



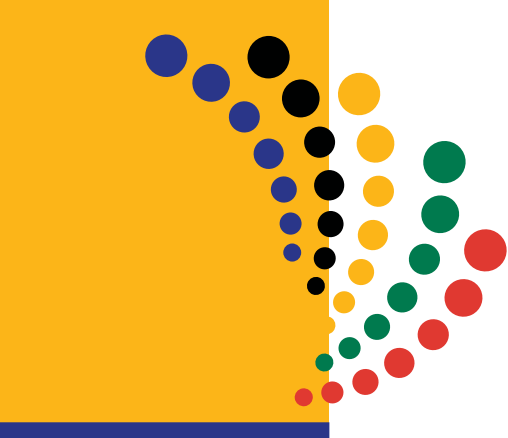
THE CASE FOR INVESTING IN SOUTH AFRICA: EXECUTIVE SUMMARY

ACCELERATING ECONOMIC GROWTH BY BUILDING PARTNERSHIPS



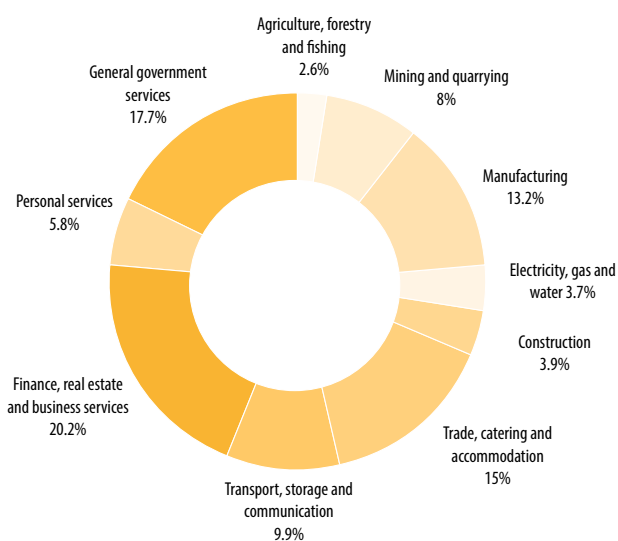
SOUTH AFRICA
INVESTMENT CONFERENCE 2018
Accelerating Economic Growth by Building Partnerships





THE ECONOMY: SOUTH AFRICA'S ECONOMY OFFERS A STRONG VALUE PROPOSITION

SECTORAL COMPOSITION OF GDP IN 2017



Source: Industrial Development Corporation (IDC), compiled using data from Statistics South Africa

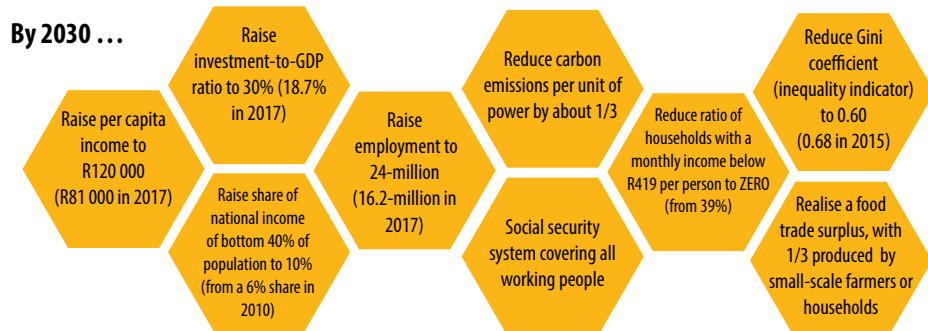
South Africa's value proposition

- Africa's most industrialised economy. It is the region's principal manufacturing hub and a leading services destination.
- Highly diversified economic structure in terms of sectoral composition.
- One of the most open economies in the world (ratio of exports and imports to GDP exceeds 58%). Preferential access to numerous global markets.
- Endowed with an abundance of natural resources.
- An extensive and modern infrastructure network.
- Sophisticated banking sector with a major footprint in Africa. It is the continent's financial hub.
- Offers a supportive and growing ecosystem as a hub for innovation, technology and fintech.

THE ECONOMY: A LONG-TERM STRATEGIC PLAN FOCUSED ON INCLUSIVE GROWTH

- The National Development Plan: Vision 2030 (NDP), which was launched in 2012, constitutes South Africa's overarching policy framework.
- The NDP's comprehensive framework seeks to drive and entrench an inclusive economic growth agenda for South Africa.

