
Africa Business Agenda

South Africa Perspective

April 2024



pwc



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In brief

- CEOs in South Africa share optimistic views of global economic growth, with 60% saying growth will improve in the next 12 months.
- Concerns around inflation, macroeconomic volatility, cyber risk, social inequality, economic regulations and general national elections are top of mind for South Africa's CEOs.
- Although they acknowledge the challenges that exist, CEOs are optimistic about their local growth prospects.
- In positioning themselves for the future, CEOs are aware of the role that technology can play in unlocking value. While the implementation of generative AI has been slow, CEOs recognise that this technology will enhance their companies' ability to deliver value.
- CEOs are also working to improve their carbon footprint, recognising very limited downsides associated with their decarbonisation strategies.

South African CEOs' perspectives on growth amid volatility



Shirley Machaba

PwC South Africa CEO

The PwC Africa Business Agenda: South African Perspective 2024 report highlights the challenges and opportunities that South Africa faces in terms of technological transformation, regulatory change and sustainability. The report draws on a survey of insights from 380 CEOs in Sub-Saharan Africa and 48 CEOs in South Africa, presenting a comprehensive overview of their perspectives, hopes and concerns.

CEOs in South Africa are cautiously optimistic about potential growth prospects over the next 12 months, even as they confront a range of challenges and uncertainties. PwC's *27th Annual Global CEO Survey* reveals that business leaders envisage opportunities to capitalise on emerging megatrends such as technological transformation, regulatory change and sustainability, and climate-conscious practices. However, regardless of their optimism, CEOs in South Africa remain concerned about how factors such as social inequality and the operational consequences of new technologies, inflation and policy changes may affect how they create and deliver value.

Furthermore, as South Africa approaches its national general elections, CEOs are closely monitoring how the political landscape (including economic policy) could impact their strategic direction. For their businesses, the ability to tactically and rapidly adapt business models to create, deliver and capture value in an evolving environment will be decisive. Forward-thinking leaders are eager to leverage transformation as a catalyst for growth and resilience while continuing to mitigate risks through agile strategic planning.

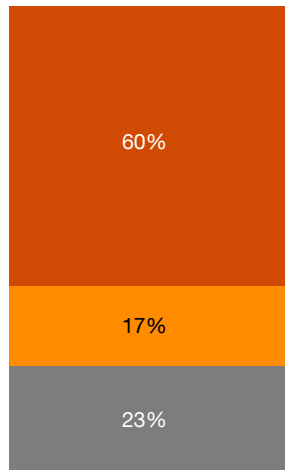
The findings from the survey offer valuable insights and actionable recommendations for businesses, the government and individuals. It emphasises the importance of agility, adaptability and collaboration in navigating the economic landscape and building sustainable businesses that drive economic growth and societal development.

Growth sentiment

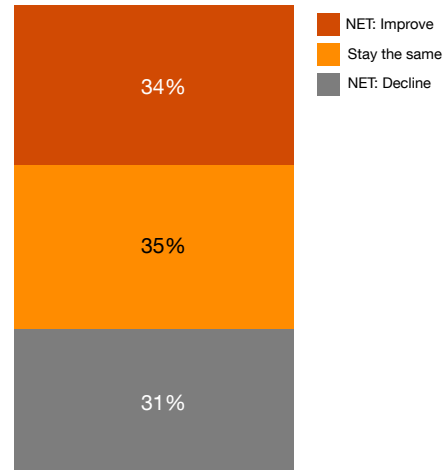
Following efforts over the past several years to reinvent their businesses, South African CEOs have a positive outlook about potential growth opportunities, specifically the viability of their organisations and their long-term revenue outlook, as compared to their global counterparts. According to our survey, 60% of CEOs in South Africa believe that the global economy will grow in the next 12 months as compared to 38% of CEOs globally. However, when asked about their views on the South African economy, CEOs were divided: 34% believe that the local economy will grow in the next 12 months, while 31% expect it to decline and the remaining 35% say it will stay the same. While South Africa's economic growth forecasts remain conservative, with the African Development Bank (ADB) projecting marginal growth of 1.5% in 2024, a great deal of uncertainty lies in the outcome of the country's next general election and subsequent economic policy direction.

Q: How do you believe global economic growth (i.e., gross domestic product) will change, if at all, over the next 12 months?

