



Decide with Confidence

D&B Country RiskLine Report

SOUTH AFRICA

Region : Africa

Edition : June 2013

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	50.5m
Surface area (sq km):	1,219,090
Capital:	Tshwane/Pretoria
Timezone:	GMT +02:00
Official languages:	11, including: Xhosa, Zulu, Afrikaans & English
Head of state:	President Jacob ZUMA
GDP (USD):	408.2bn
GDP per capita (USD):	8090
Life expectancy (years):	48
Literacy (% of adult pop.):	82.4

Country Overview:

South Africa is situated at the southern tip of Africa. After a long history of division and exploitation, the country made a transition from the 'apartheid' system to democratic government in 1994. However, apartheid generated a deep suspicion of others based on colour and racial stereotyping, which is still a source of socio-political friction across the country.

South Africa is a middle-income developing country, with strong financial and manufacturing sectors. It is a leading exporter of minerals, and tourism is a key source of FX. However, many South Africans remain poor, and unemployment and crime levels are high. In addition, the country has one of the highest rates of HIV/AIDS prevalence in the world, with around one in seven South Africans infected.

The country is relatively stable compared with many African countries, but growing corruption scandals surrounding top members of the ruling party is proving detrimental for the business environment; however, the country has a skilful labour force and a well-developed banking system.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	SD
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	LC
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:	30-90 days
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-1 month
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays:	0-1 month
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

Trade & Commercial Environment

D&B continues to recommend LC terms in all trade dealings with counterparties in South Africa (particularly for new customers) given the ongoing threat posed to economic activity by labour unrest, particularly in the key mining sector. A new wave of strikes has hit output in recent weeks and risks remain tilted to the downside as the mining sector approaches two-year wage negotiations with labour unions. Reflecting this, the Business Confidence Index compiled by the South African Chamber of Commerce and Industry erased gains made in April, and dropped to 90.4 in May, the lowest in 13 years. Forward-looking indicators point to a possible rise in counterparty risk. Usual terms can range up to 90 days, with SD representing minimum terms. Transfer delays are relatively minor.

Export Credit Agencies

US Eximbank	Full cover available
Atradius	Full cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

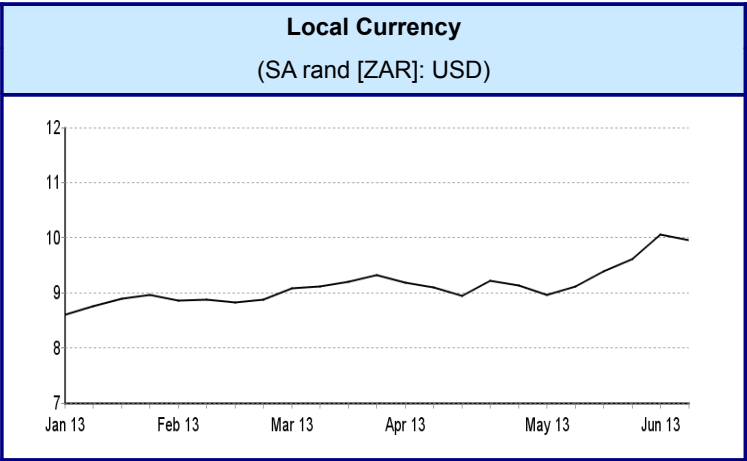
Economic Indicators

	2010	2011	2012	2013f	2014f
Real GDP growth, %	3.0	3.1	2.5	2.4	3.1
Inflation, annual ave, %	4.1	5.0	5.2	5.7	5.4
Govt balance, % GDP	-5.5	-4.5	-4.8	-4.6	-4.0
Gold, avg USD/ounce	1226.0	1571.0	1650.0	1690.0	1700.0
C/A balance, % GDP	-2.8	-3.3	-4.1	-3.2	-3.1

Economic indicators: Government balance figures are for fiscal years (April-March).

