South Africa
Stable, diversified, and bouncing back fast

The South African economy was severely impacted by the Covid-19 crisis, with its tourism and service sectors facing considerable external shocks in the wake of rolling lockdowns and extended international travel restrictions. But the country’s macroeconomic fundamentals remain solid. It is Africa’s most stable, modern, and well-diversified economy, and rising global inflation has seen demand for key exports surge in recent months.

South Africa’s post-Covid recovery plans focus on aggressive infrastructure investment, in partnership with the private sector, as well as ambitious new job creation schemes aimed at boosting skilled employment and further modernizing the industrial base. Recovery fund spending will underpin steady mid- and long-term growth and development, but as President Cyril Ramaphosa explained at the 2020 South African Investment Conference, this spending dovetails a massive development agenda that has been making excellent progress well before the Covid-19 pandemic.

"Since April 2018, when we announced our ambitious target to attract $80 billion of investment over five years, local and international investors have made commitments to invest approximately $48 billion. We want to see this translated into new factories, production lines, mining operations, retail outlets and infrastructure. We want to see it translated into new jobs, new skills, and new opportunities," President Ramaphosa highlighted.

As Dr Willem van Aardt, CEO of Finbond Group explained, the sector acts as a critical anchor for the broader economy, even if its role is not well-known outside of the country: "South Africa is a great country with great people and it has a lot to offer, but there’s many things that are not well-known internationally, for example the strength and stability of our financial services sector, and the strength and stability of our regulators. Referring to the 2007 banking crisis, none of the banks in South Africa had those problems because of prudent and strong regulation by the authorities." He’s right; domestic credit provided by the stable and secure banking system is just one of many competitive advantages on offer.

"In the early stages of our development, we had those problems because of prudent regulation by the authorities," said T P Nhoko, CEO of the Industrial Development Corporation. "But TP Nchocho, CEO of the Industrial Development Corporation, said South Africa’s stable and secure banking system is just one of many competitive advantages on offer. "In the wake of this pandemic, our economy is ultimately dominated by its services sector, and while banking has remained resilient throughout the crisis, others including tourism have been hit hard. But this presents new opportunities for savvy investors seeking high returns. The government’s planned expenditure on new transportation and logistics infrastructure investment will help bolster growth in hospitality, tourism, real estate, telecommunications. South Africa remains well-positioned to dominate Africa’s growth story," President Ramaphosa summed it up succinctly.

"In the wake of this pandemic, our foremost task now is to rebuild our economy. This must be akin to how the protea seed can bloom and take fire. Our strategic approach must be to restore it to what it was before, but to make it even more vibrant, more resilient and more inclusive. While this time of rebuilding our economy is fraught with risk, danger, hardship and difficulty, it is also a time of great opportunity."

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Established in 2003, Finbond was an instant hit in South Africa. The group made a name for itself with a unique offering: value- and solutions-based financial services products designed with the client, rather than institutional needs, in mind. The group listed on the Johannesburg Stock Exchange in 2007, growing quickly in the preceding years and obtaining its mutual banking license from the South African Reserve Bank in 2012. CEO, Willem van Aardt explained how strong local relationships and successful international partnerships have supported the group’s stellar growth trajectory. “Initially we were funded by the Dutch development bank FSWO. We eventually got our banking license in 2012, which was a significant achievement at the time,” he said.

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Reatile Group
The future is green

After a bruising year of pandemic-induced economic shocks, the South African economy is poised for a strong rebound, with GDP set to rise by more than 10 percentage points this year. Its renewable energy sector will play a huge role in shaping the country’s post-Covid economy, and a global shift towards green energy and climate change will help South Africa in a good position to benefit from rising American and European investment in renewables. Leading domestic energy investor Reatile Group is bracing for the boom.

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stablished in 2003 as an investment holding company, Reatile Group is a major player in the South African energy sector. Its board and executive management has more than 200 years of combined experience in the energy and allied sectors, and the group boasts a proven track record of successful operations, management, maintenance, and management of projects, as well as a robust and growing portfolio of energy investments.

As Simphiwe Mehlomakulu, chairman of Reatile Group explained, the company’s competitive advantage lies in a strong combination of experience, history, and innovative strategizing: “We are a proven company interested in long-term investments. Since we started 18 years ago, we have been contributing to the development of our capital. We keep in mind a very long-term view, due to the long-term nature of our investments. We have a saying: if we believe in hard work, excellence and integrity, and we are successful in an often-challenging environment.”

Reatile has collaborated with dozens of South African and international firms over the years. Since incorporating, the group has concluded 17 acquisitions, disposals and merger transactions, including new joint ventures. Most recently, it led a consortium of companies in acquiring a 30% stake in the Pipeline Company of South Africa (Rompco), a joint venture that owns an 806-km gas transmission pipeline running between Mozambique and South Africa. The landmark $360 million deal will enable the group to supply South Africa with gas from Mozambique, thereby further diversifying South Africa’s energy resources. “We are one of the world’s top three companies in terms of renewable energy potential. Companies from developed countries can raise capital very cheap in South Africa, and the government provides a lot of support in the renewable sector, which makes projects affordable and sustainable. Our R&D capabilities are still lacking and some projects are just starting to be funded, but we expect the energy produced from these projects. Now is a good time to invest,” Mehlomakulu explained.

Western countries certainly agree. US President Joe Biden recently announced plans to double American spending on international green energy projects. More than $200bn of funding will be channelled abroad through the US-led International Climate Fund. In the European Union, meanwhile, €250bn of climate spending is forecast for the next seven years. The EU has set world-leading green investment targets in areas such as electric vehicle batteries and hydrogen power, which will also require significant spending abroad. Reatile intends to capitalize on the opportunities this presents by forging new partnerships with international firms.

“Renewable energy provides a lot of opportunities; there is now a big push for hydrogen and electrolytes, which has created opportunities that will require the scale of European companies may be advanced in this area, and we would love to partner with them to develop hydrogen production technologies. We are also looking at batteries to augment the power demand of the country, and international partnerships in this area would also be welcome,” he concluded.