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South Africa Economic Outlook 2024

Turning short-term crises into opportunities for business value creation and societal impact.

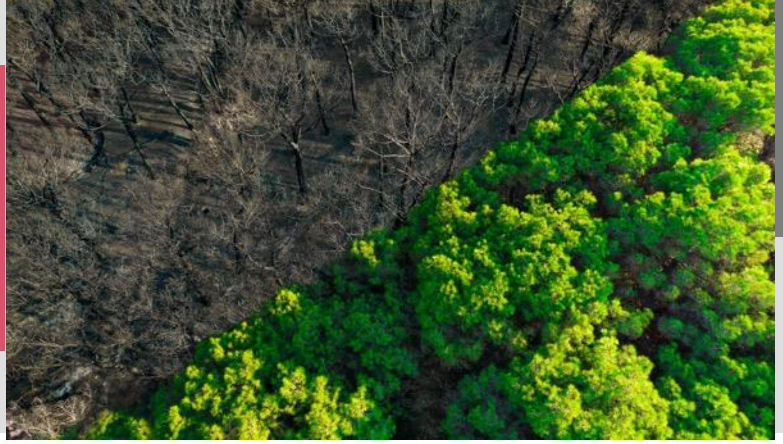
Uncertain times open windows for significant change.

22 January 2024

pwc

Ten key messages from this report

South Africa Economic Outlook January 2024



1

The world will continue to experience more frequent, more severe and more impactful short-term crises going forward. PwC has identified five categories of short-term crises, namely: economics, conflict, resources, health and institutions. At the same time, these offer an opportunity for companies to create value for stakeholders and make a positive societal impact.

2

Alongside structural challenges like load-shedding, unemployment and crime, South Africa is seeing short-term crises manifesting in firve areas: 1) macroeconomic volatility; 2) disrupted supply chains; 3) scarcity in resources; 4) challenges to accessing healthcare services; and 5) struggling public institutions.

3

South African companies are under strain from macro-economic volatility and related headwinds. While local company income increased in 2023Q3, net profit before tax and dividends payable declined by 17.8% y-o-y and 33.21% y-o-y, respectively. A value bridge approach can help identify actions that could prevent this kind of value loss in times of disruption.

4

Global geopolitical tensions and military conflict are disrupting international supply chains. South African enterprises also face significant domestic challenges, including underperforming rail and port services. Supply chain localisation – relying instead on local sources of labour, goods, services, innovation, technology and capital – could enhance business resilience.

5

South African companies regularly struggle with access to scarce resources and manufacturing capacity under-utilisation due to raw material shortages has been elevated in recent years. A business model based on the circular economy helps companies use resources more efficiently through recycling, remanufacturing, reuse, maintenance and redesign.

6

With economies growing slowly and fiscal budgets under pressure, access to healthcare is a growing challenge. The number of South Africans without access to universal health coverage is estimated to have increased by more than a million since 2017. Options to support access to healthcare include employee wellness initiatives and support programs.

7

Public institutions are overwhelmed and stretched in every direction, and the use of public services in South Africa declined across the board in 2019-2023. South African companies can make a meaningful impact in their communities by partnering with the government: the proposed collaboration model is an equal partnership in funding and control of assets.

8

Crises create an environment that can help kickstart profound and sustained change. There is a window of opportunity for reform and progress at both a company and societal level, and leaders – both in the public and private sector – should not miss the chance to seize it.

9

To respond effectively to an opportunity for change, organisations need to put purpose at the heart of their strategy. A purpose-led company is guided by a clear and meaningful mission beyond just financial success. The organisation is driven by a commitment to making a positive impact on the triple bottom line: profit, people and the planet.

10

Some 59% of the 'Risk Pioneers' identified in PwC's Global Risk Survey 2023 strongly agree their organisation uses purpose to guide risk decisions. Purpose-led strategies help them be more resilient, identify which short-term crises to embrace, ensure the whole organisation understands the ambition for the future and helps build trust with stakeholders.

About this document

PwC's 27th Annual Global CEO Survey found that global business leaders are more positive about economic growth in the next 12 months compared to their outlook a year ago. However, despite this positive sentiment, it appears as though many countries around the world are being confronted with a worsening set of societal challenges at the start of 2024.

Alongside country-specific structural challenges – which, in the case of South Africa, includes electricity load-shedding, high levels of unemployment and a scourge of crime – the world is also facing short-term crises in 2024. These challenges are more transient in nature and less enduring than the long-term Megatrends shaping society.

The short-term crises are certainly not the same everywhere. However, they can be grouped into five categories, namely: economics, conflict, resources, health and institutions. Based specifically on these categories, this edition of the South Africa Economic Outlook analyses crises across five areas of South African society, namely:

- Macroeconomic volatility.
- Conflict-hit international supply chains.
- Access to scarce resources.
- Access to healthcare.
- Struggling public institutions.

However, there is scope for South African organisations to turn these crises into opportunities to create value for their stakeholders and society in general. In response to the five challenges, local businesses can have a positive impact by: 1) preserving and creating financial value to the benefit of many stakeholders; 2) localising supply chains; 3) doing more with available (scarce) resources; 4) supporting access to healthcare for employees; and 5) increasing public-private collaboration.

Key elements of this report include:

- Economics: Value preservation and creation can make companies more resilient and competitive during economic downturns.
- Conflict: Localisation of sourcing could reduce dependence on supply chains hit by foreign conflicts and domestic inefficiencies.
- Resources: A circular economy approach creates benefits for many stakeholders impacted by costly resource scarcity.
- Health: Wellness initiatives, support programs and health education can improve employees' access to healthcare.
- Institutions: A public-private collaboration model improves public service delivery through joint funding and operational control.

