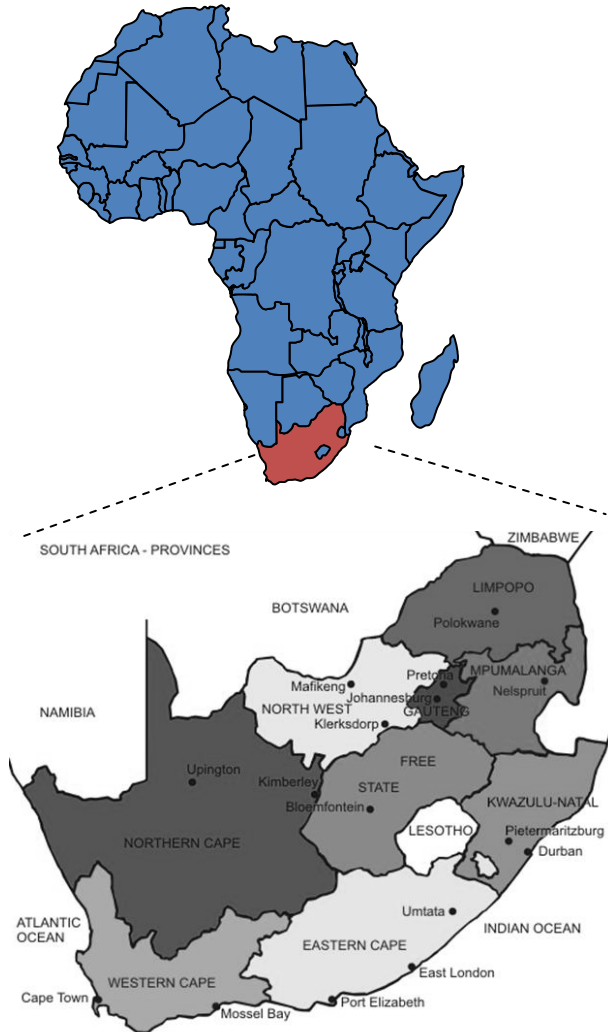


# South Africa: Your Business Partner

February 2012



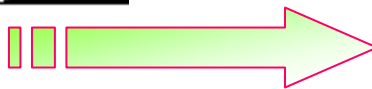
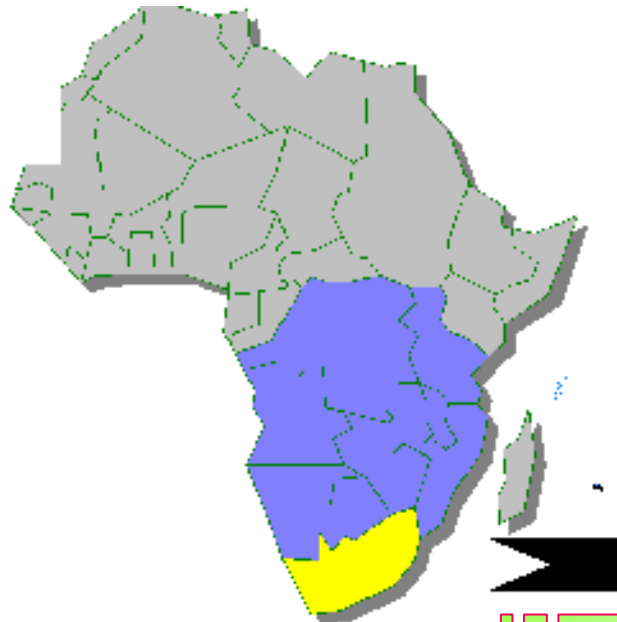
# South Africa at a glance



- Area 1.219.090 km<sup>2</sup>
- Population 49,9m (estimate)
- Head of the State: President Jacob Zuma
- 11 Official languages with English the business language
- Total GDP: 2010 R2 266bn (US\$ 309bn)
- GDP 2010 per capita: R 53 117 (US\$ 7 254)
- Real GDP Growth: 2,8% (2010)
- Inflation (CPI): 4,3% (annual 2010) average



