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(PROJECTION OF FUTURE ECONOMIC AND SOCIOPOLITICAL TRENDS)

MEDIA RELEASE

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**PROJECTION OF FUTURE ECONOMIC AND SOCIOPOLITICAL TRENDS IN
SOUTH AFRICA UP TO 2025**

Business leaders and economists are very upbeat in their expectations for South Africa's general economic prospects in years to come and here specifically with regard to economic relations with other countries. In the same vein a panel of 13 eminent economists expects an average growth rate in excess of 3 % per annum between 2005 and 2010 and even higher growth of 3,6 % per annum for the period 2011 to 2025.

These very positive expectations concerning the economy are contained in a report with the title *Projection of future economic and sociopolitical trends in South Africa up to 2025* recently published by the Bureau of Market Research (BMR) of the University of South Africa (Unisa).

However, the picture is not so rosy in all instances. Labour and employment circumstances will still deteriorate towards 2007, compared with 2004 (although less so than was expected in 2003) but a small improvement is expected for 2010. The main problems lie on the sociopolitical front where deterioration is expected in 2007 compared with 2004 although respondents were less negative than they were in 2003.

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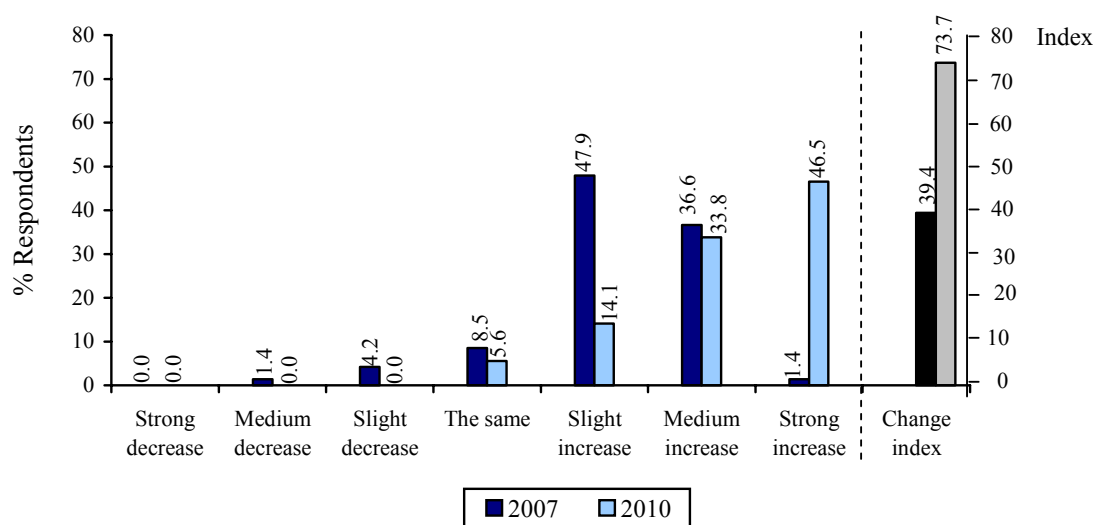
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The report contains two sets of predictions: One set consists of the qualitative evaluation of 56 economic and sociopolitical issues for 2007 and 2010 compared with 2004 by 70 business leaders and economists. The second set consists of predictions of growth for the periods 2005 – 2010 and 2011 – 2025 for seven growth series by economic sector, namely GDP, fixed capital stock, capital productivity, employment, labour productivity, domestic demand and export demand.

In the qualitative survey the flow of foreign tourists into South Africa drew the most positive response for 2010, up from the third place it takes regarding 2007. This is mostly due to the expected effect of the 2010 Soccer World Cup on tourism. More information on these views are contained in figure 1, which shows that 46,5 % of respondents expect a strong increase in tourism in 2010 compared with 2004, 33,8 % a medium increase and 14,1 % a slight increase. If these different expectations are weighted, they translate into a positive change index of 73,3, against a positive weighted change index of 39,4 for 2007. Consensus among respondents is very high for 2010 but only fair for 2007.

