



## Economy

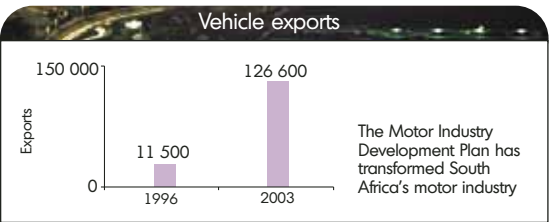
South Africa has experienced strong economic growth since the ending of Apartheid in the early 1990s. A profound restructuring of the economy has borne fruit in the form of macro-economic stability, booming exports and improved productivity in both capital and labour.

In 2002, manufacturing grew by 5,4%, the fastest increase since 1995. Lower inflation, interest rates and personal income taxes are buoying consumer spending. In 2007, the manufacturing sector is expected to be 40% bigger than it was in 1995.

Not surprisingly, South Africa's global competitiveness has soared. Manufactured value-added products are now increasingly eating into commodities' traditionally dominant share of exports.

### Domestic output

The South African economy grew by 1,9% in 2003, as compared with 3,6% growth in 2002.



Source: National Association of Automobile Manufacturers of South Africa

Growth in real value added by the non-agricultural sector in 2003 increased by 2,2%. After growth slowed to just a half percent in the second quarter of 2003, real Gross Domestic Product (GDP) rose to 1% in the third quarter.

After increasing at a rate of 3% in 2002, the real value added by the primary sector declined by 1% in 2003.

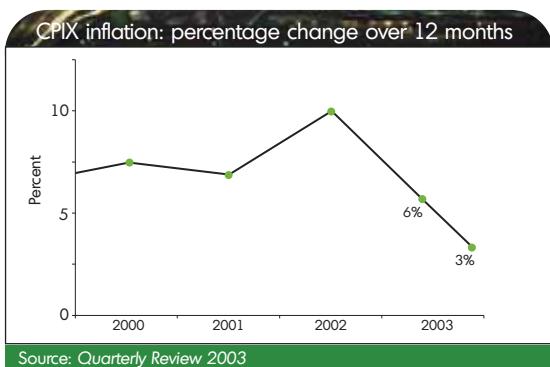
In 2003 as a whole, real GDP rose by 2%, while on a quarter-to-quarter basis, the lowest annualised growth rate recorded was 0,5% in the second quarter.

## Domestic expenditure

Compared with real GDP, real domestic expenditure rose considerably in 2003. For the year as a whole, real expenditure advanced by around 4%, while in the fourth quarter of 2003 its annualised growth rate amounted to 7%.

Growth in real gross domestic expenditure for 2003 was just below the rate of 4,5% attained in 2002.

The growth in real final consumption expenditure by households remained firm for 2003 as a whole, similar to that attained in 2002. All expenditure categories recorded solid expansions but spending on durable goods and services have actually witnessed accelerated growth compared with 2002.

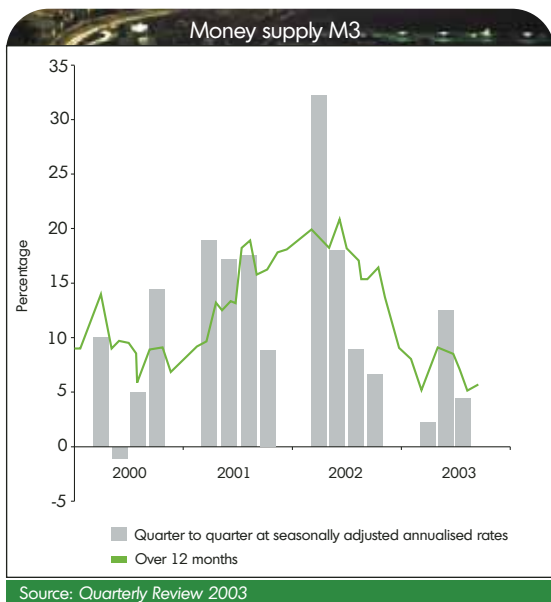


Growth in final consumption expenditure by households accelerated towards the final quarters of 2003.

Meanwhile, general government continued to contain the growth in its wage bill. As a result of these developments, the ratio of final consumption expenditure by general government to GDP edged up to 19% compared with 18,5% in 2002. Real gross fixed capital formation has expanded in an accelerated fashion for four consecutive years.

## Price inflation

Consumer Price Inflation rose from 5,4% in 2000 to 5,7% in 2001, and 10,1% in 2002. Consumer Price Index excluding mortgage rates (CPIX) accelerated from 6,6% in 2001 to 10% in 2002, reaching 11,2% in March 2003.



