

# CONSIDERING BARRIERS TO INVESTMENT IN SOUTH AFRICA

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**Abstract:** This paper examines the effect of South Africa's economic fundamentals on net direct investment and net portfolio investment. These results suggest that the main determinants of investment in South Africa are resource prices, input productivity and the economic performance of the domestic economy. The results illustrate that net direct investment and net portfolio investment are close but not perfect substitutes. In addition, we find that an increase in labour input costs reduces both net direct investment and net portfolio investment. In addition, an increase in fixed capital productivity increases net direct investment. The results further illustrate that subsidies increase both net direct investment and net portfolio investment. Moreover, an increase in exports increases both net direct investment and net portfolio investment. Lastly, the paper proposes policy recommendations, which may increase foreign direct investment in South Africa.

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