

# SA shines as emerging economy

South Africa is the leading emerging economy on the African continent in terms of potential investment destination, a report has found.

In its recent report, Emerging Markets Opportunity Index: High Growth Economies, independent consulting and accounting firm Grant Thornton said South Africa was ahead of Nigeria in terms of potential investment destinations.

According to the results for 2012, South Africa was also the only African country to be ranked in the top 15 emerging economies worldwide, said the firm on Wednesday.

## Attractions despite mining

There were significant benefits that continued to attract investors to South Africa despite recent events in the mining sector.

"Although recent events in the mining sector have hurt our country's reputation as a destination of choice for foreign direct investment (FDI), there are significant benefits that continue to attract investors," Grant Thornton South Africa chairman Deepak Nagar said.

On Monday at a New Age briefing, Mineral Resources Minister Susan Shabangu said government was committed to bringing about stability as well as addressing challenges faced by the mining industry.

Anglo American Platinum (Amplats) earlier this year announced that it was considering retrenching 14 000 workers, but has since put this on hold. Last year's Marikana tragedy and the industrial action which has followed also left the industry uncertain.

"I am confident that we are able to address these challenges and ensure that South Africa continues to be a place for investors," Shabangu said, adding that her department would continue to engage all stakeholders.

## Index details

The Grant Thornton emerging markets opportunity index brings together a number of key indicators, incorporating the firm's International Business Report (IBR) data with the emerging markets research from the World Bank, International Monetary Fund (IMF) and United Nations Human Development Report.

SA climbed one place to 14th in terms of global rankings in the Emerging Economies survey, maintaining its position as the highest ranked African economy, ahead of Nigeria, which climbed nine places to 17th.

Some of the indicators incorporated as indicators to rank the 27 largest emerging economies, in terms of their potential for business investment, are population, and economy size, wealth, involvement in world trade and levels of development.

The survey highlighted that inflows of FDI into the country's local economy have been volatile over the past decade.

FDI peaked at US\$9 billion in 2008 before the financial crisis struck, recovering to US\$6 billion in 2011. Inflows over the first half of 2012 were down 44% compared with the same period in 2011.

## **Sophisticated financial system**

SA's banking sector has long been rated among the top 10 globally and its financial system, one of the most developed on the continent, continues to grow.

"It is a well-known fact internationally that SA's financial systems are sophisticated, robust and well-regulated, while its economy boasts a world-class securities exchange.

"The government has identified massive infrastructure projects as key to boosting the economic growth rate, as well as creating employment, and it is spending billions of rands on getting the investment ball rolling," said Nagar.

In his State of the Nation Address (SONA) in 2012, President Jacob Zuma announced that the country will spend billions over the coming years on new infrastructure, focussing on building rail, road, and economic links in five regions in the country.

Another key attraction for international investors, according to the survey, is South Africa's strategic geographic location, acting as the gateway to Africa. The country also offers world-class ICT and transport infrastructure, boosted by investment ahead of the 2010 FIFA World Cup.

## **2013 forecast**

According to the report, a forecast of 2013 revealed that 71% of local businesses expect an increase in revenue over the next 12 months.

In terms of international expansion by SA business owners, 80% of South African businesses are looking at other parts of Africa for investment.

However, since Nigeria improved its ranking by nine places since the last survey, South Africa will need to improve its competitive edge "in order to maintain its leading ranking in the years to come".

When looking at other countries ranked in the survey, mainland China remains way out in front at the head of the emerging economies index, by virtue of its strong economic growth rates and large consumer market. India ranked in second place.

Egypt (which came 22nd) and Algeria (which came 26th) were the only other two African countries ranked in the index.

The IBR is a survey of both listed and privately held businesses. The data for this release are drawn from interviews conducted between May and September 2012 with over 6000 businesses from all industry sectors.