Since September 2003, monetary policy in South Africa has succeeded in maintaining CPIX inflation within the specified 3% to 6% target range. This was achieved less than a year after inflation had peaked at over 11% in November 2002. This success was a result of the monetary policy reaction to the inflation surge in 2002 following the depreciation of the Rand in late 2001, as well as other favourable developments, both domestically and internationally.

## Exchange rates

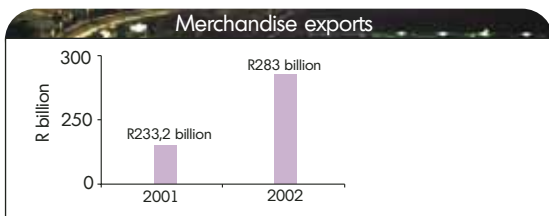
The weighted exchange rate of the Rand, which appreciated by 24,2% between the end of December 2001 and the end of December 2002, improved further by 16,2% between the end of December 2002 and the end of December 2003.

The net average daily turnover in the domestic market for foreign exchange, which had increased to US\$10,6 billion in the third quarter of 2003, rose to US\$11,3 billion in the fourth quarter of 2003 – its highest level to date.

## Foreign trade and payments

The South African economy weathered turbulent global economic conditions well in 2002/03.

While the current account of the balance on payments reverted from a surplus of R6,7 billion in 2002 to a deficit of R10,1 billion in 2003, it was still well within the boundaries



Source: Department of Trade and Industry

of sustainability, being equal to 0,3% of GDP. The deterioration in the current account of the balance of payments was due to a decline in the value of merchandise and gold exports, which outstripped the decline in the value of merchandise imports.

Consequently, the trade balance recorded a surplus of R28,5 billion in 2003, compared with a surplus of R48,9 billion in 2002. The value of merchandise exports declined throughout 2003 and for the year as a whole, the nominal value of merchandise exports declined by 10,6% to R256 billion from R286,4 billion in 2002.

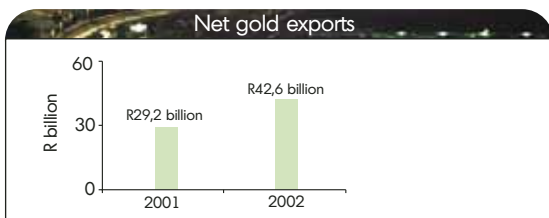
The Rand prices of exported goods decreased on average by 11,7% in 2003, mainly due to a decline in the weighted exchange rate of the Rand.

Since 1994, the Rand value of South Africa's exports as well as imports of manufactured goods has grown steadily. South Africa's export base is diversifying rapidly, with notable successes in processed agricultural goods, automobiles and industrial machinery.

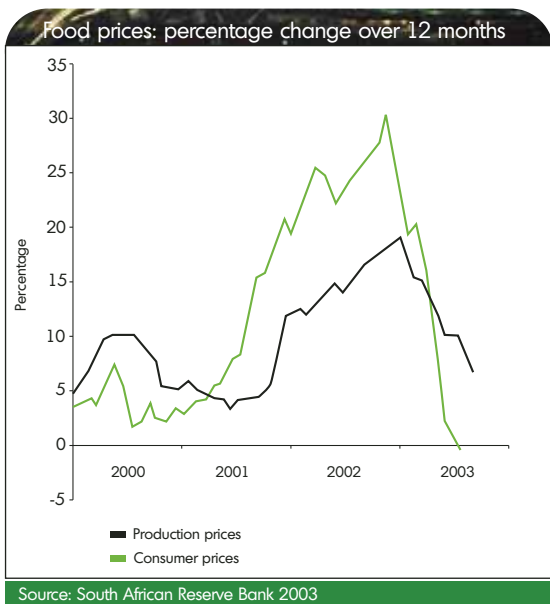
## Trade relations

### Africa

South Africa's economy is inextricably linked to that of the southern African region, and its continued growth to the economic recovery of the continent through the New Partnership for Africa's Development (NEPAD). In 2002,



Source: Department of Trade and Industry



16% of South Africa's exports went to the rest of the continent. Africa only accounted for 4% of South Africa's imports. However, this trade imbalance has largely been offset by South African investment into the rest of Africa, most of it aimed at infrastructural development.

**Southern African Development Community (SADC)**  
 The centrepiece of South Africa's foreign economic policy is the SADC. Within the SADC, South Africa, Botswana, Lesotho, Namibia and Swaziland have organised themselves into the Southern African Customs Union (SACU). SACU shares a common tariff regime without any internal barriers. Trade with SADC countries increased significantly, from R16 billion to approximately R32 billion, between 1998 and 2002.

