



# Global priorities for the year ahead

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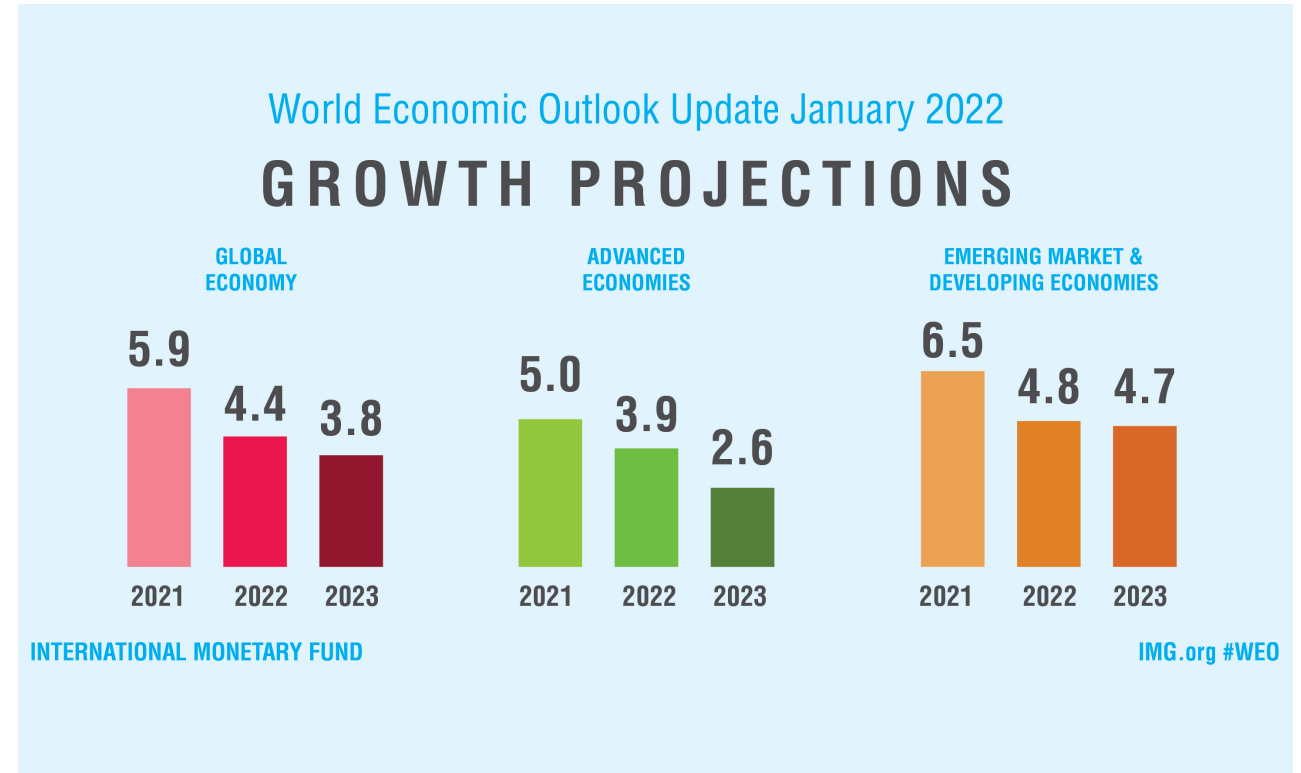
# Key Messages – Global Economy & Outlook

- Global economic recovery slower than initially expected in 2022
- COVID-19 concerns remain real & relevant; the race to vaccinate the world continues
- Russia-Ukraine conflict of global consequence; slowing economic growth, rising inflationary pressures & supply chain and trade disruptions
- Environmental sustainability, decarbonization of global economy increasingly critical & key objectives
- Paradigm shift in global economic & political order?



# Global economic recovery slower than initially expected in 2022

- Global spread of Omicron COVID-19 variant in late 2021: disruptions & resultant restrictions
- Rising energy prices & supply constraints → ↑ inflationary pressures
- Russia-Ukraine conflict



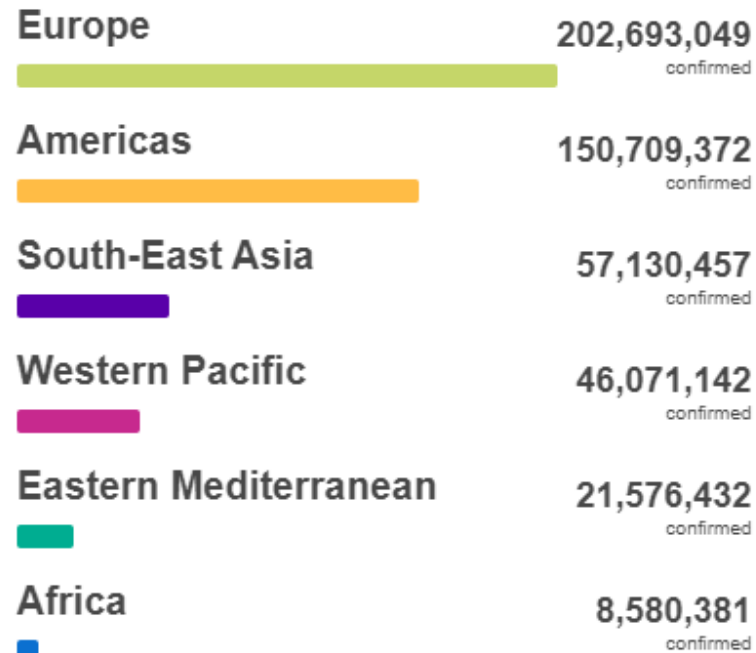
Source: International Monetary Fund, *World Economic Outlook Update*, January 2022

# While less prominent, COVID-19 concerns remain real

- 01 April 2022:

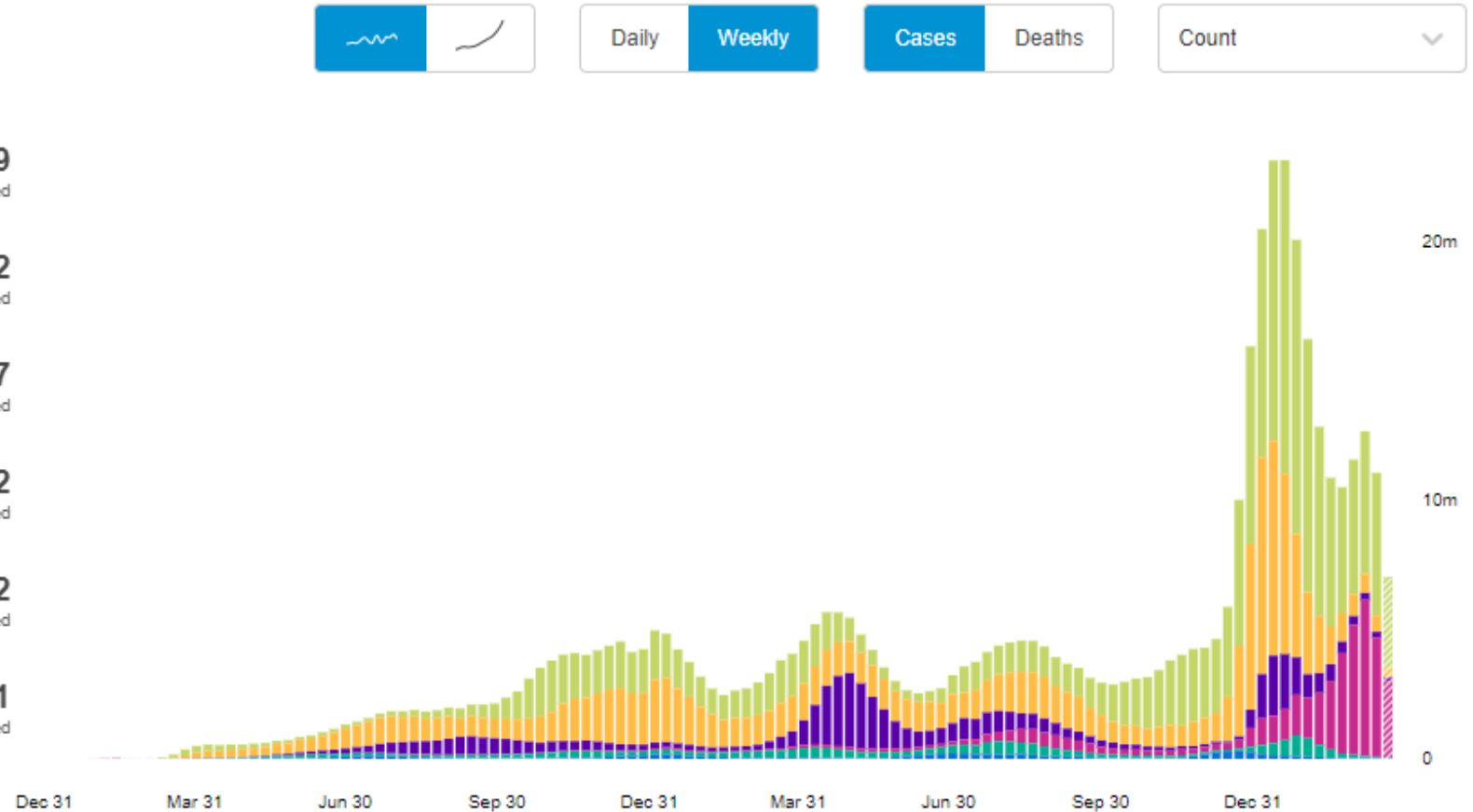
486,761,597 cumulative global cases; 6,142,735 deaths; 1,391,813 new cases in last 24 hours

## Situation by WHO Region



Source: World Health Organization

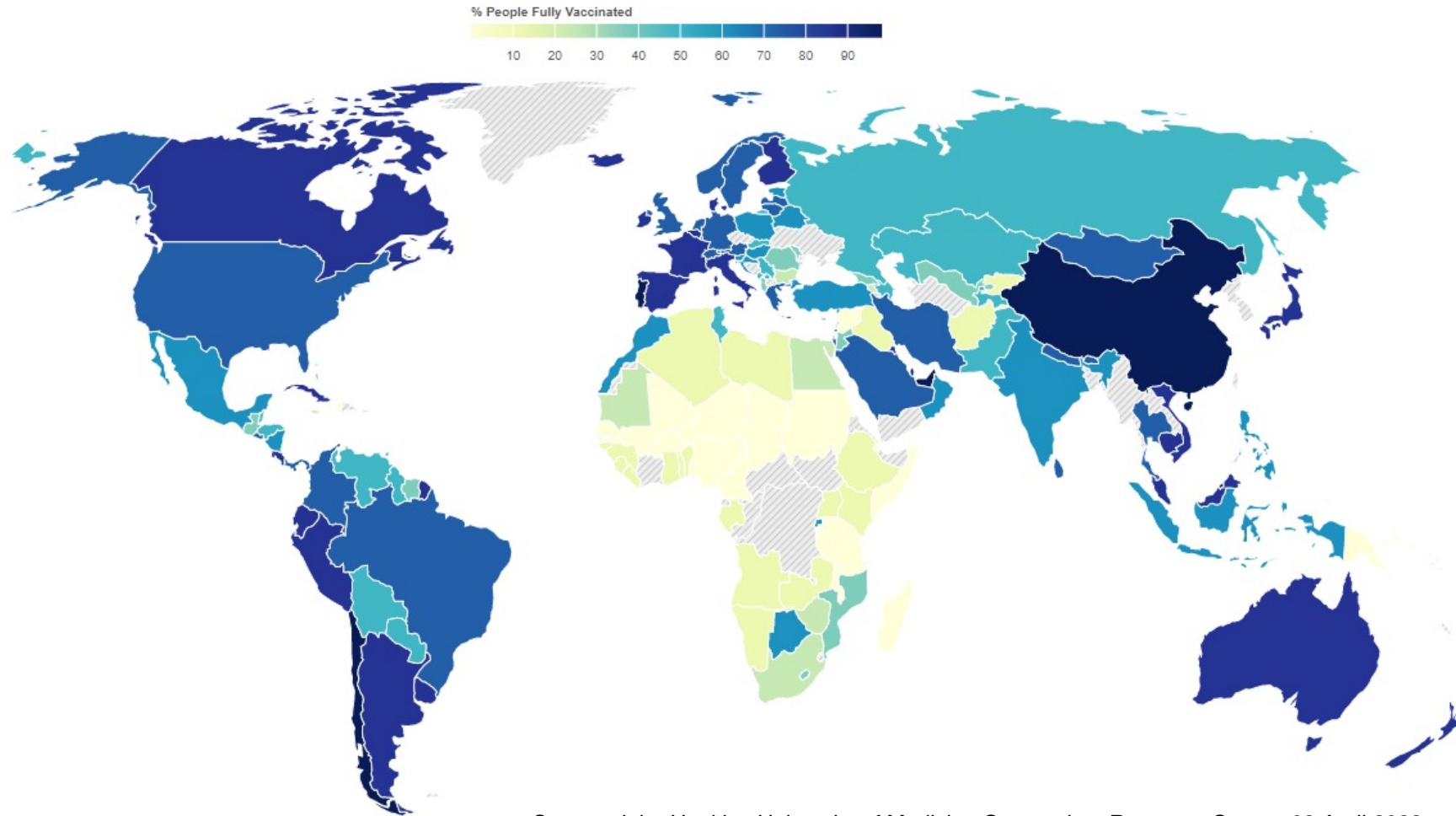
Data may be incomplete for the current day or week.



Source: World Health Organization (WHO) Coronavirus (COVID-19) Dashboard, 03 April 2022

# The race to vaccinate the world continues

- IMF critical of unequal distribution of vaccinations; cautions of absorption rate & vaccine hesitancy
- Notes that vaccinations are critical in preventing global systemic crisis - emergence of deadlier variants could prolong the crisis

