



South Africa

Introduction

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Introduction

Chart 1: Political map of South Africa



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Located at the southernmost tip of Africa, the Republic of South Africa is one of eight upper-middle-income countries (UMICs) on the continent. It is a member of the Southern African Customs Union (SACU) and the Southern African Development Community (SADC) and is situated in the subtropical zone of the southern hemisphere. Its vast coastline stretches from the tropical border of Mozambique in the warm Indian Ocean, around Africa's most southern tip and to the border of Namibia's cold Atlantic Ocean. The country's geographical location and complex topography mean that South Africa is subject to various climatological conditions. Annual rainfall is highly variable, following a declining pattern from the wet and humid eastern coast to the arid western coast. South Africa shares borders with Namibia (which it previously administered), Botswana and Zimbabwe to the north, Mozambique and Eswatini to the east, and completely surrounds the independent Kingdom of Lesotho.

South Africa has nine provinces. The economic heartland, the province of Gauteng, includes the commercial hub

Johannesburg and the administrative capital Tshwane (Pretoria). The legislature, consisting of a National Assembly and National Council of Provinces, is located in Cape Town in the Western Cape province. Although the smallest province geographically, Gauteng has the largest population at more than 16 million people, followed by KwaZulu-Natal on the east coast with almost 13 million inhabitants. The Western Cape, Eastern Cape and Limpopo have between 6 and 8 million people each. Mpumalanga province has 5.3 million people, North West province has 3.8 million. The Free State and Northern Cape provinces have the smallest populations at 3 and 1.3 million, respectively.

Formerly the Union of South Africa, the country became an independent republic in 1961 and was, from 1948 to 1990, ruled by the whites-only National Party, which pursued policies of racial subjugation and separation known as apartheid. As the apartheid crisis deepened, for the two decades from 1973 to 1993, South Africa generally experienced negative per capita economic growth to the extent that 1993 incomes were back to those in 1970. Capital investment decreased, and ever-larger portions of the national budget had to fund recurring expenditure. Infrastructure decayed, and efficiencies declined.

Internal revolt against apartheid saw successive waves of unrest that, together with global pressure, led to the unbanning of several political parties, including the African National Congress (ANC), and the release of Nelson Mandela from prison in 1990. These events followed the collapse of the Soviet Union and several years of armed conflict in the neighbourhood, during which apartheid South Africa was increasingly isolated from the international community and under various types of sporting, arms and financial sanctions. When it assumed power in 1994, following several years of negotiation towards power-sharing, the ANC inherited a country with bare coffers but high expectations from its majority black support base, who believed that political change would rapidly redress the neglect they had suffered over generations.

The constitutional negotiations, known as the Convention for a Democratic South Africa or CODESA, resulted in a liberal constitution with a clear separation of powers and an entrenched bill of rights. The election of Nelson Mandela as president in 1994 set in motion a comprehensive, if inconclusive, process of social, economic and political re-engineering. Within the first three years, the democratic government introduced new labour legislation that modernised the South African labour market and protected worker rights. Democracy also meant the abolishment of the efforts to establish independent homelands for various black ethnic groups (the so-called Bantustans), although traditional chiefs were left in place. The fragmented, race-based education departments were merged into a non-racial education system, and separate administrations were brought together. The previous four provinces were divided into nine, each with local, provincial and national elected representatives. What had been a centralised, racially determined state with a limited franchise adopted a universal franchise and a semi-federal model and extended political, economic and social rights to all citizens through a progressive Bill of Rights. South Africa today has a free media, an independent judiciary and an active civil society.

A wide-ranging process of land restitution followed in the wake of an inquiry into the excesses of apartheid (the Truth and Reconciliation Commission). Concerted efforts were also made to alleviate extreme poverty and advance the interests of the majority black population.

In the years after its transition to democracy, improved foreign perceptions of the attractiveness of doing business in South Africa translated into significant foreign financial inflows. Large segments of the South African economy were opened up to international competition, and labour productivity increased from 1995. For the next 15 years, until 2008, the country grew and income levels improved, yet much more slowly than they could have because the country lost out on a decade of the global commodities supercycle as a consequence of policies that necessarily prioritised redressing the socio-economic imbalance created by apartheid but effectively constrained growth.

The opening up of the South African economy also occurred at the same time as the explosive, export-driven growth of China and other countries reached African shores. Not used to international competition and having decided to remove

most of its previous tariffs and other protections, South Africa experienced deindustrialisation such that the [World Bank](#), in 2024, wrote about a 15-year loss of economic growth momentum and underperformance compared to other middle-income countries.

Despite its challenges, South Africa vies with Nigeria for having the largest economy in Africa and relatively high average income per capita compared to most other countries in the region, although lower than Seychelles, Mauritius, neighbouring Botswana, Gabon and Equatorial Guinea. The South African economy is also more globally interconnected than most other African countries, reflected in its status as Africa's largest trading nation (by value).

