

SOUTH AFRICA

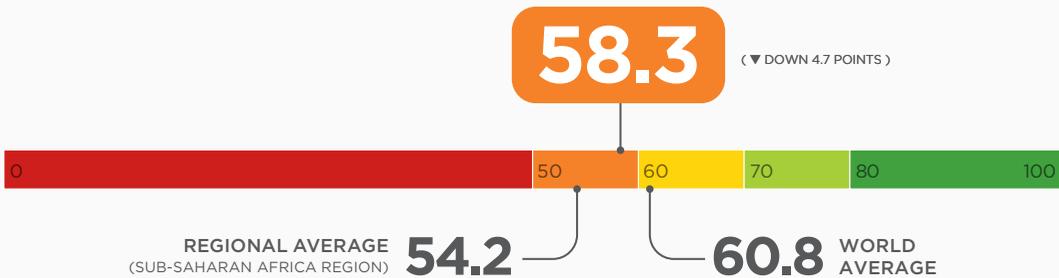
WORLD RANK: **102** | REGIONAL RANK: **11**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

South Africa's economic freedom score is 58.3, making its economy the 102nd freest in the 2019 *Index*. Its overall score has decreased by 4.7 points because of a steep plunge in the score for **judicial effectiveness** and declines in **fiscal health, property rights, government integrity, and investment freedom**. South Africa is ranked 11th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but now below the world average.

South Africa was able to retain its investment-grade credit rating because of significant policy improvements after President Cyril Ramaphosa took office in February 2018. The new government has restored macroeconomic stability but still faces rising public debt, inefficient state-owned enterprises, and spending pressures that have reduced the country's global competitiveness. The judicial system is increasingly vulnerable to political interference, and scandals and political infighting have severely undermined government integrity and weakened the rule of law.

ECONOMIC FREEDOM SCORE

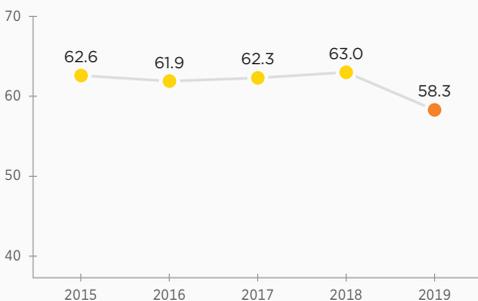


RELATIVE STRENGTHS:
Trade Freedom and Monetary Freedom

HISTORICAL INDEX SCORE CHANGE (SINCE 1995):
-2.4

CONCERNS:
Judicial Effectiveness and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
56.5 million

GDP (PPP):
\$765.6 billion
1.3% growth in 2017
5-year compound annual growth 1.5%
\$13,545 per capita

