



S. Africa



South Africa, officially the **Republic of South Africa (RSA)**, is the southernmost country in Africa. With over 60 million people, the country is the world's 23rd-most populous nation and covers an area of 1,221,037 square kilometers (471,445 square miles). South Africa has three capital cities, with the executive, judicial and legislative branches of government based in Pretoria, Bloemfontein and Cape Town respectively. The largest city is Johannesburg. About 80% of the populations are Black South Africans. The remaining population consists of Africa's largest communities of European (White South Africans), Asian (Indian South Africans and Chinese South Africans), and Multiracial (Coloured South Africans) ancestry.

South Africa is a multiethnic society encompassing a wide variety of cultures, languages, and religions. Its pluralistic makeup is reflected in the constitution's recognition of 11 official languages, the fourth-highest number in the world. According to the 2011 census, the two most spoken first languages are Zulu (22.7%) and Xhosa (16.0%). The two next ones are of European origin: Afrikaans (13.5%) developed from Dutch and serves as the first language of most Coloured and White South Africans; English (9.6%) reflects the legacy of British colonialism, and is commonly used in public and commercial life. The country is one of the few in Africa never to have had a coup d'état, and regular elections have been held for almost a century. However, the vast majority of black South Africans were not enfranchised until 1994, following the abolition of Apartheid.

Government and politics

South Africa is a parliamentary republic, although, unlike most such republics, the President is both head of state and head of government, and depends for his tenure on the confidence of Parliament. The executive, legislature and judiciary are all subject to the supremacy of the Constitution, and the superior courts have the power to strike down executive actions and acts of Parliament if they are unconstitutional.

South Africa held its first democratic election in April 1994 under an interim Constitution. The ANC emerged with a 62% majority. South Africa was divided into nine new provinces to replace the four existing provinces and 10 black homelands. In terms of the interim Constitution, the National Party and Inkatha



Freedom Party participated in a government of national unity under President Mandela, South Africa's first democratically elected president.

Recent macroeconomic and financial developments

The Russian invasion of Ukraine has disrupted production activity in Central and Eastern Europe. As a result, global supply chains have been further disrupted. This, in turn, has caused international commodity prices to jump. The fertile Ukrainian soil produces enough food exports annually to feed 600 million people while Russia is one of the biggest players in the global energy (oil and gas) market. The shock to the global economy from disruption in Central and Eastern Europe could reduce global economic growth by one percentage point in 2022.

The most direct impact on South Africa will be upwards pressure on producer and consumer prices. Around 10% of the country's wheat consumption is usually imported from Ukraine and Russia - exposing the South African market to supply shortages and 15-year high global wheat prices. On the energy front, South Africans already paid R1.46/litre more for petrol in March, with additional upward pressure for April as well. After again lifting interest rates in March, our baseline scenario expects the South Africa Reserve Bank (SARB) to increase lending rates another three times this year - that is one more hike than previously projected due to recent inflation developments

South Africa's real GDP growth was 0.2% in 2019. The pandemic and the containment measures to curb the spread of the virus further damaged the economy. Real GDP contracted by 8.2% in 2020, the result of a decline in construction, transport and communication, manufacturing, and mining. On the demand side, all components declined, with the largest contraction, 32.4%, recorded in investment. The Reserve Bank of South Africa cut the policy rate by a cumulative 300 basis points in 2020, from 6.5% to 3.5%, to support businesses and households affected by the pandemic. Inflation was estimated to decline to 3.4% in 2020, within the reserve bank target of 3%–6%. The budget deficit was estimated to widen significantly to more than 14% of GDP, mainly due to spending pressures to contain the economic impact of the pandemic. The country will, however, record its first current account surplus in 2020, estimated at about 1% of GDP, because of the high price of the gold it exports, a low bill for fuel imports, and increased agricultural exports. Despite the pandemic, the South African banking sector remains sound, with a capital ratio of 16.3%, which is above the 10% regulatory requirement. Domestic credit to private sector reached \$280 billion in November 2020, an increase of 3.5% from December 2019, when it was 139% of GDP. Lingering economic weaknesses prompted the three major credit rating agencies to downgrade South Africa's local and foreign currency credit rating to sub investment grade. Nevertheless, real private investment expanded by 33.2% in the third quarter of 2020. Social indicators are likely to remain weak due to the severity of the pandemic and legacy issues of



low human development. About 2.6 million people have lost their jobs since March 2020, bringing the unemployment rate to 30.8% in September 2020 from 23.3% in December 2019.