The NDP's key priorities and socio-economic outcomes	Human development → Health and education
	Inclusive economic growth → An efficient, competitive and responsive economic infrastructure network
	Environmental sustainability → Protecting and enhancing our environmental assets and natural resources
	Accountable and efficient government systems → Achieve an efficient, effective and development-oriented public service



Source (graphic): Information obtained from National Development Plan: Vision 2030, National Planning Commission; various sources for recent data



THE ECONOMY: PRUDENT MACROECONOMIC POLICY MANAGEMENT

Prudent macroeconomic policy and management support South Africa's attractiveness as an investment destination

Prudent fiscal and monetary policy regimes

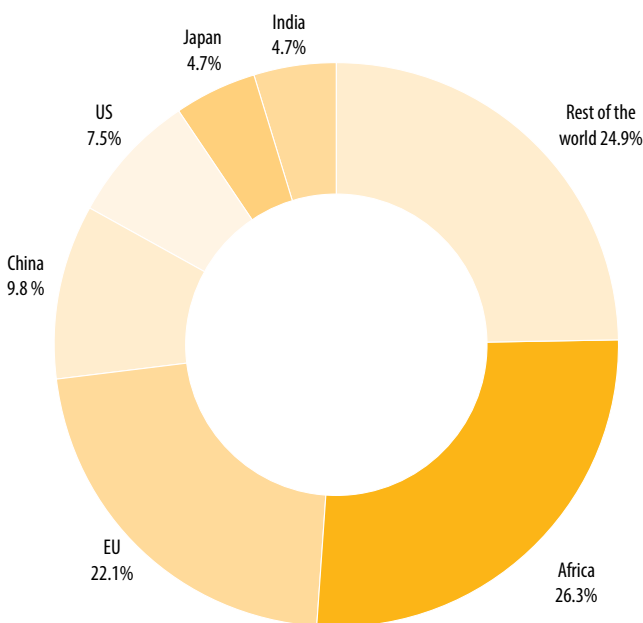
South Africa's macroeconomic policy

- Fiscal policy balances development needs with fiscal sustainability. The National Treasury is committed to fiscal consolidation and prudent budgetary management.
- Independent and prudent monetary policy with the South African Reserve Bank (SARB) as its custodian. The SARB follows an inflation targeting regime (target band: 3% to 6%).

THE ECONOMY: DIVERSIFIED EXPORT SECTOR AND WIDE GLOBAL REACH

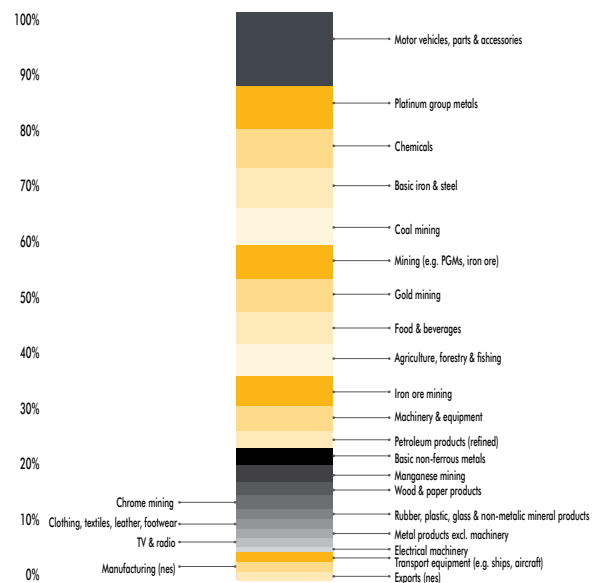
South Africa's access to global markets is enhanced by its trade agreements (e.g. Southern African Development Community (SADC) Free Trade Area, European Union-SADC Economic Partnership Agreement, preferential access to the United States market under the African Growth and Opportunity Act (AGOA)).

LEADING MARKETS FOR SA EXPORTS, 2017 (R1 187.5BN)



Source: IDC, compiled using South African Revenue Service (SARS) data

COMPOSITION OF SA'S EXPORT BASKET IN 2017



Source: IDC, compiled using SARS data Note: nes = not elsewhere specified



THE ECONOMY: POISED FOR FASTER GROWTH

Largest and most advanced economy on the African continent ...

- South Africa offers a unique combination of developed-world infrastructure and logistics networks, and a diversified emerging market (EM) economy offering low sectoral concentration risks.
- Its gross domestic product (GDP) of ZAR4.65-trillion (USD349.4-billion at the average USD/ZAR exchange rate for 2017) represents circa 16% of the African continent's overall GDP.
- The composition of South Africa's GDP is similar to those of developed economies - diversified and positioned to generate sustainable long-term returns on invested capital.
- While economic growth has been slow in recent years, the economy's growth potential can be enhanced through policy certainty and consistency, as well as structural reforms, leading to higher levels of investment activity.

POTENTIAL UPSIDE IN SOUTH AFRICA'S ECONOMIC GROWTH FORECASTS

GDP growth expectations	2018 (%)	2019 (%)	2020 (%)
SA Reserve Bank (September 2018)	0.7	1.9	2.0
IDC (September 2018)	0.8	1.6	2.2
IMF (October 2018)	0.8	1.4	1.7
Bloomberg consensus (September 2018)	0.7	1.9	2.1
Reuters consensus (September 2018)	0.8	1.7	2.0

Sources: South African Reserve Bank, Industrial Development Corporation (IDC); International Monetary Fund (IMF), Bloomberg, Reuters

The National Treasury estimated that South Africa's potential growth can be raised by 2.5 percentage points if the necessary policy and administrative reforms are undertaken.





