Country Report

South Africa

September 2010

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26 Red Lion Square
London WC1R 4HQ
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Economist Intelligence Unit

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London
Economist Intelligence Unit
26 Red Lion Square
London
WC1R 4HQ
United Kingdom
Tel: (44.20) 7576 8000
Fax: (44.20) 7576 8500
E-mail: london@eiu.com

New York
Economist Intelligence Unit
The Economist Group
750 Third Avenue
5th Floor
New York, NY 10017, US
Tel: (1.212) 554 0600
Fax: (1.212) 586 0248
E-mail: newyork@eiu.com

Hong Kong
Economist Intelligence Unit
60/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2585 3888
Fax: (852) 2802 7638
E-mail: hongkong@eiu.com

Geneva
Economist Intelligence Unit
Boulevard des Tranchées 16
1206 Geneva
Switzerland

Tel: (41) 22 566 2470
Fax: (41) 22 346 93 47
E-mail: geneva@eiu.com

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Editors: Pratibha Thaker (editor); Philip Walker (consulting editor)
Editorial closing date: September 8th 2010
All queries: Tel: (44.20) 7576 8000 E-mail: london@eiu.com
Next report: To request the latest schedule, e-mail schedule@eiu.com


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Calvinia
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Worcester
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Knysna
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Executive summary

Highlights

September 2010

Outlook for 2010-11

- The president, Jacob Zuma, will try to strengthen the ruling party, the ANC, and deliver socio-economic development, but popular impatience, a slow recovery from recession and political in-fighting will make this a challenge.
- No major economic policy shifts are envisaged. Boosting economic growth, jobs and investment will remain the government's primary focus. There is a risk of rising populism and state intervention if unemployment worsens.
- Real GDP, after contracting by 1.8% in 2009, is expected to grow by 2.8% in 2010, helped by the recovery in external demand and looser fiscal policy, before accelerating to 3.7% in 2011.
- Inflation is expected to subside to 4.9% in 2010, helped by more stable global commodity prices and subdued household demand, before rising to 5.7% in 2011, spurred by rising electricity prices and wage growth.
- A sizeable current-account deficit and relatively high inflation will put pressure on the rand. The Economist Intelligence Unit forecasts that the rand will average R7.6:US$1 in 2010, before weakening to R8.4:US$1 in 2011.
- The current-account deficit is expected to rise gradually throughout the period, from 4% of GDP in 2009 to 5% of GDP in 2010 and 5.8% of GDP in 2011, as economic recovery sucks in imports.

Monthly review

- The ANC's proposals for a statutory media tribunal and the ongoing passage through parliament of a draconian Protection of Information Bill pose a serious threat to press freedom, transparency and good governance.
- South African unions have suspended the strike by public-service workers, which paralysed schools and hospitals for 20 days, to consider the government's higher 7.5% wage offer.
- Disputes about mining rights will impede investment in the sector, although the government has promised to correct flaws in mining legislation.
- The introduction of a carbon tax on new cars—and possibly on light commercial vehicles—will lift prices and may dent demand.
- Real GDP growth slowed from 4.6% in the first quarter to 3.2% in the second quarter, despite the boost from the football World Cup, reflecting global uncertainties and cautious behaviour by households and business.
- A global bank, HSBC, has started talks to acquire a 70% stake in Nedbank, costing about US$7bn, and hopes to complete the purchase by November. The deal is potentially South Africa's largest ever instance of FDI.

Outlook for 2010-11

Political outlook

Domestic politics

Over one year into his five-year term, the president, Jacob Zuma, will find it increasingly difficult to maintain the cohesion of the tripartite alliance because of growing divisions between its members—the ruling African National Congress (ANC) and its partners in the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP). The president will endeavour to keep together the "broad church" of the ANC and its allies, but his attempts to placate all wings of the party will continue to raise doubts about his leadership skills. Mr Zuma's backing for economic policy continuity and for centrists such as the finance minister, Pravin Gordhan, will please markets but will continue to anger the left, especially COSATU, which could spark fresh strikes.

As well as long-standing disputes between the centre and the left on economic policy (which the centre has largely won so far), Mr Zuma faces bitter divisions between the ANC Youth League (ANCYL) and the SACP, which could escalate. The ANCYL backs left-style policies—such as nationalisation—but is deeply opposed to the SACP and its influence on the ANC, and is best described as "nationalist" (or even right-wing). The faction aims to oust key communists from the ANC leadership at the party's 2012 conference, in preparation for the 2014 presidential poll. However, the controversial ANCYL leader, Julius Malema, suffered a setback in May when he was fined, ordered to apologise and placed on probation by an ANC disciplinary panel for sowing disunity in the party, as part of a plea bargain that saw three other charges dropped. The action against Mr Malema has bolstered the president's authority, but the faultlines in the party will remain.

Mr Zuma's main strength is his status as a unifier and a facilitator, and, to his credit, he has left ministers to manage their departments without undue interference. However, the president's attempts to please all factions suggest indecisiveness, and his personal indiscretions have not helped. The erosion of his credibility could fuel in-fighting and slow the implementation of policy. Mr Zuma is by no means a "lame duck" president, but unless he cements his authority, he may become a one-term rather than a two-term ruler, as factional battles escalate in the run-up to the ANC elective conference in 2012. However, it seems unlikely that the ANC will ditch Mr Zuma in 2012 (prior to elections in 2014) for fear of sparking a major power struggle.

Municipal elections in 2011 will test the standing of the president, the ANC and the tripartite alliance, especially given widespread demands for improvements in the delivery of basic services such as housing, health, education and jobs. The opposition Democratic Alliance, which controls the Western Cape, is likely to make further inroads into ANC support, but faces the perennial challenge of attracting more black voters to build on its core of white and coloured supporters. The Congress of the People, formed in 2008 by ANC rebels, will struggle to develop a distinctive platform and build grass-roots organisations, and seems likely to split because of a bitter power struggle between its two founding leaders, Mosiuoa Lekota and Mbhazima Shilowa.

How the government deals with judicial independence, press freedom and corruption will be watched closely, especially given Mr Zuma's past links to alleged graft and his long legal battle to clear his name. The charges against him were dropped (just before the election) because of supposed executive interference in the prosecution, but the claims have not been fully tested in a court of law. The eruption of any major scandals during Mr Zuma's presidency would therefore be particularly damaging, but despite the launch of new anti-corruption initiatives, the government will struggle to contain the problem. The conviction in July of a former police chief, Jackie Selebi, on bribery charges suggests that high-profile figures are not immune, but the ANC's latest proposals to muzzle the press and restrict access to official information have serious implications. Mr Zuma's initial legal appointments—a new chief justice and four members of the Constitutional Court—did not threaten judicial independence, but the subsequent appointment of Menzi Simelane to head the national prosecuting authority and Mokotedi Mpshe as acting judge in the North West High Court are partisan decisions that will continue to generate suspicion.

In focus

Social unrest

The problems of high unemployment, income inequality and poor service delivery are likely to spark protests by disgruntled shanty-town dwellers and other disaffected groups, some of which may turn violent. Unless the underlying problems are dealt with, protests will continue to erupt on a regular basis. Most will be small in scale but some could become more serious, echoing the xenophobic attacks of 2008, caused in part by the Zimbabwe refugee crisis. Labour unrest and strikes are another potential flashpoint. However, South Africa's strong institutions, established democratic traditions and widely respected constitution will curtail the risk of instability. Furthermore, the appointment by the president, Jacob Zuma, of loyalists to key security portfolios signals his intention to respond firmly to significant threats.

International relations

South Africa will continue to play an important role in world affairs but the country has entered a more introspective phase under Mr Zuma: his primary mandate is to tackle domestic challenges (such as poverty and jobs) and he is not a foreign policy "expert", unlike the former president, Thabo Mbeki. The country will remain deeply engaged with Africa, particularly Southern Africa and above all Zimbabwe. An enforced power-sharing agreement appears to be holding between Zimbabwe's president, Robert Mugabe, and his main rival, Morgan Tsvangirai, the leader of the main faction of the opposition Movement for Democratic Change, but significant tensions persist, owing partly to Mr Mugabe's intransigence. An enduring settlement in Zimbabwe would give a substantial boost both to Mr Zuma's credibility and to regional integration.

Economic policy outlook

Policy trends

The main challenge facing policymakers in 2010-11 will be to find a balance between the conflicting aims of expediting the country's recovery from its first recession since 1992 by maintaining stimulus measures (including a budget deficit) while guarding against macroeconomic imbalances. The policymaking environment will become more cluttered during the forecast period following the creation of two new policymaking centres, the National Planning Commission and the Department for Economic Development, to add to the Treasury and the Department of Trade and Industry. Although new initiatives are needed, especially to deal with deep-rooted problems such as high unemployment, stark inequality, skills shortages and crime, there is a risk of conflict and inertia in the absence of decisive leadership. The expected completion of major infrastructure projects will facilitate business activity, but there will be challenges in the form of stricter anti-competition laws and steep increases in electricity costs.