# SADC and South Africa



- SADC FTA signed in August 2008 – market of 200 million consumers
- Future FTA with SADC, COMESA & EAC with a market of 700 million consumers

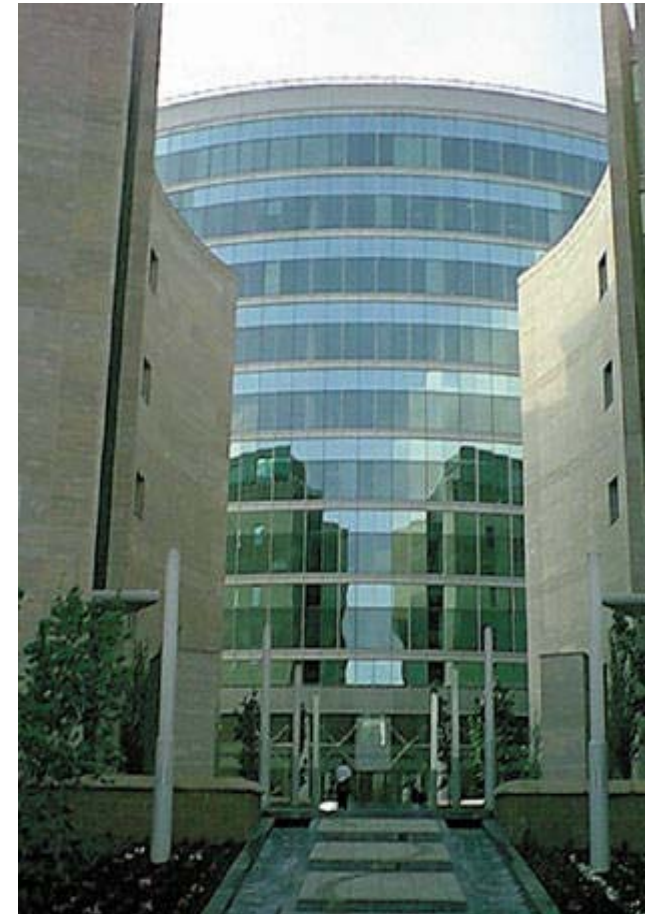


# Africa – SADC key to growth

- 15 member states and market size of over 233 million consumers.
- Whilst SA makes up over 60 GDP this is changing very fast.
- Rate of growth is faster most countries, led by Angola, DRC, Zambia.

## Broad based growth across SADC

- Great potential in mineral, telecommunications, transport and energy infrastructure, construction, agriculture
- South Africa and China, joining Europe and USA as the major investors in Africa.



Securities Exchange



# South African Economy

	1994	2004	2010
<b>GDP (billions)</b>	<b>R 482</b> <b>US\$ 60</b>	<b>R 1 374</b> <b>US\$ 171</b>	<b>R 2 266</b> <b>US\$ 309</b>
<b>Merchandise exports (billions)</b>	<b>R 69, 8</b> <b>US\$ 8,7</b>	<b>R 281,8</b> <b>US\$ 35,2</b>	<b>R 566,6</b> <b>US\$ 77,4</b>
<b>GDP Growth</b>	<b>3,2%</b>	<b>4,6%</b>	<b>2,8 %</b>



# South Africa- global perspective

- South Africa is **one of the most sophisticated and promising emerging markets**, offering a unique combination of highly developed first world economic infrastructure with a vibrant emerging market economy.
- South Africa is one of the world's 26 industrialised nations.
- The country is also regarded as the **gateway to Africa**.
- South Africa has the **largest economy on the African continent**, accounting for approximately 25% of the continent's GDP.
- According to the World Bank, South Africa ranked **34<sup>th</sup> out of 183** in the world for the **ease of doing business** in 2010.



# South Africa - global perspective

- The JSE Securities Exchange is Africa's largest and most developed Securities Exchange and **one of the world's top 20 exchanges**.
- South Africa remains the **world's top producer of minerals** such as gold, platinum, rhodium, chrome, manganese and vanadium.
- South Africa holds 80% of global manganese reserves, 72% of chrome, 88% of platinum-group metals (PGMs), 40% of gold and 27% of vanadium.



