A BLUE-SKY INDUSTRIAL POLICY & ECONOMIC GROWTH PATH

REALISING THE PROMISE OF SOUTH AFRICA AS A GLOBAL INDUSTRIAL HUB AND CONTINENTAL POWERHOUSE

the dtic
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Part 1 | The Storm Clouds

South Africa's economic growth has been sluggish for the last 2 decades , with potential growth levels remaining low. This has led to premature de-industrialisation; the manufacturing sector, which contributed 21% to GDP in 1994, has decreased to 14% by 2023. As a result, South Africa finds itself trapped in a middle-income scenario, where investments are path-dependent, barriers to entry and exit are significant, and market concentration and power remain high.

Adding to this economic vulnerability is the lack of diversity within the economy. The nation continues to struggle with the triple challenges of unemployment, poverty, and inequality. Furthermore, the slowing global growth, particularly in traditional export markets like the European Union, has exacerbated these issues.

Several fundamental factors have affected South Africa's competitiveness. The nation is grappling with a structural energy crisis, as well as inadequate rail and freight infrastructure. The transition to an industrial base which is future-proofed to account for climate risks and opportunities is only beginning. Regulatory changes linked to this , such as the implementation of carbon taxes including Carbon Border Adjustment Mechanisms (CBAMs), alongside technological disruptions like battery technology and the rise of electric vehicles, are reshaping the landscape. While growing global demand for green products and components present both challenges and opportunities there is the risk of stranded assets emerging from these shifts.

Physical climate risks and opportunities are becoming more apparent, with the increased frequency of climate events impacting sectors such as agriculture, infrastructure, and tourism. These developments signal significant changes and necessitate adaptation to ensure sustainable economic growth and resilience in the face of evolving global dynamics.

The consistent challenges affecting investment growth in South Africa include:

- Delays in licensing regimes and other public sector regulatory issues, which act as barriers to private sector investment. These delays range from spectrum allocation and Independent Power Producer (IPP) enabling to more routine processes such as Water Use Licenses (WULAs), Environmental Impact Assessments (EIAs), and Spatial Development Plan (SDP) approvals.
- Deficits in public investments that are preconditions for private sector investment, including transmission infrastructure, ports, and rail.
- Prolonged lead times for public sector investment projects and significant funding shortfalls.
- The interplay of perception and reality, which impacts business confidence.

The South African Reserve Bank (SARB) Quarterly Reviews indicate record levels of corporate savings. Historical trendlines demonstrate a strong correlation between confidence indices and the reinvestment of owners' equity or borrowing to invest for growth.

There is a clear need to actively attract high-growth sectors and enable private sector investment. Government intervention in enabling and creating value in the process presents an opportunity for pursuing developmental and transformative agendas as part of deal structures, within the bounds of commercial feasibility.

This begins with the process of addressing a series of constraints

- High operational costs due to inefficiencies in energy and logistics (e.g., poor road conditions, congested ports) and fuel costs undermine industrial competitiveness, especially in energy-intensive sectors.

- High financing costs, limited access to capital, and South Africa's sovereign credit rating hinder long-term investments, slowing economic growth and job creation. Addressing these financial constraints is crucial for unlocking private sector potential and driving sustainable growth.

- Insufficient digital infrastructure, which hampers the ability to innovate, integrate into the global digital economy, and develop advanced technologies such as AI and automation. This lack of digital capability significantly undermines the country's industrial competitiveness. Moreover, the shortage of targeted investment in digital infrastructure prevents the necessary industrial digitalisation and modernisation efforts. Industry masterplans, which could serve as a blueprint for sectoral growth, often fail to fully integrate digitalisation strategies, limiting their effectiveness and the overall competitiveness of the sectors they aim to develop.

- The limited pace of market development and the slow evolution of the innovation ecosystem impede the rapid growth and adaptation needed for South Africa to keep pace with global trends. This sluggishness in innovation stifles the development of vibrant digital markets.

- There is a cross-cutting necessity to reduce bureaucratic inefficiencies, simplify and modernize business regulations and expedite turnaround times.

- There is danger of an over-reliance on a few sectors and regions, making South Africa vulnerable to global commodity price fluctuations and limiting diversification, thereby reducing economic resilience.

- High costs and limited availability of essential materials, such as raw materials and technology, alongside a dependence on imports, expose local industries to global price fluctuations and supply chain disruptions. Illicit trade further exacerbates the issue, as it undermines legitimate businesses, distorts markets, and reduces tax revenue, harming local industries and promoting unfair competition.

- The collapse of critical infrastructure, including ports, roads, rail, water, and sanitation, hampers industrial production, increases costs, and reduces the quality of life, thereby stunting economic growth. Limited access to both local and international markets, combined with logistics bottlenecks, restricts the growth of small and medium-sized enterprises (SMEs), stalling overall economic expansion.

- High crime rates increase operational costs, disrupt business activities, and deter investment, making South Africa less attractive for business ventures. As a result, the country faces multiple challenges in fostering a conducive environment for industrial competitiveness and sustainable growth.

- Local government inefficiencies and corruption lead to poor service delivery, infrastructure failures, and delays in executing economic development projects.

- Skills mismatches, high unemployment, and low productivity further limit South Africa's industrial competitiveness, as many local suppliers are not yet capitated to meet the demands of scale. The economy is dominated by large firms, stifling the growth of MSMEs, which leads to wealth concentration, limits innovation, and restricts opportunities for smaller businesses to compete and grow.

- The absence of large-scale targeted interventions, such as robust skills and workforce development programs, leave a significant portion of the young population unprepared for the evolving job market and companies seeking to invest without a market-ready workforce

- Income inequality and high unemployment restrict domestic purchasing power, reducing demand for goods and services, and limiting growth in high-end or manufactured products.

- Protectionist policies also limit competition, increase costs, and hinder South Africa's ability to access international markets, reducing growth potential for local businesses.

In a range of cases – particularly infrastructure – existing efforts are underway and need to be supported and re-enforced.

Across a range of others, new approaches are needed – and are proposed under Section 2 and 3 of this document.

These constitute a new iteration of industrial policy, integrating lessons learned over the first 3 decades of the democratic era. To boost national industrial efforts, the whole government must drive industrial policy, not just one department. This means reviewing policies made in isolation and ensuring they are aligned.

Close cooperation between the state and private sector is essential to understand opportunities and challenges. Policies should be based on detailed, sector-specific knowledge rather than ideology.
Industrial policy should be a deal between the state and private sector, based on what each can realistically provide.
Governance should include feedback mechanisms and flexibility to adapt.

Successful industrial policies and support measures are designed with private sector input, involving Policy coherence, certainty, and continuity, low regulatory and administrative barrier and protection against hindering factors.

An important starting point is understanding what it is possible to achieve by 2029, and what conditions need to be in place for the best range of outcomes to be possible . This is the silver linings scenario, immediately below.

Part 2 | The Silver Linings Scenario

The Industrial Development Corporation has done a series of scenario models based on global and local dynamics. The fuller analysis from which this scenario is drawn is attached as Annexure D, where it is referenced as the 'Optimistic Scenario'.

By 2029, GDP growth reaches 3.6%, while the investment-to-GDP ratio rises to 16.8% from 16.1% in the base case. Fixed investment activity, though initially subdued, gains stronger momentum as structural reforms are effectively implemented and operating and trading conditions improve.
Consumer spending experiences an upswing, fueled by lower inflation and interest rates that enhance disposable incomes and restore household balance sheets. Meanwhile, exports benefit from a more reliable rail network and efficiency improvements at ports, alongside progress in competitiveness enhancements.

The fiscal metrics also see improvement, with South Africa being removed from the Grey list and its sovereign ratings returning to investment-grade territory. Additionally, a more benign inflation outlook prompts further easing in monetary policy.

The Blue-Sky Industrial Policy & Economic Growth Path outlines the mechanisms that can drive this outcome.

Further detail on the assumptions underpinning the scenario are detailed under Annexure A.

2. The Enablers | Turning Constraints into opportunities

The state has four categories of action it can pursue to drive up the rate of private investment into the economy

Convene : The state can convene and cluster players so that investments support each other, thereby enhancing investor intelligence.

Co-invest: The state can build platforms or components that serve as larger private sector investments, such as Special Economic Zones and industrial capabilities through critical infrastructure funds.

Catalyse: The state can finance infrastructure that is a precondition for scaling investment, including bulk infrastructure, rail and port infrastructure, and road networks. Private financing can be clustered through credit enhancement, tax increment financing, and other mechanisms that allow the state to build enabling infrastructure without compromising fiscal headroom.

Enable: The state can unblock obstacles to investment or change rules to allow investment to happen. This includes streamlining and fast-tracking licensing regimes, operating permits, spatial development frameworks, and other compliance instruments, as well as adjusting visa rules for scarce skills that are bottlenecks for targeted sectors.

The intervention framework included as Annexure B below outlines a detailed series of interventions and associated indicators to address the constraints listed under storm clouds section above.

What follows immediately below are the most complex and potentially impactful interventions elevated from this framework.

The intent is for each critical area to be led by a private sector champion working in structured collaboration with the public sector, and implemented in collaboration with operation vulindlela.

2.1. The Omnibus Industrial Development & Investment Fast-tracking Act

There is a need for a successor legal instrument to the Infrastructure Development Act of 2014. The current act can force the convening of mandate holders under the

SIP system but cannot centrally grant exemptions or fast-tracking arrangements beyond cutting EIA consideration deadlines in half.

A fast-tracking structure that can grant exemptions and rapid approvals for projects meeting legally mandated criteria (investment value, job creation value, sector alignment) should be established. This structure should involve expertise from within mandate-holding agencies and departments tasked with authorizing the process without granting them veto power without a valid reason.

Rather than removing regulatory systems wholesale, the act should provide exemptions and, in the case of land use approvals, zoning overlays to create a high-speed lane through the approval process. This approach has value, and applicants for fast-tracking must demonstrate public value to earn it. For example, demonstrating the build-out of industrial capacity or enabling capacity such as low-carbon energy would be highly pro-investment and pro-growth.

Furthermore, the act should set a maximum period beyond which an application not responded to can be considered approved. This provision should apply specifically where the fast-tracking committee is the referring agency.

The act can simultaneously target regulatory bottlenecks identified by the DTIC to unlock value in specific sectors.

An illustrative list of prospective authorisations and permissions to be included in the ambit of the fast-tracking act, focused on energy projects, is included as Annexure C.

All further legal authorities required for the various interventions below can also be included in the act as an omnibus instrument.

2.2. Lowering the cost of industrial electricity: A new energy marketplace, faster

This will be a package of measures to flatten the cost curve for electricity as an industrial input.

The first targeted outcome is the accelerated approval of the energy roadmap under development to implement the new liberalised electricity markets foreseen by the Electricity Regulation Amendment Act of 2024 and the wholesale electricity market code that has been drafted as its first set of regulations. This is to be positioned as an initiative tracked, supported and accelerated by the Economic Cluster in partnership with Operation Vulindlela.

In addition to accelerating the reform roadmap , a special project will be initiated to negotiate and implement an industrial power pool . This will be portfolio state-supported/ subsidised Power Purchase Agreements (PPAs)/ physical bilateral agreements for new generation of electricity worth R30 billion to reduce electricity costs for industrial users over the next five years. Success will be measured by the percentage reduction in electricity costs from PPA implementation .

A further subsidy programme for industrial users will be created using a combination of internal cross subsidy within tariffs and direct subsidisation of costs for fixed periods. A tracking system will monitor and report on the percentage of electricity subsidies allocated to key industries.

Another component of the proposed intervention will categorize electricity consumption by government department and identify cost-saving measures like energy-efficient upgrades and automation.

Developing electricity consumption targets across departments will contribute to broader cost-saving goals and the overall PPAs. The Department of Trade, Industry and Competition (dtic) will identify key officials to work with the National Treasury and the Presidency on electricity projects, ensuring alignment and accountability.

Success will be achieving a percentage reduction in electricity costs for industries either through the subsidy schemes or under the new tariff structure, approved by relevant authorities within six months.

The goal is to transform the industrial energy landscape, reduce costs, and enhance industrial competitiveness.

2.3. Lowering the cost of freight

This will be an initiative specifically targeting a freight logistics cost of 60%-80% of road transport, supported by a combination of targeted subsidies, private sector investment, and efficiency improvements.

