



## FDI inflows into the Western Cape

19 February 2020

## 1. Introduction

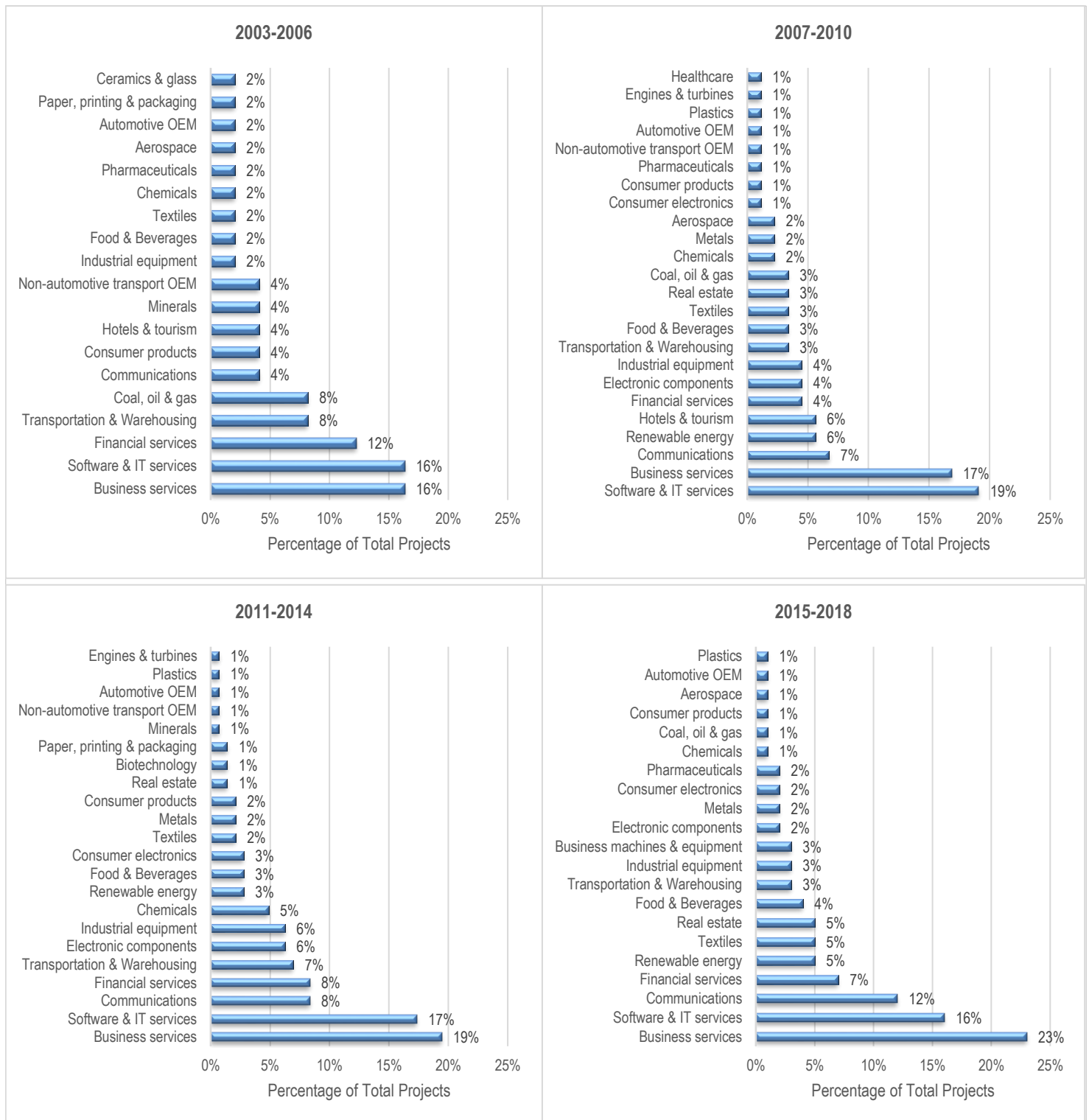
This report provides an overview of greenfield FDI inflows into the Western Cape in four selected periods (2003-2006, 2007-2010, 2011-2014 and 2015-2018). The report specifically examines the sectoral composition of inward FDI into the province as well as the relevant source markets and the top investing companies for the province over the past couple of years. In general, sectors that belong to the services industry seem to attract the highest number of FDI projects into the province but the largest capital investment can be found in sectors such as real estate, renewable energy, transportation and warehousing and coal, oil and gas. Western Europe and North America are the two most significant source markets for inward FDI into the Western Cape.

