10TH SURVEY OF GERMAN ENTERPRISES IN SOUTH AFRICA

VIEWS, OPINIONS, JUDGEMENTS, INTENTIONS AND CONSIDERATIONS WITH REGARD TO POLITICS AND ECONOMY

BY
DR. GÜNTER PAST

CAPE TOWN
SEPTEMBER 2008

FOREWORD

The Southern African-German Chamber of Commerce & Industry has been conducting surveys of German enterprises for more than fifteen years, starting in December 1993/January 1994 in the dying months of apartheid continuing ever since on a regular basis.

The surveys were conducted as follows:

- 1st Survey 12/93 – 01/94
- 2nd Survey 07/94 – 08/94
- 3rd Survey 06/95 – 07/95
- 4th Survey 05/97 – 06/97
- 5th Survey 07/98 – 08/98
- 6th Survey 04/00 – 05/00
- 7th Survey 05/02 – 06/02
- 8th Survey 05/04 – 06/04
- 9th Survey 05/06 – 06/06
- 10th Survey 08/08 – 09/08

HIGHLIGHTS

- The **number** of questionnaires sent back **(97)** was smaller compared to most previous surveys (1:138; 2:102; 3:110; 4:141; 5:168; 6:140; 7:127; 8:95; 9:69).

- The **overall result** of the 10th survey is more negative than most previous surveys.

- Since the last survey there has been a significant volume of new **investments** made and **jobs** created; there is a remarkable commitment to further **investments.**

- The confidence in **Government** has dropped further and two areas have continued to drift from positive assessments in the past (until 2004) into the negative, namely:
  - Cheap and reliable supply of electricity
  - Maintenance of transport infrastructure.

- **BEE** appears to be of great concern to many respondents with
  - almost one third indicating that this might get them out of business and
  - almost every second complaining about the costs involved without tangible benefits.

NOTE

The following graphs show the results of the last four surveys:

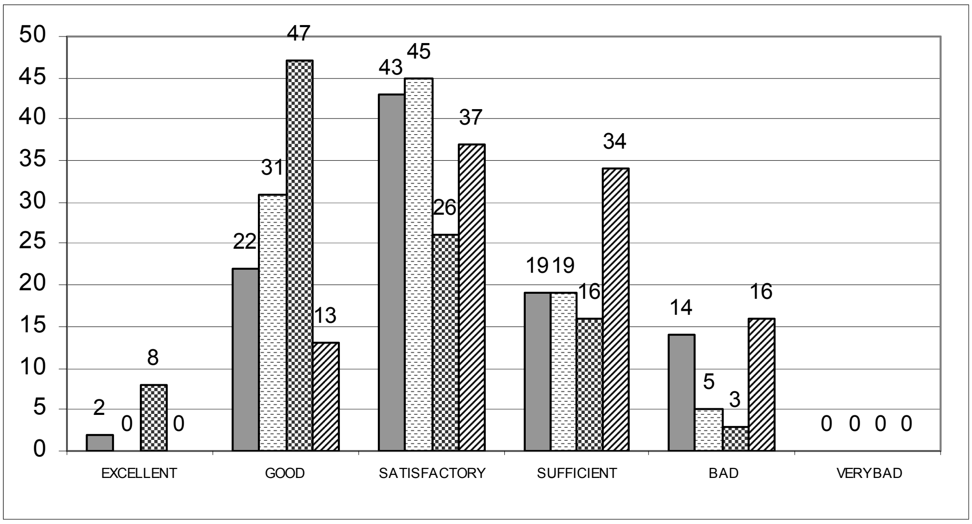
Left beam	Seventh survey	(May/June 2002)
Left middle beam	Eighth survey	(May/June 2004)
Right middle beam	Ninth survey	(May/June 2006)
Right beam	Tenth survey	(August/September 2008)

The results are shown as percentage of respondents unless stated otherwise.

1. ASSESS YOUR VIEW OF THE ECONOMIC CLIMATE

1.1 Currently in South Africa

1.1.1 Results

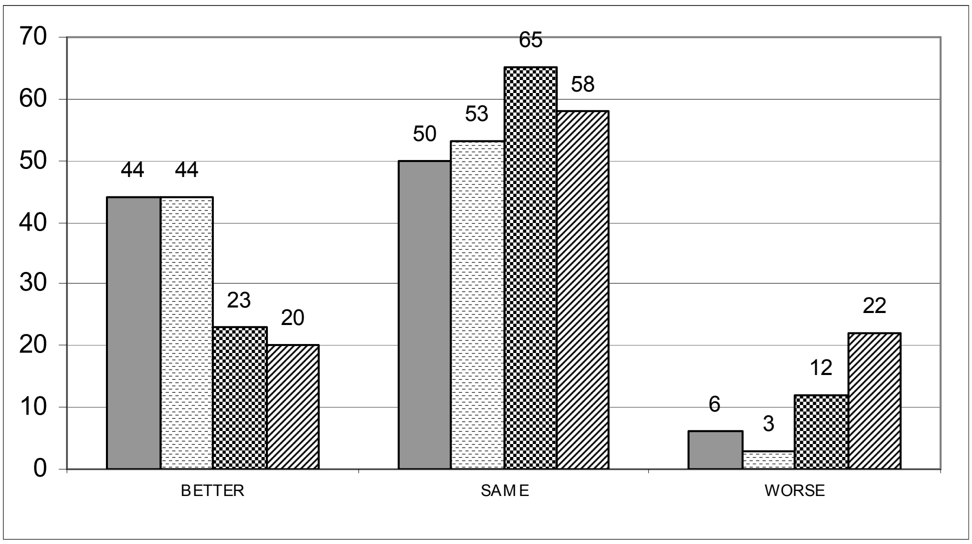


1.1.2 Comments

When one assumes the rating from *excellent* to *sufficient* as positive and *bad* to *very bad* as negative the development in the assessment from the first survey in December '93/January '94 to the current one shows the following results:

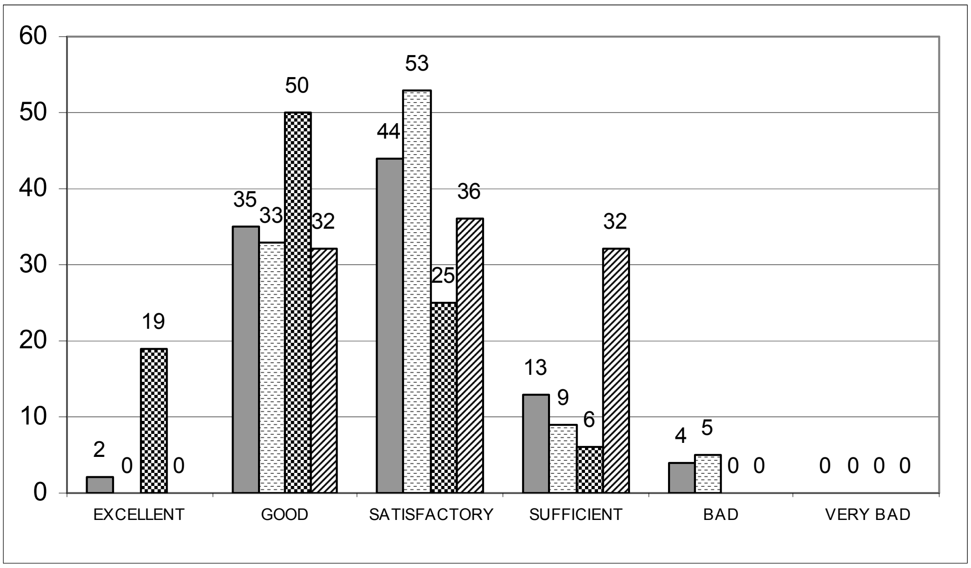
- First survey 58% positive - 42% negative
- Second survey 81% positive - 19% negative
- Third survey 90% positive - 10% negative
- Fourth survey 86% positive - 14% negative
- Fifth survey 50% positive - 50% negative
- Sixth survey 86% positive - 14% negative
- Seventh survey 86% positive - 14% negative
- Eighth survey 95% positive - 5% negative
- Ninth survey 97% positive – 3% negative
- Tenth survey 84% positive – 16% negative

