

FreeFACTS

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SA – what’s going wrong?

South Africa is in deep trouble. We know this from the recently released economic data which showed that even before the national lockdown the economy shrank by two percent. There are ghastly predictions that the economy will shrink by over 30% in the second quarter. These numbers are almost too unbearable to think about but think about them we must. They will not go away.

This edition of *FreeFACTS* looks at a number of South African indicators, including some measuring us against our global rivals, and it shows why the country continues to stagnate, with a shrinking economy.

We provide information of business confidence in South Africa, which shows that on this indicator the country is now plumb-ing record lows. According to the RMB/BER index, business confidence in South Africa is the lowest it has ever been since the index began in 1975. This means that businesses are now less confident in the country than even during the height of the internal struggle against apartheid in the 1980s.

The reason for this lack of confidence is easy to diagnose. South Africa is continuing to slide down global indices which measure economic freedom, while comparable countries continue to overtake us, by freeing their economies from unnecessary red tape and other policies which hamper prosperity. Furthermore, on governance indicators South Africa is also falling behind, in particular on issues such as the rule of law and how well we control corruption. In addition, on measures which show entrepreneurial activity we are also behind global competitors.

The solution is simple. South Africa must turn away from policies which hamper economic freedom and look towards those that unleash the economic potential of all our citizens. The government must cut red tape, dump counter-productive policies like black economic empowerment and rather focus on policies which truly empower the disadvantaged, and ensure that taxpayers’ money is used responsibly and productively.

— **Marius Roodt**

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The IRR is an advocacy group that fights for your right to make decisions about your life, family and business, free from unnecessary government, political, and bureaucratic interference. FreeFACTS publishes evidence that communities are better off when individuals are free to make decisions about how they want to live, be educated, work, access healthcare, think, speak, own property, and protect their communities. If you agree with the issues we stand for, welcome to the team. There are millions of people just like you who are tired of South African politicians, activists, and commentators attempting to rein in your freedom to decide. Take control and make sure your voice is heard by becoming a friend of the IRR.

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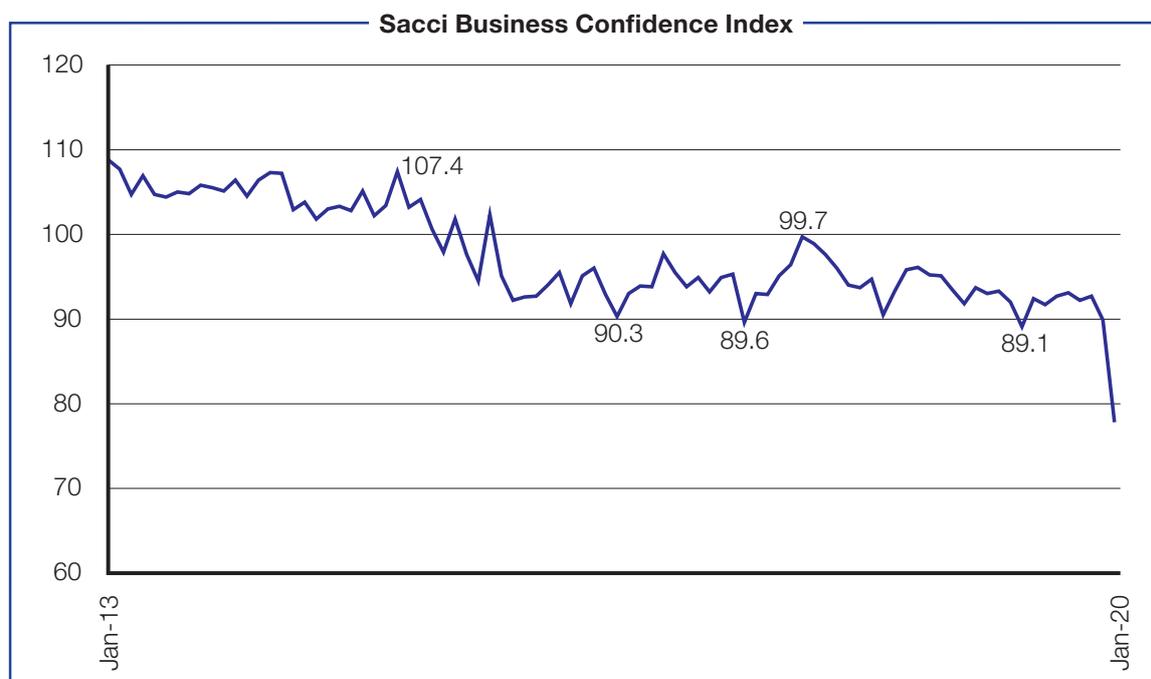
Business and Infrastructure

