

Country Insight Snapshot

South Africa

July 2019





OVERVIEW

OVERALL COUNTRY RISK RATING: DB4c

Moderate risk: Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.

A

Rating Outlook: Improving

CORE OUTLOOK

- + President Ramaphosa is pushing ahead with a political and economic reform agenda to improve governance and economic performance.
- + South Africa will continue to attract large amounts of FDI, which will remain a crucial source of finance to cover the current account deficit.
- The economy is being adversely affected by severe load-shedding imposed by the cash-strapped national power company Eskom.
- Property rights protection is uncertain, given potential land reforms that entail expropriation without compensation.

KEY DEVELOPMENT

The South African economy stalls in Q1 2019 amid deep power cuts affecting agriculture, mining and manufacturing.

CREDIT ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

G

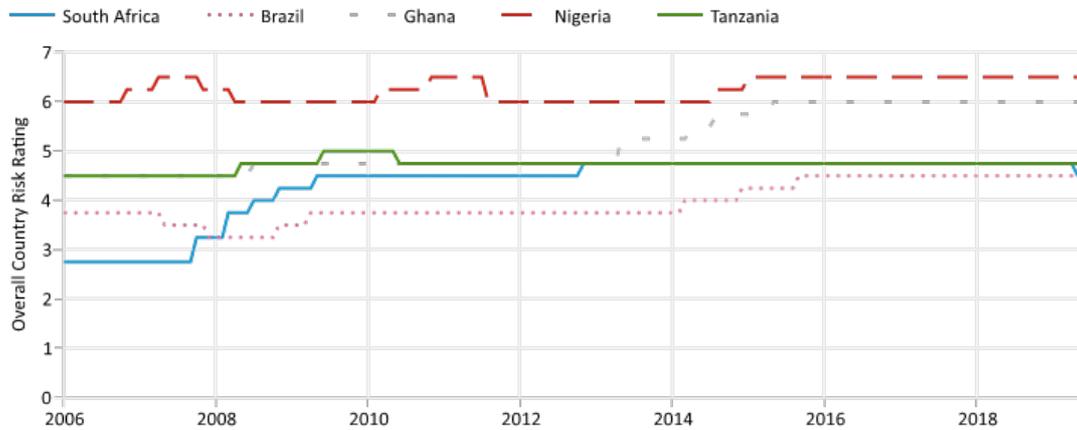
Trend: Stable

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

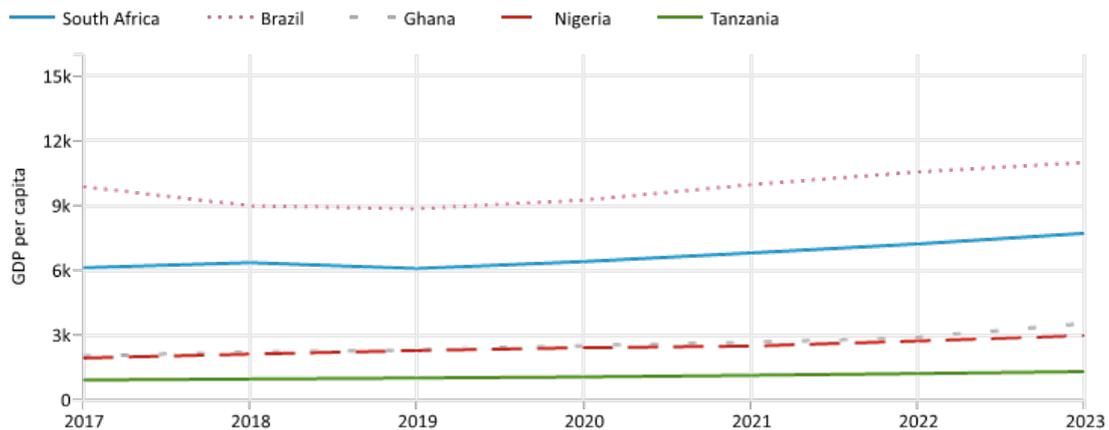
Rating History and Comparison



Source: Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

Industrial Production (Index)



