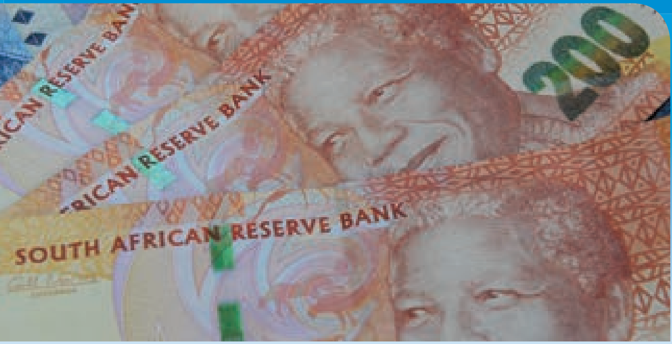

Economy and Finance

In its *2013/14 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.

In its February 2013 report, *Emerging Markets Opportunity Index: High Growth Economies*, independent consulting and accounting firm Grant Thornton said South Africa is the leading emerging economy on the African continent in terms of potential investment destination.

Economic Development Department

The Economic Development Department (EDD) focuses on creating conditions for greater job creation, stronger long-term growth and countercyclical economic interventions to address the global environment.

In September 2012, Cabinet adopted the National Development Plan, a policy blueprint for eliminating poverty and reducing inequality in South Africa by 2030. Other key policy instruments that drive gpvernment's agenda include the New Growth Path (NGP), which sets the trajectory of economic development, the National Infrastructure Plan, which guides the roll-out of infrastructure to improve people's lives and enable economic growth, and the Industrial Policy Action Plan (IPAP), which focuses on promoting investment and competitiveness in leading sectors and industries.

The department made significant progress with the roll-out of the National Infrastructure Plan, with construction activities taking place in all nine provinces.

The department improved the level of industrial funding that the Industrial Development Corporation is making available to support local factories, farms and mines.

In May 2013, Statistics South Africa released its *Quarterly Labour Force Survey*, which showed on aggregate that 44 000 new jobs were created in South Africa in the first three months of 2013, and 199 000 over the 12 months ending in March 2013.

In May 2013, the EDD issued a trade policy directive in terms of section 5 of the International Trade Administration Act of 2002 to limit the export of scrap metal so that this resource is used in South African foundries and steel factories, saving energy, creating local jobs and promoting infrastructure development.

State-owned enterprises (SOEs)

In May 2013, the report by the Presidential Review Committee on SOEs recommended that all commercial State-owned companies (SOCs) be consolidated under a central executive authority, or department, over the coming five years.

Proudly South African is a buy local campaign. Government, organised business, organised labour and community organisations partnered in this campaign to boost job creation by promoting South African companies and locally made products.

Likewise, those enterprises deemed to be development finance institutions should fall under a similar, but separate executive authority.

The Department of Public Enterprises has shareholder responsibilities for several large SOEs, including Eskom, Transnet and South African Airways. However, a number of other commercial entities still fall under line departments, such as Sentech, the South African Post Office and the Central Energy Fund.

Department of Trade and Industry (the dti)

The dti continues to contribute towards government's priorities and outcomes through the implementation of the 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 as well as the geographic spread of economic opportunities, the department will implement the special economic zones programme.

The NGP and the IPAP2 provide a framework for undertaking these tasks. They require coordination across all departments, many of which are not primarily concerned with the economy, as well as SOEs, municipalities and provinces.

In August 2012, a work compact on youth unemployment was agreed on by members of Business Leadership South Africa, Business Unity South Africa, the Black Business Council, representatives of women and disabled peoples' organisations, and youth representatives drawn from unions and the South African Youth Council.

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.

The department worked with industry to manufacture solar water heaters 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.

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 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.

Other financial institutions

Financial institutions in South Africa include:

- The Cooperative Banks for Development Agency: 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.

In November 2013, over 200 high-level representatives of government, business, labour, civil society and academia gathered in Midrand for the inaugural Competitiveness Forum hosted by Brand South Africa. They discussed how the nation's competitiveness could contribute to the implementation of the National Development Plan (NDP). The NDP, also called Vision 2030, is a policy blueprint for eliminating poverty and reducing inequality in South Africa by 2030. It identifies the key constraints to faster growth and presents a roadmap to a more inclusive economy that will address the country's socio-economic imbalances.

- The Development Bank of Southern Africa's main role is to promote economic development and growth, human-resource development and institutional capacity-building.
- Collective investment schemes are investment structures whereby individual investor funds are pooled with those of other investors.
- To encourage South Africans to save more, employer contributions to retirement funds will become a fringe benefit in the hands of employees for tax purposes from April 2015. Individuals will be able to receive a tax deduction on employer and employee contributions to a pension fund, provident fund or retirement annuity fund up to 27,5% of the greater of remuneration and taxable income.
- 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 issued reached R21,2 billion at the end of August 2013.
- Increased global demand for emerging markets' higher-yielding debt has led to rising international interest in South African government bonds. Non-residents' purchases of domestic bonds increased from a net of R42 billion in 2011 to a net annual high of R89 billion in 2012, which contributed to the noticeable decline in bond yields.
- By December 2013, three new domestic bonds had been issued – the two new fixed-income bonds, R2030 (8,00%; 2030) and R2037 (8,5%; 2037), and one new inflation-linked bond, R2046 (2,5%: 2046). They were well received by market participants with their trading values contributing to the improved market turnover. The new issues were in line with announcements in the *Budget Review 2013* and two more new fixed-income bonds were expected to be issued in the remainder of 2013/14.

Banking industry

As at the end of December 2012, 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 Reserve Bank. There were also 41 authorised representative offices of international banks in South Africa. The banking industry is characterised by a high degree of concentration, with five banks, namely Capitec, Absa Bank Ltd, Standard Bank of South Africa Ltd, FirstRand Bank Ltd and Nedbank Ltd, dominating the sector.

In November 2013, the South African Reserve Bank introduced a new security feature in the form of little dots on the front and back of all Mandela banknotes.

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.

The JSE Ltd has been bold in restructuring in view of increasingly tough global competition, adopting new technologies and outsourcing aspects of its business. The introduction of the electronic settlement system called Share Transactions Totally Electronic (Strate) replaced the previous manual settlement method. Strate Ltd is the licensed Central Securities Depository for the electronic settlement of financial instruments in South Africa.

Its trading and information systems were replaced with the London Stock Exchange's (LSE) Sequence and the London Market Information Link or LMIL systems, branded JSE SETS and InfoWiz, respectively. The JSE Ltd has also aligned its equities trading model with that of Europe, and reclassified its instruments in line with the Financial Times of London Stock Exchange Global Classification System. The LSE can now disseminate trade information about instruments listed on the JSE Ltd to more than 104 000 trading terminals around the world, raising the profile of the JSE Ltd among the international investor community.

International cooperation

In September 2013, German company Oiltanking GmbH entered into a joint venture with a number of local companies to build a commercial crude oil storage and blending terminal at the port of Saldanha on South Africa's west coast.

The terminal will cost R2 billion to build, and will comprise 12 giant concrete tanks each capable of holding 1,1 million barrels of crude, which translates to a total capacity of 13,2 million barrels. The new terminal will be built as a state-of-the-art facility in accordance with the highest technical, operational and environmental standards, with a jetty designed to handle vessels up to very large crude carrier size. The port of Saldanha is an excellent location for a crude oil hub, as it is close to strategic tanker routes between key oil-producing regions to major oil-consuming markets.