Business confidence

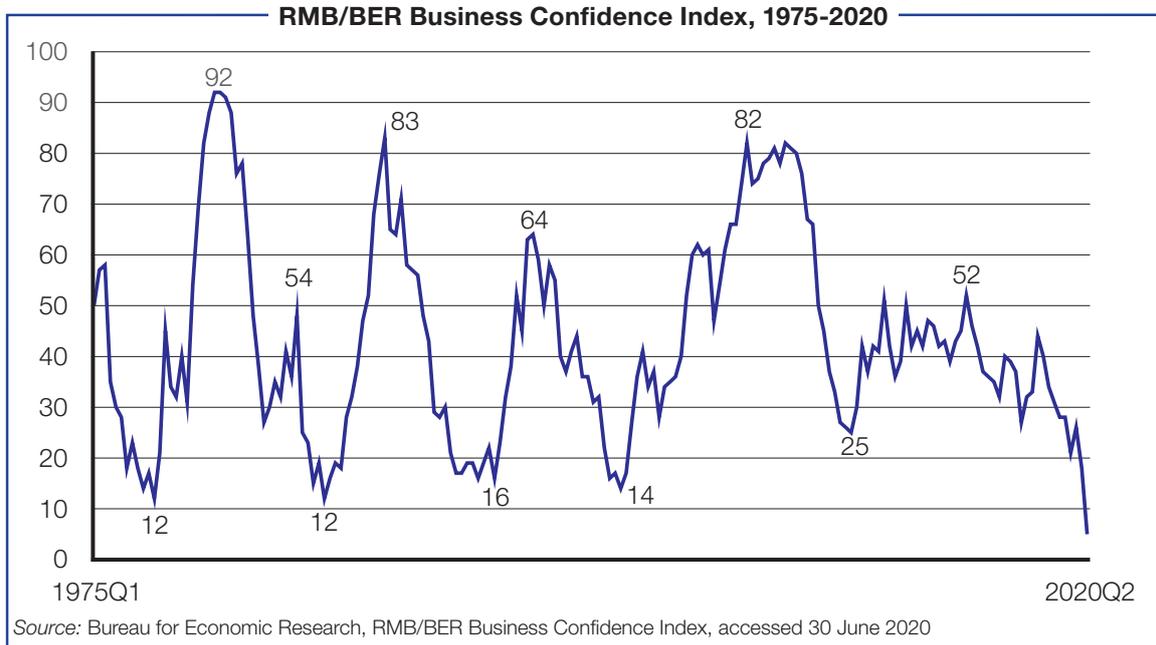
The Sacci Business confidence index ^a , 2010-20								
Month	2013	2014	2015 ^b	2016	2017	2018	2019	2020 ^c
January	108.8	104.5	103.4	92.6	97.7	99.7	95.1	92.2
February	107.7	106.4	107.4	92.7	95.5	98.9	93.4	92.7
March	104.7	107.3	103.2	94.0	93.8	97.6	91.8	89.9
April	106.9	107.2	104.1	95.5	94.9	96.0	93.7	77.8
May	104.7	102.9	100.6	91.8	93.2	94.0	93.0	–
June	104.4	103.8	97.9	95.1	94.9	93.7	93.3	–
July	105.0	101.8	101.8	96.0	95.3	94.7	92.0	–
August	104.8	103.0	97.6	92.9	89.6	90.5	89.1	–
September	105.8	103.3	94.5	90.3	93.0	93.3	92.4	–
October	105.5	102.8	102.3	93.0	92.9	95.8	91.7	–
November	105.1	105.1	95.1	93.9	95.1	96.1	92.7	–
December	106.4	102.2	92.2	93.8	96.4	95.2	93.1	–
Average	105.8	104.2	100	93.5	94.4	95.4	92.6	88.2

Source: South African Chamber of Commerce and Industry (Sacci), www.sacci.org.za, accessed 30 June 2020, *BusinessTech*, 7 May 2020

