

# Investing into South Africa

## Investment Environment & Opportunities

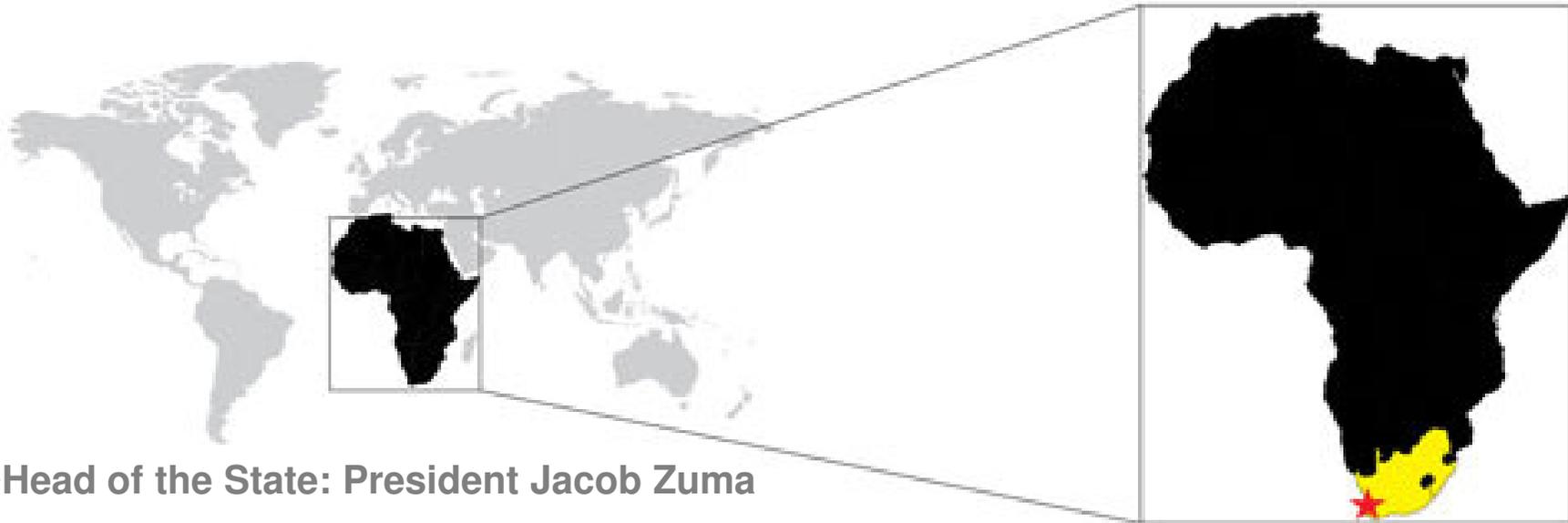




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# South Africa fast facts



- Head of the State: President Jacob Zuma
- 11 Official languages with English the business language
- Est. Population: 52 million





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# South African Economy

- GDP (2011): \$408 billion est
- South Africa positioned as a manufacturing centre of excellence
- Diversified Industrial sectors
- Sound business case for investment and profit
- Gateway to Africa and markets of more than 1 billion consumers





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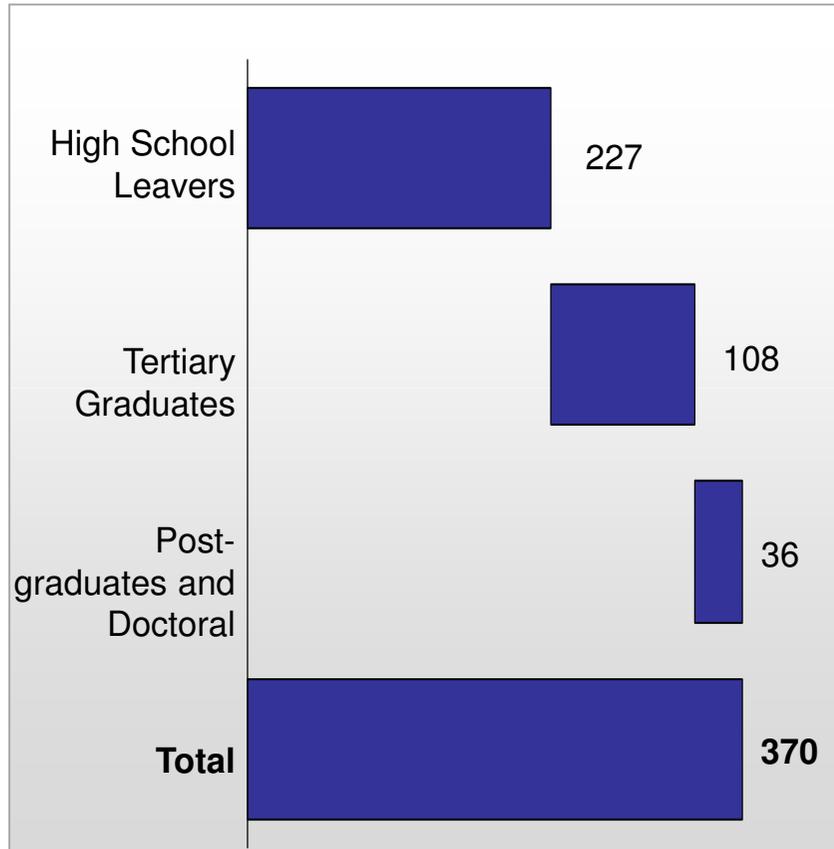
# South African Economy

