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Economic Report 2024

South Africa

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Executive Summary

South Africa's gross domestic product (GDP) growth rate in 2023 was a mere 0,6%. This is projected to increase marginally to 0,8% in 2024. Concurrently, unemployment in South Africa, especially among the youth, remains worryingly high. South Africa's depressed economic context is as a result of several factors. Ongoing domestic challenges with energy supply, as well as freight transportation and logistics bottlenecks, constrain the economy, while global factors such as fluctuating commodity prices and other external market shocks present challenges.

Moreover, South Africa continues to experience fiscal challenges, despite undergoing a degree of fiscal consolidation, with a debt-to-GDP ratio of 73,9% in 2023. This is expected to increase to 75,4% in 2024. Meanwhile, tax revenue in 2023 was down 14% compared to the previous year. Therefore, as a result of the country's macro-economic circumstances, investor sentiments towards South Africa have largely been trending downwards.

Yet, South Africa remains one of the most developed and industrialised countries on the African continent. The economy remains resilient, while private sector involvement in the economy is high. In addition, South Africa is well represented within global institutions, such as the G20 and BRICS+ grouping. As such, it remains a key strategic partner for Switzerland on the African continent.

Meanwhile, South Africa is undergoing an historic transition. A new government of national unity, formed between the ANC, DA and eight other smaller parties following South Africa's general elections of 29 May 2024, which resulted in the ANC losing its parliamentary majority for the first time since 1994, holds promise of progressive economic, political and social reform. However, the new government will have to navigate a number of pitfalls in order to move South Africa forward towards the ultimate realisation of its immense potential.

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1 ECONOMIC OUTLOOK & ECONOMIC POLICY DEVELOPMENTS

In 2023, South Africa's gross domestic product (GDP) growth rate was a mere 0,6%, which was significantly lower than that of 2022 (1,9%), a year in which the South African economy reached the peak of its relatively strong recovery from the effects of the Covid-19 pandemic. Looking ahead, the International Monetary Fund (IMF) projects that South Africa will improve its GDP growth rate only slightly to 0,8% in 2024.

Meanwhile, also according to the IMF, the GDP growth rate of the Sub-Saharan Africa region was 3,4% in 2023, which is projected to increase slightly further to 3,8% in 2024. The improvement in the region is expected to materialise as the effects of earlier weather shocks in the region subside, while supply related challenges gradually improve. At the same time, the global economy is expected to continue growing steadily at a relatively low, but stable, rate of 3,2% in 2024 and 2025 respectively. This, due to persistently restrictive monetary policies, a lack of fiscal support packages and low underlying productivity growth.

As such, South Africa's economic growth trajectory continues to lag behind both the regional and global standard. This, as South Africa continues to be confronted with domestic energy supply constraints, freight transportation and logistics bottlenecks, as well as a high level of unemployment, which in 2023 averaged at 32,8% and is expected to tick back up to 33,5% in 2024. Of particular concern is also that South Africa is experiencing a high level of youth unemployment which, according to Statistics South Africa (StatsSA), is close to 45%.

Concurrently, conflicts of a geo-political nature, including the Russia-Ukraine conflict, the Israel-Palestine conflict and Houthi rebel attacks in the Strait of Hormuz, and global economic conditions, such as fluctuating commodity prices for oil, gold and platinum group metals (PMG), amongst others, present a challenge to South Africa's economic prospects. This, while South Africa benefitted from increased coal exports, yet failed to capitalise on positive fluctuations in commodity prices, due to a port crisis which resulted in severe congestion at South African ports and, in some cases, avoidance of South African ports altogether. At the same time, business and consumer confidence remain in depressed territory, while investor sentiments have been depressed.

On the other hand, the South African Reserve Bank (SARB) has been effectively addressing domestic headline inflation with its restrictive monetary policy. This, in an effort to bring headline inflation back within the SARB's target range of 3%-6%. While interest rate cuts and a transition to a more expansionary monetary policy stance are not expected until later in 2024 or early in 2025, headline inflation does appear to be trending down. While inflation averaged at 6,9% in 2022, this has fallen to 5,9% in 2023 and is expected to fall even further to 4,9% in 2024. Notably, the transport and services sectors have been the main drivers of inflation in South Africa.

However, on the fiscal front, South Africa continues to face challenges that impede its ability to stimulate domestic economic growth. In particular, South Africa's budget balance worsened from -4,3% in 2022 to -6% in 2023. Yet, this number is expected to increase only slightly to -6,2% in 2024.

Moreover, tax revenue slowed in 2023 as corporate tax collections contracted by close to 14% over the first 10 months of the year, relative to the same period in the previous year and due to a decline in mining profits. Concurrently, value added tax (VAT) refunds were also higher than budgeted. Nevertheless, government's long-term tax policy strategy remains focused on broadening the tax base while improving tax compliance and administrative efficiency. In combination, this approach is intended to raise revenue in a sustainable manner, over the long term, while limiting tax rate increases where possible.

Meanwhile, two longer-term tax policy reforms are in the final stages of development, namely the two-pot retirement system and international corporate tax reforms. The introduction of global minimum taxation rules, in line with the Organization for Economic Cooperation and

Development (OECD's) base erosion and profit-shifting framework, is expected to increase corporate tax collection by CHF 380 million in 2026. This is partially offset by the initial cost of providing investment incentives for the production of electric vehicles (EV).

In this regard, to encourage the production of EV's in South Africa, an investment allowance will be made available for new investments from 1 March 2026. Producers will be able to claim 150% of qualifying investment spending on production capacity for electric and hydrogen-powered vehicles in the first year of investment. However, the rooftop PV tax incentive for households has effectively ended.

