



For the project Ikapa Izinto

South Africa's Financial System: Potential and Challenges Review





Economy of South Africa

The economy of South Africa is the largest economy in Africa, ahead of Egypt and Nigeria, and ranks **34th** in the world in terms of GDP (share of the world economy **~0.38%**) according to the International Monetary Fund (IMF) for 2023:

- **Nominal GDP:** ≈ \$399 billion (2022 - \$405.7 billion / 0.40%)
- **GDP at PPP (purchasing power parity):** ≈ \$958 billion (45th place)
- **GDP per capita (nominal):** ≈ \$6,530
- **Part of the G20, BRICS group and the African Continental Free Trade Area (AfCFTA).**
- **Has agreements with the EU (Economic Partnership Agreement) and the US (AGOA - preferential market access).**
- **Main industries:** mining (gold, platinum, coal), finance, industry, agriculture.

South Africa is an active participant in international trade, with its main trading partners being both major global economies and key regional players. The South African economy relies on the export of raw materials, but is developing processing industries. South Africa's main export categories are: platinum (13.7%), coal (11%), iron ore (5.3%), passenger cars (4.7%), gold (4.3%), ferroalloys (3.5%).

✓ Main export partners (2024):

1. **China \$12.41 billion (11.2%)** – mineral resources, metals, fruits.
2. **USA \$8.23 billion (7.5%)** – platinum, cars, mechanical engineering.
3. **Germany \$7.30 billion (6.6%)** – precious metals, car components.
4. **Japan \$4.89 billion (4.4%)** – coal, ores, fruits.
5. **India \$4.75 billion (4.3%)** – gold, coal, chemicals.
6. **Great Britain \$6.32 billion (5.1%)** – jewelry, wine.
7. **Netherlands \$4.28 billion (3.9%)** – agricultural products, oil products.
8. **Botswana (regional partner) \$4.33 billion (3.9%)** electricity, processed products.
9. **Namibia, Mozambique (regional partners)** – electricity, processed products.

The main categories of imports are: oil and oil products (16.7%), passenger cars (4%), communications equipment and telecommunications equipment (3.1%), computing equipment (1.8%).

✓ Main import partners (2024):

1. **China \$21.77 billion (21.5%)** – electronics, machinery, textiles.
2. **India \$7.32 billion (7.2%)** – medicines, petroleum products, rice.
3. **Germany \$7.1 billion (7%)** – automobiles, equipment, chemicals.
4. **USA \$6.98 billion (6.8%)** – machinery, pharmaceuticals, petroleum products.
5. **India \$8.36 billion (7.5%)** – medicines, petroleum products, rice.
6. **Thailand \$3.22 billion (3.2%)** – electronics, automobile parts.
7. **Oman \$2.97 billion (2.9%)** – oil, petroleum products.
8. **UAE \$2.97 billion (2.9%)** – petroleum products, titanium.
9. **Nigeria \$2.55 billion (2.5%)** – oil products, fertilizers, aluminum products.
10. **Saudi Arabia \$2.47 billion (2.4%)** – oil, oil products



Financial system of South Africa

South Africa has one of the most developed financial systems in Africa, combining modern institutions and deep capital markets. However, structural problems in the economy, political instability and external shocks create significant risks for investors and businesses.

✓ Key players in the South African financial market

1. Regulators and Supervisory Authorities

- **South African Reserve Bank (SARB)** – the central bank, responsible for monetary policy and the stability of the financial system.
 - **The Prudential Authority** is a division of the SARB that oversees the soundness of banks and insurance companies.
- **Financial Conduct Authority (FSCA)** – regulates the behaviour of market participants (protecting investors, combating fraud).
- **Exchanges:**
 - **JSE Limited (Johannesburg Stock Exchange)** – the world's largest marketplace for trading shares, bonds and derivatives.
 - **Cape Town Stock Exchange (CTSE)** – an alternative exchange for small and medium-sized enterprises (SMEs).





The FSCA ensures the stability of financial markets; drives financial sector transformation to improve access; promotes fair treatment of financial customers through a robust regulatory framework; provides accessible financial education and financial literacy to the public; and helps maintain the efficiency and integrity of financial markets through innovation. **The Prudential Authority** monitors the financial soundness of banks and insurers by monitoring insurance companies and investment funds, supervising banks, including conduct supervision, and aims to prevent systemic crises.

