

# The biggest threat to SA's economy, business and supply chains

While South Africa's power crisis is reportedly costing the country up to R80bn a month, it is not load shedding itself that is currently the biggest threat to the economy.



Dr Robert Besseling, executive director at EXX Africa

According to Dr Robert Besseling, executive director of risk consultancy EXX Africa, the main business and supply chain disruption in South Africa today is uncertainty – around the power blackouts, as well as industrial action and key pieces of legislation.

“When will load shedding end? The real disruption is not actually switching off the power, but the nebulous information from Eskom and the Public Enterprises Ministry on the load shedding outlook in the longer term,” Besseling asserts. “Once the risk is known, it can be qualified and quantified; risk mitigations can be applied, and businesses can work around it.”

Besseling, who will be sharing his insights with delegates at the annual SAPICS Conference for supply chain professionals, which takes place in Cape Town in June, compares the current state of electricity supply in South Africa to Brexit.

“It is the uncertainty around the UK’s exit strategy that is the real threat and cost to business; not the fact that the UK is leaving the European Union. In South Africa, we know that we are going to have power cuts, but the lack of clarity from government and the power utility is the real issue. Major enterprises in South Africa today have back up generation and can work around the blackouts to some extent. The situation is dire for small to medium enterprises that are 100% reliant on Eskom, but everyone needs clear answers in order to plan and mitigate the risks.”

## Risk factors facing South Africa

While the vague information around load shedding tops Besseling’s list of the key risks facing South African business today, it is closely followed by industrial action, much of which is linked to the lack of clarity on Eskom, he notes.

“In his State of the Nation address, President Ramaphosa said that the power utility will be broken up into three; but he wasn’t clear whether this would include the partial privatisation of Eskom and whether job cuts are expected. The ratings agencies are in favour of both. ANC allies COSATU and the Communist Party, however, are not, and President Ramaphosa is relying on their support to run for re-election. The political tightrope that the President is treading – trying on the one hand to satisfy foreign investors, local businesses and rating agencies, and on the other, trying to satisfy his key electoral support base – makes for huge uncertainty on the industrial action front,” he states.

Communal unrest is another threat to business and supply chains in South Africa today, Besseling maintains. He says that the outbreaks of violence that have been labelled service delivery protests are often politically motivated.

“Protests in KwaZulu-Natal and in Western Cape towns like Hermanus have made news, but not all the incidents are publicised and there have also been violent demonstrations on the Garden Route and in the Karoo. All of these affect critical national infrastructure, including highways and airports.”

Regulatory risk - and Government’s unclear stance on issues like BEE, the revised Mining Charter and land redistribution - also rank high on Besseling’s list of current concerns in South Africa. “The lack of clarity on key pieces of legislation must be on the risk agenda for South African businesses, particularly those involved in the main employment, high tax generating sectors like mining and agriculture.”

While land ownership is dominating the election debate, Besseling believes all the rhetoric is unlikely to culminate in the expropriation by Government of privately-owned or commercially held land around South Africa. “I am highly sceptical about all the rhetoric and believe it will most likely be land held by the state and traditional leadership that is redistributed.”

Supporting this view is the fact that Finance Minister Tito Mboweni made “no provision whatsoever” for land expropriation in the budget, Besseling says.

“There was no budget allocated to benchmarking land sales or to establishing commissions to investigate and implement the requisite policies. Even if the Constitution is amended and there is expropriation without compensation, there are still associated costs to be considered, and Minister Mboweni made no provision for these. I do not see Government moving on land expropriation in the immediate outlook.”

Looking ahead at how these key risks could change or be resolved after the general elections in May, Besseling says much depends on whether President Ramaphosa can win a decisive mandate.

“He needs around 55% to turn around the ANC’s decline, to have a mandate to govern the country, elect a cabinet of his choice and move ahead with reform. If he doesn’t win a decisive mandate, he could face a challenge from within his own party, be recalled and Deputy President David Mabuza would automatically take the helm.” Besseling believes that Ramaphosa has a 60% chance of winning the decisive mandate that he needs, but with new problems and issues unfolding almost daily, this could change.

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