

California (United States)

April 2022

1. Economic Overview



California, a western U.S. state, stretches from the Mexican border along the Pacific for nearly 900 miles. Its terrain includes cliff-lined beaches, redwood forests, the Sierra Nevada Mountains, Central Valley farmland and the Mojave Desert. The city of Los Angeles is the seat of the Hollywood entertainment industry. Hilly San Francisco is known for the Golden Gate Bridge, Alcatraz Island and cable cars.

The state represents 15% of the U.S. economy. If it were a country, California's USD3.4 trillion economy would be the fifth biggest in the world, ranked between

Germany and the United Kingdom. The two strongest economic areas in California are those that surround Los Angeles and San Francisco with media, trade, and tourism driving the former; and technology, trade, and tourism driving the latter. While California is the top agricultural producing state in the U.S., it represents less than 2% of the state's GDP. However, according to the California Department of Food and Agriculture, California's agriculture is a USD49bn industry that generates at least USD100bn in related economic activity.

In terms of population, the state accounts for 12.5% of America's population and with nearly 12 million more people than Texas (second most populous state), California's 39 million people make it the most populous state in the United States. The state's population size is the single biggest factor driving California's economic success, although there are other factors that drive economic growth, such as education levels, entrepreneurial business environment, availability of capital, etc.¹

TABLE 1: ECONOMIC INFORMATION

Capital	Sacramento
Governor	Gavin Newsom (Democratic Party)
Population (2021)	39,5 million
GDP (current prices) (2021)	USD3,35trn
GDP per capita, (2021)	USD85, 465
Real GDP growth rate (2021)	7.8%
Area	163,696 sq. mi (423,970 km ²)
Exports (2021)	USD175.12bn
Imports (2021)	EUR378.8bn
Inward FDI (2003 – Dec 2021)	295 projects (UER2.86bn; 6 233 jobs)

Sources: U.S. Census Bureau, 2022; Bureau of Economic Analysis, 2022; State of California, 2022.

¹ U.S. Census Bureau, 2022; Bureau of Economic Analysis, 2022; Forbes, 2022

COMPANIES IN CALIFORNIA²

Some of the world's most influential companies reside in California: Disney, Apple, Google, Facebook, Oracle, and Wells Fargo to name a few. For stock investors, California shareholders perform exceptionally well. If California were an independent nation, it would do quite well on a global stage.

Moreover, 53 companies with headquarters located in California earned a place on *Fortune magazine's 2020 list ranking* enterprises with the **500 highest fiscal-year revenues** in the nation as shown in figure one below. Apple finished fourth on Fortune's extended ranking, making the company the state's highest revenue-generating company. Fortune includes in its listing publicly traded U.S. companies as well as private companies that file revenue figures with public agencies. Apple had revenues of USD260.2bn in the 2019 fiscal year, according to the ranking. It employs 137,000 employees.

FIGURE 1: FORTUNE 500 COMPANIES, 2020 RANKING

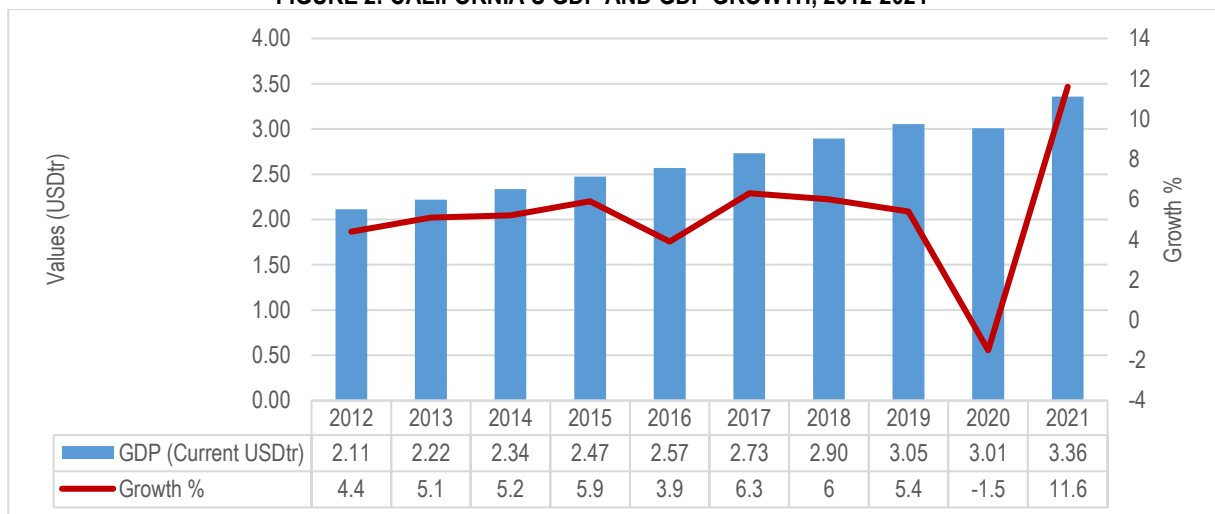
RANK	NAME	REVENUES (\$M)	REVENUE PERCENT CHANGE	PROFITS (\$M)	PROFITS PERCENT CHANGE	ASSETS (\$M)	MARKET VALUE — AS OF MARCH 31, 2020 (\$M)	CHANGE IN RANK (FULL 1000)	EMPLOYEES	CHANGE IN RANK (500 ONLY)
1	Walmart	\$523,964	1.9%	\$14,881	123.1%	\$236,495	\$321,803.3	-	2,200,000	-
2	Amazon	\$280,522	20.5%	\$11,588	15%	\$225,248	\$970,680.1	3	798,000	3
3	Exxon Mobil	\$264,938	-8.7%	\$14,340	-31.2%	\$362,597	\$160,696.3	-1	74,900	-1
4	Apple	\$260,174	-2%	\$55,256	-7.2%	\$338,516	\$1,112,640.8	-1	137,000	-1
5	CVS Health	\$256,776	32%	\$6,634	-	\$222,449	\$77,375.8	3	290,000	3
6	Berkshire Hathaway	\$254,616	2.7%	\$81,417	1924.8%	\$817,729	\$442,897.1	-2	391,500	-2
7	UnitedHealth Group	\$242,155	7%	\$13,839	15.5%	\$173,889	\$236,555.2	-1	325,000	-1
8	McKesson	\$214,319	2.9%	\$34	-49.3%	\$59,672	\$21,845	-1	70,000	-1