Current rail transport costs are 140% that of road transport costs.

The intervention will include localisation of appropriate support services and supply chains to lower costs and reduce turnaround times for repairs.

2.4. Lowering the cost of finance

DFI enhancement and a credit guarantee scheme for mega investment

This initiative includes the following with respect to the DFI network, part of a new framework to maximise the use of public and private balance sheets, ensuring the alignment of financial resources to drive industrialisation, particularly in key growth sectors. Measures will include:

- Enabling DFIs to access fiscal reserves with national treasury, reconfiguring the capital structure of DFI balance sheets, achieving R15 billion annually over five years.
- Securing a tax exemption status (0%) for DFIs, utilizing funds to establish the export bank capitalized by ZAR5 billion by 2028.
- Targeting private sector funding to unlock financial capital outside of the state, aiming to secure R3 billion in private sector funding for the grant program by 2026.

It is additionally proposed that an economy wide investment credit guarantee be established

Unlocking financial capital outside the state is essential to address the high cost of capital and stimulate the investment necessary for achieving growth targets and sustaining long-term economic development. To reach a 3.5% growth target based on the multiplier effect, setting a clear investment goal is paramount. This involves assuming a balanced equity-debt structure with a 40-60% equity-to-debt ratio.

To begin with, the debt component needs to be calculated. It is crucial to determine 10-20% of the 60% debt portion to identify the capital reserve target necessary for securing financing. For instance, if the total private sector investment required over the term is estimated at 10 trillion, and 6 trillion is expected to be sourced from debt, the next step is to calculate the required capital reserve.

To secure 6 trillion in debt, a reserve of 600 billion to 1.2 trillion would be necessary. This reserve acts as a guarantee for debt financing, not as actual spending, ensuring that the capital required to support long-term growth is available.

2.5. Eliminating friction in starting and running a business

By transitioning to a fully digital framework for business operations, we aim to enhance accessibility, transparency, and ease of use. This will involve the continuous improvement of business processes to increase productivity and reduce inefficiencies across operations. Streamlined operations will help reduce costs, improve time management, and enhance the overall effectiveness of service delivery. Additionally, the simplification of legislative and regulatory processes will expedite service delivery and facilitate smoother operations across government institutions.

To monitor and measure the success of these initiatives, we have established the following key indicators:

- Achieve 100% process optimisation and harmonisation across all departments, ensuring consistency and seamless operations.
- Improve process efficiency to reduce turnaround times by 3 months, with a year-on-year reduction in delays.
- Ensure that all government regulations are cleared and permits issued within 3 months for all government institutions, as per baseline.

- Achieve a reduction in demurrage fees over the next year by improving operational efficiency and clearing bottlenecks.
- Increase the percentage of transactions processed digitally to enhance speed and reduce manual errors by 2023.

The proposal also aims to streamline and optimize the merger process by enhancing regulatory frameworks and creating specialized centres for investment approval and support. This initiative is designed to reduce turnaround time for investment approvals, thereby accelerating the approval process for mergers and investments. This will minimize delays and expedite business integration.

By improving regulatory processes, we can simplify and accelerate the stages of merger review and approval, leading to greater overall efficiency. Key outcomes anticipated from this proposal include the establishment of fusion centres to facilitate faster investment approvals, providing centralized support for merger and acquisition activities. Additionally, increasing the threshold for mergers involving companies with assets over R800 million will streamline large-scale mergers.

2.6. Digital Empowerment of the SA industrial base

In collaboration with the Operations Vulindlela Digital Transformation Team, the DTIC has developed a comprehensive roadmap aimed at fostering shared public digital infrastructure economic reforms. This initiative combines numerous economic digital data sets, enhancing the integration and accessibility of information.

A significant milestone in this endeavor is the creation of a single company digital identity data set, specifically designed for utilization by the economic cluster. This innovation will streamline processes and improve coordination among various stakeholders.

Additionally, there has been an increase in the number of government departments and entities utilizing space data to support economic activities .This initiative is championed by the DTIC's research team, with support from various sectors and entities, ensuring a comprehensive and coordinated approach to digital transformation and economic development.

To further advance the digital transformation of South Africa's industrial base, the proposal is to adopt the proposals tabled by GSMA[1] . These include the development of a comprehensive spectrum policy that not only encourages investment but also includes a robust oversight framework for completing digital migration. Furthermore, a market-driven, collaborative strategy for the phase-out of 2G and 3G networks will be incorporated.

A further key step will be the implementation of measures to enhance the

[1] Driving Digital Transformation of the Economy in South Africa Opportunities, policy reforms and the role of mobile; GSMA, November 2024

deployment, energy supply, and security protection of telecommunications networks as well as existing and new data centres . Additionally, we aim to support digital adoption by revising import taxes on devices and accelerating digital skills training programs.

Executing the Digital Masterplan, alongside other components of the sector policy framework, will be mandated by the President and the Cabinet, backed by dedicated program management and resources. This initiative will also involve reforming the sector's regulatory framework to promote the growth of the digital economy. Key areas of focus will include ensuring a level playing field and adopting a collaborative approach to emerging technologies such as Over-the-Top (OTT) services, low earth orbit (LEO) satellites, artificial intelligence (AI), and cloud computing.

2.7. A South African Export Credit & Capacity Agency targeting 22 key Markets

In an effort to bolster international trade and economic growth, the DTIC proposes the establishment of an Export Credit and Capacitation Agency (ECCA)

This initiative aims to provide robust support for exporters, facilitating their access to international markets and trans-national supply chains and enhancing their competitiveness through financing, capacity building, certification/ regulatory access support and trade facilitation.

The primary objective of this proposal is to establish an export bank by 2028, which will be capitalized with ZAR5 billion.

Incremental funding milestones will be set and reached each year over the next three years, ensuring steady and strategic growth towards the final goal by 2028.

There is potential to use the AfriEXIM bank as an incubating partner to establish the ECCA.

Prioritisation will be given to 22 identified target markets, and competitive sectors therein, where South Africa can deploy a credible comparative advantage.

The capacitation and funding programme will integrate into the port and special economic zone network, facilitating regional integration and trade.

2.8. A unified active skills pipeline plugging into a single active labour market database

This intervention will address the following:

- Integrate active labour market programmes under a common system (support and reinforce efforts already underway)
- Change the ratio of placements using skills development levy funds to favour workplace placements/ internships (minimum 30% of total in first year, 80% of total by 2029) using the vacancy management system set up under umbrella presidential youth empowerment programmes
- Facilitate mechanisms to expand workplace placements to township, village and informal businesses

The DTIC's strategic approach to workforce development is centered around demand-led skilling analyses and customized plans for each masterplan. This initiative is designed to ensure that the workforce is equipped with the skills required to meet the evolving needs of the sector, thereby enhancing competitiveness and productivity.

The DTIC will rigorously track and monitor the use of SETA grant funding, which is allocated to support workforce re-skilling efforts. This funding will play a crucial role in achieving the ambitious targets, such as a 10% increase in the number of workers enrolled in skills upgrading programmes that are meticulously aligned with sector-specific skills requirements.

Furthermore, the DTIC aims to significantly boost workplace-based placement internships, with a target increase from the current 7% to 30%. This will provide invaluable practical experience and enhance the employability of the workforce.

A key metric of success will be the percentage of total bursary fund allocations directed toward sector and labour market programs, internships, and work experience initiatives. By aligning these funds with strategic goals, the DTIC will ensure that financial resources are effectively utilized to support workforce development.
Compliance with Section 10 of the Employment Services Act is another critical objective. The DTIC will strive to increase the percentage of employers reporting vacancies in compliance with this section, thereby improving transparency and the effectiveness of employment services.

Additionally, the DTIC will work towards a 10% increase in the compliance rate for UIF contributions. This will ensure that the workforce benefits from the security that comes with UIF compliance and that the system remains sustainable and effective.
Each masterplan will have a demand-led skills plan in place, ensuring that strategies are tailored to the specific needs of each area. The Industrial Sector Innovation and Development (ISID) will champion this initiative, with support from all branches of the Department of Trade, Industry, and Competition (DTIC), as well as all associated entities.

This comprehensive approach to workforce development will not only meet the immediate needs of the sector but also lay the foundation for long-term growth and competitiveness.

2.9. Unlocking Critical Minerals Beneficiation in the Republic

The initiative to increase beneficiation at the source is critical for enhancing the economic landscape of our mining sector. Key indicators of success for this initiative include the net inflows of foreign direct investment (FDI), the number of jobs created, and the value of exports for both raw and processed minerals.

By closely monitoring these indicators, the DTIC aims to significantly boost the GDP contribution of the mining sector. Additionally, establishing agreements on regional green value chains with countries such as Zimbabwe, Congo, Namibia, and Mozambique will further solidify the DTIC's commitment to sustainable development. Moreover, a crucial aspect of this proposal is to increase the exports of mining equipment to African Continental Free Trade Area (AfCFTA) implementing countries.

This not only fosters regional economic integration but also promotes the adoption and utilization of advanced mining technologies across the continent.
The sectors will be championed by all Development Finance Institutions (DFIs) and technical infrastructure entities, ensuring a coordinated and comprehensive approach to achieving these objectives. The DTIC believes that through strategic partnerships and focused efforts, this initiative will drive substantial economic growth and technological advancement in the mining industry.

A detailed intervention framework supporting the above enabling environment interventions is included as Annexure B below

3. The Sectors | Where do we focus targeted support

Based on the data outlined under Annexure D, sectoral initiatives, building on the masterplans where these are concluded, will be deployed in identified sectors above and beyond the broad enabling outlined under Section 3. This will focus on the imperatives of diversification, digitisation and decarbonisation.

Quantitative analysis has established that these sectors have the highest potential for driving job creation and economic expansion based on the multipliers of investment into their value chains and associated workforces.

a. Agriculture and Agro-processing
b. Mining & metals
c. Automotive
d. Chemicals & pharmaceuticals
e. Services
f. Steel
g. Infrastructure
h. Energy
i. Clothing and textile

4. Annexure A | The Silver Linings Scenario | Detail

Probability: 20%

Key outcome: GDP growth reaches **3.6% by 2029**, while the investment-to-GDP ratio increases to 16.8% in 2029 (16.1% in Base case)

Global Assumptions

- **US policy reforms**: Drive improved productivity, boosting world trade and global growth.
- **Eurozone interventions**: Enhance manufacturing competitiveness, especially in Germany, improving export performance.
- **China's stimulus**: Effective measures foster faster growth and stronger consumption.
- **Fiscal discipline**: Stabilizes public finances short-term, enabling medium-term fiscal spending.
- **Global inflation**: Eases steadily, reaching target levels faster than the Base Case.
- **Easier monetary policy**: Central banks lower rates as inflation declines.
- **Emerging markets growth**: Strengthens due to supportive monetary policy and stronger global demand.
- **Global trade**: Improves faster than the Base Case, benefiting export-focused emerging markets.
- **Investor sentiment**: Recovery boosts investor activity, including stronger FDI flows.
- **Geo-political tensions**: Subside, reducing risk premia and supporting lower interest rates and fixed investment in emerging markets.

- **Commodity prices**: Stay high due to strong economic growth and increased demand for industrial materials, while crude oil prices remain stable.

