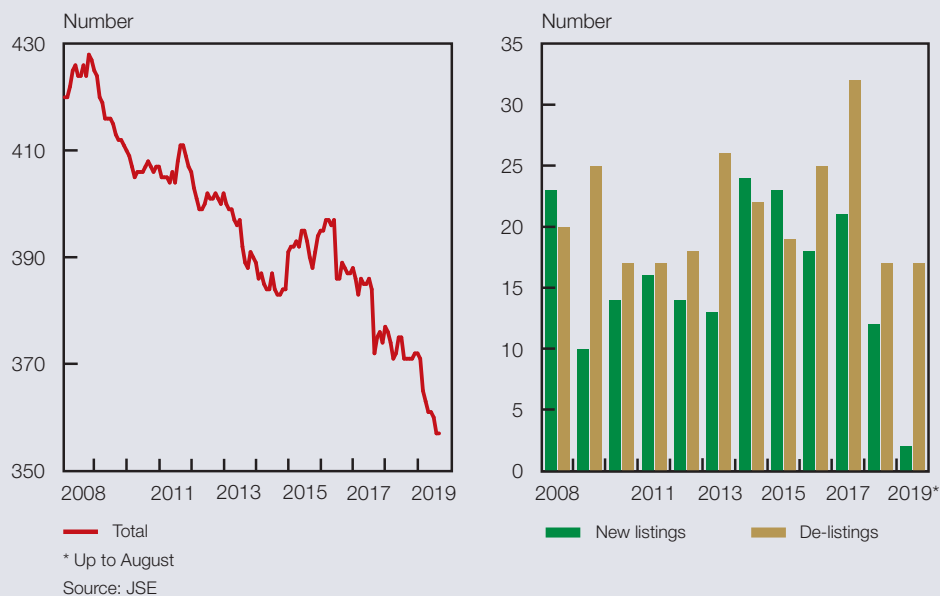


#### Box 6 Observations on the evolution of corporate listings in South Africa<sup>1,2</sup>

The changing composition of corporate listings on the JSE Limited (JSE)<sup>3</sup> since 2008 does not only reflect the effects of the global financial crisis, but also idiosyncratic domestic influences such as persistent weak economic growth, low business confidence and onerous corporate governance requirements.<sup>4</sup>

Number of listings on the JSE



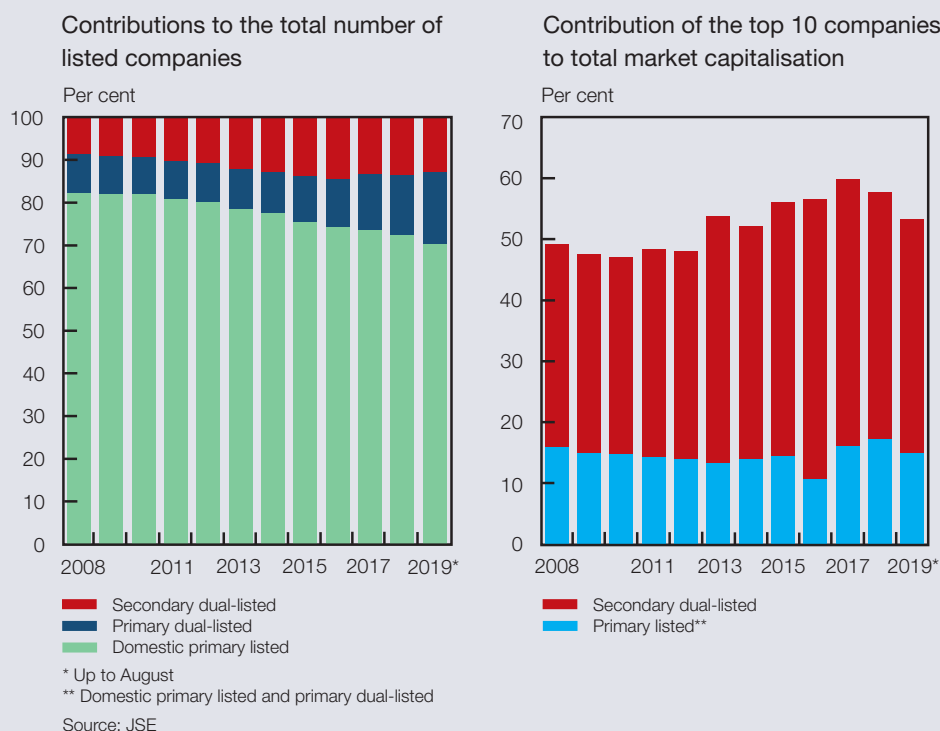
1 The discussion relates to listings on the JSE Limited, unless otherwise indicated. For related information, see: [https://www.jse.co.za/?gclid=EAlalQobChMlvL7w4nm4wlVGeJ3Ch3eoAwYEAAYASAAEglZk\\_D\\_BwE](https://www.jse.co.za/?gclid=EAlalQobChMlvL7w4nm4wlVGeJ3Ch3eoAwYEAAYASAAEglZk_D_BwE)

