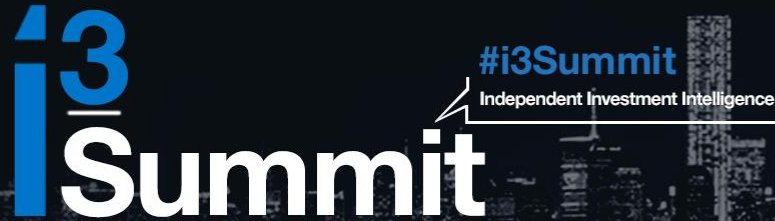
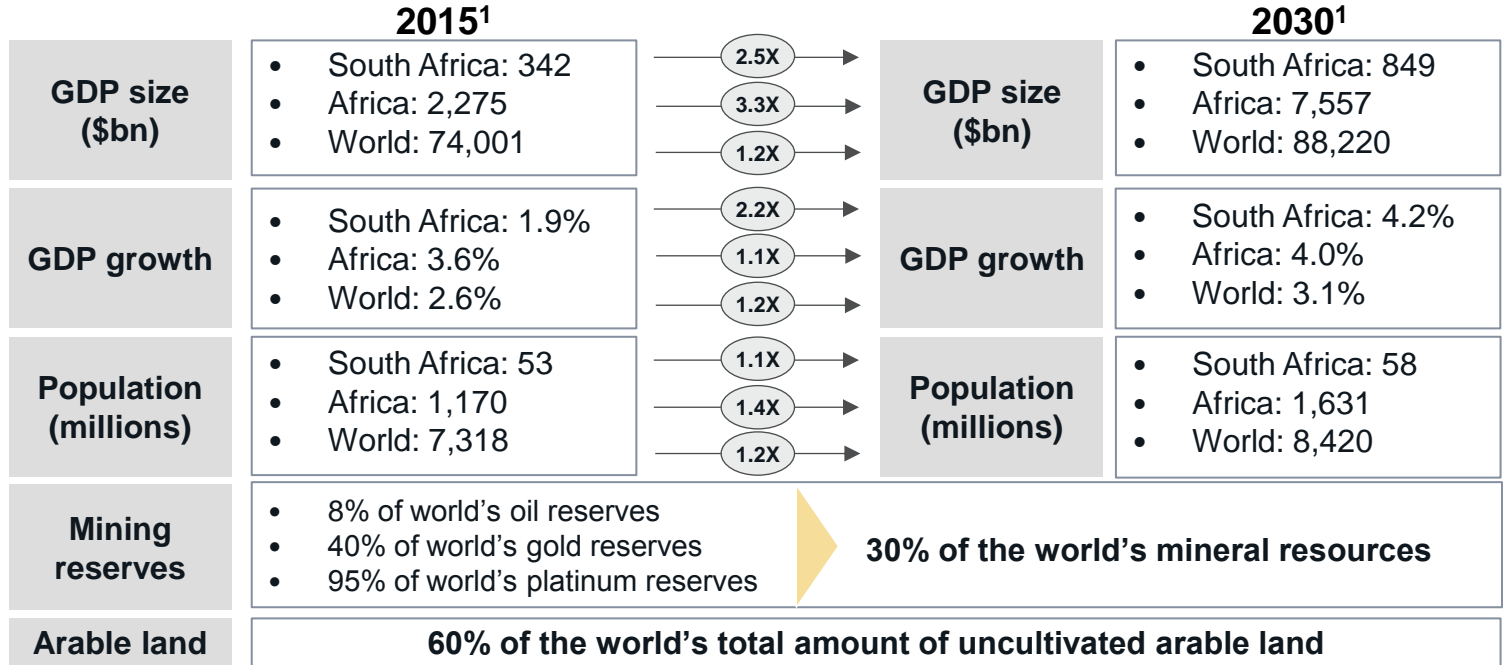


Addressing the investment challenges faced by South Africa and the rest of Africa

