



# **Global trends and economic outlook**

the need for Resilience and Relevance

KwaZulu-Natal Export Week


Elangeni Hotel, Durban

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November 2022

## THE WORLD WE'RE IN

The world has moved from a period of “relative predictability –, low interest rates, and low inflation” into one of heightened economic fragility. greater uncertainty, higher economic volatility, geopolitical confrontations, and more frequent and devastating natural disasters – a world in which any country can be thrown off course more easily and more often.

A hand holding a magnifying glass over a newspaper headline. The headline reads "Economy global crisis". The background is a blurred newspaper page with other text and a photograph of a crowd.

...The good  
...shopping enlivens

# Economy global crisis

...global economic



# 21<sup>st</sup> Century Meta trends

Demographic  
shifts (youth  
bulge)

Climate change,  
biodiversity loss  
and resource  
depletion

Technological  
change,  
digitisation  
and hyper  
connectivity

Shift in global  
economic power  
towards Asia

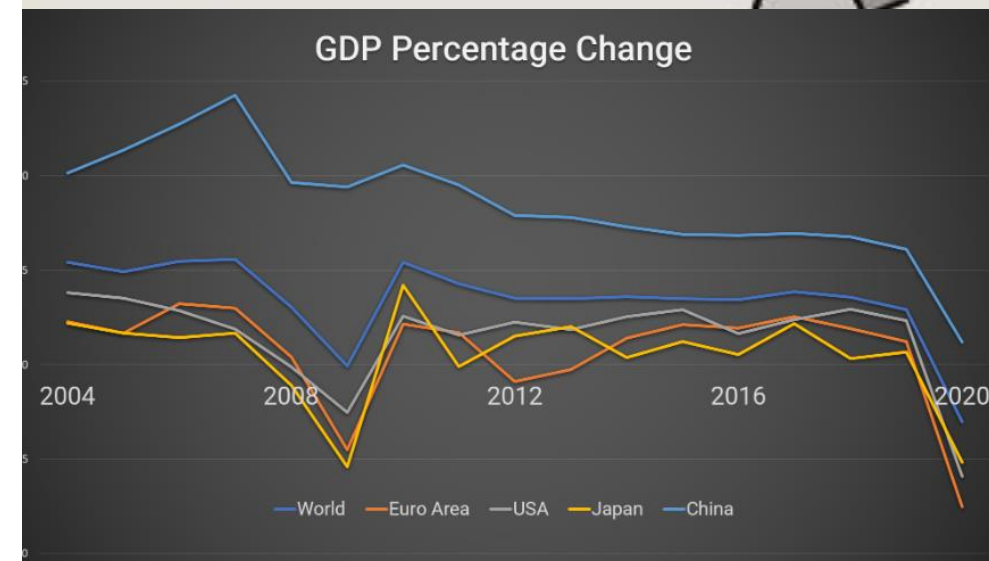
# GLOBAL REALIGNMENT OF INTERNATIONAL TRADE

- Twenty years ago, China's economy was a tenth the size of the United States. In 2019, it was two-thirds as big. In 2039, on the current trajectory, it will be more than 10% bigger. India will claim the No. 3 spot in the global rankings. Vietnam will be closing in on the top 20.
- As much as \$4tn (£3.6tn) in global output is expected to be lost between now and 2026, equivalent to the size of the German economy.
- The IMF estimates about one-third of countries will experience a recession.

## Shoring

Advanced economies divert supply chains towards like-minded countries

- Insulate supply chains from geopolitical disruption.
- USA created partnership brings together economies that contribute nearly 40% of global GDP.
- EU can use strong regional base to diversify supply chains within bloc.



# FROM THE G7 TO E7

2020 balance of power shifted.

For more than 130 countries, China is their most important trading partner

In 2016 it was responsible for one third of worldwide growth

## G7 Countries

 United States  
\$19.846 T

 Japan  
\$5.224 T

 Germany  
\$4.238 T

 France  
\$2.832 T

 United Kingdom  
\$2,797 T

 Italy  
\$2.322 T

 Canada  
\$1,742 T

Total: \$39.003 T


## E7 Countries


 China  
\$23.009 T

 India  
\$8.443 T

 Russia  
\$3.875 T

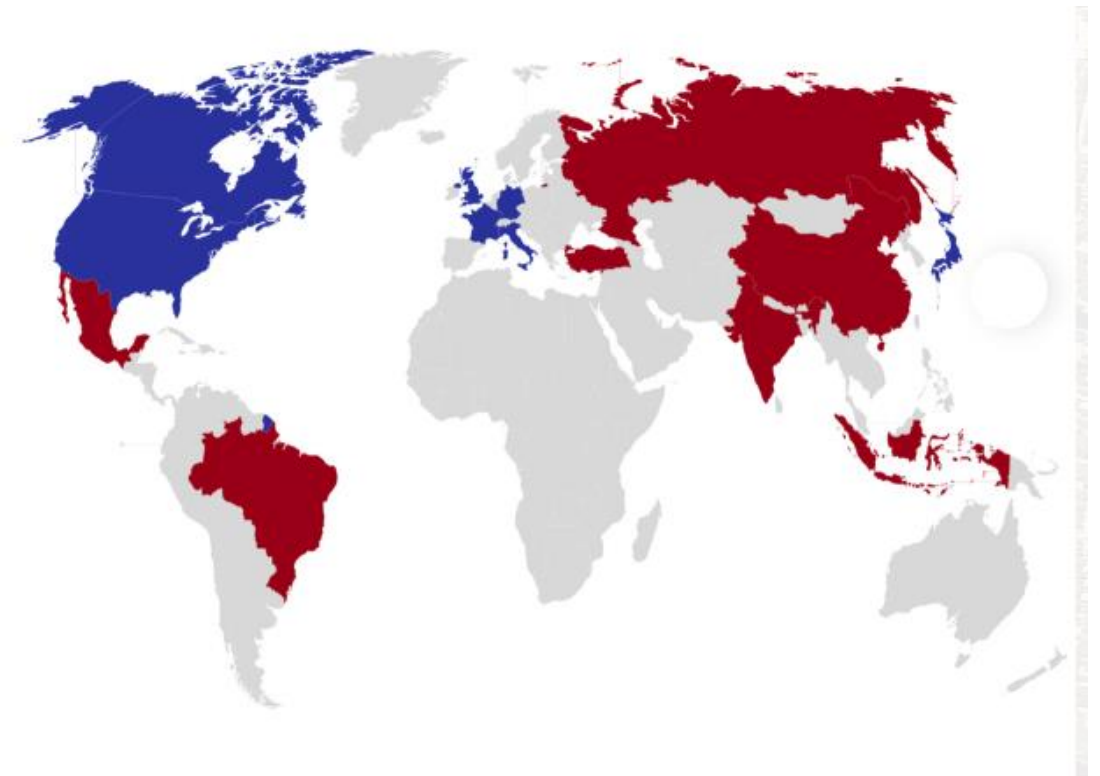
 Indonesia  
\$3,130 T

 Brazil  
\$2.989 T

 Turkey  
\$2.393 T

 Mexico  
\$2.306 T

Total: \$46.147 T



# THE TRADE WAR

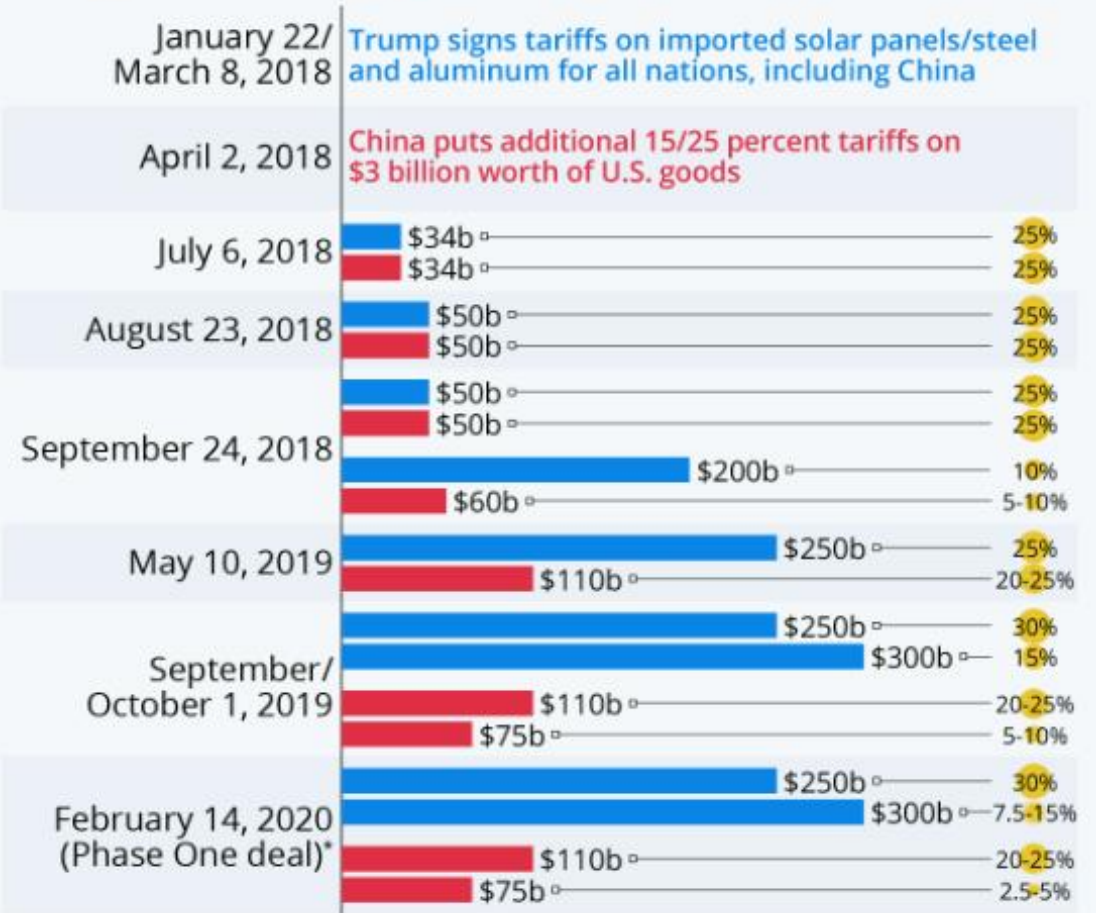
At the height of the trade war in late 2019, the U.S. levied tariffs of 15 percent on \$300 billion and 30 percent on another \$250 billion of Chinese goods.