# SA New Growth Path at a Glance

Creating 5 million jobs by 2020

Reduce Unemployment from 25% to 15% by 2020

Six (6) key sectors focus in unlocking the employment potential:

1. Infrastructural development
2. Expansion of agricultural value chain
3. Expansion of mining value chain
4. Green economy programmes
5. Tourism
6. Manufacturing sector in IPAP2





# SA economic outlook

- Positive outlook for the SA economy, GDP growth of 2,7 in 2010 - 3,5% in 2011 The revival in commodity prices, growth in SADC and world economies.
- Strong domestic demand, revived consumer spending is a positive factor driving growth.
- SA economic fundamentals remain strong, low international debt.
- The multi-billion rand capital expenditure program by state owned enterprises and increased government infrastructure spending on electricity, water, communication and transport will underpin a robust public sector fixed investment growth.



## South Africa's leading trade partners (2010)

Export Country	Rand (millions)
1. China	58,525.3
2. United States	51,388.9
3. Japan	46,297.4
4. Germany	42,495.9
5. United Kingdom	26,161.5
6. India	22,204.2
7. Netherlands	17,075.5
24. Spain	8,174.9

Import Country	Rand (millions)
1. China	81,766.1
2. Germany	65,260.5
3. United States	41,068.2
4. Japan	30,709.3
5. Saudi Arabia	23,717.4
6. Iran	23,002.9
7. United Kingdom	21,885.2
27. Spain	9,592.0



# Bilateral Trade: South Africa / Spain

Year	Imports from SA	Annual Growth	Exports to SA	Annual Growth	Total Trade	Annual Growth
2004	1 164 652	24%	479 758	30%	1 644 410	25,9%
2005	1 257 237	8%	641 620	34%	1 898 857	15,5%
2006	1 351 155	7%	742 982	16%	2 094 137	10,3%
2007	1 478 583	9%	775 587	4%	2 254 170	9%
2008	1 597 214	7%	599 934	-29%	2 197 148	-2,2%
2009	871 235	-43%	551 569	-8%	1 413 956	-35,6%
2010	925 468	6%	859 539	56%	1 785 007	26,2%

