15TH BRICS SUMMIT IN

SOUTH AFRICA:

MAKING ACCELERATED GROWTH AND SUSTAINABLE DEVELOPMENT A REALITY

SOUTH AFRICA: REPLETE WITH OPPORTUNITIES FOR A BETTER WORLD

BRICS 2023 SOUTH AFRICA

South Africa
Inspiring new ways

CONTENTS

MAKING ACCELERATED GROWTH AND SUSTAINABLEB DEVELOPMENT A REALITY

1.

WELCOME BY H.E PRESIDENT CYRIL RAMAPHOSA

I welcome Heads of State and Business delegates from BRICS and partner countries to the 15th BRICS Summit and Business Forum. This is the first physical meeting of the BRICS family since 2019 and it is my hope you will have a productive and enjoyable stay in our beautiful country.

Over the next few days, BRICS Heads of State will be considering ways to deepen the economic relationship between BRICS countries, and at the same time strengthen the partnership with countries across the African continent.

I have invited a number of leaders from other African countries and from across the developing world. It is an opportunity to engage on the challenges faced by our economies and societies.

BRICS economies already accounts for 27% of global GDP and the current combined growth rates of BRICS economies is higher than the global average growth rate.

The theme of the Summit points to the importance we attach to the BRICS relationship with the African continent. Africa accounts for 17% of global population and is urbanising fast, it has a youthful population and we are forging a large continental free trade area. By the time we host the next BRICS Summit, the world will see an Africa that is stronger, with a larger continental economy and with significantly higher levels of intra-regional trade.

I invite businesses in BRICS countries to invest in South Africa and on the continent so that we can strengthen levels of development and grow our economies together.

I also invite delegates here to enjoy the hospitality of South Africa, its food and music, the culture and warmth of our people and the beauty of the landscape.

2.

INTRODUCTION BY MINISTER EBRAHIM PATEL,

MINISTER OF TRADE, INDUSTRY AND COMPETITION

The world is changing rapidly – climate change, the pace of technological transformation and the vast demographic shifts taking place within and between nations, provide a new landscape. BRICS Trade Ministers and Industry Ministers met recently to identify a common set of actions to address these.

We agreed on the need to promote the rules-based global trading system, and to keep channels of investment and technology partnerships open. We agreed that measures on climate-change should be actively pursued and at the same time we should caution against unilateral measures and green protectionism. We committed to support efforts on African industrialisation and support for micro, small and medium enterprises.

Trade Ministers recognised the vital role of the private sector. I therefore welcome members of the BRICS business community to the Big 5 activities: the Industrial Exhibition, Sector Dialogue Sessions, the Manufacturing Forum, the BRICS Business Forum and the bilateral meetings between firms.

The business delegations include representatives from outside the BRICS member states – with a particularly large presence by businesses from other African countries. African industrialisation will feature large in many of the discussions that will be taking place, supported by commercially-viable inward investment from BRICS-based firms.

I wish you a productive stay and I hope you find good local business partners and grow your investment in South Africa.

3.

FIFTEEN YEARS OF BRICS ADVANCEMENT

A GLOBAL ECONOMIC AND MULTILATERAL NETWORK

MUTUALLY ACCELERATED GROWTH, SUSTAINABLE DEVELOPMENT, AND INCLUSIVE MULTILATERALISM

The 15th BRICS summit marks a key point for the BRICS nations. Initially conceived with a focus on fostering collaborative mechanisms and facilitating advancements in economic relations as the BRIC bloc in 2009, BRIC laid a foundation in 2011 with the establishment of pivotal Trade Ministers Meeting. A watershed moment arrived that same year, as South Africa joined the BRIC nations to form BRICS. Since then, BRICS has undergone a remarkable transformation, emerging as an influential global economic force and a formidable multilateral governance network. On the economic front the BRICS bloc has grown and now accounts for 27% of global GDP, representing over 41% of the world's population.

Other key milestones that have contributed to the transformation and growth of BRICS was the establishment of the BRICS Business Council, in 2013, with the aim of strengthening economic cooperation and enhancing investment opportunities among the member countries. The BRICS Business Council over the last ten years has been instrumental in trade facilitation through organising of the BRICS Business Forum, Trade Fairs, and as the voice of business to BRICS governments. The Council has actively engaged the Contact Group on Economic and Trade Issues (CGETI) which is a key platform for BRICS members to exchange views on a range of economic, trade and investment related issues. The exchange of policy perspectives and priorities lays an essential basis for enhanced coordination and cooperation among the BRICS Members on these issues.

Another notable and fundamental pillar of BRICS was the formation of the New Development Bank, in 2015, which has in a short period been a pivotal instrument that has supported development initiatives of BRICS nations on both national and regional fronts. It was through loans from the NDB that countries were able to bolster their response to the COVID-19 pandemic, strengthen governance and service delivery programmes and support projects to ensure energy security for nations. To date, the NDB has approved 98 projects for member states valued at $32.8 billion.

BRICS, alongside the BRICS Business Council and the New Development Bank, has crafted a robust framework intended to support mutual growth, sustainable development, and inclusive multilateralism. This collective effort has ushered in an epoch of growth and prosperity within the BRICS, encompassing trade, investment, innovation, skills development, as well as research and development.
Below are some notable achievements arising from BRICS collaboration since 2011:

- 3rd Summit – Sanya, China (2011): The inclusion of South Africa marked a historic moment as the first African member, reaffirming the collective commitment to reforming global economic and financial governance. The summit underscored a shift to renewable energy and the peaceful utilization of nuclear energy, while also reiterating the collective alignment with the UN Millennium Development Goals.

- 4th Summit – New Delhi, India (2012): A discussion commenced on the creation of the New Development Bank, designed to facilitate credit in local currencies, thereby fostering heightened trade and investment prospects among BRICS nations.

- 5th Summit – Durban, South Africa (2013): With the theme "BRICS and Africa: Partnership for Development, Integration, and Industrialization", the summit catalyzed a new era of external dialogue through "outreach" with a large number of non-BRICS members participating in a special event, enabling deeper collaboration with emerging economies, developing nations, and international organizations. Trade and investment cooperation was boosted with the formulation of the BRICS Trade and Investment Cooperation Framework, emphasizing investment facilitation. This summit witnessed the establishment of the BRICS Business Council which is celebrating 10 years in 2023.

- 6th Summit – Fortaleza, Brazil (2014): Under the banner of "inclusive growth, sustainable solutions", the summit heralded the birth of the New Development Bank (NDB), a potent conduit for financing infrastructure and sustainable development projects in developing nations. The Contingent Reserve Arrangement (CRA) further bolstered mutual support during balance of payments crises. Meanwhile, the BRICS Trade and Investment Facilitation Action Plan underscored a shared vision for seamless economic cooperation.

- 7th Summit – Ufa, Russia (2015): With the theme "BRICS Partnership – A Thriving Factor in Global Development", the summit marked the official signing of the NDB and CRA agreements, cementing their roles in the bloc's economic landscape. Additionally, the "Strategy for the BRICS Economic Partnership" set out a blueprint for diversified trade and investment, highlighting the significance of investment facilitation.

- 8th Summit – Goa, India (2016): Themed "Building Inclusive and Collective Solutions", discussions covered global economic recovery, fiscal responsibility, NDB evolution, and strategies for bolstering economic growth through investment attraction. BRICS considered a proposal to set up a virtual BRICS railway research network, underscoring the importance of railways in meeting the economic and social development goals of BRICS countries.

- 9th Summit – Xiamen, China (2017): With the theme "BRICS: Stronger Partnership for a Brighter Future", a flurry of agreements, including the BRICS Action Plan on Economic and Trade Cooperation, paved the way for enhanced collaboration. The establishment of the BRICS Innovation Network (iBRICS) highlighted the commitment to innovation.

- 10th Summit – Johannesburg, South Africa (2018): The theme "BRICS: Collaboration for Inclusive Growth and Shared Prosperity in the 4th Industrial Revolution" summed up discussions around inclusive growth, highlighted by agreements on the NBD Americas Regional Office and the Regional Aviation Partnership.

- 11th Summit – Brasilia, Brazil (2019): Themed "BRICS: Economic Growth for an Innovative Future," commitments were made to transparent, non-discriminatory international trade, culminating in the establishment of the BRICS Innovation Network. Collaboration in science, technology, and innovation received a new impetus, while the BRICS Business Forum provided a platform for cross-national business exchanges.

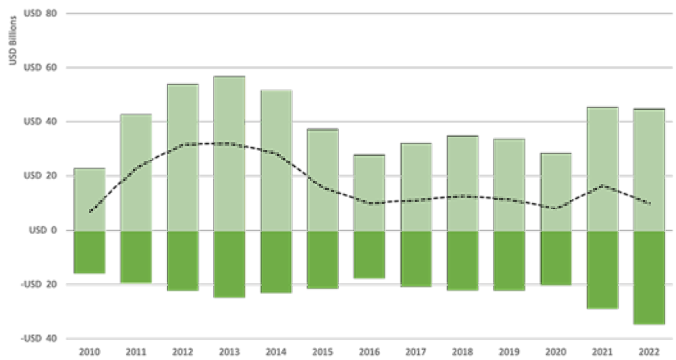
- 12th Summit – Moscow, Russia (virtual, 2020): Amid the "BRICS Partnership for Global Stability, Shared Security, and Innovative Growth", the coalition rallied against the COVID-19 crisis, extending coordinated support to low-income nations through initiatives like the Debt Service Suspension Initiative. Noteworthy strides included NDB expansion and endorsements for micro, small, and medium enterprise (MSME) participation in international trade.

- 13th Summit – New Delhi, India (virtual, 2021): themed Celebrating "BRICS @ 15: Intra-BRICS Cooperation for Continuity, Consolidation, and Consensus", agreements were finalized for mutual administrative assistance, agricultural and innovation cooperation, and a BRICS Alliance for Green Tourism. The strategy for BRICS Economic Partnership was embraced, emphasizing technology and data for development. Investment cooperation gained traction through innovative initiatives, including the Partnership on the New Industrial Revolution. The virtual BRICS Vaccine Research and Development Centre was set up and a a $100-million donation to Covid-19 Vaccines Global Access (Covax) was made.

- 14th Summit – Beijing, China (virtual, 2022): themed "Foster High-Quality BRICS partnerships- usher in a new era for global development", it adopted a joint statement on solidarity and international cooperation. It advocated for IMF reform, especially in relation to less developed countries, while recognising the Institution's creation of a mechanism to promote resilience and sustainability. It established a joint committee on space cooperation and initiated a programme for a dialogue on sustainable development. It initiated the process of BRICS expansion, while also praising the formation of the African Continental Free Trade Area.

In 2022, China, India, the Russian Federation and Brazil collectively accounted for 27% of the world's gross domestic product (GDP) and 15.4% of global import demand. South Africa's total trade (exports + imports) with other BRICS countries accounted for approximately 29% % of its overall trade volumes in 2021. The collective four BRICS partner markets contribute significantly to South Africa's international trade.

While SA has consistently recorded a surplus in its collective balance of trade with the BRIC economies, the composition of trade has been unbalanced with raw materials predominating. There is greater scope and need to increase South Africa's export of manufactured products.



A SNAPSHOT OF TRADE WITH SOUTH AFRICA

CHINA

Chinese customs reports that South Africa exported USD 35,5 billion to China in 2022, and imported USD 24 billion. South Africa's export bundle is led by exports of gold (27.2% of the total), iron ore (15.0%), platinum group metals (12.5%), diamonds (10.3%) and chromium (8.3%) – with ferro-alloys being the largest category of manufactured exports (4.2%). Imports include a diverse range of electronics (13.2% of the total), clothing (8.9%), steel (7.3%) and many others. While China is South Africa's largest trading partner and the market in which South Africa has the largest surplus, there is room to improve the composition of trade, with mining products making up 90% of exports and manufactured products making up 98% of imports.

INDIA

Indian customs reports that South Africa exported USD 11,2 billion to India in 2022, and imported USD 8,3 billion. South Africa's export bundle is led by exports of coal (35.3% of the total), gold (29.8%), diamonds (9.12) and manganese (6.1%) – with wood pulp being the largest category of manufactured exports (4.0%). India is an important supplier of petroleum to South Africa (which made up 42.7% of total imports in 2022, because of high petroleum prices); and supplies a range of key manufactured products, like cars (17.3%), pharmaceuticals (6.9%) electronics (2.8%) and machinery (2.3%). While South Africa runs asurplus with India, there is a need to diversify South African exports, with mining products accounting for 88% of total exports.

BRAZIL

Brazilian customs reports that South Africa exported USD 952 million to Brazil in 2022, and imported USD 1,7 billion. South Africa's export bundle is led by exports of platinum group metals (31.2% of the total), coal (12.0%), aluminum (11.4%), catalytic converters (8.8%), and some specialty metals like zirconium and titanium (together at 6.6%) – while exports of cars are also notable (2.2%). Brazil is a major supplier of petroleum products (18.6% of total imports) and poultry (11.6%), while also supplying South Africa with trucks (6.3%), wheat (6.2%) and zinc (4.9%). Brazil ranks as South Africa's 37th largest export destination, and there is significant room for two-trade to grow in the coming years.

RUSSIA

The SA Revenue Service reports that South Africa exported USD 283 million to Russia in 2022, and imported USD 548 million. While trade in 2022 differs from historic trends, South Africa's export bundle to Russia is currently mainly comprised of food products, including citrus (49% of the total), apples & pears (21.7%), nuts (4.7%) grapes (2.7%), wine (2.6%) and jam (2.1%); while manganese (4.0%) exports are also notable. Russia is a notable supplier of fertilizer and fertilizer chemicals (about 50% of total imports), alongside imports of copper products (12.8%), paper products (4.1%), fish (4.1%), wheat (3.4%) and steel (2.0%).

BRICS TRADE IN SERVICES

Services trade which encompasses a wide range of sectors, such as financial services, telecommunications, transportation, tourism, education, consulting, and technology-related services, among others plays a vital role in fostering economic growth, job opportunities, and value-chain integration. A large proportion of global trade in services is in producer services, namely those that are used as primary inputs by other firms e.g., engineering, transport and financial services assist in producing other goods and services including those that are earmarked for export markets. Drawing from data from the World Bank, BRICS in 2020 accounted for 10% of global services exports and 13% of global services imports. The two major BRICS economies - China, and India, accounted for 8.7% and 10.5% of global services exports and imports, respectively. Among the BRICS partners, the significance of global services trade has been steadily increasing over the last decade. However, intra-BRICS services trade is still in its nascency and still requires further development.

The International Trade Centre's estimates indicate that intra-BRICS trade constitutes a relatively modest portion of services exports for each BRICS nation. BRICS nations account for 9% of Brazilian services exports, 13% of Russian services exports, , 6% of Indian services exports, 4% of Chinese services exports, and 12% of South Africa services exports. In terms of imports of services, the contribution of BRICS members range from 3% (Brazil and China) to 6% (India), while reaching 9% of total services imports for South Africa.

BRICS trade integration, particularly in services markets, face challenges compared to trade in goods especially when considering differences in language, legal institutions, costs associated with currency fluctuations and the need to tailor services offerings to local conditions. To drive the increase in services trade requires long-term commitments from policymakers to building up supply-side capacity and giving more attention to market failures – like information asymmetries which can potentially be corrected with modest regulatory adjustments.

