

## Invest in the Western Cape, 2014

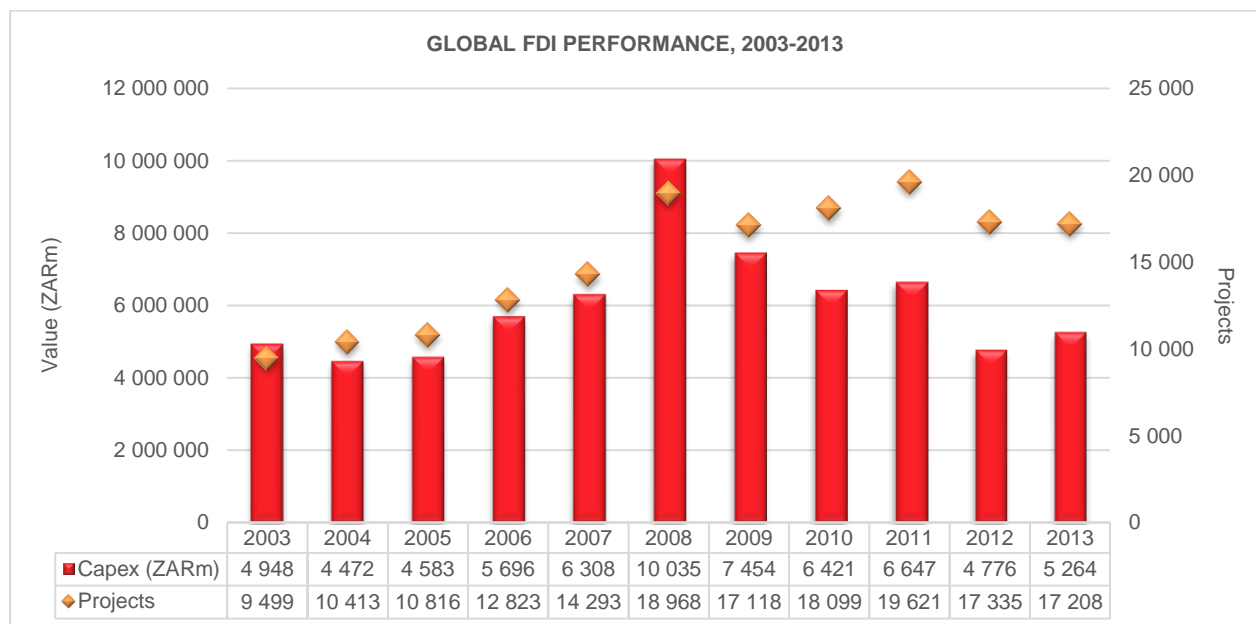
### 1. Global FDI trends

Global foreign direct investment (FDI) inflows increased by 9% in 2013 to reach USD1.45trn driven by increases in developed, developing, and transition economies. Global FDI inflows are forecast to increase to USD1.6trn in 2014, USD1.7trn in 2015 and further to USD1.8trn in 2016, with relatively larger increases in developed countries (UNCTAD, 2014).

Developing economies had the largest global share of FDI inflows in 2013, accounting for 54% and growing by 7% to reach a new high of USD778bn. Developed economies ranked second accounting for 39% of FDI inflows and growing by 9% to reach USD566bn. Developing and transitional economies now constitute about 50% of the top 20 ranked FDI inflows. FDI outflows from developing and transitional economies also reached a new high of USD553bn accounting for 39% of global outflows, mainly driven by Transnational corporations (TNCs) from developing economies. Global outflows from developed economies remained almost unchanged at USD857bn in 2013 (UNCTAD, 2014).

With FDI inflows of USD426bn in 2013, developing Asia accounted for nearly 30% of global FDI and remained the world's number one global recipient region. FDI inflows to Africa increased by 4% in 2013 to reach USD57bn mainly driven by market-seeking investments, infrastructure investments, oil and gas exploration and a growing middle class attracting FDI into consumer oriented industries. In addition Investments into Africa have also been sustained by intra-African FDI flows. FDI inflows into the EU increased by 14% in 2013 to reach USD246bn, while Inflows to North America were valued at USD250bn, with the United States growing by 17% (UNCTAD, 2014).

As shown in the graph, between 2003 and 2013 a total of 166,193 FDI projects were recorded globally. These projects represent a total capital investment of ZAR67trn which is an average investment of ZAR401m per project (FDI Intelligence, 2014).



Source: FDI Intelligence, 2013

## 1.1 Global FDI markets & sectors

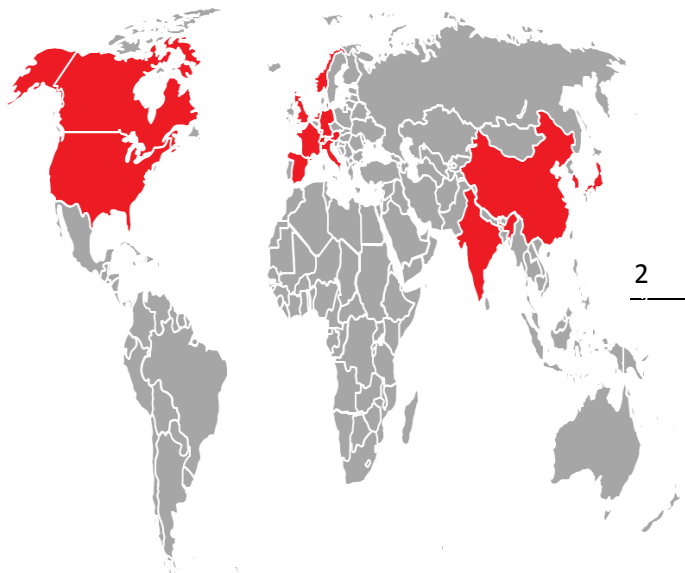
Western Europe is the largest global source region for FDI both in terms of projects and capex, accounting for 42% of all projects and 37% of capex. North America is the second largest source region both in term of projects and capex, accounting for 33% projects and 27% capex (FDI Intelligence, 2014).

The world's top net investors were the United States, Japan, Germany, France, the United Kingdom, Switzerland, Italy, Sweden, the Netherlands and Austria. These countries invest significantly more into the global economy compared to what they received. This makes each of these countries an opportunity for investment promotion activities in countries seeking inward FDI investment.

The United States was the largest source of FDI, from 2003 to 2013, in terms of the number of projects invested (51,502 projects) and capital invested ZAR16trn. This was followed by Germany investing in 13,959 projects and the United Kingdom investing in 13,095 projects. The top five largest FDI source markets by projects were also the largest source markets, in the same ranked order, by capex. Other large source markets for FDI in terms of the number of projects and capital value of investment across the world were the United Kingdom, Japan, France, and Spain.

TOP 15 GLOBAL SOURCE MARKETS FOR FDI, 2003-2013			
RANK	SOURCE COUNTRY	PROJECTS	CAPEX (ZARbn)
1	United States	51 502	15 997
2	Germany	13 959	4 620
3	United Kingdom	13 095	4 472
4	Japan	10 304	4 641
5	France	8 824	3 401
6	Spain	5 103	2 012
7	Switzerland	4 518	1 404
8	Italy	4 214	1 567
9	Netherlands	3 987	1 899
10	Canada	3 787	2 105
11	Sweden	3 352	944
12	India	3 160	1 490
13	China	2 771	1 704
14	South Korea	2 419	1 768
15	Austria	2 410	786
Other Countries		35 198	18 586
<b>TOTAL</b>		<b>166 193</b>	<b>66 610</b>

Source: FDI Intelligence, 2013



The United States was also the top destination market for FDI, from 2003 to 2013, in terms of the number of projects, with investments in 30,213 projects and capital invested worth ZAR8.5trn. Therefore, the United States is a net source of FDI by both projects and capital value to the global economy as the country invests in more FDI compared to what it receives.

China was the second largest global recipient of FDI projects with 14,772 projects followed by the United Kingdom (9,024 projects) and India (8,227 projects). In terms of the value of investment received, China was the second largest global recipient of FDI at ZAR7.7trn followed by India, the United Kingdom and Brazil.

The largest net recipients of FDI in the world were China, India, Russia, Poland, Romania, Brazil, Mexico, Vietnam, Singapore, Hungary, Thailand and UAE. Other emerging markets that have become top destination markets for FDI include; Indonesia, Malaysia, Czech Republic and Colombia. South Africa was also a net recipient of global FDI in 2013.

TOP 15 RECIPIENT COUNTRIES FOR FDI, 2003-2013			
RANK	RECIPIENT COUNTRY	PROJECTS	CAPEX (ZARbn)
1	United States	30 213	8 466
2	China	14 772	7 671
3	United Kingdom	9 024	2 478
4	India	8 227	2 908
5	Germany	6 427	1 160
6	France	4 739	891
7	Russia	4 586	2 072
8	Spain	4 004	1 136
9	UAE	3 436	851
10	Brazil	3 317	2 418
11	Poland	3 235	1 173
12	Singapore	3 116	941
13	Mexico	2 918	1 309
14	Romania	2 800	976
15	Canada	2 788	1 400
Other Countries		62 591	30 760
<b>TOTAL</b>		<b>166 193</b>	<b>66 610</b>

Source: FDI Intelligence, 2013

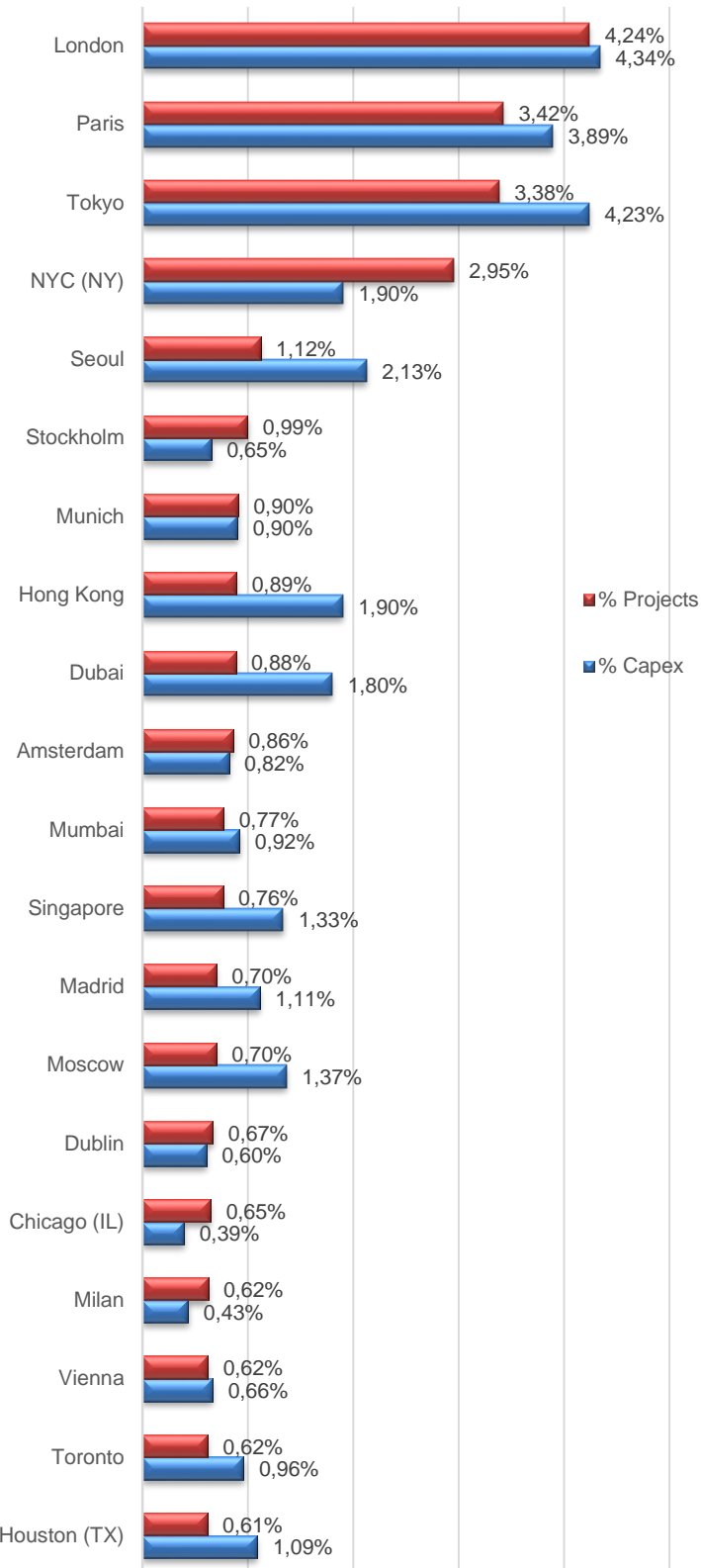


The top global source cities for FDI in terms of the number of projects between 2003 and 2013 were; London (7,041 projects), Paris (5,685), Tokyo (5,618), New York (4,904) and Seoul (4,904).