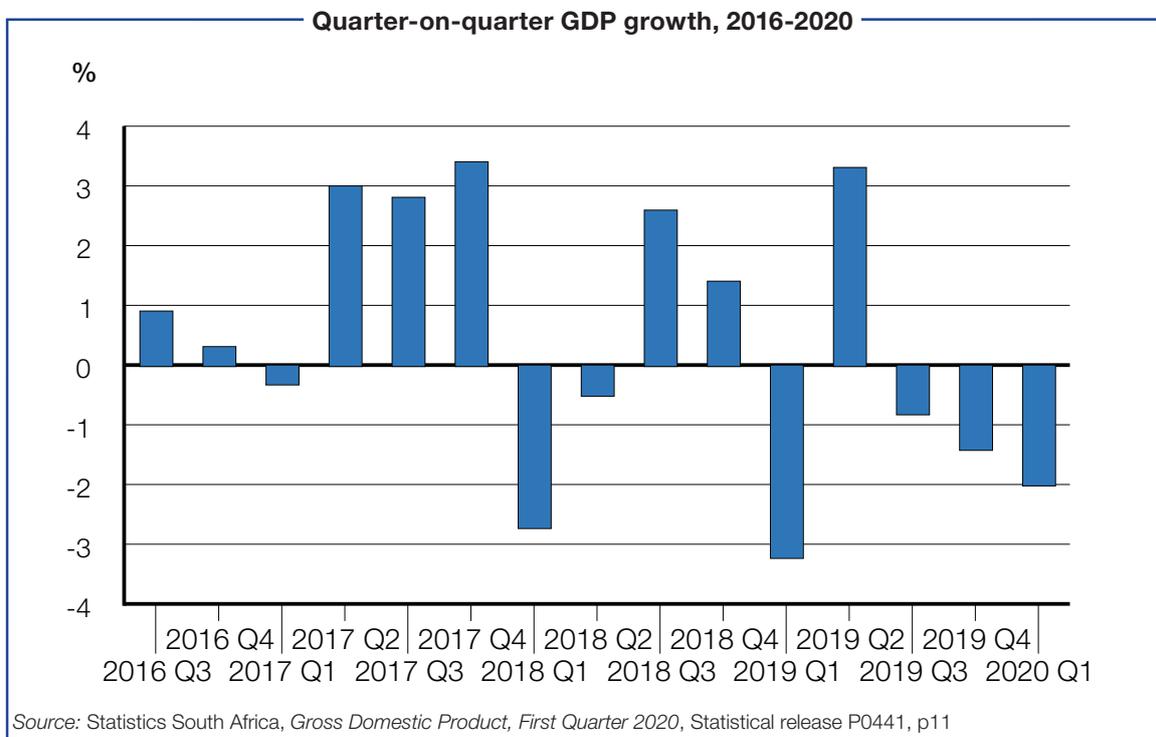
- a The Sacci compiles a monthly business confidence index which reflects the business climate and what businesses are doing and experiencing. It is a composite weighted index where the economic and market indicators are used to compile thirteen sub-indices. These include an average monthly exchange rate of the rand against the dollar, the euro, the pound, as well as the volatility of the rand. Other sub-indices include: consumer inflation; the real predominant prime overdraft rate, retail sales volumes, merchandise import and export volumes; new vehicle sales, utility municipal services; volume of manufacturing production, real value of private sector buildings passed, all share price index of the Johannesburg Stock Exchange (JSE); and the average weighted dollar gold and platinum price.
- b 2015 was established as the new base year with the value = 100.
- c In June 2020 Sacci announced that they were suspending the index until business activity normalised.



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Note: The BER takes the percentage of respondents that rates prevailing conditions as satisfactory as indicator or proxy of business confidence. The composite RMB/BER Business Confidence Index (BCI) is the unweighted mean of five sectoral indices, namely that of manufactures, building contractors, retailers, wholesalers and new vehicle dealers. Business confidence can vary between 0 and 100, where 0 indicates an extreme lack of confidence, 50 neutrality and 100 extreme confidence. In the second quarter of 2020 the Index sunk to its lowest ever level with a score of 5.