China retaliated with a tax of 5 to 10 percent on American goods worth \$75 billion and 20 to 25 percent on goods worth \$110 billion.

\$2billion of trade flow every 24 hours.

Cumulative tariffs between the U.S. in China in 2018-2020

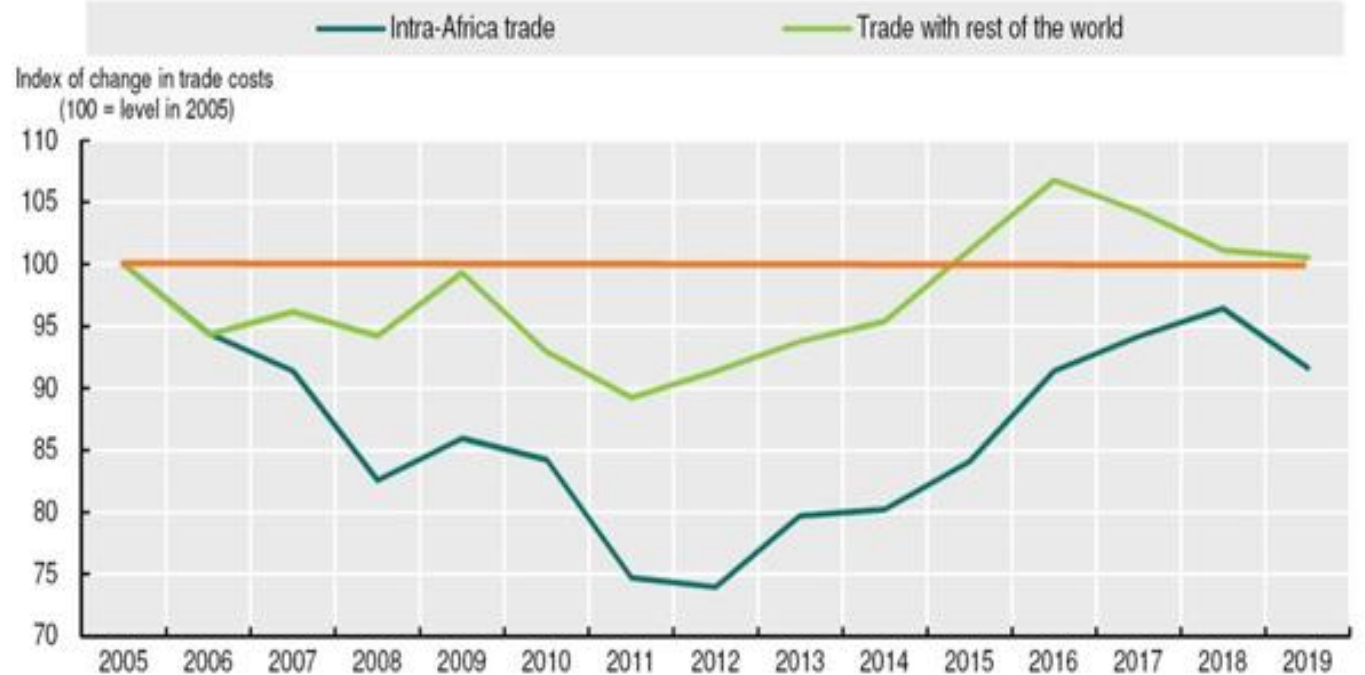
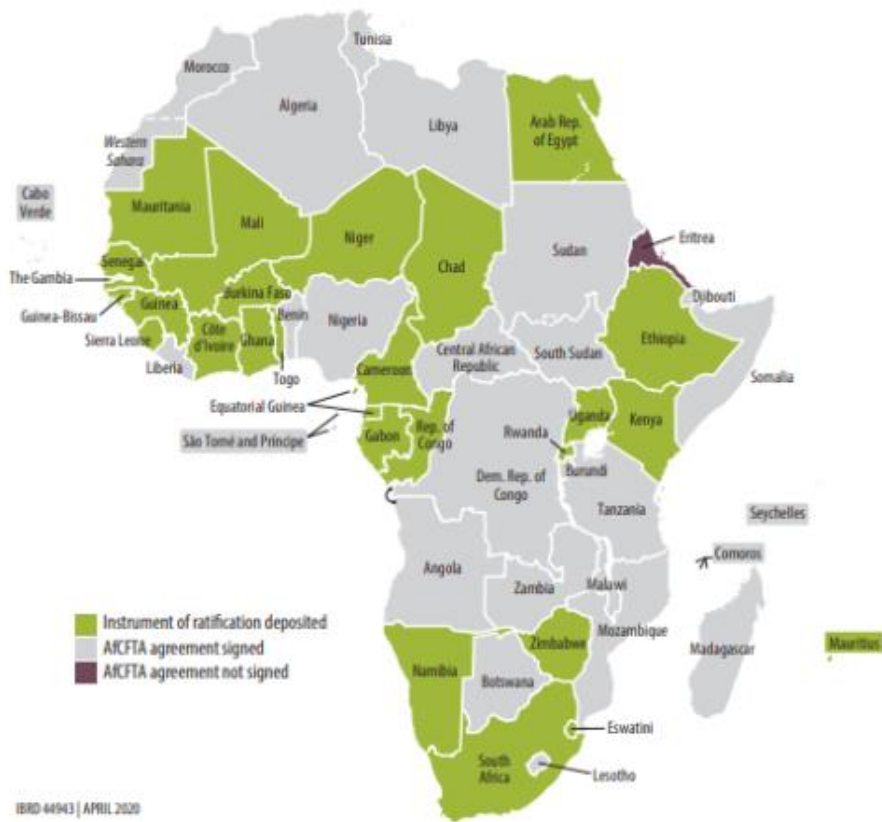
■ US tariff action ■ Chinese tariff action ● Tariff rate



# AfCFTA and the reality of inter-regional trade

- Intends connecting 1.3 billion people across 55 countries with a combined gross domestic product (GDP) valued at \$3.4 trillion.
- AFCTA boost regional income by 7% or \$450 billion, and lift 30 million people out of extreme poverty by 2035.

- The **costs of trade** within Africa have increased to 2007 levels, despite a considerable decline in intra-African tariffs.
- Africa's logistics costs are up to 4x higher than the world average.
- Currently, Africa accounts for just 2% of global trade. Only 17% of African exports are intra-continental, compared with 59% for Asia and 68% for Europe.



## Limited competitiveness

Intra-regional sourcing of food grew in the last decade...



... but 40% of food imports originated in Asia in 2019



## High trade costs

Intra-African trade costs returned to levels comparable to 2007



In 2019, processed and semi-processed goods accounted for

**79%** of intra-African exports



and **41%** of exports to other destinations





# Resource depletion

- ✓ Water 4.5 billion years ago old
- ✓ The amount of water cannot be increased or decreased
- ✓ There is no more water on our planet today than when the earth started

Single glass of beer = **75 litres**

Cup of coffee (**140 litres**)

Cell phone (**912 litres**)

**\$20 billion**-Cost to India's economy from water borne diseases per year

**300 tons of water used to manufacture 1 ton of steel**

1820-fossil fuel use becomes widespread

Since 1860-2 trillion barrels of oil used

- ✓ Burning the first trillion took about 130 years
- ✓ the next was consumed in 22 years.

## POPULATION OF THE EARTH

Allianz (il)

Number of people living worldwide since 1700 in billions



✓ 250,000 years for civilization to reach 1 billion people.

✓ Now 250,000 each day.

