

Factsheet: EU Trade & Investment Relations with South Africa 2023

- **The EU remains South Africa's largest investor and trading partner based on the certainty and predictability provided by the EU-SADC Economic Partnership Agreement.**
- **EU companies are contributing substantially to economic transformation in South Africa.**
- **The EU – with its 27 Member States - is the largest trading bloc globally, with a fully integrated customs union, common external tariffs and a single market of 440M consumers where goods, services, capitals and people can circulate freely. 20 EU Member States use the Euro (€) as their official currency - the so-called Eurozone – and 23 of them are part of the Schengen area, the largest free travel area in the world.**

Investmentⁱ

- In 2021 – latest figures available – the **EU remained #1 foreign investor in South Africa (SA), accounting for 48.8% of the total foreign direct investment stocks in SA** (followed by UK with 28.2%, US with 5.3% and China with 3.7%),
- In 2021, EU foreign investment stocks in South Africa **increased sharply by 72%ⁱⁱ** on a year-to-year basis, the highest growth among foreign investors.
- Among EUMS, the **NL ranks at the top** of FDI stocks with almost 33%ⁱⁱⁱ, followed by BE with 7% and DE with 4%. In 2021, NL triplicated its stocks in SA, and surpassed the UK to become the first investor and accounting for 69% of the EU27 investment in the country.
- EU investments are represented across high value-added sectors:
 - Almost 32% in manufacturing
 - 25% Financial sector
 - 21% Wholesale and retail trade
 - 8% Transport, storage and communication
 - 6% Construction
 - 3% Mining
- **At least 1 055 EU companies** are active in South Africa, but the real figure is expected to be higher. This is compared to 787 from the USA, 552 from the UK and 187 from China.
- EU companies in South Africa contribute at least to **350 000 in direct jobs^{iv}**.
- The majority of EU companies are invested in **Gauteng**, but also significant numbers of EU investors are present in the **Western Cape, Kwa Zulu Natal** and the **Eastern Cape**.
- EU companies make a **strong contribution to broad-based black economic empowerment**:
 - 27% of EU firms have a B-BBEE rating of Level 4 or better (1 top, 9 bottom)

- 22% of EU companies have B-BBEE ratings at levels 5 to 9
- 88% of maximum targets in social economic development objectives
- 74% in supplier development
- 65% in skills development
- 48% ownership targets, of which 17% black owners and 9% black female owners

FDI STOCK – 31 December 2021								
	2017	2018	2019	2020		2021		
FDI Stock in SA R Billions (end of year)	1 925	1 992	2 037	1 955		2 780		
YoY %	3.9%	3.5%	2.3%	-4.02%		42%		
PER COUNTRY								
% share	%/total ^v	%/total ^{vi}	%/total	Bn Rands	%/total	Bn Rands	%/total	%/EU
EU27	46.6%	40.4%	40.6%	807	40.3%	1357.3 ^{vii}	48.62%	100%
NETHERLANDS	18.7%	19.5%	18.9%	378.3	18.9%	930.2 ^{viii}	33.46%	68.83%
BELGIUM	15.4%	9.6%	10.1%	203.8	10.1%	198.6	7.14%	14.69%
GERMANY	5.1%	4.5%	5.2%	104.7	5.2%	111	3.99%	8.21%
FRANCE			1,2%	24.4	1,2%	25.9	0.93%	1.92%
AUSTRIA			0.7%	14.6	0.7%	16.1	0.58%	1.19%
SPAIN			0.6%	12.11	0.6%	12.8	0.46%	0.95%
SWEDEN			0.6%	11.5	0.6%	10.5	0.38%	0.78%
LUXEMBURG			0.5%	10.5	0.5%	26	0.94%	1.92%
ITALY			0.5%	9.3	0.5%	10.2	0.37%	0.75%
IRELAND			0.3%	5.4	0.3%	9.6	0.35%	0.71%
MALTA			-	0.5	-	0.6	-	-
OTHERS			0.7%	14.6	0.7%	15.2	0.55%	1.12%
UK			31.3%	608.7	30.5%	785	28.2%	
CHINA			4.9%	98.9	4.9%	102.9	3.7%	
US			6.0%	129.9	6.5%	149.4	5.4%	
AFRICA			4.3%	91.1	4.5%	95.3	3.4%	
PER SECTOR (R m, three first)								
Finance, services	39.4%	41.8%	41.8%	35%		722 113	26%	
Mining	25.5%	24.9%	24.9%	34%		818 554	29%	
Manufacturing	16.6%	16.6%	16.6%	16%		860 119	31%	

SOURCE: South Africa Reserve Bank Quarterly Bulletin March 2023.