There are unlikely to be any major policy shifts, as key moderates are likely to remain in powerful positions. The influence of the left wing will increase, but the Economist Intelligence Unit expects the centrist view to prevail, especially in light of the country's reliance on foreign capital. As a result, inflation-targeting will remain in place and fiscal policy will be prudent, although there is a risk that in-fighting between the centre and the left will impede policymaking and implementation. Policy towards private enterprise will remain accommodating, but parastatals will continue to play a key role. Privatisation opportunities will be limited and public-private partnerships will continue to confront regulatory hurdles. There is a risk of increased state intervention, including the formation of a new mining parastatal. An official commitment to tackling high levels of crime and AIDS is welcome, but land reform will need to be handled carefully to avoid damaging agriculture and scaring investors. Black economic empowerment will remain a key objective, but there will be a drift towards broad-based deals that spread the benefits more widely.

Fiscal policy

Fiscal policy will remain loose in 2010 before tightening a little in 2011. The budget deficit rose sharply to an estimated 5.8% of GDP in fiscal year 2009/10 (April-March) as the economic contraction undermined revenue while the government continued to push ahead with planned spending, especially on infrastructure. However, the shortfall was slightly lower than had been expected owing to a recovery in tax collection during the first quarter of 2010, in line with the wider economy. The government will maintain the fiscal stimulus in 2010/11, as the recovery from recession will be fragile, and the budget deficit is expected to widen. The deficits will push up public-sector borrowing, mainly from domestic markets, although several years of prudence mean that South Africa's public debt ratio is relatively low and can tolerate the increase without threatening the country's creditworthiness: the government says that it will not allow the public debt burden to exceed 50% of GDP. Fiscal year 2011/12 will be particularly challenging, because fiscal consolidation will be needed after two years of recession-busting spending, in order to stem the rise in debt-service costs and protect investor confidence. The government will therefore need to make some tough spending choices in the face of persistent pressure to spend more on infrastructure, social welfare and wages. We forecast that the budget deficit will average 7.3% of GDP in 2010/11, before dipping to 6.3% of GDP in 2011/12.

Monetary policy

Monetary policy will remain focused on trying to keep annual inflation, as measured by the consumer price index (CPI), within the official target range of 3-6%. The monetary policy committee of the South African Reserve Bank (SARB, the central bank) has cut rates aggressively in the past two years, most recently in March 2010, when it sanctioned another 50-basis-point reduction in the repurchase (repo) rate to 6.5%, the lowest level for almost 30 years, which reflects the decline in inflation. However, the SARB kept rates on hold in May and July because of the uncertain global and local outlook. There is an even chance of one further cut for this year at the next meeting (September 9th), before a possible policy tightening in the second half of 2011 as inflation edges back up towards the 6% ceiling. The SARB governor, Gill Marcus, will maintain a disciplined approach and there are no imminent changes to the inflation target range. The SARB's mandate has been broadened to take growth and employment aspects into account, but this is unlikely to make much practical difference, as the central bank has consistently interpreted its mandate with a degree of flexibility.

Economic forecast

International assumptions

International assumptions summary
(% unless otherwise indicated)

	2008	2009	2010	2011
Real GDP growth				
World	2.7	-0.8	4.5	3.6
OECD	0.4	-3.4	2.5	1.6
EU27	0.6	-4.2	1.4	1.1
Exchange rates				
¥:US$	103.4	93.7	89.5	89.5
US$:€	1.470	1.393	1.293	1.235
SDR:US$	0.629	0.646	0.661	0.672
Financial indicators				
€ 3-month interbank rate	4.65	1.23	0.82	0.93
US$ 3-month Libor	2.91	0.69	0.64	0.78
Commodity prices				
Oil (Brent; US$/b)	97.7	61.9	80.0	78.5
Gold (US$/troy oz)	871.8	973.0	1,179.8	1,238.8
Food, feedstuffs & beverages (% change in US$ terms)	28.3	-20.4	0.4	0.8
Industrial raw materials (% change in US$ terms)	-5.1	-25.6	32.9	3.4

Note. Regional GDP growth rates weighted using purchasing power parity exchange rates.

Global GDP, after falling by an estimated 0.8% in 2009 (on a purchasing power parity basis), is expected to rebound during the forecast period, growing by 4.5% in 2010 before slowing to 3.6% in 2011. The US, EU and Japanese economies will emerge from recession in 2010-11 but the recovery is likely to be fragile and uneven, and downside risks persist. The expected pick-up in global demand, in both OECD and non-OECD markets, will boost South Africa's exports, while more stable commodity prices (including for oil) will help to contain inflation.

Economic growth

Gross domestic product by expenditure

(R bn at constant 2000 prices where series are indicated; otherwise % change year on year)

	2008[a]	2009[a]	2010[b]	2011[b]
Private consumption	1,160	1,123	1,182	1,248
	2.4	-3.1	5.2	5.6
Public consumption	352	369	391	416
	4.9	4.7	6.0	6.3
Gross fixed investment	377	386	374	393
	11.7	2.3	-3.1	5.1
Final domestic demand	**1,889**	**1,878**	**1,947**	**2,057**
	4.6	-0.6	3.7	5.7
Stockbuilding	-8	-38	9	8
	-1.6[c]	-1.7[c]	2.6[c]	-0.1[c]
Total domestic demand	**1,882**	**1,841**	**1,956**	**2,065**
	3.0	-2.2	6.3	5.6
Exports of goods & services	501	403	420	448
	2.4	-19.5	4.2	6.5
Imports of goods & services	572	473	546	615
	1.4	-17.4	15.5	12.7
Foreign balance	**-71**	**-69**	**-126**	**-168**
	0.2[c]	0.1[c]	-3.2[c]	-2.3[c]
GDP	**1,815**	**1,782**	**1,831**	**1,898**
	3.7	-1.8	2.8	3.7

[a] Actual. [b] Economist Intelligence Unit forecasts. [c] Contribution to real GDP growth (as a percentage of real GDP in the previous year).

The economy is rebounding from recession in 2010, but real GDP growth slowed from 4.6% (quarter on quarter, seasonally adjusted and annualised) in the first quarter to 3.2% in the second quarter. Growth is being driven mainly by household consumption (the largest component of GDP), reflecting a series of above-inflation pay rises and cuts in interest rates, although the jobs market remains very weak. South Africa also gained from hosting the World Cup, which led to extra spending by tourists, households, the state and private business, but a three-week transport strike in May and the intensification of Europe's debt crisis acted as constraints. Growth in the second half—expected to be in the 3-3.5% range—will continue to be impeded by slack private investment, the threat of further strikes and household anxiety about high debts and poor job prospects. For the year, real GDP is forecast to rise by 2.8%.

Real GDP growth is forecast to accelerate to 3.7% in 2011, helped by a more favourable global environment, spin-offs from the World Cup, ongoing public investment and a rebound in private investment. Household consumption will benefit from faster jobs growth, better credit availability and an expanding black middle class. However, structural constraints (such as skills shortages) and a hesitant global revival mean that growth will not be sufficient to bring about a marked decline in unemployment. There is a risk that electricity shortages will re-emerge in 2010-12, constraining energy-intensive sectors until new base-load power stations come on stream in 2013-14. Electricity prices are set to rise sharply, raising costs and fostering energy efficiency. The roll-out of new submarine fibre-optic cables in 2010-11 will improve South Africa's connectivity and boost the telecommunications sector

Inflation

Inflation, measured by the new CPI benchmark, dipped to 3.7% year on year in July—its lowest level in more than four years and firmly within the SARB's 3-6% target range. Sound monetary and fiscal policy, weak consumer demand and spare industrial capacity will underpin the relaxation in price pressures. However, wage increases and the sharp 25% rise in electricity tariffs on April 1st will stoke inflation across the price spectrum. Inflation is now forecast to subside to an average of 4.9% in 2010 before edging higher, to 5.7%, in 2011. However, it is expected to stay within the SARB's target range, helped by more stable global commodity prices during the period. The projected weakening of the rand in 2011, further increases in power costs and a series of generous wage rises will contribute to price pressures

Exchange rates

The rand strengthened to approximately R7.3:US$1 in August (from R7.5:US$1 in July) to be 8% stronger year on year. After slipping in May, owing to an increase in perceived emerging-market risk stemming from the euro zone debt crisis, the rand has rallied, underpinned by an improvement in global sentiment and strong investor inflows. The authorities will continue to "talk down" the rand, believing it to be overvalued, and may take the opportunity to build foreign-exchange reserves, but will not intervene directly in the market. Prospective foreign direct investment inflows will support the currency during the remainder of 2010, although an interest rate cut would dent the rand's appeal. We expect the rand to resume a trend of gradual depreciation (owing to relatively high inflation and the current-account deficit) and to average R7.6:US$1 for the year, before drifting to average R8.4:US$1 in 2011.