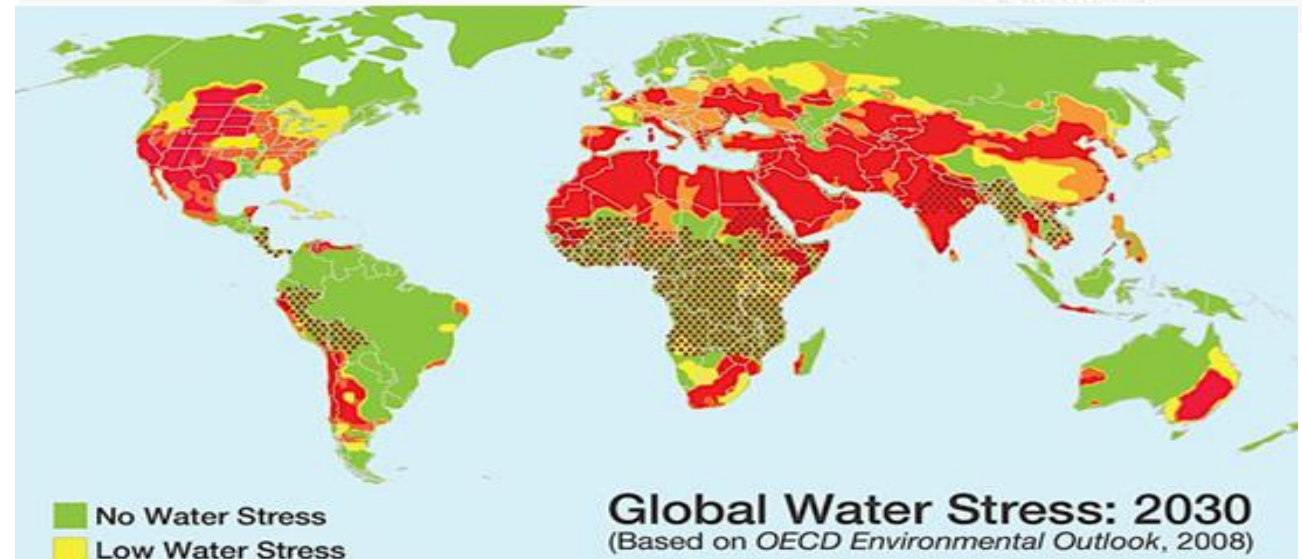
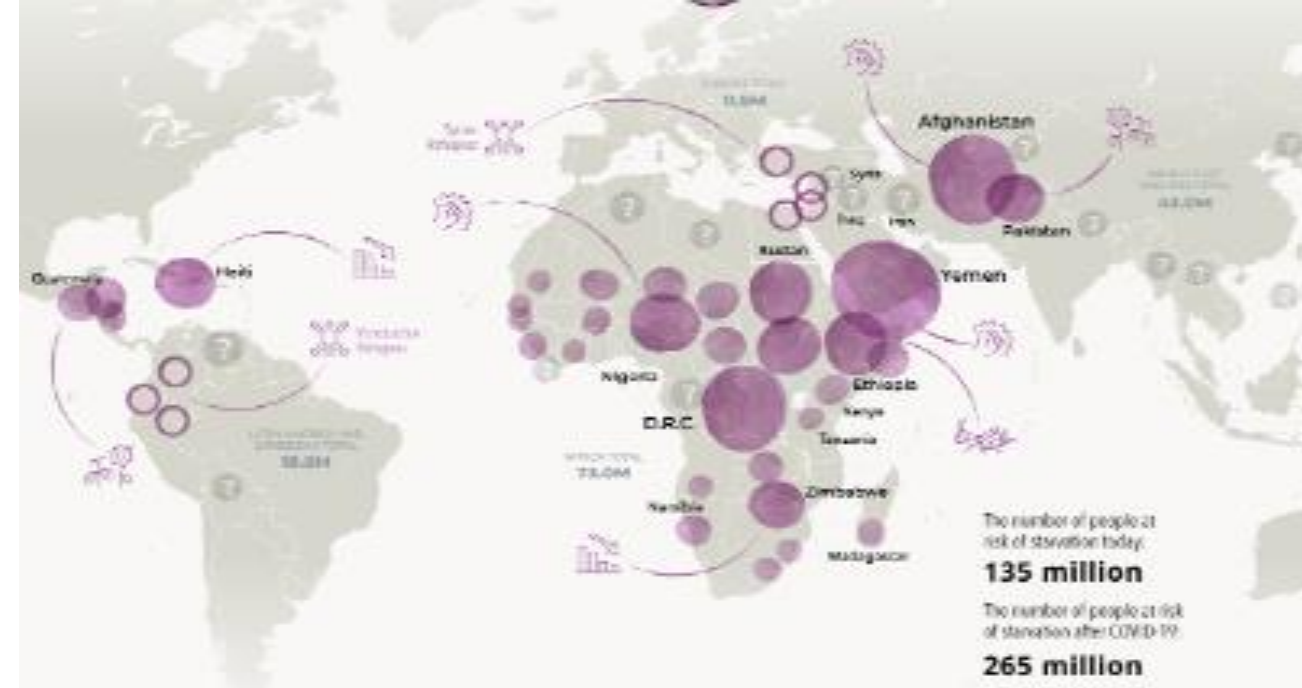
✓ It took a century to add the second billion.

✓ 1 billion every 12 years.

Source: United Nations World Population Prospects, Deutsche Stiftung Weltbevölkerung  
For further information please visit: [www.knowledge.allianz.com](http://www.knowledge.allianz.com)

# The global food crisis

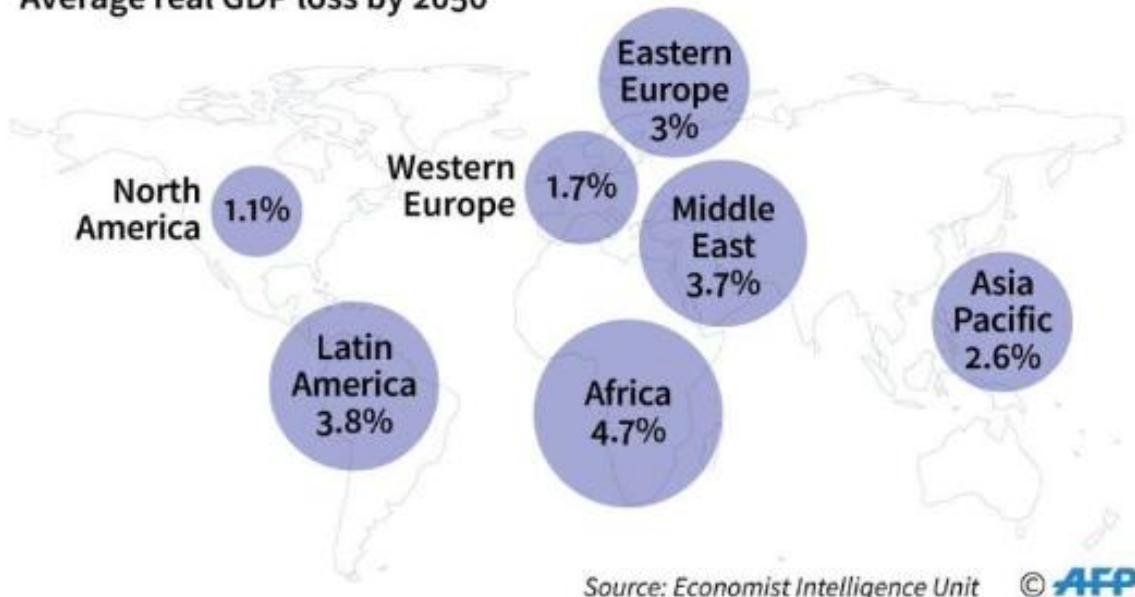
- ✓ 4 corporations control 90% of world's grain trade
- ✓ Much of this trade passes through war torn check points
- ✓ Global standard diet: **wheat, rice, maize and soy**-accounts for 60% of calories grown.
- ✓ Number of malnourished people grew from 650m in 2019 to 811m in 2020.
- ✓ Global food prices increased by 13% in March.
- ✓ Prior to the war, 47 countries suffered from sever malnutrition, number has now increased to 60.
- ✓ Extreme weather also destroying food crops



50% planet's surface=Food production  
The world uses an area the size of **South America to grow our crops** and an area the **size of Africa for livestock production**

# ECONOMIC IMPACT OF CLIMATE CHANGE, ZERO CARBON AND A JUST TRANSITION

Average real GDP loss by 2050



Source: Economist Intelligence Unit © AFP

The global economy could lose 10% of its GDP by 2050.

100 million **more** people will move into poverty

150 million **more** people will need humanitarian aid due to floods, droughts etc

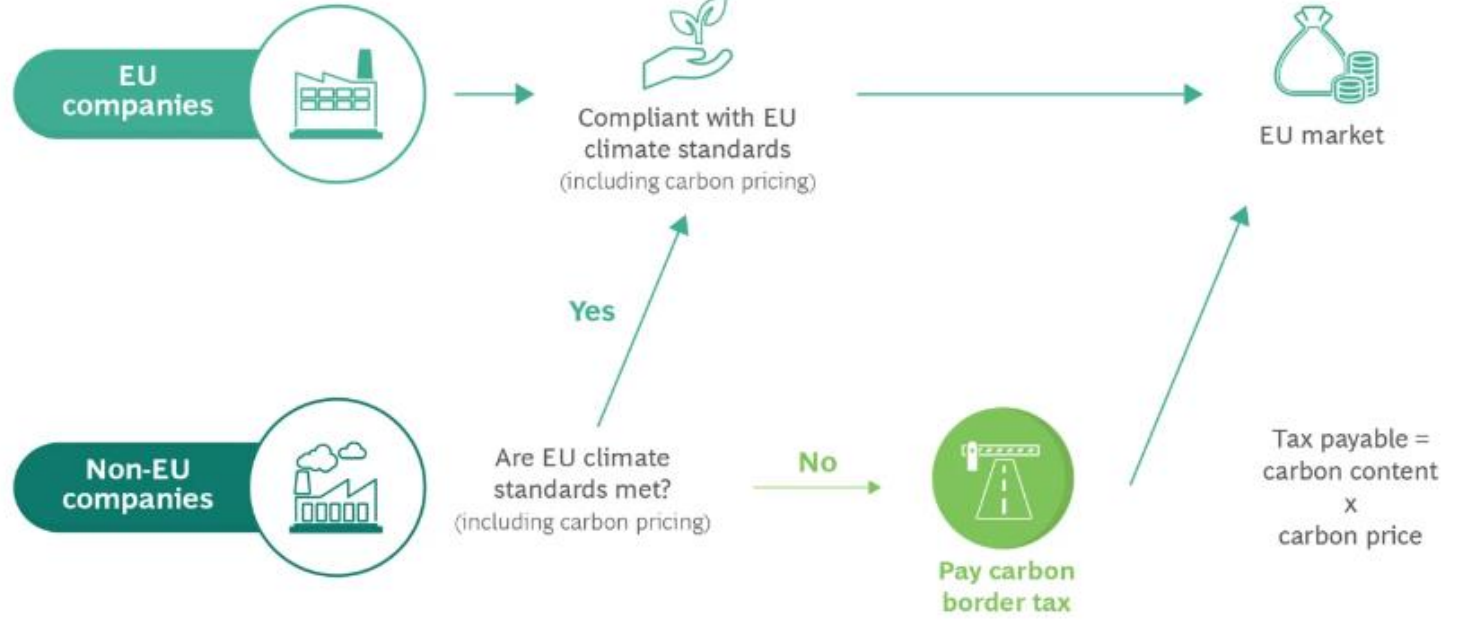
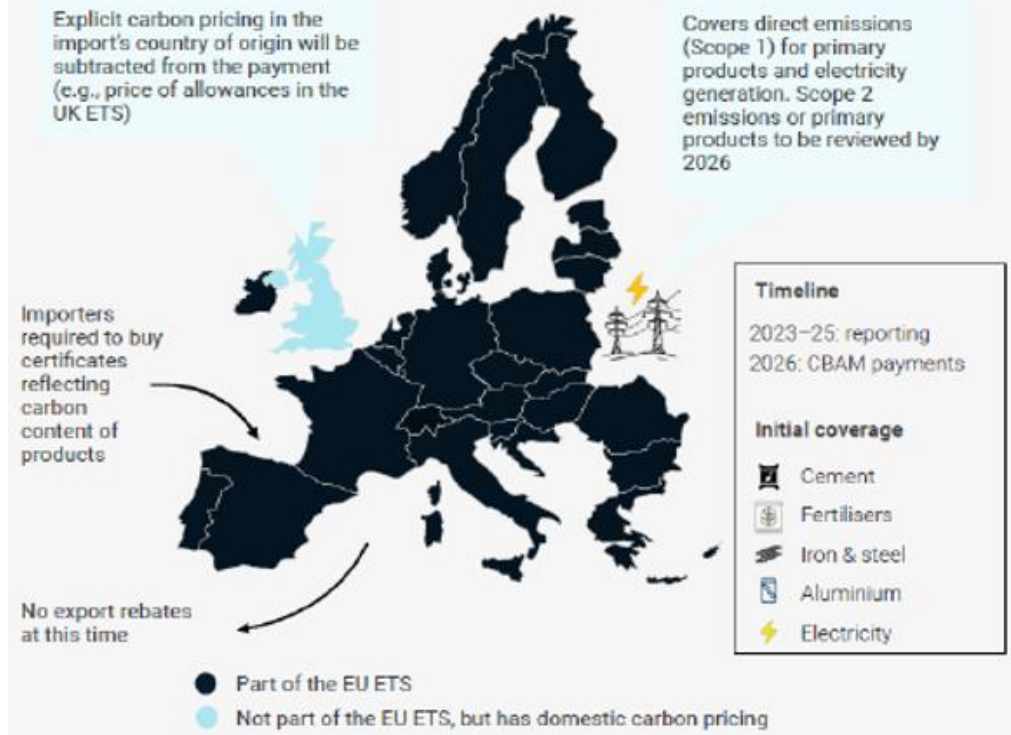
Under the CBAM, importers will be required to purchase carbon certificates that represents a tonne of carbon dioxide emissions embedded in goods.

