
The Future of South Africa

Series One



“Civilisation is always in danger when those who never learned to obey are given the right to command”

- Bishop Fulton J. Sheen -

Fulton Sheen is an American bishop of the Catholic Church and winner of the Cardinal Mercier Prize for International Philosophy (1923).

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Written by Michael De lange

References: All data used in the text and graphs are from the World Bank Website unless otherwise stated.

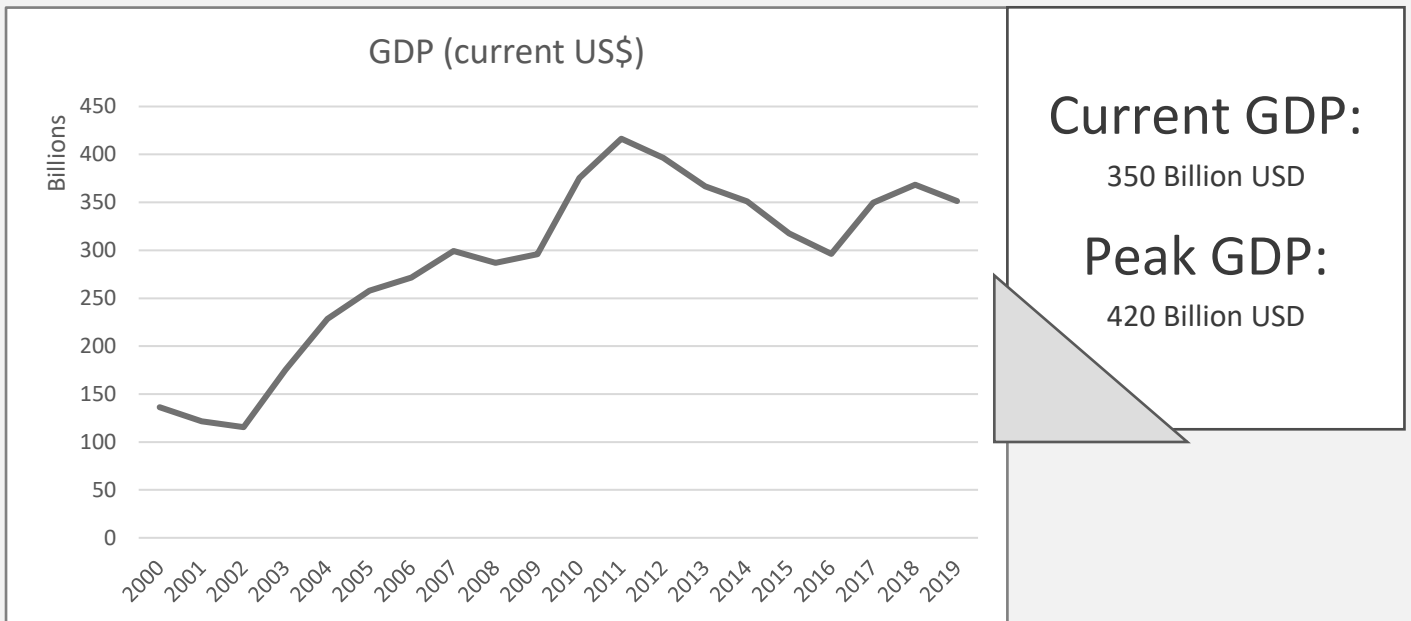
2020

Why

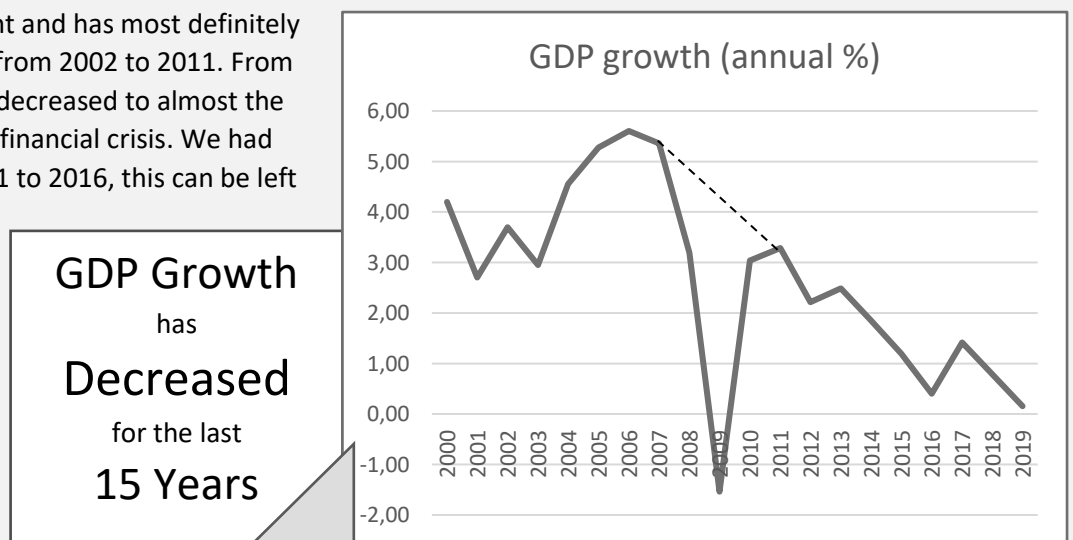
There are many reasons to write about what the future of South Africa looks like. South Africa is arguably one of the most beautiful countries in the world. Its landscape, mountains, fields, and oceans offer some of the world's best views, nonetheless, the economic landscape is one that often appears barren and damaged by a previous time passed. With emigration growing steadily every year, especially after the Covid-19 pandemic, a very many people, young people, are wondering what their futures in South Africa will be, if there is any at all and whether overseas is the answer. This report will not have those answers, I am no economist, my financial skills are limited, and the explanations given drastically simplified. Nevertheless, the data remains true, and that is all I'm offering, to display this data the best way I can, and allow the reader to make up his/her mind on their own futures.

