

SOUTH AFRICA

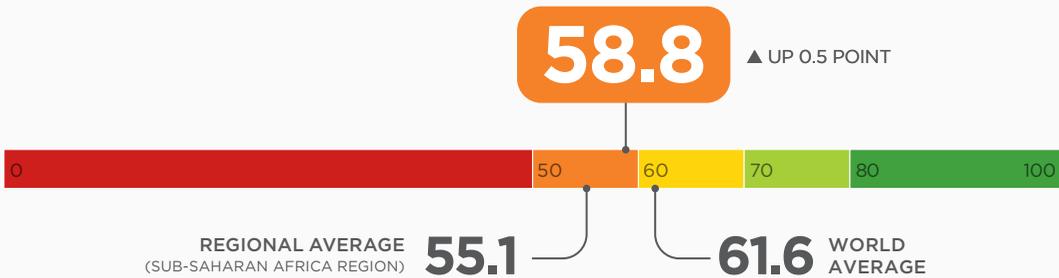
WORLD RANK: **106** REGIONAL RANK: **12**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

South Africa's economic freedom score is 58.8, making its economy the 106th freest in the 2020 *Index*. Its overall score has increased by 0.5 point due to a higher **government integrity** score. South Africa is ranked 12th among 47 countries in the Sub-Saharan Africa region, and its overall score is well above the regional average and slightly below the world average.

The South African economy fell back into the mostly unfree category in 2019 after 24 years in the ranks of the moderately free. It remains mostly unfree in 2020. GDP growth has been anemic for the past five years.

To turn the trajectory of economic freedom positive again in South Africa and achieve its goals of economic growth and job creation, the government needs to confront persistent labor market rigidities and pursue stricter application of rules against anticompetitive behavior. The progressive politicization of economic decision-making is a threat to the private sector and long-term development.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -1.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
57.7 million

GDP (PPP):
\$789.4 billion
0.8% growth in 2018
5-year compound annual growth 1.1%
\$13,675 per capita

UNEMPLOYMENT:
27.0%

INFLATION (CPI):
4.6%

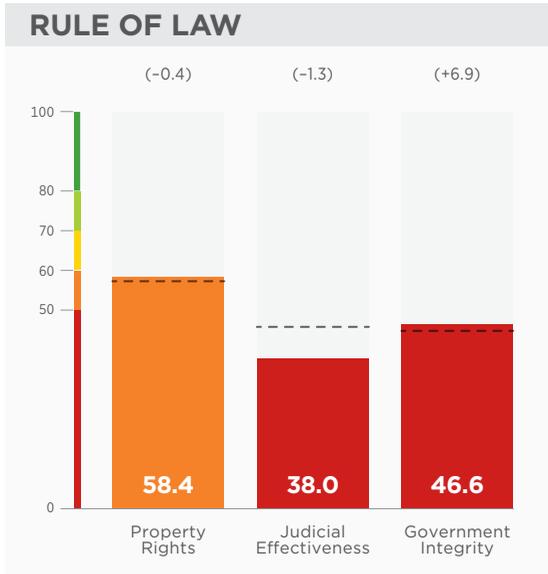
FDI INFLOW:
\$5.3 billion

PUBLIC DEBT:
56.7% of GDP

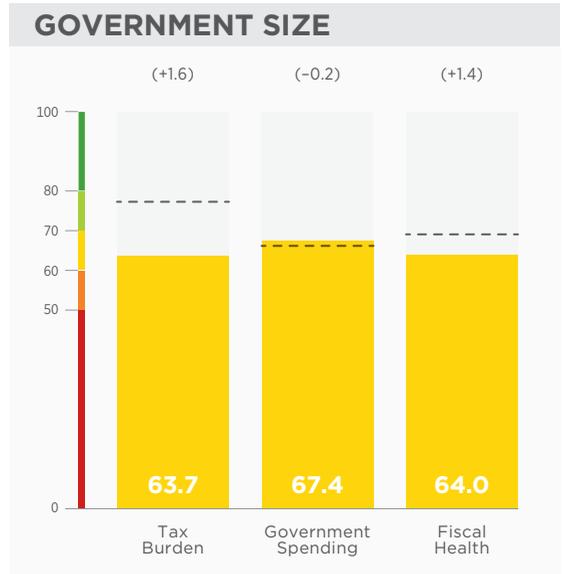
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The African National Congress (ANC) has dominated politics in South Africa since the end of apartheid in 1994. Corruption scandals forced two-term president Jacob Zuma to resign in 2018. He was replaced by current President Cyril Ramaphosa, who secured his own five-year term when the ANC won the May 2019 elections with 57 percent of the vote, the lowest percentage in ANC history. A radical leftist party pushing land expropriation received 10 percent of the vote. South Africa has a highly developed economy and advanced infrastructure. One of the world's largest exporters of gold, platinum, and other natural resources, it also has well-established financial, legal, communications, energy, and transport sectors as well as the continent's largest stock exchange. Rates of formal-sector unemployment and crime are high.

