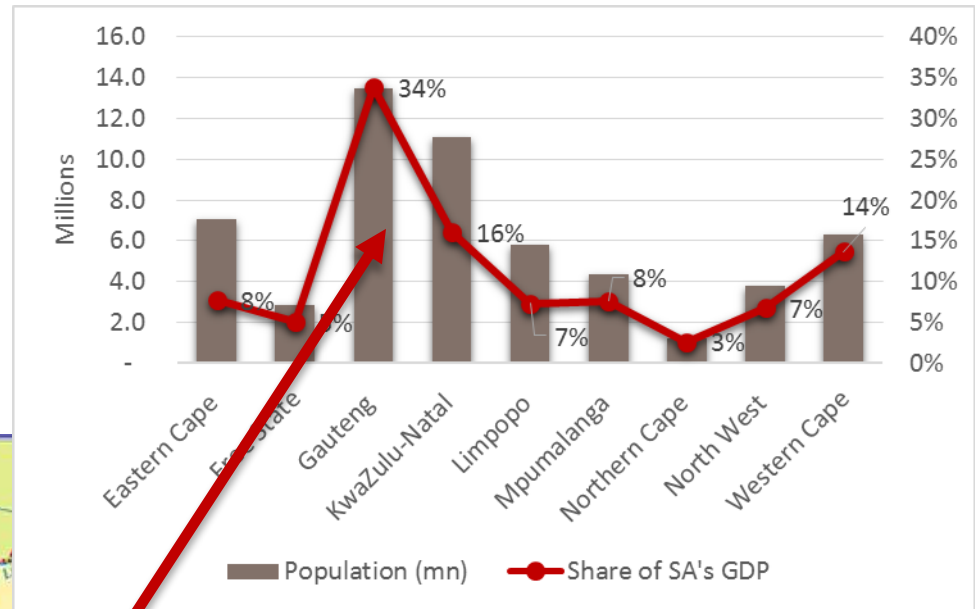


Overview of South Africa

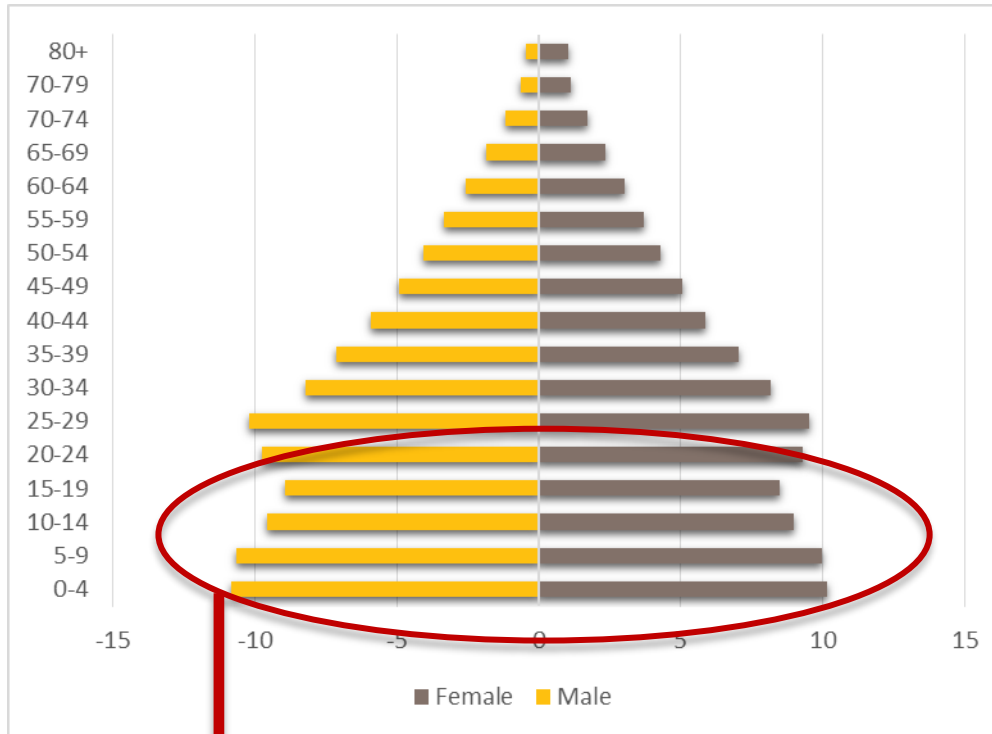
Presented to Cámara Oficial de Comercio e Industria de Álava,
28 March 2023

