

# Factors attracting Africa's millionaires to South Africa

Over the last three years, South Africa has experienced inauspicious economic activity which saw subdued Gross Domestic Product (GDP) growth, unstable currency and stagnant unemployment.

In 2015, the South African Reserve Bank (SARB) and ratings agencies have continued to revise down the country's growth outlook while economists have warned of a technical recession following GDP contraction in the second quarter.

In light of the seemingly gloomy local economic status-quo, many would expect high net worth individuals to be taking their money to destinations which offer better economic prospects, but this is apparently not the case.

According to a report by global research company, New World Wealth 2015, over 40% of all dollar millionaires in Africa are residing in South Africa's top four cities. Johannesburg tops the list with over 23 000 millionaires while Cape Town has less than half the number with over 8 000, followed by Durban and Pretoria with over 2 500 each.

Eric Enslin, CEO of FNB Private Wealth and RMB Private Bank says, "To make sense of this, we simply need to look at the consistent trend of African high net worth individuals (HNWI) who continue to buy residential property (at record industry prices), across destinations such as Cape Town and Johannesburg."

## So what is attracting Africa's millionaires to South Africa?

"There is no single answer to this question because every high net worth individual has their own rationale but there are common factors which could give us valuable insight into some of their reasons for choosing South Africa ahead of other African countries. Despite our economic challenges, there is strong evidence that South Africa still has a great deal to offer high net individuals and investors in general."



Eric Enslin, CEO of FNB Private Wealth and RMB Private Bank

Enslin says some of the key factors which make South Africa the preferred destination by the continent's high net worth individuals include the following:

- **Stable financial sector**

South Africa's financial sector remains one of the most reputable and trusted in world, because of its risk management practices as well as active cooperation with the country's regulatory bodies. This was proven in 2008/2009 when the global

economy was engulfed by the worst economic recession in the modern era. Such relative stability gives comfort to high net worth individuals.

- **Fiscal Policy**

Even though our fiscal policy management frequently divides opinion, it remains fairly stable when compared to most economies across our continent. Arguably, SA could do a lot better to improve efficiency to ensure that investment yields the desired results, namely; job creation anchored on sustainable economic growth.

- **Stable governance climate**

By global standards, SA is relatively stable despite persisting social challenges such as service delivery protests, joblessness or wage disagreements. Needless to say, these challenges need to be addressed; however, there is no immediate risk to the stability of governance or the economy.

"These are only a select few factors which possibly make South Africa the most popular residential destination among high net worth individuals on the African continent. The main challenge for the country is to sustain the current interest of high net worth individuals, to ensure that they consistently see South Africa as an ideal destination, not only to reside but to conduct business," concludes Enslin.

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