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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

South Africa has a highly developed economy and advanced economic infrastructure, making the country the leading African economy (with Nigeria) and home to around three-quarters of the largest African companies. The national government has been investing in significant policy improvements to restore macroeconomic stability in the country. Even though the government stated that boosting economic growth, cutting unemployment and avoiding downgrades by credit-rating agencies constituted the economic key priorities, South Africa still faces rising public debt, inefficient state-owned enterprises, and spending pressures, which have reduced the country's global competitiveness. After growing by 1.9% in 2022, GDP expanded by 0.4% and 0.6% in the initial two quarters of 2023, fueled by investments in infrastructure, machinery, and equipment. However, household consumption experienced its first contraction since 2021 in the second quarter of 2023. For the year as a whole, the IMF estimated growth at 0.9%, also due to persistent energy crisis stemming from mismanagement at the state-owned power utility Eskom, which had a severe impact on electricity-intensive sectors such as mining, paper, metals, and retail. Despite efforts to tackle the crisis, President Cyril Ramaphosa declared a "state of national disaster" in February 2023. The IMF expects GDP to grow by 1.8% this year and 1.6% in 2025, with investment as the main driver, while private consumption should remain subdued.

South Africa was recently replaced by Nigeria as Sub-Saharan Africa's largest economy, but the country continues to be a regional leader. Concerning public finances, during the first half of 2023, tax revenue collection experienced a notable decline, and the public sector wage settlement exceeded budgeted amounts. Consequently, the fiscal deficit deteriorated significantly to -6.2% of GDP, marking a reversal after two years of fiscal consolidation. Projections indicate that the fiscal balance will stabilize in 2024 and 2025 as the fiscal stance reverts to contractionary measures. The debt-to-GDP ratio continued to increase in 2023 (to 73.7% from 71.1% one year earlier), together with debt servicing costs, and should reach 78.8% by 2025 (IMF). Moreover, the combined gross consolidated public debt, including both non-financial and financial corporations, stands at nearly 120% of GDP (Coface), and providing direct support to struggling state-owned enterprises could potentially exacerbate the existing debt burden. The yearly average inflation rate settled at 6% in 2023, remaining relatively high during January–May, consistently surpassing 6% in the headline rate; before moderating below this threshold for the subsequent seven months of the year (official governmental data). The IMF sees inflation declining to around 4.5% over the forecast horizon.

South Africa's unemployment rate is still high, but continued on its downward path in 2023: as of the third quarter, the country's official unemployment rate dipped below 32% for the first time since the third quarter of 2020 (Statistics SA). Furthermore, unemployment rates are much higher among the young population and the black majority of South Africans, further increasing inequality in a country considered one of the most unequal in the world: according to the latest data available from the World Bank, around 55.5% of the population lives below the national upper poverty line. The IMF estimated the average GDP per capita (PPP) at USD 16,211 in 2023.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	405.11	380.91	401.47	417.95	432.50

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(Constant Prices, Annual % Change)</i>	1.9	0.9	1.8	1.6	1.4
GDP per Capita <i>(USD)</i>	6,684	6,191	6,427	6,590	6,717
General Government Balance <i>(in % of GDP)</i>	-5.7	-6.2	-6.3	-6.3	-6.4
General Government Gross Debt <i>(in % of GDP)</i>	71.1	73.7	75.8	78.8	81.6
Inflation Rate <i>(%)</i>	n/a	5.8	4.8	4.5	4.5
Unemployment Rate <i>(% of the Labour Force)</i>	33.5	32.8	32.8	32.9	33.2
Current Account <i>(billions USD)</i>	-1.83	-9.53	-11.14	-9.93	-9.80
Current Account <i>(in % of GDP)</i>	-0.5	-2.5	-2.8	-2.4	-2.3

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

Agriculture represents a small part of South Africa's GDP (2.8%) and employs 21% of the workforce (World Bank). The country's agricultural economy is highly diversified and market-oriented. The country is the world's 8th largest producer of wine and the continent's largest corn (10th producer in the world) and sugar producer. Grains and cereals - such as maize, wheat, barley and soya beans - are the county's most important crops. As such, the country produces all major grains - with the exception of rice. The “2021-2030 Agricultural Outlook Projections Report” produced by The Bureau for Food and Agricultural Policy (BFAP) asserts that the country’s real agricultural GDP could grow by 14% by 2030, with gross production value increasing by almost USD 2 billion. According to the Bureau for Food and Agricultural Policy (BFAP), while overall GDP increased by 0.6% in Q2, agricultural GDP surged by 4.2%, marking it as the leading contributor to economic growth. Notably, this growth contrasts sharply with the nearly 12% contraction experienced in agricultural GDP during the preceding quarter.