Not all Provinces are equal



Of the nine provinces in South Africa, there are three which, from the perspective of suppliers are extremely important. Some 54% of the population and 66% of total personal income is earned in these three provinces, namely Gauteng, KwaZulu-Natal and the Western Cape.

Understanding the Demographics



39% of the population is under 20 and 58% is under 30 years old



Provincial Differences in Living Standards

Province	Population (millions)	No. of Households (millions)	%age of population residing in formal structures	%age of population with access to piped water	%age of population with access to electricity	Poverty Head Count
North West	3.7	1.2	81.2%	86.1%	89.0%	8.8%
Mpumalanga	4.4	1.2	84.7%	88.1%	79.8%	7.8%
Northern Cape	1.2	0.35	83.5%	94.3%	88.8%	6.6%
Eastern Cape	7	1.8	65.1%	75.0%	85.4%	12.7%
Free State	2.8	0.94	83.6%	95.0%	90.8%	5.5%
Limpopo	5.8	1.6	88.9%	80.0%	93.0%	11.5%
KwaZulu Natal	11.1	2.9	72.7%	85.4%	88.5%	7.7%
Gauteng	13.4	4.9	81.4%	97.5%	89.7%	4.6%
Western Cape	6.3	1.9	82.4%	99.0%	96.6%	2.7%
South Africa	55.7	16.9	79.2%	83.5%	90.3%	55.5%

Source: Stats SA

30 million people

A Unique and Complex Space

- South Africa is a complex market – some elements resemble developed markets, and others developing markets.
- Unless you are operating in a sector with a high degree of market concentration, it is difficult to find your way around the South African market without assistance.
- It takes time and requires attention and patience, but the rewards will be worth it.