Domestic Assumptions

- **Structural reforms: Accelerated infrastructure (R940bn) and improvements in key sectors (electricity, logistics, water) boost growth potential.**
- **Policy coherence: Improved GNU policies drive faster medium-term economic growth.**
- **Industrial policy: Coordinated framework supports growth through localisation, diversification, digitalisation, and decarbonisation, raising investment and exports.**
- **Green economy: Expedited transition creates investment opportunities in sustainable industries (renewable energy, electric vehicles, digital economy).**
- **Inflation & monetary policy: Lower inflation supports accommodative policy, boosting investment and consumption, though rate cuts are limited by demand-pull pressures.**
- **Fiscal improvements: Stronger fiscal position could lead to a sovereign credit rating upgrade.**
- **Investor sentiment: Rebounds on improved global and domestic economic prospects.**
- **FATF compliance: Removal from the Grey list in 2025 boosts investor confidence.**
- **Exports & imports: Exports grow with improved logistics and energy, while imports decrease due to stronger domestic production.**
- **Rand appreciation: The Rand strengthens due to favorable balance of payments, FDI, and capital inflows.**

5. Annexure B | Intervention Framework to lower the cost of investing and doing business, reduce friction in the economy and ramp-up economic growth

Interventions	Outcomes and Indicators
❑ Approval of energy road map: Categorise electricity consumption by department and identify areas for cost-saving measures such as energy-efficient upgrades and automation.	**Outcome:** Accelerated approval of energy road map **Outcome Indicator:** Successful approval and adoption of the Accelerated Energy Roadmap by the Economic Cluster. **Target:** Completion of the draft final report and project plan, with a formal submission to the Economic Cluster for approval by 2026. • **Champion: Research and ODG**
❑ Develop a metric to track and assess electricity subsidies, ensuring proper allocation and monitoring of financial support for energy costs ❑ Negotiated Power Agreements : parameters for companies to benefit from Negotiated Pricing Agreements: • Minimum load factor of 70% must be met. • Electricity costs must comprise 10% of the total operational cost base. • Electricity needed to be one of the top 3 cost components. • Electricity intensity should be 1 MWh/t.	**Outcomes**: • Allocation of electricity subsidies to key industries tracked • A competitive pricing model implemented for production through strategic changes in electricity pricing and subsidies, improving industry competitiveness • Cheaper inputs for products or components in the renewable energy value chain **Indicators:** • Develop a subsidy allocation tracking system that monitors and reports on the percentage of electricity subsidies allocated *(include a criteria and thresholds)* • % Implementation of negotiated Power Agreements to reduce electricity costs and lower production expenses • Review of tariffs for products in the renewable energy value chain **Champion: ISID, Entities: IDC & ITAC**
❑ **Value of Mega Watt (MW)** sourced from Independent Power Producers (IPPs) for Smelters: Assess and set the target for the amount of electricity (in MW) that must be sourced directly from IPPs to support smelter	**Outcome**: Alternative sourcing of energy: Procurement of Mega Watts (MW) from IPPs to meet smelter energy needs **Indicator:** Increase **Value of Mega Watt (MW) sourced from IPPs** from the current **baseline of 1.82 MW** **Champion: ISID, Entities: IDC**

Interventions	Outcomes and Indicators
operations.	
❑ Formally Designate officials to collaborate with National Treasury (NT) and Presidency on electricity-related projects, ensuring alignment and accountability.	**Outcome**: • Industrial incentive price and tariff structure developed and implemented to reduce electricity costs for industries **Indicator:** • Approval of tariff reduction strategy • % reduction in electricity costs for industries under new tariff structure. **Champion: ODG, Entities: IDC**

<table>
<tr><th>Interventions</th><th>Outcomes and Indicators</th></tr>
<tr><td rowspan="2">Localisation: Increase Rail Funding and Supply
1. Reliable and Affordable Rail Services: Enhanced rail services that are dependable and cost-effective, ensuring improved transport for goods and passengers.
2. Increased Rail Capacity: Significant expansion of rail infrastructure and rolling stock to meet growing demand for rail transport.
3. Improved Rail Infrastructure: Upgraded and expanded rail infrastructure to support increased capacity and efficiency in the transport network. To include infrastructure required for cross border rail networks to facilitate SA exports into the region.
4. Reduction of the cost price for rail transport, to be more competitive and efficient mode of transportation.
5. Prioritise the establishment of maritime corridors as directed by Cabinet on February 2025.</td><td>Outcome:
• Localisation increase rail funding and supply
• Regional transport networks (road, rail and maritime)
Indicator:
• Measure the volume and rand value of orders from SOEs Directed to Private Sector
• Achieve 30% on local content compliance rate on local content requirements in rail procurement and supply.
• Achieve 60% rail procurement from BBBEE-Compliant Suppliers over the Medium-Term Development Plan (MTDP)
Champion: Sectors Dr Tebogo</td></tr>
<tr><td>Outcome:
• Cost price reduction for rail transport to be more competitive and efficient mode of transportation
Indicator:
• Achieve a 60%-80% reduction in rail transport costs relative to road transport, supported by targeted subsidies, private sector investment, and efficiency improvements.
Baseline: Current rail transport costs are 140% higher than road transport costs.
Champion: Sectors Dr Tebogo ; Entities: BBBEE, IDC</td></tr>
</table>

Interventions	Outcomes and Indicators
Unlocking rand value of financial capital outside the state	**Outcome:** • Strengthen equity and balance sheet of DFI's by an annual value of R15 Billion • Rand value increase in grant funding through enhanced collaboration and investment from the private sector. **Indicator:** 1. Unlock the ability of DFIs to access fiscal reserves with National Treasury to enable the reconfiguring of the capital structure of DFI balance sheets, R15 billion pa over 5 years 2. Tax exemption status for DFI's (0%) 3. Secure R 3 billion private sector funding for grant programme by 2026 **Champion: Incentives** **Entities: DFI's**
Establishment of an export bank to support international trade and economic growth	**Outcome:** • Launch a SA EXIM Bank by 2028 capitalised in access of R 20 Billion, to be leveraged for additional private placements **Indicator:** • Achieve R 20 Billion in capital for the export bank, with incremental funding milestones reached each year over the next 3 years (by 2028) **Champion: Exports** **Entities: ECIC**

Interventions	Outcomes and Indicators
Process and policy instruments Identification and implementation of processes and systems for optimisation, harmonisation, digitisation, and integration to improve service delivery and operational efficiency in **the dtic** entities. 1. Development of a harmonised process system/ map amongst dtic entities 2. Digitisation of 50% of dtic entities processes in 6 months 3. Turnaround times reduced by % in all entities in 6 months 4. Development of IT system and management monitoring tool in 8 months to monitor the performance of entities 5. Greater registration under the Authorised Economic Operator (AEO) to fast-track customs clearance.	**Outcomes:** • A fully integrated and digitised management system enrolled to track and monitor service efficiency. • Enhancing accessibility, transparency, and ease of use. • Streamlined operations to reduce costs, turnaround times and the overall effectiveness of service delivery • Business processes to increase productivity and reduce inefficiencies across operations. • Simplified legislative and regulatory processes to expedite service delivery and facilitate smoother operations across government institutions – client centred regulation. • Prioritised sector related red tape impediments identified and addressed **Indicators:** • % of processes and policy instruments optimised, integrated and harmonised, • Reduce turnaround times of all applications in 3 months i.e.. Clearing regulations and permits issued within 3 months. • % reduction in demurrage fees over the next year by improving operational efficiency and clearing bottlenecks. • % Increase of transactions processed digitally, improving speed and reducing manual errors. *(i.e Automation of ITAC permits & Non Proliferation permits)* • Fast Track regulatory frameworks to enable renewable infrastructure investments by industrial users. • Encourage regular exporters to register as Authorised Economic Operators **Champion: Regulations, Entities: All**

Interventions	Outcomes and Indicators
Mergers Streamline and optimise the merger process by enhancing regulatory frameworks and creating specialised centers for investment approval and support. • Reduction of Turnaround Time for Investment Approval • Optimise Regulation Processes	**Outcomes:** • Accelerate the approval process for mergers by reducing delays and enhancing the speed of business integration. • Improve regulatory processes to simplify and expedite the merger review and approval stages, enhancing overall efficiency. **Indicators:** • Increase threshold for mergers involving companies with assets over R 800 Million, streamlining large-scale mergers. • Establish a number of **fusion centers** to facilitate faster investment approvals and provide centralised support for merger and acquisition activities. **Champion: Competition , Entities: TRP, Competition Commission**

<table>
<tr><th>Interventions</th><th>Outcomes and Indicators</th></tr>
<tr><td rowspan="2">Process and policy instruments Identification and implementation of processes and systems for optimisation, harmonisation, digitisation, and integration to improve service delivery and operational efficiency in the dtic entities.
1. Development of a harmonised process system/ map amongst dtic entities
2. Digitisation of 50% of dtic entities processes in 6 months
3. Turnaround times reduced by % in all entities in 6 months
4. Development of IT system and management monitoring tool in 8 months to monitor the performance of entities
5. Greater registration under the Authorised Economic Operator (AEO) to fast-track customs clearance.</td><td>Outcomes:
• A fully integrated and digitised management system enrolled to track and monitor service efficiency.
• Enhancing accessibility, transparency, and ease of use.
• Streamlined operations to reduce costs, turnaround times and the overall effectiveness of service delivery
• Business processes to increase productivity and reduce inefficiencies across operations.
• Simplified legislative and regulatory processes to expedite service delivery and facilitate smoother operations across government institutions – client centred regulation.
• Prioritised sector related red tape impediments identified and addressed</td></tr>
<tr><td>Indicators:
• % of processes and policy instruments optimised, integrated and harmonised,
• Reduce turnaround times of all applications in 3 months i.e.. Clearing regulations and permits issued within 3 months.
• % reduction in demurrage fees over the next year by improving operational efficiency and clearing bottlenecks.
• % Increase of transactions processed digitally, improving speed and reducing manual errors. (i.e Automation of ITAC permits & Non Proliferation permits)
• Fast Track regulatory frameworks to enable renewable infrastructure investments by industrial users.
• Encourage regular exporters to register as Authorised Economic Operators
Champion: Regulations, Entities: All</td></tr>
<tr><td>Mergers
Streamline and optimise the merger process by enhancing regulatory frameworks and creating specialised centers for investment approval and support.
• Reduction of Turnaround Time for</td><td>Outcomes:
• Accelerate the approval process for mergers by reducing delays and enhancing the speed of business integration.
• Improve regulatory processes to simplify and expedite the merger review and approval stages, enhancing overall efficiency.
Indicators:</td></tr>
</table>

Interventions	Outcomes and Indicators
Investment Approval • Optimise Regulation Processes	• Increase threshold for mergers involving companies with assets over R 800 Million, streamlining large-scale mergers. • Establish a number of **fusion centers** to facilitate faster investment approvals and provide centralised support for merger and acquisition activities. **Champion: Competition , Entities: TRP, Competition Commission**

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Interventions	Outcomes and Indicators
Mergers Streamline and optimise the merger process by enhancing regulatory frameworks and creating specialised centers for investment approval and support. • Reduction of Turnaround Time for Investment Approval • Optimise Regulation Processes	**Outcomes:** • Accelerate the approval process for mergers by reducing delays and enhancing the speed of business integration. • Improve regulatory processes to simplify and expedite the merger review and approval stages, enhancing overall efficiency. **Indicators:** • Increase threshold for mergers involving companies with assets over R 800 Million, streamlining large-scale mergers. • Establish a number of **fusion centers** to facilitate faster investment approvals and provide centralised support for merger and acquisition activities. **Champion: Competition , Entities: TRP, Competition Commission**

Industrial Policy Sectors

DECARBONISATION
- Battery Value Chains and Beneficiation of Critical Minerals
- Green Economy
- Agro-processing

DIVERSIFICATION
- Cannabis and Hemp
- Clothing, Textile, Leather and Footwear (Ctfl)
- Agro-Processing
- Steel, Metal Fabrication and Aluminium Sector
- The Global Business Services (Gbs) Sector
- Automotives Industry
- Chemicals
- Plastics Sector
- Cosmetics Sector
- Oceans Economy

DIGITALISATION
- Pharmaceuticals, Vaccines and Medical Technologies
- Electro-Technical Industries and White Goods
- Aerospace and Defence
- Digital Economy

Interventions

- Increasing the capacity of South Africa's enterprises to export, including skills for exporting.
- Penetrating African export markets beyond SADC
- Increasing the value of South Africa's investments in the rest of Africa.
- Promotion and Marketing of South African goods and services exports globally.
- Economic Diplomacy and the professionalization of the foreign service.
- Resolving trade and investment barriers faced by South African businesses.
- Improved trade finance instruments.

