

# Five challenges business needs to respond to - PwC SA Economic Outlook

PwC South Africa has released its sixth [South Africa Economic Outlook report for 2023](#) and points to five challenges affecting businesses right now.



Image source: PwC South Africa Economic Outlook Report

In this polycrisis world, where disparate crises interact in such a way that the overall impact significantly exceeds the sum of all its parts, South African organisations are dealing with a diverse set of disruptions and risks.

In this edition of PwC's monthly report, the focus is on a collection of five challenges currently faced by local companies, namely:

1. The stagnating South African economy (though, with an improved outlook for 2024)
2. The need for green skills as traditional jobs change;
3. Social risks linked to the impact of load shedding on food security;
4. The impact of artificial intelligence (AI) on businesses; and
5. Increased social media chatter about sustainability topics.

"South African businesses need to respond to five key challenges right now: the weak economy, changing jobs landscape, social risks, technological change, and sustainability considerations," says Lullu Krugel, PwC South Africa chief economist.

"Each of these challenges requires business leaders to respond with the right mindset and risk approach. Specifically, business leaders need to put in place the right strategies to deal with these challenges. These strategies, in turn, must address each challenge separately but also be coordinated into a broader strategic framework that supports the long-term sustainability of the organisation."

The latest GDP data shows that South Africa is not in a recession. However, economic growth is meagre at present, registering only 0.2% quarter-on-quarter in 2023Q1. As such, it is not surprising that the unemployment rate increased from 32.7% in 2022Q4 to 32.9% in 2023Q1.

However, the [Africa Business Agenda: South African Perspective 2023](#) shows that local business leaders are more cautious about workforce management than their global counterparts, and more likely to protect current jobs.



### South African retailers excel in promotions, customer service lags

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On another positive note, PwC expects the economy to grow by 1.0% in 2024, based on the premise that South Africa will see a turning point in the extent of load shedding this year. The private investment currently seen and planned in alternative electricity supply is significant: Operation Vulindlela is tracking a pipeline of 10,000MW in private sector energy generation projects, up from 4,000MW reported a year ago.

The positive impact this will have on power supply in the country and on individual business operations makes for a more positive economic growth outlook for 2024.

## Green jobs and AI

This energy investment will bring with it more green jobs. As the world transitions to net zero, the role of traditional jobs is changing. And with that, green jobs are growing at a significant pace.

However, the transition to a green economy requires organisations to take a proactive and intentional approach towards developing a green workforce. It allows people to move to new jobs that are better and more future-proof, and helps preserve a nation's taxation revenues and reduce social safety net expenses.

"Upskilling is about more than just providing access to training. It is about identifying the knowledge, skills and experience that will be most valuable in the future for new and transformed roles," says Christie Viljoen, PwC South Africa senior economist.

"It is also about developing an effective way to support and inspire people to take action today and continue to adapt in the future. This means understanding evolving skills gaps and mismatches, creating the right employee experience and buy-in to unleash energy for change, and developing engaging skills development programmes."

Green jobs also require increased capabilities to work with more complex technology. At present, businesses around the world are grappling with the impact of AI on their activities. AI is one of the Essential Eight technologies that PwC has identified as those that will have the greatest business impact across industries.

### May 2023 sees decline in salaries amid economic woes

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While there are still many questions and uncertainties surrounding the stability, security and reliability of generative AI, it marks the beginning of a period of experimentation, integration and adoption that will play out across the South African economy.

There are valid concerns about the impact of AI on the job market. However, there are also exponential benefits that could positively impact the workforce and the economy. This, in turn, requires organisations to implement what we call responsible AI: a methodology designed to enable AI's productive, trusted and ethical use.

## Acceptable costs of sustainable goods

PwC research shows that South African consumers are willing to pay more than the average price for a product that promotes sustainability considerations. There is increased social media chatter about sustainability topics – for example, environmental matters and social issues.

Social risk is a frequent topic of conversation in South African boardrooms and, at present, the adverse impact of load shedding on food security and the cost of living is an important part of the story. Cost inflation on food and beverages reached a 14-year high earlier this year and this has social implications. The private sector needs to play an increasing role in helping the public sector address socioeconomic challenges – specifically at the community level.

## Key content in this report includes:

- **Economic growth:** We are not in a recession, and private sector energy investment is improving the outlook for 2024.
- **Green jobs:** Upskilling is about more than just providing access to training.
- **Food security:** Companies can build resilience against — and help reduce — social risk.
- **Artificial intelligence (AI):** Key questions answered about business and AI.
- **Sustainability focus:** Responding to social media chatter about companies' sustainability attributes.
- **How we can help with strategies to address these challenges**

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