## 2. Inward FDI into the Western Cape by sectors

In all the four periods under review, the services industry dominates the number of FDI projects that have been undertaken in the Western Cape. For the 2003-2006 and 2007-2010 periods, the top 3 sectors in terms of the number of FDI projects were all in the services industry. Likewise, the top four sectors that attracted the highest number of FDI projects between 2011 and 2014 as well as from 2015 to 2016 belong to the services industry. Overall, business services and software and IT services seem to attract the highest number of FDI projects into the Western Cape. Between 2003 and 2006, these two sectors each accounted for 16% of FDI projects into the province. Moreover, during the 2008-2010 period, 17 (representing 19%) out of the total number of 89 projects were undertaken in the software and IT services sector while the business services sector recorded 15 projects (17%). A similar trend was observed during the 2011-2014 period, however, this time software and IT services had the highest number of projects (19%) followed by business services (17%). With regards to the 2015-2018 period, the top three sectors in terms of the number of FDI projects accounted for more than 50% of the total projects for the period. These sectors were business services, software and IT services and communications.

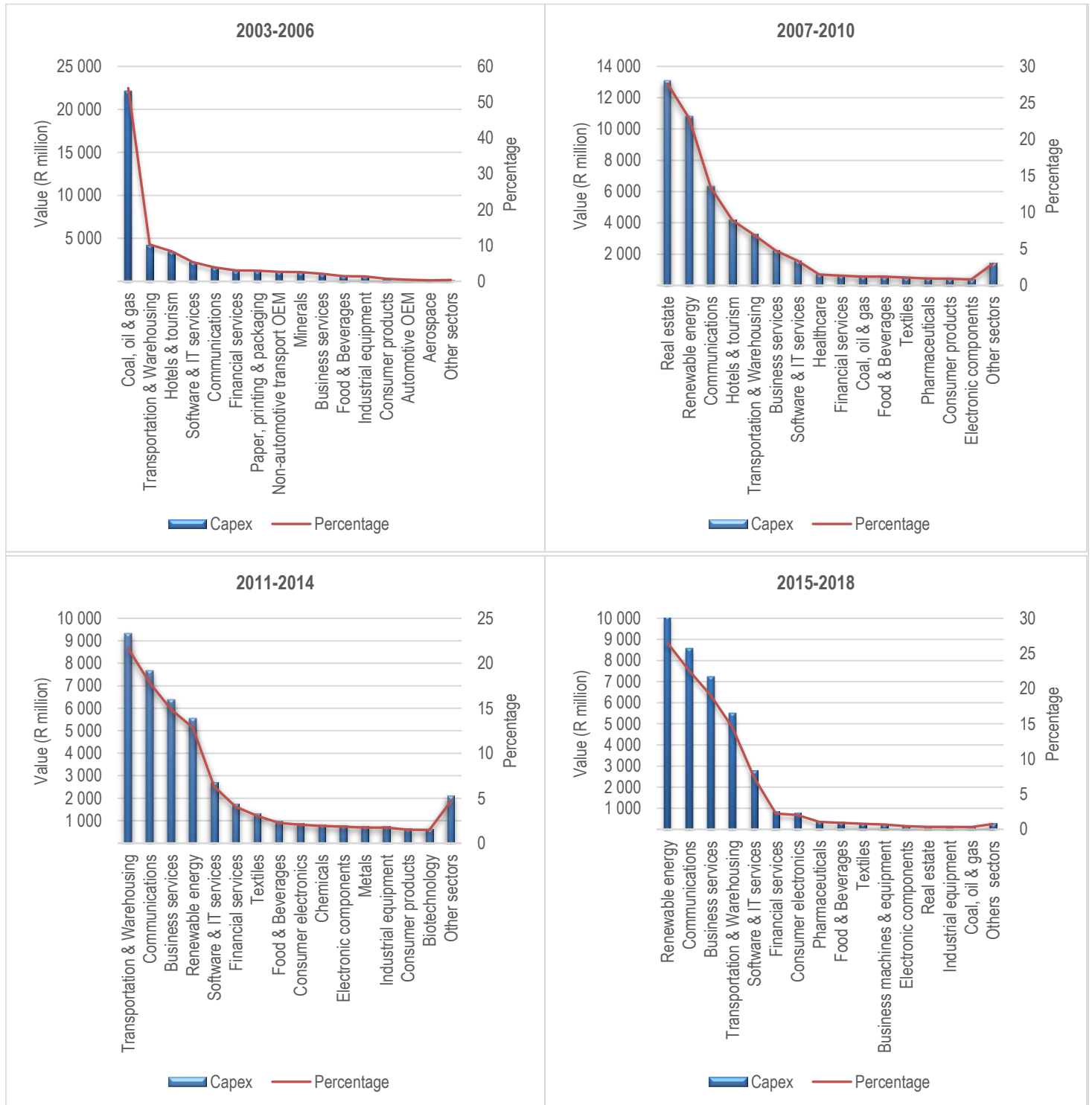
Although the services industry in general receives the highest number of FDI projects into the Western Cape, other sectors attract more capital investment into the province. This is probably due to the huge capital outlay required to initial projects in these sectors. Out of a total of approximately R41.14 billion capital investment recorded in the 2003-2006 period, about R22.11 billion (representing 54%) was attributed to coal, oil and gas. The highest ranked services sector in terms of capex during the 2003-2006 period was the software and IT services sector which received about R2.22 billion worth of capital investment. During the 2007-2010 period, the real estate sector had the largest capital investment of approximately R13.08 billion (28% of the total capex for the period), followed by renewable energy sector (23%) and the communications sector (13%). Furthermore, about 22% of the total capital investment into the Western Cape in the 2011-2014 period went to the transportation and warehousing sector while the communications and business services sectors accounted for 18% and 15% respectively. For the 2015-2018 period, a total of R38.31 billion worth of capital investment was recorded, 27% of which was in the renewable energy sector. The sectors with the second and third largest amount of capital investment during this period were communications (23%) and business services (19%).