The biggest initial impact will be on the cost of such high-carbon inputs as steel, cement, aluminum, chemicals, and electricity.

€75 per metric ton of CO<sub>2</sub> emissions.

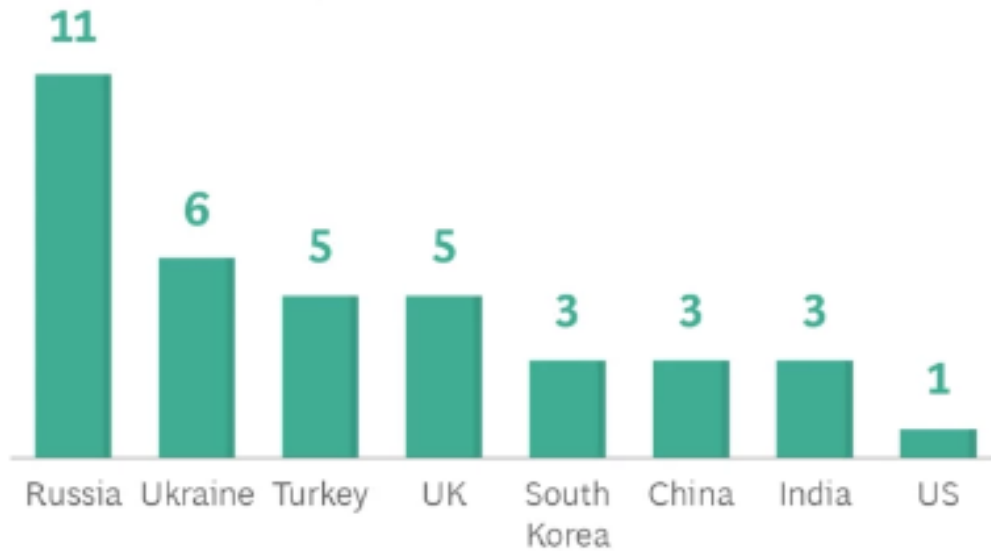
This could increase the cost of materials made by more carbon-intensive producers, such as China, Russia, and India, by 15% to 30% overnight.

**CBAM**

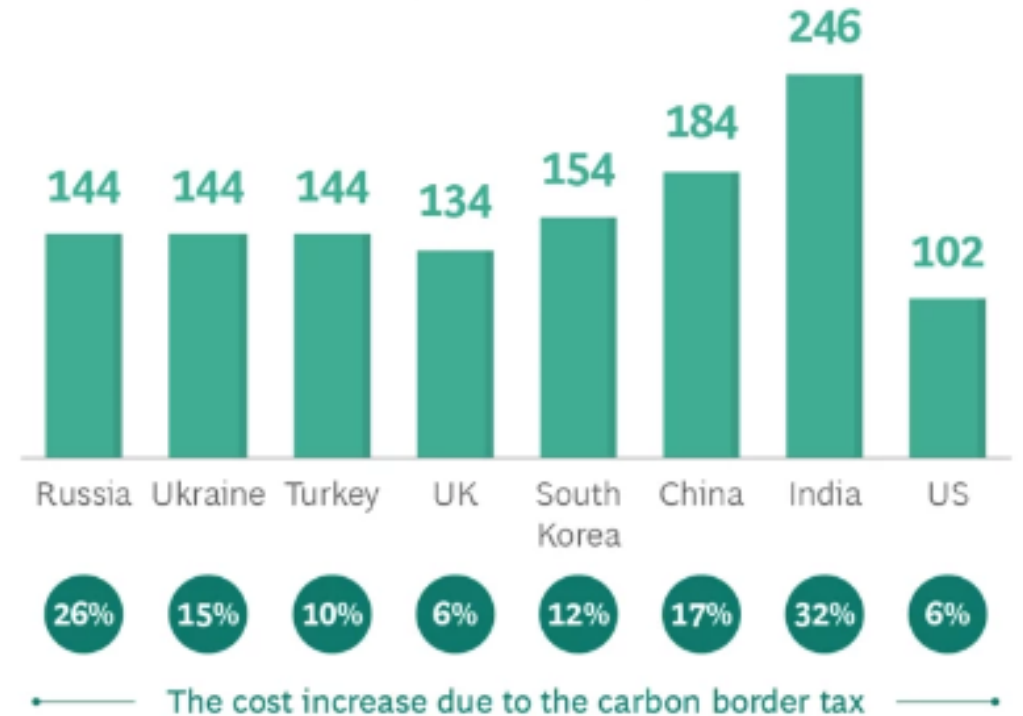


# CBAM and the new cost of doing business

Iron and steel imports to the EU, 2019  
(millions of metric tons)



The average cost impact of the carbon border tax<sup>1</sup>  
(€ per metric ton)

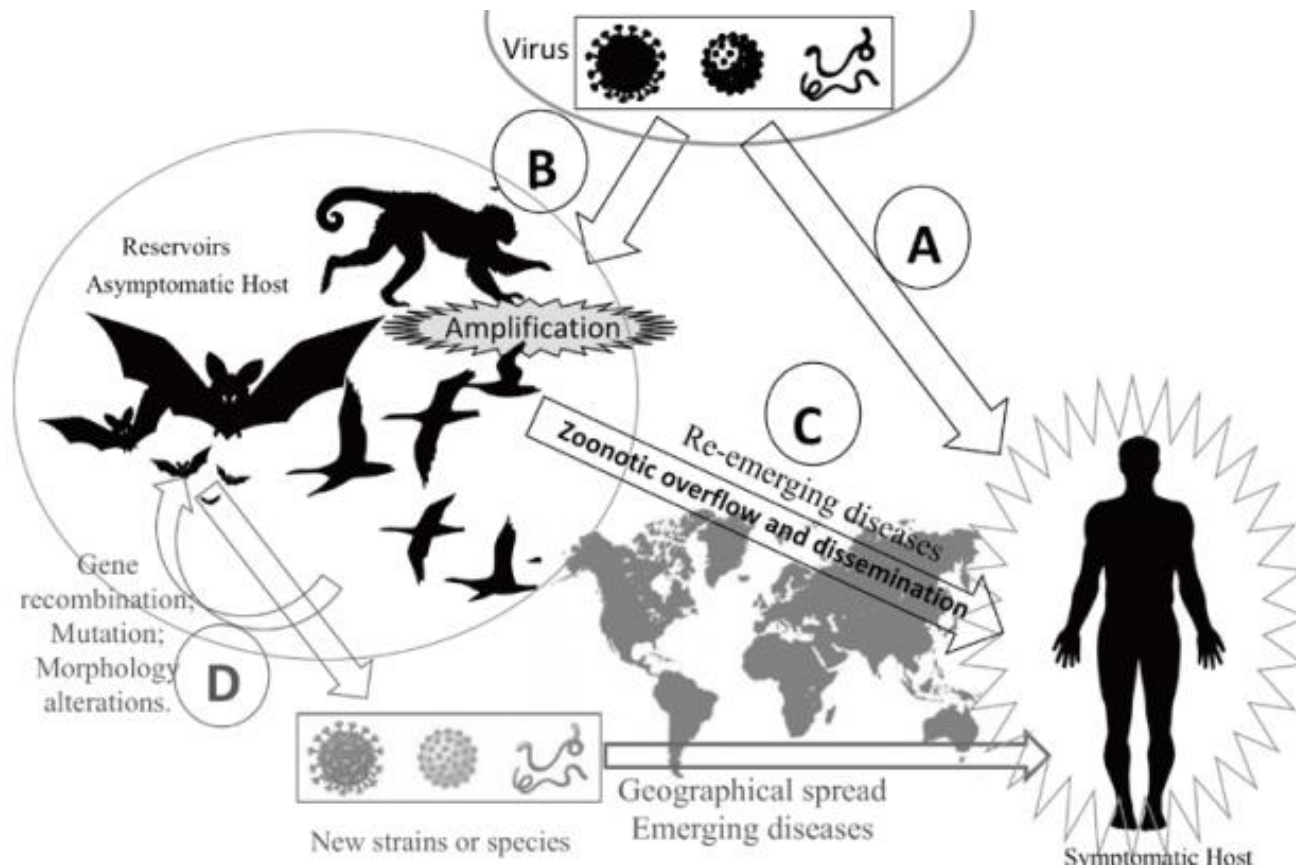


# SA auto industry's export problems

- Catalytic converters =53% of component exports (\$1.6bn per annum)
- 89% exported to EU/USA
- SA exports 66% of its vehicles, UK biggest importer.
- 7 of the other countries in top 10 also from EU
- 95% of vehicles exported from SA to US goes via AGOA
- If AGOA is renewed in 2025 could 'green' eligible tariffs for products in high-emissions value chains, similar to CBAM



# ZOONOTIC DISEASES: FROM COVID-19 TO MONKEY POX



The real cost to the global economy?

