
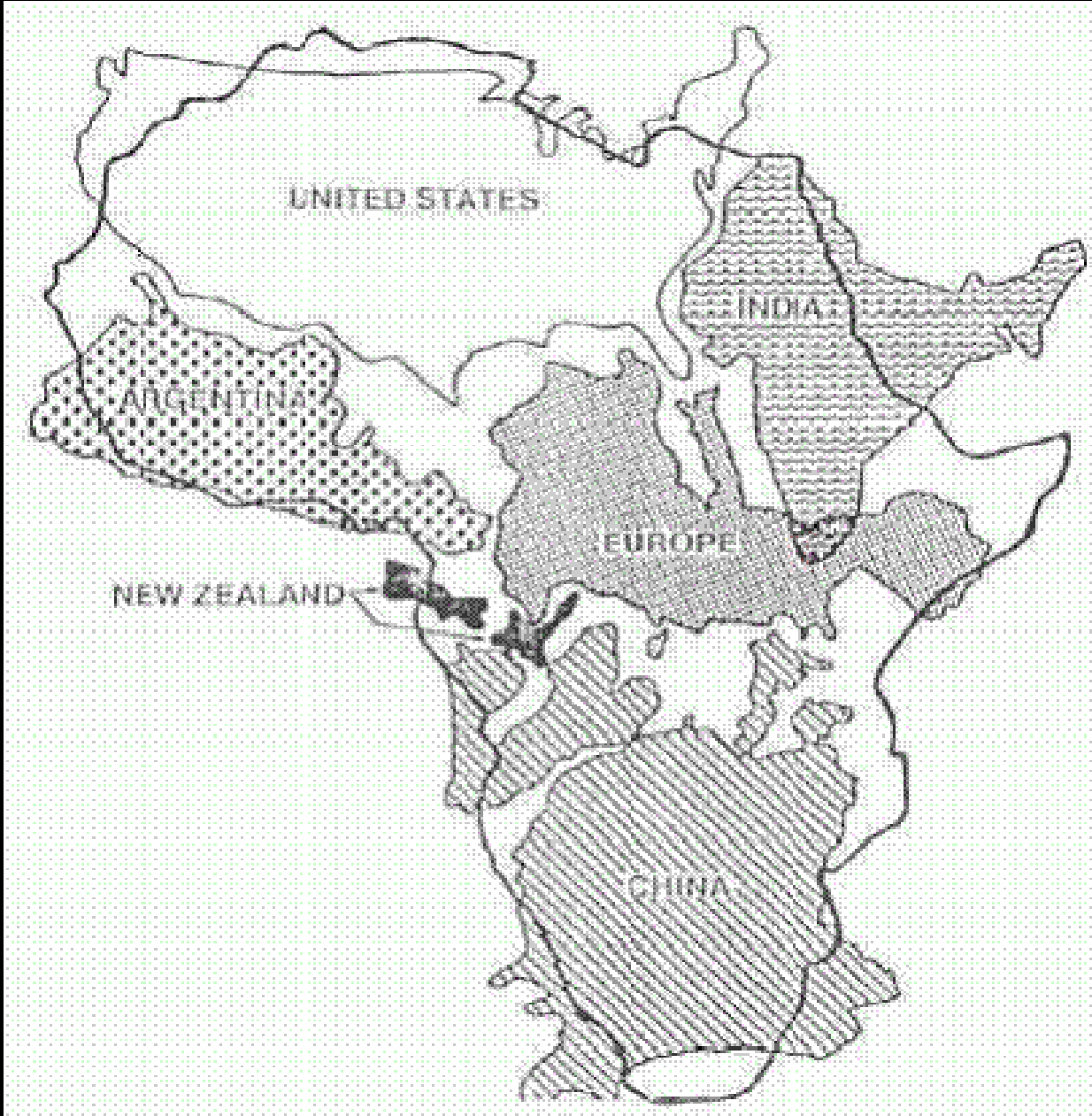


Shared Growth & Development in South Africa



Presentation
Ambassador Nhlapo
Philadelphia, PA, January 2008



This is (some of) South Africa



OVERVIEW

- 1 of the most sophisticated and promising emerging markets: Unique combination of highly developed first world economic infrastructure with a vibrant emerging market economy.
- Economic powerhouse of Africa: GDP four times that of its southern African neighbours and 25% of the entire continent's GDP.
- Leads the continent in industrial output (40% of total output) and mineral production (45%) and generates most of Africa's electricity (over 50%).
- Integral part of Sub-Saharan African economies which have grown at 5.4% year-on-year over the past decade, above the global average of 3.2%, and are forecast to grow at 5.3% in 2007 and 5.4% in 2008 (World Bank)

ECONOMIC OVERVIEW

- Country: 2x Texas
- Economy: GDP \$ 240bn (15th in US - Washington State)
- The JSE Limited is the 16th largest exchange in the world by market capitalisation of some R3.5-trillion (\$580bn).
- Developing country & economy
- Apartheid legacy
 - Developed & sophisticated (1st econ)
 - Underdeveloped, poverty, low skills (2nd econ)
 - Racially based
- Part of Africa: AU, SADC & NEPAD
 - SA largest investor in Africa
- Global player (WTO, G8-NEPAD, G-20)

Transformation & progress

- Basic services: water, sanitation, electricity, grants, etc
- National reconciliation, gender equity, constitution, etc
- Economic
 - Macro-economic stabilisation (increased reserves, lower debt, inflation managed, surplus, expanded tax-base)
 - Open & diverse economy: vehicle exports more than gold, 9th largest wine exporter - \$ 530mn)
 - Services and Manufacturing now together rep. 70% of SA GDP
 - Top 20 most attractive FDI destinations (AT Kearney) e.g Largest Chinese FDI (\$5bn for 20% of Standard Bank)
 - 2006 record for JSE (foreigners buying \$10bn); All Share up 38%
 - Business confidence high
