NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 571 [CW726E]

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Mr K A Sinclair (COPE-NC) to ask the Minister of Finance:

Whether the Government has successfully attracted an increased flow of fixed direct investment into South Africa from 1 January 2009 up to the latest specified date for which information is available; if not, what is the position in this regard; if so, what are the relevant details?

CW726E

REPLY:

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

Net foreign direct investment (FDI) inflows into South Africa reached an all-time high of R74.4 billion in the 2008 calendar year, 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 2009, during the global financial and economic crisis, South Africa experienced a sharp decline in net FDI inflows, which fell by 39 per cent year-on-year to R45.5 billion. This was consistent with global trends and the global slowdown in cross-border corporate investment activity.

FDI inflows continued to decline in 2010, falling by 75 per cent to R11.4 billion. According to the South African Reserve Bank, the significantly smaller FDI inflow in 2010 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).

In the first half of 2011 (i.e. 1 January 2011 to 30 June 2011) South Africa performed better as a destination for FDI, with total net FDI inflows totaling R17.3 billion – an almost three-fold increase compared with the same period in 2010. 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.

Attracting and facilitating FDI remains a priority of government, given its important role in raising economic growth through spillover benefits associated with technological and skills transfer. These inflows also help to finance the current account deficit, which is projected to be 3.4 per cent of gross domestic product (GDP) in 2011 (R100 billion). To facilitate FDI inflows into South Africa, National Treasury recognises the importance of policy certainty and establishing confidence among investors, especially in sectors considered to be strategic. In February 2011, Treasury published a discussion document titled "A review framework for cross-border investment in South Africa".

Government recognises 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.