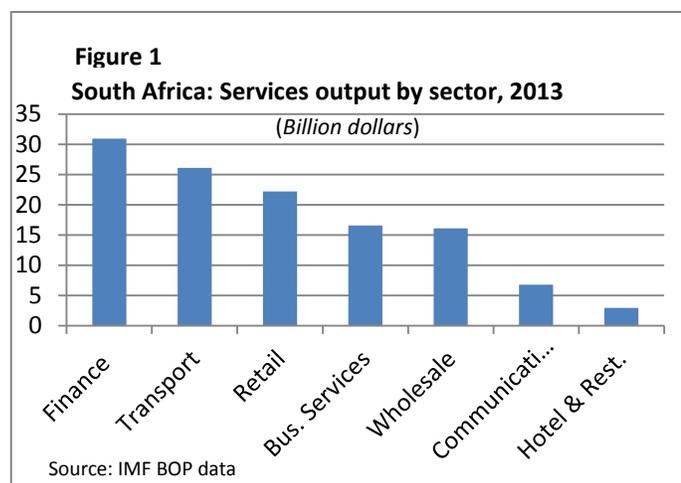


South Africa Is a Leading Producer and Supplier of Services in Africa

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South Africa is a diversified and well-developed middle-income country and the second-largest economy in Africa after Nigeria.¹ Yet it also suffers from high unemployment, income inequality, and poverty. Services accounted for over two-thirds of the nation's output in 2013.² While most of South Africa's economic sectors have grown slowly since the global recession in 2008–09, services posted double-digit growth. As a financial, transportation, retail, and business services hub for the sub-Saharan African (SSA) region, South Africa is a vital supplier of infrastructure and business services that are key to national and regional economic growth.



Services are the leading component of the South African economy.

- Services in 2013 accounted for \$351 billion, or 70% of South Africa's GDP (up from 65% in 2000). This share is close to that of the United States (77%) and the OECD average for developed countries (74%), and notably higher than the SSA average (58%).³
- Leading South African services sectors in 2013 were finance (\$31 billion); transport (\$26 billion); distribution services including, retail (\$22 billion) and wholesale (\$16 billion); and business services (\$17 billion) (figure 1). Many of these are infrastructure and enabling services critical to economic growth and development in South Africa and SSA generally.⁴

South Africa is the leading African exporter and importer of commercial services.⁵

- South Africa's commercial services exports were \$13.7 billion in 2013, while imports were \$14.0 billion, resulting in a small deficit. Trade is highly concentrated in certain industries, with travel accounting for over half of South Africa's services exports and transportation for over half of its services imports (table 1).

- Bilateral services trade data for South Africa are limited, but anecdotal evidence suggests that a substantial share of the country's services exports is supplied to African markets. South Africa's combined services exports to the European Union and the United States, two of its largest services trade partners, were \$6.2 billion in 2013, less than half of its total services exports. South Africa's other large trading partners, China and Japan, accounted for a portion of the total. But the bulk of these exports, primarily

Service sector	Exports	Imports	Volume	Balance
Travel	9.24	3.43	12.67	5.82
Transportation	1.72	7.69	9.41	-5.97
Other business	1.00	1.75	2.75	-0.75
Financial	0.87	0.12	0.99	0.75
Insurance	0.27	0.61	0.88	-0.35
Computer/information	0.26	0.17	0.43	0.09
Communications	0.22	0.24	0.46	-0.01
Personal, cultural	0.05	0.01	0.06	0.04
Construction	0.05	0.01	0.06	0.05
Total commercial	13.68	14.03	27.71	-0.33

Source: WTO, International Trade Center

¹ OECD, *Economic Survey*, March 2013.

² Services represented 63% of total employment in 2011 (latest available data), World Bank, World Development Indicators.

³ World Bank, World Development Indicators (accessed June 10, 2015).

⁴ Dihel, Nora, Ana M. Fernandes, and Aaditya Mattoo, "Towards a Regional Integration of Professional Services in Southern Africa," World Bank, November 2010; Ernst and Young, *Africa 2014: Executing Growth*, 2014; Harry Broadman, "Competing for African Markets," PWC, 2013.