2. Financial institutions

Banking sector

- **Commercial banks:** Standard Bank, FirstRand (FNB), Absa, Nedbank.
- **Investment banks:** Rand Merchant Bank (RMB), Investec.
- **Foreign banks:** Citibank, HSBC, Barclays.

Non-bank financial institutions

- **Insurance companies:** Old Mutual, Sanlam, Liberty.
- **Pension funds:** GEPP (state), private management companies.
- **Collective investment schemes:** Unit Trusts, ETF (Allan Gray, Coronation Fund Managers).

3. Institutional investors

- **State:**
 - **GEPP (Government Employees Pension Fund) – the largest pension fund.**
- **Private:**
 - **Hedge funds, Private Equity funds.**
 - **Asset managers** (for example, Ninety One).

4. Retail participants

- **Private investors** (through brokers: EasyEquities, EE, IG).
- **Small businesses** (use CTSE to raise capital).

5. International participants

- **Global investors (funds listed on the JSE)**
- **International organisations: IMF, World Bank, BRICS.**

Scheme of interaction between participants:



SARB (PRA) → Resilience Supervision
FSCA → Participant Conduct Supervision
JSE & CTSE → Trading Venues
Banks/Insurers/Funds → Major Players
Investors (Institutional/Retail) → Asset Buyers



✓ Strengths of the South African financial system

1. Developed banking system

- South Africa has the largest banking sector in Africa with a total Tier 1* capital of \$42.2 billion (2022).
- 4 leading banks (Standard Bank, FirstRand, Absa, Nedbank) are in the TOP-10 largest banks on the continent.
- High level of regulation (compliance with Basel standards) and developed digital banking infrastructure.

**What is Tier 1 (Capital Tier 1)?*

Tier 1 (Tier 1 Capital) is a key indicator of a bank's financial strength, representing the most reliable and liquid sources of capital. It is used to assess the bank's ability to absorb losses without ceasing operations.

What does Tier 1 consist of?

1. **Common Equity Tier 1 (CET1) – the most reliable part:**
 - Share capital (ordinary shares).
 - Retained earnings.
 - Other reserves (e.g. subordinated debt with provisions for conversion into shares).
 - Minus: intangible assets, goodwill, losses.
2. **Additional capital (Additional Tier 1, AT1) – less stable, but still reliable:**
 - Perpetual subordinated bonds.
 - Hybrid instruments (e.g. convertible securities).

Why does Tier 1 need?

- Regulatory requirements (Basel III): Banks must maintain a minimum level of CET1 ($\geq 4.5\%$) and Tier 1 ($\geq 6\%$) of risk-weighted assets (RWA).
- Stability indicator: the higher the Tier 1, the lower the risk of bankruptcy of the bank.
- For investors: High Tier 1 is a sign of the reliability of the bank (for example, South African banks like Standard Bank have CET1 ~13-14%).

2. Deep and liquid capital market

There are two stock exchanges in South Africa: the Johannesburg Stock Exchange (JSE) and the Cape Town Stock Exchange (CTSE).

- The Johannesburg Stock Exchange (JSE) is the 17th largest in the world by market capitalization (~\$1.3 trillion) and a key trading venue, acting as a regional financial hub, attracting investors from other African countries with equities (including dual listings of international companies), bonds (government and corporate), and derivatives (futures, options on currencies and commodities).
- The Cape Town Stock Exchange (CTSE), established in 2014, positions itself as a platform for small and medium-sized companies that find it difficult to list on the JSE with less stringent regulations, making it attractive to start-ups and growing businesses with trading in equities, bonds and other financial instruments. Subordinate to the Financial Sector Conduct Authority (FSCA) of South Africa.

3. Diversified economy with strong export potential



● Weaknesses of South Africa's financial system

South Africa has been experiencing chronically low economic growth for over a decade. In 2023, GDP growth was only 0.6%, well below the country's potential. This is the result of the interaction of structural, macroeconomic, political and external factors. Let's look at them systemically.

✓ South Africa's Slow Economic Growth

➤ Structural problems of the economy

Raw material dependence and deindustrialization

- **Dominance of the mining sector (platinum, gold, coal)**, which accounts for up to 30% of exports but only 7.5% of GDP (down from 21% in the 1980s) and suffers from depletion of deposits, high costs and strikes.
- **Shrinking manufacturing (12% of GDP versus 20% in the 1990s)**: lack of competitiveness due to expensive electricity and logistical problems and increased imports instead of developing local production.