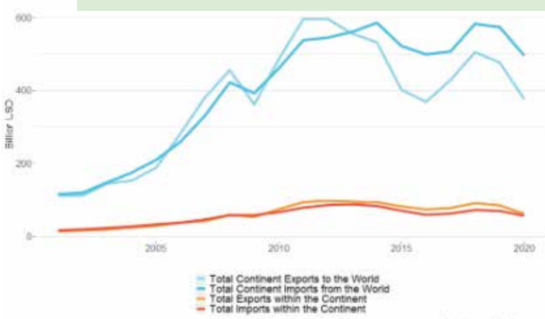
BRICS:

A PARTNERSHIP POWERING AFRICA'S GROWTH

ACCELERATING AFRICA'S DEVELOPMENT THROUGH MUTUALLY ACCELERATED GROWTH AND DEVELOPMENT BRICS OPPORTUNITIES THROUGH THE AFCFTA

Over the last few years, Africa has demonstrated notable economic advancement, characterized by an average annual GDP growth of approximately 5.1% during 2000 to 2010. The subsequent period leading up to the emergence of the Covid-19 pandemic in 2020 saw a moderated growth rate of 3.3% per annum. While Africa currently contributes 2.5% to global exports, its export landscape predominantly centers around primary commodities and natural resources, showcasing room for diversification and expansion. Intra-Africa exports compose approximately 15.5% of the continent's total exports. This is indicative of the need for increased intra-Africa trade as highlighted by figure 10 below. Intra-Africa Trade vs Africa trade with the World, 2022

Source: International Trade Centre, BRICS Trade in Services Report, 2022.



Through the African Continental Free Trade Area (AfCFTA), the continent has taken bold strides to accelerate economic growth and development. The AfCFTA represents a substantial economic market potential, amounting to US$3 trillion, alongside an anticipated consumer base of 1.3 billion individuals. There is growing interest by global manufacturers to locate operations on the African continent to allow them to benefit from the preferential trade afforded through the AfCFTA. BRICS, aided by its partner countries and the New Development Bank, holds considerable potential to play a constructive and critical role in advancing the development of the AfCFTA. This can be achieved through strategic investments in critical areas such as infrastructure development and the expansion of the industrial manufacturing base. Moreover, by harnessing the power of existing value-chains, BRICS can facilitate the creation and bolstering of regional industrial value chains (REVs), with the aim of linking them within the global value-chains (GVCs) framework. This collaborative approach aligns with the broader vision of propelling Africa's economic progress while fostering mutually beneficial growth and integration.

DEVELOPING REGIOBAL VALUE-CHAINS (RVCS) THROUGH AFCFTA

Regional value chains (RVCs) refer to interconnected production systems that transcend national boundaries, encompassing activities from input supply to commercialization. These value-chains capitalize on the region's existing strengths, such as diverse labour costs, production capabilities, logistics infrastructure and natural resource endowments. RVCs facilitate value addition across countries and trade corridors by strategically aligning primary production, value addition, and commercialization based on local demand and the creation of regional trade networks. By collaboratively fostering value-chain development in partnership with BRICS nations, Africa can develop its industrial base, increase manufacturing value-added in-line with the vision of 'Made-in-Africa' which would amplify the consumption of African-made products, enhance export competitiveness, and foster the growth of vital industries. In the context of the African Continental Free Trade Area (AfCFTA), regional value chains also emerge as a pivotal instrument for stimulating and cultivating the requisite capacity essential for seamless integration into both continental and global trade networks through the diversification of exports, expansion of productive capacity, increased entrepreneurial opportunities, increased investment, increase technology transfer, increased employment and broadening economic inclusion.

The AfCFTA has earmarked the following initial value chains, for investment and development in partnership with partners such as BRICS, that have the potential to add value, reduce imports, lift trade, diversify economies and open opportunities while addressing immediate challenges faced by the continent such as food security, health and developing logistics to facilitate trade and movement of people. Identified AfCFTA strategic Value-Chains for Investment and Development.

AfCFTA Value Chain	AfCFTA Value Chain
Agriculture and Agro-processing Value-chain:	Considering Africa's ongoing reliance on imports, the vast amount of available arable land and the abundant availability of local food sources, this value-chain emerges as a strategically sound option for bolstering regional sourcing and production. Moreover, it is an opportunity for small business enterprises and holds potential for meaningful job creation thus aligning with the broader objectives of economic empowerment and sustainable development
Automotive Value Chain	This value chain holds significant potential for fostering intraregional trade. Anchored by a burgeoning and expanding continental market, along with the prospect of synergizing with allied value-chains like leather and electrical machinery, the sector emerges as a compelling avenue replete with alluring investment incentives. Notably, its increasing collaboration with foreign multinationals further underscores the robust opportunities that await perceptive investors. South Africa is poised to transition to electric vehicle manufacturing and this will create opportunities for partnerships with BRICS firms.
Logistics Value-Chain	The logistics value-chain assumes a key role in the establishment of a unified continental market for goods and services, underscored by the seamless movement of people and investments. The continent's current logistics infrastructure is inadequate to manage the demands of a free trade area and this provides great new investment opportunities.
Pharmaceuticals Value-Chain	The high import dependency, compounded during the COVID-19 pandemic, has activated a policy drive aimed at fortifying Africa's pharmaceutical sector through investing in and bolstering the pharmaceuticals manufacturing base. Notably, global pharmaceutical entities are increasingly focusing on Africa, with ongoing endeavours to establish production facilities gaining traction and materializing. South Africa is the base for a number of pharmaceutical initiatives and is building partnerships with other African countries.

The logistics value-chain will be a key driver for development of the AfCFTA. It is anticipated that Implementing the AfCFTA and planned infrastructure projects would result in the need for 2,213,579 trucks, 169,339 rail wagons, 135 vessels and 243 aircraft. The estimated cost of equipment required by different transport modes to cope with the AfCFTA is about U$411 billion. Investment opportunities in infrastructure development and fleet expansion vary across subregions for different modes of transport given the various level of development of countries and regions.

PROGRESS ON
THE BRICS PARTNERSHIP WITH AFRICA

South Africa as the only African nation within the current BRICS bloc has been an ardent advocate for the broader interests of the entire African continent in its interactions with its BRICS counterparts. Key focal areas of engagement have centered on enhancing economic cooperation with BRIC nations, pioneering a novel development funding model aimed at supporting Africa's infrastructure, and advocating for a united stance on global concerns such as climate change and terrorism.

South Africa's advocacy of vaccine manufacturing capacity on the continent stems from Africa's vulnerability, a stark revelation illuminated by the challenges posed during the Covid-19 pandemic. Empowered by a robust BRICS partnership, notably with India, South Africa succeeded in negotiating adjustments to the Trade-related Intellectual Property Treaty of the World Trade Organisation, which has helped in the establishment of Africa's first vaccine manufacturing facilities.
Below are further details of the BRICS-Africa relationship

• Economic Cooperation: BRICS countries have sought to enhance economic cooperation with African nations through trade, investment, and infrastructure development. They have expressed interest in supporting African countries' industrialization, infrastructure projects, and sustainable development.

• Development Funding: The BRICS New Development Bank (NDB) was established to provide financial assistance to emerging economies for infrastructure and sustainable development projects. The NDB has shown interest in financing projects in African countries, supporting their development efforts.

• Political Engagement: BRICS countries have engaged with African nations on various global platforms to address common challenges, such as climate change, action against terrorism, and international governance reform. They have advocated for a more equitable global order that represents the interests of emerging economies and developing nations.

• Healthcare and Pandemic Preparedness: BRICS countries, along with other international organizations, have worked with African nations to address healthcare challenges, including providing medical supplies and support during public health crises like the Ebola outbreak and COVID-19 pandemic.

• Human Capital Development: Some BRICS countries have offered scholarships and educational opportunities to students from African nations to enhance human capital development and foster people-to-people exchanges.

• Infrastructure Investment: BRICS countries have shown interest in investing in African infrastructure projects, such as transportation, energy, and telecommunications, to help boost economic growth and regional connectivity.

• South-South Cooperation: The BRICS-Africa relationship is often seen as an example of South-South cooperation, where countries with similar economic and development trajectories collaborate to share experiences and resources.

4. SOUTH AFRICAN ECONOMY

10 REASONS WHY YOU SHOULD INVEST IN SOUTH AFRICA

1

VIBRANT EMERGING MARKET

- One of the most sophisticated and promising emerging markets
- Sizeable affluent consumer base, growing middle class
- Industrial base to drive long-term returns on investment

2

MOST DEVELOPED ECONOMY IN AFRICA

- Most industrialised and diversified economy on the continent
- Principal manufacturing hub in Africa
- Leading services destination

3

LARGEST PRESENCE OF MULTINATIONALS ON THE AFRICAN CONTINENT

- Location of choice for multinationals in Africa
- Supportive ecosystem as a hub for innovation, technology and fintech

4

PROGRESSIVE CONSTITUTION AND INDEPENDENT JUDICIARY

- Mature, accessible legal system provides certainty, respect for rule of law
- Sound regulatory framework adhering to international standards

5

PROVIDES INVESTORS ACCESS TO GLOBAL MARKETS

- Several trade agreements support export market growth prospects
- Export potential boosted by African Continental FTA

6

ABUNDANT NATURAL RESOURCES

- Large and diversified mineral resource endowment
- Home to several listed mining companies
- World-renowned underground mining expertise

7

ADVANCED FINANCIAL SERVICES AND BANKING SECTOR

- Sophisticated banking system with major footprint across Africa
- Continent's financial hub
- Home to Africa's largest stock exchange by market capitalisation

8

WORLD-CLASS INFRASTRUCTURE AND LOGISTICS

- Well developed economic infrastructure
- Largest networks of air- and sea-ports, as well as logistics in Africa
- Large infrastructure development programme under way

9

YOUNG, EAGER LABOUR FORCE

- World-class tertiary education system producing a skilled, talented and capable workforce
- Diversified skills set
- Strong skills development support system

10

EXCELLENT QUALITY OF LIFE

- Favourable cost of living
- Generally superb weather all year
- Diversified cultural, cuisine and sports offering
- World-class hospitality sector

SOUTH AFRICA AT A GLANCE

Gross domestic product	2022: ZAR 6.64 trillion (USD 405.8 billion at 2022 average exchange rate)
Inflation	2022 average: 6.9% February 2023: 7.0%
Prime lending rate	31 March 2023: 11.25%
External trade	Merchandise exports: 2022: ZAR 2 014.5 billion Merchandise imports: 2022: ZAR 1 829.9 billion
Exchange rate	2022 average: USD 1.00 = ZAR 16.36 February 2023 average: USD 1.00 = ZAR R17.90

Population	• 60.6-million • 39.8-million people in the working-age category • Young population (62% under the age of 35) • Highly urbanised (67.9% of population in 2020)
Land	• Total land area: 1 219 090 km2 • Agricultural land: 79.4% of entire land area • Arable land = 9.9%; permanent crops 0.3%; permanent pasture 69.2%; forest 7.6% • 16 700 km2 under irrigation
Mineral resources	• Producer of key mining and mineral products (2022): • Platinum group metals: 242 tonnes • Gold: 84 tonnes • Coal: 231.2 million tonnes • Iron ore: 66.3 million tonnes • Manganese: 19 million tonnes • Chrome ore: 19.4 million tonnes • Industrial minerals: 51.3 million tonnes • Diamonds: 10.2 million carats
Electricity	• Total nominal energy generation capacity of 54 million kW (2021/22) • Mainly coal-fired power stations (circa 73% of generation capacity), but deliberate move to diversify energy mix by introducing renewable energy (solar, wind, other) • Ranked among the world's top 40 markets on the attractiveness of renewable energy investment and deployment opportunities (EY 2022)
Transport and logistics	• 144 airports with paved runways • Railways: 20 986km • Roads: 747 014km (paved: 158 952km) • 8 seaports: Durban; Richards Bay; East London; Ngqura; Port Elizabeth; Mossel Bay; Cape Town; Saldanha Bay • 2 of the world's top container ports: Durban, Cape Town • 2 of the world's largest dry bulk ports: Richards Bay and Saldanha Bay
Information Technology	• Highest number of secure internet servers in Africa • Ranked 3rd in Africa on the Information and Communications Technology Development Index

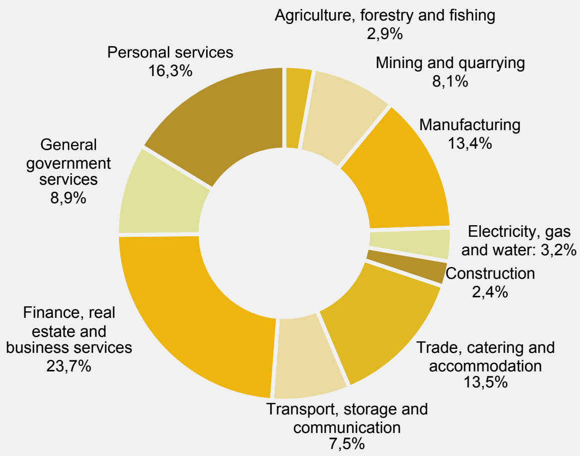
Sources: Statistics South Africa (Stats SA), Department of Mineral Resources and Energy (DMRE), National Treasury (NT), South African Reserve Bank (SARB).

A BIRD'S-EYE VIEW OF THE ECONOMY

- South Africa's ZAR 6.64 trillion economy (USD 405.8 billion*) is the 33rd largest** in the world and represents approximately 12% of the African continent's total gross domestic product (GDP).
- The economy is highly diversified from a sectoral perspective and the most developed and technologically advanced economy on the African continent.
- South Africa has one of the most open economies in the world (exports and imports of goods and services collectively represented circa 65% of GDP in 2022), with preferential access to numerous global markets.
- Fixed investment activity is spread across all broad sectors of the economy, with the financial services, real estate and business services sector claiming large shares on an annual basis.
- The private sector accounted for around 73% of overall fixed investment expenditure, on average, over the past 3 years.
- Foreign direct investment (FDI) inflows have increased substantially since the onset of democracy, with FDI stock representing 44.9% of GDP in 2021, as compared to 6.6% in 1994.