Outlook and risks

Real GDP growth is projected to rebound to 3.0% in 2021, but the pace of the recovery will slow to 1.6% in 2022 due to continued structural constraints such as unreliable electricity supply and job regulations. The inflation rate is projected at 4.2% in 2021 and is expected to stay within the reserve banks' target range of 3%–6% for 2022. The current account surplus is expected to erode, since a recovery in oil prices could raise the import bill. Public debt could reach more than 90% of GDP in the medium term, with projections that it will stabilize at 95% in 2026. The 2020 Medium Term Budget Policy Statement (MTBPS) in October 2020 projected a significantly larger budget deficit and slower debt consolidation in the medium term. These projections will raise risks due to the high debt-service costs and deteriorating balance sheets of state-owned enterprises and the continued weaknesses of the financial position of municipalities.

Financing issues and options

The 2020 MTBPS proposed steps to reduce the public service wage bill and investment driven by state-owned companies in order to narrow the fiscal deficit and stabilize the debt-to-GDP ratio over a five-year period. The treasury expects to reduce the wage bill—the major driver of the fiscal deficit—by nearly \$1.8 billion through 2023–24. The proposal has already raised the risk of widespread strikes by the 1.3 million public sector workers. Also, calls for debt guaranteed by the government to support higher levels of capital investment will be discouraged. This could push South African Airways into liquidation and the electric utility Eskom to adopt tariffs that reflects its costs, which would be efficient but unpopular. In 2020, the South Africa government committed itself to investment in public utilities through strong private sector participation. South Africa's gross international reserves increased slightly from \$52.4 billion at the end of March 2020, covering 6.9 months of imports, to \$53.8 billion at the end of November 2020, covering 8.3 months of imports. This progress mainly reflects foreign borrowings received on behalf of the government from multilateral banks, including the African Development Bank, to cope with the pandemic crisis.



Bilateral trade between Greece and South Africa

Product: TOTAL All products

Unit : Euro
thousand

Product label	Greece's exports to South Africa			South Africa's imports from world			
	Value in 2019	Value in 2020	Value in 2021		Value in 2019	Value in 2020	Value in 2021
All products	79879	56283	74424		78799915	60195075	79039060
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	24811	8298	14379		7653213	6180320	7272153
Pharmaceutical products	12939	11017	13593		2162670	2104072	2590966
Plastics and articles thereof	6490	7583	7591		2227718	1780617	2470795
Aluminium and articles thereof	7305	4162	5855		546201	409670	594270
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	5787	3654	5661		10010946	7918302	9530763
Commodities not elsewhere specified	2002	2350	3130		6710796	4503322	6420580
Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring	1802	1437	2364		437414	341877	463653
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	3125	1594	2151		2002845	1672668	1869968
Preparations of vegetables, fruit, nuts or other parts of plants	2278	1612	1992		233039	190313	216902
Edible fruit and nuts; peel of citrus fruit or melons	833	1038	1730		164437	147222	154353
Articles of iron or steel	767	896	1327		943313	735840	984605
Paper and paperboard; articles of paper pulp, of paper or of paperboard	1176	427	1323		924663	721560	808377
Miscellaneous articles of base metal	174	124	1259		265520	208733	287677
Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial ...	592	583	1192		265252	251011	286990
Salt; sulphur; earths and stone; plastering materials, lime and cement	213	284	1138		214731	153475	245683

Sources:

② *African Economic Outlook (AEO) 2022*

② *African Development Bank*

② *Trade-map Statistics for International Business Development*