 - Emerging black middle class
 - BEE & gender
 - Tourism new gold growing at 10% (3 million Vs 8 million)

Next phase: 2004-2014



- Halve poverty by 2014
- Halve unemployment from 30% by 2014
- Requires ave. growth +5% 2004-2014
- Response: Accelerated & Shared Growth Initiative for SA (ASGI-SA)

Accelerated & shared growth for SA (ASGI-SA)



- Solid base
 - GDP Growth in first decade of Freedom averaged about 3% per year (<1% before 1994)
 - Since 2004 it has averaged over 4% & now at 5%
 - Reasonably strong employment (2.7% a year since 2001)
 - Trend towards significant reduction of poverty since 2000
 - Strong commodity prices and capital inflows, and strong growth and broadening of domestic consumption

CONSTRAINTS TO GROWTH



- Relative volatility & strength of the currency
- National logistics system and some infrastructure
- Shortage of skills
- Barriers to entry and competition in sectors of the economy
- Regulatory environment and burden on SMMEs
- Govt capacity

INTERVENTIONS

- Infrastructure programmes: \$60bn (90% SAG & SOE)
- Sector investment strategies
 - BPO (US TeleTech facilities in SA), Tourism
 - Agriculture/agro-processing, chemicals; metals beneficiation (including capital goods); creative industries; clothing and textiles; durable consumer goods
- Education and skills
 - Further education (FET), Adult educ (ABET), skills (JIPSA)
- 2nd economy & SMME interventions
 - Micro finance, EPW, women & youth, regulatory, tax
- Macro-economic issues
- Public administration issues / delivery

CONCLUSIONS



- Making significant progress
- Challenges & opportunities for US
 - Develop & transfer skills (JIPSA)
 - Trade & Investment (AGOA, ASGI-SA, Soccer World Cup 2010, NEPAD)
 - Health (HIV & Aids, TB, Malaria - PEPFAR)
 - Service delivery capacity (SAG)
 - Growing black middle class
 - Equity markets in the emerging world have weathered the sub-prime credit crunch in developed markets more easily than any previous market turmoil
 - Springboard into Africa