Energy crisis

- Eskom (state power company) is the main brake on growth:
 - o Outdated coal-fired power plants (average age – 40 years), frequent accidents;
 - o Power outages (load-shedding) have become chronic – 288 days in 2023;
 - o Losses to the economy: up to \$50 billion over 5 years (according to Deloitte).
- Lack of investment in renewable energy, although South Africa has huge potential for solar and wind energy.

Low labor productivity

- **Unemployment 32% (60% among young people) → poor use of labor resources;**
- **Ineffective education system → shortage of qualified personnel;**
- **Strict labor laws make it difficult to create new jobs**





➤ **Macroeconomic imbalances**

Budget crisis and growing public debt

- Public debt – 72% of GDP (in 2008 – 26%) → risks of sovereign default;
- Budget deficit – 4.5% of GDP → forced reduction of social spending;
- Corruption and ineffective public spending (for example, \$30 billion to save Eskom over 15 years).

Inflation and expensive loans

- Inflation – 6.8% (2023) due to weak rand (ZAR) and high fuel and food prices.
- SARB key rate – 8.25% → loans unavailable to businesses



✓ **Currency risks**

The Rand (ZAR) is one of the most volatile currencies, having depreciated by 45% against the dollar in 10 years, which increases inflation and the cost of imports.

The ZAR exchange rate is often subject to sharp fluctuations due to a combination of internal and external factors, which are discussed in detail in this review.

ZAR to Major Currencies (2020–2024) (data as of mid-2024, approximate values):

Pair	2020 (average.)	2022 (peak inflation)	2024 (June)	Change over 4 years
USD/ZAR	~16.50	~17.90	~18.30	+10.9%
EUR/ZAR	~18.20	~18.50	~19.60	+7.7%
GBP (Great British Pound)/ZAR	~21.00	~21.40	~23.20	+10.5%



Comparison with other EM currencies (emerging markets)

Let's look at the ZAR's volatility against other currencies using the CBOE EM Currency Volatility Index*:

Currency	Annual historical volatility (2024)	Key risk drivers
ZAR	High (18-22%)	Raw materials, politics, inflation
TRY (<i>Turkish Lira</i>)	Extreme (25%+)	Hyperinflation, Central Bank control
BRL (<i>Brazilian Real</i>)	Moderate (12-15%)	Politics, trade with China
RUB	High (20%+)	Sanctions, oil, isolation

* **CBOE EM Currency Volatility Index (EVZ)** is an index measuring the expected volatility of Emerging Markets (EM) currencies against the US dollar. It is calculated by the Chicago Board Options Exchange (CBOE) based on options on currency pairs. Reflects market expectations of currency fluctuations (e.g. BRL, ZAR, TRY, MXN, RUB). Similar to VIX (fear index), but for EM currencies.

High value (>15-20%) – the market expects sharp movements (crises, political risks).

Low value (<10%) – a period of stability.

- **Examples:** In 2022, EVZ soared due to Fed tightening and crises in Turkey (TRY), Argentina (ARS). In 2024, it reacts to geopolitics and commodity prices.

What is it used for?

- Traders - to assess risks in EM.
- Investors - as an indicator of stress in emerging markets.



Thus, the ZAR is consistently among the top 5 most volatile currencies, behind the leader – the Turkish lira (TRY).

How ZAR is traded?

- **Forex pairs:** USD/ZAR, EUR/ZAR, GBP/ZAR – high spread, but popular with speculators.
- **Futures (CME, JSE).**
- **ETF:** for example, EZA (iShares MSCI South Africa) – depends on the stock market, but correlates with ZAR.

Example of a sharp move: In March 2020, the ZAR fell by 15% in a month due to panic over COVID-19 and the collapse of commodities.

ZAR Correlation with Gold and CDS Spread Dynamics

ZAR and Gold Prices

South Africa is a major gold exporter (about 4% of world production), so the rand traditionally correlates with the dynamics of the precious metal.

- **Positive correlation:** when gold rises, the ZAR often strengthens (increasing export revenues), when it falls, it weakens (decreasing foreign exchange inflows).

Thus, in 2020, the growth of gold (up to \$2075/oz) supported the ZAR (USD/ZAR fell from ~19 to ~14.50), and in 2022–2024, the decline in gold + the energy crisis in South Africa weakened the rand (USD/ZAR rose to 18+).