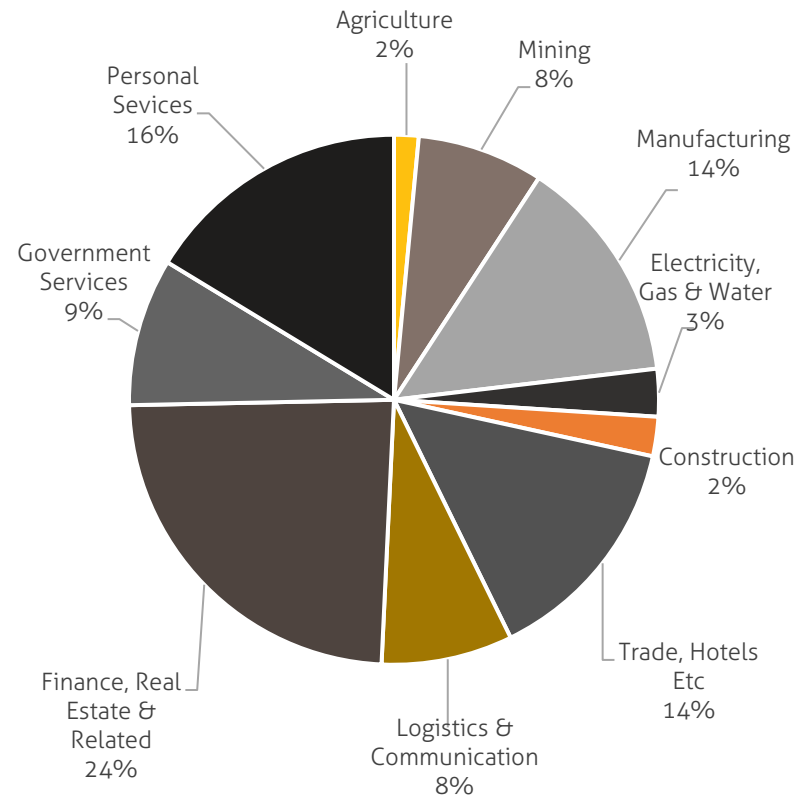


Sandton CBD skyline and 1 km away, Alexandra township

Economy & International Trade

GDP by Sector, Q4 2022

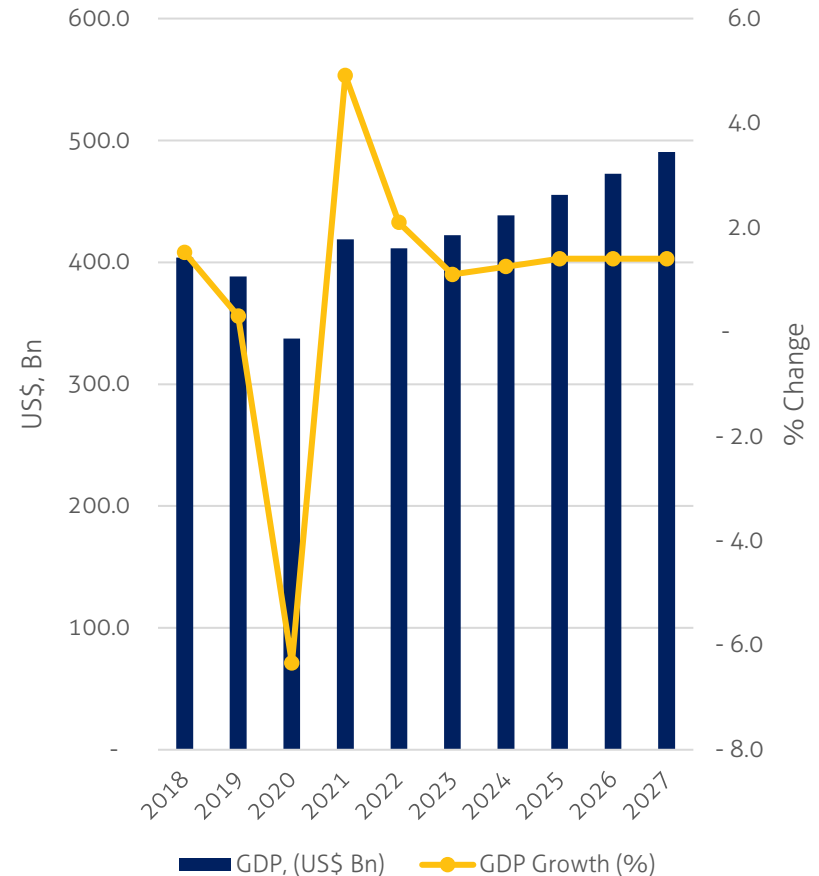
- GDP has moved from primarily mining, agriculture and manufacturing that underpinned these to services;
 - These sectors remain crucial to SA however, especially in rural provinces;
- Financial and personal services, retail trade, communications and government services account for 71% of GDP;
- Government hoping investment drive will see renewal of manufacturing, investment in mining and export-led sectors;



Source: Stats SA

Slide of SA Economy – and Start of Recovery

- South Africa has seen sharp economic decline in recent years;
 - Economic and political mismanagement largely to blame;
 - Policy instability and uncertainty part of this mix;
- New president and direction looks more promising – reforms and clean-up of government policies and practices seeing confidence returning;
- Aim of securing US\$100bn in new investment in 5 years has started well, ~US\$35bn committed from China, Saudi Arabia, UAE and others;
 - Unlocking of domestic investment also on the up – commitments of around US\$21bn in current and future investment;
 - Major commitments to infrastructure upgrades and expansion – ports, rail, power, roads & bridges, water & sanitation, but little actual progress thus far;
 - Mining and Agriculture should be booming with commodity prices, but power crisis and transport bottlenecks causing major problems;