## Europe

Europe is the largest source of investment for South Africa and accounts for almost half of South Africa's total foreign trade. In 2001/02, manufactured exports to Europe grew by 19,8%. The United Kingdom is the third largest trading partner and the largest foreign investor in South Africa. Germany is South Africa's second biggest trading partner. The Netherlands is the fifth largest destination for South African exports and the fifth largest investor in South Africa.

The historic Trade, Development and Co-operation Agreement, which was provisionally implemented in January 2000, established a free trade agreement between South Africa and the European Union (EU). South Africa will grant duty-free access to 86% of EU imports over a period of 12 years, while the EU will liberalise 95% of South Africa's imports over 10 years.

## United States of America (USA)

The USA is South Africa's number one trading partner in terms of total trade. Exports to the USA rose in nominal terms from R30 billion in 2001 to R35 billion in 2002. Imports from the USA increased in nominal terms from R25 billion to R31 billion from 2001 to 2002. South Africa is a beneficiary of the USA's Generalised System of Preferences (GSP), which grants duty-free treatment for more than 4 650 products, and of the Africa Growth and Opportunity Act, in terms of which an additional 1 783 products were added to the existing GSP products, until September 2008.

## Latin America

South Africa's major trading partners in South America are Brazil, Argentina, Chile, Mexico and Peru. South Africa and the MERCOSUR states signed a Framework Agreement in 2000 which commits them to working towards a free trade agreement. Trade between South Africa and MERCOSUR grew from R2,7 billion in 1994 to R6 billion in 2000.

## Asia

Between 1995 and 2002, trade with the Indian Ocean Rim Association for Regional Co-operation accounted for 14% of South Africa's global trade. Trade with India has grown particularly rapidly, now standing at over US\$2 billion.

In south-east Asia, South Africa's strongest ties are with Malaysia, today its second largest investor. Japan is South Africa's biggest trading partner in Asia and its fourth largest overall. At the end of 2002, total trade between the two countries stood at R43,9 billion. In 2002, bilateral trade with South Korea was worth over R10 billion, and with the People's Republic of China, more than R19 billion, a 40% rise over 2001.

## Economic transformation

### Small is big

The Government's National Strategy for Small Business aims to boost small enterprises, equalise income and wealth and create long-term jobs. Fostering entrepreneurship among women is a particular focus.

A single enterprise development agency will be established to provide more effective and accessible non-financial support to small enterprises through the merger of the Ntsika Enterprise Development Agency and the National Manufacturing Advisors Centres. Other agencies provide finance to new enterprises, and advice on entering the export market.

### National Empowerment Fund (NEF)

The NEF was launched in May 2004 to finance Black Economic Empowerment (BEE) businesses and reduce the real risk by developing creative and unique products that respond appropriately to the circumstances faced by black businesses.



## Our Economy

- The JSE Securities Exchange is one of the 15 largest stock exchanges in the world.
- South Africa's banking sector and data security is rated amongst the top 10 of the world.

## Our Government

- South Africa rates 3rd in the world in terms of management of public finance.
- South Africa has the 15th most efficient government in the world.

## Our Business Leadership

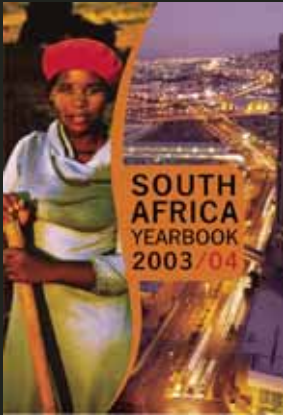
- South Africa ranks 3rd in the world with regards to social responsibility of business leaders.
- South Africa rates 8th in the world with regards to employee training.

## Our Infrastructure

- South Africa has the lowest cost of electricity in the world.
- South Africa's road infrastructure quality is ranked 3rd in the world.

To find out more unbelievable South African facts, go to [www.southafrica.info](http://www.southafrica.info)





# SOUTH AFRICA YEARBOOK 2003/04

**738 pages; full-colour photographs  
includes bookmark and detachable map**

South Africa Yearbook 2003 / 2004 is published by STE on behalf of the Government Communications and Information System (GCIS).

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**A valuable tool for South Africans and visitors alike.**

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The Incubator Programme aims to provide sustainable work opportunities for black construction businesses of a significant size, with projects worth R2 million to R25 million being identified.

The Department of Trade and Industry and the National Treasury have agreed on an initial capitalisation of R2 billion for the NEF. Further work will be done to access additional resources based on the development of new products for the market.