Trevor Manuel
30 July 2015



1 Africa's strengthening position

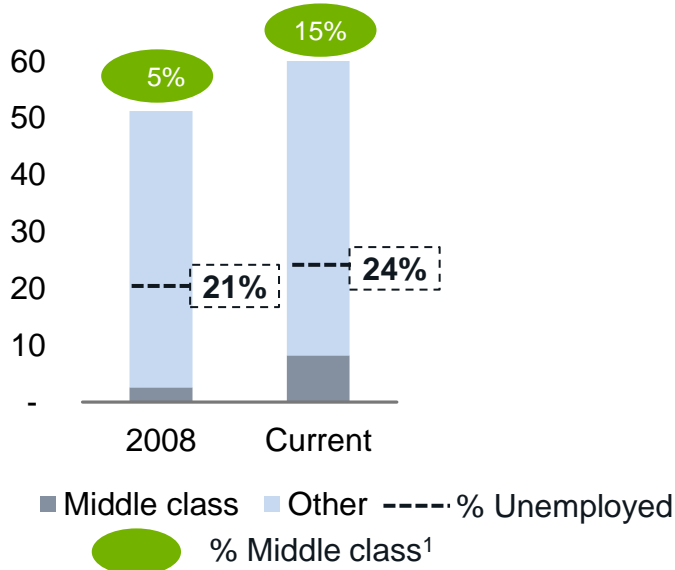


Source
1 IHS

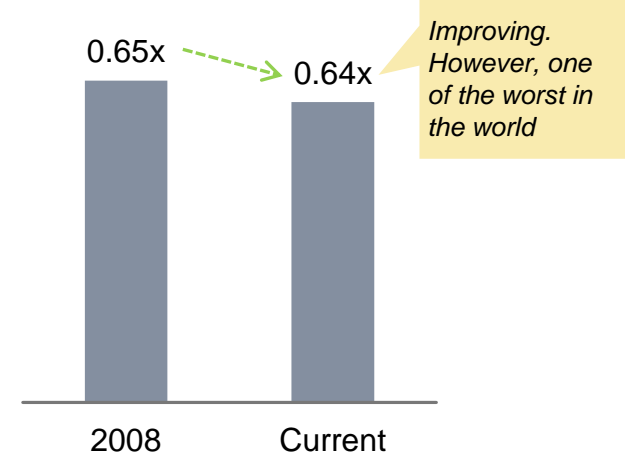
Africa is becoming increasingly relevant from a global economic perspective

2 Confronting South Africa's triple challenges

Population (millions)



Gini co-efficient



Note

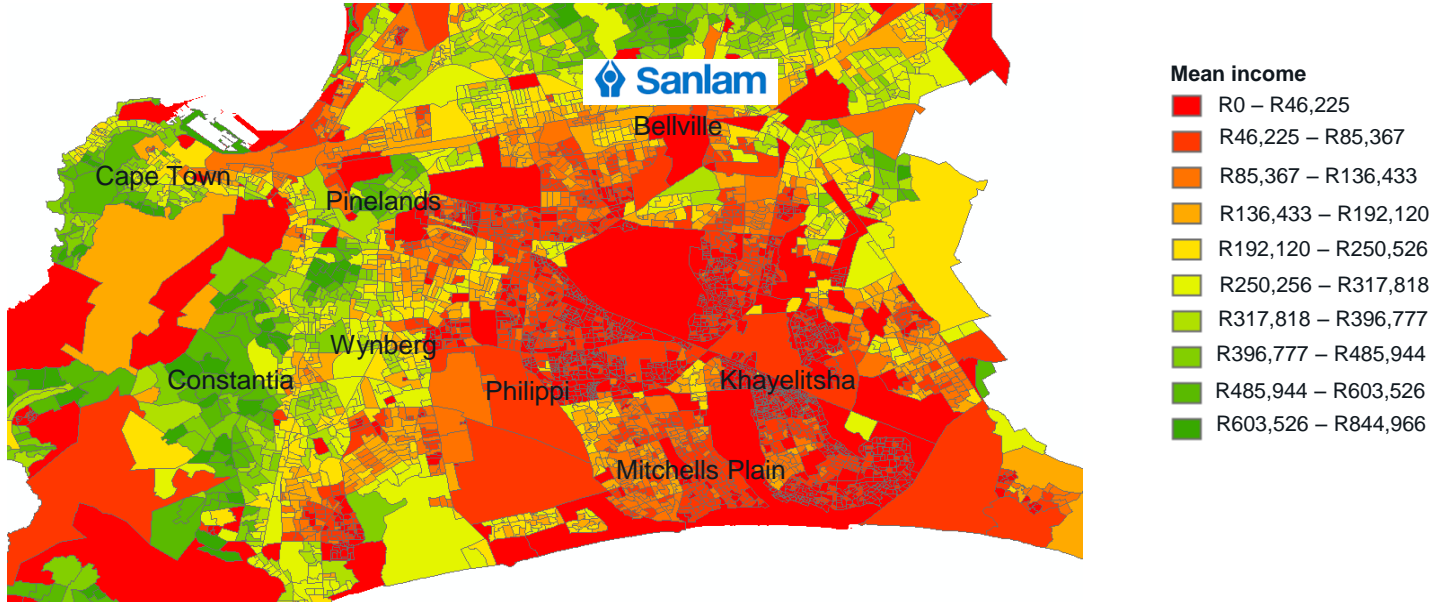
¹ Middle class defined as monthly household expenditure over R10,000

