

# **PRESENTATION TO THE HUNGARY - AFRICA BUSINESS SEMINAR**

**BUDAPEST, 17 MAY 2018**



# AFRICA — A CONTINENT ON THE MOVE

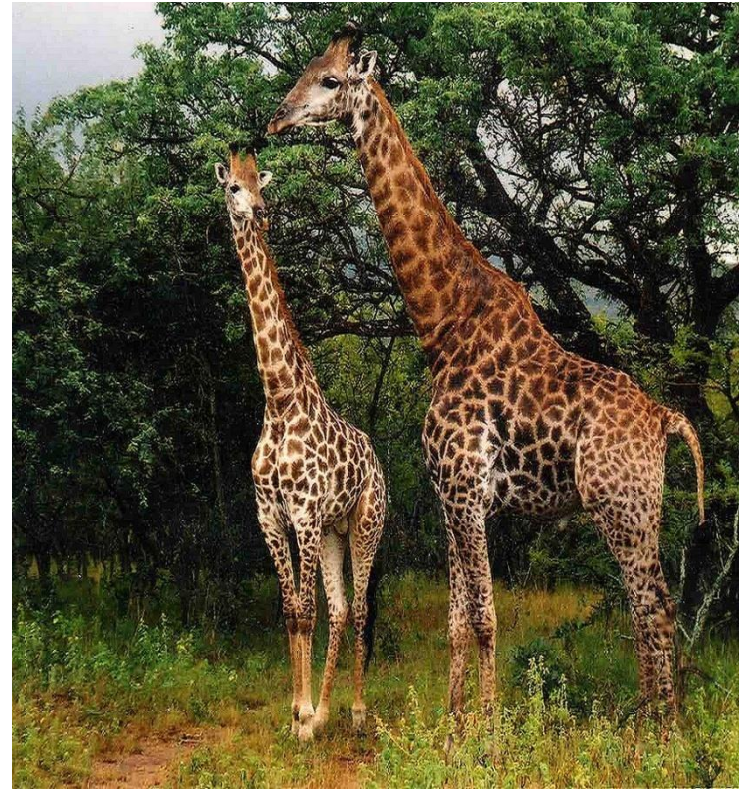
- Africa is entering a new era of growth and development - currently the second fastest growing region in the world
- In the past decade Africa has grown at a rate of 2-3 % faster than global GDP
- Africa's growth is predicted to reach 4.3% in 2018 (from 3.4% in 2017 and 2.2% in 2016)
- Around 60% of Africa's population is under the age of 25
- Africa's youth will contribute significantly to the Continent's competitiveness in the future
- The Africa Union's Agenda 63 serves as basis for Africa's long term social and economic transformation

# AFRICA — A CONTINENT ON THE MOVE

## CHALLENGES and OPPORTUNITIES

- Africa's infrastructure needs to be brought on par with world standards
- Africa's basket of exports still commodity based, therefore exposure to price fluctuations
- The focus is now on industrialisation, diversification and a shift to production of intermediate and final products
- The need for Africa to get on board the fourth industrial revolution – increase in digitalisation and use of cutting edge technologies are critical
- Job-creation - The opportunity for a revolution in productivity and growth can only be achieved if enough jobs are created

