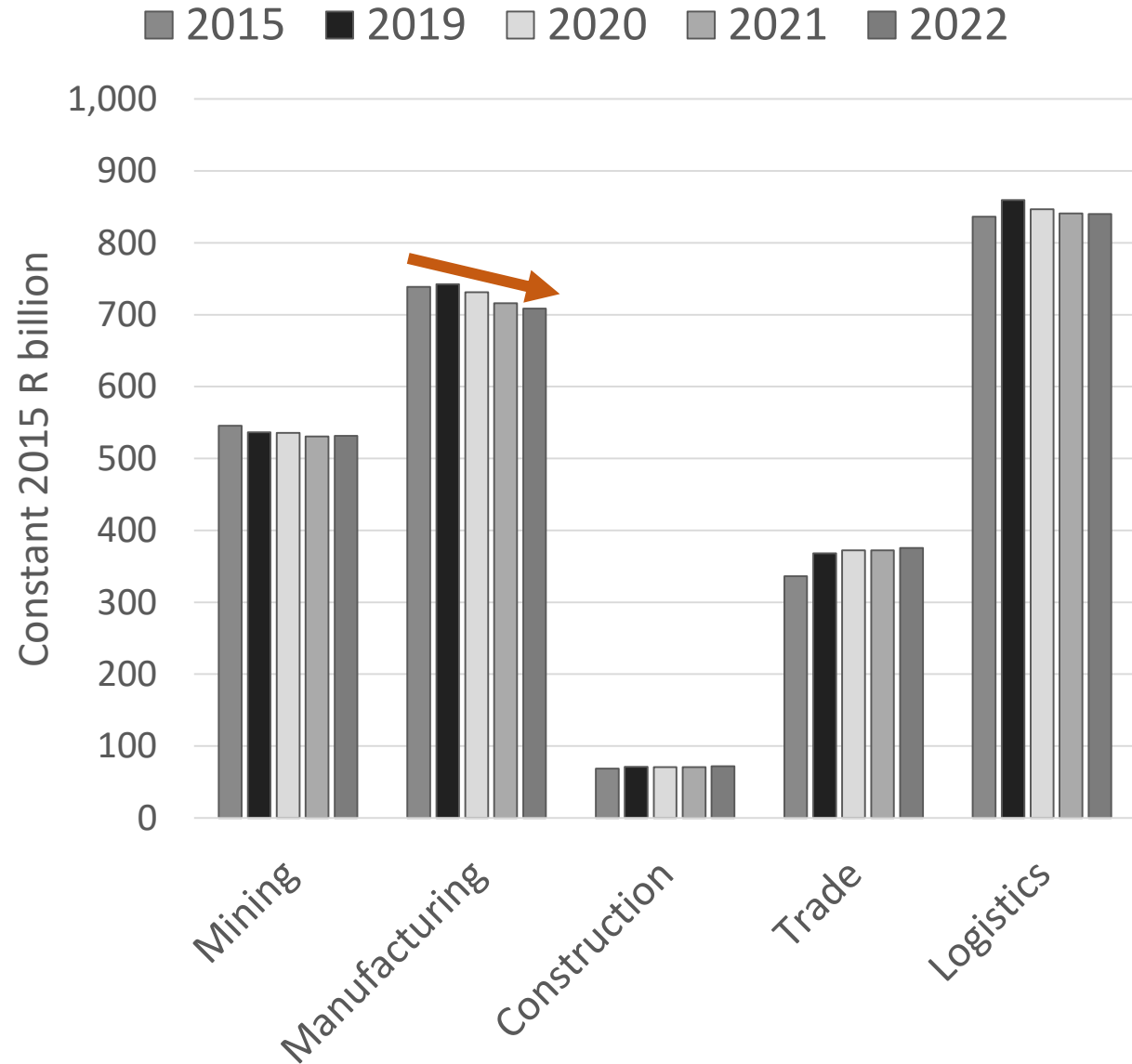
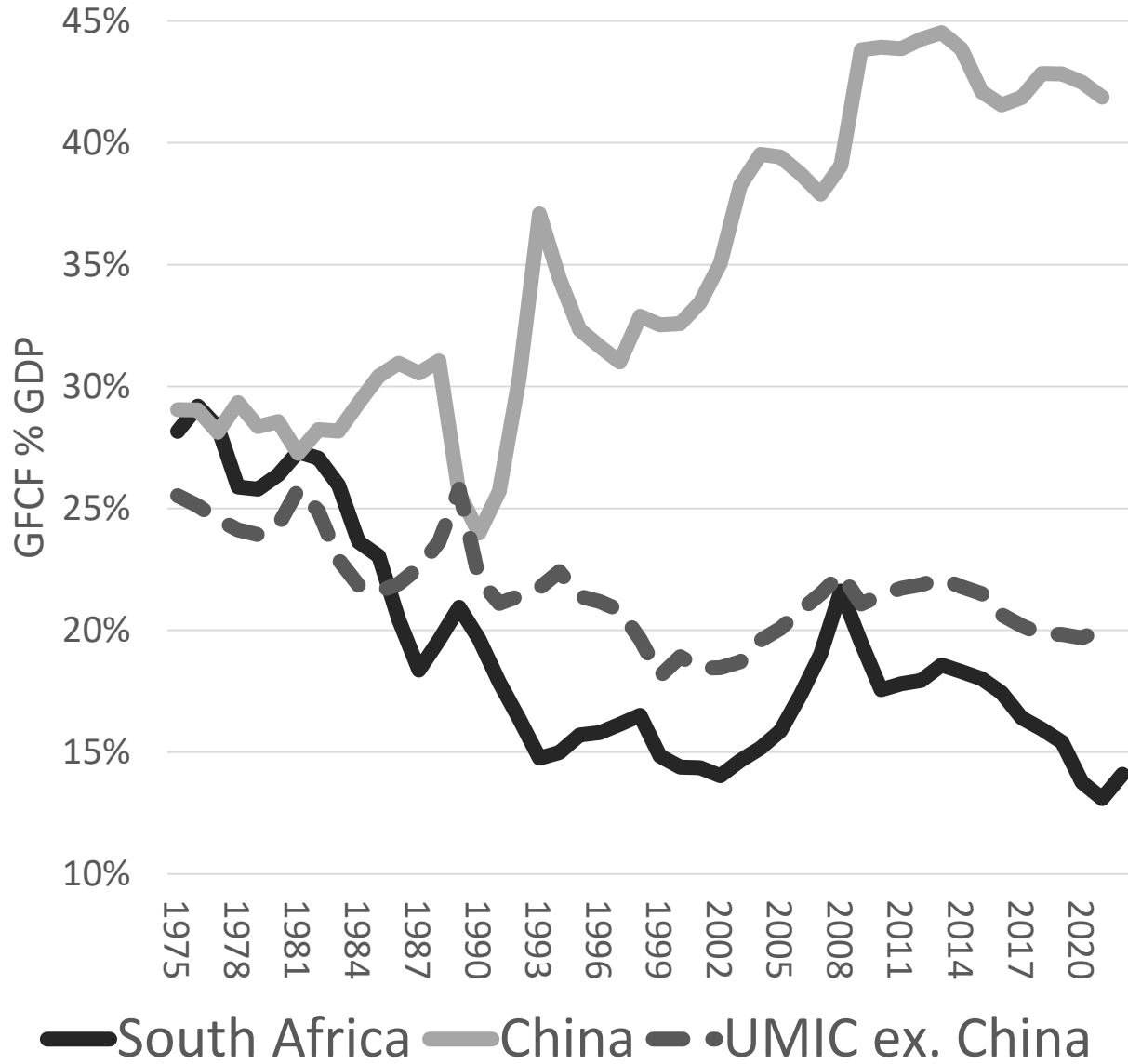
Trends – Employment - Labour absorption