Source: IMF, World Economic Outlook, October 2022

Investment Drive: Notable Commitments

- President Ramaphosa on major new investment drive:
 - Plan to attract US\$100bn in new investment over 5 years to boost economy, employment;
 - Commitments from SA-based companies €19bn at recent investment summit;
 - Saudi Arabia, UAE and China have pledged another €31bn, but not yet clear which sectors or how it will be invested;
- Automotive sector, mining, industrial, power, as well as tourism, telecoms are key sectors for government;

Company	Sector	ZAR (Bn)	Euro (Bn)
Mercedes Benz	Automotive	10	0.7
BMW, Nissan, Ford, VW, Toyota, and Isuzu	Automotive	30	2.0
Mondi	Forestry, Pulp & Paper	8	0.5
Sappi	Forestry, Pulp & Paper	7.7	0.5
Naspers	Media	4.6	0.3
Anglo American	Mining	71.5	4.8
Vedanta Resources	Mining	21.4	1.4
Ivanplats	Mining	4.5	0.3
Saudi Arabia*	Multi-sector		8.8
UAE*	Multi-sector		8.8
China*	Multi-sector		13.2
Mara Group	Telecoms	1.5	0.1
Rain Mobile	Telecoms	1	0.1
Total			41.4

* Pledged, not specified yet

Rand Dollar Exchange Rate



Source: SA Reserve Bank

- South Africa is an emerging economy and not yet considered a fully industrialised economic power.
- There is a great deal of speculative trade on the currency and as a result the exchange rate fluctuates on a daily basis.
- The fluctuations of the currency make it challenging to trade internationally with any price certainty.

South Africa's Global Exports (2022, Euro, Bn)

- SA exports have strong value-added profile, other than basic metals and minerals (49% of total);
 - Auto sector, steel, machinery, chemicals, plastics & rubber, prepared foods key;
 - Strong presence of EU companies in these sectors – provides good global linkages for EU companies;
- 40% of SA's value-added exports destined for rest of Africa – 88% of this into SADC;
 - Good launchpad into regional market;
 - AfCFTA may well see West, East Africa opportunities grow;

Exports by Section	Africa	Europe	Americas	Asia	Oceania	Unclass	Total	Share of Africa	Share of Total
Total	28.7	32.3	12.2	37.0	0.9	5.1	116.3	24.7	100.0
Mineral Products	6.0	8.6	0.9	16.2	0.0	0.1	31.8	18.9	27.3
Precious Metal	0.6	6.3	4.9	8.6	0.0	5.0	25.5	2.4	21.9
Products Iron & Steel	3.2	2.6	1.8	4.2	0.1	0.0	11.8	26.8	10.1
Vehicles aircraft & vessels	2.1	6.4	1.4	1.0	0.3	-	11.2	19.0	9.6
Machinery	4.4	1.9	1.0	0.6	0.2	0.0	8.1	54.9	6.9
Chemicals	3.3	1.9	0.9	1.1	0.1	0.0	7.4	45.2	6.4
Vegetables	1.4	2.4	0.5	2.5	0.0	-	6.7	20.3	5.8
Prepared foodstuffs	2.4	0.8	0.3	0.4	0.1	0.0	4.0	59.1	3.4
Plastics & Rubber	1.5	0.3	0.1	0.1	0.0	0.0	2.1	73.0	1.8
Wood pulp & paper	0.6	0.1	0.0	1.2	0.0	0.0	2.0	30.3	1.7
Textiles	0.7	0.2	0.0	0.2	0.0	0.0	1.2	61.1	1.0
Live animals	0.5	0.2	0.1	0.2	0.0	0.0	1.1	47.4	0.9
Photo & medical equip.	0.3	0.1	0.1	0.1	0.0	0.0	0.6	54.7	0.5
Wood Products	0.2	0.1	0.0	0.3	0.0	-	0.6	42.1	0.5
Toys & Sport apparel	0.5	0.0	0.0	0.0	0.0	0.0	0.6	84.6	0.5
Animal or vegetable fats	0.3	0.1	0.0	0.1	0.0	-	0.5	69.3	0.4
Stone & Glass	0.3	0.1	0.0	0.0	0.0	-	0.4	69.0	0.4
Other unclassified goods	0.0	0.1	0.0	0.2	0.0	0.0	0.3	6.0	0.2
Raw hides & leather	0.0	0.1	0.0	0.1	0.0	-	0.2	18.9	0.2
Footwear	0.2	0.0	0.0	0.0	0.0	0.0	0.2	81.0	0.2
Works of art	0.0	0.0	0.0	0.0	0.0	-	0.1	2.6	0.1
Equipment Components	0.0	0.0	0.0	0.0	-	-	0.0	40.5	0.0

