

SOUTH AFRICA

WORLD RANK:

99

REGIONAL RANK:

9

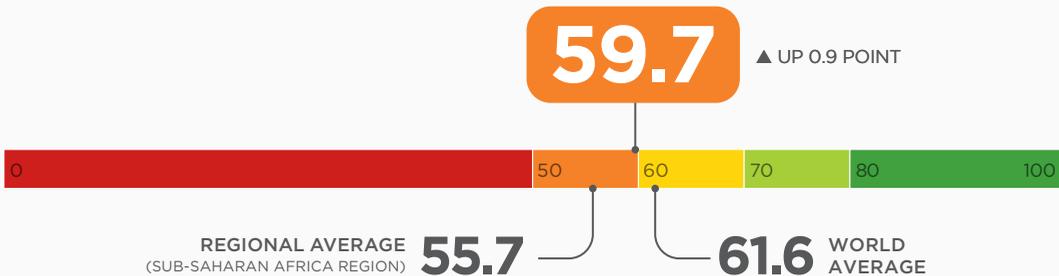
ECONOMIC FREEDOM STATUS:
MOSTLY UNFREE

South Africa's economic freedom score is 59.7, making its economy the 99th freest in the 2021 *Index*. Its overall score has increased by 0.9 point, primarily because of an improvement in **judicial effectiveness**. South Africa is ranked 9th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

South Africa's economy remained in the ranks of the mostly unfree again this year, the third in a row after nearly a quarter of a century in the moderately free category. To regain momentum toward greater economic freedom, the government would have to prioritize improvements in the judicial system and confront persistent labor market rigidities that trap more than one-third of workers in the informal economy.

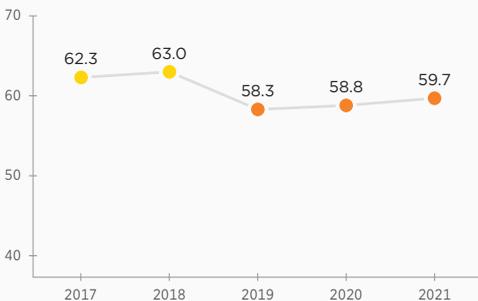
IMPACT OF COVID-19: As of December 1, 2020, 21,644 deaths had been attributed to the pandemic in South Africa, and the economy was forecast to contract by 8.0 percent for the year.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -1.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
58.6 million

GDP (PPP):
\$804.7 billion
0.2% growth in 2019
5-year compound annual growth 0.8%
\$12,999 per capita