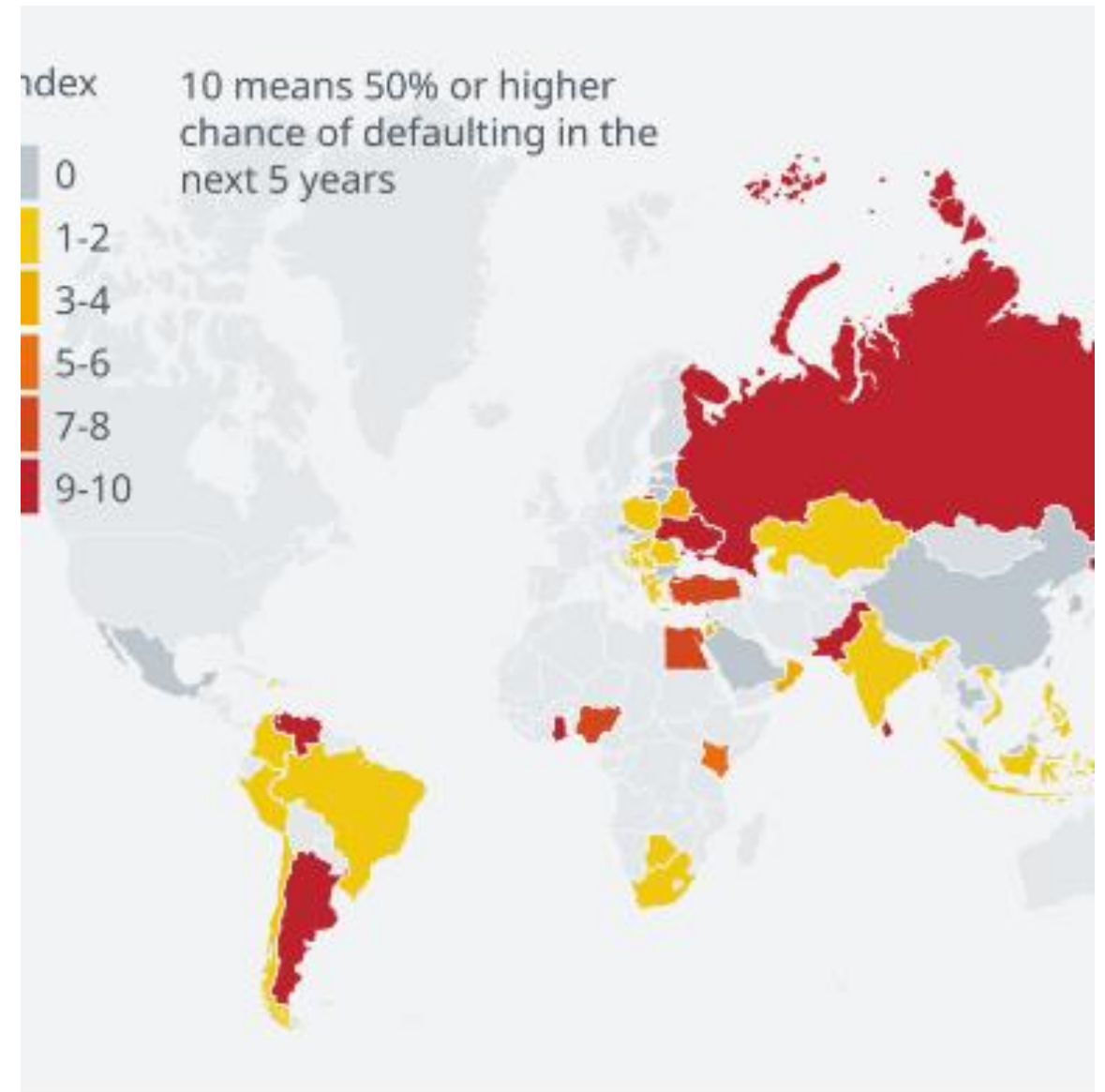


# GLOBAL DEBT

International Monetary Fund (IMF) 30% of emerging market countries and 60% of low-income countries already are in or nearing debt distress.

## Private lenders

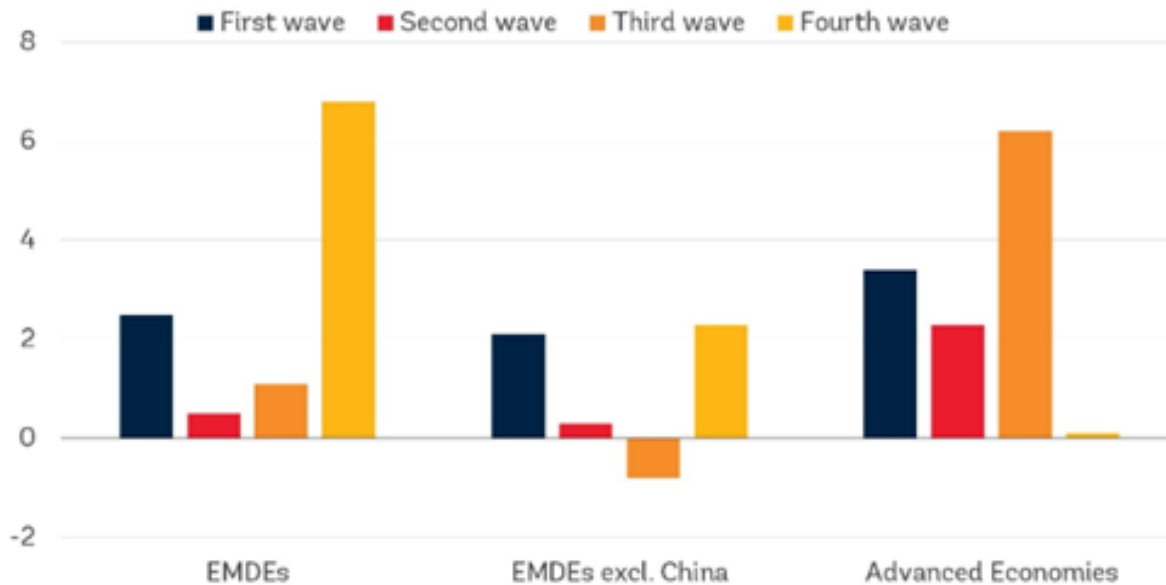
- Ghana 57% of its external-debt payments go to private lenders
- Chad 50% goes to Glencore
- Zambia majority goes to Blackrock



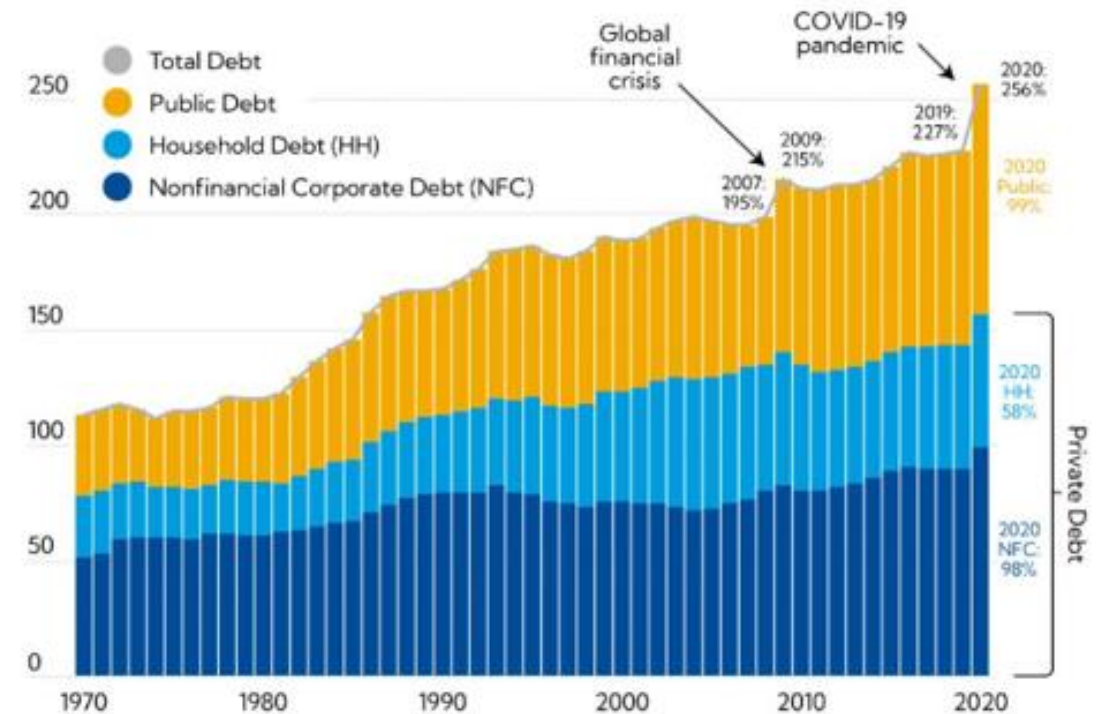


# The rise of global debt

- Global debt was \$83 trillion in 2000
- It is \$305 trillion now (355% of global GDP)
- 58% of the world's poorest countries are in debt distress.
- The 4<sup>th</sup> Debt wave started in 2010; Covid exacerbated it



## Global debt since 1970



Source: <https://blogs.imf.org/2021/12/15/global-debt-reaches-a-record-226-trillion/>



Real estate accounts for about 25% of China's GDP and has been a key driver of growth for two decades.