On the expenditure front, debt servicing costs, equivalent to close to 20% of total consolidated revenue, remains the largest expenditure line item on the government's balance sheet. In terms of the gross debt-to-GDP ratio, this came in at 73,9% in 2023 and is expected to increase to 75,4% in 2024. Meanwhile, the government plans to tap the SARB's Gold and Foreign Exchange Contingency Reserve Account (GFECRA). Thus, National Treasury (NT) reached an agreement with the SARB, whereby the government will draw down around CHF 7 billion over three years towards stabilizing national debt.

Meanwhile, government's expenditure priorities for 2024 have been outlined as follows. National Treasury has allocated CHF 15,5 billion for basic education, CHF 14,2 billion for social protection, and CHF 12,6 billion for community development. Further, CHF 12,9 billion has been allocated for health, including a CHF 66,7 million allocation for supporting the implementation of the controversial National Health Insurance (NHI), which has recently been signed into law. Furthermore, CHF 2,7 billion has been allocated for honoring public sector wage increases, and CHF 2,9 billion has been allocated for employment programmes.

Finally, justice and constitutional development was allocated an additional CHF 30 million, which is earmarked for implementation of recommendations made by the Financial Action Task Force (FATF), regarding South Africa's Greylisting, as well as by the State Capture Commission, regarding State Capture. In relation to this, an additional allocation of CHF 138,1 million was made to the Criminal Asset Recovery Account. Last but not least, over the Medium-Term Expenditure Framework (MTEF), government expects to allocate CHF 44,9 billion towards public infrastructure financing and development.

2 PRIORITY SECTORS & OPPORTUNITIES FOR SWISS COMPANIES

2.2. Sectoral Developments

In terms of contribution to GDP, the finance, real estate and business services sector remains South Africa's biggest contributor to GDP at 23,9%, followed by the personal services sector at 16% and the trade, catering and accommodation sector at 11,5%. Between 2018 and 2023, the finance, real estate and business services sector grew in terms of contribution to GDP by 2,1%, while the personal services sector also experienced noteworthy growth. On the other hand, the contributions to GDP of the trade, catering and accommodation sector (down 0,8%), the manufacturing sector (down 0,9%), the mining sector (down 0,5%) and the construction sector (down 0,8%) all declined over the same period.

Meanwhile, in terms of contributions to employment in South Africa, the community and social services sector remains the highest contributor to employment, while the contribution of the finance sector has grown by around 2% since 2018. On the opposite end, manufacturing's contribution to employment has decreased by 1,7% over the same period, likely due to the effects of persistent inconsistent energy supply and logistical constraints that have negatively impacted businesses.

Further, the contribution to employment of the construction sector declined by 1,1% over the same period, indicative of a lack of investment in infrastructure development. Finally, private household employment has declined by 1,3% over the same period, due to a decline in local purchasing power as a result of a high cost of living crisis, growing personal debt and high inflation.

It is also worth mentioning that agriculture contributed approximately 2,5% to South Africa's GDP in 2023. Despite its relatively small share of total GDP, agriculture remains an important sector in South Africa, especially within rural areas, and serves as a major source of employment and foreign exchange earnings for the country. In particular, agriculture contributed 5,5% to South Africa's total employment in 2023, reflecting its significant role in the livelihoods of many South Africans, particularly in rural communities.

Furthermore, close to 8,5 million tourists visited South Africa in 2023, which represents an increase of 48,9% from close to 5,7 million in 2022. Yet, 2023 tourist arrivals were 17,1% less than in 2019, in which over 10 million tourists visited South Africa. Swiss nationals continue to make up a significant portion of tourist travellers to South Africa. In 2023, the number of Swiss tourists who visited South Africa stood at 42 654. In support of this, the Swiss holiday airline company, Edelweiss, a sister company of Swiss International Airlines and a member of the Lufthansa Group, currently operates a non-stop flight between Zurich and Cape Town. Thus, the company and Swiss tourists in general contribute to South Africa's influx of tourism.

Further still, total mining production was 0,4% lower in 2023 compared with 2022. The 0,4% decrease in annual mining production followed a decrease of 7,2% in 2022 and an increase of 12,7% in 2021. As such, the volume of mining production has been declining since 2021, but at a declining rate. Meanwhile, total mineral sales (at current prices) were 10,3% lower in 2023 compared with 2022. The 10,3% decrease in total mineral sales followed increases of 3,1% in 2022 and 39,8% in 2021. Ultimately, PMG's, coal and gold remain South Africa's largest mining production and sales commodities, which remain susceptible to global supply and demand fluctuations that impact on their price.

Moreover, in 2023, total manufacturing production increased by 0,4% compared with 2022. The volume of manufacturing production has remained somewhat stable, since the latest increase in 2021. Meanwhile, total manufacturing sales have been declining since 2021, indicative of a decline in value of South Africa's manufactured products. Ultimately, the category of petroleum, chemical, rubber and plastic products, followed by food and beverage products and basic iron, steel, non-ferrous metal, metal and machinery products remain South Africa's largest manufacturing production and sales categories.

On the energy front, the government is continuing to pursue the unbundling of the state-owned power utility Eskom into three separate units for generation, transmission and distribution. In this regard, the government has established the National Transmission Company of South Africa (NTCSA) as a wholly-owned subsidiary of Eskom tasked with the transmission of electricity in South Africa.

In addition, the government continues to encourage independent power producers (IPP) to invest in South Africa's energy market, through continued implementation of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) and the Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP). However, few projects under these programmes have been completed to date.

The government is also in the process of implementing a one-stop-shop facility to streamline the process of IPP's investing in South Africa's energy grid. Meanwhile, the government has entered into an agreement with its regional neighbour, Mozambique, in an effort to import some of the country's required energy to address its energy security challenges, as Eskom continues to be confronted with the effects of its inadequate maintenance of its ageing existing coal-fired power stations.

The government is also paying renewed attention to its freight transportation and logistics sector. In this regard, the government and the state-owned freight transportation and logistics company Transnet have developed a sectoral turnaround strategy and roadmap for development. As part of this strategy, the National Treasury (NT) has committed to providing Transnet with CHF 2,3 billion worth of financing to support its debt servicing obligations.