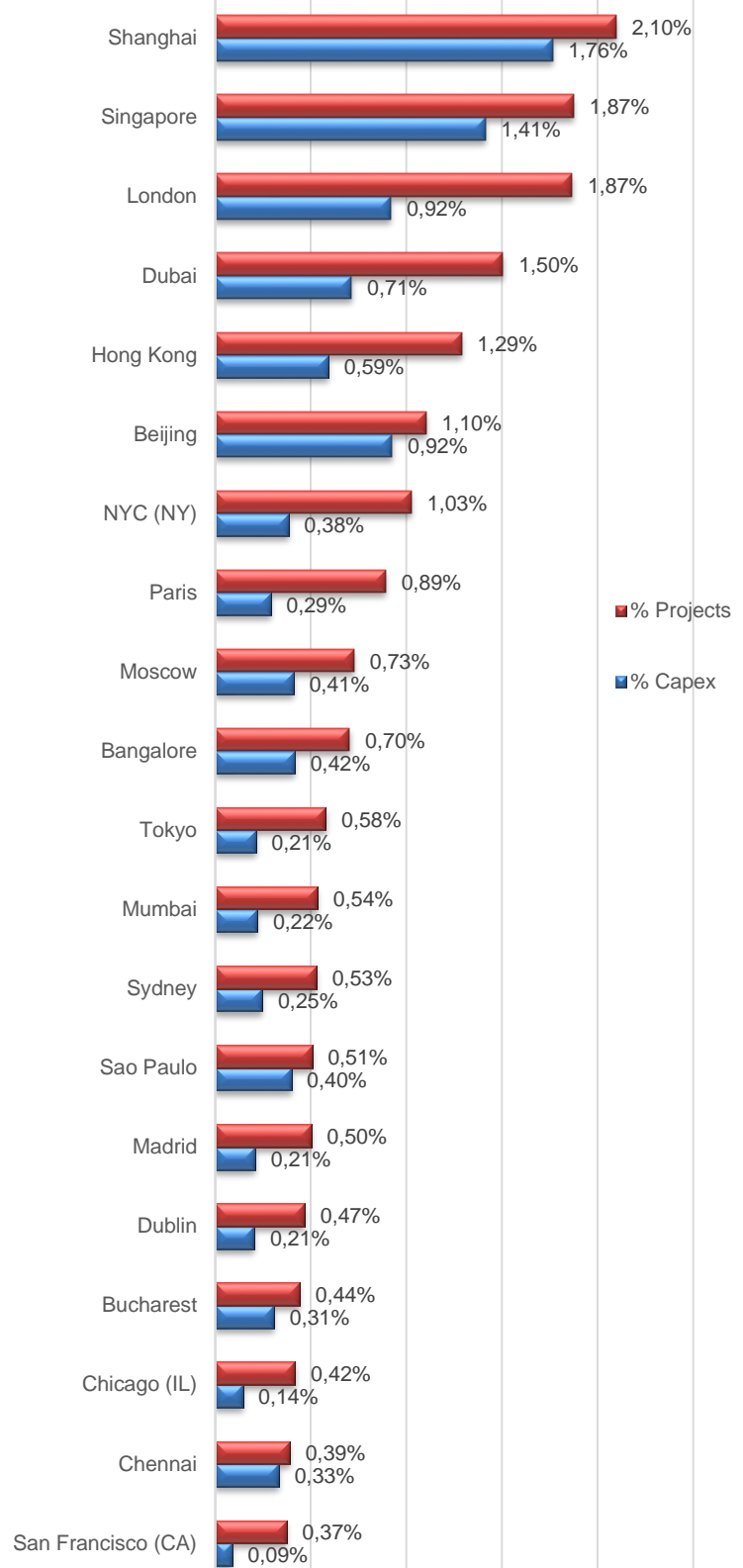
In terms of capital investments, London (USD2.9trn) was also the largest global source city followed by Tokyo (USD2.8trn) Paris (USD2.6trn), Seoul (USD1.4trn) and New York (USD1.3trn).

The top destination cities for FDI in term of projects from 2003 to 2013 were Shanghai, Singapore, London, Dubai, Hong Kong and Beijing. In terms of capital investments, Shanghai was also the largest recipient of FDI, followed by Singapore, Beijing, London and Dubai.

TOP 20 GLOBAL SOURCE CITIES FOR FDI BY PROJECTS, 2003-2013



TOP 20 GLOBAL DESTINATION CITIES FOR FDI BY PROJECTS, 2003-2013



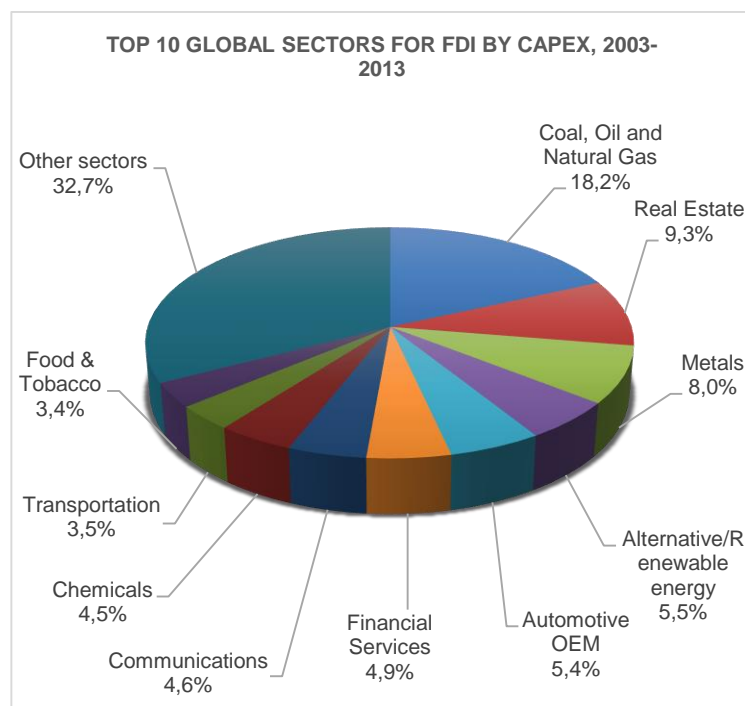
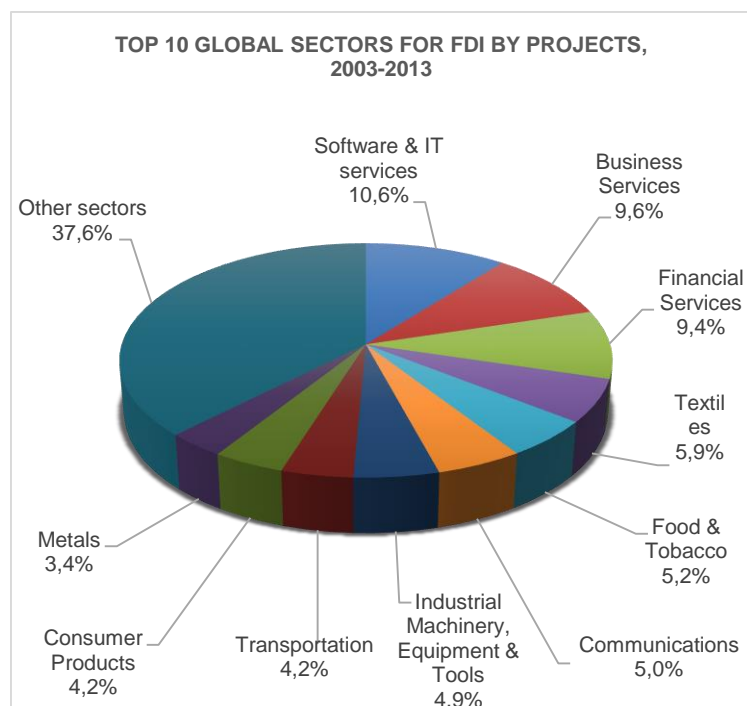
Source: FDI Intelligence, 2014

The classification of global FDI by sectors is shown in the figures below. In terms of FDI projects, most projects were in the following sectors:

- Software and IT services accounting for 10.6% of projects,
- Business services accounting for 9.6% share of projects,
- Financial services accounting for 9.4% share of projects, and
- Textiles accounting for 6% share of projects.

In terms of global sector classification of FDI by capex, most FDI went to the following sectors:

- Coal, oil and natural gas accounting for 18% of capex,
- Real estate accounting for 9% share of capex,
- Metals accounting for 8% share of capex, and
- Alternative and renewable energy accounting for 6% share of capex.



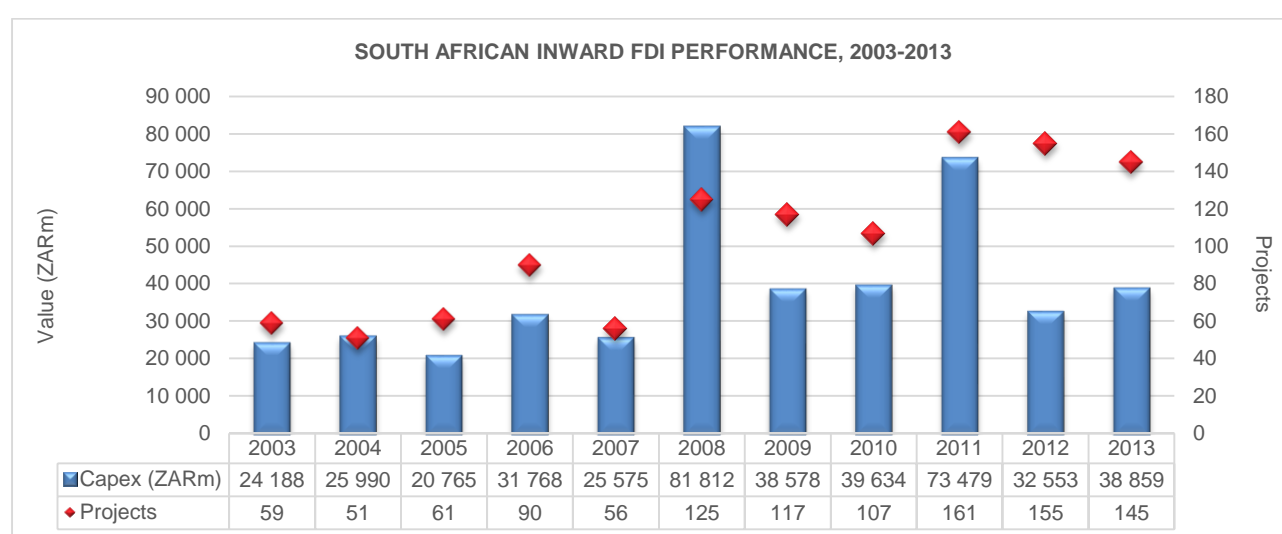
Source: FDI Intelligence, 2014

## 2. South Africa FDI trends

### 2.1 Inward FDI

In the period between 2003 and 2013, a total of 1,127 FDI projects were recorded into South Africa, equating to a 0.7% share of global FDI. These projects represent a total capital investment of ZAR433.20bn, an average investment of ZAR384.69m per project. South Africa continues to attract investment due to its sophisticated infrastructure and growing middle class. South Africa is also seen as a business hub for companies wanting to launch into African markets and obtain access to free trade agreements enabling market access.

In the 5-year period between 2008 and 2013, a total of 685 FDI projects were recorded into South Africa representing a total capital investment of ZAR223bn. This means that South Africa has received 61% of its FDI from the last 11 years within the last 5 years. In 2013, South Africa's inward investment by capex increased by 18% to reach ZAR39bn from ZAR33bn in 2012. It is notable that the number of projects received by South Africa in 2011 to 2013 exceeds the levels experienced before the subprime crisis.



Source: FDI Intelligence, 2014

From 2003 to 2013, the top source markets for FDI into South Africa, in terms of number of projects were the United States (239 projects), the United Kingdom (220 project), Germany (87 project), India (68 projects) and Australia (45 projects). These markets were also the top source markets by FDI capital value. Europe accounts for 47% of inward FDI into South Africa in terms of projects for from 2003 to 2013. The largest African markets investing into South Africa by projects were Mauritius, Nigeria, Botswana, Namibia and Zimbabwe.