# Focus on South Africa



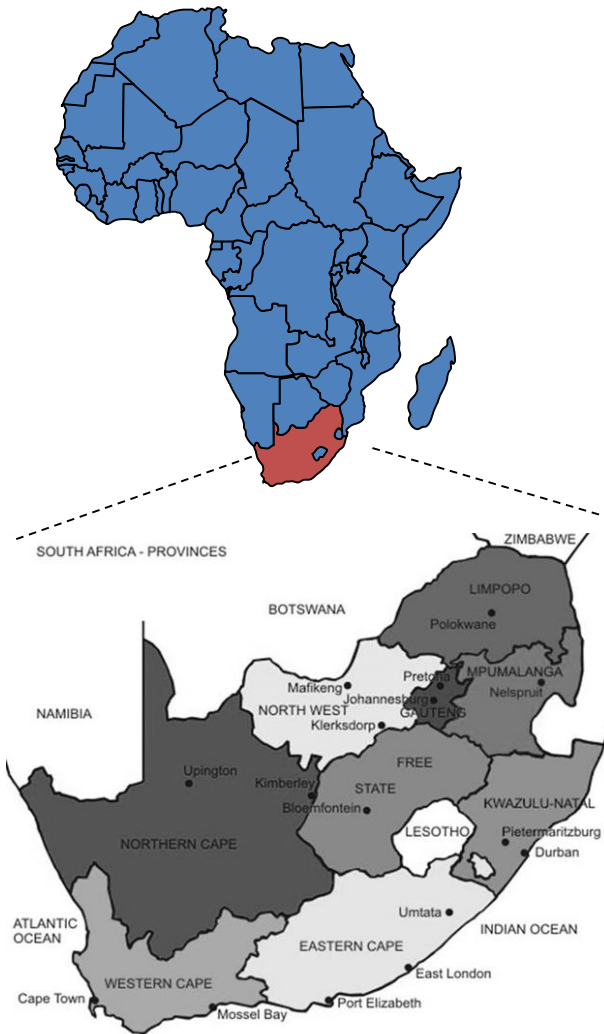
# FOCUS ON SOUTH AFRICA

- On 15 February 2018 President Cyril Ramaphosa was inaugurated as President
- On 16 April 2018 President Cyril Ramaphosa launched the New Investment Drive with the aim to raise \$100 million FDI over the next five years, mentioning the following:
  - ❖ After several difficult years, “South Africa has entered a new era of hope and confidence” and is set on a path to **economic renewal**
  - ❖ **Moody’s credit rating** of SA on 22 March 2018 – affirming SA’s “investment-grade” rating and revising the credit outlook from negative to “stable”
  - ❖ The recent assessment by **Goldman Sachs** that SA is at the top of the list of potential candidates to be the “next big emerging market story”
  - ❖ The growth in **business confidence**, strengthening of the Rand and improved growth estimates since the beginning of the year
  - ❖ In short, South Africa is emerging as an increasingly **attractive investment destination**
- He announced the appointment of 4 Presidential Special Envoys for investment (former Finance Minister Trevor Manuel, former Deputy Finance Minister Mcebisi Jonas, former CEO of Standard Bank Jacko Maree, former Executive Chair of Afropulse Phumzile Langeni)
- He announced the hosting of an Investment Conference in August or September 2018
- The main objective is to address the triple challenges of poverty, inequality and unemployment

# FOCUS ON SOUTH AFRICA – economic relations

- South Africa's trade with EU countries is governed by:
  - **TDCA** (the bilateral Trade, Development and Co-operation Agreement of 1999 between South Africa – EU )
  - **SADC-EU EPA** (Economic Partnership Agreement of 2016) – providing preferential access to each other's markets
- A major part of SA's economic drive is to accelerate **economic integration** in Southern Africa and the Continent
- In March 2018 South Africa signed the **African Continental Free Trade Area** that will create a single market for goods and services, free movement of investment and people
- It will create new opportunities for FDI, especially for production at scale and Continent-wide market access

# South Africa at a glance



- Area 1.22 million km<sup>2</sup>
- Population 55.91 million
- Head of the State: President Cyril Ramaphosa
- 11 Official languages with English the business language
- Total GDP: 2017 R4.65 trillion (US\$ 295.68 bn )
- GDP 2017 per capita: R76 498 (US\$ 5 316)
- Real GDP Growth: 1.3% (2017)
- Inflation (CPI): 5.19% (2017 annual average)
- Main trading partners: China, USA, Japan, Germany, India
- Main Exports: vehicles and  
& transport equipment, minerals & mineral products, precious metals & metal products, machinery & electronics



# South African Trade 2017

Export Partners		R bn
1.	China	115,5
2.	USA	88,7
3.	Germany	83,9
4.	Japan	55,5
5.	India	55,6
...		
68.	Hungary	1,5

Import Partners		R bn
1.	China	202,9
2.	Germany	127,4
3.	USA	72,8
4.	India	52,2
5.	Saudi Arabia	51,2
...		
50.	Hungary	3,4

