

DETERMINANTS OF FOREIGN DIRECT INVESTMENT IN SOUTH AFRICA

Njabulo Stephen Sibisi

June 2017

Abstract

Foreign direct investment, from an economic perspective, has long been viewed as a catalyst for sustainable growth and development in a country. Though there are academic reports that argue against the validity of this perspective, many developing countries continue to set objectives and revise legislature to attract foreign direct investment, and South Africa is no different. Through the use of quantitative methods and statistical modelling, this research was conducted to identify the key drivers of foreign direct investment in South Africa. The results show that trade, and to a less significant degree, natural resources are key drivers of foreign direct investment inflow into the country. Although South Africa has one of the most developed financial systems in the world, its economic reliance on its mineral resource output still hold it in place as a developing country. In addition, the results show that the influence of natural resources on foreign direct investment inflow is stronger in more recent years. In summation, even though the country is actively making strides to become a more industrialised economy, natural resources still have a significant role in attracting foreign investment. Therefore it's important to consider the implications on the primary sector when policies are being revised.