Money

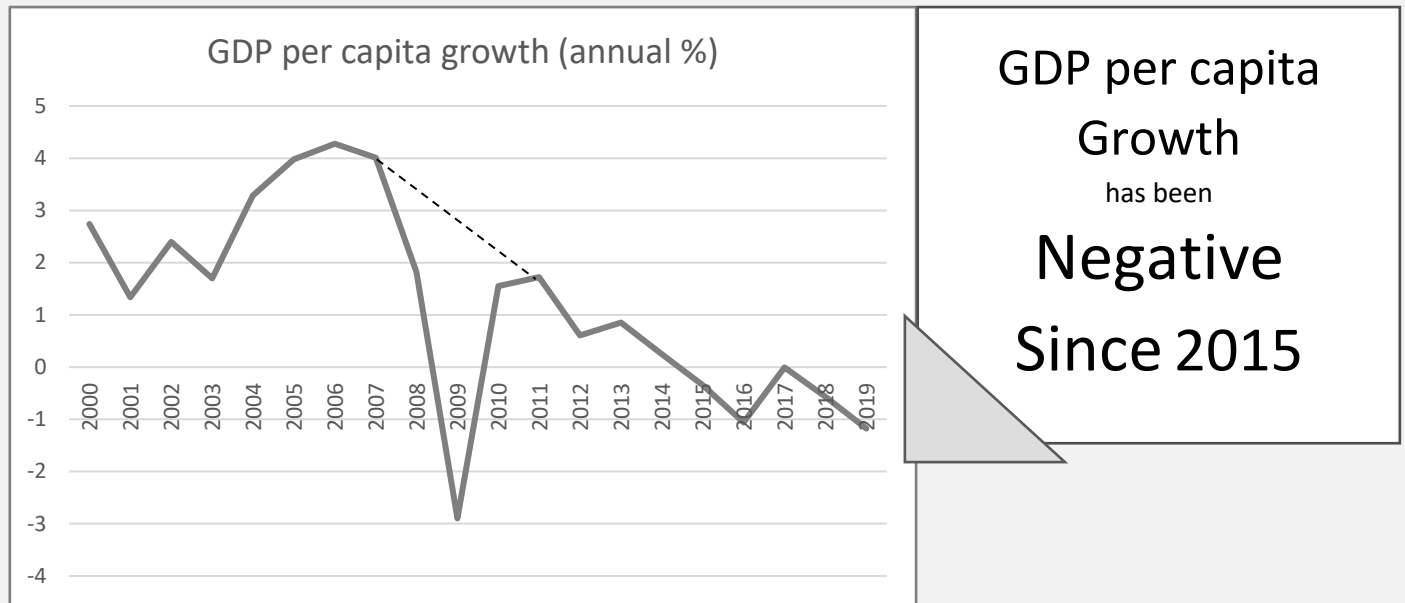
Most of us know roughly what GDP is, it is effectively all the money the country has from goods and services and is used as a way of measuring the economy. Without going into detail, all that needs to be said is, bigger is better, and steady growth is great. For the last 20 years this is the pattern of the GDP annually for SA, in US dollars.



The GDP reached a peak in 2011 of 420 Billion USD, after which the closest the economy has come to that number was in 2018, with 370 Billion USD. However, it is currently sitting at 350 Billion and seems to be struggling to make any significant improvement and has most definitely lost the momentum it had from 2002 to 2011. From 2011 to 2016 the GDP had decreased to almost the same GDP during the 2008 financial crisis. We had no financial crisis from 2011 to 2016, this can be left up to you to decide why the country did so bad. It's not too hard to guess why.

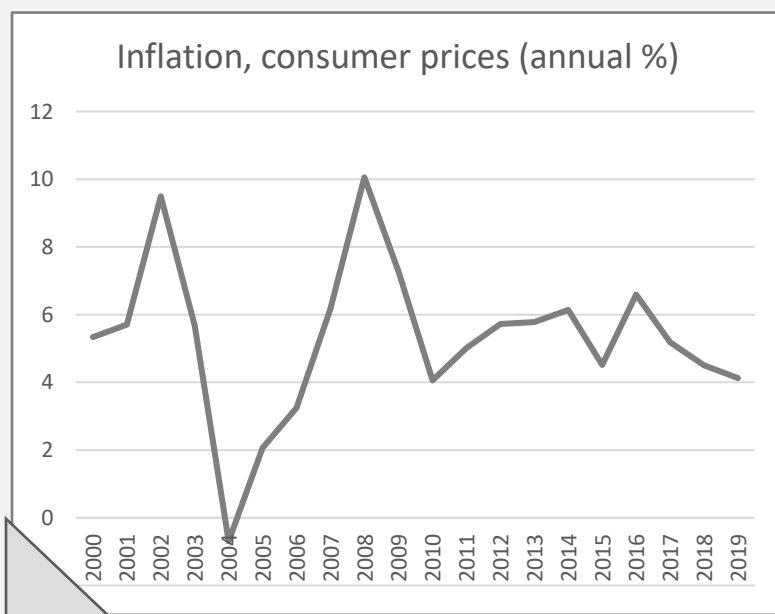


Okay, but let's take a deeper dive into the GDP, the world bank supplies the growth of GDP annually and it is shown above. This graph is a most troubling one. A recession is defined as a retraction in the economy for two consecutive quarters. Well, looking at the graph above, it's safe to assume South Africa never quite left a recession since around 2006. It has obviously had its ups and down but on average it's been declining for over 15 years now. Again, I'm no economist, but I don't think you need to be to see this is not very good at all.



