

Looking into the crystal ball: the South African economy in 2023



By [Raymond Parsons](#)

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It is hard to recall a time when there were as many economic and political 'crosscurrents' as there are for South Africa as it enters 2023.



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SA's economic prospects in 2023 will be broadly shaped by global developments, Eskom, and policy implementation commitments by government. The interaction between these factors will determine the risks and the opportunities that exist over the next 12 months in a changing socio-economic environment both in SA and elsewhere.

The reality nonetheless is that in the meantime business and consumers in SA will face another tough year with strong inflation, rising interest rates, high unemployment, load-shedding and low growth, all of which make for a challenging economic period ahead.

The much-better-than-expected GDP growth figures for 3Q 2022 nevertheless gave SA a stronger 'cushion' of forecasts with which to absorb some of the negative trends on which 2022 has ended. And it is likely that the rate of inflation, although still unacceptably high, will ease in 2023, particularly if fuel costs further decline.

Looking ahead, however, the expected tepid performance of the three main drivers of SA's economic activity in 2023 – exports, consumer spending, and investment – suggests that economic growth is likely to be only about 1.4%. This is below population growth. There is no more critical issue for future South African prosperity than that real inclusive economic growth should be accelerated.



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Growth has been too low for too long, as countless surveys and official policy statements have emphasised.

So, although the economy is presently struggling to maintain momentum in a combined cycle of elevated global and domestic economic uncertainty, there are remedies that can strengthen SA's economic resilience and unlock more growth support in 2023. If President Cyril Ramaphosa can soon convert his stronger political mandate into rapid implementation of pro-growth policies and projects, SA's prospects for job-rich growth will improve in 2023.

And Eskom in particular must be urgently fixed. No economy can grow and create jobs if chronic energy insecurity and widespread disruption persists.

The ball therefore lies mainly in SA's court in 2023 to mobilise the policies and projects demonstrating real progress in key economic reforms that can make a positive difference to its economic performance.

Boosting investor confidence remains essential. The policy test in 2023 will be the extent to which SA can smartly minimise the global 'headwinds' and maximise the domestic 'tailwinds', especially through deeper and wider collaboration with the private sector. This will help to reduce prevailing policy uncertainty and ignite confidence.

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