IMPLEMENTATION OF THE BUTTERFLY STRATEGY – 22 PRIORITY MARKETS

PRIORITY MARKETS			KEY PRODUCTS
AFRICA	1	Mozambique	Basic iron & steel, Basic Chemicals, Fertilisers, Rail locomotives, Machinery, Oil and gas casings, Capital equipment, Blankets & rugs, Agro processing
	2	DRC	Machinery & equipment, Pumps, Iron and steel structures, Cement, Transformers, Flat-rolled steel, Electric motors and generators, Fertilisers, Agro processing
	3	Egypt	Basic and industrial chemicals, Capital equipment & machinery, Mechanical appliances, Flat-rolled steel, Cement, Agro-processing
	4	Ghana	Machinery, Steel grinding balls, Steel tube and pipe fittings, Basic chemicals, Man-made fibres, Agro processing
	5	Kenya	Machinery, Capital equipment, Poultry-keeping machinery, Explosives, Basic chemicals, Fertilisers, Basic iron & steel, Metal products, Steel tube & pipe fittings, Tents, Footwear, Blankets & rugs, Agro processing
	6	Nigeria	Basic chemicals, Explosives, Machinery & equipment, Poultry-keeping machinery, Capital equipment, Electric motors & generators, Agro-processing
	7	Senegal	Automotives, Machinery, Tanks, Steel grinding balls, Steel bars & rods, Agro processing
	8	Ethiopia	Flat-rolled steel, Mechanical appliances, Fertilisers, Conveyor belts, Copper bars and rods, Machine tools, Slaked lime, Industrial chemicals, Agro processing
	9	Angola	Rail locomotive equipment, Automotives, Pumps, Mechanical appliances, Aluminium plates and sheets, Oil and Gas steel pipes, Transformers, Steel bar and rods, Agro processing
NORTH AMERICA	10	United States	Machinery, Metal products, Aluminium plates & sheets, Flat-rolled sheets, Cement, Copper tubes & pipes, Steel bars & rods, Agro processing
SOUTH AMERICA	11	Brazil	Industrial chemicals, Fertilisers, Machinery & equipment, Metal products, Electric motors & generators
EUROPE	12	France (EU)	Machinery, Automotive, Engineering, Metal products, steel tube and pipe fittings, Agro processing
	13	Germany (EU)	Machinery & equipment, Steel tube and pipe fittings, Industrial chemicals, Automotive, Engineering, Metal products, Services and contract manufacturing, Green Hydrogen, Agro processing
	14	Italy (EU)	Agro processing, Cement, Semi-finished steel products, Machinery
	15	The Netherlands (EU)	Agro processing, Aluminium plates and sheets, Flat-rolled steel, Steel bars and rods, Machinery
	16	United Kingdom	Automotive and components, Aerospace, marine and defence, Catalysts, Pumps, Flat-rolled steel, Cement, Copper tubes & pipes, Steel structures, Agro-processing, Chemicals, Services, Machinery
	17	Russian Federation	Automotive, Machinery and equipment, Chemicals, Metal products, Aerospace, marine and defence, Services, Furniture, Mechanical appliances, Engineering, Agro-processing
ASIA	18	China	Basic chemicals, Capital equipment, Plastic and chemicals, Minerals and beneficiated products, Automotives, Rail components, Steel tube & pipe fittings, Agro processing
	19	India	Basic chemicals, Fertilisers, Machinery & equipment, Metal products, Automotive components, Aerospace, marine and defence, Capital equipment, Electro-technical equipment, Agro processing
	20	Japan	Pharmaceuticals, Pumps, Fertilisers, Flat-rolled steel, Agro processing, Automotive and components, Cosmetics
	21	South Korea	Agro processing, Automotive and components, Rock drilling tools, Fertilisers
MIDDLE EAST	22	United Arab Emirates	Aluminium plates & sheets, Steel tube and pipe fittings, Automotive, Metal products, Agro processed products

US AND AGOA DIVERSIFICATION

- Products targetted for diversification:
- C14: Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal & articles thereof, imitation jewellery; coin (71)
- C17: Vehicles, aircraft, vessels & associated transport equipment (86-89)
- C15: Base metals & articles of base metal (72-83)
- C06: Products of the chemical or allied industries (28-38)
- C16: Machinery & mechanical appliances; electrical equipment, parts thereof, sound recorders an reproducers, television image & sound recorders & reproducers, & parts & accessories of such articles (84-85)
- C05: Mineral products (25-27)
- C02: Vegetable products (6-14)
- C04: Prepared foodstuffs; beverages, spirits & vinegar; tobacco & manufactured tobacco substitutes (16-24)
- C07: Plastics & articles thereof; rubber & articles thereof (39-40)
- C01: Live animals, animal products (1-5)

US and AGOA Diversification Target Markets

- Egypt, Nigeria, Kenya, Tunisia, Algeria, Morocco, Ghana, Tanzania, Senegal, Mauritius, China, Germany, South Korea, Japan, Mexico, Australia, France, Thailand, Italy, Netherlands, Saudi Arabia, Singapore, India, United Kingdom

IMPROVED UTILISATION OF TRADE AGREEMENTS

- **Increase the utilisation from 85% to 90%.**
  - SACUM-UK EPA
  - SADC-EU EPA
  - EFTA-SACU
  - MERCOSUR-SACU
  - AfCFTA

LOOK EAST - EXPAND TRADE INITIATIVES

- **Potential R60 billion in increased exports**

- China
- Japan
- India
- South Korea

- **PLUS ASEAN and TURKEY**

- Vietnam
- Turkey
- Indonesia
- Thailand
- Malaysia

Interventions	Outcomes and Indicators
Unlocking Strategic Markets for domestic products: 1. **Optimising Public Procurement as a policy tool to support local industrial development:** Finalise Regulations to support the Public Procurement Act. Publish the list of products for local production and content 2. **Addressing Barriers to Entry for SMMES in the public procurement system:** enhance market access opportunities for small enterprises; co-operatives and designated groups line with the National Small Enterprise Act (Act No. 102 of 1996) and by Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003). 3. **Implement the B-BBEE Act and Codes of Good Practice to open up opportunities in the value and supply chains of the South African economy:** Optimise the Enterprise and Supplier Development (ESD) element in the Codes of Good Practice, 4. **Expand the categories of preference in the allocation of contracts in Public Procurement:** The least cost prices should not be only indicator; but equity, empowerment, economic and technological development should be But 5. **Reform Public Procurement Policies and Processes:** streamline public procurement to increase efficiencies in the supply chain systems. • **Use trade measures to support and protect local manufacturers:** Reduce imports which displace local producers and incentivise production capability and capacity (ITAC rebates, drawbacks, etc) • Support for emerging suppliers in the private, in particular the retail sector: Increasing local product visibility on shelves to boost market access and expand export opportunities. • Unlock opportunities for SMMEs (including woman and youth owned enterprises) in SA trade agreements	**Outcome:** Strengthen the domestic economy and increase local and global market competitiveness • Alignment with the Public Procurement Act and its Regulations as a policy tor support local industrial development • Local Procurement Spend • Compliance to the B-BBEE Act and Codes of Good Practice • Strengthen remedies for non-compliance on B-BBEE Act, Codes of Good Practice and Local Content requirements. • Advance market access opportunities for the private sector (including SMMEs, woman and youth owned enterprises) **Indicators:** • % of policy and regulatory misalignment between domestic procurement practices and the Public Procurement Act and its Regulations addressed • % of total public procurement spent on local producers • % of businesses compliant with the amended BBBEE Act, • Number of remedies imposed for non-compliance with the B-BBEE Act, Codes of Good Practice and Local Content requirements./ % of remedies imposed. • Number of market commitments secured for local producers • % increase in market share for local products through number of agreements concluded • % increase in local production through localisation measures **Champion: Transformation and Competition supported by Sectors** **Entities: BBEE, Competition Commission, ITAC, NEF, IDC, NRCS**

6. Annexure C | Illustrative List of Permissions and Authorisations to be addressed by the Proposed Investment Fast-Tracking Act | Energy Project Focus

Key area	Permission	Authority
Site control		
	Option to enter into long-term lease	Landowner
	Land claims approval	Land Claims Commissioner
	CARA	
Environmental		
	EIA	DFFE (Environment)
	SAHRA approval	SAHRA
	Permission for removal of protected trees	DFFE (Forestry)
	Permission for removal of protected plants	DFFE (Forestry)
Town planning		
	Subdivision of site	
	Rezoning of site	Local municipality
	Access route to site	Landowner
	Servitude to grid connection point	Landowners / IAPs/ Eskom
Others		
	Civil Aviation Authority	CAA
	s53 MPRDA	DMRE
	Water use license	DWS
	Water availability	Registered water services provider
	Permission to construct on dolomitic land	Council of Geosciences
	s29 Electronic Communications Act	Department of Communications
	South African Weather Services	SAWS
	NERSA registration	NERSA

Table as developed for Energy generation projects by Mr Mike Levington, Independent Energy Expert as part of submission on grid access protocols

7. Annexure D| Analysis of Operating Environment including Data Supporting Sector Targeting | Selected material from IDC Analysis

SA Operating Environment

March 2025

Industrial Development Corporation

Windows Ink Work

Unpacking South Africa's Economic Challenges

- **Low levels of growth** incl potential growth
- **Premature de-industrialisations:**
  - Manufacturing contribution to GDP, 21% in 1994 and 14% in 2023
  - Middle-income trap
- **Path dependency:** Investments; Barriers to entry & exit; concentration and market power
- Economic vulnerability arising from **poor economic diversity**
- Triple Challenges: **Unemployment, poverty, inequality**
- Slowing global growth – particularly in traditional export markets e.g., EU
- **Fundamentals affecting competitiveness**
  - Energy crisis
  - Rail & freight infrastructure
- Transition Climate Risks/opportunities:
  - Regulatory changes e.g. Carbon taxes incl CBAMs
  - Technological disruptions e.g. battery technology & electric vehicles
  - Global demand dynamics – growing demand for green products & components
  - Risk of stranded assets
- Physical climate risks/opportunities:
  - associated with the increased frequency of climate events, affected sectors agriculture, infrastructure, tourism

Major trends underway in the global operating environment

Global production

- Divergence in growth prospects impacting production decisions
- Active and rising use of **industrial policy instruments**
- Supply chain diversification
- Growing focus on **climate change mitigation & adaptation**
- **Tensions between investments to meet decarbonisation targets and short-term shareholder value extraction** are leading to delayed investments
- **Severe weather-related events impacting** adversely on agricultural, mining and industrial **production**
- Increasing **digitalisation of production**

Global trade

- **Subdued demand from major importers e.g. EU**
- **Increased use of trade measures to protect domestic industries** and encourage growth in nascent sectors
- Russian sanctions re-orienting global trade in specific commodities and industrial products
- **Disruptions in key shipping routes:**
  - Trade through the Suez-canal disrupted leading to higher costs and transport times.
  - Drought impacting operations in the Panama-canal, increasing transit times and reducing volumes

Global investment

- **Fall in FDI flows**
- Global **investment flows directed towards countries/regions with the most attractive incentives**
- Lower financing cost support increased fixed investment activity
- **Geo-political tensions impacting on investment destination decisions**
- Changes to supply chains leading to increased investment activity outside of traditional destinations

Global finance

- **Major central banks started or preparing to start easing interest rate,** while QE measures are withdrawn
- **Escalating government** and corporate debt globally posing serious **risks to financial stability**
- **Increased volatility in certain commodity, equity and bond markets** due to increased uncertainty and investors seeking enhanced yields

Weak domestic consumer demand

A challenging consumer environment to result in households spending increasing at a lacklustre pace.

Disinflation trend to continue, reducing costs of living pressures.

Interest rates to be lowered, albeit gradually.

Household indebtedness to be alleviated as interest rates decline.

Debt service costs to be reduced in a lower interest rate environment.

Modest growth in real disposable incomes to affect consumer spending.

Gradual improvement in consumer sentiment as conditions improve.

Economy not able to create sufficient jobs for new entrants into the labour market.

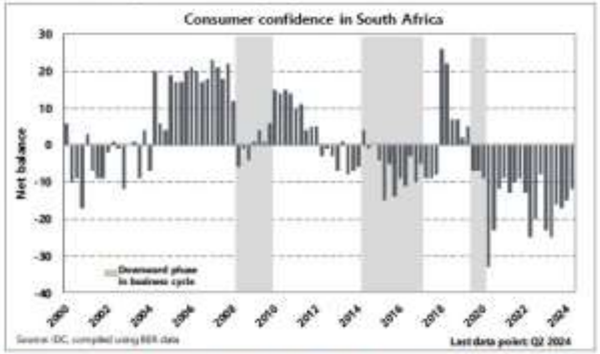
Declining labour intensity of growth.

Increased mechanisation (less jobs).