Meanwhile, in addressing the company's monopoly over the country's rail and port infrastructure, which have been the subject of severe operational inefficiencies resulting in massive delays of container traffic at some of the country's ports and a significant reduction of freight volumes transported on the nation's railway lines, a key component of the turnaround strategy relates to opening up ports and railway lines to private investment.

The private sector has expressed its interest in this regard, yet some of the proposals put forward by the government in relation to operating licence agreements pertaining the country's railway lines have been deemed unfavourable to private investors. For example, the government recently released a draft network statement to enable open access to the freight rail network by private rail operators, which proposed network access tariffs that have been deemed excessive and unaffordable by private sector roleplayers.

Finally, the water and sanitation sector has become an area of increasing concern in South Africa as well. As a result, the government has committed to implementing comprehensive water sector reforms, which the Department of Water and Sanitation has been devising. Reforms are being considered, on the one hand, on the bulk water front but also, on the other hand, on the municipal water front. These reforms include the establishment of a Water Partnership Office within the Development Bank of Southern Africa (DBSA) to assist municipalities with project pipeline development and private finance mobilization (potentially with SECO support), the re-instatement of sector standards reporting (through the Blue-, Green- and No-Drop reports), the planned establishment of a National Water Resource Infrastructure Agency and an independent water economic regulator, as well as enhancements to water pricing and service standards.

2.3. Opportunities for Swiss Companies

The cleantech and infrastructure sectors in South Africa and the wider Sub-Saharan African region offer opportunities for Swiss companies, driven by factors such as the presence of lucrative natural resources, rapid population growth, fast-tracked urbanization and the urgent need for improved access to energy, water and transport services. As such, energy, water, sanitation (including waste management) and transportation have become key sectors in the region.

In particular, South Africa has significant growth potential in the energy and transport sectors. More specifically, there's been a shift towards renewable energy. Tellingly, South Africa plays host to around 57% of the region's solar projects. Moreover, the emergence of green hydrogen technologies is particularly promising, with two large-scale projects planned for the South Africa-Namibia border region. These projects aim to harness the region's abundant solar resources to produce sustainable, carbon-free energy, stimulate economic growth and create jobs. Despite challenges, such as a dire need for increased investment and a supportive regulatory framework, the cleantech sector in South Africa and the wider Sub-Saharan African region has enormous potential.

Further, the African Continental Free Trade Area (AfCFTA) is expected to play a significant role in driving further transport infrastructure investment in South Africa and across Sub-Saharan Africa. By promoting increased regional connectivity and trade, the AfCFTA could spur the expansion and development of transport infrastructure to facilitate the efficient movement of goods and people across borders. This could create a more conducive environment for Swiss companies to invest.

Furthermore, the South African Fintech ecosystem is a dynamic mix of advanced digital banking and innovative payment systems. South Africa is pioneering novel payment solutions aimed at meeting the remittance needs of the Southern African Development Community (SADC). The emergence of Mobile Network Operators (MNOs) in the financial sector is particularly noteworthy. MNOs not only improve financial inclusion through mobile money services, but also collaborate with traditional financial institutions. This creates opportunities for partnerships between Swiss and South African companies in the ICT sector, leveraging South African software capabilities alongside Swiss expertise in software engineering.

Finally, against the backdrop of South Africa's ambitious new National Health Insurance (NHI), slated as a key cornerstone in achieving universal health coverage, the health sector is set for transformation. The NHI underscores the urgent need for innovative solutions, cultivated through public-private partnerships. This presents a unique opportunity for Swiss Medtech companies to showcase their technologies tailored for low-resource settings, aligning with South Africa's vision for inclusive and accessible healthcare.

3 FOREIGN ECONOMIC POLICY

3.1. South Africa’s Policies & Priorities

Continued relations and strong ties with the BRICS+ grouping remain a priority of the South African government. To this end, in August 2023, South Africa successfully hosted the 15th annual BRICS Summit in Johannesburg. As a champion of the African continent, South Africa invited 36 African countries to attend the summit, in the aftermath of which it was revealed that six new members, including continental peers Egypt and Ethiopia, were invited to join the grouping. Beyond the historic expansion of the group, the issue of trade in local currencies between members, commonly referred to as ‘de-dollarization’, and the possibility of establishing a common currency, were discussed.

In effect, South Africa has been seen to be pushing for the inclusion of more African states in the group. Ultimately, it succeeded in promoting the cases of Egypt and Ethiopia, which have subsequently officially joined the BRICS+ grouping since 1 January 2024. Further, South Africa was seen to be championing greater linkages between the economic activities of the BRICS+ countries (which collectively now account for over 37% of global GDP) and the African continent, particularly through the AfCFTA. As such, South Africa’s continued exploration of economic relations amongst the BRICS+ grouping, integrated with its regional efforts in relation to AfCFTA, may result in opportunities for Switzerland.

Concurrently, South Africa is seen to also be prioritising economic ties with the US, the UK and the European Union (EU). In this regard, South Africa continues to push for its own eligibility, as well as the renewal and modernization of the US’ African Growth and Opportunities Act (AGOA). As such, in November 2023, South Africa played host to the 20th AGOA Forum in Johannesburg. This, despite threats that it would be moved in the aftermath of a diplomatic row between Washington and Pretoria over the ‘Lady R’ saga. At the forum, president Cyril Ramaphosa emphasised the mutually beneficial aspects of AGOA for both South Africa and the US. He added that South Africa was committed to working with the US and African partners to renew AGOA beyond 2025, to deepen trade relations between the US, South Africa and other African countries, advance regional integration, as well as realise Africa’s immense economic potential for the benefit of all included.