Source: SARS

South Africa's Global Imports (2022, Euro, Bn)

- Total imports into SA usually slightly higher than exports from SA;
- EU is 2nd largest supplier to SA;
- Strong on machinery, chemicals, vehicles & parts, OEM components, other value added;
 - EU suppliers have strong brand presence in SA, excellent reputation;
 - Under pressure at lower price-points from Asian suppliers;
- Spain accounts for 1.5% of SA's global imports:
 - Strong in machinery, vehicle parts, rubber and plastics, components, chemicals, food products;

SA Imports	Africa	Europe	Americas	Asia	Oceania	Total	Share of Spain	Share of Total
Total	166.0	452.9	191.8	976.6	23.8	1,811.1	1.5	100.0
Mineral Products	70.9	27.0	13.1	300.6	4.3	415.9	0.3	23.0
Machinery	6.9	90.5	38.7	236.4	1.9	374.5	0.9	20.7
Chemicals	11.8	78.6	26.2	81.0	9.8	207.5	2.9	11.5
Vehicles aircraft & vessels	4.6	52.5	21.6	72.7	0.2	151.6	4.2	8.4
Equipment Components	0.2	65.5	11.0	43.7	0.0	120.4	2.4	6.6
Products Iron & Steel	7.7	23.9	6.8	57.9	0.9	97.2	1.1	5.4
Plastics & Rubber	1.7	25.6	7.1	40.8	0.3	75.5	2.9	4.2
Textiles	15.6	3.9	1.0	39.5	0.1	60.2	0.4	3.3
Wood pulp & paper	3.6	12.8	32.3	7.4	0.5	56.6	0.9	3.1
Prepared foodstuffs	10.6	22.0	4.8	9.1	0.2	46.7	2.3	2.6
Photo & medical equip.	0.4	15.0	10.6	12.6	0.7	39.3	0.5	2.2
Vegetables	4.8	8.2	5.4	11.3	3.8	33.6	1.7	1.9
Toys & Sport apparel	0.3	5.6	1.1	15.7	0.0	22.8	2.2	1.3
Live animals	6.3	5.0	6.7	2.1	1.1	21.2	1.8	1.2
Animal or vegetable fats	0.3	5.4	1.4	12.3	0.0	19.4	1.6	1.1
Footwear	0.9	1.3	0.2	16.6	0.0	19.0	0.2	1.0
Precious Metal	14.7	1.3	0.6	1.8	0.0	18.5	0.1	1.0
Stone & Glass	1.1	5.9	1.3	8.8	0.0	17.2	3.5	0.9
Wood Products	2.7	1.5	1.1	1.8	0.0	7.2	2.6	0.4
Raw hides & leather	0.1	0.7	0.2	3.7	0.0	4.6	1.2	0.3
Other unclassified goods	0.1	0.7	0.4	0.5	0.0	1.7	1.6	0.1
Works of art	0.5	0.1	0.1	0.0	0.0	0.7	0.5	0.0