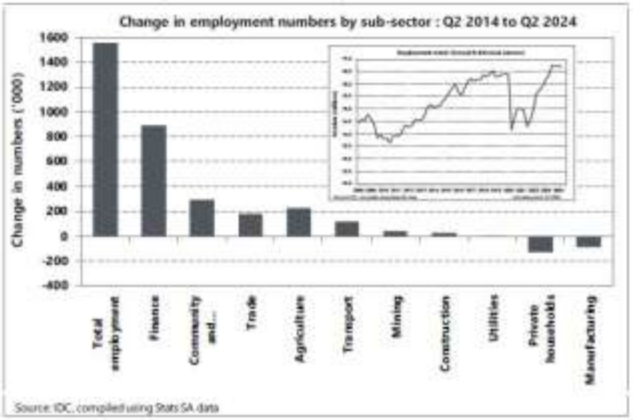
Unemployment rate to remain at elevated levels.

Households taking severe strain, affecting their spending ability and capacity

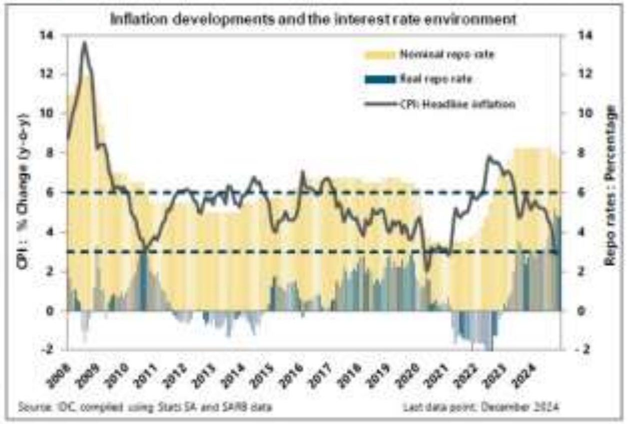
Low consumer sentiment over an extended period, a testimony of challenging conditions



Job creation impacted by subdued rates of growth and declining labour intensity



Inflation at a multi-year low, but interest rates still fairly restrictive



9

Economic activity remains under pressure

Challenging operating and trading conditions affecting production, fixed investment, exports and consumption expenditure

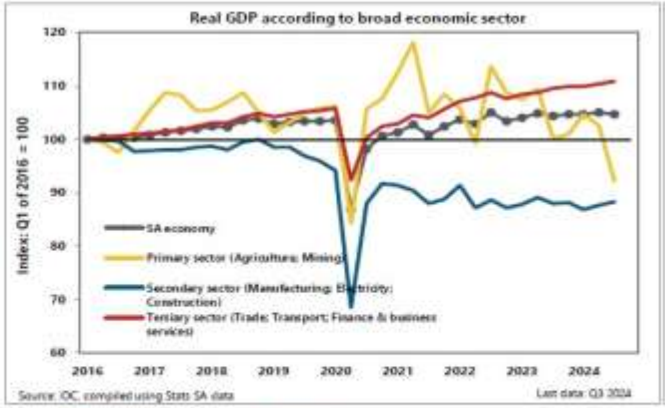
Key sectors not able to raise output on a sustained basis under difficult conditions

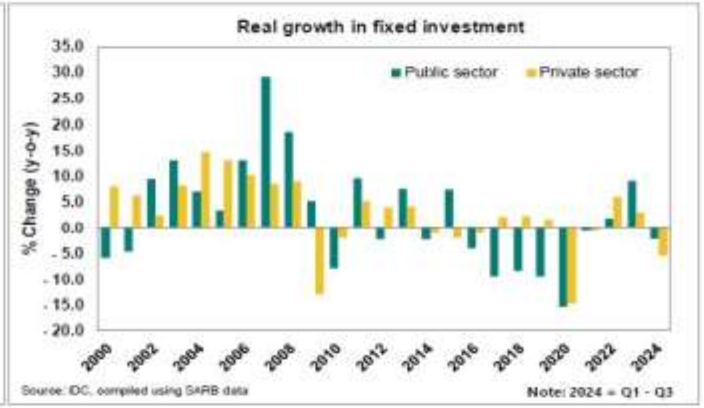
Services sectors have been more responsive to a changing operating environment

Sub-optimal levels of fixed investment limiting growth performance

Alleviation of structural constraints should create a more enabling operating environment and support faster rates of growth

Business and investor sentiment at low levels for a prolonged period, but set to improve





Operating conditions

- Several global and domestic factors to continue affecting business activity in the short-term:
  - Globally: weak demand in key SA external markets; relatively low commodity prices; difficult global trading conditions.
  - Domestically: electricity prices; inefficient rail network; congestion at ports; rising operating costs; lack of investment; loss in competitiveness.
- Manufacturing and mining output under severe pressure, with output below pre-pandemic levels.
  - Growth prospects remaining largely subdued over short-term, some improvement over medium-term.
- Fixed investment falling short of economy's needs, with financial constraints limiting public sector capex.
- Private sector to remain hesitant in ST to commit substantial capital for new and/or expansionary projects.
- Investment-to-GDP ratio (14.9% in 2023) to increase, although staying below 30% ratio as per NDP.

Improving export demand, but falling competitiveness

World trade expected to rebound, but not across all regions, broadly supporting SA's export performance

Subdued growth prospects in key external markets (e.g. Eurozone) to impact export performance in ST, improving over MT.

Relatively strong growth in SSA region along with AfCFTA to provide ample export opportunities, especially for manufactured goods.

Commodity exporters may encounter challenges in ST due to weaker demand (e.g. China) and lower commodity prices.

Domestically, improving logistics should support exports over MT to LT.

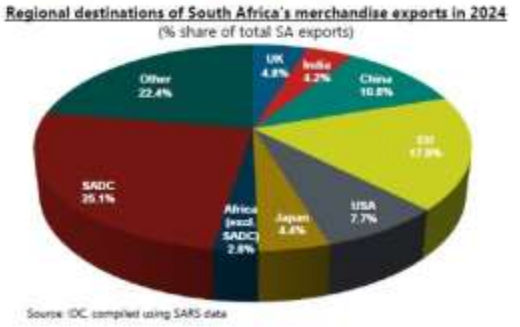
Need for ***export diversification from regional perspective*** *(e.g. beyond SADC; new/alternative fast-growing markets).*

Competitiveness enhancements needed to counter rising imports and raise exports.

ESG factors must be embraced to avoid export restrictions (e.g. carbon border adjustment mechanism).

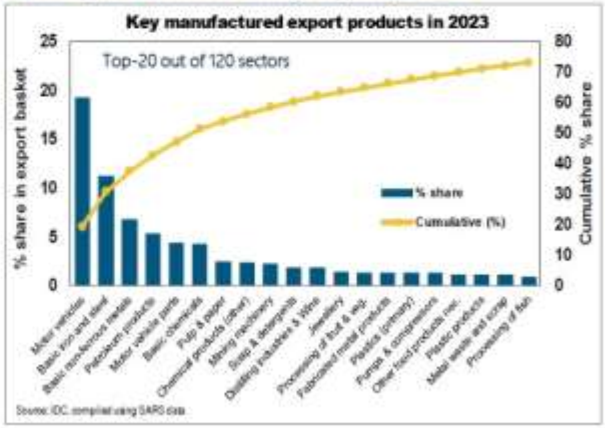
11

Export basket requiring diversification

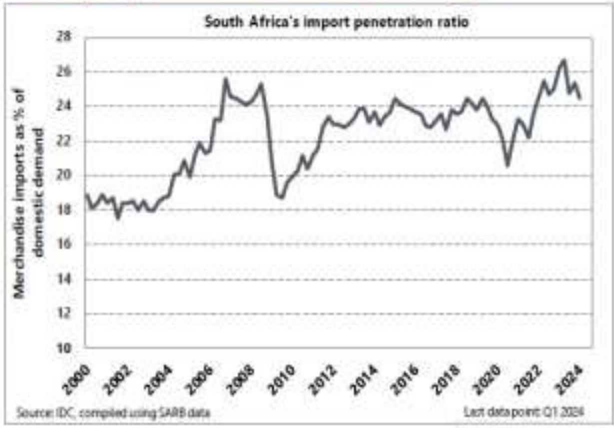


Narrowing trade surplus due to weaker global demand, lower commodity prices and logistical challenges

Manufactured export basket highly concentrated, with top-20 sectors taking majority share



SA economy increasingly reliant on imports, with the import penetration ratio at record highs



South Africa's economic performance

South Africa's export basket to select key destinations

- The charts provide an overview of SA's merchandise export basket for its main trading partners in 2024.
- The bar charts indicate the relevant shares claimed by each region or country in 2018 and 2024.
- In addition, the export values for 2018 and 2024 (in USD and Rand values) are shown underneath the bar charts.
- Apart from SA's exports to Africa, the export basket to other destinations is mostly dominated by a few broad export categories.
- For the EU, motor vehicles & parts accounted for 41.3% of exports, while in the case of China, exports of other mining and mineral products such as manganese and chrome (41%), as well as iron ore (25.8%) have dominated the export basket.
- PGMs took the majority share in the US at 31.8%, followed by motor vehicles & parts at 21.8%.
- Exports to Japan were dominated by PGMs, which took a 56.9% share in 2024.

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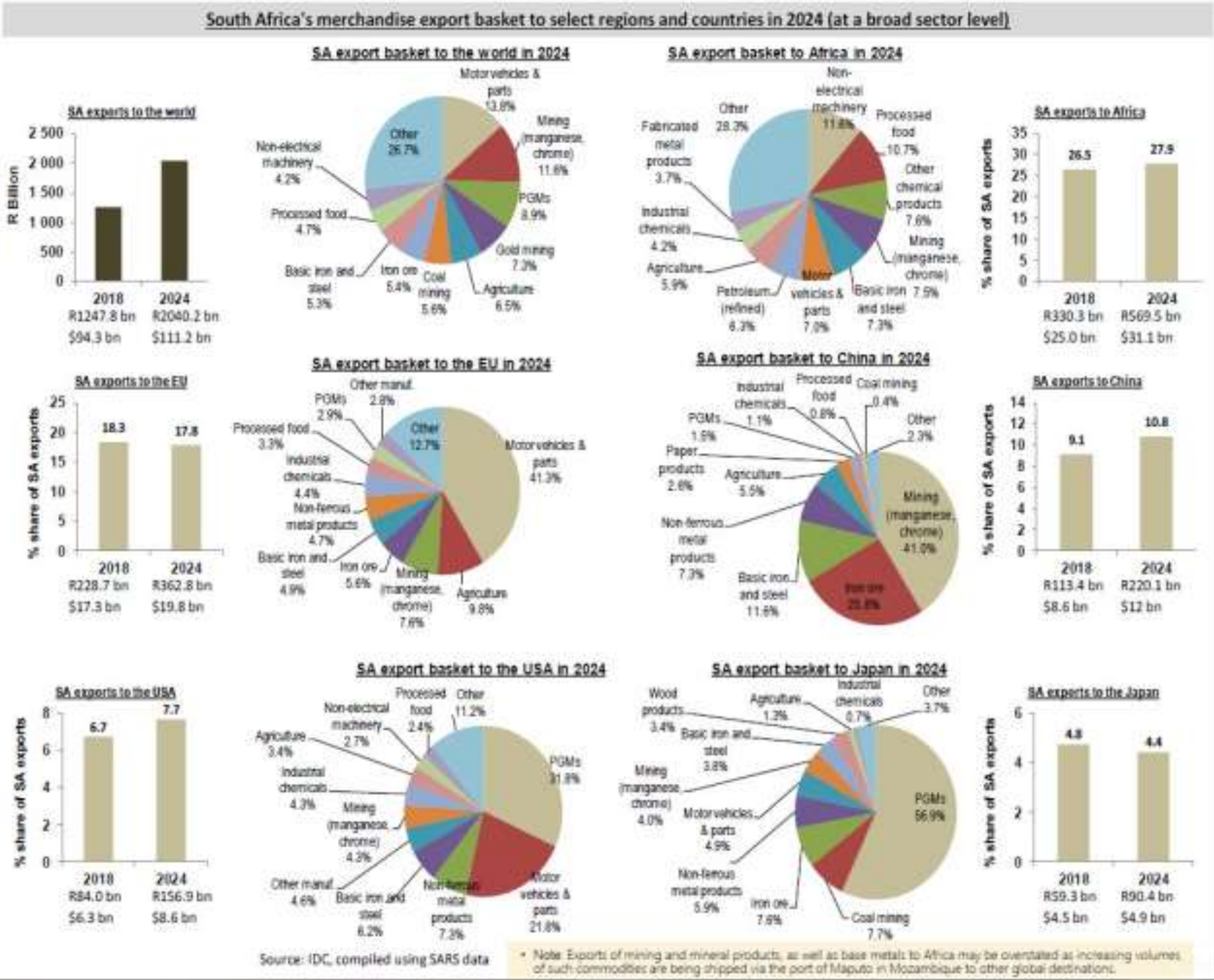