South Africa is rich in mineral resources. The country is the world's largest producer and exporter of gold, platinum, chrome and manganese, the second-largest palladium producer and the fourth-largest producer of diamonds - with mining rents accounting for around 3.8% of GDP (World Bank, latest available data). Platinum and coal are now both larger contributors to mining output than gold, as the country produces 80% of the world's platinum and has 3% of the world's coal reserves. Coal continues to play a vital role as an energy source and contributes significantly to the economy, both through the generation of export revenue and employment. Important oil and gas reserves are thought to be situated off-coast, in the Indian Ocean. South Africa has diverse manufacturing industries and is a world leader in several specialised sectors, including railway rolling stock, synthetic fuels, mining equipment and machinery. Overall, the industrial sector employs 17% of the workforce and represents 24.7% of the country's GDP (with manufacturing representing 12% alone). According to the latest figures from the National Statistical Office, production in manufacturing industry decreased by 1.3% in the third quarter of 2023, contributing -0,1% to the negative GDP growth registered during the period.

The services sector employs 61% of the workforce and represents 62.3% of the country's GDP. The major sectors of the economy are finance, real estate and business services, followed by general government services. South Africa has a sophisticated financial structure with an active stock exchange that ranks among the world's top 20 in terms of market capitalisation. Tourism contributes 3.7% to South Africa’s GDP, more than agriculture, utilities and construction (official governmental data). After suffering from the effects of the COVID-19 pandemic, international tourist arrivals from January to July 2023 totalled 4.8 million, marking a 70.6% increase when compared with the same period one year earlier.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	21.3	17.3	61.4
Value Added <i>(in % of GDP)</i>	2.6	24.4	62.6
Value Added <i>(Annual % Change)</i>	0.3	-2.3	3.6

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
South African Rand (ZAR) - Average Annual Exchange Rate For 1 USD	14.71	13.30	13.26	14.40	16.47

Source: World Bank - Latest available data.

FOREIGN TRADE

South Africa is very open to international trade, which represents around 65% of its GDP (World Bank, latest data available). The country mainly exports platinum (13.7%, as the country produces 80% of the global output), coal (11%), iron ores (5.3%), motor vehicles (4.7%), and gold (4.3%). The main imports are petroleum oils (16.7%), motor vehicles (4%), crude oil (3.9%), and telephones (3.3% - Comtrade).

South Africa's top exporting countries are China (9.6%), the United States (8.8%), Germany (7.3%), Japan (7%), and the UK (5.2%). One-fifth of imports come from China, followed by India (7.4%), Germany (7.3%), the U.S. (7.3%), and Saudi Arabia (4% - Comtrade). South Africa is the EU's largest trading partner in Africa: exports to the EU have been growing and becoming more diverse, with the country moving from mainly commodity-based products to a more diversified export profile that includes manufactured goods (World Bank). In 2022, South Africa conducted intra-African merchandise trade worth around USD 40 billion, 17% of its total merchandise trade (+13% y-o-y). South Africa's key African trading partners included Mozambique, Botswana, Namibia, and Zimbabwe, collectively contributing to 51% of its intra-African merchandise trade.

According to the latest available data from WTO, in 2022, South Africa exported products for USD 122.9 billion, while it imported USD 136.2 billion of goods. The country imported services for a total value of USD 17.8 billion, whereas its exports in the same year reached USD 12.3 billion. The overall trade balance was estimated to be positive by 2% of GDP in 2022 (World Bank). According to the South African Reserve Bank, in Q3 2023, South Africa's trade surplus with the world widened to ZAR 189 billion, driven by a significant drop in merchandise imports compared to exports, including net gold exports. The terms of trade worsened as import prices rose and export prices fell due to declining global commodity prices. Despite increases in manufacturing and agricultural exports, overall merchandise exports dropped by 3%, mainly due to a decline in non-gold mining exports. Merchandise imports decreased by 9.5%, reversing 12 consecutive quarters of increases.

