

Executive summary - South Africa

26 Feb 2021 - Country Risk | Profile

Our take: Executive summary - South Africa

- The impact of the COVID-19 virus outbreak on South Africa's economy is likely to slow down the recovery in 2021 as the country is only expected to receive the bulk of its COVID-19 vaccine doses in the second quarter of the year. The government aims to vaccinate 40 million people to reach herd immunity by end-2021, but this target is only likely to be reached in the second quarter of 2022, hindering the effective relaxation of restrictions on economic activity during 2021.
- The Medium-Term Budget Policy Statement delivered by the finance minister in October 2020 suggested strongly that there would be an upward revision of income taxes from February 2021, although IHS Markit does not expect corporate tax to increase from the current 28%.
- Electricity public utility Eskom is no longer likely to be unbundled, as was announced by the government in 2019, because instead the administration aims to deregulate the power-generation sector to deal with supply constraints. This will help to reduce demand on Eskom, particularly peak-time demand; this is likely to stabilise power supply gradually, allowing the utility to manage power outages better. While still under severe debt pressure, the utility will benefit in the next 18 months from recent court judgments that allow it to recover lost revenue by raising electricity prices.
- IHS Markit expects GDP to rebound with 3.3% growth in 2021, due to pressure from the business community to open up the economy and avoid further hard lockdowns. The relatively weak economic backdrop, combined with favourable medium-term inflation expectations, is likely to keep the South African Reserve Bank's policy rate unchanged during the course of 2021. Resilient global commodity prices and stronger global trade are likely to increase exports of goods in 2021.

Risk ratings: Executive summary - South Africa

Political: Executive summary - South Africa

President Cyril Ramaphosa has gradually asserted his policy agenda on the ruling African National Congress, but still needs to appease radicals within the party by implementing land reform. Ramaphosa is aiming to distribute over 700,000 hectares of state-owned land before the end of 2020 and this will help reassure investors and agricultural producers that land reform will not come at the expense of the sanctity of property rights. The Democratic Alliance is hampered by a lack of coherence on the issue of racial transformation of the economy and is yet to articulate a clear position on the matter. This minimises its ability to grow support among black voters.

Political Data - Political: Executive summary - South Africa

Political summary

Agriculture and Livestock	Thoko Didiza (since 29 May 2019)
Cabinet Affairs	Nkosazana Dlamini-Zuma (since 29 May 2019)
Civil Service	Senzo Mchunu (since 29 May 2019)
Commerce/Trade	Ebrahim PATEL (since 5/29/2019)
Communications	Stella Ndabeni-Abrahams (since 13 November 2019)
Culture	Nathi Mthethwa (since 29 May 2019)
Defence/Security	Ayanda Dlodlo (since 29 May 2019)
Defence/Security	Nosiviwe Nolutando Mapisa-Nqakula (since 11 May 2009)
Deputy President	David Mabuza (since 26 February 2018)
Education	Matsie Angie Motshekga (since 11 May 2009)

Source: CIRCA People in Power

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Forecast summary - Economic: Executive summary - South Africa

- South Africa's GDP is expected to rebound by 3.3% in 2021. The economy will benefit from a strong global economic backdrop, low inflation and interest rates, and the extension of the government's COVID-19 income grant and payments from unemployment fund until mid-March 2021.
- Favorable medium-term inflation expectations are likely to keep the South African Reserve Bank's policy unchanged during 2021. Headline inflation will average 4.0% in the year while the rand is expected to average ZAR15.25/USD1.00. South Africa's monetary policy remains expansionary.
- The unfolding COVID-19 pandemic and slow rollout of the COVID-19 vaccine program remain the biggest risk to the economic outlook in 2021, with IHS Markit analysts acknowledging the possibility of a third wave of COVID-19 in South Africa during the southern hemisphere winter months.

Data and forecasts - Economic: Executive summary - South Africa

South Africa: Key indicators and forecasts

	Historical data edge	2019	2020	2021	2022	2023	2024	2025
Real GDP (percent change)	2019	0.2	-7.3	3.3	2.1	1.9	1.8	1.8
Nominal GDP (billion USD)	2019	351.3	299.1	351.0	361.7	367.3	381.6	401.6
Nominal per-capita GDP (USD)	2019	5,999	5,043	5,847	5,953	5,977	6,142	6,395
Consumer price index (percent change)	2020	4.1	3.3	4.1	4.1	4.1	4.1	4.2
Exchange rate (year end, per USD)	2020	14.06	14.60	15.41	15.84	16.54	16.71	17.09

Last update 25 February 2021

Source: IHS Markit

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Strengths and weaknesses - Business environment: Executive summary - South Africa

Strengths	Weaknesses
Established and resilient financial systems.	Negative perceptions about a rigid labour regime and recurring, sometimes violent strike action.

Strengths	Weaknesses
Strong legal protection, with an independent and impartial judiciary.	Concerns over future electricity capacity constraints and rolling power outages.
Investigative media which have exposed a multitude of corruption scandals.	Reports of state capture indicate the embedded presence of corrupt networks linked to senior politicians, which will continue to resist official investigations.
The road, rail, and air infrastructure is of the best quality in sub-Saharan Africa.	There is a continuing high level of crime.

Legal - Business environment: Executive summary - South Africa

The mining charter, released in September 2018, is a likely template for the scale of enhanced black ownership, representation and procurement levels in other sectors, with headline provisions for wealth redistribution being maintained despite a change of government leadership. Risks of land expropriation without compensation remain elevated after the ANC elective conference voted in favour, but depend significantly on the success of attempts to fast-track the redistribution of state-owned land. The judicial system has been strong enough to retain independence in a series of rulings against the government and former president Jacob Zuma, emphasising it can act as impartial arbiter of disputes between the state and investors.

Tax - Business environment: Executive summary - South Africa

Projected revenue shortfalls have been exacerbated by recession, ratings downgrades, and mining-sector uncertainty over the new charter. This made it necessary for the finance minister to announce the first VAT rise in the democratic era, up 1 percentage point to 15%, in the 2018/19 budget on 21 February 2018. Other consumer taxes have since also increased, as South Africa aimed to avoid another ratings downgrade by reducing its budget deficit. Demands from key ruling party allies for the continuation of an unemployment grant introduced in early 2020 to alleviate the effect of COVID-19-virus-related lockdown measures on the poor, keep the risk of further tax increases high.

Operational - Business environment: Executive summary - South Africa

Inter-union rivalry contributes to increased strike and violence risks, particularly in the precious metal mining sector amid a battle for influence. The introduction of a minimum wage has been supported by most unions, but the hardline SAFTU federation is likely to continue calling for nationwide demonstrations in the second half of 2020 demanding unlikely increases. The government is planning to synchronise a state-capture inquiry with prosecutions, which are likely to implicate more companies in business malpractice allegations. However, corruption risks for investors in the medium term will likely be reduced by the dismantling of powerful patronage networks.

War risks - Security: Executive summary - South Africa

South Africa plays a limited but important peacekeeping role on the African continent, notably in the DRC, where it contributes 1,150 troops, and helicopters to the UN mission. Financial and capacity constraints, coupled with public opinion and a conservative foreign policy, limit the likelihood of wider peacekeeping commitments or further deployments. A political crisis in Lesotho resulted in a limited regional Southern African Development Community intervention with a 300-strong force in December 2017, which was later withdrawn in November 2018. South Africa will continue to play a prominent role, after years of leading diplomatic efforts to stabilise Lesotho.

Terrorism risks - Security: Executive summary - South Africa

The likelihood of an attack by, or inspired by, international terrorist groups remains low despite the abduction

and killing in February 2018 of two British botanists in KwaZulu-Natal. The arrested suspects had links to the Islamic State and evidence suggested a clear terrorist motivation. However, radicalisation remains likely to be confined to individuals or small groups with a violent agenda. There have been some reports that Islamist insurgents in the north of Mozambique have been receiving financial assistance from groups in KwaZulu-Natal province, although this has not been verified.

Social stability and unrest risks - Security: Executive summary - South Africa

Within city centres, social unrest risks stem largely from political, xenophobic, and labour-related protests, and persistent service-delivery-related demonstrations are confined to townships. Although the scale and intensity of political protest has abated since the removal of Jacob Zuma as president in February 2018, activists' focus has shifted on to demands for implementation of land expropriation without compensation. The Economic Freedom Fighters party has joined pressure groups to call for constitutional and legislative changes, which will likely materialise during the current sitting of the sixth democratic parliament. Protests over the delivery of public services in many townships often become violent, but are usually contained within these areas.

Risks to individuals - Security: Executive summary - South Africa

There is an elevated risk of violent attack by criminal gangs in carjackings and robberies, particularly in large urban centres such as Durban, Johannesburg, and Cape Town. Many cases of violence and murder are by-products of attacks on particular targets, including jewellery stores, petrol stations, cash-in-transit vehicles as well as banks. House robberies are common, especially in cities and at remote farms and tourist lodges, which carry a moderate risk of death and injury. Emergency services' personnel are frequently attacked and robbed in certain Gauteng and Western Cape townships and often require protection by security forces.

Risks to cargo/transport - Security: Executive summary - South Africa

Cargo is at significant risk of theft by crime syndicates throughout the country. Gauteng is the main hotspot for carjacking and truck-hijacking incidents, being responsible for more than half of all incidents in each category. A spillover from violent service-delivery protests and xenophobic attacks in major cities poses risks to road and rail transport, including through the erection of barricades and the stoning and burning of vehicles. The Cape Town passenger rail service has been repeatedly targeted in vandalism and arson attacks, reportedly due to passenger dissatisfaction with the quality of the service. In January 2020, train coaches were set alight by arsonists at Cape Town station.

Risks to property - Security: Executive summary - South Africa

As most service-delivery protests occur far from central business districts, the risk to commercial property is relatively low. There is a high risk of damage to property and infrastructure located near communities where such protests occur, particularly in Gauteng. Student unrest, which has largely subsided significantly since 2015, but flares up in January and February each year as students register, poses significant damage risks to university property. Incidents of violence against regional immigrants also generate vandalism and looting risks to small business assets. Protests can spill over into business hubs as protesters confront police and blockade roads during protests over poor delivery of municipal services.

Political - South Africa

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Overview: Political - South Africa

President Cyril Ramaphosa has gradually asserted his policy agenda on the ruling African National Congress, but still needs to appease radicals within the party by implementing land reform. Ramaphosa is aiming to distribute over 700,000 hectares of state-owned land before the end of 2020 and this will help reassure investors and agricultural producers that land reform will not come at the expense of the sanctity of property rights. The Democratic Alliance is hampered by a lack of coherence on the issue of racial transformation of the economy and is yet to articulate a clear position on the matter. This minimises its ability to grow support among black voters.

Analysis - Government stability: Political - South Africa

Ramaphosa faces major challenge to implementing reforms due to obstructive attitude of Zuma allies and provincial disunity

Cyril Ramaphosa made a widely acclaimed start as South African president, but he is facing the greatest challenge to his authority and the stability of the government from allies of former leader Jacob Zuma within the ruling party. Ramaphosa's personal approval ratings remain very high following the decisive action in response to the COVID-19 virus outbreak, tackling of corruption and mismanagement of failing state-owned enterprises, introduction of a minimum wage, and winning of pledges of major investment from leading trading partners to kick-start the ailing economy. The popularity of the president contrasts with sagging business confidence, largely due to uncertainty about property rights arising from the now-imminent change of the property rights clause in the constitution to allow for land expropriation without compensation.

The most obvious illustration of the deep divisions within the ruling party is the chaotic state of affairs in provinces run by the African National Congress, with some still having to elect new leadership to provide some sort of unity and organisation. Ramaphosa had to make an early exit from the Commonwealth Heads of Government summit on 20 April 2018 to formulate a response to large daily protests in North West province over corruption, lack of public services and the collapse of the healthcare system under provincial premier Supra Mahumapelo, a Zuma ally. Mahumapelo refused an ANC order to resign and was backed by his disputed provincial leadership before eventually stepping down on 23 May after Ramaphosa had ordered a crisis team led by his ANC leadership rival Nkosazana Dlamini-Zuma to take over administration of the province. In Zuma's home province of KwaZulu-Natal (KZN), targeted assassinations of ANC officials from rival camps have become so frequent that Ramaphosa met provincial leaders on 15 May 2018 to appeal for an end to political murders. In March 2019, two municipal mayors were arrested and charged with the murder of their political rivals in the province. KZN was only able to elect a new provincial leadership in July 2018 after a September 2017 judgment by the Pietermaritzburg High Court invalidated the results of an elective conference held in November 2015. The new KZN leadership is equally split between Zuma and Ramaphosa supporters.

The obstructive attitude of the Zuma-allied group is likely to be reflected in strident demands for more populist approaches to land reform and nationalisation of the South African Reserve Bank (SARB). Supporters of Ramaphosa, though, are likely to continue to push back against nationalisation of the SARB, on the basis that private shareholders make no financial gain from the bank and have little influence over appointment of staff. Ramaphosa is likely to hold back on retrenchments in the public sector in order to not alienate his union support base ahead of the ANC's National General Council in 2020.

Data - Government stability: Political - South Africa

Political summary

Presidential elections	Next contest: May 2024; Last contest: 22 May 2019.
Legislative elections	Next contest: May 2024; Last contest: 8 May 2019 (National Assembly); 22 May 2019 (National Council of Provinces).
Head of State	Cyril Ramaphosa (since 15 February 2018)
Deputy President	David Mabuza (since 26 February 2018)
Finance	Tito Mboweni (since 9 October 2018)
Foreign Affairs	Grace Naledi Mandisa Pandor (since 29 May 2019)
Defence/Security	Ayanda Dlodlo (since 29 May 2019)
Defence/Security	Nosiviwe Noluthando Mapisa-Nqakula (since 11 May 2009)
Justice/Attorney General	Ronald Lamola (since 29 May 2019)
Justice/Attorney General	Bheki Cele (since 26 February 2018)

Source: IHS and CIRCA People in Power

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Parliament Summary

Party abbr.	Party name	Seats
National Assembly (Lower chamber)		
ANC	African National Congress	230
DA	Democratic Alliance	84
EFF	Economic Freedom Fighters	44
Others	Others	18
IFP	Inkatha Freedom Party	14
FF+	Freedom Front Plus	10
National Council of Provinces (Upper chamber)		
ANC	African National Congress	54
DA	Democratic Alliance	20
EFF	Economic Freedom Fighters	11
FF+	Freedom Front Plus	3
IFP	Inkatha Freedom Party	2

Data reflects seat distribution following last election Source: IHS and CIRCA People in Power

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Analysis - Policy direction and predictability: Political - South Africa

Government accelerating land redistribution to avert pressure for expropriation without compensation and reassure investors over property rights

The topic of land expropriation without compensation lost prominence in the aftermath of the 8 May 2019 elections, mostly as a result of the strong showing by the Cyril Ramaphosa-led ANC. Radical policy proposals from the ruling party also lost traction as the impact of the lockdown measures implemented in response to the COVID-19 pandemic became apparent. The land issue is, however, high on Ramaphosa's agenda, who in October 2020 said that the government would distribute 700,000 hectares of agricultural land before the end of the year. Ramaphosa's opponents within the party will want to test the support among the ANC's grassroots membership for a potential 'vote of no-confidence' in him at the NGC. The NGC has been postponed, likely until the middle of

2021, however, and the steady progress that Ramaphosa appears to be making in the important fight against corruption in the ruling party is likely to shore up his support base.

On 18–19 May 2018, the ANC held a land summit, at which the National Executive Committee heard inputs from party members and experts in an effort to formulate a policy on land reform. Following the conference, comments by party insiders suggested the senior leadership was retreating from the commitment to change the property clause in the constitution and wanted instead to test the boundaries for land expropriation under current constitutional restrictions, while accelerating redistribution of state-owned land. This has since changed, however, and parliament has resolved to specify the circumstances under which land can be expropriated without compensation. That change is likely to be carefully set out, such that it can reassure investors and agricultural producers that Zimbabwe-style land 'grabs' will not occur. The finalisation of the constitutional change will likely be delayed by a number of legal challenges by civil society groups and opposition parties. Court challenges are likely to focus on the ANC's determination to have the executive, and not the judiciary, decide the cases in which zero compensation should be paid for property.

The reform of parastatals is a pressing and ongoing concern, with highly experienced minister Pravin Gordhan overhauling management as a precursor to encouraging co-investment or forming strategic partnerships with private companies to alleviate the crippling burden of debt placed on the state. In November 2019, Gordhan made a series of important interventions, including the appointment of a new permanent head of Eskom, as well as the announcement of a restructuring of both Eskom and South African Airways.

Analysis - Opposition prospects and programme: Political - South Africa

Democratic Alliance likely to fracture along racial lines following resignations of senior black leaders, while growing EFF likely to continue gradually pulling ruling ANC towards more radical policy positions

The main opposition Democratic Alliance (DA) on 19 October 2019 elected former leader Helen Zille to the powerful administrative post of Executive Council chairperson, effectively putting her in charge of the day-to-day running of the party. This prompted the resignation of DA Johannesburg Mayor Herman Mashaba and party leader Mmusi Maimane. The election of Zille signalled a conservative shift for the party, which lost a share of the white vote in the May 2019 general election. The bulk of this support was lost to the right-wing Freedom Front Plus (FF+). Many of the DA's white supporters have become concerned by the party's proximity to the radical Economic Freedom Fighters (EFF), which helped Mashaba get elected mayor after neither the DA nor the African National Congress (ANC) was able to win an outright majority in Johannesburg during the 2016 municipal elections. The poor performance in the 2019 general election caused some ructions within the main opposition as some senior members blamed it on then-leader Mmusi Maimane. The DA has since seen more senior black members leave, likely threatening its position as the official opposition in future national elections, particularly given the rise of the EFF since 2013.

The DA has stumbled several times under Maimane, including in an embarrassing dispute with former Cape Town mayor Patricia de Lille, who it tried to dismiss before she was provisionally reinstated by a court ruling in 2018. The dispute highlighted the racial divisions within the organisation.

The left-wing EFF party, formed in 2013 by expelled ANC Youth League leader Julius Malema, was arguably the biggest winner in the 2019 polls, having increased its share of the vote from 6.25% in 2014 to 10.79%. This increased its presence in the new legislature to 44 seats, thus making it a much more influential voice in policy formulation. The party is led by Julius Malema, who was a provocative and outspoken critic of Jacob Zuma during his presidency, openly accusing him of corruption on numerous occasions, and eventually played a key part in his downfall by tabling a parliamentary no-confidence vote to trigger Zuma's resignation. Malema followed up by calling a vote on land expropriation without compensation on 27 February 2018, both seizing the initiative on the dominant subject for political debate and emphasising the even-more stridently populist tone the party will now

adopt. The corollary of this is the labelling of the more business-friendly President Ramaphosa as an alleged tool of 'white monopoly capital' and the EFF's championing of other radical wealth redistribution policies.

Data - Opposition prospects and programme: Political - South Africa

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Data reflects seat distribution following last election Source: CIRCA People in Power

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Major parties - Parties and key figures - Political system and players - Political background: Political - South Africa

African National Congress (ANC)

- **Political stance:** Socialist/Liberal.
- **Support base:** The ANC has continued to draw strong support in most of the nine provinces, but its base is weakest in the Western Cape, which is governed by the Democratic Alliance (DA).
- **Recent history:** The ANC has won successive elections by a wide but narrowing margin since 1994, initially under the leadership of late president Nelson Mandela, followed by Thabo Mbeki and Jacob Zuma. Although a so-called "Anyone but Zuma" camp emerged within the ANC ahead of the party's elective conference in December 2012, Zuma emerged victorious, beating his only challenger, deputy president Kgalema Motlanthe, with a landslide. Zuma secured a second term when the party won 62.4% of the national vote in the May 2014 election, but allegations of mismanagement, corruption and state capture levelled against him raised fears within the party that he could cost them an absolute majority in 2019 if his influence was not removed. That was likely a decisive factor in the defeat of his favoured candidate, Nkosazana Dlamini-Zuma, by Cyril Ramaphosa in the December 2017 ANC elective conference to choose a new party leader. Ramaphosa was then able to engineer Zuma's removal as national president in February 2018 and take over as head of state.

Democratic Alliance (DA)

- **Political stance:** Liberal.
- **Support base:** The DA's strongest support base lies in the Western Cape, but the party has been steadily increasing its vote tally in successive general and local elections.
- **Recent history:** The DA is the renamed Democratic Party, which replaced the New National Party as the official opposition at the 1999 elections. In August 2010, the DA and Patricia de Lille's Independent Democrats (ID) announced a merger, which saw them secure 21.9% of the national vote. The DA also increased its share of the vote in Gauteng province from 21.27% in 2009 to 30.78% in 2014. At the 3 August 2016 local elections, the DA further increased its support to 26.9% and took control, or partial control of Nelson Mandela Bay, Johannesburg and Tshwane, which were lost by the ANC. The party has been focusing on major corruption scandals in the ANC to push the case that it has been hollowed out by graft and no longer fit to rule despite the removal of President Zuma. Mmusi Maimane became the DA's first black leader in May 2015, replacing Helen Zille.