Global economic growth



Territory economic growth

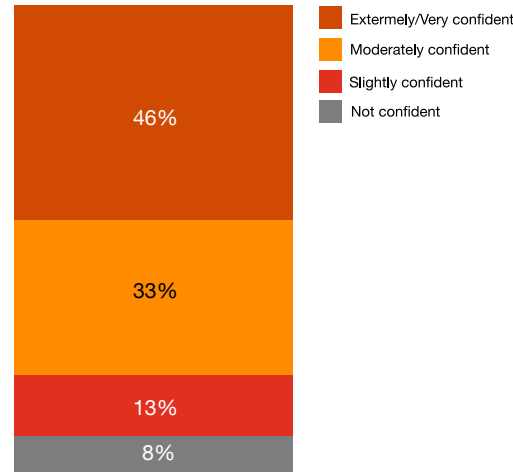


NET: Improve
Stay the same
NET: Decline

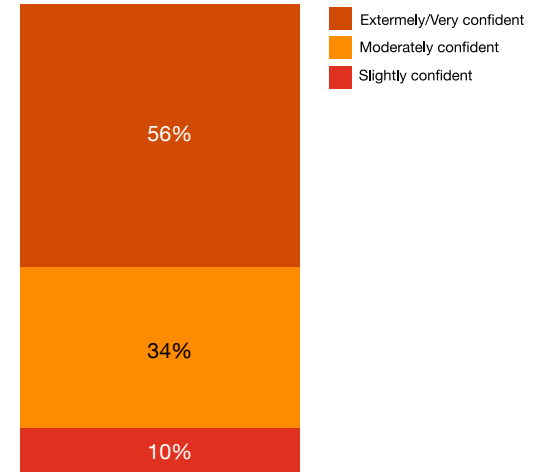
While there's uncertainty about the country's economic growth prospects in the short term, CEOs in South Africa are cautiously optimistic about their companies' prospects for revenue growth in the short (next 12 months) and medium terms (next three years). Forty-six per cent are confident that their businesses' revenue will grow in the next 12 months, increasing to 56% in the medium term.

Q: How confident are you about your company's prospects for revenue growth over the next 12 months?

Confidence in revenue growth – next 12 months

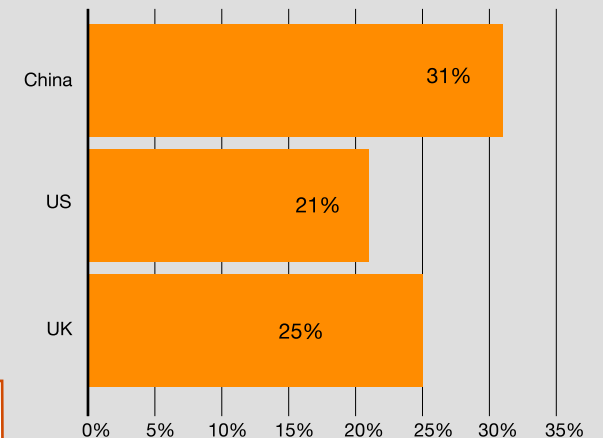


Confidence in revenue growth – next 3 years



Considering the potential of international countries for revenue growth, CEOs in South Africa indicated that China (31%), the UK (25%) and the US (21%) were key markets. Given the Chinese economy's size and influence on global trade, China's future growth prospects will play a significant role in how local companies perform.

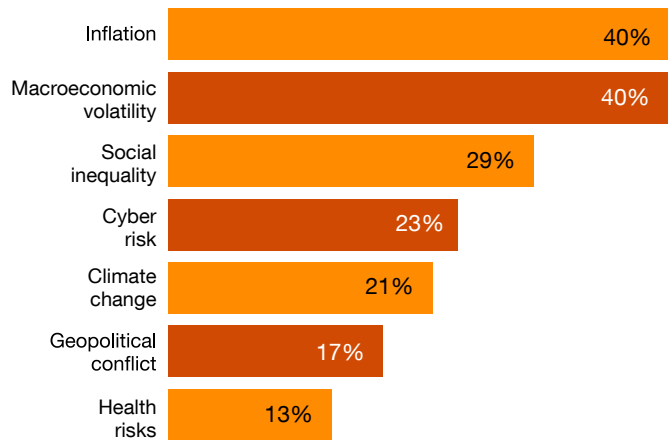
Q: Which three countries/territories, excluding the country/territory in which you are based, do you consider most important for your company's prospects for revenue growth over the next 12 months? (Data reflects countries above 10%.)



