Economy & Finanace

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South Africa is the largest economy in Africa. While much of the world staggered in the wake of the recent global financial meltdown, South Africa has managed to stay on its feet – largely due to its prudent fiscal and monetary policies.

The country has a well-capitalised banking system, abundant natural resources and well-developed regulatory systems, as well as research and development capabilities, and an established manufacturing base.

South Africa's economy has a marked duality, with a sophisticated financial and industrial base, having grown alongside an underdeveloped informal economy.

In its *2012/13 Global Competitiveness Report*, the World Economic Forum ranked South Africa second in the world for the accountability of its private institutions, and third for its financial market development. Its securities exchange is ranked among the top 20 in the world in terms of size.

Economic Development

The Economic Development Department was formed after the 2009 elections. It was set up to strengthen government capacity to implement the electoral mandate in particular in relation to the transformation of the economy.

As such, the department is responsible for coordinating the development of the country's New Growth Path and overseeing the work of key state entities engaged in economic development.

The department promotes economic development through participatory, coherent and coordinated economic policy and planning for the benefit of all South Africans.

The department contributes directly to the creation of decent work through inclusive economic growth, and the ministerial service-delivery agreement.

In cooperation with the Department of Rural Development and Land Reform and the Council for Scientific and Industrial Research, the Economic Development Department works to develop spatial frameworks for the 23 districts identified as the poorest in the country.

Economic development facts and figures:

- 365 000 new jobs
- five major new state infrastructure projects
- R300 billion for the country's ports and railways
- eight million learners at no-fee schools
- 11 000 new artisans qualified
- 23,9% – South Africa's unemployment rate in the fourth quarter
- 2 500 – applications received since the launch of the government's Jobs Fund in June 2011; project allocations of over R1 billion have already been committed
- R8,4 billion – the investment value of the seven projects approved under the R20-billion tax incentive scheme announced in 2011 aimed at supporting new industrial projects and manufacturing
- R1,5 billion – the amount approved for 60 companies to promote job creation under a R10-billion cheap loan scheme introduced in 2011 by the Industrial Development Corporation
- R1 billion – to be cut from port charges paid by exporters of manufactured goods in 2012/13, following an agreement between the Port Regulator and Transnet
- R300 million allocated for preparatory work towards building new universities in Mpumalanga and the Northern Cape in 2013
- R1-billion state guarantee fund to promote access to housing loans for South Africans with lower incomes, to start operations in April 2013, managed by the National Housing Finance Corporation
- people earning between R3 500 and R15 000 will, from April 2013, be eligible for subsidies of up to R83 000 from their provincial governments, to enable them to obtain housing finance from accredited banks.

State-owned enterprises (SOEs)

SOEs are responsible for the development of key infrastructure and manufacturing capacity for South Africa. The SOEs that fall under the jurisdiction of the Department of Public Enterprises are active in:

- Energy and mining: Alexkor and Eskom
- Manufacturing: Denel, Safcol and Broadband Infraco
- Transport: South African Airways (SAA), Transnet and South African Express Airways (SAX).

The Proudly South African "buy local" campaign was launched by government, organised business, organised labour and community organisations to boost job creation by promoting South African companies and locally made products. While the campaign encourages the nation to buy local products and make use of local services, it also promotes national pride, patriotism and social cohesion.

Department of Trade and Industry

The Department of Trade and Industry's vision is of a South Africa that has a vibrant economy, characterised by growth, employment and equity, built on the full potential of all citizens. To achieve this, the department has become an outwardly-focused, customer-centric organisation.

The department assists exporters by providing information, financial support and practical assistance to sustain growth in traditional markets and penetrate new high-growth markets, such as China, India and Russia.

Progress has been made in trade integration in the Southern African Development Community (SADC). Over the medium term, the SADC will focus on addressing rules of origin, trade facilitation and non-tariff barriers.

Industrial Policy Action Plan (IPAP)

Industrialisation is central to long-term growth and development. A host of sectoral and cross-cutting initiatives are being implemented under the Industrial Policy Action Plan 2 (IPAP 2).

In May 2012, the Department of Trade and Industry launched the Manufacturing Competitiveness Enhancement Programme, a new incentive and a key component of the IPAP 3.

Green economy

The green economy is shaping the next wave of industrialisation and is a key sector in the New Growth Path. National Treasury has allocated R800 million over the next two years for South Africa's Green Fund, which aims to provide finance for high-quality, high-impact, job-creating green economy projects throughout the country.

About 250 000 solar water heaters have been installed in South Africa, a solid step towards the million target. This has been a partnership between a number of departments and public entities. The department worked with industry to manufacture more of the units in South Africa. In January 2013, the South African Bureau of Standards approved a new factory in Alrode with a capacity to produce 8 000 units a month.

The IDC committed about R5 billion in industrial funding for projects in the Department of Environmental Affairs' green energy programme, including to support entry of community empowerment groups.

The department unblocked projects in green energy stuck in bureaucratic delays, for example a wind farm in Coega in the Eastern Cape.

Taxation

South Africa has a residence-based tax system, which means residents are – subject to certain exclusions – taxed on their worldwide income, irrespective of where their income was earned.