Trade^{ix}

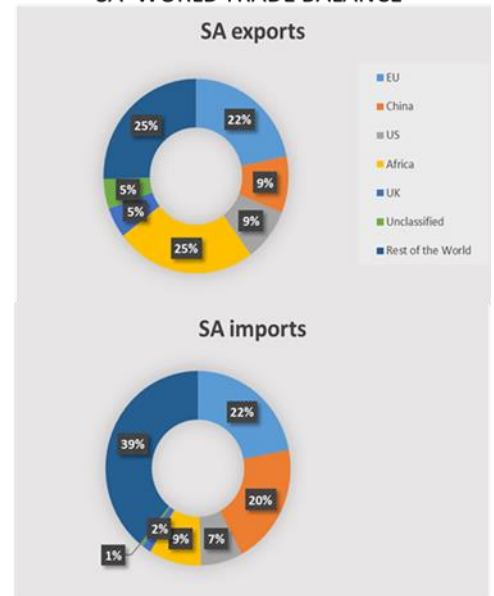
Trade in goods

- **EU is SA's largest trading partner in goods**, accounting for 22% of total trade (22% of South Africa's imports – corresponding to R 399.8 bn - and 22% of South Africa's exports – equivalent to R436 bn).
- China and the United States were South Africa's second and third most important trading partners, accounting for 14.5% and 8% of South Africa's total trade.

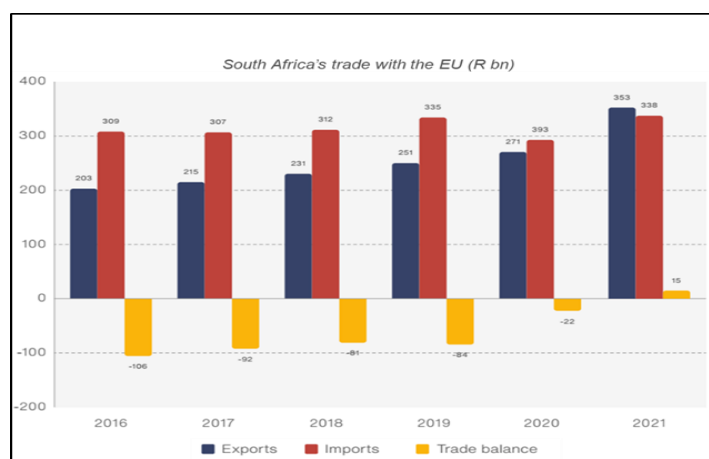
SA EXPORTS TO THE EU	
Section Description	Value
Mineral Products	R 132,398,940,616
Vehicles aircraft & vessels	R 96,527,770,440
Precious Metal	R 54,522,967,206
Products Iron & Steel	R 37,149,441,828
Chemicals	R 30,187,974,618
Machinery & equipment	R 28,785,953,084
Vegetables	R 27,209,439,051
Prepared foodstuffs	R 9,627,823,243
Live animals	R 4,053,948,691
Plastics & Rubber	R 3,765,191,336
Textiles	R 3,027,159,989
Raw hides & leather	R 1,810,590,667
Wood pulp & paper	R 1,561,130,467
Animal or vegetable fats	R 1,436,510,722
Photographic & medical equipment	R 1,242,794,270
Stone & Glass	R 831,092,996
Other unclassified goods	R 737,173,237
Wood Products	R 660,933,547
Toys & Sport apparel	R 426,029,682
Works of art	R 286,485,783
Footwear	R 170,852,295
TOTAL	R 436,420,203,768

SA IMPORTS FROM THE EU	
Section Description	Value
Machinery & equipment	R 144,005,305,423
Chemicals	R 66,344,318,616
Vehicles aircraft & vessels	R 47,617,715,460
Mineral Products	R 23,981,030,435
Plastics & Rubber	R 23,355,293,252
Products Iron & Steel	R 20,848,764,523
Prepared foodstuffs	R 16,837,788,770
Photographic & medical equipment	R 11,248,800,559
Wood pulp & paper	R 10,823,408,402
Vegetables	R 7,397,379,944
Stone & Glass	R 5,535,161,049
Toys & Sport apparel	R 5,271,793,234
Animal or vegetable fats	R 5,054,053,245
Textiles	R 3,436,957,565
Live animals	R 3,417,837,470
Wood Products	R 1,361,269,284
Footwear	R 1,219,200,054
Precious Metal	R 832,196,975
Raw hides & leather	R 630,160,428
Other unclassified goods	R 497,406,222
Works of art	R 43,490,764
TOTAL	R 399,759,331,674