Threats and opportunities

CEOs globally have had to meet the challenges presented by megatrends, while protecting the economic viability of their businesses. PwC’s Global Risk Survey 2023 identified inflation as the top threat that organisations said they felt highly or extremely exposed to in the next 12 months. Unsurprisingly, 40% of the CEOs surveyed in South Africa agreed that inflation was a leading threat to how they create and deliver value, followed by macroeconomic volatility (40%). CEOs further indicated that social inequality (29%) posed another threat to their businesses. According to the *International Monetary Fund (IMF)*, inequality in South Africa remains stubbornly high, and although the government has made efforts in addressing the issue, the private sector is yet to fully adopt initiatives directed at addressing inequality.

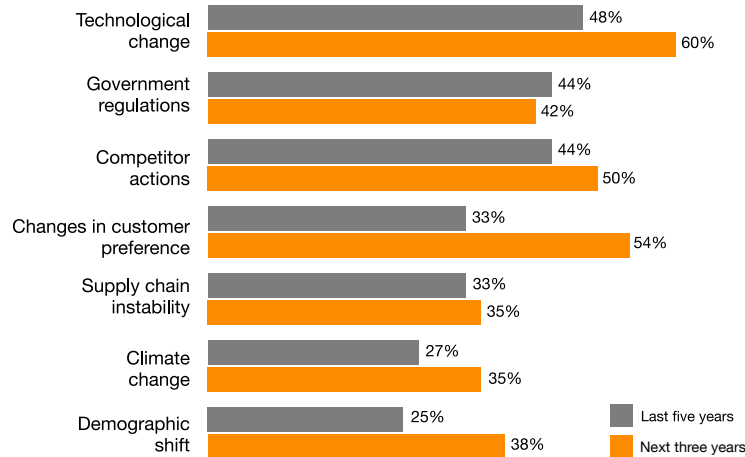
Q: How exposed do you believe your company will be to the following key threats in the next 12 months? (Showing sum of ‘highly exposed’ and ‘extremely exposed’ responses)



In the last five years, technological change (48%) has had a significant impact on how CEOs in South Africa have delivered value. Furthermore, 44% indicated that government regulations and competitor actions have impacted on how their businesses delivered value in the last five years. Looking forward, 60% of CEOs surveyed indicated that technology will be a significant driver in how their businesses perform in the next three years. Changes in customer preferences were also cited as a major change driver by 54% of the respondents, followed by competitor actions (50%).

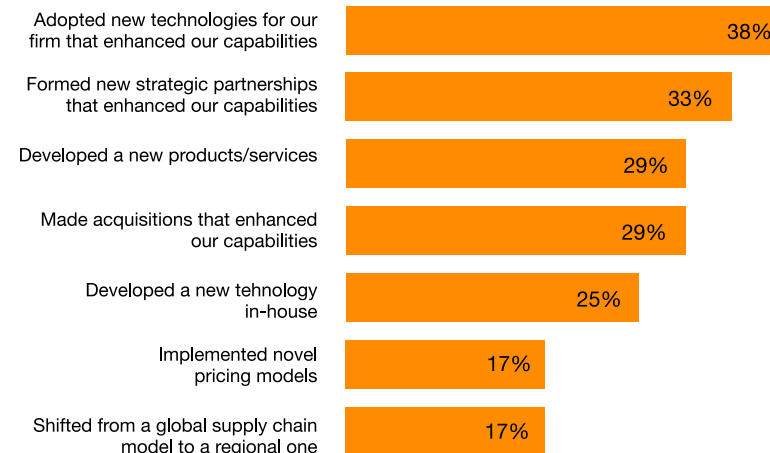
Q: Please indicate the extent to which the following factors [have driven/will drive] changes in the way your company creates, delivers and captures value in:

- the last five years
- the next three years



Regarding actions that impacted the way their companies create, deliver and capture value over the last five years, 38% of the CEOs indicated that their companies have adopted new technologies that enhance their capabilities. In addition, CEOs say their companies have formed new strategic partnerships that enhance their capabilities (33%), and have also developed new products and services, and have made acquisitions that enhance their capabilities (29% in respect of both) for further value creation.

Q: To what extent have the following actions impacted the way your company has created, delivered and captured value over the last five years?



In today’s fiercely competitive landscape, staying ahead is a necessity. Business model reinvention is the strategic process that fuels innovation, agility and sustainable growth. Organisations need to reshape their business models to uncover new revenue streams, optimise operations, and create unforgettable client experiences. And they must do it with trust at the centre. CEOs can focus on four aspects of business model reinvention to achieve sustainable value: your future, your foundation, your acceleration and your outcomes.

