

Africa Business Agenda: South African Perspective 2023

Navigating the future: Insights and strategies
for South Africa's economic growth and talent
development

June 2023



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Introduction

The PwC *Africa Business Agenda: South African Perspective 2023* report highlights the challenges and opportunities that South Africa faces in terms of economic growth, company profitability and talent development. The report draws on a survey of insights from 282 CEOs in sub-Saharan Africa and 34 CEOs in South Africa, presenting a comprehensive overview of their perspectives, hopes and concerns.

We have spoken to the leaders of some of South Africa's largest companies. This publication emphasises the proactive measures that their businesses are taking to mitigate potential economic challenges and volatility in their operations. It underscores the importance of innovation, alternative suppliers, cost reduction and diversification to ensure resilience and success in a dynamic business environment.

Our report also sheds light on the critical imperative of retaining and upskilling talent as companies in South Africa navigate high resignation and retirement rates. Upskilling encompasses not only technical knowledge but also the development of behaviours and values that drive cultural change within organisations.

The economy in South Africa is explored, with the majority of CEOs anticipating a decline in economic growth over the next 12 months. This presents challenges for businesses, the government and individuals, necessitating cautious and adaptable strategies. The government's role in supporting the economy is highlighted, emphasising the need for targeted policies and initiatives such as stimulus packages, tax relief and job creation programmes to support economic growth and recovery.

The report delves into factors impacting company profitability, including the transition to new energy sources, technological disruptors, supply chain disruption, labour shortages and regulatory changes. Companies are urged to embrace renewable energy, adapt to new technology, fortify their supply chains and upskill their workers to ensure adaptability in a rapidly changing landscape.

Mitigation strategies for potential economic challenges and volatility are explored, including workforce reduction, hiring freezes, cost reduction, diversification and exploring alternative suppliers. The importance of balancing these measures with long-term growth objectives is emphasised.

Our report also highlights the significance of collaboration with various groups, including educational institutions, non-governmental organisations (NGOs) and governments, to address societal issues. Trust and collaboration are identified as vital components for economic empowerment, sustainable enterprises and infrastructure development.

The findings from the survey offer valuable insights and actionable recommendations for businesses, the government and individuals. It emphasises the importance of agility, adaptability and collaboration in navigating the economic landscape and building sustainable businesses that drive economic growth and societal development.

