Opinion / Columnists

NATIONAL ECONOMY

NEVA MAKGETLA: Doomsayers should check the data more thoroughly

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The received wisdom is that GDP growth is slower than the norm, while joblessness is rising and inequality is getting worse. None of these statements is fully accurate, says the writer. Picture: SUPPLIED

Economists are in the habit of crying wolf. All too often they suggest that SA is heading for the dustbin of history without actually checking the evidence.

The resulting cacophony of doomsaying risks drowning out discussion about SA's real socioeconomic problems.

The received wisdom is that GDP growth is slower than the norm, while joblessness is rising and inequality is getting worse. None of these statements is fully accurate, although all have some truth. They persist partly because of weak data and partly because of misguided efforts to scare people into agreeing to various economic policies.

First, a reality check. Assessments of SA's growth depend heavily on the benchmark countries. Most analyses use upper-middle-income countries (UMIC) — almost 60 countries including SA, Mexico, Brazil, Turkey and China — with annual per capita income ranging from $4,000 to $12,000 (essentially GDP per person).

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apartheid

China is the elephant in the room. It accounts for almost half of UMIC production and a fifth of the world's population. Comparing SA with all UMIC largely means comparing it with China. But China is an outlier. Its economy grew 9.3% a year from 1994 to 2016, compared with 3.1% for other UMIC and 2.9% for SA. Our country lags other UMIC except China, but not by much. Ignoring China's outlier status makes it seem as if everyone except SA is growing 5% a year. The fact is that virtually no countries have matched China's growth.

On joblessness and inequality, SA does look much worse than its peers. In other UMIC, 60% of the working-age population is employed; in SA, the figure is 40%. The standard inequality measure is the Gini coefficient; the higher the Gini, the more unequal the economy. In SA, most Gini estimates exceed .65. According to World Bank data, only SA, Namibia and Botswana had Ginis over .60 in the mid-2010s, with most countries around .35. But many of the most unequal countries, especially Middle Eastern petrostates, did not report a Gini coefficient at all.

The bleak South African data reflect the failure to fix the exclusionary systems set up under apartheid. But they aren't getting worse. Since 1994, joblessness has fluctuated around the same rate, while the economy has generated more than 5-million more formal jobs. There are also no reliable data to show a worsening in inequality, although it hasn't improved.

We can't say much more about long-term trends in employment and incomes because data for the 1990s are too poor to set a baseline. As a result, minor changes in the available statistics between 1994 and today don't mean much.

Above all, until 1994 official statistics mostly ignored Africans. To this day, we don't have reliable data on the former "homelands", which housed up to half the African population. Developing new surveys takes time, and reliable figures emerged only in the early 2000s. The first income and expenditure survey to include Africans came out in the early 1990s. It assumed that 25% of all African people lived in migrant hostels.

Why the rush to overinterpret the data? Part of the problem is the tendency to presume that, with democracy, things must go downhill. But a bigger factor seems to be the belief that politicians only listen if threatened with a crisis.

The fearmongering risks blurring over when things are truly going wrong. SA's joblessness and inequality are high by international standards. The slowdown in growth during the global financial crisis in 2008-09 and after the commodity boom ended in 2011 should have led to emergency responses. But these realities are often lost in the broader narrative of long-term decline.

Cry wolf too often and people stop paying attention.

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