Source: Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2016	2017	2018	2019f	2020f	2021f	2022f	2023f
C/A balance % GDP	-2.8	-2.5	-3.5	-3.4	-3.2	-3.2	-3.2	-3.0
Gold avg USD/ounce	1,249.0	1,257.6	1,269.2	1,310.2	1,314.7	1,320.3	1,322.5	1,323.8
Govt balance, % GDP	-3.8	-4.4	-4.4	-4.5	-4.3	-4.2	-4.1	-4.0
Inflation, annual avge %	6.3	5.3	4.6	4.4	5.0	5.5	5.5	5.5
Real GDP Growth, %	0.4	1.4	0.8	1.0	1.9	2.2	2.3	2.5

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The South African economy stalled in Q1 2019 as deep power cuts adversely affected output in various sectors. Subdued economic growth, downbeat business confidence and comfortable consumer price inflation could prompt the South African Reserve Bank to cut its benchmark interest rate in H2 2019 to help boost economic growth. Disappointing economic data and policy disagreements within the ruling ANC weighed on the South African rand in Q2 2019. President Ramaphosa has reshaped the cabinet and is pushing ahead with political and economic reforms that aim to tackle corruption, reassure investors and boost job creation. The authorities implemented a carbon tax in June, although allowances mean that the effective tax rate will remain very low until 2023 at the earliest. Currently, Dun & Bradstreet expects the economy to grow by 1.0% in 2019 and 1.9% in 2020. We continue to recommend LC terms in all trade dealings with South Africa.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: SD

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: LC

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-90 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

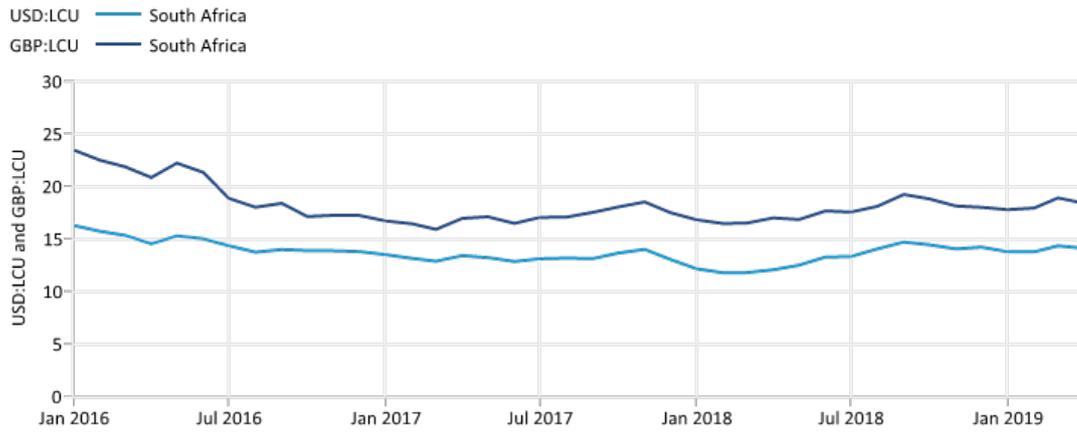
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