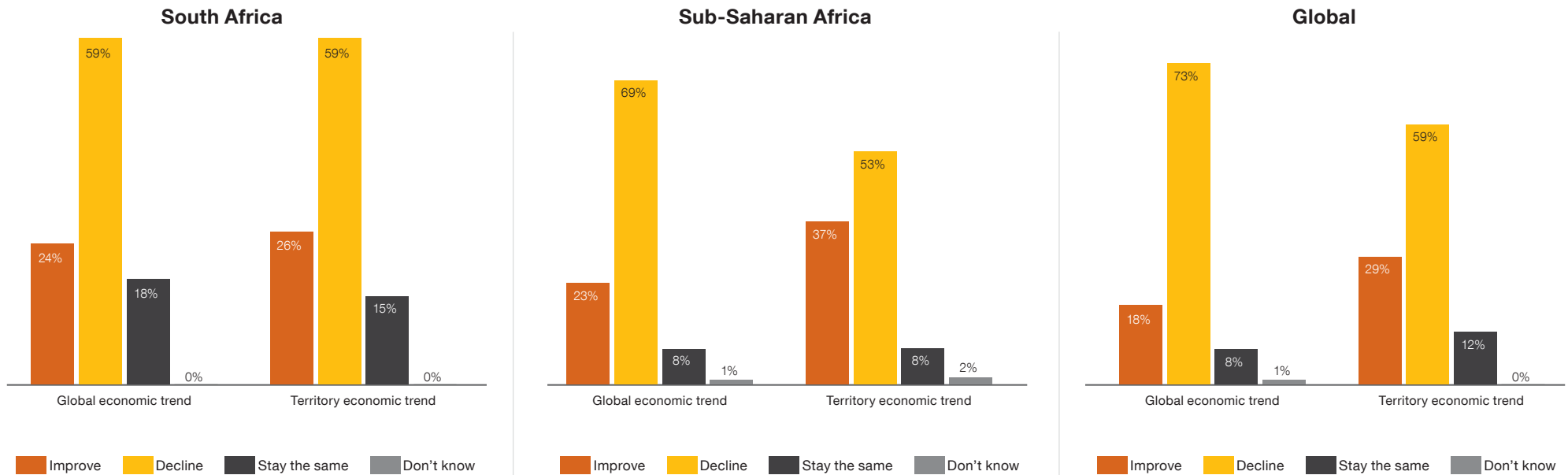


South Africa's economy

Expectations and challenges for businesses and government in South Africa

The data reveals a cautious outlook on economic growth at a global level. In terms of the global economic trend, only 18% of local CEOs anticipate improved economic growth, while a significant majority of 73% expect a decline. This indicates a prevailing sense of pessimism among CEOs in South Africa regarding the global economic landscape.

How do you believe economic growth (i.e., gross domestic product) will change, if at all, over the next 12 months in the global economy and in your territory?



Source: PwC's 26th Global CEO Survey



Meanwhile, 26% of respondents in South Africa believe there will be an improvement in South Africa's economic growth. However, a majority of 59% anticipate a decline in growth, aligning with the prevailing sentiment of economic uncertainty. This suggests that while there is a slightly less pessimistic view of the local economy compared to the global economy, there is still a notable concern about the challenges and potential decline in economic performance in South Africa.



CEOs in South Africa are slightly less pessimistic about the global economic outlook, with 24% anticipating improvement compared to the global average of 18%. However, respondents from South Africa and global share a similar level of concern about their respective territory's economic trends, with 59% of CEOs from both groups expecting a decline in economic growth this year.

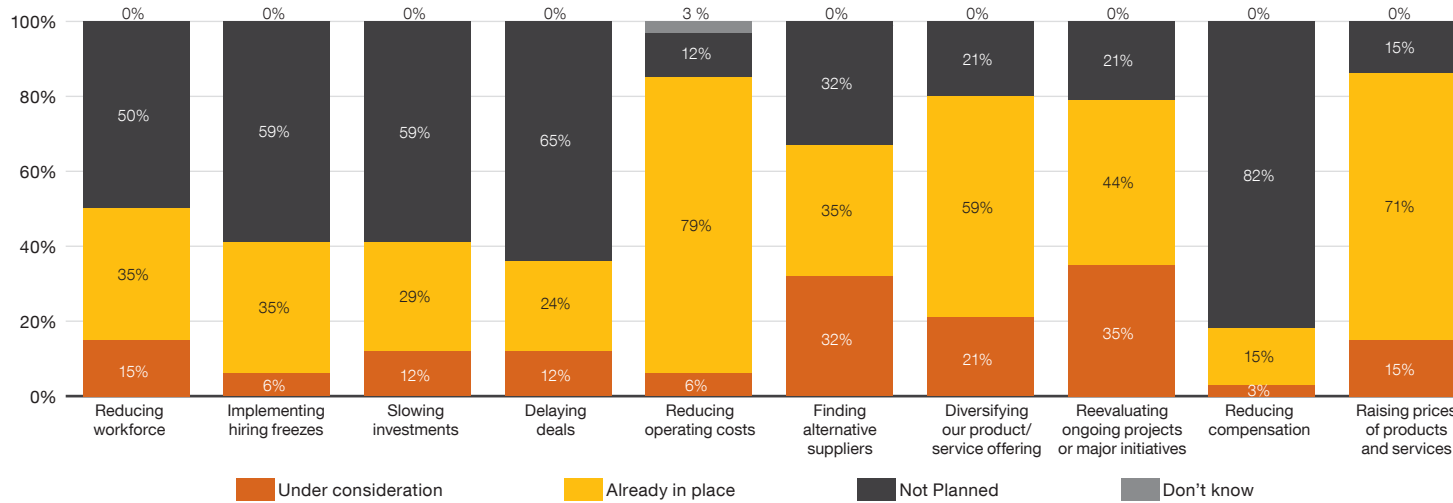
Christie Viljoen – Senior Economist, PwC South Africa