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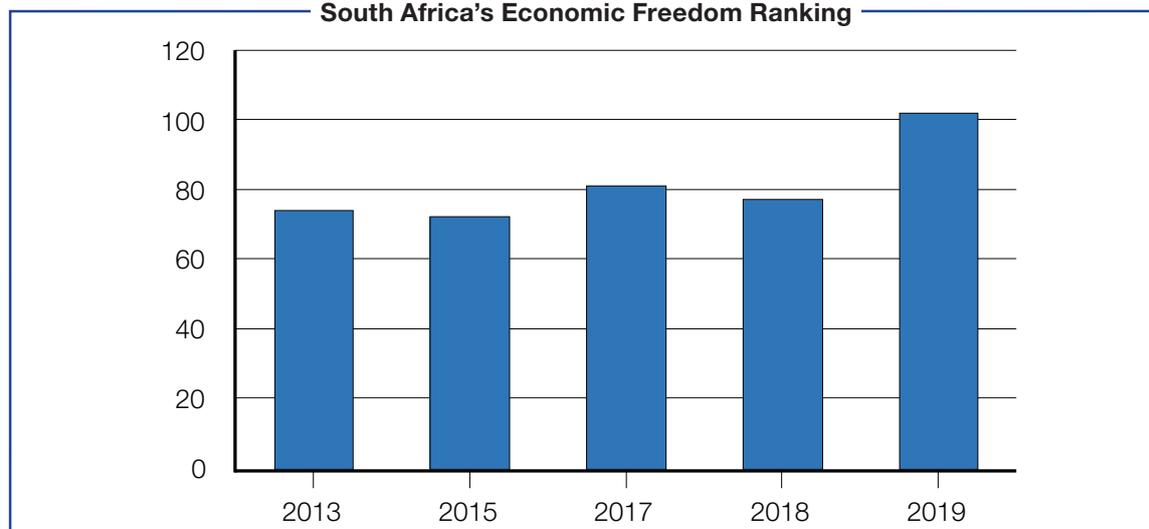
Economic freedom of the world (Heritage Foundation^a), selected countries, 2013-19

Country	2013	2017	2018	2019	(Score out of 100)			
	Ranking (out of 177)	Ranking (out of 180)	Ranking (out of 180)	Ranking (out of 180)	2013	2017	2018	2019
Australia	3	5	5	5	83	81	81	81
Botswana	30	34	35	36	71	70	70	70
Brazil	100	140	153	150	58	53	51	52
Chile	7	10	20	18	79	77	75	75
China	136	111	110	100	52	57	58	58
Denmark	9	18	12	14	76	75	77	77
Egypt	125	144	139	144	55	53	53	53
France	62	72	71	71	64	63	64	64
Germany	19	26	25	24	73	74	74	74
Ghana	77	118	122	109	61	56	56	58
Greece	117	127	115	106	55	55	57	58
Hong Kong	1	1	1	1	89	90	90	90
India	119	143	130	129	55	53	55	55
Indonesia	108	84	69	56	57	62	64	66
Ireland	11	9	6	6	76	77	80	81
Israel	51	36	31	27	67	70	72	73
Italy	83	79	79	80	61	63	63	62
Japan	24	40	30	30	72	70	72	72
Kazakhstan	68	42	41	59	63	69	69	65
Lithuania	22	16	19	21	72	76	75	74
Mexico	50	70	64	66	67	64	65	65
Mozambique	123	158	170	163	55	50	46	49
Nigeria	120	115	104	111	55	57	59	57
Pakistan	121	141	131	131	55	53	54	55
Philippines	97	58	61	70	58	66	65	64
Poland	57	45	45	46	66	61	69	68
Russia	139	114	107	98	51	57	58	59
Saudi Arabia	82	64	39	91	61	64	69	61
South Africa	74	87	77	102	62	62	63	58
Spain	46	69	60	57	68	64	65	66
Switzerland	5	4	4	4	81	82	82	82
Turkey	69	60	58	68	63	65	65	65
Uganda	79	91	83	95	61	61	62	60
United Kingdom	14	12	8	7	75	76	78	79
United States	10	17	18	12	76	75	76	77
Venezuela	174	179	179	179	36	27	25	26