Lastly, we comment on how PwC assists our clients in responding to opportunities for change by placing purpose at the heart of their risk and overall strategy.

Macroeconomic forecasts (January 2024)

Baseline scenario	2022	2023e	2024f	2025f
ZAR/USD	16.36	18.45	18.95	19.45
Consumer price inflation (%)	6.9	5.8	5.2	4.8
Repo rate (end-of-period)	7.00	8.25	7.75	7.00
Real GDP growth (%)	1.9	0.5	1.0	1.1
Unemployment rate (%)	32.7	31.7	32.1	32.4
Probability weighted average	**2022**	**2023e**	**2024f**	**2025f**
ZAR/USD	16.36	18.53	19.14	19.68
Consumer price inflation (%)	6.9	5.8	5.3	4.9
Repo rate (end-of-period)	7.00	8.25	7.76	7.10
Real GDP growth (%)	1.9	0.5	0.9	1.0
Unemployment rate (%)	32.7	31.8	32.3	32.7

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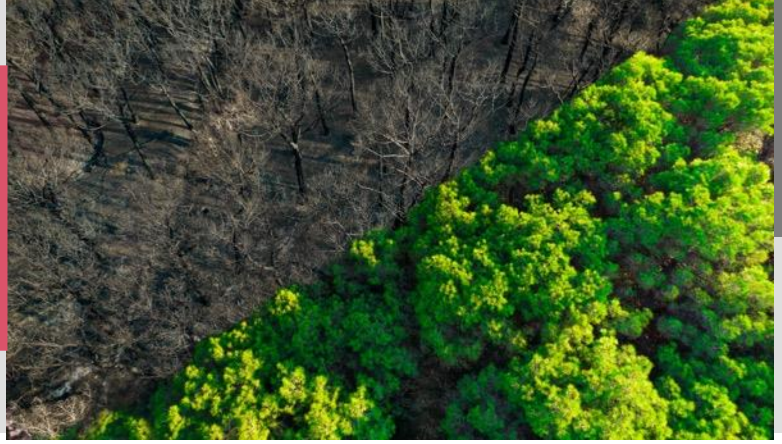
The world will continue to experience more frequent, more severe and more impactful short-term crises. Addressing these challenges is no longer just the purview of governments; rather, they will require everyone – every government, business and individual – to do what they can to help mitigate the impacts of short-term crises. At the same time, the challenges experienced in South Africa offer an opportunity for private companies to rebuild their value and make a societal impact. A purpose-led strategy must be at the core of these responses.

Lullu Krugel, PwC South Africa Chief Economist

Economics: Value preservation and creation can make companies more resilient and competitive during economic downturns.

South Africa Economic Outlook January 2024



Summary: South African companies are under strain from international macroeconomic volatility and domestic headwinds. This is hitting their bottom line: company profits and dividends declined 17.8% y-o-y and 33.2% y-o-y, respectively, in 2023Q3. This negative trend could continue in 2024. A value bridge approach can help companies identify actions that could prevent value loss during times of disruption.

Company profits and dividends declined in 2023Q3 due to international and domestic economic headwinds.

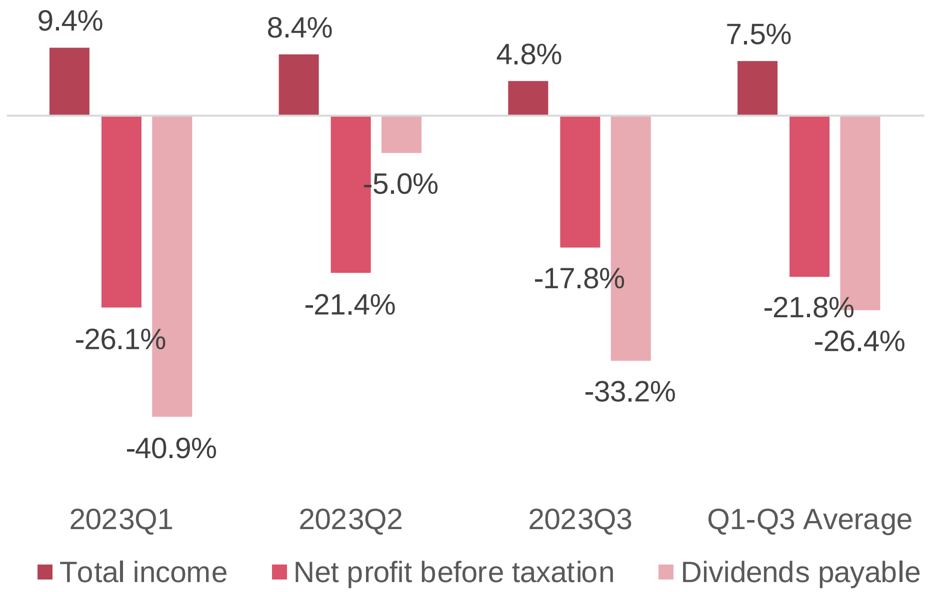
The global economy is under strain from multiple headwinds, with corporations and governments alike having to make difficult decisions as to how to navigate these challenges. These headwinds include inflation levels not seen in decades across many countries; falling prices in China that raise concerns about the world's second-largest economy; a housing price bubble in developed countries (including New Zealand, Sweden, Britain, Canada and Australia); risks of recessions in emerging markets like South Africa; and many more.