TOP 10 SOURCE MARKETS FOR FDI INTO SOUTH AFRICA, 2003-2013							
RANK	COUNTRY	PROJECTS	% PROJECTS	CAPEX (ZARm)	% CAPEX	COMPANIES	% COMPANIES
1	United States	239	21.21%	63 348	14.62%	197	22.36%
2	United Kingdom	220	19.52%	77 053	17.79%	160	18.16%
3	Germany	87	7.72%	37 547	8.67%	65	7.38%
4	India	68	6.03%	36 113	8.34%	51	5.79%
5	Australia	45	3.99%	45 857	10.59%	30	3.41%
6	Japan	42	3.73%	15 175	3.50%	32	3.63%
7	France	41	3.64%	9 846	2.27%	34	3.86%
8	China	37	3.28%	10 967	2.53%	29	3.29%
9	Switzerland	37	3.28%	15 381	3.55%	25	2.84%
10	Netherlands	35	3.11%	7 257	1.68%	31	3.52%
Other Countries		276	24.49%	114 657	26.47%	229	25.99%
<b>TOTAL</b>		<b>1127</b>	<b>100.00%</b>	<b>433 201</b>	<b>100.00%</b>	<b>881</b>	<b>100.00%</b>

Source: FDI Intelligence, 2014

The best performing sectors in attracting FDI from abroad to South Africa, from 2003 to 2013, by number of projects and capex are shown below. In terms of FDI projects, most projects were in the following sectors:

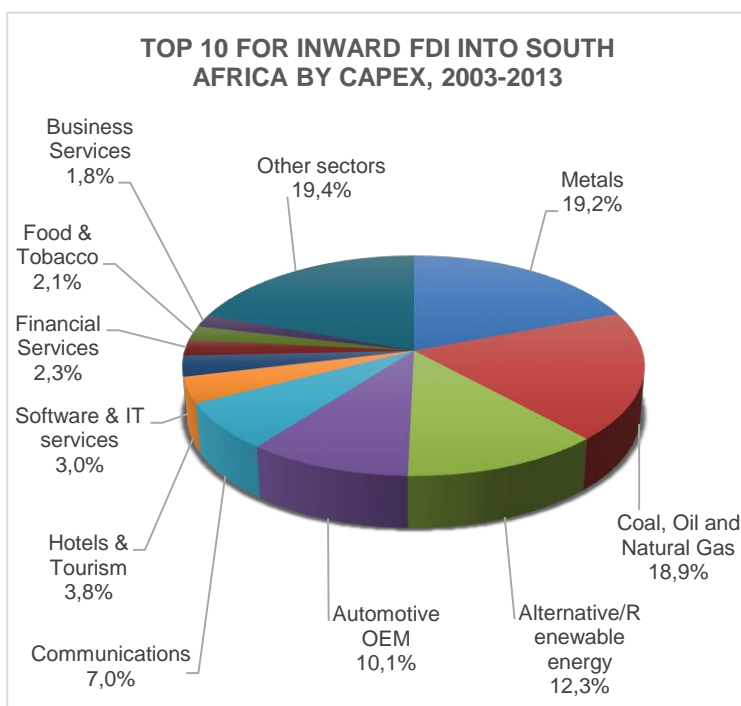
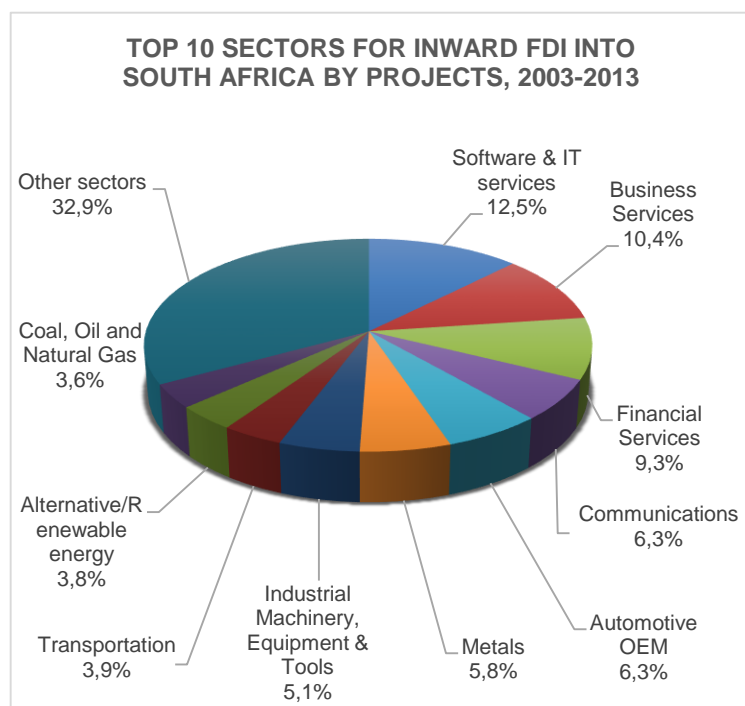
- Software and IT services accounting for 13% of projects,
- Business services accounting for 10% share of projects,
- Financial services accounting for 9% share of projects, and
- Communications accounting for 6% share of projects.

The high frequencies of these projects indicate a high level of confidence in these sectors in the South African economy as a FDI market. Furthermore, the top three sectors were the same as the top performing global sectors, indicating that these South African sectors were competitive globally and South Africa is on par with global trends.

In terms of global sector classification of FDI by capex, most FDI went to the following sectors:

- Metals accounting for 19% of capex,
- Coal, oil and natural gas accounting for 18.9% of capex,
- Alternative and renewable energy accounting for 12% of capex, and
- Automotive OEM accounting for 10% share of capex.

These sectors were among the top five global sectors attracting FDI, meaning that South Africa's sectors for FDI were in line with global sectors.



Source: FDI Intelligence, 2014

The table below shows the top companies investing in South Africa from 2003 to 2013. The top investing company was Mainstream Renewable Power, a renewable energy generating company from Ireland, who invested in 7 projects across South Africa, valued at ZAR9.5bn.

TOP 10 COMPANIES INVESTING IN SOUTH AFRICA, 2003-2013				
RANK	INVESTING COMPANY	PROJECTS	CAPEX (ZARm)	AVG CAPEX (ZARm)
1	Mainstream Renewable Power	7	9 461	1351.5
2	BHP Billiton	5	8 327	1665.2
3	Vodacom	4	7 347	1836.7
4	Volkswagen South Africa	10	4 689	468.7
5	General Motors South Africa (GMSA)	7	4 034	576
6	IBM	6	2 254	375.8
7	Procter & Gamble (P&G)	4	1 905	476.3
8	Unilever	4	1 786	446.2
9	British Petroleum (BP)	4	1 647	412
10	Apollo Tyres	4	1 449	362.1
<b>TOTAL</b>		<b>1 127</b>	<b>433 201</b>	<b>384.7</b>

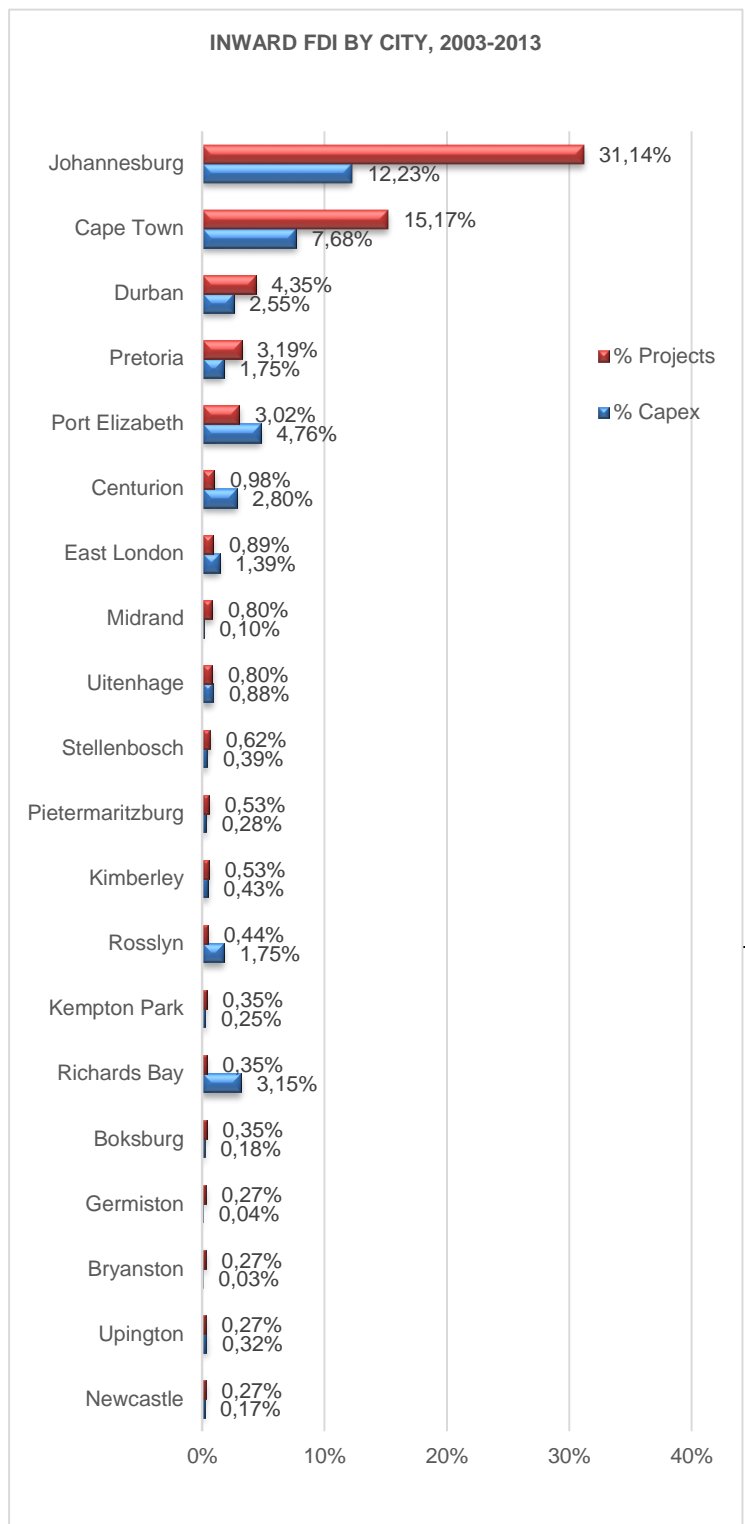
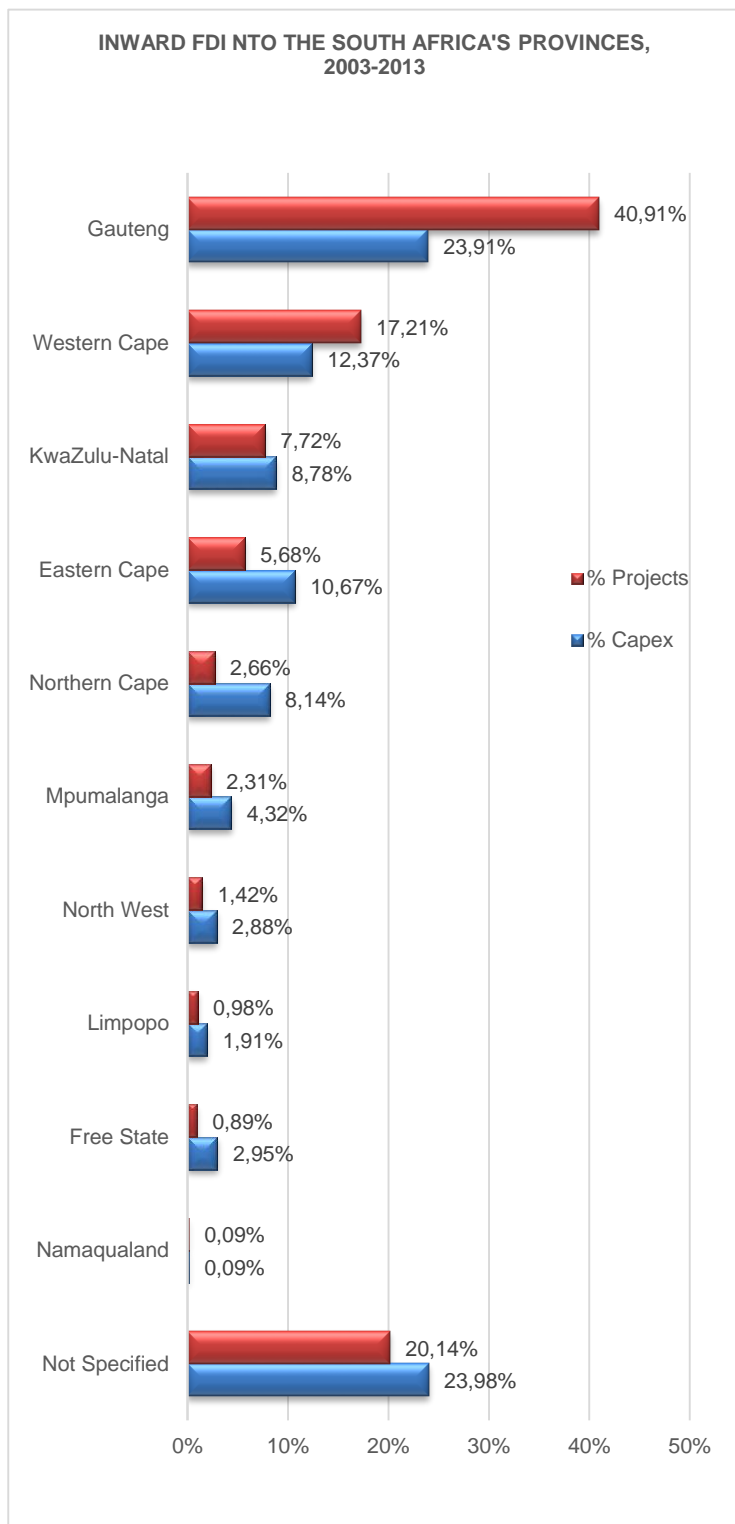
Source: FDI Intelligence, 2014

The FDI performance on a provincial level to a certain extent mirrors the different province's contribution to national GDP. Despite being the third-ranked province in terms of contribution to national GDP, the Western Cape continued to outperform KwaZulu-Natal in terms of the number of FDI projects as well as FDI capital value. The Western Cape was also ranked as the second most favoured provincial destination, from 2003 to 2013. The different economic composition of the provinces also provides an indication of the best performing sectors in attracting FDI. Gauteng remains the top ranked province, both in terms of FDI attracted and contribution to national GDP because of its reliance on primary industries such as mining of metals, as well as tertiary and secondary industries (to a greater degree than other provinces).