These findings highlight the prevailing cautiousness and uncertainty among CEOs in South Africa regarding economic growth, both globally and within their own country. The relatively lower level of pessimism about the local economy compared to the global economy may be attributed to specific factors or circumstances unique to South Africa. However, the widely held expectation of economic decline emphasises the need for strategic planning, adaptability and targeted initiatives to navigate challenges and foster sustainability in South Africa.

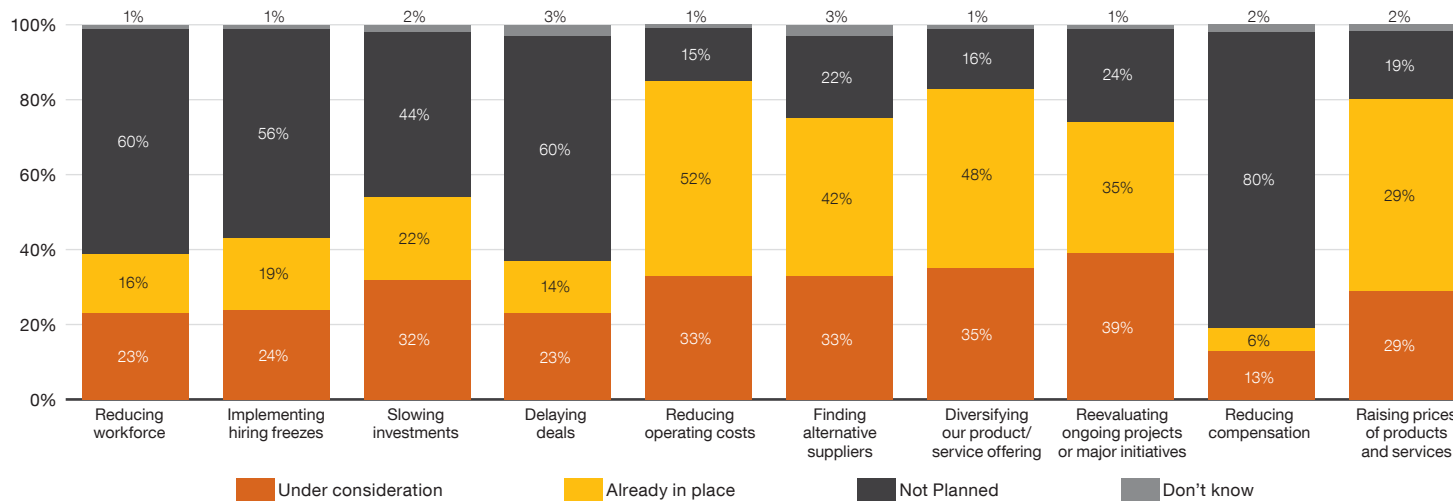


Which of the following options best describes any action your company may be considering to mitigate against potential economic challenges and volatility in the next 12 months?

