



South Africa : The gateway to Africa

Presented by:

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Africa – beyond redemption or alive with opportunity?

"The prospect of investing in sub-Saharan Africa can cause businessmen to sweat. The region is often seen as a corporate graveyard of small, impossibly difficult markets where war, famine, AIDS and disaster are always lurking."

The Economist: 'The flicker of a brighter future'



".... We conclude that Africa could be on the brink of an economic take-off, much like China was 30 years ago, and India 20 years ago."

The World Bank

Africa at a glance

US\$ 1.95 trillion

GDP in 2012

US\$ 1.3 trillion

Consumer spending in top 18 cities by 2030

+1 billion

Population in 2012 with 70% under the age of 30

US\$ 392 billion

FDI into Africa (2000-2012)

17%

Compounded annual rate at which consumer spending rose from 2008 - 2012

35% (2000) – 50% by 2020 (estimate)

African households with discretionary spending power

616 million

Mobile phone connections (2013)

84%

of the world's chromium reserves

88%

of the world's platinum reserves

29

African companies with at least **US\$ 3 billion** in revenue in 2012

108

Corporations generating annual revenues of **US\$ 1 billion** in 2012

40%

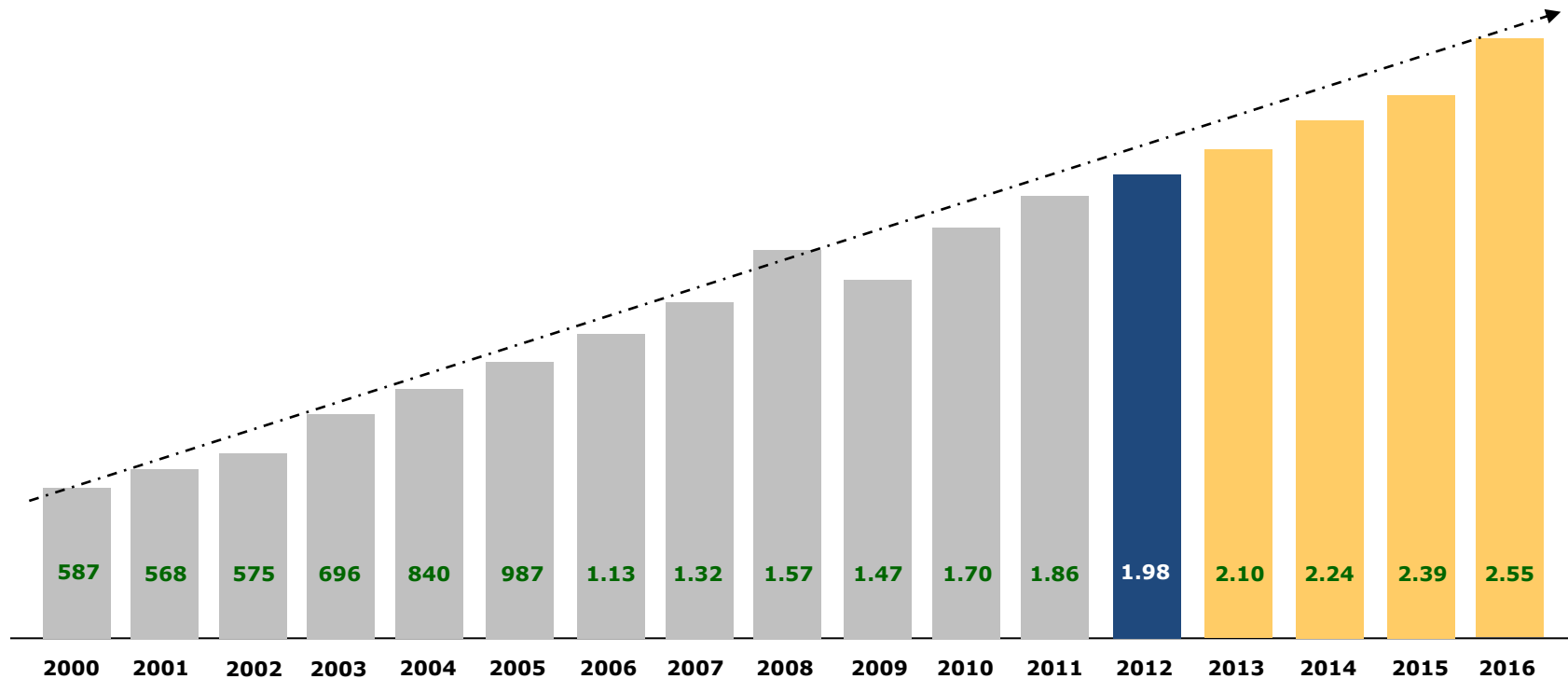
of the world's gold reserves

10%

of the world's oil reserves

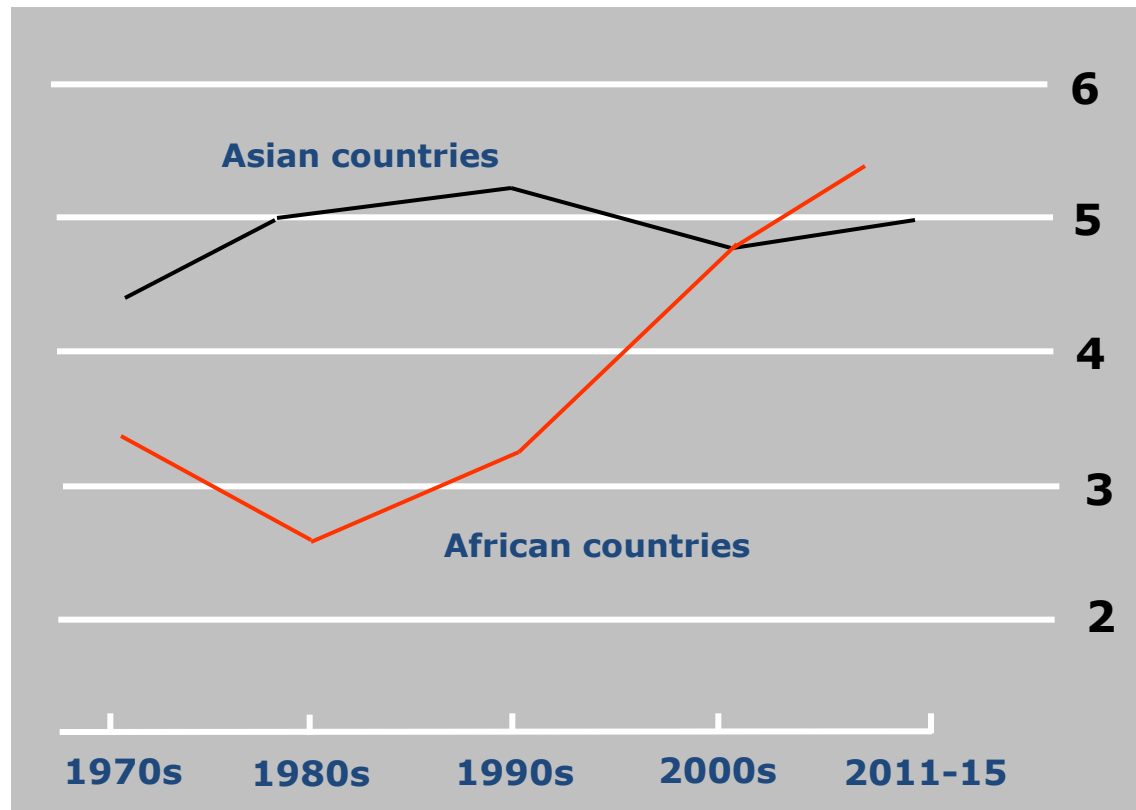
Africa's growth 2000 – 2016 (projected)

Africa's economic output (GDP in US\$ billions, current)



Africa and Asia compared

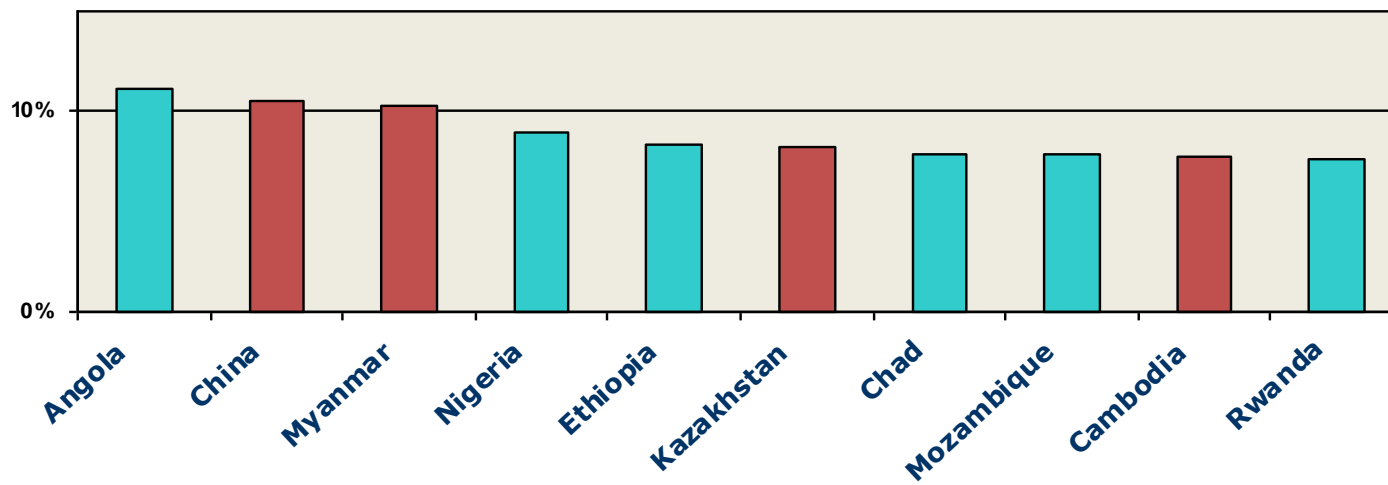
GDP growth, unweighted annual average , %



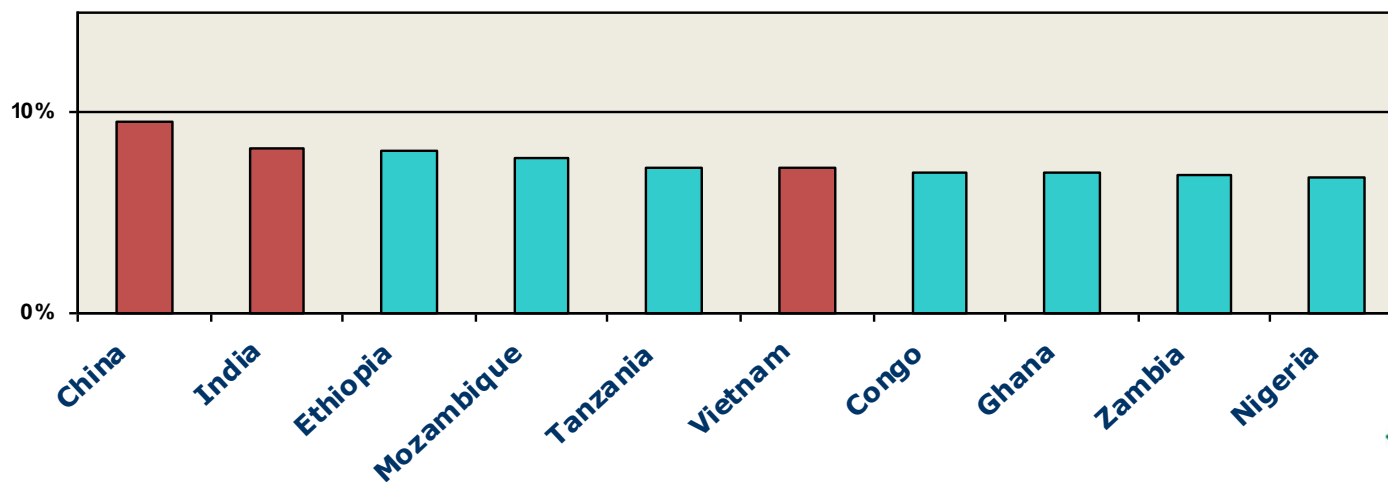
(Excluding countries with less than 10 m population, as well as Iraq and Afghanistan)

