

Rödl & Partner

STRIVING UPWARDS

ELEVATOR PITCH – SOUTH AFRICA



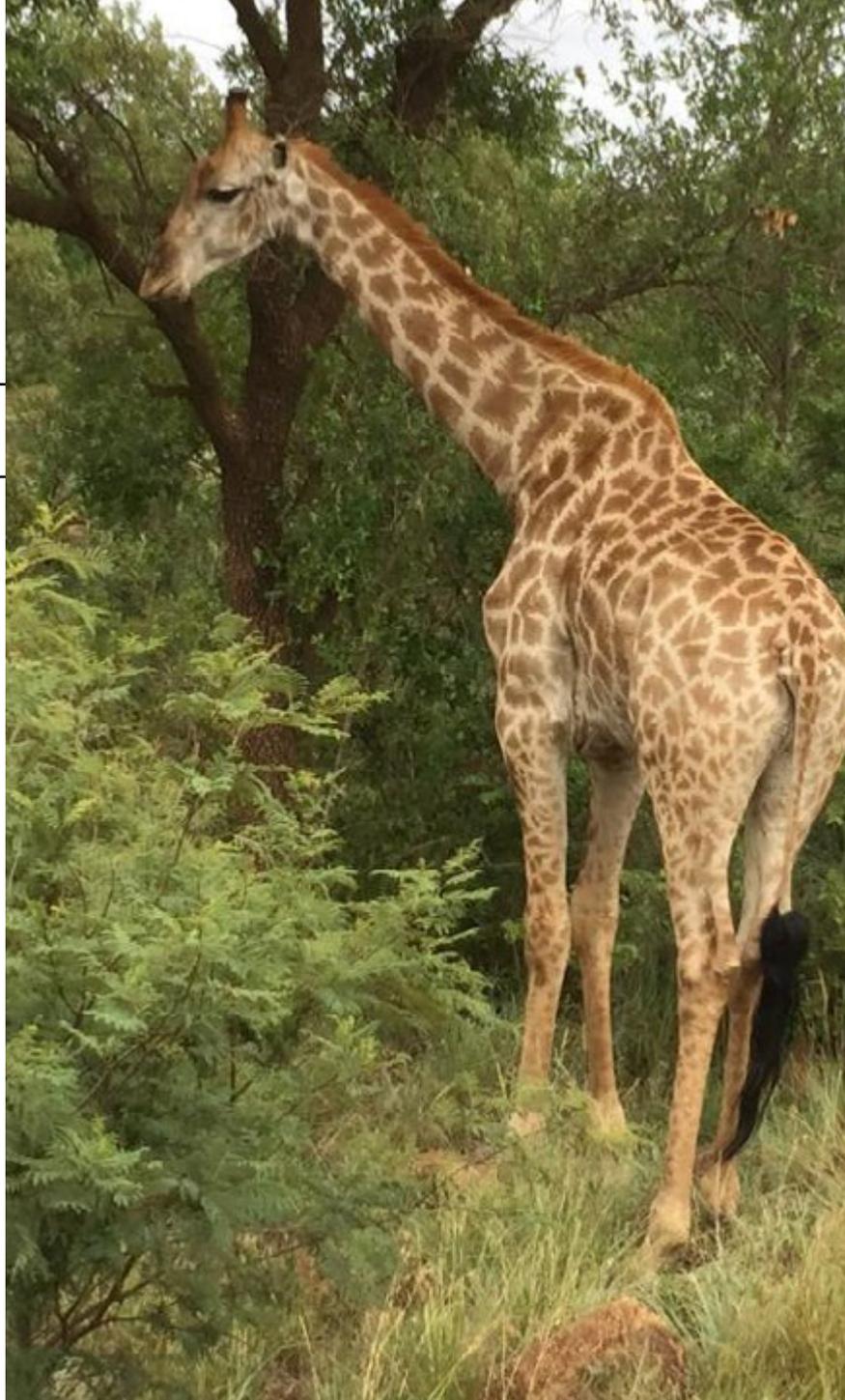
Elevator Pitch

South Africa

The „Rainbow Nation“ counts among the largest political economics of the African continent and simultaneously serves as a hub for foreign investments in the growing markets of the sub-Saharan countries.

The cape-situated country offers a large potential for foreign investors owing to its modern infrastructure in the economy centres. In contrast however, there are a number of obstacles to be overcome, in order to achieve an improvement of the economic framework conditions and increase the readiness to invest.

Having nominated a new president, it is continuously anticipated to have set the course for a revival of the economy and consequently an improvement of the investment climate. As a result, the South African government is facing the demanding challenge of managing the social and economic consequences of the apartheid policy. One of the fundamental goals is combatting the unemployment and amplify the energy security, particularly with respect to renewable energies (ecological challenge). In this sector, German companies are the leading suppliers of industrial manufacturing equipment and machinery.