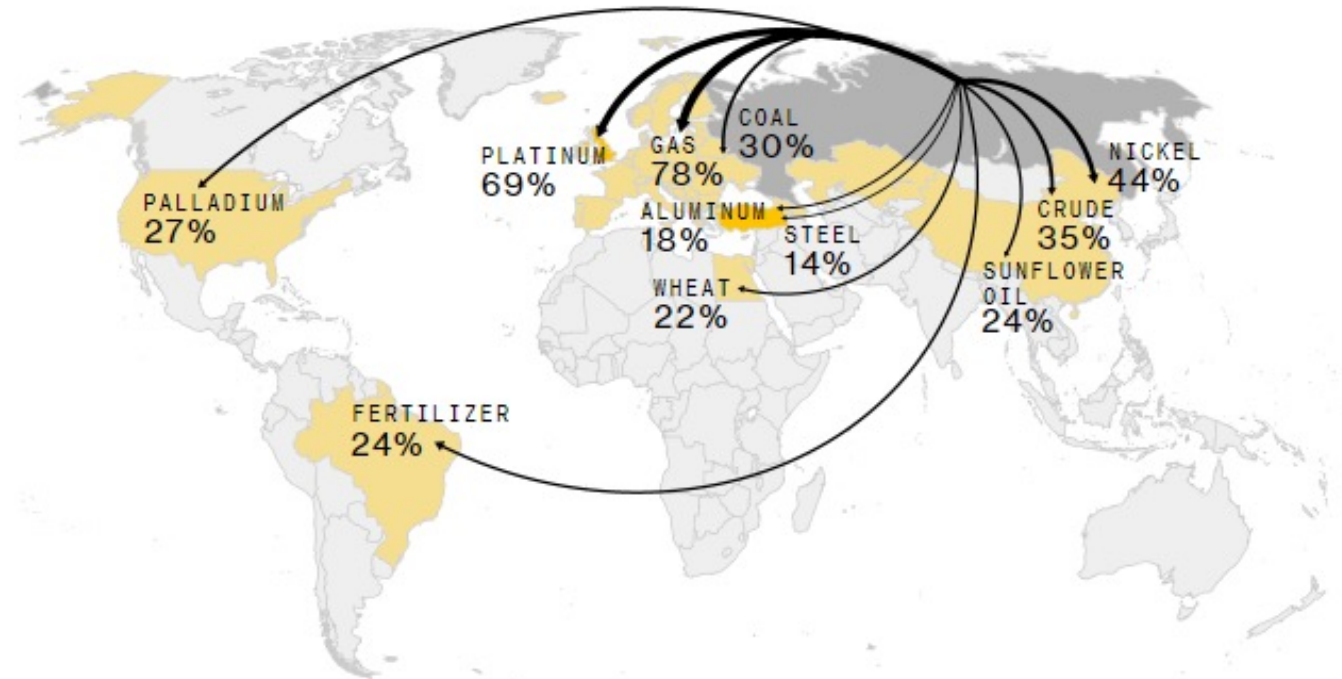


# Russian-Ukraine developments of global consequence

- Impacts will be felt through three main spillover channels:
  - Higher commodity prices resulting in higher inflation; erosion of real incomes & disruption to demand
  - Disrupted trade & global supply chains
  - Reduced business confidence & increased investor uncertainty

## Russia's Commodities Reach

The share of Russian exports that go to each destination



Source: Bloomberg, 24 March 2022

# Global commodity prices turbulent on supply concerns

- Brent crude at highest levels since 2014 in early March 2022; wheat prices hit record high in early March 2022
- Global food prices reach all-time high in February 2022 – UN FAO
- Rising global food prices of consequence to poor households; raises global food security concerns

## Crude Oil (Brent) (USD per barrel)

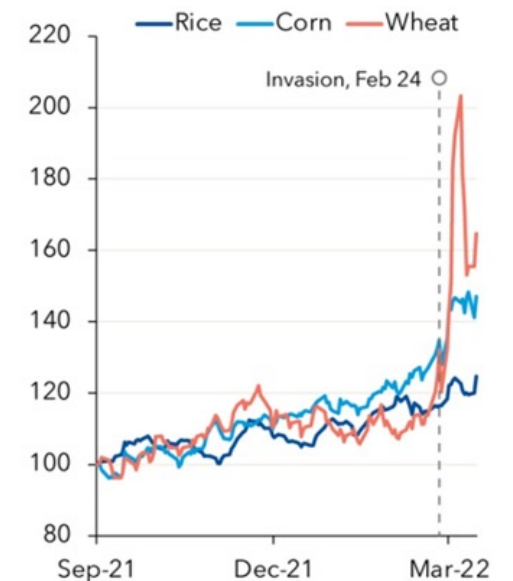


## Food as % share of CPI Basket & Food Price Index

### Food's share of consumer price index (percent)



### Food prices index (Sep 2021=100)



# Impact on Africa – Risks posed, but opportunities too

- Africa vulnerable to Russia-Ukraine developments through four spillover channels:
  - Higher food prices; higher energy prices; lower tourism revenues; global financing conditions
- Russia & Ukraine are key suppliers of agriculture products and inputs to many African countries
  - Sub-Saharan Africa imports close-on 85% of wheat supplies, one-third of which comes from Russia or Ukraine
  - Wheat dependency: 13 African countries source >50% of wheat from Russia & Ukraine in 2021 (Eritrea = 100%; Somalia 91%)
  - Fertilizer dependency: 9 African countries source > 20% of fertilizers from Russia & Ukraine in 2021 (Cameroon = 48%; Ghana = 38%)
- Tighter global financial conditions & external financing impact on elevated debt levels?
- But, upside for select commodity-rich natural resource exporters



# Environmental sustainability, decarbonization of global economy increasingly critical & key objectives

- Climate risks dominate global concerns & climate transition remains top of global agenda
- European Commission resolute in commitment to green, digital & resilient EU economy - [European Green Deal \(EGD\)](#)
- [REPowerEU](#) plan launched in March 2022 – Joint European Action for more affordable, secure and sustainable energy
  - New strategy to boost Europe's energy independence
- AfDB – Launch of Climate Change and Green Growth Framework at COP26
- Green transition seen as opportunity to put global economy on new path of sustainable and inclusive growth



Source: World Bank, March 2022

# Paradigm shift in global economic & political order?

- Strengthening of alignment between Europe, and US & Europe – renewed ties to foster new opportunities for economic growth?
- Shifting global supply chains?
- Geopolitical tensions?
- The role of cryptocurrency?
- The rise of sustainability-related investments & increasing global commitment to carbon neutrality





# South Africa – Glimmers of hope and opportunity

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# Key Messages – South Africa

- Economic growth surprises on the upside in 2021
- COVID-19 remains omnipresent; slow vaccine absorption rate and vaccine hesitancy of concern
- Progress being made on a number of key and critical fronts
- South African narrative more optimistic
- Glimmers of progress and opportunity