World's 10 fastest-growing economies

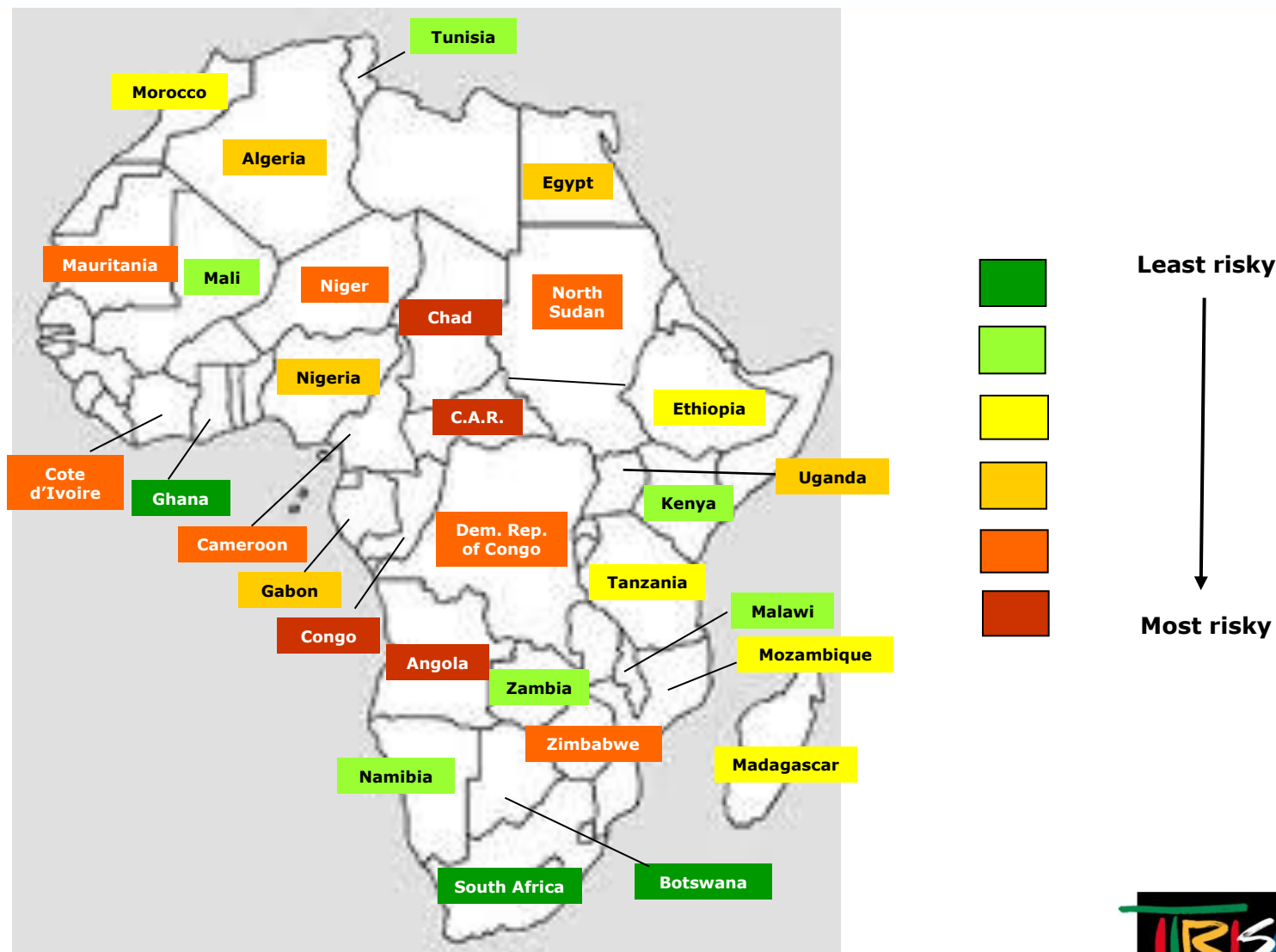
Annual average GDP growth, % (2001 – 2010)



