the dtic
Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 6913

Mr S I Gama (MK) to ask the Minister of Trade, Industry and Competition:

What (a) has he found drives trade and investment into the Republic and (b) are the relevant details of the level of investment needed per annum to begin having an impact on job creation and economic growth in the Republic? NW7739E

REPLY

(a)

Trade and investment into South Africa are supported by a combination of market, institutional, industrial and human capital factors, as well as targeted government reforms.

South Africa has a diversified economy of over US$400 billion and serves as a gateway to the SADC market of 350 million people and the continental AfCFTA market of 1.4 billion. Membership in SACU, AfCFTA, EU Economic Partnership Agreement, UK-SACU-Mozambique agreement, and eligibility under AGOA provides investors with tariff and quota advantages for exports. Strong sectors include mining, automotive (including EVs), energy, digital services, pharmaceuticals, agro-processing, logistics, tourism, and financial/business services. South Africa benefits from deep capital markets, a sophisticated financial sector, robust legal frameworks, and established industrial capabilities.

Government has introduced reforms to improve the investment climate. These are in the energy sector, logistics, rail and port improvements, financial integrity measures including exit from Financial Action Task Force (FATF) grey list, and business environment reforms such as visa facilitation, reduced red tape, and investor aftercare.

The Country's skilled labour force supported by world-class universities and research institutions, underpins innovation and productivity, while ongoing government reforms in energy, logistics, financial integrity, and the broader business environment provide policy certainty and reduce the cost of doing business.

(b)

The National Development Plan (NDP) 2030 targets gross fixed capital formation of approximately 30% of GDP substantially higher than current levels of around 18% and; private sector investment currently contributes about 11% of GDP, with the broader public sector providing between 4 to 5%.

To close this investment gap, will require increased foreign direct investment important to support labour-absorbing, export-oriented sectors and enabling technology transfer, skills development and integration into global value chains as well as scaling up both domestic and foreign investment in these strategic areas to reduce unemployment, stimulate economic growth, and advance inclusive development.

Overall, South Africa's trade and investment prospects are underpinned by strategic market access, sectoral strengths, skilled labour, and policy reforms. Achieving the NDP target of 30% GFCF of GDP, with increased FDI participation, is essential for meaningful job creation and sustainable economic growth.

There is no single, fixed quantum of foreign direct investment (FDI) that guarantees a specific rate of economic growth for South Africa, as growth depends on a complex interplay of factors beyond just the amount of capital. However, studies and government targets provide general benchmarks for necessary investment levels as a percentage of the GDP. For example, Investment-to-GDP Ratio: Economic growth of around 3% annually in South Africa demands a fixed capital formation rate of 18-20% as a percentage of GDP. The actual figure for South Africa in 2024 was around 15%, indicating a significant investment gap that needs to be bridged by both domestic and foreign capital.

-END-