IDC Base Case macroeconomic projections: Probability: 65% Key assumptions

Global assumptions

- **World economic growth stabilising** over the medium-term, albeit at a slower pace than pre-pandemic. Nonetheless, growth prospects remain uneven across regions and countries.
  - Growth in the US, China and SSA to remain quite strong, while **Eurozone, Japan and UK continue experiencing challenges, especially in the short-term**
- Global trade rebounding as economic conditions improve and trade tensions ease.
- **Ongoing geo-political tensions**, China's focus on infrastructure investment and expanding its manufacturing capacity likely to support higher commodity prices.
- **Fixed investment and infrastructure spending to be key factors in driving economic growth.**
- **Disinflation trend expected to continue, with inflation moving gradually closer to the target levels of several central banks in advanced economies.**
- **Easing of monetary policy to continue as inflation** is contained, with a further lowering in interest rates projected over the outlook period. This should pave the way for an up-tick in fixed investment, production and household consumption expenditure.
- **Limited fiscal space to support the recovery process**, considering relatively high levels of government debt, especially in the ST, but followed by some improvement over MT.

Domestic assumptions

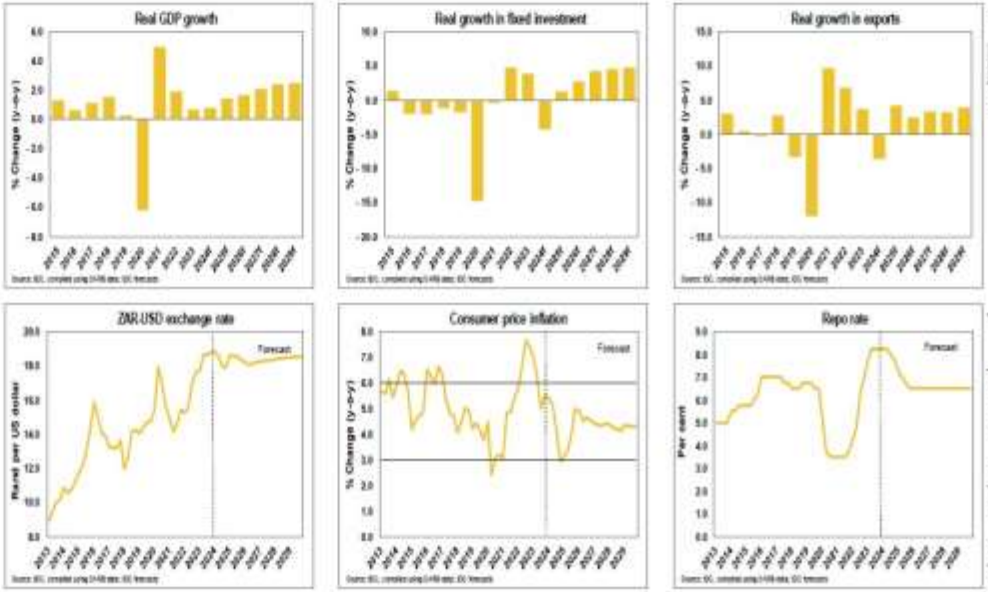
- **SA's growth performance remains subdued in the short-term** as global and domestic factors take their toll. Slightly faster rates of growth towards latter part of outlook period.
- **Structural challenges (e.g. transport and logistics) are expected to continue constraining** the economy's expansion potential for some time, but some improvements are anticipated in the medium- to long-term.
- **The stability of the GNU to improve policy coherence and implementation.**
- Inflation is expected to be on a gradual declining trend and oscillating around the mid-point of the target band, paving the way for monetary policy easing.
- **The SARB is anticipated to lower interest rates**, albeit at a gradual pace. This should provide welcome relief for households, while also benefiting fixed investment and production activity.
- **Consumer, business and investor confidence is likely to show a steady improvement as the economic environment and operating conditions improve.**
- Household consumption expenditure to be subdued in the ST, although gaining a firmer momentum towards the latter part of the outlook period as consumers adjust to a lower inflation and interest rate environment.
- **Subdued growth in private sector fixed investment in ST**, picking-up momentum over MT on the back of stronger demand and improving operating conditions.
- **Public sector capex impacted by financial constraints**, with public-private partnerships to increase in addressing infrastructure challenges.
- Some improvement in public finances, although the debt trajectory is reason for concern. However, over the MT to LT progress will be made towards fiscal consolidation and debt sustainability.
- **SA's sovereign credit ratings remain in sub-investment territory for some time.**

Outlook for the South African economy

IDC Base Case macroeconomic projections:

Growth prospects remain subdued as several global and domestic factors take a toll on the performance of the South African economy. Real GDP growth is estimated at 0.8% for 2024 and increasing to 1.4% in 2025, before rising gradually to 2.5% by 2029.

Economic growth is projected to gain some momentum towards the latter part of the outlook period as household spending and fixed investment activity adjust to a lower inflation and interest rate environment.



Key performance indicators for the South African economy

Variable (% change or % of GDP)	2018	2019	2020	2021	2022	2023	2024e	2025f	2026f	2027f	2028f	2029f
Real GDP growth and its components:												
Household consumption expenditure	3.2	1.3	-6.1	6.2	2.5	0.7	1.1	1.8	2.0	2.5	2.6	2.7
Government consumption expenditure	1.1	1.8	0.9	0.6	0.6	1.9	1.2	0.8	1.6	0.9	1.4	1.3
Gross fixed capital formation (GFCF)	-1.2	-1.7	-14.8	0.4	4.8	3.9	-4.2	1.3	2.7	4.2	4.6	4.8
Exports	2.7	-3.3	-12.0	9.7	6.8	3.7	-3.6	4.2	2.5	3.3	3.2	4.0
Imports	3.5	0.6	-17.6	9.6	15.0	3.9	-6.2	3.7	4.4	4.5	3.8	4.7
GDP	**1.6**	**0.3**	**-6.2**	**5.0**	**1.9**	**0.7**	**0.8**	**1.4**	**1.7**	**2.1**	**2.4**	**2.5**
Consumer price inflation	4.6	4.1	3.3	4.6	6.9	5.9	4.4	3.9	4.6	4.4	4.2	4.3
Current account balance (% of GDP)	-2.9	-2.6	2.0	3.7	-0.5	-1.6	-1.0	-2.9	-3.7	-4.3	-4.8	-5.0
GFCF as % of GDP	15.9	15.5	13.8	13.1	14.1	14.9	14.7	14.7	14.9	15.3	15.7	16.1
Repo rate (%) end of period	6.75	6.50	3.50	3.75	7.00	8.25	7.75	6.50	6.50	6.50	6.50	6.50
Rand per USD (average per year)	13.23	14.45	16.46	14.78	16.36	18.45	18.34	18.54	18.15	18.28	18.43	18.52

Source: IDC, compiled using SARB data, IDC forecasts

Optimistic scenario: Key assumptions

Probability: 20%

Global assumptions:

US policy reforms implemented such that it achieves the intended outcomes of improved productive activity. This has positive spin-offs for world trade and ultimately also underpins faster rates of global growth.

In the **Eurozone**, policy interventions are aimed at supporting the manufacturing sector (e.g. in Germany) through competitiveness enhancements, augmenting also the export performance in the process

China's stimulus measures are more effective and drive faster rates of growth, with ongoing reforms to support stronger consumption expenditure.

Fiscal discipline aimed at stabilizing public finances in the short-term, providing room for targeted fiscal spending in the medium-term.

World inflation easing steadily and reaching target levels faster than under the Base Case.

Easier **monetary policy** as central banks respond to gradually lower inflation.

Emerging market countries' growth firms on the back of more supportive monetary policy and stronger global demand.

Global trade improves at a faster pace than under the Base Case, with beneficial impacts for export-oriented emerging markets and developing economies.

Progressive recovery in **global economic sentiment** leads to improving investor activity, including FDI flows, at a stronger pace than in the Base Case.

Geo-political tensions (e.g. Israel-Hamas; Russia-Ukraine; US-China) subside, resulting in risk premia in financial markets reducing and supporting lower interest rates and fixed investment activity in emerging markets.

Commodity prices remain high on the back of stronger economic growth, rising investment and industrial materials' demand. Crude oil prices remain unchanged as the oil market remains well supplied.

Alternative scenarios for the SA economy

Optimistic scenario: Key assumptions

Probability: 20%

Domestic assumptions:

- **Substantial acceleration in the implementation of much-needed structural reforms**, including the effective roll-out of the sizeable infrastructure build programme (more than R940 bn over next 3 years), which progressively alleviates bottlenecks and raises the economy's growth potential. Enhancing the effectiveness of network industries (electricity, logistics, water) and expedite SOE reforms.
- **Improved policy coherence/implementation by the GNU, supporting faster rates of economic growth over the forecast horizon, especially in the medium-term.**
- **Roll-out of a comprehensive and coordinated industrial policy framework in support of faster rates of growth through effective localisation initiatives, diversification, digitalisation and decarbonisation. Implementation of several sectoral Master Plans support increased local competitiveness, in the process raising investment, production and exports.**
- **SA's transition to a "green economy" expedited, thereby providing multiple investment opportunities in sustainable projects**. Focus on building the industries of the future, such as green manufacturing, renewable energy, electric vehicles and the digital economy.
- **A more benign inflationary environment supports a more accommodative monetary policy stance (i.e. lower inflation target band), supporting fixed investment and household consumption expenditure.**
- SA's fiscal position improves gradually in a more robust growth environment. Due to improving fiscal metrics, **SA's sovereign credit rating may be upgraded over time, moving back into investment grade territory towards the end of the outlook period.**
- Sentiment among investors, businesses and consumers rebound on the back of a stronger recovery in global and domestic economic prospects.
- Consumer price inflation to remain well anchored, providing room for a further lowering in interest rates, although demand-pull inflationary pressures limit the rate cuts as the SARB applies a slightly tighter real repo rate to contain inflation.
- Government addresses the outstanding FATF requirements, with the country being removed from the Grey list in 2025, in the process boosting investor confidence.
- **Exports rising at a faster pace on improved logistics and energy supply, as well as competitiveness enhancements, while imports are gradually replaced by improving domestic production capabilities.**
- The Rand is expected to appreciate, underpinned by favourable developments in the balance of payments, stronger FDI and increasing portfolio capital inflows.

Alternative scenarios for the SA economy

Optimistic scenario: Key outcomes

Real GDP forecast to expand at faster pace under an Optimistic scenario, compared to baseline projections.

GDP growth reaches 3.6% by 2029, while the investment-to-GDP ratio increases to 16.8% in 2029 (16.1% in Base case).

Although still relatively subdued in the short-term, fixed investment activity gathers a stronger momentum on the back of the effective roll-out of structural reforms and improving operating and trading conditions.

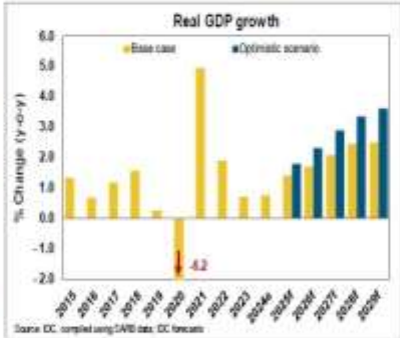
Consumer spending rises as a lower inflation and interest rate environment improves disposable incomes and restores household balance sheets.