SA WORLD TRADE BALANCE



- Thanks to solid foundation provided by the EU-SADC Economic Partnership Agreement, **trade flows have been continuously increasing in the past years, leading to two consecutive years (2021 and 2022) of a positive balance for trade in goods for South Africa.**
 - Between 2016 and 2022, SA's exports have grown at an annualised rate of 13.6% (21% of growth in 2022 v/s 2021), while imports from the EU grew at an annualised rate of 4.4% (18% of growth in 2022 v/s 2021).
 - While the SA surplus with the rest of the world sharply narrowed in 2022, the one with the EU recorded another year of trade surplus (R36 billion) since the implementation of the TDCA in 2004 (SA increased the surplus with the EU, while the surplus with US and UK narrowed and China kept a positive trade balance with SA).

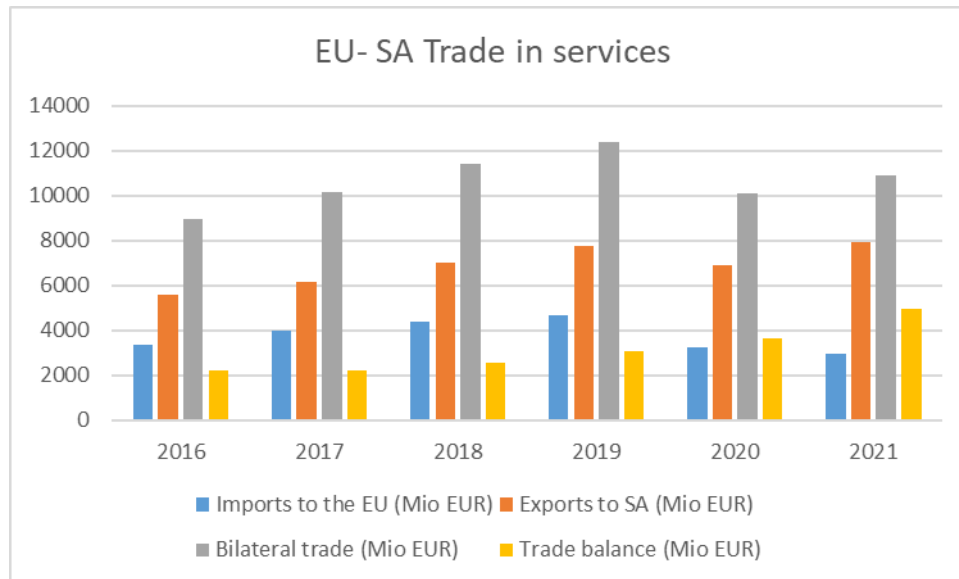


- **South Africa's exports to the EU are more diversified than to other partners.**
 - The combined exports of added-value agri-food products, vehicles and transport equipment, chemicals and plastics, manufactured goods and machinery, account for 41% of South Africa's exports to the EU in 2022, while the exports of these goods to the rest of the world account by 30%.
 - Motor vehicles accounted in 2022 for the second highest share of South Africa's exports to the EU, at 22% of the total, above raw materials.
 - Machinery and equipment is by far the most import contribution to the South Africa imports from the EU with 36 % of the total above chemicals and cars.
- The EU market has been especially beneficial for SA's agricultural sector.
 - In 2021, export growth of agri-food products to the EU was almost double compared to the rest of the world.
 - SA remains a net exporter of agri-food products to the EU, with a third consecutive year of positive trade balance of R4 billion in 2022.
 - The three largest agricultural commodities exported to the EU are citrus, grapes, and wine, which together account for about half of all agriculture exports.
- Economic operators in South Africa make significant use of the preferential access to the EU provided by the EU-SADC Economic Partnership Agreement. Preferential Use Rate (PRU) for exports to the EU increased from 74% in 2016 to 89% in 2021.

Trade in services

- Trade in services are not included in the Economic Partnership Agreement, though the EU – together with Botswana, Lesotho, Eswatini and Mozambique – would like to move ahead in this direction and have held discussions in this respect.
- Hence, the EPA does not include liberalisation schedules for services beyond what is already included in the General Agreement on Trade in Services (GATS).

- The EU has always enjoyed a positive trade balance with a surplus that peaked in 2021 at €4.9bn^x.
 - While EU exports in services have steadily increased over the past years, SA exports dropped in 2021 and 2022, with 2021 figures lower than in 2016.



FAQs

Is overall trade still strongly in favour of the EU when combining trade in goods and services?