Source: Spanish Ministry of Industry, Trade and Tourism



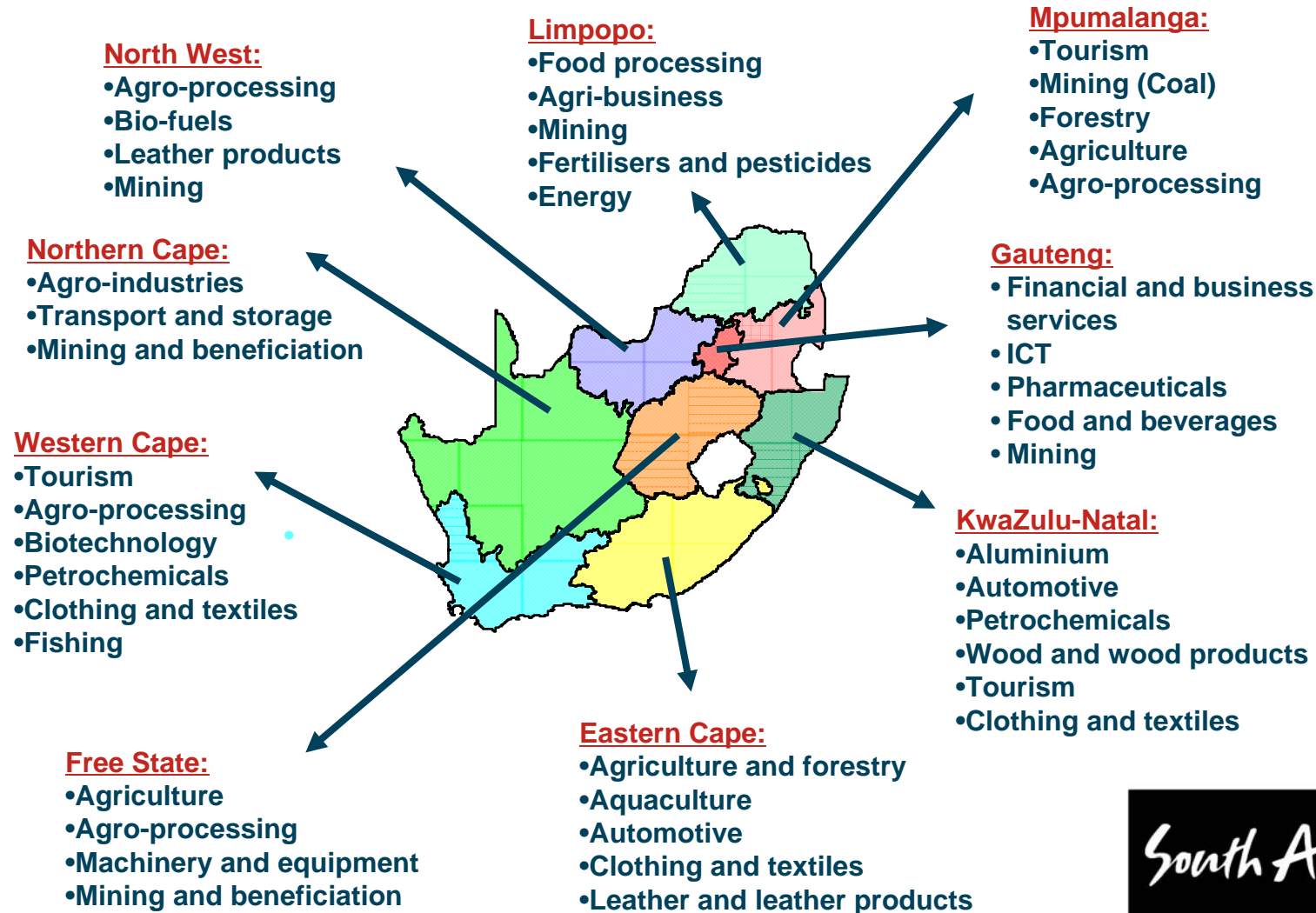
# South Africa: Main Export Products

South Africa has a diversified economy that exports a variety of products and services

- Mineral Products (Platinum, Gold, Diamonds, Coal)
- Motor Vehicles and Components
- Steel
- Fruit and Wine,
- Processed Food/ Fish products
- Chemical Products
- Wood, Paper, Pulp
- Manufactured Goods



# Variety of products from provinces



# Strategic Geographic Position to Global Shipping Routes

## WORLD SHIPPING ROUTES

Named day services link industries in and around Coega with the rest of the world. The reliable shipping services allow manufacturers based in Port Elizabeth and surrounds to provide just in time deliveries to assembly plants around the world.

..... National Roads  
National Railways

The routes reflected on this map are a graphic portrayal of the route network and do not replicate actual navigational shipping paths.