External sector

South Africa's current-account deficit declined sharply in 2009 to 4% of GDP, as the recession caused imports of goods and services to fall more quickly than exports. The reverse is likely to be true during 2010-11 as the acceleration in growth fuels faster import demand, generating a gradually increasing merchandise trade deficit. The non-merchandise, invisible deficit on services, income and current transfers will remain large throughout the forecast period, although the pick-up in trade-related payments and income outflows to foreign investors will be counterbalanced in part by higher tourism-related inflows spurred by the World Cup. Current transfers will remain negative because of payments to fellow members of the Southern African Customs Union. On balance, we expect the current-account deficit to widen over the outlook period, to 5% of GDP in 2010 and 5.8% of GDP in 2011.

Forecast summary

(% unless otherwise indicated)

	2008[a]	2009[a]	2010[b]	2011[b]
Real GDP growth	3.7	-1.8	2.8	3.7
Gross agricultural production growth	10.9	-3.2	3.5	4.0
Consumer price inflation (av)	11.5	7.2	4.9	5.7
Consumer price inflation (end-period)	9.2	5.9	5.6	5.3
Lending rate (av)	15.1	11.7	10.5	11.0
Government balance (% of GDP)[c]	-0.6	-5.8[d]	-7.3	-6.3
Exports of goods fob (US$ bn)	86.1	66.5	72.8	74.3
Imports of goods fob (US$ bn)	90.6	66.0	73.5	75.0
Current-account balance (US$ bn)	-20.1	-11.3	-17.7	-20.2
Current-account balance (% of GDP)	-7.3	-4.0	-5.0	-5.8
External debt (year-end; US$ bn)	41.9	40.2[d]	44.2	45.9
Exchange rate R:US$ (av)	8.26	8.42	7.57	8.40
Exchange rate R:US$ (end-period)	9.30	7.36	7.90	8.70
Exchange rate R:¥100 (av)	7.99	8.99	8.46	9.39
Exchange rate R:€ (end-period)	12.93	10.55	9.87	10.48

[a] Actual. [b] Economist Intelligence Unit forecasts. [c] Fiscal year: begins April 1st. [d] Economist Intelligence Unit estimates.

Monthly review: September 2010

The political scene

The ANC proposes new curbs on the media and information

Proposals by the African National Congress (ANC) for a statutory media tribunal—and the ongoing passage through parliament of a contentious Protection of Information Bill, which threatens to give officials discretionary powers to keep a wide range of official information out of the public realm—pose a threat to press freedom, transparency and governance. The plans have generated criticism both locally and internationally, prompting a rare public intervention from an association of corporate executives, Business Leadership South Africa, which described press freedom as the bedrock of democracy and free markets. The proposals, if implemented, will damage the country's reputation and credibility, in combination with the controversy surrounding mining rights (see Economic policy). It is clear that the spread of public-sector strikes in recent months will erode the political and economic capital generated by the football World Cup.

The call for a statutory media tribunal dates from the ANC's Polokwane conference in 2007 and aims to give people with grievances against press coverage a new avenue of complaint. However, South Africa already has a relatively robust system of self-regulation, based on the Press Ombudsman and the Press Council, and the imposition of statutory controls would be highly damaging, especially as the ANC's real intention is to stifle persistent exposure of official corruption. The tribunal's precise powers and the sanctions available to it have not been determined, but increasing self-censorship (as was common during the apartheid era) would be one consequence. The ANC's concurrent attack on the ownership structure of the print media, which remain largely in white hands, is another source of concern. The plan for a media tribunal is not official government policy (at least to date) but will be discussed at the ANC's national general council in September.

The Protection of Information Bill is also being considered

The draconian Protection of Information Bill, currently at the committee stage in parliament, is of equal or greater concern. It would allow officials the power to classify a wide range of information as sensitive on the grounds of "national interest". The bill proposes penalties of up to 25 years in prison for violators, heralding an end to whistle-blowing and investigative journalism, which has played a key role in South Africa by, for example, exposing the arms scandal in the 1990s. Access to information for the media is particularly important in a polity like South Africa, where the combination of a weak, divided opposition and a hegemonic ruling party means that the most important debates take place behind the scenes. However, the bill appears to be unconstitutional, violating clauses that protect freedom of speech and access to information, and, unless amended, will face a legal challenge. The latest press freedom index from an international pressure group, Reporteurs sans frontières, ranks South Africa third in Sub-Saharan Africa in 2009 (and 33rd globally), up from sixth (and 44th) in 2006, but this positive trend will be reversed if the new laws come into effect.

Sub-Saharan Africa: global press freedom rankings

	2006[a]	2007[b]	2008[c]	2009[d]
Ghana	34	29	31	27
Mali	35	52	31	30
South Africa	**44**	**43**	**36**	**33**
Namibia	26	25	23	35
Cape Verde	45	45	36	44
Mauritius	32	25	47	51

[a] Out of 168 countries. [b] Out of 169 countries. [c] Out of 173 countries. [d] Out of 175 countries.

Source: Reporters sans frontières.

Economic policy

A strike by public-service workers has been suspended

On September 6th South Africa's unions suspended an "indefinite" strike by a range of public-service workers, including about 1m teachers, nurses and other civil servants. The stoppage, which started on August 18th, had threatened to become the largest and longest strike since public-service workers walked out for a month in 2007, and had caused severe disruption at schools, hospitals (which were forced to rely on army medics and civilian volunteers) and courts.

Unions called a halt to the dispute to enable members to "consider" the government's latest pay offer—an offer that had previously been rejected by civil-service unions and the Congress of South African Trade Unions (COSATU). The government has offered a revised wage increase of 7.5%—almost double the rate of inflation in July, as measured by the new consumer price index benchmark—and an R800 (US$109) per month housing allowance. However, this still falls short of the unions' demand for an 8.6% increment, a R1,000/month housing allowance and a range of other benefits. Unions have cited the better terms given in recent weeks to employees at the parastatal rail and port operator, Transnet (11%), and the state-run power generator, Eskom (9%). However, these deals benefited far fewer workers: similar-sized increments for the entire public service would be hugely expensive. As it is, the government claims that its revised 7.5% offer will add about R6.5bn (US$823m) to the R23.5bn public-sector wage bill budgeted for 2010/11, necessitating cuts elsewhere.

Moreover, with the World Cup out of the way, the government—as expected—is taking a slightly harder line towards striking workers. Apart from sticking to its revised pay offer, the government has insisted that striking workers will not be paid, and has taken out injunctions to prevent obstruction and intimidation (the walkout has been accompanied by the intimidation of non-strikers and damage to property, leading to a series of clashes with the police and several dozen arrests). This hard line, combined with an apparent loss of public support following reports of deaths in understaffed hospitals and fears that students would be ill-prepared for upcoming exams, appears to have persuaded union leaders to suspend action for 21 days. However, it remains to be seen whether rank-and-file members will accept a 7.5% pay rise—not least because the individual losses arising from the "no work, no pay" policy are likely to exceed salary gains under the government's offer.

The public-sector strike is estimated to have cost the economy around R1bn a day so far, as well as 12m man-days, and whatever the final settlement, the costs to the fiscus are likely to be heavy, raising the prospect of higher taxation while inhibiting urgently needed job-creation. The strike has also exacerbated tensions in the ruling tripartite alliance, which comprises the ANC, COSATU and the South African Communist Party. The president, Jacob Zuma, has endeavoured to keep the "broad church" of the ANC and its allies together—an approach that has raised doubts about his leadership skills—but Mr Zuma's backing for economic policy continuity and for centrists such as the finance minister, Pravin Gordhan, continues to anger the left, especially COSATU. Fresh strikes are therefore possible.

Controversy about mineral rights threatens investment

Fresh disagreements have broken out in the mining sector about the vexed issue of mining rights, especially the award of rights in existing mines to little-known but politically connected entities, threatening to damage South Africa's reputation and impede much-needed investment. The mining minister, Susan Shabangu, has intervened by suspending the award of new prospecting licences for six months and promising to speed up a review of the Minerals and Petroleum Resources Development Act (MPRDA), in moves welcomed by business. However, uncertainty about mining rights will persist.

The issue came to the fore earlier this year when Imperial Crown Trading (ICT) won prospecting rights for a 21.4% stake in Kumba's iron-ore mine at Sishen, after a global steelmaker, ArcelorMittal, failed to covert its old-order rights into new-order rights. This sparked two rows: one between Kumba and ArcelorMittal over iron-ore pricing, and one between Kumba and the Department of Mineral Resources (DMR) over the award to ICT. Kumba had also applied for ArcelorMittal's lapsed rights and believes it had priority (July 2010; Economic policy). The pricing dispute has been settled temporarily (ArcelorMittal will pay Kumba an agreed interim sum until July 2011, pending arbitration), but the rights row has continued to escalate. Kumba now plans to take the DMR to court after Mrs Shabangu rejected the firm's appeal in mid-August.