Inflation and macroeconomic volatility are in the top three threats that organisations will be exposed to this year, according to PwC's Global Risk Survey 2023 (published in November 2023). However, traditional levers to resolve these macroeconomic issues may not be working or may be unavailable. As a result, companies and governments are struggling with policy options and other actions they can take to create stability and maintain growth. This will potentially create an increasingly volatile and unstable economic and financial system that is hard to manage, raising the possibilities of systemic slowdowns.

Apart from the global factors mentioned, local companies are challenged by electricity load-shedding and other energy challenges, deteriorating transport and logistics services (see page 6), as well as elevated rates of crime and corruption. These have been the focal points of cooperation between the public and private sector over the past year. Business Unity South Africa (BUSA) said in November 2023 that in the preceding six months, these joint efforts had "made some real progress" and that "collaboration structures have been bedded down and are increasingly well-capacitated". However, they also noted that "the pace of delivery across the initiative seems to be plateauing, mainly as a result of delays in regulatory and other approvals".

Understandably, the challenging economic context is a significant constraint on business growth. Data from Statistics South Africa (Stats SA) shows that, **while total company income across industries increased 4.8% y-o-y in 2023Q3 to R3.6trn, profits and dividends declined significantly — and this negative trend could continue in 2024. Net profit before taxation declined 17.8% y-o-y in the third quarter of 2023 to R253.5bn while dividends payable dropped 33.2% y-o-y to R55.6bn.**

*Figure 1: Change (% y-o-y) in company financials**



Source: Stats SA
**All industries except agriculture, financial intermediation, insurance, government and education.*

At an industry level, the recently published PwC Insurance Banana Skins 2023 report found that the macroeconomic outlook is the most severe near-term risk for insurance companies in South Africa, ahead of climate change, cybercrime and regulatory change. For insurers, a weak economic outlook hits on two fronts: loss of business (due to business closure and affordability challenges) and increased cost of claims.

Identify actions that can prevent value loss whilst strengthening competitive positioning.

PwC's Global Investor Survey 2023 (published in November 2023) noted that investors want to better understand how companies are managing crises and staying resilient, while creating and protecting value in a fracturing world. However, for companies (both locally and abroad) surrounded by economic uncertainty, creating financial value for their broad set of stakeholders – owners, shareholders, staff, communities, etc. – is a real challenge. A value bridge can be used to identify actions to prevent value loss and preserve value in times of disruption, while also strengthening a company's competitive positioning. The value bridge is a framework used to analyse and quantify the sources of value creation or destruction within a business. It helps to identify and understand the key drivers of financial performance and how they contribute to overall financial value.

As a first step, value preservation initiatives can be implemented to protect a company and its value. These initiatives include streamlining and removing inefficiencies and cost from the business, increasing available working capital, improving transparency to keep creditors onside, and considering strategic options such as mergers and acquisitions (M&As). Subsequent to these activities, value creation encompasses strategic, operational and financial initiatives to create value. These include transformational business improvement through operational efficiencies whilst simultaneously considering any potential headwinds. It also includes optimising capital expenditure, and applying a stakeholder expectations lens to the business to identify areas of opportunity and risk - including purpose, resilience and ESG (environmental, social, and governance).

Conflict: Localisation of sourcing could reduce dependence on supply chains hit by foreign conflict and domestic inefficiencies.

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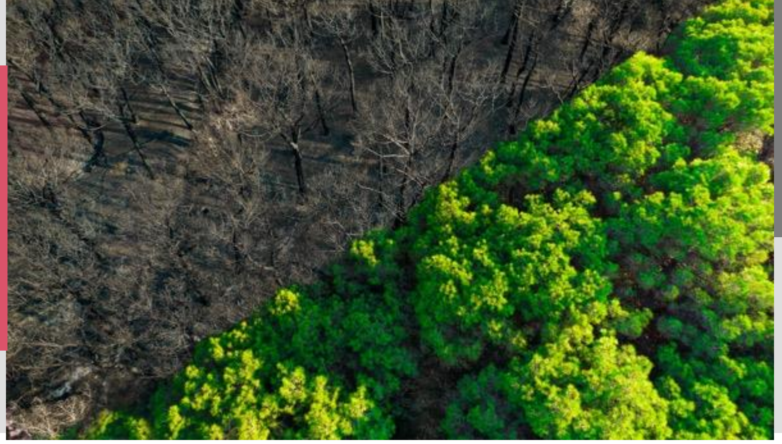


Summary: Global geopolitical tensions are disrupting international supply chains. South African companies also face domestic challenges to rail and port services, with logistics under duress from shipment delays. Supply chain localisation – relying instead on local sources of labour, goods and services, innovation, technology and capital – could reduce dependency on foreign sources and enhance business resilience.