Country	Republic of South Africa
Form of government	Parliamentary democracy
Capital	Pretoria
Climate	Dry to sub-tropical humid
Surface (km ²)	1.219.090 (approx. 3.4 x bigger than Germany)
Provinces	<ul style="list-style-type: none">- Northern Cape- Eastern Cape- Western Cape- North-West-Province- Free State- Gauteng- KwaZulu-Natal- Mpumalanga- Limpopo

Economic Centre	Johannesburg (belongs to region Gauteng along with Pretoria)
Population	56.6 million
Percentage of population aged 15 to 64	66.1 %
Official language	English, Afrikaans (as well as 9 Bantu languages)
President	Cyril Ramaphosa (ANC)
Currency	South African rand (ZAR)
Gross Domestic Product	USD 349.3 billion (Comparison Germany: EUR 3.28 trillion)
Economic growth	1.32 %
Inflation rate	5.27 %
Unemployment rate (official)	27.45 %
Illiteracy rate	5.6 %

PRIVATE PUBLIC PARTNERSHIPS (PPPS)

Most of the PPP projects primarily focus on the sectors infrastructure, health, energy and the implementation punishment. In spite of the number of new project transactions having decreased in the past few years – which results, among others, from the delays and cancelled projects in the health and security sector – the PPP-transactions (emphasis on energy, municipal waste, residential buildings) are said to experience a boost by 2020 / 21 according to the government.

DOUBLE TAXATION TREATY WITH GERMANY

Effective since 28.2.1975. In addition, an investment protection treaty with Germany existed. However, it was terminated by the South African government unilaterally in October 2013. Investments made up to this point in time will be protected until 2034. In lieu of the investment protection treaty, a new law for the protection of investments, the Protection of Investment Bill, was introduced in November 2013. It has been in force since 2015.

Ease of Doing Business	Top 5 of the African countries and on rank 82 of 190 evaluated countries worldwide
Corruption Perception Index	71 of 180 countries
Hermes country category	Risk category 4
Important sectors	<ul style="list-style-type: none"> - Mining - Automotive industry - Finances - Retail - Renewable energies - Infrastructure - Electrical engineering - Machine engineering - Chemistry - Information and communication technology - Textile and clothing - Tourism
Main export products	<ul style="list-style-type: none"> - Automotive parts - Base metals - Food products - Raw materials - Iron and steel

Main supplying countries	<ul style="list-style-type: none"> - China - Germany - USA - India - Saudi Arabia - Japan
Main buyer countries	<ul style="list-style-type: none"> - China - USA - Germany - Japan - India
German export products	<ul style="list-style-type: none"> - Motor vehicles and parts - Machinery - Electrical engineering - Chemical products
German import products	<ul style="list-style-type: none"> - Motor vehicles and parts - Non-ferrous metals - Raw materials - Machinery - Food products
Trading volume Germany to South Africa	EUR 16.8 billion (Germany to USA: about EUR 172 billion)
German local companies	About 800 (according to Chamber of Commerce)

ADVANTAGES / MARKET CHANCES

- Well-developed infrastructure, e.g. road and mobile phone network
- Growth in the sectors housing and commercial building
- More investments in educational facilities and education could reduce the unemployment rate, especially youth unemployment. A good education has a positive effect on the economic growth.
- A good legal system (with well-educated lawyers) is available.
- A stable and well-regulated financial service sector exists.
- The creation of reliable and stable framework conditions and reforms by the government as well as combatting poverty, corruption and criminality could lead to more companies investing in the country.
- Due to the energy crisis, the market for energy efficiency is growing ("Load Shedding" affects the energy market negatively). The promotion of private electricity providers (IPPs) and the further development of renewable energies is set as an objective. A new growing market for energy efficiency (increasing demand for energy) offers chances for German entrepreneurs as suppliers of German technology and innovative solutions.

WEAKNESSES OF THE GOVERNMENT

- New regulations regarding the B-BBEE-laws (Broad-Based Black Economic Empowerment): Specialists only receive a visa restrictively. This jeopardizes the transfer of know-how and investments.
- A poor educational system and a lack of skilled workers have a negative impact on the unemployment rate and slow down the economic growth.
- Unfavorable prices for raw materials lead to an increase of the unemployment rate.
- A stalling economic growth burdens the national budget as well as companies and private households.
- Security concerning criminality
- Conflicts regarding landholdings
- Corruption, reform bottleneck, persisting waves of strikes as well as the lack of confidence in politics raise the uncertainty and jeopardize the willingness to invest.
- The social inequalities are too extensive (poverty in many areas).

MEMBERSHIP IN ECONOMIC AND INTERNATIONAL ALLIANCES

- African Union
- United Nations (UN)
- International Monetary Fund (IMF)
- South African Development Community (SADC)
- Economic Partnership Agreement between the EU and selected states of the SADC (EPA)
- South African Customs Union (SACU)
- World Trade Organization
- World Bank
- UNCTAD
- UNESCO
- BRICS community of states
- Written cooperation with the Organization for Economic Cooperation and Development

MEDIA

- Daily newspaper: The Times, Business Day, The Star, The Citizen, The Sowetan, Pretoria News, Cape Times, Cape Argus
- News portal: IOL Independent
- Weekly newspaper: Sunday Times, Sunday Tribune





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