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Summit 2023

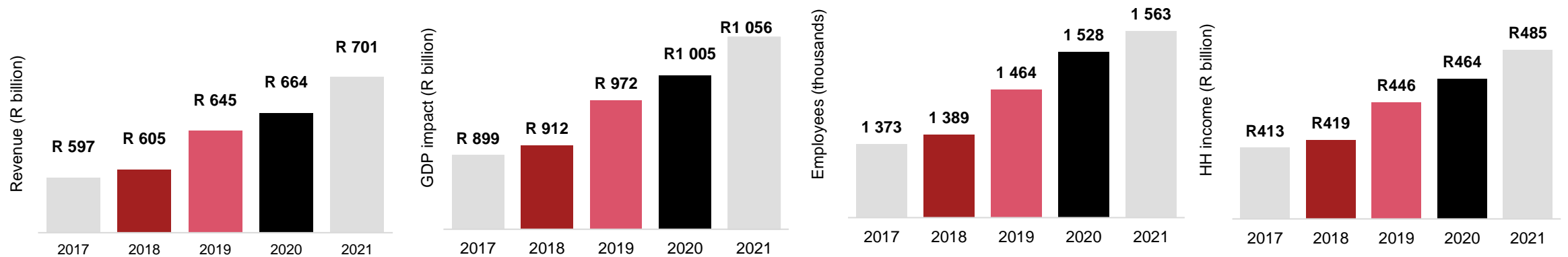
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The FMCG market has consistently contributed to the South African economy's most pressing needs.

The FMCG industry contributes directly to economic growth in South Africa through direct, indirect and induced impacts. In addition, the industry promotes employment benefits and skills transfer and in turn generate income for households (directly and indirectly) through their day-to-day operations



Operating revenue

The FMCG industry's revenue has seen consistent growth over the past five years, despite tough macroeconomic conditions and a sluggish economy, increasing from **R597 billion** in 2017 to **R701 billion** in 2021.

GDP

The estimated economic activity created in South Africa from the day-to-day operations of the FMCG industry was around **R4 844 billion**. The direct impact accounted for about **34%** of the total GDP multiplier effect.

Employment

The FMCG industry's day-to-day operations sustained on average about **1 460 000 jobs** per year. This represented **5.6%** of the total economically active labour force in South Africa.

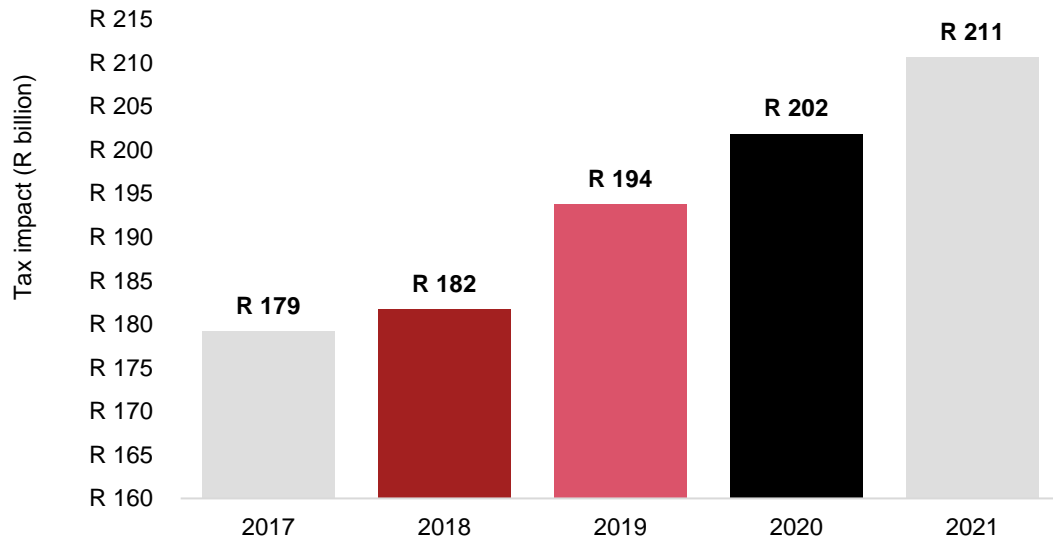
Household income

The industry contributed **R10.8 billion** on average to low-income households per year (2017-2021) - about **26.6%** of the total amount that South African low-income households receive per year.

