

Can retail save the SA economy?

 By Leigh Andrews

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The question of retail's power to restore SA's economy was addressed by various speakers at the Beyond Retail 2016 event. These are the top outtakes from 'the economist's view' as shared by Dr Azar Jammie of Econometrix.

On Thursday, 13 October 2016, Beyond Retail 2016 took place at The Bay Hotel rotunda in Camps Bay, hosted by UCS Solutions and Business Connexion. After networking over coffee while breathing in the beautiful palm tree-lined ocean views, attendees were welcomed by Jessica Knight, CEO of UCS Solutions who called the annual event a highlight that offers all with an interest in the retail industry the chance to debate and share views.

With the disclaimer that South Africa is going through turbulent times yet growth in consumer spending sparks economic expansion, Dr Azar Jammie, the polymath who speaks six languages and is director and chief economist at Econometrix spoke first. He began by stating thus far the news is positive with retail sales growing 3% this year, making his short answer 'yes', but questioned whether it will continue to do so undoubtedly. He set the scene by describing the current economic context and spoke of the fact that this year's Budget Speech didn't expressly focus on the retail sector. He expressed his views on the 2016 Budget Speech below:

The economic context

The world's **population** is growing drastically and is expected to reach 9 billion by 2040. SA follows the global trend.

Urbanisation is also taking hold, with China the pinnacle example, as well as Africa, which is relatively non-urbanised overall so there's still huge scope for future urbanisation. This equates to good long-term economic growth potential. The resulting shift in demographic trends also needs to be addressed by retailers and marketers alike – who lives where when?

Life expectancy has also seen a marked increase over the past decade, particularly among females – Jammie says to add the difference between your birthdate to your spouse's and add six. That's how much longer wives are now expected to live beyond their husbands. Much of this success locally can be attributed to the reduction in Aids-related deaths following the nationwide roll-out of free ARVs in 2005.



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Jammie admits there's definitely lots of doom and gloom regarding the economy of late, but there are reasons to be upbeat.

- The local drought is hopefully over, with our annual October rains just around the corner
- There has been increased tourism into South Africa from across the globe
- The electricity supply constraint has dissipated
- Inflation was lower than expected
- Interest rate hikes are no longer a certainty
- The petrol price is falling and actually lower now than it was a year ago
- Businesses still have solid balance sheets
- Commodity prices have recovered from January lows
- The rand is still cheap and costs are rising at a slow pace, creating a wonderful opportunity for exports.

Jammie forecasts gradual depreciation over the next few years and says, "In all seriousness we need to stop blaming Zuma for everything," as much of SA's recent economic slowdown has been based on global factors. Luckily the IMF says both global and local conditions should improve slightly over the next few years, and Africa is still seen as the last bastion for global growth.

Jammie also pointed out two seldom recognised sources of inequality beyond educational disparities – these are global monetary policies and the impact of improved corporate governance and related factors like executives' remuneration over that of the working class, which breeds antagonism yet also creates an affluent middle-class or **upper-class minority**, important for the retail sector.

All taken into account Jammie cautions against being too positive for the short-term future as indebtedness is still high. He

says: "Be sober about prospects over the coming year. Retail is undoubtedly an important prop, but we need to do more."

Look out for further coverage of the #BeyondRetail2016 sessions over the next week on just how the local retail market is boosting the SA economy.

ABOUT LEIGH ANDREWS

Leigh Andrews AKA the #MilkshakeQueen, is former Editor-in-Chief: Marketing & Media at Bizcommunity.com, with a passion for issues of diversity, inclusion and equality, and of course, gourmet food and drinks! She can be reached on Twitter at @Leigh_Andrews.

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