## FDI projects into the Western Cape by sectors, selected periods



Source: FDI Intelligence, 2020

## Capital investment into the Western Cape by sectors, selected periods



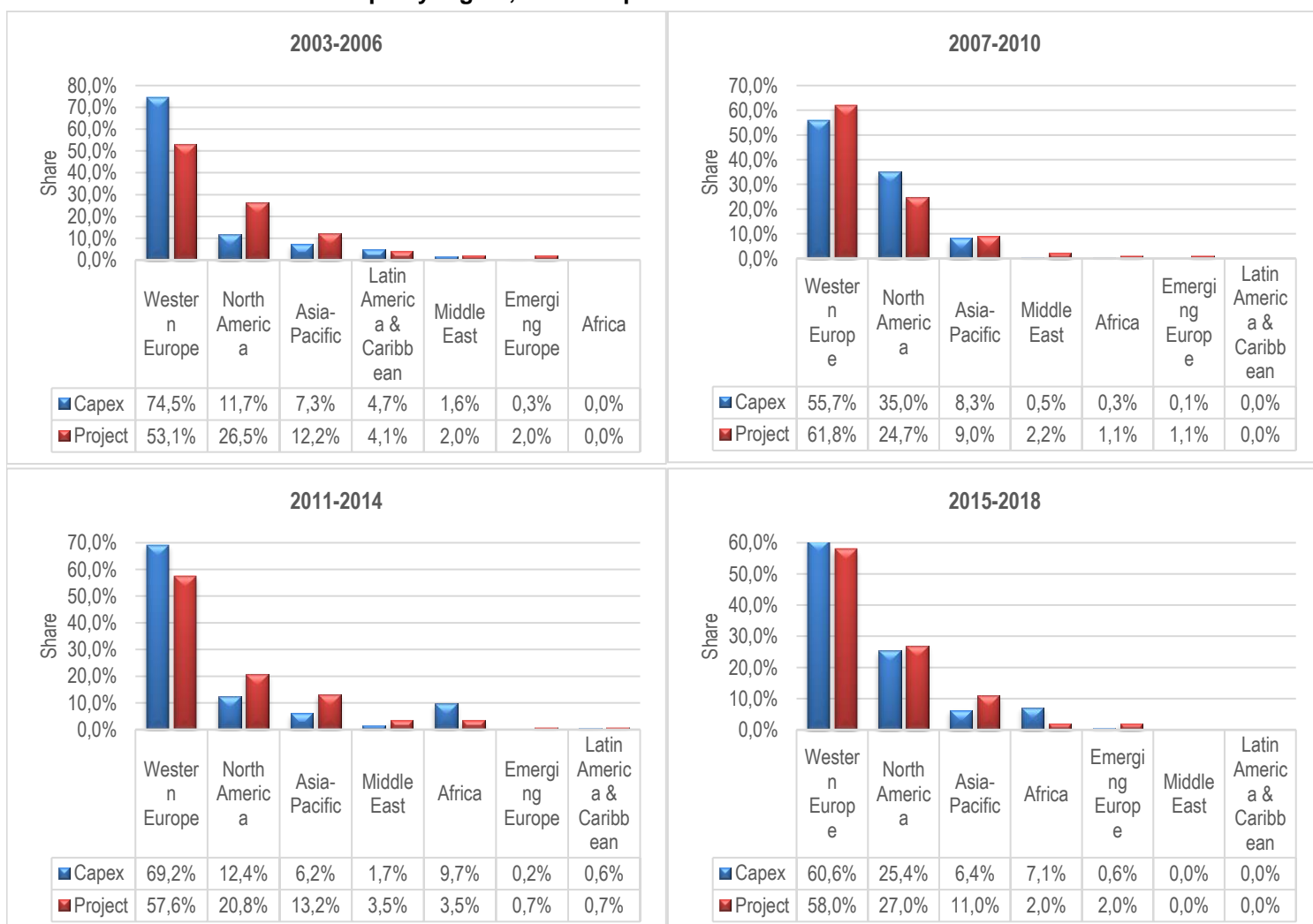
Source: FDI Intelligence, 2020

### 3. Source markets for FDI inflows to the Western Cape

Western Europe and North America constitute the two largest source markets for inward FDI into the Western Cape in terms of both the number of projects and capex. Western Europe's share of inward FDI to the Western Cape in terms of capex was about 75% in the 2003-2006 period, 56% in the 2007-2010 period, 69% from 2011 to 2014, and 61% between 2015 and 2018. Likewise, in all the four period, the number of FDI projects that originated from Western Europe to the Western Cape was more than double the number of projects from the other regions. For instance, during the 2015-2018 period, 58 out of the total number of 100 FDI projects were from Western Europe. There was no FDI project from the African continent to the Western Cape during the 2003-2006 period. The 2007-2010 period, however, recorded one FDI project from Africa to the Western Cape, with the number of projects increasing to 5 during the 2011-2014 period. Although the 2015-2018 period witnessed a drop in the number of projects from Africa to the Western Cape, the continent outperformed the Asia-Pacific region in terms capex, becoming the third largest source of capital investment into the Western Cape after Western Europe and North America.

In relation to countries, the United Kingdom and the United States are the two largest source markets for FDI projects into the Western Cape. These two countries together accounted for over 50% of FDI projects into the province during the 2003-2006 and the 2015-2018 periods. Most of the countries in the top 10 rank, with regards to FDI inflows by project and by capex, are from Western Europe. In terms of capital investment, the Norway had the highest share of about 49% in the 2003-2006 period while Germany, with a capex of R11.38 billion, ranked first during the 2011-2014 period. The United States accounted for 35% and 25% of capex during the 2007-2010 period and the 2015-2018 period respectively, and was the Western Cape's top ranked source market in both periods. Two African countries, Namibia and Botswana were ranked 5<sup>th</sup> and 7<sup>th</sup> respectively in terms of capex during the 2011-2014 period. While the investment from Namibia pertained to the communications sector, that of Botswana was concentrated in the textiles industry. Likewise, in the 2015-2018 period, Mauritius and Angola were among the top 10 countries that made the largest capital investment in the Western Cape. Both countries made their investment in the communications sector.