- Correlation coefficient (10 years): ~0.6–0.7 (strong dependence)

South African CDS Spreads (Credit Risk)

CDS (Credit Default Swap) – a contract for insurance against default. The higher the spread, the higher the risk of default by the country.

South African 5-year CDS performance:

- **2018–2019:** ~200–250 bps (moderate risk).
- **2020 (covid):** surge to 500+ bps (panic).
- **2024:** ~300–350 bps (high risk due to debt crisis and infrastructure issues).

Connection with ZAR:

- CDS rise → rand under pressure (investors flee)
- CDS fall → ZAR support.

Collaborative analysis

Period	Gold (\$/ounce)	USD/ZAR	CDS	Reason for movement
2020 (March)	\$1450 → \$1700	19 → 16	250 → 500	Pandemic + Flight to Gold
2022 (June)	\$1800 → \$1670	15 → 17	300 → 400	Rising Fed Rates + Weak Gold
2024 (July)	\$2300 → \$2320	18.5	340	Fight for Stability

So ZAR remains a commodity currency, but gold exposure is declining (domestic exposure is growing). CDS spreads show chronic credit stress in South Africa, limiting rand potential.





Comparative Analysis of Emerging Market (EM) Currencies Correlations with Commodities and Their CDS Spreads

Currency	Raw materials (main)	Correlation with raw materials *	CDS Spread (2024)	Max CDS (crisis)	Fed Sensitivity
ZAR	Gold, Platinum	0.65 (strong)	340	500+ (2020)	High
TRY	Oil, Grain	0.3 (weak)	600	1200 (2023)	Extreme
BRL	Iron Ore, Soybeans	0.55	220	350 (2022)	Moderate
RUB	Oil, Gas	0.8 (very strong)	150	600 (2022)	Low (sanctions)
MXN (Mexican Peso)	Oil	0.45	180	300 (2020)	Average

* 5-year correlation coefficient (1 = perfect correlation).

**Artificially low due to currency controls.



Political triggers for the South African rand

● Domestic political crises are the main driver of ZAR volatility

- **Infighting within the ANC** (ruling party):
 - Split between "radical" (Julius Malema) and "moderate" (Cyril Ramaphosa) factions.
 - Example: In 2022, the attempt to impeach Ramaphosa over the Phala Phala farm scandal sent the ZAR down 5% in a day.



- **Corruption scandals:**

- The Jacob Zuma era (2009–2018) led to the looting of the public sector ("State Capture").
- Numbers: The damage is estimated at 500 billion ZAR (~\$27 billion). The USD/ZAR rate increased from 10.50 (2011) to 17.50 (2018).

- **Local elections and coalitions:**

- ANC loss of majority in key municipalities (Johannesburg, Cape Town) → political instability.

Social protests are a threat to the economy

- The largest unrest in July 2021 - riots after the arrest of Zuma, their consequences: 350 dead, damage - 50 billion ZAR (~\$2.7 billion). ZAR fell by 7% in a week (USD / ZAR from 14.20 to 15.25).
- Regular strikes (miners, transport workers): strike in platinum mines in 2022 reduced exports by 15%.

Energy crisis – a systemic problem

The collapse of Eskom (state energy company): 75% of energy – coal-fired thermal power plants, 50% of them emergency, daily rolling blackouts ("load shedding") since 2007.

Effect on ZAR:

- 2023: Record Outages (Level 6) → USD/ZAR rose from 16.80 to 18.50.
- Direct economic losses: ~4% of GDP annually.

Foreign policy risks

- **Relations with the West vs. BRICS:**
 - Pressure due to support for Russia
 - Sanctions risk: in case of arms supplies to Russia – restrictions are possible, as for Turkey in 2018.
- **The Lady R Case (2023): US accuses South Africa of supplying weapons to Russia → temporary collapse of ZAR by 3%.**

Budget and public debt - a hidden threat

- **Public debt: 70% of GDP (2024), S&P rating: BB- (junk).**
- **State-owned enterprise crisis:**
 - Eskom, Transnet (railway), SAA (airline) – require subsidies.
 - Example: In 2023, the collapse of Transnet paralyzed coal exports → USD/ZAR ↗ 19.00.