Economic Freedom Fighters (EFF)

- **Political stance:** Radical left-wing.
- **Support base:** The EFF draws much of its support from disillusioned youth and mineworkers in the North West and Limpopo provinces.
- **Recent history:** The EFF was formed in 2013 by expelled ANC Youth League leader Julius Malema, and despite being a relatively new entrant into the political arena, it managed to secure third place in 2014 with 6.34% of the national vote. It also secured the position of official opposition in Limpopo and North West provinces. It increased its vote share to 8.2% at the 2016 municipal elections, performing strongly in Limpopo and North-West again, although it did not win any councils.

Inkatha Freedom Party (IFP)

- **Political stance:** The party has preferred a federal dispensation in which the KwaZulu-Natal province would enjoy a larger measure of autonomy.
- **Support base:** The IFP is primarily a Zulu party, but it is also supported by small sections of other population groups mainly in Gauteng.
- **Recent history:** The IFP, led by Chief Mangosuthu Buthelezi, has seen its support dwindle, drawing only 2.4% at the 2014 election, in contrast to its position as the third strongest party at the 1994 and 1999 elections. The party lost the position of official opposition in KwaZulu-Natal province to the DA at the 2014 elections.

Data - Parties and key figures - Political system and players - Political background: Political - South Africa

Leadership		
Title	Name	Appointed
President; C.-in-C. of the Armed Forces	Cyril RAMAPHOSA	15 Feb 2018
Deputy President	David MABUZA	26 Feb 2018
Minister of Finance	Tito MBOWENI	9 Oct 2018
Minister of International Relations and Co-operation	Grace Naledi Mandisa PANDOR	29 May 2019

Leadership

Title	Name	Appointed
Minister of State Security	Ayanda DLODLO	29 May 2019
Minister of Defence and Military Veterans	Nosiviwe Noluthando MAPISA-NQAKULA	11 May 2009
Minister of Police	Bheki CELE	26 Feb 2018
Minister of Justice and Correctional Services	Ronald LAMOLA	29 May 2019
Minister of Employment and Labour	Thembelani 'Thulas' NXESI	29 May 2019
Minister of Home Affairs	Pakishe Aaron MOTSOALEDI	29 May 2019
Minister of Transport	Fikile MBALULA	29 May 2019
Minister of Health	Zwelini MKHIZE	29 May 2019
Minister of Mineral Resources and Energy	Gwede MANTASHE	29 May 2019
Minister of Basic Education	Matsie Angie MOTSHEKGA	11 May 2009
Minister of Trade and Industry	Ebrahim PATEL	29 May 2019
Minister of Agriculture, Land Reform and Rural Development	Thoko DIDIZA	29 May 2019
Minister of Co-operative Governance and Traditional Affairs	Nkosazana DLAMINI- ZUMA	29 May 2019
Minister of Public Service and Administration	Senzo MCHUNU	29 May 2019
Minister of Public Enterprises	Pravin GORDHAN	26 Feb 2018
Minister of Public Works and Infrastructure	Patricia DE LILLE	29 May 2019

Source: IHS and CIRCA People in Power

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Key figures - Parties and key figures - Political system and players - Political background: Political - South Africa

President: Cyril Ramaphosa

A prominent anti-apartheid figure, Cyril Ramaphosa was once considered to be former president Nelson Mandela's chosen successor and natural heir to the presidency. He played a crucial role in the multi-party negotiations on behalf of the ANC after Mandela's release from prison and served as the party's secretary-general in the 1990s. He also chaired the Constitutional Assembly responsible for finalising a permanent constitution. However, in the race to become deputy to Mandela and eventually succeed him, the former trade union leader was outflanked by Thabo Mbeki. He subsequently pursued his business interests. Despite his decision to leave full-time politics, Ramaphosa remained popular within the ANC and was still a member of the ANC's National Executive Committee (NEC). He re-entered the political field in 2012 when he was elected as the ANC's deputy president and was appointed as deputy president of South Africa following the 2014 polls. As criticism of Zuma's presidency mounted, Ramaphosa became the obvious focus of internal opposition even though he remained deputy president. He narrowly defeated Zuma's preferred candidate, Nkosazana Dlamini-Zuma, in the contest for the ANC presidency in December 2017, then engineered the swift removal of Zuma as head of state in February 2018. Ramaphosa immediately removed most of the ministers closely associated with Zuma and implicated in state capture allegations, but still faces a strong degree of internal opposition from Zuma loyalists within the ANC.

Former president: Jacob Zuma

Jacob Zuma was born in April 1942 in KwaZulu-Natal province, which remains a key support base for his political future. He is a long-standing member of the ANC, having joined the party in 1958, and was detained on Robben

Island from 1963 to 1973. From August 2003, Zuma's political career became threatened by official investigations into his suspected involvement in alleged corrupt practices, which he denied. On 14 June 2005, Mbeki dismissed Zuma as deputy president. However, his chances of running for the presidency were boosted in September 2006 when a judge threw out a corruption case relating to a 1999 arms deal. Ahead of the April 2009 election, the National Prosecuting Authority (NPA) formally withdrew its charges against him. Following the election, Zuma was voted in by parliament as South Africa's next president. In his second term as president, which began in 2014, he faced a rising tide of corruption allegations – particularly relating to 'state capture' and his links to the controversial Gupta brothers – and accusations of mismanaging the economy as South Africa fell into recession and saw its credit rating downgraded to junk status following a controversial March 2017 Cabinet reshuffle. Zuma resigned on 14 February 2018 when new ANC president Cyril Ramaphosa decided the party would have to back a no-confidence motion tabled by the EFF. In March 2018, the NPA confirmed Zuma would face 16 counts of corruption as old charges relating to the 1999 arms deal were revived.

African National Congress Secretary-General: Ace Magashule

Magashule was born in Parys in Free State province and previously served as the premier of that province between 2009 and 2018, when he took up the role of ANC secretary-general. He is alleged to have been involved in a number of corrupt deals during his time as Free State premier, allegations that he denies. He leads a faction within the ruling ANC that is set on the implementation of radical policies, including the expropriation of land without compensation and the nationalisation of the South Africa Reserve Bank (SARB). He is viewed as having inherited the support base of former president Jacob Zuma within the party, and is largely opposed to the reform agenda of President Cyril Ramaphosa.

Economic Freedom Fighters leader: Julius Malema

Julius Malema founded the Economic Freedom Fighters (EFF) in July 2013 following his expulsion from the ANC and his removal as the president of the ANC Youth League in April 2012. He was accused of sowing division within the ANC and bringing it into disrepute after a breakdown in his previously close relationship with Zuma. Malema has made repeated calls for the nationalisation of mines and redistribution of land without compensation. Malema became increasingly critical of Zuma and demanded that he be recalled by the ANC after the Constitutional Court ruled in March 2016 that the president's failure to comply with a public protector's recommendation regarding non-security-related state spending on his Nkandla private residence was inconsistent with the constitution. Malema's EFF was prominent among opposition and civil society groups that reiterated calls for Zuma to step down, and he habitually boycotted addresses by the president, who he no longer recognised as constitutionally valid. Malema played a key part in Zuma's eventual downfall by tabling the no-confidence motion that prompted his resignation in February 2018, but with Zuma's departure, Malema has been forced to take an even more hardline populist stance. He aggressively distanced himself and the party from a previous alliance with the Democratic Alliance (DA) party, which was the logical conclusion of the forceful campaigning for land expropriation without compensation, and the swift implementation of free tertiary education, key policies opposed by the DA.

Major pressure groups - Civil society - Political system and players - Political background: Political - South Africa

In comparison with the rest of the continent, South Africa's civil society is highly developed. The final decline of the *ancien régime* witnessed an unparalleled growth of non-governmental organisations (NGOs), much of whose work was aimed at mitigating the social impact of apartheid. Religious groups retain a vitality and influence commensurate with the high number of active (mainly Christian) worshippers in South Africa. These have played a key role in national reconciliation. Perceptions of increased corruption have precipitated the creation of a number of civil society groups focused on campaigning against this issue. A noteworthy example is the Organisation Undoing Tax Abuse, initially formed in 2012 as the Opposition to Urban Tolling Alliance (OUTA), to oppose the introduction of a South African National Roads Agency (SANRAL) e-tolling system in Gauteng Province. OUTA has

subsequently morphed into a civic action organisation directing litigation against maladministration and corruption relating to tax policy and state expenditure.

Many of the largest interest groups are closely aligned with a political party organisation. This applies particularly to the trade union movement, the most powerful component of which is the Congress of South African Trade Unions (COSATU). COSATU, along with other organised business groups, sits with government representatives on the National Economic Development and Labour Advisory Council (NEDLAC), which meets regularly to discuss broad policy and matters of common concern. Also important is the influence of the large conglomerates, in addition to some newer black economic empowerment (BEE) groups, which dominate the industrial sector.

Constitution - State institutions - Political system and players - Political background: Political - South Africa

The Republic of South Africa's non-racial, democratic interim constitution came into effect in April 1994. Under this constitution, the Constituent Assembly was required to draft and approve a permanent version by 1996. The new constitution, brought into force in February 1997, was largely similar to the interim law, but for the replacement of the Senate in the bicameral legislature with a National Council of Provinces (NCOP). Among other guarantees, the bill of rights provides equality before the law, prohibits discrimination, and enshrines the right to life, privacy, property, freedom and security of the person, and freedom of speech, religion, assembly, and association. The entitlement of citizens to a safe environment, housing, education, and healthcare are specified, as are the legal rights of criminal suspects. The constitution is viewed as among the most progressive in the world.

Executive - State institutions - Political system and players - Political background: Political - South Africa

The National Assembly elects the president to serve as head of state and commander in chief of the military. Under the constitution, a president is limited to two five-year terms in office. The president heads the cabinet, which also consists of a deputy president appointed by the executive from among the members of the National Assembly, and an indeterminate number of ministers, no more than two of whom do not need to be members of the Assembly. The responsibilities of the president include assigning powers and functions to the ministers, appointing a member of the cabinet to be the leader of government business in the National Assembly, and signing bills into law. The head of state is assisted in the functions of government by the deputy president, but the latter role is otherwise undefined and its holder can be virtually powerless if relations with the president break down.

Legislature - State institutions - Political system and players - Political background: Political - South Africa

The bicameral parliament comprises the National Assembly and the National Council of Provinces (NCOP). The constitution allows for a range of between 350 and 400 members in the National Assembly, and it is currently at its maximum number. The National Assembly debates all legislation and has specific control over bills relating to finances. The National Council of Provinces, which replaced the Senate upon democratisation, was created to provide a greater influence in provincial matters and must approve legislation that involves shared national and provincial competencies. It comprises 90 members, 10 from each of the nine provinces, made up of six permanent and four rotating delegates. Members of both chambers are elected for a five-year term by a system of proportional representation.

Judiciary - State institutions - Political system and players - Political background: Political - South Africa

The legal system is based on Roman-Dutch and English Common Law, with the constitution providing an independent and impartial judiciary. The majority of cases are heard in the High Courts and Magistrates' Courts, but the system also includes a Constitutional Court and a Supreme Court of Appeal. The Constitutional Court consists of a Chief Justice, a deputy Chief Justice and nine other judges who interpret and decide constitutional issues; the Supreme Court of Appeal, comprising a President, a deputy President, and a predetermined number of judges of appeal, acts as the highest court for non-constitutional matters. All judges are appointed by the president on the basis of recommendations primarily from the Judicial Service Commission (JSC) and, in some instances, the leaders of parties represented in the National Assembly.

Regional and local - State institutions - Political system and players - Political background: Political - South Africa

South Africa has nine provinces: Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Mpumalanga, North-West, Northern Cape, Limpopo, and Western Cape. Each province has an elected legislature with a premier. In 1997, provincial governments were allocated over half of central government funding, allowing them to develop and manage their own budgets. There is a desire among some provinces such as the Western Cape, for an even greater degree of autonomy from the central government, and the relationship between the central and provincial governments remains a subject of extensive debate, with the ruling party continuing to argue for a reduction in the number of provinces.

Overview - External relations - Political background: Political - South Africa

Under previous president Jacob Zuma, greater emphasis was placed on building relationships in the Brazil, Russia, India, China, and South Africa (BRICS) emerging economies group, although this led to some controversy. A ZAR1-trillion deal brokered by Zuma for Russia to build eight nuclear reactors was declared illegal by a High Court ruling in April 2017 and has since then been abandoned by the government. Ill-feeling over high numbers of illegal immigrants, many from Zimbabwe and other neighbouring countries, contributes to bouts of xenophobic violence in major cities. Relations with Nigeria, in particular, are often soured by accusations of failure to prevent attacks on nationals, most recently in April 2019.

United States - Bilateral - External relations - Political background: Political - South Africa

Relations with the United States

The United States is still one of South Africa's most important trading partners and a source of development assistance, with a particular focus on health and HIV/AIDS. According to the South African government figures, around 600 US companies operate in South Africa, contributing more than 120,000 local jobs.

On some fronts, bilateral relations are relatively strong and positive, but the ruling African National Congress (ANC)'s friendship with countries such as Iran suggests that the relationship between the world's superpower and Africa's regional hegemon will continue to fluctuate. South Africa is eligible for preferential market access under the US African Growth and Opportunity Act (AGOA). One aspect of AGOA access, namely US poultry farmers' access to South African markets, was the subject of prolonged negotiations but the issue was resolved in early 2016. There have been threats to South Africa's AGOA status in the future, particularly if it proceeds with controversial policies such as the expropriation of land without compensation, of which the US is very critical.

2001–13

South Africa's decision not to support militarily the US-led campaign in Afghanistan in 2001, and not to allow US warships to enter South African harbours while the war continued, was not so much a manifestation of neutrality,

but the result of some reservations about US policy, including its approach to the Palestinian issue. South Africa also consistently opposed US military action against Iraq. South Africa attempted to settle the issue by stating that South Africa was anti-war but not anti-US. Nevertheless, its role through the African Union (AU) and other regional institutions in promoting Pan-African opposition to the conflict was noted in Washington.

Prior to the visit of then-president George W. Bush to South Africa in July 2003, it appeared that the rift between the US and South Africa was widening. Protest actions were planned by the South African Communist Party and elements in the ANC, among others. The war in Iraq continued to be one of the main issues, as well as the US insistence on more pressure against Zimbabwe. Just days before the visit, the US suspended military aid to South Africa due to Pretoria's refusal to grant immunity to Americans from prosecution by the International Criminal Court. Bush's visit ultimately provoked no major clashes over Zimbabwe or Iraq. The end to a long-standing dispute over arms/defence trading between the US and South Africa, and the normalisation of defence trade relations between the two countries, was announced by the US ambassador in South Africa in July 2004.

In August 2005, South Africa and the US signed an agreement that would enhance co-operation in peacekeeping under the African Contingency Operations Training and Assistance (ACOTA) programme. Four years later, then-US secretary of state Hillary Clinton included South Africa in her tour of seven African nations. In Pretoria, she pointed to South Africa as being central to fostering strong trade relations across the continent. However, the problems in South Africa's backyard, Zimbabwe especially, were also on the agenda.

In April 2010, then-US president Barack Obama met with then-South African president Jacob Zuma in Washington, with agriculture, HIV, and security in Africa among the issues discussed. Zuma also attended a two-day summit on nuclear security as part of the visit. The US Secretary of State paid another visit to South Africa in August 2012, which was seen as an effort to further strengthen relations, and the White House included South Africa in the former president's trip to the continent in June–July 2013.

In 2018, US President Donald Trump appointed luxury fashion and handbag designer Lana Marks, a South African by birth, as US ambassador to South Africa.

China - Bilateral - External relations - Political background: Political - South Africa

Relations with China

China and South Africa have cemented their relationship since diplomatic relations were formally established in January 1998. Priority areas under the 'Five to Ten Year Framework on Strategic Co-operation between South Africa and China' include improved co-operation in Special Economic Zones, marine industries, human resources, and finance. South Africa received intense international and domestic criticism from civil society groups in 2014 when the Dalai Lama was denied a visa for the third successive time, almost certainly under pressure from China. In December 2015, during a visit by the Chinese President Xi Jinping, the two countries concluded 26 agreements.

1994–2011

After the African National Congress (ANC) was elected to office in 1994, South Africa's relationship with the People's Republic of China (PRC) and Taiwan remained ambiguous and in a state of flux until November 1996, when South Africa announced that it would switch full diplomatic recognition from Taiwan to the PRC at the end of 1997. Before this change of heart, South Africa was the most important of the 31 countries, then recognising Taipei over Beijing. As such, the decision represented a severe blow to Taiwan. Diplomatic relations with Beijing were formally established on 30 December at a ceremony attended by then Chinese minister of foreign affairs, Qian Qichen. Taipei, however, remains a de-facto diplomatic presence in Pretoria in the guise of a trade mission and bilateral trade continues.

The importance of China (together with Hong Kong) as a trade bloc, together with the fact that the PRC is a nuclear power and a permanent member of the UN Security Council, arguably made South Africa's move away from

Taiwan inevitable. Concern about the import of cheap Chinese textiles and its effect on the South African textile industry has, however, increasingly been expressed since January 2005 and an import quota system was agreed to in 2006.

Relations between South Africa and China were cemented in 2006, following an official visit to South Africa by the Chinese premier in July, and an official delegation led by then-president Thabo Mbeki to China in November that year. In February 2007, Chinese President Hu Jintao also visited South Africa as part of an eight-nation tour in Africa.

Meanwhile, in March 2009, the China-Africa Development Fund (CADF) opened an office in South Africa. South Africa was also invited to join the BRIC at the initiative of China in 2010, with this membership being formalised at the start of 2011.

In 2018, China pledged to invest USD14.7 billion in South Africa and to grant loans to its ailing state-owned power utility as the two nations sought to further strengthen economic ties and increase trade.

Sub-Saharan Africa - Bilateral - External relations - Political background: Political - South Africa

Relations with Angola

Angola and South Africa enjoyed excellent bilateral relations under former president Jacob Zuma, who significantly increased engagement compared with his predecessor Thabo Mbeki. Under President Cyril Ramaphosa, relations are unlikely to be as strong as they were under Zuma. A visa-exemption agreement was reached in early 2018. However, there is some tension in the relationship caused by Angola's apparent unwillingness to eliminate regional tariffs or harmonise customs procedures, as part of the Southern African Development Community (SADC) Protocol on Trade, which Angola signed up to in 2003. South Africa, as the SADC's largest economy, would like freer access to the Angolan market, which is the region's second-largest economy, especially given that the growing influence of China is threatening traditional trade partners, such as Portugal and South Africa.

1994–2009

Following apartheid South Africa's support for the National Union for the Total Independence of Angola (UNITA) during the Cold War, South Africa and Angola re-established formal relations on 29 May 1994 and former president Nelson Mandela used the Tunis summit meeting of the Organisation of African Unity (OAU) to make considerable diplomatic efforts to bring about peace in Luanda, especially through deterring provision of mercenary support to both sides by South African companies and individuals. This was reinforced by Mbeki's 1997 visit to Luanda, when he pressed for the establishment of a government of national unity. However, the African National Congress (ANC) declined to mediate between the Angolan government and UNITA after UNITA leader Jonas Savimbi's visit to South Africa. The Angolan government believed it should receive more support from the ANC, since Angola bore the brunt of South Africa's undeclared war and the Angolan government called repeatedly on the South African government for better monitoring of its airports, as supplies to UNITA continued to reach Angola via routes and front companies set up between 1975 and 1992.

In February 2000, former Angolan president José Eduardo dos Santos accused South Africa of interfering in Angolan affairs, following calls that the civil war in Angola should be ended through negotiations. It was stated that South Africa would play a facilitating role in this regard, if requested. Relations improved, however, and in October 2000 it was announced that the Angolan and South African armed forces would co-operate on technical training and telecoms programmes. A bilateral commission to improve relations between the two countries was also established in November 2000. Patrick Lekota, then-South African minister of defence, visited Angola in July 2001 to discuss security issues, and the two countries agreed to establish a joint commission to monitor sanctions against UNITA.

The battlefield defeat of UNITA in Angola in early 2002 began to open major opportunities in Angola for South African companies. In the beginning of 2005, it was announced that Angola and South Africa had signed four agreements aimed at strengthening economic and bilateral relations. These included investment, electricity, and a defence committee to extend co-operation in peace support missions and disasters.

South African post-war investment in Angola increased rapidly from 2002, to the point where it was the second-largest investor in 2006, at USD68 million. In November 2007, the South African-Angolan Joint Commission for Cooperation signed a number of agreements in Luanda, including visa-free travel for tourists between the two countries. Following his election, Zuma paid his first official visit to Angola in August 2009, with several cabinet ministers and a large business delegation accompanying him. In 2018 President Cyril Ramaphosa visited Angola in his capacity as chair of the SADC.