INVESTMENT ENVIRONMENT: SAFE INVESTMENT DESTINATION OFFERING SOLID RETURNS

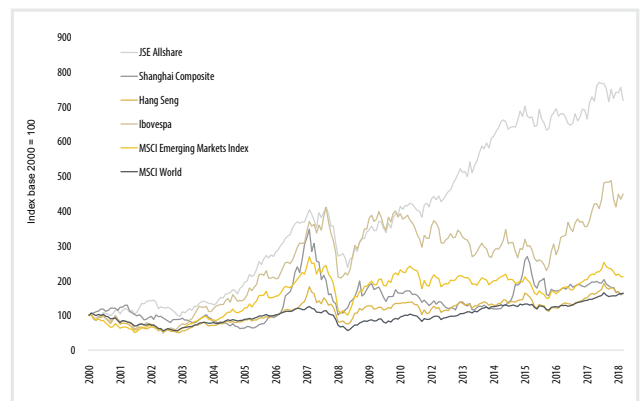
A responsible participant in the global economy ...

- Ranked number one in Africa with regard to Strength of Investor Protection (21st globally) and Protection of Minority Shareholders' Interests (30th globally)*.
- Ranked 31st in the world in terms of Efficiency of Legal Framework in Settling Disputes*.
- Progressive Constitution and sound governance framework.
- Independent judiciary provides respect for the rule of law.
- Actively addressing corruption.
- Meaningful contributor to global governance.

Superior long-term investment returns ...

- South Africa has produced solid financial returns for portfolio investors.
- The Johannesburg Securities Exchange All Share Index has outperformed other emerging market indices since the start of the new millennium.

RELATIVE EQUITIES PERFORMANCE SINCE 2000



Source (chart): National Treasury analysis using Bloomberg data

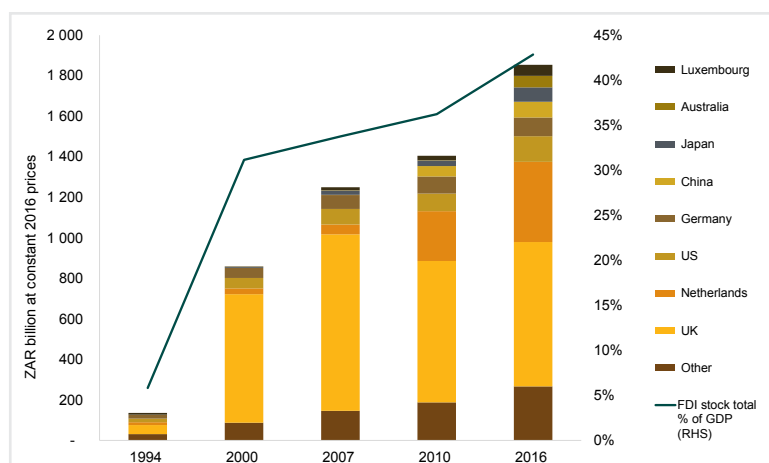
*World Economic Forum's Global Competitiveness Report 2017-2018

Positive outlook for financial returns for major sectors of the economy

INVESTMENT ENVIRONMENT: STRONG FOREIGN INVESTOR PRESENCE AND TRACK RECORD

- The overall stock of foreign direct investment (FDI) in the economy represented 42.8% of GDP in 2016, up from 5.8% in 1994.
- Inward FDI has been traditionally dominated by European investors, particularly from the United Kingdom.
- Fast-growing presence of Asian investors in recent years, predominantly from China.

COMPOSITION OF, AND TRENDS IN, TOTAL FDI STOCK FOR SELECT YEARS (AT CONSTANT 2016 PRICES)



Source: Industrial Development Corporation analysis, compiled using SA Reserve Bank data



PLATFORM TO SUPPORT GROWTH: WORLD-CLASS INFRASTRUCTURE IS A COMPETITIVE ADVANTAGE

Ranked number one in Africa on the World Bank's Logistics Performance Index ...	
Road, rail and port facilities	<ul style="list-style-type: none"> • 158 952km of paved roads (10th globally). South Africa is ranked 50th globally for quality of roads. • 20 986km of railways (13th globally for length of railways). • Eight seaports: <ul style="list-style-type: none"> • Two of the world's top container ports (Durban and Cape Town). • Two of the world's largest dry bulk ports (Richards Bay and Saldanha Bay).
Beneficiation/energy capacity	<ul style="list-style-type: none"> • Installed generation capacity of 47.3KW, with significant excess capacity coming on stream.
Most advanced ICT infrastructure	<ul style="list-style-type: none"> • Internet and personal computer penetration is the highest in the region, with 54% of individuals using the internet. • Upload and download speeds are significantly higher than other regional economies.
Ease of air travel	<ul style="list-style-type: none"> • 144 airports with paved runways. • Ranked 25th globally for Quality of Air Transport Infrastructure.

