

DOING BUSINESS IN SOUTH AFRICA

With members of



Presenter: Donnadelliah Maluleke

Consul Economic

Date: April 10th, 2013



Agenda for the day

OVERVIEW OF AFRICA

SA IN CONTEXT

ECONOMIC POSITION

GLOBAL COMPETITIVENESS

SOME SUCCESS STORIES

OPPORTUNITIES

PRIORITY PROGRAMMES

INCENTIVES AVAILABLE

QUESTIONS



To the next map...

Hosts 55 countries
&
1bn people

Africa is Huge!

The following countries
could fit within Africa:

	Area (sq. mi)
China	3,705,390
United States	3,618,770
India	1,266,595
Europe	1,905,000
Argentina	1,065,189
New Zealand	103,736
	<hr/>
	11,664,680 sq. mi or 30,211,551 km ²

Africa's area: 11,707,000 sq. mi.
or 30,321,130 km²



**“We learn from history that we don't
learn from history!”**
— Desmond Tutu



BOOKS
Our review starts page 58

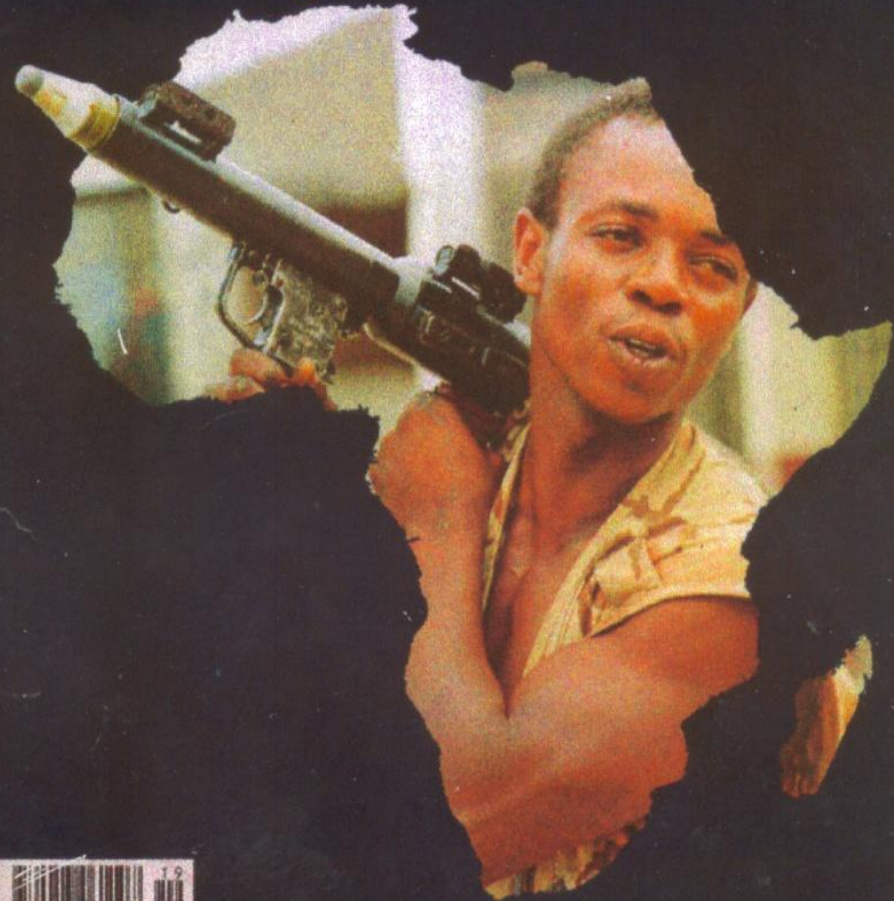
The Economist

MAY 13TH - 19TH 2000

WRESTLING
WITH THE EURO
pages 19, 77 and 85

BREAKTHROUGH
IN ULSTER?
pages 18 and 35

The hopeless continent



Africa	5000	Europe	2000	Asia	1000	South America	1000	North America	1000	Europe	1000	Asia	1000	South America	1000	North America	1000
Editor	John W. H. ...	Editor	John W. H. ...	Editor	John W. H. ...	Editor	John W. H. ...	Editor	John W. H. ...	Editor	John W. H. ...	Editor	John W. H. ...	Editor	John W. H. ...	Editor	John W. H. ...
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The Economist
labelled Africa
“the hopeless
continent” in
2000