Sources: Fortune, 2022

2

Figure 2 below highlights California's Gross Domestic Product (GDP), as well as its growth in GDP over the last decade. GDP in the said state rose from a value of USD2.11 trillion in 2012 to a high point of USD3.36 trillion in 2021. Moreover, 2021 was also the year with the highest increase in GDP of all the years under the review period, with this increase marking a robust recovery from the 2020 growth slump (-1.5%) attributed to the impact of the COVID-19 pandemic. Overall, California's GDP increased at an annual average rate of 5.23% over the period 2012 to 2021.

FIGURE 2: CALIFORNIA'S GDP AND GDP GROWTH, 2012-2021



Source: Bureau of Economic Analysis, U.S. Department of Commerce, 2022

² Fortune, 2022

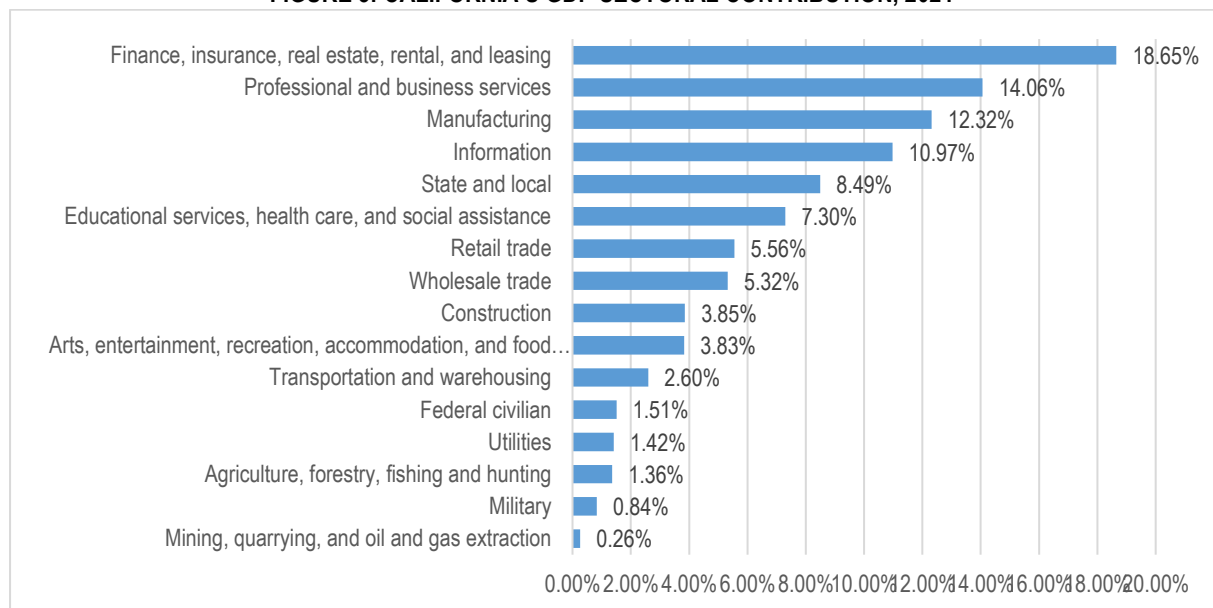
Note: Gross domestic product (GDP) by state is the market value of goods and services produced by the labour and property located in a state. GDP by state is the state counterpart of the nation's gross domestic product, the Bureau's featured and most comprehensive measure of U.S. economic activity.

Current-dollar statistics are valued in the prices of the period when the transactions occurred—that is, at "market value." Also referred to as "nominal GDP" or "current-price GDP."

KEY SECTORS

The highest contributing sector to California's economy in 2021 were finance, real estate, rental and leasing (18.65%) as shown in Figure 3 below. Professional and business services (14.06%) followed in second position, with manufacturing (12.32%) in third place.