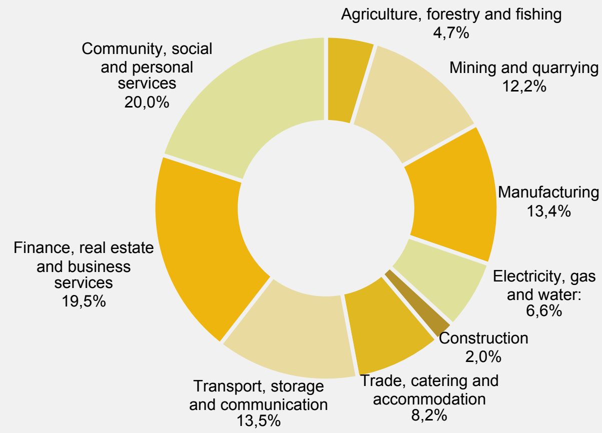
Diversified economy from a sectoral perspective, well placed to support sustainable industrial development…

Sectoral composition of GDP in 2022



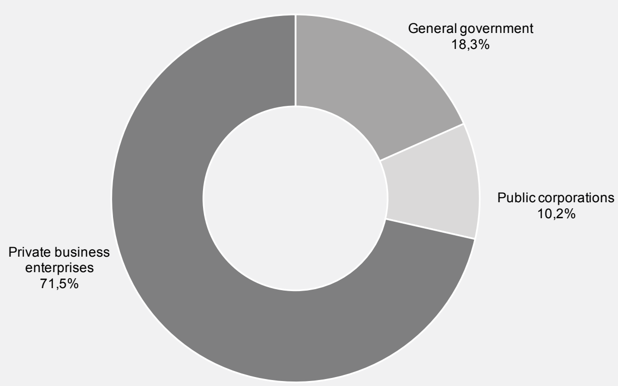
… manufacturing, mining and agriculture sectors claimed 30.3% of fixed investment activity over the past 3 years

Sectoral distribution of fixed investment expenditure (average for 2020 to 2022)



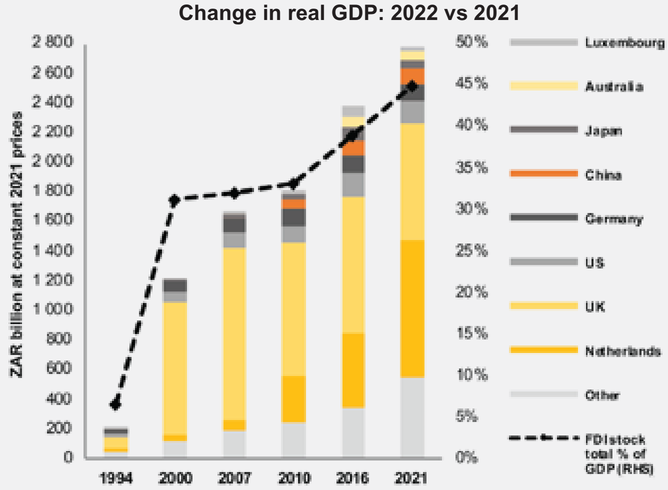
Private business enterprises account for the bulk of fixed investment activity…

Fixed investment expenditure by type of organisation (average for 2020 to 2022)



…FDI originates from several source countries, recently dominated by the Netherlands, UK, USA, Japan and China

FDI inflows and FDI stock as a ratio of GDP Change in real GDP: 2022 vs 2021

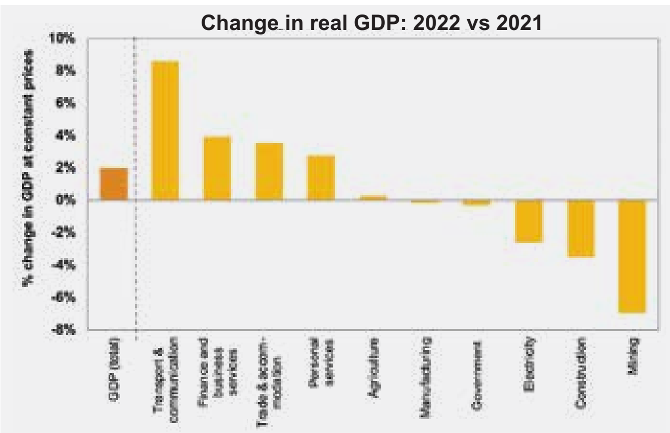


Notes: * Based on the average USD/ZAR exchange rate for 2022.
** Based on GDP in 2022, PPP valuations)
Sources: (charts) IDC, compiled using Stats SA and SARB data.

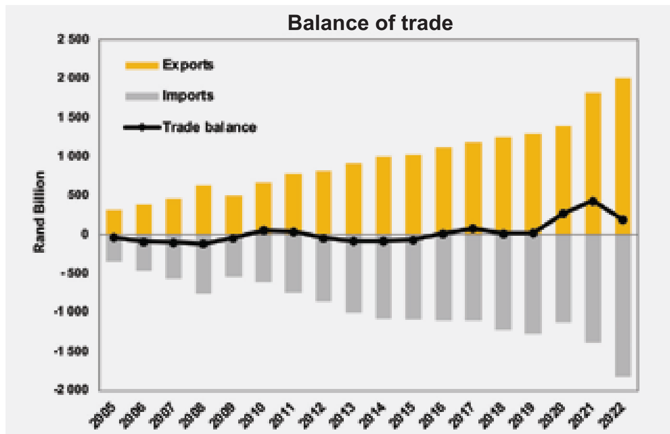
GROWTH MOMENTUM AFFECTED BY SEVERAL CHALLENGES

- The South African economy suffered significant setbacks in 2022 as a series of adverse developments, both of a global and domestic nature, affected its performance and prospects. Nevertheless, real GDP increased by 2.0% to a level exceeding the pre-pandemic quantum.
- Adverse external factors included the impacts of the war between Russia and Ukraine, global supply chain challenges, China's economic slowdown, softer commodity prices, extraordinary inflationary pressures and aggressive tightening of monetary policy by major central banks.
- On the domestic front, adverse developments included the devastating floods in KwaZulu-Natal, which damaged critical infrastructure and affected business operations, frequent electricity supply interruptions, transport and logistics infrastructure constraints, rising producer and consumer inflation and sharply higher interest rates.
- The above factors affected business and consumer confidence, with negative repercussions on spending, production and investment activity. From a sector perspective, the major contributors to economic growth in 2022 were finance and business services, transport and communication, personal services, as well as trade, catering and accommodation. The mining, manufacturing, electricity and construction sectors made negative contributions to GDP growth in 2022.
- A good export performance was recorded in 2022 notwithstanding weaking demand conditions globally and softening commodity prices. A sizeable trade surplus, amounting to ZAR 184.6 billion, was consequently recorded for the year, following on 2021's ZAR 432.6 billion surplus.
- Consumer inflation averaged 6.9% in 2022 but is expected to moderate on the back of softer commodity prices and easing supply chain constraints. The South African Reserve Bank (monetary authority) is anticipated to start lowering the repurchase rate, albeit gradually, once convinced that inflationary pressures are indeed subsiding.
- The implementation of essential structural reforms domestically, along with the world economy's anticipated recovery, should support the South African economy's growth performance in the years ahead.
- Several areas of economic activity, including energy, transport and logistics, telecoms, water, green economy-related and other specific manufacturing industries present attractive investment opportunities going forward.

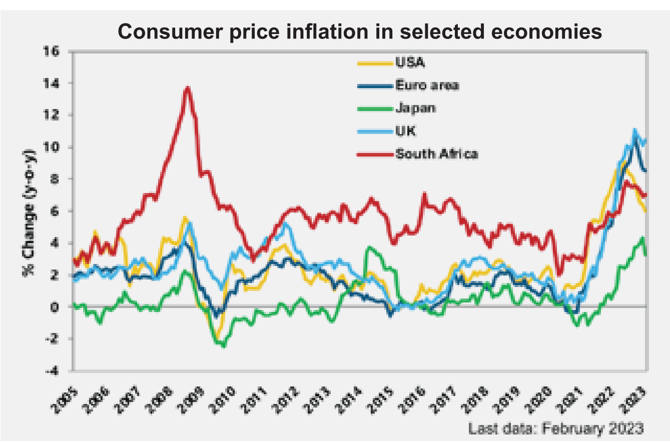
Following a robust post-pandemic rebound in 2021, economic growth moderated to 2% in 2022…



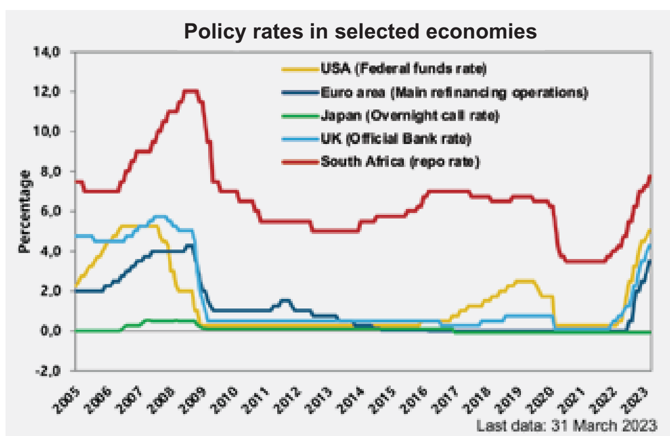
…supported by a solid export performance despite weaker demand conditions globally and softening commodity prices



Inflationary pressures in the South African economy appear to have reached their peak and are currently subsiding…



…permitting, in due course, a gradual lowering of the repurchase rate by the South African Reserve Bank

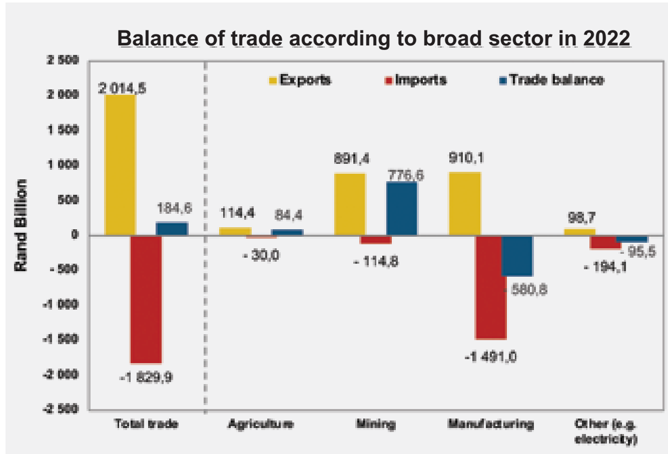


Sources: (charts) IDC, compiled using Stats SA, SARS, SARB, Bloomberg, US Federal Reserve, European Central Bank, Bank of Japan and Bank of England data.

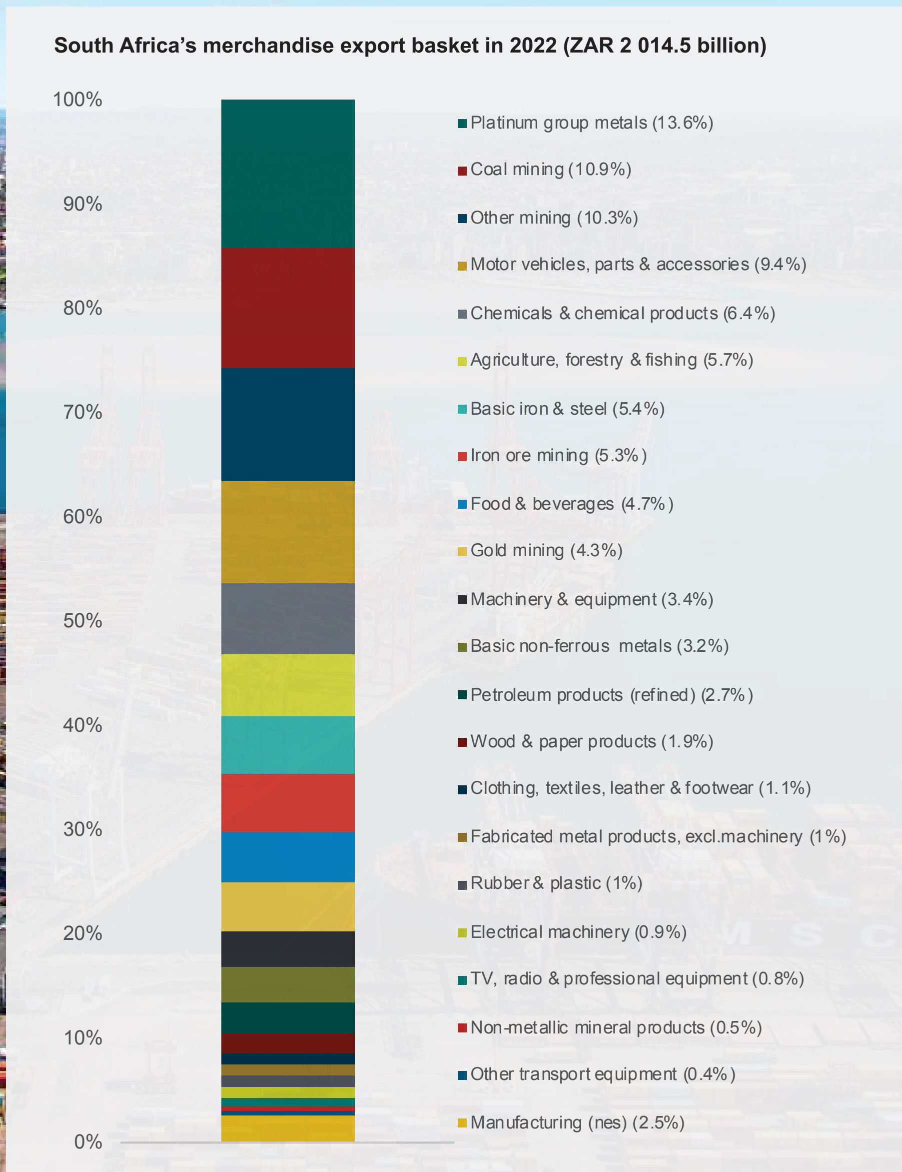
AN EXPORT-ORIENTED ECONOMY

- Exports of merchandise goods represented 30.3% of GDP in 2022, illustrating the importance of external markets for the economy at large and specific sectors.
- The value of mining exports increased significantly in 2022 mainly due to price increases as export volumes were constrained by transport and logistics as well as energy supply challenges, among others. Mining has the highest export propensity (78% in 2021) of all sectors of the South African economy.
- The manufacturing sector has an export-to-output coefficient of 26.3%, while 15.7% of all agricultural products were exported in 2021. Agricultural exports continue being supported by relatively favourable climatic conditions.
- A surplus amounting to ZAR185 billion was recorded on the balance of trade in 2022.

Surpluses recorded in the balances of trade of the mining and agriculture sectors



South Africa's merchandise exports are dominated by mining and mineral products; manufactured categories such as motor vehicles, parts and accessories, chemicals and chemical products, and basic iron and steel; as well as by agricultural products



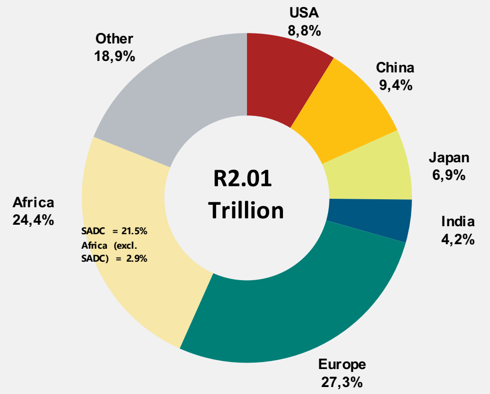
Sources: (charts) IDC, compiled using SARS data.

AN EXPORT-ORIENTED ECONOMY

- Motor vehicles are the largest manufactured export product category, destined mainly to the Eurozone, the rest of Africa, the United States and the United Kingdom.
- China is the principal export market for several industrial commodities, but platinum is primarily exported to the United States, Japan and the United Kingdom.
- African markets accounted for 24% of South Africa's merchandise exports and 40% of its manufactured exports in 2022.
- The global economy's recovery going forward , including solid growth in several African markets should support South Africa's export performance in the years ahead.