Relations with Botswana

Relations between Pretoria and Gaborone, previously affected by Botswana's "Front-line State" status, have now greatly improved. South African raids resulted in some degree of destabilisation during the mid-1980s, but relations warmed significantly following South Africa's democratic elections in 1994 and Nelson Mandela's presidency. In July 1996, for example, South Africa's then-minister of defence Mosiuoa Lekota strongly backed Botswana's military build-up as necessary to protect the mineral-rich region from external threats. In September 1998, troops from both South Africa and Botswana intervened to restore order in Lesotho. They entered at the invitation of Lesotho's prime minister but met resistance from looters and mutineers in the Lesotho army. By end-May 2000, both countries had withdrawn their troops, a process that started in May 1999.

In July 2000, Botswana and South Africa signed a joint defence and security agreement. This was aimed at curbing drug trafficking, cross-border crime, and illegal immigration. A joint defence and security commission was also established in November that year to facilitate security information exchange. In June 2000, the first cross-border game park in Africa, the Trans-Kgalagadi Frontier Park, which is managed jointly as a single unit by South Africa and Botswana, was also inaugurated.

By and large, the economic relationship between the two countries has been good. Other areas of shared co-operation discussed between the two countries in recent years have included energy, water supply, trade, economic diversification, and infrastructure development. Botswana, for example, has signed a memorandum of understanding with Lesotho and South Africa on tapping into the Lesotho Highlands Water Project.

In 2014, it was reported that Julius Malema, the former youth leader of South Africa's ruling African National Congress (ANC), who is now leading the Economic Freedom Fighters (EFF), was on a list of people who had to apply for visas to enter Botswana. Earlier in 2011, the ANC publicly rebuked Malema after the youth league controversially stated that it would establish a Botswana command team that would "work towards uniting all oppositional forces in Botswana to oppose the puppet regime of Botswana led by the Botswana Democratic Party [BDP]". The ANC voiced its total rejection of such statements, and pointed to its respect for Botswana's "sovereignty and its strong democracy".

Relations with Lesotho

As a tiny, landlocked country, which is completely surrounded by South Africa, Lesotho is firmly locked into the South African sphere of influence and the orbit of the Southern African Development Community (SADC) and the Southern African Customs Union (SACU). Relations with Pretoria are crucial to the kingdom's existence. However, the South African military intervention to restore order to Lesotho in late 1998 was not well received among the majority in Lesotho. In April 2001, when then-South African president Thabo Mbeki paid an official visit to Maseru, it was announced that Lesotho and South Africa had agreed to establish a bilateral commission to boost development in Lesotho. The main project in terms of South African investment is the ambitious Lesotho Highlands Water Project of dams to supply both countries. The commission builds on links established through the Intergovernmental Liaison Committee. Various other agreements and memoranda have been signed between

the two neighbours over the last decade, covering issues such as infrastructure development, co-operation in search and rescue, agriculture, and labour, with the latter relating to thousands of mineworkers from Lesotho who have traditionally been employed in South Africa.

Border safety has also been an enduring issue. Some South African farmers had previously claimed that security had disintegrated along the border, with stock theft and smuggling increasing. A number of crime-combating operations are jointly carried out by the South African and Lesotho police, including raiding marijuana plantations in Lesotho. There have also been several blockades at the border between South African and Lesotho amid disputes between taxi operators. Inter-governmental talks have been held on the recurring issue, including between the two countries' respective transport ministries in June 2014.

Following an effective breakdown in Lesotho's governing coalition and an alleged coup attempt in August 2014 (denied by Lesotho's military), South Africa, as SADC facilitator, helped to mediate an agreement between the rival parties that led to fresh elections in the country in February 2015. South Africa also deployed police officers to Lesotho in the wake of the security tensions in the kingdom. Although these officers, along with other regional police deployments, were withdrawn in March 2015, the South African government has remained invested in ensuring Lesotho's stability and is, therefore, likely to step in again in the event of another significant crisis. The diplomatic route has been favoured by South Africa and the SADC during the most recent political and security instability in 2014 and 2015, but South Africa would be able to again provide police security if authorised, or mount a rapid military deployment if a large rebellion lasting several weeks were to break out in Lesotho. Former prime minister Tom Thabane won an election in June 2017 after a no-confidence vote in the government, though his estranged wife was shot and killed the night before his inauguration.

Relations with Mozambique

Mozambique and South Africa enjoy close economic links and good bilateral relations, which are occasionally strained by outbreaks of xenophobic violence. The African National Congress (ANC) owes a great deal to Mozambique for its support during the struggle against apartheid, and relations between the two countries are cordial. In 2005, visas were abolished between South Africa and Mozambique for the purpose of limited visits, with further bilateral visa reforms implemented in January 2016. Illegal immigration from Mozambique, especially into South Africa, as well as cross-border crime, remains a problem. The xenophobic violence against Mozambican immigrants in South Africa, such as occurred in 2008 and April 2015, has been a source of significant tensions between the two nations.

Co-operation between the two countries on issues such as cross-border crime and the destruction of illegal weapons and land mines in Mozambique, as well as South Africa's assistance to flood victims in Mozambique, is firmly established. As part of the Maputo Development Corridor, the multinational Mozal aluminium smelter involves Mozambique and South Africa. South Africa also wrote off Mozambique's debt to it, and members of the South African National Defence Force assisted in the 1999 general election in Mozambique, as well as in flood relief operations in February 2000. In March 2000, a military co-operation agreement was signed between Mozambique and South Africa, providing for the sharing of military expertise and intelligence. At the beginning of 2007, South Africa donated surplus military equipment to Mozambique, including a ferry boat. It was emphasised that the South African and Mozambican defence forces had to co-operate to combat maritime piracy and the plundering of marine resources. In March 2007, South Africa again assisted flood victims in Mozambique by sending three helicopters to assist in transporting provisions.

In December 2018 former Mozambican finance minister Manuel Chang was arrested in South Africa in accordance with a US indictment and extradition request relating to hidden loans that were illegally acquired on behalf of the Mozambican government in 2013. A South African court has had to entertain extradition requests from both the US and Mozambique. Although President Ramaphosa promised to assist the Mozambique government, it is up to the courts to decide Chang's fate.

2002–12

Mozambique has been central to meeting South Africa's evolving energy needs for the past decade. A natural gas project, which supplies gas from Mozambique to South Africa, was launched in May 2002. In October 2002, a dispute over tariffs between South African electricity corporation Eskom and Cahora Bassa hydroelectric plant in Mozambique led Mozambique to cut off power bought by Eskom, but Eskom subsequently agreed to increase the tariffs. In August 2003, South Africa and Mozambique also signed an agreement to facilitate the construction of the USD1.3-billion 2,500-megawatt (MW) Mepanda Uncua hydroelectric dam in Mozambique. A memorandum of understanding (MOU) between South Africa and Mozambique was signed in September 2003, regarding the Mozambique Power Development Initiative. Among other infrastructure projects, South African rail company Transnet Freight Rail (formerly known as Spoornet) will be able to run its trains directly to Maputo until 2018.

There has also been a greater focus on anti-piracy efforts since an attack by Somali pirates in the Mozambique Channel was confirmed by Maputo in December 2010. In early 2011, South Africa's *SAS Mendi* was deployed to patrol along the Mozambican channel to ensure security in Southern African waters, while South Africa and Mozambique signed an MOU in June that year, allowing the two countries to work together in tackling piracy and trans-border crime. Co-operation under the MOU will include joint training, joint patrols, information and intelligence sharing, and ongoing support in military developments.

Relations with Namibia

South Africa remains the principal external influence on Namibia, which retains a way of life and an outlook heavily reminiscent of its larger neighbour to the south. Economically, Windhoek is also very dependent on Pretoria, and its currency remains pegged to the rand. It is also an important trading partner. South African companies remain heavily invested in key sectors, including banking and mining. Various bilateral agreements have been signed, relating to issues such as infrastructure and public works.

1990–2000

Namibia gained independence from South Africa in 1990. It was very important for Namibia domestically, as well as for its healthy relations with South Africa, that the deepwater port of Walvis Bay was reintegrated into Namibia in March 1994. Nelson Mandela paid one of his very first foreign visits as president to Namibia, and he took the opportunity to announce the cancellation of Namibia's debt to South Africa. Mandela believed that his country could "no longer saddle Namibia with a burden inherited from South Africa". In February 1997, the South African government followed Mandela's lead and voted to write off the Namibian debt to South Africa, owed since independence.

A dispute between Namibia and South Africa over the exact demarcation of the Orange River border between the two countries arose in November 2000, when it was reported that the South African view was that the northern high-water mark remained the border, while Namibia claimed it was the middle of the river. Subsequently, the Namibian foreign minister stated that negotiations were proceeding over the issue. Before 1990, South Africa claimed sovereignty over the whole river, but negotiations over demarcation and delimitation started in 1991 and have continued since.

Relations with Nigeria

There has been a marked deterioration in relations between the two biggest economies on the continent over the past few years, as a series of disputes has broken out. In early March 2012, there was a spat between the two countries over the deportation of more than 100 Nigerians from South Africa amid suspicions over potentially fraudulent yellow fever vaccine certificates. The deportations were met with retaliatory expulsions of South Africans from the Nigerian capital a few days later. South Africa subsequently sent a letter of apology to Nigeria and said the deportation of the Nigerians could have been handled better and held high-level consultations with Nigeria to avoid further escalation of the issue. South Africa appeared keen to publicly resolve the issue quickly, releasing a joint press statement with Nigerian officials on 8 March in which the countries emphasised their commitment to strengthening existing bilateral ties.

The issue did not damage relations for long, as highlighted by Nigeria in May when it also voiced its support for former South African home affairs minister Nkosazana Dlamini-Zuma's candidature for the African Union Commission chair. South Africa lost its position as the biggest Sub-Saharan African economy in 2014, when Nigeria announced a rebasing, but South Africa remained well ahead in terms of GDP per capita.

However, relations took a notable turn for the worse at the end of 2014, when South African law enforcement agencies seized USD15 million being brought into the country ostensibly for arms purchases. A series of xenophobic attacks on foreigners in South Africa in April 2015 dealt another blow, as Nigeria was the only country to respond by withdrawing its ambassador for consultations, although there was confusion over who had ordered this move in the wake of incumbent Goodluck Jonathan's presidential election defeat by Muhammadu Buhari. Yet another cause of contention has been the record USD5.2-billion fine imposed in October 2015 on telecoms operator MTN, the market leader in Nigeria. This was viewed in South Africa as completely disproportionate, but reflected Nigerian anger at the company's flouting of repeated orders to disconnect 5.1 million unregistered SIM cards, which it claimed were being used by criminals and terrorists. The dispute was eventually settled in June 2016, when the company agreed to pay just under 30% of the original fine in six cash payments. The staggered system meant MTN could pay from its annual profits and stay in business in Nigeria.

In February 2017, Nigerian students vandalised MTN offices in Abuja and demanded that South African citizens and businesses leave the country, in retaliation for a series of xenophobic attacks on Nigerian nationals and businesses in Pretoria earlier in the month. In June 2017, Nigerian diaspora representatives in South Africa claimed to have received threats in two different communities, signalling a likely resumption of xenophobic violence.

Xenophobic attacks have been reported in South Africa as recently as April 2019.

1990s to 2010s

Although successive Nigerian civilian and military administrations had played a prominent role in the international campaign against apartheid, relations between the Nigerian and the South African government led by Nelson Mandela from 1994 were strained. South Africa played a leading part in pushing for Nigeria's isolation and for a transition to democracy when it was ruled by the dictatorship of Sani Abacha (1993–98), as well as condemning human rights abuses. When Olusegun Obasanjo was elected in 1999, he swiftly made it clear that he was seeking greater South African involvement in Nigeria's development. During July 1999, a South African fact-finding delegation indicated interest in co-operating with Nigeria in the area of solid mineral exploitation and processing. It was also announced that, from October 1999, South Africa would be buying crude oil from Nigeria for the first time.

A bilateral commission between the two countries was also established, with the inaugural session held in Abuja in the beginning of October 1999. Co-operation was slated to include closer economic ties, measures to combat crime and corruption, and the creation of an early warning system for conflict. Co-operation between South Africa and Nigeria would also specifically focus on electricity supply. Nigeria's former vice-president, Atiku Abubakar, viewed the bilateral commission as a step towards the integration of the Southern African Development Community (SADC) and the Economic Community of West African States (ECOWAS).

During a meeting of the South Africa-Nigeria Bi-national Commission in March 2001, both countries pledged closer co-operation on defence and security issues. During November 2001, it was announced that a military training agreement would be signed. This would include the repairing of naval vessels and the conduct of joint exercises. In March 2002, a further series of trade and political negotiations commenced, which included the establishment of time frames for a free-trade agreement.

During the sixth session of the commission, held in September 2004, South Africa and Nigeria pledged to strengthen political and economic ties, and to intensify efforts to solve Africa's pressing problems. Previous attempts to work together to address Zimbabwe's political crisis following the disputed 2002 presidential election were not a success. However, South Africa and Nigeria also formed part of the mediating initiative in Côte d'Ivoire.

In May 2007, then-South African president Thabo Mbeki attended the inauguration of Nigeria's Umaru Musa Yar'Adua, and his successor Jacob Zuma, who secured the presidency in South Africa in 2009, attended the inauguration of Goodluck Jonathan in May 2011.

Relations with Swaziland

South Africa is Swaziland's largest trading partner, providing 80% of the kingdom's imported goods and services and absorbing 60% of its exports. Swaziland is also dependent on South African road, rail, and air links and obtains 80% of its electricity and all its petroleum products from its neighbour. Owing to the importance of mutual trade and South Africa's traditional need for migrant workers, relations with Pretoria have generally been cordial. Factors that are likely to sporadically undermine friendly relations at government level include the ongoing renegotiation of the SACU Treaty, with Swaziland dependent on its customs revenues, and the close rapport between the South African and Swaziland trade union movements.

Swaziland's near-absolute monarchy has been resisting pressure for reform since the early 1990s. Pretoria has taken a low-key approach to encouraging political change. However, Swaziland's main pressure groups for democratisation – the labour unions – have close links to the Congress of South African Trade Unions (COSATU), which is aligned with South Africa's ruling African National Congress (ANC). Swazi movements have been allowed to hold pro-democracy rallies and meetings inside South Africa, and COSATU has blockaded the common border in support of Swazi general strikes and pro-democracy action in Swaziland.

In 2011, amid a fiscal crisis in Swaziland – which also emerged following a fall in Swaziland's main revenue source, namely SACU receipts – South Africa granted Swaziland a ZAR2.4-billion loan on the understanding that the Swazi government would implement confidence-building measures and institute fiscal reforms, among other issues. However, by August 2012, South Africa indicated that negotiations on the conditional loan were still continuing. Subsequently, in early 2013, Swaziland declined the loan after an improvement in its fiscal finances.

Another long-running issue that has flared periodically is Swaziland's desire for boundary changes between the two countries. During January 2001, the border adjustment committee in Swaziland threatened to take the border dispute with South Africa to the International Court of Justice. Following a visit by then-deputy president Jacob Zuma to Swaziland in February 2001, King Mswati III expressed his determination to re-incorporate adjacent parts of South Africa's KwaZulu-Natal and Mpumalanga provinces, which would provide Swaziland with access to the Indian Ocean. The issue has been revived on a number of occasions in recent years, with Swaziland also claiming that South Africa has stalled in negotiations. The major South African investment in the disputed areas makes it unlikely that the land will be transferred easily to Swaziland.

Relations with Zambia

Existing economic links have been strengthened by South African private investment in Zambia. For example, in August 2002 it was announced that South Africa's Transnet Freight Rail (formerly known as Spoornet) would operate rail freight in Zambia for 20 years. South Africa is an important source of imports for Zambia, but the trade balance is heavily in South Africa's favour.

Former South African president Jacob Zuma led an official visit to Zambia in December 2009, which included ministerial and business delegations. This led to the signing of two agreements on co-operation in the fields of energy, and mining and geology. Four memoranda of understanding were also concluded, relating to health, agriculture and livestock farming, trade and industrial co-operation, and regular diplomatic consultations. More recently, in 2013, Zambia suggested that there was major trade and investment potential between Zambia and South Africa, and urged more investment in mining, agriculture, and manufacturing, specifically. Zambia has become one of South Africa's top-three trading partners within Africa, according to a South African government media report in February 2015.

In December 2016, Zuma hosted a three-day state visit from Zambian President Edgar Lungu, to discuss improved bilateral relations across various economic sectors. In June 2017, Zambia reduced visa restrictions for South

African travellers, possibly in advance of a reciprocal move by South Africa. Meanwhile, Democratic Alliance leader Mmusi Maimane was denied entry to Zambia when he attempted to visit Zambian opposition leader Hakainde Hichilema, who was imprisoned, awaiting trial on treason charges. The South African government declined to comment on either the expulsion or the treason charges.

Historical context

Zambia's historical relations with South Africa were multi-layered. For nearly three decades, the Kenneth Kaunda government (1964–91) was a leading external opponent of South Africa's apartheid system in international forums. On several occasions, Zambia suffered military attacks by South Africa or efforts at destabilisation. Yet, its geographical position required Zambia to maintain trade links with South Africa and, at different times, Kaunda worked closely with South African leaders in negotiations, advancing the cause of peaceful political change in the region (notably over Rhodesia). It was left to the Chiluba government to establish formal diplomatic ties with South Africa.

Relations with Zimbabwe

While South Africa was governed by the apartheid regime, Zimbabwe maintained a strict adherence to UN sanctions and was active in support of the African National Congress (ANC)'s liberation struggle. However, the inauguration of the Nelson Mandela government engendered new concerns in Harare. Through the 1990s, there was a form of competition with South Africa for regional economic influence, foreign investment, and political leadership. A source of friction between the two countries was focused on their mutual membership and relative influence and power within the Southern African Development Community (SADC). President Robert Mugabe's decision to deploy forces to the Democratic Republic of the Congo (DRC) in August 1998 further drove a wedge between the two countries. Zimbabwe was extremely critical of South Africa's reluctance to commit military assistance to then-DRC president Laurent-Désiré Kabila (1997–2001). Nevertheless, good relations between Zimbabwe and South Africa are vital to the sub-region.

Despite pressure from opposition parties in South Africa for the government to take a firmer stand towards Zimbabwe amid its political instability, South Africa opted for a low-key approach. Following the disputed 2002 presidential election, South Africa and Nigeria brokered talks between the ruling Zimbabwe African National Union – Patriotic Front (ZANU-PF) and the opposition Movement for Democratic Change (MDC) in March that year. No outcome was achieved, although Zimbabwe became more vehement in its criticism of South Africa and, for instance, requested that the South African press tone down its comments on Zimbabwe.

Following a meeting of SADC leaders in Tanzania in March 2007 to discuss the escalating political crisis in Zimbabwe, Thabo Mbeki was chosen as the official mediator for Zimbabwe and a series of meetings was held between ZANU-PF and the MDC in South Africa that year. After the March and June 2008 polls in Zimbabwe, Mbeki's mediation attempts continued, culminating in an agreement on power-sharing between ZANU-PF and the two MDC formations in September that year. In August 2009, Mbeki's successor as South African president, Jacob Zuma, took over mediation. He appointed a new facilitation team for Zimbabwe in November 2009. After a protracted constitution-making process was completed and passed by the electorate at a referendum vote in March 2013, Zimbabwe held an election in July 2013, in which ZANU-PF secured 197 out of 270 parliamentary seats and then-president Mugabe secured 61.09% of the presidential vote. Although the MDC-T regarded ZANU-PF's subsequent landslide victory as a stolen vote, the results appeared to have been accepted regionally.

Zimbabwe and South Africa signed five agreements to strengthen bilateral relations in April 2015, including on trade co-operation, co-operation in water resources management, and on customs administration.

Regional organisations - Multilateral - External relations - Political background: Political - South Africa

South Africa's return to the international community in 1994 refocused the country's attention on its regional

relationships. At the regional level, however, Pretoria has had to endure some criticism from some of its neighbours that South Africa has hegemonic ambitions and that it behaves as Africa's "big brother". Several South African ministers have dismissed such claims, but others have asserted that South Africa's economic status has saddled South Africa with 'duties' and 'responsibilities' in the region and farther afield. On a wider front, the government places considerable importance to its African Union (AU) and Southern African Development Community (SADC) roles.

Relations with the African Union (AU)

The continental union was established in 2001 as a direct replacement for the Organisation of African Unity set up in 1963. The AU has been taking a higher-profile role than its predecessor – intervening in support of constitutionality, and setting up a military standby force to be deployed in emergencies – but the ultimate goals of economic and monetary union are still distant, although progress towards the establishment of a Continental Free-Trade Area has been made.

South Africa became a member of the Organisation of African Unity (OAU), which had played a leading role in organising international opposition to the apartheid government, only after the transition to majority rule. Thereafter, presidents Nelson Mandela and Thabo Mbeki became major figures in the organisation's activities and diplomacy. Until July 2003, when Mozambique took over, Mbeki was the inaugural/transitional chairman of the AU and had great influence over the development of its structure and institutions. These include the Pan-African Parliament and some form of common defence structure. Mbeki used his chairmanship of the AU to continue to promote the New Partnership for African Development (NEPAD) agenda.

Mbeki supported the formation of an AU standby force for peace support missions and intervention, which was approved by the AU in February 2004.