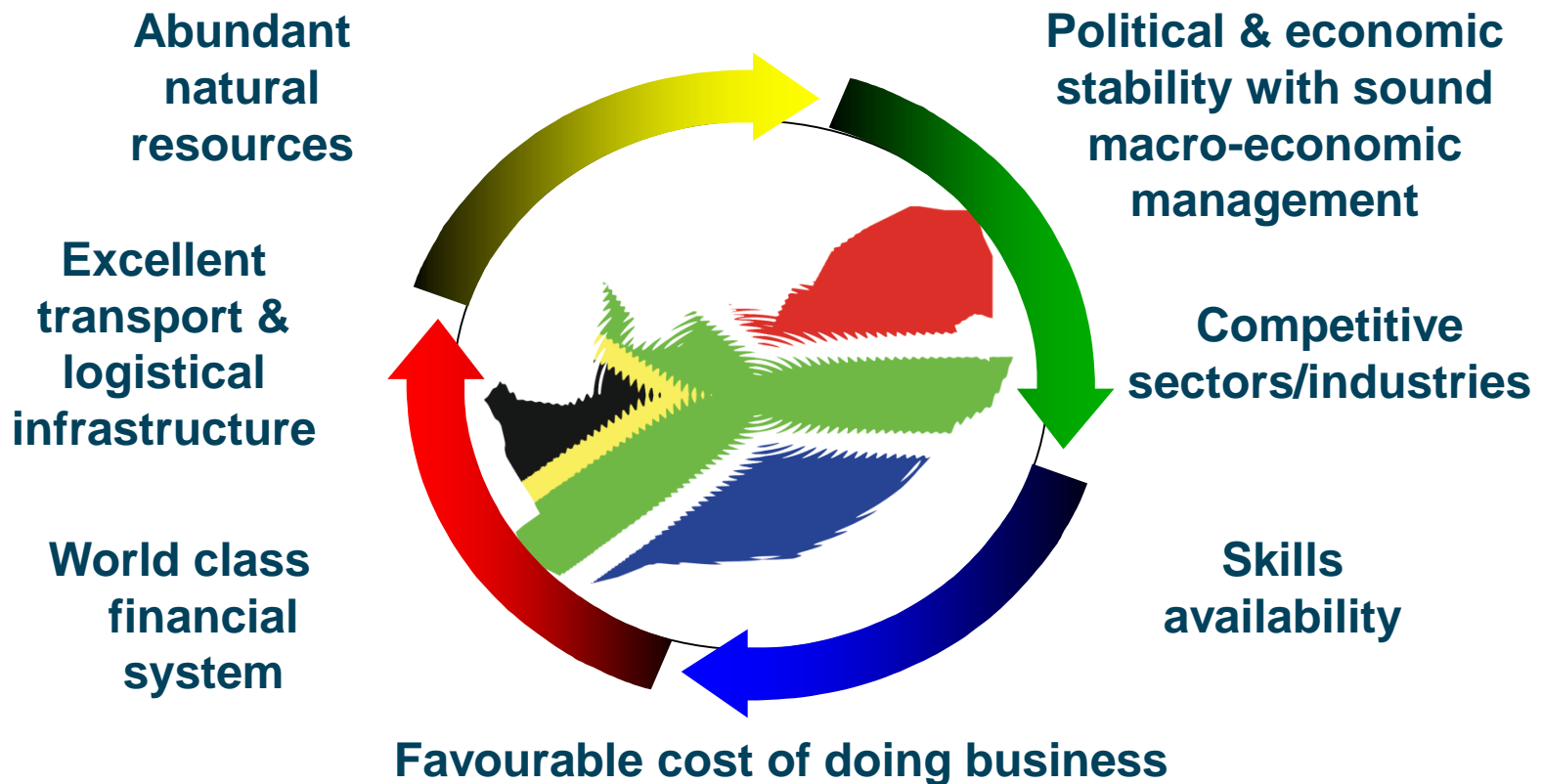


# Bilateral Trade with Hungary (2017)

- **SA exports: US\$ 111.47 million** (Source: SARS)  
Transport vehicles (52.2%); Centrifuges & apparatus for liquids and gas (vehicle catalysers) (52%); Grain split leather (7.7%) – (Source: dti)
- **SA imports: US\$ 257.8 million** (Source: SARS)  
Vehicles & parts (37.4%); machinery (32.9%); Chemicals (5.7%); sanitary towels & napkins (4.6%); furniture (4.6%) – (Source: dti)
- **Trade deficit : US\$146.33 million**

# South Africa's investment environment

South Africa today is one of the most sophisticated and promising emerging markets globally, mainly because of ...