European and African markets are the main export destinations at regional level, China and the US at the country level

Regional destinations of South Africa's merchandise exports in 2022 (% share of total SA exports)



The 8 largest global markets for South Africa's merchandise exports over the period 2019 to 2022, the Top 8 products exported and their corresponding average annual export values over this period

NB. Variations in trade data used in different sections of this report reflect differences in data by national agencies of BRICS members.

Top 8 exports to the United States

Description	ZAR billion
Unwrought platinum	64.7
Passenger vehicles	10.4
Ferro-alloys	5.3
Unwrought aluminium	3.8
Reaction initiators, reaction accelerators & catalysts	3.6
Catalytic converters	3.0
Titanium ore	2.5
Granulated slag	2.5
Other	42.2
Total	137.9

Top 8 exports to Eurozone

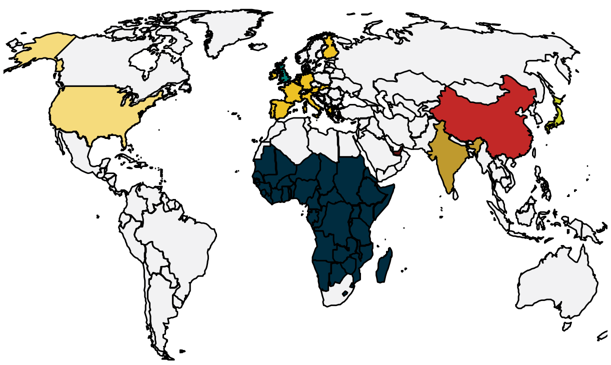
Description	ZAR billion
Passenger vehicles	53.7
Commercial vehicles	24.9
Iron ore	20.3
Coal	16.4
Precious metal ores	16.1
Unwrought platinum	14.0
Coins	12.9
Catalytic converters	9.5
Other	122.4
Total	290.1

Top 8 exports to United Kingdom

Description	ZAR billion
Unwrought platinum	46.3
Commercial vehicles	9.4
Passenger vehicles	3.5
Precious metal ores	3.2
Citrus fruit	2.4
Grapes	2.3
Wine	2.1
Catalytic converters	2.1
Other	16.8
Total	88.2

Top 8 exports to sub-Saharan Africa*

Description	ZAR billion
Commercial vehicles	13.6
Electricity	10.9
Ferro-alloys	6.3
Diamonds	6.3
Parts for machinery	4.8
Passenger vehicles	4.5
Pumps for liquids	4.4
Maize	4.3
Other	241.4
Total	296.5



Top 8 exports to Japan

Description	ZAR billion
Unwrought platinum	64.2
Iron ore	6.1
Passenger vehicles	5.6
Ferro-alloys	2.8
Wood chips	2.0
Manganese ore	1.7
Maize	1.7
Unwrought aluminium	1.7
Other	9.8
Total	95.6

Top 8 exports to United Arab Emirates

Description	ZAR billion
Diamonds	11.3
Ferro-alloys	5.8
Citrus fruit	1.9
Coal	1.3
Apples and pears	0.6
Coin	0.4
Copper tubes and pipes	0.4
Coal-tar distillates	0.4
Other	7.7
Total	29.9

Top 8 exports to India

Description	ZAR billion
Coal	36.6
Chemical wood pulp	5.2
Manganese ore	5.1
Ferrous waste and scrap	1.2
Unwrought platinum	1.0
Crude oil	1.0
Iron ore	0.9
Feldspar and fluorspar	0.9
Other	10.1
Total	62.0

Top 8 exports to China

Description	ZAR billion
Iron ore	60.3
Manganese ore	27.0
Ferro-alloys	16.4
Chrome ore	15.9
Unwrought platinum	4.6
Unrefined copper	4.5
Zinc ore	4.4
Zirconium ore	3.5
Other	34.3
Total	170.7

Note: * South African exports of chrome ore (ZAR9.8 billion), coal (ZAR 9.0 billion) and iron ore (ZAR8.9 billion) to sub-Saharan Africa were excluded from the Top 8 as these were destined to Mozambique in transit to global markets via the port of Maputo.
Sources: (charts) IDC, compiled using SARS data.

AN EXPORT-ORIENTED ECONOMY

Several trade agreements underpin export-related industrial development

- South Africa, a member of the World Trade Organisation, has gained preferential access into key world markets through favourable trade agreements and as a member state of regional economic communities, specifically the Southern African Development Community (SADC) and the Southern African Custom Union (SACU).

Agreement name	Type of agreement	Countries involved
Southern African Customs Union (SACU)	Customs union	South Africa, Botswana, Lesotho, Eswatini, Namibia
Southern African Development Community (SADC) Free Trade Area (FTA)	Free trade agreement	16 SADC member states
African Continental Free Trade Area (AfCFTA)	Progressive liberalisation of tariffs	54 member states of the African Union (AU)
Economic Partnership Agreements (EPAs)	Free trade agreement	SACU-EU EPA plus Mozambique and Angola
European Free Trade Association / Southern African Customs Union (EFTA-SACU) FTA	Free trade agreement	SACU and EFTA (Iceland, Liechtenstein, Norway and Switzerland)
African Growth and Opportunity Act (AGOA)	Unilateral assistance measures (nonreciprocal)	US and 39 sub-Saharan Africa countries
Generalised System of Preferences (GSP)	Unilateral (non-reciprocal)	SA and EU, Norway, Switzerland, Russia, Turkey, the US, Canada, Japan
SACU-Mercosur	Preferential trade agreement	SACU and Argentina, Brazil, Paraguay and Uruguay

Locational distribution of Special Economic Zones (SEZs) in South Africa

Incentives offered by SEZs include:

- Provision of targeted investment incentives, support to exporters
- Preferential 15% corporate tax rate in saelect SEZs;
- Value-added tax and customs duty suspension in customs-controlled areas
- Employment incentives
- Building allowances
- Preferential land rental and utility rates.

11 designated SEZs in 7 provinces:

- Atlantis (Western Cape)
- Coega (Eastern Cape)
- Dube Trade Port (KwaZulu-Natal)
- East London (Eastern Cape)
- Maluti-A-Phofung (Free State)
- Musina-Makhado (Limpopo)
- Nkomazi (Mpumalanga)
- OR Tambo International Airport (Gauteng)
- Richards Bay (KwaZulu-Natal)
- Saldanha Bay (Western Cape)
- Tshwane Automotive (Gauteng)

POSITIONED TO BENEFIT CONSIDERABLY FROM THE AFCFTA

African Continental Free Trade Area will enhance intra-African trade and investment

AfCFTA status as of March 2023

- 54 signatories out of 55 AU Member States (AfCFTA agreement)
- 46 ratifications incl. South Africa
- Pan-African Payment and Settlement System launched in collaboration with African Export-Import Bank (Afreximbank)
- The AfCFTA Adjustment Fund operationalised (in relation to the Base Fund)
- Private sector engagement plan launched in partnership with the MasterCard Foundation to initially prioritise 4 sectors/value chains: agro-processing, automotive, pharmaceuticals and transportation and logistics

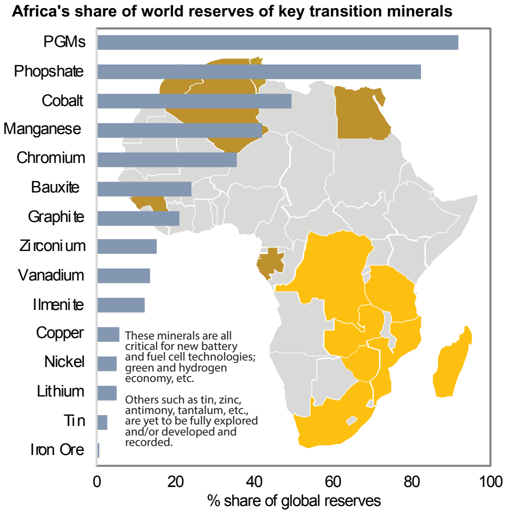
- The African Continental Free Trade Area (AfCFTA) officially commenced trading under the agreement on 1 January 2021.
- South Africa ratified the AfCFTA agreement in 2019, thus positioning it for wider access to new market opportunities under the agreement.
- South Africa is an attractive location for foreign investors requiring access to the rest of the African continent as they can leverage on:
  - South Africa's well-developed industrial ecosystem and diversified economy, particularly its established manufacturing sector and value chains;
  - The country's world-class physical infrastructure and extensive transport and logistics network (which is strongly integrated with other southern African countries), including advanced ICT infrastructure; and
  - Other competitive advantages, including its supportive operating environment (favourable trade regime, sophisticated and sound financial markets, availability of key production inputs).

Integrated single trade and investment market

- **US$3.5 trillion** – Gross domestic product (GDP) by 2025
- **52** – Urban cities > 1 million people
- **~650 million consumers** – African middle class by 2030
- **1.5 billion** – People (by 2025)
- **~90 000 per day** – New users connecting to internet
- **~US$2.5 trillion** – African consumer spending by 2030

From a global perspective, Africa dominates in several transition minerals in terms of reserves, with further exploration potential

Africa's share of world reserves of key transition minerals



- Morocco – Phosphate: 69%
- Egypt, Tunisia, Algeria – Phosphate: 10%
- Guinea: – Bauxite: 24%
- Gabon: – Manganese: 4%
- Democratic Republic of Congo – Cobalt: 48%; Copper: 4%; Lithium: 3%; Tin: 2.8%
- Tanzania – Graphite: 6%
- Zambia – Copper: 2%
- Mozambique – Graphite: 8%; Ilmenite: 4%; Zirconium: 3%
- Madagascar: – Graphite: 8%; Ilmenite:3%; Nickel: 2%
- Zimbabwe: – PGMs: 2%; Lithium (identified resource): 1%
- South Africa – PGMs: 90%; Manganese: 38%; Chromium: 36%; Vanadium: 14%; Zirconium: 9%; Ilmenite: 5%; Nickel: 4%; Phosphate: 2%

- The African continent is blessed with abundant resource endowments with several economies likely to play a critical role in the global transition to a greener future.
- The fast-progressing implementation of the AfCFTA agreement will, over time, open up a multitude of new trade and investment opportunities across several sectors and enabling services.
- South Africa is increasing regional cooperation efforts within the African continent.

Sources: (key statistics) World Bank, African Development Bank, African Union, McKinsey; (chart) IDC, adapted from Natural Resource Governance Institute and compiled using United States Geological Survey and Nickel Institute data.

POSITIONED TO BENEFIT CONSIDERABLY FROM THE AFCFTA

Regional integration opportunities

- Africa is endowed with a massive resource base (incl. agricultural, water and energy resources, industrial minerals) to support climate change mitigation efforts, the greening of the global economy and inclusive development.
- The continent is home to the world's youngest population and is urbanising rapidly.
- Africa has massive infrastructure needs and exhibits huge potential in green/sustainable infrastructure.
- Leap-frogging opportunities brought about by the digital revolution (incl. in fintech, education, health, smart agriculture, etc.).
- Regional integration efforts leading to development of economies of scale, value chain development and improvements in the business environment.

Sectoral distribution of announced FDI greenfield projects in Africa by value

Sector/industry	Value (USD million)	
	2021	2020
Total	**39 431**	**32 049**
Primary	3 713	1 387
Manufacturing	10 295	8 434
Services	25 424	22 228
Top industries by value in 2021		
Energy and gas supply	11 334	6 089
Information and communication	5 225	10 892
Extractive industries	3 508	1 104
Construction	2 823	407
Coke and refined petroleum	2 770	2 311
Transportation and storage	2 671	1 500

Numerous investment opportunities

Climate-smart agriculture and agro-processing

Around 60% of Africa's arable land is uncultivated and the continent has abundant water resources for agriculture development (incl. climate smart technologies, irrigation), potable water.

Value-adding opportunities abound in the agro-processing sector (incl. the development of globally-competitive processed food, beverages and other derived products industries).

Mining and minerals processing/ beneficiation

Africa is a major player in the extraction of various mineral resources. Its enviable resource endowment provides numerous investment opportunities in mining and minerals beneficiation.

Investors should target key mining sectors for globally-competitive downstream manufacturing metals industries, mineral exports, as well as to promote energy security and support climate change mitigation efforts. Examples include PGMs, manganese, cobalt, ilmenite, yttrium, chromium, vanadium, bauxite, graphite, copper, tantalum, lithium, tin, iron ore, nickel etc.

Hydrocarbons, particularly natural gas

Large offshore and onshore gas reserve discoveries in, for example, Mozambique, Tanzania and Namibia present multiple opportunities for energy generation and the development of upstream and downstream related gas resources for other chemical processes and petrochemicals; green chemicals, etc.

Manufacturing

Low industrial bases in most of the continent, except for a few economies such as South Africa, point to a wide array of investment opportunities.

Development of value/supply chains across sectors (e.g. pharmaceuticals, petrochemicals, food processing, beverages production, minerals beneficiation and metal products fabrication, forestry and wood processing, cotton-textiles-clothing/household textiles, leather & leather products, etc.)

Digital technologies (incl. information and communications technology)

Significant and rapidly expanding subscriber bases.

Covid-19 accelerated the uptake of digital services (incl. e-health, e-learning and e-commerce).

Further investment opportunities in backbone networks, last-mile connectivity, power supply to supply broader digitisation and in other innovations to ensure inclusivity.

Infrastructure, logistics and energy development

Massive development opportunities across the infrastructure spectrum, incl. input supply requirements associated with Africa's ongoing infrastructure and industrial development drive.

Ample opportunities in the development of physical, digital, green infrastructure (incl. renewable and cleaner energy sources), storage (incl. cold storage) and warehousing facilities, etc.

The AfCFTA will catalyse regional cross-border infrastructure development.

Other consumer goods and services

Numerous opportunities for consumer-oriented sectors driven by the potential integrated market of over 1 billion consumers, a young and rapidly urbanising population, and increasingly sophisticated consumer segments.

Sources: (table) United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2022.

HEADING TOWARDS A MORE SUSTAINABLE AND INCLUSIVE FUTURE

Prioritising environmental sustainability and inclusive development

- Global climate and humanitarian crises are shifting investor behaviour and decision-making towards impact-oriented forms of capital investment returns that consider environmental, social and governance (ESG) principles.
- South Africa adopted the United Nation's Sustainable Development Goals (SDGs) in 2015, subsequently aligning these with its National Development Plan Vision 2030 (the overarching long-term policy framework).
- South Africa is a signatory to the 2015 UNFCCC Paris Agreement, adopted by 196 countries that support the transition to a low-carbon economy.
- Industrial policy in South Africa is geared to support sustainable industrial development, positioning it as a hub for impact-oriented capital investment.

South Africa's policy framework and developed economic ecosystem provides an ideal environment for impact investors and green economy development

- Industrial Policy Action & Environmental Implementation Plans
- Integrated Resource Plan to drive low-carbon energy transition
- Green transport strategy
- Strong network of development finance institutions (DFIs)
- Non-DFI financial ecosystem: Private equity, asset managers, venture capital funds, crowd funding

Green economy development is expected to have a significant socioeconomic impact and provides considerable procurement opportunities for manufacturers and other key input suppliers.

Repurposing options are being explored by South Africa's power utility (Eskom) for its fleet of coal generation plants that are approaching their end-of-life. These could include their conversion from coal to renewables, biomass-to-energy options, and battery energy storage.

South Africa's determined approach in driving green economy development offers attractive opportunities for global investors seeking to allocate capital for the development of environmentally-responsible industries.