Perhaps more troubling than the declining GDP growth is its 'per capita' counterpart. This has already tipped into the negatives and has been negative since 2015. This means on average, the average person in South Africa is earning less every year, and as we shall see this can be contributed, in part to the linear growth of population and decrease in GDP. Please keep in mind the average inflation rate for the past 20 years has been 5.3%, so not only are people earning less, services and goods are getting more expensive. You don't need a financial degree to figure this one out. If you have time it may also be worth looking at the GDP per capita (PPP – Purchasing Power Parity) for more detail.

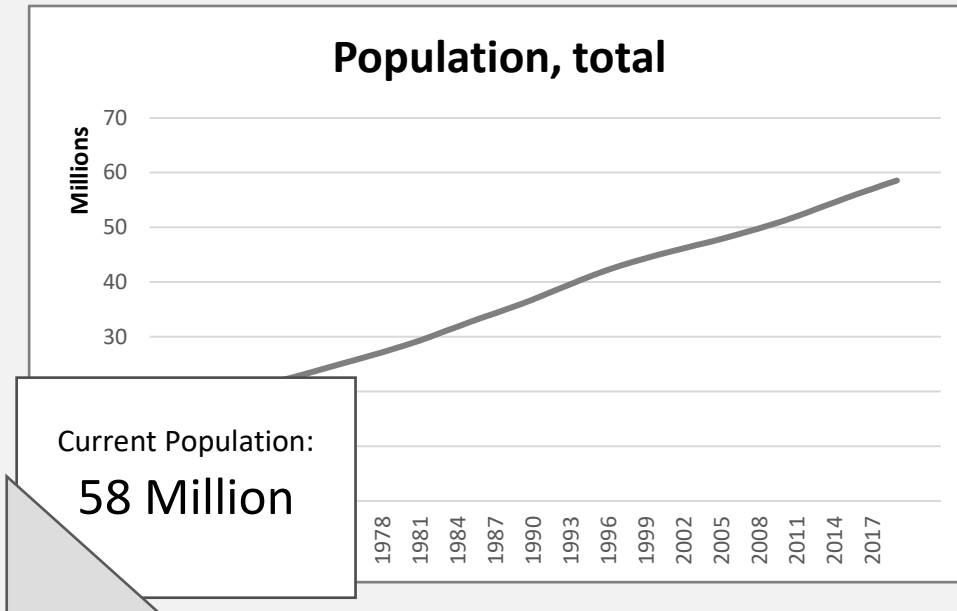
Side Note on Inflation



The average inflation rate for the past 20 years is 5.3%, the graph on the left shows the inflation since 2000. Far from stable, however in recent years it has levelled off and slowly started to decrease. For the last few years this rate has stood around 5%, the world inflation rate is 3.5%. Inflation rate is used as an economic driver, since if inflation is high, peoples' savings in the future will be worth less, encouraging more people to invest in the economy rather than leave money in the bank. But low interest rates often show consumer confidence is low and people as well as businesses may be less willing to make further investments into country.

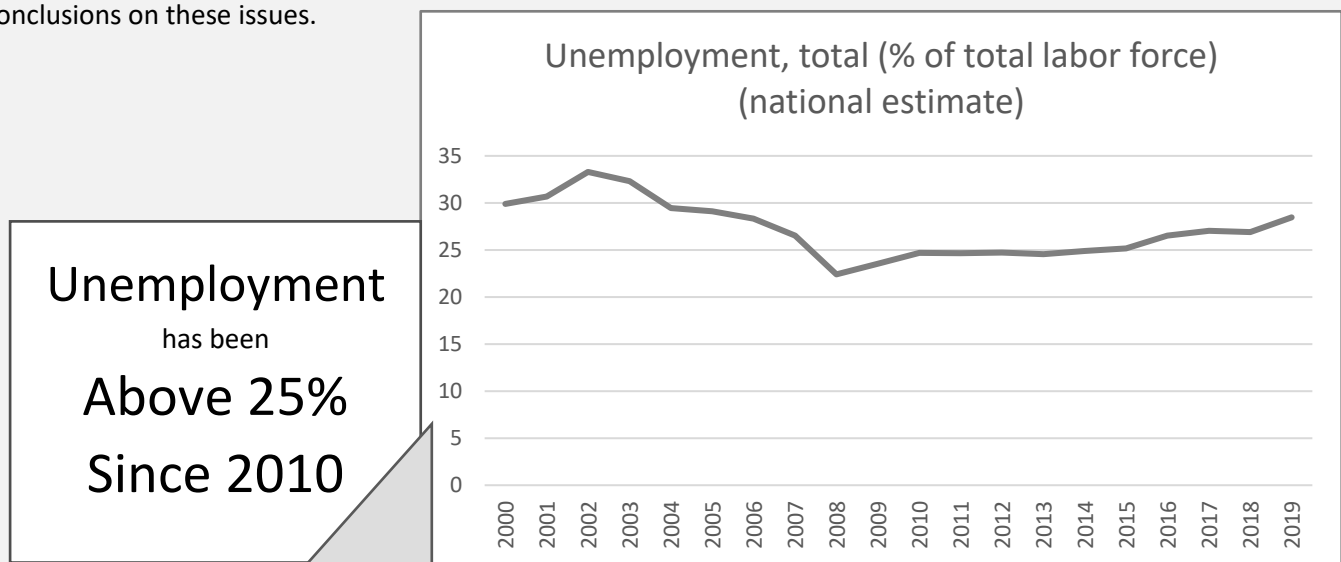
Population

The population in most third world countries is starting to decrease. Africa is still expected to add 2 billion people to its total population before things level off. This poses great opportunities in the areas of emerging markets. All these new people will eventually need a place to live, and food to eat. The work force should be strong, and business can be great. Although the population in South Africa doesn't seem to be slowing down anytime soon.