<b>GDP growth rate</b>	
GDP growth rate (Average over last 5 years)	2.8%
GDP Growth rate (2012 estimate)	2.5%
<b>Average Annual Inflation (% , 2007-11)</b>	
Salaries & Wages	5-8%
Real Estate & Facilities	5-7%
Telecom	-(20-30)%
<b>Other Key facts</b>	
Corporate tax rate	28%
Standard VAT rate	14%

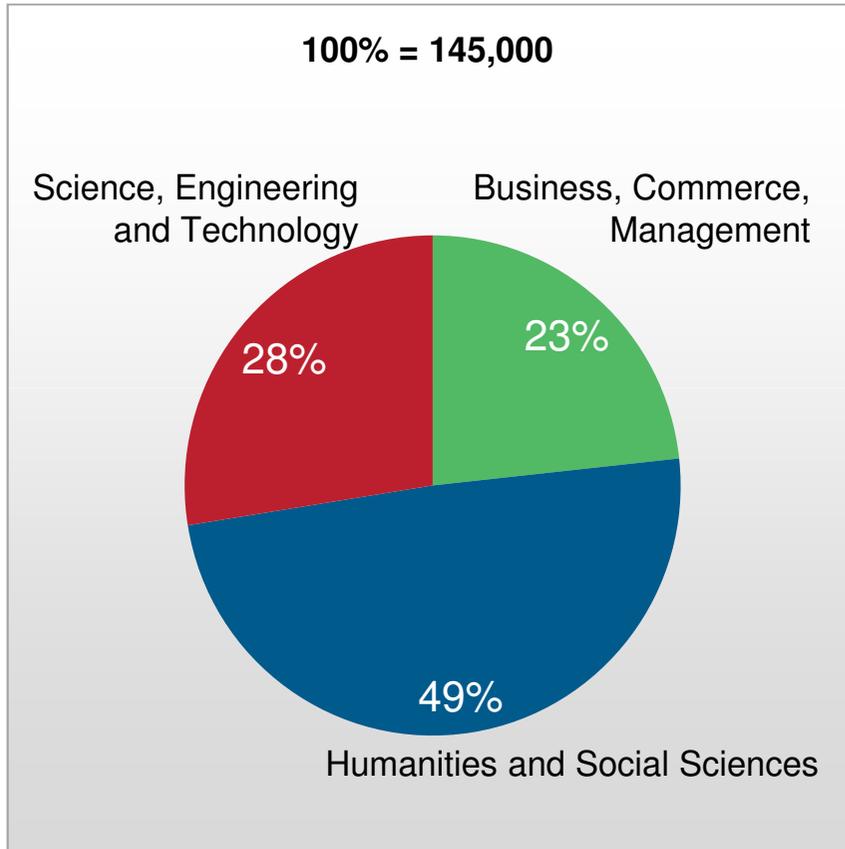


# The addressable talent pool is large and diverse in terms of skills-sets

Total annual talent supply  
'000s



Profile mix for tertiary graduates





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## South Africa's Tops the BRICS for Ease of Doing Business

Country	Overall Rank	Getting credit	Protecting investors
South Africa	35	1	10
China	91	67	97
Russia	120	98	111
Brazil	126	98	79
India	132	40	46

Source: World Bank Group, 2011





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# Africa is becoming more attractive...

The operating environment is improving visibly and rapidly ...

