

## Study: SA's post-Covid market risk raises red flags

A study to analyse global markets in the aftermath of Covid-19, shows that South Africa has raised red flags, along with the US, Brazil, Turkey, Russia, and Central and Southern Europe. Whereas Asia, the UK and Northern Europe pose lower risk levels.



Tina Fordham, partner, Avonhurst

The research, *Vax Populi*, uses OpenSource data to compile and analyse different variables to predict the post-pandemic recovery rate for 30 countries, including the UK.

"We've also found that, in contrast to conventional wisdom, regime type – that is, whether a country is a democracy or has an authoritarian regime – does not significantly impact its risk trajectory. Instead, the presence of trust in government and institutions and low prevalence of conspiracy theories matter more," says Tina Fordham partner and head of global political strategy at Avonhurst.

### Not a Black Swan

Covid-19 was no Black Swan event and was probably not even the big one. This suggests that it's time for the concept of Vuca (the US military acronym for volatility, uncertainty, complexity and ambiguity) to move over and make way for a more comprehensive, holistic approach to political risk that goes beyond elections and regulation, she says.

### Vaccine wars and no fast return to normal

Fordham and co-author, Dr Tsveta Petrova, Avonhurst's data and innovation advisor, argue that, contrary to market expectations for a swift return to the pre-crisis status quo, investors should be prepared for a multi-year, non-linear adjustment period. The near future sees the continued risk of populism, mass protests and political extremism in what the authors call High Vax Populi states.

Vaccine disinformation was fast emerging as a new geopolitical weapon, and that vaccine-related economic nationalism could worsen trade and security disputes, as is happening already between the UK and Europe, and the US and China.

The report avoids common complacencies that have seen market commentators rush to categorise the next decade as either the new Roaring '20s or the next Great Depression, providing a more nuanced and measured analysis. It also offers some surprising findings about variables between countries – including how the British may be positioned for a stronger recovery.

"For some, the post-lockdown period will feel like something out of *The Great Gatsby*. But for many, it could be more like *The Grapes of Wrath*, unless steps are taken to address inequalities – which accelerated during the pandemic – and the gaps in the social safety net," Fordham says.

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