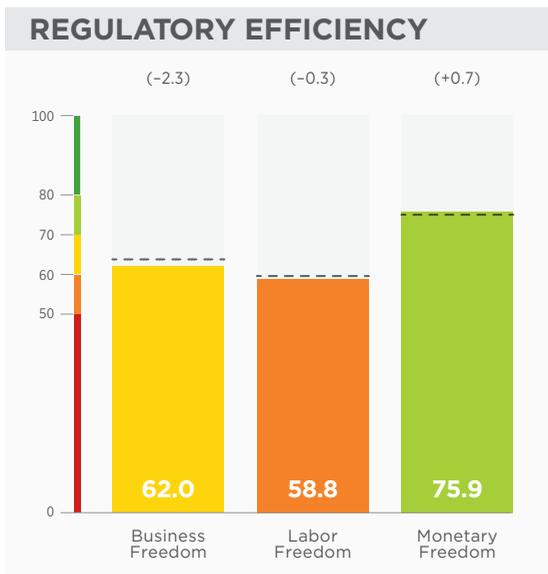
12 ECONOMIC FREEDOMS | SOUTH AFRICA



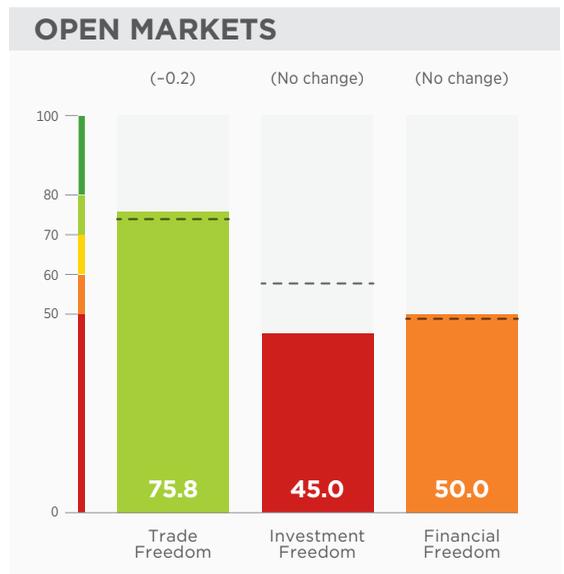
Property rights are relatively well protected, and contracts are generally secure, but economic growth and food security are threatened by a highly charged land reform debate and proposals to redistribute land rights. South Africa benefits from a robust legal framework and courts that process judicial cases reliably and competently. There is a robust anticorruption framework, but the laws are inadequately enforced, and public-sector accountability is low.



The top personal income tax rate is 45 percent, and the top corporate tax rate is 28 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 28.6 percent of total domestic income. Government spending has amounted to 33.0 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.3 percent of GDP. Public debt is equivalent to 56.7 percent of GDP.



Policy uncertainty, weaknesses in regulatory oversight, violent crime, labor unrest, and unprofitable state-owned enterprises have a negative effect on business activity. Labor market rigidity has contributed to extremely 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 total value of exports and imports of goods and services equals 59.8 percent of GDP. The average applied tariff rate is 4.6 percent, and 175 nontariff measures are in force. Private investment continues to be hindered by nontransparent laws, and foreign investments face additional restrictions that breed inefficiency. The financial sector has undergone modernization, and the banking sector is regarded as resilient and sound.