



DOING BUSINESS IN SOUTH AFRICA

Updated 28.4.2023



Market profile

South Africa is the third largest market in Africa by GDP. It has a modern business infrastructure and a dynamic business culture, making it a good entry point to the continent.

South Africa is a member of BRICS, African Union (AU) and the Southern African Development Community (SADC).

In 2020 South Africa was the number 38 economy in the world in terms of GDP (current US\$), the number 36 in total exports, the number 42 in total imports, the number 97 economy in terms of GDP per capita (current US\$) and the number 54 most complex economy according to the Economic Complexity Index (ECI).

Economy and business structure

South Africa has a stable economy with modern and efficient legal and financial sectors.

- GDP: US\$804.69 billion
- GDP Growth: 0.15%
- Inflation: 4.13%
- Unemployment: 28.18%
- GDP by Sector:
 - Agriculture, forestry, and fishing: 2.4%
 - Mining and quarrying: 8.1%
 - Manufacturing: 13.2%
 - Electricity, gas & water: 3.8%
 - Construction: 3.9%
 - Wholesale & retail trade, restaurants, hotels: 15.0%
 - Transport and communications: 9.8%
 - Finance, insurance, real estate, etc.19.7%
 - Public administration and defense; compulsory social security: 18.1%
 - Arts, entertainment, recreation, and Other service activities: 5.9%
- 2nd highest GDP in Africa (after Nigeria)
- Largest exporter in Africa (21.5% share of Africa's exports)

FACTS

- Merchandise exports from Finland: 474 mEUR
- Main exports: mining (gold, platinum, iron coal, diamonds), cars, agriculture
- Main imports: fuel, pharmaceuticals, vehicle parts, connectivity equipment
- Capital cities: Pretoria (executive) Cape Town (legislative), Bloemfontein (judicial).
- Largest city: Johannesburg
- 11 official languages, main business language: English
- Area: 1 221 037 km²
- Population: 60 million

- Largest importer in Africa (18.9% share of Africa's imports)
- 3rd largest trade in services exporter in Africa (after Egypt & Morocco) – 14.7% share

Key industries and their trends

GDP relies on the Finance and Services sector (22%), followed by Government (17%), Trade (15%), Manufacturing (14%), Mining (8,%) and Agriculture (3%). Services, Industry and Agriculture are the main drivers of employment.

- The country's economy is reasonably diversified with key economic sectors including mining, agriculture and fishery, vehicle manufacturing and assembly, food processing, clothing and textiles, telecommunication, energy, financial and business services, real estate, tourism, transportation, and wholesale and retail trade.
- South Africa's banking sector ranks as one of the best regulated and well capitalised in the region, and additional regulatory changes are set to bring further improvements to the industry's soundness and stability
- Manufacturing is dominated by industries such as automotive, chemicals, information and communication technology, electronics, metals, textiles, clothing and footwear.

Consumer Sentiment in Retail Insights for South Africa October 2019 (Deloitte):

- South Africans have become increasingly price-conscious and seek value in their purchases.
- While less than 2% of total retail sales in South Africa are made online (compared to more than 10% globally), eCommerce has started recently to gain traction in the local market.
- Consumers value innovative in-store facilities that provide additional non-traditional retail services such as accessing government services; or financial services, such as money transfer services, lending, and insurance products.
- South African consumers have become increasingly aware of the importance of sustainability and the environmental impact their purchasing decisions and shopping habits have.
- Compared to the other main topics, ethics or reputation dominate retail-related social media conversations in South Africa. Consumers are quick to criticise retailers for their behavior and point out (real and perceived) ethical shortcomings.

Structural challenges and weak growth have undermined progress in reducing poverty, which have been heightened by the COVID-19 pandemic. The achievement of progress in household welfare is severely constrained by rising unemployment, which reached an unprecedented 35.3% in the fourth quarter of 2021. The unemployment rate is highest among youths aged between 15 and 24, at around 66.5%.

South Africa remains a dual economy with one of the highest, persistent inequality rates in the world, with a consumption expenditure Gini coefficient of 0.67 in 2018. High inequality is perpetuated by a legacy of exclusion and the nature of economic growth, which is not pro-poor and does not generate sufficient jobs. Inequality in wealth is even higher and intergenerational mobility is low meaning inequalities are passed down from generation to generation with little change over time.

Important things to consider when doing business in South Africa

- Business hours are Monday to Friday from 08h30 to 17h00
- English is the spoken language of business
- Dress is conservative but not formal
- South Africans tend to prefer to do business with people they have met before. They are known for being warm and inviting and a bit of relationship building will go a long way to cementing business arrangements.
- South Africans value hard work and applaud those who have succeeded – but they tend to prioritise other aspects of life such as family, good living, and friendships.
- Punctuality is important; however, depending on the client's culture, it may be necessary to wait patiently. Government officials are often late.
- Schedule appointments a fair amount of time in advance and confirm the day before the meeting

Market data sources and other useful links

- The Department of Trade, Industry and Competition
<http://www.thedtic.gov.za/>
- InvestSA - Equivalent to Business Finland (Part of the DTIC)
<http://www.investsa.gov.za/>
- Stats SA – Statistics South Africa
<http://www.statssa.gov.za/>
- South Africa Chamber of Commerce & Industry
<http://www.sacci.org.za/>
- Ministry of Finance
<http://www.treasury.gov.za/ministry/>
- Tax Agency
<https://www.sars.gov.za/Pages/default.aspx>
- Reserve Bank of South Africa
<https://www.resbank.co.za/Pages/default.aspx>

Doing Business in South Africa

- Doing Business in South Africa (The Mazars Business and Taxation Guide South Africa)
<https://www.mazars.co.za/Home/Our-expertise/Tax/Doing-Business-in-South-Africa>
- Doing Business in South Africa, World Bank Report
<https://www.doingbusiness.org/content/dam/doingBusiness/country/s/south-africa/ZAF.pdf>
- Establishing a business in South Africa
<https://www.gov.za/issues/starting-your-own-business-0>