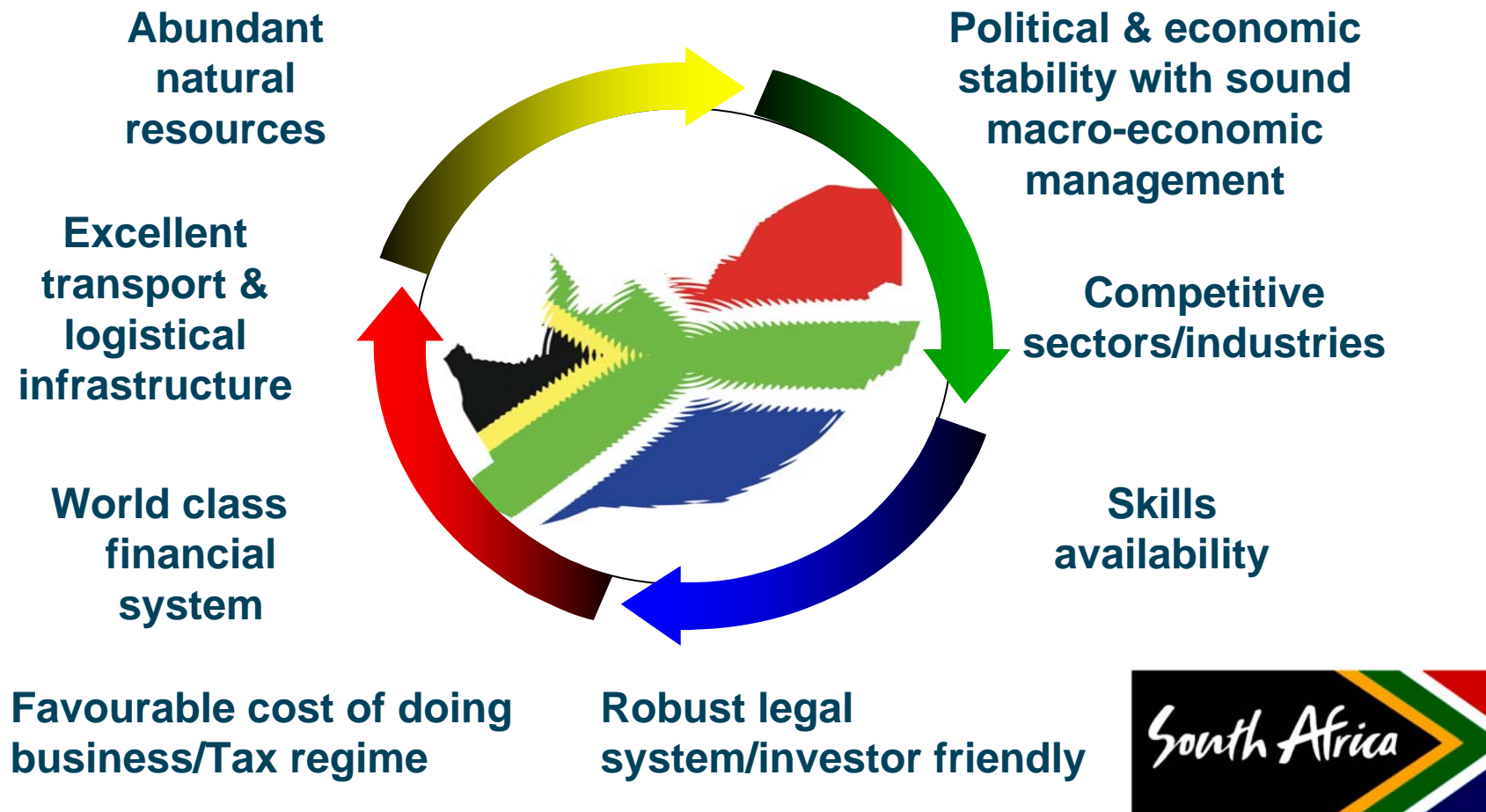
# Competitiveness

- **Accession to the global trading system**
  - South Africa joined the multilateral trade system in 1994
  - Tariff phase-down and simplification of tariff structure
- **Market Access**
  - **SA-EU FTA**
    - Transitional period of 12 years, after which 94.9% of SA exports to EU, and 86.3% of EU exports to SA will receive duty free treatment
    - TDCA provisionally applied from January 2000; ratification and full entry into force on 1 May 2004
  - **SADC FTA**
    - Implemented by 2008
  - **Africa, Growth and Opportunity Act (AGOA)**
    - Unprecedented access to the US market across a range of products
  - **Further bilateral trade relations with key markets in Africa, Latin America and Asia**



# South Africa's investment environment

South Africa today is one of the most sophisticated and promising emerging markets globally, mainly because of ...





# South Africa - emerging market perspective

Of 14 emerging markets; Australia, Canada, Russia, Mexico, China, Poland, Spain, India, Korea, Brazil, SA, Colombia Chile & Argentina

South Africa is:

- 2<sup>nd</sup> most sophisticated financial market
- 2<sup>nd</sup> lowest effective business tax rate
- 4<sup>th</sup> ranked for ease of accessing capital
- 4<sup>th</sup> ranked i.t.o. the cost of capital
- 6<sup>th</sup> ranked for infrastructure
- 7<sup>th</sup> for FDI as a % of GDP (2008)
- 8<sup>th</sup> ranked i.t.o labour productivity