1.2 Prospects for South Africa

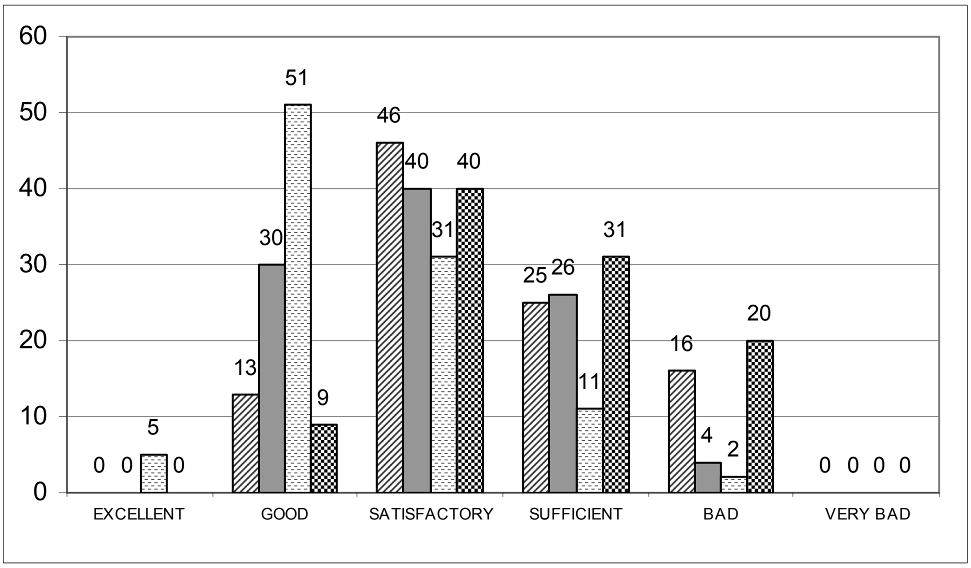


1.3 Analysis

1.3.1 Current rating of those with better prospects (in percent)



1.3.2 Current rating of those with same prospects (in percent)

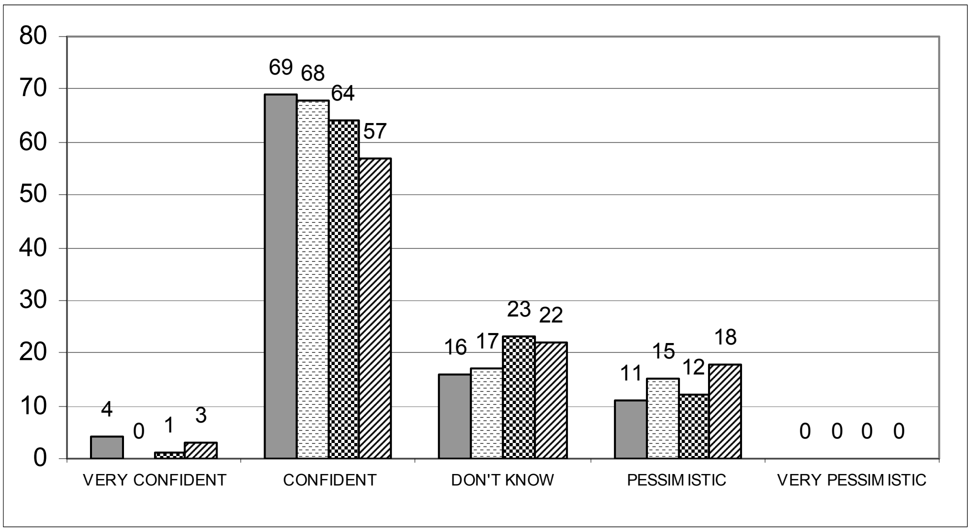


1.4 Conclusions

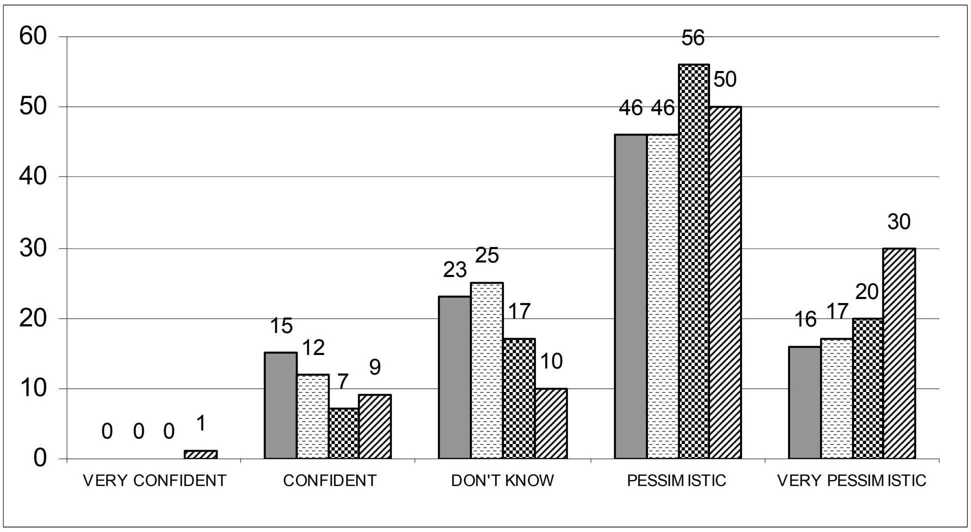
Out of **all** respondents, **24** must be regarded as having a negative view in general. They believe, the current situation is bad/very bad and will remain the same or even might get worse **or** they see the situation currently as only sufficient, but believe it will get worse.