Source: The Heritage Foundation, *2013 Index of Economic Freedom*, 5 November 2012, pp3–7; *2014 Index of Economic Freedom*, 13 November 2013, pp4–9; *2015 Index of Economic Freedom*, 13 November 2014, p3; *2016 Index of Economic Freedom*, 13 August 2016, p2; *2017 Index of Economic Freedom*, 13 August 2017, p2, *2018 Index of Economic Freedom*, 2019 *Index of Economic Freedom*, p2

a The index ranks 180 countries, with Hong Kong being ranked first, and North Korea last. South Africa is the eleventh highest ranked African country, with Mauritius, Rwanda, Botswana, Cabo Verde, Ivory Coast, Seychelles, Uganda, Burkino Faso, and Namibia being ranked higher. The index is scored out of 100, with 10 components. These are: business freedom; trade freedom; fiscal freedom; government size; monetary freedom; investment freedom; financial freedom; property rights; freedom from corruption; and labour freedom. South Africa's ranking changed from 81 out of 180 in 2017 to 102 out of 180 in 2019.

South Africa's Economic Freedom Ranking



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Economic freedom of the world (Economic Freedom Network^a), selected countries, 2009-17

Country	2009 Ranking (out of 144)	2010 Ranking (out of 144)	2012 Ranking (out of 152)	2016 Ranking (out of 162)	2016 Ranking (out of 10)	2017 Ranking (out of 162)	2017 Score (out of 10)
Australia	5	5	8	10	7.98	9	8.07
Botswana	68	67	54	44	7.43	49	7.37
Brazil	102	105	103	144	5.75	120	6.23
Chile	7	10	10	15	7.80	13	7.89
China	92	107	115	107	6.46	113	6.42
Denmark	15	16	19	16	7.77	13	7.89
Egypt	93	99	122	147	5.72	155	5.05
France	42	47	58	57	7.25	50	7.35
Germany	21	31	28	20	7.69	20	7.82
Ghana	70	71	98	97	6.60	103	6.58
Greece	81	81	84	107	6.46	102	6.59
Hong Kong	1	1	1	1	8.97	1	8.91
India	94	111	110	95	6.63	79	6.91
Indonesia	84	76	80	65	7.16	54	7.27
Ireland	25	12	14	5	8.07	6	8.13
Israel	83	52	55	38	7.49	38	7.53
Italy	70	83	79	54	7.27	46	7.41
Japan	22	23	23	41	7.47	17	7.86
Kazakhstan	56	70	74	69	7.11	68	7.10
Lithuania	24	28	27	13	7.86	16	7.88
Mexico	75	91	91	82	6.90	76	6.93
Mozambique	128	134	127	149	5.50	149	5.60
Nigeria	107	120	125	118	6.32	81	6.86
Pakistan	114	111	124	132	6.00	136	5.91
Philippines	89	61	51	49	7.34	53	7.32
Poland	53	48	48	54	7.27	59	7.24
Russia	81	95	98	87	6.83	85	6.78
Saudi Arabia	N/A	65	87	102	6.52	107	6.52
South Africa	87	85	93	110	6.45	101	6.61
Spain	54	34	51	30	7.56	36	7.55
Switzerland	4	4	4	4	8.39	4	8.40
Turkey	75	75	71	86	6.84	95	6.67
Uganda	52	50	57	46	7.41	48	7.39
United Kingdom	8	12	12	9	8.00	7	8.09
United States	10	18	12	6	8.03	5	8.19
Venezuela	139	144	152	162	2.88	162	2.58

Source: Fraser Institute Economic Freedom Network, *Economic Freedom of the World: Annual Report 2012*, 18 September 2012, p10; *Economic Freedom of the World: Annual Report 2013*, 18 September 2013, p8; *Economic Freedom of the World: Annual Report 2014*, 18 September 2014, p18; *Economic Freedom of the World: Annual Report 2017*, accessed 13 November 2017, pp7-8; *Economic Freedom of the World: Annual Report 2018*, *Economic Freedom of the World Annual Report 2019*, accessed 1 December 2019, pp8-9

a The economic freedom score was calculated by using 42 variables, measuring economic freedom in five broad areas. These were: size of government; legal structure and security of property rights; access to sound money; freedom to trade internationally; and regulation of credit, labour, and business.

N/A — Not available.