54 countries, 35 democracies (compared to only 8 in 1991)

- Many countries have improved their business environment:
  - restored macro-economic stability
  - greater predictability & increased reliability of policy & regulatory framework
  - reduced corruption
  - investment protection & promotion
  - intra and inter-regional initiatives
- High returns on investment

*Source: World Bank Development Indicators 2011*



# South African Investment Environment

- Abundant natural resources
- Excellent transport and logistical infrastructure
- World class financial system
- Economic stability & sound macro-economic management
- Skills availability
- Favourable cost of doing business





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# Presence of Industrial Clusters

- ❖ Regional leader in environmental technologies
- ❖ World class ICT sector
- ❖ The largest financial services hub for the region
- ❖ Largest transport equipment cluster in Africa
- ❖ Major creative industries centre
- ❖ Largest life science centre in the region





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# South Africa's FDI Composition

Industry Sector	Value (R million)	Jobs Created
Coal, Oil and Natural Gas	118,031.5	4,064
Metals	96,987.4	47,906
Alternative/Renewable energy	46,151.7	1,737
Communications	43,300.1	3,911
Automotive OEM	41,768.6	26,606
Chemicals	16,865.6	1,230
Hotels & Tourism	16,557.6	4,288
Software & IT services	12,312.2	8,106
Real Estate	11,758.4	1,432
Building & Construction Materials	10,849.1	2,616

Source: The Financial Times Ltd , 2011 ([www.fdiintelligence.com](http://www.fdiintelligence.com))



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## Investment From India into South Africa

<i>Year</i>	<i>Projects</i>	<i>Capex</i>	<i>Jobs</i>
<i>2013</i>	* 1	0	0
<i>2012</i>	6	<b>8,461</b>	505
<i>2011</i>	12	2,791	1,973
<i>2010</i>	5	1,659	1,060
<i>2009</i>	9	2,816	2,090
<i>Total</i>	<b>59</b>	<b>38,182</b>	<b>9,488</b>

\* This figure includes 1 live projects

- Capex and jobs figures include estimates

- All Capex figures shown are in millions of South African Rands



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# Trade Agreements in Africa





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# South African Trade Agreements

- **South Africa – European Union (EU) Trade, Development and Co-operation Agreement (TDCA)**
- **Southern African Development Community (SADC) FTA**
- **Southern African Customs Union (SACU) - European Free Trade Association (EFTA) FTA**
- **Africa Growth and Opportunity Act (AGOA)**
- **SACU – Southern Common Market (Mercosur) Preferential Trade Agreement**





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# South Africa-India Bilateral Trade

Year	2008	2009	2010	2011	2012
Exports	17 995 863	17 873 261	22 204 214	24 320 613	34 499 200
Imports	18 798 607	15 376 889	20 592 011	27 836 201	27 153 554
<b>Total trade</b>	<b>36 794 470</b>	<b>33 250 150</b>	<b>42 796 225</b>	<b>52 156 814</b>	<b>61 652 755</b>
Trade balance	-802 744	2 496 372	1 612 203	-3 515 588	7 345 646

**Table 1:** South Africa and India Trade Balance (R'000)

Source: [www.thedti.gov.za](http://www.thedti.gov.za) , updated, January 2013





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# South Africa's export composition

Rank	Product	Value 2011	% of Total
1	Pearls, precious stones, metals, coins,	R 661,727,477,248	100.0%
2	Ores, slag and ash	R 177,889,743,337	26.9%
3	Mineral fuels, oils, distillation products,	R 99,764,375,653	15.1%
4	Iron and steel	R 68,909,739,106	10.4%
5	Vehicles other than railway, tramway	R 59,128,937,975	8.9%
6	Nuclear reactors, boilers, machinery,	R 43,356,106,566	6.6%
7	Aluminium and articles thereof	R 43,102,310,934	6.5%
8	Inorganic chemicals	R 16,676,960,960	2.5%
9	Organic chemicals	R 11,007,614,560	1.7%
10	Electrical, electronic equipment	R 10,287,200,965	1.6%

Source: Quantec, 2011



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# INVESTMENT OPPORTUNITIES

## Sectors:

- **Agro-processing**
- **Electro Technical**
- **Chemicals and plastic fabrication**
- **Tourism**
- **Metal fabrication, capital and transport equipment**
- **Aerospace**
- **Power generation and distribution**
- **Renewable energy and energy saving industries**
- **Advanced Manufacturing**



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# Investment Incentives in South Africa

- The World Bank has ranked South Africa the 18th most attractive FDI destination world-wide
- South Africa offers various investment incentives, targeted at specific sectors or types of business activities
- South Africa offers a number of world-class Industrial Development Zones (IDZ's). These are perfect for manufacturers as they are purpose-built industrial estates linked to international ports that leverage fixed direct investments in value-added and export-oriented manufacturing industries



