Standard Bank

AFRICA TRADE BAROMETER

Highlights
of the current
cross-border
trade landscape
in South Africa

South Africa
COUNTRY FOCUS

September 2023 | Issue 3

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EXECUTIVE SUMMARY

Being Africa's largest bank, Standard Bank has leveraged its presence and expertise across the continent to create the Standard Bank Africa Trade Barometer (SB ATB). The SB ATB was launched in 2022 with the intent of creating Africa's leading trade index to address the information vacuum of reliable African trade data and to support and enable the growth of intra-Africa trade. Availability of trade data remains a challenge across Africa and the SB ATB aims to fill part of this data gap through up-to-date survey data on the views of African businesses on the environment they operate in, their trade behaviour, trading activities and their perceptions on trade.

This is Issue 3 of the SB ATB. The SB ATB focuses on 10 countries: Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda, and Zambia.

In order to construct the SB ATB index rankings, seven broad thematic categories of data are collected from both primary and secondary data sources. These thematic categories are trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance & economy, and traders' financial behaviour.

From a primary data perspective, the Standard Bank Firm Survey Trade Barometer (SB STB) is constructed. The SB STB scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with over 2,500 businesses across the 10 countries of interest.

From a secondary research perspective, the Standard Bank 3-Year Quantitative Trade Barometer (SB QTB) is constructed. The SB QTB scores and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources.

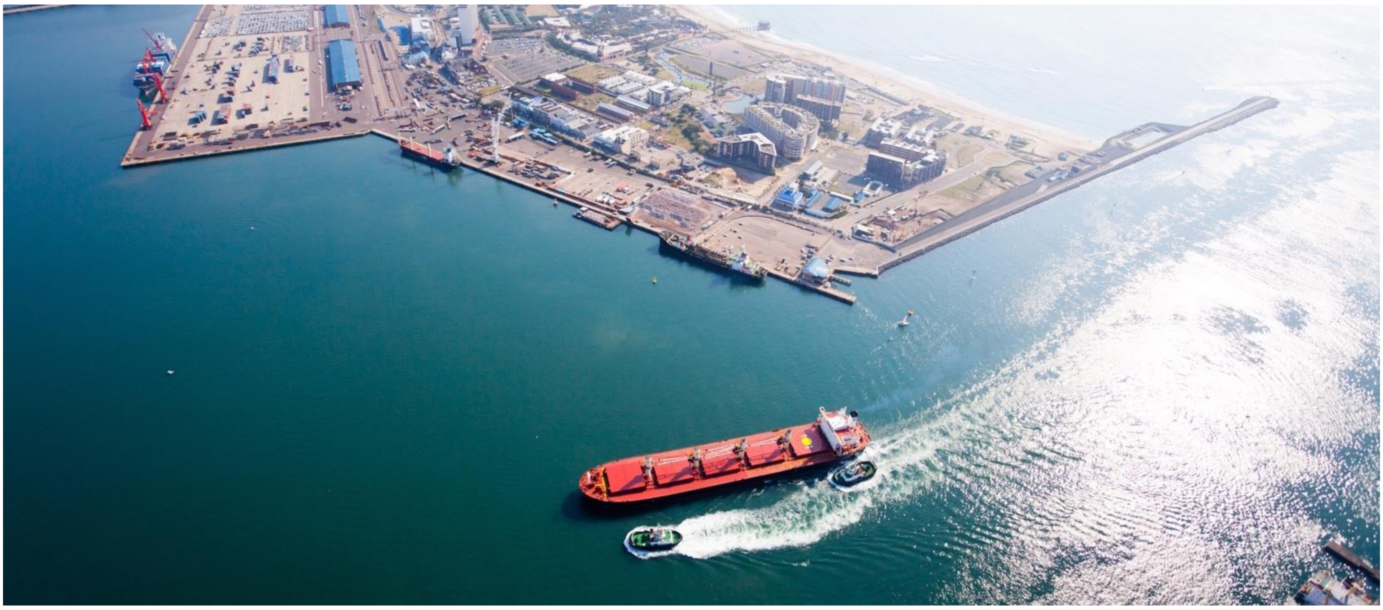
The SB ATB is an aggregate of the SB QTB and the SB STB.

This is the country report for South Africa (SA). It contains analysis of the primary and secondary data gathered specifically for SA between March and May 2023 and showcases trends and opportunities in trade within the country.

South Africa has maintained position 1 in the overall SB ATB ranking for the third time in a row. SA's macroeconomic conditions relative to the other nine countries have remained satisfactory, resulting in the country maintaining position 1 in the SB QTB ranking for the third time in a row. Similarly, SA has maintained position 2 in the SB STB ranking.

South Africa has maintained position 1 in the SB ATB, position 1 in the SB QTB and position 2 in the SB STB.

The table below shows SA's relative performance in the seven broad thematic categories of the SB ATB.



Durban, South Africa

SB ATB ranking for South Africa across seven thematic areas

Thematic category	Indicator	Ranking out of 10 countries
Macroeconomic Stability	Business Confidence 55 52	9 ↓ (-2)
Governance and Economy	Government Support on Trade 52 55	5 ↑ (+1)
Infrastructure	Quality of infrastructure 57 55	2 (unchanged)
	Infrastructure obstacles 55 55	6 ↓ (-1)
Access to Finance	Access to Credit 50 44	3 ↓ (-1)
Traders' Financial Behaviour	Credit Terms Extended to Clients 48 52	6 ↓ (-3)
	Credit Terms Advance from Suppliers 58 64	2 (unchanged)
Foreign Trade	Ease of Trade 45 42	6 ↓ (-3)
Trade Openness	Trade openness 50 54	6 (unchanged)

Sep'22 May'23

Note: All indicators (except for the ease of trade) have an index score ranging from 0 to 100, where 0 represents a low score and 100 the highest score. For the ease of trade indicator, 0 represents a high score and 100 a low score.

SA's overall macroeconomic conditions are average, with a slight negative outlook. As such, SA's tradability attractiveness is moderately negatively impacted by her macroeconomic conditions. South Africa's relatively high GDP and foreign direct investment (FDI) have a positive impact on the country's tradability attractiveness. On the other hand, relatively high inflation, and the depreciation of the Rand, resulting from, among other factors, the high inflationary and interest environment globally, have a negative impact on SA's tradability attractiveness.

Business confidence among South African businesses is low relative to the other 9 markets in the SB ATB. SA has a business confidence score of 52, below the average of SB ATB markets of 58. For this reason, and the fact that optimistic views of businesses in some of the other nine markets improved, SA's ranking with regards to business confidence declined from position 6 in September 2022 to position 9 in this iteration of the survey (**see the table above**). Widespread power outages amidst a challenging macroeconomic environment may be fuelling a wait and see attitude; where 47% of surveyed businesses have a neutral outlook on the performance of the economy. Coinciding with this trend is a fall in optimism among businesses, declining from 26% of surveyed businesses in September 2022 to 19% in May 2023.

Over the past three surveys, the positive perception among surveyed South African businesses on the Government's role in supporting cross-border trade has

been on an upward trend, improving from a score of 52 to 55. Clarity around the privatisation of the Durban port, among other factors, may be contributing to these positive sentiments about the Government's seriousness in improving cross-border trade especially through improved efficiency at the ports. When surveyed businesses were asked what areas they need government support in, they highlighted implementing legislation that is conducive for imports, lowering business taxes and customs duties as well as improving customs procedures.

With regards to infrastructure, while SA has better perceived infrastructure relative to other countries in the SB ATB (second only to Namibia), power supply presents a major challenge to businesses operating in the country. Inadequate power generation capacity—owing to ageing infrastructure, mismanagement, and underinvestment—has resulted in frequent power outages. As a result, relative to other infrastructural aspects, surveyed businesses in South Africa perceived the state of the power supply to be of the lowest quality, and also the biggest obstacle to their operations. The Government has proposed to provide Eskom (South Africa's power utility) with a USD 15.5 billion bailout to enable the entity to undertake the necessary fixed capital investments to upgrade its power transmission lines to ease chronic power outages.[1]

Surveyed businesses in South Africa perceive access to credit as becoming more difficult. This finding aligns with the current economic climate post-COVID-19 which has been marked by rising interest rates, resulting in the cost of borrowing to go up. To cope with a difficult credit environment, small businesses are increasingly utilising credit arrangements with their suppliers (recording a 15-percentage point increase in this iteration of the survey compared to September 2022).

That said, perceptions of South African businesses with regards to access to credit remains better than most other countries in the SB ATB, ranking position 3 (**see the table above**).

Barriers, such as complex business policies and limited trade knowledge in neighbouring countries, have negatively impacted the perception of South African businesses with regards to the ease of trading with the rest of Africa. The percentage of surveyed firms reporting trade with the rest of Africa to be difficult increased significantly from 18% in September 2022 to 35% in May 2023. This resulted in SA's drop in this regard by three places to position 6 (**see the table above**). This indicates that relative to most other SB ATB markets, SA businesses find it more difficult to trade with other African countries.

South Africa is one of the 54 signatories to the African Continental Free Trade Agreement (AfCFTA). Awareness of the AfCFTA amongst surveyed South African businesses has significantly improved, increasing to 78% in May 2023 from 22% in September 2022.

In conclusion, one aspect that will be interesting to track in future issues of the Standard Bank Africa Trade Barometer (SB ATB) in South Africa is the state of power supply in the country, and its effects on businesses going forward. As already highlighted, in this issue of the SB ATB, the state of the power supply was identified by surveyed businesses as the most significant obstacle that constrains their capacity to operate. It will be interesting to see whether active investments being made in this area by the South African Government, including a USD 15.5 billion bailout provided to Eskom (South Africa's power utility) to undertake necessary fixed capital investments,[2] will bear fruit and hence positively affect the operations and perceptions of businesses.

Cargo container ship in port

[1] USAID, 2023. Available here

[2] USAID, 2023. Available here

1. INTRODUCTION

Being Africa's largest bank, Standard Bank has leveraged its presence and expertise across the continent to create the Standard Bank Africa Trade Barometer (SB ATB). The SB ATB was conceived with the intent of creating Africa's leading trade index to address the information vacuum of reliable African trade data and to support and enable the growth of intra-Africa trade.

Definition of trade in the context of the SB ATB

> Trade—in the context of the SB ATB—should be understood as the process of production and transfer of goods and services that is enabled by solutions that effectively connect the supply chain domestically and internationally to create economic value.

Launched in 2022, this is Issue 3 of the SB ATB. Issue 1 and Issue 2 were published in June 2022 and November 2022 respectively. The SB ATB focuses on 10 countries: Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda and Zambia.

