

## Sector-specific opportunities in South Africa

### Research

You should carry out as much market research and planning as possible before exporting to South Africa, using both desk research and visits to the market. You need to determine if there is a market for your product or service and whether your pricing is competitive.

DIT's trade specialists can help you identify local representatives for your products in South Africa. See: <https://www.gov.uk/overseas-customers-export-opportunities>.

DIT provides free international export sales leads from its worldwide network. Find export opportunities in South Africa at: <https://opportunities.export.great.gov.uk/>.

### Government tenders in South Africa

The South African Ministry of Finance (Treasury) administers the government procurement process. See: <http://www.treasury.gov.za/>.

Most public purchasing is through competitive tendering, published in the State Tender Bulletin: <http://www.greengazette.co.za/publications/tender-bulletins>.

If bidding for tenders, you should be aware of Broad-Based Black Economic Empowerment (B-BBEE) legislation and be registered as a BEE partner. See: [http://www.dti.gov.za/economic\\_empowerment/bee.jsp](http://www.dti.gov.za/economic_empowerment/bee.jsp).

The South African Department of Trade and Industry (DTI) has details of BEE Codes of Good Practice and other relevant legislation. See: [http://www.dti.gov.za/economic\\_empowerment/bee\\_codes.jsp](http://www.dti.gov.za/economic_empowerment/bee_codes.jsp).

Purchasing procedures favour local manufacturers, so overseas firms are advised to use a local agent in South Africa. Contact the UK DIT team in South Africa at: <https://www.gov.uk/world/organisations/departments-for-international-trade-south-africa#contact-us> for a list of recommended agents.

### Financial services sector – briefing

The 'finance, real estate and business services' sector is South Africa's largest, comprising over 20% of the country's GDP.

As South Africa is a natural stepping-stone into the rest of Africa, and because of its strong regulatory and legal framework, the South African banking and financial services sector is highly-regarded internationally.

Many international banks have located their head offices in the country, particularly in Johannesburg, including Barclays Africa/Absa, Bank of China, Bank of Taiwan, Deutsche Bank AG, HSBC and Citibank. Standard – which operates as Standard Bank or Stanbic in a number of African countries outside South Africa – is Africa's largest corporation.

The central bank in South Africa is the South African Reserve Bank (SARB), overseen by the national Department of Finance. SARB oversees the banking services sector, sets monetary policy and decides on domestic interest rates.

The Banking Association of South Africa represents all registered local and international banks, and oversees capital supervision, consumer affairs, credit risk and the SA Securities Lending Association.

South Africa's principal financial service markets include the National Stock Exchange, the Johannesburg Stock Exchange (now JSE Securities Exchange, or JSE Ltd), the SA Futures Exchange and the Alternative Exchange (AltX).

The JSE Securities Exchange is the oldest existing and largest stock exchange in Africa and consistently ranks in the world's top 20 derivatives exchanges by number of contracts traded. The AltX is a division of the JSE and attracts a range of small and medium-sized high-growth companies.

The World Economic Forum's Global Competitiveness Report 2017-18 can be broken down into 12 pillars showing an economy's performance, this is then broken down again into subcategories ranking key factors within the economy. Visit: <http://reports.weforum.org/global-competitiveness-index-2017-2018/>.

South Africa ranked:

- 30th out of 137 on the 1st pillar: 1.18 Strength of Auditing & Reporting Standards. See: <http://reports.weforum.org/global-competitiveness-index-2017-2018/competitiveness-rankings/#series=EOSQ097>
- 34th out of 137 on the 1st pillar: 1.19 Efficacy of Corporate. See: <http://reports.weforum.org/global-competitiveness-index-2017-2018/competitiveness-rankings/#series=EOSQ127>
- 30th out of 137 on the 1st pillar: 1.20 Protection of Minority Shareholders Interests. See:

<http://reports.weforum.org/global-competitiveness-index-2017-2018/competitiveness-rankings/#series=EOSQ098>

- 21st out of 137 on the 1st pillar: 1.21 Strength of Investor Protection. See: <http://reports.weforum.org/global-competitiveness-index-2017-2018/competitiveness-rankings/#series=INVESTPROIDX>
- 44th out of 137 on the 8th pillar: Financial Market Development. See: <http://reports.weforum.org/global-competitiveness-index-2017-2018/competitiveness-rankings/#series=GCI.B.08>

*[Source – World Economic Forum / ITRISA]*

### ICT/telecommunications sector – briefing

South Africa has one of the largest information technology markets in Africa by value, with expertise particularly in the mobile software field, security software and electronic banking services.