Trends – Employment – Labour intensity

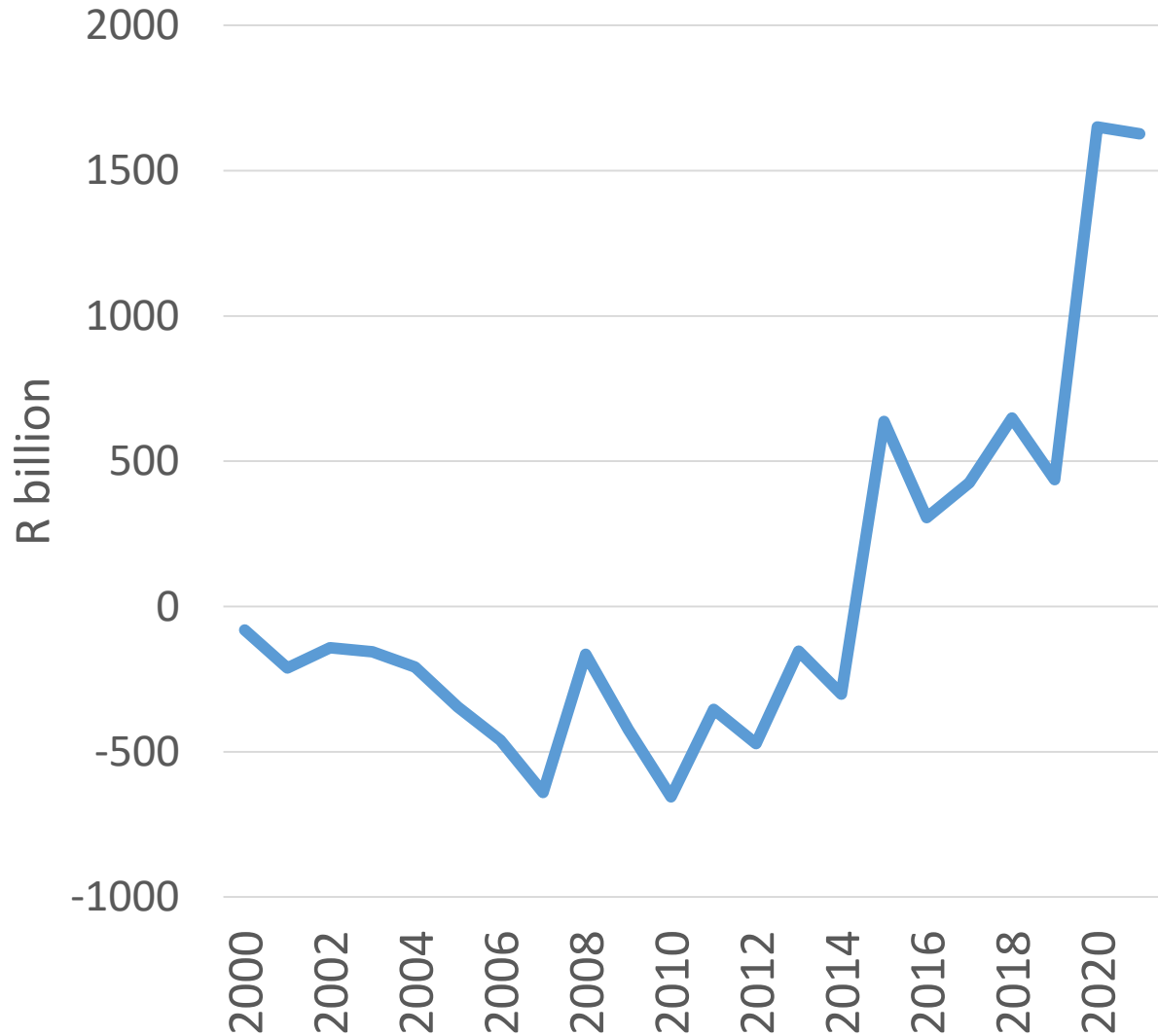


Trends – Investment - GFCF and capital stock

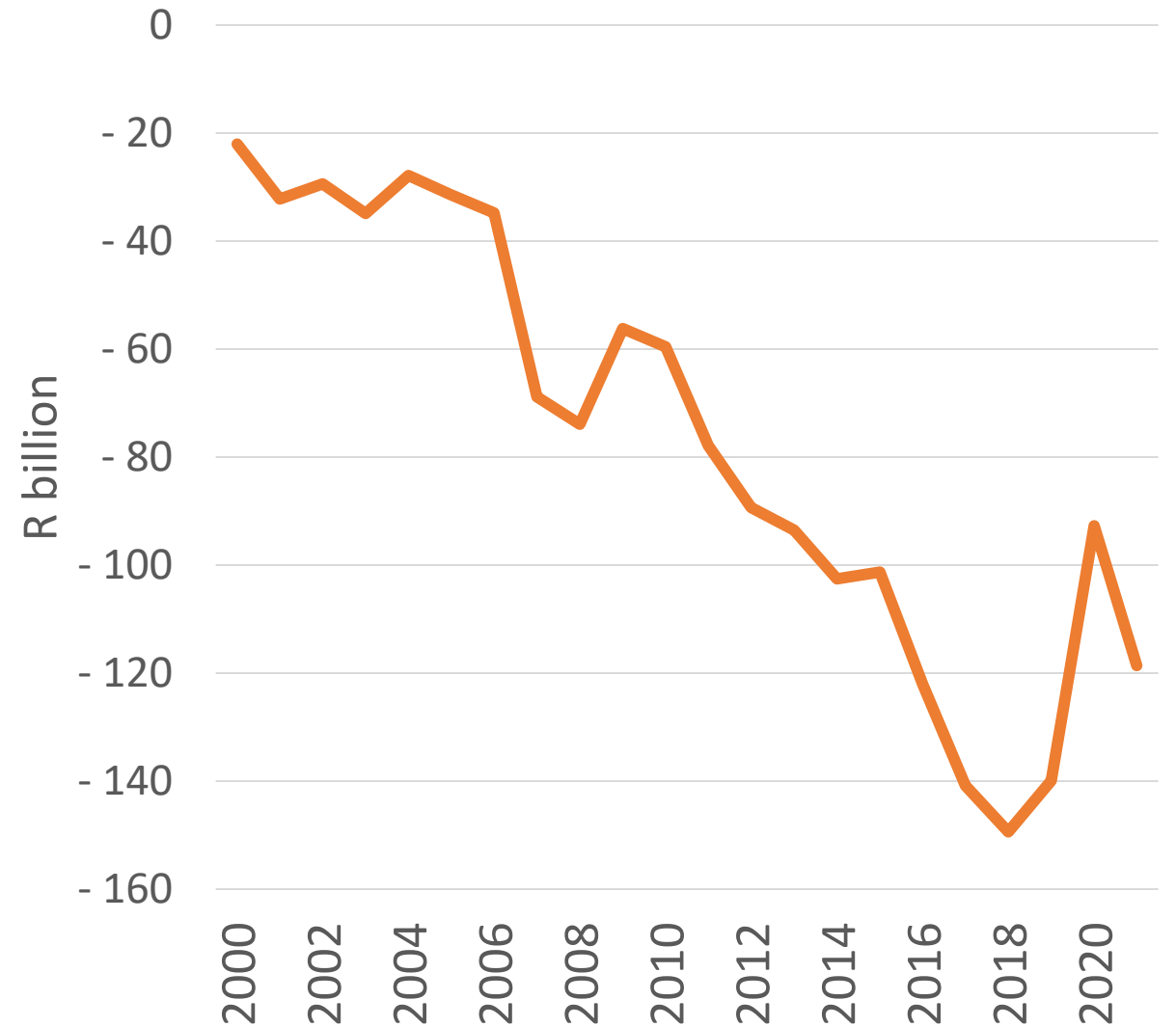


Trends – Investment – Global integration

Net international investment position



Balance on primary income



Implications for industrial policy

Range of major challenges

- Unchanged economic structure suggests need for new strategies – not viable to continue down current path but also vulnerable to risks of major disruption
- More influential role for industrial policies in broader growth strategy if desired outcomes are to be met – but decline in manufacturing (GVA, employment, labour-intensity, competitiveness, etc.) + inequality and urgency of social crisis will make it difficult to build a strong coalition to drive industrialisation
- Range of domestic challenges (loadshedding, energy transition, social unrest, political instability) create increasing urgency for rapid change in trajectory while undermining basis for doing so
- Nature of our integration with the rest of the world matters – shifting to a dynamic that is less extractive and more favourable to productive reinvestment will require disruptive measures

In the context of increasingly adverse global conditions for export-led growth and widespread re-emergence of industrial and trade policies as explicit tools for building local capabilities, how to grow scope, scale and ambition of SA's IP to avoid being left behind?

Thank you