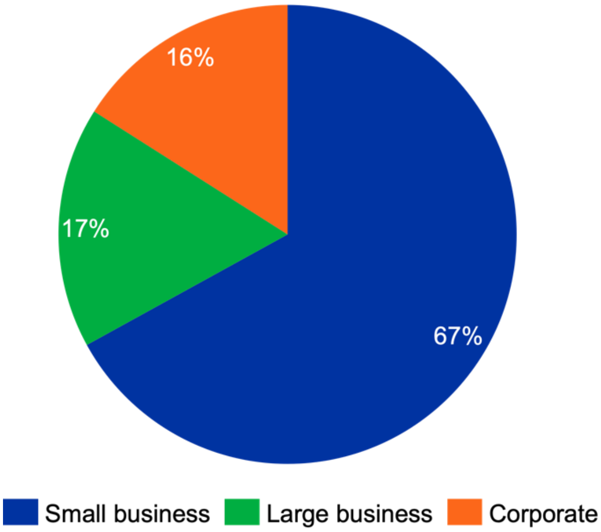
The objective of the SB ATB is to provide dynamic and insightful analysis that can intelligently inform and grow Africa's trade ecosystem. Trade data remains a challenge across Africa and the SB ATB aims to fill part of this data gap. Updated annually, the data enables stakeholders to take the pulse of African trade in near real-time to measure improvements or declines in business confidence, track operational challenges and identify shifts in overall tradability. To do so, the SB ATB covers seven broad thematic categories of data that impact on trade. These are trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance & economy and traders' financial behaviour. These are the seven variables on which the trade barometer scores for each country are constructed.

The SB ATB is based on primary and secondary data sources. Primary research is gathered through a survey of over 2 500 firms representing small businesses, large businesses and corporates across the 10 countries.[3] The survey is augmented by in-depth interviews (IDIs) with select thought leaders in respective countries, and secondary data from sources such as the World Bank, the International Monetary Fund (IMF) and central banks of the respective countries.

This is the country report for South Africa (SA). It contains analysis of the primary and secondary data gathered specifically for SA and showcases trends and opportunities in trade within the country. Primary and secondary data was gathered in SA between March and May 2023 for this third issue of the SB ATB.

A total of 288 businesses were surveyed in SA. In order to be representative, the majority of these (67%) were small businesses (see **Figure 1**) given that most businesses in the country fall in this category. The reader should bear this in mind as it has a commensurate impact on the insights highlighted in this report. That said, because the majority of businesses in our sample are small businesses, the results presented here potentially represent a more realistic picture of trade on the ground. The surveyed businesses were located in Gauteng, Western Cape, KwaZulu-Natal and Eastern Cape.

Figure 1: Breakdown of surveyed businesses in SA by business segment



Source: Standard Bank Africa Trade Barometer Issue 3

The fact that the majority of surveyed businesses were small businesses is the central value-add of the Standard Bank Africa Trade Barometer (SB ATB). Aggregate trade data and information on the African continent is skewed by large businesses who trade specific

[3] The business size definitions by turnover bands, as used in the context of the SB ATB, can be found in the 'About the Research' section later in this report

commodities in large volumes. The trading activities and behaviour of small businesses is therefore not adequately represented. The SB ATB is different because, due to the underlying sample composition being majority small businesses, the emphasis and findings relate to small businesses, their trade behaviour, trading activities and their perceptions on trade. The SB ATB also makes a contribution in understanding the trade perceptions of small businesses in Africa that do not necessarily engage in cross-border trade. This is important because this understanding is helpful in the quest for Africa to transform herself from a poorly integrated trade environment to more trade integration where a large diversity and scope of the overall economy trades with each other.

Because of the intentional bias of the SB ATB on smaller businesses, the reader may notice that in certain instances the survey findings may differ from data at the aggregate level. This is to be expected as in many cases data at the aggregate level (from sources such as the Statistics Bureaus of individual countries, World Bank, etc.) is skewed by a few large businesses (multinationals, etc.) that trade large volumes of specific commodities. This is pointed out in the report, as relevant.

There were three IDIs conducted in SA as part of this third issue. One interview was with a representative from the Western Cape Tourism, Trade and Investment Promotion Agency (Wesgro), another with a representative from the Ministerial Advisory Committee on Water Services, and finally with a former member of parliament.

Please note that although this is Issue 3 of the SB ATB and hence there are three data points for all variables from the surveys conducted so far (January 2022, September 2022 and now May 2023), this report predominantly compares September 2022 and May 2023 data points in most cases. This is done for ease of analysis and comparison with recent market trends in order to make contextual sense of the data. That said, all data points from the last three surveys of the SB ATB are available on request.

Large, stacked container ship leaving the port of Cape town

2. COUNTRY RANKINGS

South Africa continues to maintain position 1 in the Standard Bank Africa Trade Barometer Ranking

In order to construct the Standard Bank Africa Trade Barometer (SB ATB) index rankings, seven broad thematic categories of data are collected from both primary and secondary data sources. These thematic categories are trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance & economy and trade financial behaviour.

From a secondary research perspective, the Standard Bank 3-Year Quantitative Trade Barometer (SB QTB) is constructed. The SB QTB scores and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources / reported facts.

From a primary data perspective, the Standard Bank Firm Survey Trade Barometer (SB STB) is constructed. The SB STB scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with 2,636 businesses.

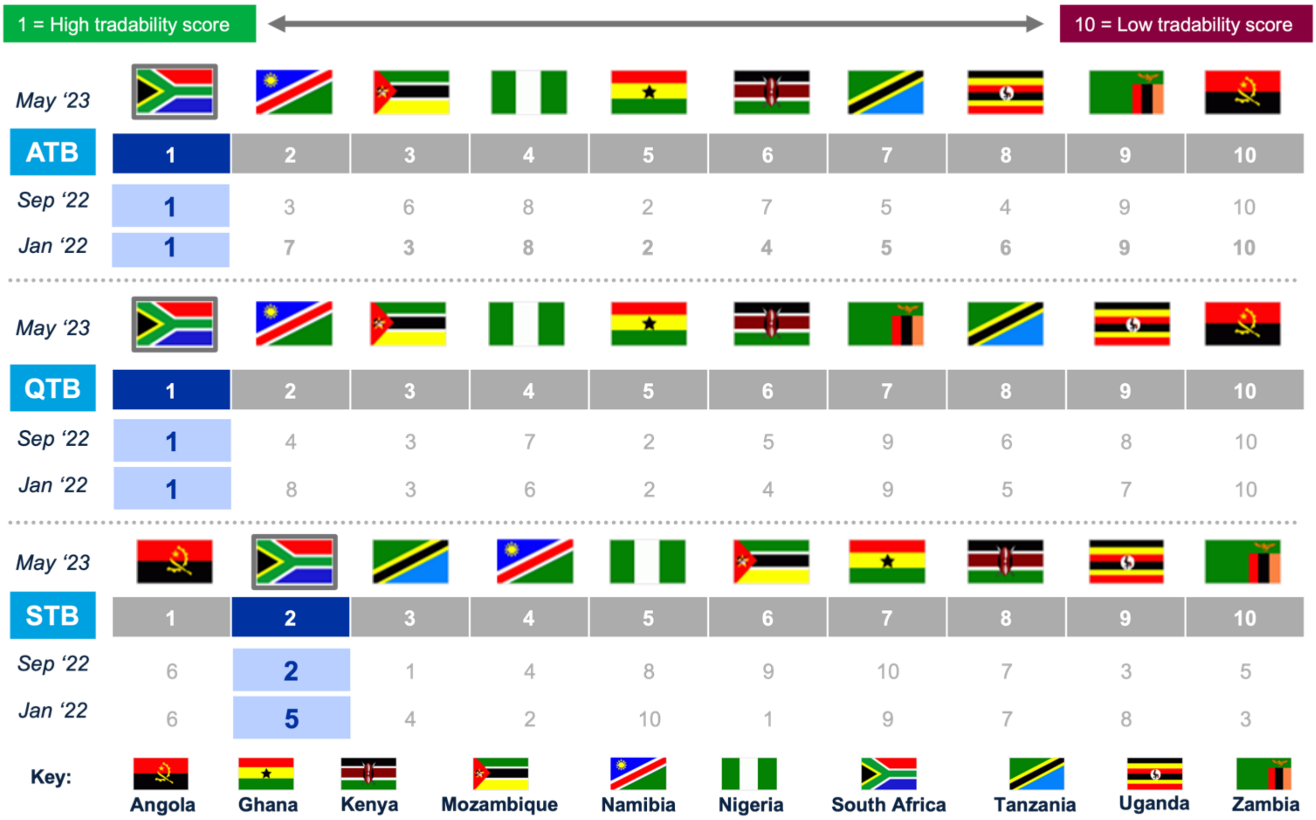
The SB ATB is an aggregate of the SB QTB and the SB STB. Changes in a country's ranking on the three indices (SB ATB, SB QTB and SB STB) are driven by changes in both the aggregate score for that country, as well as their relative ranking against the other countries included. Changes in the SB ATB rankings over the past 6 months, are driven mostly by the changes in the SB STB scores.

It is important to emphasise that the SB ATB ranking of countries is relative to the 10 countries themselves. In other words, countries are ranked against each other i.e., relative scores to each other. This is pegged on a scale of 0 - 100. When indexed between this range, South Africa has the highest Tradability Index while Angola has the lowest. This does not imply that one cannot trade in Angola or that South Africa is perfect, it only implies that at a common starting point of 0 and maximum point of 100, this is how the two markets fared.

South Africa has maintained position 1 in the SB ATB, for the third time in a row (see **Figure 2**). This is partly due to the fact that the country has maintained position 1 in the SB QTB ranking—a position it has held in the last two issues of the barometer. It has also maintained position 2 in the SB STB ranking from September 2022.
The metric that registered the most notable improvement for South Africa with regards to the SB STB was import and export tariff regulations. As detailed later in this report, only 35% of South African importers report a significant negative impact of tariffs on their businesses, a relatively low proportion compared to many of the nine other comparator countries in this study.

The rest of this report unpacks South Africa's performance in the Standard Bank Africa Trade Barometer Issue 3 from both a primary and secondary research perspective, in line with the seven broad thematic areas referenced earlier.

Figure 2: ATB, QTB and STB ranking, by country



Source: Standard Bank Africa Trade Barometer Issue 3
Notes: All values are shown so that a higher value is 'better' for trade, with the best to least ranking economies being ranked 1, 2, 3, etc., and how this has changed over time | Red border indicates that the country has declined in the relevant ranking from September 2022, Green border indicates that the country has improved in ranking from September 2022, while Grey border indicates that the country has remained in the same position as in September 2022.