High levels of solar radiation, vast stretches of land and a large endowment of PGMs (more than 75% of global output), a key component of electrolysers in hydrogen production and as catalysts in fuel cells, support the development of the green hydrogen value chain in South Africa.

An expanding market for the issuance of green bonds provides a financial de-risking mechanism that is expected to drive increased private sector investment and FDI into South Africa's green economy.

Some of the investment opportunities

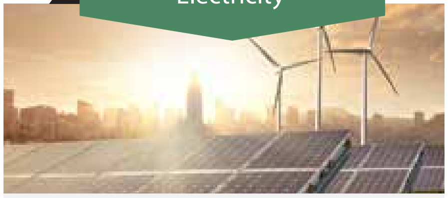
- Renewable energy generation, particularly wind and solar PV.
- Solar energy technologies and components (solar panels and inputs such as solar glass, aluminium, junction boxes and cabling; solar water geysers; timers, etc.).
- Wind turbines and components.
- Energy storage.
- Adoption of energy efficiency technologies.
- Electric vehicle infrastructure & value chain development, hydrogen fuel cell based systems, greener components.
- Green hydrogen production and support infrastructure.
- Diversion of landfill waste to industry for re-use/recycling.
- Recycling (e.g., plastics, paper and packaging, glass, tyres, batteries, e-waste).
- Waste beneficiation (e.g., ash, slag, gypsum, biomass).
- Wastewater treatment.
- Green buildings related materials and products.

HEADING TOWARDS A MORE SUSTAINABLE AND INCLUSIVE FUTURE

South Africa's Just Energy Transition Investment Plan

- The Just Energy Transition Investment Plan (JET-IP), which was unveiled during COP 27 in November 2022, sets out the investments deemed necessary over the period 2023-2027 to support South Africa's decarbonisation commitments.
- The funding requirements over this 5-year period have been estimated at ZAR 1 480 billion. In addition to the USD 8.5 billion which the International Partners Group (IPG) – comprising the governments of France, Germany, United Kingdom, United States and the European Union – initially pledged to mobilise, the IPG is making additional funding available.
- The JET-IP has been hailed as a first-of-its-kind initiative globally. Its implementation will unleash numerous investment opportunities for private sector participants, domestic and foreign.
- The three priority sectors are electricity, new energy vehicles and green hydrogen, as indicated below, while additional funding requirements have also been estimated for skills development and municipal capacity.

Electricity



ZAR 711.4 billion

Considering the fact that the electricity sector accounts for almost 50% of South Africa's greenhouse gas emissions, the prevailing electricity supply constraints, and the decommissioning plan for the ageing fleet of coal power plants, accelerating the sector's transition to a low-emissions trajectory is imperative.

The JET-IP's infrastructure priorities in the electricity sector thus include:

- Managing the decommissioning of the retired coal generation fleet in tandem with the development of renewable energy generation as per a revised Integrated Resource Plan;
- Strengthening the transmission grid infrastructure to accommodate the shift to renewables;
- Modernising the electricity distribution system.

New Energy Vehicles

ZAR 128.1 billion

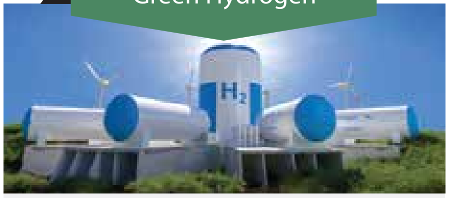
The transition to new energy vehicles (NEVs) will, among others, assist in:

- Sustaining the economic benefits, incl. jobs and exports, associated with the domestic automotive sector;
- Open up investment opportunities in NEV supply chains, incl. components manufacturing, minerals extraction and beneficiation;
- Decarbonising the transport sector.

Investment focus areas include:

- Transitioning local automotive value chains towards NEV production, supply chain adaptation/localisation;
- Conversion/shift of public transport (public buses and taxis) to NEVs;
- Incentivising investments in NEV-charging infrastructure;
- Mobility emissions abatement;
- Providing technical assistance.

Green Hydrogen



ZAR 319.0 billion

The green hydrogen (GH2) sector's development will:

- Open up green industrialisation opportunities;
- Support the decarbonisation and competitiveness of the domestic industrial base; and, among others,
- Introduce a new major export segment.

Investments will be in areas such as:

- Incubating local GH2 ecosystems;
- Undertaking critical planning, feasibility analyses on catalytic projects and pilots that can serve as proofs of concept;
- Providing financial support for the GH2 national commercialisation action plan's implementation, as well as for infrastructure planning;
- Developing the requisite skills.

Electricity sector infrastructure investment requirements, 2023-2027 and 2023-2035

	2023-2027 (ZAR billion)	2023-2035 (ZAR billion)
Coal plant decommissioning	4.1	19.3
Transmission	131.8	373.2
Distribution	13.8	127.5
New solar photovoltaic (PV)	233.2	418.5
New wind	241.7	874.3
New batteries	23.1	44.2
Total	647.7	1 857.0
New open cycle gas turbine/ combined cycle gas turbine	15.0	169.7

New Energy Vehicle sector's investment requirements, 2023-2027

	ZAR billion
Industrial development and innovation	41.4
Public transport	6.1
Mobility emissions abatement	6.8
Early adoption and innovation	1.8
Technical assistance	1.6
NEV deployment support	70.4
Total	128.1

Green Hydrogen sector's investment requirements, 2023-2027

	Project feasibility costs (ZAR billion)	Capital costs (ZAR billion)
Aviation fuel	0.10	8.0
e-methanol	0.12	12.0
Fuel cell	0.16	1.4
GH and green ammonia	3.70	109.3
Green steel	0.20	13.2
Hydrogen mobility	0.10	6.6
Infrastructure	0.13	13.0
Sub-totals	4.51	163.50
Port project development and infrastructure capital	151.00	
Total	319.01	

Sources: Just Energy Transition Investment Plan.

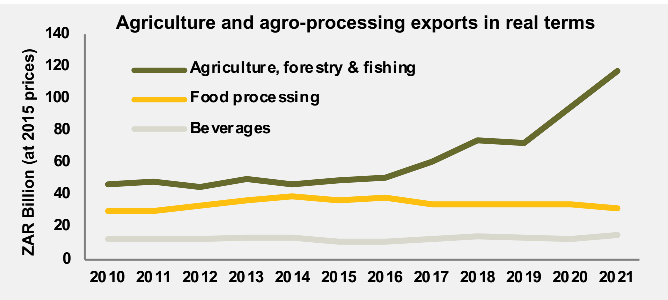
5. SECTOR PERSPECTIVES AND OUTLINE OF INVESTMENT OPPORTUNITIES

AGRICULTURE AND AGRO-PROCESSING

Sectoral outline

	Primary agriculture sector		Agro-processing sector
Economic importance	• South Africa has a well-developed agriculture sector. It contributed 2.9% to overall GDP in 2022, accounted for 5.7% of total export earnings and employed almost 863 000 people.	Economic importance	• The agro-processing sectors have grown rapidly over the years, accounting for a sizeable 2.8% of South Africa's GDP in 2021 and 4.7% of total merchandise export earnings in 2022. Collectively they employ around 264 000 people.
Structure	• The sector has a well-developed commercial agriculture segment with around 40 000 commercial farmers and 300 000 small-scale farmers. • Highly diversified sector, with its products including corn, wheat, sugarcane, fruits (e.g. apples, citrus, grapes, berries), vegetables, nuts (e.g. groundnuts, pecan nuts, macadamia), beef, poultry, mutton, wool, fish and seafood.	Structure	• Sophisticated and competitive agro-processing sectors. Over 7 000 businesses are involved in food processing, dominated by large enterprises. These sectors produce a wide range of products, from high quality commodity types to high-end market/niche products. • The beverages sub-sector incorporates the production of juices, wines, dairy products and herbal infusions (e.g. rooibos), among others.
Extensive sectoral linkages	• The sector has extensive backward and lateral linkages with the manufacturing and services sectors, as well as forward linkages to manufacturing through the supply of raw materials to various processing industries.	Extensive sectoral linkages	• The agro-processing sectors have extensive backward, forward and lateral linkages with the agriculture, manufacturing and services sectors.

Strong export performance of primary products supported by favourable climatic conditions, but also by general competitiveness in world markets



Agriculture, forestry and fishing sector exports	Value in 2022 (ZAR mil)	% of total
Agriculture, forestry & fishing exports:	114 369.6	100%
- Citrus fruit, fresh or dried	28 152.5	24.6%
- Maize (corn)	19 852.9	17.4%
- Grapes, fresh or dried	14 257.1	12.5%
- Apples, pears and quinces, fresh	11 731.0	10.3%
- Nuts except coconut, fresh/dried brazil & cashew	4 967.1	4.3%
- Wool, not carded or combed	4 162.3	3.6%
- Fruits nes., fresh	4 035.0	3.5%
- Wheat and meslin	3 315.1	2.9%
- Stone fruit, fresh (apricot, cherry, plum, etc.)	3 079.6	2.7%
- Soya beans	2 722.1	2.4%
- Others	18 094.9	15.8%

Agro-processing sub-sectors' exports	Value in 2022 (ZAR mil)	% of total
Food processing exports:	70 690.8	100%
- Solid cane/ beet sugar & chemically pure sucrose	4 786.3	6.8%
- Fruit and vegetable juices, not fermented/ spirited	4 672.5	6.6%
- Fruit, edible plant parts nes, prepared/ preserved	3 641.4	5.2%
- Animal feed preparations	3 391.4	4.8%
- Food preparations, nes	3 274.6	4.6%
- Safflower, sunflower & cotton-seed oil, fractions	2 702.5	3.8%
- Fish fillets, fish meat, mince except liver, roe	2 178.7	3.1%
- Fish, frozen, whole	2 123.6	3.0%
- Soya-bean oil, fractions, not chemically modified	2 008.6	2.8%
- Malt extract, flour, dairy preparations, low cocoa	1 958.8	2.8%
- Cereal grouts, meal and pellets	39 952.4	56.5%
Beverages exports:	23 800.1	100%
- Grape wines (including fortified), grape must	11 358.6	47.7%
- Ethyl alcohol, undenatured and >80%, / denatured	2 894.1	12.2%
- Waters, non-alcoholic flavoured beverages	2 688.9	11.3%
- Liqueur, spirits & undenatured ethyl alcohol <80%	2 423.0	10.2%
- Fermented beverages (eg. cider, perry, mead)	2 051.6	8.6%
- Beer made from malt	1 795.3	7.5%
- Malt	400.1	1.7%
- Unsweetened beverage waters, ice and snow	116.4	0.5%
- Vermouth and other flavoured grape wine	72.0	0.3%

Why invest in South Africa's agriculture sector

- Well-established, diversified and globally competitive sector catering for local demand requirements and supplying high-quality produce to world markets.
- Diverse climatic and geological conditions, and nutrient-rich soil. Climate is favourable and varies from subtropical to Mediterranean, permitting numerous opportunities for the production of many crops, livestock and game farming.
- Counter-seasonality to the northern hemisphere.
- Major global producer of various agriculture products.
- Fully integrated and elaborate agricultural value chains, with robust backward and lateral linkages to various economic sectors. Processing capacity for a wide range of agricultural products.
- Established infrastructure network (deep-water ports, airports, cold-chain facilities, etc.) and world-class financial system support its position as a significant supplier of agricultural produce to world markets.
- Industrial capacity to support development and deployment of sustainable and new generation technologies in agriculture.

Sources: IDC, compiled using (charts) Quantec data; (tables) SARS data.

AGRICULTURE AND AGRO-PROCESSING

Strategic focus areas to drive long-term growth

- Agricultural value chains are a key pillar of the economy. Their development is a government policy priority and presents a myriad of opportunities for investors.
- Access to land for commercial and subsistence farming will be increased substantially, with around 700 000 ha of underutilised state land to be made available for public leasing.
- Strategies have been enacted to drive consolidated buying and market linkages to reduce market risks for producers
- Strategies are in place to enhance R&D and smart technology absorption in agriculture.

Enhanced value proposition of investment opportunities

Enhanced agro-processing competitiveness	Investment opportunities in agriculture (horticulture, field crops and livestock) and fisheries production and processing across several value chains.
Sectoral master plans to unlock growth	Agriculture and agro-processing, poultry and sugar masterplans aim to increase domestic consumption and export-orientation, improve competitiveness, raise production and promote investment in the sector, among other objectives.
Policy support to agrarian developmentand transformation	Comprehensive Land and Agrarian Strategy focuses on the development of Commodity Corridors and Commodity Production Schemes at the district level. Agri-parks and Farmer Production Support Centres will assist farmers in extracting value from their assets.
Industrial and trade policies supportive of investment	Reconfigured industrial policy incentives for agro-processing will reduce project development and funding risks, boosting the sector's investment proposition. Trade policy to enhance access to key external markets for producers in the field crops, horticultural and livestock value chains, as well as protect local industry.
Sustainable agriculture technology solutions	Support market growth for sustainable agriculture technology solutions such as controlled environment production (e.g. hydroponics), agri-related renewable energy technologies, drone and mobile communications applications.
Reduced supply chain concentration and project risks	Measures to reduce high concentration levels in agricultural inputs supply, agro-processing and food retail to enhance competitiveness and inclusive development.

Some of the investment opportunities

Selected food-based opportunities:

- Fruit and vegetable packaging and canning, juice processing.
- Oil seed production, edible oil processing, oilcake.
- Processing of soy-based products.
- Grain sorghum production, malt industry development.
- Nut farming (e.g. macadamia, walnut) and processing.
- Processing of organic, vegetarian, dehydrated foods.
- Meat processing, including ostrich meat.
- Expansion of dairy value chain.
- Expansion of bakery and confectionery production.
- Expansion of aquaculture (abalone, mussels, trout).
- Canning of freshwater fish.
- Commercial-scale planting of indigenous plants, including rooibos.

Selected non-food-based opportunities:

- Biofuels development.
- Extraction of high-value additives, nutraceuticals.
- Production of aromatics, flavourants.
- Non-edible oil processing.
- Production of medicinal extracts, incl. cannabis-based.
- Crop production for feedstock into biofuels processing.
- Wool and mohair production and processing.
- Production of artemisinin for malaria medicaments.
- Flax production.
- Forestry development.
- Application of smart technologies in agriculture (hydroponics, renewable energy technologies, drone, mobile communication applications, etc.).
- Water infrastructure investment, wastewater treatment.

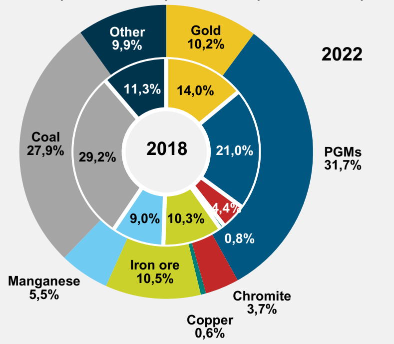
MINING

Sectoral outline

Economic importance	The mining sector contributed 8.1% to South Africa's GDP in 2022 and 44.2% of its total export earnings. The sector employs approximately 475 000 people.
Structure	The mining sector is highly developed and hosts numerous conglomerates responsible for primary production. Emerging miners dominate exploration activity in the sector.
Extensive sectoral linkages	The sector has extensive backward and lateral linkages with the manufacturing and services sectors, as well as forward linkages to manufacturing through the supply of raw materials into metal fabrication industries.

