



SOUTH AFRICA

What's happening in this economy

South Africa is considered the gateway to Africa given its comparatively superior infrastructure, transport, telecommunications and highly developed financial and banking system.

South Africa's economy was built on the discovery of gold, minerals and base metals for export, and is well known for its dominance in resources and agricultural products. It has however, transformed into a sophisticated manufacturing and service based economy, with services now comprising about two thirds of GDP. Mining and agriculture now contribute less than 10 per cent in total to GDP.

The financial and telecommunications sectors have shown strong growth, with South African banks and mobile operators expanding their operations into Africa.

South Africa is forecast to have GDP growth of less than one per cent for 2018. According to the South African Reserve Bank's (SARB) Financial Stability Review (FSR), weaker global economic growth, tightening global financial conditions, low domestic growth and cybersecurity risks have contributed to the low 2018 forecast, with growth of almost two per cent forecast for 2019. Ongoing uncertainty around land reform and dampened consumer spending along with emerging market contagion has reduced business and investor confidence. South Africa is seen as the third most vulnerable emerging market in the JP Morgan Index.

The South African Government under President Cyril Ramaphosa has prioritised economic diplomacy as a key pillar of government policy and a personal priority. A new team of investment envoys was established to attract foreign investment and stimulate economic growth in order to drive the president's economic development stimulus and attract USD 100 billion over five years. Ramaphosa held his Global Investment Conference in October 2018 which delivered pledges of investment to drive job creation and reassured investors that the South African Government was committed to addressing governance issues.

The South African Government has prioritised labour law reforms in its 20 year national development plan, which may create opportunities for business in the medium term. This will open the way for education providers to address the need for skilled labour to reduce high levels of unemployment (the rate was 27.2 per cent for the second quarter of 2018) and improve economic growth prospects.

The South African Government has gazetted a revised mining charter and dropped the Bill amending mining legislation. This is to support growth and encourage investment (including foreign investment). Discussions are continuing on land reform to improve social and economic equality outcomes.

Key facts and figures

- Population: 56.5 million (2017)
- GDP growth: 1.5% (2018)
- GDP per capita: USD 6,459
- Political system: parliamentary republic
- Two-way trade goods and services: AUD 3.6 billion
- Two-way investment: AUD 15 billion
- Tourism visitor arrivals into Australia: 56,400
- Tourism resident departures from Australia: 89,900
- Diaspora in Australia: 181,450
- Aid relationship: Australian Volunteers, Australia Awards and Direct Aid Program recipient



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The South African population continues to grow, albeit at lower rates than other countries in sub-Saharan Africa. The birth rate has slowed and population is gradually ageing. South Africa's relative stability and economic growth has however acted as a magnet for migrants, including refugees from neighbouring countries. There is a growing black middle class with two thirds of the population living in urban environments.

Australia does not have a trade agreement with South Africa. There is a bilateral tax agreement.

The Australian Government provides Australia Awards scholarships, the Australia Volunteers program and a small Direct Aid Program to appropriate candidates.

Trade, investment, and commercial opportunities and activities

- South Africa is Australia's largest trading partner on the African continent, and a top 25 trading partner for trade in goods and services:
 - Australia and South Africa share a balanced trade relationship with similar exporting and importing amounts;
 - major Australian exports include aluminium and coal;
 - South Africa's most important export to Australia is passenger motor vehicles; and
 - Australia's trade with South Africa makes up around one per cent of South Africa's total trade volumes.
- The Australia–South Africa investment relationship is particularly strong and broad, with Australia the seventh largest foreign investor in South Africa (SARB data). It grew 22 per cent in 2017:
 - this ranks the country South Africa above many Asian trading partners including Thailand, Indonesia and Vietnam;
 - Australian outbound investment to South Africa increased 43 per cent during 2017; and FDI grew 131 per cent, ranking South Africa near Taiwan.
- According to the 2018 Australian Business Survey (AIBS) produced by Austrade, Australia's Export Finance and Insurance Corporation (EFIC) and the Export Council of Australia (ECA), two per cent of respondents said South Africa was their first international market along with the UAE and Taiwan, greater than the one per cent recorded for Germany, Brazil, Thailand or South Korea. Australian businesses ranked South Africa as a top twenty market for Australia.
- Mining leads the investment relationship with some 140 Australian mining projects in South Africa:
 - several mining services providers have established offices in Johannesburg;
 - Orica, Rio Tinto and South32 have significant operations; and
 - Orion Minerals is expected to commence mining in 2019.
- Significant growth is occurring in the services sector, especially in mining services, retail, business processing and financial services:
 - Australia's Cotton On has over 170 stores in South Africa;
 - Commonwealth Bank invested in South Africa's TYME Digital in 2016 and subsequently sold its stake in the South African fintech start-up due to the Commonwealth Bank's global restructuring;