FIGURE 3: CALIFORNIA'S GDP SECTORAL CONTRIBUTION, 2021



Source: Bureau of Economic Analysis, U.S. Department of Commerce, 2022

These are some of the most important industries in California:

Agriculture

California's agricultural abundance includes more than 400 commodities. Over a third of the country's vegetables and two-thirds of the country's fruits and nuts are grown in California. California's top-10 valued commodities for the 2020 crop year were: dairy products, milk (USD7.47bn), almonds (USD5.62bn), grapes (USD4.48bn), pistachios (USD2.87bn), cattle and calves (USD2.74bn), lettuce (USD2.28bn), strawberries (USD1.99bn), tomatoes (USD1.20bn), floriculture (USD967m) and walnuts (USD958m) (Source: California Department of Food and Agriculture, 2020).

Film and television

California's film and television industry is a vital part of the state's economy. La La Land creates content that beams all over the world, in turn employing hundreds of thousands of people up and down the state. The industry also impacts many other sectors, most notably film tourism (Source: California.com).

Travel and tourism

Travel and tourism are California's most vital engines for economic growth. Fuelled by transportation advances and defined by big, ambitious ideas, California has been a powerful leader in this industry, drawing visitors not just from other states, but from around the world. Travelers spend hundreds of millions of dollars while vacationing here, bringing in USD114.9bn into

the state's economy according to 2019 statistics. This sort of spending generated USD12.2bn in local and state tax revenue and provided 1.2 million California residents with employment. The most popular hotspots include Hollywood, Beverly Hills, Disneyland, Napa Valley, Pebble Beach, Lake Tahoe, San Francisco, Yosemite, Venice Beach, and more (Source: California Office of Tourism, 2022).

Tech

Silicon Valley, an almost three trillion-dollar neighbourhood, is home to 2,000 tech companies, and one of the best regions to live in if you want to work in tech. Companies like Atari, Apple, Oracle, eBay, Yahoo, Paypal, and Google were founded in the area and most of these companies are leaders in their respective industries. Software, social media, robotics, fibre optics, and medical instruments companies create jobs and generate more tax revenue (Source: California Governor's Office of Business and Economic Development, 2022).

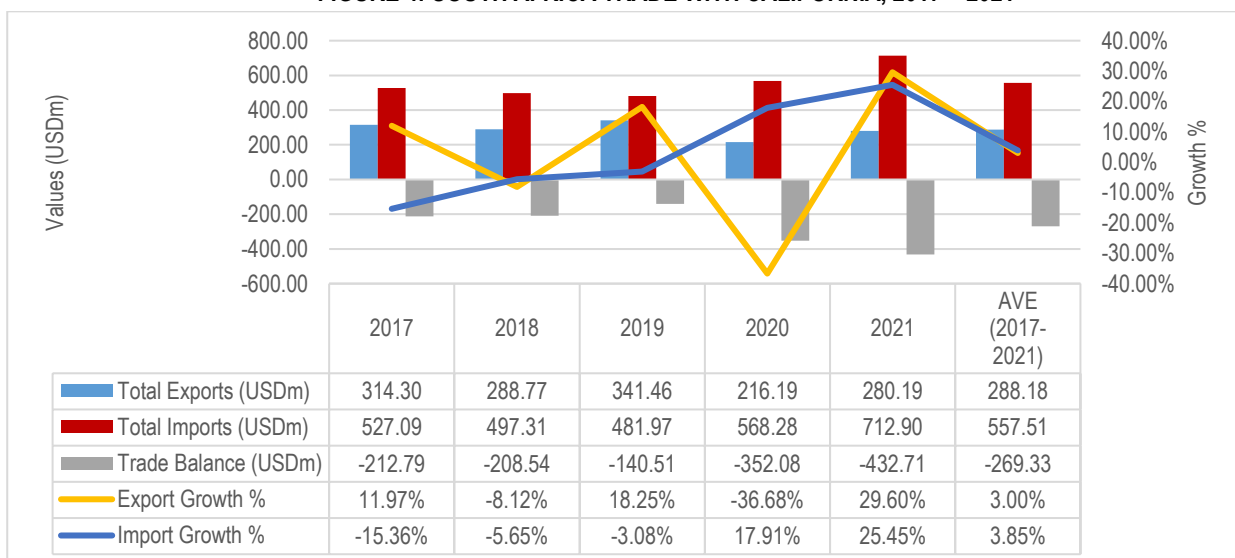
Services

The state's service sector consists of professional, business, education, and health services, as well as financial activities and leisure. It hosts the largest banks in the U.S., including Wells Fargo, Charles Schwab Corporation, Silicon Valley Bank, and CIT Bank. Colleges, universities, and other educational institutions also fall under this sector. The University of California contributes a GDP of about USD120bn annually to the economy. With 1.7 million living alumni, the public land-grant research university system has produced 61 Nobel laureates. Simultaneously, the California State University produces USD17bn a year in economic activity (Source: LA Times, 2021).

