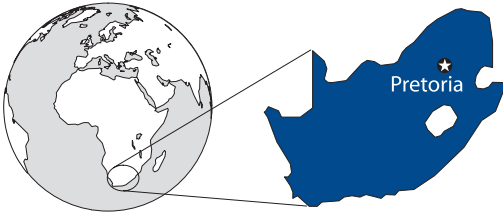


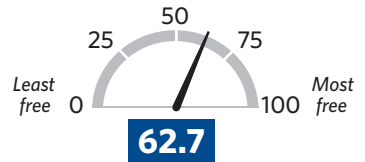
SOUTH AFRICA



World Rank: **70**

Regional Rank: **5**

Economic Freedom Score



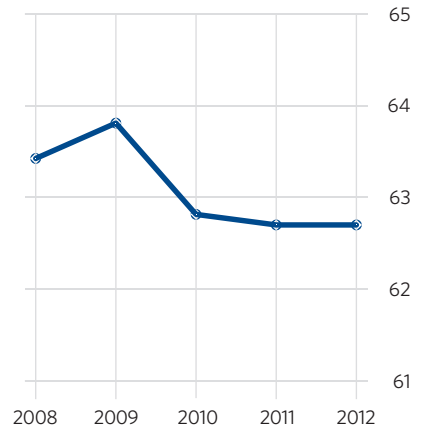
South Africa's economic freedom score is 62.7, making its economy the 70th freest in the 2012 *Index*. Its score is the same as last year, with improvements in business freedom and monetary freedom offset by worsened scores in government spending and freedom from corruption. South Africa is ranked 5th out of 46 countries in the Sub-Saharan Africa region, and its overall score is higher than the world average.

South Africa's transition to a more open and flexible economic system has been facilitated by a decade of substantial restructuring. While maintaining macroeconomic stability, the country has made considerable progress in income growth and poverty reduction. A relatively competitive trade regime, supported by an increasingly efficient regulatory framework, has encouraged the development of a growing entrepreneurial sector.

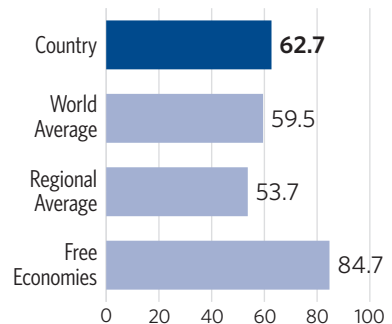
To sustain this positive momentum and ensure vibrant long-term economic development, South Africa will need to continue reforms aimed at strengthening the foundations of economic freedom. Lingering corruption and the weak rule of law add to the cost of doing business and erode overall economic competitiveness. Public spending has been expanding, and the tax regime necessary to finance the growing scale of government has become burdensome and complex.

BACKGROUND: Jacob Zuma was elected president in May 2009 by the National Assembly, still dominated by Nelson Mandela's African National Congress. South Africa is Sub-Saharan Africa's economic hub 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. However, unemployment is high and poverty is widespread. Much of the population is poorly educated and lacks access to infrastructure and services. The government aims to increase farmland ownership by black South Africans to 30 percent by 2014, and its affirmative-action mandates threaten private property rights. South Africa has one of the world's highest HIV/AIDS rates.

Freedom Trend



Country Comparisons



Quick Facts

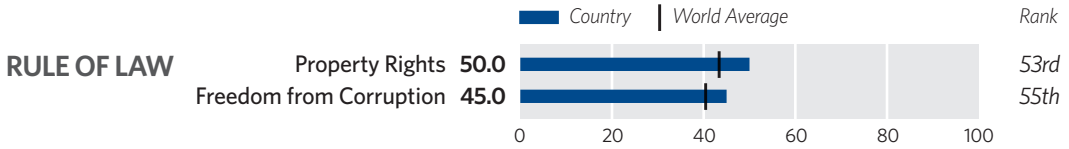
Population: 49.9 million
GDP (PPP): \$524.0 billion
 2.8% growth in 2010
 5-year compound annual growth 3.1%
 \$10,498 per capita
Unemployment: 23.3%
Inflation (CPI): 4.3%
FDI Inflow: \$1.5 billion
Public Debt: 33.8% of GDP

How Do We Measure Economic Freedom?

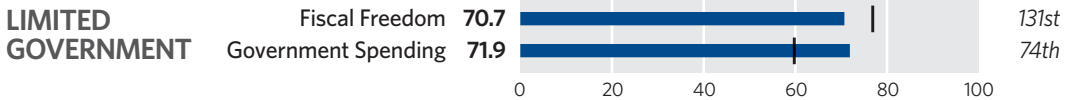
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

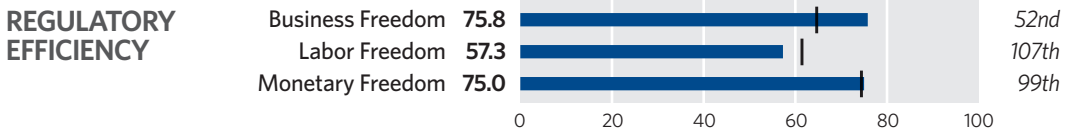
THE TEN ECONOMIC FREEDOMS



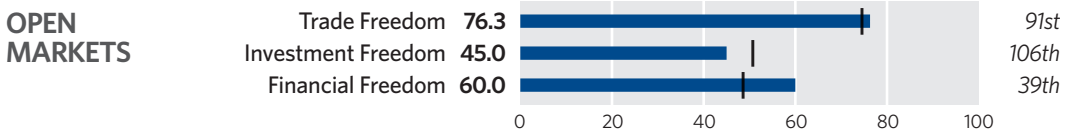
The rule of law remains weak and uneven across the country. The legal system has gained more independence and provides relatively effective protection of property rights. Contracts are generally secure. However, the court system is slow, understaffed, underfunded, and overburdened. The courts impose undue burdens and costs on rights holders pursuing infringement cases. Corruption continues to undermine the foundations of economic freedom.



The top income tax rate is 40 percent, and the top corporate tax rate is 28 percent. Other taxes include a value-added tax (VAT) and a capital gains tax, with the overall tax burden amounting to 23.4 percent of total domestic income. Government spending has reached a level equivalent to 30.6 percent of GDP, and the budget balance has fallen into deficit. Public debt amounts to 33.8 percent of total domestic output.



There is no minimum capital requirement for establishing a business. It takes five procedures and 19 days to launch a company, compared to the world averages of seven procedures and 30 days. The cost of completing licensing requirements has been reduced. Labor regulations are not applied effectively, and the labor market lacks flexibility. Prices are generally set by the market, but the government controls the prices of certain products.



The trade weighted average tariff rate is modest at 4.4 percent, but extensive non-tariff barriers undercut potential gains from the free flow of goods and services. Private investment continues to be hindered by non-transparent laws, and foreign investment confronts additional restrictions that breed inefficiency. The financial sector has undergone modernization, and the banking sector is regarded as resilient and sound.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+1.1	Business Freedom	+3.5	Trade Freedom	-0.9
Freedom from Corruption	-2.0	Government Spending	-5.6	Labor Freedom	+0.6	Investment Freedom	0
				Monetary Freedom	+3.1	Financial Freedom	0