Source Stats SA, Census 2011, IMF, The World Bank, WEF Global Information Competitiveness Reports, SAIRR, SARB Quarterly, Research on Socio Economic Policy, Bloomberg

The growing unemployment rate has contributed to high levels of inequality

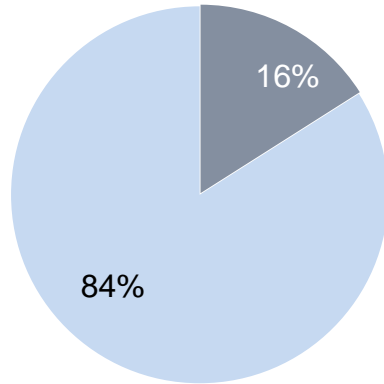
3 Poverty, inequality and unemployment requires a collective solution

Map of mean household income in Cape Town



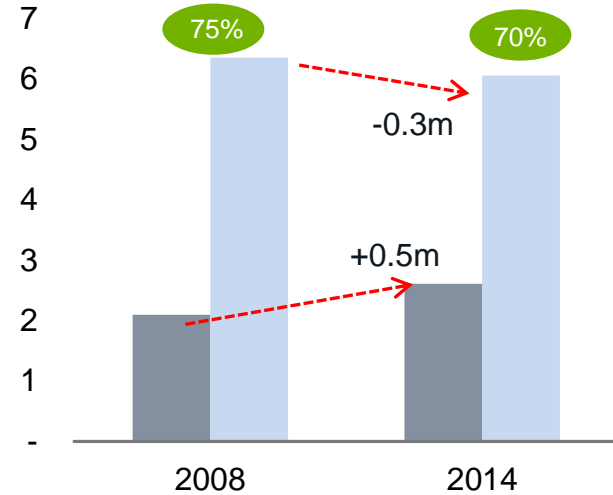
4 The private sector is pivotal

Estimated GDP contribution (Avg 08-13)¹



■ Private sector ■ Public sector

Employment and job creation (millions)



■ Public sector ■ Private sector

● Private sector as a % of total job creation

Notes

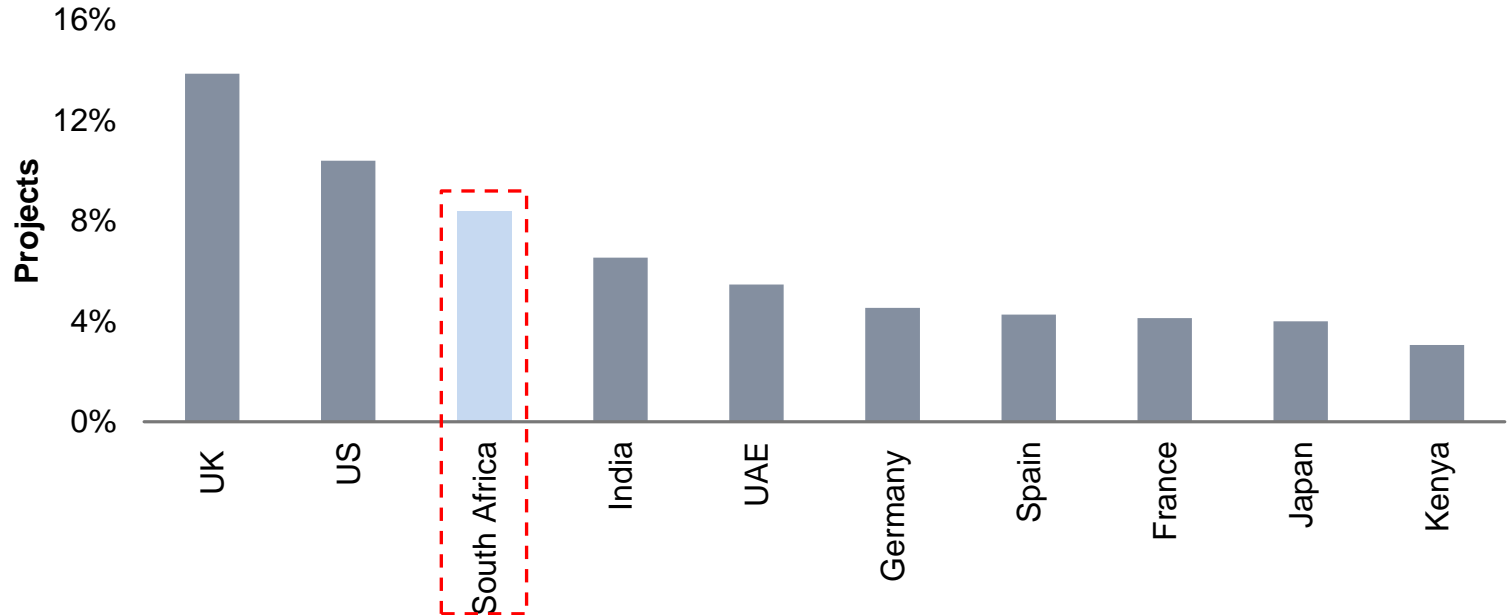
¹ Based on gross value added (defined as output valued at producers' prices) – a proxy for GDP