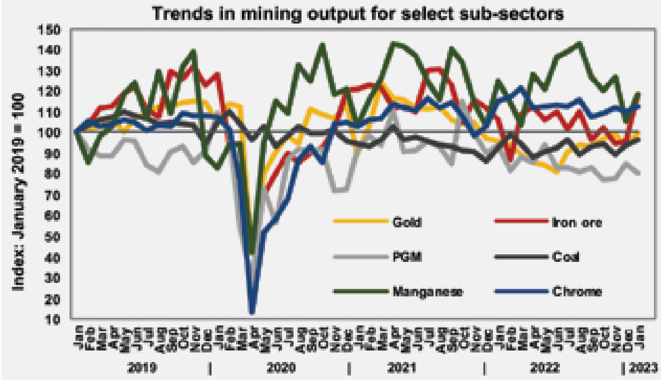
Diversified sector, strong future oriented segments

Mining sector (sales distribution in value terms) in 2022 (outer circle) vs. 2018 (inner circle)



Resilient mining production despite several challenges

Trends in mining output for select sub-sectors



Mining sector exports	Value in 2022 (ZAR billion)	% of total
Total mining sector exports	891.4	100%
- Platinum group metals mining	273.0	30.6%
- Coal mining	218.9	24.6%
- Iron ore mining	106.1	11.9%
- Gold and uranium mining	86.1	9.7%
- Other mining exports:	207.2	23.2%
• Manganese ores	47.2	
• Diamonds, not mounted or set	43.3	
• Chromium ores and concentrates	40.2	
• Precious metal ores and concentrates	30.7	
• Niobium, tantalum, vanadium ores, etc.	10.3	
• Titanium ores and concentrates	9.8	
• Zinc ores and concentrates	8.6	
• Others	17.1	

Mineral beneficiation exports	Value in 2022 (ZAR billion)	% of total
Total basic iron and steel exports:	108.0	100%
- Ferro-alloys	69.5	64.4%
- Rolled stainless steel sheet, width >600mm	9.3	8.6%
- Flat-rolled iron/steel, >600mm, clad, plated/ coated	6.4	6.0%
- Pig iron and spiegeleisen in primary forms	5.1	4.7%
- Semi-finished products of iron or non-alloy steel	2.9	2.7%
- Iron/steel bar, forged hot-rolled drawn, extruded	2.2	2.0%
- Hot-rolled products, iron/steel, width >600mm, etc	2.0	1.9%
- Others	10.7	9.9%
Total basic non-ferrous metal product exports:	64.3	100%
- Unwrought aluminium	22.1	34.3%
- Unwrought nickel	13.6	21.1%
- Aluminium plates, sheets&strip, thickness > 0.2 mm	7.6	11.7%
- Refined copper and copper alloys, unwrought	6.7	10.5%
- Unrefined copper, copper anodes, etc	5.3	8.3%
- Manganese, articles thereof, waste or scrap	2.3	3.6%
- Aluminium tubes and pipes	1.2	1.9%
- Others	5.5	8.5%

Why invest in South Africa's mining sector

- Highly developed and diversified mining sector with a mineral resource base ranked as one of the world's most valuable.
- Very high level of technical and production expertise to support returns on invested capital.
- Leader in global supply chains of PGMs, manganese, chrome.
- Competitive positioning in the global production cost curves of several major commodity groups.
- Global leader in deep-level mining, mineral recovery and technology.
- Supportive industrial export infrastructure and policy environment.
- Strong backward and forward linkages with other sectors.
- South Africa hosts the most developed downstream metals fabrication sector in Africa, positioned to leverage domestic and regional growth.

Sources: : IDC, compiled using (charts) Stats SA data; (tables) SARS data.

MINING

Strategic focus areas to drive long-term growth

- South Africa is endowed with one of the most valuable mineral resources portfolios in the world.
- Expansion of economic activity across mining value chains forms an integral part of South Africa's reindustrialisation strategy.
- Strong policy emphasis on support for investment in exploration activity, expansion of production capacity, competitiveness enhancements in mining value chains, and minerals beneficiation.
- The DMRE's Exploration Strategy for the Mining Industry in South Africa seeks to attract 5% (ca. USD 0.9 billion) of global mineral exploration expenditure by 2025, leading to new mineral discoveries, mining development and enhanced mineral resource utilisation.
- The sector's diversified structure, an established minerals processing ecosystem and attractive development prospects for green economy minerals and metals value chains constitute a strong investment case.

Endowed with considerable shares of global reserves of various critical minerals

Mineral	South Africa's share (%) of world mineral reserves
PGMs	90.0
Manganese	37.6
Chromium	35.7
Fluorspar	15.8
Vanadium	13.5
Gold	9.6
Zirconium minerals	8.7
Titanium minerals (ilmenite and rutile)	5.2
Nickel	3.6
Phosphate rock	2.2
Rare earths	0.6
Iron ore	0.6

Enhanced value proposition of investment opportunities

An enviable mineral resource portfolio offers attractive opportunities	South Africa's diverse mineral resource portfolio presents attractive investment opportunities across precious metals, energy minerals, ferrous & non-ferrous metals, battery minerals and other minerals utilised in the green and digital economies.
Well positioned to supply minerals of the future, incl. for the green and digital economies	The accelerating energy transition globally, including the development of renewable energy infrastructure, the burgeoning new energy vehicles industry, batteries production and the green hydrogen economy are expected to raise the demand for chromium, cobalt, copper, graphite, iron ore, lead, manganese, nickel, platinum, etc.
Dominant supply-side position across various mineral value chains	As a leader in the world's platinum supply chain, South Africa is ideally positioned to leverage PGM business opportunities as the development of the global green hydrogen economy progresses. The large infrastructure development programme planned for the coming years will raise demand for locally-produced downstream metal products.
Strong technical mining expertise reduces project development risk	South Africa has a well-established mining industry that has developed commercial and technical development leadership in the application of new generation digital technologies in mining operations.
Enhanced policy certainty and support catalyse investment	Enhanced policy certainty and adequate investment protection mechanisms aim to reduce risks for prospective investors and existing industry players. Industrial policy support mechanisms reduce private equity capital financing risks for exploration and new resource development in the mining sector. Substantially reduced timeframes for prospecting, environmental and water use licences will stimulate new mining investment.

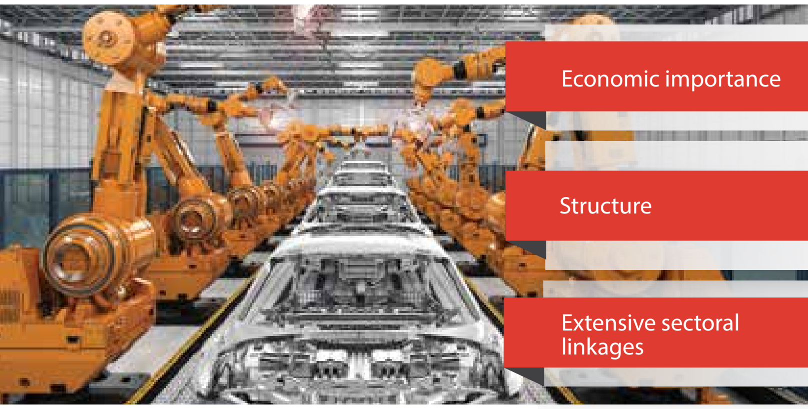
Some of the investment opportunities

- PGMs beneficiation, development of fuel cell industry.
- Vanadium as a strategic input for energy storage solutions.
- Manganese value chain development.
- Ferrochrome production, revitalising chrome value chain.
- Titanium value chain development, especially titanium dioxide.
- Increased iron ore beneficiation through revitalisation of downstream manufacturing capacity.
- Green steel investment (decarbonisation of South Africa's steel industry which is the largest in Africa).
- Export-oriented jewellery fabrication, including diamonds, gold and platinum.
- Coal ash beneficiation (e.g., production of cementitious materials for construction industry; to address acid mine drainage).
- Carbon capture and storage.
- Oil and gas development opportunities.
- Uranium resource development and beneficiation to support global nuclear fuel fabrication.
- Sustainable mining technology including digitisation, enhanced data analytics and new generation mining equipment.

Sources: (table) IDC, compiled using United States Geological Survey data.

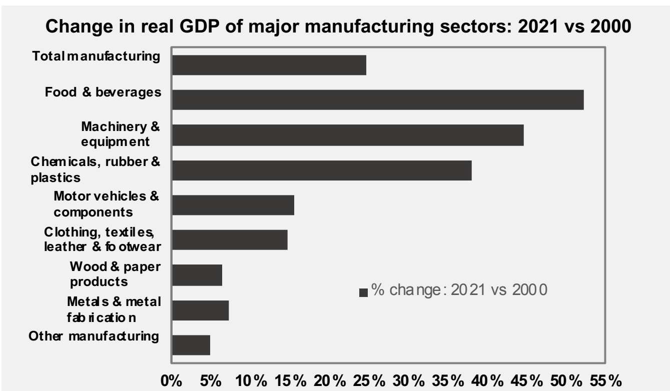
MANUFACTURING

Sectoral outline

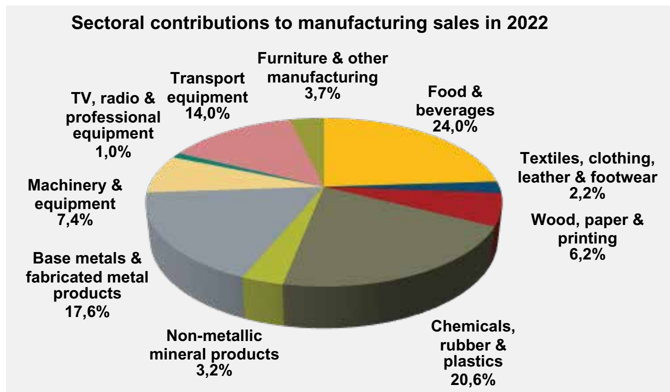


Economic importance	South Africa's well-established and diversified manufacturing sector contributed 13.4% to overall GDP and 45.2% to total export earnings in 2022. It employs around 1.2 million people.
Structure	Diversified industrial structure with large integrated sub-sectors including food processing; beverages; chemicals; motor vehicles, parts and accessories; machinery and equipment; fabricated metal products; paper and paper products; wood and wood products.
Extensive sectoral linkages	The manufacturing sector has strong linkages with many other sectors of the economy through its procurement of goods and services, as well as with end-use markets for its own products.

Food & beverages, machinery & equipment and chemicals industries have posted relatively stronger growth



Manufacturing sector dominated by food & beverages, chemicals, metals, and transport equipment industries



African, European and US markets are the leading destinations for South Africa's exports

Manufacturing sector exports	Value in 2022 (ZAR billion)	% of total
Total manufacturing exports	910.2	100%
- Motor vehicles, parts & accessories	189.2	20.8%
- Basic iron & steel products	108.0	11.9%
- Basic chemicals	80.8	8.9%
- Food	70.7	7.8%
- Machinery & equipment	68.3	7.5%
- Basic non-ferrous metal products	64.3	7.1%
- Coke & refined petroleum products	53.6	5.9%
- Other manufacturing	50.3	5.5%
- Other chemicals & man-made fibres	47.6	5.2%
- Paper & paper products	29.5	3.2%
- Other manufacturing exports	147.8	16.2%

Why invest in South Africa's manufacturing sector

- Well-established, diversified and generally technologically-advanced manufacturing base - Africa's most advanced.
- Varied economic performance at industry level owing to diversity in production capability and competitiveness.
- Strong linkages with other sectors of the economy, with supplier proximity often being a key source of competitiveness.
- Innovation and R&D capabilities, along with industrial incentives are supportive of manufacturing growth.
- Manufacturing sector is a principal beneficiary of the public sector's localisation drive.
- Market-oriented and globally-competitive exporting capabilities across several sub-sectors.
- Flexibility and capacity to adapt to the global energy transition with the deployment of sustainable industrial and automotive energy solutions.
- As an important source of manufactured products sold in the southern African region, the domestic sector will benefit from additional export market development opportunities under the AfCFTA.

Sources: : IDC, compiled using (charts) Quantec, Stats SA and SARS data; (table) SARS data.

MANUFACTURING

Strategic focus areas to drive long-term growth

- A critical part of the economic reconstruction and recovery plan includes interventions to catalyse investment through infrastructure development. Other objectives include expanding and diversifying the manufacturing base; improving its competitiveness and dynamism; raising its participation in regional and global markets; reducing concentration levels; and achieving effective transformation.
- Pent-up demand in developed economies underpinned by excess savings from pandemic fiscal support is likely to boost consumption globally thus boost international trade and trade opportunities for South African manufacturers.
- A suite of industrial policy measures is unlocking growth opportunities in priority industries such as automotive; clothing and textiles; chemicals and plastics; steel and metals fabrication; gas; green industries; the digital economy and high-tech sectors.
- Funding availability from well functioning and advanced banking and development finance sectors instrumental in the implementation of many industrial projects.
- Substantially increased public sector infrastructure spending over the next 3 years covering key areas including transport and logistics, energy, water and sanitation to benefit manufacturers of construction material, machinery and equipment, metal products, among others.

Enhanced value proposition of investment opportunities

Sectoral master plans to unlock growth of priority sectors	Continued development of sectoral master plans, the reimagined industrial strategy and a multi-pronged approach to industrial development. Master plans for the Automotive industry; Clothing, Textiles, Leather and Footwear; Steel and Metal Fabrication are being implemented as mechanisms to raise investment in production capacity and drive innovation among others.
Industrial financing and incentives to boost investment	Industrial financing support including government schemes, development finance and tax incentives, alongside spatial development initiatives such as SEZs contribute toward reducing project development risks and raising returns on investment.
Promoting localisation through public sector procurement	The public sector's product designation programme reduces market offtake risks for investments in production capacity in targeted industries. A wide array of products designated for local procurement now include plastic pipes, bulk materials handling, lead acid batteries and MV switchgear, solar panels, wind towers and, among others, cement.
Developing green industrialisation opportunities	Industrial policy is particularly targeting the domestic production of inputs linked to the rapidly developing renewable energy sector, while major investment opportunities will also emerge in the new energy vehicles and green hydrogen sectors as the Just Energy Transition Investment Plan is implemented.
Regional integration presents major opportunities	The African continent, especially the SADC region, is the largest destination for South Africa's manufactured exports, absorbing 40.2% of the total. The AfCFTA's implementation will lead to further export expansion, support the development of regional value chains and South Africa's integration therein.

Some of the investment opportunities

- Fuel cell manufacturing for a variety of applications.
- Manufacture of motor vehicles, parts and components, focusing increasingly on the electric vehicle segment.
- Manufacture of fuel cell mining vehicles and forklifts.
- Machinery and equipment (e.g. minerals processing, materials handling, construction, refrigeration and power-sector related equipment, pumps and valves).
- Railway equipment for domestic and export markets.
- Components and sub-assemblies for electronics manufacturing.
- Manufacture of equipment and parts for the rapidly growing wind and solar energy generation industry, including storage equipment.
- Green hydrogen production.
- Parts and components for the aerospace and defence industries
- Medical devices and telemedical instrumentation.
- Pharmaceutical products and speciality chemicals (e.g. biochemicals).
- Fluorspar beneficiation and other chemicals value chain development opportunities.
- Advanced manufacturing opportunities.
- Instruments and controls equipment as well as electricity meters.