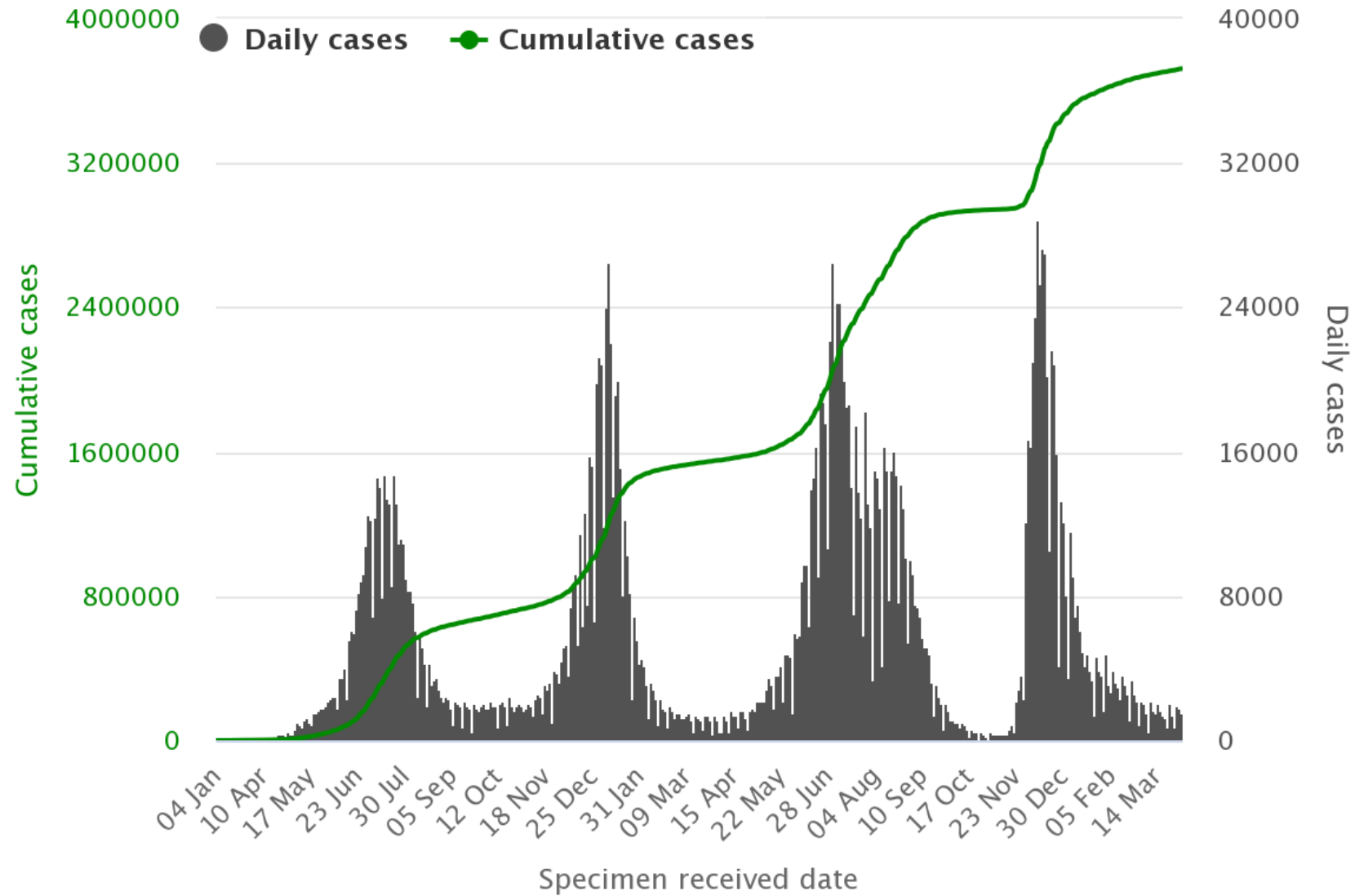


# Economic growth surprises on the upside in 2021

- Real GDP increased by 1.2% in 2021Q4, buoying annual growth rate to 4.9% for calendar 2021, improved on decline of 6.4% recorded in 2020
- Momentum maintained into early 2022 with increases in local business activity evident in early to mid 2022Q1, further supported by strong start in number of major trading partners – positive support for GDP momentum recovery in early 2022Q1
- Russia-Ukraine developments increasingly felt
- Rising commodity prices positive for balance of payments, fiscus; but placing upward pressure on inflation



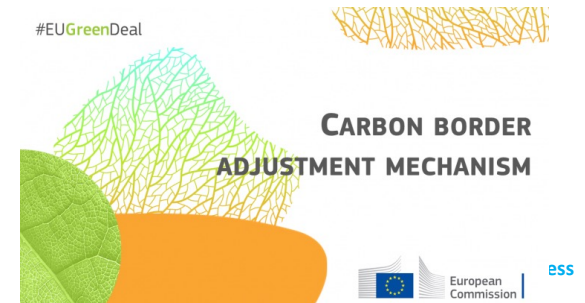
# While less prominent, COVID-19 remains omnipresent



Highcharts.com

# Progress being made on a number of critical fronts

- Renewable Energy IPP Programme (REIPPPP) continues to grow South Africa's renewable energy footprint; thereby successfully diversifying energy mix in bid to transition to low carbon emissions
- Ground-breaking [International Just Energy Transition Partnership](#) signed with France, Germany, UK , US and EU in late 2021 is testimony to commitment to accelerate the decarbonization of South Africa's electricity system
  - Expected to prevent up to 1-1.5 gigatonnes of emissions over the next 20 years and support South Africa to move away from coal and to accelerate its transition to a low emission, climate resilient economy
- Recent tabling of [South African Climate Change Bill](#) & National Climate Change Adaptation Strategy (NCCAS)
- Preparedness with European Green Deal (EGD) 'Carbon Border Adjustment Mechanism' is critical
  - One of key elements of EUs Fit for 55 package & Circular Economy



# South African narrative more optimistic

- A number of significant developments achieved since January 2021
- [Operation Vulindlela](#) – notable progress in terms of key stated objectives
  - 7 out of 19 completed; 12 still in progress
- Presidential Employment Stimulus program delivered over 500,000 jobs & opportunities in 5 months
- SONA 2022 – Presidency remains resolute in commitment to revive the economy and create conditions for long-term stability and growth
- Budget 2022 - Revenue windfalls buoy budget metrics; budget gap to narrow faster than expected
- [4th South African Investment Conference](#) resounding success sees national government reaching [95% of ZAR1.2 trillion target](#) set for five-year period
- Number of new political appointments affirm Presidency's commitment to stamp out corruption

# Glimmers of progress and opportunity

- Triple curse of poverty, unemployment, & inequality ubiquitous and here to stay unless economic growth breaks through growth ceiling of 1.5% – 2%
- Deep structural reforms needed to address fundamental factors restricting growth trajectory
- Notwithstanding revenue boon, fiscal deficit & debt sustainability remain of concern
- But SONA 2022 affirmed government's commitment to implement required structural reforms needed to address growth challenges
- AfCFTA – streamlining intra-African trade across continent gaining momentum, presenting post-COVID growth opportunities
- Recent upgrading of sovereign credit ratings outlook



A scenic coastal landscape featuring a winding asphalt road on a steep, rocky cliffside. The road curves along the edge of the cliff, with a white car visible in the distance. Below the cliff, the ocean is a deep blue, with white foam from breaking waves visible. In the background, several large, rugged mountains rise from the water's edge under a bright blue sky with scattered white clouds.

# Western Cape economy seeks to service future demand

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# Key Messages – Western Cape economy

- Local economy resilient despite exogenous shocks
- Services led economy – sophistication and maturation of key enabling services sectors; well equipped to service future demand
- Exports accelerate in 2021 despite global economic challenges
- Strong FDI inflows testimony to province's offerings and future orientation
- Strong & steady growth seen in domestic tourism markets and good recovery in international tourism markets
- Russia-Ukraine conflict will impact short-term trade flows
- Evolving global trade lines, agreements & protocols of key interest
- Digitalization, digital transformation and technology, and green economy are central to future productivity growth
  - Local world-class tech ecosystem continues to attract significant interest – closely aligned to green economy
- Western Cape is well positioned to navigate fluid & fast-changing global economic environment