The Western Cape GDP composition is skewed towards the tertiary sector. This becomes evident in the sectors attracting FDI into the province. The sectors were the financial services sector, the business services sector, and the communications sector.

On a city-level, the top South African cities attracting FDI from 2003 to 2013, were Johannesburg, Cape Town, Durban and Pretoria. Another city in the Western Cape that attracted FDI was Stellenbosch.



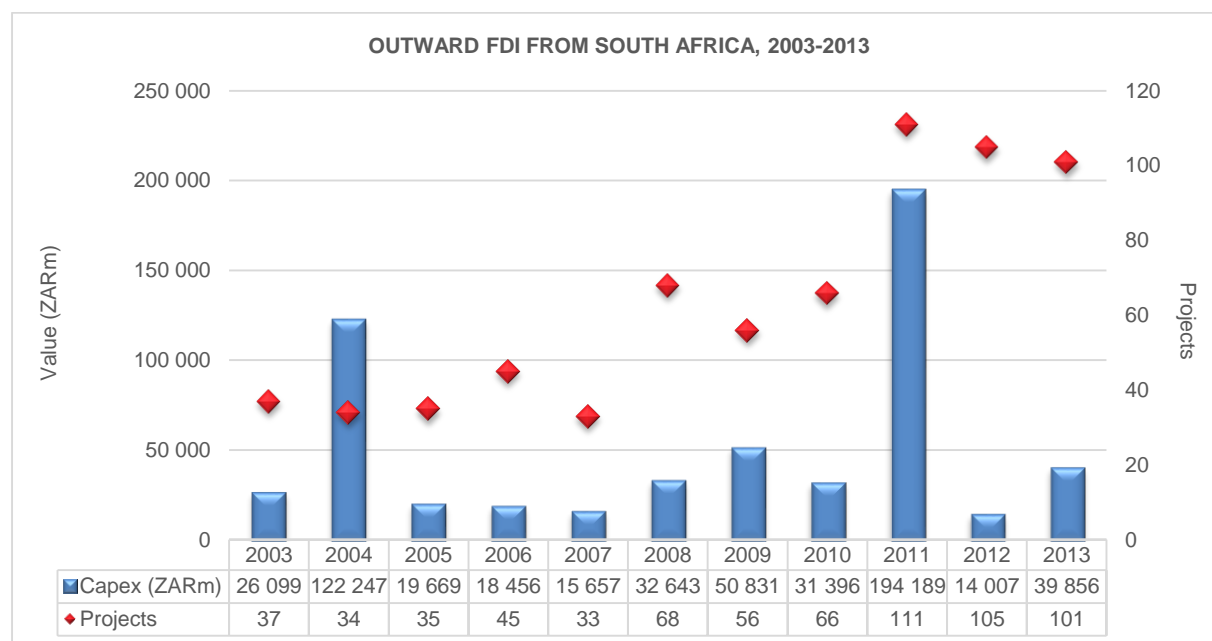


Source: FDI Intelligence, 2014

## 2.2 Outward FDI from South Africa

It is important to consider South Africa's outward investment to determine the extent to which domestic companies are participating in the global arena. It is also prudent to determine the level of investment into Africa as a measure of the willingness of local companies to participate in the African market. Intra-African investments are increasing, led by South African, Kenyan, and Nigerian Transnational Corporations (TNCs) helping to sustain FDI in Africa.

Between 2003 and 2013 a total of 691 FDI projects were recorded as outward activities from South Africa, equating to a 0.4% share of global FDI. These projects represent a total capital investment of ZAR565bn which is an average investment of ZAR818m per project. It is significant to see that outward FDI from South Africa has grown substantially in the past 5 years (particularly in investment projects) and this demonstrates that South African businesses have an appetite for foreign investment and are actively seeking foreign opportunities.



Source: FDI Intelligence, 2013

Between 2003 and 2013, Africa was the largest global region for South Africa's FDI both in terms of projects and capex, accounting for 52% projects and 35% capex. Among the top 20 global destination markets for South Africa's FDI in terms of projects, an estimated 47% goes to Africa, demonstrating the importance of Africa as a destination for South African businesses.

In terms of investment projects, the United Kingdom was the largest recipient of FDI from South Africa with 50 investment projects, followed by Nigeria and Zambia with 45 projects and 39 projects respectively. The top 10 destination markets for outward FDI lists 7 African countries, showing the prominence of African markets for South Africa. The top destination markets in terms of capital investment value were, the United States (ZAR143bn), Ghana (ZAR59bn), Qatar (ZAR57bn), China (ZAR52bn), Mozambique (ZAR40bn) and Nigeria (ZAR29bn).

TOP 10 DESTINATIONS FOR OUTWARD FDI FROM SOUTH AFRICA, 2003-2013							
RANK	COUNTRY	PROJECTS	% PROJECTS	CAPEX (ZARm)	% CAPEX	COMPANIES	% COMPANIES
1	United Kingdom	50	7.24%	9 363.80	1.66%	38	7.05%
2	Nigeria	45	6.51%	28 629.10	5.07%	33	6.12%
3	Zambia	39	5.64%	9 600.90	1.70%	26	4.82%
4	Ghana	36	5.21%	59 138.00	10.47%	24	4.45%
5	United States	35	5.07%	142 877.10	25.29%	23	4.27%
6	Namibia	31	4.49%	6 204.30	1.10%	26	4.82%
7	UAE	27	3.91%	3 694.50	0.65%	23	4.27%
8	Mozambique	25	3.62%	39 997.70	7.08%	23	4.27%
9	Angola	24	3.47%	2 843.20	0.50%	14	2.60%
10	Kenya	23	3.33%	2 342.30	0.41%	23	4.27%
Other Countries		356	51.52%	260 358.40	46.08%	286	53.06%
<b>TOTAL</b>		<b>691</b>	<b>100%</b>	<b>565 050.00</b>	<b>100%</b>	<b>539</b>	<b>100%</b>

Source: FDI Intelligence, 2014

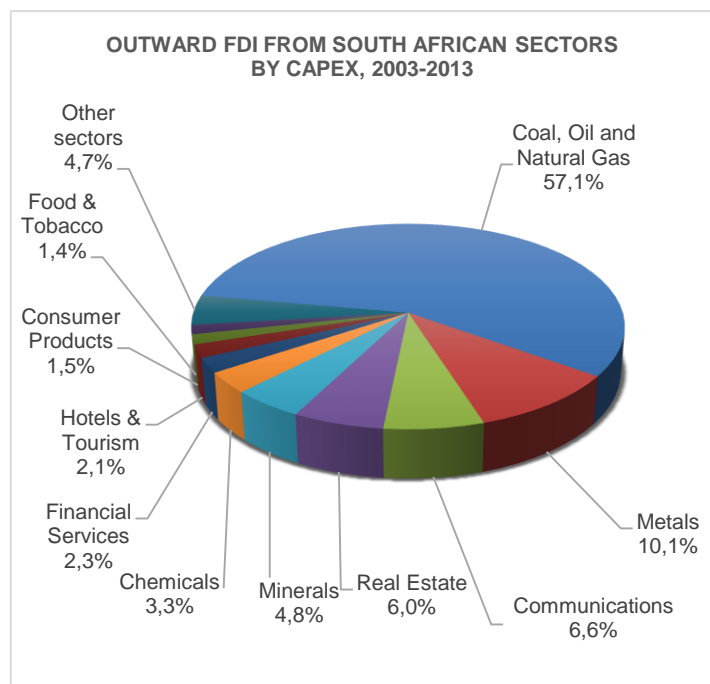
The best performing sectors in attracting FDI from South Africa, from 2003 to 2013, by number of projects and capex are shown below. In terms of FDI projects, most projects were in the following sectors:

- Financial services accounting for 17% of projects,
- Communications accounting for 11% share of projects,
- Business Services accounting for 11% share of projects, and
- Software and IT services accounting for 9% share of projects.

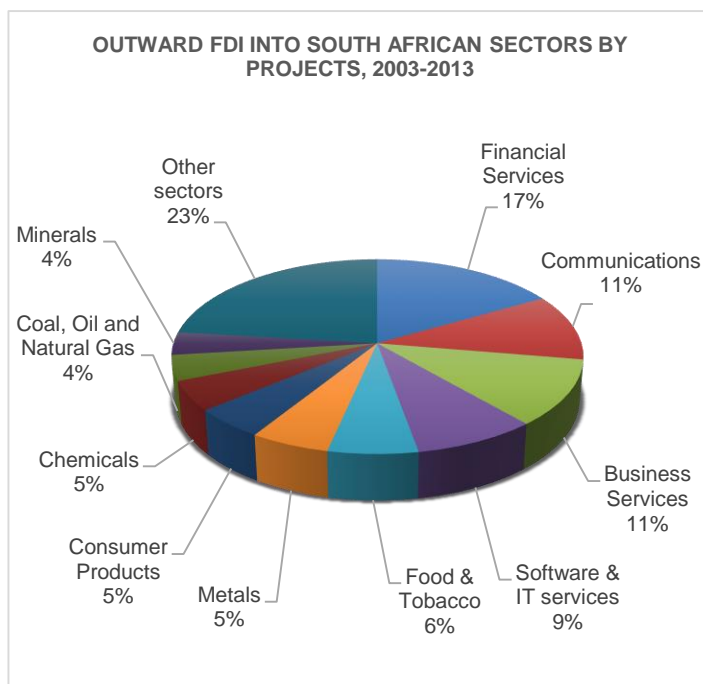
In terms of global sector classification of FDI by capex, most FDI from South Africa went to the following sectors:

- Coal, oil and natural gas accounting for 57% of capex,
- Metals accounting for 10% of capex,
- Communications accounting for 7% of capex, and
- Real estate accounting for 6% share of capex.

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Source: FDI Intelligence, 2014



The table below shows the top companies investing from South Africa from 2003 to 2013 by Capex. SASOL was the top company accounting for ZAR253bn, followed by AngloGold Ashanti (ZAR16bn), MTN Ghana (ZAR5bn) and De Beers (ZAR4.4bn).

TOP 10 SOUTH AFRICAN COMPANIES FOR OUTWARD FDI, 2003-2013				
RANK	INVESTING COMPANY	PROJECTS	CAPEX (ZARm)	AVG CAPEX (ZARm)
1	SASOL	25	252 784	10 111.3
2	AngloGold Ashanti	9	15 791	1 754.7
3	MTN Ghana	7	5 009	715.4
4	De Beers	10	4 426	442.8
5	De Beers Diamond Jewellers	11	3 182	289
6	Shoprite	17	2 401	141.4
7	Standard Bank	15	2 364	157.8
8	MTN Uganda	7	2 213	316.4
9	FirstRand	7	1 086	155.1
10	Westcon Group	6	923	153.7
<b>TOTAL</b>		<b>691</b>	<b>565 050</b>	<b>817.9</b>

Source: FDI Intelligence, 2014

The table below shows the top 20 inward FDI sectors for the global market, South Africa and Western Cape for the period 2003 to 2013. The software and IT services sector, business services, financial services and communications, industrial machinery, equipment and tools and transportation are the top 10 sectors that appear across global sectors, South Africa's sectors and Western Cape sectors.