The FMCG industry will continue to have a positive impact on the South African economy through increased operational spending by the members. The industry provides continued economic benefits to South African citizens, including benefits such as contribution to economic growth, the creation of jobs, as well as contributing to government revenue and poverty alleviation.

The FMCG industry's tax contributions helped with the delivery of social services in South Africa.


Tax impact over the five years, 2017-2021



The FMCG industry's day-to-day operations contributed **R967 billion** to government revenue over the period **2017 to 2021**.

The FMCG industry's tax contributions are an enabler to the national economy and play an important role in South Africa's social and economic development and upliftment through various social initiatives. These member companies also assist Government with tax collection through VAT, with the companies bearing the cost of collection, but seeing the benefits through economic development.

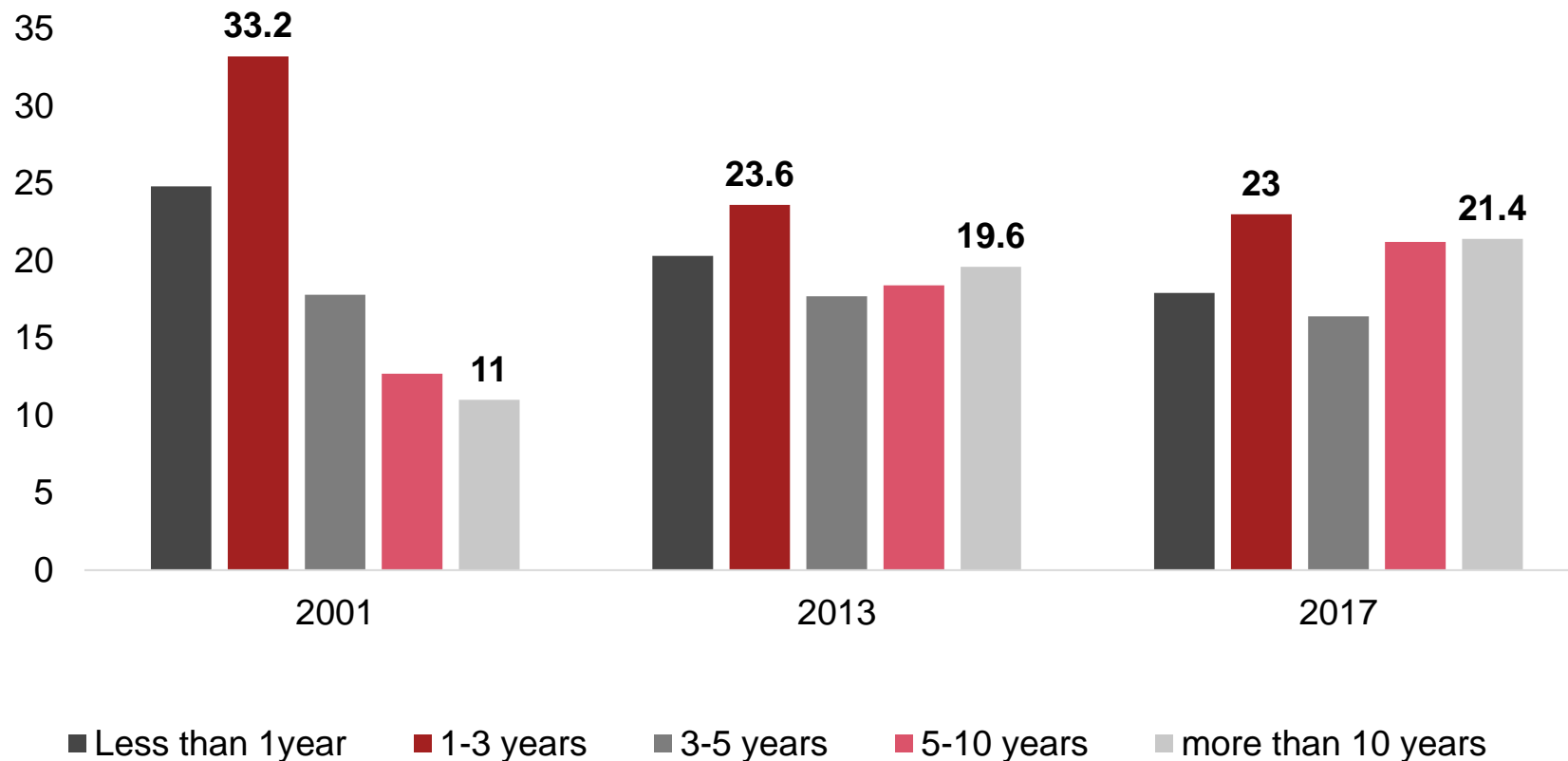
Below is an illustrative example of social benefits if National Treasury allocates the total tax contribution of **R967 billion** in the same proportions based on the 2021 Budget Speech allocation.