In July 2012, South Africa's then home affairs minister, Nkosazana Dlamini-Zuma, was appointed as the AU Commission's first female chairperson after intensive lobbying from her government. However, her tenure which ended in 2017 was poorly received and she was accused towards the end of it of spending too much time in South Africa, laying the groundwork for a bid to succeed her former husband as African National Congress (ANC) leader.

Relations with the New Partnership for African Development (NEPAD)

NEPAD was formed by the AU in 2001 and encapsulates an economic co-operation and integration policy for African countries. NEPAD's main achievement has been setting up a peer review project to promote adherence to its objectives; however, many of its programmes have conflicted with other AU policies. NEPAD is heavily dominated by South Africa and the body has steadily lost influence and relevance in the years since its foremost architect, President Thabo Mbeki left office.

Relations with the Southern African Development Community (SADC)

The SADC emerged in 1992 from the former Southern African Development Co-ordination Conference (SADCC), which was established by Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, and Zimbabwe in 1980. SADC membership has grown to include South Africa, which joined after its 1994 political transition, as well as the Democratic Republic of Congo, Madagascar, Mauritius, Namibia, and the Seychelles. The SADC works to implement regional economic and political integration and to promote regional security. The SADC Free Trade Area was launched in August 2008. Improving infrastructural links is a key area of co-operation, including via the Southern African Power Pool (SAPP) and the launch of the SADC Regional Infrastructure Development Master Plan (RIDMP) that is to run until 2027.

South Africa has played a leading role within SADC in mediation efforts in Zimbabwe as well as more recently in the political-military crisis in Lesotho (since 2014). South Africa was also involved in mediation efforts in Madagascar, such as in July 2012 in the Seychelles under the auspices of the SADC Troika on Politics, Defence and Security. The SADC facilitated the peace roadmap aimed at breaking the political deadlock on the island, which was signed by most Malagasy parties in September 2011. Madagascar finally held its long-delayed presidential and

parliamentary elections in October and December 2013.

Relations with the Southern African Customs Union (SACU)

Botswana, Lesotho, Namibia and Swaziland (collectively known as the BLNS states), together with South Africa, are members of the SACU, a system of tariff-sharing originally established in 1910. A revised SACU Treaty with a new revenue-sharing formula, in terms of which each member state's revenue would be based on a share of the common customs and excise pool, was signed in Botswana in October 2002. The revised treaty was aimed at providing for more balanced development and assistance to prevent the economies of the smaller member states from being undermined by the relative strength of the South African economy. However, the revenue-sharing formula has been consistently under review. South Africa manages the common revenue pool, and customs and excise duties tend to be determined by South Africa. When economic growth within SACU declines, imports tend to decline as well, meaning that the duties accruing to the revenue pool shrink, which affects the shares of each member.

Economic - South Africa

26 Feb 2021 - Global Economics | Profile

Forecast highlights: Economic - South Africa

- South Africa's GDP is expected to rebound by 3.3% in 2021. The economy will benefit from a strong global economic backdrop, low inflation and interest rates, and the extension of the government's COVID-19 income grant and payments from unemployment fund until mid-March 2021.
- Favorable medium-term inflation expectations are likely to keep the South African Reserve Bank's policy unchanged during 2021. Headline inflation will average 4.0% in the year while the rand is expected to average ZAR15.25/USD1.00. South Africa's monetary policy remains expansionary.
- The unfolding COVID-19 pandemic and slow rollout of the COVID-19 vaccine program remain the biggest risk to the economic outlook in 2021, with IHS Markit analysts acknowledging the possibility of a third wave of COVID-19 in South Africa during the southern hemisphere winter months.

Changes since last forecast: Economic - South Africa

February 2021 forecast

	2021		2022		Rationale
	Current	Prior	Current	Prior	
Real GDP (Percent change)	3.3	3.3	2.1	1.9	Economic growth is expected to gain momentum owing to stronger household spending and exports.
Policy rate (End-of-period, percentage)	3.50	3.50	3.75	3.75	A favorable medium-term inflation outlook underlines the unchanged interest rate outlook in 2021.
Exchange rate (ZAR/USD1.00, average)	15.25	15.60	15.66	15.73	A weaker US dollar trajectory, a shift in investor sentiment toward emerging markets, and the high level of rand undervaluation during 2020 underline the outlook of rand resilience in 2021.

Source: IHS Markit

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Near-term outlook - Near-term outlook: Economic - South Africa

A slow start to 2021 is expected to be followed by gains in economic activity during the second half of the year.

- South Africa's GDP is expected to rebound by 3.3% during 2021 from an estimated contraction of 7.1% in 2020. The slow rollout of the COVID-19 vaccine program and subsequent government restrictions pose the biggest risk to the near-term growth expectations. An insufficient electricity supply caps South Africa's potential growth performance.
- Preliminary estimates suggest that durable consumer spending bounced back to pre-lockdown levels during the third quarter of 2020. The recovery in nondurable consumer spending and services have been slower. The biggest decline was recorded in semi-durable consumer spending during the second quarter of 2020 and this category of spending is only likely to recover to pre-lockdown levels toward the end of 2022–23. Higher unemployment in the middle-

and low-income households combined with rising food inflation increased pressures on disposable income levels. The slow rollout of the COVID-19 vaccine program and subsequent government restrictions as COVID-19 cases flare up will further curtail job opportunities in South Africa's passenger transport, recreation, entertainment, tourism, and retail sectors during 2021–22. However, consumers will continue to benefit from low interest rates and the extension of the government's income grant and payments from the unemployment fund until mid-March 2021. The government has also rolled out a COVID-19 temporarily youth employment scheme, which should provide temporary employment relief until mid-2021.

- The global backdrop is likely to benefit the South African economy during 2021. Resilient global commodity prices and stronger global trade are likely to prop up exports of goods during 2021. Tourist arrivals to the country could furthermore show stronger gains in the fourth quarter of 2021. Less import congestion due to supply chain disruptions, higher global oil prices, and stronger local demand will increase imports during 2021. A net neutral trade contribution to overall GDP growth is assumed for 2021.
- Fixed investment is likely to remain depressed during 2021. Structural bottlenecks such as electricity disruptions—expected to continue until at least mid-2021—the risk of labor actions due to higher unemployment and low salary adjustments combined with weak economic growth underline this expectation.

Interest rates likely to remain unchanged during 2021.

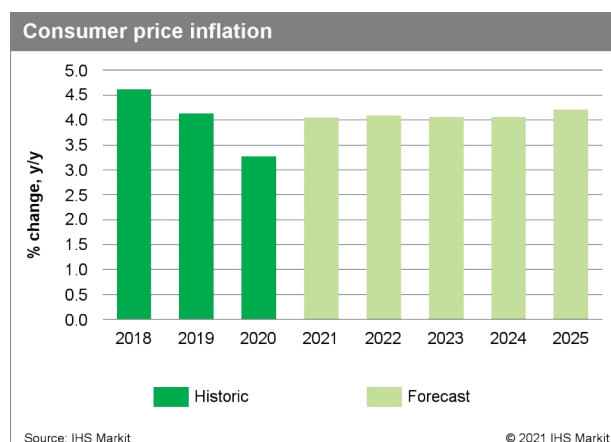
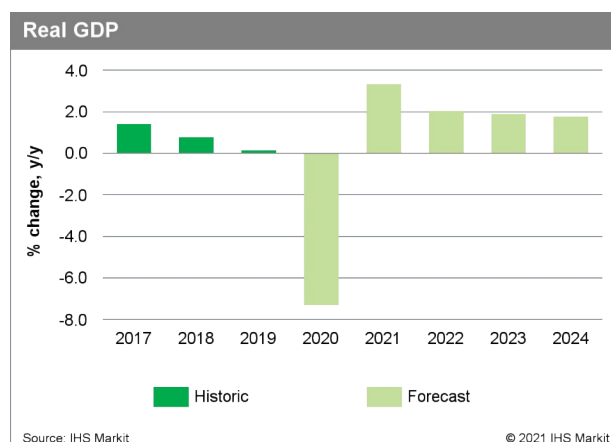
- The rand will average ZAR15.25 against the US dollar in 2021, from an average of ZAR16.46/USD1.00 in 2020. Improved investor sentiment following the anticipated rollout of COVID-19 vaccines during 2021, a weaker US dollar, and a shift closer to purchasing power parity level underline the expected rand's appreciation against the greenback during the year.
- In the medium term, price differentials with the rest of the world, movements in commodity prices, the current-account deficit, and the level of international reserves will determine the rand's level. South Africa has a high import propensity, which with its slow-developing and relatively fragile export markets, should keep external accounts in the red and place downward pressure on the rand. Furthermore, inflation is expected to stay at about 4.5–5.0%, with global inflation about 2.0–2.5%. This leaves the inflation differential at approximately 2.0%, which is the expected rate of depreciation for the South African rand in the longer term. Upside pressures on the rand, which are expected to cushion the currency's longer-term depreciating bias, include a relatively sustained upswing in foreign investor interest toward emerging markets and upwardly trending commodity prices as global growth gradually improves.
- Price increases in South Africa remained low during 2020. Headline inflation is, however, expected to pick up in 2021. The low base year of comparison combined with the narrowing of the output gap during the year, could push South Africa's headline inflation back up to 4.1% by end-2021—still well within the SARB's official inflation target range. Weak economic growth anticipated during the first half of 2021, combined with a favorable medium-term inflation outlook, is likely to keep the policy rate unchanged during 2021. South Africa's monetary policy will continue to be considered accommodative.
- South Africa's fiscal deficit is expected to reach 15.7% of GDP by the end of fiscal year 2020/21, pushing the public-sector debt-to-GDP ratio to an estimated 81.8%. Weak economic growth, combined with COVID-19 related tax exemptions in the interim, is likely to place government revenue flows under pressure. Supplementary spending revisions include increased healthcare spending, more funding for vulnerable households, and the youth unemployment program. An

amount of ZAR3 billion is being made available for the recapitalization of the Land Bank. No spending adjustments have been made for state-owned entities (SOEs) such as South African Airways (SAA) and state power producer Eskom. The public-sector wage bill was left unchanged. South Africa's fiscal trajectory has become increasingly problematic, and it is unlikely that fiscal consolidation or a more stable debt trajectory in the medium term will be achieved. Weak economic growth and rising unemployment, large financing gaps of state-owned entities, little political will to reform the public-sector wage bill, and rising interest rate burden add to the fiscal constraints.

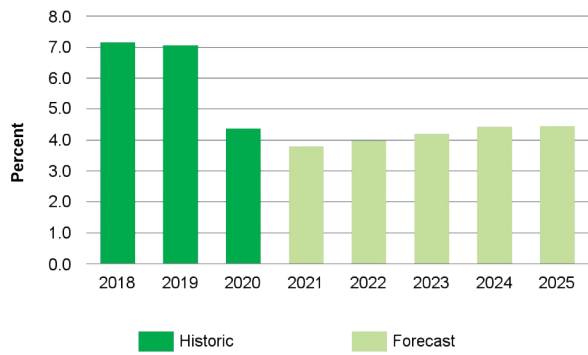
Upside potential is dependent on a potential investment rebound.

- An aggressive drive by new ruling president Cyril Ramaphosa to secure USD100-billion local and foreign investment in the next five years could be the swing factor in near-term growth prospects. Strong private-sector investor spending could leave South Africa's growth rate closer to 3.5% in the medium term.
- Important binding constraints, including a high dependency on investment-related imports, higher inflation, inadequate infrastructure, and disruptive domestic political and labor market developments, will continue to prevail within the assumed higher private-sector investment scenario.

Data - Near-term outlook: Economic - South Africa



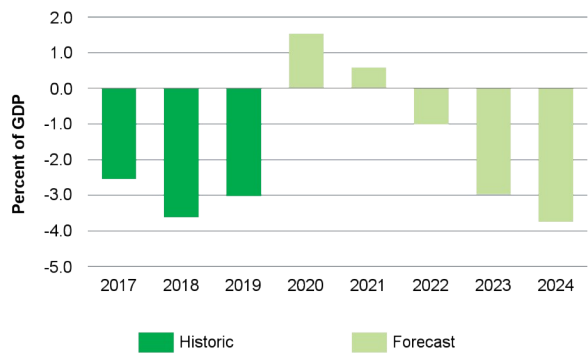
Short-term interest rate



Source: IHS Markit

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Current-account balance



Source: IHS Markit

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South Africa: Recent economic developments (percent change year on year, unless otherwise specified)

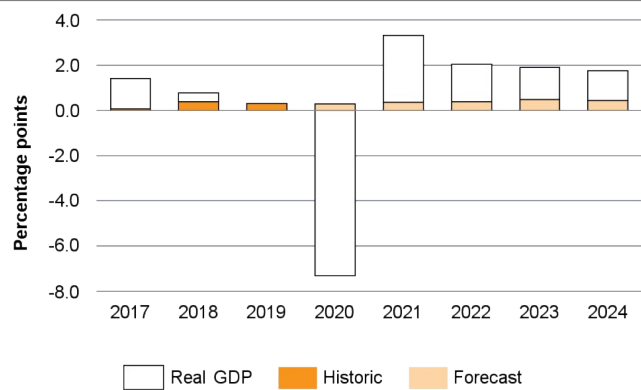
	Jan 21	Dec 20	Nov 20	Oct 20	Sep 20	Aug 20	2020	2019
Manufacturing production (real)	NA	0.4	-3.0	-3.8	-3.9	-8.8	-11.3	-0.9
Mining production (real)	NA	2.0	0.1	2.1	7.5	11.7	-4.2	3.5
Retail sales (real)	NA	NA	-2.5	-3.6	-2.8	-3.4	-7.7	1.2
Consumer price index	NA	3.1	3.2	3.3	3.0	3.1	3.3	4.1
Rand/USD1.00 exchange rate (average)	15.01	14.60	15.28	16.26	16.84	16.71	16.48	14.46
Policy rate (end-of-period, %)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	6.5
Long-term interest rate (end-of-period, %)	10.15	10.20	10.37	10.85	10.65	10.62	10.20	9.50

Source: IHS Markit

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Key indicators and forecasts - Near-term outlook: Economic - South Africa

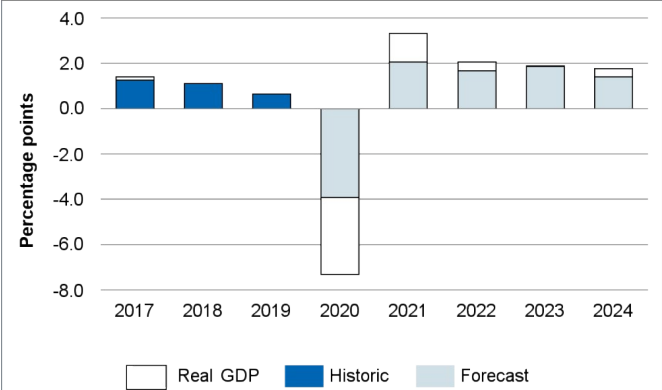
Government consumption contribution to GDP growth



Source: IHS Markit

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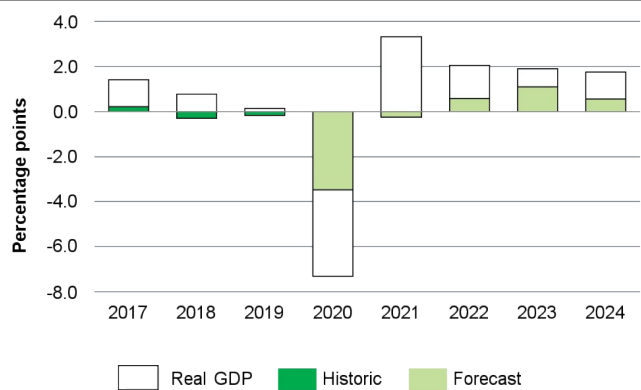
Private consumption contribution to GDP growth



Source: IHS Markit

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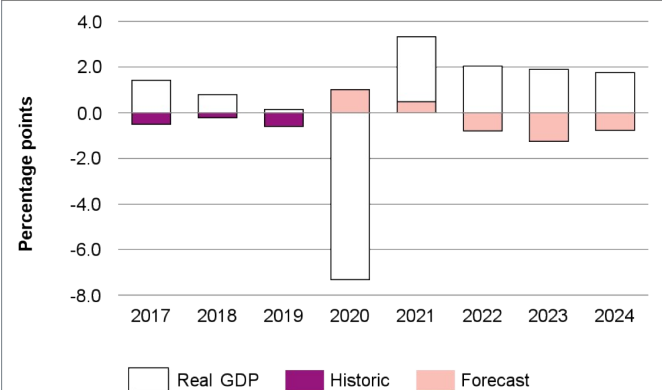
Fixed investment contribution to GDP growth



Source: IHS Markit

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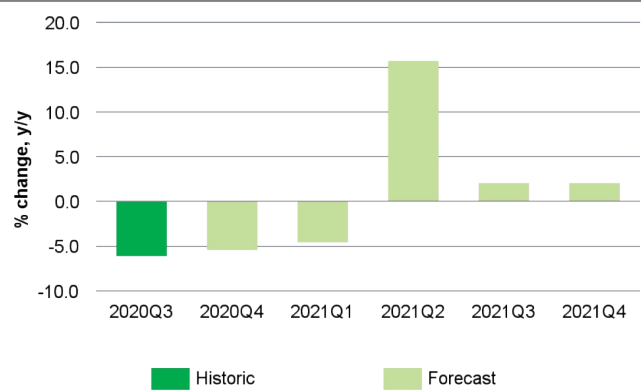
Net foreign trade contribution to GDP growth



Source: IHS Markit

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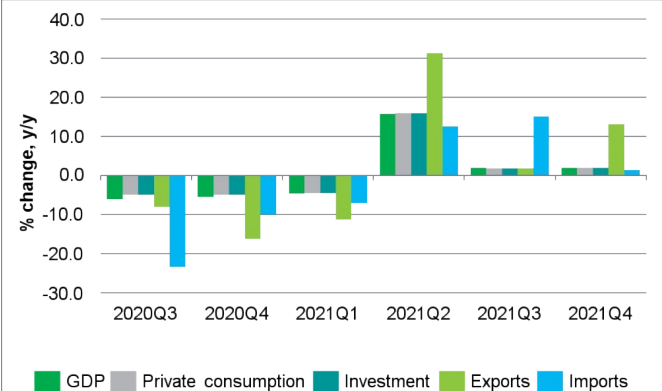
Real GDP growth



Source: IHS Markit

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Economic Growth



Source: IHS Markit

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South Africa: Key indicators and forecasts

		Historical	2019	2020	2021	2022	2023	2024	2025
		data edge							
Real GDP and its components (percent change)									
Gross domestic product	2019		0.2	-7.3	3.3	2.1	1.9	1.8	1.8
Domestic demand	2019		0.6	-8.6	3.7	3.4	3.0	2.3	2.2

South Africa: Key indicators and forecasts

	Historical							
	data edge	2019	2020	2021	2022	2023	2024	2025
Exports of goods & nonfactor services	2019	-2.5	-13.4	6.7	5.8	5.0	4.0	3.9
Imports of goods & nonfactor services	2019	-0.5	-15.9	4.8	8.5	9.1	6.1	4.8
Real per-capita GDP		-1.2	-8.5	2.1	0.9	0.7	0.6	0.8
Nominal GDP (billions of current US dollars)								
Gross domestic product	2019	351.3	299.1	351.0	361.7	367.3	381.6	401.6
Domestic demand	2019	348.2	288.2	340.3	357.3	370.4	388.0	408.5
Exports of goods & nonfactor services	2019	104.9	88.3	101.4	104.9	107.3	114.3	124.0
Imports of goods & nonfactor services	2019	103.1	76.8	90.7	100.5	110.4	120.7	130.9
Nominal per-capita GDP	2019	5,999	5,043	5,847	5,953	5,977	6,142	6,395
Prices (percent change)								
GDP deflator	2019	4.0	4.6	5.3	3.6	3.7	4.1	5.0
Consumer price index	2020	4.1	3.3	4.1	4.1	4.1	4.1	4.2
Wholesale price index	2020	4.6	2.5	3.9	5.0	5.6	5.4	5.0
Terms of trade	2019	2.6	9.8	-4.5	-4.2	-3.4	-0.5	0.9
Other indicators								
Industrial production (percent change)	2019	-1.0	-11.4	9.5	3.6	2.8	1.7	1.9
Retail sales (percent change)	2019	1.2	-7.3	9.3	3.7	3.6	2.7	2.7
Unemployment rate (percent)	2019	28.7	30.1	35.7	34.3	33.1	32.7	32.5
Population (millions)		58.6	59.3	60.0	60.8	61.5	62.1	62.8
Percent change		1.3	1.3	1.2	1.2	1.1	1.1	1.1
Exchange rate (year end, per USD)	2020	14.06	14.60	15.41	15.84	16.54	16.71	17.09
Percent change	2020	-2.3	3.8	5.6	2.8	4.4	1.1	2.2
Broad money supply (percent change)	2019	6.1	-2.5	15.1	8.6	8.3	8.1	8.1
Fiscal balance (percent of GDP)	2019	-4.5	-11.7	-10.7	-6.8	-6.8	-6.4	-4.9
Policy interest rate (percent per annum)	2020	6.63	4.21	3.50	3.73	3.98	4.23	4.25
Short-term interest rate (percent per annum)	2020	7.06	4.37	3.80	3.98	4.21	4.44	4.45
Long-term interest rate (percent per annum)	2020	9.08	10.12	8.61	8.40	8.36	8.33	8.29

Last update 25 February 2021

Source: IHS Markit

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Global - Forecast assumptions: Economic - South Africa

- The forecast assumes that COVID-19 pandemic will recede in response to widening availability of vaccines, improved treatments, and seasonal effects, enabling affected economies to reopen. By July, the world will reach an inflection point at which the most vulnerable populations are protected, mortality is reduced, hospitalizations are manageable, and non-pharmaceutical interventions are less critical.
- Major central banks will keep extraordinary policy support in place until economic recoveries are well-established. These include asset purchases, credit facilities, and liquidity programs. The US Federal Reserve will begin to raise its policy rate in mid-2024, followed by the European Central Bank and Bank of England in 2028 and the Bank of Japan in 2029. Policy rates will then gradually rise to their neutral rates in the early 2030s.

