

Population : 56 612 920 (2019)
GDP per capita : US\$70,613 million (2019)
Country risk assessment : B (2019)
Business Climate : A4

STRENGTHS

- Regional/continental economic and political power
- Rich in natural resources (gold, platinum, carbon, chromium...)
- Advanced services sector (especially financial)
- Legislative environment provides protection for investors

WEAKNESSES

- Poverty and inequality are sources of social risk (crime, strikes and demonstrations)
- High unemployment (27.7%, 54.3% for those aged 15-24) and shortage of skilled labour
- Infrastructure shortcomings (transport, energy)
- Dependent on volatile flows of foreign capital

RISK ASSESSMENT

ECONOMY

In early 2018 president Jacob Zuma resigned after becoming involved in a corruption scandal. He was replaced by President Cyril Ramaphosa, who invested in significant policy improvements that restored macroeconomic stability in the country. However, even though Cyril Ramaphosa stated that boosting economic growth, cutting unemployment and avoiding downgrades by credit-rating agencies constituted his government's economic key priorities, South Africa still faces rising public debt, inefficient state-owned enterprises, and spending pressures, which have reduced the country's global competitiveness. Still, South Africa has a highly developed economy and advanced economic infrastructure, making the country the leading African economy and home to 75% of the largest African companies. The economy grew 0.8% in 2018, but for 2019 and 2020 the expected growth rates are higher, at 1.4% and 1.7%.

Public debt is over 50% of GDP and the budget deficit is around 4%, as economic growth was slower than expected and revenue collection fell. According to a report by South Africa's Treasury, national debt will rise by almost a trillion rand between 2017 - 2020, to nearly two-thirds of gross domestic product: the gross loan debt is expected to reach USD 247 billion in 2020 as the government accelerates borrowing in local and

international markets. In 2018, inflation fell to 4.8% (compared to 5.3% in 2017, the same number that is expected to reach in 2019). The enthusiasm that followed the appointment of Cyril Ramaphosa as president in 2018 was quickly stifled as the new President struggled with the country's socio-economic challenges, such as growth, high unemployment, persistent social inequalities, a highly volatile currency, and rising inflationary pressures.

The president has prioritised land redistribution as he seeks to unite Congress and win public support ahead of the election. However, according to the opposition, the government's plans will jeopardise property rights and scare off investors. In 2019, private investment growth is expected to remain cautious as the elections approach and uncertainties about land reform continue to be a cause for concern. The prevailing political uncertainty in the country seems to have eroded business and consumer confidence.

South Africa's unemployment rate increased slightly between 2017 and 2018, going from 27.5% to 27.9%. The country's unemployment rate remains high, especially when the non-working population who's no longer seeking work is taken into account. Additionally, unemployment rates are much higher among the young population and the black majority of south africans, further increasing the inequalities in a country considered one of the most unequal in the world, where a smaller part of the population still lives on one Euro per day. Additionally, South Africa has the biggest HIV epidemic in the world, with an estimated 7.2 million people infected - about 19% of the population. The country also has the largest antiretroviral treatment programme in the world, which has been largely financed by the government. South Africa was also the first country in the region to approve the use of antiretroviral drugs to protect HIV-negative people from potential exposure to the virus. These programmes and awareness campaigns have proven successful, so life expectancy has been increasing and HIV contraction rates are expected to decrease.

INTERNATIONAL TRADE

South Africa is very open to international trade, which represents 58.2% of the country's GDP. The country mainly exports platinum (7.5%), coal and similar solid fuels (6.5%), motor vehicles (6.4%), gold (5.6%), and iron ores (5.4%). The main imports are petroleum oils (13.1%), motor vehicles (4.8%), transmission apparatus for radio-telephony (3.5%), automatic data processing machines and units (2.2%), and medicaments (2.1%). South Africa's top trading partners are China, the United States, Germany, Japan, India, and Saudi Arabia. The country is currently negotiating a trade agreement with India. Additionally, the African Continental Free Trade Area negotiations continued in 2018 and are envisaged to be concluded in 2020.

In 2017, South Africa shipped USD 89 billion worth of products, an increase of 20.8% from 2016. Overall South Africa obtained a USD 5.15 billion trade surplus for 2017 (an increase from 2.48 billion in 2016). South Africa imported goods of the total value of USD 101 billion, whereas its exports of goods in the same year reached the total value of USD 89 billion.

Main International Economic Cooperation

- South Africa is a member of [Southern African Customs Union \(SACU\)](#).
- South Africa is a member of [Southern African Development Community \(SADC\)](#).
- South Africa has also signed [bilateral](#) and [multilateral](#) commercial agreements with a number of countries.

INVESTMENT

Compared to other countries in the African continent, the potential attractiveness of South Africa is high. However, its performance is relatively weak for FDI attraction, despite progress owing to investment potential in infrastructure. Still, the country leads in terms of FDI inflows in Africa, mostly thanks to SEZ programmes. The Musina/Makhado SEZ, along principal north-south route into the Southern African Development Community and close to the border with Zimbabwe, offers a strategic location to attract FDI. According to data published in the UNCTAD's 2019 World Investment Report, FDI inflows recovered in the country after several years of low-level, and increased by 166% in 2018, reaching USD 5.3 billion. This is related to the Government's campaign to attract \$100 billion of FDI by 2023. This large increase is mainly due to intracompany loans and equity inflows. During the year, Beijing Automotive Industry holding, BMW, Nissan and Mainstream Renewable Energy were the biggest investors. FDI stocks decreased by 17.5%, reaching almost \$129 billion in 2018. The new ANC administration led by Ramaphosa is expected to be more encouraging to foreign investors than the the previous president, Jacob Zuma (as an example, the latter had previously announced his intention to revise the Land Law in order to restrict propriety rights for foreigners). In 2017, European countries were active investors in South Africa (United Kingdom, Netherlands, Belgium, Germany and Luxembourg), as well as the United States, China, Australia and Japan. Most of the investment went to the financial, mining, manufacturing, transportation and retail sectors. South Africa ranks 82nd out of 190 economies in the World Bank's 2019 Doing Business report. The country has many attractive assets for investors such as an important demography; a diversified, productive and advanced economy; abundant natural resources; a transparent legal system, and a certain political stability. However, the country suffers from a high crime rate, increasing social unrest (strikes and demonstrations), high levels of corruption, and structural issues in electricity supply and logistics. Investors are also worried about the lack of clarity concerning policy and structural reforms. Investment potential is hampered by certain legal uncertainties which discourage foreign investors, despite the promulgation of the Protection of Investment Act in December 2015, which reinforces legal guaranties for foreign investors. By the end of 2018, Amazon announced that it would be constructing data centres in Cape Town, which will dramatically expand the computing capacity in the region, providing a boost to Cape Town's status as the tech and big data hub of Africa. This investment decision by Amazon will also be a significant boost to President Cyril Ramaphosa's plan to attract USD 100 billion of new investment to the country.

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