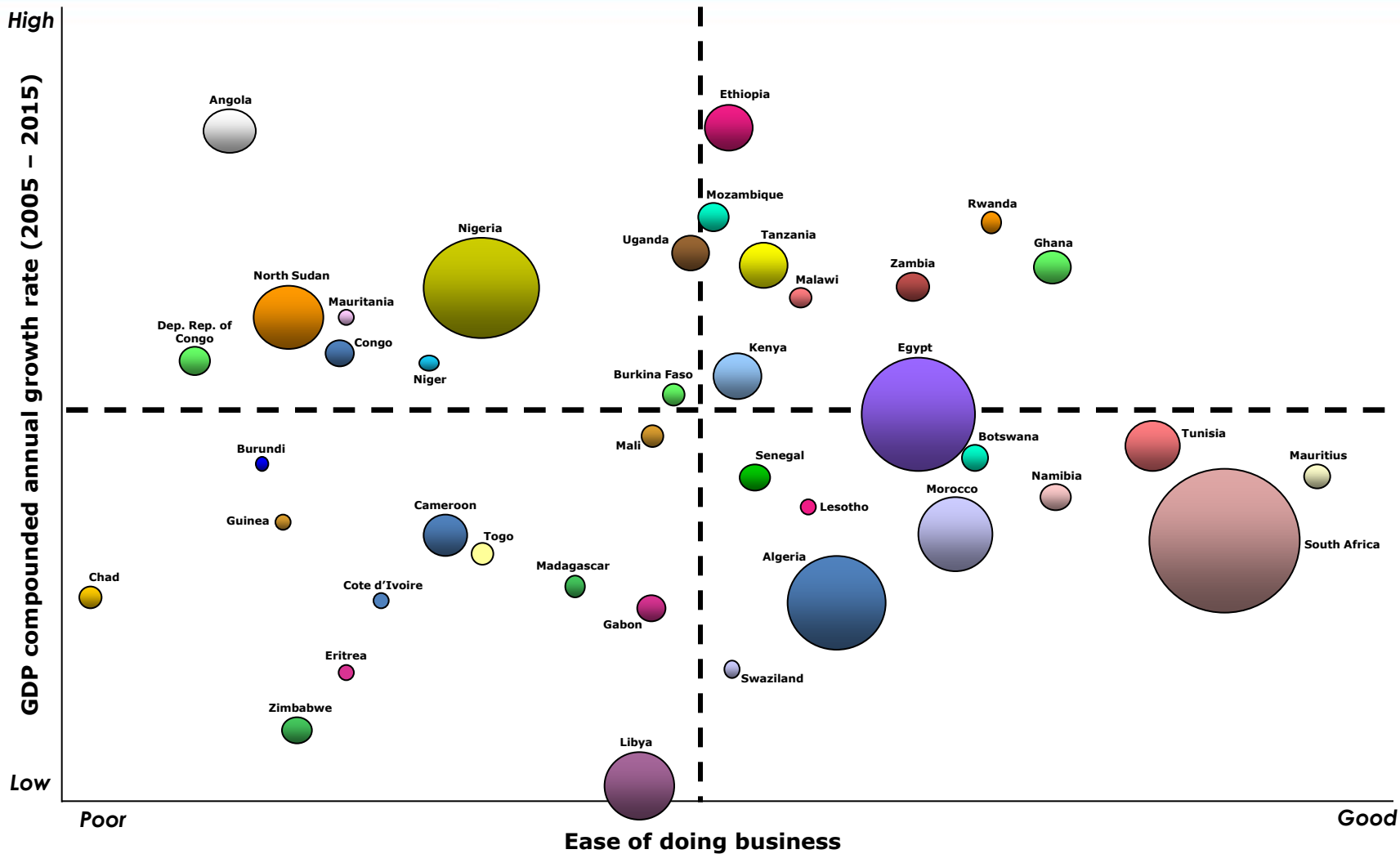
Annual average GDP growth, % (2011 – 2015)



Degree of business risk in Africa



Choosing high potential markets in Africa



Global rapid growth markets in the years ahead

Country selection based on 3 key criteria:

1 Large, both in terms of GDP and demographics

2 Dynamic, rapidly growing

3 Strategic importance for business development



Mexico • Colombia • Brazil • Chile • Argentina • South Africa • Ghana • Nigeria • Egypt • Saudi Arabia • Turkey • Poland • Lithuania • Qatar • United Arab Emirates • Russia • Kazakhstan • China • India • Korea • Vietnam • Thailand • Malaysia • Indonesia

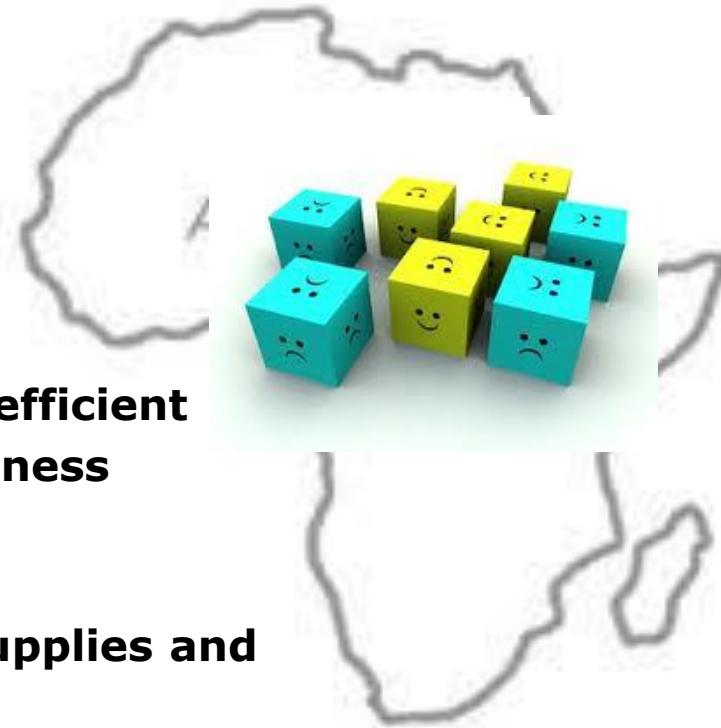
Source: Ernst & Young

Africa – the positives

- **26 out of 54 countries now classified 'middle class'**
- **No of people living below the poverty line has decreased from 51 to 39%**
- **More than 2/3 of continent registered overall improvement in economic governance**
- **Cost of starting a business has halved**
- **Private sector is now the engine for growth**
- **Annual rate of foreign investment has increased fourfold since 2000**
- **GDP set to remain above 5.5% for the next few years**

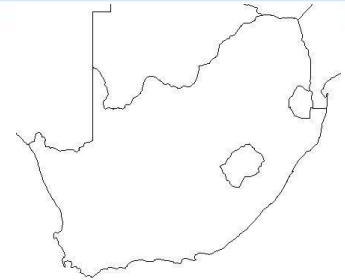
Africa – the challenges

- ➔ **Cultural differences between Africa and the West are extreme religion, language, customs, etc.**
- ➔ **53 countries – 2000 dialects**
- ➔ **Ranks at the bottom in the World Bank's Ease of Doing Business survey**
- ➔ **Poor quality roads, inadequate harbours inefficient rail systems increase the cost of doing business (30% of GDP)**
- ➔ **Companies often have to import building supplies and equipment to construct factories**
- ➔ **Unreliable electricity supply necessitates the use of company's own electricity generators**