This is why in part, in the face of a declining GDP, the average annually salary of people in South Africa is going down. Now this doesn't mean people really get paid less. What this really means, is due to the large discrepancies in wealth distribution, having both extremely poor as well as extremely rich people in SA, poor people are getting poorer and unemployment is rising. We can see this in the following unemployment graph showing the percentage of the labour force that is unemployed.

In the unemployment graph we find a strange pattern. The lowest the unemployment has been since 2000 is 23%, and this occurred, of all times, during the financial crisis of 2008. Ever since then the unemployment in South Africa has gotten worse and worse. With the current Covid-19 pandemic this percentage is as high as 35% to 40%. This is of the upmost concern. More than one third of the current available labour force have no jobs. This means the gap between the rich and the poor is only made larger. The burden on the country and government is made heavier, perhaps this is why we pay close to 45% in taxes in the highest bracket. Sweden as of writing this down, pays 57% in taxes. Some people in SA pay close to 80% of the going tax rate in Sweden, yet are our services even close to 80% of that of Sweden's? People in Sweden go to school (Decent school) for free, get free health care (Decent health care) and amazing free public hospitals. I do not even need to explain the current state of public hospitals in South Africa. They go to university for free and have efficient public transport. Perhaps Sweden and South Africa cannot be compared (remember I know nothing), however keep in mind Sweden has achieved all this with only a population of 10 million people. We currently have close to 60 million people in South Africa. I will leave you to make your own conclusions on these issues.



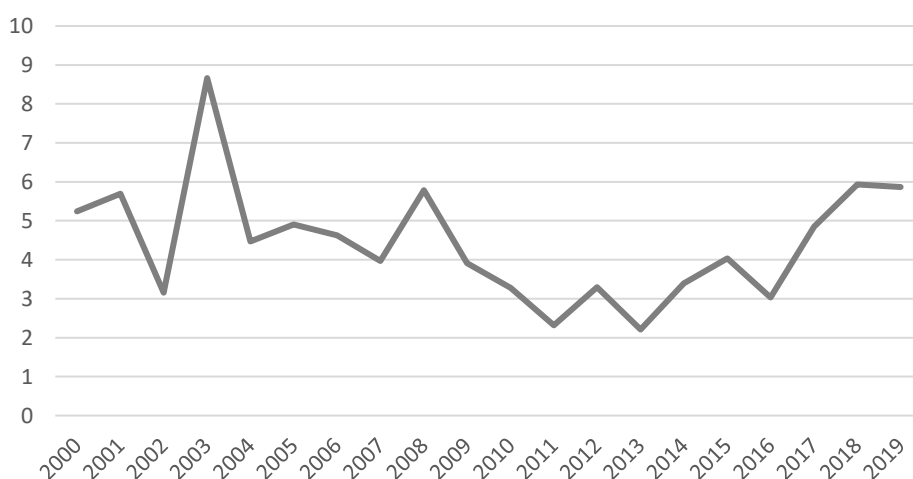
Here is more on the population. Since around 1996 an additional 33% of the population has gained access to electricity. This is a great improvement, although we now currently still go through the odd power cuts, it has gotten better. The adolescent fertility rate is the number of women, per 1000 women, between 15 and 19 years of age who have children. Since 2000 this number had increased from 65 to 72 in 2013, however decreased from this number down to 68 in 2018. Life expectancy has remained fairly stable for the last 20 years at around 56 years of age. The crude birth rate does show that a slight improvement in recent years, down from around 24 births per 1000 in 2010 to 20 as of late. It seems even this decrease somehow has not yet curbed the growing population. Better yet, the fertility rate, births per women, in other words, how many children the average woman has dropped sustainably since the 1960 where on average women were having 6 children, to in the year 2000 where this dropped to 2.6, where it has roughly remained till today (keep in mind this is still above the world average and a very large number compared to the US fertility rate of 1.77). So, there are improvements, although minor, they are a step in the right direction.

Real Interest

Real Interest Rate:

This is the actual return on your money, it is basically the nominal interest, the interest rate, say, your bank gives you, minus the inflation (how much goods and services go up in price). If goods go up more than what your bank is paying you (Negative Real interest rate), then your money is worth less at the end of that year (even if saved in the bank), than at the beginning. Your money cannot buy you what it used to.

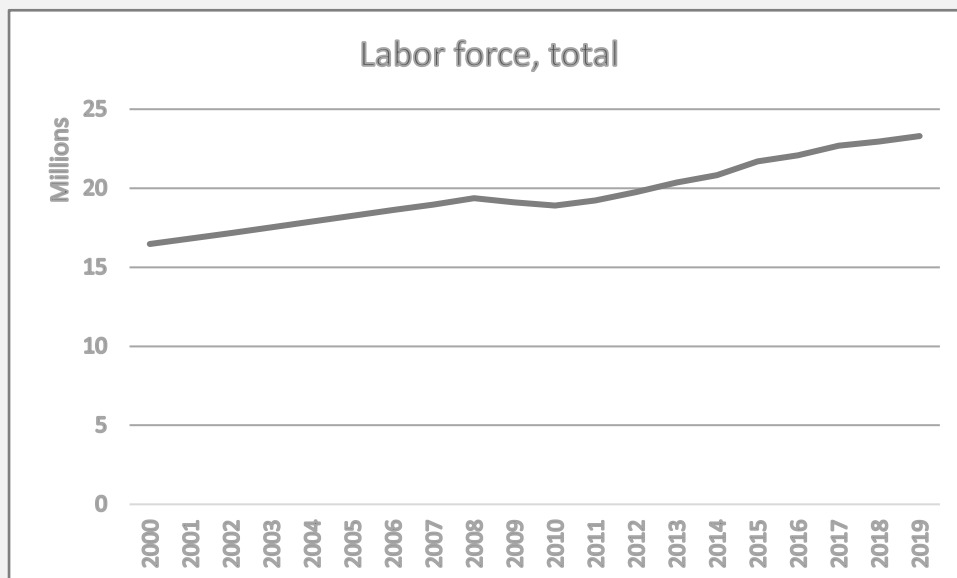
Real interest rate (%)



The real interest is briefly explained above. The real interest rate is great for people who just want to save money in the bank and not have to invest in the economy, only when the real interest rate is very low, or even negative (as it has been in the past), do people start to invest in the economy, in shares and bonds, real estate starts going up and business start to open. We can see in recent years there is a massive spike in this rate, possibly due to customers not spending very much and businesses not able to significantly increase their margins every year. I do not know if this the graph above is a good or bad one, I suggest asking a relative or friend who knows more about this than me.

