

South Africa: Brief Profile

October 2009

Domestic Economy

- Real GDP of South Africa registered a growth of 3.1% in 2008 compared to 5.1% in the previous year, due to sharp deterioration in consumer and business confidence.
- In absolute terms, South Africa's GDP stood at US\$ 280.3 bn in 2008, with per capita GDP at US\$ 5,864.
- Consumer price inflation has breached the Government's target range of 3-6%, and rose to 6.5% in 2007. Inflation increased further to an estimated 11.3% in 2008, primarily due to higher international food and oil prices prevailed during the first half of 2008.
- South Africa has the world's largest reserves of platinum group metals, gold, chromium and diamonds, mining and mineral processing industries.
- Services sector dominated the GDP, accounting for 45% in 2007 (*as per latest data available*), followed by Industry (25%) and Agriculture (30%) in the same year.

Trade and External Sector

- South Africa's exports increased by 8.1% to US\$ 82.4 bn in 2008 from US\$ 76.2 bn in the previous year, benefiting from the continued strength of metal demand.
- Imports also increased by 7.1% in 2008, up from US\$ 81.9 bn in 2007 to US\$ 87.7 bn in 2008, mainly due to higher import of petrochemicals, investment goods and industrial raw materials.

- Trade deficit, thus, decreased from US\$ 5.7 bn in 2007 to US\$ 5.3 bn in 2008.
- The major exports of South Africa in 2006 (*as per latest data available*) were platinum (12.7% of total exports), gold (7.4%), coal (4.4%), cars & other components (4.1%), and ferro alloys (3.8%).
- South Africa's principal imports during 2006 (*as per latest data available*) comprised of petrochemicals (13.7% of total imports), equipment component of cars (7.1%), cars & other components (5.8%), petroleum oils & other products (4.3%), and telecom components (2%).
- US was the most important export destination accounting for 12.1% of total exports in 2007 (*as per latest data available*), followed by Japan (10.0% of total exports), China (8.5%) and UK (8.3%)
- Germany accounted for the bulk of South Africa's imports during 2007, accounting for 13.4% of the total imports. China (10.4% of total imports), US (7.6%) and Japan (6.4%) were the other major origins of the country's imports in the same year.
- The current account deficit was higher at US\$ 21.2 bn (or 7.6% of GDP) in 2008 as compared to the previous year's deficit of US\$ 20.6 bn (or 7.3% of GDP) in 2007.

Currency, Foreign Exchange Reserves & External Debt

- The local currency is the Rand. Average exchange rate in 2008 was R 8.26: US\$ 1, depreciating from R 7.05: US\$ 1 in 2007.
- Reserves increased from US\$ 32.9 bn in 2007 to US\$ 34.1 bn in 2008. Reserves represent an import cover for 4.7 months in 2008.

- Total external debt was estimated at US\$ 39.3 bn in 2008, decreasing slightly from the previous year's US\$ 39.4 bn.

Country Risk Ratings

- *Euromoney*, in its March 2009 risk ranking of 186 countries, has placed South Africa at 50, which is an improvement of four places from its previous ranking in September 2008. India is placed at 78 in the same ranking.
- *Institutional Investor*, in its March 2009 country credit ratings of 177 countries, has placed South Africa at 50, which is a rise of three places compared to the previous ranking in September 2008. India is placed at 52 in the same ranking.
- *Export Credit Guarantee Corporation of India Ltd. (ECGC)* ranks countries in seven categories (A1, A2, B1, B2, C1, C2 and D) in ascending order of risk. It has placed South Africa in Group A2 of countries in the risk ratings of June 2009.

Bilateral Trade Relations with India

- India's exports to South Africa decreased by 26.1% from US\$ 2.7 bn in 2007-08 to US\$ 2 bn in 2008-09, underpinned by a fall in exports of petroleum products.
- India's imports from South Africa increased by 50.5% from US\$ 3.6 bn in 2007-08 to US\$ 5.4 bn in 2008-09, due to increase in import of gold, coal, coke and briquettes, and inorganic chemicals.
- As a result, India's trade deficit with South Africa widened to US\$ 3.4 bn in 2008-09 from US\$ 0.9 bn in the previous year.