Potential social contribution	Learning and culture	Social development	Health
2021	R193 billion	R160 billion	R119 billion
 Examples of expenditure	Compensation of employees; national school nutrition programme; technical and vocational education and training; infrastructure development	Social grants; women, youth and persons with disabilities support; infrastructure development	Compensation of employees; HIV, TB, malaria and community outreach; hospital services; infrastructure development

The remaining tax contribution of **R495 billion** was potentially distributed across other functional areas such as agriculture, science and technology, public services, and infrastructure, among others, having a positive impact on the delivery of social services in SA.

The Next Frontier – Integrating informality and supporting the next wave of growth.

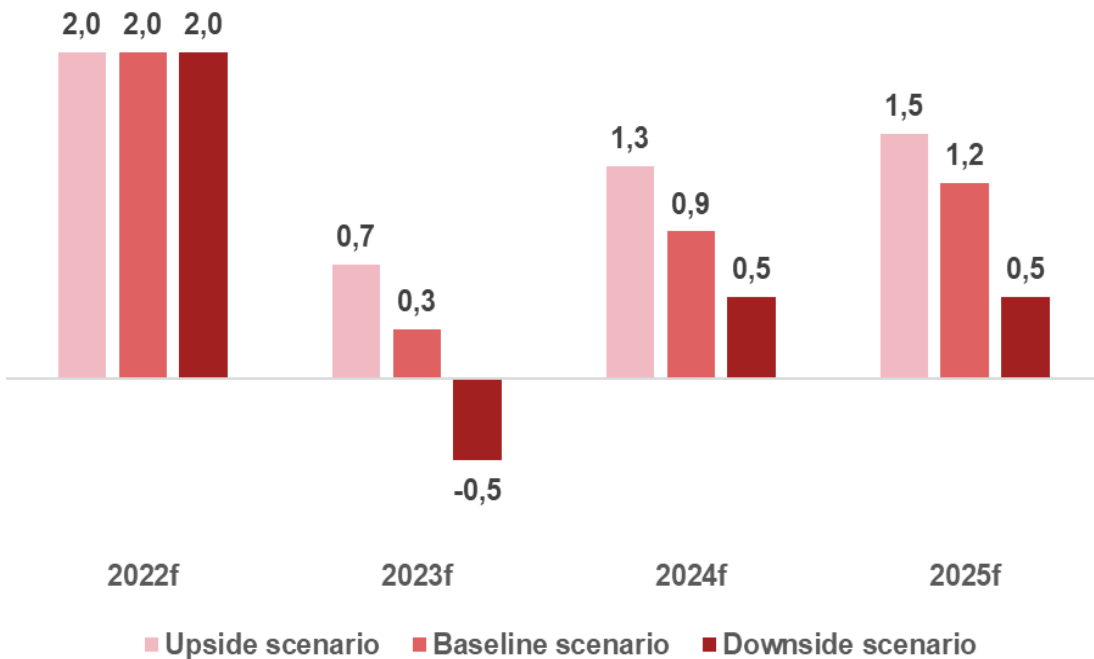
Percentage of individuals running non-VAT registered businesses (informal businesses) by length of business operations



- The graph shows the profile of individuals running non-VAT registered businesses (informal businesses) by length of business operations.
- Over time, statistics show that informal business operators gain longevity.
- Whereas in 2001 only 11% of individuals running informal businesses were running them for more than 10 years, by 2017, it was 21% of operators.