2. CONFIDENCE IN THE EXISTENCE OF BASIC POLITICAL STRUCTURES IN SOUTH AFRICA

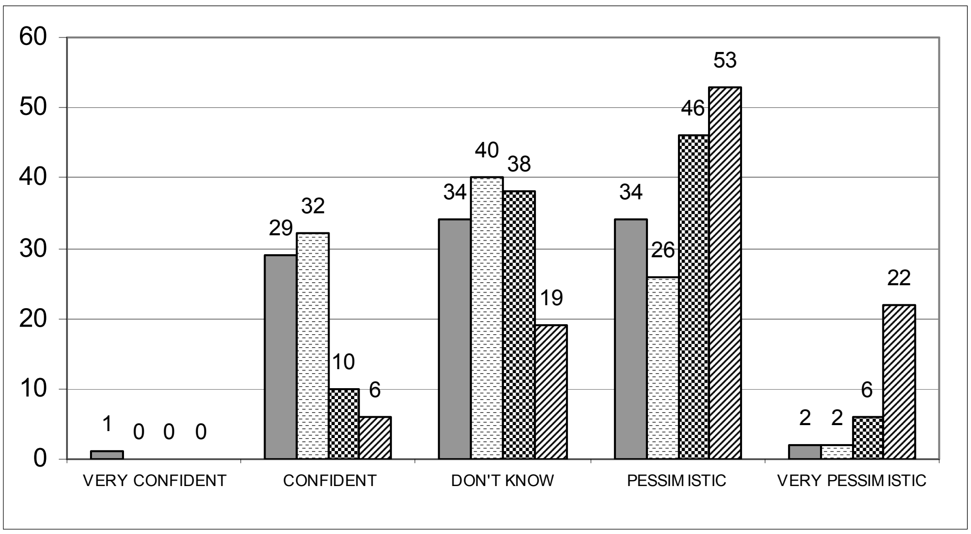
2.1 Market driven economy



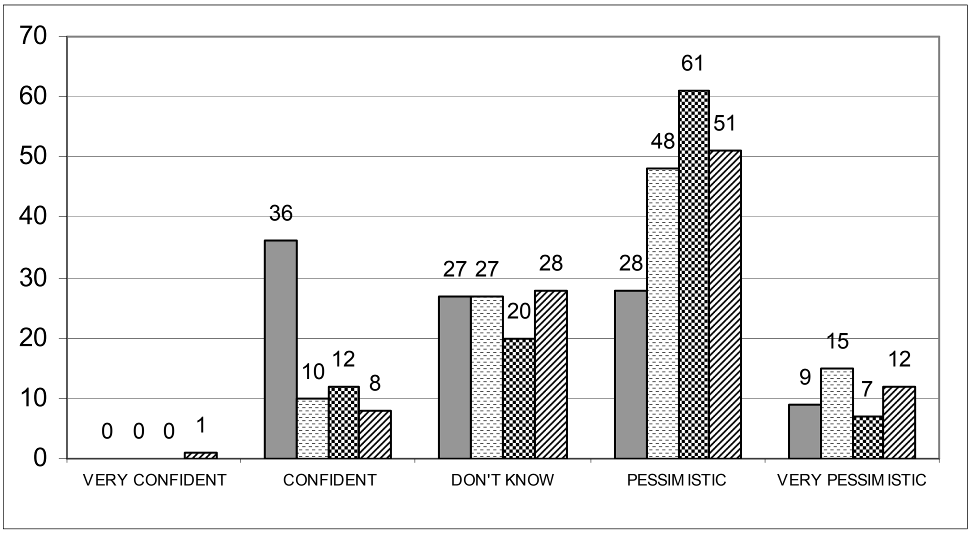
2.2 Decrease of violence and crime



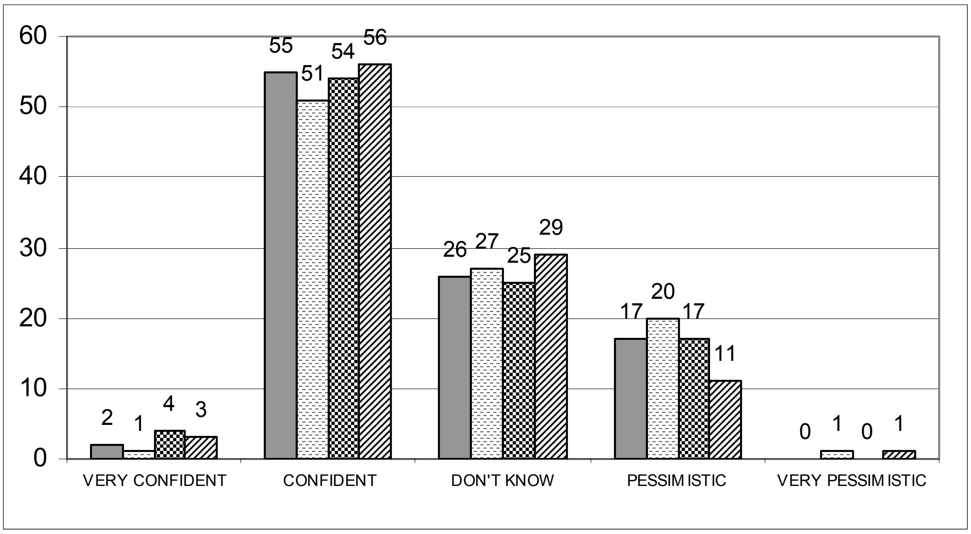
2.3 Reliability of political leaders



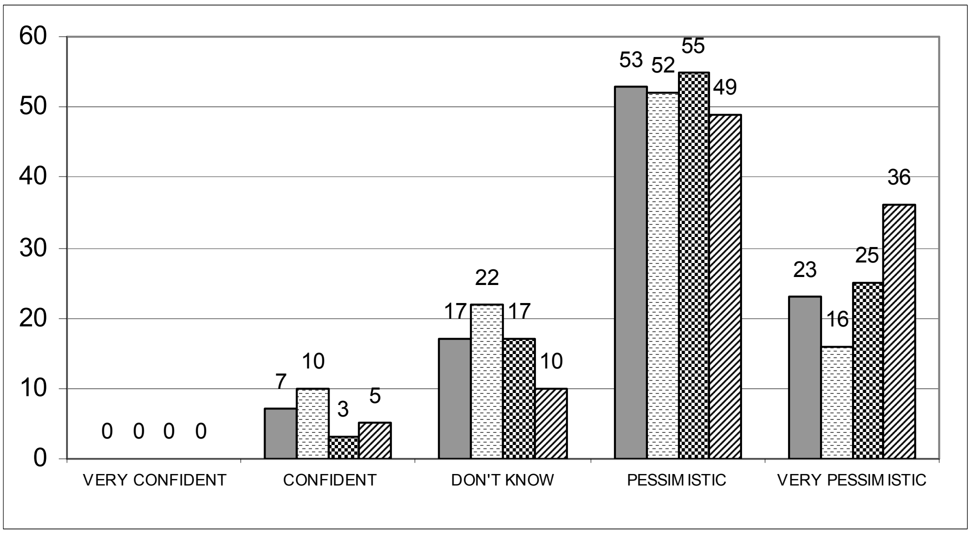
2.4 Fair labour regulations



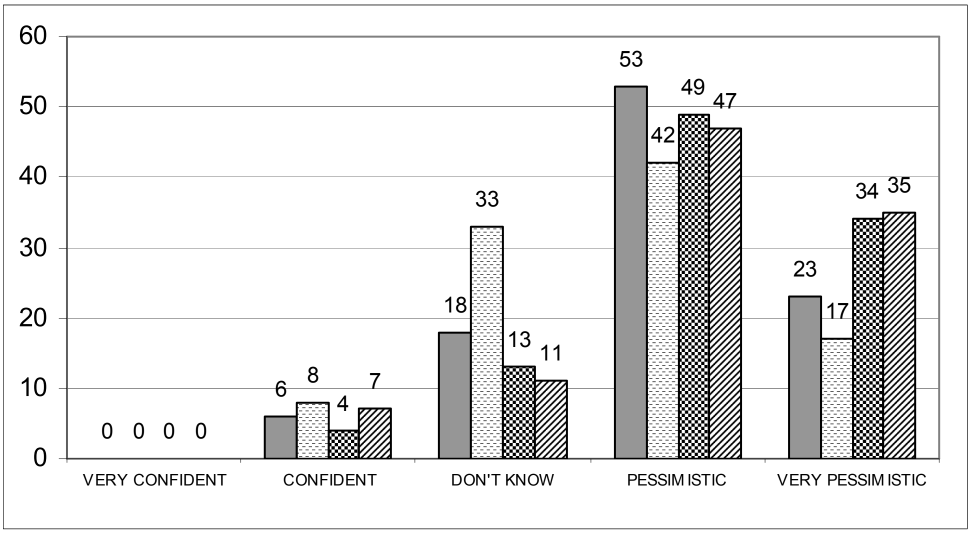
2.5 Balanced taxation of company profits



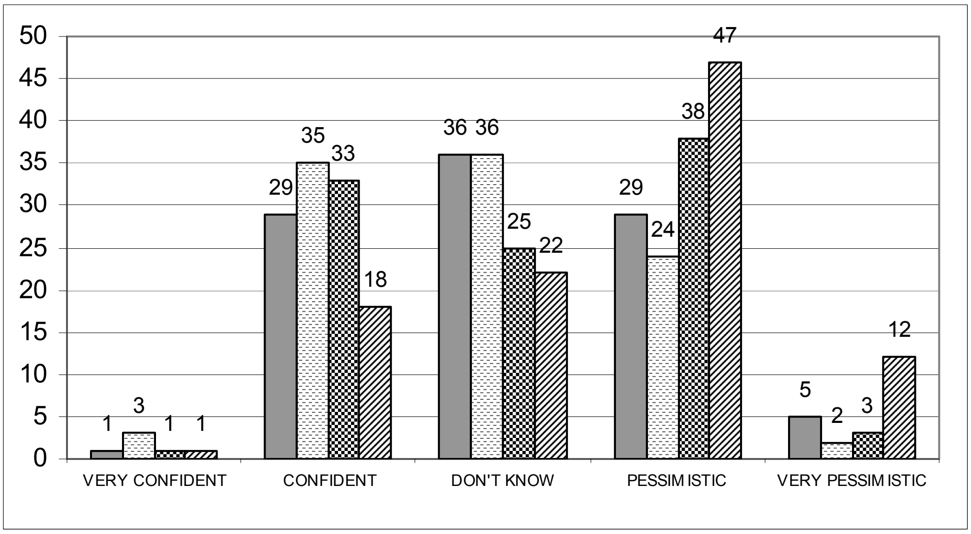
2.6 Absence of corruption



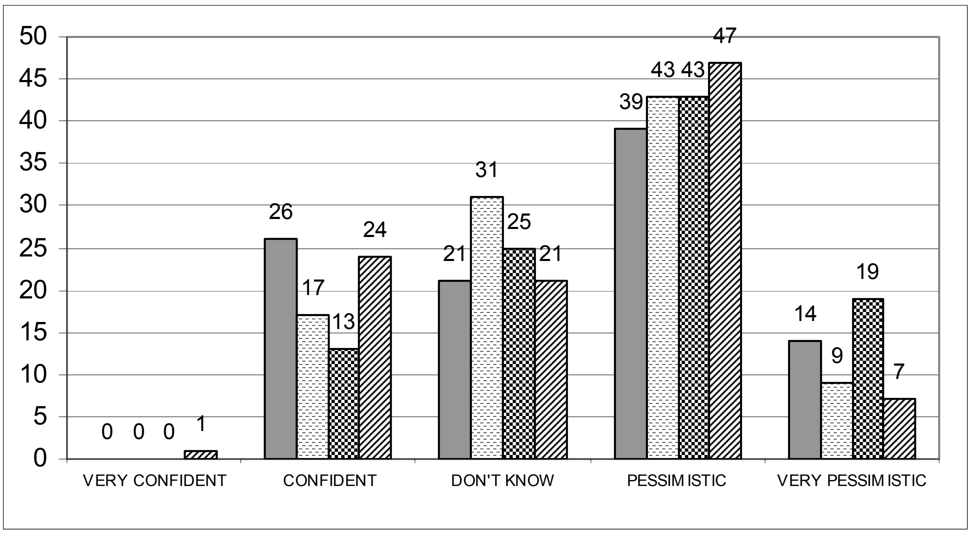
2.7 Competent civil service



2.8 True democracy of western standards



2.9 Equal chances for foreigners



2.10 Comments

As in the past the majority indicated **no confidence** with regard to the following subjects (percentage figures: pessimistic/very pessimistic):

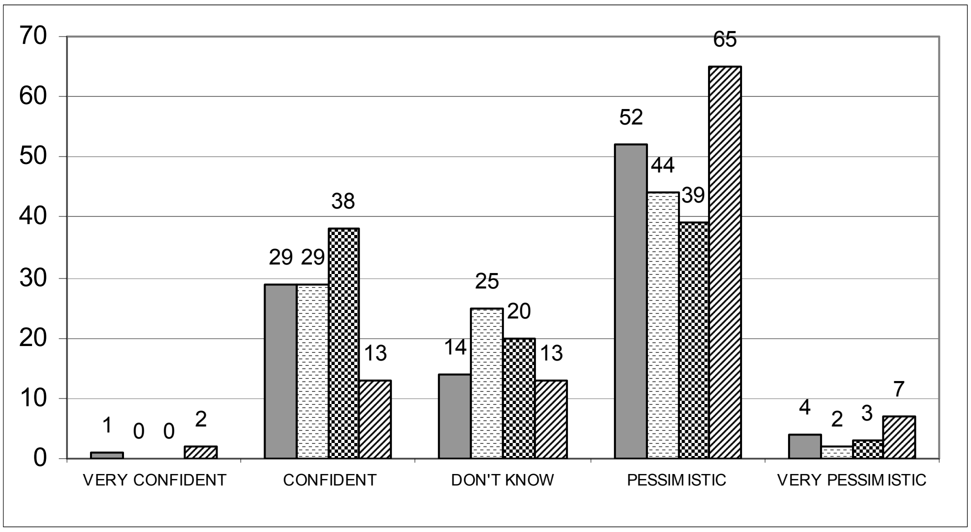
- Absence of corruption 85%
- Competent civil service 82%
- Decrease of violence and crime 80%
- Reliability of political leaders 75%

Strong **positive views** are - again - there for the following aspects of confidence (percentage figures: very confident/confident):

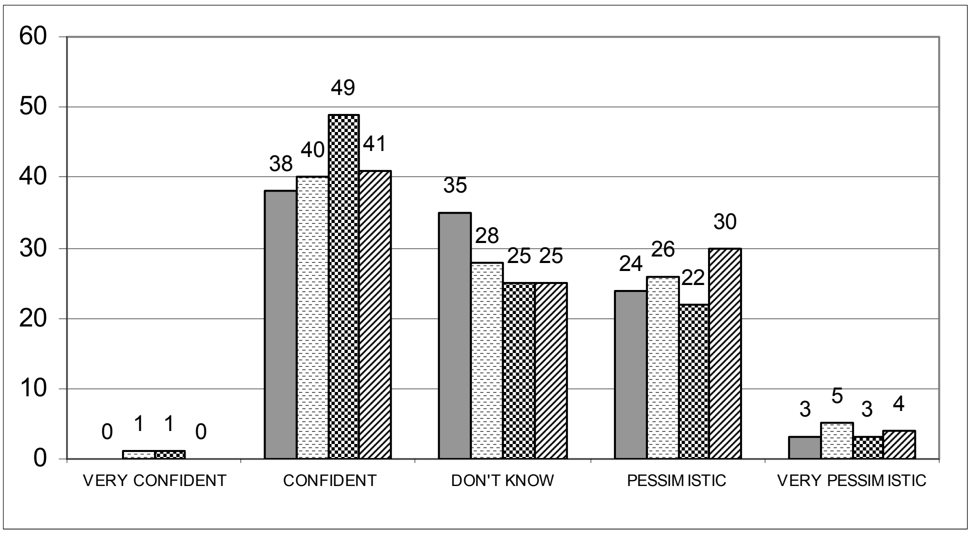
- Market driven economy 60%
- Balanced taxation 59%