Source: SARS

Project Profile of South Africa

- Projects from Africa House Project Database;
 - From 2017 to present;
 - Total value of roughly US\$280bn;
 - Only accounts for roughly 60% of projects;
- Power includes coal and renewable IPPs, but many of these now mature – but strong pipeline of new projects;
- Broad 'built environment' remains key – urbanisation, growth of CBDs, housing, 'lifestyle' options, retail, hospitality etc;
- Transport includes long-term port and rail developments and some roads;
- Oil & Gas largely midstream and downstream and regional – pipeline projects from Mozambique etc
 - Upstream difficult with environmental lobbies strong;
- Mining moving away from gold and platinum to manganese, iron, some coal, other minerals;
- Several regional projects in power, transport, oil & gas as well – strong feature of development in Southern Africa;

Sector (US\$, Bn)	2017	2018	2019	2020	2021	2022	Total	Share
Total	123.4	25.2	42.1	88.8	21.4	20.6	278.7	100
Power	41.9	0.6	0.1	9.2	0.9	5.6	58.3	21.0
Commercial, Residential & Hotels	9.6	3.6	22.7	10.2	6.8	0.7	53.7	19.4
Transport Infrastructure	32.5	7.3	4.1	2.4	2.3	1.4	50.1	18.0
Oil, Gas & Petrochemical	12.8	7.1	5.4	0.8	0.2	4.6	30.9	11.1
Mining	8.3	0.5	3.2	2.8	3.9	0.5	19.2	6.9
Water & Sanitation	3.4	0.3	0.4	6.7	2.9	0.8	14.4	5.2
Public Facilities	5.1	0.2	0.8	7.0	0.6	0.0	13.8	5.0
ICT	-	3.6	0.1	4.8	3.0	1.7	13.4	4.8
Manufacturing	9.3	2.0	0.6	0.8	0.6	0.0	13.3	4.7
Agriculture	0.4	0.1	4.6	0.1	0.2	5.3	10.8	3.9