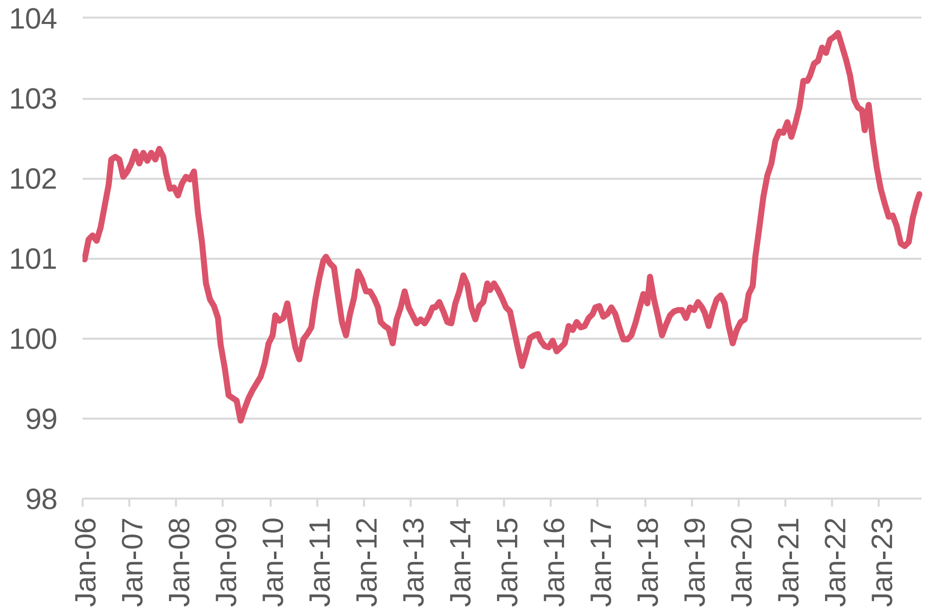
Foreign conflict and domestic inefficiencies disrupt supply chains, increasing the cost of commodities.

Many regions around the world will continue to be unstable and fragile in 2024 as the threat of unrest impacts daily lives. International alliances will continue to realign to reflect global power shifts. Hot wars (a conflict in which actual fighting takes place between the belligerent parties) are likely to place the security of nations under threat. Conflicts may cross borders, forcing more and more countries to use military force to protect their assets. Examples include the Russia-Ukraine war; the Israel-Gaza conflict; the Red Sea crisis; the latest military coups in Niger and Gabon; and the violent protests and clashes with the police that swept across France last year; among others.

Already reeling from the impact of pandemic-induced shutdowns and restarts, supply chains have experienced exogenous shocks from subsequent conflicts – both directly from a disruption of operations and indirectly from sanctions. The increase in the cost of commodities and products will likely remain volatile as geopolitical tensions and outright conflicts persist, further amplifying the bullwhip effect felt throughout numerous supply chains across different types of markets. Unsurprisingly, traditional lean, 'just-in-time' inventory approaches face compounding issues. In this regard, PwC's Global Risk Survey 2023 identified supply chain disruption as the main external factor seen contributing towards company risk rather than opportunity, cited by 42% of respondents.

Aside from the impact of international conflict on local companies, South Africa is also facing domestic challenges set to cause continued disruption in supply chains in 2024, specifically those involving rail and port logistics. The S&P Global South Africa Purchasing Managers Index (PMI) November 2023 noted that supplier deliveries had slowed during the month and that supply chains were "under duress" due to severe disruption at domestic ports. At the time, vessels carrying more than 100,000 containers – an estimated R7bn worth of goods – were stuck outside the ports at Durban, Ngqura and Gqeberha, with expectations that it would take several months to clear the backlog. Combined with other factors, the decline in rail volumes and slowdown in port services were keeping supply chain pressures above historical averages. The country's monthly Composite Supply Chain Pressure Index (CSCPI) was most recently calculated for November 2023 when supply chain pressure was at a similar level to July 2020, i.e. during the depths of the COVID-19 lockdowns. These factors are making it increasingly challenging (from a cost, time and supply reliability perspective) for local businesses to buy inputs from abroad.

Figure 2: Supply chain pressure index



Source: SARB

Localisation reduces exposure to offshore disruptions and supports domestic business.

Supply chain localisation means strategically prioritising sourcing, producing, and distributing goods and services locally to enhance business self-sufficiency and resilience. This involves reconfiguring supply chains by bringing production closer to the end market, sourcing raw materials locally, and minimising dependence on international suppliers. The end goal is to improve efficiency, reduce costs, mitigate risks, and address socio-economic challenges by actively supporting local communities and businesses.

With this end goal in mind, our definition of localisation is broad, and includes the following components: the workforce (increase the share of direct local employment), goods and services (increase the portion of goods and services procured from local suppliers), research and development (increase the local share of R&D and innovation activities), technology (create and transfer intellectual property and technologies to the local economy), and capital (localisation of capital and finance employed).

Of course, increasing the portion of goods and services procured from local suppliers is no simple task. After all, supply chains originating internationally developed over time for various reasons, including cost or quality considerations. Assessing the capabilities, reliability, and capacity of local suppliers is therefore essential. Evaluating factors like production scalability, quality assurance, and technological capabilities ensures alignment with buyer needs. Cultivating strong relationships with local suppliers not only fosters collaboration, innovation, and adaptability but also establishes trust and a shared vision, laying the foundation for enduring partnerships that prove mutually beneficial. This is where Enterprise and Supplier Development (ESD) is crucial: these schemes aim to foster the growth and sustainability of small, micro and medium enterprises (SMMEs) while enhancing the capabilities and competitiveness of the larger companies that serve as their clients.

Resources: A circular economy approach creates benefits for many stakeholders impacted by costly resource scarcity.