3. MACROECONOMIC ENVIRONMENT

South Africa's tradability attractiveness is moderately negatively impacted by her macroeconomic conditions

A country's macroeconomic environment plays an important role in how attractive it is with regards to trading activities. A country has a high tradability attractiveness if it is characterised by: high GDP (many goods and services are produced in the country); high GDP per capita (residents have a high spending power); stable inflation (a stable local currency so that it does not disadvantage importers, for instance); high foreign direct investment (FDI) (generally conducive for business and investment); high merchandise trade as a percentage of GDP (imports and exports are high); and so on.

As part of the calculation of the SB QTB, a tradability attractiveness score is calculated for each country using relevant macroeconomic indicators, including those highlighted in Table 1. The three-year average (2020, 2021 and 2022) of each relevant indicator in a country is first normalised[4] which allows for the relative impact of each indicator on overall tradability attractiveness to be compared and converted to a score. The same macroeconomic indicators can be used to understand the macroeconomic environment of a country, which is done in this section of the report.

Macroeconomic conditions in South Africa have deteriorated, marred by rising inflation and interest rates as well as a depreciating local currency.

South Africa's overall macroeconomic conditions continue to be average, with a slight negative outlook. This has a moderate to negative impact on her overall tradability attractiveness (see **Table 1**). Notable variables that have a high positive impact on tradability attractiveness include the strong recovery of FDI net inflows from the worst effects of the COVID-19 pandemic, and increasing merchandise trade (as a percentage of GDP) indicating increasing trade openness. On the other hand, factors adversely affecting South Africa's tradability attractiveness include rising inflation fuelled by global inflation due to the Russia-Ukraine conflict (among other factors), and the subsequent increases in interest rates to contain inflation. In addition, the depreciation of the South African Rand relative to the dollar has a negative impact on tradability attractiveness, as it makes imports more expensive.

Table 1: South Africa's macroeconomic indicators

Variable	2018	2019	2020	2021	2022
GDP (current USD)	USD 404 billion	USD 389 billion	USD 338 billion	USD 419 billion	USD 406 billion
Real GDP growth (%)	1.5%	0.3%	-6.3%	4.9%	1.9%
Inflation (annual, period average, %)	4.5%	4.1%	3.2%	4.6%	7.0%
Lending interest rate (%)	10.1%	10.1%	7.7%	7.0%	8.8%
Exchange rate (ZAR:USD, period average)	13.2	14.4	16.5	14.8	16.4
FDI net inflows (BoP, current USD)	USD 5.6 billion	USD 5.1 billion	USD 3.2 billion	USD 41.3 billion	USD 8.8 billion
Merchandise trade (% of GDP)	52%	51%	50%	57%	64%
Imports of goods & services (% of GDP)	27%	27%	23%	25%	32%
Exports of goods & services (% of GDP)	28%	27%	28%	31%	33%

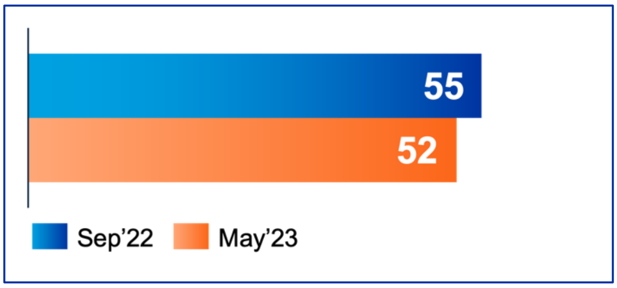
Source: South Africa Reserve Bank (SARB); UN Comtrade; World Bank; Standard Bank analysis
Note: Some percentages and figures are rounded to the nearest whole number

[4] Normalisation here means calculating the deviation of a particular macroeconomic indicator in a specific country from the mean of that indicator in all 10 SB ATB countries

4. MACROECONOMIC STABILITY

Confidence in the economy remains neutral

South Africa's business confidence index score



Business confidence can vary between 0 and 100, where 0 indicates an extreme lack of confidence, 50 neutrality and 100 extreme confidence. In the May 2023 SB ATB survey results, South Africa's business confidence index score declined from 55 to 52. This means surveyed businesses in South Africa had less confidence in the performance of the economy in relation to business compared to September 2022.

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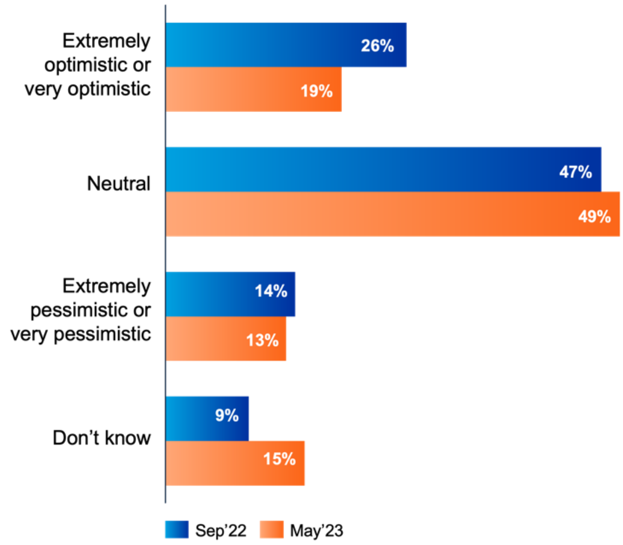
The majority of businesses in South Africa, regardless of their size, retain a neutral perspective on the performance of the economy in relation to business over the next three years (see **Figure 3**). While the majority (47%) of the surveyed businesses had a neutral outlook, slightly more businesses have a positive perception (19%) of future performance compared to a negative perception (13%). This trend is observed across all business sizes (small, large and corporates). In addition, between September 2022 and May 2023, there has been a notable decline in the proportion of businesses that are optimistic, from 26% to 19%.

Freight airplane flying above overseas shipping container.

Figure 3: Outlook of businesses on the performance of the South African economy over the next three years

Question: Please indicate how you feel about the performance of the economy in relation to business in the next 3 years.



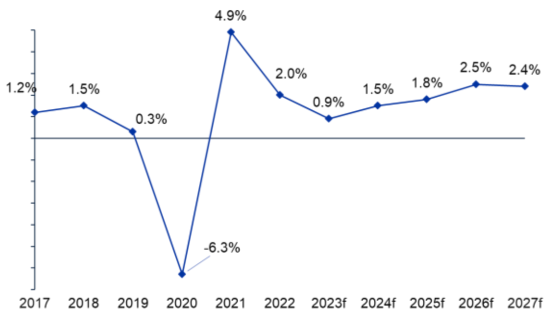
Source: Standard Bank Africa Trade Barometer Issue 3

Growing pessimistic perceptions are likely a reflection of adverse economic conditions

The neutral posture adopted by South African businesses possibly reflects the projected performance of the economy at the aggregate level (see **Figure 4**). The SA economy is projected to grow at 0.9% in 2023, a drastic decline from the growth rate recorded in 2022 (2%). Thereafter, the economy is projected to grow at rates of 1.5% and above from 2024 going forward. South Africa's economy has steadily recovered from the worst effects of the COVID-19 pandemic, supported by growth in trade, tourism, mining, and manufacturing.[5]

[5] African Development Bank, 2023. Available here | IMF, 2023. Available here

Figure 4: Real GDP growth (%, 2017 - 2027)

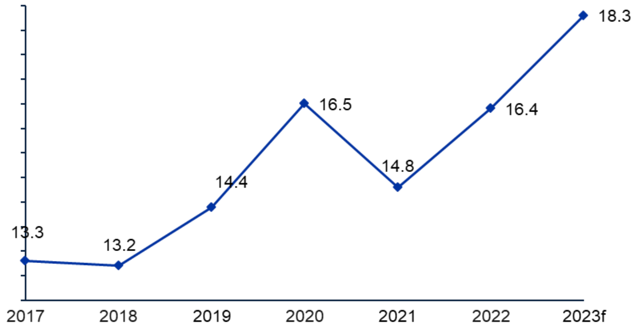


Source: IMF
Note: 'f' represents forecasted data points

Respondents who hold optimistic views on the immediate future outlook of the South African economy (26%) most commonly cited the country's economic growth as the main factor to their optimism. On the other hand, among the businesses (14%) that expressed a negative outlook on the future performance of the economy, the most commonly cited reasons were poor economy, political uncertainty, unemployment and chronic power cuts. In addition to challenging macroeconomic conditions, extensive power cuts have instigated a pessimistic attitude regarding future economic performance among some businesses.[6]

The depreciation of the South African Rand is another significant contributor to the pessimistic attitude on South Africa's future economic outlook observed among some businesses. The Rand has been depreciating against the US dollar for several years, mainly due to political uncertainty, economic instability, and low commodity prices. However, the pace at which the Rand has lost its value increased significantly as from 2022, with the Rand's value dropping by 19% against the US dollar in the period from June 2022 to June 2023 (see **Figure 5**).[7] Policy interest rate hikes in an attempt to curb rising inflation, as well as domestic factors (such as chronic power cuts, transportation bottlenecks and a recent diplomatic fallout) have contributed to the erosion of the value of the Rand.[8] In addition, the greylisting of SA by the Financial Action Task Force (FATF) for not fully complying with international standards around the prevention of money laundering, terrorist financing and proliferation financing worsened economic prospects of the country. Coinciding with the greylisting announcement was the further depreciation of the Rand as well as a decline in FDI net inflows in the first quarter of 2023.[9] As a result of these developments, some South African businesses are pessimistic about the future prospects of the economy in relation to their businesses, as it is unlikely the Rand will bounce back in the short-term.

Figure 5: Foreign exchange (ZAR:USD, period average, 2017 - 2023)

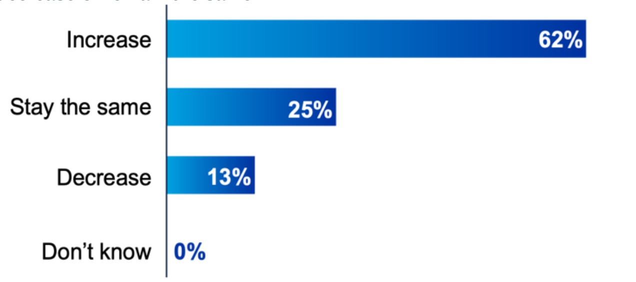


Source: South African Reserve Bank (SARB); African Markets Reveal
Notes: 'f' represents a forecasted data point

Despite a largely neutral perception and growing pessimistic views of future economic performance at the aggregate level, businesses appear to be optimistic about the prospects of their individual businesses (see **Figure 6**). The majority (62%) of businesses believe that their revenue will increase over the next year primarily due to the perception that demand for their goods or services will increase in the near-future. This overall sense of optimism reflects the waning effect of the COVID-19 pandemic on the operations of businesses. At the same time, the optimism despite adverse conditions such as chronic power cuts highlights that businesses in South Africa have managed to adapt and operate in such unfavourable conditions.