Meanwhile, the current US administration supports South Africa’s continued AGOA accreditation. However, some Congress men and women have questioned whether South Africa should remain eligible, primarily due to fears that South Africa is growing increasingly close to US threat actors like Russia, China and Iran. Now, this agenda has been dropped as attention turns to the South African Bilateral Relations Review Bill, which seeks to legislate for a comprehensive review of all relations between the two countries. Ultimately, despite growing tension in the relationship, both are committed to continuing productive engagements.

3.2. Outlook for Switzerland

South Africa continues to pursue regional integration through multilateral groupings and institutions such as the Southern African Development Community (SADC) and the Southern African Customs Union (SACU). Regarding the latter, Switzerland continues to engage with fellow European Free Trade Agreement (EFTA) states Iceland, Lichtenstein and Norway, as well as SACU, pertaining a mutually beneficial free trade agreement (FTA). However, as of this moment, there are no new developments pertaining these engagements.

More specifically, after six rounds of negotiations, the last of which took place in December 2019, a virtual meeting between EFTA states and SACU states took place in November 2021. This was arranged to take stock of the FTA development and modernization agenda. More concretely, the negotiations cover three areas, namely (1) trade and sustainable development; (2) trade in goods; and (3) rules of origin and trade facilitation.

It seems to be possible to find solutions pertaining market access for goods trade and customs issues. However, no progress has been made in the area of trade and sustainable development as the approaches and ambitions of the EFTA states and SACU states are too far apart. For the EFTA states, progress in the area of trade and sustainable development is crucial if substantial progress is to be made in the negotiations.

Regional economic integration through the African Continental Free Trade Agreement (AfCFTA) remains a priority of the South African government. Thus, in January 2024, the South African government, together with the AfCFTA Secretariat, hosted the 13th AfCFTA Council of Ministers meeting in Durban. Moreover, on the sidelines of the event, President Cyril Ramaphosa presided over the official launch ceremony for South Africa's first shipment of exports under the AfCFTA, accompanied by the Minister of Trade, Industry and Competition, Ebrahim Patel, and the AfCFTA Secretary General, Wamkele Mene.

With it, South Africa became the first Southern African Customs Union (SACU) member to practically realise the benefits of the AfCFTA. The release of the shipment also demonstrates how the AfCFTA is destined to serve as an instrumental tool in generating meaningful trade on the African continent. Further, successful implementation of the AfCFTA is expected to lead to diversification of exports, increased productive capacity, acceleration of growth, increased investment, increased employment opportunities and incomes and, most importantly, broadened economic inclusion both in South Africa and the rest of the continent. As such, opportunities may arise for Swiss companies to benefit from these aspects.

Further afield, South Africa will be taking over the presidency of the G20 in 2025. While not much has been shared about the government's priorities during its presidency, it is expected that South Africa will adopt some of the priorities put forward by Brasil, which assumed the presidency of the grouping in 2024. Further, in his State of the Nation Address (SONA) in February, President Cyril Ramaphosa sought to emphasise that South Africa's priority would be to advocate for the development of the African continent.

Considering Switzerland's interest in participating at the G20 in the capacity of a non-permanent invited member of the group, particularly as it relates to participation in the finance track and working groups under the Sherpa track related to aspects such as infrastructure, sustainable finance, health, as well as science and technology, the government and the Embassy in South Africa have begun consultations with the South African Department of International Relations and Cooperation (DIRCO) in an effort to facilitate the extension of an invitation to Switzerland to participate in the groups' work.

3.3. SECO Bilateral Economic Cooperation Programme

Through the State Secretariat for Economic Affairs (SECO), Switzerland ranks as one of South Africa's largest bilateral development partners, with a portfolio spanning more than 30 projects in the field of economic development cooperation. The current country cooperation strategy

(2021-2024), with a financial envelope of approximately CHF 55 million, seeks to deepen Swiss-South African economic development cooperation in order to foster a competitive and sustainable economy, thereby addressing several key impediments to economic growth and job creation. Preparations are underway for the finalisation of the country cooperation programme for the period 2025-2028, which will see an increased focus on establishing a more sustainable, competitive and inclusive urban economy.

Various significant achievements were realised in 2023, as well as the first half of 2024. In February 2024, the DTIC and the International Finance Corporation signed an agreement to further collaborate on investment climate reforms. Funded by SECO, through the Multi-Country Investment Climate Program (MCICP), the programme aims to improve competitiveness and enable sustainable growth by helping the government establish rules governing registration, oversight, and the termination of businesses so that these are more transparent and less burdensome. In South Africa, this program supports the Presidency on key reforms in renewable energy, mainly Independent Power Producers (IPPs). This includes the establishment of an Energy One-Stop Shop (EOSS), managed by InvestSA.

Further, an agreement was signed with the government of South Africa pertaining the implementation of the second phase of the Eco-Industrial Parks Programme, which aims to demonstrate the viability and benefits of greening industrial parks through improving resource productivity and strengthening the economic, environmental and social performances of industrial spaces and businesses.

Furthermore, following the successful finalisation of a Financial Inclusion Policy Paper with the National Treasury, SECO entered into a partnership agreement with the South African Reserve Bank (SARB) and the Finmark Trust tailored around the implementation of an Inclusive Payments Digitalization Programme. The programme is aimed, firstly, at creating a conducive policy and regulatory environment for inclusive growth and development with a focus on financial access and digitization and, secondly, the implementation of practical programmes to impact directly on the poor in township areas and to test ways of changing markets to support the poor in a sustainable way.

Moreover, SECO is consolidating its support to the municipal water and sanitation sector through targeted projects addressing community based engagements in service delivery (through the Asivikelani initiative), demonstration projects in selected municipalities in water, sanitation and energy efficiency (Low Carbon and Climate Resilience Programme), climate resilient municipal water services in metropolitan municipalities (Cities Support Programme and Sustainable Cities Platform), project pipeline preparation and financing, municipal infrastructure planning (through the Procurement, Infrastructure and Knowledge Management – PINK – programme) and resource efficiency in the agri-processing sector (Agri-Processing Resource Efficiency – APRE – programme).