In a fresh twist to the saga, Arcelor has now agreed to buy ICT for R800m (US$103m), pending due diligence and provided ICT does not lose its rights, in a bid to regain its share of Sishen (and access to cut-price ore). At the same time, ArcelorMittal has unveiled a long-delayed black economic empowerment (BEE) deal for a 26% stake in the firm, worth about R9bn, which will be fully vendor-financed and guarantees returns of R900m over 14 years. Employees will be handed a 5% stake in ArcelorMittal but the main beneficiary will be the Ayigobi Consortium, which is 50%-owned by ICT and 25%-owned by figures with close connections to Mr Zuma, including his son, Duduzane Zuma, Sandile Zungu and members of the Gupta family. Although 25% of Ayigobi is reserved for "disadvantaged" groups", ArcelorMittal's BEE deal is narrow, with most of the gains going to a small group of individuals, in contrast with the recent trend towards broader-based deals. Moreover, even if ICT loses its rights to Sishen, the firm's shareholders will still be very well rewarded, giving rise to concerns that ArcelorMittal is effectively buying political influence, although the steelmaker rejects this interpretation.

A mineral rights row starts between DMR and Lonmin

A further damaging mineral rights row erupted in August after the DMR ordered a UK-based company, Lonmin, to stop selling non-platinum minerals (chrome and nickel) from its Marikana property in the North West province, as the firm's earlier conversion of old-order rights to new-order rights covered platinum only. The DMR backtracked a week later, following intense criticism, and speeded through Lonmin's application for non-platinum rights for most of Marikana, but this does not apply to a portion over which another small but well-connected entity, Keysha, won prospecting rights for chrome earlier this year. Keysha—which is part of the Holgoun Group owned by Sivi Gouden (a former official and Lonmin director) and his wife (a former intelligence officer)—is now seeking a share of Lonmin's earnings from the disputed territory. Lonmin's appeal to the DMR remains pending. Lonmin's case is not identical to Kumba's but there are disturbing similarities, and alongside the simmering debate in the ANC about mine nationalisation it has heightened fears about security of tenure.

The minister's intervention is welcome and, apart from the suspension of prospecting licence awards, Mrs Shabangu has pledged to audit all of the 25,000 or so awards made since the MPRDA came into force in 2004, tighten controls over provincial offices and introduce a publicly accessible tracking system for licence awards. The minister also promised to introduce urgent interim amendments (by the end of the year) to the MPRDA, which has flaws, gaps and inconsistencies, as a prelude to a more thorough overhaul in 2011. However, it will take time to rebuild South Africa's tarnished reputation, especially given the other challenges facing miners, such as strikes and power shortages.

A carbon tax on new cars will push prices higher

The introduction of a carbon tax on new cars—and possibly on light commercial vehicles (LCVs)—from September 1st poses a challenge to the vital automobile manufacturing sector, which is struggling to rebound from recession. This follows an eight-day strike by autoworkers in August, which led to serious production losses (see Economic performance). The carbon tax will be charged at R75 (US$9.7) per gram of carbon dioxide emitted above a threshold of 120 g/km and will add approximately 2.5% to the cost of buying a new car, although the sum will vary greatly, from about R1,500 (US$193) for low-pollution vehicles (emitting 140 g/km) to R10,000 and upwards for higher-polluting categories, while value-added tax of 14% will be charged on top. Consumers will struggle to escape the tax, which could raise the Treasury R1.5bn over a full year, as there are very few models that emit less than 120 g/km (and most of those are costly hybrids).

The new tax will limit the impact on emissions

Although South Africa's stated intention—to reduce carbon dioxide emissions from the national fleet—is commendable, the new tax, in its present form, has serious flaws that will limit the impact on emissions. One key problem is that South African fuel standards are too weak to take advantage of the latest, super-efficient engines (which often have to be downgraded for the local market) and this will not change until 2014-15, pending fresh investment in oil refineries. The absence of top-quality fuel, coupled with a relatively strict emissions target, suggests that the Treasury is more interested in raising revenue than cutting pollution. Moreover, a tax on fuel (and, by extension, the distance driven) would have a much greater impact on emissions than a tax on vehicles. A second problem is that the tax is confined to new cars, making them less attractive in comparison with used cars, which are typically older and more polluting. The finance minister, Pravin Gordhan, now says that a carbon tax on used cars is under consideration, but it would be much harder to administer.

A third key problem is the government's decision to include LCVs—with the exception of light trucks and minibuses—in the carbon tax net, despite earlier assurances that such vehicles would be exempt (at least initially). The government says that small pick-ups, or "bakkies", are often used as passenger vehicles and should therefore be taxed, but automakers complain that accurate data on LCV emissions are lacking and that no other country in the world currently imposes a carbon tax on LCVs, because of the risk of damaging small businesses. The government may back down on LCVs, at least temporarily, after Mr Gordhan hinted in late August at a last-minute rethink.

Despite the flaws in the carbon tax, it will encourage consumers to buy less-polluting cars, particularly when more fuel-efficient models (and better fuels) become available in the future. Choice is limited at present, and Toyota's Prius, the first hybrid on the market, has been a poor seller to date. However, more hybrids are coming, while South Africa's first electric car, the Joule, to be made by a local firm, Optimal Energy, is expected to start selling in 2014. The concept of carbon taxes will be extended beyond the motor industry, according to the Treasury, which plans to publish a discussion paper on the topic later this year.

Economic performance

Economic growth was sluggish in the second quarter

Real GDP growth was sluggish in the second quarter of 2010, according to the latest supply-side data from Statistics South Africa, at 3.2% quarter on quarter seasonally adjusted and annualised (qqsaa), down from 4.6% in the first quarter, as local and global activity remained subdued, despite the positive impact of the football World Cup. Year-on-year growth was 3% in the second quarter—the highest since the third quarter of 2008—but the increase came from a low base, highlighting the fragility of the recovery. Weak growth combined with subdued inflation, which fell to 3.7% year on year in July 2010, makes a 50-basis-point interest rate cut more likely when the monetary policy committee of the South African Reserve Bank, the central bank, next meets in September.

Real GDP growth by sector
(%)

	2009				2010	
Sector (ranked by size)	**Year**	**2 Qtr[a]**	**3 Qtr[a]**	**4 Qtr[a]**	**1 Qtr[a]**	**2 Qtr[a]**
Finance, real estate & business services	1.3	-4.3	-1.0	2.1	2.5	3.0
Manufacturing	-10.7	-11.1	7.6	10.1	8.4	6.9
Government services	4.2	4.1	4.4	5.1	2.8	3.6
Wholesale & retail trade	-2.9	-5.9	-1.1	-0.7	3.3	5.8
Transport & communications	0.5	-1.0	1.2	1.9	2.4	4.5
Mining	-7.2	15.8	-5.8	-4.6	15.4	-20.8

Real GDP growth by sector
(%)

	2009				2010	
Sector (ranked by size)	**Year**	**2 Qtr[a]**	**3 Qtr[a]**	**4 Qtr[a]**	**1 Qtr[a]**	**2 Qtr[a]**
Personal services	2.7	3.3	3.5	3.1	2.0	4.6
Construction	7.8	8.7	6.1	3.6	2.1	1.5
Agriculture	-3.2	-15.8	-11.8	-7.6	3.0	11.6
Power & water	-0.5	1.9	4.2	0.9	4.9	-0.2
GDP (incl others)	-1.8	-2.8	0.9	3.2	4.6	3.2

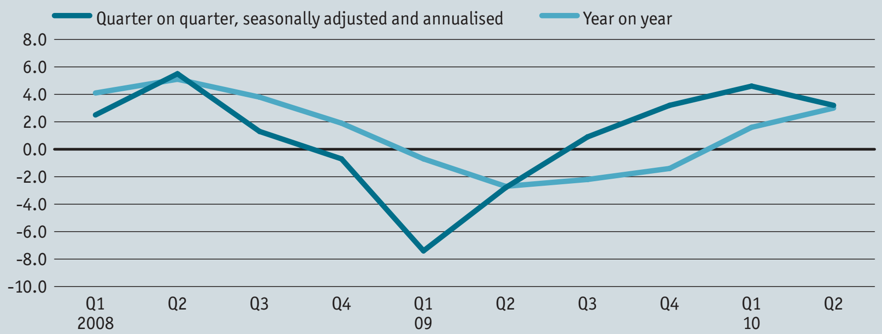
[a] Annualised change from previous quarter, seasonally adjusted.

Source: Statistics South Africa.

Mirroring the first quarter, manufacturing (15% of GDP) was a strong performer, growing by 6.9% qqsaa and by 7.9% year on year, helped by higher output of vehicles, petroleum, chemicals and plastics, and food and beverages—although real manufacturing output has not yet recovered to pre-recession levels and was 10% lower than the peak attained in the third quarter of 2008. Retailing and wholesale trade, including hotels and accommodation (11% of GDP), was the main beneficiary of the World Cup boost, rising by 5.8% qqsaa. However year-on-year growth was less impressive at 1.7%—despite being the first such rise in two years—and would have been much lower without the World Cup.