2. Trade

The figure below shows South Africa's exports and imports with California for the period 2017 to 2021. South Africa recorded a trade deficit in goods trade with California throughout the period 2017 to 2021, making it a net importer of Californian products. In 2021, the 2020 COVID-19 declines in South Africa's trade with California were reversed, with South Africa's exports to the U.S state increasing by 29.60% y-o-y to a value of USD280.19m in 2021, up from the 2020 value of USD216.19m. Similarly, South Africa's imports from the state increased by 25.45% y-o-y to a value of USD712.90m in 2021, from a cost of USD568.28m incurred in 2020. Overall, South Africa's export growth to California increased at an average annual rate of 3.00% per annum from 2017 to 2021, while imports increased at an average rate of 3.85% over the same period.

FIGURE 4: SOUTH AFRICA TRADE WITH CALIFORNIA, 2017 – 2021



Source: USA Trade Online, Census Gov, 2022

South Africa's **dominant export category** to California in 2021 were telephone sets valued at USD33.51m, equivalent to 11.96% of all export receipts earned with the said state in 2021. Petroleum coke placed second at a value of USD19.09m (6.81%), followed by diamonds at USD18.29m (6.53%).

Of the top 10 products, South Africa's **fastest growing export product categories** to California over the five-year period leading up to and including 2021 were diamonds (10484.66%), petroleum coke (63.21%), and phone sets (30.45%).

Motor cars **dominated South African imports** from California in 2021 at a cost of USD226.84m. This was equivalent to 31.82% of all import costs incurred with California in 2021. Articles of or clad with precious metal nesoi placed second at a cost of USD100.64m (14.12%), while diamonds came third at a value of USD56.76m (7.96%).

Of the top ten products, South Africa's **fastest growing import product categories** from California over the five-year period leading up to and including 2021 were diamonds (280,78%), coins (107,94%), and platinum, unwrought (96.80%).

TABLE 2: SOUTH AFRICA TOP EXPORT AND IMPORT PRODUCTS WITH CALIFORNIA, 2021

SOUTH AFRICA EXPORTS TO CALIFORNIA, 2021				SOUTH AFRICA IMPORTS FROM CALIFORNIA, 2021			
Rank	PRODUCT HS4:	VALUE, 2021 (USDm)	AVE GROWTH %, 2017-2021	Rank	PRODUCT HS4:	VALUE, 2021 (USDm)	AVE GROWTH %, 2017-2021
1	8517 Phone Sets; Oth Appar Trans/recep Voice/img/data	33,51	30,45%	1	8703 Motor Cars & Vehicles For Transporting Persons	226,84	-0,89%
2	2713 Petroleum Coke, Petroleum Bitumen & Other Residues	19,09	63,21%	2	7115 Articles Of Or Clad With Precious Metal Nesoi	100,64	-
3	7102 Diamonds, Worked Or Not, Not Mounted Or Set	18,29	10484,66%	3	7102 Diamonds, Worked Or Not, Not Mounted Or Set	56,76	280,78%
4	0802 Nuts Nesoi, Fresh Or Dried	15,47	0,41%	4	7113 Articles Of Jewellery & Pts, Of Prec Metal Or Clad	55,98	19,63%
5	8471 Automatic Data Process Machines; Magn Reader Etc	12,63	-0,78%	5	7118 Coin	45,91	107,94%
6	8800 Civilian Aircraft, Engines, And Parts	12,13	-11,34%	6	7110 Platinum, Unwrought, Semimfr Forms Or In Powder Fm	41,38	96,80%
7	9027 Inst Etc For Physical Etc Anal Etc; Microtome; Pts	11,54	20,92%	7	2204 Wine Of Fresh Grapes; Grape Must Nesoi	22,67	21,42%
8	9018 Medical, Surgical, Dental Or Vet Inst, No Elec, Pt	10,02	-2,68%	8	0802 Nuts Nesoi, Fresh Or Dried	19,16	23,52%
9	3822 Diag/lab Reagents Incl Kits, Excl Head 3006;crm	10,00	-4,63%	9	7606 Aluminium Plates, Sheets & Strip Over .2mm Thick	10,09	-19,77%
10	3304 Beauty, Make-up & Skin-care Prep; Manicure Etc Prp	9,24	11,25%	10	9506 Artls & Equip F Genrl Physcl Exerc Etc; Pools; Pts	8,40	38,63%