Historical Table: Politics vs. ZAR Rate

Ivent	Year	USD/ZAR Change	Reason for shock
Thabo Mbeki's resignation	2008	+12% (7.50 → 8.40)	ANC Split
Nkandla (Zuma) scandal	2016	+20% (14.00 → 16.80)	Corruption
Attempt to impeach Ramaphosa	2022	+5% (16.20 → 17.00)	Phala Phala Farm
Riots after Zuma's arrest	2021	+7% (14.20 → 15.25)	Civil Unrest
Peak of the energy crisis (Level 6)	2023	+10% (16.80 → 18.50)	Eskom Collapse



Analysts' forecast for 2025

- Further pressure on ZAR due to dollar growth (Fed is in no hurry to cut rates).
- Key factor: If South Africa improves energy supply and attracts investment, if Eskom is privatized, the rand may strengthen to 17-17.5 per dollar.
- Risks: Escalation of the crisis in the public sector - a fall to 19-20 ZAR/USD is possible.
- Traders: play on the correlation break (for example, if gold is growing, but ZAR is not - short USD/ZAR). Monitor ANC statements, load shedding level (EskomStatus), CDS spreads.
- Investors: watch CDS - if spreads are growing, the currency is at risk.



- South Africa also has real and growing problems with international payments, let's look at the main reasons and consequences of this.

Problems with international payments from South Africa

● "De-risking" by foreign banks

- Major EU, UK and US banks (e.g. Barclays, HSBC, JPMorgan) have restricted or terminated correspondent banking relationships with South African banks, particularly in USD and EUR, resulting in:
 - delays in SWIFT transfers,
 - refusals of transactions without explanation,
 - the need to use intermediaries in third countries (with increased fees).



● Tightening of foreign exchange controls

The South African Reserve Bank (SARB) maintains a strict regime of foreign exchange controls:

- Legal entities and individuals are required to declare all foreign trade transactions;
- There are restrictions on the export of capital;
- Large international transfers require approval (or a report) from an Authorised Dealer).

Problems with accepting payments in South Africa

● Increased compliance measures

- Foreign senders, especially from Europe and the US, face:
 - requirement for the recipient in South Africa to undergo enhanced KYC procedures;
 - blocking payments on the sender's side;
 - refusals by banks to process payments due to suspicions of being a "high-risk jurisdiction" (after South Africa was included in the FATF grey list)).

● Problems with PSP and merchants

- International payment providers (PayPal, Stripe, Wise) operate in South Africa with restrictions:
 - PayPal allows receiving funds, but not all features are available;
 - Wise has slowed down settlements in ZAR and requires additional checks;
 - Stripe does not support registration of South African legal entities directly.

The main causes of problems

Factor	Influence
South Africa's inclusion in the FATF grey list	Increased levels of global AML/CFT monitoring
SARB's conservative policy	Maintaining strict foreign exchange regulations and withdrawal restrictions
Scandals (Gupta, Eskom, Transnet)	Reduced confidence in the South African financial system
Problems with banks	Some local banks, such as VBS Mutual, have been involved in fraud, damaging the sector's image

Consequences for businesses and individuals

Client type	Problems
SMEs and freelancers	Difficulties with accepting payments via PayPal, lengthy checks, restrictions in Stripe
Exporters	Delays in foreign currency earnings, requirement for detailed invoices, additional compliance burden
Importers	Delays and refusals in foreign currency payments abroad
Individuals	Restrictions on transfers abroad (including for education, investment, permanent residence)



✓ What is being done?

- The SARB and the Treasury have announced their intention to:
 - modernize currency controls;
 - exit the FATF grey list by 2026;
 - increase payment transparency and create conditions for the return of international banks.

Problems with international payments in South Africa have intensified since 2023. Due to the increased risks, many South African companies and individuals are moving assets out of the country, which:

- Increases the burden on the financial system.
- Leads to the devaluation of the rand (ZAR), which complicates currency conversion for international payments.

South Africa is looking for ways to circumvent restrictions in expanding settlements in yuan (CNH) through China, in the use of cryptocurrencies (although regulators are skeptical), transfers through the UAE and other neutral hubs.





✓ Let's continue to explore the reasons for South Africa's low economic growth and look at the country's structural weaknesses and governance challenges.

➤ **Institutional and political problems**

Corruption and poor governance

- "State Capture" (Zuma era) – theft of \$34 billion through state structures;
- Slow reforms under Ramaphosa – investors do not believe in change;
- South Africa in 84th place in Doing Business – bureaucracy stifles business.