# Local economy resilient despite exogenous shocks

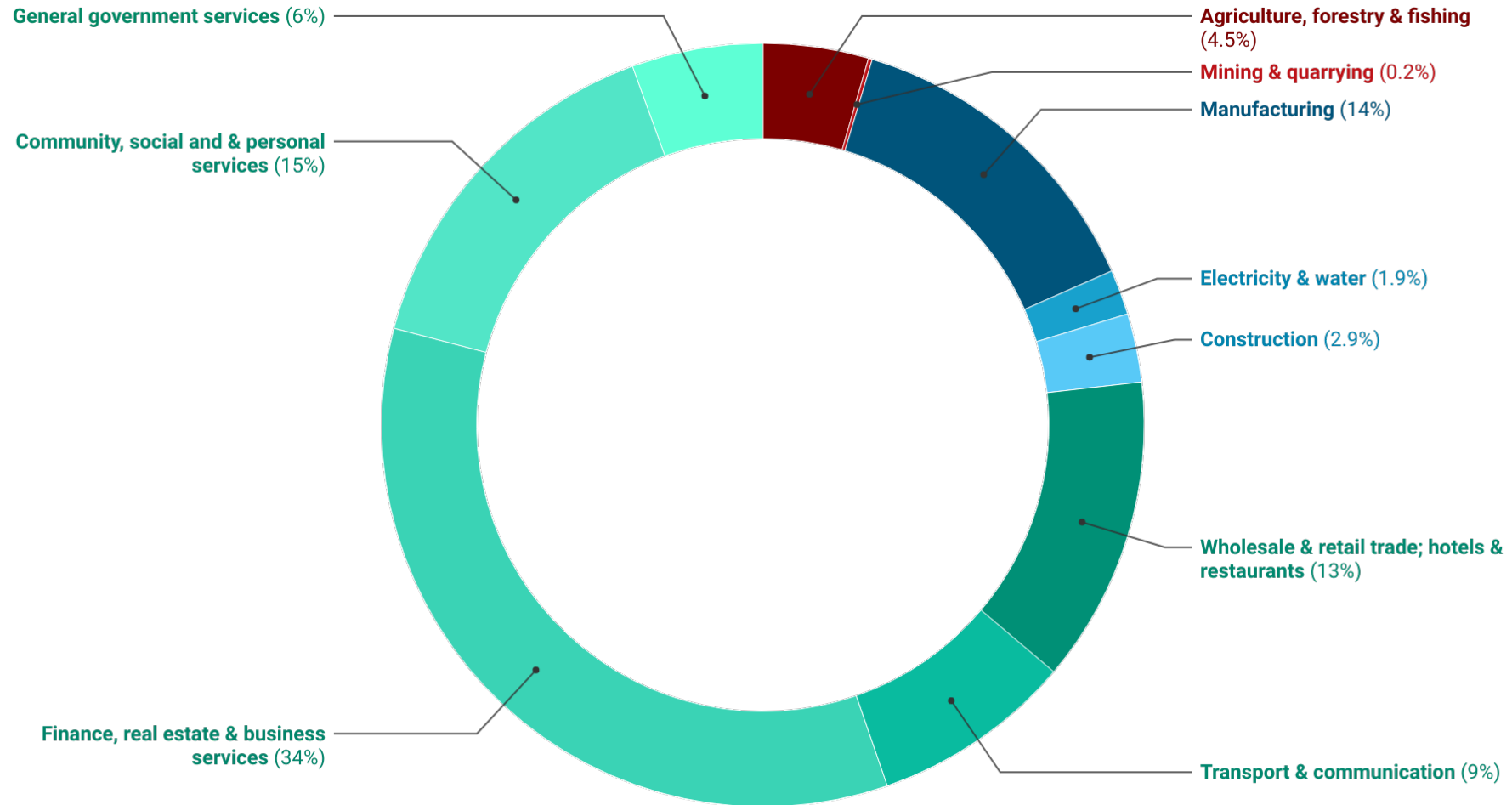
- Largely instep with national developments and trends



# Dominance of tertiary sector a sign of global competitiveness

- Western Cape well-equipped to service future demand – services led economy

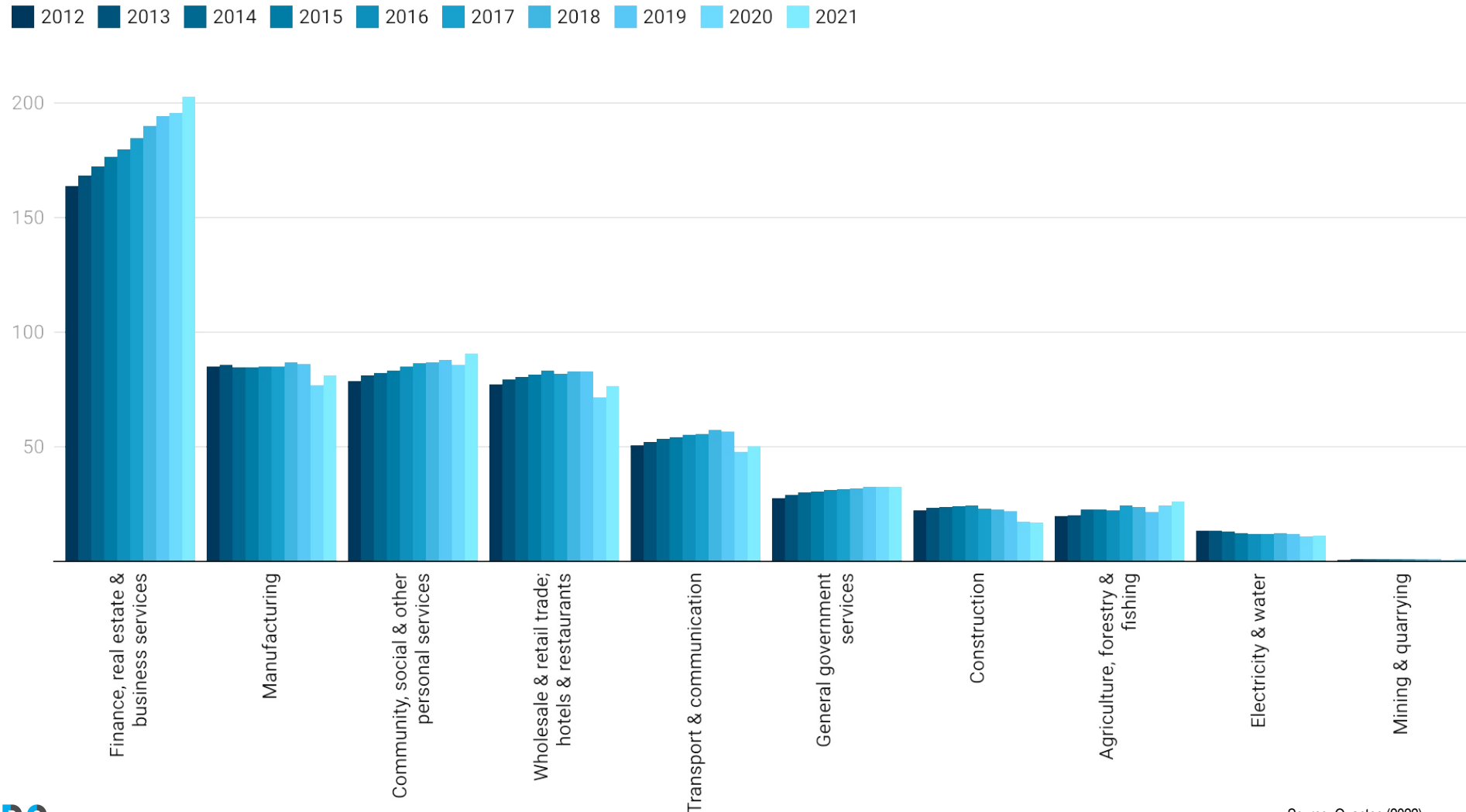
Composition of GVA at constant 2015 prices (2021)



Source: Quantec (2022)