Source: USA Trade Online, Census Gov, 2022

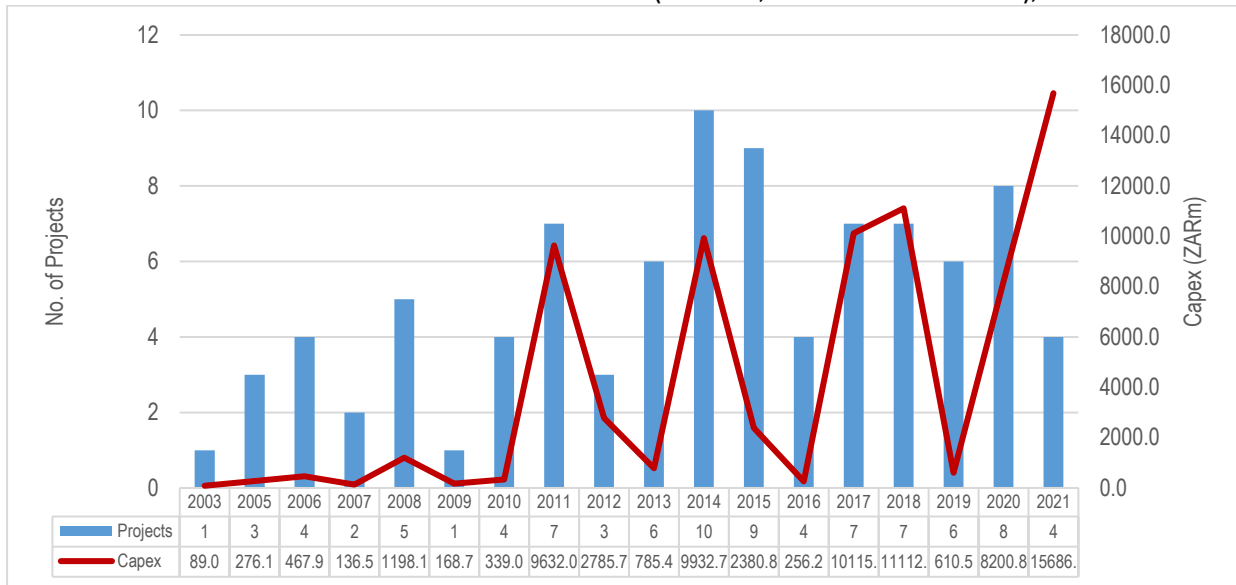
3. Investment

This section analyses Foreign Direct Investment (FDI) flows between California and South Africa as well as the Western Cape.

3.1 FDI from California into South Africa

Between January 2003 and October 2021, California undertook a total of 91 FDI projects into South Africa. These projects generated an estimated capex of ZAR74.17bn, leading to the creation of about 3, 802 jobs.

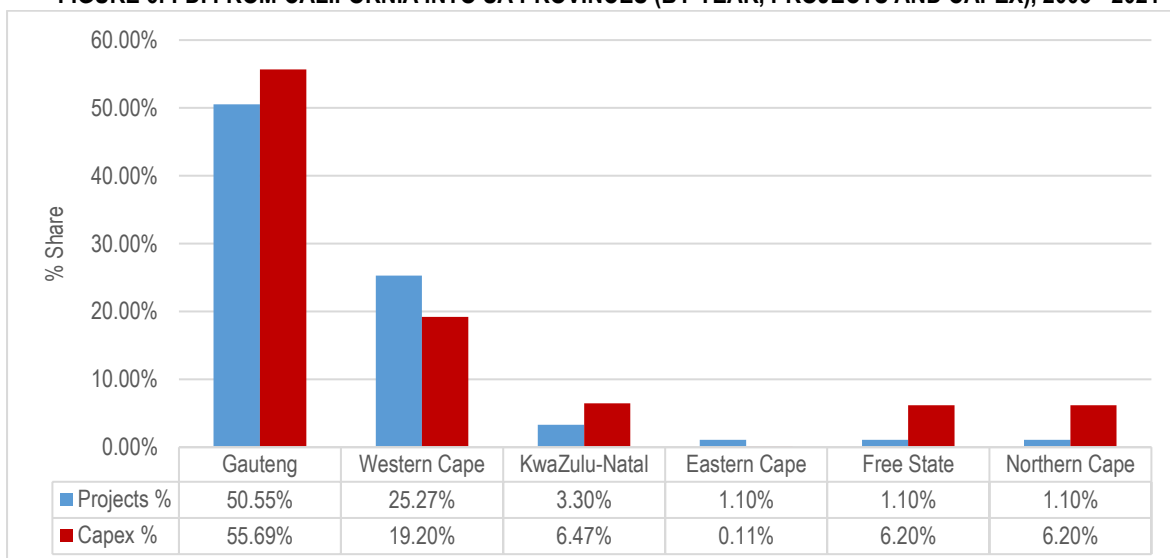
FIGURE 5: FDI FROM CALIFORNIA INTO SOUTH AFRICA (BY YEAR, PROJECTS AND CAPEX), 2003 - 2021



Source: FDI Markets, 2022

From a **provincial perspective**, as presented below in Figure 6, Gauteng was the largest recipient of FDI from California into South Africa over the review period, both in terms of the number of projects (50.55%) and capex (55.69%). The Western Cape followed in second place accounting for 25.27% of projects and 19.20% of capex. KwaZulu-Natal took the third position (3.30% projects; 6.47% capex).