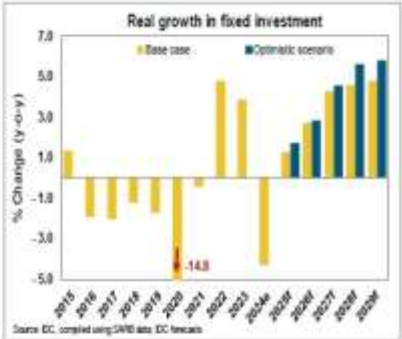
Exports increase on the back of a more reliable rail network and efficiency improvements at ports, as well as through progress in competitiveness enhancements.

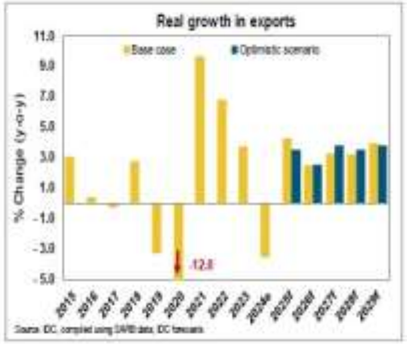
The fiscal metric improves, while SA is removed from the Grey list and the sovereign ratings moves back into investment grade territory.

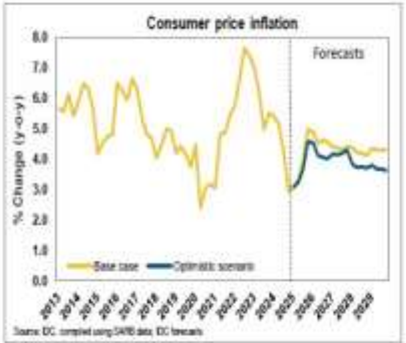
Further easing in monetary policy ensues on more benign inflation prospects.

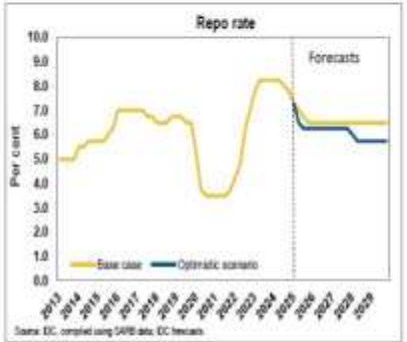
Considering the possibility of better-than-expected growth prospects compared to the IDC's Base Case forecasts, an **optimistic scenario** has also been modelled, with some of the key outcomes illustrated as follows:











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Alternative scenarios for the SA economy

Optimistic scenario: Summary table of key outcomes

Outlook for the South African economy

Economic variable	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Real GDP growth (y-o-y % change)																						
Household consumption expenditure	1.2	-2.6	5.7	4.1	3.2	1.6	0.7	2.2	0.7	1.7	3.2	1.3	-6.1	6.2	2.5	0.7	1.1	2.1	2.9	3.2	3.5	3.7
Government consumption expenditure	7.7	1.8	-0.3	4.1	4.8	3.2	1.9	-1.0	2.0	-0.3	1.1	1.8	0.9	0.6	0.6	1.9	1.2	1.1	1.7	1.2	1.3	1.1
Gross fixed capital formation	12.8	-6.7	-3.9	6.8	1.8	5.4	-1.3	1.3	-1.9	-2.0	-1.2	-1.7	-14.8	-0.4	4.8	3.9	-4.2	1.7	2.8	4.8	5.6	5.8
Gross Domestic Expenditure (GDE)	3.6	-1.4	3.7	6.6	3.1	2.6	0.2	1.9	-0.6	1.7	1.8	1.3	-7.8	4.9	4.0	0.8	-0.1	1.7	2.7	3.0	3.4	3.5
Exports of goods & services	1.5	-17.0	7.7	3.0	1.1	3.7	3.6	3.1	0.4	-0.3	2.7	-3.3	-12.0	9.7	6.6	3.7	-3.6	3.5	2.6	3.8	3.5	3.8
Imports of goods & services	2.8	-17.7	10.8	11.8	3.9	4.0	-0.7	5.0	-4.1	1.5	3.5	0.6	-17.6	9.6	15.0	3.9	-6.2	3.1	3.9	4.0	3.6	3.3
Gross Domestic Product (GDP)	3.2	-1.5	3.0	3.2	2.4	2.5	1.4	1.3	0.7	1.2	1.6	0.3	-6.2	5.0	1.9	0.7	0.8	1.8	2.3	2.9	3.4	3.6
Key economic ratios (% of GDP)																						
Budget deficit/surplus	-0.3	-4.2	-4.2	-3.6	-4.7	-4.3	-4.3	-3.9	-3.6	-4.1	-3.5	-5.6	-9.5	-5.4	-4.2	-6.0	-4.5	-3.9	-4.3	-3.7	-3.5	-3.2
Government debt (gross loan debt)	24.0	27.0	31.2	34.7	37.4	40.4	43.3	45.2	47.1	48.6	51.5	56.1	68.9	68.8	71.1	73.4	74.7	75.8	76.0	75.6	74.7	73.7
Current account balance (+ / -)	-5.0	-2.4	-1.3	-2.0	-4.7	-5.3	-4.8	-4.3	-2.7	-2.4	-2.9	-2.6	2.0	3.7	-0.5	-1.6	-1.0	-2.7	-3.6	-4.1	-4.8	-4.9
Gross fixed capital formation (fixed investment)	21.6	19.5	17.6	17.8	17.9	18.6	18.3	18.0	17.4	16.4	15.9	15.5	13.6	13.1	14.1	14.9	14.7	14.8	15.1	15.4	16.2	16.8
Inflation (y-o-y % change)																						
CPI (headline)	11.5	6.6	4.3	5.0	5.7	5.7	6.1	4.6	6.3	5.3	4.6	4.1	3.3	4.6	6.9	5.9	4.4	3.7	4.2	4.2	3.8	3.7
PPI (total)	15.2	0.7	1.9	5.7	4.9	6.0	7.4	3.6	7.1	4.9	5.5	4.6	2.5	7.1	14.4	6.8	4.1	4.2	4.3	5.3	4.6	4.7
Interest rates (end of period)																						
Repurchase (repo) rate	11.50	7.00	5.50	5.50	5.00	5.00	5.75	6.25	7.00	6.75	6.75	6.50	3.50	3.75	7.00	8.25	7.75	6.25	6.25	6.25	5.75	5.75
Prime overdraft rate	15.00	10.50	9.00	9.00	8.50	8.50	9.25	9.75	10.50	10.25	10.25	10.00	7.00	7.25	10.50	11.75	11.25	9.75	9.75	9.75	9.25	9.25
Exchange rates (averages)																						
USD/Euro	1.468	1.392	1.326	1.391	1.286	1.328	1.329	1.109	1.106	1.129	1.181	1.119	1.141	1.183	1.054	1.081	1.082	1.039	1.063	1.100	1.125	1.134
R/USD	8.25	8.44	7.32	7.25	8.21	9.65	10.84	12.75	14.71	13.31	13.23	14.45	16.46	14.78	16.36	18.45	18.34	17.98	17.36	17.48	17.69	17.95
R/Euro	12.03	11.69	9.71	10.08	10.55	12.82	14.40	14.14	16.28	15.04	15.60	16.17	18.77	17.48	17.19	19.95	19.84	18.68	18.46	19.23	19.90	20.35
R/Yen	0.080	0.090	0.083	0.091	0.103	0.099	0.103	0.105	0.136	0.119	0.120	0.133	0.154	0.135	0.125	0.131	0.121	0.119	0.118	0.121	0.125	0.129
R/British Pound	15.10	13.12	11.31	11.62	13.01	15.10	17.86	19.48	19.98	17.16	17.63	18.44	21.10	20.32	20.16	22.94	23.42	22.44	22.17	23.10	23.91	24.45
R/Yuan	1.19	1.24	1.08	1.12	1.30	1.56	1.77	2.05	2.21	1.97	2.00	2.09	2.39	2.29	2.43	2.60	2.55	2.51	2.43	2.46	2.50	2.55
Commodity prices (averages)																						
Gold (USD/oz)	872.3	970.9	1 225.0	1 569.2	1 668.4	1 410.9	1 266.2	1 160.4	1 247.9	1 257.7	1 269.3	1 392.5	1 771.4	1 800.0	1 801.1	1 943.1	2 387.4	2 625.1	2 490.1	2 335.1	2 235.1	2 203.8
Platinum (USD/oz)	1 571.1	1 205.9	1 610.7	1 716.1	1 550.0	1 484.0	1 379.5	1 051.9	981.8	953.1	880.3	864.9	885.9	1 092.5	960.3	968.0	955.8	981.3	1 063.8	1 201.3	1 300.0	1 332.5
Iron ore (USD / metric ton)	61.6	80.0	146.7	167.8	128.5	135.4	91.3	55.4	57.4	71.3	69.5	94.0	104.7	160.2	121.7	118.9	110.6	104.2	105.4	107.2	108.2	108.6
Coal (USD / metric ton)	120.6	64.7	91.6	116.3	92.9	80.2	72.3	57.3	64.6	85.7	98.7	70.2	65.7	124.2	275.8	122.3	106.2	106.4	107.5	111.1	113.8	115.8
Copper (USD / metric ton)	6 963.5	5 165.3	7 538.4	8 823.5	7 958.9	7 331.5	6 859.4	5 502.2	4 912.3	6 303.5	6 468.4	6 000.0	6 150.7	9 286.3	8 815.9	8 523.3	9 267.7	9 447.8	9 835.3	10 225.3	10 475.3	10 675.3
Aluminium (USD / metric ton)	2 577.9	1 669.2	2 173.0	2 400.6	2 022.8	1 846.7	1 876.6	1 686.2	1 629.5	2 006.4	2 109.8	1 810.0	1 701.8	2 481.8	2 699.4	2 288.6	2 458.6	2 644.3	2 730.8	2 817.2	2 872.2	2 916.0
Brent crude oil (USD/ bbl)	97.3	61.6	79.8	111.5	112.0	109.0	99.3	53.0	45.1	54.9	71.6	64.2	43.3	70.8	99.0	82.3	79.9	78.2	78.6	79.4	81.3	83.3

Adverse scenario: Key assumptions Probability: 15%

Global assumptions:

The world is characterised by weak global cooperation, and a breakdown of key multilateral governance structures, most notably the WTO. However, the development of regional value chains and bilateral country cooperation, with intra-regional trade agreements reached.

US

- The US imposes significant tariffs on China, EU, Canada and Mexico, these countries do not impose wide ranging counter tariffs but diversify their trade away from the US with consumer sentiment moving against US goods and companies.
- Fiscal deficit remains large due to tax cuts and spending priorities.
- Labour market tightens as immigration enforcement is enhanced. This constrains industrial production capacity expansion due to labour shortages.
- Inflation starts to increase from H2 2025, as the impact of higher tariffs and increased consumer demand begins to be reflected in consumer prices, prompting the Fed not to cut interest rates in 2025, inflation continues to accelerate in 2026 with 75 bps increase in interest rates
- There is an initial growth bump from the tax cuts and increased wages in 2026, but growth slows as inflation and higher interest rates constrain household spending while exports come under pressure.

EU

- The EU excludes defence spending from fiscal deficit rules as Europe adapts to the possibility that the US might not come to its aid.
- In addition to the tariffs, the EU imposes requirements on Chinese vehicle manufacturers to build production plants in the EU and partner with EU vehicle companies.
- Germany relaxes its constitutional debt brake allowing for increased defence and industrial policy support.
- Other historically fiscally conservative countries, such as Austria, Denmark, the Netherlands and Sweden, recognise the need for EU-wide coordination of, and spending on, industrial and defence policy.
- The increased defence spending is directed towards EU companies combined with EU-wide industrial support programmes reigniting industrial activity.
- EU enforces the region's digital and environmental rules while providing support to emerging markets to adhere to its policy requirements.

China

- China experiences persistent deflation negatively impacting household spending.
- Increased resistance to Chinese exports in various economies negatively impacts the Chinese manufacturing sector, leading to the closure of production capacity, thus lowering demand for imports of raw and intermediate goods.
- Chinese growth slows persistently reaching 2% by 2029, as various Chinese stimulus measures do not prove to be sufficient to maintain growth momentum in the light of increasing tariffs and other forms of protectionism in the global environment

Adverse scenario: Key assumptions Probability: 15%

Domestic assumptions:

2025

- The functioning of the Government of National Unity (GNU) is fractured with government ministers focusing on advancing their party-political objectives, resulting in fragmented policy implementation and inconsistencies.
- Lack of policy certainty keeps investor, business and consumer sentiment at low levels impacting on spending by these economic agents.
- Government revenue growth stalls as economic activity slows, while expenditure increases due to competing demands and efforts to maintain the GNU.
- The actions undertaken by the South African government are not deemed to be sufficient by the FATF in the 2025 review period, with South Africa not exiting the grey list in H2 2025 as expected.