Social inequality and instability

- **Gini coefficient* – 0.63 (one of the worst in the world);**
- **The 2021 riots (losses – \$3.5 billion) showed the fragility of stability;**
- **High crime (murder rate – 45 per 100 thousand) scares off investors.**

* *The Gini coefficient is a statistical measure used to measure the level of inequality in the distribution of income or wealth in a society. The coefficient ranges from 0 to 1, where:*

- *0 means absolute equality, when income is equally distributed among all members of society,*
- *A value of less than 0.25 indicates a low level of social inequality.*
- *From 0.25 to 0.5 characterizes moderate inequality.*
- *Above 0.5 indicates serious social stratification and a high degree of wealth inequality.*
- *1 corresponds to the maximum level of inequality, when all income is concentrated in the hands of one person, and the rest receive nothing.*





For example, Scandinavian countries traditionally demonstrate low Gini coefficient values (around 0.25-0.3), while many developing countries in Latin America and Africa are characterized by high values (greater than 0.5). The Gini coefficient is widely used by economists and sociologists to analyze the socio-economic situation of countries and regions. The closer the coefficient value is to one, the more pronounced the inequality in income or well-being of the population

Problems of agriculture

- Land reform creates uncertainty – farmers do not invest;
- Droughts reduce maize harvests (a staple food).
- **External pressure factors**

Weak global market conditions

- China's slowdown → falling demand for raw materials;
- Sanctions against Russia → complications for BRICS.

Geopolitical risks

- Pressure from the West due to neutrality in Ukraine;
- Risk of being included in the FATF "grey list" → problems with international payments.
- **Consequences of low GDP growth**

Indicator	Current status	Risks
GDP per capita	\$6,530 (down since 2011)	Impoverishment of the population
Government debt	72% of GDP	Sovereign debt crisis
Unemployment	32%	Social explosion
Investments	14% of GDP (below growth threshold)	Long-term stagnation



Concrete measures to accelerate economic growth in South Africa

To overcome stagnation, South Africa needs urgent structural reforms and targeted incentives for key sectors. Let's look at detailed solutions for each area.

✓ Strategic reforms:

- Privatization of Eskom or division into competing companies.
- Reduction of bureaucracy – simplification of starting a business.
- Tax incentives for the manufacturing industry.
- Investments in logistics (ports, railways).
- Development of renewable energy sources for energy independence.
- Partnership with BRICS+ for export diversification.



✓ Energy reform: Eskom crisis recovery

Emergency measures (1-2 years)

Privatization of part of generating assets

- Selling 30-40% of Eskom capacity to private operators (as in India).
- Introducing competition in the electricity market.

Mass transition to renewable energy sources

- Acceleration of the REIPPPP (renewable energy) program:
 - o Solar power plants in the Northern Cape (100 GW potential).
 - o Wind farms on the coast (like in Denmark).
- Removal of licensing barriers for private solar and wind farms.

Network modernization

- Partnership with China/EU for Smart Grid.
- Replacement of coal-fired thermal power plants with gas-fired ones (use of local LNG)).

Effect

- Reduction in the cost of electricity by 30-40% → industrial growth.
- Inflow of \$20-30 billion in private investment in energy.

✓ Stimulating the private sector

Financial measures

Financial measures

- For manufacturing companies – from 28% to 15% (as in Mauritius).
- Tax holidays for 5 years for startups in IT and the “green” economy.

Access to credit

- Creation of a state guarantee fund for small businesses (similar to the US SBA).
- Reduction of the SARB rate to 5-6% while controlling inflation.

Regulatory simplifications

- Cancellation of 30% of licensing requirements (construction, export).
- “One window” for business registration (term – 1 day instead of 40)





Success Stories: Rwanda: Moved from 150th to 38th place in Doing Business in 10 years through similar reforms

✓ **Reindustrialization: growth of the manufacturing sector**

Priority industries

Automotive industry

- Tesla/BYD contracts for EV assembly (cheap labor + nickel/platinum for batteries).

Agro-processing

- Export of wine, citrus fruits, meat – transition from raw materials to finished products.

Pharmaceuticals

- Production of generics for Africa (demand + cheap patents).

Tools

- 20% subsidies for the purchase of local equipment.
- SEZ (free economic zones) with zero duties

✓ **Public administration reform and the fight against corruption**

Tough measures

- Dissolution of corrupt agencies (e.g. Transnet).
- Direct appointment of judges and prosecutors through international tender (Georgian experience)





Technologies

Digitalization of public services:

- Single platform for taxes, licenses, customs (Estonian model).
- Blockchain for public procurement (elimination of kickbacks).

