



EconoMag

The show that demystifies economics

The South African Economy: Africa's Leading Economy©

by Pierre Vercueil

Hi there and welcome back to a brand new episode of EconoMag here on EnglishWaves. So far in our tour of some of the world's most important regional economies we've looked at France, the United Kingdom and the United States. Today we move to a continent known traditionally less for its economic development, but which has started to make serious gains in reversing that image. We're talking of course about Africa. More specifically, we'll consider South Africa, the continent's most advanced economy.

The economy of South Africa is the second largest in Africa, behind Nigeria, but it is by far the most industrialized. South Africa accounts for 24% of Africa's gross domestic product, and it is ranked as an upper-middle-income economy by the World Bank – one of only four such countries in Africa (alongside Botswana, Gabon and Mauritius). In the past 22 years since the end of the Apartheid regime, South Africa's GDP has almost tripled to US\$400 billion, and foreign exchange reserves have increased from US\$3 billion to nearly US\$50 billion as the country reentered the global economy and became an important exporter of natural resources. The country remains rich with promise. It was admitted to the BRIC group of countries of Brazil, Russia, India and China (now known as BRICS) in 2011.

Mining has been the main driving force behind the history and development of South Africa's economy and infrastructure. Large-scale mining started with the discovery of large reserves of diamonds and gold near what was to become Johannesburg, modern-day South Africa's economic heart. The country continues to be one of the world's leading mining and mineral-processing countries, holding the title of the world's premier exporter of platinum. Consider that South Africa holds an estimated 80% of the world's platinum reserves, and 20% of the earth's total gold supply. Though mining's contribution to GDP has shrunk since its peak in 1970, gold, platinum and diamond mining still represents almost 60% of the country's exports.

Aside from the primary sector, for example mining, the manufacturing industry's contribution to the South African economy is relatively small, providing just 15% of GDP. This is in stark contrast to other BRICS countries such as China and India. However, the

tertiary sector is heavily developed with 65% of South Africans working in the service sector. The country is a popular tourist destination, with around 860,000 people arriving per month for either business or leisure travel. Among the main attractions are the picturesque landscapes, the game reserves and the highly regarded local wine industry. Apart from tourism, the country also boasts a sophisticated financial system with the Johannesburg Stock Exchange ranking amongst the top ten globally. The country's currency, the South African Rand, also acts as a reserve currency in the Southern African region – for example, since Zimbabwe's economic crisis, the Rand is accepted for transactions in the country.

Even though South Africa is certainly an important regional economy it remains a small player on the global stage – in GDP terms it ranks only 35th internationally. Next time, we look east to a significantly larger economy and the world's manufacturing powerhouse, China. Join us again next week for a brand new episode of EconoMag here on EnglishWaves.