⁵ South Africa's services exports were more than twice those of second-place Kenya in 2013. IMF, BOPS database (accessed May 4, 2015).

travel and transportation services, likely are supplied to SSA consumers who make up a majority of the country's visitors, and who are the main foreign consumers of South Africa's extensive transportation network.

South Africa's well-developed services industry supplies diverse services to the national and SSA economy.

Financial Services: South Africa is ranked seventh globally in financial market development due to its highly developed, well-functioning, and strongly regulated financial sector, which accounted for over 10% of the country's GDP in 2013.⁶ Many South Africa-based banks provide commercial, retail, and merchant banking services throughout the continent and derive a significant share of profits (10–15%) from SSA operations outside the country, including in key growth markets such as Nigeria, Ghana, and Kenya.⁷ For example, South Africa's largest bank, Standard Bank, operates in 20 SSA countries, while two other large banks, Absa Group and FirstRand, operate in numerous African countries and are actively planning expansion into additional SSA markets.⁸

Transportation: South Africa's well-developed transportation infrastructure—which includes the continent's largest rail and air networks, an extensive national road system, and eight commercial port facilities—is a key logistics link for the country, the SSA region, and global markets. South Africa's logistics performance ranks high among global economies, being rated 22nd out of 155 countries by one survey.⁹ South Africa is a key transshipment hub for SSA and a critical supplier of transportation services to other SSA countries.

Business services: South Africa is a major African business services hub, and its providers supply key inputs to the South African economy and to other SSA countries. Such services include professional services such as legal, accounting, and engineering and architectural services; as well as business process outsourcing; computer and IT services; advertising services; and business consulting services. South Africa has the highest concentration of lawyers in SSA and ranks second behind Mauritius in accountants per capita. According to a World Bank report, these services can be critical inputs for economic development when provided to other less well-endowed SSA economies.¹⁰ South Africa also is an African regional gateway for many multinational business consultancy services providers including Deloitte, KPMG, and Boston Consulting Group, among many others.

Distribution services: South Africa has the continent's most developed retail and wholesale sectors. The country is highly urbanized, and modern retail sales account for over 60 percent of shopper expenditures.¹¹ The retail sector is regarded as a key industry for employment growth, particularly for relatively unskilled labor. Grocery stores are the leading retailers, as many low- and lower-middle-income South Africans focus on basic food products due to high levels of poverty.¹² South Africa's leading retail companies, including Edcon, Pick n Pay, and Shoprite, have a strong presence in other SSA markets and rank among the top 200 retail firms worldwide.¹³

Travel Services: South Africa is the leading travel services provider in SSA. The country received 9.6 million visitors in 2013, over two-thirds of whom came from the SSA region. Other leading countries of origin included the United Kingdom (442,000), the United States (349,000), and Germany (304,000).¹⁴ Approximately 65 percent of foreign visitors were tourists in 2013, while the balance included business travelers, students, workers, and others.¹⁵ South Africa offers a wide variety of tourist attractions and has Africa's most highly developed tourism infrastructure, including airport facilities, roads, and hotels that meet international standards.¹⁶

⁶ Making Finance Work for Africa; World Economic Forum, "Global Competitiveness Report, 2014–15" 2014.

⁷ PWC, "South Africa Banking Survey, 2013," June 18, 2013.

⁸ Various company websites.

⁹ World Economic Forum, *Global Competitiveness Report, 2014–15*, 2014.

¹⁰ World Bank, "Professional Services Trade in Southern Africa," Africa Trade Policy Notes, November 2011.

¹¹ Modern retail includes such formats as department stores, supermarkets, convenience stores, and discounters, among others. AT Kearny, "Seizing Africa's Retail Opportunities," 2014.

¹² Euromonitor, *Retailing in South Africa*, June 2014. <http://www.euromonitor.com/retailing-in-south-africa/report>.

¹³ Guateng Province Quarterly Report, *The Retail Industry Is on the Rise in South Africa*, June 2012.

¹⁴ Statistics South Africa, "Tourism and Migration, December 2014," March 25, 2015.

¹⁵ Latest full-year data for 2013. Statistics South Africa, "Tourism 2013," 2014.

¹⁶ World Bank, "Tourism in Africa," Africa Trade Policy Notes, October 2013.