INSIDE THIS WEEK: TECHNOLOGY QUARTERLY

The Economist

DECEMBER 3RD - 9TH 2011

Economist.com

President Newt? Brace yourselves
Britain's coming recession
Why India needs Walmart
France tries to stay AAA
The science of ethical foie gras

Africa rising



***“Africa’s hopeful economies:
The sun shines bright
The continent’s impressive growth
looks likely to continue”
Economist, Dec 2011***



Africa today*

\$1.5 trillion

- Africa's collective GDP in 2009**, roughly equal to Brazil's or Russia's

\$860 Billion

- Africa's combined consumer spending

316 million

- The number of new mobile phone subscribers signed up in Africa since 2000

60%

- Africa's share of the world's total amount of uncultivated arable land

52

- The number of African Cities with more than 1 million people

20

- The number of African companies with revenues of at least \$3 billion

*See "Lions on the Move: The Progress and Potential of African Economies"

**According to a report by South Africa's Standard Bank



Africa tomorrow*

\$3 trillion

- Africa's collective GDP in 2015**

\$1.4 trillion

- Africa's combined consumer spending 2020

1.1 billion

- The number of Africans of working age in 2040

128 million

- The number of African households with discretionary income in 2020

50%

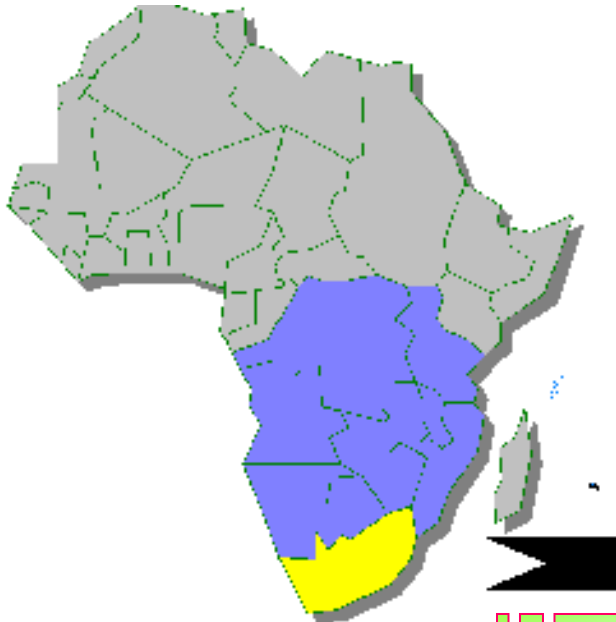
- The portion of Africans living in cities in 2030

*See "Lions on the Move: The Progress and Potential of African Economies"