The outlook for the remainder of 2010 is mixed, with year-on-year growth likely to be in the 3-3.5% range. Lower interest rates and inflation will help but strikes, the weak jobs market, high consumer debts and global fragility will hinder expansion. The Economist Intelligence Unit continues to forecast growth of 2.8% for the year, although a downgrade is in prospect if strikes worsen.

Real GDP growth
(%)



Source: Statsistics South Africa.

A foreign investment deal is pending in the banking sector

In a deal that may become South Africa's largest-ever instance of foreign direct investment (FDI), a global banking giant, HSBC (the world's fourth-largest bank), is bidding to take a controlling stake in Nedbank (South Africa's fourth-largest bank) for approximately US$6.5bn-7bn. This would surpass Barclays' acquisition of 60% of Absa in 2005 and the Industrial and Commercial Bank of China's purchase of 20% of Standard Bank in 2008, which were both in the US$5bn-5.5bn range. In mid-August HSBC entered into exclusive negotiations (lasting eight weeks) with Old Mutual, the owner of 53% of Nedbank, although

HSBC will also seek to attract minority shareholders in a bid to take a 70% stake in total. HSBC's interest in Nedbank signals confidence in South Africa's economy and banking system (which, like HSBC, emerged largely unscathed from the global recession), and reflects HSBC's intention to have a much stronger presence in fast-growing African markets, where it is currently weak. For Nedbank, being owned by a major bank (HSBC) rather than an insurance company (Old Mutual) offers clear benefits, including improved access to capital. Nedbank's chief executive officer, Mike Brown, and chairman, Reuel Khoza, both support the deal.

HSBC hopes to conclude the purchase by November but could face a regulatory hurdle, as the government may be reluctant to sanction the handover of another large slice of the South African banking system to foreigners, which would leave First Rand as the only one of the big four banks without a major foreign partner or owner. However, on one level, Nedbank would simply be exchanging one London-based parent for another, as Old Mutual can no longer be described as a South African firm; this may sway the government's decision in favour of the deal. Some of the proceeds will be used to cut Old Mutual's debt, meaning that inflows into South Africa will be lower than the sale price, although Old Mutual promises to re-invest a significant portion locally. The South African Reserve Bank (the central bank) and the Treasury will consider the deal if and when HSBC submits a formal request. If the tie-up between HSBC and Nedbank and the proposed takeover of Dimension Data by Japan's NTT (August 2010; Economic Performance) both go through, South Africa could experience a near-record year for FDI inflows.

Labour unrest damages the automobile sector

An eight-day strike in the auto manufacturing sector, which closed all of the country's plants, ended on August 20th after the Automobile Manufacturers Employers Organisation (Ameo) increased its wage offer to 10% this year and 9% in each of the next two years—an offer that was accepted by the National Union of Metalworkers of South Africa (NUMSA), which represents 31,000 Ameo workers. Ameo also agreed to phase out the use of labour brokers by January 2011 and to set up a statutory bargaining council, but resisted union calls for a one-year rather than a three-year wage cycle. However, the deal will prove costly for carmakers, especially at a time of heightened competition in global markets, and production lost during the strike (about 17,000 units, one-half of which were destined for export) will be hard to replace.

Vehicle sales

('000 unless otherwise indicated)

	2007 Year	2008 Year	2009 Year	2010 Jan-Jul
Passenger cars	435	329	258	182
% change year on year	-9.7	-24.2	-21.6	25.0
Commercial vehicles	241	204	137	90
% change year on year	3.7	-15.5	-32.8	12.8
Total vehicle sales	**676**	**533**	**395**	**271**
% change year on year	-5.4	-21.1	-25.9	20.7

Source: National Association of Automobile Manufacturers of South Africa.

The National Association of Automobile Manufacturers of South Africa had been predicting a 18% rise in production to 443,000 units in 2010, from 374,000 in 2009, but this will have to be revised. Moreover, the settlement with autoworkers does not bring an end to labour troubles in the wider industry. NUMSA workers in the auto-component, vehicle repair, tyre manufacture and fuel-retailing segments are threatening to strike from the start of September in support of a similar wage deal, having rejected a 6.6% offer from employers. A strike in the components subsector, in particular, could again bring car manufacture to a halt. Strikes and rising labour costs pose a threat to potential investment in new plant by a number of leading car makers, including Mercedes-Benz and Toyota, with negative long-term implications for South African industry.

Data and charts

Annual data and forecast

	2005[a]	2006[a]	2007[a]	2008[a]	2009[a]	2010[b]	2011[b]
GDP							
Nominal GDP (US$ m)	247,030	261,266	286,236	276,533	285,834	352,503	345,534
Real GDP growth (%)	5.3	5.6	5.5	3.7	-1.8	2.8	3.7
Expenditure on GDP (% real change)							
Private consumption	6.1	8.3	5.5	2.4	-3.1	5.2	5.6
Government consumption	4.6	4.9	4.7	4.9	4.7	6.0	6.3
Gross fixed investment	11.0	12.1	14.2	11.7	2.3	-3.1	5.1
Exports of goods & services	8.6	7.5	5.9	2.4	-19.5	4.2	6.5
Imports of goods & services	10.9	18.3	9.0	1.4	-17.4	15.5	12.7
Origin of GDP (% real change)							
Agriculture	2.8	-5.5	3.5	10.9	-3.2	3.5	4.0
Industry	5.3	4.9	4.6	1.5	-7.2	3.0	4.0
Services	5.4	6.3	6.0	4.7	1.1	2.6	3.5
Population and income							
Population (m)	47.5	47.9	48.4	48.8	49.1	49.1	49.0
GDP per head (US$ at PPP)	8,545	9,232	9,926	10,421	10,301	10,682	11,258
Recorded unemployment (av; %)	25.0	23.9	23.3	22.9	24.0	23.3	22.2
Fiscal indicators (% of GDP)[c]							
General government revenue	24.7	25.5	28.1	27.5	26.6[d]	28.0	28.0
General government expenditure	25.3	25.0	26.9	28.1	32.4[d]	35.3	34.3
General government balance	-0.6	0.5	1.2	-0.6	-5.8[d]	-7.3	-6.3
Net public debt	33.8	31.4	26.7	24.9[d]	29.7[d]	34.2	37.9
Prices and financial indicators							
Exchange rate R:US$ (end-period)	6.33	7.04	6.86	9.30	7.36	7.90	8.70
Exchange rate R:€ (end-period)	7.47	9.29	10.02	12.93	10.55	9.87	10.48
Consumer prices (end-period; %)	3.6	5.8	10.8	9.2	5.9	5.6	5.3
Producer prices (av; %)	3.6	7.7	10.9	14.3	0.0	5.7	5.8
Stock of money M1 (% change)	19.5	15.8	18.0	4.4	5.4	10.8	8.8
Repo interest rate (av; %)	14.0	11.2	10.5	11.5	13.5	10.5	11.0
Current account (US$ m)							
Trade balance	-311	-4,195	-5,741	-4,448	533	-728	-706
Goods: exports fob	56,260	65,824	75,921	86,119	66,542	72,768	74,277
Goods: imports fob	-56,573	-70,020	-81,661	-90,567	-66,008	-73,495	-74,983
Services balance	-826	-2,028	-2,636	-4,169	-2,754	-4,258	-6,108
Income balance	-4,929	-5,161	-9,844	-9,133	-6,388	-9,417	-10,105
Current transfers balance	-2,452	-2,362	-2,351	-2,334	-2,684	-3,310	-3,244
Current-account balance	-8,519	-13,745	-20,572	-20,084	-11,295	-17,712	-20,164
External debt (US$ m)							
Debt stock	31,070	35,523	43,610	41,943	40,238[d]	44,239	45,938
Debt service paid	3,232	5,470	5,264	4,554	6,724[d]	7,111	7,272
Principal repayments	2,034	3,831	3,353	2,789	5,366[d]	5,671	5,693
Interest	1,198	1,639	1,911	1,765	1,357[d]	1,440	1,578
International reserves (US$ m)							
Total international reserves	20,630	25,587	32,943	34,069	39,675	43,973	45,010

[a] Actual. [b] Economist Intelligence Unit forecasts. [c] Government finance data are presented on a calendar-year basis to allow comparisons with other macroeconomic data. [d] Economist Intelligence Unit estimates.

Source: IMF, *International Financial Statistics*.