Is the biggest asset class in the world with a notional value of \$55tn.

Bigger than the total capitalisation of the US stock market.

China consumes 70% of global iron ore exports

Decrease in steel, cement and aluminium imports

# THE GLOBAL ENERGY CRISIS

Europe cannot manage without Russian gas.

Russia is world's 2<sup>nd</sup> biggest supplier of natural gas.

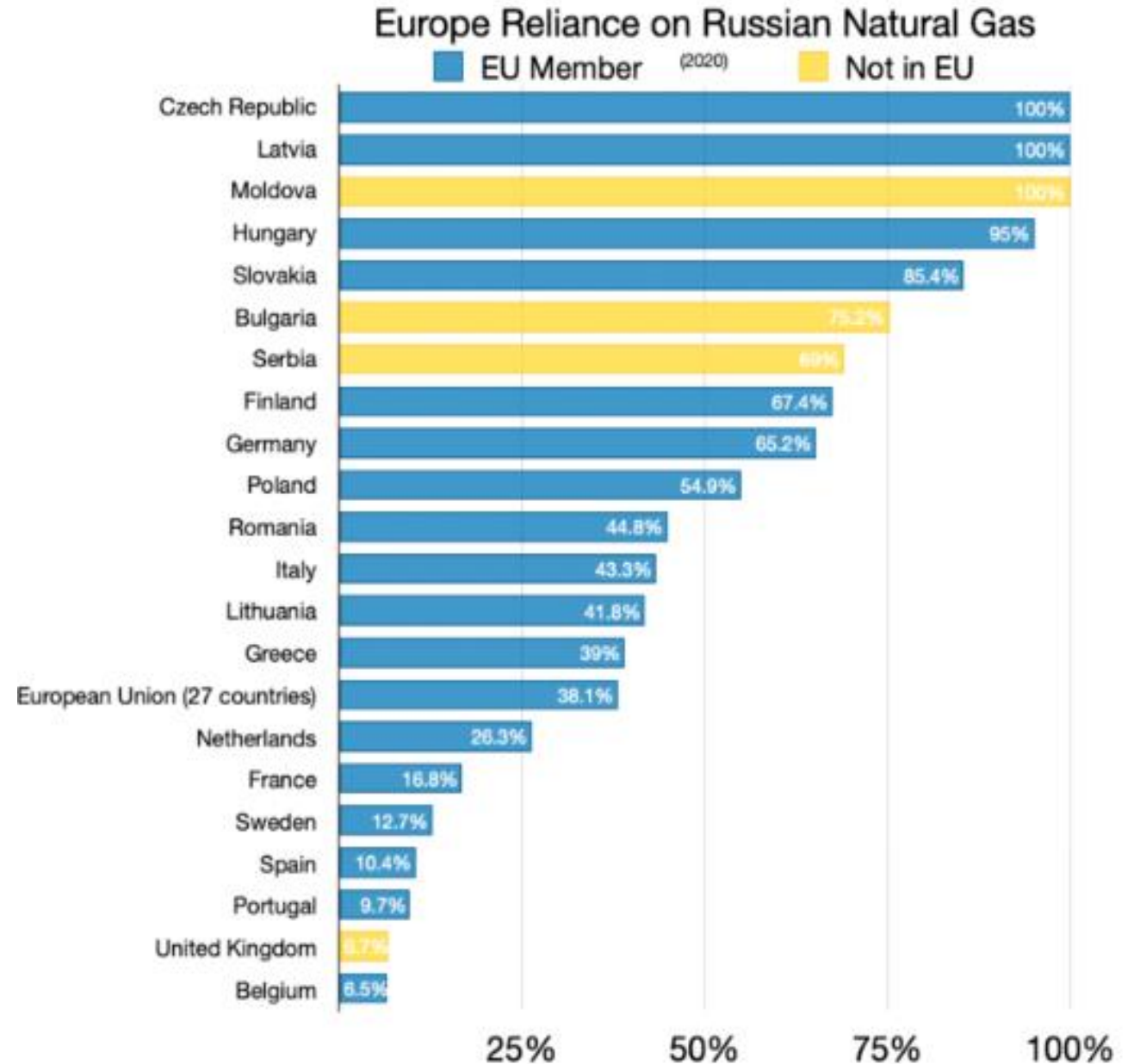
Global net income from oil and gas production will be \$2 trillion higher than 2021.

Global scramble for fuel=Gulf states will earn \$3.5 trillion over next 5 years.

Fuel shortages: India and China stockpiling

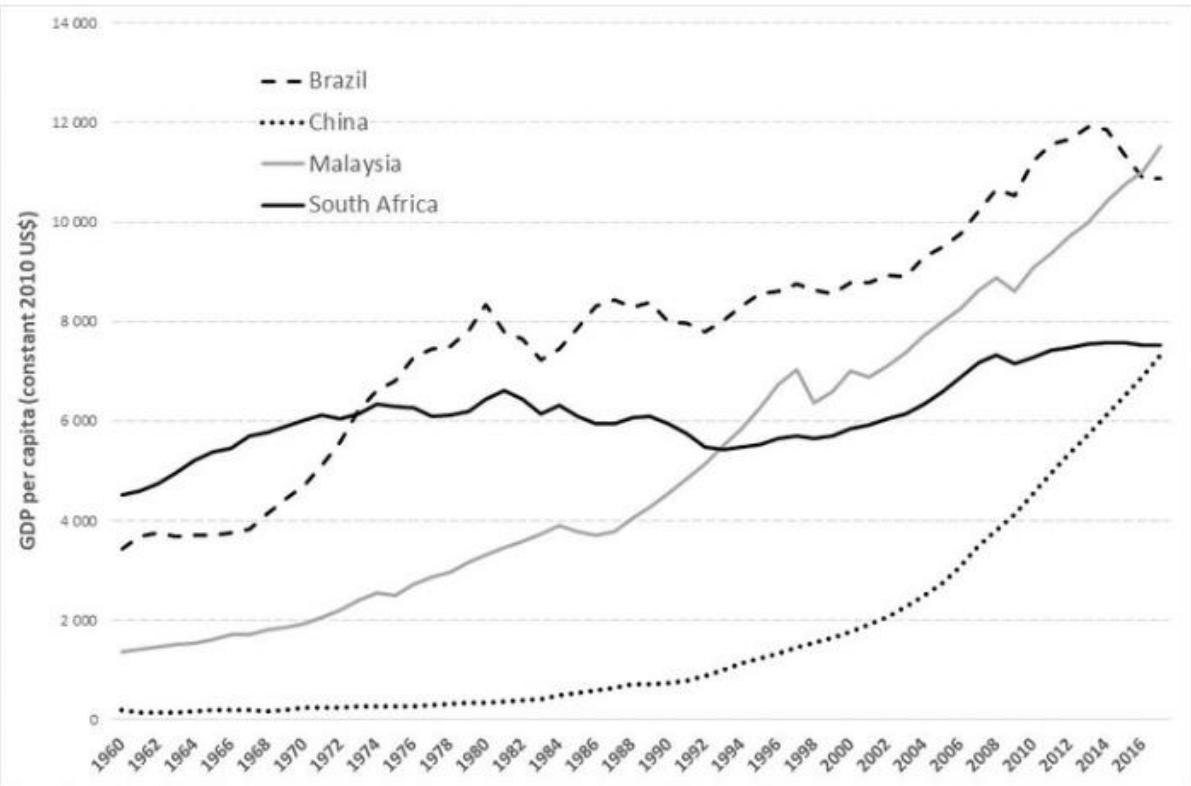
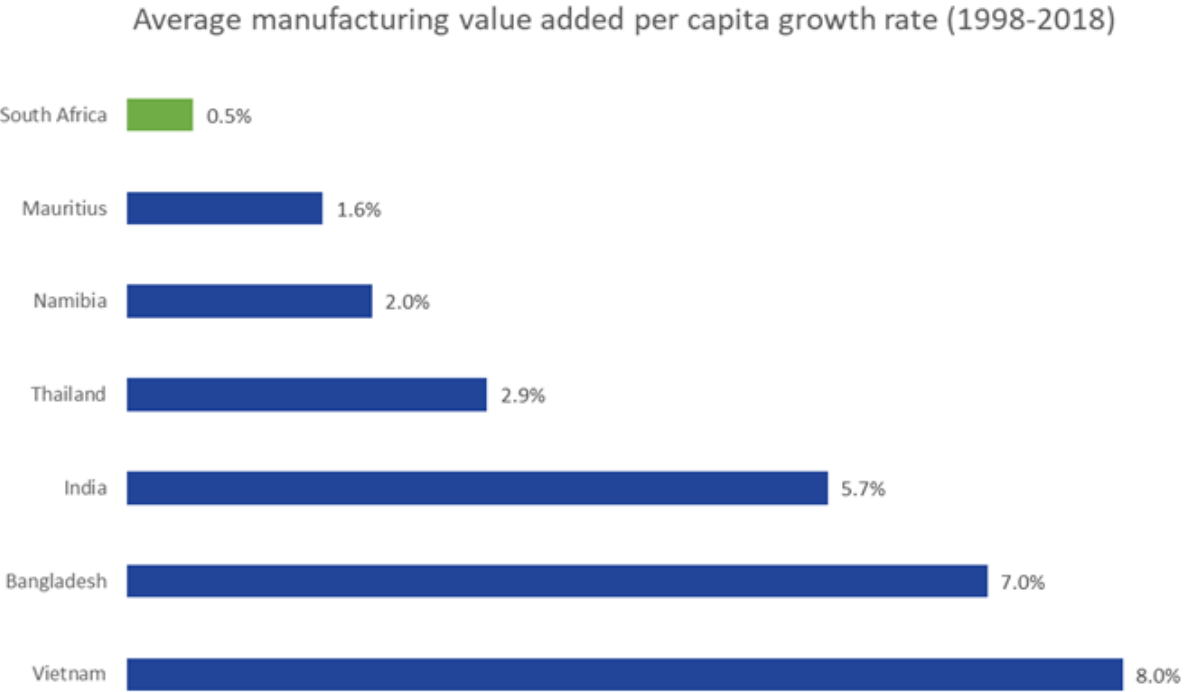
Russian oil; could become power brokers in Middle East, displace the USA.