TOP 20 INWARD GLOBAL SECTORS, SOUTH AFRICA SECTORS AND WESTERN CAPE SECTORS BY INVESTMENT PROJECTS, 2003-2013						
RANK	GLOBAL SECTORS	PROJECTS	SOUTH AFRICA	PROJECTS	WESTERN CAPE	PROJECTS
1	Software & IT services	17 632	Software & IT services	141	Business Services	34
2	Business Services	16 005	Business Services	117	Software & IT services	34
3	Financial Services	15 671	Financial Services	105	Financial Services	15
4	Textiles	9 847	Communications	71	Communications	13
5	Food & Tobacco	8 641	Automotive OEM	71	Transportation	11
6	Communications	8 316	Metals	65	Chemicals	7
7	Industrial Machinery, Equipment & Tools	8 158	Industrial Machinery, Equipment & Tools	58	Alternative/Renewable energy	7
8	Transportation	6 905	Transportation	44	Coal, Oil and Natural Gas	6
9	Consumer Products	6 898	Alternative/Renewable energy	43	Consumer Products	6
10	Metals	5 643	Coal, Oil and Natural Gas	41	Electronic Components	6
11	Chemicals	5 483	Food & Tobacco	38	Industrial Machinery, Equipment & Tools	6
12	Automotive Components	5 062	Chemicals	38	Hotels & Tourism	6
13	Real Estate	4 856	Automotive Components	29	Food & Tobacco	5
14	Electronic Components	4 469	Textiles	29	Textiles	4
15	Coal, Oil and Natural Gas	4 085	Hotels & Tourism	25	Real Estate	4
16	Automotive OEM	3 708	Electronic Components	24	Non-Automotive Transport OEM	4
17	Hotels & Tourism	3 646	Consumer Products	22	Paper, Printing & Packaging	3
18	Plastics	3 299	Minerals	19	Minerals	3
19	Pharmaceuticals	2 769	Pharmaceuticals	16	Aerospace	3
20	Alternative/Renewable energy	2 653	Paper, Printing & Packaging	14	Biotechnology	2

Source: FDI Intelligence, 2014

### 3. Western Cape FDI trends

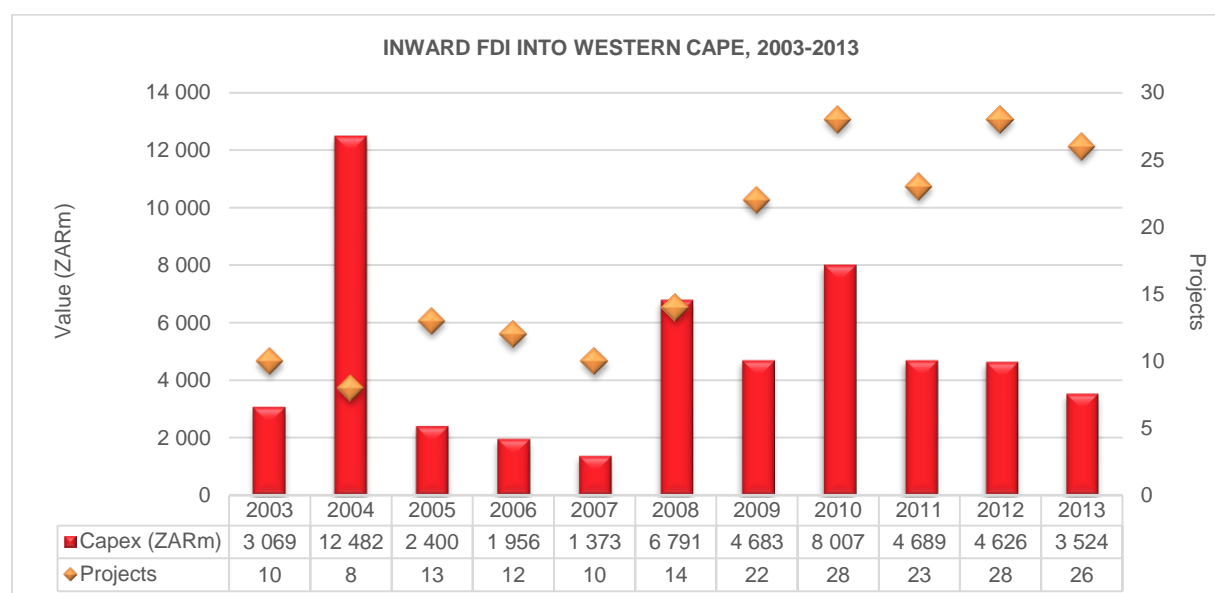
#### 3.1 Inward FDI

Between 2003 and 2013, a total of 194 FDI projects were recorded into the Western Cape. These projects represent a total capital investment of ZAR53.6bn which is an average investment of ZAR276m per project. In 2013, the Western Cape attracted 26 projects, with a total capex value of ZAR3.5bn.

The Western Cape is regarded as an attractive investment destination due to the following reasons:

- Strategic position as a springboard into Africa,
- Highly sophisticated infrastructure,
- 2<sup>nd</sup> busiest airport (Cape Town International airport) in South Africa and 3<sup>rd</sup> busiest in Africa,
- Three advanced ports catering for different sectors,
- Newly designated Industrial Development Zones (soon to be introduced Special Economic Zones),
- Availability of skilled workforce, and
- A growing ICT and manufacturing hub.

The graph below shows the Western Cape's FDI performance between 2003 and 2013, where it can be seen that there is a general growth trend in the number of projects that the Western Cape receives in FDI. Indeed, investment projects into the Western Cape have increased by an annual average growth rate of 14% between 2003 and 2013.



Source: FDI Intelligence, 2014

Between 2003 and 2013, the Western European region represented the largest global source of FDI for the Western Cape, both in terms of projects and capex, accounting for 58% projects and 65% capex. The top source markets for FDI into the Western Cape, in terms of number of projects in this period were the United Kingdom, the United States, Netherlands, Germany and France. Interestingly, these top FDI source markets are also top export markets for the Western Cape.

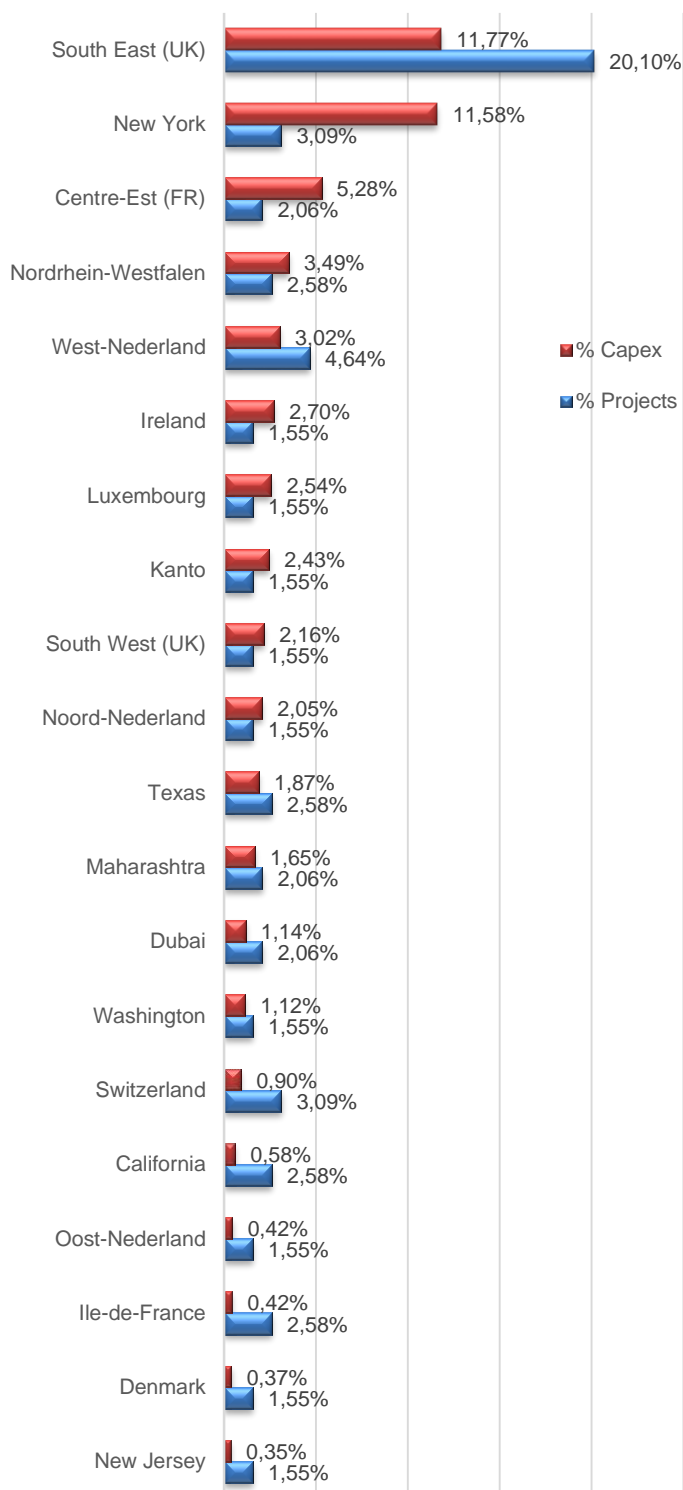
Between 2003 and 2013, the largest FDI capital value into the Western Cape were from Norway, the United States, the United Kingdom, Germany, France and the Netherlands.

TOP 10 SOURCE MARKETS FOR FDI INTO THE WESTERN CAPE, 2003-2013							
RANK	COUNTRY	PROJECTS	% PROJECTS	CAPEX (ZARm)	% CAPEX	COMPANIES	% COMPANIES
1	United Kingdom	50	25.77%	8 344.30	15.57%	47	25.54%
2	United States	45	23.20%	10 517.90	19.62%	42	22.83%
3	Netherlands	15	7.73%	2 942.20	5.49%	15	8.15%
4	Germany	13	6.70%	3 481.40	6.50%	12	6.52%
5	France	10	5.15%	3 089.80	5.76%	8	4.35%
6	Switzerland	6	3.09%	481.7	0.90%	5	2.72%
7	China	5	2.58%	505	0.94%	5	2.72%
8	India	5	2.58%	927.2	1.73%	5	2.72%
9	Canada	4	2.06%	492.7	0.92%	4	2.17%
10	UAE	4	2.06%	613.6	1.14%	4	2.17%
Other Countries		37	12.37%	22 203.50	12.75%	37%	20.11%
<b>TOTAL</b>		<b>194</b>	<b>100.00%</b>	<b>53 599.20</b>	<b>100.00%</b>	<b>184</b>	<b>100.00%</b>

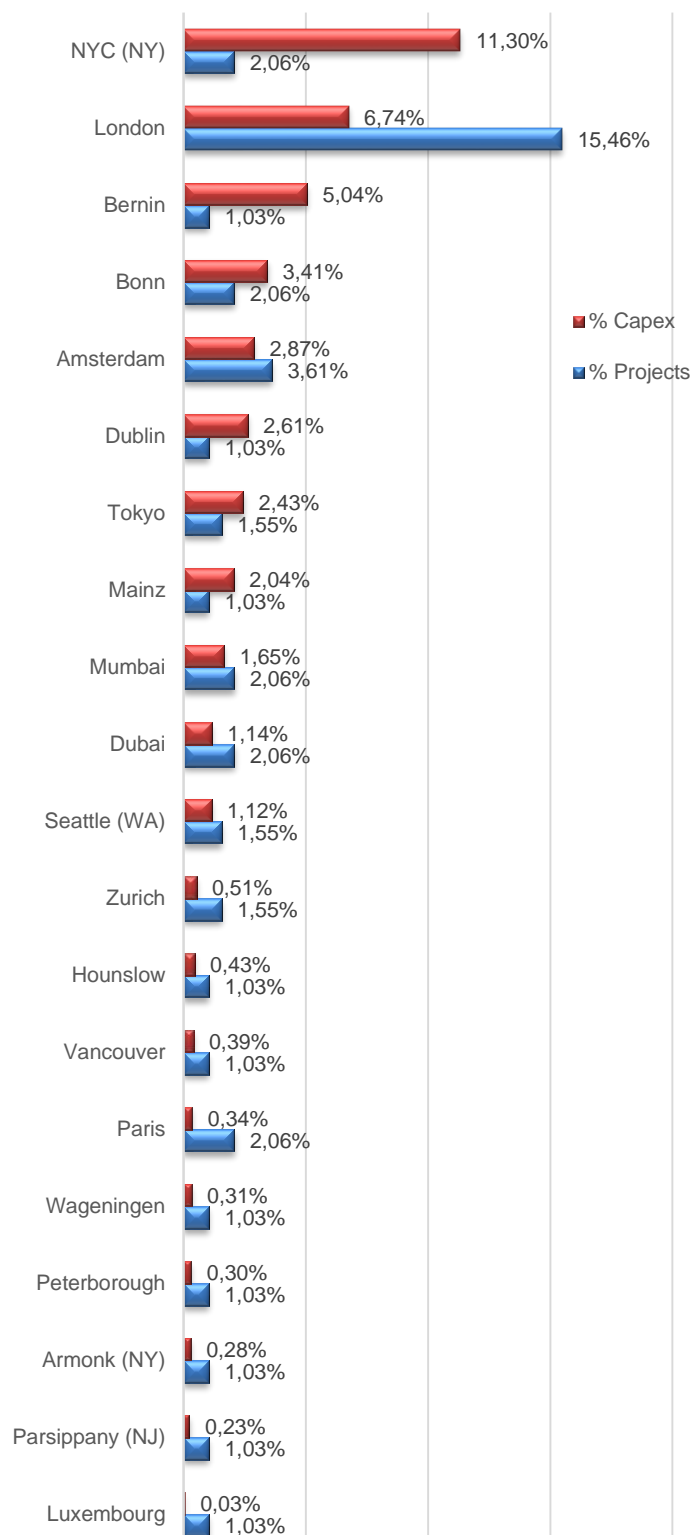
Source: FDI Intelligence, 2014

The top global source states for FDI into the Western Cape, in terms of the number of projects between 2003 and 2013 were; South East (UK), New York, Centre-Est (FR), Nordrhein-Westfalen and West-Nederland. The top global source cities for FDI in terms of the number of projects between 2003 and 2013 were; New York City, London, Bernin (France), Bonn and Amsterdam.