2 The box relates to market capitalisation statistics published in the table on page S-32 of this *Quarterly Bulletin*.

3 The JSE regulates listed companies and facilitates the buying and selling of shares as well as the raising of funding.

4 The JSE adopted the *King IV Report on Corporate Governance for South Africa 2016 (King IV)* in October 2017.

The number of companies listed on the JSE has decreased markedly since the global financial crisis, with de-listings mostly exceeding new listings. The number of listed companies declined by 16.6% from 428 in October 2008 to 357 in August 2019. The number of listings on the Main Board<sup>5</sup> continued to dominate, while that on Alt<sup>6</sup> almost halved. The composition of the number of listings changed, with an increased prevalence of dual-listed companies,<sup>7</sup> and with such primary listings<sup>8</sup> on the JSE exceeding such secondary listings<sup>9</sup> as from 2018. Although the number of domestic companies with only a primary listing on the JSE declined, they continued to account for the largest portion of listed companies. The top 10<sup>10</sup> companies listed on the JSE accounted for just more than half of the total market capitalisation<sup>11</sup> of the JSE, on average, during the period reviewed. Within the top 10, secondary listings were more than double the market capitalisation of primary listings.



A policy change by National Treasury in 2011, classifying residents' holdings of foreign domiciled secondary dual-listed shares on the JSE as domestic and not foreign, contributed to the increase in secondary dual-listings.<sup>12</sup> This is also reflected by the increased contribution of secondary dual-listings as part of the top 10 companies to the JSE's total market capitalisation. All dual-listings contributed almost 65% to total market capitalisation, on average, over the period reviewed. Of these, secondary dual-listings accounted for the most at 43%, on average, boosted by the increased number of such shares in issue.

The evolution of listings on the JSE affects both resident and non-resident participation in share trading in the secondary market, new equity capital raised in the primary share market and also South Africa's financial transactions with the rest of the world. Non-resident transactions in the shares of all JSE-listed South African domiciled companies contribute to changes in South Africa's foreign liabilities<sup>13</sup> and the funding of South Africa's current account deficit.

5 The Main Board provides for the listing of well-established companies that meet JSE listing requirements.

6 Alt<sup>6</sup> commenced in October 2003 and provides for the listing of small and medium sized companies.

7 Dual-listed companies are listed on two or more exchanges.

8 Domestic and foreign domiciled JSE primary dual-listed companies are regulated by the JSE. These companies are primary and/or secondary listed on offshore or domestic exchanges.

9 Foreign domiciled secondary dual-listed companies on the JSE are primary listed on offshore exchanges and are regulated by the exchange on which it has a primary listing.

10 The top 10 is determined in terms of market capitalisation.

11 Market capitalisation, in this box, reflects the total market value of all listed companies' outstanding shares and is calculated at a company level by multiplying the number of shares in issue by the share's current market price.

12 In balance of payments statistics, resident holdings of secondary dual-listed shares are treated as holdings of foreign assets.

13 When non-residents buy (sell) the shares of JSE-listed South African domiciled companies (both primary dual-listed and those with only a primary listing on the JSE) then South Africa's foreign liabilities increase (decrease) and an inflow (outflow) of capital is recorded through the financial account of the balance of payments.