Lastly, since its inception in April 2024, the Cooperation of Deposit Insurance (CODI), established through the South African Reserve Bank (SARB) with support from SECO, has significantly bolstered the stability and resilience of South Africa's financial sector. CODI has enhanced financial stability by ensuring deposit protection, fostering consumer confidence, and promoting economic stability and development. Through streamlined processes and enhanced regulatory oversight, CODI has also improved operational efficiency and coordination within the financial system. Additionally, the Financial Sector Development and Reforms Programme, underpinning CODI's establishment, has strengthened regulatory frameworks, facilitated capacity building, and promoted financial inclusion, thereby contributing to a more robust and inclusive financial landscape in South Africa.

4 FOREIGN TRADE

4.1 Developments & General Outlook

South Africa's total exports, measured in USD value terms, decreased by 11% in 2023 compared to the previous year. Meanwhile, South Africa's total imports decreased by 3,7% over the same period. This resulted in a narrowing of South Africa's overall trade balance and a decrease in its total trade volume. This, as a result of crippling freight transportation and logistics bottlenecks (including a protracted port crisis), issues with domestic energy supply, ongoing geo-political conflicts and challenging global trading conditions.

Further, according to the South African Revenue Service (SARS), Switzerland was the 24th largest importer of traded goods from South Africa in 2023, measured in USD value terms. This was equivalent to a 0,5% share of South Africa's total exports in 2023. Moreover, Switzerland was the 28th largest exporter of traded goods to South Africa over the same period. This was equivalent to a 0,6% share of South Africa's total imports in 2023.

Moreover, according to the SARS, China (11,2% share of total), the United States (7,6% share of total) and Germany (7% share of total) were the largest importers of traded goods from South Africa in 2023. Likewise, China (20,4% share of total), the United States (8,6% share of total) and Germany (8,1% share of total) were also the largest exporters of traded goods to South Africa over the same period. While China dominates its list of trade partners, the regional spread of South Africa's trade appears to be heathy as it maintains healthy trade relations with countries in Asia, Europe and North America, as well as on its own continent.

4.2 Bilateral Trade

Bilateral trade between Switzerland and South Africa remains stable, due to inherent complementarities and ongoing good relations between the two countries. However, according to the Federal Office for Customs and Border Security (FOCBS), exports of Swiss traded goods to South Africa declined by 8.8% between 2022 and 2023, while Swiss imports of South African traded goods increased by 1,8% over the same period. Yet, the overall bilateral trade balance between Switzerland and South Africa remains in Switzerland's favour with regards to traded goods exclusive of gold bars and other precious metals, currencies, precious stones and gems, as well as works of art and antiques.

Meanwhile, the total trade volume of traded goods between Switzerland and South Africa, measured in CHF value terms, decreased by 5% in 2023 relative to the previous year and, further, fell below pre-Covid-19 levels. However, the total trade volume of traded goods between the two countries remains relatively high at over CHF 900 million per annum in both 2022 and 2023.

4.3. Bilateral Trade in Goods

In value terms, Switzerland's five main export product categories with South Africa remained unchanged in 2023. Only marginal decreases were observed for chemical and pharmaceutical products; precision instruments, watches and jewellery; as well as agricultural, forestry and fishery products. Meanwhile, a more substantial decrease was observed in relation to machinery, appliances and electronics, while an increase was observed in relation to the export of metals.

On the other hand, Switzerland's five main import product categories with South Africa were altered slightly in 2023. Imports of precision instruments, watches and jewellery decreased markedly and, therefore, fell off the list, while machinery, appliances and electronics entered the list in third position at around 1% of total imports. Automobile imports increased markedly, while agricultural, forestry and fishery products were down. Chemical and pharmaceutical product imports, as well as metals imports, remained relatively stable.

Thus, indications are that bilateral trade in goods between Switzerland and South Africa remain relatively consistent and stable, which makes the relationship conducive for continued and enhanced trade.

5 DIRECT INVESTMENTS

5.1. Developments & General Outlook

The South African Cabinet in October 2023 approved the Green Hydrogen Commercialization Strategy (GHCS). This followed the second South Africa Green Hydrogen Summit in Cape Town, where South Africa concluded Heads of Agreements (HoA) with the intention of launching an SA-H2 Fund that will facilitate the development of the country's green hydrogen sector. The move is intended to ensure that South Africa becomes a major producer and exporter of green hydrogen. Through the planned execution of catalytic projects, the strategy seeks to operationalise the Department of Science and Innovation's (DSI) Hydrogen Society Roadmap (HSRM), approved by Cabinet in 2021, and fast track the development of a domestic green hydrogen sector.

Development of the green hydrogen economy is also part of the Just Energy Transition Investment Plan (JET-IP), which was endorsed in 2022 by the International Partnership Group (IPG), consisting of France, Germany, the UK, the US and the EU, who pledged CHF 8,2 billion in concessional funding to support South Africa's phased transition away from coal. Subsequently, the Netherlands and Denmark have also become members of the IPG. At the same time, the Development Bank of Southern Africa (DBSA) has been working on establishing a CHF 840 million green hydrogen investment fund. Ultimately, these developments hold great potential for sustainable energy solutions, as well as for the broader environmental and economic landscape, in South Africa.

Earlier this year, South Africa also participated at the World Economic Forum (WEF) in Davos, Switzerland. The South African delegation was led by the Minister of the Department of Finance, Enoch Godongwana. In a statement released in the aftermath of the event, National Treasury said that the overall theme of 'Rebuilding Trust' was aligned with what it perceived as South Africa's ongoing role as a regional and global leader.