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade <i>(in % of GDP)</i>	54.6	54.1	50.8	56.2	64.9
Trade Balance <i>(million USD)</i>	1,870	2,487	17,667	30,484	14,039
Trade Balance (Including Service) <i>(million USD)</i>	1,986	1,939	15,020	26,014	8,516
Imports of Goods and Services <i>(Annual % Change)</i>	3.2	0.4	-17.4	9.5	14.2
Exports of Goods and Services <i>(Annual % Change)</i>	2.7	-3.4	-11.9	10.0	7.5
Imports of Goods and Services <i>(in % of GDP)</i>	27.1	26.8	23.2	25.0	31.5
Exports of Goods and Services <i>(in % of GDP)</i>	27.6	27.3	27.6	31.2	33.4

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	3.6	5.8	5.3	4.6	3.9
Volume of imports of goods and services (Annual % change)	6.0	5.3	3.6	3.6	3.5

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

South Africa is a member of the following international economic organisations: African Union, WTO, G-20, G-24, G-77, ICC, IMF, among others. For the full list of economic and other international organisations in which

participates South Africa click [here](#). International organisation membership of South Africa is also outlined [here](#).

Free Trade Agreements

The complete and up-to-date list of Free Trade Agreements signed by South Africa can be consulted [here](#).

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
China	9.6%
United States	8.8%
Germany	7.3%
Japan	7.0%
United Kingdom	5.2%
See More Countries	62.1%

Main Suppliers <i>(% of Imports)</i>	2022
China	20.1%
India	7.4%
Germany	7.3%
United States	7.3%
Saudi Arabia	4.0%
See More Countries	53.8%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

President: Cyril RAMAPHOSA (since February 2018) – ANC ; the president is both chief of state and head of government
Vice President: Paul MASHSATILE (since 7 March 2023)

Next Election Dates

Presidential: May 2024
Legislative (National Council of Provinces and National Assembly): 2024

Current Political Context

Although the African National Congress (ANC) continues to maintain its position as the leading political entity, its popularity has been consistently diminishing in recent years, with recent surveys showing backing dropping below 50%. President Cyril Ramaphosa, who assumed office in 2018, weathered the "Phala Phala" misconduct

scandal and succeeded in retaining the leadership of the ANC prior to the 2024 elections. Ahead of the impending elections, the Democratic Alliance, South Africa's second-largest party, joined forces with the Inkatha Freedom Party and several smaller parties to launch the Multi-Party Charter for South Africa. The objective is to unify opposition forces and present an alternative to the ANC. Notably, the charter coalition did not include the populist Economic Freedom Fighters, which is the third largest party.

Main Political Parties

The main political parties in South Africa are:

- **African National Congress (ANC)**: ruling party in power since the end of apartheid and Nelson Mandela's election in 1994; consistently wins at least 60% of the vote, although its popularity declined by several percentage points between 2004 and 2014; centre-left to left-wing, but allied with the far left groups, the Congress of South African Trade Unions (**COSATU**) and the **South African Communist Party (SACP)**
- **Democratic Alliance (DA)**: official opposition, centrist, supports liberal democracy and free market principles, progressively gaining in popularity
- **Economic Freedom Fighters (EFF)**: far-left, Marxist, has been gaining popularity
- **Inkatha Freedom Party (IFP)**: conservative, right-wing, dominated by rural, Zulu-speakers based in the KwaZulu-Natal region; emphasises social justice and the role of traditional communities. The party's popularity has been consistently decreasing in recent years
- **Freedom Front Plus (FF+)**: right-wing, advocates for the rights of Afrikaans-speaking South Africans and minority groups.

Executive Power

The **President** is both the chief of state and the head of the Government. The President is indirectly elected by the Parliament (lower house) to serve a five-year term. He/She is usually the leader of the largest party. The President is the also commander-in-chief of the armed forces, declares war or peace and appoints the Cabinet.

Legislative Power

South Africa has a bicameral legislature. The **National Council of Provinces** (the upper house) has 90 seats, with 10 members elected by each of the nine provincial legislatures for five-year terms. The **National Assembly** (the lower house) has 400 seats; the members are directly elected in multi-seat constituencies by proportional representation vote to serve 5-year terms.

The executive branch of the Government is directly or indirectly dependent on the support of the Parliament, often expressed through a vote of confidence. The President can dissolve the Parliament if a majority of the members of the National Assembly seek its dissolution and if has been at least three years since the last election.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

The overview of the economic and fiscal measures is available on the page dedicated to South Africa on the [KPMG's website](#).

For a general overview of the key economic policy responses to the COVID-19 outbreak (fiscal, monetary and macroeconomic) undertaken by the South African government, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).