South Africa

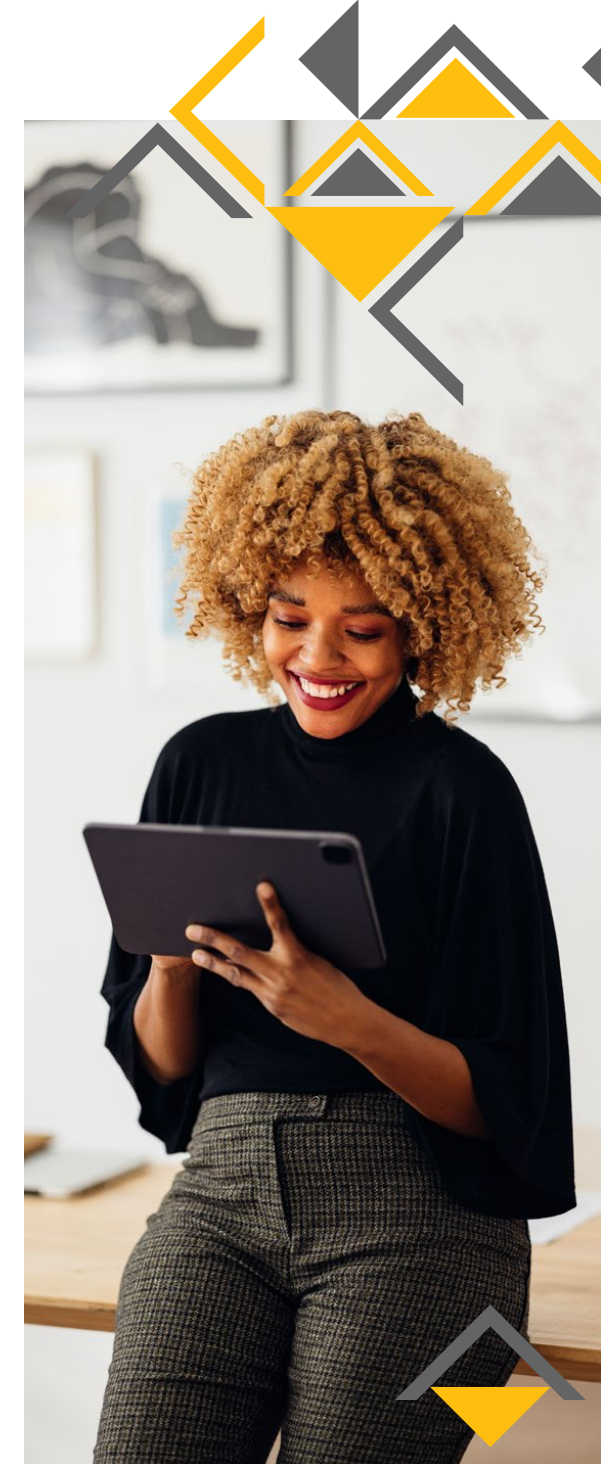


Global



Source: PwC's 26th Global CEO Survey

The data reveals notable differences in the strategies and actions being considered or implemented by CEOs in South Africa compared to the global average.



In terms of reducing the workforce, CEOs in South Africa are slightly more conservative, with only 15% considering this action compared to the global average of 23%. Similarly, implementing hiring freezes is also less favoured among respondents in South Africa, with only 6% considering it compared to the global average of 24%. This indicates a more cautious approach to workforce management in South Africa.

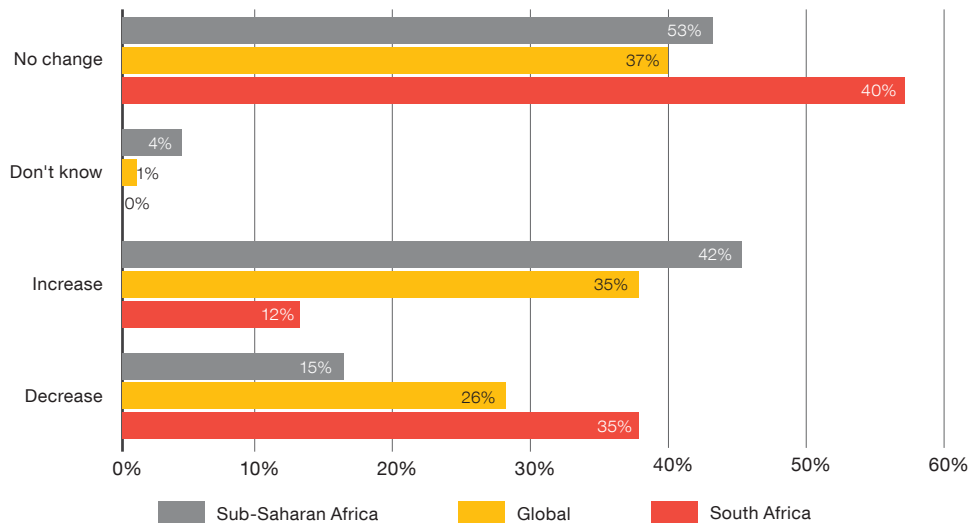
When it comes to slowing investments, delaying deals and reducing operating costs, CEOs in South Africa are in line with the global average, showing similar considerations or actions. From a supply chain perspective, CEOs in South Africa are similarly inclined to find alternative suppliers, with 32% considering this compared to the global average of 33%. This may reflect a desire to diversify supply chains in an effort to mitigate risks.