The solution... South Africa ✓

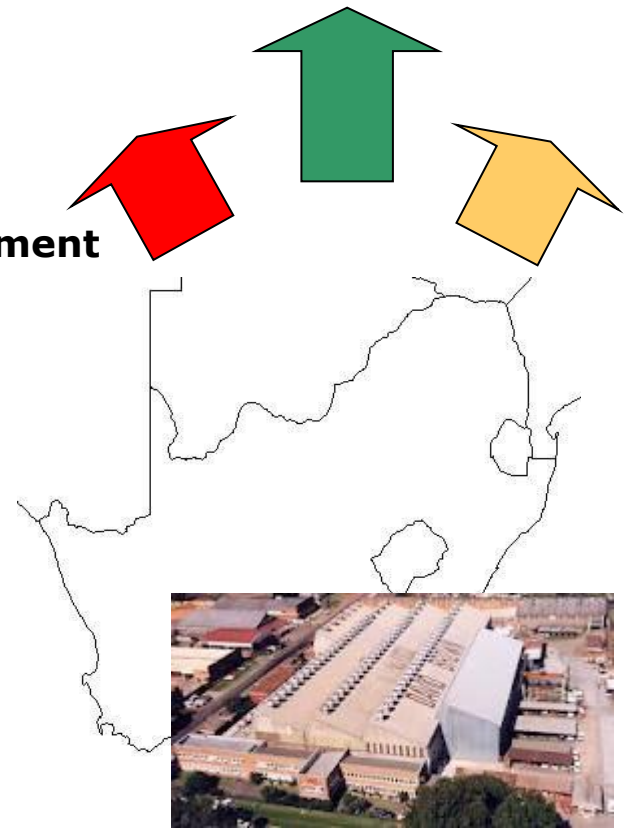
- ✓ **Has both a 1st world segment and a 3rd world component**
- ✓ **With a foot in both the West and Africa, South Africa bridges the cultural/business practice gap**
- ✓ **Has 4% of Africa's land coverage and 6% of Africa's population BUT produces 25% of Africa's GDP**
- ✓ **Generates more than 50% of Africa's electricity output**
- ✓ **Enjoys more tonnage through its ports than the combined facilities of Angola, DRC, Gabon, Kenya, Mozambique & Tanzania**
- ✓ **Facilitates more air transport than rest of southern, central and eastern Africa put together**
- ✓ **Has extensive road & rail networks**
- ✓ **Has a sophisticated banking & telecoms infrastructure**
- ✓ **Is the world's 29th biggest economy & 39th largest exporter**



South Africa is the springboard into Africa

South Africa:

- **Is currently at the helm of the African Union**
- **Is leading the way with regional integration**
- **Is set to play a leading role in mobilising investment infrastructure on the continent (North-South Infrastructure corridor)**
- **Produces 40% of Africa's industrial output and 45% of its mineral output**
- **Has been ranked by a World Bank survey as the sixth most attractive emerging market for doing business**
- **Is home to over 70% of leading African businesses**
- **Has Africa's largest bourse (stock exchange)**
- **Has 50% of Africa's purchasing power**



South Africa also has its problems, however...

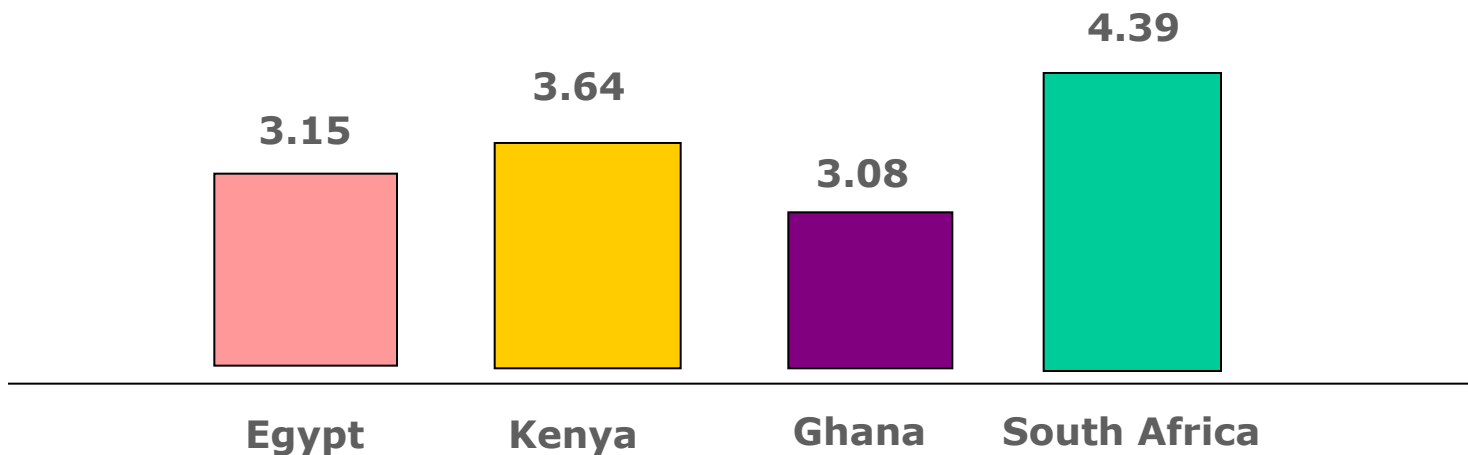
- ➔ **+/- 50% of the population lives in poverty**
- ➔ **Unemployment stands at 30% or more**
- ➔ **More people receive welfare from government than have jobs**
- ➔ **Education and skills levels are low**
- ➔ **Public healthcare is under-resourced**
- ➔ **Strike action is on the rise**
- ➔ **The HIV infection rate is one of the highest in the world.**