Labour Force

Labour force is the number of the people in a country of currently of the working age (15 to 64 years of age). Since 2000 this number has grown from 16 million people in 2000 to 24 million in 2019 (an increase of 8 million people). And since the unemployment as of currently is around 40% (unofficial), due to Covid, there are 9.6 million people who can, and are able to work, but cannot find jobs. This number of labourers is a mixture of skilled and unskilled individuals. Meaning if you are starting a business, that requires skilled or non-skilled labour, there shouldn't be shortage of either forms currently.



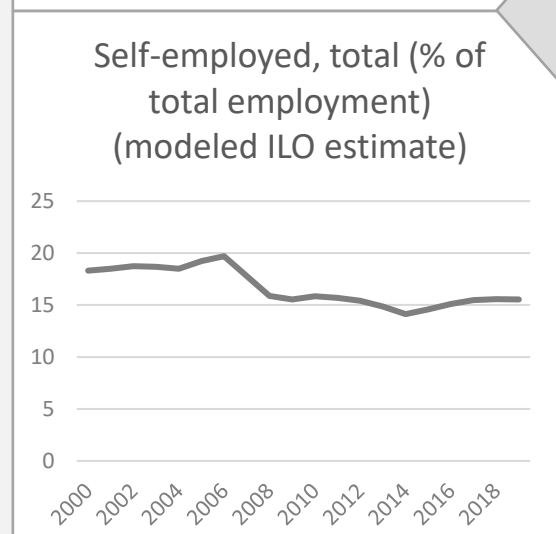
Unemployment
of total
Labour Force
is
9.6 Million

Business

The world bank has recently started recording the average number of days it takes someone to set up a business in South Africa. This started in 2003, and as you can see from the graph, the number of days required to start a business has been dropping. This is most likely due to government policies trying to incentivise entrepreneurial people to start businesses in the hopes of improving the economy. However, it appears this has not been working.

The second graph showing the percentage of people who are self-employed (of total population employed) has also been decreasing since around 2003, from a maximum of 25% in 2006 to 15% in 2019. This means a quarter of the people employed in 2006 worked for themselves, whereas of current it is less than one fifth. Remembering back to the population graph, we know the total number of people is rising, however less and less people are becoming self-employed.

This paints a picture that starting a business in South Africa is harder than already thought. Perhaps people lack trust and confidence in the system and economy. Perhaps they don't. But one thing for sure, less and less people are willing take risks in this country. Leading to less risks taken by other countries and business to invest in South Africa (also check the Moody's, Fitch and S&P ratings).



ILO – International Labour Organization



A recent article by BUSINESSTECH (BusinessTech, 2020) found that South Africa (of the 144 countries included in the Gallup poll) was the 5th most unsafe place recorded. The poll also included how people felt walking alone in their country, and in this we ranked the 4th worst, only beating Venezuela, Gabon, and Afghanistan. The article also included the fact that during the Covid-19 pandemic the murder rate dropped, yet despite the drop there was still 5000 murders in only three months (55 people a day). It's no one wonder private security is so prevalent around communities. Almost everywhere you look, people live in houses with bars on the windows, motion sensor alarms, electric fences and if they lucky, live in gated off communities where they somewhat feel just a little bit safer.

Countries/Areas With Highest Law and Order Index Scores		Countries/Areas With Lowest Law and Order Index Scores		Countries/Areas Where People Feel Safest Walking Alone		Countries/Areas Where People Feel Least Safe Walking Alone	
COUNTRY	LAW AND ORDER INDEX	COUNTRY	LAW AND ORDER INDEX	COUNTRY	% YES, FEEL SAFE	COUNTRY	% YES, FEEL SAFE
Singapore	97	Mexico	61	Singapore	97	Brazil	40
Turkmenistan	97	Botswana	61	Turkmenistan	93	Dominican Republic	39
China	94	Sierra Leone	60	Norway	92	Namibia	39
Iceland	93	Uganda	59	United Arab Emirates	92	Botswana	36
Kuwait	93	The Gambia	58	China	90	Lesotho	34
Norway	92	South Africa	57	Kuwait	90	Liberia	33
Austria	92	Liberia	54	Slovenia	90	South Africa	29
Switzerland	92	Venezuela	54	Tajikistan	90	Venezuela	29
Uzbekistan	92	Gabon	52	Denmark	88	Gabon	28
United Arab Emirates	92	Afghanistan	43	Saudi Arabia	88	Afghanistan	12

BASED ON GALLUP WORLD POLLS, 2019

Full results for all countries are available at the end of the report.

GALLUP WORLD POLL, 2019

After searching for the crime and corruption in South Africa the most relevant article I could find came from the European Institute for crime prevention and control (S. Harrendorf, 2010) published in 2010. Most of the data used in this report is from 2004 to 2008, nonetheless, it can still be used as a rough estimate for where we are today, the results will most definitely shock you.

