



ECONOMIC COMMENTARY

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YOUR WEEKLY
ECONOMIC UPDATE
12 February 2025

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MISSING THE MOMENT IN A CHANGING GLOBAL ECONOMY

Worldwide, economic powerhouses and emerging markets are reinventing themselves by adapting to new trade patterns, fostering tech innovation, and leveraging financial liberalisation. South Africa (SA), in contrast, often appears caught up in an older paradigm, struggling to enact policies that spur job creation or attract robust foreign investment.

Regarding regional competition, neighbours on the continent and other developing nations are upgrading infrastructure, simplifying regulations, and cultivating competitive business-friendly environments. SA's bureaucratic hurdles, policy unpredictability, and perceived hostility towards certain investor groups have, in many instances, pushed capital flows elsewhere. The country also has underutilised advantages like a sizeable consumer market, an advanced banking sector, and rich mineral resources. However, persistent governance woes and slow policy implementation hamper capitalising on these strengths.

Political and policy headwinds

President Cyril Ramaphosa's administration has faced criticism for what detractors call half-measures and watered-down reforms. SA's high unemployment rate demands urgent, imaginative solutions that simply have not materialised. Instead, political energy seems to be expended on managing factional strife within the African National Congress and navigating contentious policies. One of these policies is the Expropriation Act. Supporters say it is essential to break from apartheid-era land patterns, while opponents label it a threat to property rights and the overall well-being of South Africans. Investors are watching carefully, unsure if the government will create an environment supportive of both equitable distribution and long-term economic stability.

Trump's rebuke and global perceptions

Donald Trump has called SA's land reforms "government-sponsored racial discrimination" and is threatening to freeze American aid in response. This move is not just a diplomatic showdown; it amplifies doubts about the country's regulatory environment. While South African officials dismiss Trump's criticisms as misinformed, the fallout may further discourage external financing. In terms of diplomatic complexity, the strained relationship between the two countries could limit trade opportunities for SA and the positive net effects thereof. Put bluntly, we are making the wrong enemies.

Elon Musk's influence and the tech angle

Musk's public statements criticising "racist ownership laws" reflect the apprehensions of entrepreneurs and investors who see bureaucratic red tape and uncertain policies as deal-breakers. At a time when digital services, e-commerce, and artificial intelligence are fuelling economic booms elsewhere, SA risks missing the tech surge. What we are dealing with here is perception vs. reality: Musk's frustration over regulatory hurdles highlights how red tape can stifle innovation. His high-profile advocacy may deter other tech giants from exploring opportunities in SA unless reforms clarify and streamline market entry.

Structural obstacles beyond land reform

Although land expropriation and big-name critics dominate headlines, other deep-rooted problems continue to erode market confidence:

- + **Corruption and governance:** Repeated scandals involving state officials and public enterprises undermine trust in leadership.
- + **Inequality:** Despite being one of Africa's more industrialised economies, SA remains among the most unequal societies, driven mostly by the poor politics and policies of the last three decades, which fuels social unrest and deters long-term investment.
- + **Policy paralysis:** From labour regulations to trade agreements, meaningful reforms often stall amid political jockeying, leaving the private sector in limbo.

Pathways to revival

Despite these headwinds, SA retains the potential to craft a more dynamic, inclusive economy through:

- + **Institutional clarity:** Clear, enforceable, business-friendly regulations on land and ownership would reduce uncertainty and draw new investment.
- + **Entrepreneurship and skills:** Addressing youth unemployment through vocational training, tech education, and startup incentives could harness the energy of a large, under-employed workforce.

While Trump's threatened diplomatic freeze and Musk's critiques expose the challenges of doing business in SA, the more consequential question is whether the country can adapt to a rapidly-shifting global economy. Bold reforms, transparent policies, and a commitment to reducing glaring inequalities are essential if SA hopes to reclaim its position as a regional economic leader. Without decisive action, the divide between potential and actual performance may continue to widen, leaving SA at an economic standstill in a world that refuses to wait.

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