Source: Africa House

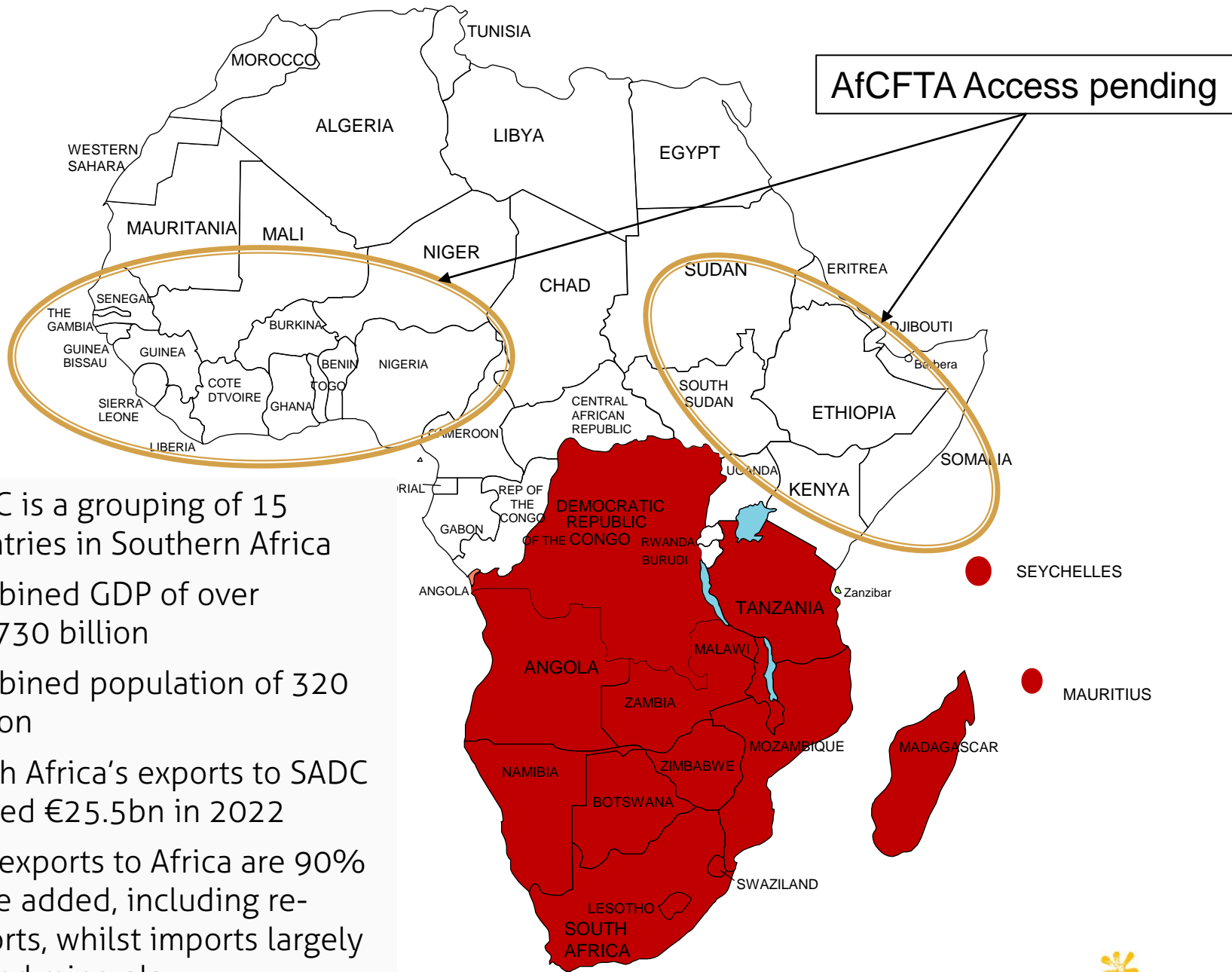
Observations

Some Observations on the Market

- The South African market is a mix of developed and developing countries.
- Most sectors of the economy - production, trade, retail - are dominated by a small number of powerful players in each category.
- Market research is important to understand market dynamics as the choice of the partner can make or break your success in South Africa.
- Traditional sectors have long-standing relationships with key local and international suppliers. These relationships are often difficult to break.

Observations cont.

- China is an increasingly dominant supplier – South Africa's top trading partner accounting for 20% of imports in 2022. Need to create a different value-proposition.
- It is all comes down to relationships – this is not a market that can be remotely controlled from Europe.
- It takes time to develop the South African market – it is a complex space and it requires attention.
- Think of South Africa in the regional context.



- SADC is a grouping of 15 countries in Southern Africa
- Combined GDP of over US\$730 billion
- Combined population of 320 million
- South Africa's exports to SADC totaled €25.5bn in 2022
- SA's exports to Africa are 90% value added, including re-exports, whilst imports largely oil and minerals;

Business Protocols

- Western approach to business: formal business attire, meetings by appointment, business cards. English is the business language.
- Relationships are important. In many sectors companies have long-standing relationships with international suppliers and these relationships are difficult to break.
- Culturally diverse so best to steer away from religion and politics.
- Complex history translates into economic policy focused on economic transformation, inclusive growth, and competitiveness. This impacts directly on business.
 - Broad-Based Black Economic Empowerment (BBBEE) is a key part of this – what rating does your potential business partner have?
- Long Holiday season is in December through to mid-January and very little business can be done during this time.
 - Avoid trying to organize meetings on Friday afternoons – many companies close early!

Thank you

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