- The US forecast incorporates the major elements of a USD1.9-trillion stimulus package now before Congress. It includes another round of payments to qualified persons, an extension of emergency unemployment programs and benefits, major funding for COVID-19 mitigation efforts, and significant aid to state and local governments.
- The United Kingdom and the European Union reached a trade agreement that maintains free trade in goods but leaves trading relationships for much of the services economy and financial sector undefined. UK service providers may face non-tariff barriers, including regulations and licensing requirements.
- The oil price outlook anticipates that Saudi Arabia will adjust production to support prices above USD50/barrel. The price of Dated Brent crude oil is assumed to rise from an average of USD42/barrel in 2020 to USD57/barrel in 2021 and USD60/barrel in 2022 as demand recovers. The real oil price in constant 2020 dollars will settle near USD67/barrel in the 2030s.
- The dollar's trade-weighted exchange rate will fall about 6% from the fourth quarter of 2020 through mid-2022 in response to increased investor risk tolerance and large US current-account deficits. It recovers these losses in the mid-2020s as US interest rates rise.
- The forecast incorporates trade agreements, tariffs, and quotas currently in effect, including the US-Mexico-Canada Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Implementation of the Regional Comprehensive Economic Partnership is assumed to start in 2022 after ratification.

Global forecast assumptions

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1
Brent crude-oil price (USD/barrel)	50.42	29.38	42.97	44.29	55.33	55.33	56.33	60.58	59.67
US federal funds rate (percent)	0.65	0.08	0.09	0.09	0.09	0.09	0.09	0.09	0.09
ECB refinancing rate (percent)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
US dollar per euro (quarter average)	1.10	1.10	1.17	1.19	1.21	1.22	1.23	1.25	1.26
Yen per US dollar (quarter average)	108.92	107.58	106.16	104.48	104.16	104.75	104.26	103.36	102.10

Last update 16 February 2021

Source: IHS Markit

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Country - Forecast assumptions: Economic - South Africa

- South African is currently in the grip of the second wave of COVID-19. Suspension of large gatherings, school closures, border closure with neighbors, and stricter curfew over the 15 December 2020–15 February 2021 period have been implemented by the South African government. Vaccine program is likely to be rolled out from the second quarter of 2021.
- "Populist" rhetoric triggers rand volatility.
- Expropriation of land without compensation does not result in unlawful land grabs, loss in agricultural production, banking crisis, or sharp drop in property prices.
- The South African Reserve Bank (SARB) is not nationalized and the central bank's mandate is not changed. The SARB adheres to the official inflation target range of 3–6% in implementing monetary policy in the South Africa economy.
- Water supply and agricultural production are increasingly at the mercy of volatile weather conditions. A normal agricultural year is assumed for 2021/22.

Risks and alternative scenarios: Economic - South Africa

Overall risk to the forecast

Downside risks in the South African economy remain prevalent in the short term. Possible swings in the global portfolio away from emerging markets to developed economies, electricity supply deficits, and the introduction of populist policies add to near-term risk factors.

Downside risks

- The South African government delays government spending rationalization programs, which include the public-sector wage bill and state-owned enterprise (SOE) inefficiencies. Public-sector debt levels escalate above the current IHS Markit expectations.
- “Populist” policies such as land redistribution disrupt the agricultural production supply chain and jeopardize property rights in the South African economy. Ongoing adverse weather conditions pose an additional threat to low food prices in the South African economy. Land redistribution policies destabilize South Africa’s banking sector and trigger substantial asset price depreciation.
- The impact of rising bond yields in the developed world results in a sharp swing in portfolio flows into emerging markets, including South Africa. Such an outcome could mean higher inflation and interest rates than the baseline assumption.
- Private-sector investment is delayed because of mounting concerns about property rights and electricity supply.
- Electricity supply disruptions exceed IHS Markit expectations.
- A third wave of COVID-19 hit South Africa during winter months in the southern hemisphere. Slower-than-expected rollout of COVID-19 vaccine program will leave economic activity under pressure during 2021–22.

Upside risks

- The South African government, under the new leadership of Ramaphosa, will start focusing on the most pressing economic challenges in the South African economy. This includes the education system, loss in international competitiveness, the mining charter, and the financial viability and leadership of SOEs.
- International commodity prices move above the baseline outlook; this improves the growth and exchange rate outlook in the South African economy.
- The South African government is partially successful in attracting USD100 billion in local and foreign investments in the next five years.

Special topic: Policy uncertainty could deter investment spending - Special topics: Economic - South Africa

History shows that most nations that embarked on the expropriation of land without compensation adopted it with a strong belief that it would be done within a better and less-disruptive framework compared to other instances. The unintended consequences in most cases were misjudged: policy implementation mostly began with limited expropriation without compensation but was later expanded to include a broader spectrum of businesses that were considered “saboteurs” or “wreckers” of the policy, especially if expropriation did not result in the intended outcomes. In severe cases, “enemies of the people”, which often supposedly included opposition political parties or ethnic minorities, were blamed for policy failure and were targeted under the expropriation-without-compensation policy, while large-scale famine and the full-scale slaughter of livestock also occurred

(examples are China in 1958–62, Ukraine in 1928–33, Kazakhstan in 1931–33, Venezuela in 2001–18, and Zimbabwe 2000–18). Corruption escalated and, in instances such as Venezuela and Zimbabwe, resulted in a "mafia" state, and a breakdown of supply chains. We find it highly unlikely that the first round of expropriation of land without compensation in South Africa will be massively economic disruptive, but the long-term consequences could prove more problematic. The draft of the revised expropriation bill released in December 2018 outlines the procedures for expropriation with and without compensation. The draft document specifies procedures for bonded entities and goes further to list five kinds of property that could be expropriated without compensation. These comprise abandoned buildings (of which many abandoned office blocks are available in South African city centers, such as in Johannesburg and Pretoria), state-owned land (such as that owned by Eskom and Transnet), property in which the state has already invested more than its current-market value (allowing for the expropriation of failed government land reform projects), land held for speculative reasons, and farms with labor tenants, where the draft bill makes provision for partial expropriation.

Although the short-term consequences of the expropriation law could be limited, managing expectations of the general population, slow implementation of the proposed policies, or any radical shift towards populism by the ruling African National Congress (ANC) party in the wake of a possible loss of party support could result in more disruptive economic consequences in the long term. More aggressive farmland expropriation could be pursued to pacify the electorate, followed by the possible specific targeting of companies and other properties, ultimately lowering the country's long-term GDP growth potential to 0.5–1.0%. Only under the unlikely long-term assumption of total farmland nationalization would IHS Markit consider South Africa's expropriation path to develop in a similar way to that of Venezuela or Zimbabwe.

However, the planned amendment of the South African constitution to allow the expropriation of land without compensation will most likely be strongly contested by opposition political parties and civil society groups in the South African economy, which could result in long drawn-out court cases in the next three to five years. Policy uncertainty will, therefore, prevail during this period, limiting the contribution of fixed investment spending towards overall GDP growth.

In the future, the ANC development policy scope could also be broadened to target South Africa's savings pool. In its 2019 election manifesto, the ANC proposed assigning prescribed asset allocation for pension funds toward infrastructure, housing, and employment creation, which allows for the forced redistribution and channeling of savings toward the financing of state development projects. However, financing of state-driven large-scale projects—such as Eskom's 4,764-megawatt (MW) Medupi and 4,800-MW Kusile coal-fired power stations—has already been partly financed through South Africa's mature capital markets, ensuring private-sector capital mobilization towards bankable projects in the economy. Forcing asset allocation toward less-feasible state-driven projects will result in capital misallocation and lower returns on investment in a contentious business environment marred by "red tape." The Medupi and Kusile projects have been impeded by project delays and massive cost overruns, contributing to the current dire situation of the state-owned entity, which increasingly finds it difficult to service its ballooning debt obligations. Finding "bankable" state-driven projects could prove challenging and costly, while tricky policy compliance will overrule project feasibility. All this bodes less optimistically for South Africa's long-term potential growth as productivity drops.

In the near term, South Africa's GDP growth is expected to average 0.6% in 2019, but the risks of even more benign growth over the longer term have increased.

Special topic: Conflicting views on how to address South Africa economic challenges in post-COVID-19 period - Special topics: Economic - South Africa

The South African economy has been on a slippery slide even before the coronavirus disease 2019 (COVID-19) pandemic reached local shores. The country's real GDP per capita growth rate has been in negative territory since 2015 with unemployment reaching a high of 29% in 2019. Businesses once again grapple with frequent electricity disruptions, which ultimately contributed to the 2.0% quarter-on-quarter (q/q) annualized contraction in real GDP

during the first quarter of 2020. Ailing and inefficient state-owned entities (SOEs) strain fiscal finances while the highly unionized labor force limits the ability of government to downsize the ballooning public-sector wage bill. The South African government's "developmental" economic model deepened overall corruption, "rent seeking," and inefficiencies in the economy. Local and global economic disruptions combined with lower commodity prices and tourism proceeds amid the COVID-19 global pandemic exacerbated the economic slide, and South Africa's real GDP growth is likely to contract by 8.9% during 2020. Business, government, and labor alike realize the urgency to reverse this economic trajectory but in typical South African fashion have significant different views on how to achieve this objective.

The ruling African National Congress released its post-COVID-19 policy document in July with the policy having the ultimately aim to 'reset' the South African economy. The focus is on state-driven infrastructural development programs, which will boost demand, employment, income, and ultimately growth. Private pension funds will be forced to contribute to the state's development objectives through the provision of funding, with the shortfalls made up by South African Reserve Bank (SARB). The nationalization of the SARB will be once again considered. More aggressive Black Economic Empowerment Policies (BEE) will ensure the transformation of the private sector and a strong focus will be placed on the development of local supply chains.

The ANC policy document stands in stark contrast to the economic plan presented by National Treasury (NT) earlier in 2019. The NT plan focuses more on lowering the overall cost of doing business in South Africa by reducing red tape and supporting small and medium sized enterprises. A focus is placed on the facilitation of regional growth, reducing the skills deficit by attracting skilled immigrants, and reform basic education and post-school training. Support for job-creation industries such as agriculture and tourism should be frontloaded. Reforms at SOEs also form part of the plan with a focus on the finalization of the electricity plan, unbundling Eskom, modernize ports and rail infrastructure, and the licensing spectrum.

Private business in South Africa supported National Treasury's economic plan. A strong push toward enhancing the economy's competitiveness through digitalization, big data, artificial intelligence, and other processes are furthermore proposed while supply chains need to be restructured to focus on the security of supply.

The deepness of the economic contraction and social fallout will be hard to ignore by South African policy makers. However, changing the economy's growth trajectory will require an economic policy overhaul by the ruling party and a stronger compact with the private sector and labor.

Ultimately a middle road could be pursued, in the view of IHS Markit, where private business makes a stronger commitment toward the transformation of the labor force and ownership structures in the economy, focus on job creation, and support small- and medium-sized businesses. The government works to stem the fiscal slide and root out corruption and inefficiencies. A business-friendly environment is prioritized by lowering red tape and setting out clear and constructive business policies while reforms at SOEs is sped up. IHS Markit considers the reforms for basic schooling and post-schooling training also essential to achieve human capital accumulation and improve labor productivity.

Different political and economic ideologies within the ruling ANC and its alliance partners could hamper such an outcome nonetheless and increases the risk of policy paralysis and a low growth rut moving forward. IHS Markit maintains its view of a potential growth rate of 1.5% in the medium term for now.

Medium- and long-term outlook - Medium- and long-term outlook: Economic - South Africa

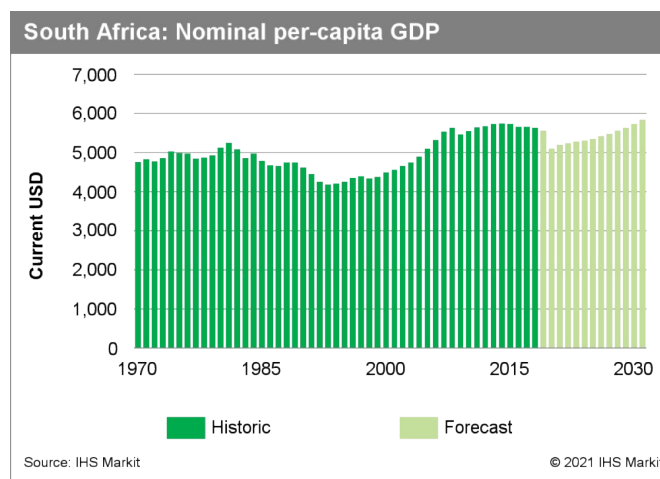
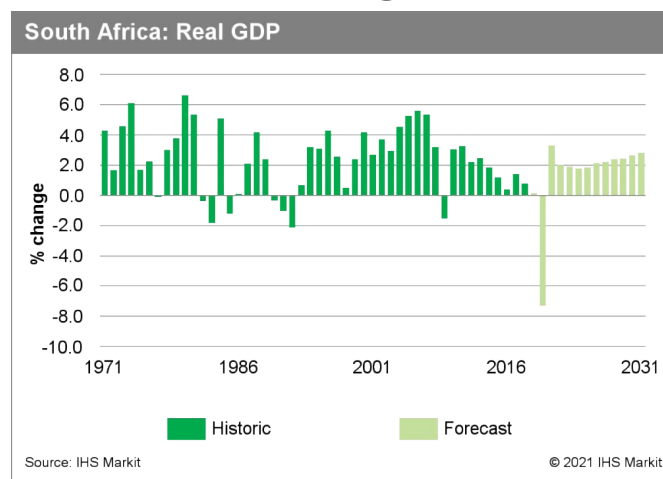
South Africa's long-term growth potential is constrained by structural impediments, exacerbated by the impact of coronavirus disease 2019 (COVID-19) pandemic. South Africa's potential growth rate has dropped back to 1.5% by 2020. Contributors to a potential growth rate—namely labor, capital, and productivity—have shown lackluster performances. Labor force participation is constrained by a highly unionized labor market, which allows for limited labor market flexibility while the education system's lack in efficiency increasingly pushes more

uneducated entrants into the labor market. As a result, a huge demand-supply mismatch continues in the labor market despite a worrying unemployment rate of close to 30%. Lack of job opportunities has been a key driver of rising poverty in the South African economy, with worrying dimensions for the less skilled youth. The capital/labor ratio plateaued since 2016 as the economy grapples with infrastructure deficiencies, particularly electricity supply. A deteriorating business environment marred by red-tape, stringent economic empowerment policies, uncertainty over future property rights, and increased corruption pulled South Africa down on the World Bank's ease of doing business ranking to the 84th position among 190 economies in 2020 from a ranking at 35 in 2011. Less foreign direct investment inflows have furthermore capped South Africa's savings pool and overall capital accumulation in recent years. The contribution in overall factory productivity to growth has faltered.

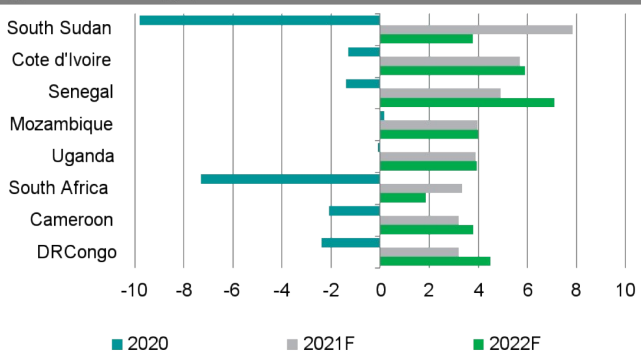
There is limited policy space to prop-up South Africa's growth potential. The COVID-19 pandemic has strained South Africa's fiscal finances, with public-sector debt expected to breach the 100% of GDP level in the medium term. A drop in government revenue flows and a sharp rise in COVID-19 related government spending (which included increased grant payment, income protection, and financial support to small- and medium-sized business) left the public-sector debt burden close to 80% of GDP by 2020. With public-sector debt sustainability under threat, limited fiscal space is available to introduce a strong counter-cyclical fiscal expansion program. A mixture of higher revenue and lower spending is necessary to improve South Africa's debt trajectory. A rising public-sector wage burden, increased grant dependency by the poor, financial bailouts of inefficient state-owned entities and a spike in debt servicing costs will complicate the fiscal predicament. Public-private-partnerships have become essential to bridge fiscal spending constraints. Monetary policy is safeguarded by an inflation target regime, central bank independence, and financial market stability. IHS Markit expects headline inflation to remain within the 3-6% inflation target range in the medium term, anchored by the solid monetary policy directive. This will allow for relatively low nominal interest rates. Currency volatility and weakness pose the biggest risk to this outlook. The rand remains vulnerable to the whims of changing global emerging market sentiment, volatile portfolio inflows, and a structurally embedded current-account deficit.

Nonetheless, South Africa still remains one of the most developed economies in the sub-Saharan region. South Africa's tax collection systems still rank among the best in the world. The same applies to the highly developed and well-regulated financial system, which includes the Johannesburg Stock Exchange (JSE). Although infrastructure bottlenecks have become apparent in recent years, the country's road, rail, and port facilities are the most developed in the region. The judicial system remains solid and the skills pool diversified, while high-ranked tertiary institutions position South Africa well to reap the benefits of the regional economic strength foreseen in the coming years.