The country's developing ICT and electronics sector is an increasingly-important contributor to South Africa's GDP. It is seen as a regional hub and a supply base for neighbouring countries, with several international organisations operating subsidiaries, including IBM, Unisys, Microsoft, Intel, Dell, Novell and Compaq.

South Africa's ICT products and services industry is penetrating the fast-growing market across the continent, with South African companies and locally-based subsidiaries of international companies having supplied most of the new fixed and wireless telecoms networks established across the continent in recent years. South Africa is a strongly-regionalised and price-sensitive market, with a lack of inter-city connectivity and infrastructure in rural areas. However, improvements to network infrastructure and adoption of cloud services and smart infrastructure are likely to result in the strong growth of smartphones offsetting PC and laptop usage.

Many metropolitan areas are now focusing on connecting all South Africans to the internet, creating free Wi-Fi hubs, especially in the townships. The demand for wireless connectivity has grown by roughly 19% within the last year, and there are now about 10,000 Wi-Fi hotspots around the country.

Research released by iPass (a global Wi-Fi company) indicated that there was one Wi-Fi hotspot for every 6,160 South Africans – far below the global average of one per 150 people. However, as the smart technology market in South Africa is still relatively new, it is forecast to grow and bring major opportunities for the future.

### **Opportunities**

Cloud computing is becoming more widespread due to improved bandwidth availability and the lower cost of broadband, as well as additional internet providers competing in the market. According to Business Monitor International, areas of opportunity for cloud computing include retailing and banking, as well as opportunities for increased investments in data centres and related infrastructure.

#### Insurance sector – briefing

The South African insurance sector is one of the most advanced in the world, with a broad cross-section of well-regulated and innovative insurers and one of the highest premium-to-GDP ratios.

Even though the market will become more sophisticated with the introduction of new legislation, and increased opportunities with the increase in future population, much of the country still remains unbanked and either uninsured or underinsured. Financial inclusion is still limited, with basic policies only optional – a rarity in the developing world, both in Africa and beyond.

This presents significant opportunities for insurers as they look to develop more-inclusive products designed to meet the needs of large numbers of low-income customers, and the predicted large numbers of new middle-income consumers too. As a result, the insurance sector is expected to benefit from substantial growth in the years ahead.

#### Legal sector – briefing

South Africa offers a sophisticated environment, with well-developed legal, banking and accounting systems and a strong, well-regulated stock exchange.

The country is the furthest-along of all the countries of Africa in terms of transition from an emerging to a mature economy. This opens up opportunities for compliance audits – incorporating compliance into standard processes and procedures is imperative for businesses operating in Africa.

There is a need for compliance regarding local legislation, and regulations relating to corporate governance, labour, taxes, health and safety, the environment, black economic empowerment, anti-bribery, anti-cartel, contract-specific work and protection of personal information in addition to the need for other legal services in energy, mining and infrastructure. The South African Department of Justice and Constitutional Development aims to transform state legal services as part of the broader reform of the administration of justice.

*[Source – mostly SA Department of Justice and Constitutional Development]*

## Real estate sector – briefing

Although real estate is a smaller economic contributor to the South African economy than mining or agriculture, it is an important tertiary sector.

South Africa's property market appears poised for strong growth. Despite challenging macroeconomic conditions, with steady population growth, plans for billions in new infrastructure projects and greater disposable income, there is an increasing demand for affordable housing, and a number of "new city" projects have been announced recently, which have kept the residential market steady.

However, despite a positive mid- to long-term forecast, the residential segment does still face a number of serious challenges, including rising inflation, labour unrest, electricity shortages and potential currency depreciation.

The new cities will require significant investment in infrastructure, and one of the most significant risks to their economic growth is the country's ongoing energy challenges, although these are beginning to be addressed.

The commercial market has been impacted by oversupply and relatively high vacancy levels, but due to a growing middle class and rising disposable incomes, the retail segment is now leading the property market.

So although electricity and infrastructure deficits, as well as the country's subdued macroeconomic conditions, will challenge property stakeholders in the coming years, the real estate sector is set to benefit from population growth, and real estate in South Africa does seem poised for resurgence in the coming years. Despite near-term challenges, the mid-term outlook remains positive.

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## Case Study (from a UK based company with proven success in South Africa)



## Insurance



## Office Solutions / Office Services



## Market Entry / Professional Business Services



## Forex / Money Exchange Services



## ICT / Telecommunications



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