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# Investment Incentive Schemes: Automotives & Components

Sub-sector	Incentive	Benefit
<ul style="list-style-type: none"><li>-Engine parts</li><li>-Components</li><li>-Vehicle interiors</li><li>-Electronic drive train components</li><li>-Body parts</li><li>-Catalytic converters</li><li>-Aluminum forgings &amp; castings</li><li>-Diesel particulate filters and leather products</li></ul>	<ul style="list-style-type: none"><li>•Automotive Investment Scheme (AIS)</li></ul>	<ul style="list-style-type: none"><li>-A taxable cash grant</li><li>-20 % of the value of qualifying investment in productive assets</li></ul>



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## Investment Incentive Schemes: Film and Media

Sub-sector	Incentive	Benefit
<ul style="list-style-type: none"><li>- Film studios</li><li>- Treaty film co-production ventures</li><li>- Distribution infrastructure,</li><li>- Servicing of foreign productions</li><li>- Production of film and documentaries, commercials, stills photography and multi-media</li></ul>	<ul style="list-style-type: none"><li>• The Location Film &amp; Television production Incentive</li></ul>	<ul style="list-style-type: none"><li>- Foreign owned qualifying productions assets</li><li>- 15 % of Qualifying South African Production Expenditure</li></ul>



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# Investment Incentive Schemes: Clothing and Textiles

Sub-sector	Incentive	Benefit
<ul style="list-style-type: none"><li>•Manufacturing of Industrial Textiles using Polyester</li><li>•Production of other natural fibre textiles such as flax</li><li>•Wool and mohair production – downstream opportunities for yarns, knitwear and fabric.</li></ul>	<ul style="list-style-type: none"><li>•Competitiveness Improvement Programme</li><li>•Production Incentive (PI)</li></ul>	<p>Grants for:</p> <ul style="list-style-type: none"><li>- World-class manufacturing principles.</li><li>- Training</li><li>- Labour relations and employee wellness programmes</li><li>- Product related</li><li>- Supply chain integration</li><li>- Industrial engineering</li><li>- Competitiveness improvement</li><li>- Bottom line business processes</li></ul> <p>-Aims to help the industry upgrade its processes, products and people.</p>



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# Incentive Schemes: Business Process Outsourcing & IT Enabled Services

Sub-sector	Incentive	Benefit
<ul style="list-style-type: none"><li>•Call Centres</li><li>•Back /office Processing</li><li>•Shared Corporate Services</li><li>•Enterprise solutions e.g. fleet management and asset management</li><li>•Legal process outsourcing</li></ul>	BPO & O Investment Incentive	<ul style="list-style-type: none"><li>-Investment Grant</li><li>-Training Support Grant</li></ul>



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## Other General Incentives:

Incentive	Benefit	Main Conditions
<b>The Enterprise Investment Program (EIP)</b>	The EIP (manufacturing) is a cash grant for locally based manufacturers who wish to establish a new production facility, expand an existing facility or upgrade an existing facility in the clothing and textiles sectors	Stimulate investment within manufacturing and tourism Deliver on some of the IPAP's key performance areas, as well as priority sectors.
<b>Foreign Investment Grant</b>	To compensate qualifying foreign investors for the cost of moving qualifying new machinery and equipment from abroad to SA.	Foreign investors only
<b>Industrial Development Zone</b>	Exemption from VAT when sourcing goods and services from South African customs territory and duty-free imports of raw materials and inputs for export	Prospective IDZ operator companies must apply for permits to develop and operate an IDZ



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## Other General Incentives:

Incentive	Benefit	Main Conditions
<b>Section 12i Tax Allowance</b>	Tax deductions of up to R 900m depending on status viz. preferred or qualifying projects.  Training allowance/ deduction of up to R30m or R36 000 per employee.	Valid until December 2015  Capital investment > R 200m
<b>Critical Infrastructure Fund</b>	Infrastructure projects intended to service IDZ, shall qualify for a grant of 30% of the qualifying infrastructure development cost	The minimum qualifying infrastructure development cost is R15m
<b>MCEP</b>	Encourages existing manufacturers to enhance competitiveness through production technologies	Existing manufacturer, MCEP is non taxable cash grant as a % of manufacturing added over a two year period



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## the dti's Investment Services

- Sector Information
- Finance to explore investment opportunities in SA
- Facilitating direct Government support in the form of:
  - - information on investing in SA and the Business Environment
  - - detailed investment Incentives
  - - investment facilitation
  - - after care – ongoing contact

### Contact Details

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# THANK YOU