UNEMPLOYMENT:
27.3%

INFLATION (CPI):
5.3%

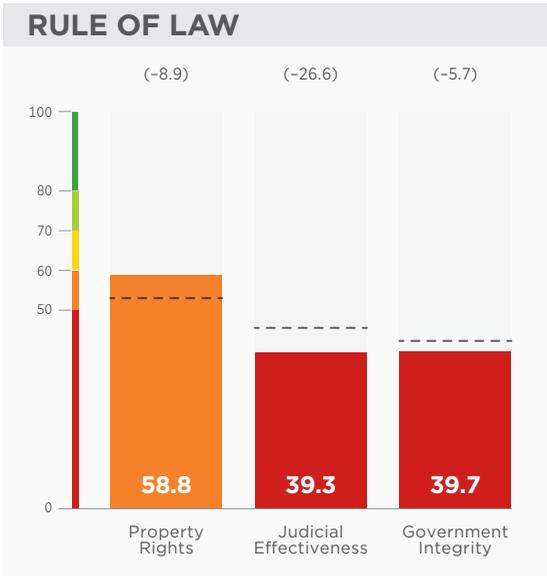
FDI INFLOW:
\$1.3 billion

PUBLIC DEBT:
52.7% of GDP

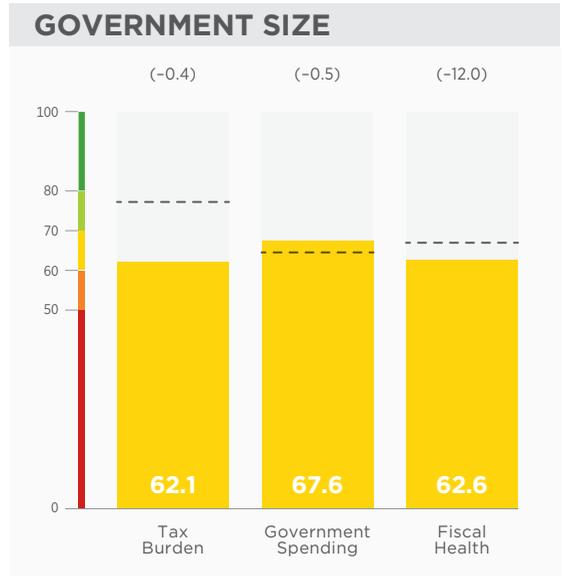
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: South Africa has a highly developed economy and advanced economic infrastructure. The African National Congress (ANC) has dominated politics since the end of apartheid in 1994. The ANC-controlled National Assembly elected Jacob Zuma to two five-year presidential terms, but corruption scandals forced him to step down in 2018. He was replaced by Cyril Ramaphosa, who is expected to lead the ANC during general elections scheduled for 2019. 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. Rates of formal-sector unemployment and crime are high.

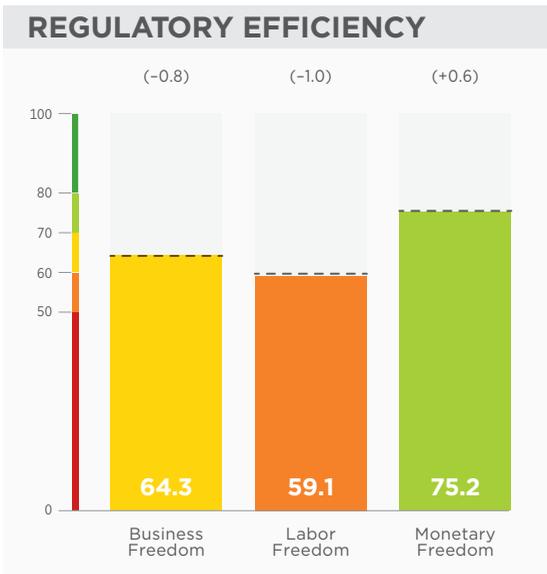
12 ECONOMIC FREEDOMS | SOUTH AFRICA



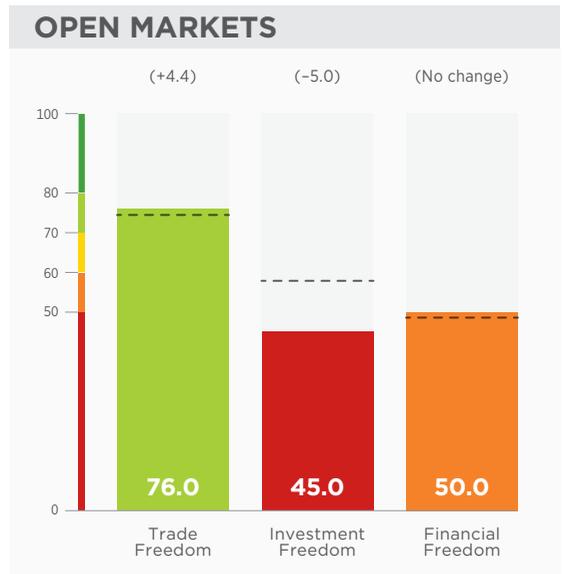
Property rights are relatively well-protected, and contracts are generally secure. South Africa benefits from a robust legal framework, especially regarding intellectual property, but courts are understaffed and underfunded. Corruption hampers the functioning of government, and enforcement of anticorruption statutes is inadequate. The tender process for public contracts is often politically driven and opaque. Public funds are often diverted because of corruption.



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 31.3 percent of total domestic income. Over the past three years, government spending has amounted to 32.8 percent of the country's output (GDP), and budget deficits have averaged 4.5 percent of GDP. Public debt is equivalent to 52.7 percent of GDP.



Progress in diversifying South Africa's economic base has been limited and uneven, indicating a need for regulatory changes that would encourage more dynamic private-sector development. Labor market rigidity has contributed to persistently high unemployment rates. The government has abolished price controls on all but a handful of items such as coal, petroleum and petroleum products like diesel and paraffin, and utilities.



The combined value of exports and imports is equal to 58.2 percent of GDP. The average applied tariff rate is 4.5 percent. As of June 30, 2018, according to the WTO, South Africa had 174 nontariff measures in force. Recent cases to ban foreign ownership of land and facilitate expropriation discourage foreign investment. About 72 percent of adult South Africans have access to an account with a formal banking institution.