Data - Medium- and long-term outlook: Economic - South Africa



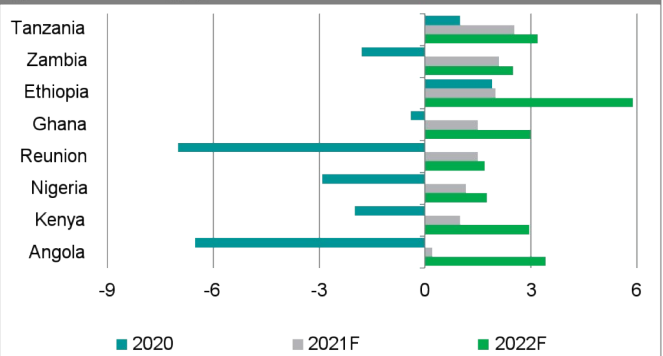
Real GDP growth in Sub-Saharan Africa (percent change)



Source: IHS Markit

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Real GDP growth in Sub-Saharan Africa (percent change)



Source: IHS Markit

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South Africa: National income accounts

		Historical					Average level or compound growth	
		data edge	2019	2020	2021	2022	2023	2024-29
Billions of current local currency units								
Gross domestic product	2019		5,078	4,924	5,355	5,663	5,986	7,557
Domestic demand	2019		5,033	4,744	5,191	5,594	6,037	7,661
Private consumption	2019		3,059	2,951	3,152	3,371	3,619	4,535
Government consumption	2019		1,081	1,119	1,197	1,300	1,390	1,780
Fixed capital formation	2019		908.9	769.7	786.0	859.2	958.0	1,238.1
Change in inventories	2019		-0.1	-1.6	1.5	0.8	-0.3	-0.1
Net exports	2019		25.5	190.2	164.0	69.4	-51.3	-104.1
Exports of goods & nonfactor services	2019		1,516	1,454	1,547	1,643	1,749	2,474
Imports of goods & nonfactor services	2019		1,490	1,264	1,383	1,573	1,800	2,579
Percent change at constant prices								
Gross domestic product	2019		0.2	-7.3	3.3	2.1	1.9	2.1
Domestic demand	2019		0.6	-8.6	3.7	3.4	3.0	2.4
Private consumption	2019		1.0	-6.3	3.3	2.7	3.0	2.3
Government consumption	2019		1.5	1.4	1.6	1.8	2.2	2.7
Fixed capital formation	2019		-0.9	-18.1	-1.5	3.7	6.6	2.7
Change in inventories (contrib. to growth)	2019		-0.1	-1.6	1.5	0.8	-0.3	-0.1
Net exports	2019		-48.0	55.9	55.5	-212.8	-110.3	-12.5
Exports of goods & nonfactor services	2019		-2.5	-13.4	6.7	5.8	5.0	4.0
Imports of goods & nonfactor services	2019		-0.5	-15.9	4.8	8.5	9.1	4.7
Billions of current US dollars								
Gross domestic product	2019		351.3	299.1	351.0	361.7	367.3	424.0
Domestic demand	2019		348.2	288.2	340.3	357.3	370.4	429.9
Private consumption	2019		211.6	179.3	206.6	215.3	222.1	254.5
Government consumption	2019		74.8	68.0	78.5	83.0	85.3	99.8
Fixed capital formation	2019		62.9	46.8	51.5	54.9	58.8	69.5
Change in inventories	2019		-1.1	-5.8	3.7	4.1	4.3	6.0
Net exports	2019		1.8	11.6	10.8	4.4	-3.1	-5.9
Exports of goods & nonfactor services	2019		104.9	88.3	101.4	104.9	107.3	138.4

South Africa: National income accounts

	Historical						Average level or	
	data edge	2019	2020	2021	2022	2023	compound growth	
							2024-29	2024-49
Imports of goods & nonfactor services	2019	103.1	76.8	90.7	100.5	110.4	144.3	279.2

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Source: IHS Markit

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South Africa: Inflation and financial indicators

	Historical						Average level or	
	data edge	2019	2020	2021	2022	2023	compound growth	
							2024-29	2024-49
Government finances (billions of LCU)								
Revenues	2019	1,911	1,825	1,934	2,102	2,225	NA	NA
Percent change	2019	6.5	-4.5	6.0	8.7	5.9	NA	NA
Expenditures	2019	2,140	2,403	2,506	2,486	2,632	NA	NA
Percent change	2019	11.7	12.3	4.3	-0.8	5.9	NA	NA
Balance	2019	-228.8	-578.1	-572.3	-384.0	-406.7	NA	NA
Percent of GDP	2019	-4.5	-11.7	-10.7	-6.8	-6.8	NA	NA
Inflation indicators (percent change)								
GDP deflator	2019	4.0	4.6	5.3	3.6	3.7	4.6	4.5
Consumer price index	2020	4.1	3.3	4.1	4.1	4.1	4.2	4.1
Wholesale price index	2020	4.6	2.5	3.9	5.0	5.6	5.1	4.9
Export prices	2019	6.7	10.7	-0.3	0.3	1.3	6.0	5.3
Import prices	2019	3.9	0.8	4.5	4.8	4.9	5.2	4.9
Monetary indicators								
M1 (billions of LCU)	2019	1,835	1,944	2,025	2,122	2,263	2,907	7,467
Percent change	2019	3.2	5.9	4.2	4.8	6.7	7.5	8.0
Broad money (billions of LCU)	2019	3,764	3,668	4,222	4,586	4,966	6,667	18,027
Percent change	2019	6.1	-2.5	15.1	8.6	8.3	8.8	8.4
Policy interest rate (percent)	2020	6.63	4.21	3.50	3.73	3.98	4.25	4.25
Short-term interest rate (percent)	2020	7.06	4.37	3.80	3.98	4.21	4.45	4.45
Long-term interest rate (percent)	2020	9.08	10.12	8.61	8.40	8.36	8.15	7.69
Exchange rates (per US dollar)								
Annual average	2020	14.45	16.46	15.26	15.66	16.30	17.77	22.66
Percent change	2020	9.2	13.9	-7.3	2.6	4.1	2.8	2.3
Year-end	2020	14.06	14.60	15.41	15.84	16.54	18.02	22.91
Percent change	2020	-2.3	3.8	5.6	2.8	4.4	2.8	2.2
Purchasing power parity	2019	6.21	6.42	6.64	6.76	6.88	7.48	9.49
Percent change	2019	2.2	3.3	3.5	1.8	1.8	2.4	2.2

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Source: IHS Markit

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South Africa: Balance of payments

	Historical						Average level or	
	data edge	2019	2020	2021	2022	2023	compound growth	
							2024-29	2024-49
Current account (billions of current US dollars)								
Current-account balance	2019	-10.6	4.6	2.1	-3.6	-10.9	-14.8	-3.6
Balance on goods	2019	2.7	14.6	15.6	9.4	2.2	0.3	15.0
Goods, credit (exports)	2019	90.1	82.0	95.6	98.8	101.1	131.4	276.5
Goods, debit (imports)	2019	87.5	67.4	80.0	89.4	98.8	131.1	261.5
Balance on services	2019	-1.0	-2.8	-4.8	-4.9	-5.4	-6.2	-6.4
Services, credit (exports)	2019	14.7	7.2	5.9	6.1	6.2	7.0	11.2
Services, debit (imports)	2019	15.7	10.0	10.7	11.0	11.6	13.2	17.7
Balance on primary income	2019	-9.9	-4.7	-6.1	-5.7	-5.5	-6.3	-8.0
Primary income, credit	2019	8.1	7.1	6.3	6.7	7.1	8.3	10.7
Primary income, debit	2019	18.0	11.8	12.4	12.4	12.6	14.6	18.7
Current-account balance (% of GDP)	2019	-3.0	1.5	0.6	-1.0	-3.0	-3.5	-1.1
Capital account (billions of current US dollars)								
Balance on capital account excl. reserves	2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net direct investment	2019	1.5	1.9	-0.2	0.3	0.2	0.2	0.2
Net incurrence of liabilities (inflow)	2019	4.6	2.5	1.7	2.0	1.9	2.1	2.1
Net acquisition of financial assets (outflow)	2019	3.1	0.6	1.9	1.7	1.7	1.9	1.9
Net portfolio investment	2019	9.0	-4.9	1.3	2.9	3.7	3.9	7.0
Net incurrence of liabilities (inflow)	2019	6.1	-10.8	3.2	5.2	5.5	5.4	8.4
Net acquisition of financial assets (outflow)	2019	-2.9	-5.9	1.9	2.3	1.7	1.4	1.4
Net other investment	2019	-0.5	-4.0	-3.2	1.8	9.7	15.0	3.6
Net incurrence of liabilities (inflow)	2019	-0.6	4.8	10.6	16.7	26.0	38.1	41.9
Net acquisition of financial assets (outflow)	2019	-0.1	8.8	13.7	14.9	16.3	23.0	38.3
Reserves, related items (change in reserves)	2019	1.6	0.5	-0.1	1.3	2.8	4.3	7.1
Related items								
Exchange rate (year-end, per US dollar)	2020	14.06	14.60	15.41	15.84	16.54	18.02	22.91
Forex reserves (billions of current US dollars)	2019	48.92	49.92	51.31	52.66	55.43	70.92	133.13

Last update 25 February 2021

Source: IHS Markit

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Currency convertibility: Economic - South Africa

South Africa has a free-floating exchange rate policy, with no restrictions placed on payments and transfers for current international transactions by nonresidents. Exchange controls on nonresidents were eliminated following the abolishment of the financial rand in 1983, enabling nonresidents to purchase South African shares, bonds, and other assets. This included full repatriation of dividends, interest receipts, current and capital profits, as well as the original investment. Exchange controls on capital transactions by residents have also been gradually relaxed, with policy focusing on prudential limits and supervision and less on a rigid system of quantitative controls.

The free-floating exchange rate policy, with limited central bank intervention, leaves the rand vulnerable to emerging market sentiment, terms-of-trade developments, domestic political developments, and interest rate differentials with major trading partners. US dollar strength/weakness also influence the rand's trajectory.

The rand lost more than 16% of its value against the US dollar and the euro during the first eight months of 2020, reflecting large capital outflows from emerging markets as the risk-off sentiment of global investors deepened

amid the coronavirus disease 2019 (COVID-19) pandemic and the country's loss of its local-currency investment status from international credit rating agency Moody's in late March 2020. Uncertainties about future property rights in the South African economy, the nationalization and the mandate of the South African Reserve Bank, weak growth prospects, fiscal woes, and changing emerging-market sentiment will continue to leave the rand volatile in 2020–21. The post-lockdown period during the second half of 2020 could resume developed-market economic activity, provide some stability to global commodity prices, and allow a return of foreign investors to the South Africa market. IHS Markit expects the rand exchange rate could strengthen to around ZAR16.75/USD1.00 during the period.

Data - External trade - Economic background: Economic - South Africa

South Africa: Major trading partners, 2019

Exports			Imports		
Country	Billion USD	Share (%)	Country	Billion USD	Share (%)
China (mainland)	9.64	10.7	China (mainland)	17.27	18.5
Germany	7.45	8.3	Germany	9.25	9.9
United States	6.29	7.0	United States	6.14	6.6
United Kingdom	4.70	5.2	India	4.58	4.9
Japan	4.31	4.8	Saudi Arabia	3.88	4.2
India	4.11	4.6	Nigeria	3.83	4.1
Botswana	3.95	4.4	United Kingdom	3.04	3.3
Mozambique	3.66	4.1	Japan	2.97	3.2
Namibia	3.58	4.0	Thailand	2.83	3.0
Netherlands	2.92	3.2	Italy	2.37	2.5

Source: IMF, Direction of Trade

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South Africa: Major trading partners, 2010

Exports			Imports		
Country	Billion USD	Share (%)	Country	Billion USD	Share (%)
China (mainland)	8.12	8.9	China (mainland)	12.19	13.9
United States	7.21	7.9	Germany	9.70	11.0
Japan	6.42	7.0	United States	6.35	7.2
Germany	5.80	6.4	Japan	4.50	5.1
Botswana	4.17	4.6	Saudi Arabia	3.42	3.9
Namibia	3.89	4.3	Iran	3.35	3.8
United Kingdom	3.68	4.0	United Kingdom	3.26	3.7
India	3.04	3.3	India	3.02	3.4
Switzerland	2.43	2.7	France	2.58	2.9
Netherlands	2.31	2.5	Nigeria	2.34	2.7

Source: IMF, Direction of Trade

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South Africa: Major trading partners, 2000

Exports			Imports		
Country	Billion USD	Share (%)	Country	Billion USD	Share (%)
United States	2.41	11.1	Germany	3.79	13.4

South Africa: Major trading partners, 2000

Exports			Imports		
Country	Billion USD	Share (%)	Country	Billion USD	Share (%)
United Kingdom	2.26	10.4	United States	3.36	11.9
Germany	1.90	8.8	United Kingdom	2.44	8.6
Japan	1.35	6.2	Japan	2.26	8.0
Netherlands	1.01	4.7	Saudi Arabia	2.15	7.6
Belgium	0.97	4.5	Iran	1.24	4.4
Italy	0.84	3.9	France	1.19	4.2
Mozambique	0.73	3.4	China (mainland)	1.06	3.7
Zimbabwe	0.70	3.2	Italy	0.95	3.4
Zambia	0.63	2.9	Australia	0.70	2.5

Source: IMF, Direction of Trade

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South Africa: Top-12 Commodities

Exports				Imports			
	Share of 2020 (%)	2021 (Mil. USD)	2020 (Mil. USD)		Share of 2020 (%)	2021 (Mil. USD)	2020 (Mil. USD)
Nonferrous metals	28.6	25,849	26,916	Oil & gas mining	5.7	4,744	3,845
Mining of metals & stone	17.3	15,035	16,271	Parts and accessories	7.1	4,432	4,762
Motor vehicles	9.9	8,293	9,291	Motor vehicles	6.3	3,909	4,256
Agriculture	6.8	6,045	6,394	Refined petroleum products	5.1	3,139	3,431
Iron & steel	5.3	4,748	4,956	Food Products	4.5	2,901	3,049
Coal mining	3.9	3,574	3,628	Transmitters, routers, telephony	3.6	2,648	2,406
Food Products	3.5	3,168	3,281	Computers & related equipment	3.9	2,513	2,617
Fluid power, compressors, valves	2.2	1,869	2,092	Basic chemicals	3.6	2,347	2,395
Basic chemicals	2.0	1,749	1,857	Pharma: drugs & medicines	3.5	2,277	2,323
Refined petroleum products	1.7	1,675	1,620	Nonferrous metals	3.4	2,144	2,289
Fire & safety, brushes, other nec	1.3	1,262	1,192	Agriculture	3.0	1,855	2,025
Other specialty chemicals	1.3	1,122	1,179	Fire & safety, brushes, other nec	2.5	1,779	1,713
Total of top-12	83.7			Total of top-12	52.2		
All commodities	100.0				100.0		

Updated: 22 January 2021

Source: Comparative Industry Service, IHS Markit

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Key sectors data - Key sectors - Economic development - Economic background: Economic - South Africa

South Africa: Top-10 Sectors Ranked by Value Added

	2020 level (Billion USD)	Percent change (2021, real)	% GDP (Nominal)
1. Public admin & defense, other services (O,S,T,U)	51.3	0.8	19.3
2. Mining of metals & stone (B07,B08,B09)	19.3	5.4	7.2

South Africa: Top-10 Sectors Ranked by Value Added

	2020 level (Billion USD)	Percent change (2021, real)	% GDP (Nominal)
3. Wholesale and retail trade and repair of motor vehicles and motorcycles(G45)	17.8	6.5	6.7
4. Real estate activities(L)	15.3	4.4	5.7
5. Wholesale trade, except of motor vehicles and motorcycles(G46)	14.3	4.8	5.4
6. Financial service activities, except insurance and pension funding(K64)	14.2	3.9	5.3
7. Land transport (H491,H492)	13.1	4.4	4.9
8. Construction(F)	9.0	-1.0	3.4
9. Agriculture, forestry and fishing(A)	7.5	-6.1	2.8
10. Manufacture of food products(C10)	7.3	3.0	2.7
Top-10 Total	169.1		63.4

Updated: 22 January 2021

Source: Comparative Industry Service, IHS Markit

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Legal - South Africa

25 Aug 2020 - Country Risk | Profile

Overview: Legal - South Africa

The mining charter, released in September 2018, is a likely template for the scale of enhanced black ownership, representation and procurement levels in other sectors, with headline provisions for wealth redistribution being maintained despite a change of government leadership. Risks of land expropriation without compensation remain elevated after the ANC elective conference voted in favour, but depend significantly on the success of attempts to fast-track the redistribution of state-owned land. The judicial system has been strong enough to retain independence in a series of rulings against the government and former president Jacob Zuma, emphasising it can act as impartial arbiter of disputes between the state and investors.

Analysis - Contract alteration threats: Legal - South Africa

Mining Charter and rail programme underline pressure to force businesses to increase black ownership and local content

Changes to mining policies are a key indicator that the government will seek to increase its participation or secure a greater influence in a narrow set of target sectors. The 2018 Mining Charter's enhanced Black Economic Empowerment targets were particularly illustrative of this. In September 2018, the Department of Minerals and Energy presented a Mining Charter revision, which increased black ownership requirements for mining companies to 30%, having been previously set at 26% in 2010. Moreover, 50% of company boards must be comprised of black representatives, 20% of which must be female. Procurement of mining-related goods and services was set at 70% and 80% from black-owned companies, respectively, and all mineral analysis was thereafter to be conducted by black-controlled companies. In August 2020, the government withdrew an appeal in the Supreme Court against a previous judgment that rendered void the requirement for companies to top up black ownership if a black shareholder sold off shares and brought the black shareholding below 30% during the life of a mining right.

The Minerals Council, which represents more than 90% of mining companies in South Africa, had applied to the High Court for the charter to be set aside, complaining it had not been consulted, but withdrew its challenge after Cyril Ramaphosa succeeded Jacob Zuma as national president in February 2018. The council then welcomed the appointment, in the cabinet shake-up of 26 February, of former ANC secretary-general Gwede Mantashe to succeed Mosebenzi Zwane, who had managed to fall out with the council and mining unions alike, and faced accusations of involvement in a series of state-capture cases. The final document, which was published in September 2018, did not differ substantially from the proposed charter, with Mantashe wanting companies to create new "empowerment" shares if previous owners sell their stock, and the 30% target staying in place. However, the so-called 'Gupta clause', which would have allowed naturalised citizens to also benefit from empowerment amendments, has been scrapped.

A massive rail recapitalisation programme involving state-owned freight logistics firm Transnet has set a new precedent for local-content regulations. Based on this, more stringent regulations on local participation, employment, financing, procurement, and ownership will be implemented in major acquisitions and projects. This is likely to affect regulatory-burden and state-contract-alteration risks, especially for foreign investors in the manufacturing, engineering, transport, construction, aviation, and defence sectors.

Analysis - Contract enforcement: Legal - South Africa

Court system's effectiveness in terms of fairness and judicial independence remains relatively robust

South Africa retains a strong and independent judiciary, even though it has been under pressure to a degree by more radical elements within the ruling African National Congress (ANC) who want to accelerate the pace of radical economic transformation. The courts have repeatedly shown their willingness to make decisions contrary to government interests and to defend constitutional provisions. However, South Africa only ranks 115th out of 190 countries in the area of enforcing contracts in the World Bank's 2019 *Doing Business* survey. This is predominantly because domestic dispute resolution measures have to be fully exhausted before the government will permit recourse to international arbitration, under the Protection of Investment Act which came into force in July 2018. Shortfalls in domestic capacity mean the time taken and cost of resolving disputes falls broadly between the Organisation for Economic Co-operation and Development and the sub-Saharan African averages.

Expropriation risks: Legal - South Africa

Risk of land expropriation without compensation likely to depend on success of rapid redistribution of state-owned land

The contentious and emotive issue of land expropriation has come to the fore again after the African National Congress's (ANC) elective conference in Johannesburg agreed in December 2017 to seek a change in the constitution to allow expropriation without compensation. This was followed in February 2018 by a 241-83 vote in the National Assembly backing a motion seeking the necessary change in the constitution. Parliament then instructed the Constitutional Review Committee (CRC) to take public submissions on the matter so as to advise parliament on whether to proceed with a final vote on expropriation without compensation. Having weighed up the public submissions, in November 2018 the CRC resolved that parliament should proceed with a final vote on the preferred wording of the property clause in the constitution.

It has become increasingly apparent, however, that President Cyril Ramaphosa and senior allies would like to continue to stave off this possibility, particularly with Ramaphosa repeating to investors and agricultural producers on a regular basis that he does not want to harm economic growth or food security. The harmful effects of lockdown measures in response to the COVID-19 virus outbreak, as well as the emergency finance issued by the IMF, mean that expropriation of private property has become even more unlikely in the next 24 months.

Constitutional change will need a two-thirds parliamentary majority, which the ANC has in conjunction with the radical EFF, which actually tabled the motion. President Ramaphosa has insisted in several speeches that expropriation must be done in such a way that it does not negatively affect economic growth, food security, and agricultural development; however, he also pledged in the State of the Nation Address in 2019 that he would fast-track the transfer of land to black people. The official opposition Democratic Alliance will continue to oppose expropriation as being bound to deter potential investors and undermine property rights. The estimated ZAR180-billion exposure of public and private financial institutions to commercial farmers, whose land is the collateral, suggests there will be strong institutional as well as political resistance to a wide interpretation of grounds for uncompensated expropriation.

Data: Legal - South Africa

Key indicators - regulation and contracts

	2017	OECD avg.
Doing business indicators		
Trade facilitation, lead time (days)*		
Import	21.0	10.1

Key indicators - regulation and contracts

	2017	OECD avg.
Export	16.0	10.8
Enforce a contract, time required (days)	600.0	571.1
Start a business		
Time required (days)	45.0	8.4
Number of procedures	7.0	5.0
Registration of property		
Time required (days)	23.0	22.3
Number of procedures	7.0	4.8
Time to resolve insolvency (years)	2.0	1.8
Taxation indicators		
Time to prepare and pay taxes (hours)	210.0	164.6
Tax payments, number	7.0	10.7

*Latest available: 2014

Source: World Bank

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Legal system - Legal background: Legal - South Africa

The legal system has its basis in Roman-Dutch law, with strong influences from English common law. This system reflects the Dutch (Cape Colony) and British administrations that at one time governed the country. The new constitution, which was signed into law on 10 December 1996 and is considered to be among the most progressive sets of rules in the world, curbed the legislative power of parliament. The constitution, and the bill of rights which forms part of it, is the supreme authority and all Acts of parliament must now be tested against it. In the judicial system, there is a hierarchy of courts. Magistrates' courts are at the lowest level; these have jurisdiction over criminal and civil disputes. The High Courts act as appeal courts for decisions taken by the magistrates, while the Supreme Court of Appeal is the highest court in South Africa. The Constitutional Court has jurisdiction over all matters relating to the constitution.

Dispute resolution - Business regulation - Legal background: Legal - South Africa

In general, commercial disputes are decided by the high courts.

Alternative dispute resolution

Arbitration in South Africa is governed by the Arbitration Act 1965. The legislation allows the contracting parties to choose dispute resolution procedures by mutual agreement, which can either be outlined in a separate agreement or drafted as a clause of the main agreement. The parties are free to set the rules governing the appointment of their arbitrator and their own procedures for this purpose, enabling substantial time and financial savings.

The main arbitration forum at a national level in South Africa is the National Economic Development and Labour Council (NEDLAC), which facilitates talks between different stakeholders, the government, organised labour, business, and the community to reach consensus on issues of social and economic policy.

Aside from NEDLAC, there are also a number of regional bodies, such as the Durban Chamber of Commerce and Industry, which have their own dispute resolution mechanism that aims to offer a viable alternative to costly and protracted court battles, allowing chamber members to select the arbitrator and terms of reference, and create a flexible solution. The Commission for Conciliation, Mediation, and Arbitration has an extremely heavy case load and has welcomed the Chamber's latest initiative.