FIGURE 6: FDI FROM CALIFORNIA INTO SA PROVINCES (BY YEAR, PROJECTS AND CAPEX), 2003 - 2021

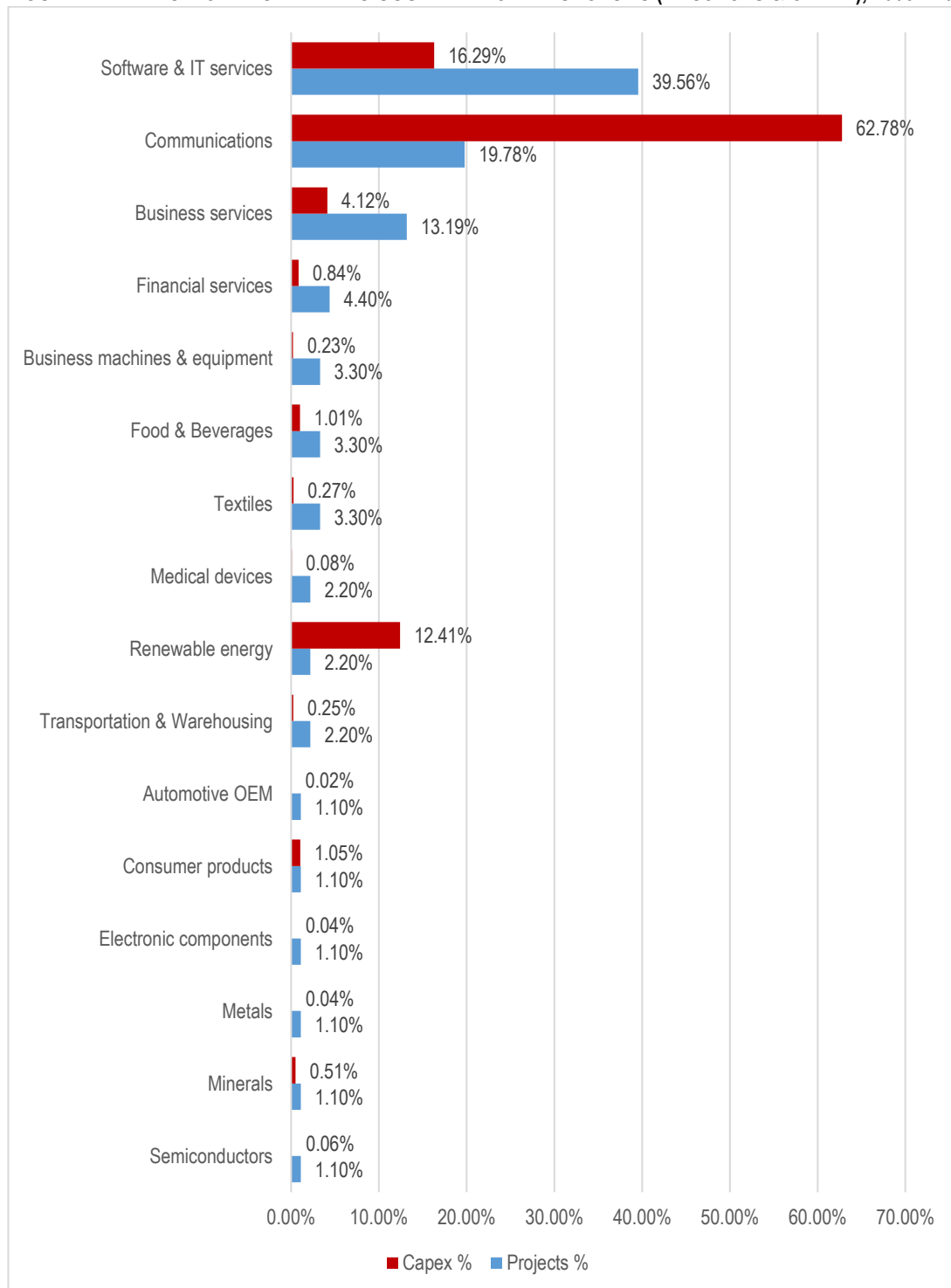


Source: FDI Markets, 2022

In terms of the sector classification of outward FDI by California into South Africa as measured primarily by the number of projects (with the CAPEX value as the secondary value), the following South African sectors were the key recipients of Californian FDI over the period, January 2013 – October 2021:

- Software and IT services with 36 projects accounted for 39.56% of total outward FDI projects by California into South Africa. The relative share of capex stood at 16.29%.
- Communications sector with 18 projects (19.78%) and 162.78% of capex.
- Business services with 12 projects (13.98%) and a relative capex share of 4.12%.

FIGURE 7: FDI FROM CALIFORNIA INTO SOUTH AFRICA BY SECTORS (PROJECTS & CAPEX), 2003 - 2021



Source: FDI Markets, 2022

The table below shows the top California-based companies investing in South Africa over the period 2003 to October 2021:

TABLE 3: TOP 10 COMPANIES, CALIFORNIA FDI INTO SA (BY PROJECTS), 2003 - 2021

RANK	COMPANY	SECTORS	PROJECTS	CAPEX (ZARm)	JOBS
1	Oracle	Software & IT services	4	4 275	188
2	Cisco Systems	Communications	3	436	207
3	CloudFlare	Communications	3	14 105	207
4	Forever 21	Textiles	2	135	100
5	Google	Software & IT services	2	2 303	57
6	Gumtree	Software & IT services	2	49	15
7	HP (Hewlett-Packard)	Business machines & equipment	2	104	59
8	Meta (Facebook)	Software & IT services	2	160	16
9	NGS Global	Business services	2	663	30
10	Plug and Play	Business services	2	663	30
TOTAL			91	74 174	3 802

Source: FDI Markets, 2022

3.2 FDI from South Africa into California

Investments made by South Africa into California between January 2003 and October 2021 are shown in Table 4 below. A total of seven FDI projects were recorded from South Africa into California over the review period. These projects represented a total capital investment of ZA100.7m and created 589 jobs.