Figure 6: Businesses revenue expectations over the next year

Question: Thinking ahead, do you expect business turnover to increase, decrease or remain the same.



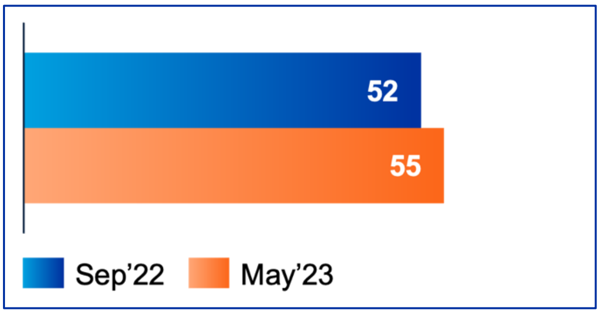
Source: Standard Bank Africa Trade Barometer Issue 3

[6] Stats SA, 2023. Available here | Reuters, 2023. Available here
[7] SARB, 2023. Available here
[8] Stats SA, 2023. Available here | Reuters, 2023. Available here
[9] News24, 2023. Available here. | Maverick Daily, 2023. Available here.

5. GOVERNMENT SUPPORT

Perceptions of Government support on cross-border trade are on an upward trend

South Africa's government support index score



Government support index can vary between 0 and 100, where 0 indicates an extreme lack of Government support, 50 neutrality and 100 extreme Government support. In the May 2023 SB ATB survey results, South Africa's Government support index score increased from 52 to 55. This means that surveyed businesses in South Africa feel the Government has been more supportive of cross-border trade activities in this iteration of the survey compared to September 2022.

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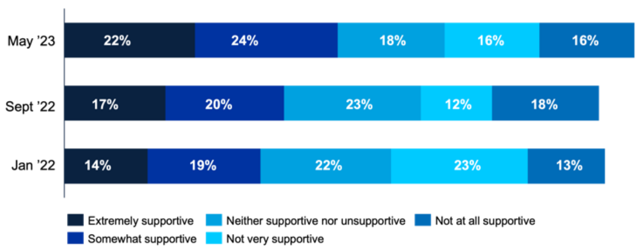
Over the past three surveys, the positive perception of the Government's role in supporting cross-border trade activities has been on an upward trend (see **Figure 7**). There has been a notable increase in the share of firms who stated that the Government was supportive (either extremely supportive or somewhat supportive) of their cross-border trading activities in May 2023 (46%) relative to January 2022 (33%)

Figure 7: The extent the Government has supported cross-border trade activities as identified by businesses

Question: Please indicate how supportive your government is with regards to cross-border trading activities.



Source: Standard Bank Africa Trade Barometer Issue 3

Larger businesses on average have a more positive perception of the Government's support for cross-border trade relative to smaller businesses. During the May 2023 survey, 59% of corporate businesses reported that the Government was supportive (either extremely supportive or somewhat supportive) of their cross-border trading activities, compared to 42% of small businesses. This difference may be explained by larger businesses having better access to information about Government programs, more resources and capacity to navigate complex regulatory environments and Government support being more accessible and tangible to larger businesses.

> **More businesses (46% relative to 33% in January 2022) find the South African Government more supportive of their cross-border trade activities.**

The positive perception of Government support by South African Government businesses is likely a reflection of several initiatives undertaken by the Government to support cross-border trade. These include the clarity around the privatisation of the Durban port which has contributed to positive sentiment about the Government's seriousness in improving cross border trade through improved efficiency at the ports.[10] Recent initiatives that are likely to have a positive impact on future business sentiments of South African businesses include active steps taken by the South African Government to prevent and control Foot-and-Mouth-Disease (FMD).[11] This has resulted in the resumption of South Africa's beef exports to China effective August 2023 after certain regions in South Africa were recognised as FMD free zones. Additionally, the South African Government signed an agreement with China in August 2023 to expand trade with fresh avocado exports, and 38 trade agreements with the Democratic Republic of Congo (DRC) in July spanning agriculture, defence, energy, health, and trade and investment. These agreements will likely boost the country's cross-border trade going forward.

[10] MoneyWeb, 2023. Available here.

[11] Government of China, 2023. Available here.

Respondents noted that they would like the Government to support trade in the following three ways: implementing legislation that is conducive for imports, lowering business taxes as well as customs duties.

South Africa has a complex import process with approximately 90,000 product tariff codes that are strictly enforced on all imports and requires importers to register with the customs office to obtain an importer's code from the South African Revenue Service (SARS).[12] This causes delays in the clearance of goods, and impedes the efficient flow of goods between borders. Therefore, implementing appropriate import legislation is necessary to assist businesses.

Results of the survey indicate that businesses find businesses taxes and customs duties high, and thus impede their ability to engage in cross-border trade. While lowering business tax may stimulate cross-border trade, given the economic constraints caused by power cuts, a reduction in business tax is unlikely.[13] Considering the rising total value of imports as a proportion of GDP, a reduction in customs duty (beyond the implemented reductions on sugar imports in June 2022) is unlikely as well. This is because lowering import tariffs will stimulate a further increase in imports, thereby putting pressure on the country's foreign reserves.

Delays associated with customs procedures have a significant negative impact on imports and exports. A study estimates that a 10% increase in the time taken to go through customs clearance which adds to the transit time between the origin and the destination results in a 2% decline in the export growth rate.[14] Given the importance of growing exports, the Government should consider implementing measures that reduce red-tap at borders with the intent of reducing time taken for customs clearance to boost cross-border activity.

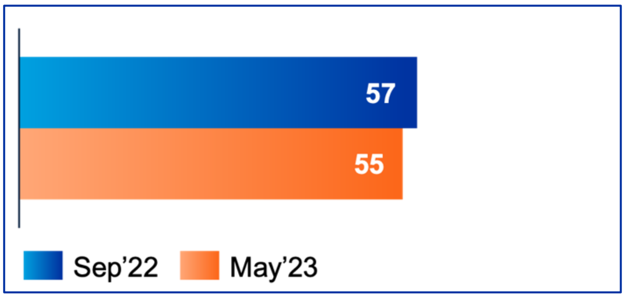
Sandton city Johannesburg at night in Gauteng

[12] International trade administration, 2023. Available here
[13] BDO, 2023. Available here
[14] Martincus, C.V. et al., 2013. Available here

6. INFRASTRUCTURE CONSTRAINTS AND ENABLERS

Despite relatively high perceived quality of infrastructure, power supply challenges represent a major challenge to businesses in South Africa

South Africa's quality of trade-related infrastructure index score



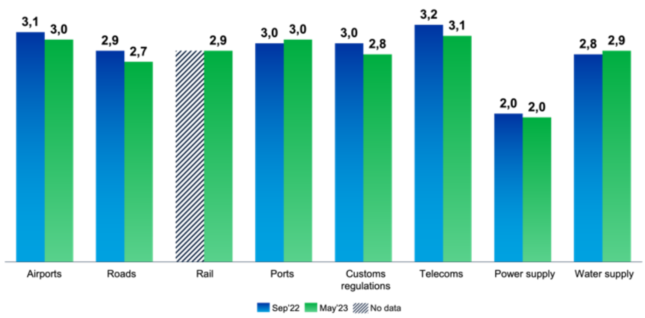
The quality of trade-related infrastructure index can vary between 0 and 100, where 0 indicates poor quality, 50 indicates fair quality and 100 indicates excellent quality. In the May 2023 SB ATB survey results, South Africa's quality of trade-related infrastructure index score declined moderately from 57 to 55.

***

South Africa boasts the second-best transport infrastructure network out of the ten countries in the Standard Bank Africa Trade Barometer in terms of perceived quality—lagging only behind Namibia. Accordingly, the perceived quality of transport infrastructure is relatively high (see **Figure 8**). Businesses do not identify transport infrastructure to be a significant obstacle that constraints their operations. These perceptions on transport infrastructure have remained relatively consistent compared to the surveys conducted in January 2022 and September 2022.

Figure 8: The perceived quality of various infrastructural aspects by businesses (5-point scale)

Question: How would you rate the quality of the following aspects in your market?



Source: Standard Bank Africa Trade Barometer Issue 3.
Note: Rating is on a 5-point scale, where 5 = excellent quality and 1 = poor quality.

Despite widespread access, the reliability of the power supply continues to constrain South African businesses. Specifically, 51% of surveyed businesses reported that power outages were a major or severe obstacle to the operations of their business. Inadequate power generation capacity—owing to ageing infrastructure, mismanagement and underinvestment—has resulted in frequent power outages. This has a significant impact on the South African economy and affected businesses. Power outages had a negative impact of 2% on the country's most recent quarterly GDP figures and were estimated to cost the South African economy ZAR 560 billion (USD 31 billion)[15] per year.[16] These issues are mirrored by the experiences of South African businesses, with the state of the power supply perceived to be of relatively poor quality as compared to other infrastructural aspects (see **Figure 8**). Additionally, it was also reported to be a significant obstacle that constrains the capacity of businesses to operate.

[15] Based on an approximate exchange rate of 1 USD = ZAR 18

[16] CSIR, 2022. Available here

> "South Africa's economy is struggling with a significant energy crisis. The instability of the energy supply has impacted negatively on most businesses—particularly in the manufacturing and food industry."

Representative from the Western Cape Tourism, Trade and Investment Promotion Agency (Wesgro)

> **51%** *of surveyed businesses feel that power outages are a major or severe obstacle to their operations.*

Despite these issues, the outlook on the state of South Africa's infrastructure is positive. The Government has identified infrastructure as a top priority in the medium-term and a key to economic recovery following the COVID-19 pandemic. To this end, the Government plans to spend ZAR 903 billion (USD 50 billion)[17] over the next three years on infrastructure. The bulk of this money will be spent on transport and logistics infrastructure.[18] In addition, the Government has proposed to provide Eskom (South Africa's electricity power utility) with a USD 15.5 billion bailout to enable the entity to undertake the necessary fixed capital investments to upgrade its power transmission lines as well as to phase out coal-fired plants for more environmentally sustainable alternatives.[19]

Forthcoming developments in the Port of Durban may bode well for trade facilitation. Following years of poor performance at the Durban Container Terminal (DCT), South Africa's National Port Authority announced the privatisation of Durban Container Terminal Pier 2 by International Container Terminal Services Inc (ICTSI), a large independent terminal operator. ICTSI plans to conduct a significant expansion of the container terminal, which currently handles 46% of the country's port traffic.[20] In addition, the operation of the terminal by ICTSI is expected to improve terminal productivity through the application of best practices learnt from the firms' extensive experience operating 34 ports globally.[21] South Africa's National Port Authority expects that tangible efficiencies can be expected within 12 - 18 months while new equipment is commissioned, whilst operational process change stabilisation can be expected after 24 months.[22]

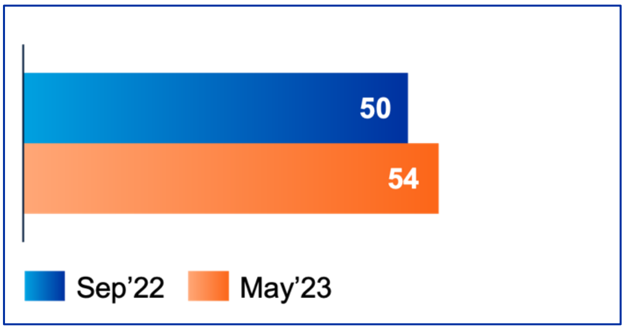
Road infrastructure of Johannesburg

[17] Based on an approximate exchange rate of 1 USD = ZAR 18
[18] Omarjee, 2023. Available here
[19] USAID, 2023. Available here
[20] Bloomberg, 2023. Available here.
[21] Bloomberg, 2023. Available here.
[22] Moos, 2023. Available here.

