

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER 3480 [NW4154E]

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Mr G B D Mc Intosh (Cope) to ask the Minister of Finance:

(1) What (a) has been the trend and (b) total amount of foreign direct investment inflows (FDIs) (i) in the (aa) 2008-09, (bb) 2009-10 and (cc) 2010-11 financial years and (ii) during the period 1 April 2011 up to the latest specified date for which information is available;

(2) whether he has found that the Walmart/Massmart transaction has affected the levels of FDI inflows; if not, what is the position in this regard; if so, what are the relevant details?

(1) Foreign direct investment (FDI) inflows into South Africa tend to be lumpy and vary significantly from year to year, as they tend to be dominated by acquisitions and are affected by global trends. Actual FDI data is published regularly in the South African Reserve Bank Quaterly Bulletin, and the information below is sourced from various editions of the Bulletin.

(1.i.aa) Net FDI inflows into South Africa reached an all-time high of R83.9 billion in 2007/08, boosted by the Industrial and Commercial bank of China's acquisition of a 20 per cent stake in Standard Bank for US\$5.5bn. In 2008/09, during the global financial and economic crisis, South Africa experienced a sharp decline in net FDI inflows, which declined by 57 per cent to R36.1 billion. This was consistent with global trends and the global slowdown in cross-border corporate investment activity.

(1.i.bb) FDI inflows increased in 2009/2010, rising by 11 per cent to R40 billion, with a large proportion of inflows invested into the telecommunications sector.

- (1.i.cc) Inflows declined sharply in 2010/11, falling by 67 per cent to R13.2 billion. According to the South African Reserve Bank, the significantly smaller FDI inflow in 2010/11 reflected "some degree of uncertainty regarding the global economic recovery, domestic economic fundamentals and the long-term outlook for the domestic economy" (SARB Quarterly Bulletin, March 2011, pp 29).
- (1.ii) In the first quarter of the 2011/12 (i.e. 1 April 2011 to 30 June 2011) net FDI inflows totalled R12.3 billion. Inflows were directed to the domestic wholesale and retail trade, mining and manufacturing sectors. This includes the Walmart/Massmart merger, in which Walmart has acquired 51 per cent of Massmart for approximately R16.5 billion.¹
- (2.) It is too soon to consider whether (or how) the Walmart/Massmart merger will impact the levels of future FDI inflows into South Africa. The National Treasury recognises the importance of certainty for mergers and acquisitions in sectors considered to be strategic and in February 2011 published a discussion document titled "A review framework for cross-border investment in South Africa".

After receiving public comments on the discussion paper, Cabinet has approved the need for consistency in investment policy across government and certainty for investors entering into such transactions. Cabinet has therefore approved that the Minister of Finance lead the work to set up such a framework for cross-border acquisitions of existing South African businesses.

¹ The quarterly total of R12.3 billion is below the value of the Walmart/Massmart merger because a United Kingdom based company sold its equity stake in a South African company operating in the finance, insurance, real estate, and business services sector.