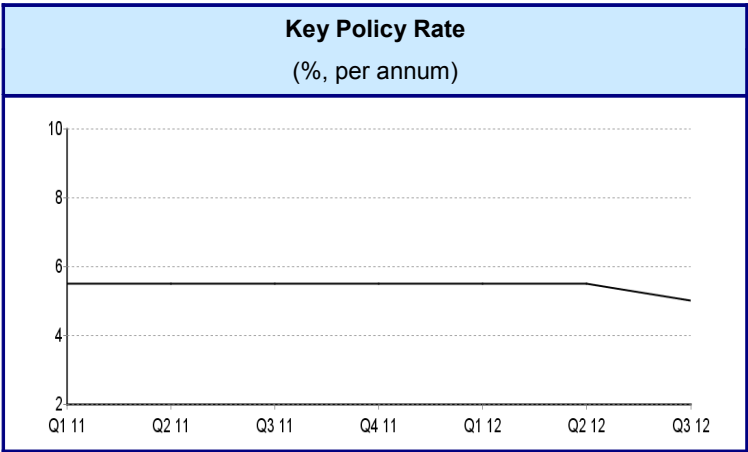
Currency Information

Exchange Rates	
(London, 10 Jun 13)	
EUR	13.1568
GBP	15.4636
JPY*	10.219
USD	9.9518
*(x 100)	



Local Currency (SA rand [ZAR]: USD)						
	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13
Week 1	8.605	8.862	9.080	9.183	8.962	10.060
Week 2	8.756	8.883	9.117	9.102	9.112	9.952
Week 3	8.897	8.823	9.196	8.936	9.385	
Week 4	8.966	8.873	9.319	9.220	9.617	
Week 5				9.129		

Key Policy Rate



Data Table						
Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12
5.5	5.5	5.5	5.5	5.5	5.5	5.0

Risk Factor

South Africa's economy is decelerating and risks to the outlook remain firmly to the downside. Real GDP growth slowed sharply to 0.9% at a seasonally adjusted annualized rate in 2013 Q1; the corresponding rate in 2012 Q4 was 2.1%. In y/y terms, growth slowed from 2.5% to 1.9%. The crucial mining and quarrying industry contributed most to growth in Q1, with significant support from finance, real estate and business services, but manufacturing contracted. During the same quarter, the domestic unemployment rate rose to 25.2% from 24.9%. The near term outlook is bleak, with Q2 output in the mining sector expected to suffer from persistent labour unrest. As employers and unions gear up for industry-wide two-year wage negotiations, a new wave of strikes has hit activity in the mines; further disruptions are likely over the next few months. Forward-looking indicators forecast headwinds in other sectors as well; the RMB/BER Business Confidence Index fell below the neutral mark of 50 to 48 in Q2; confidence in manufacturing dropped to 34 as manufacturers continue to see insufficient external demand, particularly from Europe; even the weak domestic currency has helped little. A measurable rebound in demand is not expected anytime soon.

The sub-par performance and weakening outlook has eroded foreign investor confidence in the economy. The South African rand has depreciated sharply against the US dollar in recent weeks, and at one point breached the key level of 10 ZAR per USD to hit a four-year low. While the weak rand will help narrow the country's large current account deficit by boosting exports to some extent, it also threatens to exacerbate upward pressure on the domestic price level. Headline inflation came in at 5.9% y/y in April, just shy of the upper band of the South African Reserve Bank's 3% to 6% target range. To mitigate the threat of accelerating inflation, the Bank held its main policy rate at 5% in May, although a rate cut had been expected based on the recent weakness in the economy. Policymakers are expected to retain their neutral bias over the near term as they balance growth and inflation concerns.

To boost its long run growth potential, South Africa has joined the Renewables Club, a group of 10 advanced and emerging countries that have pledged to use energy generated from renewable sources worldwide. Given the increasing demand for energy from the country's mining and manufacturing sectors and its growing population, the move is positive for the energy infrastructure of the country and could spark investor interest as well. Google Inc. will invest \$12m in the Jasper solar power plant in the Northern Cape Province. The plant is part of the government's ambitious domestic energy reform plans and once completed, will contribute enough electricity to power 30,000 homes.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

F/X Bank Delays:

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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