# Strategic Context

- Government's vision for inclusive growth & development – creating decent jobs and equity
- Developing a globally competitive economy that produces and trades with the rest of the world in innovative & value added products & services
- Create 5 million jobs by 2020
- Beneficiate of own minerals and natural resources
- Further develop physical industrial infrastructure
- Regional economic integration and industrial development

# Government Nine-Point Plan to stimulate growth

1. Revitalising [Agriculture and the Agro-processing](#) value chain
2. Adding value to SA's [mineral wealth](#) (advancing [beneficiation](#), engineering and the metals value chain)
3. Prioritise implementation of the Industrial Policy Action Plan
4. Unlocking the potential of [Small, Medium and Micro Enterprises \(SMMEs\)](#), cooperatives and township enterprises
5. Operation Phakisa (Oceans Economy, Mining, [Health, Tourism, Skills development](#))
6. Encouraging [Private Sector Investment](#)
7. Resolving the [Energy](#) Challenge
8. Moderating Workplace conflict
9. State Reform and boosting the role of State-Owned Enterprises, [ICT infrastructure and broadband roll-out, sanitation](#) and transport infrastructure

# Priority Sectors For FDI

- Advanced Manufacturing
- Nanotechnology
- Metals
- Mining & Beneficiation
- Biofuels
- Agribusiness
- Automotive & Components
- Capital Equipment
- Precision engineering
- Aerospace
- Film production
- Tourism
- Oil & Gas
- Boat Building
- ICT and electronics
- BPO (Business Processing & Outsourcing) and Call Centres
- Chemicals & Biochemicals
- Plastics & Composites
- (Bio) Pharmaceuticals & Medical Devices
- Leather and footwear
- Forestry products & Furniture
- Energy and Renewables
- Infrastructure Development
- Waste Management
- Energy Efficiency & Cleaner Technology

