SOUTH AFRICA

South Africa’s economic freedom score is 56.2, making its economy the 112th freest in the 2022 Index. South Africa is ranked 17th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

The South African economy began to slow from 2017 through 2019 and turned negative in 2020. Growth resumed in 2021. During the same half-decade, economic freedom has declined. Dragged down by a sharply lower score for fiscal health, South Africa has recorded a 6.1-point overall loss of economic freedom since 2017, falling from the “Moderately Free” category to the middle ranks of the “Mostly Unfree” countries. Monetary freedom and trade freedom are promising, but the evenhanded rule of law needs to be strengthened.

IMPACT OF COVID-19: As of December 1, 2021, 89,871 deaths had been attributed to the pandemic in South Africa, and the government’s response to the crisis ranked 75th among the countries included in this Index in terms of its stringency. The economy contracted by 7.0 percent in 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 Cyril Ramaphosa, who secured a five-year term as president in 2019. In 2021, violent, widespread rioting erupted after Zuma was jailed. The government is considering land reform measures that include expropriation without compensation. South Africa has a highly developed economy and an advanced infrastructure. In addition to being one of the world’s largest exporters of gold, platinum, and other natural resources, it has well-established financial, legal, communications, energy, and transport sectors and the continent’s largest stock exchange. However, rates of formal-sector unemployment and crime are high.
Property rights are legally recognized, and contracts are generally secure. The judiciary is competent and reliable, but courts are understaffed and underfunded, and high-level political interference has undermined judicial independence. Pervasive networks of corruption throughout the country hamper the functioning of government. Public procurement lacks transparency and competitive bidding. Some officials have acted 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 29.1 percent of total domestic income. Government spending has amounted to 32.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 7.2 percent of GDP. Public debt is equivalent to 77.1 percent of GDP.

South Africa has seven preferential trade agreements in force. The trade-weighted average tariff rate is 6.4 percent, and 176 nontariff measures are in effect. Private investment continues to be hindered by nontransparent laws, and foreign investment faces additional restrictions that breed inefficiency. The financial sector has undergone modernization, and the banking sector is regarded as resilient and sound.