Interestingly, a smaller percentage of CEOs in South Africa are planning to reduce compensation, with only 3% considering it compared to the global average of 13%. This may indicate a focus on retaining talent and maintaining employee morale despite economic challenges. Overall, the data highlights a more conservative approach to workforce reduction and hiring freezes in South Africa compared to the global average.

In terms of diversifying product/service offerings, 21% of CEOs in South Africa are considering it compared to the global average of 35%. There is a clear need to adapt and expand offerings to meet changing market demands and navigate uncertain economic conditions for a certain contingent of CEOs globally and locally.

South African workforce

How do you believe employee resignation/retirement rates in your company will change in the next 12 months?



Source: PwC's 26th Global CEO Survey

Retaining and upskilling talent

Employee retention and upskilling are critical issues for companies in South Africa and across sub-Saharan Africa. According to our survey, many companies are expecting no change or an increase in employee resignation/retirement rates in the next 12 months. In South Africa, the highest percentage of CEOs (53%) believe that there will be no change in employee resignation/retirement rates, while only 12% believe that rates will increase. Depending on the company, “no change” could mean an ongoing challenge with regard to resignation and early/unplanned retirement, but in any case it is a good idea to focus on employee engagement and satisfaction to retain top talent.

CEOs in South Africa recognise the importance of diversity and inclusion, and the need for a skilled workforce to maintain viable and successful businesses. Focusing on the right skills and the retention of top talent, as well as the

diversity of their talent pool, will help CEOs to ensure a more resilient and productive workforce. Collaboration among organisations can facilitate the development of the right skills and support shared values that foster a culture of growth and development.