**According to a report by South Africa's Standard Bank



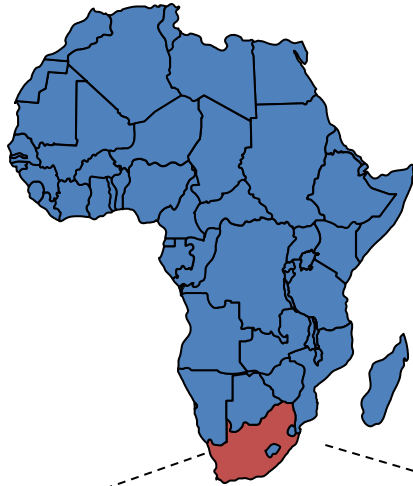
SADC and South Africa



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



Gateway into Africa

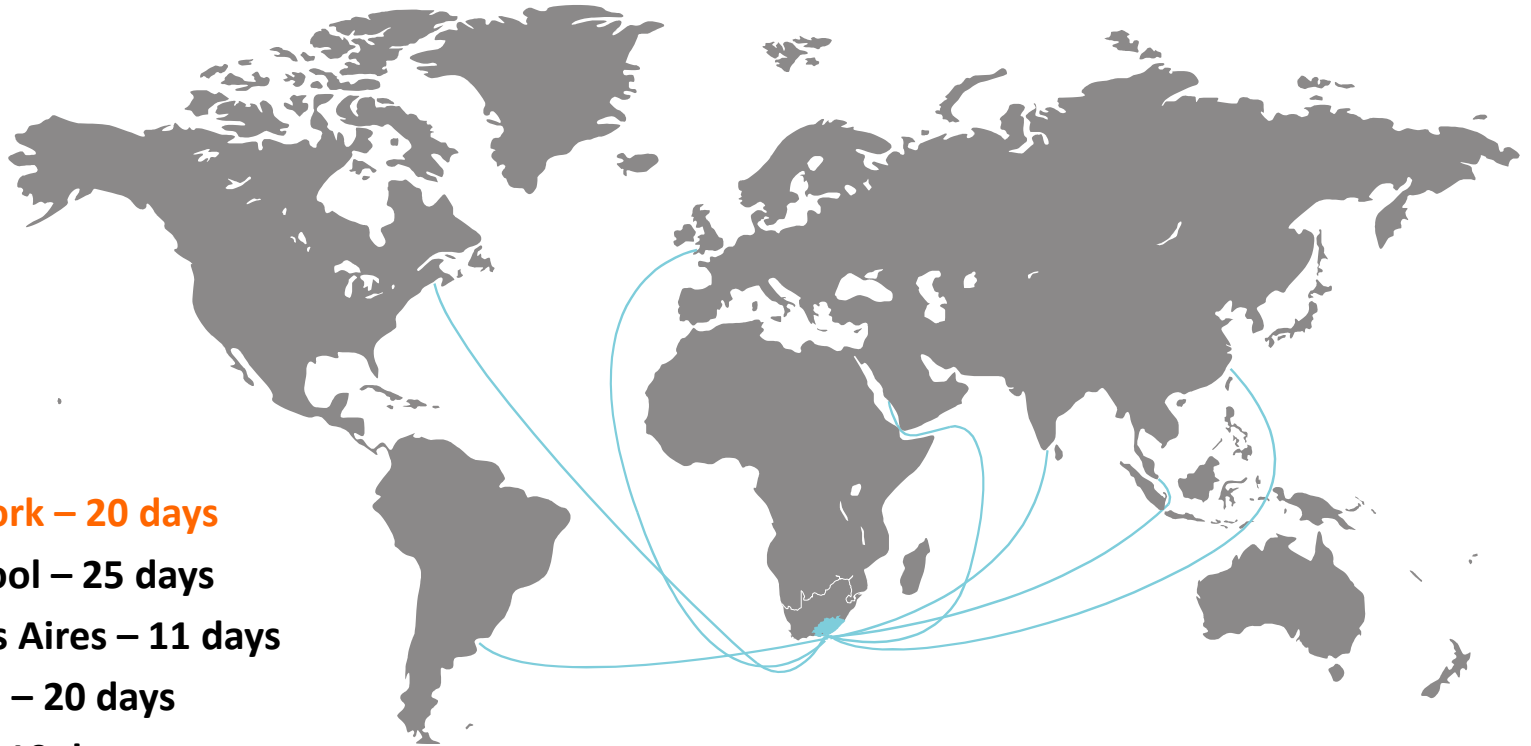


- Area 1.219.090 km²
- Population 52 Million and counting...
- 9 Provinces
- Main cities incl. JHB, PTA, DBN, CT
- Currency R1 = 100 cents
- Time GMT + 2 hrs
- Head of the State: President Jacob Zuma
- 11 Official languages with English the business language
- Total GDP: 2010 R2,460bn (US\$ 364bn)
- GDP 2010 per capita: R50,107 (US\$ 7,410)
- Real GDP Growth: 2.8% (2010)
- Inflation: 4.1% (annual 2010 average)
- Main Exports: minerals & mineral products, precious metals & metal products, chemical & food products, automotives components.
- Main trading partners: USA, Germany, China, Japan & the UK.



Proximity to markets by sea

- **New York – 20 days**
- Liverpool – 25 days
- Buenos Aires – 11 days
- Jeddah – 20 days
- India – 10 days
- Singapore – 12 days
- Hong Kong – 25 days



South Africa



South African economy

YEAR	1994 THEN	2004	IN 2011
GDP (billions)	R 482 US\$ 60	R 1 374 US\$ 171	R 2 964 US\$ 408,8
Merchandise exports (billions)	R 69, 8 US\$ 8.7	R 281,8 US\$ 35.2	R671 US\$ 92,5
GDP Growth	3,2%	4,6%	3,1 %