7. TRADE OPENNESS

African markets are important for smaller cross-border traders in South Africa, who remain bullish on the prospect of its increase in the medium-term

South Africa's trade openness index score



Source: Standard Bank Africa Trade Barometer Issue 3.
The trade openness index score can vary between 0 and 100, where 0 indicates a high burden of obstacles inhibiting trade, 50 indicates a moderate burden of obstacles inhibiting trade and 100 indicating a low burden of obstacles inhibiting trade. In the May 2023 SB ATB survey results, South Africa's trade openness index score improved from 50 to 54.

***

South Africa is one of the largest importers among African countries, with an aggregate import value equal to 31% of GDP.[23] This relatively high level of imports at the aggregate level is reflected in the Standard Bank Africa Trade Barometer firm-level data, where 31% of South African businesses import their inputs. For those businesses that import, the majority operate in the consumer goods sector and purchase their goods directly from international manufacturers or farmers.

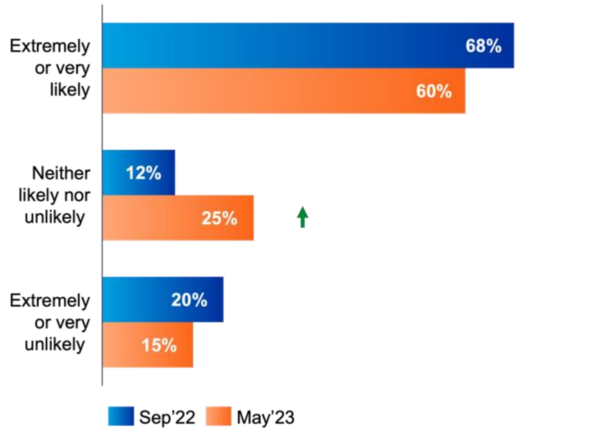
China is an important source of inputs for South African importers. 31% of South African importers import from China, and Chinese goods constitute 20% of the average importer's gross imports. This is consistent with aggregate country data where China is South Africa's top bilateral import partner, accounting for 21% of the country's total imports.[24]

Despite the importance of China, a significant number of South African importers source their inputs from other African countries. Specifically, 33% of importers source their inputs from neighbouring Southern Africa countries and imports from the rest of Africa constitute on average 43% of a business's gross imports. This high level of cross-border trade is likely facilitated by South Africa's membership in the Southern African Development Community (SADC) and the Common Monetary Area (CMA). Membership in the two bodies significantly lowers tariff and non-tariff barriers as well as transaction costs for South African businesses when conducting cross-border trade.[25] In addition, the frequency with which South African importers trade with other African countries is significantly higher than the frequency with which they trade with countries outside of Africa.

Most South African importers (60%) anticipate that their import volumes will increase within the next two years (see **Figure 9**). Of the importers who hold this sentiment, the majority (30%) particularly expect their bilateral import relationship with China to deepen by an average of 50% over the next two years. Insights from the interviews also point toward increased bilateral trade with China in the next few years, primarily arising out of potential trade agreements that could materialise from the BRICS Summit held in August 2023. Business's high appetite for imports likely reflects their optimism regarding economic growth and increased consumer spending or a desire to diversify their input sources for cost or supply chain management purposes.

Figure 9: Importers perceptions on their likelihood to increase import volumes over the next 2 years (%)

Question: How likely are you to increase the volume of imports in the next 2 years?



Source: Standard Bank Africa Trade Barometer Issue 3.
Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

[23] World Bank, 2022. Available here
[24] WITS, 2020. Available here
[25] Edwards, Nchake & Rankin, 2018. Available here

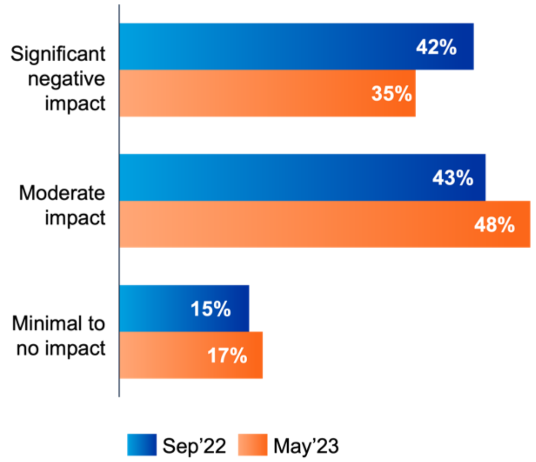
> "I expect bilateral trade with China to increase over the next few years. Particularly I'm waiting with bated breath to see what comes out of this next BRICS summit, because obviously that's where deals are made."

Former member of parliament

Most South African importers report only a moderate (48%) impact of tariffs and related taxes on the capacity of their businesses to grow (see **Figure 10**). In addition, only 35% of South African importers report a significant negative impact of tariffs on their businesses, a relatively low proportion compared to many of the nine other comparator countries in this study.[26] This is likely driven by the composition of South Africa's import sources relative to that of other countries in the Standard Bank Africa Trade Barometer (SB ATB)—where the majority of goods imported by South African businesses are subject to some form of preferential tariff arrangement due to the existence of trade agreements with large import partners.[27]

Figure 10: The impact of importation-related taxes on importers

Question: To what extent do importation-related taxes, including tariffs, impact your business growth?



Source: Standard Bank Africa Trade Barometer Issue 3
Note: Sample includes importers only. Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

Whilst most businesses only sell their goods locally, a notable proportion (22%) of businesses export their products to other markets. For those businesses that export, the majority operate in the services sector and primarily sell directly to international end consumers.

Relative to the other countries of interest in the Standard Bank Africa Trade Barometer, the volume of exports sold to other African markets is significant. 45% of exporters in our sample export to at least one market in Southern Africa, with the most popular destinations being Botswana, Lesotho and eSwatini. In addition, many South African exporters exhibit deep export relationships with neighbouring SADC countries - with exports to other Southern African markets constituting a significant proportion (39%) of the average exporters gross export volumes. The high level of trade with other SADC countries is likely driven by the existence of Regional Economic Agreements that aim to foster regional integration and increase the competitiveness of South African goods in these markets and thereby increase exports. These include the SADC Protocol on Trade and the existence of the CMA; which have enhanced regional trade by facilitating the elimination of tariffs and non-tariff barriers between South Africa and other SADC countries and permitting the use of a common currency to reduce transaction costs and insulate businesses from risks associated with exchange rate fluctuations.[28]

The high proportion of exports to other African countries in this survey is not entirely in line with data at the aggregate country level. South Africa's top export partners are China, the United States and Germany.[29] This difference is likely driven by the fact that much of the exports to China, the US and Germany are of high-value commodities such as gold which are sold by a small contingent of large firms that do not constitute a significant proportion of the sample used in this study. Most businesses in our sample (67%) were small businesses in order to be representative of businesses in the country. As such, the firm-level data presented in this report may be more representative of the foreign markets in which the majority of South African exporters sell their goods and services.

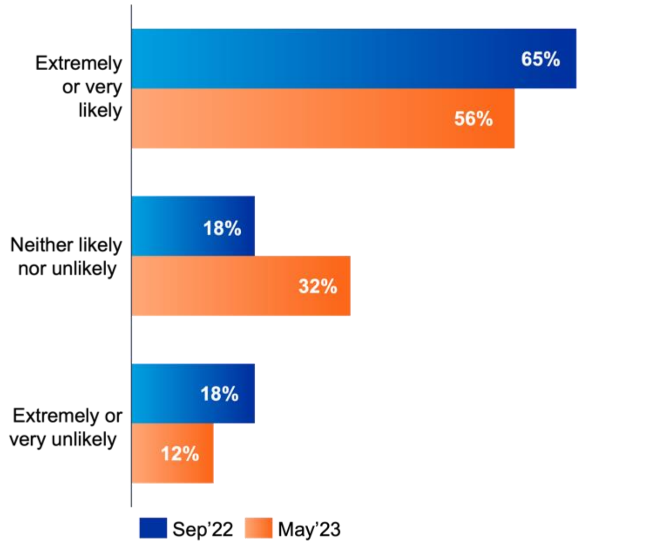
[26] For example, 67% of importers in Ghana and 64% of importers in Kenya reported a significant negative impact of import taxes on the growth of their business
[27] International Trade Administration, 2023. Available here
[28] Edwards, Nchake & Rankin, 2018. Available here
[29] WITS, 2020. Available here

South African exporters are bullish on the prospect of increasing the volume of their exports over the next two years (see **Figure 11**). Reflecting the aforementioned optimistic sentiments on revenue expectations, 56% of exporters feel that it is likely (either extremely likely or very likely) to increase over the next two years. These exporters primarily believe that volumes will increase toward neighbouring Botswana and Lesotho—pointing toward the importance of neighbouring Southern African Development Community (SADC) countries as markets for goods particularly for smaller businesses in South Africa.

56% *of surveyed businesses feel that it is either extremely likely or very likely that the scale of their exports will increase over the next two years.*

Figure 11: Exporters perceptions on their likelihood to increase export volumes over the next 2 years (%)

Question: How likely are you to increase the volume of exports in the next 2 years?



Source: Standard Bank Africa Trade Barometer Issue 3

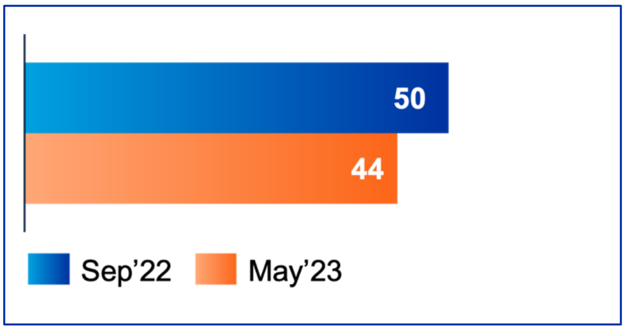
Finally, South Africa's membership of BRICS (a grouping of the world economies of Brazil, Russia, India, China and South Africa) has a material impact on its trade relationships. Overall trade with its BRICS partners has increased by an average growth of 10% over the period 2017- 2021; with over 14% of South Africa's exports destined for BRICS countries and around 30% of imports coming from BRICS countries in 2022. As trade relations among BRICS nations continue to strengthen, future iterations of the SB ATB will provide valuable insights into the evolving trade relations between South Africa and the rest of the world.