- In 2008-09 (April-February), petroleum products (US\$ 467.9 mn), pharmaceutical products (US\$ 221.3 mn), transport equipment (US\$ 190.4 mn), machinery & instruments (US\$ 123.8 mn), manufactures of metals (US\$ 71.1 mn), gems and jewellery (US\$ 70.5 mn), readymade cotton garments (US\$ 50.8 mn), primary & semi-finished iron & steel (US\$ 44.4 mn), and plastic and linoleum products (US\$ 37.8 mn), were the principal commodities in India's export basket to South Africa.
- India's gold imports from South Africa amounted to US\$ 2.1 bn, accounting for 42.2% of India's total import from South Africa in 2008-09 (April-February). Other important items of exports included coal, coke & briquettes (US\$ 892.5 mn), inorganic chemicals (US\$ 650.8 mn), metalliferous ores & metal scrap (US\$ 492 mn), non-ferrous metals (US\$ 346.7 mn), and pearls precious and semi-precious stones (US\$ 82.2 mn).
- South Africa is India's **3rd largest** source for gold imports, accounting for 13.3% of India's total gold imports in 2008-09 (April-February), only after Switzerland and UAE.
- South Africa is India's **28th largest** source for FDI inflows. During April 2000 to July 2009, India's total FDI inflows from South Africa amounted to US\$ 93.7mn.
- Whereas, during April 1996 to December 2007, India's total approved FDI outflows to South Africa amounted to US\$ 81.7 mn.

Bilateral Missions

High Commissioner of India to South Africa

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High Commissioner of South Africa to India

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Macroeconomic Outlook

- Due to continued tough financing conditions, much weaker external demand and prices for South Africa's commodity exports (excluding gold) in 2009, South Africa's real GDP is expected to contract by 0.8% in 2009, before posting a recovery in 2010 as the global economy begins to recover.
- The rand is expected to make up some of its recent losses against the US dollar, but still is expected to depreciate to average R 9.5: US\$ 1 in 2009 and R 10.1: US\$ 1 in 2010.
- Inflation is expected to subside to 6.0% in 2009 and 5.4% in 2010, helped by the introduction of a new, re-weighted price index in January 2009 and weaker international commodity prices, for oil in particular.
- Current-account deficit is expected to narrow to 7% of GDP in 2009 and further to 6.3% of GDP in 2010.

South Africa: Economic Structure

| Economic Indicators | 2004 | 2005 | 2006 | 2007 | 2008^b |
|---|-------------|-------------|-------------|-------------|-------------------------|
| GDP at market prices (US\$ bn) | 216.4 | 242.8 | 258.0 | 283.7 | 280.3 |
| Real GDP growth (%) | 4.9 | 5.0 | 5.3 | 5.1 | 3.1 |
| Consumer price inflation (avg. %) | 4.3 | 3.9 | 4.6 | 6.5 | 11.3 |
| Population (mn) | 46.7 | 47.2 | 47.4 | 47.6 | 47.8 |
| Exports f.o.b. (US\$ mn) | 48,238 | 55,284 | 63,840 | 76,185 | 82,409 |
| Imports f.o.b. (US\$ mn) | 48,519 | 56,278 | 69,942 | 81,890 | 87,723 |
| Current account balance (US\$ bn) | -7.0 | -9.7 | -16.5 | -20.6 | -21.2 |
| Total International Reserves (US\$ bn) | 14.7 | 20.6 | 25.6 | 32.9 | 34.1 |
| Total external debt (US\$ bn) | 28.5 | 30.6 | 35.5 | 39.4 | 39.3 |
| Average exchange rate (R: US\$) Rand (R) is the local currency | 6.45 | 6.36 | 6.76 | 7.05 | 8.26 |

^b - Estimates

Source: EIU Country Reports.