- Open economy
- Diversified Industrial sectors
- South Africa positioned as a manufacturing centre of excellence
- Sound business case for investment and profit
- Gateway to Africa and markets of more than 600 Million consumers
- Africa is the next big story after China and India



South Africa's leading trade partners (2011)

Export Country	Rand (millions)
1. China	85,297
2. United States	59,629
3. Japan	55,295
4. Germany	43,168
5. United Kingdom	28,681
6. India	24,333
7. Netherlands	21,504
8. Switzerland	21,373

Import Country	Rand (millions)
1. China	103,130
2. Germany	77,263
3. United States	58,395
4. Japan	34,527
5. Saudi Arabia	32,300
6. India	29,195
7. United Kingdom	29,144
8. Iran	26,697



Major sources of foreign direct investment into South Africa

2003 - Feb.2012

Source Country	Projects	Capex	Avg Capex *	Jobs Created	Avg Jobs	Companies
United States	118	57,267.5	485.0	15,150	128	102
UK	90	55,385.5	615.6	16,786	186	71
Germany	43	17,646.0	410.7	6,382	148	38
India	34	22,101.5	650.0	6,074	178	26
France	24	10,326.8	430.2	1,960	81	21
China	23	13,397.8	582.8	8,595	373	20
Switzerland	21	12,168.9	579.6	7,960	379	16
Australia	21	57,292.6	2728.4	6,887	327	15
Japan	20	18,847.5	942.6	3,097	154	16
Netherlands	19	4,842.7	255.0	1,508	79	15

Notes:

1) © fDi Intelligence, from the Financial Times Ltd 2012. Data subject to terms and conditions of use

* Rand millions (1 EURO = approx R10)



Companies entering the region:

- Walmart has recently acquired Massmart, a South African retailer for \$2.4 bn
- Massmart has operations in 14 African countries with a target of opening 150 new stores across Africa over the next three years
- The acquisition positions Walmart to expand into fast growing African markets



- Aon South Africa, a subsidiary of Aon Corporation, has acquired Glenrand MIB
- The acquisition will add approximately 15,000 corporate, public sector, specialty and commercial clients to Aon's client base
- Glenrand MIB's existing operations in Sub-Saharan Africa will strengthen Aon's network, which together span owned offices in 14 countries across the region



- Rockwell Automation has recently purchased Hiprom, an automation systems integrator based in South Africa
- The acquisition is set to accelerate the growth of Rockwell Automation's business in the Sub-Saharan region



South African trade agreements

- **USA Africa Growth and Opportunity Act (AGOA)**
- **South Africa – European Union (EU) Trade, Development and Co-operation Agreement (TDCA)**
- **Southern African Development Community (SADC) FTA**
- **Southern African Customs Union (SACU) - European Free Trade Association (EFTA) FTA**

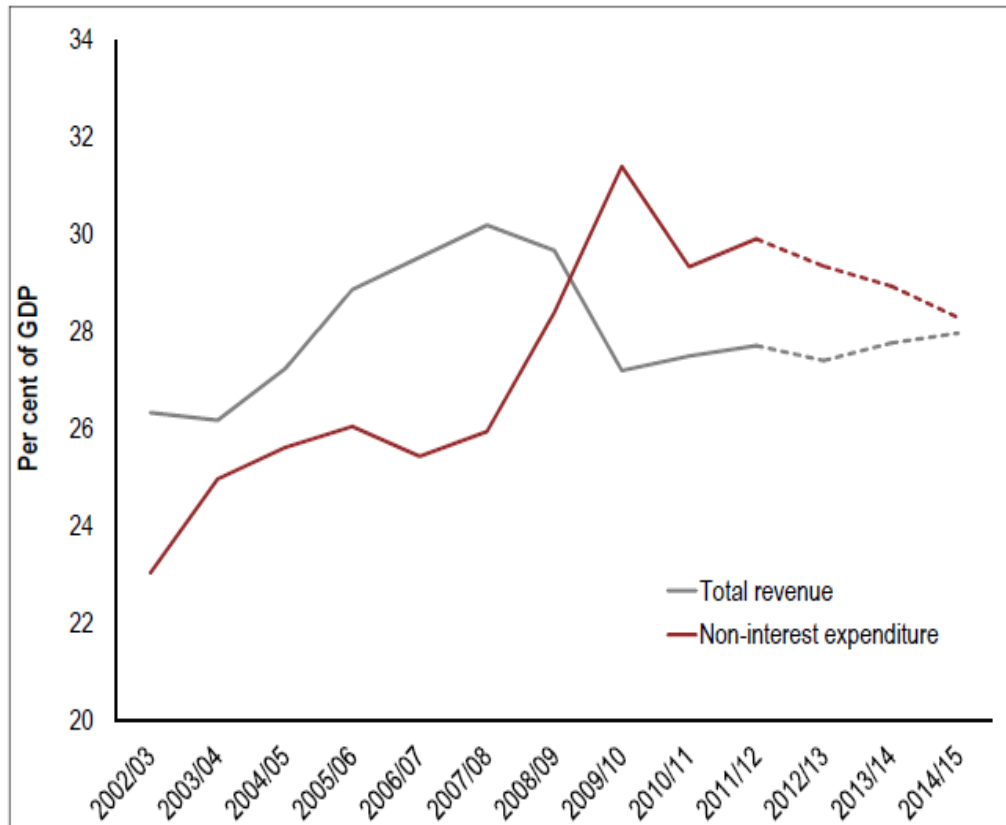
Agreements in the making:

- PTA with India
- PTA with Mercosur
- SADC-EAC- COMESA T-FTA

- **Special Export Zones (SEZ)**
- **Coega Port & Industrial Zone (heavy industries)**
- **East London Industrial Zone (Automotive Cluster)**



South African economy - fiscal position



- Budget balance at -4.6 % (2011)
- Decline to 3% by 2014
- Current Account : -4% of GDP
- Balance of Payment: +0.3%
- Foreign reserves: US\$ 51 bn
- Capital Formation: 20% of GDP



Competitiveness & doing business

- Vast mineral resources:
 - No.1 for PGM, Chrome, Manganese
 - No.3 for Gold, Coal &
- Corporate Tax rate of 28%
- Well developed legal system bases on sound constitution
- Well developed & independent public institution (legal, economic etc)
- Prime Interest Rates at 8.5%
- JSE top 15 of global exchanges
- Well developed infrastructure:
 - 3 of Africa's busiest International airports (JNB, CTN, DBN)
 - Africa's largest container Port in Durban
 - Mobile telecoms subscription at over 90%
 - Well developed rail & road infrastructure
 - Over 40 000 MW electrical generation capacity & network





Success stories

Automotive cluster



- 272 000 exports from BMW (3 series), Mercedes Benz (C-Class), Toyota pick up, VW Polo, Ford Pick up, Nissan Pickup
- Exports to USA (C-class, 3-er) UK (Polo, Toyota pickup, Ford Pickup, Japan (C-class), Australia (Toyota, C-Class), GM
- 14% of Global Catalytic convertor supply
- 40-70% local content



Success stories

Technology cluster

- Coal & Gas to Liquid Technologies
 - Sasol Fischer-Tropsch Process
- Deep Mining Technologies
 - Some of deepest mines in the world (3 km)
- Mobile solutions & technologies
 - Mobile banking & transactions





