PRIORITISING SOCIALLY SENSITIVE SECTORS

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Introduction

- South Africa, like many countries, faces economic and socioeconomic challenges.
- These challenges are both internal and external.
- For example, PWC in its 2023 economic outlook for South Africa identified five key challenges.
    - The weak economy;
    - Changing jobs landscape;
    - Social risks;
    - Technological change; and
    - Sustainability considerations.
- The current focus of competition regulation, includes the following areas:
    - Economic transformation;
    - Post COVID-19 recovery;
    - Cost of living crisis – with express focus on the cost of food; and
    - Sustainability.
- The key question is the extent to which competition regulation can address some of these challenges.

Poverty, Inequality and Unemployment

- According to Stats SA Q1/2023 data, South Africa's unemployment rate was 32.9%.
- Citing the 2014/2015 survey, about 55% of the South African population (30 million people) lived below the national upper-bound poverty line, while 25% experienced food poverty (***the World Bank Group Poverty & Equity Brief, South Africa*, April 2023**).
- This is a stark reminder of the inequalities that persist in our society.
- To confront these issues, a holistic approach is key, and competition policy is a vital piece of that puzzle.
- Competition policy and regulation can be pivotal in addressing these challenges:
  - By promoting competitive markets, economic growth gets stimulated.
  - According to the International Monetary Fund (IMF), improved competition can lead to a 1% increase in economic growth. (***IMF Regional Economic Outlook Sub-Saharan Africa*, Oct 2019**)
  - Organisation for Economic Co-operation and Development (OECD) studies indicate that increased competition can lead to a reduction in income inequality. (**OECD, *Inequality: A hidden cost of market power*, 2017**)
- Competitive markets tend to allocate resources more efficiently, benefiting a broader segment of society.

Post COVID-19 Recovery

- The COVID-19 pandemic has been a global crisis that disrupted economies and societies on an unprecedented scale.
- South Africa is no exception, and our path to recovery is fraught with challenges;
  - But it presents an opportunity to rebuild the economy with resilience in mind.
- Most competition authorities have responded positively and proactively in addressing COVID-19 related challenges, during the pandemic era.
- Competition policy can contribute to faster economic recovery, through numerous interventions such as:
  - **Market Access:** Open and competitive markets are essential for businesses to access the resources they need to recover and thrive.
  - **Enforcement:** Competition policy ensures that markets remain accessible to all, preventing anticompetitive practices that can hinder recovery efforts.
  - **Innovation & Efficiency**: According to the World Economic Forum (WEF), competition can drive innovation, leading to increased productivity.
  - **Investor Confidence**: a competitive business environment can boost investor confidence, attracting FDI and domestic capital. This inflow of funds can be instrumental in post-pandemic recovery initiatives.
  - **Collaboration between competition regulators and with other government agencies** will be key, ensuring that our recovery efforts are in harmony with competition principles.
- As the OECD (2020) recently observed, competition policy and competition authorities have a very relevant role to play in ensuring a robust economic bounce-back and recovery in the long-term.

Cost of Living Crisis: Focus on food prices

- From a competition regulation perspective, South Africa's response to food challenges includes, amongst others:
  - On-going monitoring of essential food prices and investigating the factors driving food inflation (**since March 2020**).
  - Effective merger enforcement.
  - In addition, Competition Act Amendments (2019) focused on
    - using **market inquiries** as a tool in intervening in any markets where there is likely to be some market distortions, and
    - provisions targeted at addressing **concentration** and participation in markets.
  - Currently undertaking market inquiry into the **Fresh Produce Market**.
- Some insights from the food monitoring report (Q1/2023 EFPM Report):
  - **Sunflower oil**: Report noted that the net effect of processor and retailer conduct in 2022 is that consumers are still paying far more for cooking oil than in 2021.
  - **Maize meal price** increased steadily over 2022 following a period of declining prices in 2021. From January 2022 to December 2022, maize meal prices increased by 32% going from R26.62 to R35.19.
- Some insights from the food monitoring report (Q2/2023 EFPM Report):
  - Q2/2023 EFPM Report noted **cooking oil prices** have been on a declining trend since 1yr ago when the EFPM report indicated that producer prices were rising despite sunflower seed prices remaining stable in South Africa.
  - However, whilst retailers cut their margins during the period of rising prices, they have been slower to reduce prices resulting in expanding margins. More recently, sunflower seed prices (lagged 3 months) have dropped but producer prices have still not responded.
  - White maize prices (lagged 3 months) have fallen consistently and by 23% since February 2023 but producer and retail prices for maize meal have yet to decline.
- EFPM (1/2002) tracked various essential inputs including energy and fertilizer as well as the FAO Index.

