

## The BRICS: South Africa – Has the Diamond Lost It's Shine?

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Cape Town. Image. Lee Morley

The South African economy is falling dramatically short of its predicted growth levels. With demand for its natural resources declining, the growth rate has weakened considerably since its peak of 5.6% in 2007, with the predictions for this year below 2%. The country has suffered significantly since the financial crash of 2008 and has failed to recover to pre-crisis levels. South Africa has falling per capita incomes, down by nearly \$1000 and is lagging behind in most upper-middle nations in several key economic indicators. Indeed, South Africa, once considered the economic jewel in Africa has been overtaken by Nigeria as the largest economy on the African continent.

Similar to Brazil, the cost of living has been steadily increasing, exacerbate the poverty experienced by 53% of the South African population. South Africa's inflation rate rose to 6.1% in 2014, meaning the price of Rand is declining for many ordinary South Africans. Furthermore, international investment has rapidly dried up since the global financial crash. Whether this is because companies are concerned of the racial issues still present in South Africa or because China's demand for raw materials has drastically slumped in recent years, all of these combine to leave the country's economy in a precarious situation.

This has been coupled with poor industrial relations which are at the lowest levels recorded since the end of apartheid. Fuelled by corruption in the ruling African National Congress party (ANC) and executives in industry, as well as splits in the trade unions has produced a toxic situation relating to industrial relations. The situation has been greatly exacerbated by violent incidents at the picket lines, most notably the South African police shooting of 30 strikers at the Marikana Mine in 2012, highlighting the tensions with devastating consequences. As a result of these tensions, severe underemployment and lagging infrastructure investment are further weakening the economic situation. Currently, 49% of young South Africans were unemployed in 2014. Not only are these issues damaging, the outlook for improving poverty and education for the South African population is looking increasingly bleak.

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So with all of the struggles with which the South African economy has to confront in the immediate term, what is the future? Recent reports suggest a stable growth rate of between 2-3% over the coming years. Predictions also suggest a decline in the inflation rate by the end of 2020, although with high peaks of approximately 6-7% in the interim. Furthermore, unemployment is set to decrease and wages to increase over the time span with retirement remaining at 60 for both men and women. However, the importance of these statistics is not the overall improvements themselves. It is the moderate nature, with the previous sparkle of the South African economy greatly diminished.

If there is any hope of South Africa returning to the growth levels predicted on its incorporation into the BRICS, it must fix its many problems. The new ANC administration announced a freeze on government personnel expenditure and reducing non-essential spending in an attempt to rectify these issues. Only time will tell if the reforms will work.



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Dave Black

24 Oct '15 at 3:29 am

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