SERVICES

Sectoral outline

Economic importance

South Africa's well-developed services sector plays a crucial role in the economy. It is the largest broad sector of the economy, accounting for 75.5% of total GDP in 2022 and for 83.5% (8.4 million people) of total formal sector employment outside of agriculture.

Structure

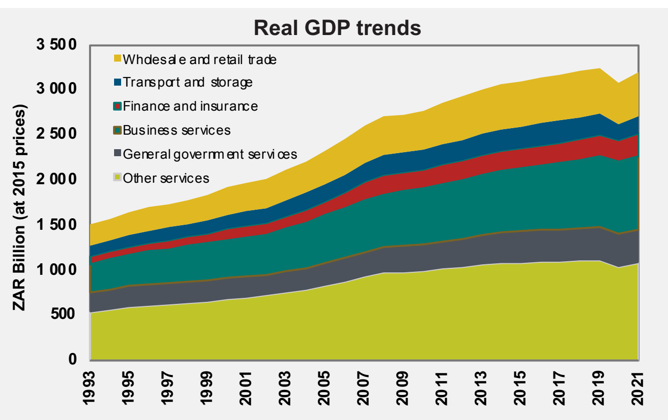
The services sector is an important contributor to international trade and investment for South Africa, with services exports, such as tourism, financial services, and business services, generating significant foreign exchange earnings. It also has competitive advantage in several services sub-sectors, such as financial services and ICT.

The degree of concentration varies widely across its various sub-sectors. The banking industry, for example, is dominated by 5 large banks, while the business services sub-sector is quite fragmented. Retail and wholesale trade is dominated by large companies operating alongside SMEs.

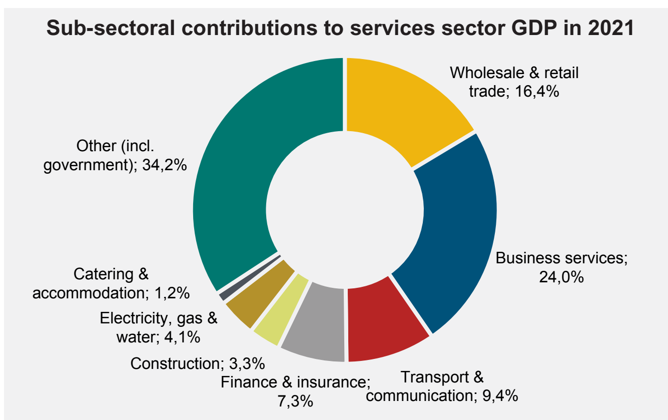
Extensive sectoral linkages

The services sector is central to the functioning of the economy. It has extensive backward, forward and lateral linkages with a multitude of input suppliers and producers, as well as end-use consumer markets.

Robust growth across basically all services sub-sectors over vthe years…



…wholesale & retail, business services, transport & communications, and financial services are the largest



Why invest in South Africa's services sector

- Well developed and diverse sub-sectors provide attractive investment opportunities such as in financial services, logistics and distribution, business services, etc.
- The services sector offers an attractive investment environment which is governed by a well-developed regulatory framework, benefits from supportive government policies and has access to a skilled workforce.
- Several strongly performing sub-sectors over the years.
- Generally competitive cost structures relative to global benchmarks.
- Various segments have strong linkages into regional and other global markets.
- South Africa is sub-Saharan Africa's largest exporter of commercial services. It is also a global hub for Business Process Outsourcing services, with several multinational conglomerates having invested in the country to tap into its skilled and competitive labour force.
- Certain segments, such as BPO as well as film and television production, draw significant public sector support, including incentives.

Sources: :IDC, compiled using (charts) Stats SA and Quantec data.

SERVICES

Information and Communications Technology (ICT)

ICT sector income dynamics:

- ICT sector revenue (telecommunications, broadcasting and postal services revenues collectively) increased marginally (+0.3%) to ZAR 243.6 billion in 2021.
- At a segmented level, telecommunication services revenue fell marginally (-0.5%) to ZAR 200.3 billion in 2021, broadcasting services revenue rose by 2.8% to ZAR 36.8 billion, while postal services revenue increased by 11.1% to ZAR 6.6 billion..

ICT sector development highlights

- The fixed-line segment of the telecommunications industry is dominated by Telkom, while the mobile segment is led by Vodacom and MTN (80.5% combined market share), with Cell C and newcomers Telkom Mobile and Rain as smaller competitors.
- National population coverage for 3G and 4G/LTE increased to 99.9% and 97.7% respectively in 2020, while 5G coverage stood at 0.7%. Broadband access continues to improve due to investments in submarine and terrestrial fibre-optic networks, which have increased capacity and coverage.
- Numerous business enterprises continue to prioritise digital transformation to remain competitive in the market. This includes the adoption of cloud computing, data analytics, e-commerce and other emerging technologies.
- There is a greater focus on increasing access to digital technologies and in bridging the digital divide, particularly in underserved areas of South Africa.

Enhanced value proposition of investment opportunities

Digital technology offerings

ICASA (regulatory authority) completed its 5G auction in 2022, selling spectrum across the 700 MHz, 800 MHz, 2.6 GHz and 3.5 GHz bands.

All major mobile network operators are continuing to roll out 5G networks across the country. This is expected to drive the adoption of advanced technologies such as augmented and virtual reality, artificial intelligence, and the Internet of Things (IoT).

Conducive regulatory environment and strategic direction

The regulatory environment is considered to be relatively well developed and mature. Challenges being addressed relate to the regulatory framework's slow adaptation to technological changes and relatively low levels of broadband penetration.

As the use of digital technologies continues to grow, so does the need for effective cybersecurity measures.

Opportunities for expanded operations into the continent

The ICT and digital economy masterplan sets out the key objectives and ambitious action plans to realise the numerous opportunities associated with the digital age.

South African companies and locally-based subsidiaries of global companies have been supplying a large portion of the new fixed and wireless telecommunications networks across Africa.

Some of the investment opportunities

- Infrastructure solutions and services, such as fibre optic networks, wireless networks, and data centres.
- IoT applications such as telematics and smart devices and inter-device communications technology.
- Big data tools for reporting and analytics.
- Business franchising opportunities in Voice over Internet Protocol solutions.
- Opportunities for consolidation or investment in fibre internet service providers.
- Connected living opportunities arising from the roll-out of fibre and cheaper data costs.
- Widespread internet adoption provides significant opportunities for investing in e-commerce platforms, payment solutions, and logistics companies.
- e-services across industries e.g., technology/applications for e-government and e-health.
- Development of security products.
- Software development, IT outsourcing, BPO.
- FinTech investment in areas such as online banking, mobile payments, and financial management solutions.

SERVICES

Finance and insurance services

South Africa has a well-developed financial ecosystem comparable to, and in some cases surpassing those of certain advanced economies.

The financial services sector has been one of fastest growing in the economy, providing all forms of financial intermediation including commercial and retail banking, investment asset management, insurance and pension funding management activities.

The major banks are Standard Bank, Absa Group, FirstRand, Nedbank and Capitec, some of which provide commercial, retail and investment banking services throughout Africa.

The insurance sector is well-established, with both local and international insurers operating in the market. In recent years, there has been a growing trend towards the use of technology in the insurance sector, with the emergence of insurtech companies and the use of digital channels for sales and customer servicing.

The country is host to Africa's largest financial exchange - the Johannesburg Stock Exchange – which is ranked among the world's top 20 stock exchanges by market capitalisation and offers investors an efficient platform for capital raising. Alternative exchanges have been launched, such as A2X.

Enhanced value proposition of investment opportunities

Highly developed banking sector

South Africa has a well-functioning and strongly regulated financial services industry with a strong banking sector that offers commercial, retail and investment banking services throughout the continent.

Significant domestic & regional market growth opportunities

The growth of fintech is creating opportunities for investment in startups and innovative companies that are developing new financial products and services, such as those focused on digital payments, lending, and wealth management.

South Africa's insurance industry accounts for approximately 80% of total direct insurance premium income generated on the African continent.

Sound regulatory environment

The sector is overseen by the South African Reserve Bank (SARB) and the Financial Sector Conduct Authority (FSCA). These regulatory bodies are responsible for ensuring the stability and integrity of the financial system, as well as protecting consumers against fraudulent or unethical practices.

Some of the investment opportunities

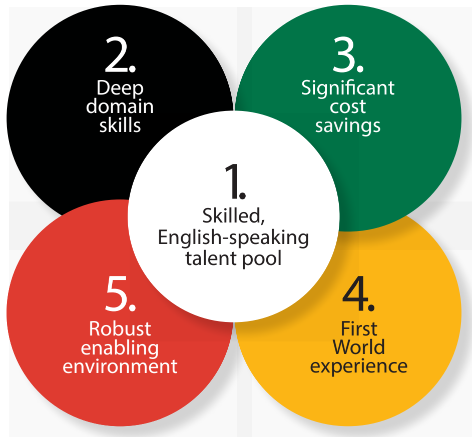
- Strong growth opportunities for provision of financial services to the lower ends of the domestic consumer market, underserviced by a concentrated domestic banking industry structure.
- Private equity investment opportunities to leverage domestic industrial development opportunities.
- Expanding middle class provides growth opportunities for asset management services.
- Insurance services growth opportunities from rising non-life insurance penetration rates and enhanced life densities.
- Fintech development opportunities in both banking and non-banking segments in the sector, e.g., insurance innovations such as pay-per-use and insurance combined with consumer financing solutions.
- Technological solutions for specialised data management services.
- Investment in life insurance, health insurance, and property and casualty insurance services.
- Potential for investment in insurtech startups, which are using technology to disrupt and innovate the insurance industry.

SERVICES

Business services, including Business Process Outsourcing (BPO)

- South Africa has a highly diverse business and professional services sector, which is among the largest in the economy.
- The country is endowed with strong professional services capabilities including legal, accounting, engineering and architectural services; real estate activities; renting of machinery, equipment, personal and household goods; BPO; computer and IT services; advertising; and, business consulting services among others.
- South Africa has a mature market for BPO services that is supported by world-class telecommunications, financial and legal infrastructure. BPO services are concentrated in the financial services industry, call centres, data entry and processing and ICT.
- The robust business services ecosystem has seen South Africa develop as one of the world's major investment hubs for BPO. This has enhanced overall business processes and productivity for numerous multinational corporations.

Factors driving SA's attractiveness as a BPO investment destination



Enhanced value proposition of investment opportunities

Structural trends towards outsourcing	South Africa's highly developed business services sector is well positioned to benefit from the structural trend, both domestically and globally, towards outsourcing of non-core business activities. The reformatting of industries towards a greater remote working environment orientation post-pandemic and the proliferation of new generation technologies provide numerous opportunities for investment in business services.
SA's growing role as a regional hub	South Africa's cost-effective BPO services, supported by world-class telecommunications, financial and legal infrastructure, is attracting growing demand in external markets, particularly in other high-growth African countries.
Supportive ecosystem	From a global perspective, South Africa is regarded as one of the most attractive countries for offshoring services provision, presenting a multitude of opportunities such as back-office hubs; knowledge process outsourcing; and, among others, legal process outsourcing.
Government investment incentives	Investment into the BPO industry benefits from strategic governmental support via the Business Process Services incentive scheme which contributes to lowering investment costs for foreign investors.

Some of the investment opportunities

- Establishment of back-office hubs for multinational corporations.
- Back-office processing facilities.
- Cybersecurity consulting services.
- Establishment of call centres.
- Provision of shared corporate services.
- Knowledge process outsourcing (technical and legal).
- Enterprise risk, fleet and asset management solutions.
- Engineering and other technical services to leverage the large public infrastructure development programme currently underway.
- BPO opportunities for outsourcing functions such as customer service, IT support, and accounting to local service providers.

ENERGY

Energy landscape being radically transformed to address prevailing challenges

- The Economic Reconstruction and Recovery Plan calls for a "new energy paradigm" to support the economy's long-term growth and development potential. A just transition to a low-carbon economy forms an integral part of South Africa's global commitments to address climate change.

- The national electricity on-grid generation capacity is still predominantly fuelled by coal, which accounts for 73% of installed capacity. However, the share of renewable energy (RE) has increased substantially in recent years and currently represents 12.1% of the total installed electricity capacity.

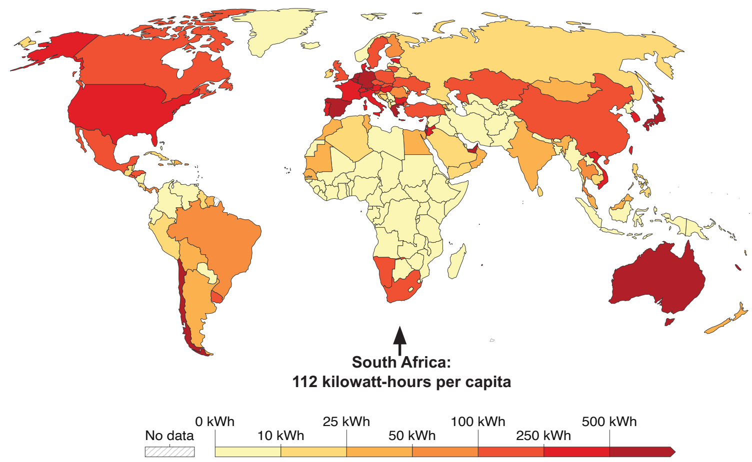
- The current shortfall in electricity generation, which is attributable to various factors, has been estimated at between 4GW and 6GW. This has resulted in the imposition, by the state-owned power utility (Eskom), of rotational power supply outages (referred to as "loadshedding") on a regular basis.

- The roll-out of RE capacity in recent times has contributed significantly towards reducing this shortfall, but some of the newly installed renewables-based capacity is yet to be connected to the grid. Efforts are needed to improve grid connectivity and expand the transmission network in RE optimal areas to enable sufficient, reliable and affordable energy to support the economy's long-term growth trajectory.

- The policy and regulatory frameworks within the energy sector have been altered dramatically to crowd-in private sector capital and operational participation in the energy sector. This was essential, especially in a highly constrained electricity supply environment which has been limiting the economy's performance and growth potential, as well as the limited fiscal space.