Source: Brazil National Confederation of Industry. Competition Brazil 2010: A Comparison of selected countries



# Investment Opportunities

Sector	Sub-sector
Business Process Outsourcing & IT Enabled Services	<ul style="list-style-type: none"><li>•Call Centres</li><li>•Back /office Processing</li><li>•Shared Corporate Services</li><li>•Enterprise solutions e.g. fleet management and asset management</li><li>•Legal process outsourcing</li></ul>
Electro Technical	<ul style="list-style-type: none"><li>•Software &amp; mobile applications</li><li>•Smart metering</li><li>•Embedded software</li><li>•Radio frequency identification</li><li>•Process control , measurement &amp; instrumentation</li><li>•Security &amp; monitoring solutions</li><li>•Financial software</li></ul>
Clothing, Textiles, Leather and Footwear	<ul style="list-style-type: none"><li>•Manufacturing of Industrial Textiles using Polyester</li><li>•Production of other natural fibre textiles such as flax</li><li>•Wool and mohair production – downstream opportunities for yarns, knitwear and fabric.</li></ul>



# Investment Opportunities

Sector	Sub-sector
Agro-processing	Fisheries and aquaculture i.e. freshwater aquaculture & mariculture Food processing in the milling and baking industries Beverages viz. fruit juices and the local beneficiation, packaging and export of indigenous teas High value natural fibres viz., organic cotton & downstream mohair production High value organic food for the local and export market Biofuels production viz. biodiesel & bioethanol
Automotives & Components	Engine parts/components, vehicle interiors, electronic drive train components, body parts, catalytic converters, aluminium forgings & castings, diesel particulate filters and leather products
Chemicals and plastic fabrication	Beneficiation of polypropylene used in automotive components & building and construction industries, packaging materials Medical (drips & syringes), manufacture of active pharmaceutical ingredient (APIs) for key anti-retrovirals (ARVs) Manufacture of reagents for AIDS/HIV diagnostics Production of vaccines and biological medicines



# Investment Opportunities

Sector	Sub-sector
Metal fabrication, capital and transport equipment	<ul style="list-style-type: none"><li>•Downstream processing and value adding of iron, steel, aluminium, stainless steel ferroalloys and the platinum group of metals (PGM)</li><li>• Conversion processes of metal products i.e. metal fabrication, pipe &amp; tube, foundry products, wire and jewellery</li><li>•Manufacturing and assembly of mining, agricultural and construction equipment</li><li>•Utilities i.e. reticulation plants and pipe lines.</li><li>•Machine tools and tooling (auto, packaging, mining and aerospace industries)</li><li>•Electrical motors</li><li>•Services in the engineering, construction sectors</li><li>•Rolling stock i.e. locomotives, wagons and coaches</li><li>•Production of permanent ways i.e. railway lines, signalling equipment, electrification, bridges and stations</li><li>•Harbour construction and equipment</li><li>•Ship- and oil platform building and maintenance</li></ul>



# Investment Opportunities

Sector	Sub-sector
Tourism	<ul style="list-style-type: none"> <li>•Accommodation - hotels, boutique hotels, lodges &amp; resorts</li> <li>•Urban integrated tourism/ entertainment precincts</li> <li>•Adventure, - eco-, sport-, conference - and cultural tourism.</li> <li>•Infrastructure development.</li> <li>•Leisure complexes &amp; world class golf courses.</li> <li>•Harbour &amp; waterfront developments.</li> <li>•Transfrontier conservation areas.</li> <li>•Tourism transport - aviation, rail, cruise liners etc</li> <li>•Green building and green technologies for tourism</li> <li>•Attractions and activity - based tourism</li> <li>•Museums and heritage</li> <li>•Cultural, music, arts festivals and events</li> </ul>
Aerospace	<ul style="list-style-type: none"> <li>•Aviation related services, including maintenance, repair and overhaul (MRO)</li> <li>•Rotary and fixed wing components.</li> <li>•Aviation training services</li> <li>•Specialised manufacturing of avionics, including health usage monitoring systems</li> <li>•Aerostructure components, specifically composites and sheet metal (aluminium and titanium)</li> <li>•Small and micro-satellite capability including sensor platforms</li> <li>•Satellite related services (including tracking and control and applications development)</li> <li>•Specialised design expertise, systems level as well as first tier level.</li> <li>•Unmanned Aerial Vehicles (UAVs)</li> </ul>