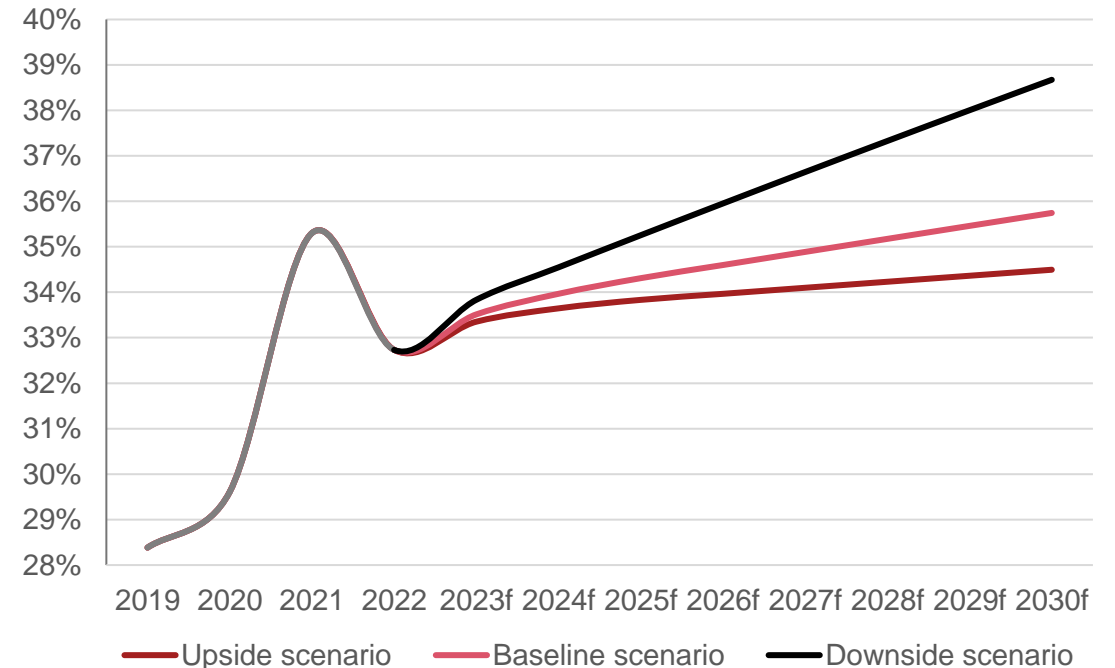
Our long-term economic growth forecasts for South Africa will not be sufficient to bring down the world's highest unemployment rate.

Real GDP growth (%)



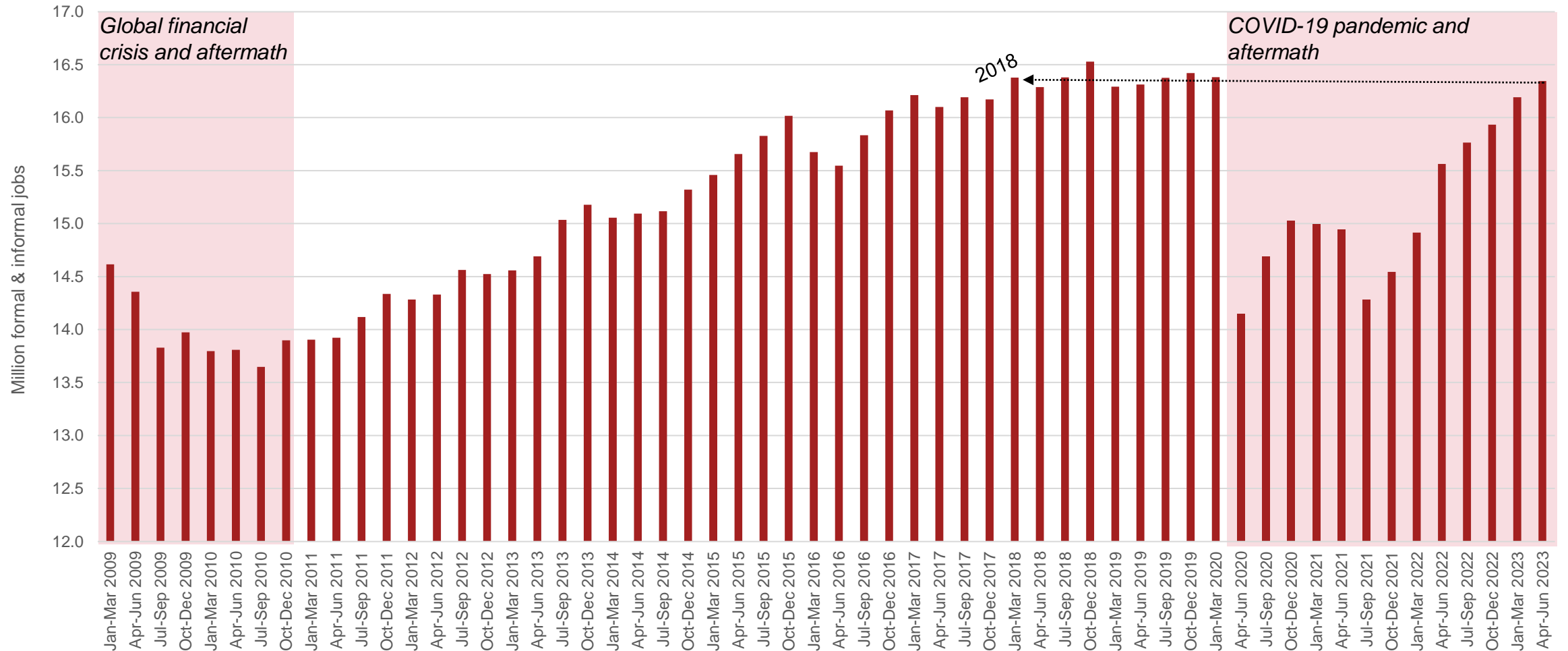
After last year's economic bounce-back, the South African economy is close to stagnating in 2023 largely due to the negative impact of load-shedding. A recession is not impossible.