2026 – 2029

- In the run-up to the local government elections political parties endeavour to differentiate themselves in a highly contested election, leading to the collapse of the GNU. National government becomes unstable with numerous motions of no-confidence being passed as political expediency prevails.
- The passing of Budget 2026 is acrimonious and protracted, leading to a bloated and not necessarily pro-growth budget being passed.
- The South African government's sovereign rating is adjusted further into sub-investment territory, leading to a sharp increase in government bond yields.
- Investors withdraw from South African equity, bond and property markets while foreign direct investment flows reverse, resulting in a sharp and sustained weakening of the Rand exchange rate over the period.
- The outcome of the local government elections results in no clear majority in various metros and municipalities with significant instability impacting service delivery.
- Failure of basic service delivery impacts the functioning of businesses with frequent and widespread electricity and water outages, with infrastructure deteriorating and increasing costs of doing business.
- The weaker currency and macro-economic instability results in higher inflation, the SARB does not tighten monetary policy sufficiently to bring inflation under control, resulting is persistent inflationary pressures.

Alternative scenarios for the SA economy

Adverse scenario: Key outcomes

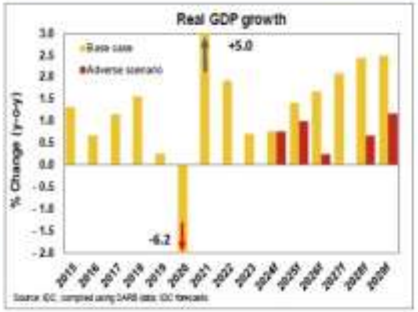
The SA economy is projected to grow by 0.6% p.a. for the period 2025 – 2029 under the Adverse Scenario, due to weaker global growth and domestic political instability.

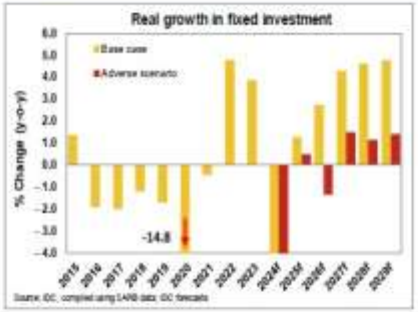
Household spending (1.2%) and fixed investment activity (0.6%) are hampered by weak consumer, business and investor sentiment.

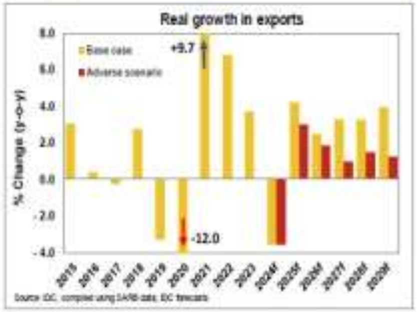
Socio-economic challenges will persist as insufficient employment opportunities exist, increasing overall poverty levels.

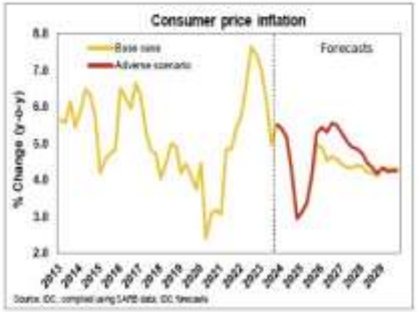
Weak global growth limit demand for South African exports, while a weaker exchange rate stoke inflationary pressures, with a resultant increase in interest rates.

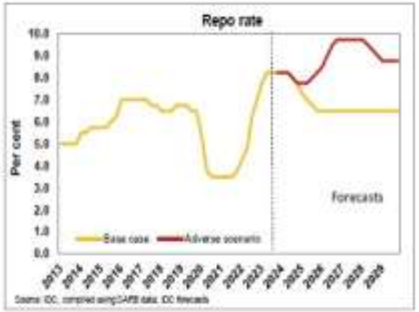
Considering the potential downside risks to SA's growth outlook under the IDC's Base Case forecasts, an **adverse scenario** has also been modelled, with some of the key outcomes illustrated as follows:







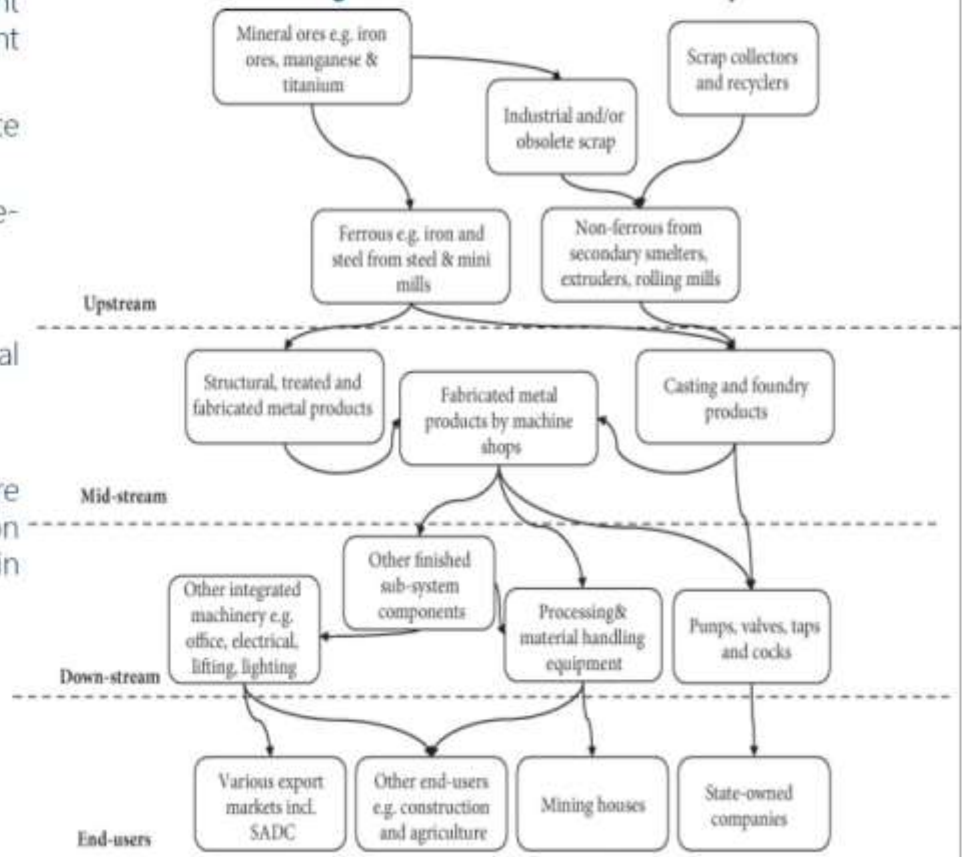




Strategic Insights for Value Chain Approach

- Without structural transformation, SA's industrial development path will not change and we will continue to have unemployment problems
- Critical that we align all incentives (including performance management) to drive:
  - To move activities within and across sectors to higher value-added and labour-absorbing activities including services
- Africa is critical for:
  - Realising potential for import replacement at the regional level both for SA and the region
  - Key for SA manufacturing capabilities
- Transition, particularly in hard-to-abate sectors will require grappling with value chain dynamics including concentration traps – requires conditionalities that drive investment in capabilities and linkage development for debt

Mining and metals value chain example



Manufacturing sub-sectoral performance – path dependency

- Growth & Employment: Within manufacturing, subsectors that have recorded higher growth tend to be the upstream of key value chains except motor vehicles. Manufacturing employment has largely been in decline.
- Competitiveness: The export propensity increased overall, however, import penetration rose more sharply over the same period. Though imports are expected to increase as countries increase production and import intermediate goods, concerning trend of increasing imports in final and near final goods

Manufacturing sub-sectors and selected economic indicators	Total employment			Value added			Export Propensity		Import Penetration		Employment (formal sector)	Value added (current prices)
	Growth (average p.a.)	Share of Total, by broad sector		Growth (average p.a.)	Share of Total, by broad sector		Exports as % of Output		Imports as % of domestic demand		Number	Rand million
	1994-2023	1994	2023	1994-2023	1994	2023	1994	2023	1994	2023	2023	2023
Coke & refined petroleum products	2.4%	1.1%	2.3%	4.8%	4.8%	9.1%	1.7%	16.1%	1.7%	47.4%	29 270	82 835
Basic chemicals	0.0%	1.6%	1.7%	2.5%	3.5%	3.3%	44.0%	52.7%	48.5%	55.4%	22 121	30 095
Other chemicals	2.4%	2.2%	5.1%	2.7%	6.3%	6.3%	6.5%	27.3%	24.3%	46.7%	66 048	57 303
Plastics products	0.9%	2.7%	4.0%	2.3%	1.5%	1.8%	3.8%	21.7%	9.7%	34.0%	52 203	16 426
Basic iron & steel	-3.2%	5.5%	2.4%	3.8%	5.7%	3.3%	66.0%	58.6%	23.3%	36.4%	30 854	30 468
Basic non-ferrous metals	-0.6%	1.8%	1.5%	0.1%	2.8%	3.8%	42.9%	49.1%	6.1%	29.0%	19 932	35 005
Metal products, excluding machinery	0.1%	8.1%	8.9%	2.3%	5.5%	5.3%	6.5%	18.2%	7.4%	19.8%	115 045	48 215
Machinery & equipment	1.4%	6.6%	10.8%	1.6%	5.9%	7.9%	11.4%	37.1%	43.8%	64.7%	139 231	72 021
Motor vehicles, parts & accessories	0.2%	7.3%	8.1%	3.6%	8.0%	6.2%	12.4%	63.9%	23.7%	69.4%	104 893	56 659
Food	-0.1%	15.2%	17.1%	2.8%	6.7%	14.5%	6.5%	14.0%	6.7%	14.7%	220 886	131 987
Other diversified Manufacturing	-1.1%	48.0%	38.1%	0.4%	49.3%	38.4%	11.2%	19.9%	15.4%	36.4%	492 779	349 471
Total manufacturing	-0.4%	100.0%	100.0%	1.5%	100.0%	100.0%	12.9%	29.4%	17.3%	41.5%	1 293 261	910 485

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Services –strong growth of finance & low-value services

- Services sector expanded at an average annual rate of 2.4% over the period 1994 to 2023, having been more resilient to overcome challenging conditions (e.g. global financial crisis, Covid pandemic).
- Although services employment expanded by 1.7% per annum, this was not enough to counter the declining trend in other sectors, as overall formal sector employment increased by only 1.0% p.a. over the review period.

Services sub-sectors and selected economic indicators	Total employment			Value added			Employment (formal sector)	Value added (current prices)
	Growth (average p.a.)	Share of Total, by broad sector		Growth (average p.a.)	Share of Total, by broad sector		Number	Rand million
	1994-2023	1994	2023	1994-2023	1994	2023	2023	2023
Wholesale & retail trade	2.2%	18.1%	21.5%	2.1%	19.2%	18.2%	2 033 066	802 319
Catering & accomm services	0.6%	4.5%	3.1%	2.7%	2.2%	1.7%	296 642	75 426
Transport & storage	2.7%	2.8%	4.0%	7.1%	8.6%	7.5%	378 399	331 959
Communication	-0.6%	2.1%	1.1%	3.4%	5.1%	3.7%	100 613	163 003
Finance & insurance	1.0%	5.3%	4.0%	3.5%	8.1%	8.0%	376 924	349 969
Business services	2.9%	15.9%	22.4%	2.1%	21.2%	25.5%	2 117 577	1 121 825
Government, community & personal services	1.2%	51.4%	43.9%	2.2%	35.7%	35.3%	4 152 985	1 553 241
Total services	**1.7%**	**100.0%**	**100.0%**	**2.4%**	**100.0%**	**100.0%**	**9 456 206**	**4 397 743**

Sub-sector 5 year outlook