PLATFORM TO SUPPORT GROWTH: LARGE MARKETS THAT COULD BE ACCESSED

Domestic market ...	Gateway to Africa ...
<ul style="list-style-type: none"> • A population of 56.5-million people and a growing middle class. South Africa ranks 27th globally for its domestic market size. • A total of 37.7-million people in the working-age category. • Young population, as 66% are under the age of 35. • Young, vibrant population presents major opportunities for investors. 	<ul style="list-style-type: none"> • Location of choice for multinationals in Africa, underpinned by factors such as a skilled labour force, established infrastructure and a world-class banking and financial services sector, among others. • The cost of doing business in South Africa is a major pull factor, underpinned by the supportive environment and relative competitive advantages on the continent. • Provides access to the continent, with a population of over one billion and a GDP of USD2.2-trillion. • Regional partnerships, including participation in SADC, the Southern African Customs Union (SACU) and in the new African Continental Free Trade Area, provide platforms for growth across several sectors.



PLATFORM TO SUPPORT GROWTH: PREFERENTIAL ACCESS TO KEY WORLD MARKETS

- South Africa is a member of the World Trade Organisation.
- Access to global markets has been enhanced through bilateral agreements with most of South Africa's major trading partners. Preferential access to key export markets has been secured through various agreements and by participating in regional economic communities.

Agreement name	Type of agreement	Countries/regional blocs involved
Southern African Customs Union (SACU)	Customs union	South Africa, Botswana, Lesotho, Namibia, eSwatini (formerly Swaziland)
Southern African Development Community (SADC) Free Trade Area (FTA)	Free trade agreement	15 SADC member states
Economic Partnership Agreements (EPAs)	Free trade agreement	SACU-EU EPA plus Mozambique and Angola
EFTA-SACU FTA	Free trade agreement	SACU+EFTA (Iceland, Liechtenstein, Norway and Switzerland)
African Growth and Opportunity Act (AGOA)	Unilateral assistance measures (non-reciprocal)	US-39 sub-Saharan African countries
Generalised System of Preferences (GSP)	Unilateral (non-reciprocal)	SA-EU, Norway, Switzerland, Russia, Turkey, US, Canada, Japan
SACU-Mercosur	Preferential trade agreement	SACU and Argentina, Brazil, Paraguay and Uruguay

Source: Invest SA

The African Continental Free Trade Area will boost intra-African trade and create a large market of over one billion people and a combined GDP of USD2.2-trillion that will unlock industrial development.

PLATFORM TO SUPPORT GROWTH: ACCESS TO AFFORDABLE CAPITAL

World-class capital markets reflected in capital-raising statistics*
<ul style="list-style-type: none"> • South Africa has world-class equity and debt capital markets, on par with those in developed economies. • The Johannesburg Securities Exchange (JSE) is one of the world's top 20 exchanges and has a market capitalisation of USD1.11-trillion. • South Africa's major primary and secondary equity and bond markets, based at the JSE, represent a market capitalisation-to-GDP ratio of 312%. • South Africa has a sophisticated and well-regulated banking sector, ranked 37th globally for financial soundness. 	<ul style="list-style-type: none"> • Twelve initial public offerings (IPOs) in 2017 with total proceeds of USD2.3-billion, compared to USD261-million in 2013. A total of 44 IPOs over the period 2013 to 2017, collectively totalling USD4.8-billion. • Five of the top 10 IPOs by value in Africa in 2017 were raised in South Africa. • A total of 251 further offerings (FOs) in 2017 (collectively valued at USD37.6-billion), up from 35 FOs (totalling USD4.6-billion) in 2013. • South Africa accounted for seven of the top 10 further offerings in Africa in 2017.
<p>South Africa's financial sector has a large footprint across the African continent.</p>	

Source*: PWC Africa Capital Markets Watch, prepared using data from Dealogic



POLICY FRAMEWORK INCENTIVISES INVESTMENT TO STIMULATE GROWTH: INDUSTRIAL POLICY SUPPORT

South Africa is actively seeking to enhance investment levels	Industrial policy framework
<p>South Africa's catalytic approach for investment</p>	<ul style="list-style-type: none"> • South Africa provides active support for investors by providing a wide range of incentives, including a comprehensive suite of tax incentives for investment in special economic zones (SEZs).
	<ul style="list-style-type: none"> • Incentives offered by SEZs include: <ul style="list-style-type: none"> • Preferential 15% corporate tax rate; • Value-added tax (VAT) and customs duty suspension in customs-controlled areas; • Employment incentive; • Building allowance; and • Preferential land rental and utility rates.
	<ul style="list-style-type: none"> • Investment in labour-absorbing industries is encouraged through various mechanisms.
	<ul style="list-style-type: none"> • Financing assistance is provided by state-owned development finance institutions (DFIs) such as the Industrial Development Corporation (IDC), the Development Bank of Southern Africa (DBSA) and the Land Bank.
<p>Comprehensive suite of financial grants, tax incentives and other forms of business support for investors.</p>	<p>Policy and administrative reforms to stimulate investment.</p>
<p>Incentives for investment in special economic zones.</p>	<p>Attractive support and incentive system and financing by state-owned DFIs for industrial development and investment promotion.</p>