Karoo, Long Haul Trucking Logistix

8. TRADERS' FINANCIAL BEHAVIOUR & ACCESS TO FINANCE

Businesses utilise a range of payment methods for transactions, and perceive access to finance as becoming more difficult

South Africa's access to finance index score



Access to finance can vary between 0 and 100, where 0 indicates an extreme difficulty in accessing finance, 50 neutrality and 100 indicates no difficulty in accessing finance. In the May 2023 SB ATB survey results, South Africa's access to finance index score declined from 50 to 54. This means surveyed businesses in South Africa found it more difficult to access finance compared to September 2022.

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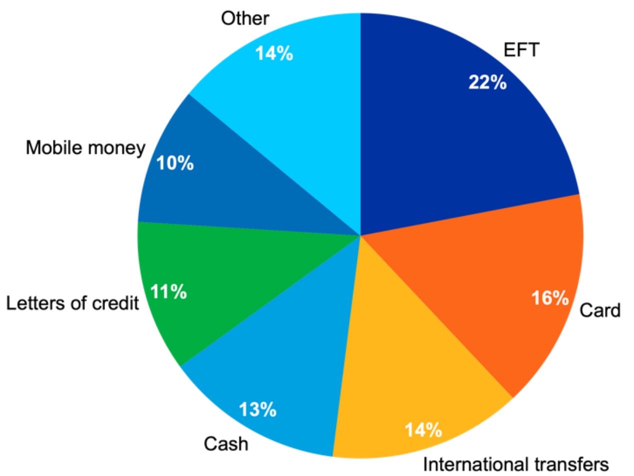
The South African payments landscape is relatively more mature compared to other African countries. South Africa's financial landscape is undergoing a transformative shift through digital technologies, leading to innovative solutions across industries and shaping the payments sector. The integration of banking, telecommunications, and retail has significantly enhanced financial inclusion in South Africa, facilitated by widespread internet access. In 2021, 72% of South Africans had internet access—which is double the Sub-Saharan Africa average—enabling greater accessibility and choice of digital financial services.[30]

Larger businesses utilise digital payment solutions such as EFTs and International transfers more than smaller businesses

South African businesses utilise a range of payment methods for cross-border trade which highlights the maturity of the country's financial sector. Starting with cross-border sales, electronic funds transfers (EFTs) are the preferred method of payment for a majority of transactions (27%), largely driven by big businesses (57%). South African businesses tend to provide foreign buyers with a diverse set of payment options. This is most noticeable among small businesses where the proportion of their cross-border sales are spread across various payment methods. Similar trends are observed with regard to the purchase of cross-border goods and services (see **Figure 12**). However, as businesses expand, a shift in cross-border payment preferences towards EFTs and international transfers becomes evident. EFTs and international transfers are the preferred payment methods for cross-border purchases among corporates, standing at 66% of transactions.

Figure 12: Preferred payment method for cross-border purchases

Question: Thinking of your sales, how do you pay for your goods or services when trading with suppliers in other countries?



Source: Standard Bank Africa Trade Barometer Issue 3

EFT is the preferred method of payment for domestic transactions. It makes up 36% and 51% of domestic sales and purchases, respectively. The surge of digital banking and e-commerce in South Africa has driven the popularity of EFTs, with businesses increasingly utilising their business accounts for internet banking to facilitate EFT payments, finding it a convenient and efficient payment method. South African businesses prefer EFTs due to their seamless and

[30] World Bank. Available here

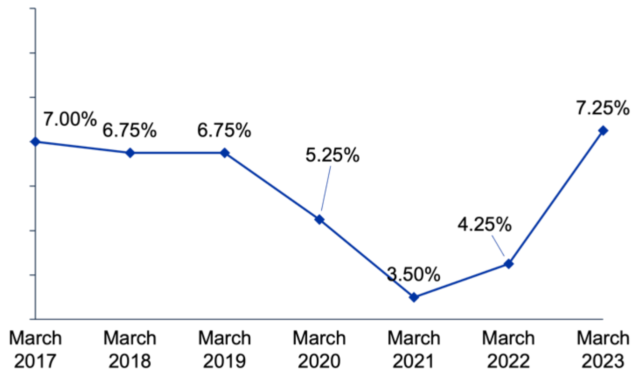
swift transaction process, aligning with the evolving landscape of digital financial services in the country.

> ***42%*** *of surveyed businesses in South Africa find it difficult to access credit from a financial institution.*

There is a notable shift towards increased difficulty in accessing credit, particularly among larger businesses. This is evident in the significant decline of surveyed businesses reporting access to credit, from 27% in September 2022 to 8% in May 2023. From September 2022 to May 2023, big businesses and corporations reported increased difficulty in accessing credit, with increases of 13 and 10 percentage points. respectively. This outcome aligns with the current economic climate post-COVID-19, which has been marked by rising interest rates. The South African Reserve Bank (SARB) has progressively raised the repo rate from 3.5% in March 2021 to 8.25% by May 2023 (see **Figure 13**) as a means of combating inflationary pressures, resulting in increased cost of borrowing for businesses.[31] This result coincides with a significant drop in the number of corporations offering credit terms to their clients, from 66% in September 2022 to 35% in May 2023, as the adverse effects of persistent power outages negatively impacts investor confidence in undertaking capital projects and commercial activities.

Figure 13: South African Repo rate (%, 2017-2023)

Source: South African Reserve Bank (SARB)



Small businesses are increasingly utilising credit arrangements with their suppliers, while larger businesses have seen a decline in the use of this type of financing. Small businesses reported a 15-percentage point increase in their uptake of credit arrangements with their suppliers. Corporations, on the other hand, reported a significant 32 percentage point decline in their uptake of credit arrangements with suppliers, from 82% in September 2022 to 50% in May 2023.

The uptake of credit arrangements with suppliers by small businesses is significantly influenced by trade relations with China. South African businesses highlighted the importance of access to favourable credit arrangements with Chinese suppliers in facilitating trade. This emphasises the strategic partnerships and advantageous trade terms that contribute to the smooth flow of goods and services between South Africa and China.

In terms of support from financial institutions in facilitating cross-border trade, businesses highlighted the need for assistance in funding. Particularly, businesses emphasised the importance of flexible loan terms with less stringent clearance requirements, along with quicker access to funds. Despite the ongoing energy crisis and its expected persistence in the medium-term, the latest survey results reveal a 13-percentage point decrease in the demand for insurance coverage of goods. The decline in the uptake of insurance coverage can be attributed to the economic contraction during this period, with real GDP declining from 4.9% in 2021 to 0.9% in 2023. These tougher business conditions have led to a more conservative approach to business operations, prompting businesses to cut discretionary expenses such as insurance.

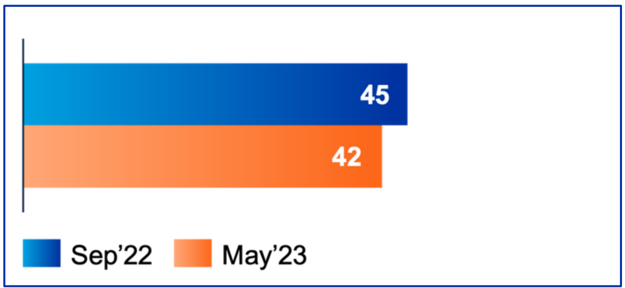
Kalagadi Manganese Mine. Source: Kalahari Resources

[31] SARB. Available here

9. FOREIGN TRADE & TRADING IN AFRICA

Although Awareness of the AfCFTA Appears to be Increasing; Businesses Continue to Find Trading with the Rest of Africa Difficult

South Africa's ease of trade index score



Ease of trade can vary between 0 and 100, where 0 indicates an extreme difficulty when trading with other countries, 50 neutrality and 100 indicates no difficulty when trading with other countries. In the May 2023 SB ATB survey results, South Africa's ease of trade index score declined from 45 in September 2022 to 42 in May 2023. This means surveyed businesses in South Africa found it easier to trade with foreign countries compared to September 2022.

***

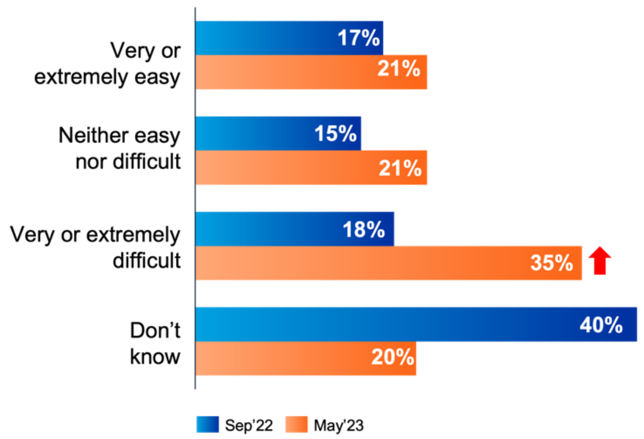
South African businesses prioritise a partner country's market accessibility (16%), demand for goods and services (12%), and economic stability (10%) when considering which partners to conduct cross-border trade with. This explains the strong preference for China as a source of inputs, representing 20% of the gross import proportion, relative to the rest of Africa. On the other hand, surveyed exporters mainly export to other African markets, with 61% of their exports going to fellow African countries. This is primarily due to market accessibility and the African demand for South African goods and services.

South African exports to African markets show a notable shift towards the services sector, as the percentage of surveyed service sector exporters more than doubled from January 2022 to May 2023. This highlights the growing importance of service-oriented industries in South Africa's export activities. Insights derived from other African markets indicate that their intention for importing South African services is to promote the development of their domestic services sector by bridging the knowledge gap relating to service-oriented industries.

The latest primary research findings suggest that **barriers, such as complex business policies and limited trade knowledge in neighbouring countries, have negatively impacted the perception of South African businesses with regard to the ease of trading with other African countries** (see **Figure 14**). The percentage of firms reporting trade with the rest of Africa to be difficult (either very difficult or extremely difficult) increased significantly from 18% in September 2022 to 35% in this iteration of the survey. More granular analysis reveals that this is driven by the percentage of businesses reporting obstacles such as complex business procedures (14%), high importation/exportation tax rates (7%), limited transport infrastructure (6%) and limited trading knowledge (5%). Most notable is the perceived difficulty of complex business procedures which increased by 11 percentage points between September 2022 and May 2023.