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- Australia’s Windlab has implemented renewable energy projects through the Western and Eastern Cape; and
- Osmoflo partnered on a desalination plant project in Cape Town.
- There has been considerable South African investment into Australia:
 - Woolworths Holdings Limited purchased Australia’s David Jones and Country Road stores in 2014;
 - Growthpoint Properties is one of the top five office commercial leasing companies in Australia; and
 - Outsurance owns Youi Insurance.
- South Africa has promoted itself as a base for foreign companies to set up business process outsourcing (BPO) and a number of Australian companies have set up BPO operations in the country:
 - Australian BPO services in South Africa account for 25 per cent of the market.
- South African and Australia share structural, environmental and seasonal similarities between their economies:
 - businesses in both countries have an understanding of mining and agricultural commodity boom and bust cycles, and
 - critical inputs including water and energy availability.
- South Africa is a growing global tourism destination and there may be opportunities for investment in infrastructure and tourism services:
 - both Qantas and South African Airways operate daily flights to Johannesburg from Sydney and Perth respectively, and
 - Johannesburg is the air access hub, however international air services have been increasing to Cape Town and Durban.
- South Africa’s state owned enterprises are undergoing structural and management reform in line with President Ramaphosa’s commitment to good governance and economic investment:
 - opportunities may exist for Australian consultation on SOE reform and potential privatisation.
- Opportunities exist for technological developments in the finance, e-commerce and communications sectors.
- While Australia and South Africa are seen as natural competitors in the agriculture sector, South Africa is the 10th largest investor in Australian agricultural land. Opportunities exist for:
 - Agricultural research and development; and
 - Agro-processing, agricultural services and technologies.
- South Africa hosts numerous continental and global conferences, which could provide additional opportunities to promote Australia and Australian businesses. These include:
 - the Investing in African Mining Indaba, which the Australian Government supports; and
 - sectoral manufacturing, energy, food and agri-business, innovation and tourism indabas, amongst others.
- South Africa is a key participant in Africa Down Under and Australia–Africa Week activities held annually in Perth.



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- South African Government delegations have visited Australia to undertake study visits in the mining, health, water management, road safety, film cooperation and aquaculture sectors. These provide opportunities for skills development and business engagement.
- There are opportunities for enhanced education exchanges to promote skills development, especially vocational training in Australia including through Australia Awards scholarships, and/or between educational institutions.
- Australian businesses have a number of market entry concerns, including:
 - issues with non-tariff import barriers into South Africa resulting from customs, quarantine and standards complications. Greater cooperation between customs, agriculture and standards regulators and organisations would be beneficial;
 - employment equity and black economic empowerment provisions, which have been implemented to address historical socio-economic inequality from the apartheid era. Legislation requirements may be confusing, if not understood; and
 - exchange control regulations that complicate repatriation of finances to Australia.

Trade policy and negotiations

- Australia does not have an FTA or trade agreement with South Africa. There is a bilateral tax agreement.
- South Africa has trade agreements with the following countries and regional organisations:
 - the Southern African Customs Union (SACU)
 - an FTA with the Southern African Development Community (SADC)
 - an economic partnership agreement with the EU (negotiations are now largely concluded with the UK, so this agreement could come into effect following Brexit)
 - an FTA with the European Free Trade Association (EFTA)
 - a preferential agreement with Mercosur, and
 - a non-reciprocal agreement with the United States through the African Growth and Opportunities Act (AGOA)
- South Africa is negotiating FTAs with:
 - India
 - regional organisations including SADC-EAC-COMESA through the Tripartite FTA, and
 - the African Continental Free Trade Agreement (AfCFTA) with African Union (AU) members. Ratification is being progressed through parliamentary processes but negotiations on specific terms are continuing.
- South Africa is a member of multilateral organisations including:
 - the WTO,
 - G20 and IORA (South Africa hosted in 2018), and
 - has a non-member working relationship with the OECD.



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- South Africa is a member of BRICS—the grouping of the world's leading emerging economies (Brazil, Russia, India, China and South Africa)—and hosted the 2018 BRICS summit in July 2018.
- South Africa co-hosted the Forum on China-Africa Cooperation (FOCAC) in Beijing in September 2018.

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