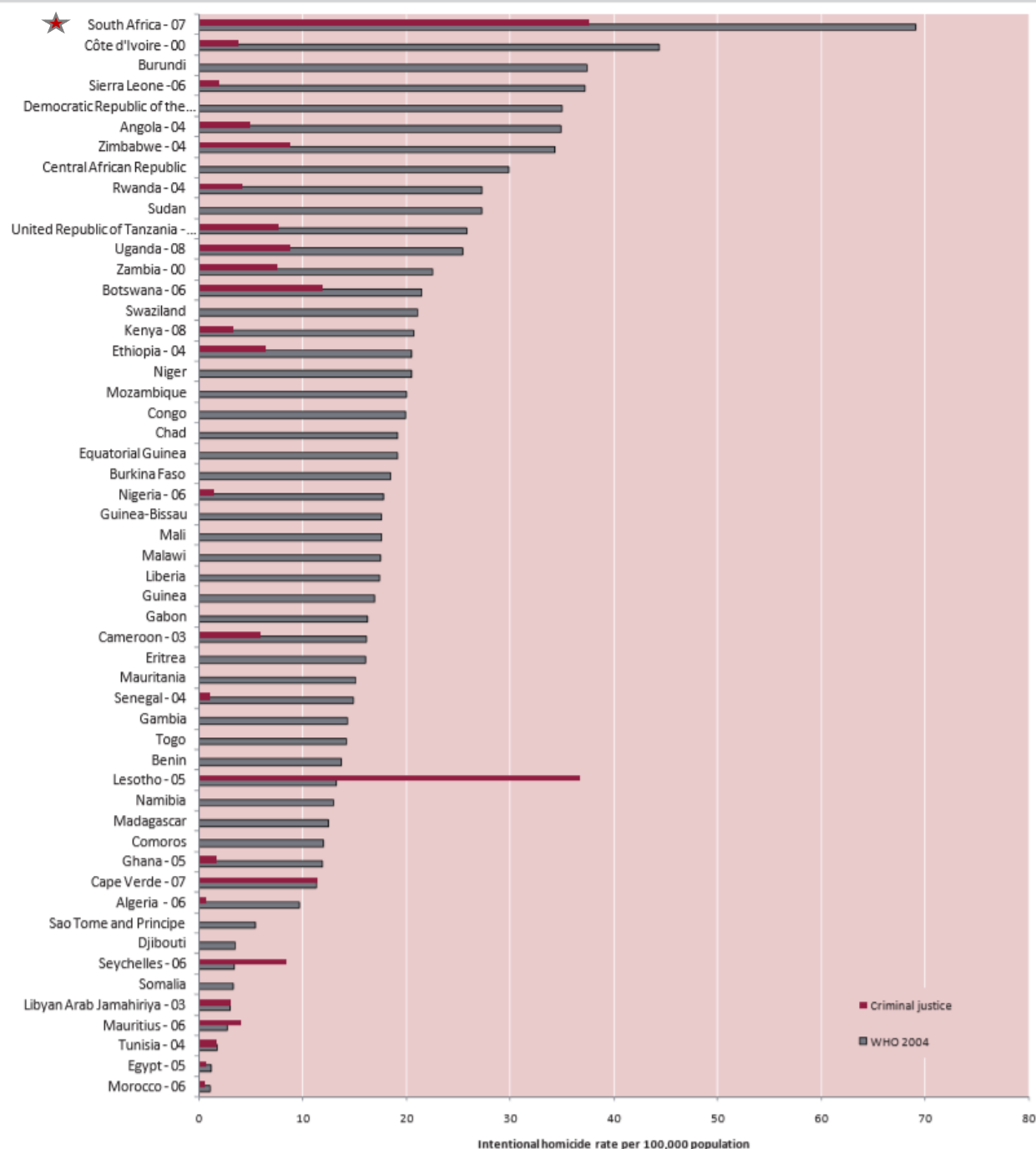
Below is a graph taken from the report stated above, it gives the intentional homicide rate per 100 000 people in African countries. Intentional homicide put simply, is murder. Some of these graphs are massive, however I wanted to provide you with the full set of data so you can compare where we are, relative to the rest of countries listed. The public health data is based in 2004, however the criminal justice stats for South Africa is based on data from 2007. Take a nice long look, were number one, and not by a small margin either. You would have to double 90% of the other African countries murder rate to come even close to what South Africa's is. So out of all the African countries, according to this report, we are the most violent, most murderous country of them all. Even though South Africa is 3rd in total GDP (with Nigeria have the largest GDP and Egypt coming in second) we still have all these murders.

Now I'd like you to compare this with the European countries intentional homicide rate which is the graph shown second. The most homicide in the European region can come from the Russian Federation. And also, please do look at the scale at the bottom of these graphs, they are not the same, the European scale is less than half that of the African one.

When looking at the stats overall, the African regions are the worst for homicide, followed by the Americas, and lastly the most civilized of all the regions is the European regions, that average less than 5 homicides per 100 000, when South Africa alone has 70! I don't think many people realize just how bad that number is. Put it this way, of the European region, if you added the homicides in Montenegro, Liechtenstein, Cyprus, Germany, Ireland, Austria, Andorra, France, Norway, Malta, Greece, Switzerland, Denmark, Italy, Iceland, Luxembourg, Netherlands, Sweden, Czech-Republic, Spain, Belgium, Poland, Portugal, Croatia, Bosnia and Herzegovina, Slovakia, United Kingdom of

Great Britain and Northern Ireland, Slovenia, Hungary, Finland, Serbia, Turkey, Bulgaria, Romania, Republic of Macedonia and Albania, you still won't top South Africa's Homicide. And in terms of the Americas region, you would have to add Canada, the United States of America, Haiti, Chile, Mexico, Peru, Cuba, Costa Rica, Argentina and Uruguay before you came close to touching South Africa. South Africa is up there with Colombia, El Salvador and Guatemala. I understand that most of these low homicide cases come from first world countries, but that's where South Africa and Africa as whole should be aiming for, and hence the reason I compare them.