Moreover, National Treasury said the delegation used the opportunity to meaningfully engage investors, civil society organizations, businesses and governments to drive home the message that South Africa remains a top international investment destination. Furthermore, National Treasury sought to emphasize that South Africa's participation reinforces its belief in the value of multilateralism and the spirit of cooperation as a critical part of an overall strategy to uplift global economic growth. Finally, National Treasury also stressed that many countries stand to benefit from the common pursuit of a fairer, more inclusive, and representative global system.

5.2. Bilateral Investment

In terms of Swiss companies investing in South Africa, a Swiss shipping company in November 2023 launched a new cruise terminal in Durban in partnership with the national freight transportation and logistics company Transnet. The company invested approximately CHF 15,5 million into the project. Moreover, the company also invested approximately CHF 16,5 million in a new cold storage facility, also in Durban. The state-of-the-art cold storage facility is poised to meet the growing demands of the cold logistics market, ensuring the preservation of temperature-sensitive traded goods thereby guaranteeing their quality during transit, and supporting the facilitation of international trade of temperature-sensitive products worldwide. Ultimately, these investments were applauded and welcomed by President Cyril Ramaphosa for their contribution to the Kwa-Zulu Natal provincial economy and job creation in the region.

Meanwhile, a Swiss food processing and packaging solutions company in April 2024 opened a newly renovated factory in Pinetown, KwaZulu-Natal, following an investment of about CHF 24 million into the project. The facility upgrade is aimed at enhancing and expanding the company's production capabilities, with a view to enabling an expansion of its customer base across Southern Africa through leveraging the African Continental Free Trade Agreement (AfCFTA). The company's Managing Director (MD) for Southern Africa acknowledged the key role of the government in fostering a business-friendly environment. Ultimately, President Cyril Ramaphosa celebrated the expansion of the facility for its contribution to job creation while driving innovation, promoting localisation and advancing a circular economy.

At the same time, while no new investments or mergers and acquisitions have been announced as yet, a Swiss headquartered mining and commodity trading company expressed its desire to exploit potential opportunities for new acquisitions, especially in relation to what are called 'energy transition commodities', in South Africa. Further, a subsidiary of a Swiss oil trader recently committed to a minimum capital investment of CHF 500 thousand into its South African operations over the next five years, with a focus on optimizing its existing assets and building new infrastructure.

Finally, a Geneva based aviation company recently announced its merger with a South African aviation company, which operates two entities with Fixed-Base Operator (FBO) facilities in Johannesburg and Cape Town. This, in anticipation of rising demand for premium business aviation in Africa. With the integration of the South African company's fleet of 20 additional aircraft, the Swiss aviation company's fleet will more than double in size and, thus, serve to complement its presence in Europe and the Middle-East.

6 ECONOMIC & TOURISM PROMOTION

6.1. Swiss Foreign Economic Promotion Instruments

The Swiss Chamber of Commerce Southern Africa – South Africa Chapter (SCSA-SAC)

The SCSA-SAC remains present and active in South Africa. Their activities include facilitating connections between people and entities across industries and sectors, providing information and support to individuals and businesses seeking to do business in South Africa, as well as arranging events and engagements to bring Swiss individuals and companies together under one roof with key individuals and entities in the local context. At present, over 75 Swiss companies are listed as members of the SCSA-SAC, while keynote speakers at some of the SCSA-SAC's events have included the Governor of the SARB, Lesetja Kganyago, and the Commissioner of the South African Revenue Service (SARS), Professor Edward Kieswetter, amongst other distinguished leaders and experts.

Swiss Bussiness Hub Southern Africa (SBHSA)

The SBHSA is part of the Embassy of Switzerland in Pretoria, where it leverages local activities and offers services relating to Swiss Export Promotion and Investment Promotion. The SBHSA is a key contributor of knowledge within Team Switzerland under the framework of its Large Infrastructure Mandate (LIP). Under the framework of its LIP, The SBHSA's geographical reach extends into the entire Sub-Saharan African region. In total, 140 Swiss companies received support from the SBHSA in 2023, by way of export consulting services or on the basis of a mandate.

In 2023, the SBHSA sought to establish and strengthen its regional network under the framework of the export promotion mandate, inclusive of its cleantech and large infrastructure mandates. This was achieved through events and joint initiatives across the region, including a cleantech FFM in Kenya, a joint business forum in Botswana, the Switzerland-South Africa Joint Economic Committee (JEC), as well as a joint business forum held in South Africa's KwaZulu-Natal province.

Moreover, the SBHSA has been engaging with EPCs and project sponsors to identify early-stage opportunities for Swiss companies. In addition, a market report on South Africa's infrastructure landscape was produced and launched, while the first edition of the SBHSA Newsflash, which seeks to keep its partner network in Southern and Eastern Africa informed of the ongoing and upcoming projects and activities of the SBHSA, was also developed.

Coupled with the SBHSA's efforts with project identification and market intelligence, the SBHSA actively explores relevant conferences and trade fairs. This serves to identify key events where Swiss delegations could potentially participate, present or exhibit. The SBHSA's strategic scouting initiatives are wide-ranging and cover various industries. As part of these initiatives, the SBHSA was present at the Africa Energy Indaba, the DEVAC Infrastructure Conference, the IFAT Africa Conference, as well as numerous others related to rail and energy sectors.

Furthermore, in October 2023, the SBHSA hosted the first Swiss Medtech business delegation to South Africa, which sought to explore the South African health landscape and business outlook in the region. The delegation participated in the Africa Health Conference, while the SBHSA facilitated matchmaking opportunities between Swiss and South African companies. In addition, the SBHSA, in collaboration with the SCSA-SAC and the Innovative Pharmaceutical Association of South Africa (IPASA), hosted an informative event focused on the South African National Health Insurance (NHI).