Unemployment rate (%)



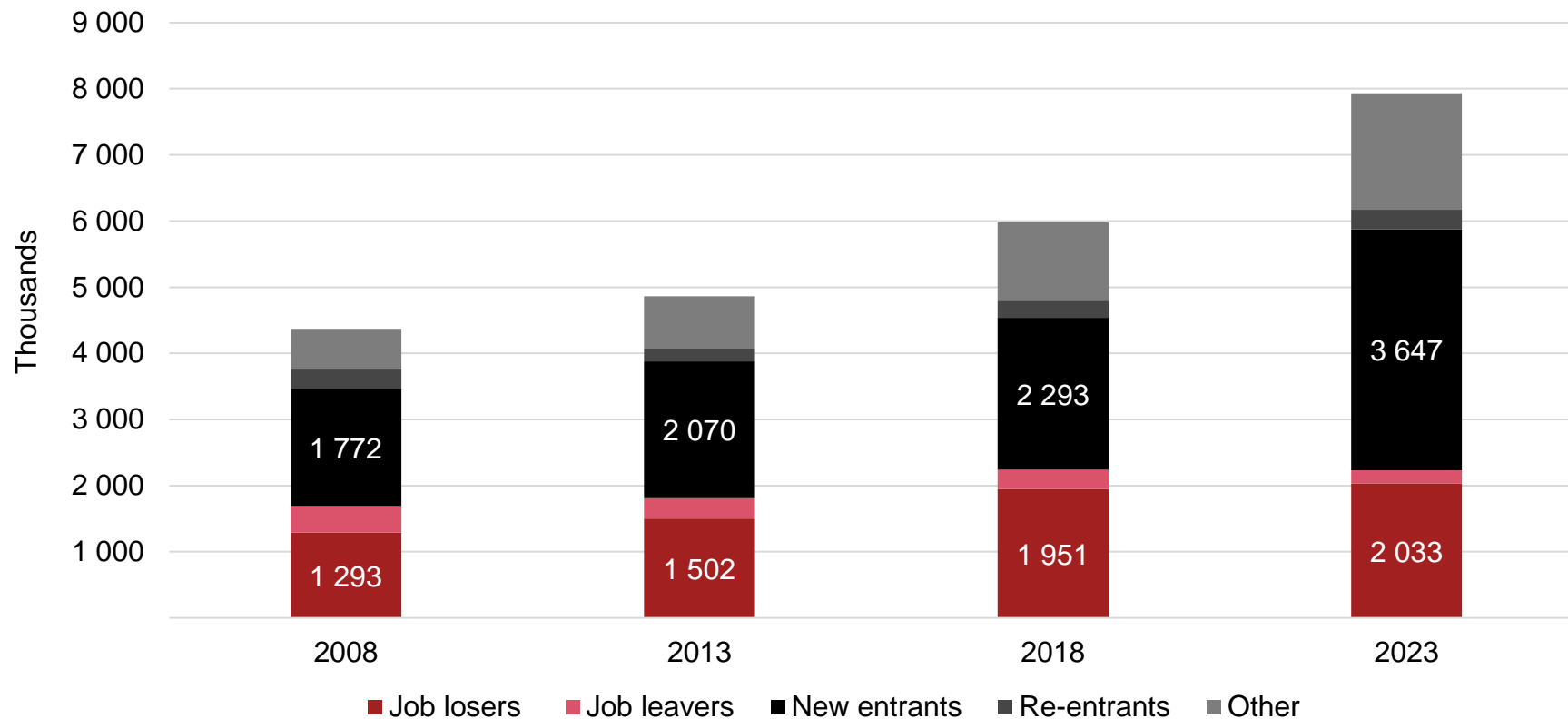
Our slow-growth trend means that, even under an upside scenario, the SA economy will not be able to create enough jobs to reduce the unemployment rate. We could reach a 40% unemployment rate in the next decade.

