ACTUARIAL SOCIETY OF SOUTH AFRICA

QUANTIFYING RISK, ENABLING OPPORTUNITY

Macroeconomic Resilience Index

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Agenda

- The Why, What and How
- Key elements of Resilience Index
- Global trends
- What did Covid do?
- SA trend and focus
- Key take-aways

Macroeconomic Resilience

"The global economy is less resilient to absorb shocks than 10 years ago given excessive debt, lack of growth enhancing reforms and monetary policy pushed beyond its limit.''

Swiss Re Institute

The Why, What and How

- WHY : Resilience is key to the continued welfare and growth of a society
- WHAT : An index giving a resilience score for the ability of economies to withstand shocks
- HOW : Various key elements of a country is considered, combining into a single overall rating. Reviewed annually

Key elements of Resilience Index

50%	**Macro Buffers** Fiscal policy space Monetary policy space
50%	**Structural factors** Banking industry backdrop Labour market efficiency Fin. market development

Global trends

Top macro resilient (2019)

Country	Rank	Score
Switzerland	1	**0.84**
Canada	2	**0.81**
Finland	3	**0.80**
USA	4	**0.80**
Norway	5	**0.76**

BRICS

Country	Rank	Score
Brazil	20	**0.52**
Russia	26	**0.48**
India	25	**0.48**
China	21	**0.54**
South Africa	22	**0.49**

Global trends

- Global economy less resilient than it was a decade ago
- North America is most resilient region
- Resilience weakened most in Euro area since 2007
  - fragile fiscal positions
  - exhaustion of monetary options

What did Covid do?

- Emerging markets resilience down 10%, but developed economies down 25%
- Emerging markets benefited from extraordinary global stimulus
- China resilience unchanged due to swift containment

SA trend and focus

Change over time (2007 to 2019)

Year	Rank	Rank
2007	25	**0.52**
2010	19	**0.63**
2013	15	**0.60**
2016	16	**0.65**
2019	22	**0.49**

SA trend and focus

- Fiscal space (0.61 – 0.50) (turned close to 1)
- Monetary policy (0.47 – 0.65) (dipped to 0.3)
- Labour (0.99 – 0.76)
- Financial market (0.13 – 0.31)

Financial markets provide scope for development around depth, access and efficiency.

Government spending and debt also important.

Key take-aways

Key factors	With monetary policies at or beyond their limit, **fiscal policy will be the "only game in town"** in next crisis
Big 4	Strengthening the resilience of US, China, Japan and Germany will boost the **global shock absorbing capacity**
South Africa	**Fiscal policy** will likely lead the way to more or less resilience
Global village	Due to global trade and the global village effect, economic growth in South Africa will be linked to the **prosperity of large economies** for quite some time

Thank you

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