In Africa there are 25 million more people without electricity now.



- South Africa has seen little growth in real manufacturing value addition per capita over the 20-year period.
- It has declined from over 22% of GDP to less than 13% of GDP and that has consequently cost the country 1.5 million jobs
- Africa’s bounty of natural riches-possible disincentive to manufacture further
- Today, fewer than twenty countries control 80% of the world manufacturing value-addition activities.

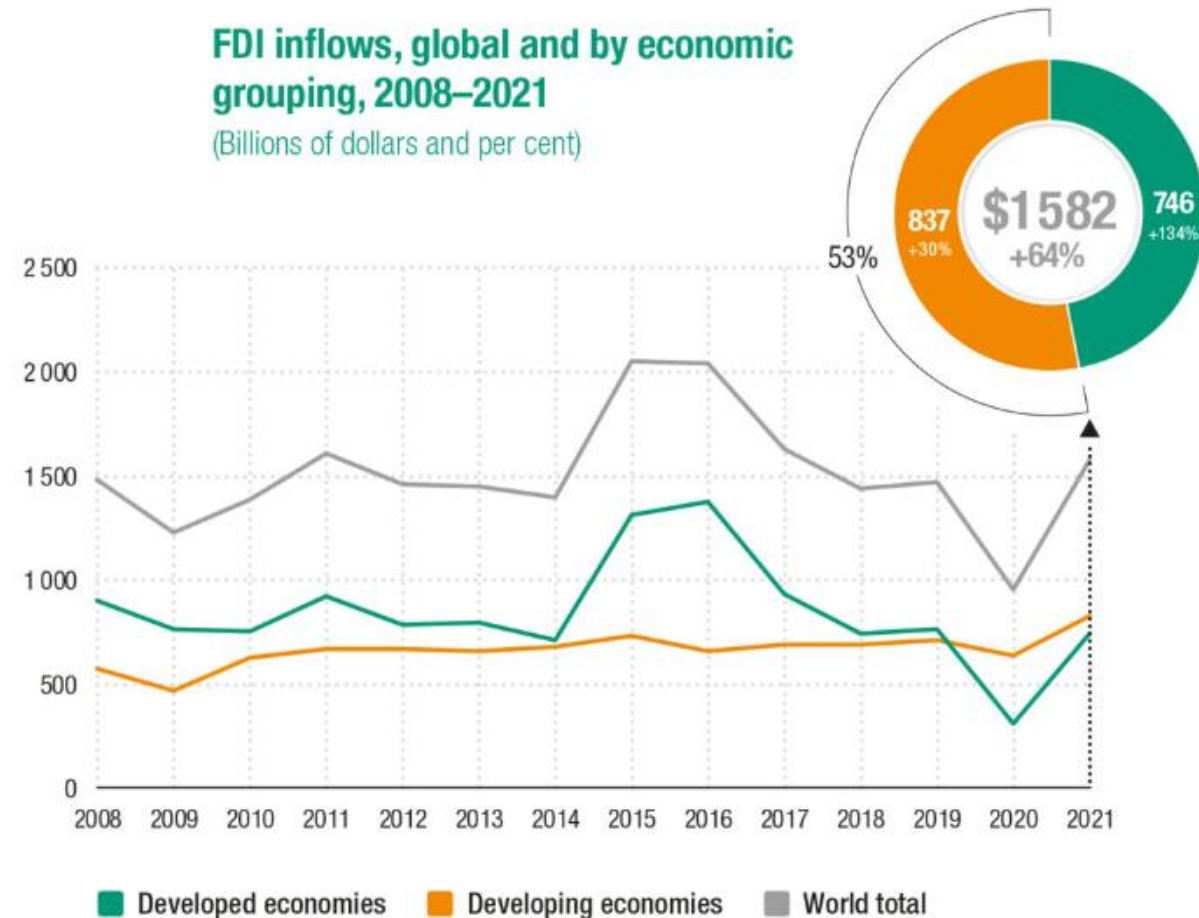
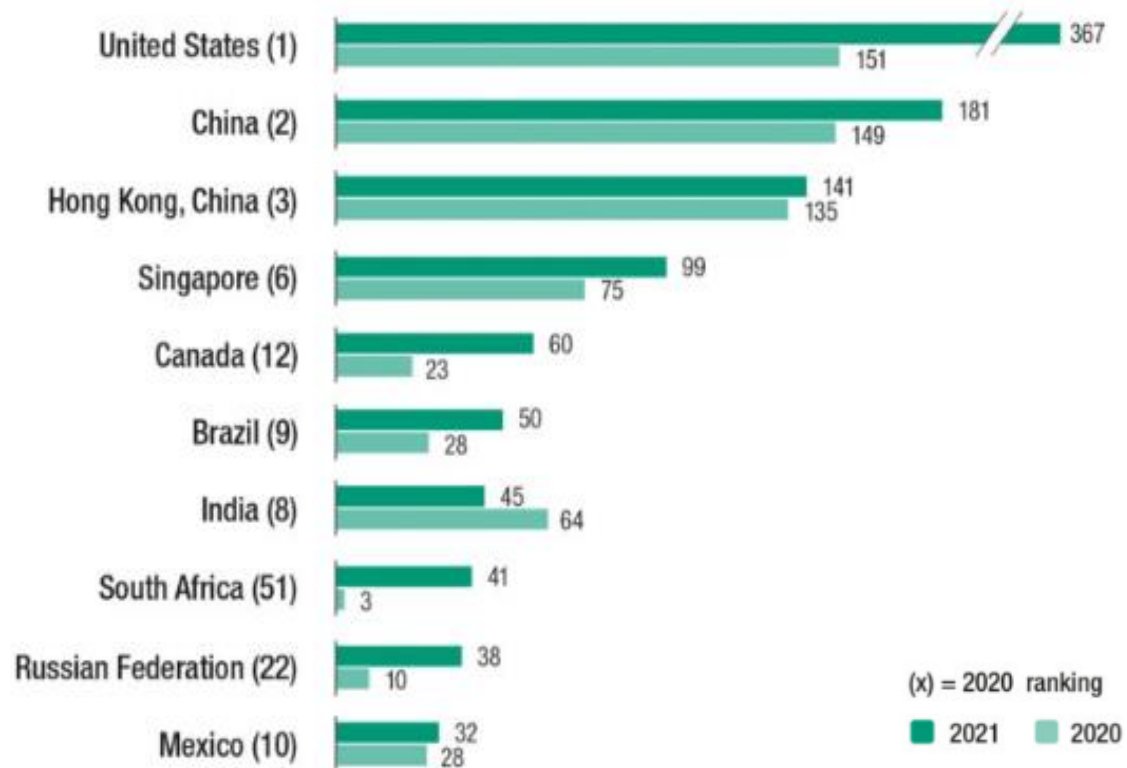
# Premature deindustrialisation



Source: World Bank World Development Indicators

- Global foreign direct investment (FDI) flows in 2021 were \$1.58 trillion, up 64% from the exceptionally low level in 2020.
- Almost three quarters of the global increase was due to the upswing in developed countries, where inflows reached \$746 billion – more than double the 2020 level.
- Global FDI flows in 2022/3 will likely move on a downward trajectory, at best remaining flat.

# Global FDI



# Investment in SDGs

(compared to pre pandemic %)

International investment in sectors relevant for the Sustainable Development Goals (SDGs) in developing countries increased substantially in 2021, by 70%.

The combined value of greenfield announcements and international project finance deals in SDG sectors exceeded the pre-pandemic level by almost 20%. Most of the growth went to renewable energy.

## Infrastructure

Transport infrastructure, power generation and distribution (except renewables), telecommunication