UNEMPLOYMENT:
28.2%

INFLATION (CPI):
4.1%

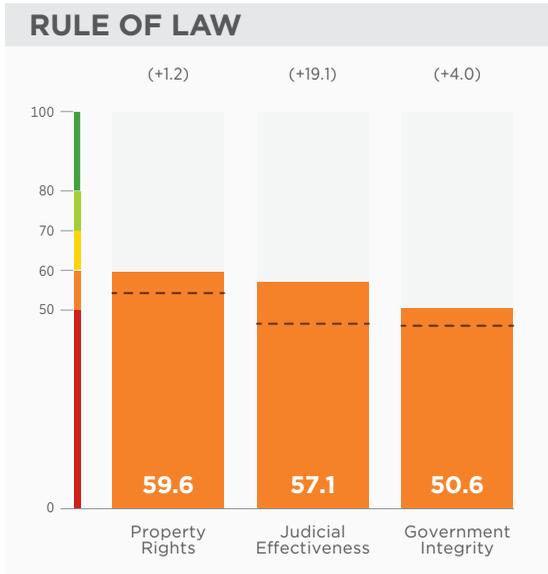
FDI INFLOW:
\$4.6 billion

PUBLIC DEBT:
62.2% of GDP

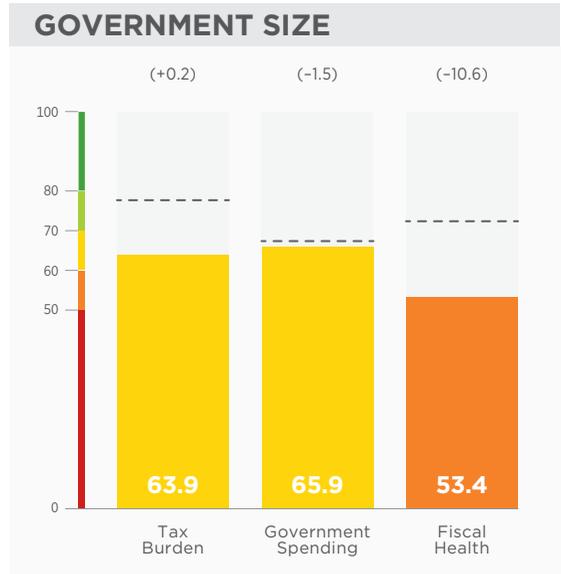
2019 data unless otherwise noted. Data compiled as of September 2020

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 a five-year term in 2019 when the ANC won the elections but also attracted its lowest-ever percentage of the vote. The government is considering land reform measures that include expropriation without compensation. South Africa has a highly developed economy and an 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.

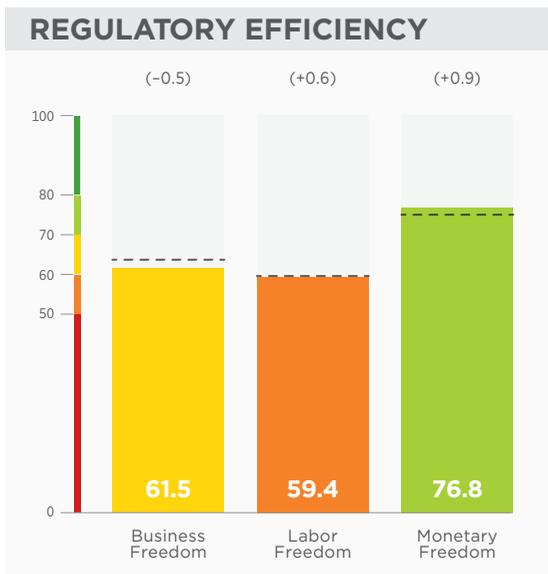
12 ECONOMIC FREEDOMS | SOUTH AFRICA



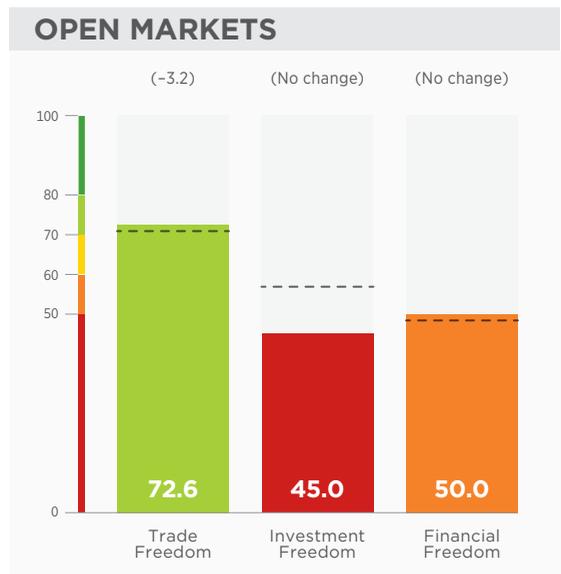
The legal system protects property rights relatively well, and contracts are generally secure. Judicial processes are competent and reliable, but courts are understaffed and underfunded. Corruption hampers the functioning of government. Public procurement lacks transparency and competitive bidding. South Africa has a robust anticorruption framework, but enforcement is inadequate, and some corrupt officials act with impunity.



The top individual 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 28.4 percent of total domestic income. Government spending has amounted to 33.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.9 percent of GDP. Public debt is equivalent to 62.2 percent of GDP.



The higher cost of obtaining electricity is a setback for new businesses. South Africa recently introduced a national minimum wage, and labor force participation was up in 2019. In 2020, despite years of poor performance, the government pledged to continue subsidizing the state-owned Eskom electricity utility for a total amount of nearly 5 percent of GDP over the next 10 years.



South Africa has six preferential trade agreements in force. The trade-weighted average tariff rate is 6.2 percent, and 176 nontariff measures are in effect. Recent cases involving attempts to ban foreign ownership of land and enable expropriation are discouraging foreign investment. Over 70 percent of adult South Africans have formal banking accounts. In 2020, temporary measures to relieve bank capital requirements were taken to support banking-sector liquidity.