# Investing into South Africa's Automotive Industry



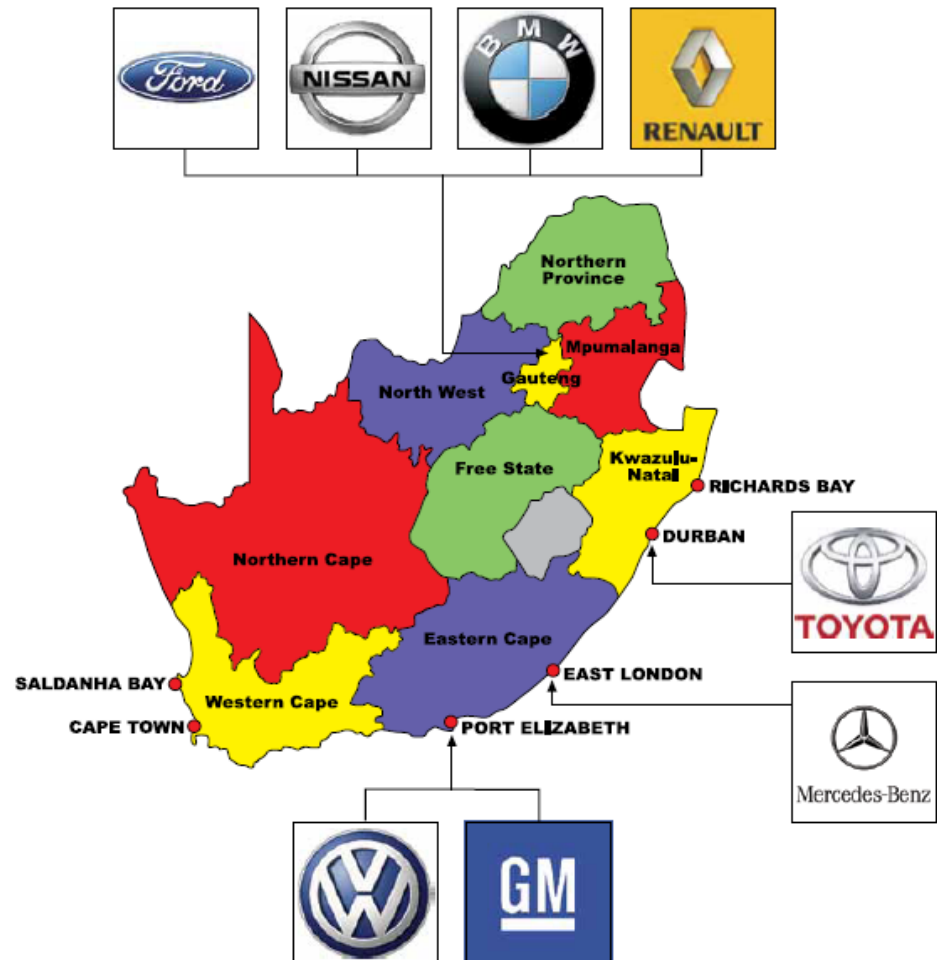
# Automotive industry

- The Automotive Industry is the largest manufacturing sector in the SA economy
- Projected vehicle production in 2020 is around 1 million which will result an industry's contribution to SA GDP of around 10%
- BMW committed R6bn in 2017 for upgrading of Rosslyn plant to produce X3 models
- Mercedes Benz South Africa (MBSA) invested R200m for the production of AMG models and further R467m for production of the C Class sedan & C350 models
- FORD SA is expanding operations in South Africa



# SA Automotive Industry: Structure

- Japanese vehicle manufacturers represented in SA – Nissan/Renault and Toyota are both wholly owned subsidiaries.
- Other Multinational manufacturers, Mercedes Benz, BMW, VW, General Motors, and Ford are also 100% controlled subsidiaries
- Other major marques imported – European (Peugeot/Citroen), Japanese (Daihatsu, Honda, Subaru), Korean (Daewoo, Hyundai, Kia), Indian (Tata, Mahindra), with Chinese brands recently entering the SA market (Chery, Chana, Foton, GWM)
- More than 400 auto component suppliers including global first tier suppliers such as Faurecia, Johnson Controls and Benteler



# Composition of SA Vehicle exports by major regions

## 2014 – 2016

	2014	2015	2016
Africa	61 839	42 234	21 564
Europe	116 077	173 805	195 764
North America	48 408	54 000	52 430
Asia	33 520	34 306	47 616
Australasia	14 610	22 948	22 735
South America	2 482	6 554	4 750

# Component manufacturing in South Africa

Engine, Transmission  
and Body Parts

Brakes, Wheels,  
Shock absorbers

Suspension,  
Exhausts,  
Windscreens

Electrical, Batteries  
& Filters

Interiors



# Green Economy Subsectors

- Renewable energy: wind, solar, biogas, biomass - focus on manufacturing of components
- Waste Management and Waste to Energy
- Energy efficiency and demand management
- Biofuels – gas to energy



# Special Economic Zones (SEZS)

- Government has identified Special Economic Zones as a mechanism to stimulate economic growth and development
- Special Economic Zones are developed in designated areas to promote targeted economic activities
- SEZs are supported by special incentives, business support services, streamlined approval processes and infrastructure

# SPECIAL ECONOMIC ZONES

- **Coega - Eastern Cape:** (Automotive, agro-processing, business process services, aquaculture)
- **East London – Eastern Cape:** (Automotive, agro-processing, aqua-culture)
- **Richards Bay port – Kwazulu-Natal** (Manufacturing and storage of mineral products)
- **OR Tambo International Airport:** (Minerals and metals, light high margin export orientated precious and semi-precious metals)
- **Dube trade Port – Kwazulu-Natal:** (Agro-zone, fashion garments, automotive and electronics)
- **Saldanha Bay - Western Cape:** (Oil and gas, manufacturing of marine vessels and repair, logistics)