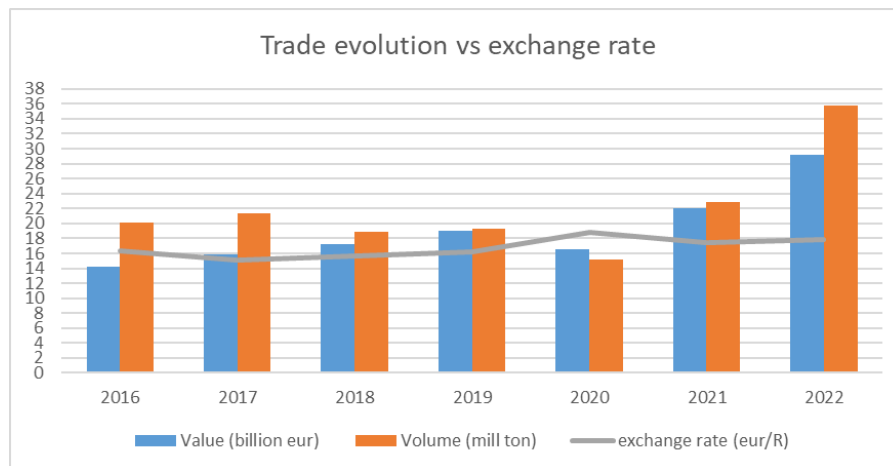
- Not any longer: by combining trade in goods and services, according to Eurostat data, South Africa's trade deficit has sharply narrowed since the beginning of the EPA implementation, from €8.6 bn in 2016 to €4.9bn in 2021.
- This is mainly due to the positive effect that the EPA has had on trade in goods, while bilateral trade in services are not liberalised under the EPA and South Africa has so far not been interested in broadening the agreement to include trade in services.

Is South Africa's export basket still excessively focused on raw materials/raw agricultural commodities?

- Even if raw materials still represent a significant portion of SA exports to the EU, SA overall exports to the EU are much more diversified and value-added than the SA exports to the rest of the world.
- Combined exports of transformed goods^{xi}, account for 41% of South Africa's exports to the EU in 2022, while the exports of these goods to the rest of the world account for 30%.
- The EU remains committed to continue working with SA on integrated value chains to further diversify the export basket.

Is the devaluation of the Rand v/s the US\$ and € contributing to what ‘only in appearance’ seems to be a positive trade in goods balance for SA?

- It is true that the devaluation of a currency can contribute to a more favourable trade balance but the effects on the trade exchanges can be limited and relative.
- In 2017, SA exported to the EU 21.3 million Tonnes^{xii} with an average exchange rate (EUR/R) of 15.04. In 2021, SA exported 22.8 million tonnes when the exchange rate averaged 17.48. Hence, similar volumes of exports with significant differences in the exchange rate.
- In 2021 and 2022, the average exchange rates (EUR/R) were similar but the volume of exports in 2022 were 57% higher than in 2021, mainly due to the high prices of commodities on the global market.



ⁱ Sources: FDI figures are from the **South Africa Reserve Bank** Quarterly Bulletin, latest figures available are for 2021. The rest of the information comes from **Who Owns Whom (WoW) database**, regarded as the most comprehensive record of company information in South Africa and can therefore be considered as strongly representative of all active companies in the country, even though we have many reasons to believe that many EU companies are not registered there, hence, the numbers reported here are rather on the lower-end. FDI figures are from the **South Africa Reserve Bank** Quarterly Bulletin, latest figures available are for 2021.

ⁱⁱ Strongly pushed by NL operations during 2021 and by the slight increase of investments from other EU Member States.

ⁱⁱⁱ This is the result of the acquisition of Distell and the share exchange between the Dutch company Prosus N.V. and the SA’s company Naspers Ltd.

^{iv} This number is based on an estimate calculated by the BMF in their 2018 Study on the “Contribution of EU Investments to Inclusive Growth in South Africa”, but has been adjusted to exclude employees of UK-based companies.

^v % are indicated only for the top ranking EU Member States.

^{vi} Same as above

^{vii} SARB doesn’t include EU figures but rather Europe. These include countries not disaggregated like Russia. An estimate of 50% of the ‘others’ has been attributed to the EU27 figure.

^{viii} Based on the operations to acquire Distell Group and the share exchange Prosus/ Naspers.

^{ix} Source of data: Statistics from South Africa Revenue Service (SARS)

^x Eurostat

^{xi} Added-value agri-food, industrial semi-manufactures and manufactures, equipment

^{xii} Eurostat