

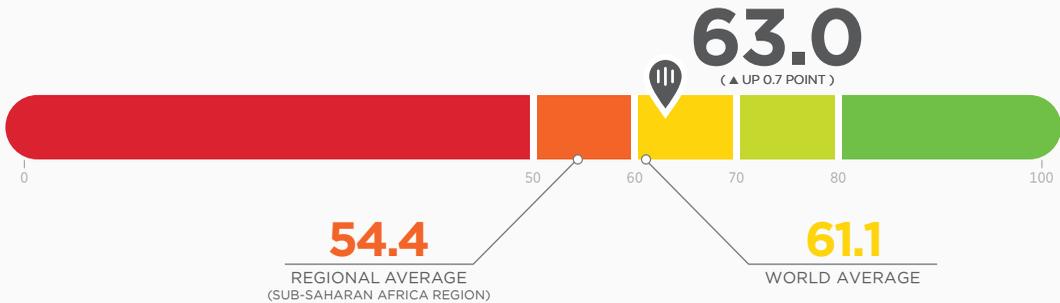
SOUTH AFRICA



South Africa's economic freedom score is 63.0, making its economy the 77th freest in the 2018 *Index*. Its overall score has increased by 0.7 point, with significant improvements in **investment freedom** and **judicial effectiveness** outpacing declines in scores for the **tax burden** and **trade freedom** indicators. South Africa is ranked 4th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages.

South Africa's economic growth has decelerated because of declining global competitiveness, growing political instability, and weakened rule of law that in 2017 caused the country's investment-grade credit rating to be downgraded to junk status, denting investor confidence. The government must maintain macroeconomic stability while facing a combination of rising public debt, inefficient state-owned enterprises, and spending pressures. The judicial system is increasingly vulnerable to political interference, and numerous scandals and frequent political infighting have severely undermined government integrity.

ECONOMIC FREEDOM SCORE

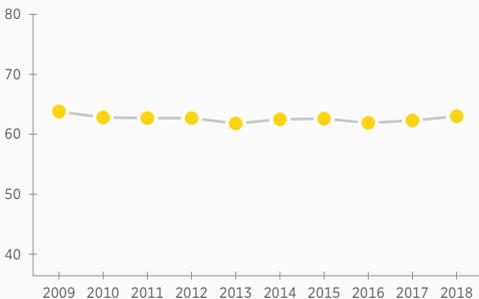


NOTABLE SUCCESSES:
Monetary Stability

CONCERNS:
Government Integrity, Investment Freedom, and Financial Freedom

OVERALL SCORE CHANGE SINCE 2014:
+0.5

FREEDOM TREND



QUICK FACTS

POPULATION:
55.9 million

GDP (PPP):
\$739.4 billion
0.3% growth in 2016
5-year compound annual growth 1.6%
\$13,225 per capita

UNEMPLOYMENT:
25.9%

INFLATION (CPI):
6.3%

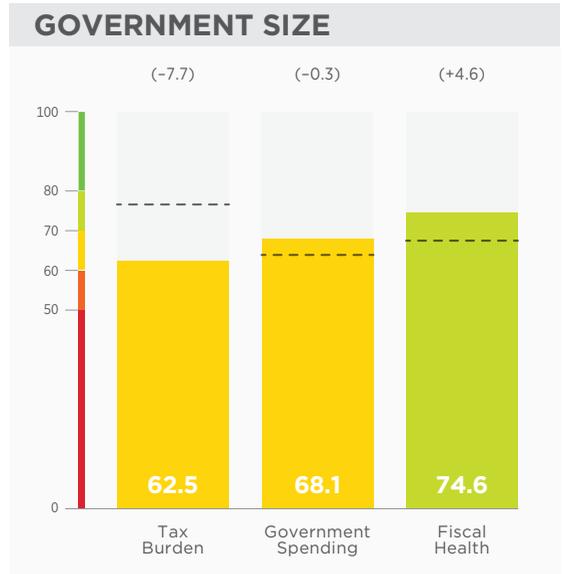
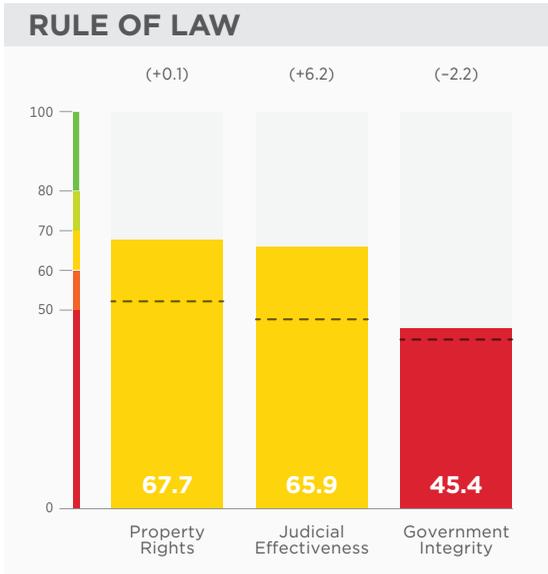
FDI INFLOW:
\$2.3 billion