# Investment Opportunities

Power generation and distribution	Independent power generation, energy infrastructure & alternative energy
Renewable energy and energy saving industries	Solar water heating, evacuated tube plants, concentrated solar heating, wind and biomass energy production
Advanced Manufacturing	<p>Advanced materials manufacturing viz.</p> <p>Nano-materials</p> <ul style="list-style-type: none"> <li>•High performance materials based on natural resources (advanced bio-composites)</li> <li>•Composites (intelligent textiles used in medical, building and construction industries)</li> <li>•Continuous fibre reinforced thermoform composites</li> </ul> <p>Digital TV and Set Top Boxes due to migration to full digital television as analogue will be switched-off by November 2011.</p> <p>Nuclear Build Programme i.e. joint ventures, consortiums and the establishment of new companies to grow South Africa's nuclear manufacturing capability and nuclear supply industry to supply into the nuclear build programme</p> <p>Electricity Demand Side Management Solutions to improve electricity efficiency usage.</p>



# Investment Opportunities

<b>Creative and Design Industry</b>	<b>Film and Media</b> Film studios, treaty film co-production ventures, distribution infrastructure, servicing of foreign productions. Production of film and documentaries, commercials, stills photography and multi-media <b>Design</b> Jewellery manufacturing and design Fashion design
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# Incentives

Incentive	Benefit	Main Conditions
The Enterprise Investment Program (EIP)	The EIP (manufacturing) is a cash grant for locally based manufacturers who wish to establish a new production facility, expand an existing facility or upgrade an existing facility in the clothing and textiles sectors	the EIP will be used to stimulate investment within manufacturing and tourism, it will also be used to deliver on some of the IPAP's key performance areas, as well as priority sectors.
Foreign Investment Grant	To compensate qualifying foreign investors for the cost of moving qualifying new machinery and equipment from abroad to SA.	Foreign investors only
Industrial Development Zone	Exemption from VAT when sourcing goods and services from South African customs territory and duty-free imports of raw materials and inputs for export	Prospective IDZ operator companies must apply for permits to develop and operate an IDZ





# Incentives

Incentive	Benefit	Main Conditions
Section 12i Tax Allowance	Tax deductions of up to R 900m depending on status viz. preferred or qualifying projects.  Training allowance/ deduction of up to R30m or R36 000 per employee.	Valid until December 2015  Capital investment > R 200m
Critical Infrastructure Fund	Infrastructure projects intended to service IDZ, shall qualify for a grant of 30% of the qualifying infrastructure development cost	The minimum qualifying infrastructure development cost is R15m
The Location Film & Television production Incentive	To encourage and attract large budget films and television productions that will contribute towards SA economic development and international profile and increase foreign direct investment	Foreign owned qualifying productions



# Incentives

Incentive	Benefit	Main Conditions
BPO & O Investment Incentive	The BPO&O Investment Incentive comprises an Investment Grant and a Training Support Grant towards costs of company-specific training. The incentive is offered to local and foreign investors	Local and foreign investors establishing projects that aim primarily to serve offshore clients
Competitiveness Improvement Programme	Grants are to be used for the following interventions: World-class manufacturing principles. Training Labour relations and employee wellness programmes Product related Supply chain integration Industrial engineering Competitiveness improvement Bottom line business processes	Clothing and Textile companies and clusters



# Incentives

Incentive	Benefit	Main Conditions
Production Incentive (PI)	Aims to help the industry upgrade its processes, products and people.	Clothing manufacturers Textiles manufacturers Cut, Make and Trim (CMT) operators Footwear manufacturers Leather goods manufacturers and Leather processors (specifically for leather goods and footwear industries).
Automotive Investment Scheme (AIS)	A taxable cash grant of 20 percent of the value of qualifying investment in productive assets	Motor vehicle assemblers/manufactures. Motor component manufacturers





**THANK YOU**



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