

KCCI - Country Wrap: SOUTH AFRICA (JAN.'17)



South Africa – a brief overview

In 1931 the Union of South Africa was effectively granted independence from the United Kingdom with the passage of the Statute of Westminster. In 1948, the National Party was voted into power and instituted a policy of apartheid which favored the white minority. The first multi-racial elections in 1994 brought an end to apartheid and ushered in majority rule under an African National Congress (ANC) - led government.

Economy of South Africa

South Africa is ranked as an upper-middle income economy by the World Bank, and is considered to be a newly industrialised country with an abundant supply of natural resources; well-developed financial, legal, communications, energy, and transport sectors and a stock exchange that is the 15th largest in the world. The economy began to slow in the second half of 2007 due to an electricity crisis. State power supplier Eskom encountered problems with aging plants and meeting electricity demand necessitating "load-shedding" cuts in 2007 and 2008 to residents and businesses in the major cities. Subsequently, the global financial crisis reduced commodity prices and world demand. GDP fell nearly 2% in 2009 but has recovered since then. Unemployment, poverty, and inequality remain a challenge, with official unemployment at nearly 23% of the work force.

Key Industrial & Agricultural Products of South Africa

The key industries of South Africa are mining (world's largest producer of platinum, gold, chromium), automobile assembly, metal working, machinery, textiles, iron and steel, chemicals, fertilizer, foodstuffs, commercial ship repair.

The agricultural products of South Africa include corn, wheat, sugarcane, fruits, vegetables, beef, poultry, mutton, wool and dairy products.

South Africa's major trading partners

South Africa predominantly import goods from China, Germany, US, and India, whereas, important export partners of South Africa are China, Germany, US, Botswana, Namibia, Japan, India and UK.

Economic Relations between Pakistan and South Africa

Pakistan and South Africa economic relations have remained cordial and amiable after the end of apartheid regime in 1994. However, due to the embargoes and trade sanctions imposed against South Africa by Commonwealth of Nations, USA, and EU; the two nations did not establish official diplomatic ties and boost any concrete economic relations before 1994.

Till this date, Pakistan does not have any bilateral trade agreement in place with South Africa. However, in 2013; eight MoUs were signed during Pakistan-South Africa Joint Commission meeting to increase trade value between countries to \$ 1Bn by 2015. In addition to this, Pakistan also envisaged 'Look Africa Plan' in Sep'17 to increase bilateral trade with the African countries. South Africa is included among top 10 African countries selected under this policy.

Bilateral Trade Relations between Pakistan and South Africa

Pakistan and South Africa share moderate bilateral trade relations. The goods exported by Pakistan to South Africa were worth \$ 165.5Mn in FY17 as against exports of \$ 188.80Mn in FY16, showing a decline of 12.16%. The goods imported by Pakistan from South Africa were worth of \$ 300.21Mn in FY17 compared with \$ 263.94Mn in FY16 (+YoY 13.74%). During FY17, the trade deficit of \$ 134.37Mn was recorded from Pakistan side.

Potential for enhancing bilateral trade relations between Pakistan and South Africa

- Pakistan can increase its leather footwear exports to South Africa at competitive prices; as sea distance between Pakistan and the African continent is significantly less than other regional countries like China & Vietnam etc.

- CPEC depicts a stupendous opportunity for Pakistan to further enhance its trade volume to South Africa.

- Pakistan can export meat products to South Africa market, as the country relies significantly on imported meat from Brazil and European countries.

