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Technology brings challenges and opportunities for the local economy

Dr Azar Jammine,
Director and Chief Economist at Econometrix

Artificial intelligence (AI) and the latest generative technologies together present massive opportunities for the local economy, even while also bringing significant challenges. Technology is able to transform business across multiple sectors, including education, agriculture and logistics, and as such it holds significant promise to effect tremendous positive change on both the economy as well as the lives of individuals.

This is according to well-known economic expert Dr Azar Jammine, Director and Chief Economist at Econometrix, guest speaker at the recent Datacentrix Showcase 2024, which took place at Montecasino, Johannesburg. Addressing an audience of senior business leaders and industry representatives, Jammine discussed the potential impact of technology in a presentation entitled 'The impact of digitalisation on South Africa's economic growth' – a topic that aligned closely with the overall Showcase concept of 'Changing lives through technology'.

Technology's role in reversing unemployment

Jammine did not mince his words when he stated that: “Since 2013, South Africa has seen a progressive underperformance of its economy compared to the rest of the world. During the State Capture years, funds that should have been diverted into the economy and into growing technology were instead siphoned into private funds, with a consequent massive increase in the unemployment rate.

“The question must therefore be asked: how can we use technology to grow employment opportunities once again? There is a great need to place an increased focus on technology and education, particularly in the country's rural and outlying areas.

“However, the low level of mathematical abilities in South Africa's citizens brings a detrimental effect on the required cognitive levels for technology functionality. This is admittedly a huge challenge, but it also creates a significant opportunity to encourage and facilitate learning and technology cognitive abilities to counteract this deficit.”

Positive and negative internet trends

According to Jammine, it is encouraging that 76 percent of the population has access to the internet. He cautioned, however, that not enough individuals use the internet to empower themselves through online-based educational opportunities, noting that an opportunity once again presents itself to rise above the challenge: “In South Africa, mobile phone adoption and internet usage is better than the statistics that we see in the rest of Africa, and so certainly the potential to use the

internet for educational growth and empowerment is there. The relatively high cost of data is an issue that must also be dealt with, especially with regards to younger people."

As a supporting fact, Jammine noted that internet usage has increased in South Africa over the past 10 years, but, unfortunately, so has inequality. He clarified: "We are currently seeing a situation in which 15 percent of the population contributes towards 82 percent of the economy, while conversely, 85 percent contributes towards only 18 percent of the economy.

"This is very largely dependent on education levels, and – unsurprisingly – the higher the level of education, the greater the chance of achieving employment. This therefore points once again towards the critical imperative to increase the country's educational levels overall and take advantage of the opportunities presented in this regard through technology."

Reversing infrastructure and economic decline

Turning towards mining and manufacturing, Jammine explained that both these industries had declined in absolute terms since 2010. "These sectors lie at the heartland of the South African economy and its ability to keep pace globally, and this is therefore of serious concern. On a more positive note, the agriculture industry in South Africa has been one of the fastest-growing local sectors over the past few years, and this is both significant and reassuring within the economy overall, as well as presenting deep potential to be enhanced by technology.

"I am additionally encouraged to see more cooperation emerging between the government and the private sector, for example in industries including energy, transport and logistics. And all sectors are benefitting from the dramatic decline in load shedding that we have seen this year. According to the South African Reserve Bank, load shedding alone cost the economy 1.5 percent of the gross domestic product (GDP) cost last year."

Jammine also commented on how the decline of the country's ports and rail network has resulted in more goods being transported on South Africa's roads,

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causing congestion and damage to the road infrastructure. During his State of the Nation Address (SONA) in February this year, President Cyril Ramaphosa said that the government is taking action to improve and restore the country's ports and rail network, working closely with both business and labour, as well as allowing private rail operators to access the rail network.

Added Jammine: "It is heartening to see that the private sector is being invited in to help overturn this decline in logistics overall, including the deterioration in our rail infrastructure – this is good news indeed."

He noted that in further positive news, headline inflation recently fell back to a figure of 4.6 percent, compared to the target of 4.5 percent, while the Rand had also strengthened, with the petrol price decreasing.

"These are all good signs for the economy," continued Jammine, "even when tempered against a number of current geopolitical tensions. Additionally, we have also seen equity markets on an upward trend in recent times – associated with significant savings and opportunities – while technology-related equities, in particular, have been outpacing the rest of the equity markets recently.

"I have confidence in the ability of technology going forward to drive global economies and overcome challenges, while AI in particular can play its role in generating new forces of economic growth," he concluded.