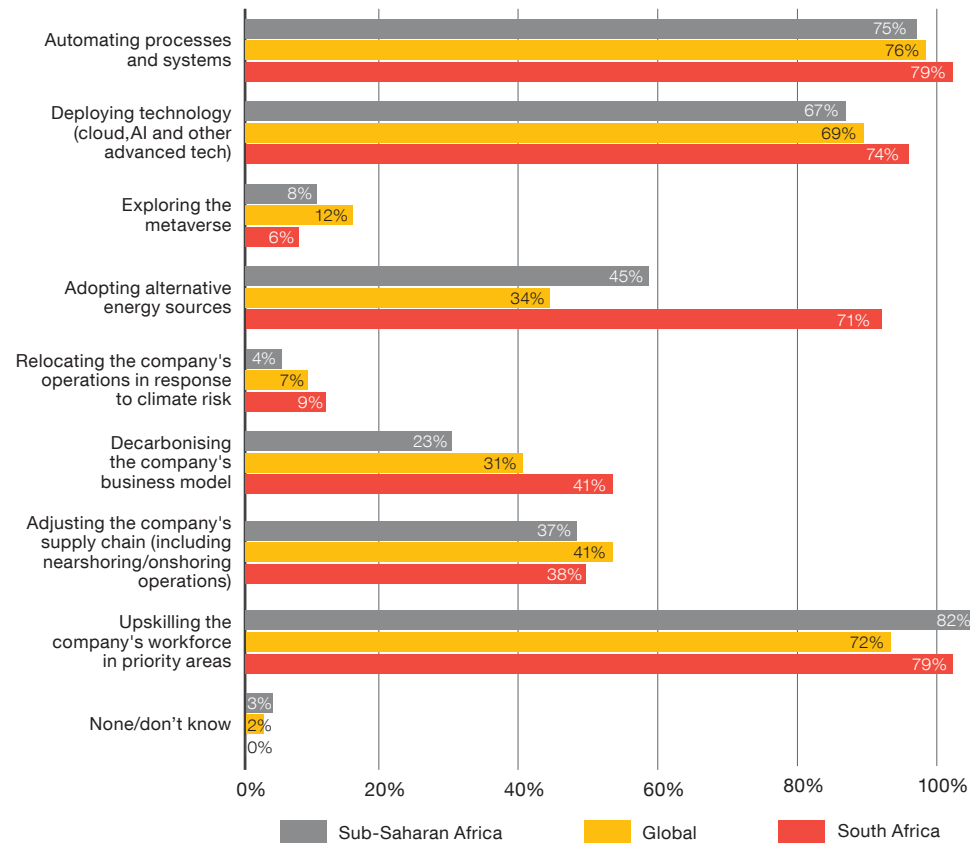
We are living through a fundamental transformation in the way we work. We might not be able to predict what the workforce of the future will look like, but we do know for certain that the intersection of technology and talent will play an integral role in shaping it. Upskilling is a priority for 71% of CEOs in South Africa, however it's not just about technical knowledge using artificial intelligence (AI), but also about developing behaviours and values that drive cultural change. By understanding the possibilities of automation, the changing ways organisations harness the potential of human skills, and the needs of the business in a changing global business landscape and throughout the employee lifecycle we can ensure organisations find, nurture and incentivise the right adaptable, innovative and skilled people they need for the digital age. As digital becomes a core foundation to all business models – not a function or team of technologists – companies will need to shift their mindset on skills. Managers will need to become comfortable to manage new team compositions: teams of three – bot, human and augmented teams.

Marthle du Plessis – Africa Workforce of the Future Platform Leader, PwC South Africa



To address these challenges, companies need to take a holistic approach to upskilling and employee engagement, focusing on long-term goals while balancing short-term issues. This includes developing job descriptions that incorporate new technologies, fostering a culture of continuous learning and development, and collaborating with other companies to acquire the right skills. By doing so, companies can ensure that their workforce is equipped to meet the demands of a changing world and maintain their competitiveness in the industry.

Which of the following investments, if any, is your company making in the next 12 months?



Source: PwC's 26th Global CEO Survey

There is a strong inclination towards investing in upskilling the workforce in priority areas. This aligns with the notion that by upskilling people to have the right skills, companies can unlock value and opportunities. By developing the capabilities and expertise of their employees, companies in South Africa can position themselves to develop new products/services or raise prices for enhanced skills.

The survey reveals that 79% of CEOs in South Africa are planning to invest in upskilling their workforce in priority areas, which is higher than the global average of 72%. This indicates a recognition of the importance of investing in human capital and nurturing the skills needed to drive innovation, growth and competitiveness.

Additionally, CEOs in South Africa are also prioritising investments in automating processes and systems (79%) and deploying technology such as cloud and AI (74%). These investments complement the upskilling efforts by integrating advanced technologies and digital solutions into the workforce, enabling employees to effectively leverage their enhanced skills.

Moreover, the data highlights a significant focus on adopting alternative energy sources in South Africa, with 71% of CEOs planning to invest in this area. This intended investment aligns with the broader global trend and also indicates that CEOs in South Africa recognise the importance of reliable, renewable energy to their companies' operations, perhaps taking the lead on this where necessary.

The findings underscore the potential synergy between upskilling initiatives and other investment areas. By upskilling the workforce, companies can enhance their capabilities to embrace automation, technology deployment and alternative energy sources more effectively. This convergence of efforts can lead to improved operational efficiency, increased productivity and the development of innovative products or services that can command higher prices.