The environment needs to support investment and growth which, in turn, will assist in addressing poverty, inequality and unemployment

Source SAIIR

5 South Africa continues to play a leading role on the continent

% of FDI projects into Africa by source '13



Given scarce capital resources, the private sector, in partnership with the public sector, can play a significant role in Africa

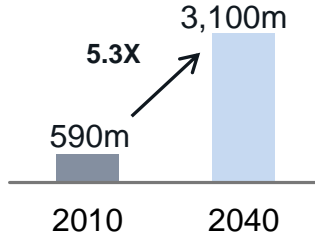
6 Key drivers that support growth in Africa

Drivers	Evidenced by
1 Sound macro-economic management	<ul style="list-style-type: none">• Structural reforms in the 1990s have enabled Sub-Saharan Africa to weather the global headwinds relatively well
2 Diversified economies	<ul style="list-style-type: none">• Extractive sectors represented only 5% of FDI projects in 2013
3 Political reform	<ul style="list-style-type: none">• Since 1990, over 35 ruling party or leader changes through a democratic process
4 Technology	<ul style="list-style-type: none">• Sub-Saharan Africa expected to be the fastest growing mobile market until 2017
5 Improving business environments	<ul style="list-style-type: none">• 45 out of 46 Sub-Saharan economies have improved business environments since 2005

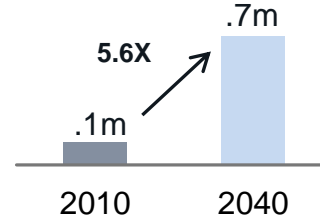
Source EY Africa

7 Levers to expand economic opportunities: African infrastructure rollout

1 Power demand in megawatt hours



2 Power generating capacity in megawatts

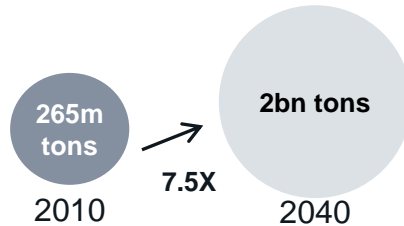


3 Transport volume

To increase by 6x-8x on average by 2040

To increase by 14x for landlocked countries by 2040

4 Port throughput



5 ICT demand

Set to increase by 20x by 2020

6 Water needs

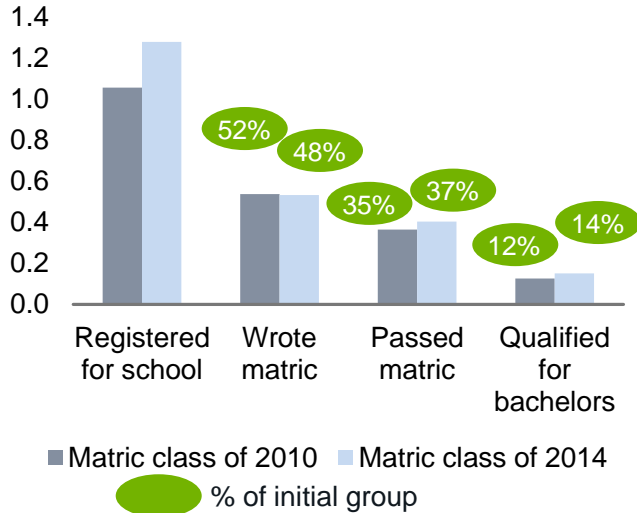
Likely to push river basins to the ecological brink