Quarterly data

	2008		2009				2010	
	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr
General government finance (R m)								
Revenue	158,040	165,726	172,380	133,002	146,210	156,589	173,421	153,849
Expenditure	169,158	167,295	172,608	185,703	192,818	193,510	184,445	184,457
Balance	-11,118	-1,569	-228	-52,701	-46,608	-36,921	-11,024	-30,608
Output								
GDP at constant 2000 prices (R bn)	458.8	462.6	435.4	442.2	448.7	456.0	442.2	455.7
Manufacturing index (2000=100)[a]	111.4	103.2	97.1	94.0	96.5	99.6	101.3	102.1
Durable goods	109.4	96.9	87.0	85.9	88.5	93.2	95.5	n/a
Non-durable goods	113.4	109.7	105.1	102.2	103.4	105.4	106.2	n/a
Employment & prices[a]								
Employment, private (2000=100)								
Mining	126.8	125.0	120.0	118.1	117.0	116.5	n/a	n/a
Manufacturing	100.2	98.4	95.7	94.2	92.7	91.3	n/a	n/a
Construction	210.3	212.2	205.9	198.1	187.1	185.9	n/a	n/a
Consumer prices (2008=100)	102.0	103.0	104.6	106.8	108.5	109.0	110.2	111.3
Consumer prices (% change, year on year)	11.2	10.1	8.8	8.1	6.4	5.8	5.4	4.2
Production prices (2000=100)	190.9	183.5	179.7	178.8	183.6	181.1	185.6	191.7
Production prices (% change, year on year)	18.0	12.7	7.2	-1.5	-3.8	-1.3	3.3	7.2
Financial indicators								
Exchange rate R:US$ (av)	7.8	9.9	9.9	8.5	7.8	7.5	7.5	7.5
Exchange rate R:US$ (end-period)	8.3	9.3	9.5	7.7	7.4	7.4	7.3	7.6
Deposit rate (av; %)	12.0	12.0	10.9	8.5	7.5	7.3	7.2	6.8
Lending rate (av; %)	15.5	15.3	14.0	11.7	10.7	10.5	10.3	10.0
3-month money market rate (av; %)	11.7	11.7	10.6	8.3	7.0	6.8	6.7	6.3
Long-term gov bond yield (av; %)	9.4	8.5	8.2	8.7	8.9	9.0	9.1	8.9
M2 (end-period; R bn)	1,540	1,572	1,560	1,584	n/a	n/a	n/a	n/a
M2 (% change, year on year)	19.0	15.2	7.8	4.0	n/a	n/a	n/a	n/a
JSE, all items (Dec 1960=100)	23,836	21,509	20,364	22,049	24,911	27,666	28,748	26,259
JSE, all items (% change, year on year)	-34.2	-45.2	-41.3	-26.1	17.3	62.6	83.3	20.3
Gold mining share prices (2000=100)	103.7	96.2	134.7	64.6	62.3	66.2	59.1	63.4
Gold mining share prices (% change, year on year)	-24.3	-29.4	-2.4	-50.1	-39.9	-31.2	-56.1	-1.9
Sectoral trends (2000=100)[a]								
Gold mining (volume of production)	70.3	70.0	70.3	67.0	65.9	65.3	60.3	63.2
Other mining (volume of production)	95.9	96.8	85.4	91.7	90.6	92.3	97.2	89.2
Retail sales, volume	99.7	99.6	97.3	94.5	94.4	94.7	99.2	99.9
Foreign trade (US$ m)								
Exports fob	23,490	16,940	13,296	14,844	16,750	18,055	17,131	19,456
Net gold exports[b]	1,587	1,287	1,281	1,215	1,315	n/a	n/a	n/a
Imports cif	-25,983	-18,417	-15,159	-14,364	-16,428	-18,791	-18,244	-19,016
Trade balance	-2,493	-1,477	-1,863	480	323	-735	-1,114	440
Foreign payments (US$ m)								
Merchandise trade balance	-1,709	-609	-1,046	899	472	209	-152	n/a
Services balance	-1,510	-471	-391	-963	-902	-498	-806	n/a
Income balance	-2,722	-1,609	-1,275	-1,753	-1,838	-1,522	-1,590	n/a
Net transfer payments	-648	-413	-552	-636	-764	-732	-769	n/a
Current-account balance	-6,589	-3,102	-3,264	-2,453	-3,032	-2,543	-3,317	n/a
Reserves excl gold (end-period)	30,832	30,584	30,376	31,949	35,087	35,237	37,496	37,202

[a] Seasonally adjusted. [b] Balance-of-payments basis.

Sources: South African Reserve Bank, *Quarterly Bulletin*; Statistics South Africa; IMF, *International Financial Statistics*.

Monthly data

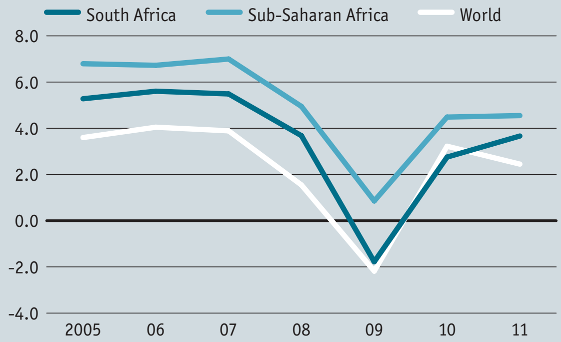
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rate R:US$ (av)												
2008	7.00	7.66	7.99	7.76	7.61	7.94	7.61	7.67	8.08	9.77	10.11	9.92
2009	9.91	9.98	9.95	8.96	8.37	8.03	7.95	7.94	7.50	7.49	7.51	7.48
2010	7.46	7.67	7.41	7.34	7.65	7.64	7.52	7.29	n/a	n/a	n/a	n/a
Exchange rate R:US$ (end-period)												
2008	7.45	7.63	8.12	7.59	7.59	7.88	7.39	7.70	8.31	9.87	9.91	9.30
2009	10.20	10.04	9.52	8.44	7.98	7.73	7.81	7.78	7.41	7.77	7.38	7.36
2010	7.58	7.64	7.33	7.35	7.75	7.65	7.29	7.38	n/a	n/a	n/a	n/a
Real effective exchange rate (2000=100; CPI-basis)												
2008	7.00	7.66	7.99	7.76	7.61	7.94	7.61	7.67	8.08	9.77	10.11	9.92
2009	9.91	9.98	9.95	8.96	8.37	8.03	7.95	7.94	7.50	7.49	7.51	7.48
2010	7.46	7.67	7.41	7.34	7.65	7.64	7.52	7.29	n/a	n/a	n/a	n/a
Budget revenue (R bn)												
2008	42.7	47.5	71.9	34.1	36.6	71.9	46.9	47.6	63.6	43.2	41.1	81.4
2009	42.9	51.9	77.6	31.0	32.6	69.4	42.2	45.3	58.7	42.4	40.1	74.1
2010	46.5	58.6	68.3	40.6	38.6	74.6	n/a	n/a	n/a	n/a	n/a	n/a
Budget expenditure (R bn)												
2008	45.7	58.2	47.7	49.5	47.9	46.3	63.4	52.0	53.7	56.1	50.4	60.8
2009	54.3	58.9	59.4	67.9	52.0	65.8	72.7	53.4	66.8	63.8	62.7	67.0
2010	58.7	54.4	71.4	65.1	59.0	60.3	n/a	n/a	n/a	n/a	n/a	n/a
Budget balance (R bn)												
2008	-3.0	-10.6	24.2	-15.4	-11.2	25.5	-16.5	-4.5	9.9	-12.9	-9.2	20.6
2009	-11.5	-7.1	18.3	-36.9	-19.4	3.6	-30.5	-8.1	-8.1	-21.4	-22.6	7.1
2010	-12.2	4.2	-3.1	-24.5	-20.4	14.3	n/a	n/a	n/a	n/a	n/a	n/a
M1 (end-period; % change, year on year)												
2008	18.8	11.4	10.3	10.4	9.7	11.1	8.6	4.2	4.1	9.0	8.4	4.4
2009	4.7	4.0	3.7	2.8	3.1	1.0	6.7	6.6	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M2 (end-period; % change, year on year)												
2008	23.5	21.3	20.9	22.7	22.2	22.3	21.6	18.8	19.0	19.7	18.5	15.2
2009	12.1	9.6	7.8	6.1	6.3	4.0	4.5	4.4	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Deposit rate (av; %)												
2008	10.8	11.0	11.0	11.3	11.4	11.7	12.0	11.9	12.1	12.3	12.1	11.7
2009	11.3	10.6	10.7	9.2	8.3	7.9	7.9	7.6	7.2	7.3	7.3	7.2
2010	7.2	7.2	7.1	6.8	6.8	6.8	6.8	n/a	n/a	n/a	n/a	n/a
Prime lending rate (av; %)												
2008	14.5	14.5	14.5	15.0	15.0	15.5	15.5	15.5	15.5	15.5	15.5	15.0
2009	15.0	14.0	13.0	13.0	11.0	11.0	11.0	10.5	10.5	10.5	10.5	10.5
2010	10.5	10.5	10.0	10.0	10.0	10.0	10.0	n/a	n/a	n/a	n/a	n/a
Manufacturing production index (seasonally adjusted; % change, year on year)												
2008	1.5	4.1	-1.1	11.2	1.0	5.5	3.5	0.8	5.3	-2.7	-8.1	-10.2
2009	-12.2	-15.1	-11.5	-21.9	-17.1	-17.1	-13.6	-15.3	-11.3	-9.4	-4.0	3.7
2010	3.4	3.0	6.6	8.8	8.2	8.9	n/a	n/a	n/a	n/a	n/a	n/a
Retail sales, volume (seasonally adjusted; % change, year on year)												
2008	1.8	2.6	0.4	2.4	-2.3	1.0	0.6	-1.0	-1.9	0.9	-1.1	0.1
2009	0.1	-2.7	-5.4	-7.3	-4.3	-7.0	-4.5	-6.4	-4.9	-6.2	-6.7	-1.9
2010	1.2	1.2	3.6	4.2	5.3	8.3	n/a	n/a	n/a	n/a	n/a	n/a