### INWARD FDI INTO THE WESTERN CAPE FROM GLOBAL STATES, 2003-2013



### INWARD FDI INTO THE WESTERN CAPE BY GLOBAL CITIES, 2003-2013



Source: FDI Intelligence, 2014

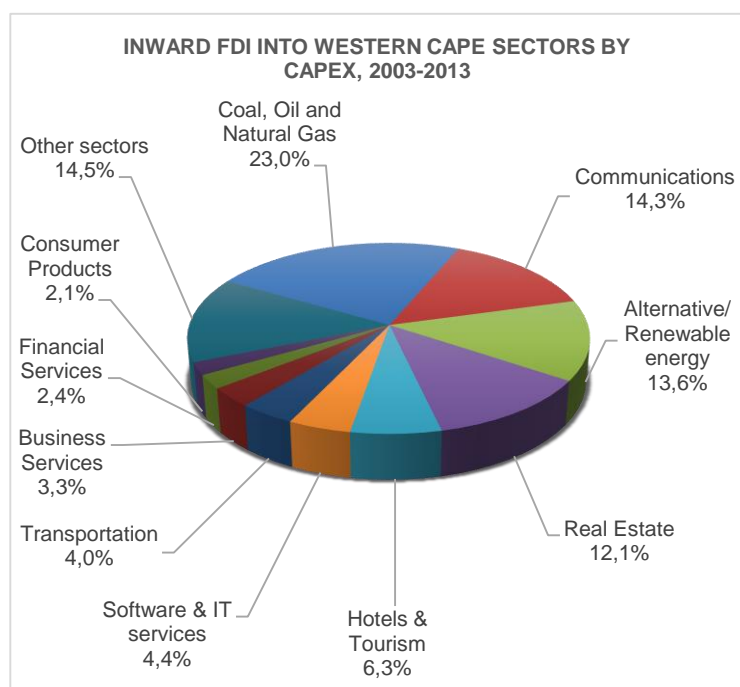
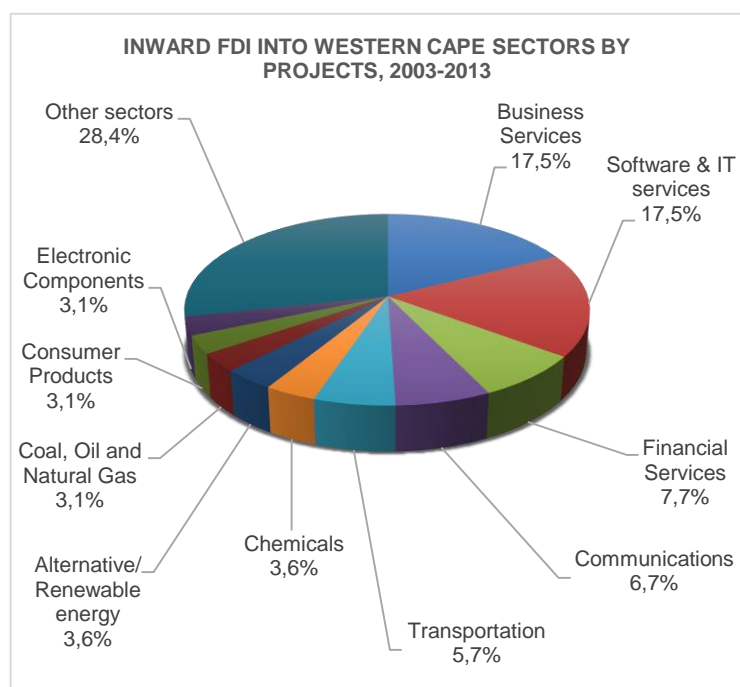
The best performing sectors in attracting FDI from abroad to the Western Cape, from 2003 to 2013, by number of projects and capex are shown below. In terms of FDI projects, most projects were in the following sectors:

- Business services accounting for 18% share of projects,
- Software and IT services accounting for 18% of projects,
- Financial services accounting for 8% share of projects, and
- Communications accounting for 7% share of projects.

In terms of projects the services sector attracted an estimated 50% of all investments into the Western Cape.

In terms of global sector classification of FDI by capex, most FDI went to the following sectors:

- Coal, oil and natural gas accounting for 23% of capex,
- Communications accounting for 14% of capex, and
- Alternative renewable energy accounting for 14% share of capex.



Source: FDI Intelligence, 2014

The table below shows the top companies investing in the Western Cape from 2003 to 2013. Seven companies invested in more than one project, primarily in the services sectors.

TOP COMPANIES INVESTING IN THE WESTERN CAPE, 2003-2013				
RANK	INVESTING COMPANY	SOURCE COUNTRY	PROJECTS	CAPEX (ZARm)
1	Statoil Detaljihandel	Norway	1	11 214
2	Trump	United States	1	5 910
3	Concentrix Solar	France	2	2 703
4	Mainstream Renewable Power	Ireland	1	1 352
5	Logwin AG (Thiel Logistik)	Luxembourg	1	1 347
6	Juwi	Germany	2	1 094
7	Wind Prospect	United Kingdom	1	1 063
8	TerniEnergia	Italy	1	1 063
9	Telecom Namibia	Namibia	1	1 025
10	Telehouse Europe	Japan	1	1 025
TOTAL		-	194	53 599.20

Source: FDI Intelligence, 2014

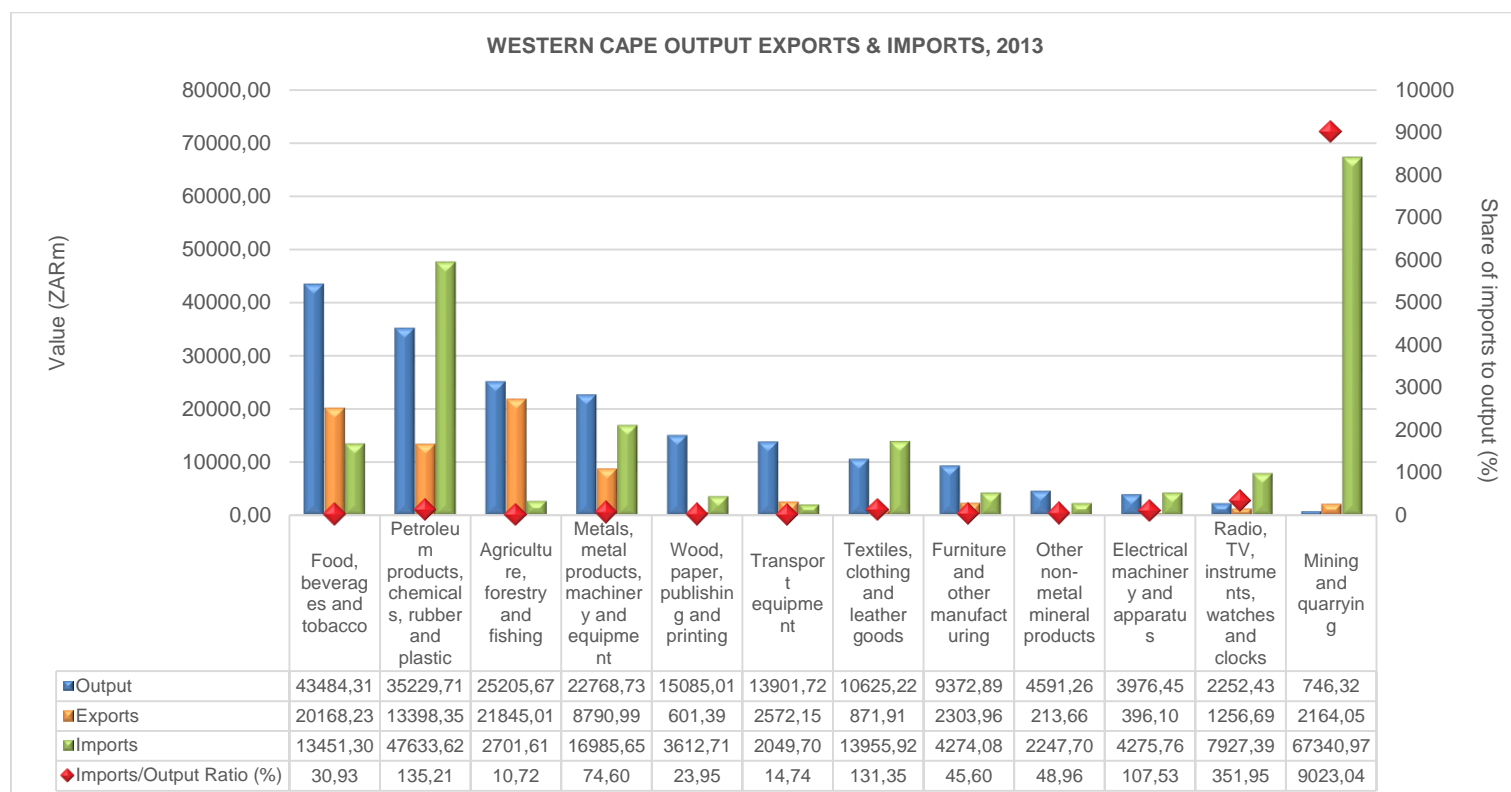


The figure below shows the Western Cape's sector output, exports and imports for 2013. The purpose of this graph is to demonstrate potential areas for FDI based on perceived gaps in the market where the Western Cape is importing goods from foreign markets and FDI can as a result be used as a form of market entry rather than exports by the foreign market.

The sector with the largest output in the Western Cape is food, beverages and tobacco products valued at ZAR43bn. Petroleum products, chemicals and rubber is ranked second at ZAR35bn and agriculture, forestry and fishing rank third at ZAR25bn.