3. CONFIDENCE IN THE EXISTENCE OF BASIC ECONOMIC STRUCTURES IN SOUTH AFRICA

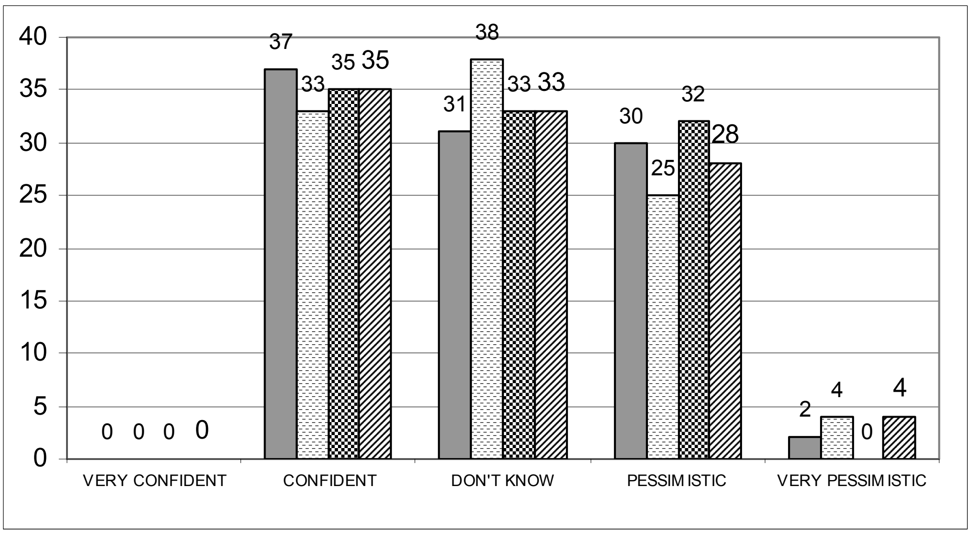
3.1 Higher productivity of work force



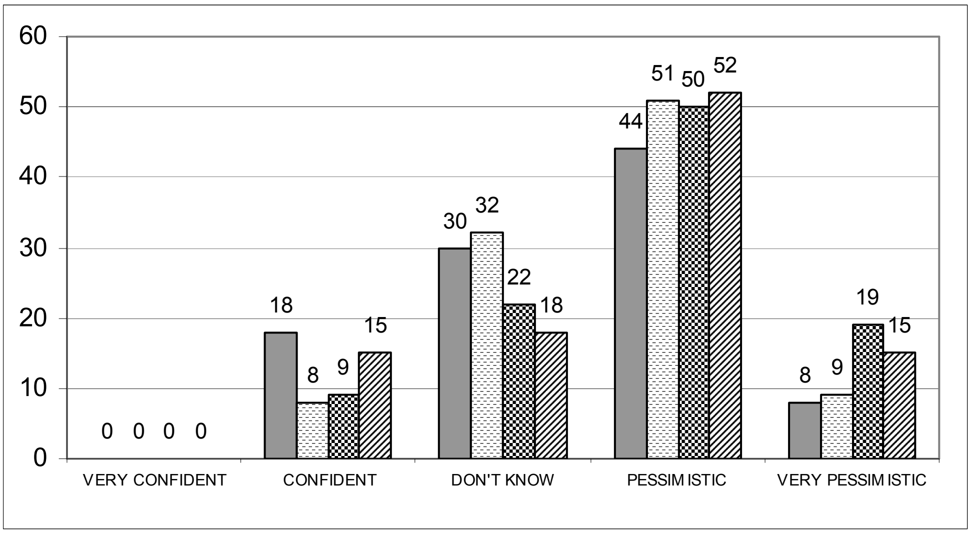
3.2 Free transfer of funds abroad



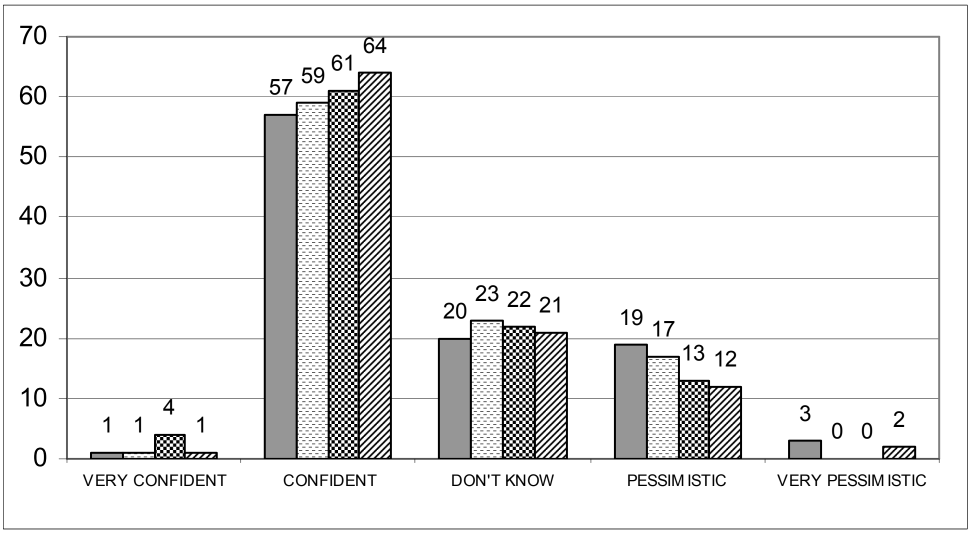
3.3 Incentives for investments



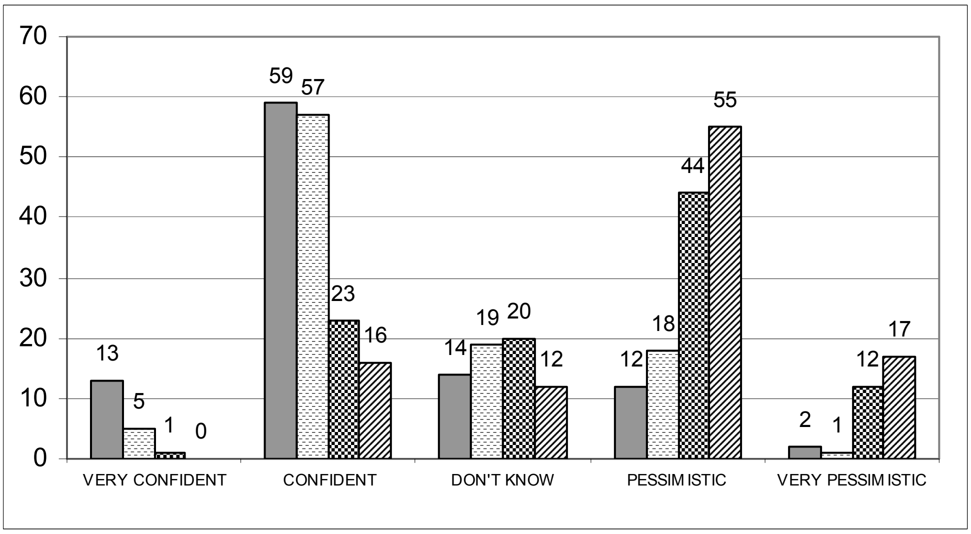
3.4 Accountable labour unions



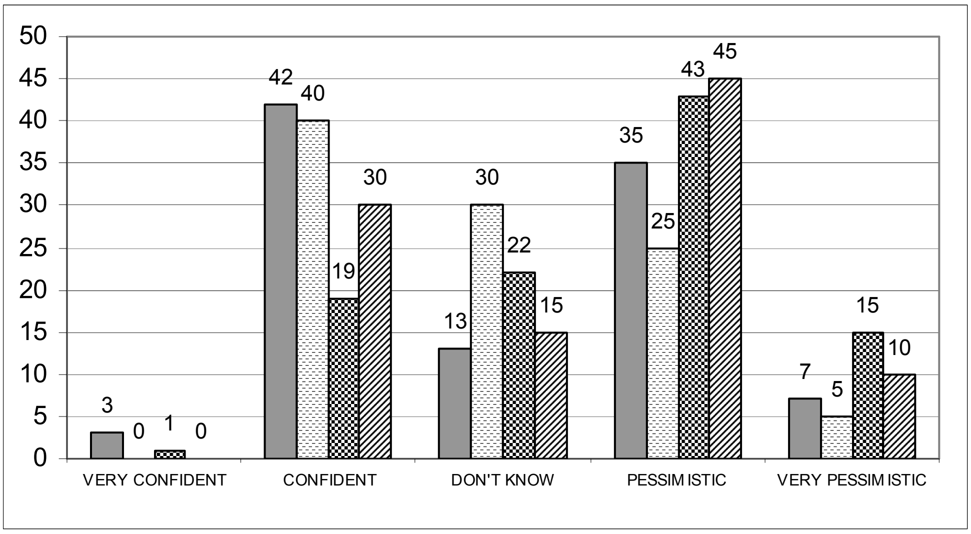
3.5 Reasonable return on investment



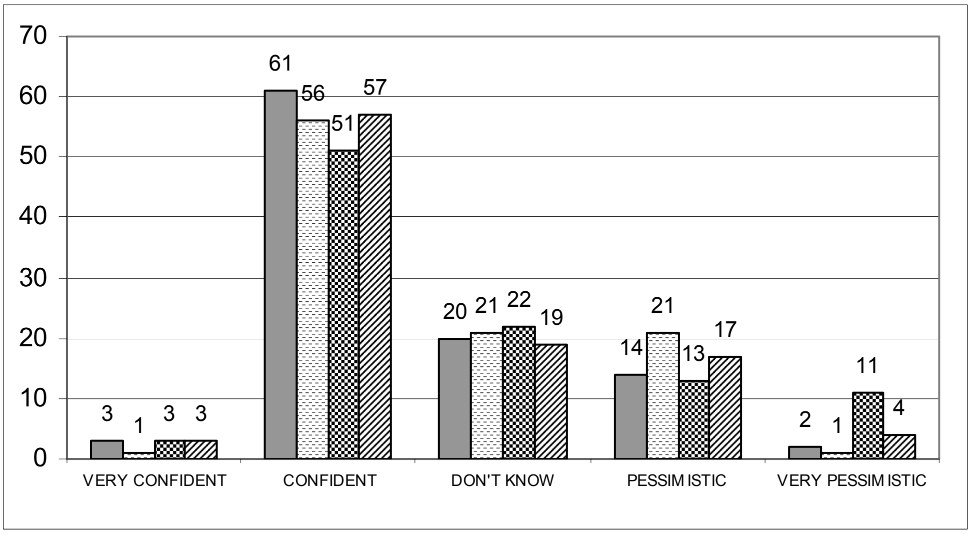
3.6 Cheap and reliable supply of electricity



3.7 Maintenance of transport infrastructures



3.8 Free competition



3.9 Comments

The overall picture shows that there is generally more confidence in most areas of the economic framework than in the political structures.

3.9.1 Positive results (percentage figures: very confident/confident)

- Reasonable return on investment 65%
- Free competition 60%

On these two subjects not much has changed in comparison to the previous surveys where these subjects were always showing positively.

3.9.2 Negative results (percentage figures: pessimistic/very pessimistic)