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
JSE, all items (Dec 1960=100)												
2008	27,317	30,674	29,588	30,743	31,841	30,413	27,720	27,702	23,836	20,992	21,209	21,509
2009	20,570	18,465	20,364	20,647	22,771	22,049	24,259	24,929	24,911	26,361	26,895	27,666
2010	26,676	26,765	28,748	28,636	27,145	26,259	28,355	27,254	n/a	n/a	n/a	n/a
Consumer prices (av; % change, year on year)												
2008	9.3	9.7	10.6	11.1	11.7	12.2	13.4	13.9	13.1	12.2	11.8	9.5
2009	9.2	10.1	9.9	8.5	7.7	6.7	5.7	5.0	5.4	5.4	5.3	6.8
2010	6.2	5.7	5.1	4.8	4.6	4.2	3.5	n/a	n/a	n/a	n/a	n/a
Producer prices (av; % change, year on year)												
2008	10.4	11.3	11.9	12.4	16.4	16.8	18.9	19.1	16.0	14.5	12.6	11.0
2009	9.2	7.3	5.3	2.9	-3.0	-4.1	-3.8	-4.0	-3.7	-3.3	-1.2	0.7
2010	2.7	3.5	3.7	5.5	6.8	9.4	7.7	n/a	n/a	n/a	n/a	n/a
Total exports fob (US$ m)												
2008	5,625	6,131	6,400	7,240	7,393	7,580	8,050	7,879	7,562	6,719	5,329	4,892
2009	3,659	4,416	5,221	4,535	4,951	5,358	5,594	5,087	6,069	5,889	6,106	6,061
2010	4,901	5,271	6,959	6,014	6,166	7,277	7,447	n/a	n/a	n/a	n/a	n/a
Total imports cif (US$ m)												
2008	7,086	6,891	7,030	8,529	7,611	7,603	9,773	8,019	8,191	7,350	6,010	5,057
2009	5,413	4,473	5,272	4,698	4,709	4,957	5,538	5,337	5,553	6,785	6,436	5,570
2010	5,355	5,992	6,897	6,271	6,205	6,540	7,179	n/a	n/a	n/a	n/a	n/a
Trade balance (US$ m)												
2008	-1,460	-760	-629	-1,288	-218	-23	-1,724	-141	-629	-630	-682	-165
2009	-1,754	-57	-51	-162	241	401	56	-250	516	-896	-330	490
2010	-454	-721	62	-257	-39	737	268	n/a	n/a	n/a	n/a	n/a
Foreign-exchange reserves excl gold (US$ m)												
2008	29,885	30,304	30,615	30,763	30,831	31,103	31,300	30,966	30,832	29,935	29,938	30,584
2009	30,012	29,932	30,376	30,476	31,905	31,949	31,961	34,123	35,087	35,567	35,752	35,237
2010	35,091	34,953	37,496	37,592	37,040	37,202	n/a	n/a	n/a	n/a	n/a	n/a

Sources: IMF, *International Financial Statistics*; Haver Analytics.

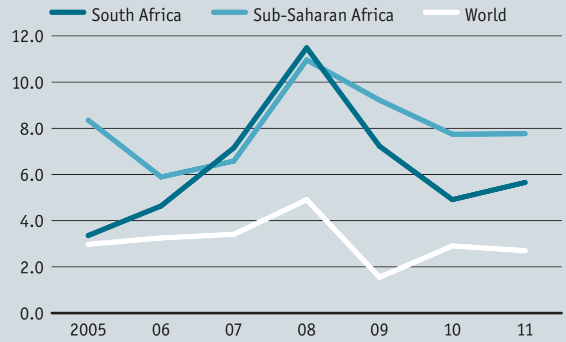
Annual trends charts

Real GDP growth
(% change)



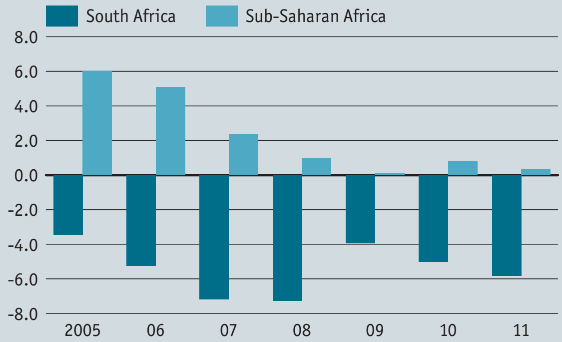
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



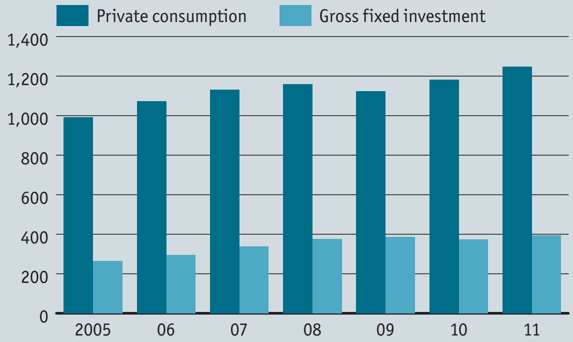
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



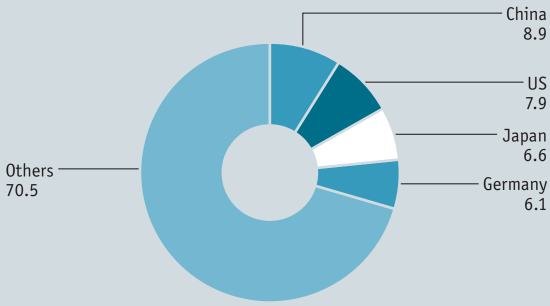
Source: Economist Intelligence Unit.

Real expenditure on GDP
(at constant market prices)



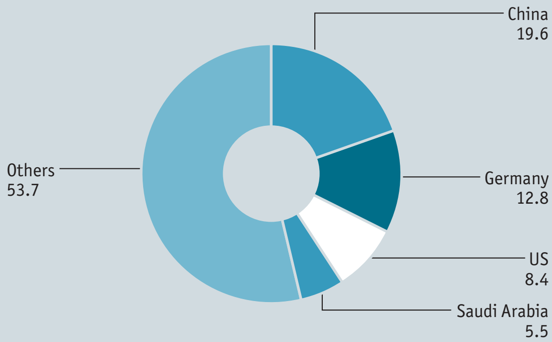
Source: Economist Intelligence Unit.

Main destinations of exports, 2009
(% of total)



Source: Economist Intelligence Unit.

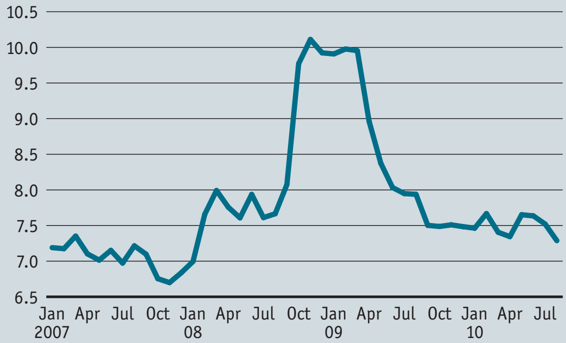
Main origins of imports, 2009
(% of total)



Source: Economist Intelligence Unit.

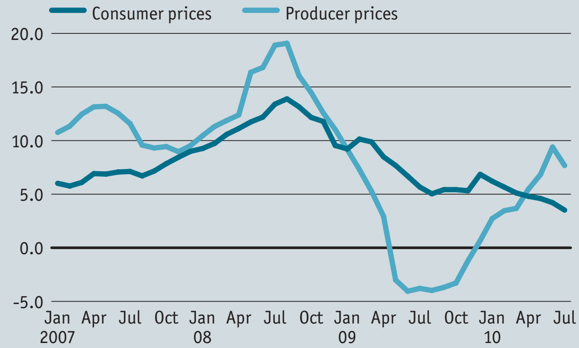
Monthly trends charts

Exchange rate
(R:US$; av)



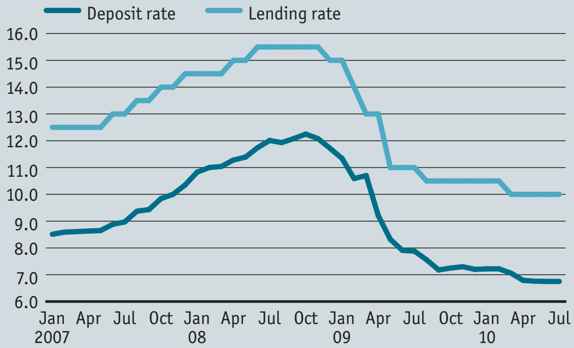
Source: Economist Intelligence Unit.