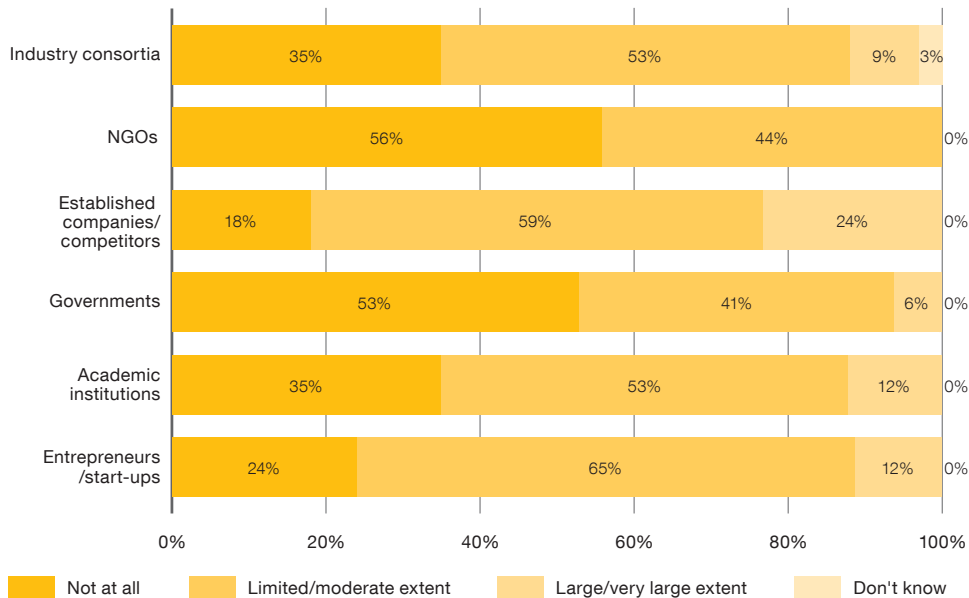
Overall, the survey results emphasise the critical role of upskilling in unlocking value. By investing in the development of their workforce's skills and knowledge, companies can drive innovation, adapt to technological advancements and take advantage of emerging opportunities. The integration of upskilling with investments in automation, technology and sustainability demonstrates a holistic approach to enhancing competitiveness and achieving sustainable growth in the South African business landscape.



South African societal purpose



To what extent is your company collaborating with the following groups to create new sources of value?



Source: PwC's 26th Global CEO Survey

Collaboration is a catalyst for economic and societal development in South Africa

Our survey reveals that unemployment remains one of the most pressing issues in South Africa affecting both the workforce and the economy. To drive workforce development and job creation, collaboration is crucial. To build a network with the right skills, companies can collaborate with different stakeholders to create the necessary skills at an industry level.



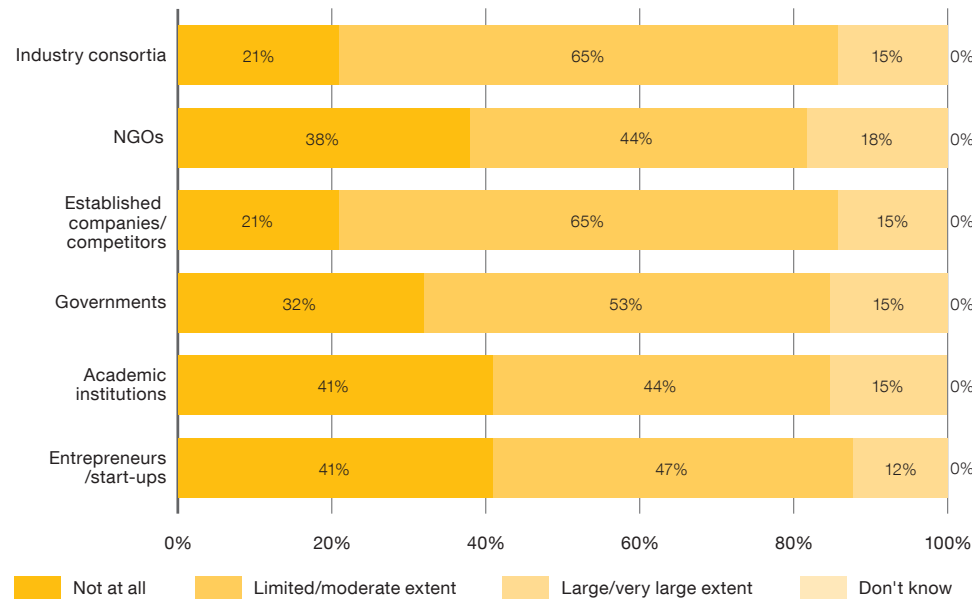
Collaboration should not only exist within the private sector but should extend to other institutions such as universities to address the education challenges facing the country. CEOs in South Africa recognise this need, including the importance of collaboration with educational institutions.