POLICY FRAMEWORK INCENTIVISES INVESTMENT TO STIMULATE GROWTH: INTERVENTIONS TO ENSURE SOCIAL STABILITY

<p>1. Education</p>	<p>The government has introduced free tertiary education to previously excluded students so as to build a strong, skilled and competent workforce.</p>
<p>2. Health</p>	<p>In addition to its large antiretroviral programme, the government is exploring a national health insurance programme to improve access to quality healthcare.</p>
<p>3. Social services</p>	<p>The government continues to support the elderly, children and other economically inactive groups through the social grants programme.</p>
<p>4. Employment</p>	<p>Strong partnerships exist between government, labour and business in initiatives aiming to create employment opportunities.</p>
<p>5. Youth</p>	<p>Several initiatives and programmes are in place to facilitate the assimilation of the youth into the mainstream economy.</p>
<p>6. Women</p>	<p>A clear policy framework and several programmes are in place to advance the economic empowerment of women.</p>
<p>7. Entrepreneurship</p>	<p>The government has established a dedicated small business development and support ministry that coordinates government-wide and targeted financial as well as non-financial support for the SMME sector.</p>

Government interventions are yielding positive results.



POLICY FRAMEWORK INCENTIVISES INVESTMENT TO STIMULATE GROWTH: ECONOMIC TRANSFORMATION AND REFORM

Drivers of change ...

The key driver for economic transformation and the reform agenda is an urgent need for greater economic inclusion (that is, to narrow the gap between the rich and poor while further diversifying the economy).

... Government's efforts to effect transformation

1.	Extensive social services	To raise the human capital of the disadvantaged – the foundation of South Africa's fiscal framework.
2.	SMME support	That includes funding and a programme of policy improvement.
3.	Active competition policy	That allows for responsive but predictable policy action against anti-competitive behaviour.
4.	Broad-based black economic empowerment (B-BBEE)	Policies to incentivise firms to ensure economic equity among race groups.
5.	Strategic use of state procurement practices	To give better opportunities to black-owned and small businesses.
6.	Black industrialists policy	To provide targeted support to medium-sized black-owned firms to grow into large firms.
7.	Land reform	To uplift rural communities and allow black people access to productive assets.

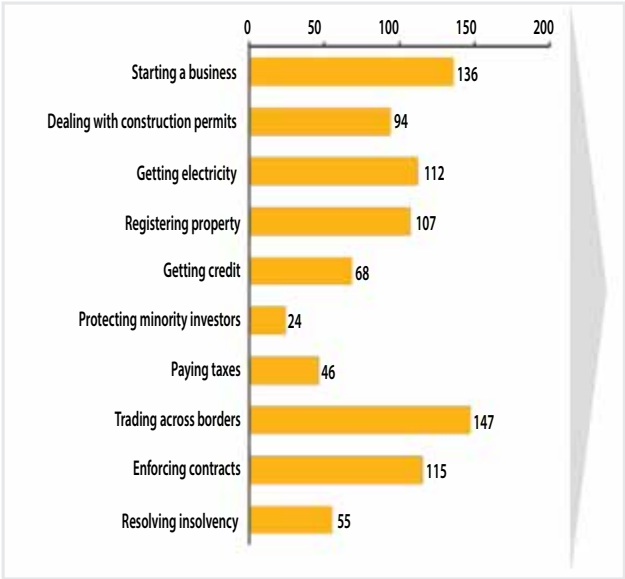
POLICY FRAMEWORK INCENTIVISES INVESTMENT TO STIMULATE GROWTH: REFORMS TO ADDRESS OBSTACLES TO INVESTMENT

Key sectors/areas	Actions
Mining	<ul style="list-style-type: none"> Withdrawal of the 2017 draft Mining Charter. The government instituted a consultative process with industry, the labour movement and the general public for revising the Mining Charter. New Mining Charter gazetted in September 2018. Current Mineral and Petroleum Resources Development Act remains applicable, with the amendment Bill having been withdrawn so as to provide greater certainty for the mining sector.
Land reform	<ul style="list-style-type: none"> The government has initiated a structured consultative process to address land reform while maintaining comparative advantages.
Telecommunications	<ul style="list-style-type: none"> Broadband policy gazetted in 2013 seeks to provide every South African with access to a broadband connection at a cost of 2.5% or less of the average monthly income.
Energy	<ul style="list-style-type: none"> The government's long-term energy plan is expressed in the draft Integrated Resource Plan (IRP 2018), recently published for public comment. The IRP 2018 provides a roadmap for planned energy generation and the evolution of the energy mix over the period to 2050. Enhanced impetus for renewable energy to replace decommissioned coal generation capacity.



POLICY FRAMEWORK INCENTIVISES INVESTMENT TO STIMULATE GROWTH: IMPROVING THE EASE OF DOING BUSINESS

South Africa's rankings on ease of doing business out of 190 countries



Source: World Bank Doing Business 2018 (data)
 Note: A ranking of 1 out of 190 is the best in each respective category.