Price inflation
(% change, year on year)



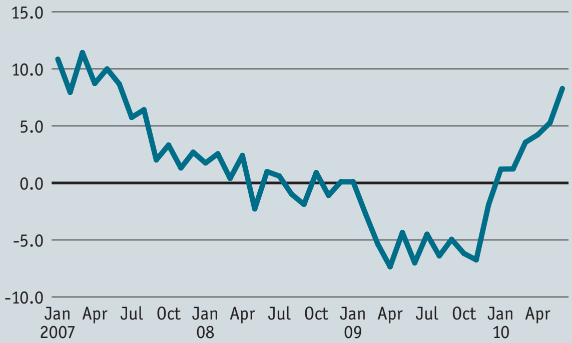
Source: Economist Intelligence Unit.

Interest rates
(av; %)



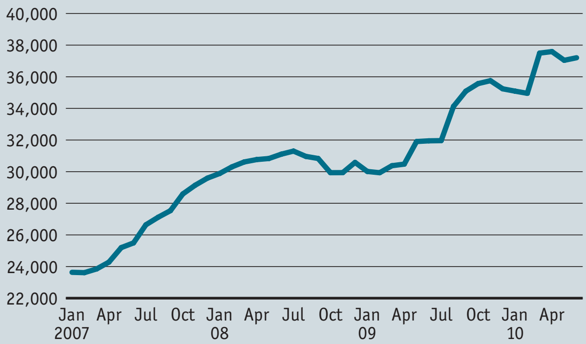
Source: Economist Intelligence Unit.

Retail sales
(% change, year on year)



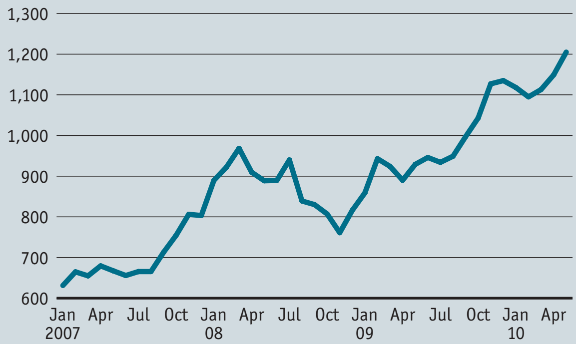
Source: Economist Intelligence Unit.

Foreign-exchange reserves
(US$ m)



Source: Economist Intelligence Unit.

Gold: London price
(US$/troy oz; av)



Source: Economist Intelligence Unit.


Comparative economic indicators, 2009
Gross domestic product
(US$ bn; market exchange rates)
South Africa
Angola
Zambia
Botswana
Mozambique
Namibia
Mauritius
Malawi
Swaziland
Lesotho
Zimbabwe
285.8
82.6
0.0 2.0 4.0 6.0 8.0 10.0 12.0 14.0
Sources: Economist Intelligence Unit estimates; national sources.
Gross domestic product per head
(US$ '000; market exchange rates)
Mauritius
Botswana
South Africa
Angola
Namibia
Swaziland
Zambia
Lesotho
Mozambique
Malawi
Zimbabwe
0.0 1.0 2.0 3.0 4.0 5.0 6.0 7.0
Sources: Economist Intelligence Unit estimates; national sources.
Gross domestic product
(% change, year on year)
Malawi
Zambia
Mozambique
Mauritius
Lesotho
Swaziland
Angola
Namibia
Zimbabwe
South Africa
Botswana
-5.4
-2.0 -1.0 0.0 1.0 2.0 3.0 4.0 5.0 6.0 7.0 8.0
Sources: Economist Intelligence Unit estimates; national sources.
Consumer prices
(% change, year on year)
Zimbabwe
Angola
Zambia
Namibia
Malawi
Botswana
Swaziland
South Africa
Lesotho
Mozambique
Mauritius
4.5E+16
0.0 2.0 4.0 6.0 8.0 10.0 12.0 14.0 16.0
Sources: Economist Intelligence Unit estimates; national sources.

Country snapshot

Basic data

Land area 1,219,090 sq km (Eastern Cape: 169,580; Free State: 129,480; Gauteng: 17,010; KwaZulu-Natal: 92,100; Limpopo: 123,910; Mpumalanga: 79,490; Northern Cape: 361,830; North West: 116,320; and Western Cape: 129,370)

Population 48.7m (2008 estimate, Statistics South Africa)

Main towns Population, '000 (2001 official estimates); metropolitan areas:

Johannesburg	3,226	East Rand/Ekurhuleni	2,480
Durban/Ethekwini	3,090	Pretoria/Tshwane (capital)	1,986
Cape Town	2,893	Port Elizabeth/Nelson Mandela Bay	1,006

Climate Temperate, warm and sunny

Weather in Johannesburg (altitude 1,769 metres) Hottest month, January, 14-26°C (average daily minimum and maximum); coldest month, July, 4-16°C; driest month, June, 6 mm average rainfall; wettest month, January, 150 mm

Weather in Cape Town (altitude 17 metres) Hottest month, February, 16-26°C (average daily minimum and maximum); coldest month, July, 7-17°C; driest month, February, 10 mm average rainfall; wettest month, July, 92 mm

Languages Official languages: Afrikaans, English, IsiNdebele, Sepedi, Sesotho, Swazi, Xitsonga, Setswana, Tshivenda, IsiXhosa and IsiZulu; other African, Asian and European languages are also spoken

Measures Metric system

Currency Rand (R) = 100 cents; average exchange rate in 2009: R8.42:US$1

Fiscal year April-March

Time 2 hours ahead of GMT

Public holidays January 1st (New Year's Day), March 21st (Human Rights Day), Good Friday, Easter Monday, April 27th (Freedom Day), May 1st (Workers' Day), June 16th (Youth Day), August 9th (National Women's Day), September 24th (Heritage Day), December 16th (Day of Reconciliation), December 25th (Christmas Day), December 26th (Day of Goodwill); if any of these days falls on a Sunday, the following Monday becomes a public holiday

Political structure

Official name	Republic of South Africa
Form of state	A federal state, consisting of a national government and nine provincial governments
Legal system	Based on Roman-Dutch law and the 1996 constitution, in force since February 4th 1997
National legislature	Bicameral parliament elected every five years, comprising the 400-seat National Assembly and the 90-seat National Council of Provinces
Electoral system	List system of proportional representation based on universal adult suffrage
National elections	The next election is scheduled to take place within 90 days of April 22nd 2012
Head of state	President, elected by the National Assembly; under the constitution, the president is permitted to serve a maximum of two five-year terms; Thabo Mbeki resigned as president in September 2008, and Kgalema Motlanthe, the deputy president of the African National Congress (ANC), replaced him in a caretaker capacity; Jacob Zuma was sworn in on May 9th 2009
National government	African National Congress
Main political parties	The ANC is the governing party with the support, in a tripartite alliance, of the smaller South African Communist Party (SACP) and the Congress of South African Trade Unions (COSATU); other parties include Congress of the People (Cope; recently formed by former ANC members), the Democratic Alliance (DA), the Inkatha Freedom Party (Inkatha or IFP) and the Independent Democrats (ID)

	President	Jacob Zuma (ANC)
	Deputy president	Kgalema Motlanthe (ANC)
	Minister in the presidency, planning	Trevor Manuel (ANC)
	Minister in the presidency, performance	Collins Chabane (ANC)
Key ministers	**Agriculture, forestry & fishing**	Tina Joemat-Pettersson (SACP)
	Communications	Siphiwe Nyanda (ANC)
	Defence	Lindiwe Sisulu (ANC)
	Economic development	Ebrahim Patel (ANC)
	Energy	Dipuo Peters (ANC)
	Finance	Pravin Gordhan (ANC)
	Health	Aaron Motsoaledi (ANC)
	Higher education	Blade Nzimande (SACP)
	Home affairs	Nkosazana Dlamini-Zuma (ANC)
	Human settlements	Tokyo Sexwale (ANC)
	International relations	Maite Nkoana-Mashabane (ANC)
	Justice & constitutional development	Jeff Radebe (ANC)
	Labour	Membathisi Mdladlana (ANC)
	Mining	Susan Shabangu (ANC)
	Police	Nathi Mthethewa (ANC)
	Public enterprises	Barbara Hogan (ANC)
	Public works	Geoff Doidge (ANC)
	Rural development & land reform	GuGille Nkwinti (ANC)
	State security	Siyabonga Cwele (ANC)
	Trade & industry	Rob Davies (SACP)
	Transport	Sibusiso Joel Ndebele (ANC)
Central bank governor	Gill Marcus	