There were previously always two subjects, which topped the weak points, namely

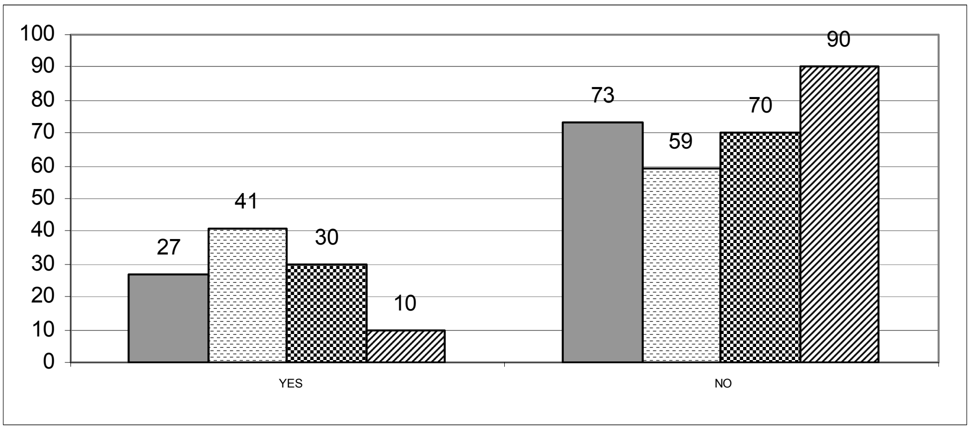
- Productivity of work force 72%
- Accountable labour unions 67%

There are two areas indicating a remarkable shift towards negative perceptions compared to surveys until 2004 (in brackets: survey 2004):

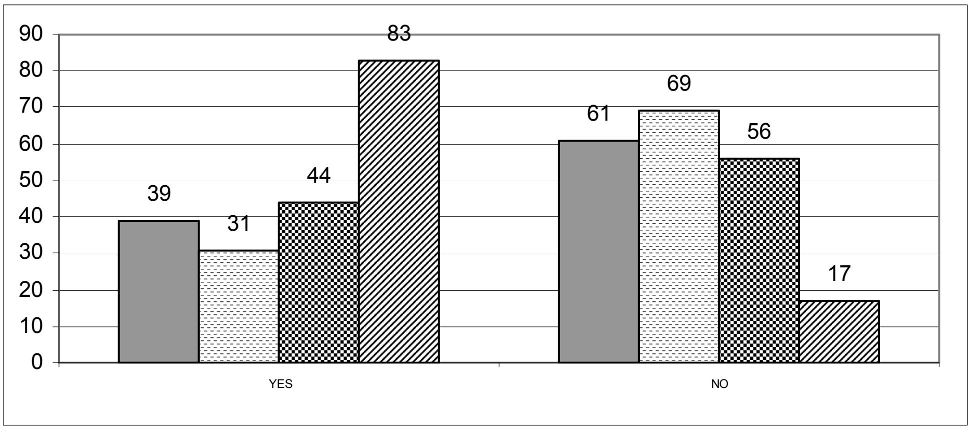
- Cheap and reliable supply of electricity 72% (19%)
- Maintenance of transport-infrastructure 55% (30%)

4. CHANGE OF PREVIOUS VIEWS AND CONSIDERATIONS

4.1 Increase in confidence in Government (since 06/2004)

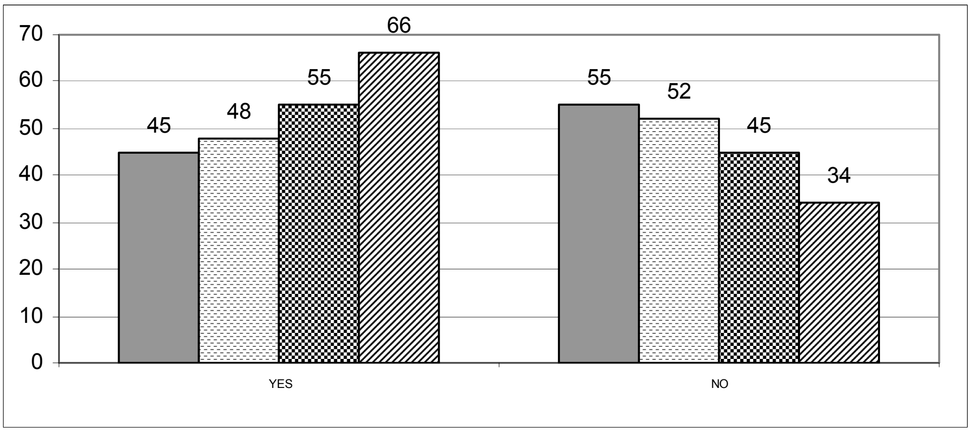


4.2 Decrease in confidence in Government (since –6/2004)

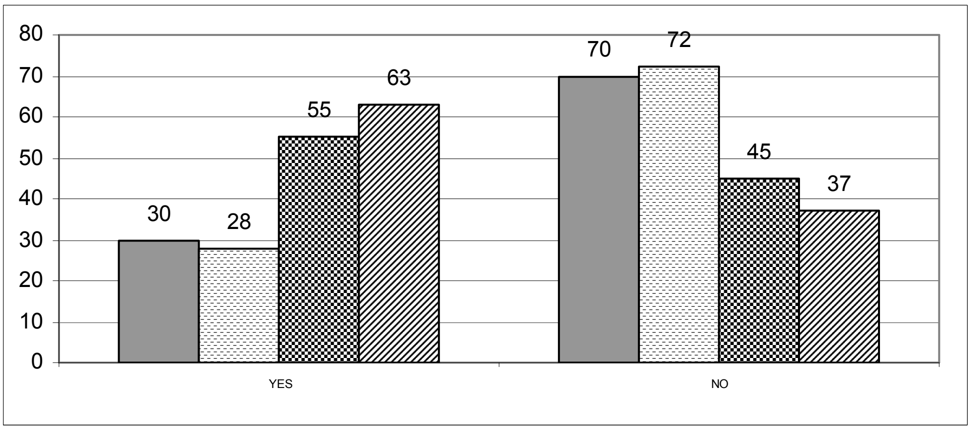


A cautious comment: It appears that an alarming number of respondents is lacking confidence in the South African Government, but at the same time seem to be convinced that the economic situation and the framework for business will be largely unaffected by politics.
And these negative sentiments seem not to have affected new investments and the creation of jobs (see below 4.3 + 4.4).