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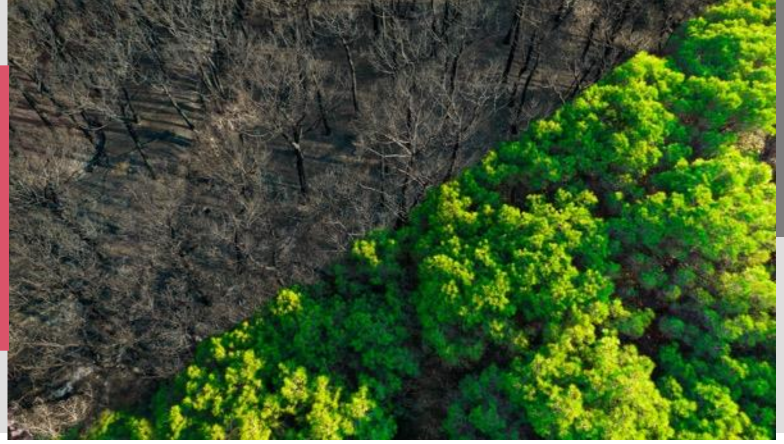


Summary: Resource scarcity is exacerbating socio-inequality gaps. South African companies are regularly struggling with resource shortages: factory capacity under-utilisation due to raw material shortages has been elevated over the past several years. A business model based on the circular economy helps companies use resources more efficiently through recycling, remanufacturing, reuse, maintenance and redesign.

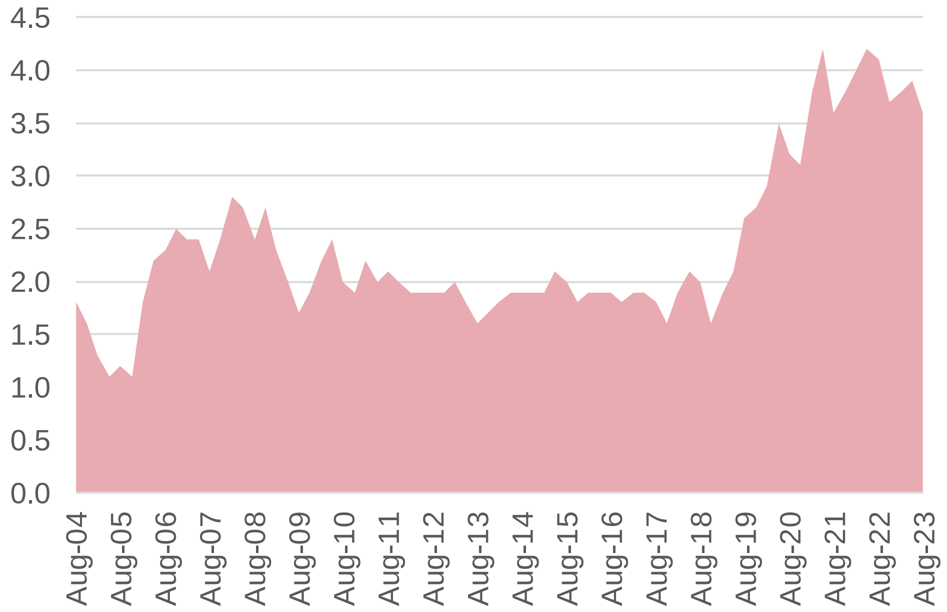
Inflation is a significant threat as resource scarcity pushes international production costs to record highs.

In addition to the conflict-related challenges assessed on page 6, other factors like climate change, financial instability and political fracturing are altering the availability of resources across the world. Resource scarcity is affecting every continent and is exacerbating socio-inequality gaps. For example, food shortages are being experienced across the world, with hunger hotspots ranging from the Central American Dry Corridor, through the Sahel, Central African Republic (CAR), South Sudan and eastwards to the Horn of Africa, Syria, Yemen, and Afghanistan.

Regardless of the type of resource scarcity, this imbalance creates local, regional and sometimes global volatility, with far-reaching economic consequences. Resource crises are most often associated with an increase in production input and output costs. For example, with the outbreak of the Russia/Ukraine war in March 2022, the decline in grain exports from Ukraine sent global maize and wheat prices 20% y-o-y higher in US dollar terms. Given this and other resource shocks, member countries of the Organisation for Economic Co-operation and Development (OECD) recorded the highest level of producer price inflation in 2022-2023 since the OECD started reporting aggregate inflation numbers for its members in 1983. Unsurprisingly, PwC's Global Risk Survey 2023 identified inflation as the top threat that organisations say they feel highly or extremely exposed to in the next 12 months.

South African companies are regularly struggling with resource shortages and will likely continue to be challenged by this obstacle in 2024. Capacity under-utilisation in the manufacturing sector due to a shortage of raw materials has been elevated over the past several years. The share of manufacturing capacity observed as under-utilised due to raw material shortages was most recently measured at 3.6% in August 2023, compared to a long-term average of 2.3% and a mean of 2.0% in the pre-pandemic period, According to the Absa Purchasing Managers' Index (PMI) November 2023, congestion at local ports is resulting in slower delivery of supplies, with manufacturers noting that the unavailability of inputs are hurting their output capabilities and pushing up production costs.

Figure 3: Share (%) of manufacturing capacity under-utilised due to shortage of raw materials



Source: Stats SA

To save costs, remain profitable, and create value for stakeholders, South African companies need to do more with less. Put differently, they need to make better use of current (scarce) resources to create more opportunities for sustainable growth and societal value creation.

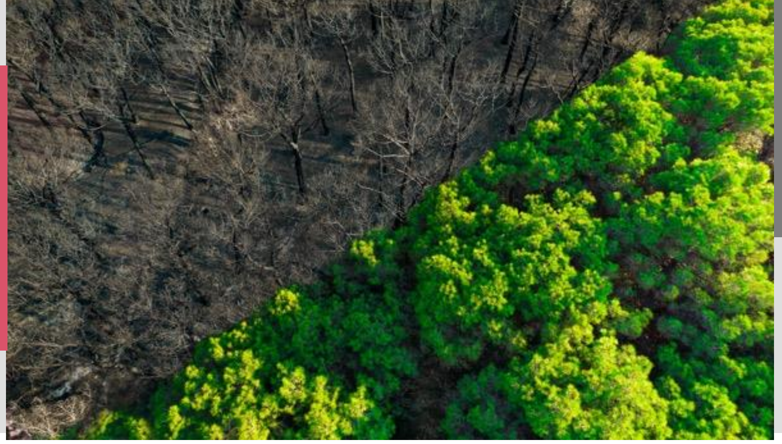
Circularity includes recycling, remanufacturing, reuse and redesign to better use available resources.