Shirley Machaba – PwC South Africa CEO



Private sector involvement in the country’s transformation is vital to driving change in South Africa. Collaboration, both within the private sector and with other independent institutions, is a key factor in driving economic and societal development in South Africa including its transformation agenda.

To what extent is your company collaborating with the following groups to address societal issues?



Source: PwC’s 26th Global CEO Survey

Our survey also highlights the need for collaboration to address broader societal issues in South Africa. However, a closer look at the survey data reveals that companies in South Africa do not collaborate equally with various groups to address broader societal challenges. While some companies collaborate to a large extent, a significant percentage of companies do not collaborate at all or collaborate to a limited/moderate extent.

Moreover, there is a lack of collaboration between companies and sub-Saharan African governments, which is a cause for concern. Governments play a significant role in setting policies and regulations that impact societal issues and are directly involved in the social safety net and economic development. Collaboration with governments is essential to create lasting change.



The data shows that NGOs (18%) are the group that companies in South Africa collaborate with the most to address societal issues, while academic institutions (12%) and entrepreneurs/start-ups (12%) are the groups that companies collaborate with the least. This is surprising, given the significant role that entrepreneurs/start-ups and academic institutions typically play in addressing societal issues.

Raj Dhanlall – Enterprise and Supplier Development Programme Leader, PwC South Africa

Successful infrastructure development is only possible when there is trust between the government and its social partners. South Africa and other African nations must work together to build successful, intra-Africa infrastructure that facilitates trade and investment.

Collaboration – in every instance – requires trust. Trust is an essential component of successful collaboration and it plays a vital role in promoting economic empowerment and sustainability. Without trust, businesses will not invest in a country and this will have severe consequences for its economic outlook. Collaboration between companies, NGOs, academic institutions and governments is essential. By working together, we can create sustainable solutions that benefit both society and the economy.

Conclusion

The PwC *Africa Business Agenda: South African Perspective 2023* report provides valuable insights into the South African economy and the challenges and opportunities it presents to businesses, the government and individuals. The survey reveals that while a majority of CEOs in South Africa expect economic decline in the next 12 months, they are still more optimistic than their global counterparts. To remain competitive and mitigate potential challenges, companies in South Africa need to adopt an agile and adaptive strategy that can respond to changing market conditions.

Our report highlights the need for targeted policies and initiatives from the government to support businesses and individuals during times of economic hardship. Companies should focus on transitioning to new energy sources, adapting to technological advancements and ensuring resilient supply chains. Upskilling their workforces is also critical for companies in order to retain talent and foster a culture of growth and development.

CEOs in South Africa are taking proactive steps to mitigate potential economic challenges and volatility, such as finding alternative suppliers, reducing operating costs and diversifying product/service offerings. However, they need to carefully balance these measures with their long-term growth and competitiveness goals.

Overall, the report provides valuable insights for companies operating in South Africa and highlights the importance of agility, adaptability and collaboration to navigate the uncertain economic landscape and build sustainable businesses that can drive economic growth and recovery.



Contacts



Shirley Machaba

PwC South Africa CEO, Regional Senior Partner-Southern Africa

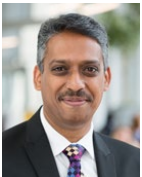
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