## DUBE TRADEPORT





EAST LONDON IDZ



COEGA



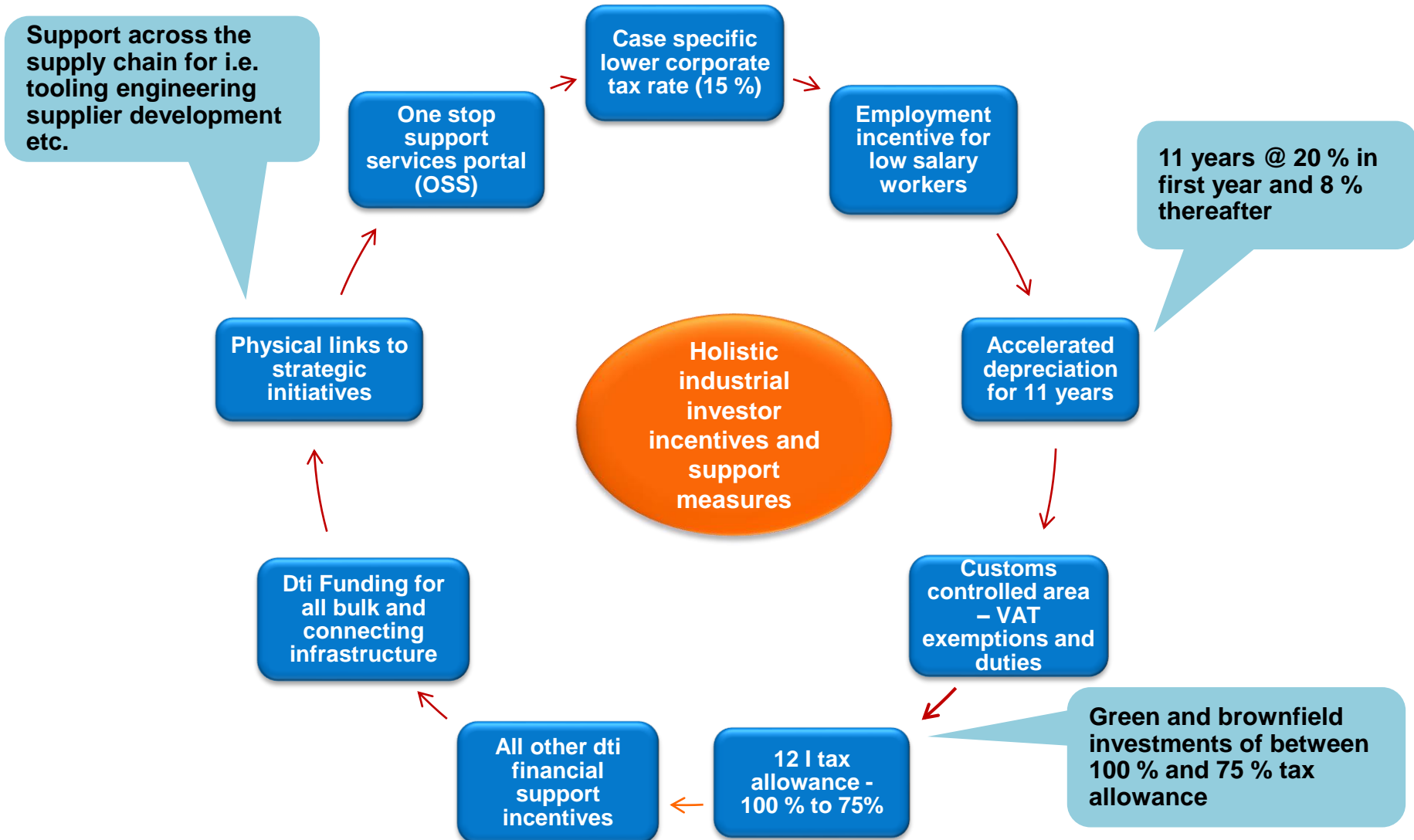


SALDANHA BAY



RICHARDS BAY

# Value Proposition



# **SOUTH AFRICA IS OPEN FOR BUSINESS**

- We have identified our needs for economic growth and development
- We have a strategy and comprehensive plan to reach our goals
- We have identified priority sectors for FDI
- We have located Special Economic Zones in designated areas
- We have developed attractive incentives to do business in South Africa



THANK YOU

KÖSZÖNÖM