TABLE 4: FDI FROM SA INTO CALIFORNIA (BY YEAR, PROJECTS AND CAPEX), 2003 - 2021

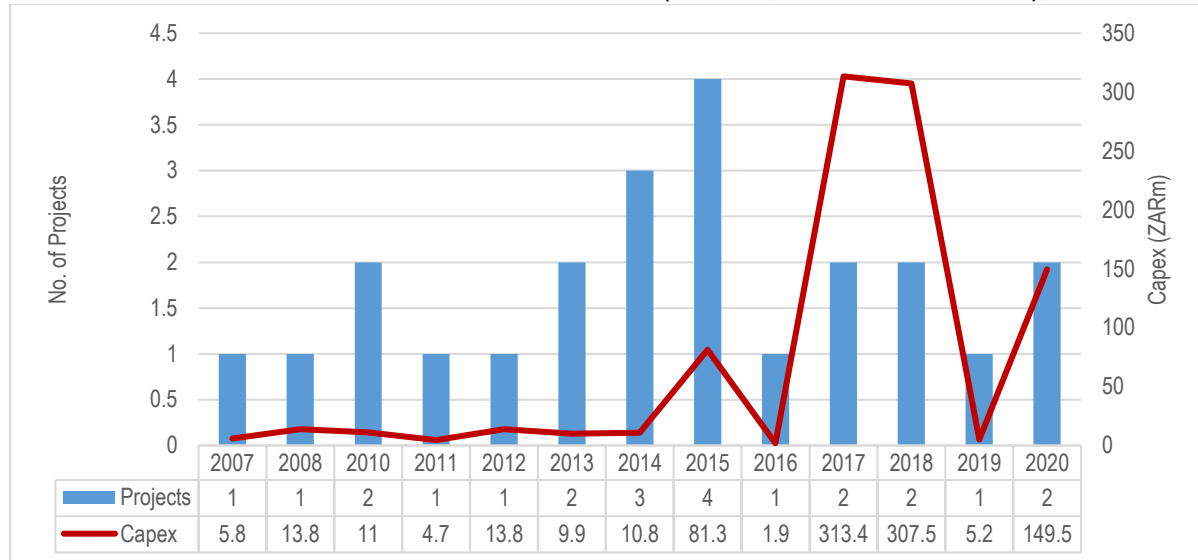
DATE	INVESTING COMPANY	DESTINATION CITY	INDUSTRY SECTOR	BUSINESS ACTIVITY	CAPEX (ZARm)	JOBS
2019 Mar	Aerobotics	Los Angeles (CA)	Software & IT services	Headquarters	10,5	82
2016 May	Naspers	San Francisco (CA)	Financial services	Business Services	1,7	15
2013 Feb	Celebrity Services Africa (CSA)	Beverly Hills (CA)	Business services	Business Services	5,7	18
2012 Aug	Mobile	Mountain View (CA)	Software & IT services	Sales, Marketing & Support	10,3	59
2012 May	Element Six	Santa Clara (CA)	Minerals	Manufacturing	24,8	60
2011 Oct	Element Six Ventures Group	Santa Clara (CA)	Financial services	Business Services	10,8	37
2008 Jun	De Beers	San Francisco (CA)	Consumer products	Retail	36,9	318
TOTAL					100,7	589

Source: FDI Markets, 2022

3.3 FDI from California into Western Cape

Over the period, January 2003 to October 2021, California-based companies invested in 23 FDI projects into the Western Cape. These projects represented a total capex of ZAR928.6m and 683 jobs were created.