Linear economy models upon which market-based economies are built are dependent on the availability of abundant resources. When scarcity impacts this type of system, price volatility kicks in. A circular economy is an alternative model that creates a closed loop of material and energy cycles where all materials operate within a closed system. This type of business model can help organisations address their most immediate needs in new ways that unlock capital and labour to build competitive advantage, create new profit pools and drive innovation. This enables companies to be fit for long-term and sustainable success.

The circular economy involves a range of stakeholders – manufacturers, distributors, consumers, and governments – and is applicable to all industries. It necessitates a fundamental change in the way businesses source, design, manufacture, distribute, use, and discard materials. The five key actions of a circular economy represent different ways of managing products that owners no longer need:

- Recycling: Recovering materials from end-of-life products for use as raw materials in another process. This can lead to recovered materials of the same, lower or higher quality.
- Remanufacturing: Disassembling products at the component level and replacing broken or outdated parts. This avoids a new product having to be manufactured.
- Reuse: Selling or donating a product in its original form avoids a new product having to be manufactured.
- Maintenance: Extending the life of a product with its first owner, either via repair or refurbishment service, or by making it easier for users to repair it themselves. This delays the purchase of a replacement product.
- Redesign: Developing products that use fewer materials and are designed to be more durable, or to be offered as a service through a leasing or take-back model.

Health: Wellness initiatives, support programs and health education can improve employees' access to healthcare.



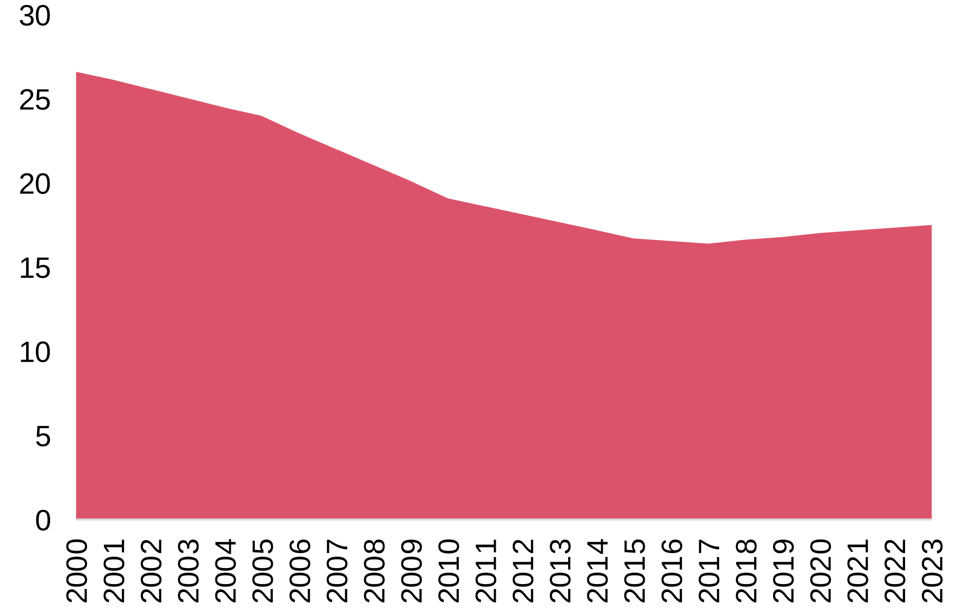
Summary: Healthcare systems globally are facing significant hurdles. The number of South Africans without access to universal health coverage is estimated to have increased by more than a million since 2017. South Africans believe that employers are not doing enough to support access to healthcare. Options to support access to health services include employee wellness initiatives, support programs, and relevant training.

Keeping healthcare sufficiently funded is a global challenge in the post-COVID-19 world.

As the world creeps its way toward normalcy following COVID-19, healthcare systems are still struggling with the aftermath of the pandemic while facing other crises. These include the opioid epidemic in the US that is continuing to escalate; the UK National Health Service (NHS) crisis where many patients do not get treated in wards but in the back of ambulances, corridors or waiting rooms; surging numbers of disease outbreaks and climate-related health emergencies in the greater Horn of Africa; and many more. Healthcare systems are up against some significant hurdles, including access to primary medical facilities, boosting the number of healthcare workers, and making sure medicines get to where they are needed more reliably. Upgrading data systems is important for smarter decisions, and we should not forget about the mental well-being of vulnerable populations.

With economies growing slower than expected and fiscal budgets under pressure, access to healthcare is a growing challenge as governments struggle to deliver public services. We estimate **the number of South Africans without access to universal health coverage have increased by more than a million between 2017 and 2023 to 17.5 million, and this could continue higher in 2024.** (Universal health coverage means that an individual receives the health services they need without experiencing catastrophic spending due to healthcare costs.)