The product categories with the highest import/output ratio are the following:

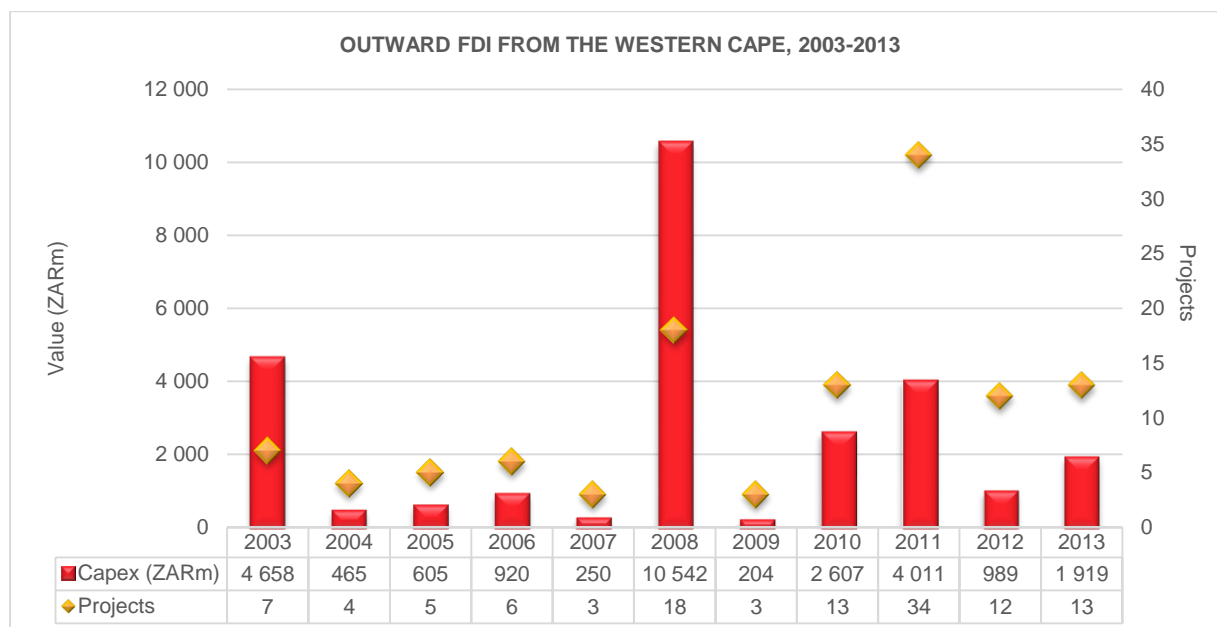
- Mining and quarrying (9023%);
- Radio, TV, instruments, watches and clocks (352%);
- Petroleum, products, chemicals, rubber and plastics (135%); and
- Textile clothing and leather goods (131%).



Source: Quantec and own calculations, 2014

## 3.2 Outward FDI

Between 2003 and 2013, a total of 118 FDI projects were recorded from Western Cape companies investing globally. These projects represent a total capital investment of ZAR27bn which is an average investment of ZAR230m per project. In 2013, outward FDI from the Western Cape in terms of capex, increased by 94% to reach ZAR1,919m from ZAR989m in 2012.



Source: FDI Intelligence, 2014

Between 2003 and 2013, Africa was the largest global region for the Western Cape's FDI both in terms of projects and capex, accounting for 53% projects and 34% capex. The top 20 global destination markets for the province in terms of projects comprised of twelve African markets which accounted for 45%, demonstrating the importance of Africa as a destination for Western Cape businesses.

Nigeria was the largest recipient of FDI from the Western Cape in terms of FDI projects, followed by Angola and Zambia, all African markets. The largest destination markets by capital investment value were the United Kingdom, Venezuela, Nigeria and Namibia.

DESTINATION MARKETS FOR OUTWARD FDI FROM THE WESTERN CAPE, 2003-2013							
RANK	COUNTRY	PROJECTS	% PROJECTS	CAPEX (ZARm)	% CAPEX	COMPANIES	% COMPANIES
1	Nigeria	14	11.86%	1 723.90	6.35%	8	14.29%
2	Angola	9	7.63%	1 262.00	4.65%	5	8.93%
3	Zambia	8	6.78%	1 109.00	4.08%	5	8.93%
4	UAE	7	5.93%	691.5	2.55%	4	7.14%
5	United Kingdom	6	5.08%	5 126.70	18.87%	6	10.71%
6	Uganda	5	4.24%	582.8	2.15%	5	8.93%
7	United States	4	3.39%	212.5	0.78%	4	7.14%
8	India	4	3.39%	1 136.30	4.18%	4	7.14%
9	Germany	4	3.39%	19.8	0.07%	4	7.14%
10	Kenya	4	3.39%	163.3	0.60%	4	7.14%
Other Countries		53	44.92%	15 140.6	55.73%	50	89.29%
<b>TOTAL</b>		<b>118</b>	<b>100.00%</b>	<b>27 168.30</b>	<b>100.00%</b>	<b>99</b>	<b>100.00%</b>

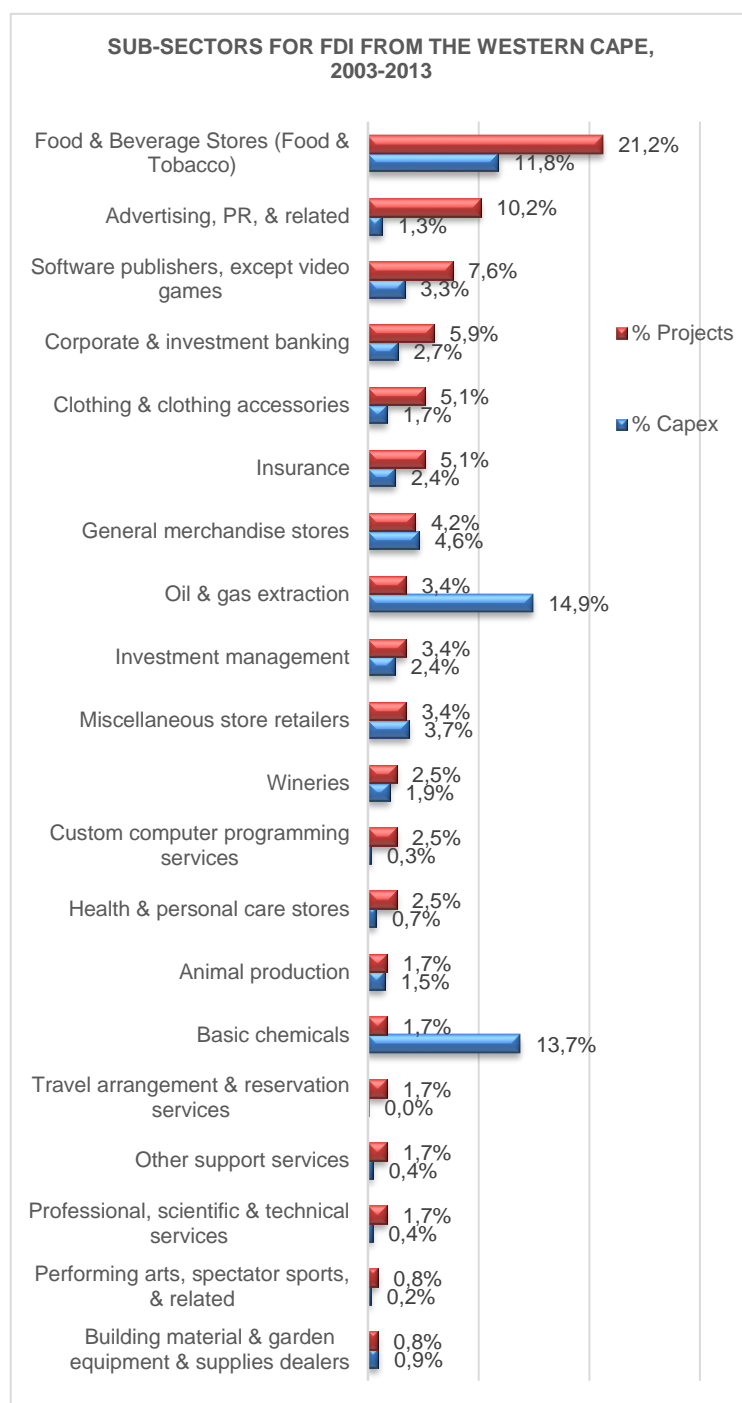
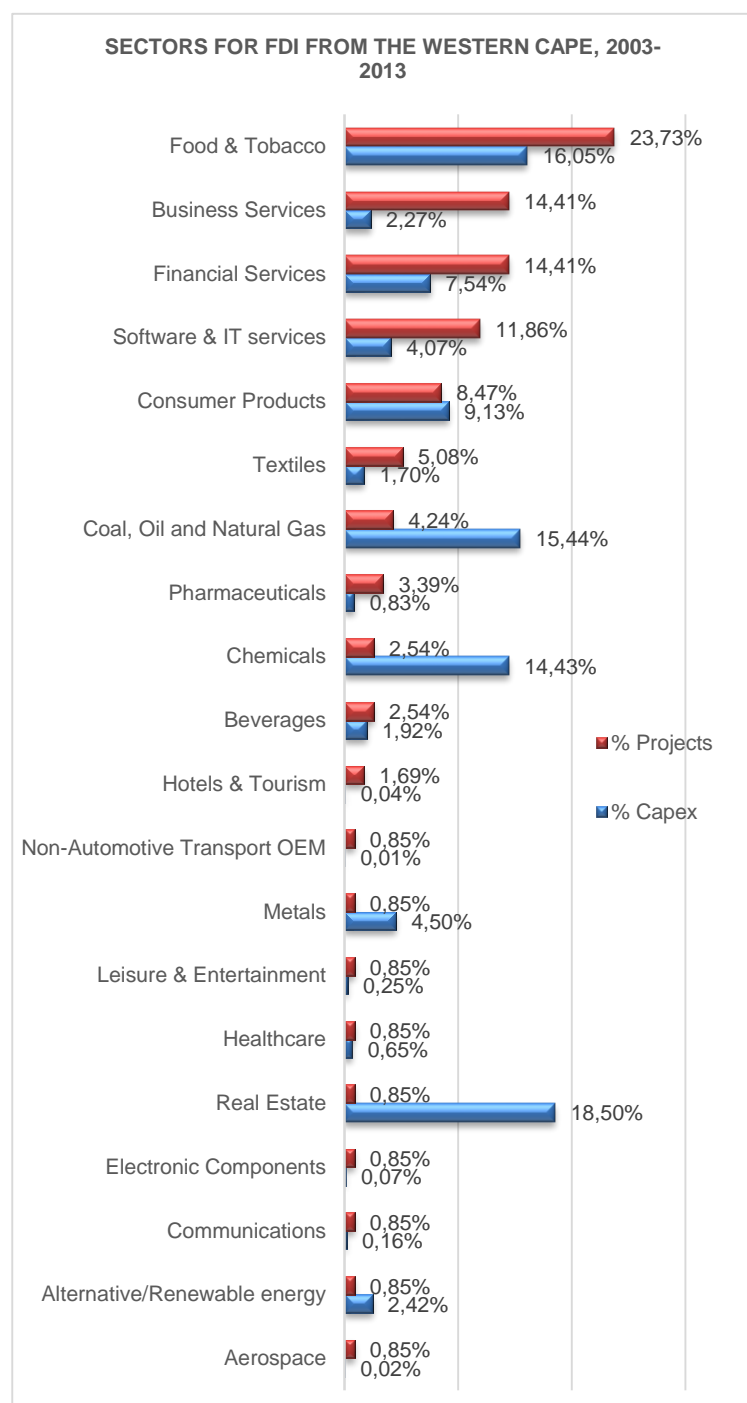
Source: FDI Intelligence, 2014

The best performing sectors and sub-sectors in attracting FDI from the Western Cape, from 2003 to 2013 are shown below. Most projects were in the following sectors:

- Food and tobacco accounting for 24% of projects and 16% capex,
- Business Services accounting for 14% share of projects and 3% capex,
- Financial services accounting for 14% share of projects and 8% capex, and
- Software and IT services accounting for 12% share of projects and 4% capex.

In terms of global sub-sector classification of FDI, most FDI went to the following sub-sectors:

- Food and beverage stores accounting for 21% of projects and 12% capex,
- Advertising PR Metals accounting for 10% of projects and 1.3% capex,
- Software publishing accounting for 8% of capex and 3% capex, and
- Corporate and investment banking accounting for 6% share of projects and 3% capex.



Source: FDI Intelligence, 2014

The table below shows the top companies investing from the Western Cape from 2003 to 2013. Nine Western Cape companies invested in more than one project, primarily in the retail sector.

TOP WESTERN CAPE COMPANIES FOR OUTWARD ACTIVITY, 2003-2013				
RANK	INVESTING COMPANY	PROJECTS	CAPEX (ZARm)	AVG CAPEX (ZARm)
1	PetroSA	5	4 694.90	938.8
2	Shoprite	17	2 401.10	141.4
3	The Foschini Group	5	1 240.20	248
4	Woolworths (South Africa)	4	992.1	248
5	Irdeto	7	832.2	118.9
6	Pick n Pay	8	794	99.1
7	PIC Solutions	6	591	98.4
8	Sanlam Group	3	459.9	153.1
9	Rainbow Chicken	1	399	399
10	Ad Dynamo	10	259.6	26
<b>TOTAL</b>		<b>118</b>	<b>27 168.30</b>	<b>230.3</b>

Source: FDI Intelligence, 2014

The table below shows the top ten market rankings for African exports markets and FDI markets for the Western Cape. Mozambique, Angola, Kenya, Zambia and Nigeria are the markets that appear across exports and investment for the Western Cape.