Figure 14: Businesses perceptions of the ease of trading with other African countries

Question: In your view would you say trading with the rest of Africa is…?



Source: Standard Bank Africa Trade Barometer Issue 3
Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

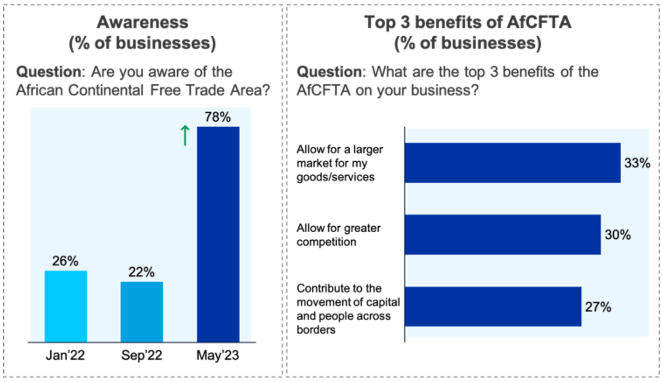
South Africa is one of 54 signatories to the African Continental Free Trade Agreement (AfCFTA). AfCFTA is an initiative which looks to, amongst other things, improve the level of intra-African trade by creating a single market for goods and services and lower some of these aforementioned trade barriers. To this end, members of the AfCFTA are committed to eliminating tariffs on most goods and services that are traded between African countries over a given period following the AfCFTA entering its operational phase in July 2019.

78% *of surveyed businesses are aware of AfCFTA, increasing from 22% in September 2022.*

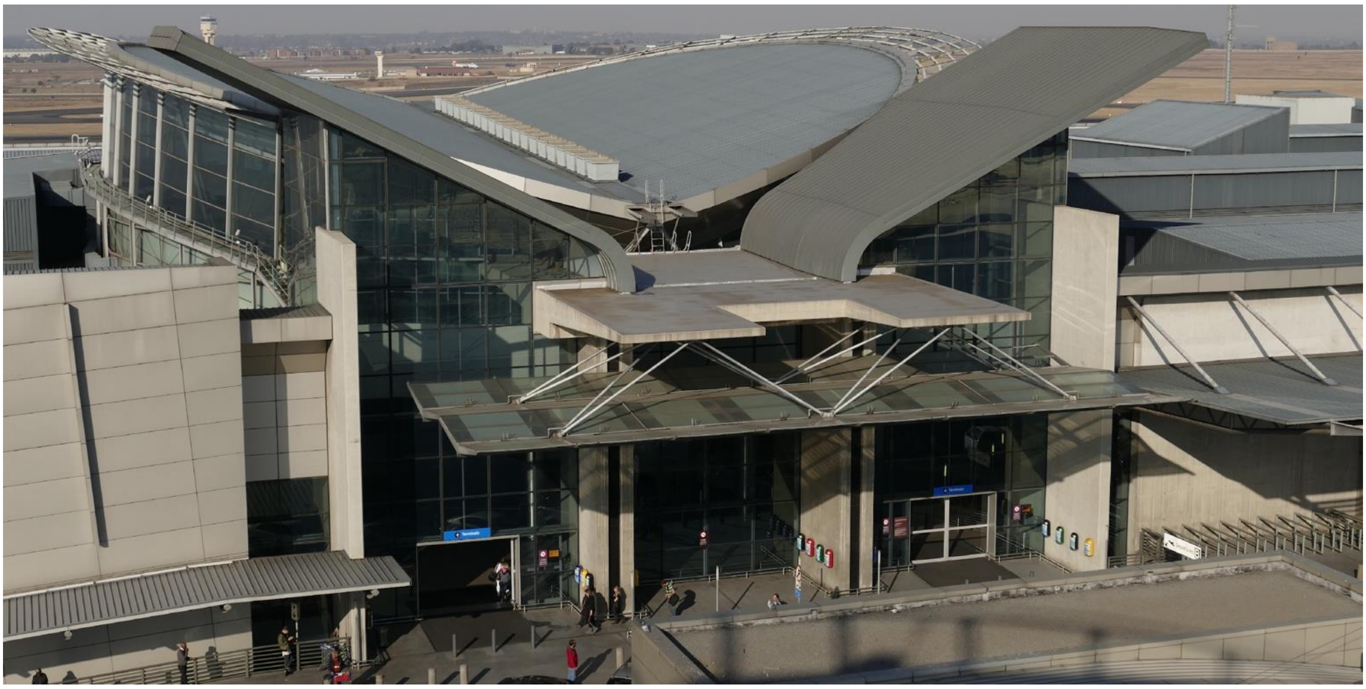
Awareness of the AfCFTA amongst South African businesses has significantly increased (see **Figure 15**). The percentage of respondents that are aware of the AfCFTA increased to 78% from 22% in September 2022—a statistically significant change. South Africa has been proactive in raising awareness among businesses about the AfCFTA through a series of provincial AfCFTA awareness workshops. Led by the Department of Trade, Industry, and Competition (DITC), this awareness campaign focuses on actively engaging the private sector, Small and Medium Enterprises (SMEs), and businesses owned by women and youth in implementing the AfCFTA. The workshops aim to raise awareness about the opportunities for South Africa to engage in preferential trade beyond the Southern Africa region.[32]

Most South African businesses believe that the implementation of the AfCFTA will reap benefits for their businesses (see **Figure 15**). Since the commencement of trading under AfCFTA in January 2021, the most commonly identified benefits are increased access to larger markets for goods and services, fostering greater competition and its contribution to the ease of movement of capital and people across African borders.

Figure 15: Businesses awareness and expected benefits of the African Continental Free Trade Area



Source: Standard Bank Africa Trade Barometer Issue 3
Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey.



O.R Tambo International Airport. Source: Airports.co.za

[32] DTIC. Available here

10. MAIN OBSTACLES TO TRADE

South African businesses continue to face significant obstacles to trade

South African businesses face significant obstacles to trade, including tariffs, logistics and customs requirements. While membership in AfCFTA allows for preferential tariffs between member states, perceived difficulties have increased over time. Businesses surveyed report the need for support through legislation that is conducive to imports, lowering business tax and lowering customs duties. Moreover, the ongoing challenges of currency depreciation against the US dollar adds an additional (and sometimes unpredictable) cost burden to importing businesses. Tariffs and customs requirements fluctuate significantly during the transit of goods and services, resulting in unexpected tariff price increases when imported goods arrive in South Africa.

> "Tariffs across Africa need to be simplified and improved because I think there is opportunity for intra-Africa trade, but it is negatively impacted by logistics and the tariffs."

Representative from the Western Cape Tourism, Trade and Investment Promotion Agency (Wesgro)

Strikes in South Africa severely disrupt the economy's logistical network. As 80% of the country's goods rely on road transportation, strikes can halt the supply chain, leading to negative repercussions for business operations. A stark example was the 2021 attack and looting of trucks and distribution centres in Kwa-Zulu Natal and Gauteng, causing an estimated economic loss of R250 - R300 million. However, the true impact on businesses, particularly small businesses, remains uncertain, as the cost of income loss far outweighs monetary figures. Small businesses recounted instances of losing their sole truck and/or their entire fleet of trucks, resulting in forfeited revenue, salaries, and support service costs such as fuel, storage, maintenance, licensing, and staff expenses.[33]

Businesses, especially small businesses, specialising in the trade of perishable goods are particularly vulnerable to disruptions affecting infrastructure and logistics networks. This susceptibility is exacerbated by the typically narrow profit margins associated with such goods, causing even slight cost increases to have a pronounced negative impact on their operations.

Power supply is a significant obstacle for South African businesses. As Eskom, South Africa's power utility, seeks to address the energy crisis in South Africa, recent indications suggest that scheduled power cuts will persist for the next two years.[34] Despite the potential disruptions to business operations, the prevailing sentiment among businesses leans towards continuity, as they explore alternative energy solutions. A notable example is the surging solar panel market. In 2022, South Africa imported solar panels worth R5 billion, with recent data indicating that R8.4 billion worth of solar panels were imported in the second quarter of 2023 alone.[35] This underscores businesses' commitment to embracing renewable energy sources amidst the country's energy crisis.

While infrastructure challenges still persist, certain trade obstacles have been alleviated over time. Both intra-Africa and global trade logistics have improved, with businesses highlighting improved rail infrastructure. In addition, South African businesses reported a notable improvement in localisation requirements.[36] This is possibly driven by the newly introduced Preferential Procurement Regulations in 2022, which aim to enhance the procurement process by providing clear guidelines and rules on the threshold amounts for the 80/20 and 90/10 preference point systems, along with the formula to be applied. These regulations address various important matters related to the objectives of the Preferential Procurement Policy Framework Act, such as scoring deadlock resolution and remedies. By offering provisions for transparency and efficiency, the draft regulations aim to improve the overall business environment by creating a more streamlined and transparent procurement process.[37]

[33] RFA, Available: here
[34] Business Tech, Available: here
[35] Daily Investor, Available: here
[36] The policy of localisation permits the Department of Trade, Industry and Competition (DTIC), through the Preferential Procurement Policy Framework Act 5 of 2000, to designate certain products that state departments are required to purchase from domestic manufacturers.
[37] South African Government. Available here

11. CONCLUSION

In conclusion, one aspect that will be interesting to track in future issues of the Standard Bank Africa Trade Barometer (SB ATB) in South Africa is the state of power supply in the country, and its effects on, and perceptions of, businesses going forward. In this issue of the SB ATB, the state of the power supply is perceived to be of the poorest quality as compared to other infrastructural aspects, in addition to being the most significant obstacle that constrains the capacity of businesses to operate. This is unsurprising as inadequate power generation capacity—owing to ageing infrastructure, mismanagement and underinvestment—has resulted in frequent power outages in SA. This has a significant impact on the South African economy and individual businesses.

The South African Government is making investments in this area in order to improve the reliability of power supply. It has, for instance, proposed to provide Eskom (South Africa's power utility) with a USD 15.5 billion bailout to enable the entity to undertake the necessary fixed capital investments to upgrade its power transmission lines as well as to phase out coal-fired plants for more environmentally sustainable alternatives.[38] It will be interesting to see in future issues of the SB ATB whether these investments bear fruit, and hence affect operations and perceptions of businesses in a positive way.

Richards Bay Port.