Macroeconomic stability : selected African countries

World Economic Forum's Macroeconomic Stability Index 2013-2014

1 = low; 7 = high

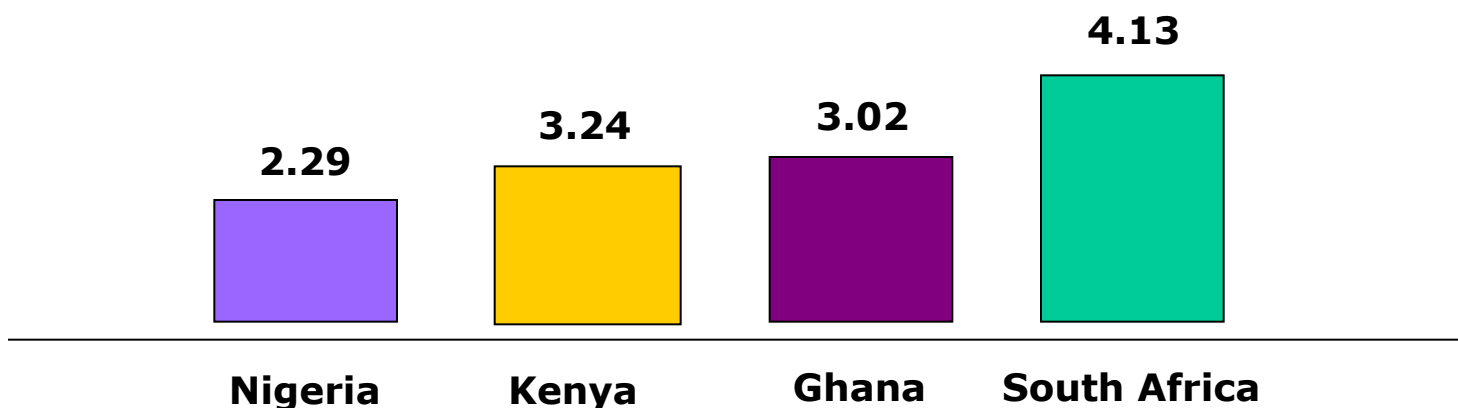


South Africa is often cited as an example of peaceful transition to democracy. Its progressive constitution enshrines a wide range of social & economic rights

Quality of infrastructure : selected African countries

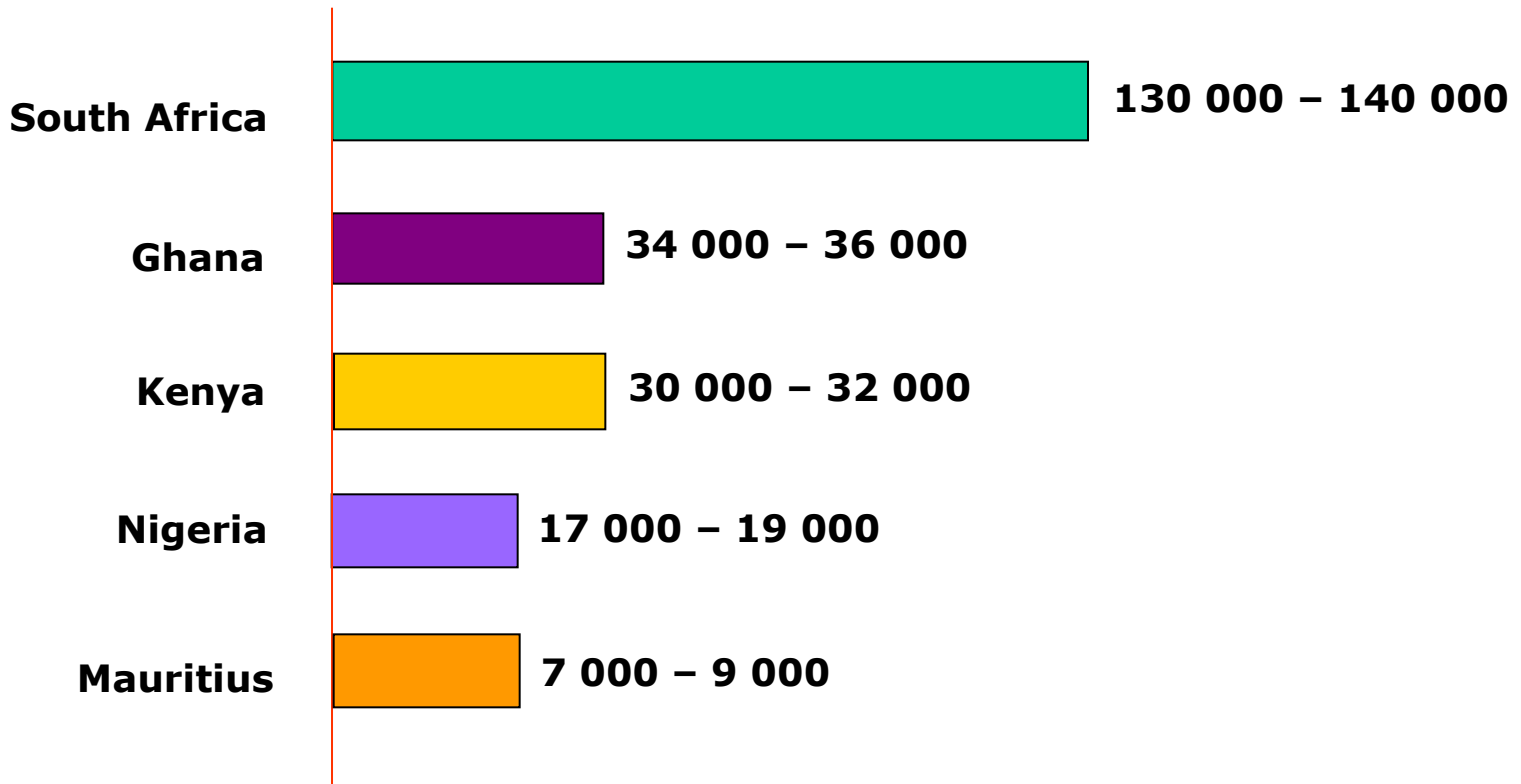
World Economic Forum's Quality of Infrastructure Index 2013-2014