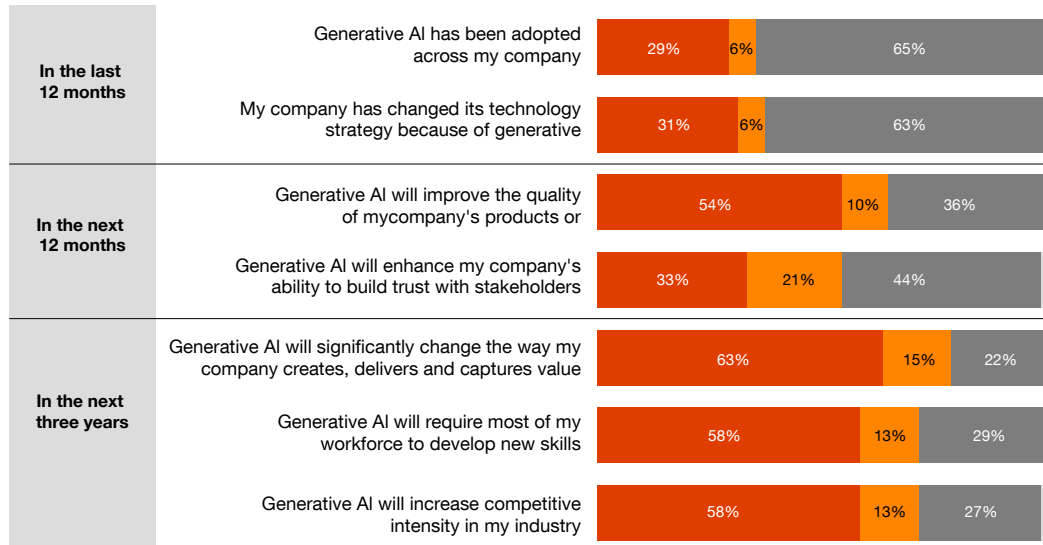
Hannelie Gilmour
Transformation Platform Leader

Generative AI

Many organisations want to build differentiating capabilities, manage costs strategically and grow stronger. CEOs know that they need to lead efforts to simplify and standardise their business processes or update their operating models to enable digital transformation and support growth. A megatrend with systemic, existential implications is technological disruption. Specifically, our survey looked at Generative AI (GenAI), which has all the hallmarks of a technology that could significantly change how companies operate. It is also approaching a critical juncture, seemingly poised to transform business models, redefine work processes and overhaul entire industries.

The majority of CEOs in South Africa (65%) have not adopted GenAI, and 63% report that GenAI has not had an impact on their businesses strategy yet. However, these CEOs recognise the positive impact that GenAI can have on their businesses, with 54% of them agreeing that GenAI will improve the quality of their products and services in the next 12 months. In the next three years, CEOs agree, GenAI will have a more significant impact on their businesses, with 63% expecting that GenAI will affect how their company delivers value. CEOs also believe that GenAI will require their workforces to develop new skills, and they agree that GenAI will increase competition in their industries.

Q: To what extent do you agree or disagree with the following statements about generative AI?



NET: Agree Neither agree nor disagree NET: Disagree Don't know



While generative AI presents immense opportunities for value creation and business transformation in Africa, it is crucial for organisations to be cognisant of the capabilities, limitations and risks associated with this emerging technology. Understanding and mitigating these risks will be essential to ensure the responsible and sustainable deployment of AI solutions.