# Anticipated economic recovery will be driven by finance, trade & tourism sectors

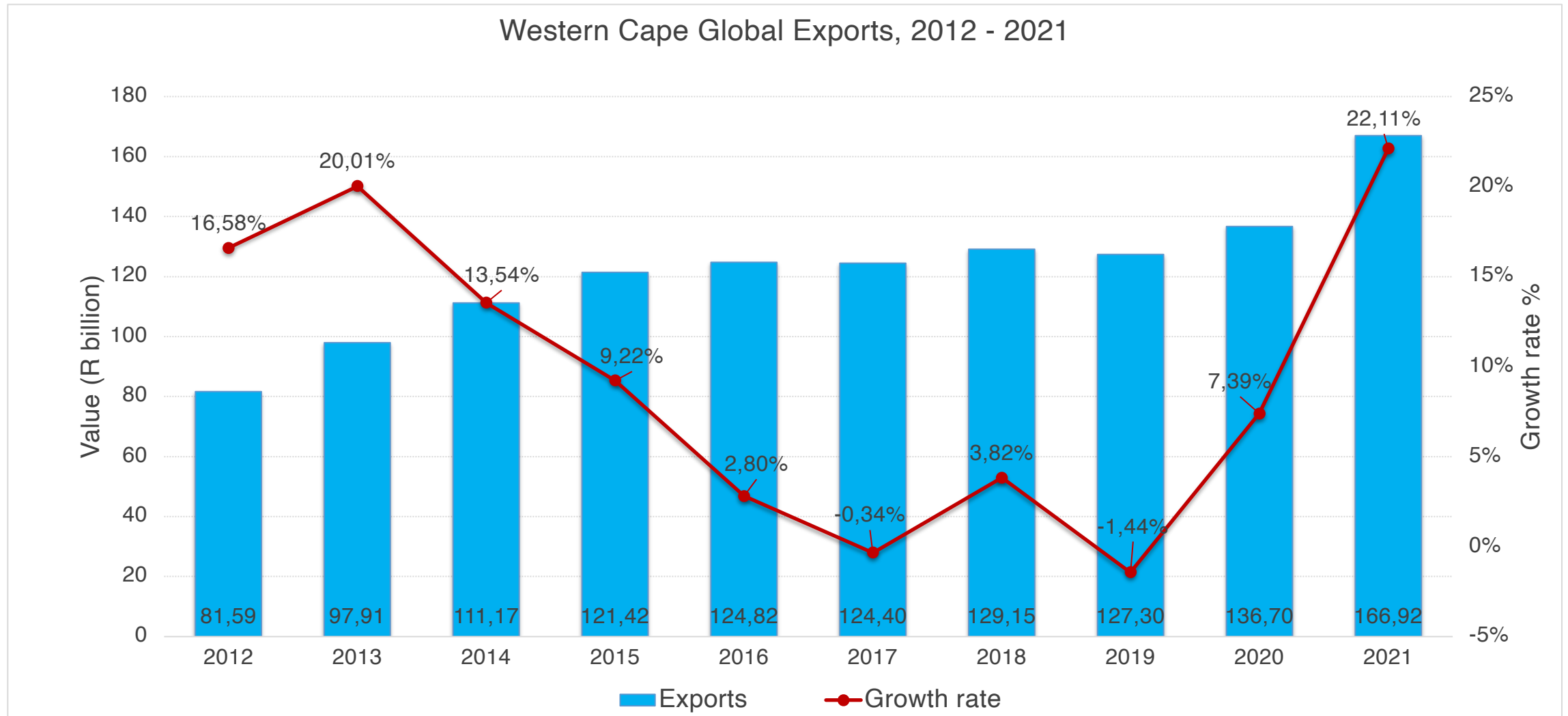
- Competitive advantage in a number of traditional and key, future sectors



Source: Quantec (2022)

# Exports accelerate in 2021 despite global economic challenges

- Exports powerhouse – sought after source market globally



# Russia-Ukraine developments will impact short-term trade flows

## Exports

- Russia was the Western Cape's 11<sup>th</sup> largest export destination market at a value of ZAR3,580m in 2021
  - Agri and agri-processing products dominated exports, accounting for nine out of top 10 products & 94.6% of WC's total export earnings with Russia in 2021
  - Russia was province's 4th largest export market globally for citrus in 2021, at a value of ZAR1.69bn, equivalent to 8.7% of WC's global citrus exports
  - Russia was province's 2nd largest export market globally for apples & pears in 2021, at a value of ZAR936m, equivalent to 9.9% of WC's global apples & pear exports
- Russia accounted for 2.14% of the Western Cape's total global export earnings in 2021

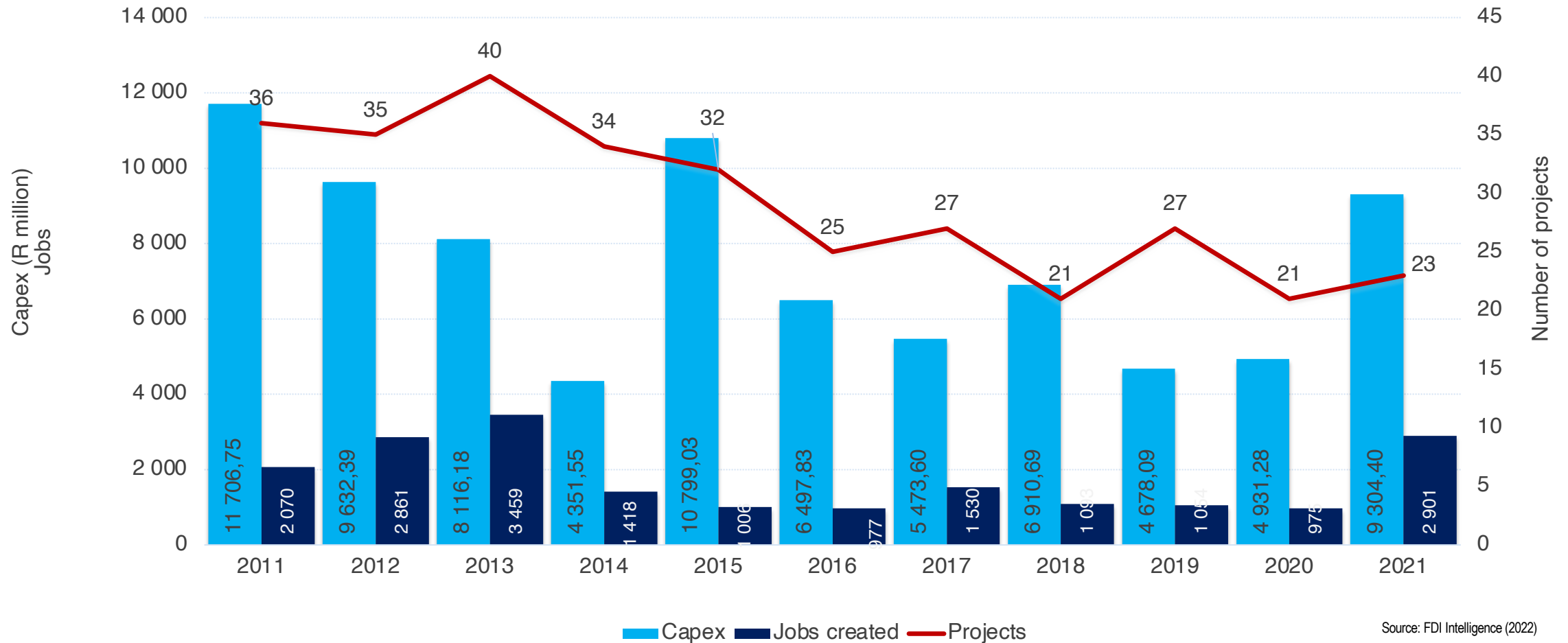
## Imports

- Russia was the Western Cape's 28<sup>th</sup> largest import source market at a value of ZAR1,661m in 2021
  - Fertilisers dominated imports, accounting for close-on 61% of WC's total imports from Russia in 2021
- Russia accounted for 0.71% of the Western Cape's total global import costs in 2021