Non-residents are, however, taxed on their income from a South African source, but subject to the provisions of international agreements for the avoidance of double tax.

Most of the state's income is derived from income tax, although nearly a third of total revenue from government taxes comes from indirect taxes, primarily value-added tax.

Exchange control

Exchange-control regulations are administered by the South African Reserve Bank on behalf of the Minister of Finance. The Minister of Finance has also appointed certain banks to act as authorised dealers in foreign exchange, as well as authorised dealers with limited authority in foreign exchange, which gives them the right to buy and sell foreign exchange, subject to conditions and within limits prescribed by the Financial Surveillance Department of the Reserve Bank.

In September 2012, the South African Maritime Safety Authority (Samsa), the Department of Labour and the KwaZulu-Natal Department of Economic Development and Tourism hosted the South Africa Maritime Industry Careers Expo and Jobs Summit in Durban.

The summit was organised in support of government's New Growth Path goal to create five million jobs over the next 10 years and reduce unemployment by 10%. The expo formed part of Samsa's drive to revive the maritime industry and create 160 000 jobs within the next 20 years.

Authorised dealers are not agents of the department, but act on behalf of their customers.

Since 1994, South Africa has considerably reformed its exchange-control policies. There have been gradual exchange-control reforms concerning individuals, corporates and institutional investors. The liberalisation has been focused on progressively increasing the individual foreign capital allowance, increasing institutional investors' foreign exposure and allowing South African firms to raise capital and expand their operations offshore from a domestic base.

Other financial institutions

- The Cooperative Banks for Development Agency was established in 2009 in terms of the Cooperative Banks Act, 2007. Its objectives are to provide for the registration of deposit-taking financial service cooperatives, savings and credit cooperatives, community banks and village banks, and their regulation and supervision. The agency also facilitates, promotes and funds the education and training of cooperative bank personnel.
- The Development Bank of South Africa Act, 1997 stipulates that the main role of this Development Finance Institution is to promote economic development and growth, human-resource development and institutional capacity-building.
- Collective investment schemes (CIS) are investment structures whereby individual investor funds are pooled with those of other investors. Qualified asset managers regulated under the Financial Advisory and Intermediaries

Act, 2002 invest these funds on behalf of the investor. Each investor owns units (participatory interest) in the total fund. The South African CIS industry has recovered well after the financial crisis. Total assets under management at the end of March 2011, increased to R962 billion, compared to R817 billion in March 2010, indicating growth of 18%.

- By 31 March 2011, there were 10 032 registered retirement funds supervised by the Financial Services Board. Of these, 3 160 funds were active, while the remainder comprised funds that are dormant, in orphan status (i.e. without boards of management), under curatorship, or being deregistered or liquidated.
- Retail bonds can be purchased from National Treasury, the South African Post Office and Pick n Pay stores countrywide. Since the introduction of RSA fixed-rate retail savings bonds in May 2004 and inflation-linked retail bonds in April 2007, the cumulative amount reached R17,2 billion by 31 May 2012.
- Increased global demand for emerging market's higher-yielding debt has led to rising international interest in South African government bonds. Non-residents' purchases of domestic bonds declined somewhat from a nett annual high of R52 billion in 2010 to a nett R42 billion in 2011. In the first six months of 2012, non-residents purchased a nett of R49 billion worth of domestic bonds, which contributed to the noticeable decline in bond yields.
- The local bond market continued to benefit from prudent macro-economic policies, which saw the country through the global financial crisis in 2008. In 2011, turnover increased to record high of R20,9 trillion with support from non-residents.

Banking industry

South Africa has 31 banking institutions – 10 locally controlled, six foreign-controlled, 13 registered branches and two mutual banks – were reporting data to the Bank Supervision Department of the Reserve Bank. There were also 43 authorised representative offices of international banks in South Africa.

The Johannesburg Stock Exchange (JSE) was established in 1887 and became a member of the World Federation of Exchanges in 1963. It is currently the largest stock exchange in Africa, and the 16th largest in terms of market capitalisation and trading volume in the world. It has some 480 listed companies on the exchange with a total market capitalisation of approximately US$580 billion.

The banking industry is characterised by a high degree of concentration, with four banks, namely Absa Bank Ltd, The Standard Bank of South Africa Ltd, FirstRand Bank Ltd and Nedbank Ltd, dominating the sector. The domestic banking sector's operating environment remained challenging during 2011, however signs of improvement were evidenced compared to 2010.

Johannesburg Stock Exchange Limited (JSE)

The JSE is privately owned and funded, and governed by a board of directors. Its activities are licensed and regulated by two Acts of Parliament, namely the Stock Exchanges Control Act, 1985, which governs the equities markets, and the Financial Markets Control Act, 1989, which governs the derivatives markets.

In keeping with international practice, the JSE Ltd also acts as regulator of its members and ensures that markets operate in a transparent way, ensuring investor protection. Similarly, issuers of securities must comply with the JSE Ltd listings requirements, which aim to ensure sufficient disclosure of all information relevant to investors.