Government's efforts to improve South Africa's rankings

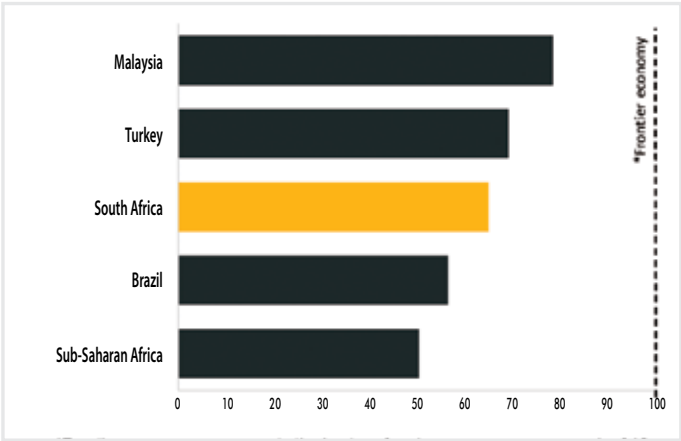
- Starting a business**
 - Register a company in a day using self-service terminals.
 - Online search portal for company names.
 - The Companies and Intellectual Property Commission (CIPC) has implemented mobility apps.
 - South Africa is introducing a single platform for businesses to register for the Unemployment Insurance Fund and the Workmen's Compensation Fund.
- Registering a property**
 - Move to online property registration, and electronic online checking for rates and clearance certificates.
 - Work is under way to streamline processes, reducing information asymmetry and reducing costs for registering a property.
- Trading across borders**
 - South Africa has implemented a Preferred Trader Programme and is working towards undertaking joint inspections and adopting new customs legislation.
 - South Africa participates in the Global Coalition for Efficient Logistics as regional anchor that integrates domestic and other African small, medium, micro and cooperative enterprises into global markets through B2B digital trading tools.
- Paying taxes**
 - Online e-filing systems; improve the transparency of information and documentation required.
 - Progress is being made towards reducing the time taken for VAT audits.
- Contract enforcement**
 - Enforcing contracts has been made easier through the amendment of the monetary jurisdiction of lower courts and the introduction of voluntary mediation.

South Africa offers an attractive investment proposition on the African continent, with an operating environment that is conducive to, and supportive of, business development.

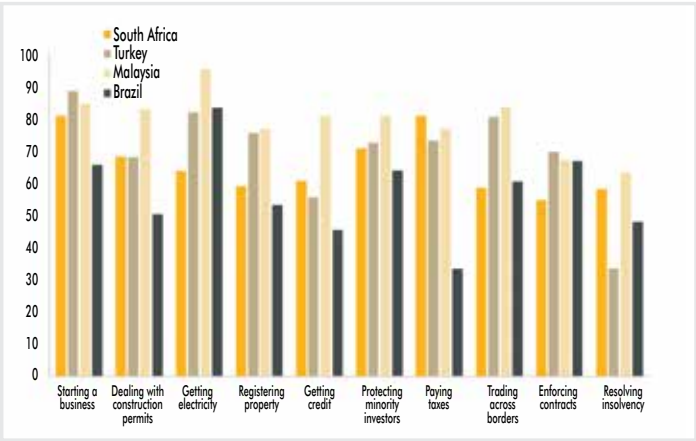
SOUTH AFRICA OUTPERFORMS IN THE SUB-SAHARAN AFRICA REGION WITH REGARD TO OVERALL COST AND EASE OF DOING BUSINESS

SOUTH AFRICA PERFORMS WELL RELATIVE TO SELECT PEER EMERGING MARKETS WITH REGARD TO SEVERAL CATEGORIES OF EASE OF DOING BUSINESS