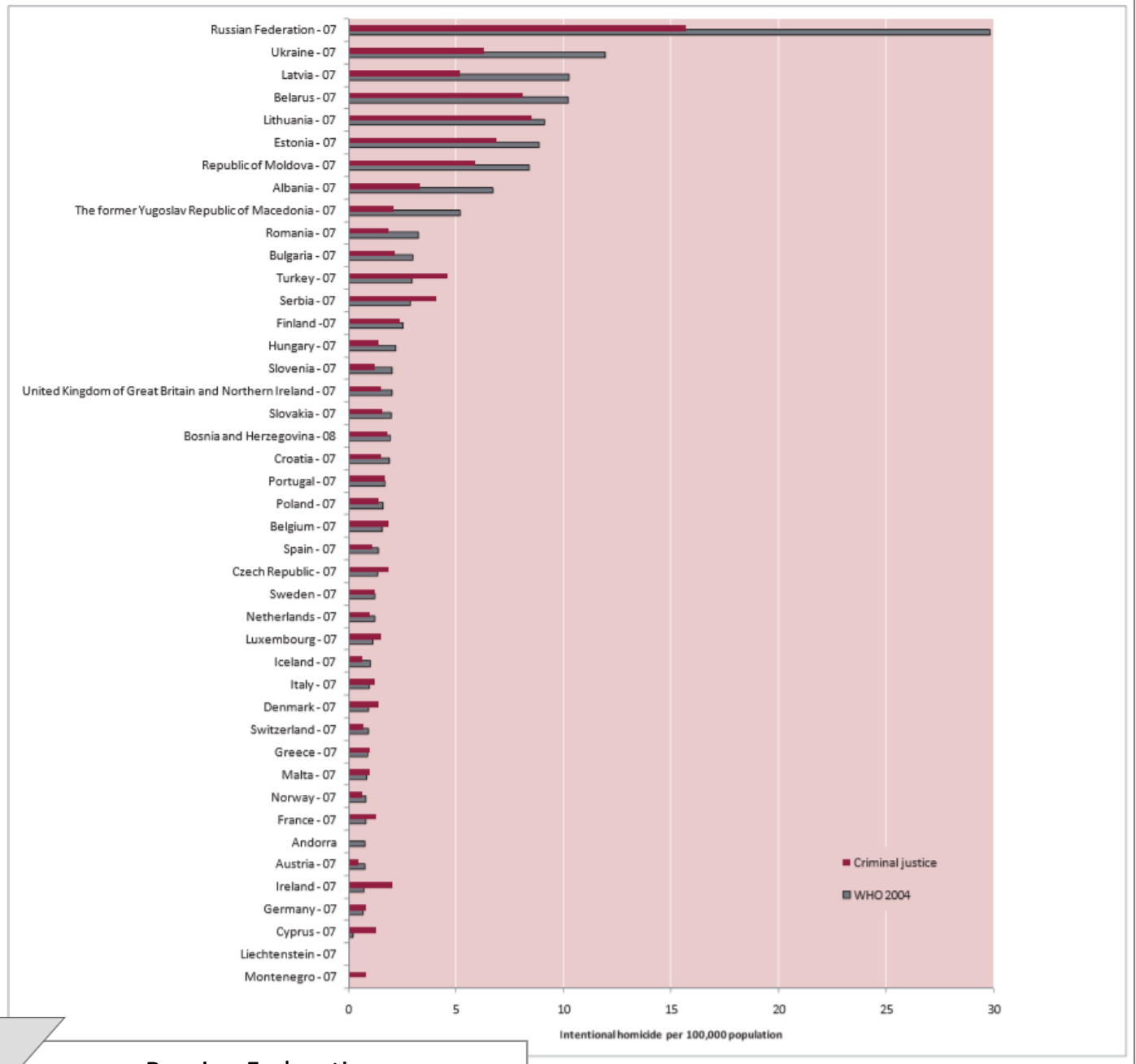
Figure 3. Homicide rate per 100,000 population, Africa region, by country (criminal justice, latest available year; public health, 2004)



South Africa Has the
worst homicide rate of all African countries

At around 70 per 100 000.

Figure 5. Homicide rate per 100,000 population, Europe region, by country (criminal justice, latest available year; public health, 2004)