TOP 10 AFRICAN MARKETS FOR EXPORTS & FDI FROM THE WESTERN CAPE					
RANK	DESTINATION MARKETS FOR EXPORTS	VALUE (ZARbn)	DESTINATION MARKETS FOR FDI	PROJECTS	CAPEX (ZARm)
1	Mozambique	18.9	Nigeria	14	1 723.90
2	Angola	3.8	Angola	9	1 262.00
3	Kenya	2.5	Zambia	8	1 109.00
4	Zambia	2.3	Uganda	5	582.8
5	Nigeria	2.0	Kenya	4	163.3
6	Zimbabwe	1.6	Namibia	3	1 480.70
7	Tanzania	1.3	Equatorial Guinea	2	500.2
8	Ghana	0.7	Botswana	2	67.6
9	Mauritius	0.6	Mozambique	2	361.5
10	DRC	0.5	Malawi	2	226.9

Source: Quantec, FDI Intelligence, 2014

The map below shows Western Cape companies investing into Africa for the period 2003 to 2013. The largest investments by projects went to Nigeria (14 projects), Angola (9 projects), Zambia (8 projects), Uganda (5 projects) and Kenya (4 Projects). The largest investors were Shoprite, Pick n pay, TFG and Sanlam.



### 3.3 Top markets for FDI, imports and tourism

The table below shows the top ten market rankings for inward FDI in projects, import value and tourism arrivals for the Western Cape. The United Kingdom, United States, Netherlands, Germany and China are the markets that appear across investment, imports and tourism for the Western Cape. This demonstrating the strength of the Western Cape's trade, investment and tourism linkages with these markets.

TOP 10 MARKETS FOR FDI, IMPORTS & TOURISM INTO THE WESTERN CAPE						
RANK	INWARD FDI	PROJECTS (2003-2013)	IMPORT MARKETS	VALUE 2013 (ZARbn)	TOURISM MARKETS	ARRIVALS
1	United Kingdom	50	Saudi Arabia	37.67	United Kingdom	281 002
2	United States	45	China	28.01	Germany	183 974
3	Netherlands	15	India	16.37	United States	156 891
4	Germany	13	Nigeria	13.59	China & Hong Kong	98 549
5	France	10	Germany	8.10	Namibia	79 267
6	Switzerland	6	Singapore	7.54	Netherlands	74 847
7	China	5	United Kingdom	6.58	France	63 914
8	India	5	Italy	5.24	Australia	47 689
9	Canada	4	United States	4.71	Mozambique	46 918
10	UAE	4	Netherlands	4.64	Brazil	36 102

Source: Quantec, FDI Intelligence, SATourism, 2014

## 4. Investment opportunities and incentives

Selected Investment Opportunities in the Western Cape are shown in the figure below:

<b>RENEWABLE ENERGY</b> <ul style="list-style-type: none"> <li>• With wind speed of 6m/s - have attracted the development of wind farms in the Area</li> <li>• Solar power grids for wine farms</li> <li>• Manufacturing of wind generation plants is a possibility</li> <li>• Manufacturing of wind components</li> <li>• Rough seas and high waves can be used to generate large amounts of renewable wave energy</li> <li>• Establish biofuel plant</li> <li>• Establish solar energy plant</li> </ul>	<b>AGRIBUSINESS</b> <ul style="list-style-type: none"> <li>• Value-adding in the agricultural sector with growth potential in essential oils, medicinal plants, Buchu and olives etc</li> <li>• Value addition to the agricultural sector &amp; floriculture</li> <li>• Agro-processing (berries etc.) and packaging plant</li> </ul>	<b>MANUFACTURING</b> <ul style="list-style-type: none"> <li>• Small scale processing of dairy products</li> <li>• Commercial production of petroleum refineries &amp; products</li> <li>• Electronics e.g automotive</li> <li>• Commercial production of fabricated metals, special industry machinery</li> <li>• Commercial &amp; small scale production of downstream iron &amp; steel, jewellery</li> </ul>
<b>ACQUACULTURE PROJECTS</b> <ul style="list-style-type: none"> <li>• Fish farming opportunities exist</li> <li>• Opportunities exist in abalone, finfish, atlantic salmon and seaweed farming</li> </ul>	<b>OIL &amp; GAS</b> <ul style="list-style-type: none"> <li>• Saldanha Bay IDZ is a focal point for the attraction of industries within the oil &amp; gas sector</li> <li>• Drilling, exploration, production and support services are all potential subsectors offering investment.</li> </ul>	<b>ICT</b> <ul style="list-style-type: none"> <li>• Software and IT services sector</li> <li>• Multiple ICT incubators &amp; accelerators in operation</li> <li>• Government core focus area</li> <li>• Fibre-optic network development</li> </ul>

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The Department of Trade and Industry (Dti) offer the national incentives presented below:

DTI KEY INCENTIVES		
INCENTIVE SCHEME	PURPOSE	QUALIFYING COSTS
<b>Manufacturing Competitiveness Enhancement Programme (MCEP)</b>	To promote investment in manufacturing within leading sectors.	Non-taxable grant calculated as a % of Manufacturing Value Added (MVA) and capped accordingly. Machinery, equipment, plant, commercial vehicles, land buildings
<b>Sector Specific Assistance Scheme (SSAS)</b>	Non-profit business organisations in sectors and sub-sectors of industries prioritised by the DTI.	Reimbursable 80:20 cost-sharing scheme whereby financial support is granted
<b>Clothing and Textile Competitiveness Improvement Programme (CTCIP)</b>	To build capacity among manufacturers and in other areas of the apparel value chain in South Africa. Such competitiveness encompasses issues of cost, quality, flexibility, reliability, adaptability and the capability to innovate.	Assists with training to improve business functions and operations.
<b>Support Programme for Industrial Innovation (SPII)</b>	To promote technology development in South Africa's industry, through the provision of financial assistance. Three schemes: SPII Product Process Development (PPD) Scheme; SPII Matching Scheme; and SPII Partnership Scheme.	Qualifying costs include: Personnel Related Costs; Travel Expenses (defined maximum); Direct Material; Capital Items and Tooling (pro rata); Software (not general software); Documentation; Testing and Trials; Licensing Costs; Quality Assurance and Certification; Patent Costs; and Subcontracting and Consulting.
<b>Manufacturing Investment Programme (MIP)</b>	Local and foreign-owned manufacturers who wish to establish a new production facility; expand an existing production facility; or upgrade an existing facility in the clothing and textiles sector.	A reimbursable cash grant. Qualifying assets: machinery and equipment, buildings, and commercial vehicles

DTI KEY INCENTIVES		
INCENTIVE SCHEME	PURPOSE	QUALIFYING COSTS
<b>12i Tax Incentive</b>	Improve capital stock in manufacturing sector including tobacco, alcoholic beverages, arms and ammunition, etc.	Tax allowance for investment and training.
<b>Automotive Investment Scheme (AIS)</b>	To grow and develop the automotive sector through investment in new and/or replacement models and components.	Owned buildings and/or improvements to owned buildings, and new and/or second hand or refurbished plant machinery, equipment and tooling.
<b>People-carrier Automotive Investment Scheme (P-AIS)</b>	To grow and develop people-carrier vehicles through investment in new and/or replacement models and components.	Owned buildings and/or improvements to owned buildings, and new and/or second hand or refurbished plant machinery, equipment and tooling.
<b>Critical Infrastructure Programme (CIP)</b>	Qualifying projects: Transport systems, Electricity and distribution systems, Telecommunications systems, Transmission systems, Sewage systems, Waste storage, disposal and treatment systems, Fuel supply systems.	A 70:30 cost-sharing grant scheme intended to leverage strategic investment projects (green and brown fields) by financially supporting infrastructure critical to such projects, enabling them to be established.
<b>Aquaculture Development and Enhancement Programme (ADEP)</b>	Stimulation of investment in aquaculture to increase production, create jobs, encourage geographical spread and broaden participation.	Machinery and equipment, bulk infrastructure, land and/or buildings, leasehold improvements, competitiveness improvement activities.
<b>Business Process Services (BPS)</b>	To attract investment and create employment through offshoring activities for back office processes, contact centres, finance and accounting services, human resource, IT and technical services etc.	A baseline incentive offering a 3-year operational expenditure on actual jobs created. A graduated bonus incentive which is offered for greater job creation paid once in the year in which the bonus level is first achieved.
<b>South Africa Film and Television Production and Co-production Incentive</b>	Feature films, Telemovies, Television drama series or miniseries, Documentary or documentary miniseries, or documentary feature, Animation, Digital content and Video gaming.	Offering financial support to South African productions and official treaty co-productions with budgets of at least R2.5 million.
<b>Foreign Film and Television production and Post-production Incentive</b>	To encourage and attract large-budget films and television productions and post-production work.	Incentive calculation is based on qualifying South African production and post-production expenditure.
<b>The Location Film and Television Production Incentive</b>	Created to attract big-budget overseas film and television productions.	Offers a 15% rebate to foreign-owned productions with a South Africa spend of minimum R12 million (approximately US\$1.5 million).
<b>BPO&amp;O Investment Incentive and Training Scheme</b>	To attract BPO investment and create employment opportunities and skills development. The incentive is applicable to 1) Registered legal entities in South Africa, 2) Approval for investment projects to proceed has been obtained 3) Offshoring activities only There are specific criteria that projects must meet in order to qualify.	An investment incentive grant ranging from R37, 000 and R60, 000 per seat. A Training and Skills Support Grants which covers the costs of company specific training, to a maximum of R12, 000 per agent. The incentives are under review and subject to change April 2014.

The City of Cape Town has developed incentives specific to demarcated locations; which are predominantly geared towards industry support and investor attraction. In November 2013, a new investment incentive scheme was rolled out beginning in Atlantis. The focus industries are in green industries and oil and gas processing. The tables below give some information on investment incentives in Cape Town.

CITY OF CAPE TOWN ATLANTIS INVESTMENT INCENTIVES 2013/2014			
MEASURE		DESCRIPTION	ELIGIBILITY
NON-FINANCIAL INCENTIVES			
1	<b>Atlantis Programme Manager and Investment Facilitation Unit</b>	Services: 1) One-stop-shop investment function, 2) Management of MURP/SRA, 3) Targeted marketing and promotion, 4) Facilitate access to other government incentives	Available to all new and existing investments in the Atlantis Industrial Area
2	<b>Fast tracking of development applications</b>	All land use and building plan applications in the industrial area for complete submissions, all EIAs (subject to DEADP agreement). Time frame commitments: <ul style="list-style-type: none"> <li>EIA decision (Province): 2 months</li> <li>Land use planning application: 3 months</li> <li>Building plan approval: 5 days</li> </ul>	Available to all new investments in the Atlantis Industrial Area that require EIAs, Land use planning applications, Building plan approval
3	<b>Biodiversity offsets</b>	Apply where environmental impact authorisation in industrial areas requires biodiversity conservation.	Applicable where RoD is conditional on biodiversity offsets
FINANCIAL INCENTIVES			
1	<b>Exemption from application fee</b>	Applicable to land use and building plan application fees.	Available to all new and existing investments in the Atlantis Industrial Area that require Land use applications and Building plan approval
2	<b>Development contribution (DC) deferral/debt write off</b>	Applicable with respect of both civil and electrical DCs where enhanced development rights are granted <ul style="list-style-type: none"> <li>The DC debt will be calculated and Acknowledgement of Debt (AoD) signed</li> <li>The AoD will become due after 24 months</li> <li>Debt will be written off upon verification that employment targets are met</li> <li>Full value of the debt is payable where employment targets are not met</li> </ul>	Applicable to all new investments or expansions of existing facilities that attract DCs. The incentive will only be available for a specified number of applicants on First-come-first-serve basis, and Use-it-or-lose-it basis
3	<b>Electricity tariff subsidy</b>	"Time of Use" tariff for Atlantis will remain at the 2012/2013 level and not increase in the following year. This will be reviewed annually	Applicable to all new investments or expansion of existing facilities that will use the "Time of Use" tariff.
ATLANTIS GREEN INDUSTRIAL TECHNOLOGY PARK INCENTIVES			
MEASURE		DESCRIPTION	ELIGIBILITY
1	<b>Competitive lease offer and financial incentives</b>	Attractive leasing and rates for prospective tenants and developers: <ul style="list-style-type: none"> <li>Land is available for ZAR33 – ZAR180 per m<sup>2</sup></li> <li>Leases in multiples of 5 years up to 30 years</li> <li>Rental review periods may be negotiated providing security of tenure.</li> </ul> Option to purchase after a 5, 10 or 15 year period, or upfront.	Renewable or green industry manufacturing business
2	<b>Fast tracked application process</b>	A clear and transparent application process for interested parties.	Renewable or green industry manufacturing business
3	<b>Environmental Exemption</b>	The delineated sites were awarded an Environmental Authorization and Exemption in January 2013.	Renewable or green industry manufacturing business

Source: City of Cape Town. 2014

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