Source PIDA in Africa 2010, WEF Africa 2015

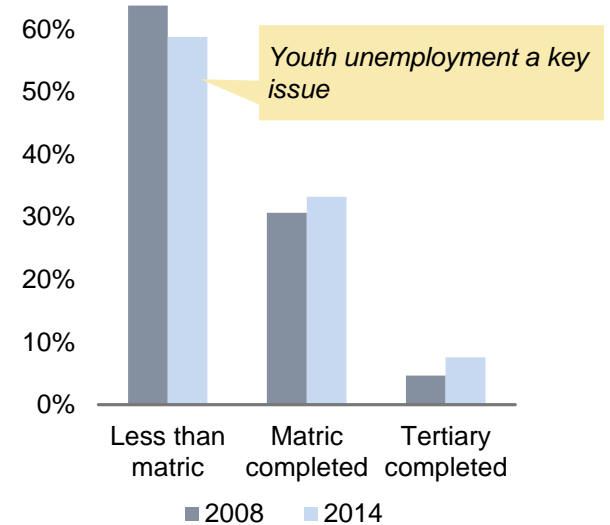
Public private partnerships will be key to addressing the infrastructure gap

8 Levers to expand economic opportunities: South African education

Evolution of school pupils (millions)



Unemployment by highest level of education (%)

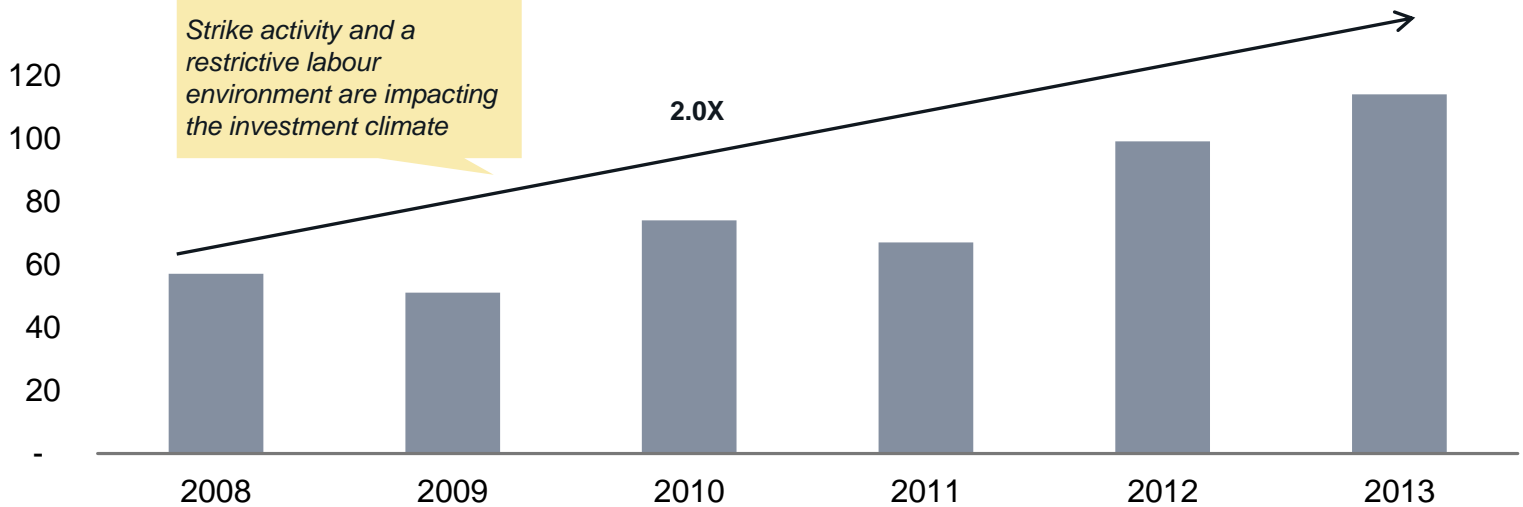


Education is part of the long term solution to addressing South Africa's triple challenges

Source Department of Higher Education, SAIRR

9 Levers to expand economic opportunities: Stable labour market

South African strike activity (number of incidents, 2008 to 2013)