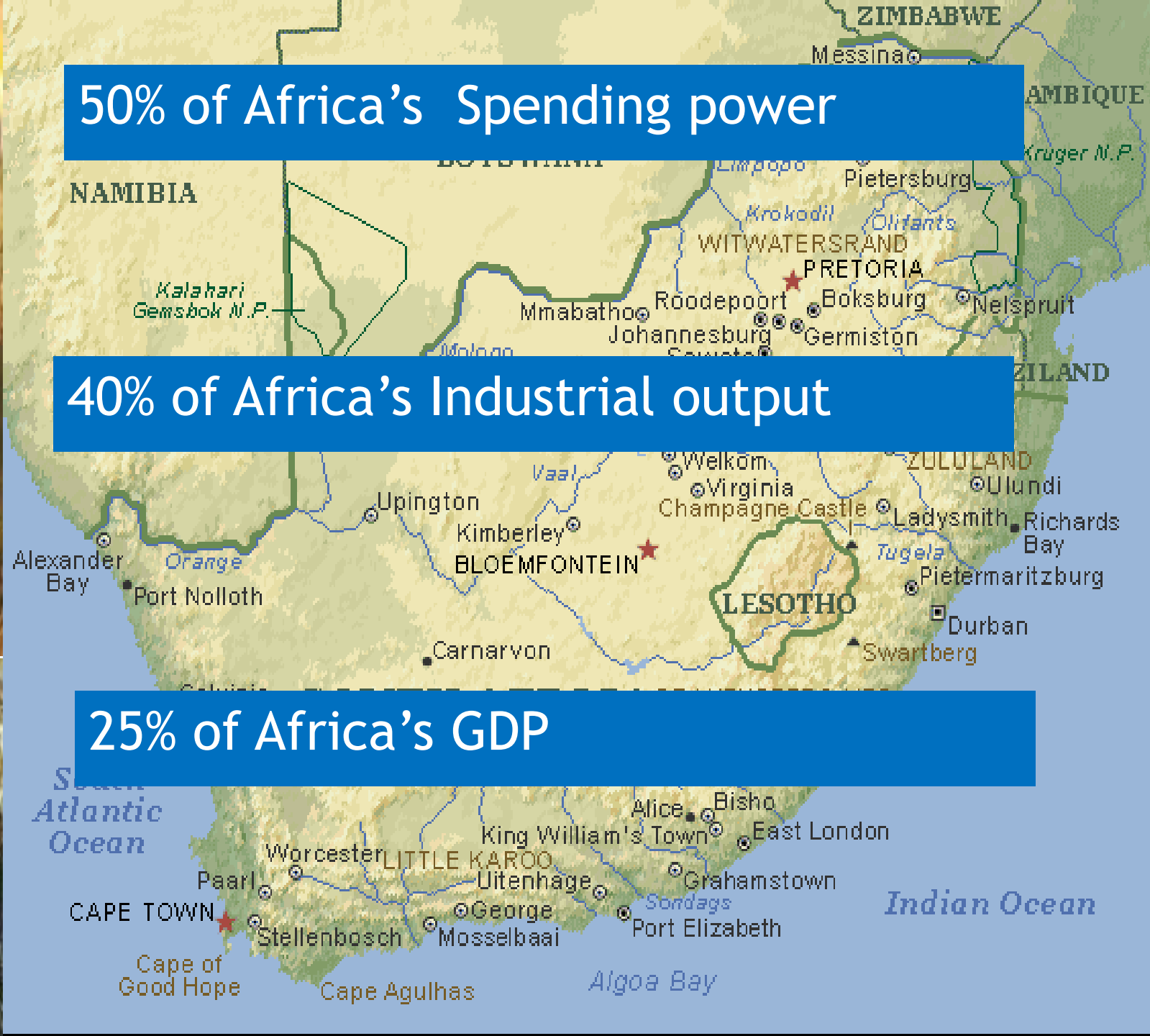
50% of Africa's Spending power



40% of Africa's Industrial output



25% of Africa's GDP



Opportunities (Industrial Plan)

- Metals Cluster
 - Steel Profiles, Construction steel, Piping,
 - Locomotives & wagons, Industrial components
- Automotive
 - Component and systems manufacturing
 - Trucks, busses, tractors and special vehicles
- Agro Industries
 - High value intensive agriculture
 - Food processing for export markets
- Green Industries
 - Solar panels and PV cells
 - Wind turbines
- Chemicals, Pharma & Plastics
 - Polypropelene articles & components
 - Pharmaceuticals (APIs)



Opportunities (IPAP)

- Advanced Manufacturing
 - Nuclear components
 - Aerospace and defence components and systems
 - Titanium metal products
 - Nanotechnologies
- Business Process Services
 - Back Office Operations (Financial, medical, legal etc)
 - Call Centers
 - Remote & Offshore support services



Major/programme

- Economic Infrastructure
 - Euro 30 billion for Rail infrastructure & rolling stock (2012-2015)
 - Euro 300 billion for Nuclear Power plants (2014 - 2030)
 - Euro 10 billion for sea port expansions
 - Nanotechnologies
- Automotive Cluster
 - Euro 200 million Mercedes Benz recap (2013)
 - Euro 100 million Nissan expansion
 - Euro 100 million VW expansion & localisation
- Other
 - Euro 100 million renewable energy programme
 - Various mining beneficiation projects (Manganese, Chrome, Silicon)