✓ Social programs to reduce unemployment

Youth Employment

«Youth Employment Pact»

- Companies receive a tax deduction for each employee hired up to age 30.

Government orders for infrastructure

- 50% of jobs – for unemployed people from townships.

Education

Dual training (German model): Apprentices work in factories 3 days a week.

✓ Foreign economic strategy

New sales markets

- Yuan/rupee settlements with China and India (away from the dollar).
- Coal/platinum exports to Turkey and Saudi Arabia.

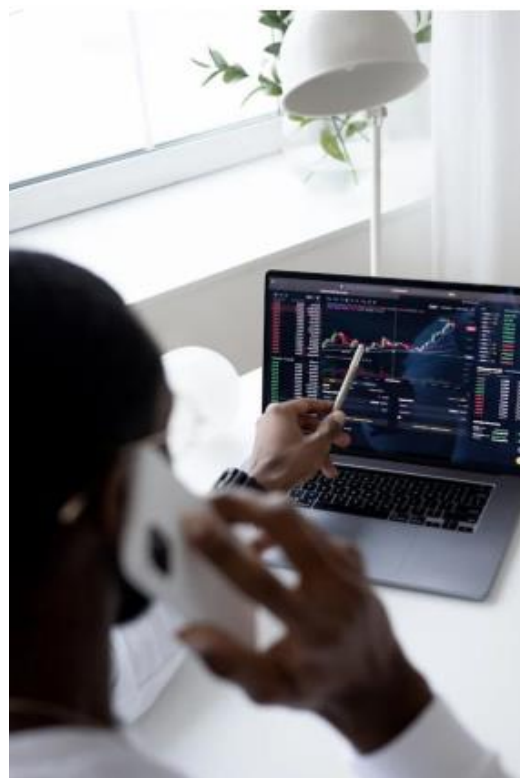
Logistics

- Modernization of the ports of Durban and Cape Town (Chinese investments).
- The Johannesburg-Lagos railway corridor is an access to West Africa.

✓ Financing reforms



- **First stage (2025–2026): \$50 billion**
 - \$20 billion – private investment (renewable energy, mining).
 - \$15 billion – IMF/BRICS loans.
 - \$15 billion – privatization of state assets.



Forecast for the implementation of reforms

Year	GDP growth (baseline scenario)	GDP growth (after reforms)
2025	+0.7%	+2.5%
2027	+1.1%	+4.3%
2030	+1.5%	+5.8%



✓ **Key takeaway:** South Africa can replicate the success of Poland (1990s) or Vietnam (2000s), but only with political will and a tough anti-corruption course. Without reforms, there will be further decline. It is impossible to escape the low growth trap without radical reforms. If the government does not solve the problems of energy, corruption and the investment climate, the country may face long-term stagnation with the risk of social collapse. So far, the situation is getting worse rather than better.

Recommendations for investors and businesses

1. Risk assessment

- Currency risks: hedging through ZAR futures and options.
- Credit risks: counterparty screening through CIPC (Company Commission) and SAFPS (Fraud Prevention System).
- Political risks: monitoring elections and reforms.

2. Investment Opportunities

- Commodities (gold, platinum, rare earth metals).
- Renewable energy (solar and wind projects).
- Financial technology (FinTech) – the rise of digital banking.

3. Using analytical resources to analyze market trends, macroeconomic analytics and assess sovereign risks.





✓ Conclusion

South Africa remains Africa's key economy, but its growth is constrained by structural problems.

Critical to investors:

✓ **Diversification of assets (especially in the raw materials sector).**

✓ **Hedging currency risks.**

✓ **Deep due diligence due to high levels of corruption.**

If the reform situation improves (especially in energy and public administration), South Africa could become more attractive for long-term investment.

However, elevated risks remain in 2025.

Thus, the South African economy is a complex organism, subject to significant risks associated with the external situation in commodity markets, the political situation within the country and macroeconomic indicators. Despite the difficulties, the country has great potential due to its wealth of natural resources and well-developed banking institutions.

This review contains subjective assessments and analytics based on open sources. The information in this review is provided for informational purposes only and does not constitute investment, financial or other advice. The authors are not responsible for any decisions made based on this data.

Our company wishes you prosperity!

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