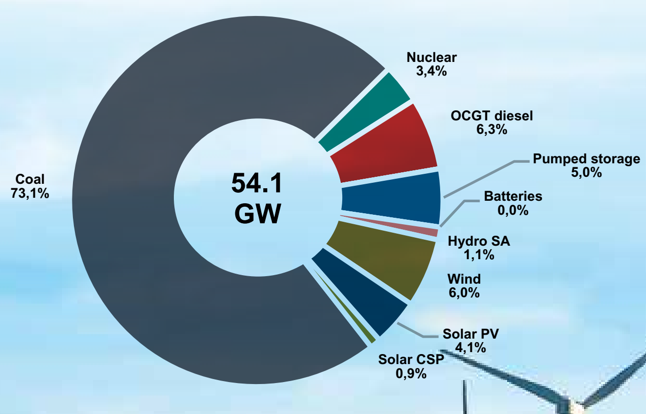
Blessed with high solar irradiation, South Africa is becoming a leading generator of solar energy

Per capita electricity generation from solar power across the world in 2022

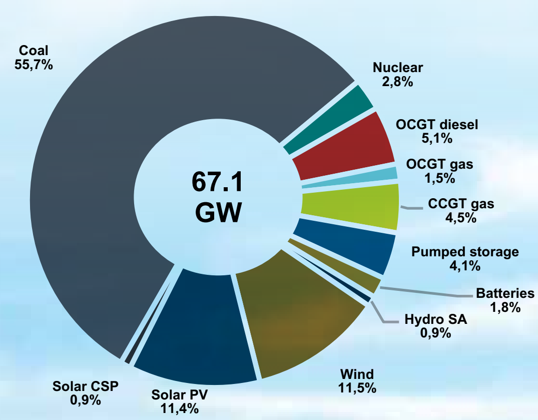


The composition of South Africa's on-grid electricity generation is changing rapidly, with considerable renewable electricity generation capacity coming onstream through IPPs

Composition of on-grid electricity generation capacity in 2022



Projected composition of on-grid electricity generation capacity in 2026



Sources: Sources: (charts) IDC, compiled using Just Energy Transition Investment Plan (JET-IP) data; (map)

ENERGY

Energy sector being radically transformed for unprecedented growth

IRP 2019 provides policy framework for additional energy generation capacity

The Integrated Resource Plan (IRP) 2019 outlines South Africa's strategic plan and roadmap for future electricity generation capacity as well as demand, specifically up to 2030.

- The continued implementation of the IRP 2019, which is set to be updated in 2023, will provide substantial opportunities for private sector participation in the large-scale roll-out of renewable energy generation capacity, particularly wind- and solar-powered. South Africa's large renewable energy project development capabilities have garnered significant momentum in recent years.

Expanding RE generation capacity through IPPs remains a top priority

The roll-out of the Renewable Energy Independent Power Producers Procurement Programme is ongoing. Renewable electricity (RE) generation capacity is set to increase substantially to 16GW, or 24.7% of overall installed capacity (69GW), by 2026.

- 11 813MW of electricity capacity has already been promulgated, comprising RE, gas, storage and coal technologies.
- The preferred bidders for Bid Window 6 were announced on 8 December 2022 with a total capacity of 860MW. Requests for proposals (RFPs) for 513MW of battery storage and 3 000MW of gas-to-power will be released by end-March 2023, while Bid Window 7 with up 5 000MW is still being designed.
- A pragmatic approach will be followed regarding local content requirements for short-term RE investments.

Enabling private sector self-generation

Unprecedented liberalisation of the energy sector to increase private sector participation:

- The removal of embedded generation licensing requirements, regardless of size. This major reform has reportedly unblocked more than 100 private sector projects for a total capacity of 9 000MW and will provide significantly more investment opportunities going forward as it will reduce the energy supply risk for investment projects while enhancing industrial capacity and competitiveness.
- A policy framework that leverages private sector capital, operational participation and capital market depth has accelerated and de-risked RE-related capital investments.

Enhanced tax rebate incentives for businesses and households were announced in the national Budget 2023 to further encourage the installation of roof-top solar.

Liberalising the market and augmenting the transmission network

Establishment of the Independent Transmission System Operator company will result in a competitive electricity market, allowing multiple generators to sell electricity on a daily market as well as under long-term contracts.

Private sector self-generation power projects will be able to sell excess power.

Exemptions from environmental authorizations for the development of new transmission and distribution lines, as well as substations in areas of low and medium susceptibility

Opportunities associated with Eskom's unbundling and other initiatives

Regarding Eskom, the state power utility,

- Budgetary support has been provided over the years but as announced in the national Budget 2023, debt relief amounting to R254 billion (60% of the power utility's current debt book) will be provided by the state under strict conditionalities to provide financial room to increase spending on power station maintenance, as well as to improve and expand the transmission network, among other objectives.
- Progress is being made in the unbundling of Eskom into three distinct units: generation, transmission and distribution.
- Eskom is providing land for leasing to the private sector for investments in electricity generation. Such land has access to transmission infrastructure and is sited at decommissioned coal-fired power stations.

JET-IP prioritises electricity infrastructure investments

The Just Energy Transition Investment Plan (JET-IP), launched at COP 27 in November 2022, identifies the investments needed in the transition to a low carbon economy, with an emphasis on shifting towards a low-carbon distributed generation model.

- The JET-IP sets out the medium-term path for electricity generation capacities required to achieve the transformation of the electricity sector.
- The government will use climate funding for the implementation of the JET-IP to invest in the transmission network, and to redirect coal plants that reach the end of their useful life

Some of the investment opportunities

- South Africa's growing energy requirements provide lucrative investment opportunities across numerous energy value chains.
- Additional electricity generation capacity from 2022 to 2030 by technology:
  - Wind: 14 504MW
  - Solar PV: 6 072MW
  - Gas/diesel: 3 416MW
  - Grid-scale electricity storage: 5 000MW
  - Embedded generation for own use: No regulatory limit 9 000MW pipeline
  - IPP projects supplying municipalities directly: No regulatory limit
- Opportunities associated with Eskom's unbundling and repurposing of coal power plants reaching their end-of-life.

INFRASTRUCTURE

South Africa's economic recovery, renewal and expansion momentum is being catalysed by a massive roll-out of investment across the energy, water, road, rail, ports, telecommunication, digital, as well as community and social infrastructure segments.

An infrastructure development pipeline collectively valued at an estimated ZAR 2.3 trillion was unveiled at the inaugural Sustainable Infrastructure Development Symposium in 2020. These are being marketed to investors in phases.

Enhanced value proposition of investment opportunities

Large scale roll-out of infrastructure projects

ZAR 903 billion has been allocated for public sector spending on infrastructure over the next 3 fiscal years to 2025/26.

Strong focus on investments in transport and logistics, energy and water to expand capacity and improve efficiencies.

An all-encompassing, fit-for-purpose public procurement legislation is being finalised.

Encouraging private sector participation in infrastructure funding and operations

Increased participation by the private sector, including through public-private partnerships (PPPs), is envisaged. Private sector participation will supplement the capacitation drive currently underway at Infrastructure South Africa through project preparation, implementation and financial structuring capabilities.

The implementation of the newly reviewed PPP regulatory framework is underway.

These reforms are intended to provide a more conducive environment for infrastructure investment and private sector involvement, significantly reducing project finance risks for investors.

Maximising economic impact of infrastructure projects

Localisation drive to enhance economic impact of infrastructure projects.

Public-sector infrastructure expenditure and estimates

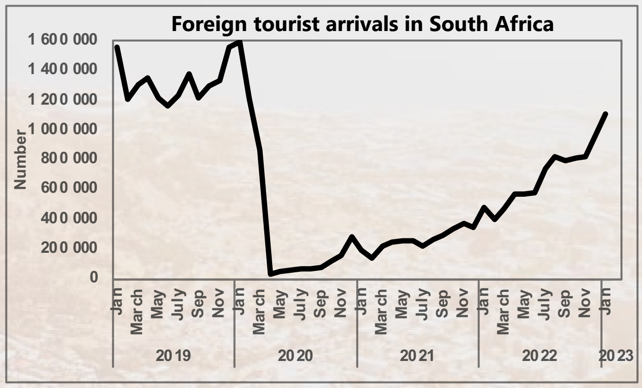
Investment area	2022/23	Medium-term estimates (ZAR billion)			Medium term period	
	ZAR billion	2023/24	2024/25	2025/26	Total ZAR billion	% of total
Transport and logistics	90,8	97,5	119,9	133,7	351,1	38,9
Energy	38,7	39,8	51,1	67,0	157,8	17,5
Water and sanitation	36,1	40,8	44,9	46,9	132,5	14,7
Education	21,4	18,0	21,7	20,8	60,6	6,7
Health	14,2	14,1	14,0	14,6	42,8	4,7
Other infrastructure areas	53,9	53,3	51,6	53,3	158,2	17,5
Total	255,2	263,6	303,2	336,3	903,0	100,0

Some of the investment / participation opportunities

- Programme to expand, rehabilitate and maintain the national, rural and municipal road networks provides immediate opportunities for construction companies.
- Water development and irrigation projects (e.g., phase 2 of the Lesotho Highlands project, Vaal River system) approved across all 9 provinces provide investment opportunities for the private sector.
- Sustainable transport financing strategy will unlock development and state-backed funding opportunities for domestic road and rail construction and maintenance. Opportunities in the rail network's modernisation and expansion.
- Opportunities associated with private sector participation in container port terminals and third-party access to the freight rail network are envisaged.
- Investment opportunities in catalytic infrastructure projects such as provincial development corridors, social infrastructure, telecommunications and power generation.
- High-demand spectrum allocations will accelerate digital migration, unlock major efficiency gains for operators and open up investment opportunities for infrastructure upgrading and services in the ICT sector.

Sources: (table) IDC, compiled using National Treasury data contained in Budget 2023 publication.

TOURISM



Strategic focus on the sector's recovery and future growth

- South Africa's tourism offer, including its scenic beauty and diversity, sunny climate, wildlife and cultural aspects, among others, makes it one of the most popular long-haul destinations and a good investment proposition.
- The tourism sector's importance in the economy is reflected by its 2.2% share of national GDP and 3.1% of overall employment (both formal and informal) in 2020.
- The sector has extensive linkages to several other sectors of the economy, benefitting from the supply of goods and services by a multitude of local producers and service providers.
- The sector is continuing to navigate the challenges posed by the COVID-19 pandemic. Domestic tourism was the key driver of the sector's recovery over the past couple of years. International arrivals have been increasing following the lifting of all travel restrictions.
- The country is the largest tourist destination in the Sub-Saharan region. The top non-African source markets of international visitors to South Africa in 2022 were the United Kingdom, United States, Germany, Netherlands, France, India and Australia.

Levers to enable the recovery and growth of South Africa's tourism industry

Policy framework to support tourism development	The National Tourism Sector Strategy drives domestic and international tourist market growth by linking tourism marketing plans to the sector's broader development objectives. The Sector Recovery Plan is in place with strategic objectives aimed at re-igniting global and domestic demand, rejuvenating capacity and strengthening the enabling environment for the sector. A number of large-scale tourism projects announced by Department of Tourism are being rolled out across the country.
Attracting international tourists by facilitating their entry	Visa waivers, currently involving numerous countries, to be extended to other countries exhibiting source market development potential.
Funding support for sectoral transformation	The implementation of the Tourism Equity Fund, which is aimed at supporting strategic investments that will contribute to the sector's transformation, is being accelerated. The Women in Tourism Programme supports the development and empowerment of women in the tourism sector. Policy support is driving the development of a wide range of high growth segments such as sports tourism, wine tourism and medical tourism, among others.

Some of the investment opportunities

- Cultural tourism.
- Eco-tourism.
- Adventure tourism.
- Sports tourism.
- Wine tourism.
- Medical tourism.
- Theme parks.
- Investment in world heritage sites.

Sources: (chart) IDC, compiled using Stats SA data.

6. CONCLUDING REMARKS

South Africa: Building partnerships for faster, sustainable and inclusive 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 African Continental Free Trade Area will open up numerous opportunities for the development of export markets, national industrial bases and regional value chains.

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 inherent global competitiveness.

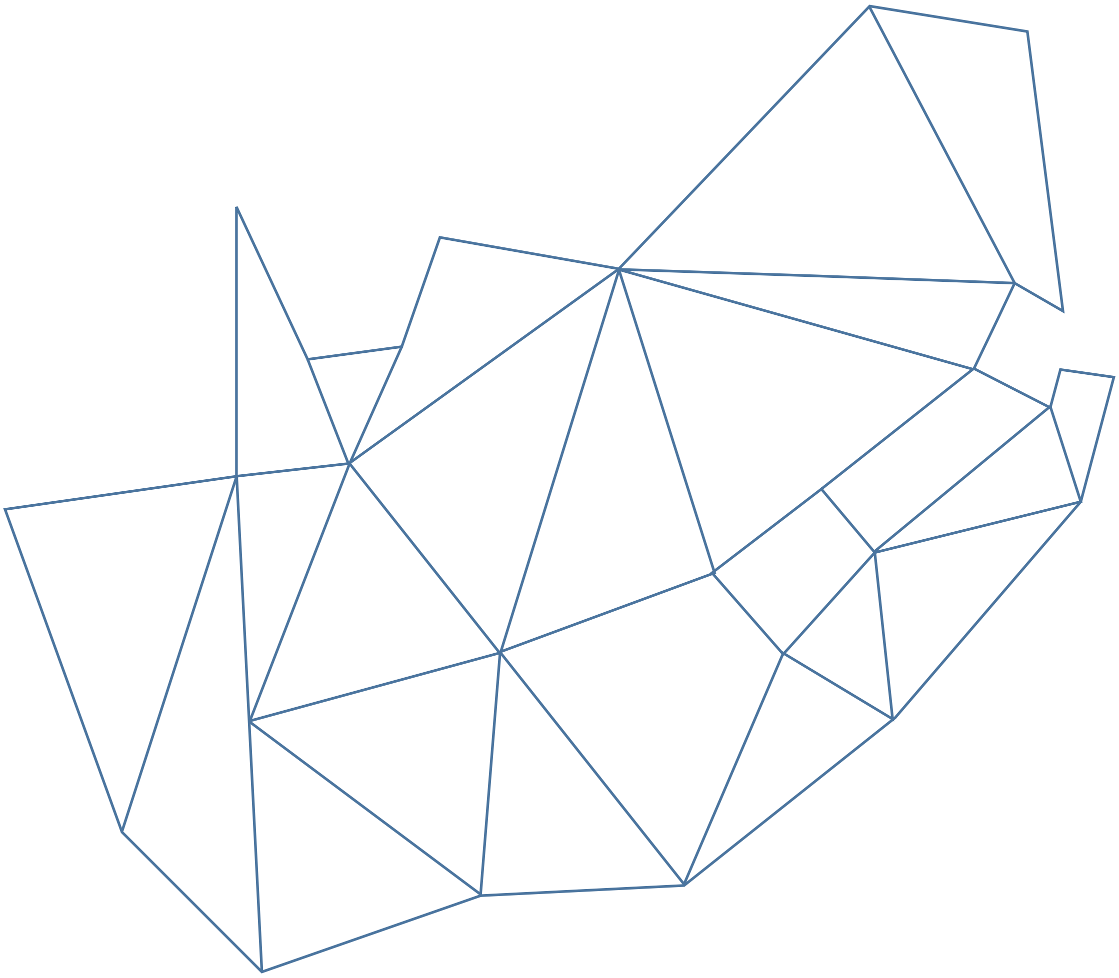
The economy boasts an extensive and modern infrastructure network, which is being expanded further as a large investment programme is rolled out by the public sector in collaboration with the private sector. Together with various other forms of industrial support from the South African government and other public sector institutions, this provides an attractive pull factor for investors.

The South African economy has the potential to achieve a higher growth trajectory through the unlocking of competitive advantages in key sectors of the economy as well as implementation of institutional and governance reforms to support a sustained recovery in business and investor confidence.

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 global economic growth over the medium-term, augur well for South Africa's very open economy, with significant catalytic ramifications for long-term investment prospects across a wide variety of sectors.

As an integral part of its global commitments to address climate change, South Africa has embarked on a just transition to a low-carbon, climate-resilient and greener economy.



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