# Strong FDI inflows testimony to province's offerings and future orientation

- Committed to competitiveness in key future sectors

Western Cape FDI Trends, 2011 - 2021



Source: FDI Intelligence (2022)

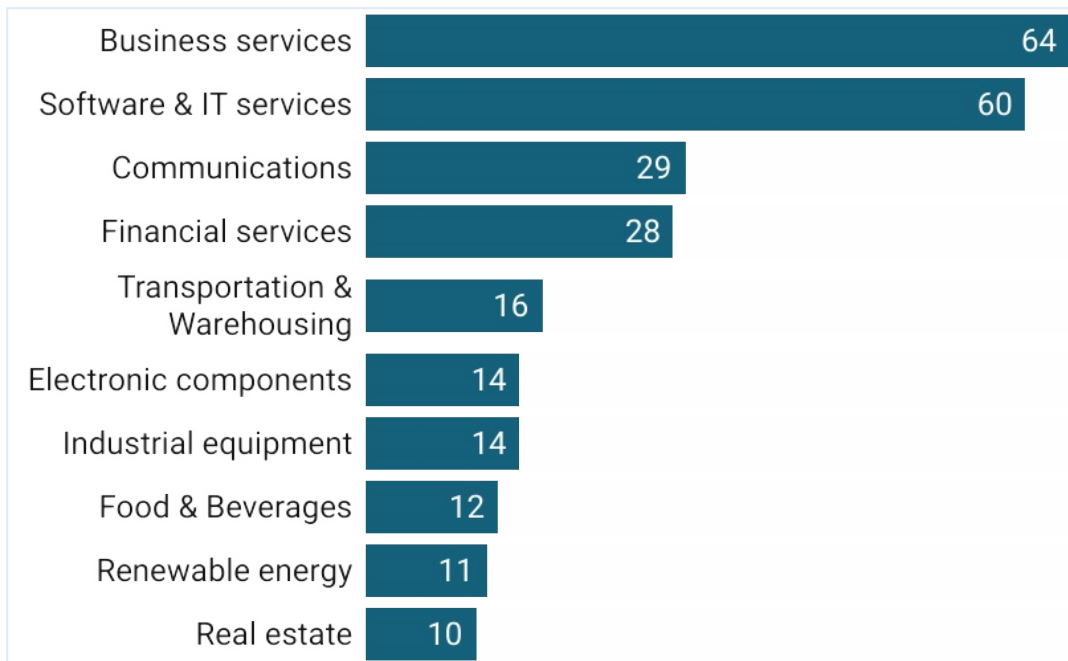
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# Renewable energy, Business services, top two industries for inward FDI

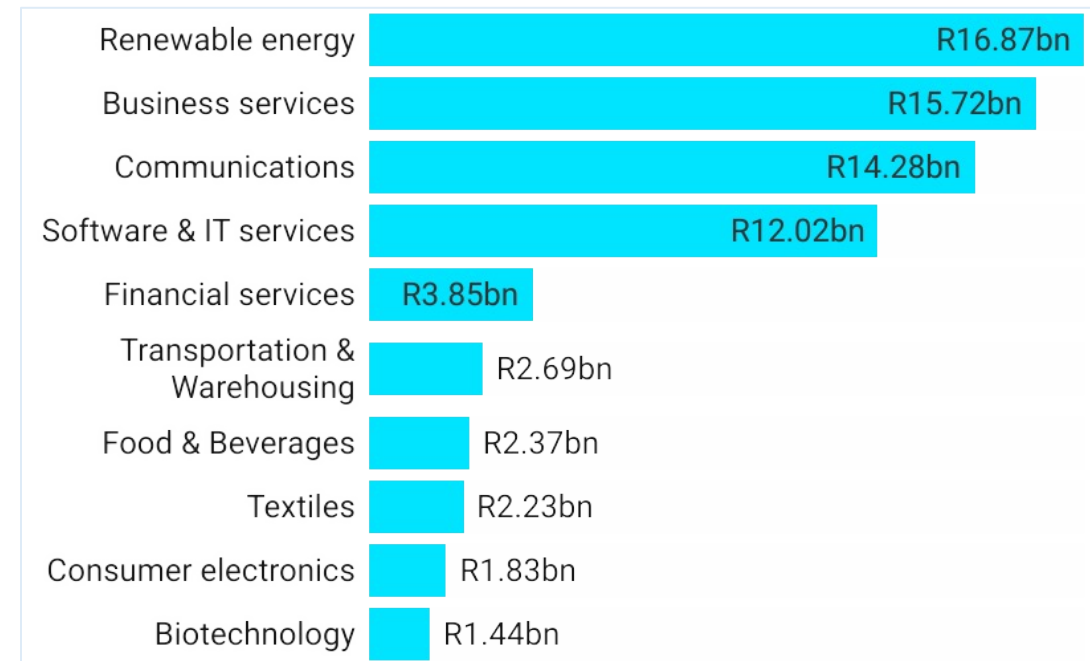
- Communications and software & IT services - top FDI projects into the Western Cape; two sectors identified as key enablers to grow digital economy

Inward FDI: top 10 industry by number of projects & value (ZAR) (2011-2021)

## By Projects



## By Capex

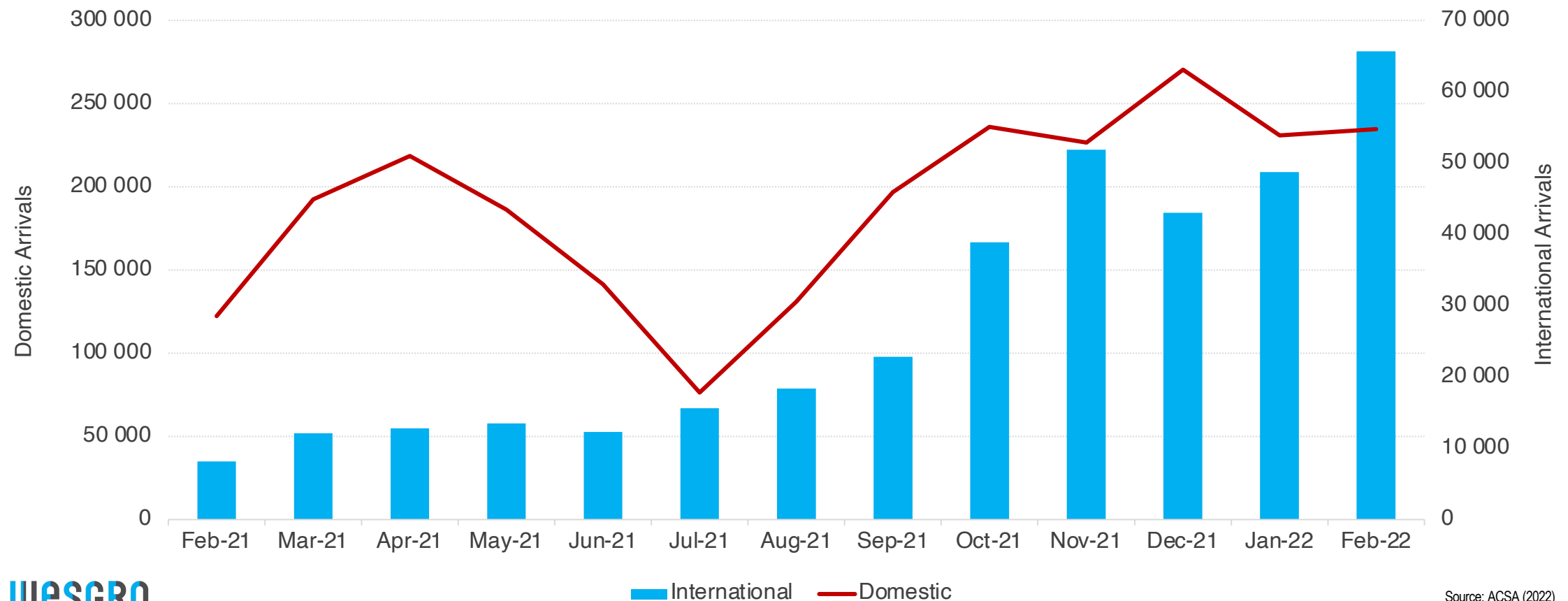


Source: FDI Intelligence (2022)