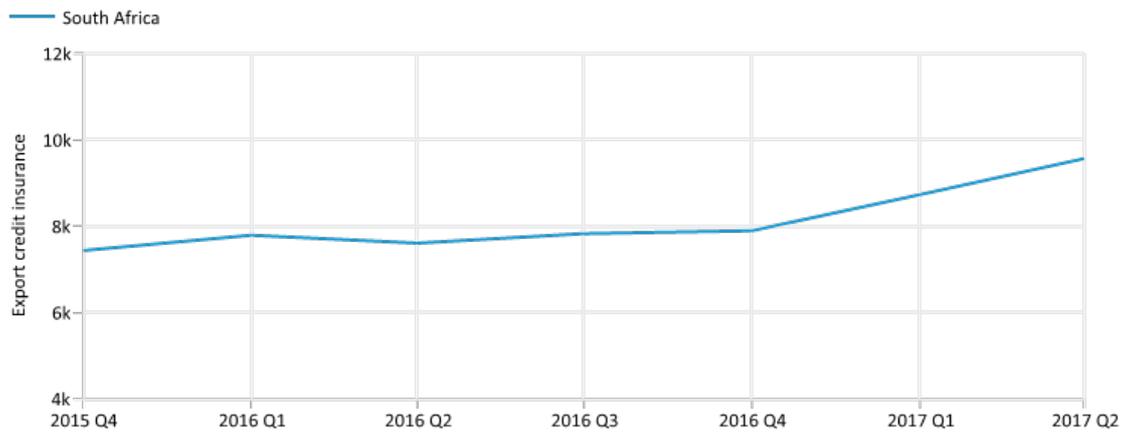
Exchange Rate



Source: International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = South African rand

Credit Conditions



Source: Export Credit Agencies

Insured export credit exposures, USDm; increase going into 2017 is partly due to methodology changes.



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Economy stumbles in Q1 2019

South African real GDP grew by 0.8% in 2018 and then surprisingly flatlined in Q1 2019. Real GDP declined by an annualised 3.2% q/q in Q1 2019, which was the equivalent of zero growth y/y for the quarter. The downturn was the worst quarterly outcome since the recession of 2009 and was largely as a result of deep power cuts that affected manufacturing, mining and agriculture. Other sectors that contracted were utilities, transport, trade and construction. On the other hand, personal services, finance and the government sector posted growth in Q1. In addition to the poor GDP data, consumer and business confidence indicators were generally downbeat during the first four months of 2019. The composite purchasing managers' index (PMI) was recorded at 49.3 in May and was just short of the 50.3 registered in April, which suggests a slight deterioration in the health of private sector business. General business confidence has slipped in each quarter since the beginning of 2018. Consumer confidence remains slightly more upbeat largely as a result of continued job creation and slightly higher wages over recent quarters.

Soft GDP data, weak household spending, subdued business confidence levels and modest consumer price pressures could prompt the South African Reserve Bank to cut its benchmark interest rate in July or soon thereafter, in order to spur faster economic growth. Annual consumer price inflation was just 4.5% y/y in May, which is comfortably within the central bank target range of 3.0-6.0%. Currently, we expect real GDP growth to pick up in H2 2019 as policy levers boost economic activity and sentiment improves. However, growth will remain modest and average 1.0% for the year as a whole, while faster real GDP growth of 1.9% is anticipated in 2020.

Business Regulatory Environment

Carbon tax implemented

The South African government implemented a carbon tax on 1 June. The initial carbon tax rate will be ZAR120 per tonne of CO₂ emissions, although various allowances create an effective rate of somewhere between ZAR6 and ZAR48 per tonne. The starting point in terms of tax burden is very light for South African industry and way below international standards, while large discounts will apply until 2023. The government believes the low initial rate will grant large emitters enough time to adjust their business to shoulder a higher rate thereafter, while prompting a switch in consumption and more investment in renewable technologies, especially during the mid-to-late 2020s.

However, South Africa's renewable energy road map remains a work in progress: highly uncertain and greater clarity on the direction of policy is required to attract larger investments into the renewable energy mix. Currently, the government is clearly focused on resolving the financial and structural issues at the state-owned electricity company Eskom, and once this headache is resolved there could be more attention paid to better tackling climate change and greener energy policies.



COUNTRY PROFILE AND STATISTICS

Overview

South Africa is situated at the southern tip of Africa and is a driving force behind regional trade through the Southern African Development Community (SADC) and the more compact Southern African Customs Union (SACU). South Africa has a diversified economy, well-developed banking and business services sectors, strong trade-facilitating infrastructure and a skilled workforce. The economy is open to foreign investment and is highly industrialised by regional standards. The country does suffer from power outages, industrial strike action and a high cost of time in major urban areas. The African National Congress (ANC) party has dominated national politics since 1994. Cyril Ramaphosa became national president in February 2018 (following the resignation of former president Jacob Zuma). He was re-elected as president in May 2019 and the ANC retained its parliamentary majority. South Africa is attempting to improve its government effectiveness, enhance the business environment and raise the country's attractiveness as an investment destination.