FIGURE 1

INFLOW OF FOREIGN TOURISTS TO SOUTH AFRICA



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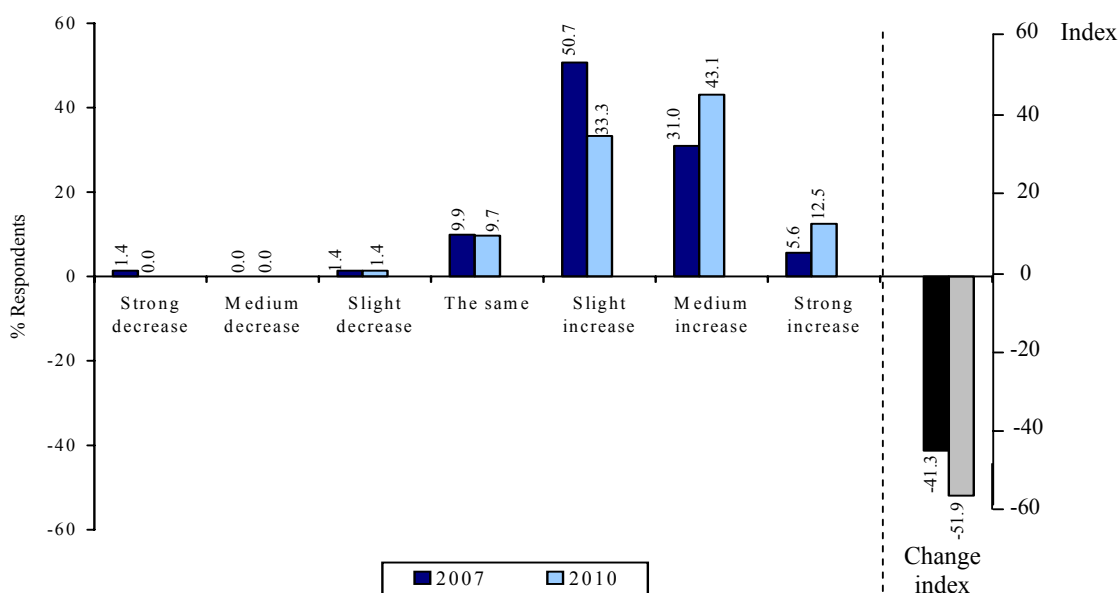
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Respondents were also optimistic about the rate of South Africa's business expansion into Africa with a positive change index of 56,8.

The increasing flow of people from neighbouring countries will pose a big problem in both 2007 and 2010. According to figure 2, 12,5 % of the respondents expect a strong increase in 2010 compared with 2004, 43,1 % a medium increase and a further 33,3 % a slight increase. The reason why this is regarded as a problem is that these immigrants place an increasing burden on South Africa's health and other infrastructure and through their competition for limited employment opportunities, negatively impact on the employment rate of South Africans.

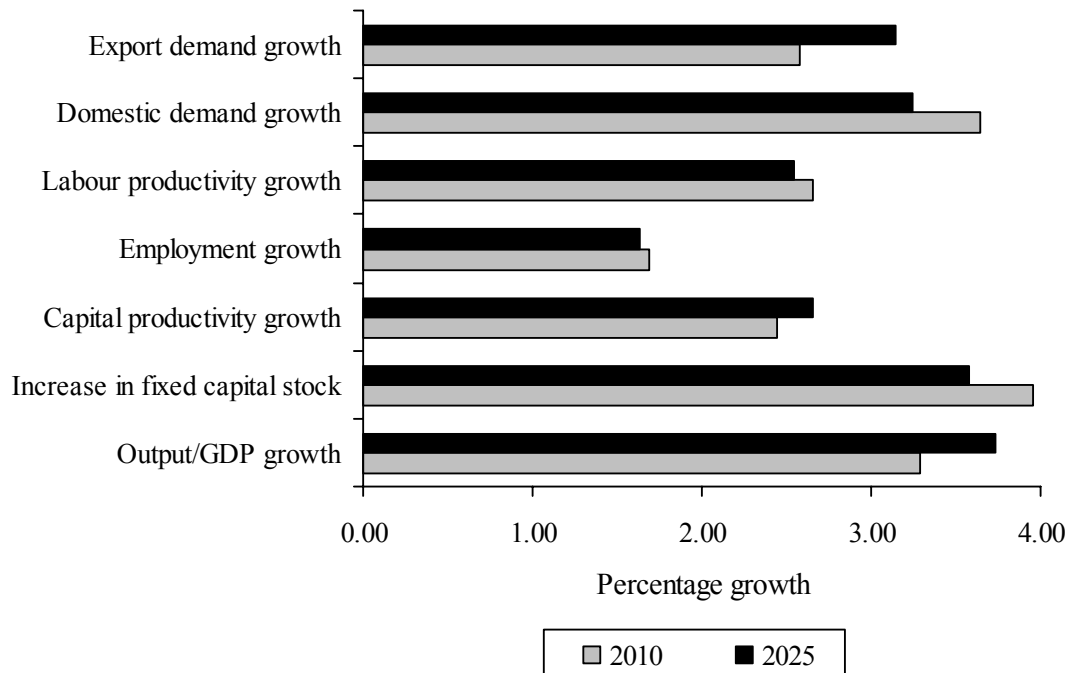
FIGURE 2

FLOW OF PEOPLE FROM NEIGHBOURING COUNTRIES



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The panel of 13 economists responsible for the quantitative forecasts raised concerns about the low elasticity levels between output and employment growth with expected overall percentage growth in employment about half that of GDP up to 2025 if labour market rigidities and other constraints are not addressed. Figure 3 reflects forecasts on the manufacturing sector, clearly illustrating the difference in the expected growth rates of output and employment.

FIGURE 3**EXPECTED ANNUAL GROWTH IN THE MANUFACTURING SECTOR,
2005-2010 AND 2011-2025**

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PROJECTION OF FUTURE ECONOMIC AND SOCIOPOLITICAL TRENDS IN SOUTH AFRICA UP TO 2025 (Research Report no 351) – based on the views of business leaders and economists – was compiled by Prof Helgard van Wyk and Prof Carel van Aardt of the Bureau of Market Research. The report consisting of 150 pages is available from the Bureau of Market Research, PO Box 392, UNISA 0003.

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