Finally, in collaboration with the Fintech Association of Southern Africa (FINASA) and other partners, the SBHSA organized an event titled "Switzerland Connects: Fintech Synergies Across Borders." This event served to promote Switzerland as a business destination under the framework of the SBHSA’s investment promotion mandate, and also highlighted Switzerland’s fintech expertise in alignment with the SBHSA’s export promotion mandate.

Swiss Import Promotion Promotion Programme (SIPPO)

SIPPO is currently in year three of phase two, which commenced in July 2021 and will run until June 2025. Planning and preparations for phase three, which will run in 12 SIPPO partner countries (including Ukraine) from July 2025, are currently underway. Moreover, SIPPO continues to build on its activities and achievements in South Africa by supporting five strategic partner business support organisations (BSOs) with the development of market and sector specific knowledge regarding market trends, buyer demand and export opportunities within SIPPO’s target sectors of Natural Ingredients and Processed Foods. Over the past year, sustainability criteria were further integrated into SIPPO’s interventions and support.

In line with SIPPO’s overarching theme of sustainability, various workshops with BSO partners have resulted in the integration of sustainability into BSO training modules. In addition, digital networking activities, facilitated by SIPPO, have brought BSO’s in SIPPO’s 12 partner countries closer together. In this respect, exchanges over best practices and benchmarking led to WESGRO’s visiting Procolumbia in Columbia.

SIPPO’s network strengthening efforts have also resulted in enhanced collaboration between SIPPO’s five strategic partner BSO’s, namely the DTIC, WESGRO, TIKZN, CECOSA and ECDC. Various companies have reported the benefits of improved services provided by BSO’s.

Furthermore, SIPPO supported the DTIC and two other BSOs in preparing, promoting and participating at the Anuga International Food Trade Fair, which took place in Germany between 7-11 October 2023. The South African pavilion showcased the products of 37 participating exporters of processed foods and non-alcoholic beverages, who were supported by their BSOs, while SIPPO provided oversight and coaching. During the preparation phase, SIPPO highlighted the importance of sustainability criteria, which resulted in participating exporters being well prepared to engage with potential customers.

Moreover, SIPPO’s Annual Import Forum in June 2024, provided an excellent opportunity for BSO exchanges, while links were created between South African BSOs and import institutions, as well as companies, in Switzerland. Four South African BSO’s participated in the forum.

Finally, SIPPO continues to strengthen synergies between SECO funded cooperation initiatives, particularly the Global Quality and Standards Programme-SA (GQSP-SA), the ABS Compliant Biotrade in Southern Africa (ABioSA) and the Swiss-South African Intellectual Property Project (SSAIP).

6.2. South Africa's Interest in Switzerland

South Africa's interests in Switzerland span a wide variety of sectors, from politics and economics, to culture and science. Some of South Africa's key interests in the areas of Science, technology and innovation, as well as investment and tourism, are briefly expanded upon below.

Science, Technology and Innovation

The Science and Technology Office (STO) is increasing Switzerland's visibility within the South African national innovation ecosystem. Several instruments have been developed and now underpin Switzerland's collaboration with South Africa in the area of science and technology. These include facilitating symposiums, roundtables, conferences, exhibitions and innovation challenges, arranging exchanges of scientific delegations, as well as collaboration on applied research. Moreover, a clear sign of South Africa's interest to collaborate with Switzerland has come in the form of a visit undertaken by a delegation of the Parliamentary Portfolio Committee for Education, Science and Innovation to Switzerland.

The South African Department of Science and Innovation (DSI) is the primary ministry with which the State Secretary of Education Research and Innovation (SERI) has been collaborating. The DSI sees Switzerland as one of South Africa's flagship bilateral collaboration partners in the area of science and technology. As such, the DSI regularly approaches Switzerland to propose bilateral collaboration initiatives.

In addition, STO's efforts aimed at enhancing collaboration between Switzerland and South Africa, towards establishing a robust blockchain ecosystem, have yielded positive results. This has led to the development of various bilateral instruments and initiatives which further enhance collaboration between Switzerland and South Africa. Ultimately, collaboration between Switzerland and South Africa is also thriving in the areas of artificial intelligence (AI) and clean technology.

While considerable progress has been made, challenges in relation to facilitating market access for innovative Swiss start-ups remain. Despite these challenges, some successes in terms of market access for Swiss innovators have been realised. In this regard, the Swiss-South Africa Joint Research Programme (SSAJRP) serves to promote science collaboration between Swiss and South African scientists and entrepreneurs. Finally, it is also noteworthy that a Lead Agency Agreement between the Swiss National Science Foundation (SNSF) and the South African National Research Foundation (NRF) was agreed in 2023.

Investment and Tourism

The South African IT company is said to be looking to establish a business presence in Switzerland, specifically targeting the Telco and banking sectors. The SBHSA has referred this prospective investor to the Switzerland Global Enterprise (S-GE) investment promotion team. Meanwhile, a niche private banking and wealth management group has identified Switzerland as a key opportunity for its wealthy clients in South Africa and elsewhere to grow their wealth as part of its international strategy. Switzerland's investment appeal, according to the company, is said to be robust. Moreover, Switzerland's policy of neutrality is also perceived to be beneficial for stability. Ultimately, many wealthy South Africans find Switzerland an appealing holiday and living destination.