The Main Board contributed the most to the number of listings on the JSE's five boards, followed by AltX. However, the number of listings on all boards has declined since 2008.

#### Number of listings on the JSE, by board, at year end

Year	Main	Alt <sup>x</sup>	Development Capital Market <sup>1</sup>	Venture Capital Market <sup>2</sup>	Black Economic Empowerment <sup>3</sup>	Africa Board <sup>4</sup>	Total listings
2008	335	77	6	7	–	–	425
2009	321	76	6	6	–	1	410
2010	328	68	4	5	–	2	407
2011	332	66	3	3	–	2	406
2012	334	63	2	3	–	–	402
2013	324	60	2	3	–	–	389
2014	330	58	1	2	–	–	391
2015	326	64	1	2	2	–	395
2016	324	60	1	1	2	–	388
2017	320	53	1	1	2	–	377
2018	323	46	1	1	1	–	372
2019*	312	42	1	1	1	–	357

\* As at 31 August

1 The Development Capital Market (DCM) targets companies with a minimum of 10% of each class of shares held by the public, a satisfactory profit history for the preceding two financial years, not less than one million shares in issue, and a minimum of R1 million subscribed capital.

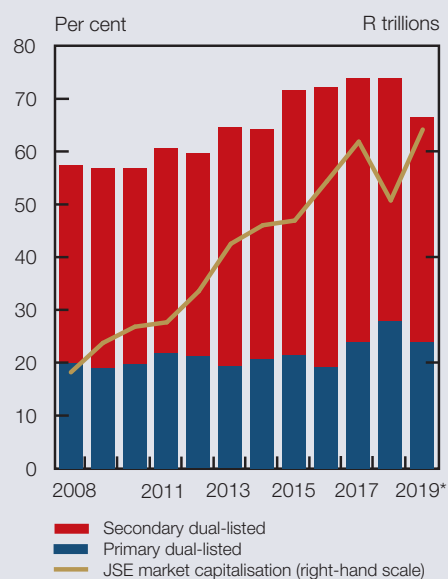
2 The Venture Capital Market (VCM) requires subscribed capital of at least R0.5 million and above-average returns, without a profit history.

3 The Black Economic Empowerment (BEE) is for companies with BEE share schemes.

4 The Africa Board (BOAF) was launched in 2009 for African companies, but was discontinued in 2012.

Source: JSE

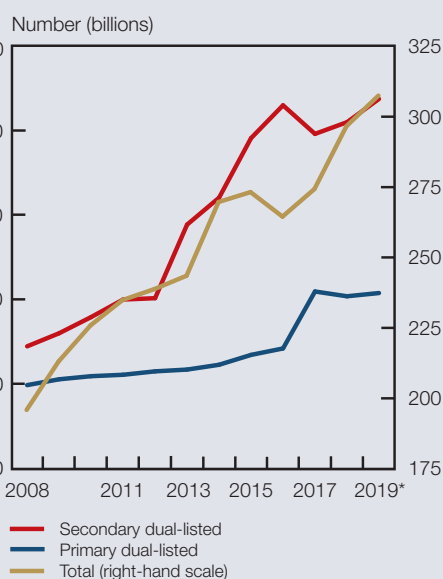
#### Contribution of all dual-listed companies to total market capitalisation



\* Up to August

Source: JSE

#### Number of shares in issue on the JSE



South Africans' transactions in the shares of JSE-listed foreign domiciled companies affect South Africa's foreign assets.<sup>14</sup> Inward dual-listings of foreign domiciled companies on the JSE, which were permitted from 2004, afforded resident investors an opportunity to obtain exposure to foreign companies through the domestic share market.

The JSE's reign as the only exchange in South Africa ended when the first listing on a new stock exchange occurred in February 2017. Four exchanges, namely ZAR X, 4 Africa Exchange, A2X and Equity Express Securities Exchange, have since been established with 40 listings to date.

14 When South Africans buy (sell) the shares of foreign domiciled companies (both secondary dual-listed companies and foreign primary dual-listed companies on the JSE) then South Africa's foreign assets increase (decrease) and an outflow (inflow) of capital is recorded through the financial account of the balance of payments.