# Strong & steady growth seen in domestic and international tourism markets

- While recovery has been uneven, tourism numbers continue to grow
- Domestic market back to 72% of pre-COVID levels & international market at 54% in February 2022

CTIA Domestic & International Arrivals



# A number of notable achievements in past year

## Green infrastructure & tech focus continue to yield positive results

- Energy resilience a critical & key objective – solid progress continues to be made
- Africa's Tech hub & leading Green Economy
  - Significant investment activity across tech & green economy sectors
  - Province is home to world-class health tech sector
- Recent gazetting of ASEZ by National Treasury as a Schedule 3D public enterprise a significant milestone
- Strong support & collaboration amongst stakeholders and within ecosystem



Source: Western Cape Government, 26 March 2022

A scenic coastal landscape featuring a winding asphalt road on a steep, rocky cliffside. The road curves along the edge of the cliff, overlooking a vibrant blue ocean with white-capped waves crashing against the shore. In the background, a range of rugged, brownish-grey mountains rises under a bright blue sky dotted with fluffy white clouds. The overall scene conveys a sense of natural beauty and coastal charm.

# What does the new global economic order hold for the Western Cape?

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# World today is markedly different to what it was pre-2020

- Rapid digitalization affects all aspects of life - COVID-19 pandemic has accelerated the process of digital transformation
- Supply chain uncertainties; shift in global trade lines; rise of e-commerce (including services)
- Unprecedented global capital flows likely as momentum builds to accelerate decarbonisation of global economy

But not without challenges or risks.....

- Unemployment remains unacceptably high
- Infrastructure a significant impediment to economic growth
- Ever present threat posed by COVID-19



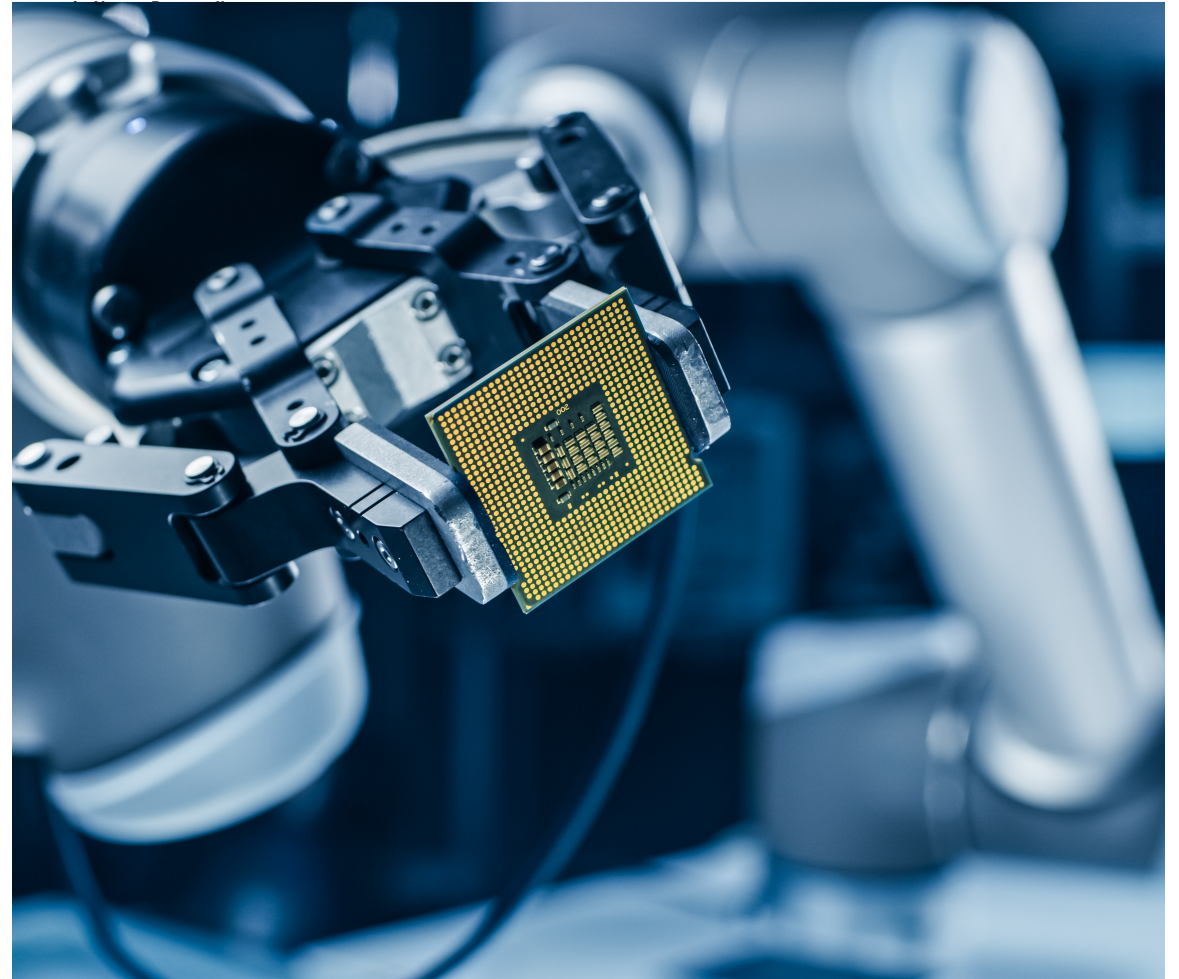
# Evolving global trade lines, agreements & protocols of key interest

- AfCFTA – progress continues to be made
- Brexit
  - UK preparing to negotiate and sign a number of 'new' trade agreements
- Booming agriculture sector remains key player & priority
- Traditional trading partners, platforms hold opportunities
- Opportunities for new trade lines with new partners



# Digitalization, digital transformation & technology central to future productivity growth

- Global shift toward digitalization has entrenched Western Cape's position as a world-class pioneer in the tech sector, with the province home to a number of leading tech-sector companies
- Importantly, traditional, mature sectors & industries being transformed by & incorporated into tech ecosystem
- Environmental sustainability and transition to green economy are critical
- Western Cape well positioned to tap into global (inward) FDI in green & tech sectors
  - Atlantis SEZ is the only green tech SEZ in Africa



# With change comes opportunity

The Western Cape, given its proven capabilities and global competitiveness across a number of sectors, both old and new, is set to reap the benefits of this new and fast-changing greener, digitalised global economic order



Thank you