ANNEX 1 – South Africa Economic Structure

Economic Structure of South Africa

Distribution of GDP*	**2018**	**2023**
Finance, real estate and business services	21,8%	23,9%
Personal services	14,7%	16,0%
Trade, catering and accommodation	12,3%	11,5%
Manufacturing	12,3%	11,4%
Transport, storage and communication	8,3%	8,2%
General government services	7,9%	8,1%
Mining	4,9%	4,4%
Agriculture, forestry and fisheries	2,5%	2,5%
Construction	3,2%	2,4%
Electricity, gas and water	2,4%	2,1%

Distribution of employment**	**2018**	**2023**
Community and social services	21,9%	23,4%
Trade	20,1%	20,1%
Finance	15,8%	17,7%
Manufacturing	10,7%	9,0%
Construction	9,0%	7,9%
Private Households	8,1%	6,8%
Transport	5,8%	6,1%
Agriculture	5,1%	5,5%
Mining	2,7%	2,7%
Utilities	0,8%	0,7%
Other	0,1%	0,1%

*Source: Statistics South Africa (StatsSA), Gross Domestic Product (GDP), 4th Quarter 2023.
https://www.statssa.gov.za/publications/P0441/P04414thQuarter2023.pdf

**Source: Statistics South Africa (StatsSA), Quarterly Labour Force Survey (QLFS), 4th Quarter 2018.
https://www.statssa.gov.za/publications/P0211/P02114thQuarter2018.pdf

Source: Statistics South Africa (StatsSA), Quarterly Labour Force Survey (QLFS), 4th Quarter 2023.
https://www.statssa.gov.za/publications/P0211/P02114thQuarter2023.pdf

ANNEX 2 – South Africa Main Economic Data

South Africa's Main Economic Data

Indicator	**2022**	**2023**	**2024** *(forecast)*
GDP (USD bn)	405,1	377,7	373,2
GDP per capita (USD)	6'684,5	6'138,3	5'974,9
Growth rate (% of GDP)	1,9	0,6	0,9
Inflation rate (%)	6,9	5,9	4,9
Unemployment rate (%)	33,5	32,8	33,5
Fiscal balance (% of GDP)	-4,3	-6,0	-6,2
Current account balance (% of GDP)	-0,5	-1,6	-1,8
Total external debt (% of GDP)	71,1	73,9	75,4

Source: International Monetary Fund (IMF), World Economic Outlook (WEO) Report, April 2024.
https://www.imf.org/en/Publications/WEO/Issues/2024/04/16/world-economic-outlook-april-2024

ANNEX 3 – South Africa Trade Partners

Trade Partners of South Africa, Exports* **Year: 2023**

Rank	Country	Exports (USD million)**	Share (%)
1	China	12’384	11,2
2	United States	8’396	7,6
3	Germany	7’736	7,0
4	Mozambique	6’208	5,6
5	Japan	5’737	5,2
6	United Kingdom	5’374	4,9
7	India	4’951	4,5
8	Netherlands	4’258	3,9
9	Botswana	4’176	3,8
10	Belgium	3’700	3,3
24	Switzerland	514	0,5
	Total	**110’569**	**100**

Trade Partners of South Africa, Imports* **Year: 2023**

Rank	Country	Imports (USD million)**	Share (%)
1	China	21’908	20,4
2	United States	9’193	8,6
3	Germany	8’662	8,1
4	India	7’497	7,0
5	United Arab Emirates	3’998	3,7
6	Thailand	3’494	3,3
7	Saudi Arabia	3’136	2,9
8	Japan	2’708	2,5
9	Oman	2’551	2,4
10	Italy	2’416	2,3
28	Switzerland	628	0,6
	Total	**107’199**	**100**

*Inclusive of all physical goods, which consist of raw materials as well as intermediate and final goods.
**Currency converted based on average 2023 exchange rate of 1 USD = 18,459 ZAR.

Source(s): South African Revenue Service (SARS), Merchandise Trade Statistics, March 2024. Accessed 24 June, 2024. https://www.sars.gov.za/customs-and-excise/trade-statistics/reports/

ANNEX 4 – Bilateral Trade

Bilateral Trade between Switzerland and South Africa*

	Export (CHF million)	***Change*** *(%)***	**Import** (CHF million)	***Change*** *(%)***	**Balance** (CHF million)	**Volume** (CHF million)
2019	672'176	-9	277'858	-7,6	394'317	950'034
2020	490'623	-27	231'572	-16,7	259'050	722'196
2021	565'067	15,2	249'745	7,8	315'321	814'812
2022	611'557	8,2	345'839	38,5	265'718	957'396
2023	557'438	-8,8	352'109	1,8	205'329	909'547

Exports	**2022** (% of total)	**2023** (% of total)
1. Chemical and Pharmaceutical products	10,1	10,0
2. Precision instruments, watches and jewellery	5,1	5,0
3. Machinery, appliances and Electronics	4,8	3,9
4. Agricultural and forestry products, fisheries	4,5	4,3
5. Metals	1,5	1,8

Imports	**2022** (% of total)	**2023** (% of total)
1. Automobiles	13,3	16,6
2. Precision instruments, watches and jewellery	5,1	0,3
3. Agricultural and forestry products, fisheries	4,9	4,5
4. Metals	0,7	0,6
5. Chemical and Pharmaceutical Products	0,6	0,7

*Exclusive of gold bars and other precious metals, currencies, precious stones and gems, works of art and antiques

**Change (%) from the previous year

Source: Federal Office for Customs and Border Security (FOCBS), Swiss-Impex.
https://www.gate.ezv.admin.ch/swissimpex/

ANNEX 5 – South Africa, Main Investing Countries

Main Investing Countries in South Africa **Year: 2022***

Rank	Country	**Direct investment** (USD, stock in millions)	**Share** (%)
1	Netherlands	63’197	36,7
2	United Kingdom	42’109	24,5
3	Belgium	11’777	6,8
4	United States of America	9’449	5,5
5	Germany	7’121	4,1
6	People’s Republic of China	5’930	3,4
7	Luxembourg	4’020	2,3
8	Australia	3’413	2,0
9	Japan	2’995	1,7
10	France	1’958	1,1
11	Switzerland	1’846	1,1
	Total	**172’203**	**100**

*Data for the period 2023 was not available at the time of writing.

Source(s): International Monetary Fund (IMF), Coordinated Direct Investment Survey (CDIS), 21 June 2024. https://data.imf.org/?sk=40313609-f037-48c1-84b1-e1f1ce54d6d5&sid=1482331048410