Back to the Future: after some recent gains, employment in 2023Q2 was almost back to the pre-pandemic level.



The number of the unemployed has been rising since 2008.

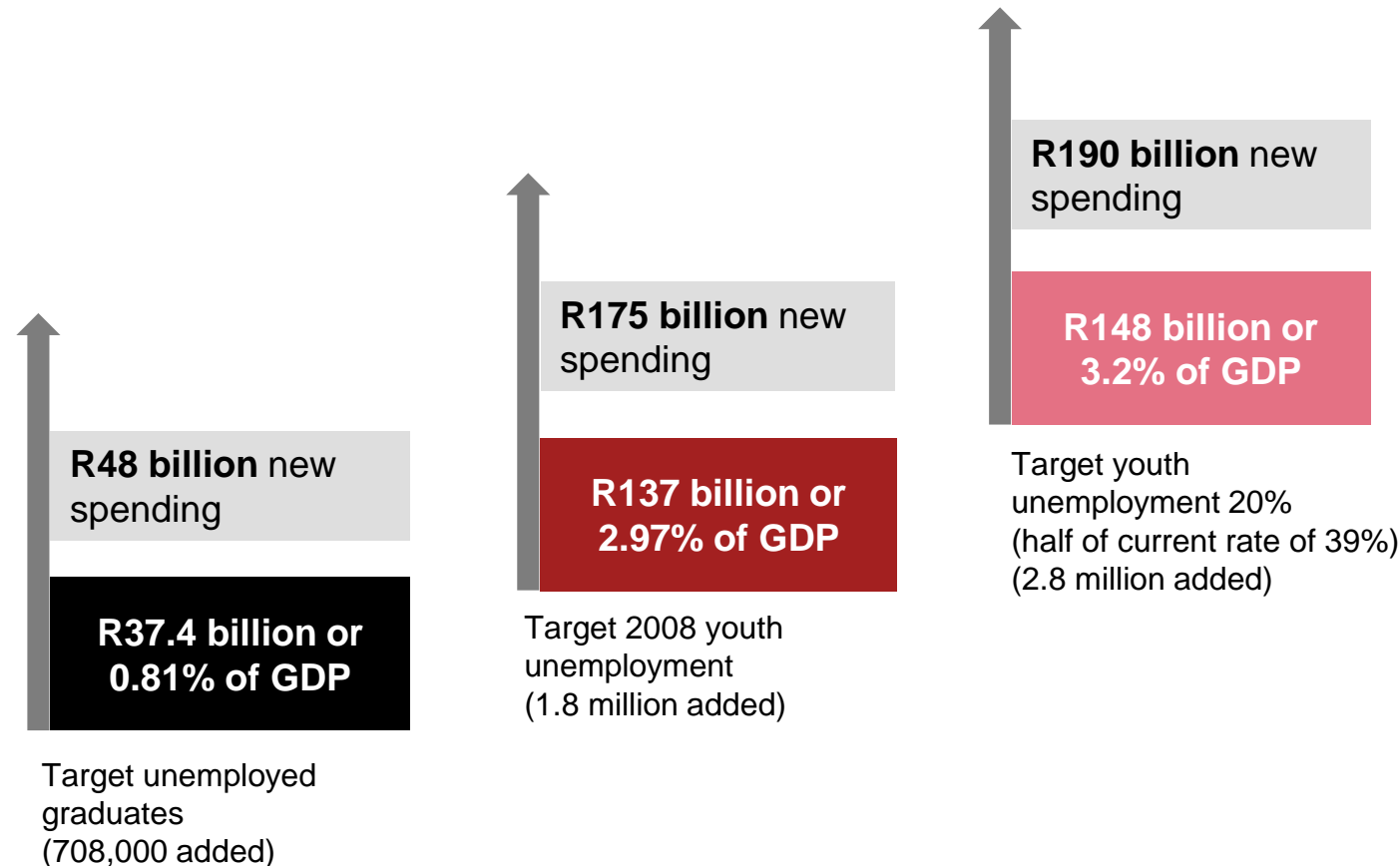
New entrants constitute the highest proportion of the unemployed