Key Facts

Key Fact	Detail
Head of state	President Cyril RAMAPHOSA
Capital	Tshwane/Pretoria
Timezone	GMT +02-00
Official languages	Eleven, including- Xhosa, Zulu, Afrikaans & English
Population (millions)	57.8
GDP (USD billions)	368.1
GDP per capita (USD)	6,370
Life expectancy (years)	62.0
Literacy (% of adult pop.)	94.4
Surface area (sq km)	1,219,090

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2014	2015	2016	2017	2018
Real GDP growth (%)	1.8	1.2	0.4	1.4	0.8
Nominal GDP in USDbn	351	318	296	349	368
Nominal GDP in local currency (bn)	3,805	4,050	4,359	4,654	4,874
GDP per Capita in USD	6,433	5,734	5,271	6,129	6,370
Population (year-end, m)	54.5	55.4	56.2	57.0	57.8
Exchange rate (yr avge, USD-LCU)	10.8	12.8	14.7	13.3	13.2
Current Account in USDbn	-17.7	-14.6	-8.4	-8.9	-13.0
Current Account (% of GDP)	-5.1	-4.6	-2.8	-2.5	-3.5
FX reserves (year-end, USDbn)	44.3	41.6	42.6	45.5	46.5
Import Cover (months)	4.6	5.0	5.7	5.5	5.4
Inflation (annual avge, %)	6.1	4.6	6.3	5.3	4.6
Govt Balance (% GDP)	-4.3	-4.1	-3.8	-4.4	-4.4

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2019f	2020f	2021f	2022f	2023f
Real GDP growth (%)	1.0	1.9	2.2	2.3	2.5
Nominal GDP in USDbn	357	381	409	440	475
Nominal GDP in local currency (bn)	5,137	5,492	5,914	6,376	6,886
GDP per Capita in USD	6,092	6,417	6,817	7,237	7,728
Population (year-end, m)	58.6	59.3	60.0	60.8	61.5
Exchange rate (yr avge, USD-LCU)	14.4	14.4	14.5	14.5	14.5
Current Account in USDbn	-12.0	-12.0	-13.1	-13.9	-14.4
Current Account (% of GDP)	-3.4	-3.2	-3.2	-3.2	-3.0
FX reserves (year-end, USDbn)	48.0	49.0	49.5	49.5	50.0
Import Cover (months)	5.5	5.6	5.6	5.6	5.6
Inflation (annual avge, %)	4.4	5.0	5.5	5.5	5.5
Govt Balance (% GDP)	-4.5	-4.3	-4.2	-4.1	-4.0

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	S. Africa	Brazil	Ghana	Nigeria	Tanzania
Income per Capita (USD)	6,092	8,871	2,323	2,297	1,018
Country Population (m)	58.6	210.7	30.1	201.0	60.9
Internet users (% of population)	54.0	59.7	34.7	25.7	13.0
Real GDP Growth (% p.a., 2019 - 2028)	1.5 - 2.5	1.0 - 2.0	4.5 - 5.5	5.5 - 7.0	5.5 - 7.0

Source: Various sources/Dun & Bradstreet



LINKS

User Guide

Please click [here](#) to visit our online user guide.

Other Dun & Bradstreet Products and Services

Sales

Email: countryinsight@dnb.com
Telephone
UK: +44 (0)1628 492700
US: +1 800 234 3867
Rest of World
contact your local office
or call +44 1628 492700

Publisher

Dun & Bradstreet
Marlow International
Parkway
Marlow
Bucks SL7 1AJ
United Kingdom
Tel: 01628 492000
Fax: 01628 492929
Email: countryinsight@dnb.com

Dun & Bradstreet provides information relating to more than 285m companies worldwide. Visit www.dnb.com for details. Additional information relevant to country risk can be found in the online *International Risk & Payment Review*, which provides timely and concise economic, political and commercial information and analysis on 132 countries. This subscription-based service (www.dnbcountryrisk.com) carries essential information on payment terms and delays. It also includes the unique Dun & Bradstreet Country Risk Indicator to help monitor changing market conditions

Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

Disclaimer

Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.