4.3 Investments have been made (since 06/2004)

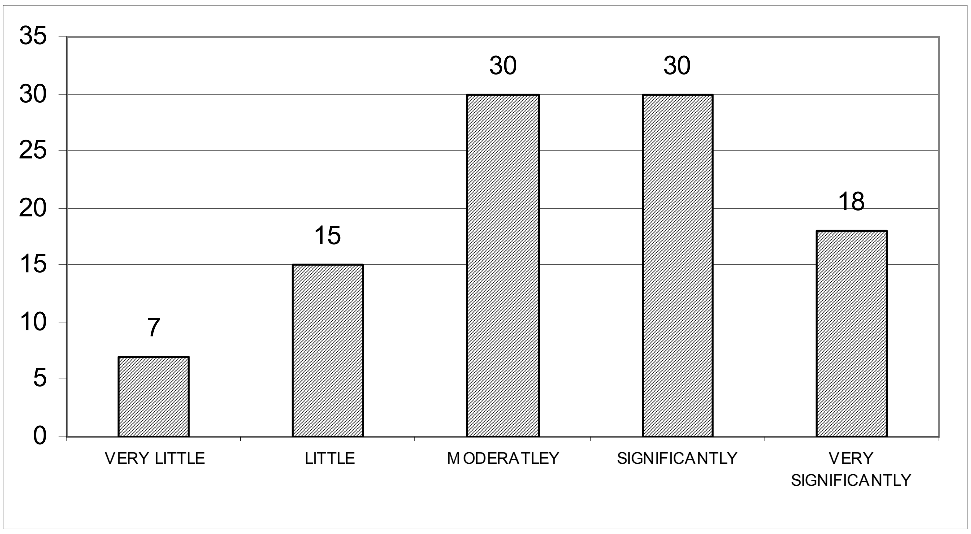


4.4 Jobs have been created (since 06/2004)

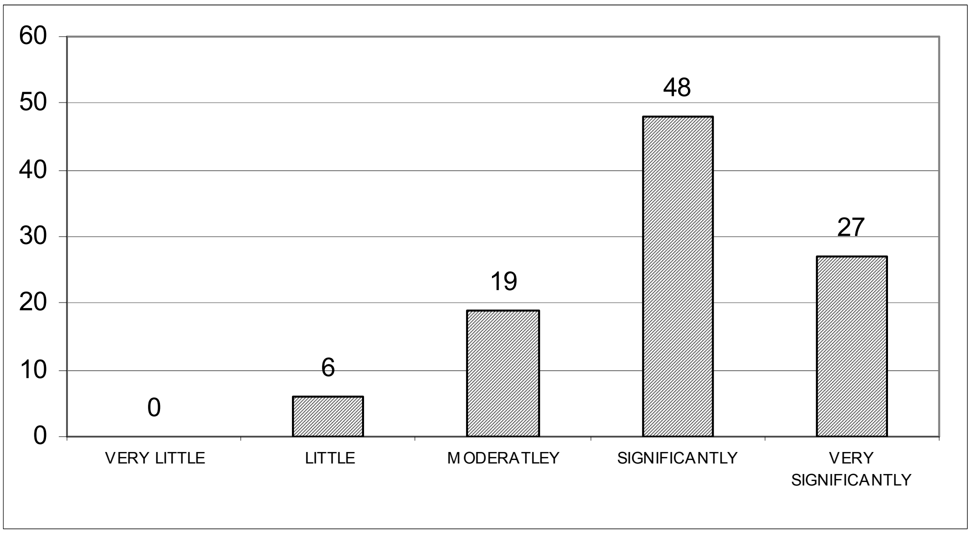


5. **INDICATE HOW THE POLITICAL AND ECONOMIC SITUATION IN ZIMBABWE AFFECTS SOUTH AFRICA**

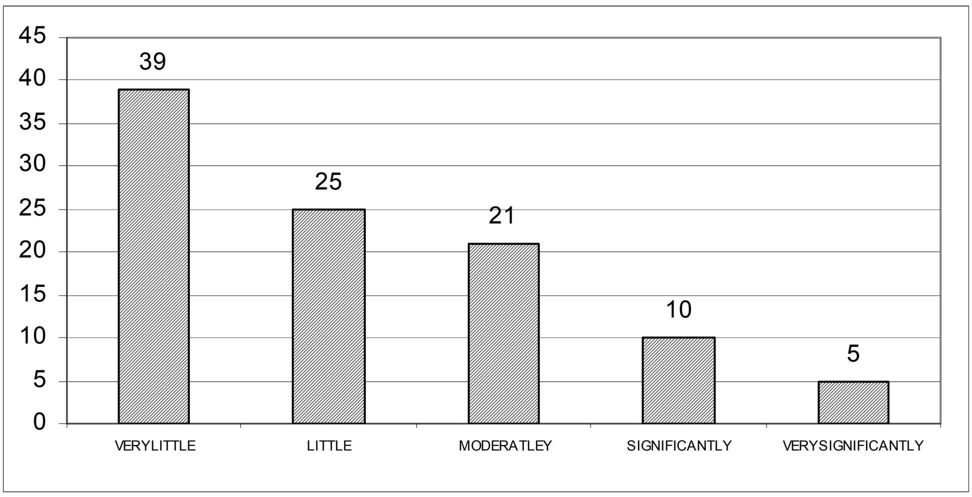
5.1 Economical Impact on SA



5.2 Political Impact on SA

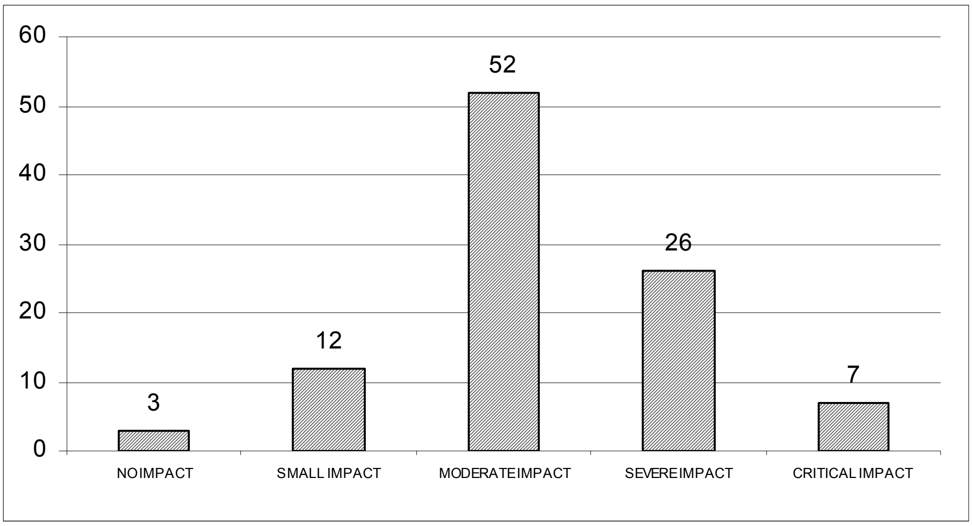


5.3 Impact on Your Business

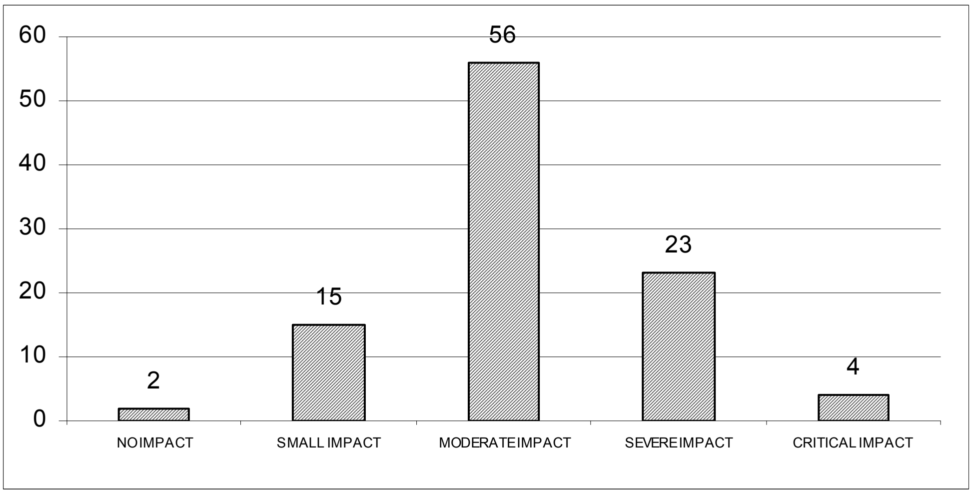


6. **INDICATE THE IMPACT A MODERATE CHANGE OF THE FOLLOWING ECONOMIC CONDITIONS WOULD HAVE ON YOUR BUSINESS**

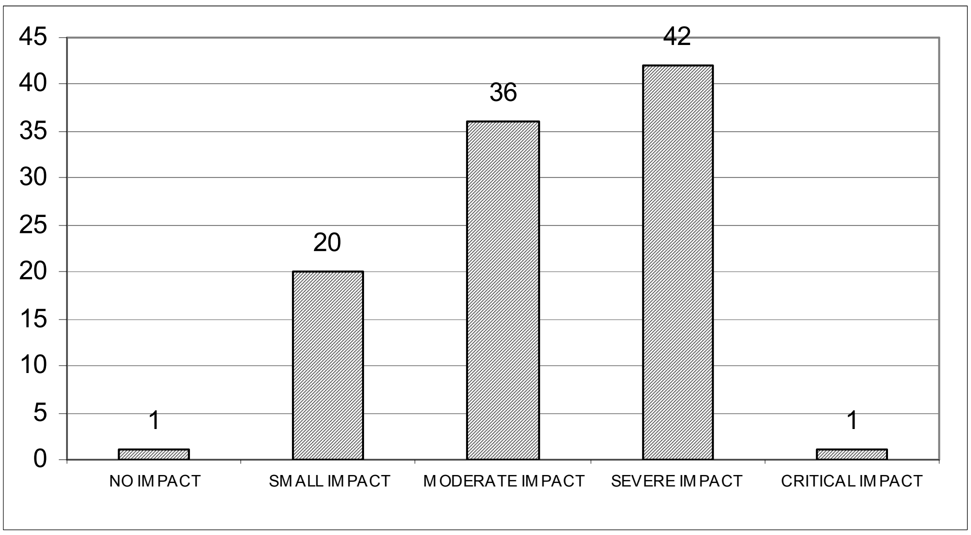
6.1 Increase of the inflation rate



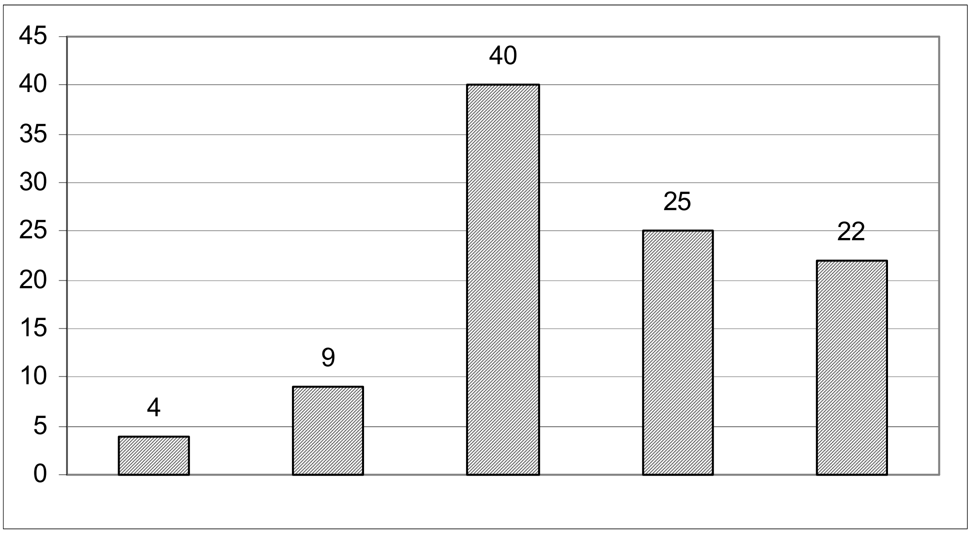
6.2 Increase of the Consumer Price Index