PUBLIC DEBT:
50.5% of GDP

2016 data unless otherwise noted. Data compiled as of September 2017

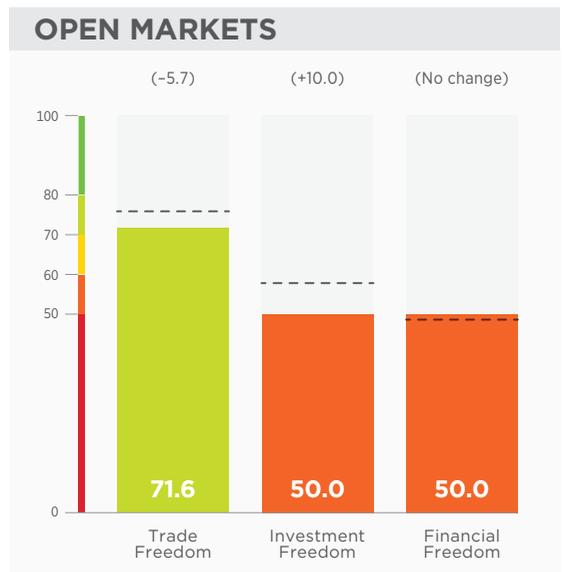
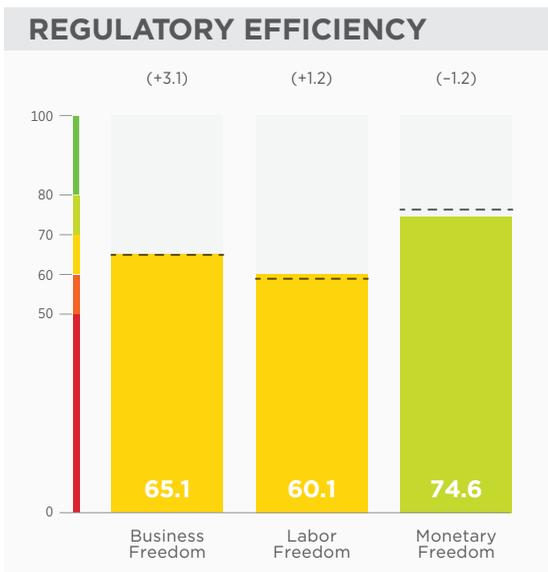
BACKGROUND: South Africa has a highly developed economy and advanced economic infrastructure. The African National Congress has dominated politics since the end of apartheid in 1994. The ANC-controlled National Assembly elected Jacob Zuma to five-year presidential terms in 2009 and 2014. He cannot seek reelection. South Africa is one of the world's largest producers and exporters of gold, platinum, and other natural resources. It also has well-developed financial, legal, communications, energy, and transport sectors as well as the continent's largest stock exchange. Low commodity prices have weakened economic growth, and allegations of extreme corruption against Zuma have contributed to political turmoil that helped to plunge the economy into recession in 2017. Rates of formal-sector unemployment and crime are high.

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Although property rights are relatively well protected and contracts are generally secure, the government increased the property transfer tax in 2017. South Africa continues to benefit from strong institutions and a robust and independent legal framework, but pervasive corruption increasingly hampers the functioning of government, and enforcement of anticorruption statutes remains inadequate.

The top personal income tax rate is 41 percent. The top corporate tax rate is 28 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 30.6 percent of total domestic income. Over the past three years, government spending has amounted to 32.6 percent of total output (GDP), and budget deficits have averaged 3.6 percent of GDP. Public debt is equivalent to 50.5 percent of GDP.



The development of a more dynamic private sector will require changes to improve the efficiency and flexibility of the regulatory environment. Union membership has declined in recent years, but the labor market remains rigid. The government has abolished price controls on all but a handful of items, such as coal, fuel, and utilities, but needs to reform state-owned enterprises.

Trade is significant for South Africa's economy; the combined value of exports and imports equals 60 percent of GDP. The average applied tariff rate is 4.2 percent. Nontariff barriers significantly impede trade. Government openness to foreign investment is below average. The financial system has gradually been evolving, and the resilient banking sector remains relatively sound.