Overall performance: distance to frontier



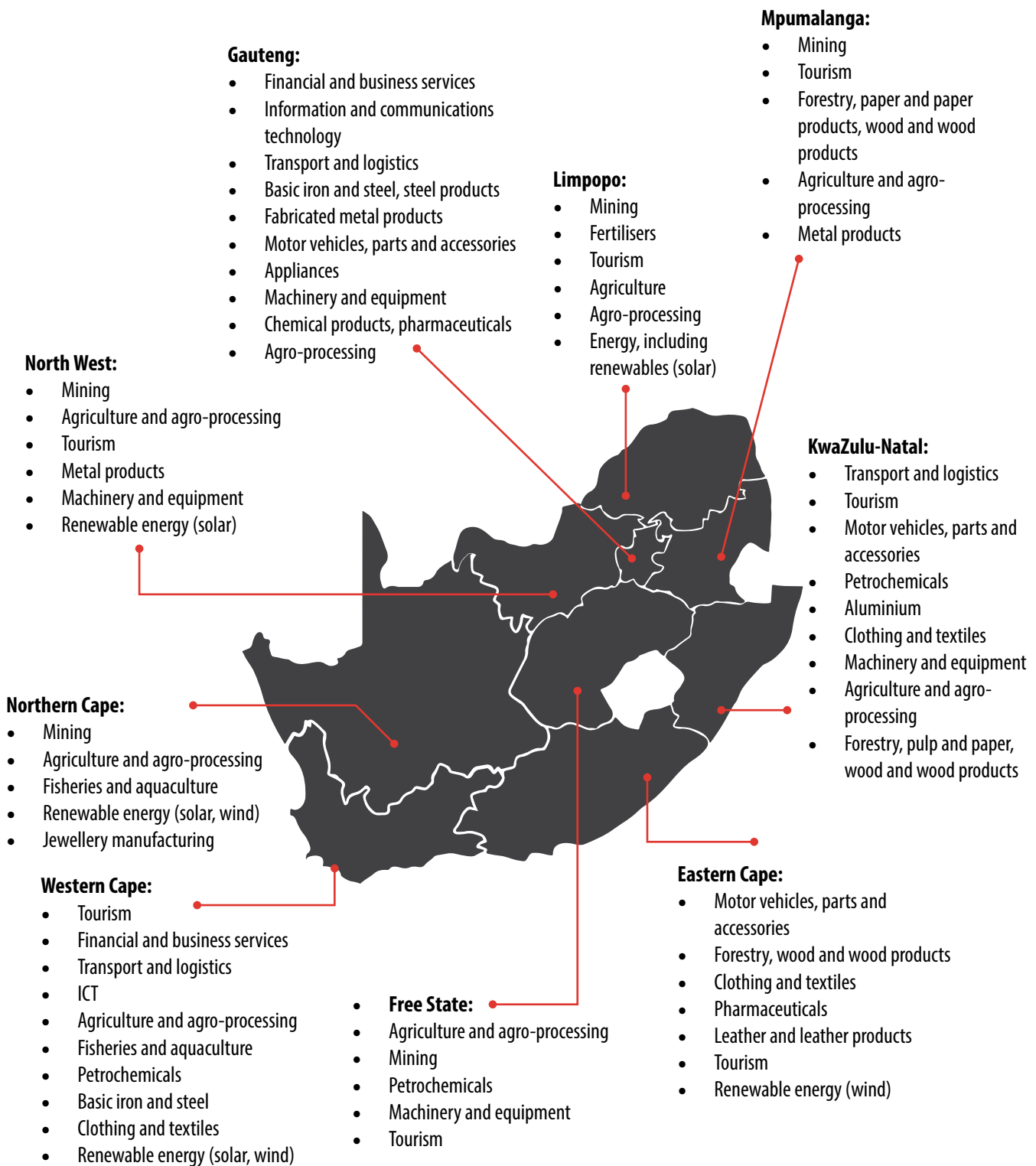
Distance to frontier: country comparisons across 10 key indicators

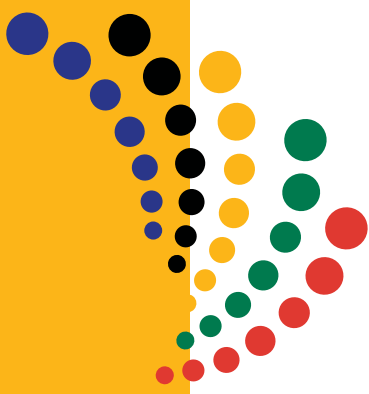


Frontier economy – represents the best-performing economy across each of 10 economic indicators as measured by the World Bank.
 Distance to frontier – represents the relative performance of individual economies against the frontier economy, which is benchmarked at 100 index value. The overall value is a simple arithmetic average of distance to frontier values across the 10 indicators.

Sources: World Bank Doing Business 2018 (data), IDC analysis

SECTORAL STRENGTHS OF SOUTH AFRICA'S PROVINCES





ATTRACTIVE OPPORTUNITIES ACROSS SEVERAL SECTORS



AGRICULTURE AND AGRO-PROCESSING

- Fruit and vegetable packaging & canning.
- Fruit juice processing.
- Processing of soy-based products.
- Processing of organic, vegetarian, dehydrated foods.
- Meat processing.
- Aquaculture.
- Expansion of dairy value chain.
- High-value additives and nutraceuticals.
- Non-edible oil processing
- Crop production for feedstock into biofuels processing.
- Indigenous plant and flower growing.



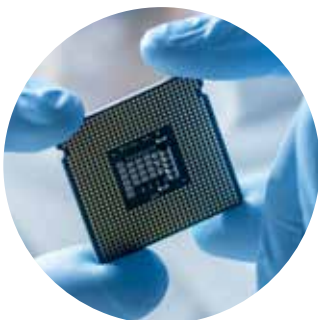
MINING AND MINERALS BENEFICIATION

- Coal-bed methane: coal-to-liquid; coal ash utilisation to address acid mine drainage; carbon capture and storage.
- Manganese value chain development.
- Vanadium as a strategic input to energy storage.
- Development of titanium value chain, especially titanium dioxide.
- Ferrochrome production, revitalising chrome value chain.
- PGMs beneficiation, development of fuel cell industry.