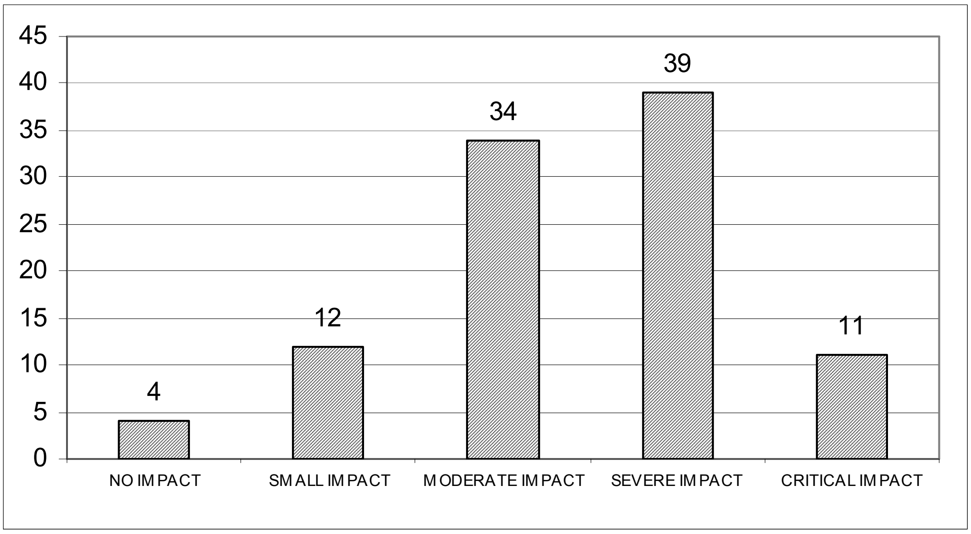
6.3 Decrease of the GDP growth



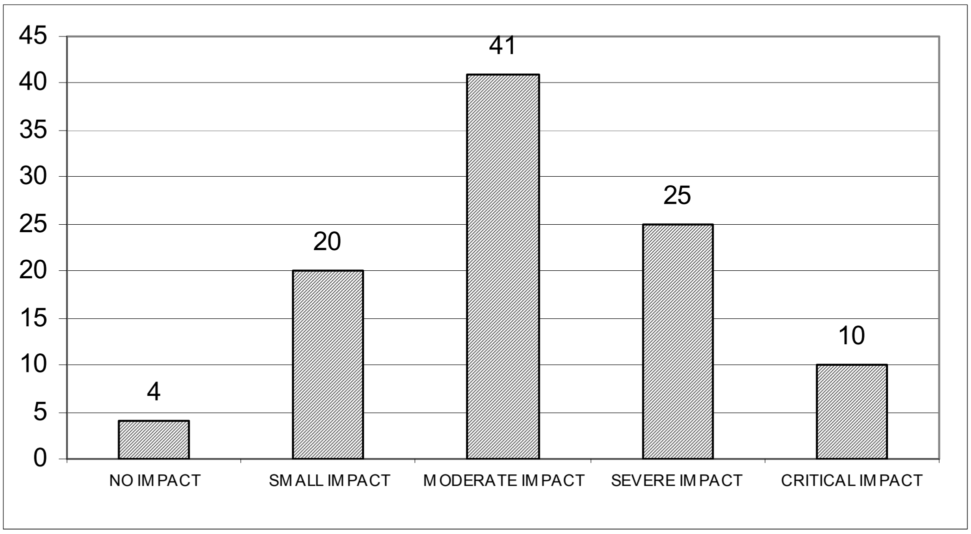
6.4 Decrease of the value of the ZAR vs. the EURO



6.5 Increase of Oil and Other Fossil Fuel Prices

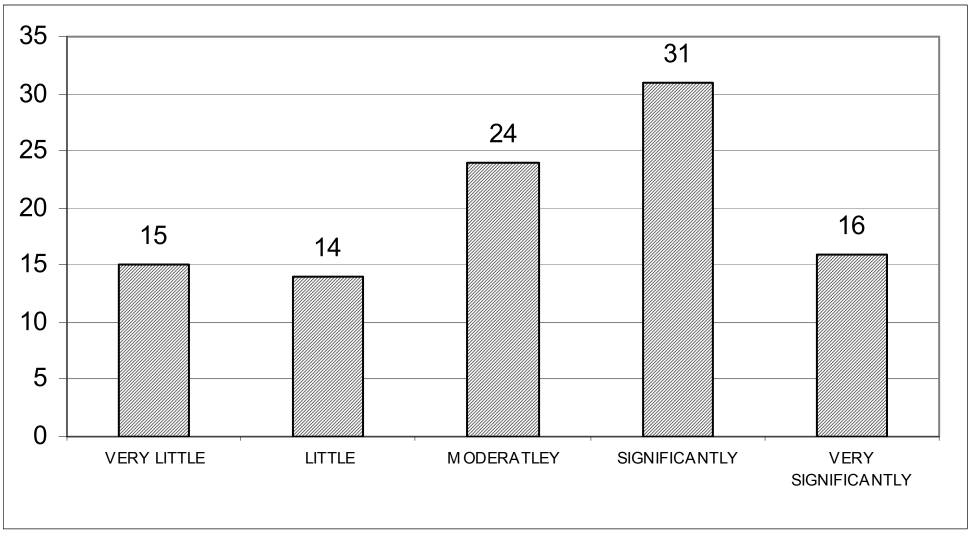


6.6 Increase of the Electricity Prices

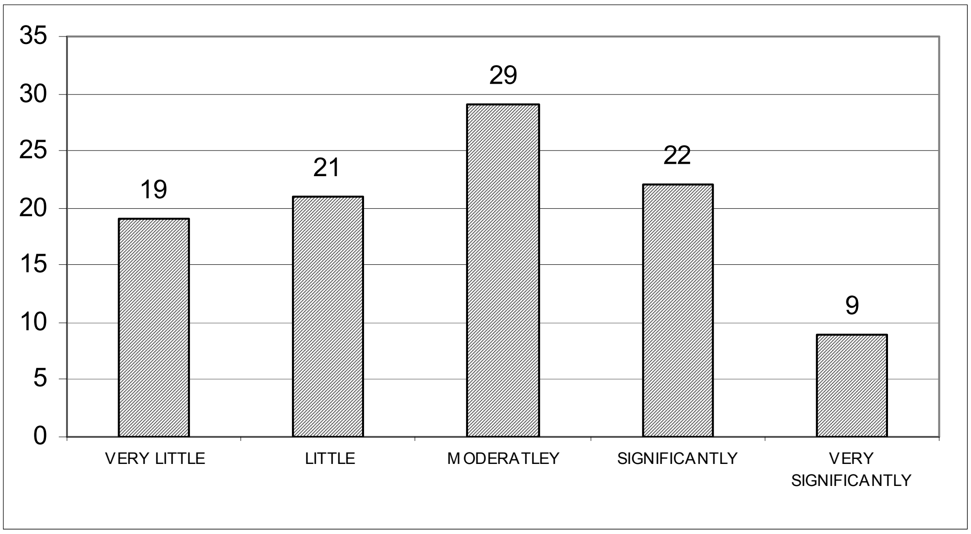


7. **INDICATE HOW THE PASSING OF THE "EXPROPRIATION BILL" IN ORDER TO EXPROPRIATE LAND WILL EFFECT YOUR BUSINESS AND SOUTH AFRICA**