- Since 2008, the number of unemployed has grown from 4.4 million to 7.9 million, or up 80%.
- 45% or nearly half of the unemployed are new entrants in the jobs market.
- 1.8 million or over double the number of new entrants from 2008 have not found work.
- 740 000 new job losers or 57% more since 2008.






Turning around the lost potential due to youth unemployment.

The lost opportunity of exclusion of young graduates to bringing down unemployment of youth (not all unemployed people) is between **R37.4 billion** a year to **R161 billion**, or **3.5% of GDP**.



- This calculation is based on employing youth (aged 25-35) at the R4 405 prescribed national minimum wage.
- South Africa's 5% growth ambition is well within reach.
- What is needed is a critical focus on collaborative and multi-stakeholder initiatives to get young people to work.

Business resilience strategies to help South African companies address the Megatrends challenges.

			<i>Trend</i>	<i>Implications</i>	<i>Possible solutions</i>
Climate change		1st	SA is the most carbon intensive country in G20, with a carbon intensity more than double the world average	<ul style="list-style-type: none"> • EU CABM have a direct impact on export competitiveness • Rising costs of doing business through e.g. insurance against extreme weather • Severe resource shortages - water stresses 	<ul style="list-style-type: none"> • Developing sector, supply chain and business-specific sustainability strategies • Business continuity planning
Technological disruption		74%	74% of SA CEOs believe technology disruptors will impact industry profitability over the next 10 years	<ul style="list-style-type: none"> • Increasing disinformation and misinformation • More competition and loss of market share • Increased cyber risk • Loss in capacity of workforce • Mismatch between required & available skills 	<ul style="list-style-type: none"> • Investment in improved tech capability to build client-facing assets and client engagement solutions • Invest in upskilling workers
Demographic shifts		50%	Half of SA's labour force aged 25-34 are unemployed.	<ul style="list-style-type: none"> • Shift in consumption patterns • Mismatch between available and required skills • Breakdown in social cohesion • Emigration as discontent increases • Failing welfare systems and erosion of tax base: 	<ul style="list-style-type: none"> • Staff upskilling. • Collaboration with training institutions to build skills pipeline • Cooperation with all stakeholders to improve the education system
Fracturing world		53%	53% of SA CEOs believe their company is moderately, highly or extremely exposed to geopolitical conflict	<ul style="list-style-type: none"> • Trade and supply chain disruptions • Difficulty of doing business in a world of conflicting rules and regulations • Economic and financial markets instability • Insistence on localisation policies 	<ul style="list-style-type: none"> • Environmental, Social and Governance (ESG) strategies • Occupational health and safety protection • Sanction screenings
Social instability		4th	South Africa has the fourth-highest global risk protests and riots over the next 12 months.	<ul style="list-style-type: none"> • Risk of business disruption • Pressure to increase transparency while managing reputational risk • Responsibility to take care of all needs of employees • Greater need to invest in the creation of trust 	<ul style="list-style-type: none"> • Business continuity planning and resilience strategy • Communications strategy to increase transparency and build trust

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