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South Africa's ranking on the Global Competitiveness Index's 12 pillars, 2019

Pillar	South Africa's ranking (out of 141)	World's best
Institutions	55	Finland
Infrastructure	69	Singapore
ICT adoption	89	South Korea
Macroeconomic environment	59	Multiple
Health	118	Multiple
Skills	90	Hong Kong
Goods market efficiency	69	Singapore
Labour market efficiency	63	Singapore
Financial market development	19	United States
Market size	35	China
Business sophistication	60	United States
Innovation	46	Germany
Overall	60	Singapore

Source: World Economic Forum, *Global Competitiveness Report, 2019*, accessed 24 November 2019, p519

Entrepreneurial activity, selected countries, 2018/19

Country	Nascent entrepreneurial activity ^a	New business ownership rate ^b	Early-stage entrepreneurial activity ^c	Established business owner-managers ^d	Business discontinuation rate ^e
Argentina	4.9%	4.3%	9.1%	9.1%	3.9%
Brazil	1.7%	16.4%	17.9%	20.3%	4.3%
Bulgaria	2.4%	3.7%	6.0%	8.4%	1.8%
Chile	16.0%	10.1%	25.1%	8.5%	7.1%
China	4.7%	5.9%	10.4%	3.2%	2.5%
Egypt	4.0%	5.9%	9.8%	4.5%	7.6%
Germany	2.7%	2.4%	5.0%	7.5%	1.6%
Greece	4.2%	2.3%	6.4%	10.8%	3.4%
India	8.8%	2.7%	11.4%	7.0%	4.9%
Indonesia	3.1%	11.1%	14.1%	11.8%	1.4%
Ireland	6.5%	3.2%	9.6%	6.8%	3.8%
Israel	7.9%	4.8%	12.7%	4.2%	5.0%
Italy	2.7%	1.6%	4.2%	6.4%	1.6%
Korea, South	6.8%	7.9%	14.7%	12.5%	2.5%
Morocco	3.3%	3.5%	6.7%	4.2%	3.0%
Poland	4.1%	1.1%	5.2%	13.0%	2.4%
Slovak Republic	9.2%	3.1%	12.1%	4.6%	3.6%
South Africa ^f	7.5%	3.8%	11.0%	2.2%	6.0%
Spain	2.7%	3.8%	6.4%	6.1%	1.7%
Sweden	4.6%	2.5%	6.8%	5.3%	3.7%
Switzerland	4.1%	3.4%	7.4%	11.5%	2.0%
Taiwan	3.2%	3.4%	9.5%	13.9%	5.4%
Thailand	7.3%	13.2%	19.7%	13.9%	5.4%
United Kingdom	4.2%	4.2%	8.2%	6.4%	2.7%
United States	10.5%	5.3%	15.6%	7.9%	4.7%

Source: Global Entrepreneurship Monitor, *Global Report 2019*, pp116

- a Proportion of population aged 18 to 64 who have started a business that is less than 4 months old and that has not paid salaries or wages.
- b Proportion of population aged 18 to 64 who have started a business that is between 42 months old and is paying salaries or wages.
- c Proportion of population aged 18 to 64 who are in the process of starting a business or who have just started a business which is less than 42 months old.
- d Proportion of population aged 18 to 64 who are currently owner-managers of an established business, i.e. earning and managing a running business that has paid salaries, wages or any other payments to the owners for more than 42 months.
- e Proportion of population aged 18 to 64 (who are either a nascent entrepreneur or an owner-manager of a new business) who have discontinued a business in the past 12 months, either by selling, shutting down or otherwise discontinuing an owner/management relationship with the business. This is not a measure of business failure rates.
- f 2017/18 data.

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Global Entrepreneurship Index^a, regional top performers, 2019

Country	Region	Ranking (out of 137)	Score (out of 100)
United States	North America	1	83.6
Switzerland	Europe	2	80.4
Australia	Asia-Pacific	5	75.5
Israel	Middle East/North Africa	16	65.4
Chile	South and Central America/Caribbean	19	58.5
Botswana	Sub-Saharan Africa	52	34.9

Source: The Global Entrepreneurship and Development Institute, *Global Entrepreneurship Index 2018*, 29 November 2019, p6

a The index measures the quality and scale of the entrepreneurial process in 137 countries. It is composed of 14 pillars of entrepreneurship based on multiple surveys including the *Global Entrepreneurship Monitor Adult Population Survey*. The 14 pillars include: opportunity perception, start-up skills, risk acceptance, networking, cultural support, opportunity start-up, technology absorption, human capital and competition, among others. Botswana is the leading country in the Sub-Saharan African region, with a score of 34.9 and is ranked 52nd in the world.