7.1 Future Investments in South Africa

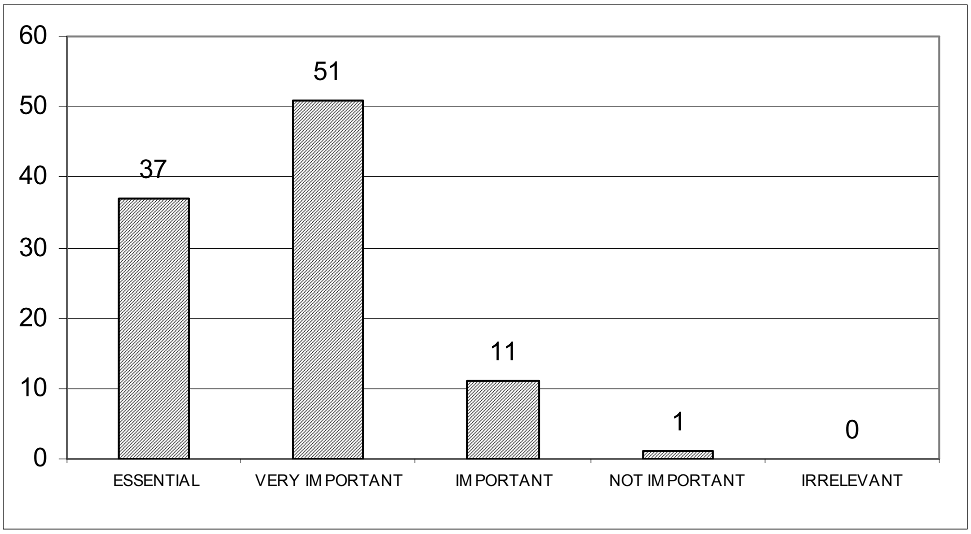


7.2 Your Company and its Future Investments

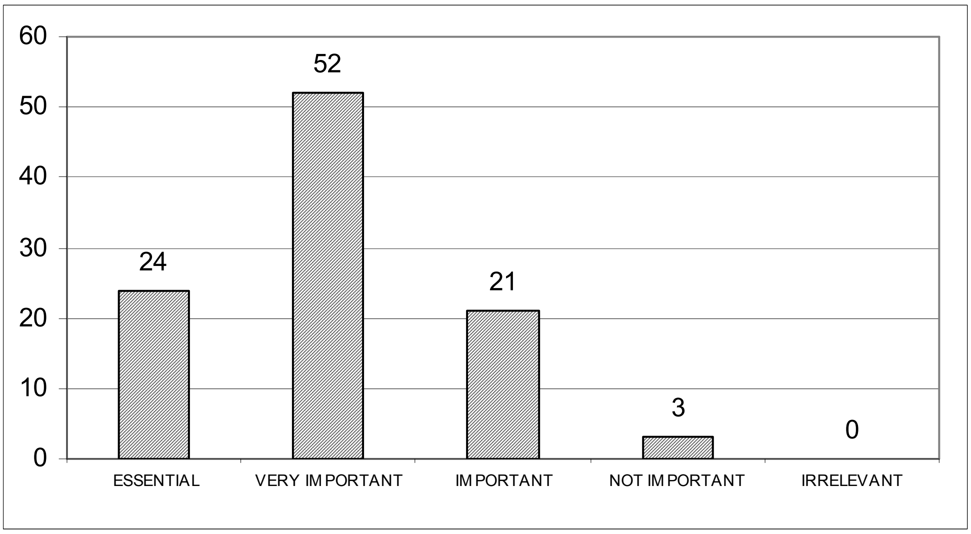


8. **INDICATE WHAT EFFECT THE FIFA-WORLD CUP 2010 WILL HAVE ON**

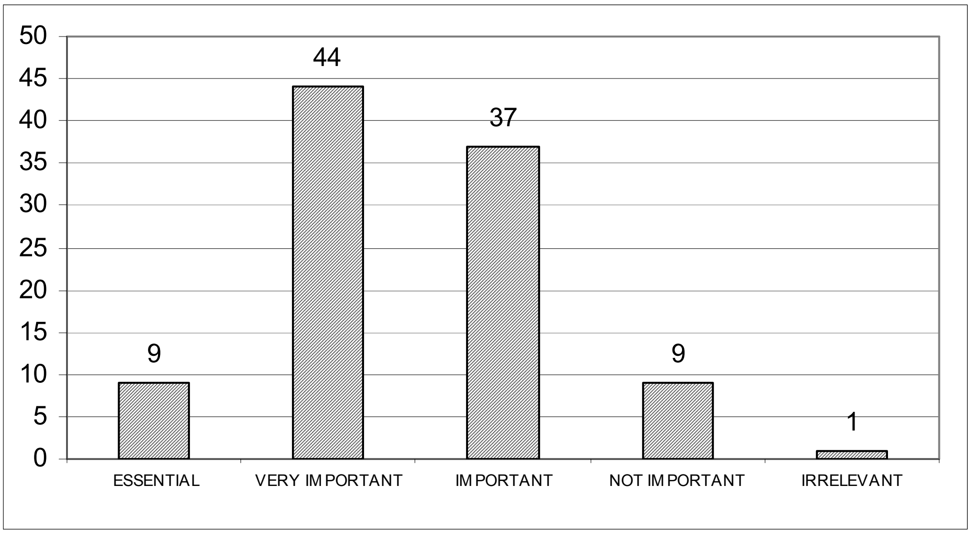
8.1 Image of South Africa



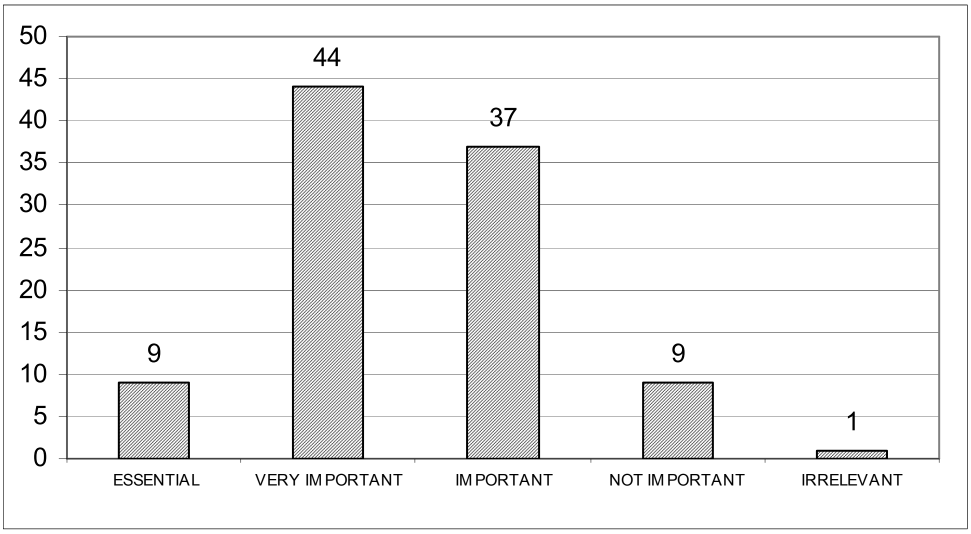
8.2 Development of Infrastructure in South Africa



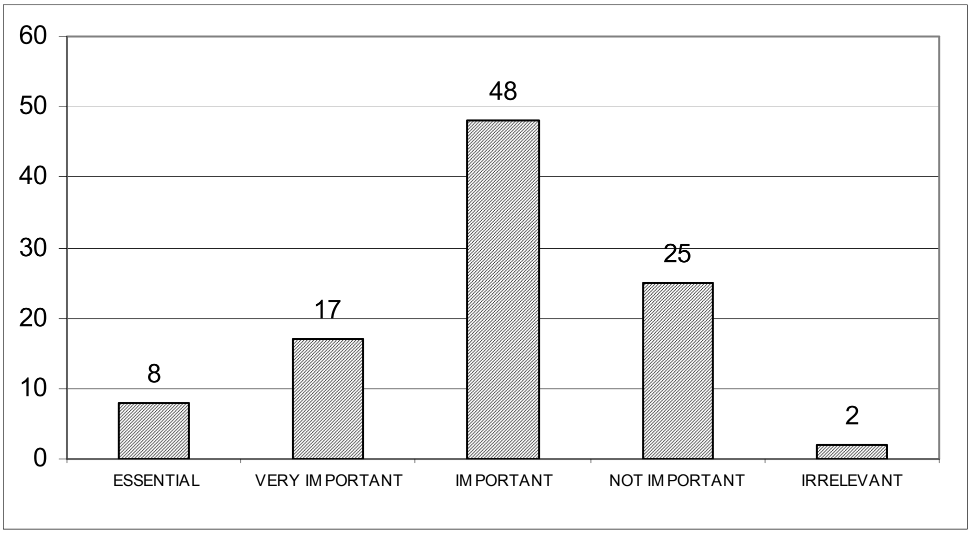
8.3 Economic Growth Before 2010



8.3 Economic Growth Before 2010



8.4 Your Business



9. BLACK ECONOMIC EMPOWERMENT

BEE as currently proposed by the Codes of Good Practice is a

9.1	Positive Development for the South African Economy	**32**
9.2	Positive Development for our Business	**19**
9.3	Costly Exercise with no tangible advantages for our Business	**48**
9.4	Political Development which has the potential to force us out of Business	**29**

The figures show the number of **respondents**; some ticked more than one statement.

10. INVESTMENT CLIMATE – BIGGEST CONCERNS

10.1 Indicate the Volume of Investments made in the past and planned for the Future

The results should be noted with caution, as app. one third of the respondents – amongst them major corporations - did not disclose details. Furthermore one has to take note of the fact that less than 15% of the enterprises surveyed sent back the questionnaire.

The figures are as follows:

- Made app. ZAR 6.500 m
- Planned for the future app. ZAR 800 m

10.2 What impact have the following issues had on you business?

The figures show the number of **respondents** (in brackets: last survey 2006).

	Worker Skills	Macro-economic Stability	Labour Regulation	Crime
very significant	39 (26)	19 (3)	10 (14)	36 (23)
significant	42 (25)	44 (21)	35 (24)	36 (22)
moderate	8 (11)	23 (29)	37 (14)	17 (17)
little	5 (5)	7 (10)	13 (11)	6 (5)
very little	2 (2)	2 (6)	1 (6)	1 (2)

NOTE

The author is a German lawyer and director of Pabst & Pabst Consulting CC

7 Greenwich Grove
Station Road
Rondebosch
7700
SOUTH AFRICA

Tel: (021) 686 9260
Fax: (021) 685 6376
E-mail: ppconsa@iafrica.com
Web-site: www.pabst-consult.com