[38] USAID, 2023. Available here

12. APPENDIX

Appendix 1: Standard Bank Africa Trade Barometer (SB ATB) Country Ranking for Issue 3, 2023

The Standard Bank Africa Trade Barometer (SB ATB) scores are an aggregate of the Standard Bank 3-Year Quantitative Trade Barometer (SB QTB) scores and the Standard Bank Survey Trade Barometer (SB STB) scores. Countries are ranked against each other, i.e., relative scores to each other. This is pegged on a scale of 0 - 100. When indexed between this range, South Africa has the highest Tradability Index while Angola has the lowest. This does not imply that one cannot trade in Angola or that South Africa is perfect, it only implies that at a common starting point of 0 and maximum point of 100, this is how the two markets fared.

SB ATB scores remained the same for Angola, South Africa and Zambia, while the majority of ranks for other countries have increased from September 2022 (see **Table 2**).

Countries that have retained their ranking from September 2022:

- South Africa (1st position)
- Zambia (9th position)
- Angola (10th position)

Countries that have improved in their ranking from September 2022:

- Namibia (3rd to 2nd position)
- Mozambique (6th to 3rd position)
- Nigeria (8th to 4th position)
- Kenya (7th to 6th position)

Countries that have declined in their ranking from September 2022:

- Ghana (2nd to 5th position)
- Tanzania (5th to 7th position)
- Uganda (4th to 8th position)

Table 2: Standard Bank Africa Trade Barometer (SB ATB) scores by country

Country	Africa Trade Barometer (ATB) Score	ATB Ranking	
		September 2022	May 2023
Angola	0 0	10	10
Ghana	74,3 19,5	2	5
Kenya	55,8 19,3	7	6
Mozambique	57,5 30,5	6	3
Namibia	60,2 43,1	3	2
Nigeria	48,4 25,9	8	4
South Africa	100 100	1	1
Tanzania	58,9 15,3	5	7
Uganda	58,9 14,8	4	8
Zambia	43,2 14,1	9	9

Sep'22 May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

Appendix 2: Standard Bank 3-Year Quantitative Trade Barometer (SB QTB) Country Ranking for Issue 3, 2023

The Standard Bank 3-Year Quantitative Trade Barometer (SB QTB) scores and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources / reported facts.

SB QTB scores remained the same for Angola, Mozambique and South Africa, while the majority of ranks for other countries have dropped from September 2022 (see **Table 3**).

Countries that have retained their ranking from September 2022:

- South Africa (1st position)
- Mozambique (3rd position)
- Angola (10th position)

Countries that have improved in their ranking from September 2022:

- Namibia (4th to 2nd position)
- Nigeria (7th to 4th position)
- Zambia (9th to 7th position)

Countries that have declined in their ranking from September 2022:

- Ghana (2nd to 5th position)
- Kenya (5th to 6th position)
- Tanzania (6th to 8th position)
- Uganda (8th to 9th position)

Table 3: Standard Bank 3-Year Quantitative Trade Barometer (SB QTB) scores by country

Country	Africa Quantitative Barometer (QTB) Score	QTB Ranking	
		September 2022	May 2023
Angola	0 0	10	10
Ghana	86,2 26,6	2	5
Kenya	63,9 26,4	5	6
Mozambique	67,4 36,9	3	3
Namibia	64,7 46,2	4	2
Nigeria	56,1 32,4	7	4
South Africa	100 100	1	1
Tanzania	59,2 23,1	6	8
Uganda	51,8 17,6	8	9
Zambia	51,8 23,1	9	7

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Note: The scores denote the performance of each country relative to the full country list on the specified measures

Appendix 3: Standard Bank Survey Trade Barometer (SB STB) Country Ranking for Issue 3, 2023

The Standard Bank Firm Survey Trade Barometer (SB STB) scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with 2,636 businesses.

Except for South Africa and Namibia, SB STB ranks have changed in this wave for all countries (see **Table 4**).

Countries that have retained their ranking from September 2022:

- South Africa (2nd position)
- Namibia (4th position)

Countries that have improved in their ranking from September 2022:

- Angola (6th to 1st position)
- Nigeria (8th to 5th position)
- Mozambique (9th to 6th position)
- Ghana (10th to 7th position)

Countries that have declined in their ranking from September 2022:

- Tanzania (1st to 3rd position)
- Kenya (7th to 8th position)
- Uganda (3rd to 9th position)
- Zambia (5th to 10th position)

Table 4: Standard Bank Survey Trade Barometer (SB STB) scores by country

Country	Africa Survey Barometer (STB) Score	STB Ranking	
		September 2022	May 2023
Angola	22,6 100	6	1
Ghana	0 18,4	10	7
Kenya	10,3 18,2	7	8
Mozambique	1,2 21,6	9	6
Namibia	34,1 52,7	4	4
Nigeria	8,4 22,5	8	5
South Africa	84,0 66,8	2	2
Tanzania	100 65,2	1	3
Uganda	57,0 12,2	3	9
Zambia	26,6 0	5	10

Sep'22 May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

Appendix 4: The relative impact of selected macroeconomic indicators on the tradability attractiveness of Standard Bank Africa Trade Barometer Countries for Issue 3, 2023

In the table below, the ranking (between position 1 and position 10) as well as the respective colour coding highlight the impact of a specific macroeconomic indicator (e.g., FDI net inflows) on the tradability attractiveness of the respective country. To arrive at this ranking, the three-year average (2020, 2021 and 2022) of each indicator in a country is first normalised[39] which allows for the

[39] Normalisation here means calculating the deviation of a particular macroeconomic indicator in a specific country from the mean of that indicator in all 10 SB ATB countries

relative impact (relative to the other nine countries) of each indicator on overall tradability attractiveness for that country to be arrived at.

Table 5: Country ranking on the impact of macroeconomic indicators on tradability attractiveness

	Merchandise trade (% of GDP)	GDP (Current USD)	GDP growth (%, average annual)	Imports (% of GDP)	Exports (% of GDP)	Inflation	Lending interest rate (%)	FDI Net Inflows
Angola	4	4	10	9	2	10	8	10
Ghana	6	5	4	5	6	9	10	3
Kenya	9	3	1	7	9	6	3	7
Mozambique	2	9	6	1	4	5	6	2
Namibia	1	10	9	2	3	2	1	8
Nigeria	10	1	7	10	10	8	4	4
South Africa	5	2	8	4	5	4	2	1
Tanzania	8	6	3	8	7	1	5	6
Uganda	7	7	2	6	8	3	7	5
Zambia	3	8	5	3	1	7	9	9

Key: Negative relative trade impact Positive relative trade impact

13. ABOUT THE RESEARCH

The Standard Bank Africa Trade Barometer is based on both primary and secondary research sources. This is Issue 3 of the SB ATB. Issue 1 was released in June 2022 and Issue 2 was released in November 2022. The data collection (both primary and secondary research) for Issue 3 happened between March and May 2023 in all 10 countries of interest.

The primary research component involves the administration and analysis of a firm survey (i.e., a survey of sample businesses in the countries of interest) and holding of in-depth interviews (IDIs) with key stakeholders. The sample is stratified by size (small, big and corporate), region and industry. For Issue 3, 2 636 businesses were surveyed and 30 IDIs were conducted across the 10 countries.

In South Africa (SA), 288 businesses were surveyed. 41% of these businesses were in Gauteng, 25% in Western Cape, 21% in KwaZulu-Natal and 13% in Eastern Cape. The breakdown of surveyed businesses in SA by business segment was as follows:

- 67% were small businesses
- 17% were big businesses
- 16% were corporates

In the context of the SB ATB, small businesses are defined as those with a turnover of less than R300 million, large businesses as those with a turnover of between R300 million and R1.2 billion and corporates as those with a turnover of more than R1.2 billion.

The breakdown of surveyed businesses in SA by industry was as in **Table 6**

Table 6: Breakdown of surveyed businesses in South Africa by industry

Industry	%	Industry	%
Wholesale and retail trade; repair of motor vehicles and motorcycles	**26%**	Professional, scientific and technical activities	**2%**
Accommodation and food service activities	**16%**	Other service activities	**2%**
Manufacturing	**14%**	Electricity, gas, steam and air conditioning supply	**1%**
Construction	**10%**	Public administration and defence; compulsory social security	**1%**
Mining and quarrying (includes oil & gas)	**6%**	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	**1%**
Financial and insurance activities	**5%**	Administrative and support service activities	**1%**
Transportation and storage	**5%**	Human health and social work activities	**1%**
Information and communication	**3%**	Water supply; sewerage, waste management and remediation activities	**0%**
Agriculture, forestry and fishing	**2%**	Education	**0%**
Real estate activities	**2%**	Arts, entertainment and recreation	**0%**
		Activities of extraterritorial organisations	**0%**

The breakdown of surveyed businesses by staff complement was as follows:

- 4% had 11 - 20 employees
- 15% had 21 - 50 employees
- 24% had 51 - 100 employees
- 32% had 101 - 1,000 employees
- 16% had 1,001 - 5,000 employees
- 9% had above 5,000 employees

With regards to individual respondent characteristics within the businesses, 67% were male and 33% were female. The breakdown by their job titles is as follows:

- 24% were general managers
- 11% were financial directors
- 10% were chief executive officers (CEOs)
- 10% were chief financial officers
- 8% were heads of department
- 8% were managing directors
- 8% were owners of the business
- 6% were directors general
- 3% were chief accountants
- 3% were deputy chief executives
- 3% were deputy directors general
- 3% were treasurers
- 2% were executive directors
- 1% were chairpersons

Further details by region, business segment, industry, staff complement, age of firm, the firms' corporate and strategic decision-making structures as well as individual respondent characteristics (gender, job title, etc.) are available on request.

There were three IDIs conducted in South Africa as part of Issue 3. One interview was with a representative from the Western Cape Tourism, Trade and Investment Promotion Agency (Wesgro), another with a representative from the Ministerial Advisory Committee on Water Services, and finally with a former member of parliament. These interviews are quoted in this report, as relevant.

The survey and IDIs were conducted on a confidential basis.

The secondary research component involves the gathering and analysis of quantitative data. This data is primarily collected from World Bank sources, although additional data is obtained from the International Monetary Fund (IMF), the International Trade Centre and individual country central banks and statistics bureaus.

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In-depth details on how the Standard Bank Africa Trade Barometer scores for each country are calculated, and the resultant country rankings, are available on request.

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The research was produced by Standard Bank Business and Commercial Banking Research and Insights. For any questions or information requirements on this report please contact tradebarometer@standardsbg.com

14. ENDNOTES

The secondary sources used in drafting this report are listed below in alphabetical order.

1. Fitch Solutions:
    a. Available here
    b. Available here

2. National Treasury Department. Available here

3. IMF. Available here

4. South Africa Reserve Bank:
    a. Available here
    b. Available here
    c. Available here
    d. Available here

5. Standard Bank Analysis. Available here

6. Stats South Africa. Available here

7. UN Comtrade. Available here

8. USAID-South Africa Power Africa Worksheet. Available here

9. World Bank:
    a. Available here
    b. Available here

10. World Economic Forum. Available here

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