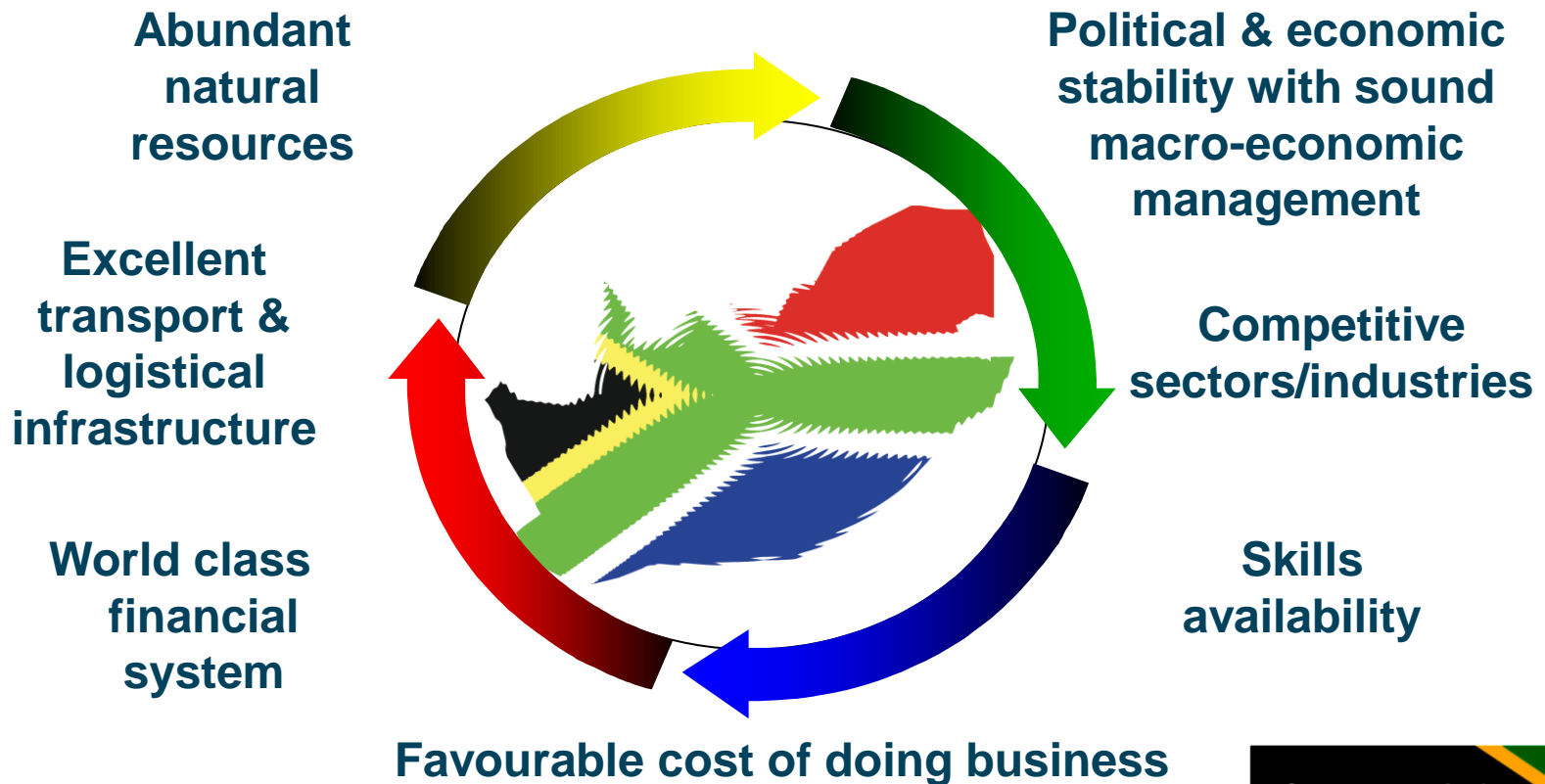
Cost of doing business

- South Africa's exchange rate makes it one of the least expensive countries for foreigners to live in
- Energy costs are still among the lowest in the world
- South Africa's unit labour costs are lower than those of emerging markets
- South Africa's first-world infrastructure and high living standards ensures good value for money



South Africa's investment environment

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



Business environment in South Africa



Investment opportunities

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



Investment opportunities

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



Investment opportunities

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



Investment opportunities

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



Investment opportunities

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



Investment opportunities

Creative and Design Industry

Film and Media

Film studios, treaty film co-production ventures, distribution infrastructure, servicing of foreign productions.