However, the colonialism, apartheid and ongoing poor governance and corruption have resulted in extreme levels of inequality, with high rates of poverty, unemployment, crime and violence, exacerbated by low productivity and a high-wage economy.

Unlike many other countries with similar challenges, South Africa has a relatively small informal economy (which contributes to its high unemployment and inequality rates), and an increasing portion of its population survives on social grants from the government. It has a thriving tourist industry, but declines in the contribution from the mining sector and competition from China have contributed to steady deindustrialisation. The country has a sophisticated private sector, highly developed financial markets and substantial natural assets, although savings rates as a percentage of GDP are low, around eight percentage points below the average for upper-middle-income countries (UMICs) globally. Its small commercial agricultural sector is efficient, and South Africa is one of a handful of food-secure African countries.

Among the labour-intensive sectors, mining was historically the most important (note that in our modelling, mining is part of the materials sector). In 1980, mining contributed around 21% to GDP. It peaked at providing 760 000 jobs a few years later, mainly on the back of South Africa's enormous gold mining industry, which was its primary mining product. By 2023, that number had declined to 6.2% of GDP, and employment stood at 477 000 persons. Mining is particularly important in the poverty-stricken North West, Limpopo, Mpumalanga and the Northern Cape provinces, but has declined and has given rise to a large criminal and illegal artisanal sector, so-called zama zamas. What remains of the mining sector is export-oriented due to the small domestic demand for most commodities, and it still has significant potential for the future. South Africa has, amongst others, the world's largest known reserves of the platinum group metals (PGM), chrome ore and manganese ore and the second-largest reserves of zirconium, vanadium and titanium.

Mining is tightly woven into the fabric of South Africa's history and provided the stepping stone upon which its industrial development occurred. Still, it has decayed in recent years due to government inefficiencies that have hobbled exploration, plodding progress in rolling out a new mining cadastre, now scheduled for completion in mid-2025. As a result, there is no pipeline for new projects (although some progress has been made with the establishment of an exploration fund), and the sector is subject to numerous and expensive social responsibility obligations and suffers the effects of organised crime syndicates. It was therefore unsurprising that, in 2023, Canada's Fraser Institute once again [ranked](#) South Africa near the bottom of its global mining survey, at number 57 (out of 62 jurisdictions assessed).

Under the administration of former President Jacob Zuma, from May 2009 to early 2018, South Africa suffered from steadily lower levels of investor confidence, state capture and increased government inefficiencies with declining average incomes. Zuma was succeeded by Cyril Ramaphosa, who then had to contend with the COVID-19 global pandemic and slower economic growth on top of the divisions within the ruling ANC, which had become increasingly corrupt. Prospects are improving, however. Crippling electricity shortages started to ease in 2024 after more than a decade that hobbled growth when the government did not respond to repeated warnings of imminent shortages, but remained a constraint on economic growth as the country belatedly scrambled to add additional capacity to the grid. Hard work will be required to avoid a similar situation related to water shortages despite several years of repeated warnings of an impending crisis. The [demand](#) for water in both Gauteng and eThekweni has grown rapidly, mainly due to population growth and lack of maintenance, resulting in large non-revenue water losses.

The ANC, which has won every election since the country's first democratic elections in 1994, saw its support plummeted to 40% in May 2024 as evidence of corruption, inaction and poor policy that overwhelmed the country - significantly abetted by Jacob Zuma who's new party, uMkonto we Size (MK), drew significant support from the ANC. Previous elections have seen a steady decline in voter turnout, and politics is increasingly fragmented. In addition to the Western Cape, which has been governed by the Democratic Alliance since 2009, the ANC lost its majority in Gauteng, KwaZulu-Natal, and narrowly in the Northern Cape. The subsequent governing alliance (formally termed a Government of National Unity, although not all parties are members) has given hope that the country could unlock improved service delivery, reduce rampant corruption and reduce crime.

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Dr Jakkie Cilliers is the ISS's founder and former executive director. He currently serves as chair of the ISS Board of Trustees, head of the African Futures and Innovation (AFI) programme at the Pretoria office of the Institute, and is an extraordinary professor at the University of Pretoria. His 2017 best-seller *Fate of the Nation* addresses South Africa's futures from political, economic and social perspectives. His three most recent books, *Africa First! Igniting a Growth Revolution* (March 2020), *The Future of Africa: Challenges and Opportunities* (April 2021), and *Africa Tomorrow: Pathways to Prosperity* (June 2022) take a rigorous look at the continent as a whole.

Ms Alize le Roux joined the AFI in May 2021 as a senior researcher. Before joining the ISS, she worked as a principal geo-informatics researcher at the CSIR, supporting various local and national policy- and decision-makers with long-term planning support. Alize has 14 years of experience in spatial data analysis, disaster risk reduction and urban and regional modelling. She has a master's degree in geographical sciences from the University of Utrecht, specialising in multi-hazard risk assessments and spatial decision support systems.

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