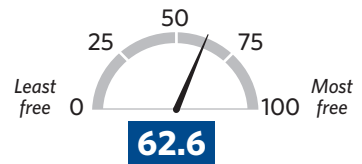


SOUTH AFRICA

World Rank: **72**

Regional Rank: **6**

Economic Freedom Score



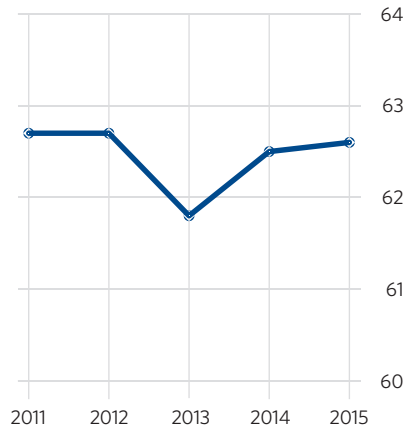
South Africa's economic freedom score is 62.6, making its economy the 72nd freest in the 2015 *Index*. Its score is essentially unchanged from last year, with a 0.1-point gain reflecting improvements in labor freedom, fiscal freedom, trade freedom, and freedom from corruption that are largely offset by declines in investment freedom, business freedom, and the management of government spending. South Africa is ranked 6th out of 46 countries in the Sub-Saharan Africa region, and its overall score is higher than the world and regional averages.

South Africa's large domestic market and natural resource base make it a promising candidate for economic freedom-led growth. However, recent labor unrest and falling commodity prices have undermined growth and tarnished the economy's investment reputation.

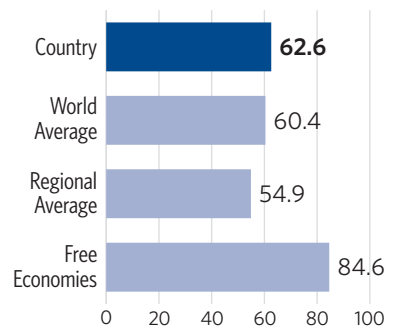
More committed structural and institutional reform is needed. Pervasive corruption jeopardizes the rule of law. Rigid labor market regulations and the inefficient regulatory framework perpetuate high unemployment and underemployment. Non-tariff barriers constrict gains from global trade. The regionally significant financial sector has been helped by deregulation and remains a model for further reforms.

BACKGROUND: Jacob Zuma of the African National Congress was elected president by the National Assembly in 2009 and re-elected by an ANC-dominated parliament for another five years in May 2014. The ANC has directed politics since the end of apartheid in 1994. South Africa is sub-Saharan Africa's second-largest economy and one of the world's largest producers and exporters of gold and platinum. Mining, services, manufacturing, and agriculture rival similar sectors in the developed world. Many South Africans are poor, and the country has high formal-sector unemployment and crime, low-quality public education, and a lack of access to infrastructure and basic services. Strikes by miners in 2014 brought platinum mining to a halt. In June 2014, Zuma and the ANC announced a National Development Plan that was claimed would stimulate economic growth using a market-based, long-term strategy.

Freedom Trend



Country Comparisons



Quick Facts

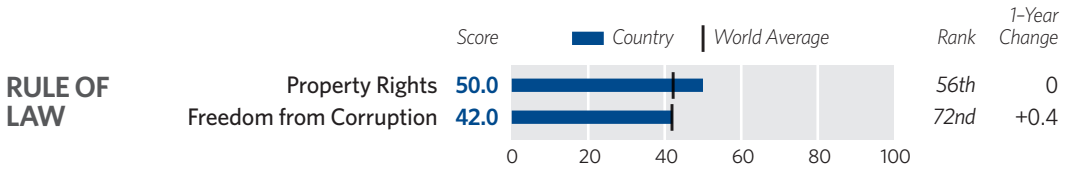
Population: 53.0 million
GDP (PPP): \$596.5 billion
 1.9% growth in 2013
 5-year compound annual growth 1.9%
 \$11,269 per capita
Unemployment: 25.3%
Inflation (CPI): 5.8%
FDI Inflow: \$8.2 billion
Public Debt: 45.2% of GDP

How Do We Measure Economic Freedom?

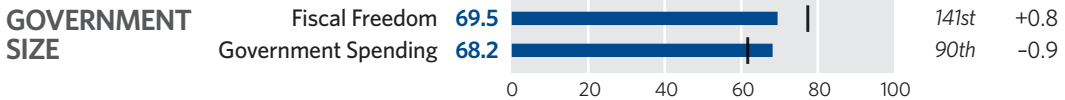
See page 475 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2013 data unless otherwise noted.
 Data compiled as of September 2014.

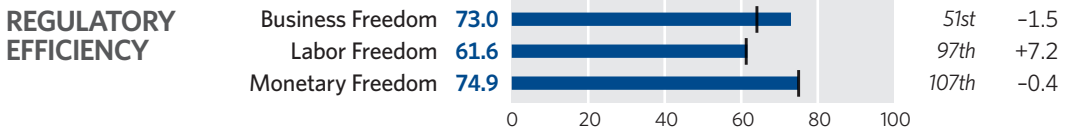
THE TEN ECONOMIC FREEDOMS



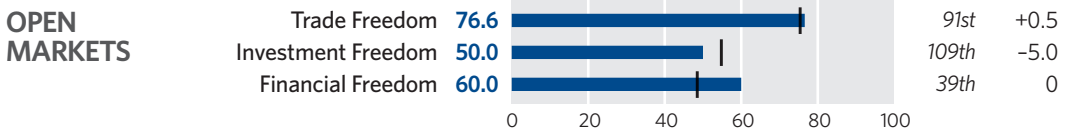
Notwithstanding more than 700 charges of fraud and corruption controversially dropped before his first election in 2009, President Zuma was re-elected in 2014. Public procurement is often politically driven and opaque, and enforcement of anti-corruption statutes is inadequate. Although judicial and prosecutorial independence is under political pressure, property rights are relatively well protected. Contracts are generally secure.



The top individual income tax rate is 40 percent, and the top corporate tax rate is 28 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 25.8 percent of domestic income. Public expenditures amount to 32.6 percent of domestic production, and government debt equals 45 percent of gross domestic product.



With no minimum capital required, it takes five procedures and 19 days to launch a company. Completing licensing requirements still takes more than a month on average. Labor regulations are not applied effectively, and the labor market lacks flexibility. The government has eliminated price controls on all but a few items such as gasoline, coal, and paraffin.



South Africa's average tariff rate is 4.2 percent. Government procurement favors domestic firms. The government cancelled bilateral investment treaties with Germany, Spain, and several other countries in 2013. The financial system has undergone modernization, and banking has been resilient and sound. Four big banks account for over 80 percent of banking-sector assets. The capital market is well developed.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+8.4	Business Freedom	-12.0	Trade Freedom	+33.6
Freedom from Corruption	-8.0	Government Spending	+4.9	Labor Freedom	+2.9	Investment Freedom	-20.0
				Monetary Freedom	+1.1	Financial Freedom	+10.0