Economy and Finance

The World Bank expected South Africa to grow by a relatively modest 2,7% in 2014 – up from its forecast of 1,9% in 2013 – as the world economy strengthens on the back of a turnaround in high-income countries five years after the global financial crisis struck, as well as a steady rise in growth in developing countries.

The National Development Plan (NDP), South Africa's strategy for reducing unemployment, inequality and poverty by 2030, provides a strong platform for collaboration among business, government, labour and civil society.

The plan promotes enhanced competitiveness, expanded infrastructure, greater spatial efficiency in growing cities, and accelerated rural development. It prioritises measures to build a capable, effective state that delivers services to citizens while encouraging business investment and growth.

To counter unemployment levels, especially amongst young people, government aims to create six million work opportunities over the next five years.

Economic Development Department (EDD)

Government will be prioritising six components as part of its radical economic transformation agenda for the next five years, including infrastructure, industrialisation, investment and innovation, inclusion and integration.

Over the previous five years, government had lifted investment in public infrastructure from R610 billion to R1,1 trillion and that State and private investment in public infrastructure would rise to at least R1,5 trillion over the next five years.

The EDD will issue guidelines under the Infrastructure Development Act of 2014 to ensure the build programme drives economic and social transformation, turning infrastructure sites into training spaces and opening the door to real participation by black- and women-owned enterprises and cooperatives.

Emphasis would also be given to using development finance from the Industrial Development Corporation to stimulate industrial diversification, job creation, localisation and mineral and agricultural beneficiation.

The capacity of the competition authorities would also be strengthened to impose remedies on dominant players and monopolies, to benefit consumers and industries.

Government will take steps to secure more competitively-priced steel as an input in infrastructure and industrialisation. To support inclusion, efforts would be made, again with the support of development finance institutions, to support the creation of black industrialists, as well as facilitate youth employment and entrepreneurship.

Regional integration was viewed by government as the best way to widen markets. Manufactured exports to the rest of Africa rose by about R21 billion during 2014. They now generate about 167 000 jobs in South Africa.

State-owned enterprises (SOEs)

SOEs and public entities have a crucial role to play in advancing economic growth, since they 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 the following sectors:

- energy and mining: Alexkor and Eskom
- manufacturing: Denel, Safcol and Broadband Infraco
- transport: South African Airways, Transnet and South African Express.

In October 2014, government proposed a new framework for funding SOEs, which will include closer monitoring of such entities.

Department of Trade and Industry (the dti)

The dti continues to contribute towards government's priorities and outcomes through the implementation of the Industrial Policy Action Plan (IPAP2). Its successful implementation in various sectors in South Africa over the past few years has started to bear fruit with a number of key foreign investors in various sectors starting to choose South Africa as their preferred investment destination.

Due to thinner export markets and other adverse conditions arising from the economic slowdown, the Manufacturing Competitiveness Enhancement Programme would take the form of: production support mechanisms; loans; equity injection; working capital support; restructuring assistance; support for the acquisition of fixed assets; and/or investment initiatives to enable firms to accomplish improved sales, job preservation and expansion; provide income support to employees, lay-offs support, and similar measures.

To strengthen industrialisation and the geographic spread of economic opportunities, the department will implement the special economic zones (SEZ) programme.

The National Growth Path and the IPAP2 provide a framework for undertaking these tasks. In October 2014, the Dube Trade Port in Durban officially became an Industrial Development Zone (IDZ), joining three other similar economic zones spread out across the country.

The Dube Trade Port IDZ was the latest in the nationwide rollout of SEZ aimed at growing the country's economy to meet the target of growth by 2019.

As the first IDZ for Durban, the Dube Trade Port IDZ joins a list of other similar projects, which have attracted a combined investment of over R5 billion in Port Elizabeth, East London and Richards Bay. More SEZs would be rolled out across the country as government intensifies its approach to industrialise South Africa's economy as demanded by the NDP.

Government has identified IDZs as the most effective way to grow the South African economy. The SEZs are also crucial in the job creating drive which remains high on government's agenda.

Green economy

South Africa is committed to pursuing and exploring opportunities in its transition to an inclusive, low-carbon, resource-efficient green economy. *The South African Green Economy*

Modelling Study, published in August 2013, showed that investing in a low-carbon, resource-efficient green economy was fundamental for South Africa's sustained economic growth and well-being.

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.

In broad terms, tax is levied on taxable income, which is calculated as gross income excluding certain income of a capital nature less exemptions and permissible deductions.

Exchange control

The South African Reserve Bank (SARB) is the custodian of the country's official gold and foreign-exchange reserves.

The bank is responsible, on behalf of the Minister of Finance, for the day-to-day administration of exchange controls in South Africa.

Banking industry

As at the end of December 2014, 34 banking institutions – 10 locally controlled, six foreign-controlled, 14 registered branches, three mutual banks and one cooperative bank – were reporting data to the Bank Supervision Department of the SARB.

There were also 39 authorised representative offices of international banks in South Africa. By December 2014, two banks were in liquidation namely Islamic Bank Limited and Regal Treasury Private Bank Limited.

Johannesburg Stock Exchange Limited (JSE Ltd)

The JSE Ltd 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 of 1985, which governs the equities markets, and the Financial Markets Control Act of 1989, which governs the derivatives markets.

In keeping with international practice, the JSE Ltd regulates its members and ensures that markets operate in a transparent way, ensuring investor protection.

The JSE Ltd's roles include regulating applications for listing and ensuring that listed companies continue to meet their obligations.

Jobs Fund

By October 2014, the Jobs Fund had disbursed R969,2 million. Total employment in these projects amounted to 167 847, of which 56 356 were new placements into vacant positions. Over 185 000 beneficiaries received work-related training.

In 2011, President Jacob Zuma launched the "Year of the Job" campaign at the back of the 2008 global economic meltdown that shed one million jobs by 2009.

In support of the President's campaign, the Development Bank of Southern Africa, which the Minister of Finance is the governor of, launched the Jobs Fund.

After three funding cycles, 93 projects were approved for an overall funding of R5 billion, while a further R6,1 billion was leveraged through project partners.