FIGURE 8: FDI FROM CALIFORNIA INTO WESTERN CAPE (BY YEAR, PROJECTS AND CAPEX), 2003 - 2021

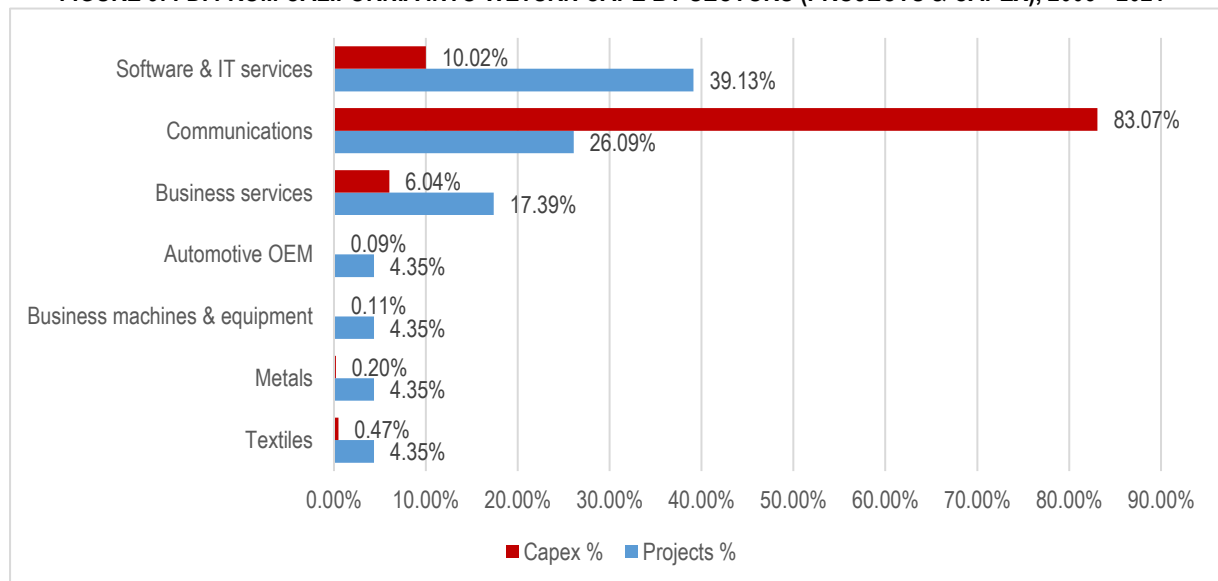


Source: FDI Markets, 2022

In terms of the sector classification of outward FDI by California into the Western Cape as measured primarily by the number of projects (with the CAPEX value as the secondary value), the following Western Cape sectors were the key recipients of Californian FDI over the period, January 2013 – October 2021:

- Software and IT services with 9 projects accounted for 39.31% of total outward FDI projects by California into South Africa. The relative share of capex stood at 10.02%.
- Communications sector with 6 projects (26.09%) and 83.07% of capex.
- Business services with 4 projects (17.39%) and a relative capex share of 6.04%.

FIGURE 9: FDI FROM CALIFORNIA INTO WETSRN CAPE BY SECTORS (PROJECTS & CAPEX), 2003 - 2021



Source: FDI Markets, 2022

The following investments were made by Californian companies into the Western Cape between January 2003 and October 2021:

TABLE 5: INVESTMENTS MADE BY CALIFORNIAN COMPANIES INTO THE WESTERN CAPE, 2003 - 2021

RANK	Date	INVESTING COMPANY	DESTINATION CITY	SECTOR	CAPEX (ZARm)	JOBS CREATED
1	Nov 2020	Google	Not Specified	Communications	144,26	48
2	Jan 2020	HeadSpin	Cape Town	Software & IT services	5,2	8
3	Jan 2019	inDriver	Cape Town	Software & IT services	5,2	8
4	Oct 2018	Hurricane Electric	Cape Town	Communications	306,5	69
5	Aug 2018	HP (Hewlett-Packard)	Cape Town	Business machines & equipment	1	50
6	Nov 2017	Meltwater Group	Cape Town	Business services	6,9	43
7	May 2017	CloudFlare	Cape Town	Communications	306,5	69
8	Nov 2016	ASCO Sintering	Cape Town	Metals	1,9	8
9	Dec 2015	Tesla Motors	Cape Town	Automotive OEM	0,8	5
10	Nov 2015	Delta Energy & Communications	Cape Town	Software & IT services	5,2	8
11	Feb 2015	NGS Global	Cape Town	Business services	21,6	15
12	Jan 2015	Oracle	Cape Town	Software & IT services	53,7	51
13	Oct 2014	Milk & Honey Films	Cape Town	Communications	4,7	37
14	Jun 2014	Gumtree	Cape Town	Software & IT services	1,7	8
15	Feb 2014	Forever 21	Cape Town	Textiles	4,4	50
16	Oct 2013	Piccing	Cape Town	Software & IT services	5,2	8
17	Apr 2013	Mblox	Cape Town	Communications	4,7	37
18	Jan 2012	FocusPoint International	Cape Town	Business services	13,8	85
19	Dec 2011	Trimble Navigation	Cape Town	Communications	4,7	37
20	Jun 2010	Yola	Cape Town	Software & IT services	5,8	9
21	Jan 2010	Impact	Cape Town	Software & IT services	5,2	8
22	Aug 2008	Chevron	Cape Town	Business services	13,79	13
23	Jul 2007	Propel Software	Cape Town	Software & IT services	5,8	9
TOTAL					928,55	683

Source: FDI Markets, 2022

3.4 FDI from Western Cape into California

The table below shows the number of FDI projects made by the Western Cape into California between 2003 and October 2021. A total of 4 FDI projects, representing a capex of ZAR28.2m, were made by the Western Cape into California over the review period. These projects created 174 jobs in total.

TABLE 6: INVESTMENTS MADE BY WESTERN CAPE COMPANIES INTO CALIFORNIA, 2003 - 2021

DATE	INVESTING COMPANY	DESTINATION CITY	INDUSTRY SECTOR	BUSINESS ACTIVITY	CAPEX (ZARm)	JOB S
01-Mar	Aerobotics	Los Angeles (CA)	Software & IT services	Headquarters	10,5	82
01-May	Naspers	San Francisco (CA)	Financial services	Business Services	1,7	15
01-Feb	Celebrity Services Africa (CSA)	Beverly Hills (CA)	Business services	Business Services	5,7	18
01-Aug	Movile	Mountain View (CA)	Software & IT services	Sales, Marketing & Support	10,3	59
TOTAL					28,2	174

Source: FDI Markets, 2022

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