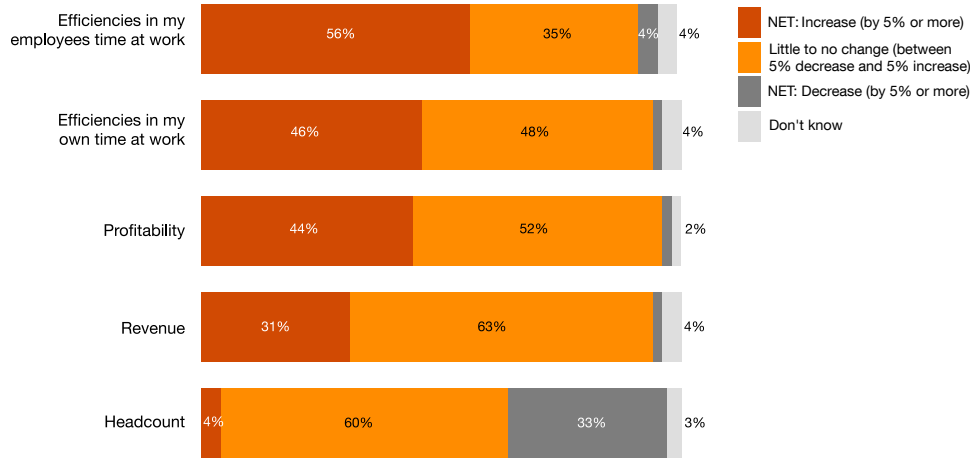
Christiaan Nel
Africa GenAI leader



Operational consequences of generative AI

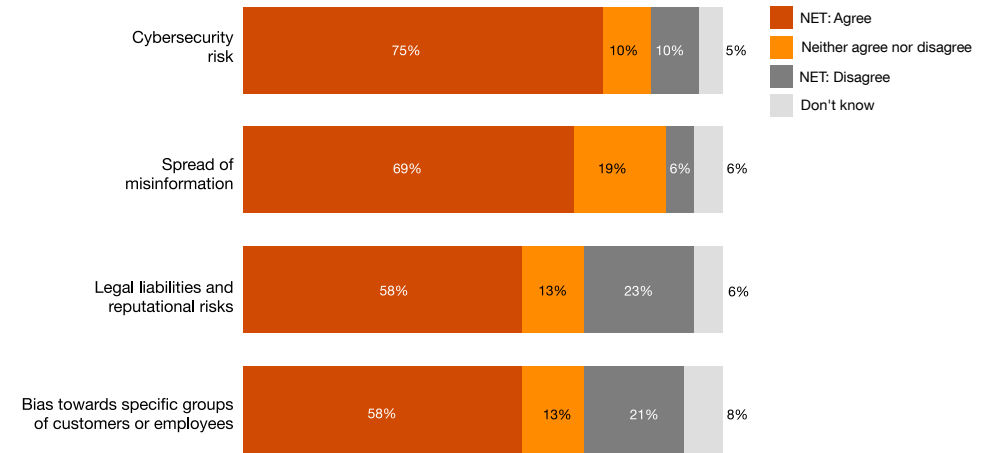
The majority of CEOs in South Africa (63%) foresee little to no change in their businesses' revenue, and 60% expect little change to their companies' headcount as a result of GenAI. On the other hand, over half of the CEOs (56%) believe that GenAI will increase efficiency in their employees' time at work. Furthermore, 46% anticipate increased efficiencies in their own time at work as a result of GenAI.

Q: To what extent will generative AI increase or decrease the following in your company in the next 12 months?



While South African CEOs understand the value and benefits of GenAI to their businesses, they are also acutely aware of the potential risks that this technology brings. As such, 75% agree that cybersecurity risk is a major concern, followed by the spread of misinformation (69%).

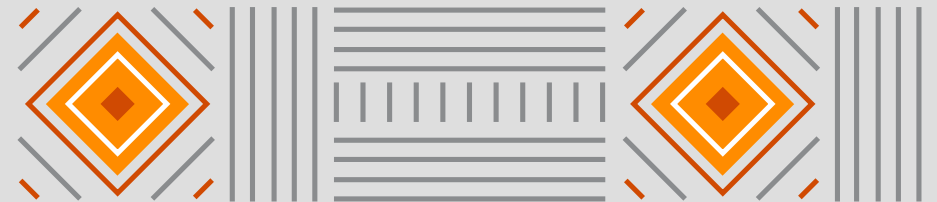
Q: To what extent do you agree or disagree that generative AI is likely to increase the following in your company in the next 12 months?



We are living through a fundamental transformation in the way we work. We might not be able to predict what the workforce of our future will look like, but we do know for certain that the intersection of technology and talent will play an integral role in shaping it.