1 = underdeveloped; 7 = extensive & efficient

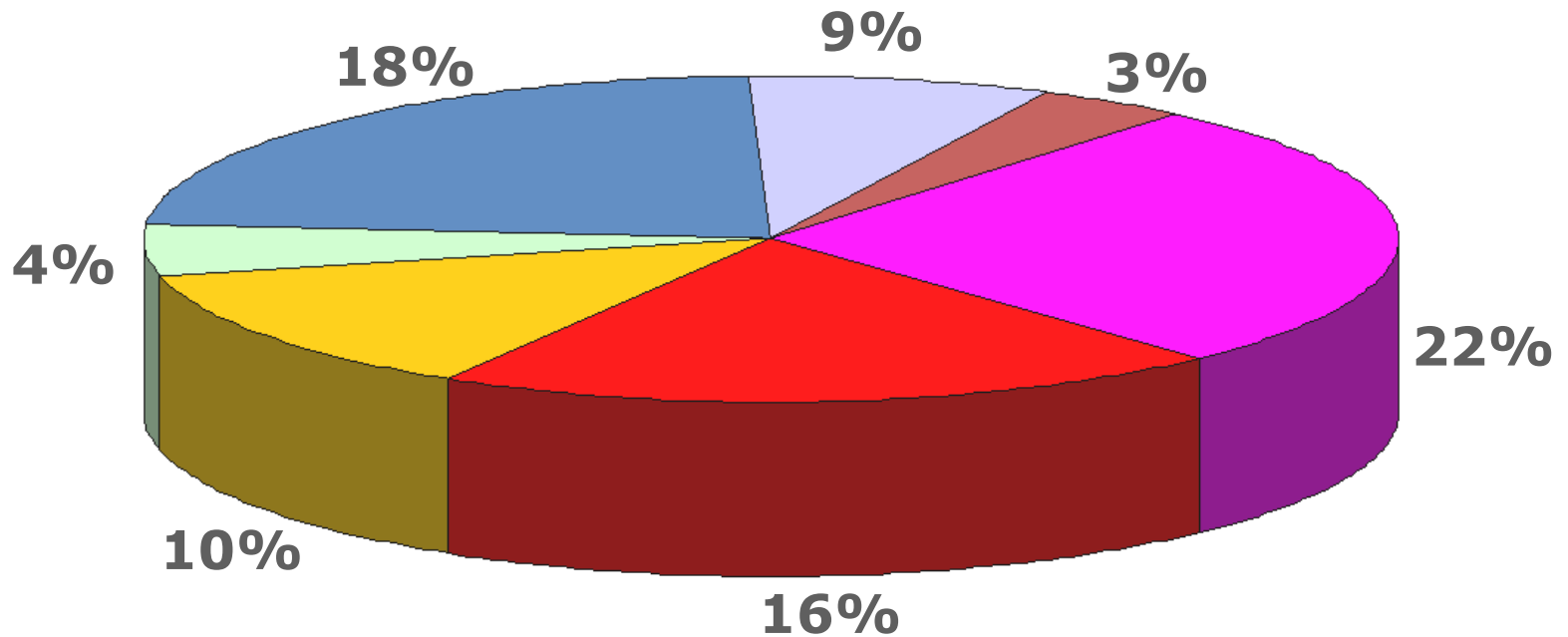


***"South Africa's excellent infrastructure, together with first-class financial, legal and commercial systems, makes this country a natural location to pursue the significant opportunities of South and southern Africa."
(President, General Electric South Africa)***

Selected African countries' annual tertiary education labour pool (2010 estimates)



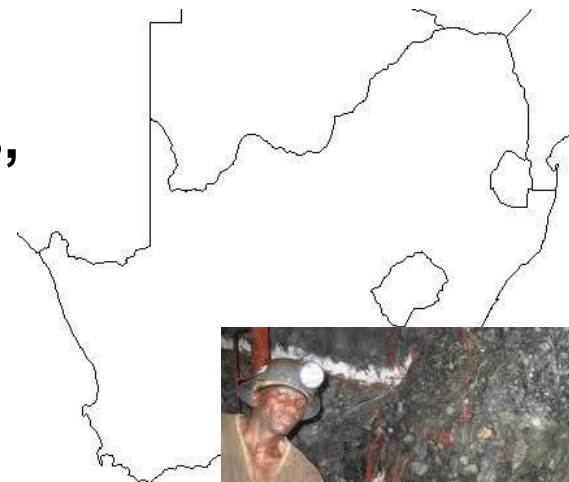
South Africa's key economic sectors: % contribution to GDP



- Financial services
- Transport & communication
- Manufacturing
- Agriculture
- Retail, wholesale & motor trade
- Construction
- Mining

South Africa's mineral output

- ⇒ **World's largest producer** of manganese, chrome, ferrochrome, platinum group metals, vanadium and vermiculite
- ⇒ **3rd largest producer** of gold, asbestos, antimony and manganese ore
- ⇒ **4th largest producer** of coal and silicon metals
- ⇒ Also produces **a large proportion** of the world's gem diamonds



South Africa's automotive industry

- ➔ Millions of rands of motor vehicles exported to countries **all over the world**
- ➔ Main contributors: **BMW, Mercedes Benz, Toyota and VW**
- ➔ Growth kick-started by the govt's **MIDP incentive**. (Credits earned on exported local content used to offset duties on imported components)
- ➔ MIDP to be replaced in 2013 by the **APDP (Automotive Production & Development Program)**



South Africa's liberal trade regime

- ➔ **South Africa was a founding member of the GATT in 1947**
- ➔ **South Africa is currently an active member of the WTO**
- ➔ **Since 1994, tariffs have been reduced and non-tariff barriers phased out**
- ➔ **South Africa's global economic strategy focuses on improving export performance by dismantling barriers to trade and gaining increased market access.**

South Africa's preferential trade relationships

- ➔ **The TDCA with the EU**
- ➔ **The FTA with SADC**
- ➔ **Preferential market access agreement with Mercosur**
- ➔ **GSP arrangements with a number of countries**
- ➔ **AGOA**
- ➔ **Proposed integrated African free-trade zone**

South Africa's total trade : 2011

Total trade: US\$ 153 billion (2012)