Company law and corporate governance - Business regulation - Legal background: Legal - South Africa

The laws governing the activities of businesses are contained in the [Companies Act](#) 2008, which was signed into law in April 2009 and came into force in 2011, replacing the outdated legislation from 1973.

Two types of companies may be incorporated under the new Companies Act: non-profit companies and profit companies. The latter may be incorporated under the following types:

- **Private limited company:** A private company generally referred to as Pty (Ltd). Under the new Act, private companies are prohibited from offering securities to the public and the transferability of their shares is also restricted. However, they are no longer limited to 50 members, as was the case previously.
- **Public limited company:** A public company that offers shares to the public and is referred to as Ltd. The definition of a public company is largely unchanged under the new Act. The only difference is that a public company under the new Act only requires one member for incorporation compared to seven members previously.
- **Personal liability companies (Inc):** The directors and past directors (where applicable) of such companies are jointly and severally liable, together with the company, for any debts and liabilities arising during their periods of office.
- **State-owned companies (SOC Ltd):** A state-owned company is either a company defined as a "state-owned enterprise" in the Public Finance Management Act 1 of 1999 or a company owned by a municipality. The majority of the provisions of a public company will apply to state-owned companies as well.
- **Foreign and external companies:** A foreign company is a company incorporated outside of South Africa, irrespective of whether it is a profit or non-profit company or carrying on business in South Africa or not. A foreign company is prohibited from offering securities to the South African public unless it follows the specific provisions of the companies Act, relating to offers to the public. A foreign company is required to register as an "external company" with the CIPC if it conducts or intends to conduct business in South Africa. The Companies Act in terms of Section 23 lists a series of activities that will be regarded as conducting business. This list is much broader than the provision in the 1973 Companies Act, relating to a "place of business" in South Africa.

The registration of businesses comes under the mandate of the newly formed [Companies and Intellectual Property Commission \(CIPC\)](#), which was created in 2008 following the merger of the Office of Companies and Intellectual Property Enforcement (OCIPE), and the Companies and Intellectual Property Registration Office (CIPRO).

Bankruptcy - Business regulation - Legal background: Legal - South Africa

The issue of bankruptcy and insolvency in South Africa is governed by the Insolvency Act 1936, which was last amended in 2002. The Act deals with the sequestration of individuals and related matters. It is not the prime objective of the Insolvency Act to afford the individual debtor a discharge of pre-sequestration debts; it is a consequence of sequestration after rehabilitation of the debtor. Provisions of the Insolvency Act are available to creditors that seek to obtain payment of an undisputed debt, due and payable, provided that such a creditor does not abuse the court process. South Africa is ranked 82nd out of 190 countries in the World Bank Ease of Doing Business 2019 survey for resolving insolvency, although the recovery rate is less than half the OECD high-income

average. Companies facing problems and seeking to be wound-up are governed under the Companies Act.

Competition - Business regulation - Legal background: Legal - South Africa

Competition is governed by the Competition Act 2009, which came into force in August 2008, replacing the 1998 law that was increasingly seen as inadequate in dealing with a modern, complex business environment. The 2009 act strengthened the existing provisions and further bolstered the role of the competition authorities by ensuring competitiveness and market transparency. The Amendment Act contains the following significant changes:

- The Competition Commission ("the Commission") is able to investigate whether firms are engaging in "complex monopoly" conduct and, if so, to apply to the Competition Tribunal for an order to remedy the effects of this conduct.
- The Commission will be entitled to conduct formal market inquiries into the general state of competition in South African markets.
- The question of concurrent jurisdiction is dealt with.
- Individual directors and managers who engage or knowingly acquiesce in the fixing of prices and trading conditions, market division, or collusive tendering may be fined or handed prison terms, or both. At the same time, the Act will allow individuals to seek leniency.

Employment - Business regulation - Legal background: Legal - South Africa

One of the main aims for the government since 1994 has been to remove the remnants of the apartheid-influenced labour system, and to create a fairer and more competitive system so as to attract investment from the international arena.

There are four key pieces of legislation that govern employment:

- **The Labour Relations Act 1995:** This is one of the main pieces of employment legislation and enshrines the right to strike. It also establishes the Commission on Conciliation, Mediation, and Arbitration (CCMA) as an independent arbitrary body for disputes between employers and employees. The Act has been amended on several occasions, with the last amendment in 2002 covering the freedom of association for employer and employees; the right of representative trade unions to have access to the workplace (and to establish a forum if there are more than 100 employees); the right of employees to strike and employers to lock out; the protection of employees from unfair dismissal; the establishment of a Labour Court and Labour Appeals Court; and the definition of unfair labour practices.
- **The Employment Equity Act 1998:** Last amended in 2009, the Act prevents discrimination in the workplace on the basis of sex, race and disability, as well as providing quotas to ensure adequate representation from each group and providing a framework for implementation of affirmative action. The provisions for affirmative action apply to companies with employers with 50 or more workers or whose annual income is more than the amount specified in Schedule 4 of the Act.
- **The Basic Conditions of Employment Act 1997:** The Act regulates leave, working hours, employment contracts, deductions, pay slips, and termination. In an amendment passed in 2002, new measures were introduced including the setting of the minimum working age of 15; a minimum of four months' maternity leave; a reduction of the working week to 40 hours (before overtime) over a five-year period; and an increase in the minimum overtime rate to one and a half times normal pay. A further amendment implemented in 2014, for example, outlined the role

of the Ministry of Labour in making sectoral determinations for key issues including remuneration and organisational rights.

- **The Skills Development Act:** Last amended in 2008, the Act aims to develop and improve the skills of the country's workforce.

Foreign employees

The new **Immigration Act**, which came into effect in July 2005, governs the hiring of foreign employees in South Africa. The new legislation, intended to ease the recruitment of skilled professionals while protecting South African workers and the transfer of workers, was roundly criticised by international businesses as being inflexible, with the companies claiming that it could negatively affect the availability of skills and experience for foreign and local businesses operating in the country, and could limit foreign investment and economic growth. Having admitted that the new legislation indeed contained some flaws, the government finally produced a number of amendments to the legislation in November 2006, which were welcomed by the business community. The main change saw the extension of the period for which an intra-company transfer work permit – which allows foreigners to work in the South African branch, subsidiary or affiliate of the foreign company that employs them abroad – may be issued from two to four years. The changes also allow foreign professionals up to 90 days to look for a job in their field of expertise after being issued with a South African entry permit, with their permit remaining valid as long as they remain employed in their area of expertise even if they change jobs.

Reform

The government introduced a couple of amendments to the Labour and the Basic Conditions of Employment Act in 2011, the first time it had done so in more than a decade. The proposals were set to result in much tighter regulation for labour brokers, granting the labour ministry the ability to set actual wages and a six-month working threshold after which temporary employment is deemed permanent. Although the changes were welcomed by the country's labour movements, the business community opposed them and demanded that the government takes an economic impact assessment first, leading to a delay in its implementation. On 1 September 2014, the government implemented a series of amendments, primarily governing issues around child labour and the government's role in sectoral determinations on remuneration, subcontracts, and organising rights.

Environmental - Business regulation - Legal background: Legal - South Africa

South Africa has an extensive array of environmental legislation. The Department of Environmental Affairs is the regulatory body that oversees environmental matters, which are governed by a framework legislation known as the National Environmental Management Act (NEMA) of 1998. The Act sets out a series of environmental management principles that apply to the interpretation and application of all legislation that may affect the environment. Since 1998, a number of specific environmental statutes that fall under the NEMA framework have been promulgated, including:

- the [National Environmental Management: Biodiversity Act](#) 2004;
- the [National Environmental Management: Protected Areas Act](#) 2004; and
- the [National Environmental Management: Air Quality Act](#) 2004.

Intellectual property - Business regulation - Legal background: Legal - South Africa

South Africa has a developed system of intellectual property law covering patents, industrial designs, copyright and trademarks. The key pieces of legislation in this regard are the Patents Act (1978), the Trademarks Act (1963) and the Designs Act (1967). South Africa is a member of the World Intellectual Property Organization (WIPO), a signatory to the Trade-Related Aspects of Intellectual Property agreement (TRIPS) under the aegis of the World Trade Organization (WTO), and is also a member of the Paris Union.

- **Trademarks:** The [Trademarks Act](#) 1993, which came into force in 1995 and was last amended in 1997, governs this area. An application must be made to the trademark office for registration of a trademark. The new legislation protects businesses and individuals whose trademarks are registered abroad and "well-known" for being copied in South Africa. However, the process is very long, with registration taking 35–40 months to complete from the time of filing.
- **Registered designs:** Thanks to the [Designs Act](#) 1993, which also came into force in 1995 and was last amended in 1997, designs can now be protected. Protection lasts for 15 years for an aesthetic design and 10 years for a functional design. Annual fees must be paid to ensure protection. It is easier to enforce registered designs than copyrighted ones.
- **Copyright:** Protected by the [Copyright Act](#) 1978, with the most recent one coming in 2002, copyrights are protected for 50 years from the date the author dies. The act has established a copyright tribunal, which is responsible for resolving disputes pertaining to copyrights. No registration is required because protection arises from the time the work is created. However, with the existing copyright legislation considered to be outdated and allowing piracy, especially that involving software, to flourish, the government has come under growing pressure to introduce some amendment to the 1978 Act. A government-appointed panel – known as the Copyright Review Commission (CRC) and made up of different stakeholders – was set up to review the copyright law to ensure that it offers adequate provisions to protect musicians and artists from being exploited through piracy and the non-payment of royalties by collecting societies. The CRC would investigate allegations of improper distribution of royalties, including issues that have been raised by local artists. The CRC submitted its report in 2012. According to the Department of Trade and Industry (DTI), the report contains "wide-ranging recommendations, including the formation of an interdepartmental task team to implement resolutions related to copyright matters, such as amendment of Copyright Act and related legislation".
- **Patents:** Patents are governed by the [Patent Act](#) (1978), last amended in 2002. There is a separate court, the Patents Court, which exists for dealing with such disputes. Patents are not examined when they are registered, and receive protection for 20 years provided that the annual fee is paid.

The registration of intellectual property comes under the mandate of the [Companies and Intellectual Property Commission \(CIPC\)](#), which was created in 2008 following the merger of the Office of Companies and Intellectual Property Enforcement (OCIPE), and the Companies and Intellectual Property Registration Office (CIPRO).

Land - Business regulation - Legal background: Legal - South Africa

There are currently no restrictions on foreigners acquiring the freehold title to land anywhere in South Africa. The use of land may be subject to some controls under the Physical Planning and Utilisation of Resources Act, which seeks to decentralise industrial activity. However, land ownership is a controversial issue in post-apartheid South Africa. The Group Areas Act and the Land Apportionment Acts in 1913 and 1936 reserved farmland for ownership by white people only. These Acts were repealed in 1991, and the status of ownership is often disputed. Investors looking to acquire land should thoroughly investigate the title deeds before doing so.

A land-claims court has been established to investigate claims of land expropriated under apartheid and to award either restoration or compensation. Although more than 3,000 claims have so far been registered, in many cases the black former landowners cannot be traced as in many cases, they have become migrant labourers or have moved to the city. An agricultural policy of land reform, aiming to redistribute arable land to the rural black population, is pursued through the repossession of indebted farms rather than the invocation of the Expropriation Act.

The [Communal Land Rights Bill](#) was drafted in 2001, which permits state land to be transferred to traditional communities, or rather, their leaders. The bill, aimed at protecting the rights of South Africans who live on communal land, has been heavily criticised, with particular emphasis paid to the fact that there are no provisions to consult those who are already living on the land or for challenging transfers. There are also no measures for dealing with counterclaims.

Draft legislation put forward in 2017 aims to prohibit foreigners from purchasing farm land in South Africa. In terms of the bill, foreign parties will have to enter into long-term leases, and when selling farm land, must offer the state a right of first refusal. Opponents of the bill say foreigners will have less property protection in South Africa than locals, and that this is not supported in the Constitution. This is another issue likely to reach the Constitutional Court.

Section 25 of the Constitution has been the subject of a parliamentary review in 2018, following the adoption of a resolution by the ruling African National Congress (ANC) that the Constitution should allow for the expropriation of land without compensation. This provision is likely to become policy within the one-year outlook, although expropriation of privately owned land is not likely to materialise. Radical land reform is likely to focus on state-owned land in the short and medium term.

Investment protection - Business regulation - Legal background: Legal - South Africa

Under a newly passed piece of legislation – known as the Protection of Investment Act, which was signed into law by President Cyril Ramaphosa in July 2018 – recourse to international arbitration will require government consent, and will be considered only after all domestic mediation and dispute resolution measures have been exhausted. The legislation effectively replaces bilateral treaties, and will come into effect as each of these various treaties lapse. The new law effectively subjects foreign investors to the same rules on property rights as anyone else in South Africa.

Privatisation - Business regulation - Legal background: Legal - South Africa

Accelerating the pace of privatisation forms a major component of the government's economic policy, with priority given to key consumer areas including energy, telecoms, and public transport. Since the government began its privatisation programme in 1997, it has raised billions of dollars through the sale of the government's interests in various parastatals, to a mixed reception. Due to political sensitivities, however, the process is called anything but privatisation. The government often refers to it as commercialisation, outsourcing, corporatisation, public-private partnerships, concessioning, and strategic partnerships. However, there has been a marked slowdown in the restructuring of the remaining state-controlled assets in recent years due to a number of factors, including adverse market conditions. Privatisation is likely to resume within the one-year outlook, as the government seeks to gain private-sector expertise to improve under-performing assets, while lessening the reliance of state-owned enterprises on the fiscus. The privatisation of state carrier South African Airways as well as that of electricity utility Eskom is very likely to materialise in the 12-month outlook.

Procurement - Business regulation - Legal background: Legal - South Africa

South Africa's constitution dictates that as the organ of state in the national, provincial or local sphere of government or any other institution identified in national legislation contracts for goods or services, it must do so in accordance with a system that is equitable, transparent, competitive, and cost-effective. In a further guideline, it has issued to various government departments, the government has made "Value for Money"; "Open and Effective Competition"; "Ethics and Fair Dealing"; "Accountability and Reporting"; and "Equity" the main pillars of its procurement policy. With regards to legislation, the most important law passed is the [Preferential Procurement Policy Framework Act](#) (PPPFA 2000) and the accompanying Preferential Procurement Regulations (2001). The PPPFA introduced a system of evaluating tenders in terms of a package of adjudication criteria with a maximum

total of 100 points. Each bid is evaluated according to how much it scores in terms of each criterion, and the highest scoring bid in terms of all the criteria combined is then the most likely win the appointment. The preference point system introduced by the PPPFA is based on the definition of a "Historically Disadvantaged Individual" (HDI), such as blacks, coloureds, and Indians, as well as women and disabled individuals who were denied equal economic opportunities under the apartheid system before 1994.

Another key consideration for procurement and tendering is the [Broad-Based Black Economic Empowerment Act](#) (BBBEE) 2003. However, some clauses of the PPPFA and BBBEE have been in direct conflict, such as the former's definition of HDI to the latter's definition of black people and the fact that the PPPFA only lists one way of obtaining preferential points (i.e. ownership equity) while the BBBEE Act provides for a number of areas of BEE opportunity. The government therefore started the process of making amendments to the PPPFA to advance the objectives of the BBBEE Act. To this end, the DTI gazetted the Draft Preferential Procurement Policy Framework Act for public consultation in August 2009. In December 2011 the government introduced new regulations governing implementation of the Act, the Preferential Procurement Regulations, and made certain amendments to the Act to allow for better consistency between it and the regulations. For example, the amendments now use categories of preference designated by BBBEE legislation in its Codes of Good Practice. In October 2013, a new set of Codes of Good Practice was published by the Department of Trade and Investment. These codes provide a measurement of compliance with BBBEE according to five elements, namely: ownership, management control, skills development, enterprise and supplier development, and socio-economic development.

Tax - South Africa

9 Oct 2020 - Country Risk | Profile

Overview: Tax - South Africa

Projected revenue shortfalls have been exacerbated by recession, ratings downgrades, and mining-sector uncertainty over the new charter. This made it necessary for the finance minister to announce the first VAT rise in the democratic era, up 1 percentage point to 15%, in the 2018/19 budget on 21 February 2018. Other consumer taxes have since also increased, as South Africa aimed to avoid another ratings downgrade by reducing its budget deficit. Demands from key ruling party allies for the continuation of an unemployment grant introduced in early 2020 to alleviate the effect of COVID-19-virus-related lockdown measures on the poor, keep the risk of further tax increases high.

Analysis - Taxation risks: Tax - South Africa

Burden of additional taxes likely to remain on consumers rather than businesses even after VAT hike

Tax hikes dominated the 2018/19 budget, but with the burden falling largely on consumers rather than business as then finance minister Malusi Gigaba attempted to plug a ZAR50-billion spending gap just six days before he was sacked in a wide-ranging cabinet reshuffle. Measures were headlined by the first VAT increase in the democratic era, from 14% to 15%, to raise an estimated ZAR36 billion. This suggests that President Cyril Ramaphosa wanted to take advantage of his honeymoon period in office to avoid increasing the commercial fiscal burden at a time when he needs to boost economic growth before the May 2019 general election, but also repair state finances to avoid a further ratings downgrade, this time of local currency-denominated debt.

Gigaba called the VAT rise "unavoidable", particularly as the government is committed to spending an extra estimated ZAR57 billion over the next three years on providing free tertiary education. This is a policy unilaterally announced by then-president Jacob Zuma in December 2017 despite the Heher Commission having just published a report saying the country could not afford it. Ramaphosa decided to retain the policy, although there were strong suggestions that the government was considering raising the bulk of the funding through a 1% levy on the net asset value of all companies listed on the Johannesburg Stock Exchange, rather than through a VAT rise. Other consumer taxes have been necessary, however, to plug the gap, including a new sugar tax, increased excise duties of 6–10% on alcohol and tobacco, and a raised petrol levy. No inflation adjustments were made for the top four personal income tax brackets, the highest rate of which remains the 45% level introduced the previous year.

One positive step was the dismissal of Tom Moyane as head of the South African Revenue Service and his replacement on 1 May 2019 by the more-trusted Edward Kieswetter. When dismissing Moyane, President Ramaphosa said he was forced to act in order to improve the organisation's efficiency before the situation became worse. Levels of revenue collection did improve once the service's senior leadership changed, reducing the pressure for further tax rises temporarily. The lockdown measures implemented in response to the COVID-19 pandemic dealt a significant blow to revenues, which has elevated the likelihood of a small rise in corporate tax in 2021.

Operational - South Africa

25 Aug 2020 - Country Risk | Profile

Overview: Operational - South Africa

Inter-union rivalry contributes to increased strike and violence risks, particularly in the precious metal mining sector amid a battle for influence. The introduction of a minimum wage has been supported by most unions, but the hardline SAFTU federation is likely to continue calling for nationwide demonstrations in the second half of 2020 demanding unlikely increases. The government is planning to synchronise a state-capture inquiry with prosecutions, which are likely to implicate more companies in business malpractice allegations. However, corruption risks for investors in the medium term will likely be reduced by the dismantling of powerful patronage networks.

Labour relations risks: Operational - South Africa

Industrial action will be characterised by union rivalry and waning control among traditional trade unions

The National Assembly passed a national minimum wage bill in May 2018, introducing a level of ZAR20 (USD1.60) per hour, which is the equivalent of a monthly salary of around ZAR3,500 (USD275). Matthew Parks, parliamentary co-ordinator for the Congress of South African Trade Unions (COSATU), said the move would raise wages for 6.4 million employees, or around 47% of the workforce. However, the new South African Federation of Trade Unions (SAFTU) has continued to oppose the legislation, calling for a hike in the minimum wage. Strikes against the minimum wage are likely to recur in the second half of 2020 as the ANC gears up for its National General Council (NGC) meeting, likely in early 2021.

Strikes are also likely in the first half of 2020 in response to the government's effort to trim the public-sector wage bill by cutting back on workers' benefits. This is likely to see COSATU call for strikes across sectors in order to apply pressure on the president to reconsider this proposal. Since its formation in April 2017, SAFTU has built itself into South Africa's second-largest labour federation behind COSATU, which is affiliated with the ANC. SAFTU's appeal is based on a radical agenda, supported by the hardline EFF party, which says the ZAR20 minimum wage will "further entrench poverty". Despite its hugely disproportionate demands, SAFTU's uncompromising approach means it will continue to organise stoppages, which are unlikely to turn violent but will cause severe disruption to central business districts, particularly in Johannesburg and Cape Town, and around the National Assembly building in Cape Town. The direct impact of lost production will be greatest on mining and car manufacturing, the sectors most strongly represented by SAFTU's main affiliate, the National Union of Metal Workers of South Africa (NUMSA).