#### FDI into the Western Cape by region, selected periods



Source: FDI Intelligence, 2020

## FDI into the Western Cape by the top 10 countries, selected periods

NUMBER OF PROJECTS, 2003-2006				CAPITAL INVESTMENT, 2003-2006			
RANK	SOURCE COUNTRY	PROJECT	% PROJECT	RANK	SOURCE COUNTRY	CAPEX (R million)	% CAPEX
1	United Kingdom	17	34,69	1	Norway	20 191,19	49,26
2	United States	12	24,49	2	United States	4 344,36	10,60
3	Netherlands	4	8,16	3	United Kingdom	3 498,50	8,54
4	Germany	2	4,08	4	Netherlands	3 279,85	8,00
5	China	2	4,08	5	Italy	2 672,79	6,52
6	India	2	4,08	6	Bahamas	1 867,21	4,56
7	Italy	1	2,04	7	India	1 736,30	4,24
8	Denmark	1	2,04	8	New Zealand	871,75	2,13
9	Canada	1	2,04	9	Germany	658,85	1,61
10	UAE	1	2,04	10	UAE	657,41	1,60
	Others	6	12,24		Others	1 208,36	2,95
	Total	49	100		Total	40 986,55	100
NUMBER OF PROJECTS, 2007-2010				CAPITAL INVESTMENT, 2007-2010			
RANK	SOURCE COUNTRY	PROJECT	% PROJECT	RANK	SOURCE COUNTRY	CAPEX (R million)	% CAPEX
1	United States	22	24,72	1	United States	16 560,20	35,02
2	United Kingdom	18	20,22	2	France	6 014,49	12,72
3	France	9	10,11	3	United Kingdom	5 649,99	11,95
4	Germany	7	7,87	4	Germany	5 454,90	11,54
5	Netherlands	6	6,74	5	Ireland	2 851,16	6,03
6	Switzerland	3	3,37	6	Italy	2 767,73	5,85
7	Ireland	3	3,37	7	Japan	2 697,24	5,70
8	Japan	3	3,37	8	Belgium	1 908,93	4,04
9	Denmark	2	2,25	9	Switzerland	657,41	1,39
10	Australia	2	2,25	10	Netherlands	574,55	1,21
	Others	14	15,73		Others	2 152,67	4,55
	Total	89	100		Total	47 289,27	100
NUMBER OF PROJECTS, 2011-2014				CAPITAL INVESTMENT, 2011-2014			
RANK	SOURCE COUNTRY	PROJECT	% PROJECT	RANK	SOURCE COUNTRY	CAPEX (R million)	% CAPEX
1	United Kingdom	38	26,39	1	Germany	11 382,66	26,45
2	United States	25	17,36	2	United Kingdom	10 547,29	24,50
3	Germany	13	9,03	3	United States	3 642,64	8,46
4	China	9	6,25	4	France	3 374,46	7,84
5	Netherlands	6	4,17	5	Namibia	2 704,43	6,28
6	France	6	4,17	6	Canada	1 697,46	3,94
7	Spain	5	3,47	7	Netherlands	1 496,07	3,48
8	Canada	5	3,47	8	Botswana	1 340,71	3,11
9	Switzerland	4	2,78	9	China	1 318,58	3,06
10	Italy	4	2,78	10	Spain	842,69	1,96
	Others	29	20,14		Others	4 694,54	10,91
	Total	144	100		Total	43 041,55	100
NUMBER OF PROJECTS, 2015-2018				CAPITAL INVESTMENT, 2015-2018			
RANK	SOURCE COUNTRY	PROJECT	% PROJECT	RANK	SOURCE COUNTRY	CAPEX (R million)	% CAPEX
1	United States	27	27,00	1	United States	9 639,15	25,35
2	United Kingdom	24	24,00	2	United Kingdom	7 109,21	18,70
3	Switzerland	8	8,00	3	Italy	4 381,76	11,53
4	Germany	7	7,00	4	Netherlands	3 141,75	8,26
5	China	5	5,00	5	Ireland	2 940,35	7,73
6	Italy	5	5,00	6	Spain	2 920,21	7,68
7	Netherlands	4	4,00	7	China	1 399,69	3,68
8	Ireland	3	3,00	8	Mauritius	1 352,22	3,56
9	France	2	2,00	9	Angola	1 352,22	3,56
10	India	2	2,00	10	Germany	1 017,04	2,68
	Others	13	13,00		Others	2 763,27	7,27
	Total	100	100		Total	38 016,86	100