EXPORTS (US\$ 70 billion) dominated by:

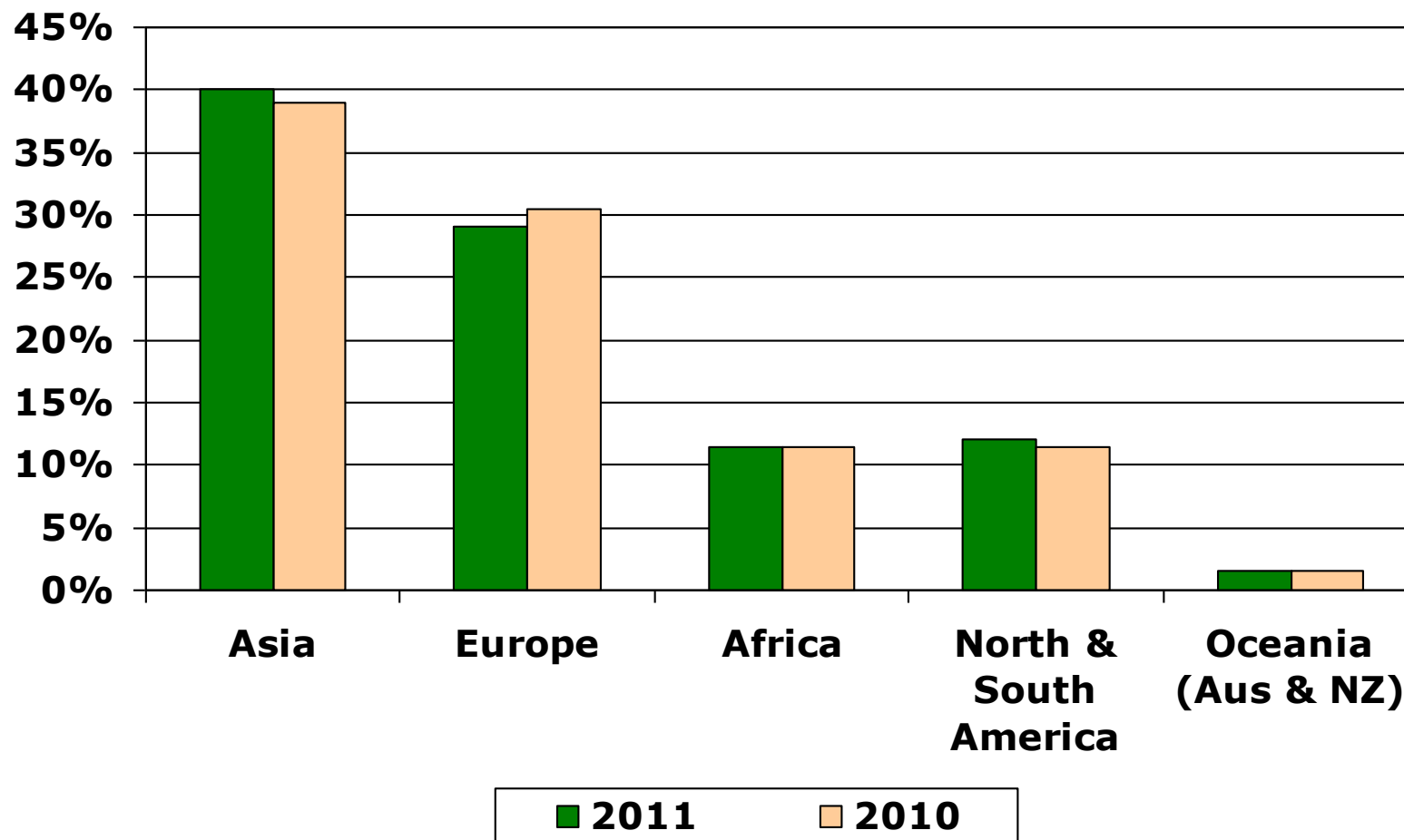
- ▶ **primary & intermediate commodities** (minerals, base metals, precious & semi-precious stones and metals, e.g. gold)
- ▶ **Services** (tourism, food, hospitality & transport)
- ▶ **Other** (e.g. chemicals, refined petroleum products, machinery & vehicles, transport equipment, vegetable products, food products)

IMPORTS (US \$ 83.3) dominated by:

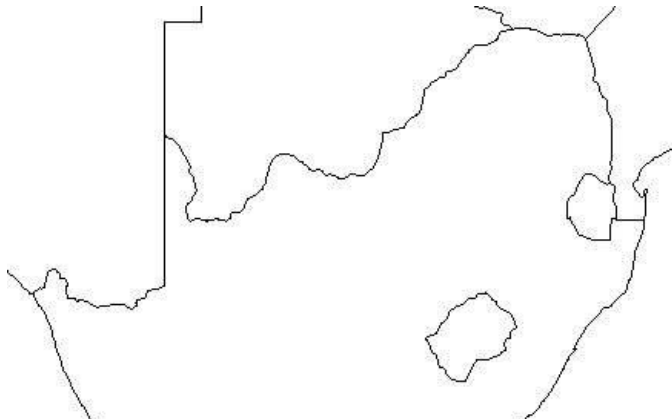
- ▶ **Primarily raw materials**
- ▶ **Industrial & capital goods** (e.g. chemicals, machinery & equipment, vehicles & transport-associated goods, textiles)



South Africa's total trade by region : 2010-11



South Africa's top export destinations & sources of imports : 2011



Export destinations:

- ▣ China
- ▣ Germany
- ▣ USA
- ▣ Japan
- ▣ UK



Sources of imports:

- ▣ China
- ▣ Germany
- ▣ USA
- ▣ Japan
- ▣ Saudi Arabia

Reaching African consumers

- **Understand income levels**
- **Develop locally relevant products**
- **Build your brand – Africans are brand loyal**
- **Build a strong value proposition at right price points**
- **Build Awareness: Traditional and non-traditional mediums**
- **Educate the consumer**
- **Focus on youth**

**THANK YOU
for your attention**



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