Production of film and documentaries, commercials, stills photography and multi-media

Design

Jewellery manufacturing and design

Fashion design



Coega IDZ & port infrastructure



Incentives

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



Incentives

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



Incentives

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

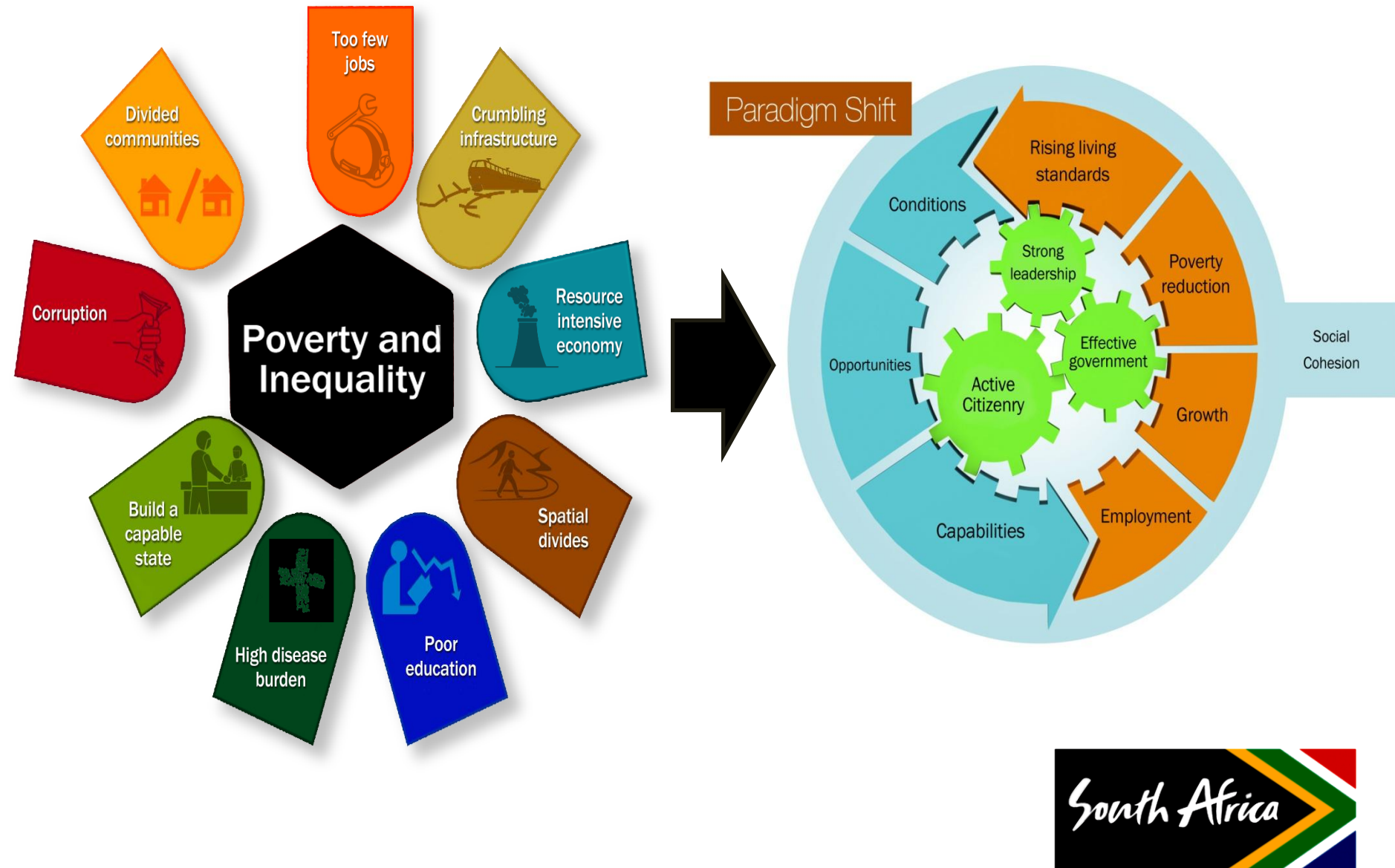


Incentives

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



Challenges in South Africa



In the city of the blind, the man with one eye will be king

- **African proverb**



South Africa is open for business

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Questions???