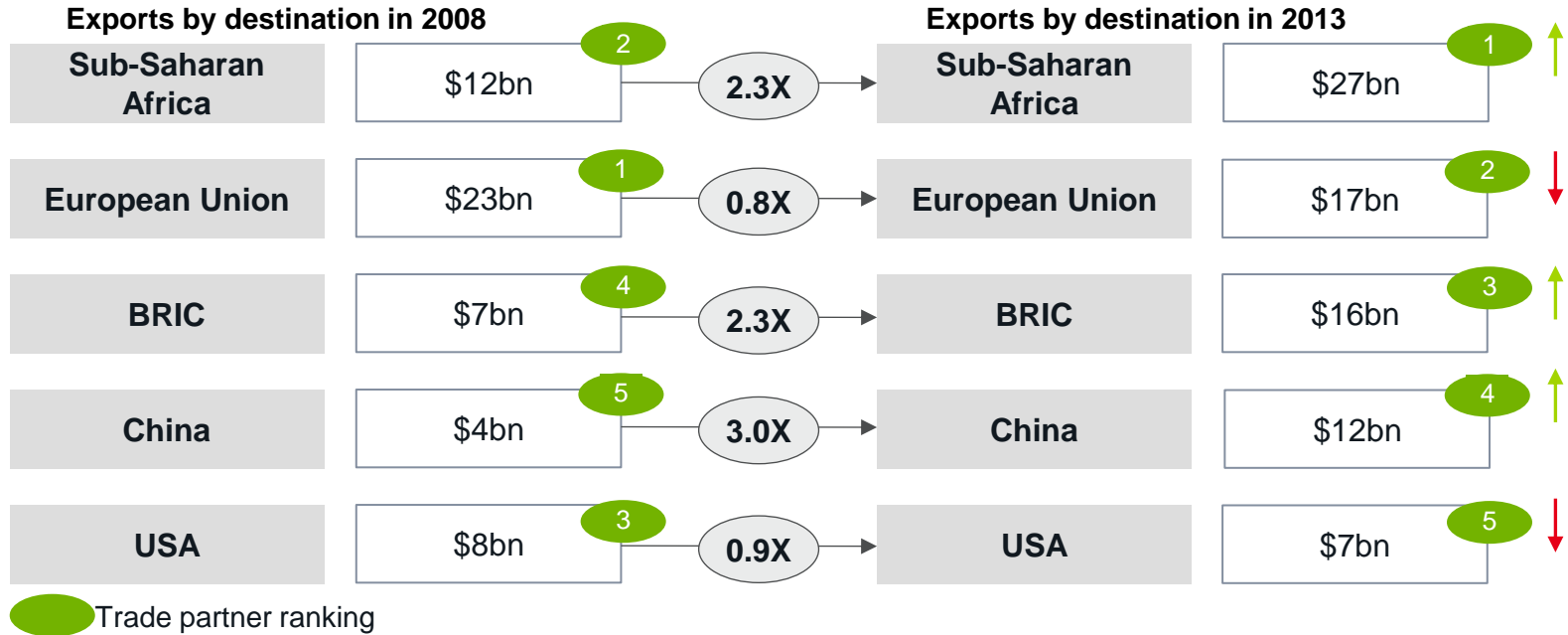
The WEF Global competitiveness report (2014-2015) rankings for the South African labour market

- Labour-employer relations: 144 out of 144
- Hiring and firing practices: 143 out of 144
- Flexibility of wage determination: 139 out of 144
- Pay and productivity: 136 out of 144

Source SAIRR, BER, Department of Labour 2013 Annual Industrial Action Report. WEF

To improve the competitiveness of the South African labour environment, all stakeholders will be required to be more flexible

10 Levers to expand economic opportunities: Attracting capital flows



Source DTI, Moody's, World Bank

Increasing exports to Sub-Saharan African and BRIC countries

11 Conclusion

South Africa and the rest of continent continue to offer significant opportunities

- However, these opportunities are not without challenges

To successfully deliver on Africa's potential, address inequality and attract investment, critical decisions need to be made in the following key areas

- Infrastructure rollout
- Education system and skills shortage
- Efficiency of the labour market and unemployment

The private sector has a pivotal role to play. Corporates should:

- Have realistic expectations as it relates to the continent's challenges
- Recognise the State's developmental goals, including transformation
- Work with and build partnerships with the public sector
- Engage proactively and consistently with all stakeholders to ensure that corporates are optimally positioned to capitalise on Africa's opportunities

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