Russian Federation

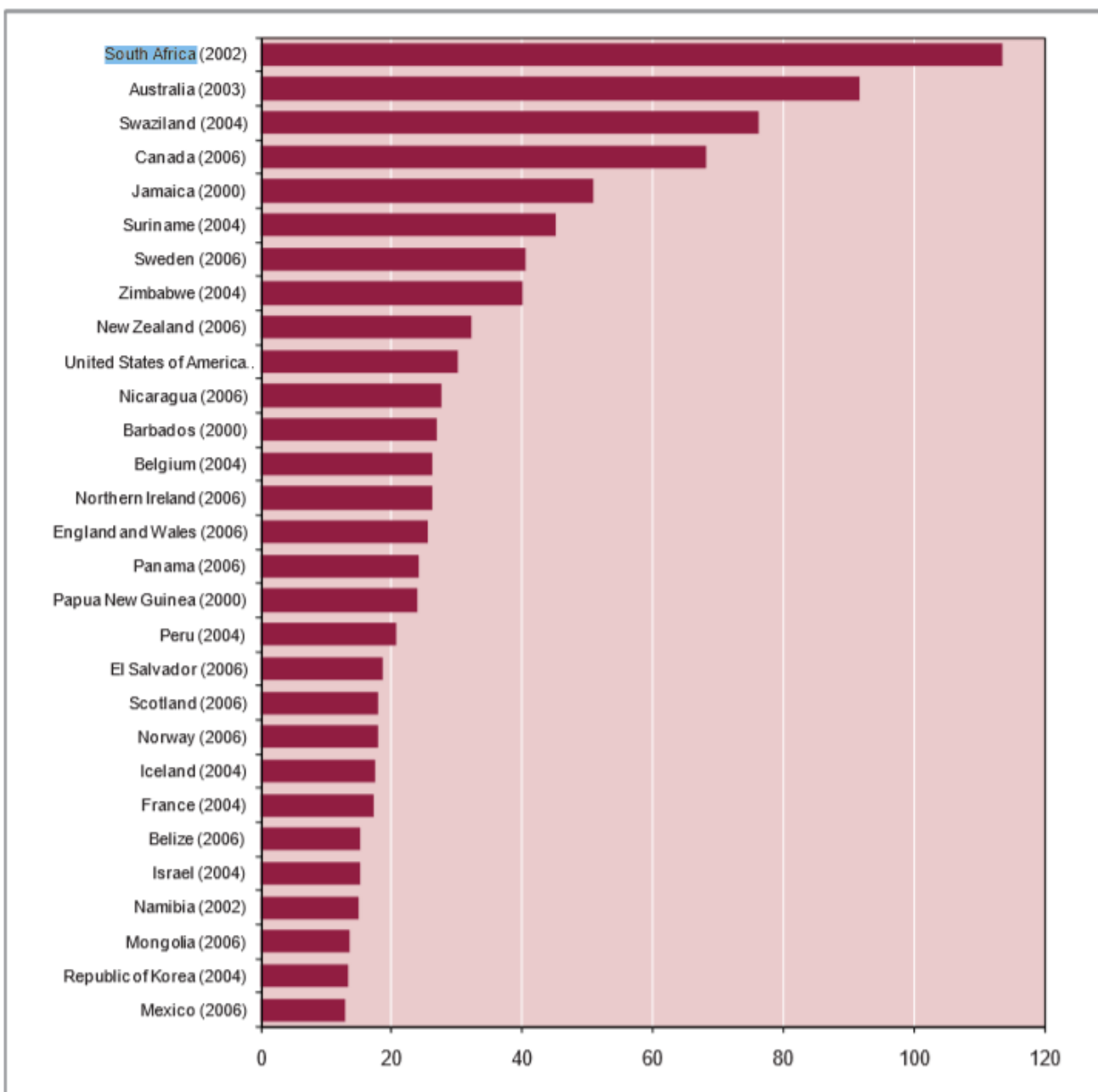
Has the

**worst homicide rate
of all European countries**

At around 30 per 100 000.

This same report also contains stats of rapes per 100 000 population (that are reported to the police), the graph below, shows the countries above the 3rd Quartile, it won't surprise you to know South Africa is number one here as well, but it might surprise you who's up there with us. These include Canada, Australia and Sweden (Sweden is the rape capital of Europe, despite having the world's first feminist government, the reason for the rapes is large number of emigrants that Sweden let into the country (90% of all rapes in Sweden are from emigrants), however you will have to rely on independent sources for this information because Sweden refuses to break down it's crime or rape statistics based on ethnicity or race).

Figure 5. Countries above the 3rd Quartile according to the rape rate (police recorded rapes /100,000 population, latest rate)



There are many other stats listed in this document with regards to robberies, theft, and other such things, however they all give the same basic story. If anyone was given a chance to move anywhere in the world, based on the above, South Africa would be last on the list.

Overall


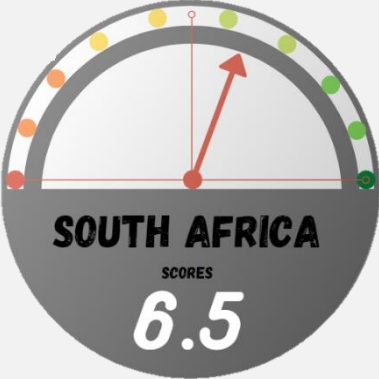
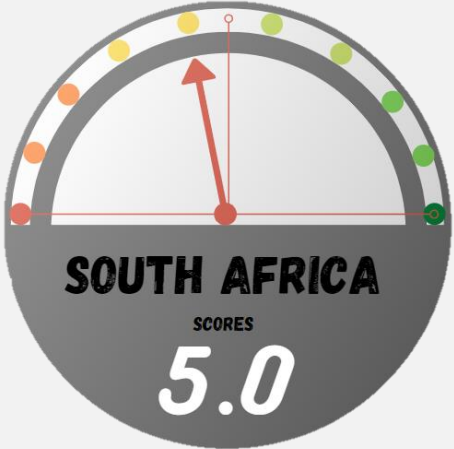


Overall, the country as a whole, I don't know. What do you want to hear? You want me to say that things will get better, that the country will turn around. Well, I can't. Remember I don't know anything, and don't have any degree on this stuff and don't know any more than you do. Your guess is as good as mine. I do know that as of writing this we have been downgraded, yet again by two of the rating agencies and unemployment is at above 40%. Right now, we are like a car speeding straight for a solid concrete wall. There is always the chance we could stop beforehand or serve off on to the right path. But currently as it stands, we're not heading in the right direction, and I don't believe things will get to where they need to be in my lifetime, or my children's. But again, its not up to me to decide, it's up to you.

The Futures Score



This is just a basic score that I think most people could agree on reading the above statements. The score is based on the economy and the lifestyle in that country. The economy is based mostly on the above data and the lifestyle on my own personal experience since I live in this country.

Economy		Lifestyle	Overall Score
			
<ul style="list-style-type: none">• Biggest issue: Corruption• Biggest plus: Lots of labour		<ul style="list-style-type: none">• Biggest issue: Fear• Biggest plus: Landscape	

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