Cost of Living Crisis: Focus on food prices

Figure 1: Food and Agricultural Organisation Food Price Index - January 2021 to June 2022

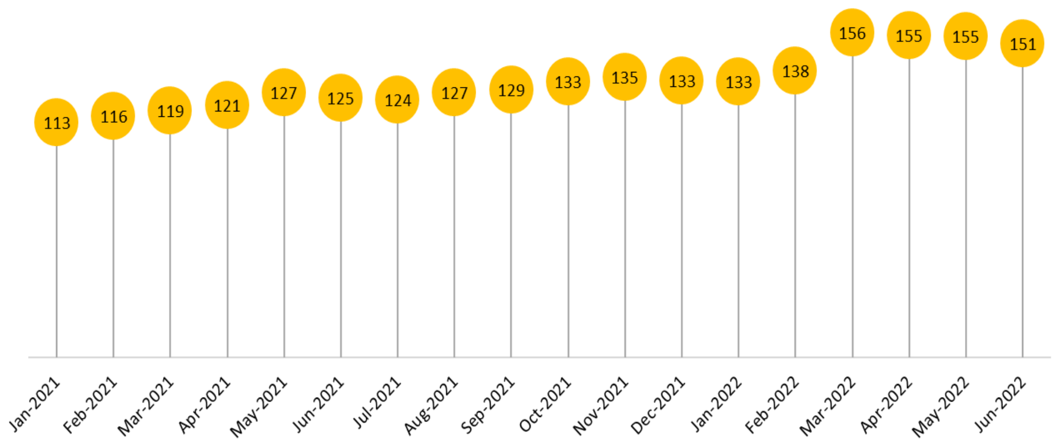
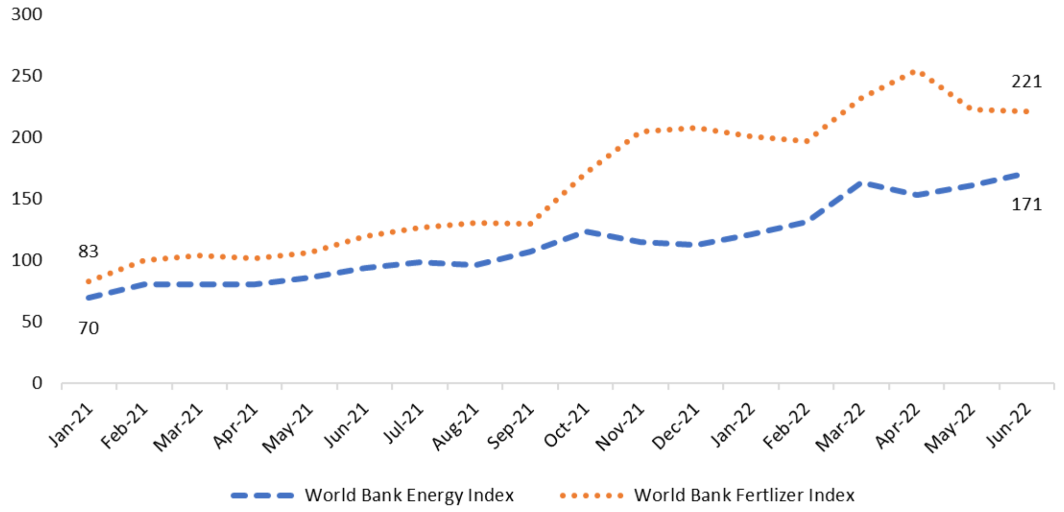


Figure 2: World Bank Energy and Fertilizer Index - January 2021 to June 2022



Sustainability and competition

- The foundation for sustainability is the United Nations' 2015 UN Sustainable Development Goals (SDGs).
- From a competition regulation perspective, recent debate (at the ICN, OECD, UNCTAD and other platforms) has been on whether sustainability considerations should be part of the competition regulation schema.
- Most developing countries including South Africa have adopted competition laws with broader welfare goals, beyond the narrow focus on consumer welfare.
- Recently, a competition authorities have in the recent past tackled cases addressing environmental concerns in competition regulation.
- As climate change is most the most immediate and urgent global concern, it is understandable why competition authorities have focused in those areas.
- However, and in line with the SDGs, sustainability considerations in competition regulation, particularly in developing countries, should go beyond climate change concerns.

Concluding Remarks

- Most economic challenges in countries are increasingly, though with differing magnitudes, becoming the same, e.g., unemployment, inequality and sustainability concerns.
- Given the symmetric nature of these challenges, competition agencies across the globe need to collaborate to respond effectively to these challenges. For instance, the XV BRICS Summit in Johannesburg, South Africa, declared thus (at para 41):

  "We agree to continue to deepen cooperation on competition amongst BRICS countries and create a fair competition market environment for international economic and trade cooperation"

- Competition regulation has proven as one of the effective tools in addressing complex socioeconomic challenges, mostly indirectly through fostering competitive markets.
- With the current challenges faced by the world's economies, it is necessary to fast track all efforts required to achieve the SDGs.
- As the UN Secretary General, Antonio Guterres, remarked at the High-Level Political Forum on Sustainable Development (18 September 2023):

  "…the SDGs aren't just a list of goals. They carry the hopes, dreams, rights and expectations of people everywhere. And they provide the surest path to living up to our obligations under the Universal Declaration of Human Rights, now in its 75th year. Yet today, only 15 per cent of the targets are on track and many are going in reverse. Instead of leaving no one behind, we risk leaving the SDGs behind."

Thank you!

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competition regulation for a growing and inclusive economy

competition commission south africa