



## ECONOMIC COMMENTARY

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*For every one to attain  
financial well-being*

### THE US' AI BOOM AND SA'S HIDDEN OPPORTUNITY

If you want to see what is driving the world economy right now, look to Northern Virginia in the United States (US). There, Data Center Alley stretches for kilometres and is home to the computers that train artificial-intelligence (AI) models. The frenzy to build more of these centres has powered one of the strongest investment booms that the US has seen in years.

It is truly remarkable. A year ago, economists warned that the US was heading for a slowdown. Now, growth has surprised on the upside, share prices are at record highs, and consumers are still spending. The main reason? Wealthy households feel richer because of soaring markets. This is what economists call the 'wealth effect': When your portfolio grows, your confidence grows too.

But this recovery is uneven. The top 10% of Americans, who own most of the stocks, now account for about half of all spending. That means that the strength of the economy depends on a small group of asset-holders, which is a fragile base for long-term growth. If the AI story disappoints or markets correct, that 'wealth effect' could evaporate quickly. The US economy looks strong but its foundation is narrow.

#### What can South Africa (SA) learn from this?

We may not be building the next ChatGPT but we can play a meaningful role in the next wave of global growth. The opportunity is not in competing with Silicon Valley but in supporting the infrastructure that technology needs: Minerals, reliability, and consistency:

- + **Fixing our weakest link can become our biggest edge:** SA's energy crisis has cost us years of growth. Yet, if we manage to stabilise supply through more private generation, grid investment, and renewables, the payoff will be enormous. Global firms are desperate for reliable, cleaner energy; not cheap, just predictable. Every step we take towards stability makes us a more credible destination for new industries, from cloud storage to electric-vehicle components.
- + **Adding value to what we already have:** The global race for minerals is intensifying. But digging faster is not the answer. We need to process more of these materials locally, capturing value before they leave our shores. A policy focus on mid-stream refining and beneficiation could do more for jobs and exports than any new incentive scheme.
- + **Keeping our rules steady when the world gets shaky:** With trade tensions and unpredictable US politics shaking markets, investors are looking for stability. That is where we can stand out. Clear regulations, transparent procurement, and consistent enforcement might sound boring but they are what global capital rewards most. In a world of uncertainty, being a predictable partner is a competitive advantage.
- + **Understanding the two economies at home:** SA mirrors the global divide: A small, affluent group still spends freely while millions struggle under inflation and stagnant wages. Businesses that recognise this split (offering choice across price points, loyalty programmes, and flexible payments) will outperform those that try to serve only one side of the market.
- + **Learning from China's limits:** China's industrial policies created impressive factories but poor returns. Subsidies often went to politically connected firms rather than productive ones. SA does not have that luxury. We should focus less on picking winners and more on removing obstacles, making it easy to build, export, and employ.

#### Resilience is not luck; it is design

The US' boom shows how quickly optimism can reshape an economy. But it also warns that growth built on paper wealth can vanish just as quickly. For SA, the lesson is to build resilience from the ground up: Energy that works, logistics that move, and rules that do not change. If we can do that, we will not need an AI miracle to grow. We will simply need to make it easy for the world's next wave of investors to build here, rather than somewhere else.

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