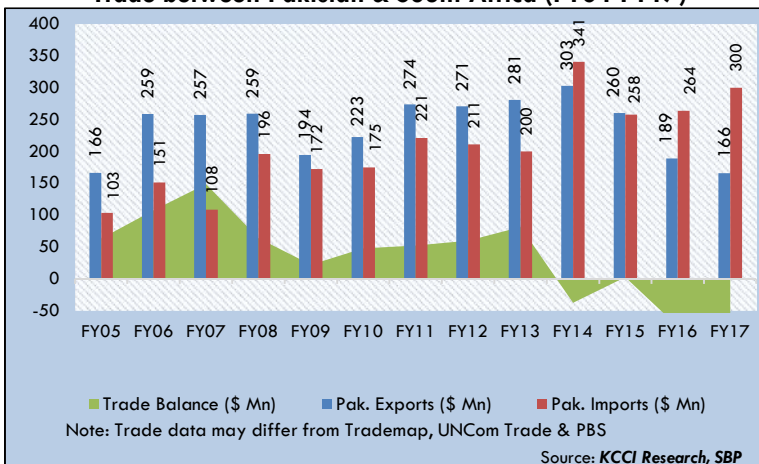
- Both countries can enhance their mutual cooperation and knowledge transfer in the mining sector. For this purpose, Balochistan province offers a stupendous opportunity for both Pakistani and South-African companies to take different joint ventures.

Economic Indicators

Indicators	Unit	2016	2017	Change
GDP (PPP)	\$ Bn	752	757	0.69%
GDP per Capita	\$	13,500	13,400	-0.74%
GDP growth	%	0.3	0.7	0.40%
Forex Reserves	\$ Bn	47.23	48.18	2.01%
External Debt	\$ Bn	144.60	144.10	-0.35%
Exports of Goods	\$ Bn	75.16	78.25	4.11%
Imports of Goods	\$ Bn	74.17	80.22	8.16%
Trade Balance	\$ Bn	0.99	-1.97	-298.99%
Current Account	\$ Bn	-9.62	-9.81	-1.93%
FDI - at Home	\$ Bn	136.80	139.20	1.75%
FDI - at Abroad	\$ Bn	172.8	176.3	2.03%
CPI	%	6.3	5.4	-0.90%
Prime Lending Rate	%	10.46	10.40	-0.90%
Population	Mn	55.91	54.84	-1.91%
Unemployment	%	26.7	27.6	0.90%
Literacy Rate	%	94.4	N/A	-

Sources: KCCI Research, CIA Factbook

Trade between Pakistan & South Africa (FY04-FY17)



South Africa's Trade - Commodity Wise (2016)

Top 10 Exports Items	Value (\$ Mn)	Top 10 Imports Items	Value (\$ Mn)
Pearls, stones, precious m	11,991	Machinery, appliances, etc	10,250
Vehicles other than railw	9,154	Mineral fuels	10,045
Ores, Slag & Ash	7,645	Electrical machinery	8,079
Minerals fuel, minerals oil	7,098	Commodities NES	6,087
Iron and steel	5,271	Vehicles other than railwa	5,776
Machinery, mechanical ar	5,165	Plastics & Articles	2,250
Edible fruit & nuts	2,888	Optical & Photoaraphic	2,018
Electric Machinery & equi	1,829	Pharmaceuticals	1,888
Aluminium & articles	1,512	Cereals	1,378
Beverages, spirits and vin	1,200	Mis. Chemical Products	1,376

Sources: KCCI Research, Trademap

Pakistan Trade with South Africa - Commodity Wise (2016)

Top 10 Export Items	Value (\$ Mn)	Top 10 Import Items	Value (\$ Mn)
Cotton	39.80	Minerals fuel, minerals	350.57
made-up textiles	28.14	Iron and steel	95.52
Man-made fibres	18.21	Cotton	19.04
Raw hides, skins, leather	8.32	Organic chemicals	6.62
Paper & paperboard	7.80	Mis. Edible preparations	3.71
Articles of leather	7.56	Tanning extracts	3.65
Cereals	6.66	Vehicles other than	3.65
Iron and steel	6.57	Miscellaneous chemicals	3.36
Articles of Apparel, etc.	5.83	Plastics & Articles	2.46
Furniture; bedding, mattrs	5.72	Ships, boats, etc.	2.00

Sources: KCCI Research, Trademap