Source: Source: FDI Intelligence, 2020



#### 4. Top companies investing in the Western Cape

The table below shows the top 10 companies that have been investing in the Western Cape in each of the four period under review. The companies are ranked in terms of the amount of capital investment made. During the 2003-2006 period, a Norwegian company (Equinor) which is involved in the coal, oil and gas sector recorded the largest capital investment of about R20.19 billion. A company from the real estate sector (Trump) was the highest ranked investing company during the 2007-2010 period. Both the 2011-2014 and 2015-2018 periods had the highest ranked investing companies being in the renewable energy sector.

##### Companies investing in the Western Cape by capex, selected periods

2003-2006				
RANK	INVESTING COMPANY	SOURCE COUNTRY	SECTOR	CAPEX (R MILLION)
1	Equinor (Statoil)	Norway	Coal, oil & gas	20191
2	JAS Forwarding	Italy	Transportation & Warehousing	2673
3	Kerzner International	Bahamas	Hotels & tourism	1867
4	Indian Hotels	India	Hotels & tourism	1578
5	Condor	Netherlands	Communications	1388
6	Pioneer Natural Resources	United States	Coal, oil & gas	1388
7	Jongbloed	Netherlands	Paper, printing & packaging	1218
8	Computer Sciences Corporation (CSC)	United States	Software & IT services	978
9	Southern Spar	New Zealand	Non-automotive transport OEM	872
10	GAC Logistics	UAE	Transportation & Warehousing	657
2007-2010				
RANK	INVESTING COMPANY	SOURCE COUNTRY	SECTOR	CAPEX (R MILLION)
1	Trump	United States	Real estate	12442
2	Logwin AG (Thiel Logistik)	Germany	Transportation & Warehousing	2835
3	Building Energy	Italy	Renewable energy	2768
4	Mainstream Renewable Power	Ireland	Renewable energy	2679
5	Concentrix Solar	France	Renewable energy	2679
6	Concentrix Solar	France	Renewable energy	2679
7	T-Systems	Germany	Communications	2158
8	Telehouse Europe	Japan	Communications	2158
9	Holiday Inn	United Kingdom	Hotels & tourism	1867
10	Park Inn	Belgium	Hotels & tourism	1867
2011-2014				
RANK	INVESTING COMPANY	SOURCE COUNTRY	SECTOR	CAPEX (R MILLION)
1	Engie (GDF SUEZ) (Gaz de France)	France	Renewable energy	2877
2	FH Bertling Logistics	Germany	Transportation & Warehousing	2673
3	DHL	Germany	Transportation & Warehousing	2673
4	DHL Express	Germany	Transportation & Warehousing	2673
5	Juwi	Germany	Renewable energy	2237
6	Vodacom	United Kingdom	Communications	2158
7	British Telecom (BT)	United Kingdom	Communications	2158
8	Mobile Telecommunications (MTC)	Namibia	Communications	1352
9	Telecom Namibia	Namibia	Communications	1352
10	Northern Textile Mills (NORTEX)	Botswana	Textiles	1184
2015-2018				
RANK	INVESTING COMPANY	SOURCE COUNTRY	SECTOR	CAPEX (R MILLION)
1	Enel Green Power	Italy	Renewable energy	2768
2	Acciona	Spain	Renewable energy	2768
3	Mainstream Renewable Power	Ireland	Renewable energy	2768
4	Air Menzies International (AMI)	United Kingdom	Transportation & Warehousing	2673
5	Burgan Cape Terminals	Netherlands	Transportation & Warehousing	2673
6	TerniEnergia	Italy	Renewable energy	1417
7	Microsoft	United States	Communications	1352
8	CloudFlare	United States	Communications	1352
9	Angola Cables	Angola	Communications	1352
10	Africa Data Centres	Mauritius	Communications	1352

Source: FDI Intelligence, 2020

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