Union competition in the mining sector remains intense, particularly between NUMSA and the Association of Mineworkers and Construction Union (AMCU). The latter attempted to steal a march on NUMSA on 10 June 2019 when AMCU president Joseph Mathunjwa said the union would be seeking a ZAR12,500 minimum wage for gold mining workers in upcoming negotiations. The mining sector has long seen major unrest linked to union rivalry as each movement seeks to demonstrate influence in a bid to boost membership. In addition to more hardline stances in wage negotiations, such rivalry has also resulted in violence between union members, leading to injuries and casualties. The level of strike action has tailed off in the past few years, but more stoppages are likely with wage demands rising again despite companies having shed tens of thousands of jobs, and facing further obligations in a proposed new mining charter.

Corruption risks: Operational - South Africa

Belated state-capture investigations likely to partially uproot corrupt networks but raise reputational risks for major international companies

During most of 2019 and in 2020, the Commission of Inquiry into State Capture has been characterised by important witness testimonies. These have focused heavily on the alleged business ties between former president Jacob Zuma and his family and close supporters, including ministers, and the Gupta family and companies. The inquiry is desirable for asserting the rule of law, and President Ramaphosa is aware that the ruling ANC needs to make amends for its perceived complicity in failing to hold his predecessor Zuma to account before he was forced to resign in February 2018. Doing so would give Ramaphosa the political capital to implement harsh policy measures needed to turn around the ailing economy. However, some allies of the current president are alleged to have been involved in corruption relating to the state's procurement of protective equipment for the fight against COVID-19.

The state-capture inquiry is headed by Deputy Chief Justice Raymond Zondo and was originally expected to sit for six months, but Zondo claimed in May 2018 that it would require at least two years. The inquiry has been given a final extension to March 2021. Justice Minister Ronald Lamola has said agencies must co-operate with Zondo to ensure investigations are not duplicated and prosecutions are fast tracked. However, both the National Prosecuting Authority (NPA) and police have a dismal record on prosecuting the powerful, and even with a new will to act, the steady loss of competent senior staff over the past few years means cases are likely to progress slowly and offenders will be allowed to elude justice due to incompetence. The NPA was forced by the High Court on 28 May 2018 to return ZAR250 million of assets, including properties and vehicles, to the Gupta family originally seized in a bid to recoup funds allegedly illegally diverted from a state-funded dairy project.

Previously, the NPA had on 15 January 2018 placed ZAR1.6 billion (USD130 million) of assets belonging to Gupta-linked companies Trillian and McKinsey under curatorship while it investigated whether the equivalent sum paid to them by state power utility Eskom was tied up with unlawful activities such as theft, fraud, money laundering, and corruption. The NPA confirmed on 16 January it had identified a total of 17 cases, with a possible ZAR50 billion (USD4 billion) of recoverable assets, from state-capture investigations. McKinsey, along with accountancy firm KPMG and German software company SAP, has suffered reputational damage due to being implicated in business malpractice, and more international companies are likely to follow. The granting of investigative powers to the Office of the National Director of Public Prosecutions, which heads the NPA, is expected to improve the pace of investigations and prosecutions over state capture.

Overview - Infrastructure - Operational background: Operational - South Africa

Infrastructure: South Africa

Roads

Total road network length (km)	750,000
Paved (km)	158,124
Unpaved (km)	591,876

Railways

Total rail network length (km)	20,986
Standard gauge (mm)	1,435

Waterways

Navigable waterways length (km)	NA
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Airports

Number of commercial airports (those with International Civil Aviation Organization, ICAO, codes)	29
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Ports	
Number of ports	8
Name of all ports	Cape Town, Durban, East London, Mossel Bay, Port Elizabeth, Richards Bay, Saldanha Bay, Ngqura.
Communications	
Telephones: Fixed lines (mil.)	3.345
Subscriptions per 100 inhabitants	6
Telephones: Mobile cellular (mil.)	92.427
Subscriptions per 100 inhabitants	160
Telephones: International country code	27
Internet country code	.za
Broadband subscribers (mil.)	1.107
Subscriptions per 100 inhabitants	2
Internet users per cent of population (%)	NA

Source: IHS Markit, International Telecommunications Union, CIA World Factbook, Jane's
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Roads - Infrastructure - Operational background: Operational - South Africa

The South African National Roads Agency (SANRAL), the national government, provincial administrations, and local authorities all share responsibility for road planning, construction, maintenance, and urban transport. The national road system connects all the country's major population centres and comprises around 364,131 km of roads, of which over a third is paved. Away from routes of economic significance, the quality of some roads tends to deteriorate and tarred roads give way to dirt roads.

Security - South Africa

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Overview - War risks: Security - South Africa

South Africa plays a limited but important peacekeeping role on the African continent, notably in the DRC, where it contributes 1,150 troops, and helicopters to the UN mission. Financial and capacity constraints, coupled with public opinion and a conservative foreign policy, limit the likelihood of wider peacekeeping commitments or further deployments. A political crisis in Lesotho resulted in a limited regional Southern African Development Community intervention with a 300-strong force in December 2017, which was later withdrawn in November 2018. South Africa will continue to play a prominent role, after years of leading diplomatic efforts to stabilise Lesotho.

Interstate war - War risks: Security - South Africa

Military involvement abroad likely to be limited to peacekeeping; minimal risk of unilateral intervention in neighbouring conflicts

The South African National Defence Force (SANDF) plays an important peacekeeping role on the African continent, notably in the Democratic Republic of Congo, where it has contributed troops, and attack helicopters to MONUSCO's Force Intervention Brigade where it provided around 1,150 peacekeepers in 2018. However, the weight of public opinion is against even existing peacekeeping commitments, especially as the SANDF struggles to fulfil its domestic roles.

It remains overstretched and underfunded at home, having taken over border security duties from the police. It is tasked with combatting cross-border crime, stock theft, and illegal grazing, the transit of illegal migrants, as well as wildlife poaching, notably in the Kruger National Park. The force assigned to border security (Operation Corona) consists of approximately 2,700 full-time and Reserve Force soldiers to patrol the roughly 2,500 km of land borders with Botswana, Mozambique, Namibia, and Zimbabwe. In addition, SANDF personnel patrol borders with Eswatini and Lesotho. On 16 June 2019, there were shots fired between SANDF soldiers and Mozambican police officers at the KwaZulu-Natal border. The SANDF later established an inquiry into the incident, and the findings were not made public. There are no hostilities between the two countries, however.

In April 2017, then-president Zuma extended the South African Navy and Air Force contributions to continental counter-piracy (Operation Copper) along the east coast, particularly in the Mozambique Channel. This is despite a critical shortage of airborne and naval assets having reduced the mission to little more than a listening post since January 2017, with only very minimal interception capabilities.

Costly unilateral intervention in neighbouring conflicts is therefore unlikely, but as part of the Southern African Development Community (SADC), South Africa has led a number of regional mediation efforts during successive political crises in Lesotho. Following Tom Thabane's June 2017 election victory to supposedly end a period of political instability in Lesotho, South Africa took a lead role in a planned SADC intervention after the murder of a Lesotho Defence Force commander on 5 September 2017. The SADC deployed a force of approximately 300 troops on 2 December 2017, fewer than the 1,000 originally suggested, which leans heavily on SANDF forces for personnel and logistical support. Deployment of further SANDF forces to Lesotho is likely if an outbreak of violence is protracted or if it threatens the Lesotho Highlands Water Project. There is a low likelihood that South Africa will send troops to assist in the counter-insurgency effort in northern Mozambique, if authorised to do so by SADC.

Overview - Terrorism risks: Security - South Africa

The likelihood of an attack by, or inspired by, international terrorist groups remains low despite the abduction

and killing in February 2018 of two British botanists in KwaZulu-Natal. The arrested suspects had links to the Islamic State and evidence suggested a clear terrorist motivation. However, radicalisation remains likely to be confined to individuals or small groups with a violent agenda. There have been some reports that Islamist insurgents in the north of Mozambique have been receiving financial assistance from groups in KwaZulu-Natal province, although this has not been verified.

Hotspots and targets - Terrorism risks: Security - South Africa

Likelihood of further terrorist incidents remains low despite Islamic State-motivated abduction and killing of British couple in South Africa

The kidnapping and probable murder in February 2018 of two South Africa-based British botanists raised concerns of terrorist attacks being carried out in the country. The UK foreign ministry issued a warning of probable terrorist attacks in the wake of the abduction of Rod and Rachel Saunders on 12 February 2018 near the Bivane Dam in northern KwaZulu-Natal province. The police later found their bodies and arrested a couple on 16 February 2018 found to be flying an Islamic State flag outside their isolated homestead and who had used the couple's credit cards to withdraw large sums. They have since appeared in court on murder, kidnapping, and aggravated robbery charges, and various offences under anti-terrorism legislation, with evidence presented showing they planned to "hunt" the couple and dispose of their bodies to "strike fear into the heart" of "unbelievers". The case has been subject to several postponements and by October 2020 had yet to be finalised.

However, this will probably remain an isolated incident and mostly emphasises an ongoing limited risk of radicalisation of individuals and small groups that lack support networks and capability to carry out any sophisticated attack. The police are still investigating the motive for an attack on a mosque in Verulam, north of Durban, on 10 May 2018 when a trio of knife-wielding individuals stabbed the imam and two people who went to help him, one of whom died. Worshippers later found an incendiary device that the police said was probably intended to start a fire rather than explode. No individual or organisation has claimed responsibility, but investigators have suggested the attack may be related to the mosque being a Shia place of worship, or motivated by a feud.

There have been claims that South Africans have sought to join the Islamic State abroad, but the numbers have not been verified. There has also been speculation that Islamist insurgents in Mozambique have received financial and other assistance from South Africa. The United States has issued a number of security messages on South Africa during recent years, including in September 2015 and June 2016. The 2016 message pointed to a risk of near-term attacks with potential targets including malls in Cape Town and Johannesburg, but there remains little evidence of capability of incidents on this scale. In 2018, a number of IEDs were discovered at Woolworths retail outlets in the city of Durban, and two mosque attacks in Durban and Cape Town point to the likelihood of growing violence between Shia and Sunni Muslim communities in the country.

Overview - Social stability and unrest risks: Security - South Africa

Within city centres, social unrest risks stem largely from political, xenophobic, and labour-related protests, and persistent service-delivery-related demonstrations are confined to townships. Although the scale and intensity of political protest has abated since the removal of Jacob Zuma as president in February 2018, activists' focus has shifted on to demands for implementation of land expropriation without compensation. The Economic Freedom Fighters party has joined pressure groups to call for constitutional and legislative changes, which will likely materialise during the current sitting of the sixth democratic parliament. Protests over the delivery of public services in many townships often become violent, but are usually contained within these areas.

Protests and riots - Social stability and unrest risks: Security - South Africa

Campaigners for rapid land redistribution likely to maintain pressure for immediate transfers and expropriation without compensation in South Africa

The focus of politically motivated protests has tilted slightly towards land expropriation, particularly after Jacob Zuma was ousted as president in February 2018. That was swiftly followed by an overwhelming National Assembly vote on 27 February 2019 to seek the necessary constitutional changes to permit land expropriation without compensation. There have been sporadic incidents of attempted land occupation, particularly around metropolitan areas in Gauteng province. 'Back-yard dwellers' have been claiming tracts of unused privately owned land, with the police frequently being forced to disperse crowds of several hundred who block roads and set fire to police vehicles. In October 2020, the government committed to the redistribution of more than 700,000 hectares of state-owned land. Given that this will be agricultural land, the pressure on metro governments to expropriate abandoned plots in semi-urban and urban areas will remain high, accompanied by the demand that these be made available for low-cost housing.

The government has also faced a growing wave of strike and protest action in recent years amid the clamour for broader socio-economic transformation. Grievances over the delivery of public services, such as electricity, housing, and water, have fuelled increasing demonstrations from poorer neighbourhoods against local governance in various parts of South Africa, with such protests often becoming violent.

Since most service-delivery protests are contained within township areas away from central business districts and the police response is usually swift, the risk to commercial property is relatively low. However, there is a higher risk of violence and collateral damage to property located in or near to townships, as well as to nearby infrastructure.

Violent protests typically include barricades made of burning debris and acts of vandalism against motor transport, including throwing stones and damage to trucks, buses, municipal vehicles, parked cars, and municipal buildings. There are particularly substantial risks of traffic disruption and damage to vehicles for cargo, because service-delivery protests usually involve blockades of major roads and railway lines. The N2 motorway, which connects Cape Town International Airport and the city, is often the scene of protests, as is the N3 between Mooi River and Durban in KwaZulu-Natal.

Overview - Risks to individuals: Security - South Africa

There is an elevated risk of violent attack by criminal gangs in carjackings and robberies, particularly in large urban centres such as Durban, Johannesburg, and Cape Town. Many cases of violence and murder are by-products of attacks on particular targets, including jewellery stores, petrol stations, cash-in-transit vehicles as well as banks. House robberies are common, especially in cities and at remote farms and tourist lodges, which carry a moderate risk of death and injury. Emergency services' personnel are frequently attacked and robbed in certain Gauteng and Western Cape townships and often require protection by security forces.

Death and injury - Risks to individuals: Security - South Africa

Murder rate continues to rise and violent crime remains prevalent, particularly in large cities and townships in South Africa

South Africa still has one of the highest rates of murder in the world, and official statistics released in March 2020 showed that in the previous 12 months, there were 21,325 murders, which was slightly up on the previous year, but still lower than during the 2002–03 peak. The Eastern and Western Cape are the most dangerous provinces, a fact largely attributable to gang-related killings. However, the prevalent and indiscriminate use of firearms was illustrated by the killing of five officers and a soldier inside a police station in Eastern Cape in February 2018. Seven suspects were shot dead by the police, who cornered them in a church a few days later. The suspects who survived confessed they had raided the police station to acquire more weapons to rob a bank.

“Home invasion”-style armed robberies are relatively common, particularly near large cities such as Johannesburg, and at isolated farms and tourist lodges, which also carry a high risk of death and injury. However, most violent incidents are highly localised within townships, such as Khayelitsha and Guguletu in Cape Town, Katlehong, Khutsong, and Soweto in Gauteng, and Umlazi in KwaZulu-Natal. Riots in townships and illegal settlements, particularly over poor service delivery, rarely involve foreigners.

Industrial unrest is very common in South Africa, particularly in the mining, transport, and public-service sectors. The level of violence can quickly escalate during such strikes, yet they pose a minimal risk of injury to expatriate workers.

Journalists covering service-delivery protests have been targeted by protesters, occasionally being threatened and assaulted, and having their equipment damaged or stolen. Emergency services personnel have also been assaulted and robbed while attending to emergencies, particularly in townships, and especially in the Western Cape. As a result, paramedics and fire service personnel often demand police escorts when answering calls to certain areas.

Kidnapping - Risks to individuals: Security - South Africa

Kidnap-for-ransom risks low, with ‘express kidnappings’ posing greatest threat

Most kidnappings are opportunistic, with the abduction and killing of two British botanists in KwaZulu Natal in February 2018 a rare example of a targeted and terrorism-motivated incident. Criminals may target foreigners in robberies and carjackings, particularly in the Western Cape, but this does not commonly extend to kidnapping for ransom, although ‘express kidnappings’, most prevalent in Gauteng, where abductees are forced to withdraw cash from ATMs, frequently occur in conjunction with carjackings. Although there is some suggestion from activist groups that the numbers of kidnappings targeting foreign nationals are increasing, and may be the work of syndicates, this is denied by the police. The real threat to foreigners is low, although hard to separate from overall figures, which suggest there is a serious problem in the country, which has steadily worsened over the past 10 years. Gauteng has by far the highest number of kidnapping incidents, with KwaZulu-Natal having the second highest. Both have experienced a decrease of approximately 5% in the past year, with Gauteng experiencing 2,109 incidents and KwaZulu-Natal 1,041 incidents.

Overview - Risks to cargo/transport: Security - South Africa

Cargo is at significant risk of theft by crime syndicates throughout the country. Gauteng is the main hotspot for carjacking and truck-hijacking incidents, being responsible for more than half of all incidents in each category. A spillover from violent service-delivery protests and xenophobic attacks in major cities poses risks to road and rail transport, including through the erection of barricades and the stoning and burning of vehicles. The Cape Town passenger rail service has been repeatedly targeted in vandalism and arson attacks, reportedly due to passenger dissatisfaction with the quality of the service. In January 2020, train coaches were set alight by arsonists at Cape Town station.

Ground risks - Risks to cargo/transport: Security - South Africa

Gauteng remains key hotspot for car- and truck-jacking; service-delivery protests raise risks of road blockades

Organised crime syndicates pose a notable risk to cargo, especially in Gauteng, Western Cape, Eastern Cape, and KwaZulu-Natal provinces. Crime statistics released in March 2020 for 2019–20 showed a slightly higher level of truck hijacking at 1,202 incidents, but 629 of these took place in Gauteng alone, with another 129 in the Western Cape. Carjacking increased in 2019–20 to 18,016 incidents, after falling slightly the previous year. Gauteng also

remains a key hotspot for carjacking (9,025), while KwaZulu-Natal (2,760) registered the second highest number.

Violent protests in urban areas and the surrounding townships also pose a significant risk to road and rail transport. Protesters in outlying towns and informal settlements in North West, Gauteng, and Western Cape provinces regularly barricade major roads with burning debris and stone vehicles during service-delivery protests. The Golden Highway, a main road south of Johannesburg, is a particularly frequent target. The N2 motorway, which connects Cape Town International Airport to the city, is also regularly blockaded during service-delivery protests. Such protests have included incidents of assault of drivers and looting of cargo. During public transport strikes, major railway lines are often sabotaged, causing cancellations and delays in transportation. The N2 is also notable for the seemingly random stoning of vehicles, although in incidents where vehicles have been forced off the road or even break down, passengers are commonly robbed.

Overview - Risks to property: Security - South Africa

As most service-delivery protests occur far from central business districts, the risk to commercial property is relatively low. There is a high risk of damage to property and infrastructure located near communities where such protests occur, particularly in Gauteng. Student unrest, which has largely subsided significantly since 2015, but flares up in January and February each year as students register, poses significant damage risks to university property. Incidents of violence against regional immigrants also generate vandalism and looting risks to small business assets. Protests can spill over into business hubs as protesters confront police and blockade roads during protests over poor delivery of municipal services.

Overview - Crime: Security - South Africa

Crime is the dominant security issue in South Africa. The murder rate is among the highest in the world, and official statistics released in March 2020 showed a 1.4% increase compared with the previous 12 months to 22 325 incidents, but this number is lower than the peak in 2002–03. Most violent incidents are highly localised within townships, such as Khayelitsha and Guguletu in Cape Town, Katlehong in Gauteng, and Umlazi in KwaZulu-Natal. Break-ins at armouries in 2017 raised fears of sourcing of automatic weapons for use in crime. Carjacking remains frequent and recorded an increase of 13.3% in 2019–20.

Organised crime - Crime: Security - South Africa

Organised crime has become endemic and, in many cases, interrelates with violent crimes related to drugs, particularly in the Western Cape and Gauteng provinces. Organised gangs carry out armed robberies, car hijackings, cash-in-transit heists, and ATM bombings, as well as being involved in other criminal activities, including the illegal narcotics trade, tobacco smuggling, and commercial crimes (consumer fraud, including through identity theft, tax swindles, insider trading, and securities violations). Vehicle hijacking has been on the increase for some time, and most incidents have been associated with organised crime syndicates. Carjacking increased by 13.3% in 2019–20 to 18,162 incidents, with the highest number of incidents in Gauteng.

Trafficking - Crime: Security - South Africa

There has been significant growth in regional trafficking of illegal narcotics, as well as domestic consumption. South Africa is strategically placed on trade routes between Africa, Europe, and Asia, has a well-developed domestic drugs market, and provides access to Africa's interior, making the country increasingly attractive for drug cartels. During the apartheid years, South Africa was shielded from much of the growth in the trade and the drugs problem was limited, largely, to the use of methaqualone (Mandrax) and cannabis. South Africa has since become a regional hub for drug trafficking, however. Significant quantities of cocaine (from Latin America, often via Angola and Namibia) and, to a lesser but growing extent, heroin (from Asia, often via Mozambique) are also coming into the country.

Financial crime and counterfeiting - Crime: Security - South Africa

As a country with a well-developed banking system and financial sector, financial crime, such as money laundering, is a major concern in South Africa. In order to tackle the problem, the country has a number of legislative instruments in place, including:

- The Prevention of Organised Crime Act (POCA 1998), a framework legislation that introduced measures to combat organised crime, including money laundering.
- The Financial Intelligence Centre (FIC) Act 2001, which establishes the centre and a Money Laundering Advisory Council in order to combat money-laundering activities and the financing of terrorist and related activities; to impose certain duties on institutions and other persons who might be used for money-laundering purposes and the financing of terrorist and related activities; and to amend the POCA and the Promotion of Access to Information Act 2000.

South Africa is also a member of the Financial Action Task Force (FATF), an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and the financing of terrorism, and of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

Business crime is present in South Africa, with the banking sector being targeted for increasingly sophisticated types of fraud, including identity theft and card-cloning. Besides fraud, the banking industry has also been affected by the problem of armed robberies and cash-in-transit heists. Both types of crime have been most prevalent in Gauteng province.

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