Figure 4: Population without access to universal health coverage (millions)

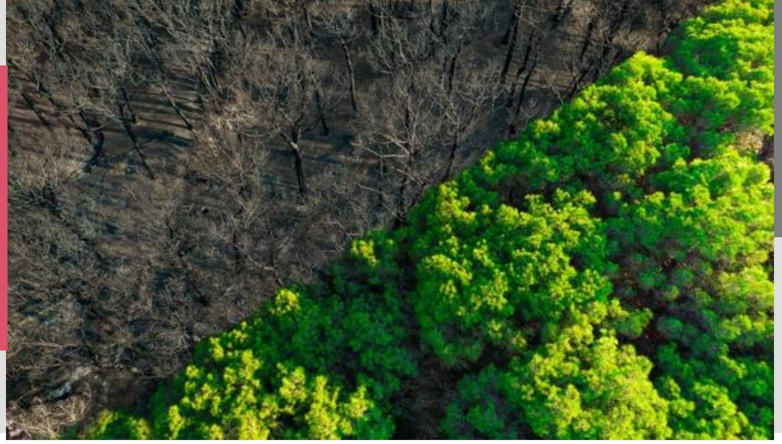


Source: PwC calculations based on World Bank data

South Africans want their employers to do more in support of improved access to healthcare.

We know that the National Health Insurance (NHI) scheme will be a gamechanger for healthcare in South Africa and boost universal health coverage: the purpose of the NHI is to achieve universal access to quality healthcare services in South Africa. However, implementing the NHI will take a long time, and South Africans need greater healthcare access now. Some 56% of South African respondents to the Edelman Trust Barometer 2023 survey believe that the business sector is not doing enough to support improved access to healthcare. In other words, South Africans expect their employers to do more to provide them with access to healthcare. The most direct support that an employer can provide to an employee (and his/her family) is through contributions to medical aid. Another option is to forge partnerships with healthcare providers, hospitals, or clinics to negotiate discounted rates or specialised services for employees. Aside from directly-funded healthcare benefits and contributions towards medical aid, other options to support employee wellbeing and access to health services include:

- Employee wellness programs: Implement wellness programs that focus on preventive care, promoting healthy lifestyles, and providing access to resources for mental health support, nutrition, and fitness.
- Subsidised wellness initiatives: Subsidised gym memberships, wellness apps, or activities that encourage physical activity and mental well-being.
- Health screenings and preventive care: Organise health screening events on-site or partner with healthcare providers to offer regular screenings for common health issues, thus enabling early detection and preventive care.
- Incentivised health programs: Create incentives that reward employees for participating in wellness activities, under-going preventive screenings, or achieving health-related milestones, promoting a proactive approach to healthcare.
- Employee Assistance Programs (EAPs): Establish EAPs to provide counselling and support services for employees dealing with personal or work-related stress, mental health issues, or other challenges affecting their well-being.
- Peer support networks: Establish peer support groups or networks within the workplace where employees facing similar health challenges can share experiences and offer each other support and advice.
- Crisis support services: Develop contingency plans or support services to assist employees during health crises or emergencies, providing guidance, resources, and emotional support when needed.
- Education and awareness programs: Conduct workshops, seminars, and campaigns to educate employees about healthcare resources, preventive care, disease management, and available healthcare benefits.
- Financial education on healthcare: Provide resources or workshops on understanding healthcare costs, insurance coverage, and how to navigate the healthcare system.



Institutions: A public-private collaboration model improves public service delivery through joint funding and operational control.

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Summary: South Africa's public sector is overwhelmed and stretched in every direction. As a result, the use of public services declined across the board during 2019-2023. Local companies can make a meaningful impact on their communities by partnering with the government to help address socio-economic challenges. The suggested public-private collaboration model is an equal partnership with shared funding and control over the assets.

Public sector institutions are increasingly under stress from internal and external pressures.

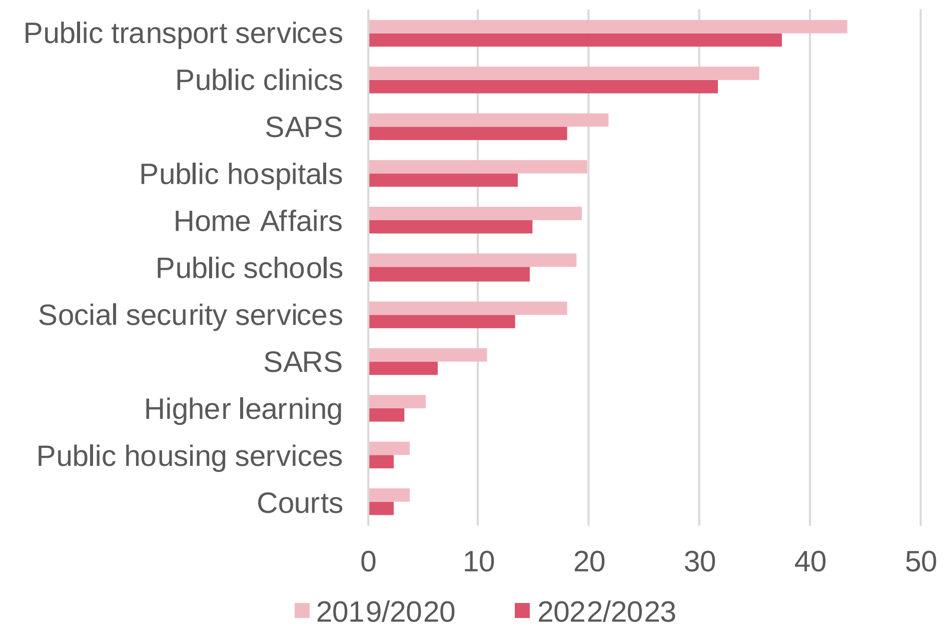
Societies rely on institutions as their bedrock, and our daily functioning is inseparable from their existence. Their degradation or failure has extraordinary implications, particularly in a world of such turbulent and constant change. Public and private institutions are increasingly under stress from internal and external pressures, and many are at risk of degradation or collapse. Examples include high-profile bank failures last year; educational systems perpetuating inequalities and not preparing students for the world that is unfolding; and the undermining of democratic structures in many countries, just to name a few.