-11

## Renewable energy

Installations for renewable energy generation, all sources



+2

## WASH

Provision of water and sanitation to industry and households



-9

## Food and agriculture

Investment in agriculture, research, rural development



-35

## Health

Investment in health infrastructure, e.g. new hospitals



-25

## Education

Infrastructural investment, e.g. new schools



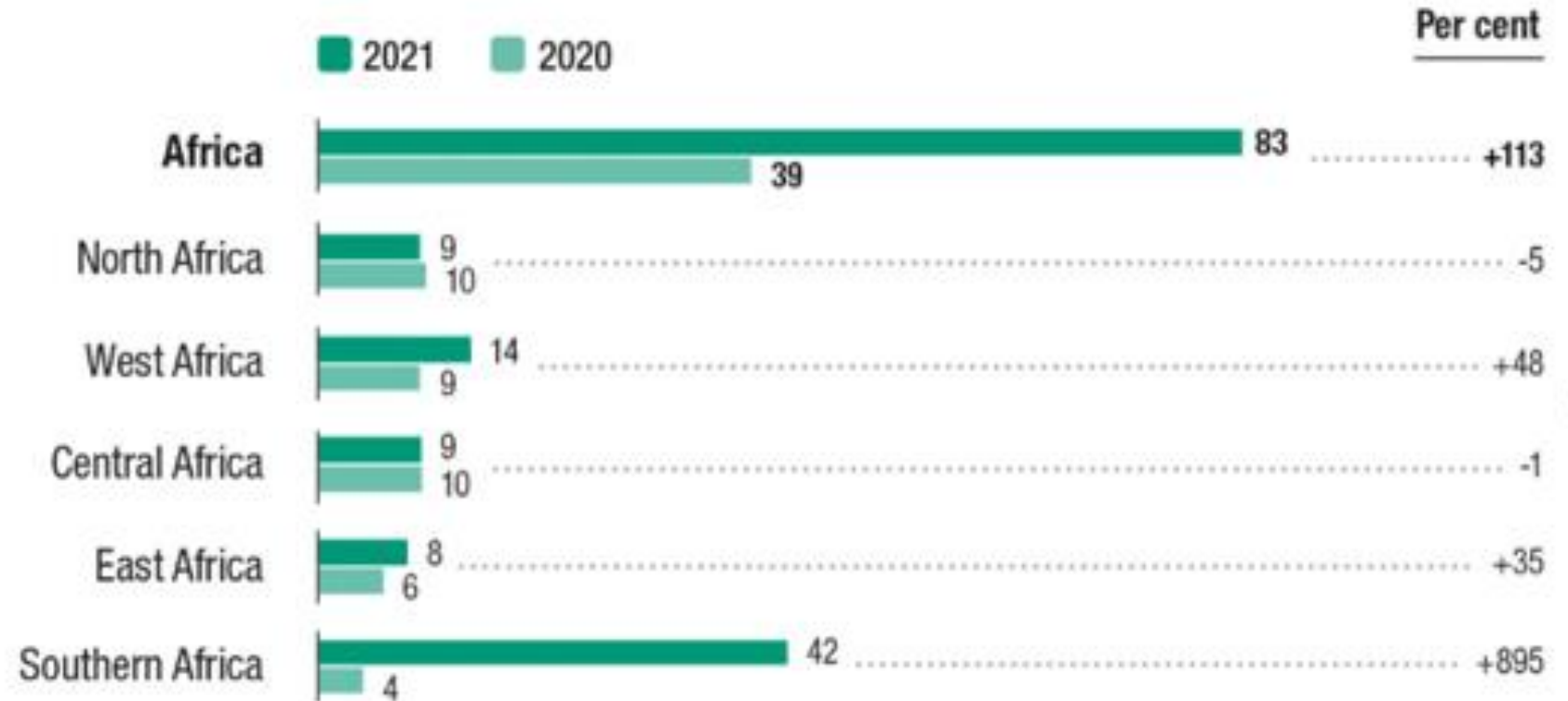
+17

# FDI in Africa

FDI flows to Africa reached \$83 billion from \$39 billion in 2020, accounting for 5.2% of global FDI.

The total for the continent was inflated by a single financial transaction in South Africa in the second half of 2021.

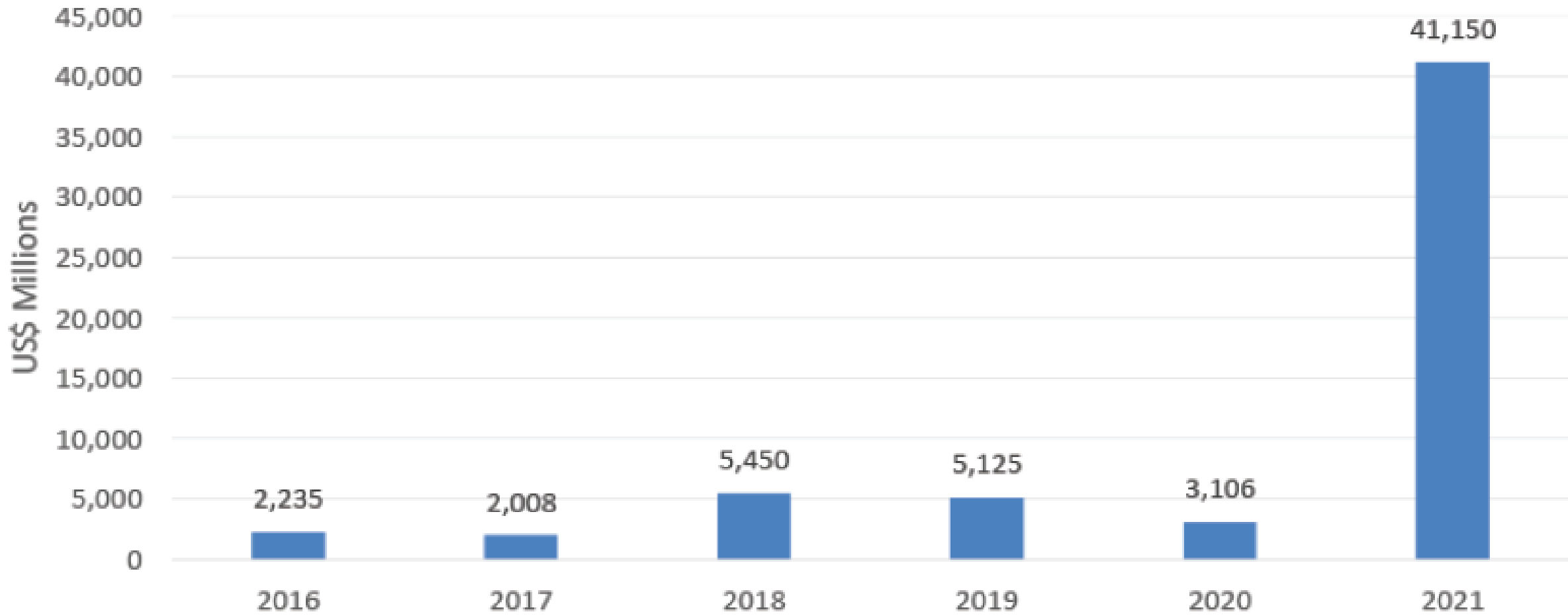
European investors remain the largest holders of foreign assets in Africa, led by the United Kingdom (\$65 billion) and France (\$60 billion).



Source: UNCTAD, FDI/MNE database (<https://unctad.org/fdistatistics>).

# FDI in South Africa

South Africa FDI Inflow



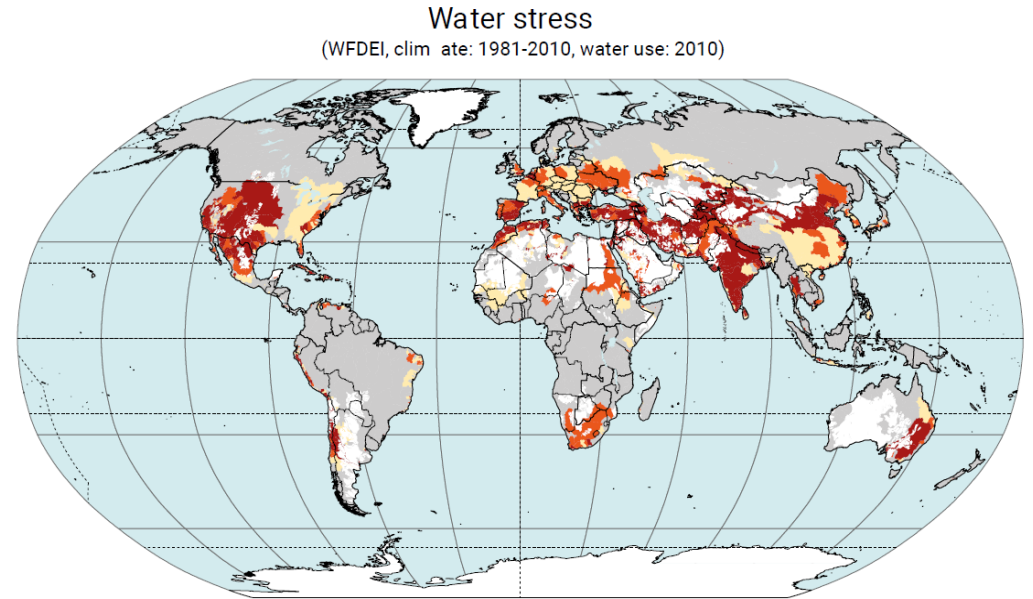


# CURRENT STATUS QUO- HOW ARE WE DOING ON WATER USE?

COUNTRY	AVERAGE WATER POLLUTANT EMISSIONS	AVERAGE WATER POLLUTANT EMISSIONS/ MILLION USD
India	441383412.4	34889.344
Canada	2632440.973	956.9566661
China (PRC)	472628.5155	36.33823235
Taiwan	264979.5686	15.36728039
Bermuda	31782.99333	11.80468633
South Africa	25089.4035	2.9872495
Germany	23415.978	0.612190379
United Kingdom	18378.6892	2.865650062
Brazil	15982.656	4.727818333
Sweden	13226.23333	5.77141345
Japan	5904.54186	0.765718806
United States	4516.149786	0.238041915
Spain	3486	0.069741
France	2667.96195	0.996297792
Switzerland	2149.4215	0.12662416
Hong Kong	653.805	0.151667726
South Korea	612.4042353	0.028883437
Malaysia	408	0.0697164
Italy	305.883	0.015407685
Cayman Islands	145.0933333	0.052787798
Australia	129.4123333	0.25855875

Worst Performing  
 Best Performing

Source: Refinitiv Insight (2019)

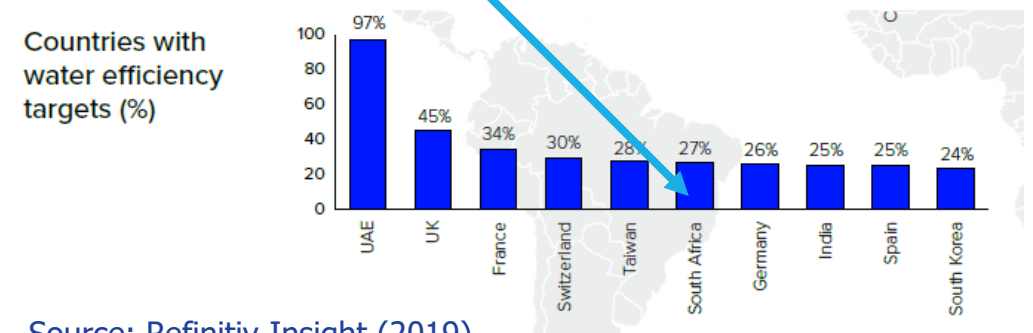


Water stress (WFDEI, climate: 1981-2010, water use: 2010)

water withdrawals-to-availability ratio [ ]  
 0 - 0.1 [no water stress]    0.1 - 0.2 [low water stress]    0.2 - 0.4 [mid water stress]    more than 0.4 [high water stress]    no data

(c) Center for Environmental Systems Research, University of Kassel, Nov 2014, WaterGAP 3

Source: UNEP (2019), Global Resources Outlook



Source: Refinitiv Insight (2019)



# Thank You

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