The NEF will be guided by market principles. It will not offer free money to BEE firms and will operate with strict principles of recouping loans and other finance. The fundamental difference between the NEF and the existing finance institutions is its approach to evaluating the businesses, the scope of business sizes that it will be financing, and the range of products that it will have.

### Industrial Development Corporation (IDC)

Over the last five years, the IDC has facilitated the creation of 70 000 jobs and approved projects responsible for generating more than R20 billion per annum in export earnings.

The IDC also facilitated investments of more than R21 billion in South Africa, and provided loan finance to the value of R1,4 billion to historically disadvantaged businesses.

### Business Partners Ltd

Business Partners Ltd is a specialist investment group, providing customised investment, mentorship and property management services to small and medium enterprises in South Africa.

### State-owned Enterprises (SOEs)

The Department of Public Enterprises ensures that SOEs play a upliftment and development role.

At the beginning of September, government will

A community in Mpumalanga, which has been assisted to develop a successful lemon orchard, recently secured a contract from Coca-Cola.

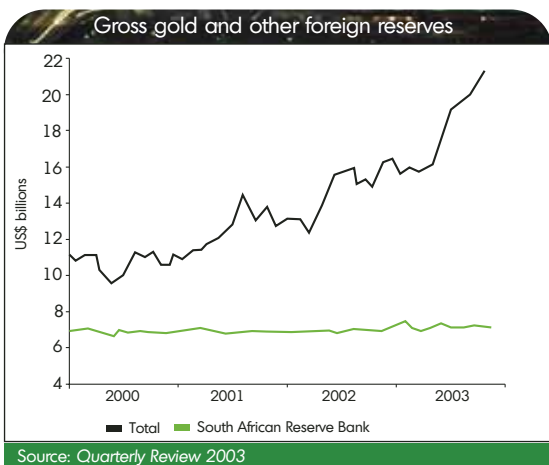
announce the detailed and enhanced investment plans of the SOEs, including the financial development institutions. In 2002, government carried out 11 SOEs restructuring transactions, bringing the number of transactions concluded since 1997 to 27.

By mid-2003, total proceeds amounted to R35,5 billion. Income for 2002 was R8,126 billion; R4,1 billion of which was generated from the listing of telecommunications company Telkom.

It was announced in June 2004 that Eskom, Transnet and Denel will remain as SOEs.

### Public Works programmes

The national Public Works Programme was implemented through the Community-Based Public Works Programme (CBPWP) and the Construction Industry Development Programme.





Since the launch of the Strategic Empowerment Programme for Women in Construction in August 2001, some R188 million worth of construction-related work involving more than 79 projects have been awarded to women-owned enterprises.

Projects in 2003 included work by 400 workers on the R19-million Repair and Maintenance Project at the Leeuwkop Prison, north of Johannesburg. The R16-million repair phase was completed in March 2003.

A total of 560 CBPWP projects were implemented in the 2002/03 financial year, employing 13 982 rural workers.

The CBPWP was discontinued at the beginning of the 2004/05 financial year. Allocations for poverty relief, which previously formed part of the CBPWP, were amalgamated into the Municipal Infrastructure Grant (MIG) under the Department of Provincial and Local Government.

As part of this Programme, 14 Multi-Purpose Community Centres had been established by June 2003. These Centres, together with Community Production Centres, create sustainable employment.

### Expanded Public Works Programme (EPWP)

Government launched the EPWP in May 2004. It is the largest job-creating initiative to be undertaken by government: to create one million jobs over the next five years through delivering certain types of infrastructure projects and other services using people rather than machines.

Municipalities and provinces will mainly deliver this Programme. Projects will include the construction of rural

Between 1999 and 2003, the Community-Based Public Works Programme and other construction initiatives of the Department of Public Works had:

- created 106 000 temporary jobs
- employed 39 125 women
- employed 41 323 youths
- employed 2 249 people with disabilities.

### Multi-Purpose Community Centres (MPCCs)

Since 1999, just under R20 million has been used by the Department of Public Works in the procurement of 15 of the 46 MPCCs currently rolled out nationally by the Government Communication and Information System. Eastern Cape and KwaZulu-Natal received six each, while three were built in Limpopo.

Source: Minister of Public Works, Stella Sigcau's Parliamentary Briefing, February 2004

or low-volume roads, water and sanitation trenches and sidewalks. In addition, government will step up spending on the maintenance of schools, clinics and other government buildings. EPWP projects will also be launched in the area of home-based care for people affected by HIV and AIDS, child-care projects, and in environmental projects like Land Care and clearing alien vegetation from river banks.

While most of the jobs created will be for a limited period, people employed will receive basic training that will allow them to find jobs in future. Government will be spending almost R20 billion on this Programme over the next five years.