Institutions of all types are struggling to keep up with the needs and demands of a world that is being driven by technological change which is outpacing the associated or required regulations. Public sector institutions, in particular, are created to be stable and unwavering, providing a necessary anchor upon which societies can be built. However, forces such as geopolitical and political power shifts, technological changes, climate change, and corruption, are threatening to overwhelm public institutions, posing an existential threat to societies.

The International Monetary Fund (IMF) warned in October 2023 that "fiscal buffers have eroded in many countries, with elevated debt levels, rising funding costs, slowing [economic] growth, and an increasing mismatch between the growing demands on the state and available fiscal resources". It warns that this "leaves many countries more vulnerable to crises and demands a renewed focus on managing fiscal risks". Fiscal revenues are under pressure in South Africa, as evidenced by years of budget deficits and rising public debt. This, in turn, adds more challenges to public service delivery during a time of elevated socio-economic strain. The public sector is overwhelmed; stretched in every direction to cope with these and other challenges.

Not surprisingly, **the state is unable to deliver the quantity and quality of services that it previously could. As a result, the South African population's use of public services declined across the board between 2019 and 2023, and could continue on this trend in 2024.** The latest Governance, Public Safety and Justice Survey published by Stats SA found that, for example, the share of adults making use of public hospitals in the 12 months prior to the study declined by 6.3 percentage points from 19.9% in 2019/2020 to 13.6% in 2022/2023.

Figure 5: Use of public services by adults in the preceding 12 months (% of survey respondents)



Source: Stats SA

In this situation, South African companies can make a meaningful and sustainable impact on their communities by partnering with the government to help the state address socio-economic issues. As noted on page 5, BUSA has been engaging with the government to help address the challenges faced in delivering services associated with energy, logistics and crime. Their collective efforts are, for example, paving the way for third-party train operators to enter the rail logistics market in 2024. This, in turn, would help improve the overall carrying capacity of the country's railways – a key challenge to company supply chains.

Improving public service delivery requires a public-private collaboration model with an equal partnership basis.

PwC's SA Mine 2023 report explores an innovative public-private collaboration model in Limpopo where major mining companies are working with the government on a R27bn water project to supply platinum and chrome operations as well as several hundred thousand people with bulk and potable water. PwC has been involved in the development of an alternative model to the traditional Public-Private Partnership (PPP), which is at the core of this scheme and some other large infrastructure projects. The public-private collaboration model is premised on an equal partnership basis, with the government and private sector providing shared funding and having shared control over the assets. This approach supports the government in executing their mandate of public service delivery and provides private entities with a social licence to operate.

From a financing perspective, the new collaboration model involves innovative funding models that reduce the impact on the fiscus. At the same time, ownership of the relevant infrastructure assets reside with the government. To ensure strong governance structures and equal participation by both the public and private sector parties, an independent execution body with representation from all partners to the model is set in place with appropriate governance structures. Collaboration and strong relationships, combined with a focus on community needs, are key for the successful roll-out of public-private infrastructure and associated socio-economic development programs.

Purpose-Led Economics services and contacts.

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How we can help.

The world will continue to experience more frequent, more severe, and more impactful short-term crises. These crises force business leaders to question their assumptions and be willing to do things differently, bring people together in new ways to find unconventional solutions, and to compel us to act fast. When dealt with correctly, crises create an environment that can help kickstart profound and sustained change.

We believe that in order to respond effectively to such an opportunity for change, organisations need to put purpose at the heart of their risk and overall strategy. Being purpose-led means a company is guided by a clear and meaningful mission beyond just financial success. Rather, the organisation is driven by a commitment to making a positive impact on the so-called triple bottom line: profit, people, and the planet.

Some 59% of the ‘Risk Pioneers’ identified in PwC’s Global Risk Survey 2023 strongly agree their organisation uses purpose to guide risk decisions. To determine purpose, leaders need to embrace the opportunities that a volatile, uncertain, complex and ambiguous (VUCA) world provides. Specifically, as explained by Bob Johansen in his book ‘Full-Spectrum Thinking’, volatility yields to vision; uncertainty yields to understanding; complexity yields to clarity; and ambiguity yields to agility.

We support our clients in devising purpose-led strategies that help them be more resilient in a VUKA world and identify which short-term crises to embrace or avoid. It ensures the whole organisation understands the direction and ambition for the future and helps build trust with stakeholders – from employees and customers, to investors and regulators.

Our services

The PwC South Africa Strategy& Purpose-Led Economics team is a specialised unit of economists who serve our clients in a variety of ways. Our services include:

Measure your impact on the economy and society

- Economic Impact Assessment (EIA)
- Socio-Economic Impact Assessment (SEIA)
- Regulatory Impact Analysis (RIA)
- Environmental, Social and Governance (ESG)
- Total tax contribution
- Localisation calculations

Make decisions about risk and investment

- Macroeconomic research
- Market entry analysis
- Country and industry risk assessments
- Commercial due diligence assistance

Plan for future economic scenarios

- ESG scenario planning
- Economic and political scenario planning
- Industry and macroeconomic modelling
- IFRS 9 audit assist

Please visit our website to learn more: https://www.strategyand.pwc.com/a1/en/solutions/purpose-led-economics.html

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