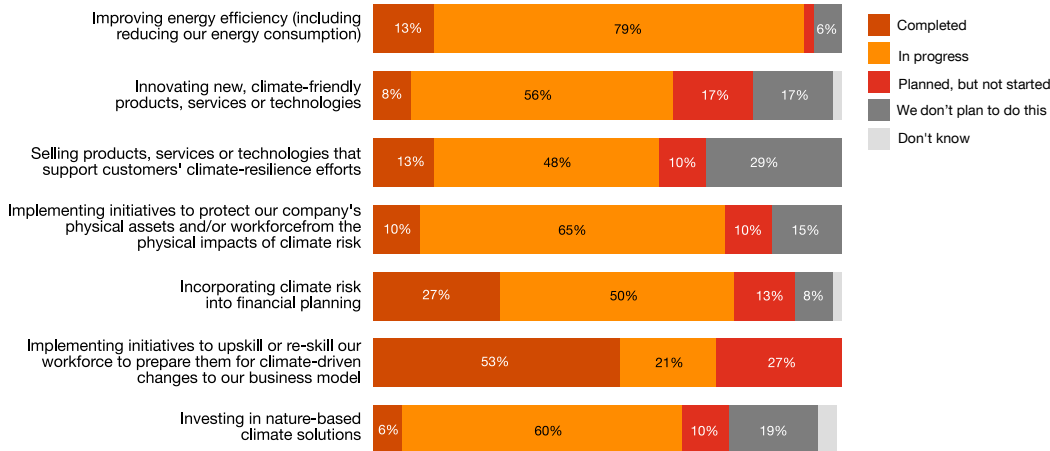
Dayalan Govender
Africa People and Organisation Leader



Climate action

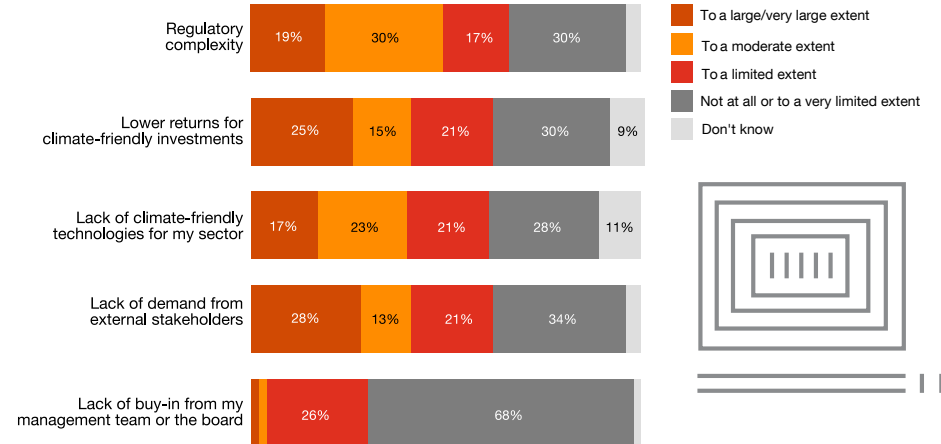
CEOs in South Africa have made significant strides in improving their energy efficiency, implementing initiatives to protect their companies' physical assets or workforce from the physical impacts of climate risk and investing in nature-based climate solutions. Going beyond the basic mitigation measures to fundamentally transform operations and business models for a low-carbon future is imperative. This includes pursuing renewable energy sources, overhauling supply chains for sustainability and pioneering innovative technologies and circular economy solutions.

Q: Below is a list of actions companies may undertake related to climate change. Which of the following best describes your company's level of progress on each of these actions?



In taking action against the impact of climate change, CEOs in South Africa indicated that they have the buy-in from their management teams or their boards to proceed with plans to decarbonise their business models. Moreover, these CEOs indicated that their plans to decarbonise their business models are only marginally affected by the lack of demand from external stakeholders, and that the country's regulatory complexity has a limited impact on their decarbonisation strategies. These findings demonstrate that the South African environment poses limited threats for businesses to embark on ambitious decarbonisation plans.

Q: To what extent, if at all, are the following factors inhibiting your company's ability to decarbonise its business model?



An upward trajectory for South African businesses

The convergence of technological advancements, shifting consumer expectations, and urgent societal and political challenges presents CEOs in South Africa with both opportunities and imperatives for reinvention. While digital transformation, climate change, regulation and economic policy changes, and other megatrends come with potential challenges for CEOs to navigate, they offer immense potential to drive growth, efficiency and innovation. CEOs have a powerful opportunity to lead the process of strategic discovery and evolve long-standing approaches to value creation. As we enter an age of continuous reinvention, leaders have unparalleled opportunities to reshape their organisations, to thrive on disruptions and to transform aspirations into realities.

In South Africa, CEOs have a challenging terrain to navigate. However, the forces reshaping their industries and the world around them offer an unprecedented opening to rewrite the rules and future-proof their organisations. It is an exciting but herculean task – pivoting away from the business models that they are used to while pioneering entirely new ones, all while the sands continue to shift under their feet. CEOs need to have strategic foresight and boldness of vision to navigate the uncharted waters ahead.



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