MANUFACTURING

- Motor vehicles, parts, accessories.
- Other transport equipment (e.g. heavy vehicles, aircraft, vessels, rail equipment).
- Machinery and equipment.
- Metals fabrication.
- Chemicals, plastics.
- Pharmaceuticals.
- Footwear, leather industries.
- Clothing, textiles.
- Cosmetics.
- Fast-moving consumer goods.



ADVANCED MANUFACTURING

- Fuel cells.
- Energy storage.
- Speciality materials.
- Electronics.
- Aerospace.
- Defence industries.
- Medical devices and emerging tele-medical instrumentation.
- Speciality chemicals, including biochemicals.
- Additive manufacturing, including 3D printing.



SERVICES

- Tourism.
- Business process outsourcing.
- Financial and insurance services.
- Internet of Things-related opportunities.
- Film production and support services.
- Oceans economy-related services (e.g. shipbuilding, repairs, maintenance).



INFRASTRUCTURE

- Energy generation infrastructure, including renewables.
- Energy efficiency.
- Transportation and logistics infrastructure.
- Water infrastructure.
- Telecommunications infrastructure.
- Agro-logistics and rural infrastructure.
- Recycling.

Sources: Industrial Development Corporation, Invest SA



SOUTH AFRICA AS A REGIONAL GATEWAY: THE AFRICAN CONTINENT OFFERS A MYRIAD OF OPPORTUNITIES

Sector	Opportunity
Agriculture and agro-processing	Africa has 60% of the world's uncultivated arable land, with value-adding opportunities in the food processing sector; it has abundant water resources for energy generation, irrigation and potable water.
Mining and minerals beneficiation	Africa is a major player in producing various mineral resources such as platinum, chromium, diamonds, gold, bauxite, cobalt, copper, phosphate and uranium. The continent has almost 8% of the world's oil reserves. Its enviable resource endowment provides vast opportunities for investment in mining and minerals beneficiation.
Hydrocarbons, particularly natural gas	Large offshore and onshore gas reserve discoveries in, for example, Mozambique and Tanzania present huge development opportunities for energy generation, among others.
Manufacturing	There is a wide range of opportunities, including the development of value chains such as petro-chemicals, food processing and beverages production, minerals beneficiation and metal products fabrication, forestry and wood processing, textiles and clothing, footwear, etc.
Infrastructure	There are massive development opportunities across the infrastructure spectrum, including input requirements associated with Africa's ongoing infrastructure and industrial development drive.
Forestry and wood processing	There is massive potential in commercial forestry and downstream development in the respective value chains.
Consumer goods	Africa has just over one billion consumers, a young population, rising disposable income, a growing middle class and increasingly sophisticated consumer segments. These factors are indicative of numerous opportunities for consumer-oriented sectors.
Banking sector/financial services	There has been rapid growth in the past decade, with financial sector reforms underpinning this momentum.
Information and communications technology	This has been an important driver behind Africa's economic growth in recent years, underpinned by an already substantial and rapidly expanding subscriber base.
Regional integration	Regional economic communities (for example, SADC, SACU, Common Market for Eastern and Southern Africa (COMESA) and East African Community (EAC)) are key drivers of economic growth, investment activity in infrastructure and productive activities, as well as intra-African trade. The African Continental Free Trade Area (AfCFTA) will bring together 55 African countries with a combined population of more than one billion people and a GDP of USD2.2-trillion.





SOUTH AFRICA: BUILDING PARTNERSHIPS, ACCELERATING GROWTH

- South Africa has the most developed, diversified, technologically advanced and industrially integrated economy on the African continent.
- The country remains one of the preferred investment destinations in Africa and is also an important gateway for markets and other business opportunities throughout the continent.
- The South African economy has become increasingly diversified over the years, thereby reducing its sectoral concentration risks, particularly in mining. This has unlocked a diverse range of high-yield investment opportunities, predominantly but not exclusively in sectors with high export propensities.
- The success of many domestic industries in export markets is indicative of South Africa's inherent global competitiveness.
- The economy boasts an extensive and modern infrastructure network, which is being expanded further as a massive investment programme is rolled out by the public sector. Together with various other forms of industrial support from the South African government and other public sector institutions, this provides an attractive pull factor for investors.
- The South African economy is poised to achieve a higher growth trajectory. Recent political developments have been widely welcomed, resulting in a clear recovery in business, investor and consumer sentiment.
- Confidence in the South African government's ability to address structural impediments, including the achievement of greater policy coherence, consistency and certainty, as well as its focus on entrenching a business-friendly and investment-supportive environment, will attract investor interest and increase capital spending, from both domestic and foreign sources, in the domestic economy.
- These developments, alongside a substantially improved global economic outlook, augur well for South Africa's very open economy, with significant catalytic ramifications for investment prospects across a wide variety of sectors.

FOR FURTHER INFORMATION AND ANY OTHER ASSISTANCE,
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