Governance indicators, selected countries, 2018

Country	Voice and accountability	Political stability	Government effectiveness	Regulatory quality	Rule of law	Control of corruption
	0-100 ^a					
Australia	96%	83%	93%	98%	93%	93%
Botswana	63%	83%	65%	69%	69%	78%
Brazil	61%	32%	36%	40%	44%	40%
Chile	82%	61%	82%	89%	84%	82%
China	9%	37%	70%	48%	48%	46%
Denmark	98%	82%	97%	94%	97%	99%
Egypt	13%	12%	31%	18%	38%	31%
France	88%	52%	92%	84%	89%	88%
Germany	95%	67%	93%	95%	91%	95%
Ghana	68%	47%	46%	50%	57%	53%
Greece	75%	50%	66%	64%	59%	56%
Hong Kong	62%	75%	98%	100%	95%	92%
India	60%	15%	64%	47%	55%	50%
Indonesia	52%	27%	59%	51%	43%	46%
Ireland	92%	86%	90%	93%	90%	91%
Israel	70%	15%	86%	87%	81%	79%
Italy	82%	58%	68%	74%	62%	62%
Japan	80%	88%	94%	88%	90%	89%
Kazakhstan	16%	46%	54%	60%	36%	36%
Lithuania	78%	73%	81%	83%	80%	69%
Mexico	46%	26%	48%	61%	27%	19%
Mozambique	33%	19%	18%	24%	14%	24%
Nigeria	34%	4%	15%	17%	18%	14%
Pakistan	26%	3%	27%	27%	28%	24%
Philippines	48%	13%	55%	57%	34%	34%
Poland	72%	66%	75%	78%	67%	75%
Russia	19%	29%	51%	32%	21%	21%
Saudi Arabia	6%	29%	65%	53%	59%	66%
South Africa	70%	36%	66%	62%	51%	57%
Spain	83%	55%	79%	80%	80%	73%
Switzerland	99%	95%	100%	97%	99%	97%
Turkey	25%	10%	54%	52%	42%	44%
Uganda	29%	21%	30%	42%	43%	14%
United Kingdom	94%	48%	88%	96%	92%	93%
United States	81%	62%	92%	92%	89%	89%
Venezuela	10%	9%	5%	1%	0%	5%

Source: World Bank, *World Governance Indicators*, info.worldbank.org, accessed 26 September 2019

a The percentile rank indicates the rank of the country among all countries in the world — 0 being the lowest, and 100 the highest. The World Bank calculates the rankings by aggregating the views on the quality of governance provided by a large number of enterprise, citizen, and expert survey respondents. The data is gathered from a number of survey institutes, think tanks, non-governmental organisations, and international organisations.

Trust in institutions

Edelman Trust Barometer, selected countries, 2019					
Country	Trust by the informed public ^a	Trust by the mass public ^b	Trust in the Government	Trust in the media	Trust in non-governmental organisations
Argentina	53	45	31	38	65
Australia	59	46	42	40	56
Brazil	51	43	28	41	57
Canada	74	54	53	57	59
China	88	76	86	76	74
Colombia	56	51	37	44	62
France	59	41	32	36	56
Germany	60	42	40	44	44
Hong Kong	66	52	55	54	65
India	83	17	74	64	72
Indonesia	83	69	75	70	68
Ireland	48	41	38	35	50
Italy	53	46	43	45	44
Japan	53	37	39	35	38
Malaysia	70	58	60	52	63
Mexico	68	54	34	53	72
Netherlands	67	54	54	56	47
Russia	35	28	34	26	23
Singapore	69	60	67	56	63
South Africa	53	44	21	41	50
South Korea	61	44	48	42	60
Spain	47	39	26	36	53
Turkey	53	41	52	27	57
United Arab Emirates	83	68	82	60	68
United Kingdom	64	40	42	37	47
United States	60	47	40	48	52
Global	64	50	47	47	56

Source: The Edelman Trust Barometer 2019, *Global Report*, January 2019, pp9-42

a College-educated 25 to 64 year-olds who reported significant media consumption and engagement in business news. This age group is also in the top 25% of household-income earners.

b All other respondents who did not meet the criteria of an informed public.

The Edelman Trust Barometer measures levels of trust in different institutions. It assigns countries scores ranging from 1 to 100. A score between 1 and 49 indicates distrust, that between 50 and 59 indicates neutrality and that between 60 and 100 indicates some level of trust.