

STRUCTURAL CHANGE IN SOUTH AFRICA, 1993-2013

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Background and objective

Use the Mini-SAMs constructed by van Seventer to explore structural change in the South African economy over the past two decades

Main focus is Industrial Structure

- Normal interpretation: sectoral composition of output, value added, employment, etc.
- But 'structure' connotes slow changing features, not contingent
- Sectoral composition is an outcome of contingent influences and system of production processes
- We explore both

Methods

- Standard shift/share analysis
- Multiplier and Linkage Analysis using SUT
- Decomposition Analysis of SAM multipliers

Key findings:

Change in Gross Output decomposed into

- change in Leontief (8%) + change in final demand (92%)

Change in GDP decomposed into

- change in VA per worker (74%) + change in employment (26%)

Change in productivity decomposed into

- change within sectors (85%) + reallocation across sectors (15%)

Development is about moving resources from less to more productive sectors and improving their linkages to the rest of the economy

We find a rather stagnant structure

South Africa must produce and sell more to maintain real wage

But varies across sectors because counter balancing effects

Finding 1

Value added share in output has fallen in all sectors

Wage share of value added has fallen in economy as a whole

but risen in 9 sectors and fallen in 6

	VA/X	W/VA	Opt to create R1 wage
Agric	55%→38%	28%→31%	30% more now than then
Mining	62%→59%	52%→40%	38% more now than then
Food mnf	33%→30%	46%→60%	18% less now than then
Trpt & Comms	58%→47%	48%→31%	89% more now than then

Economy must sell R4.27 now to create R1 wage vs R3.28 then

Finding 2

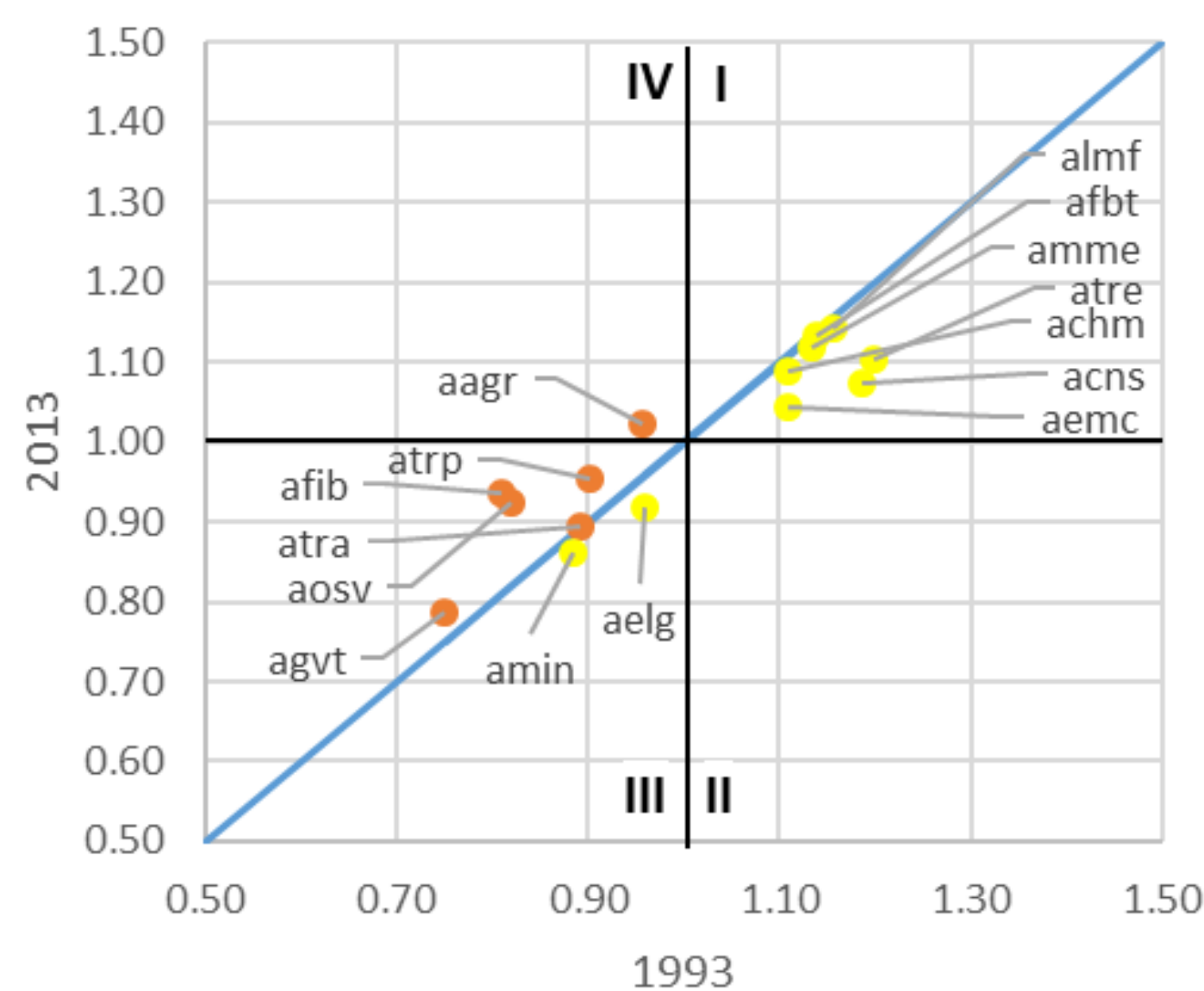
- average backward and forward multipliers have risen
- but variation across sectors

Classifying sectors

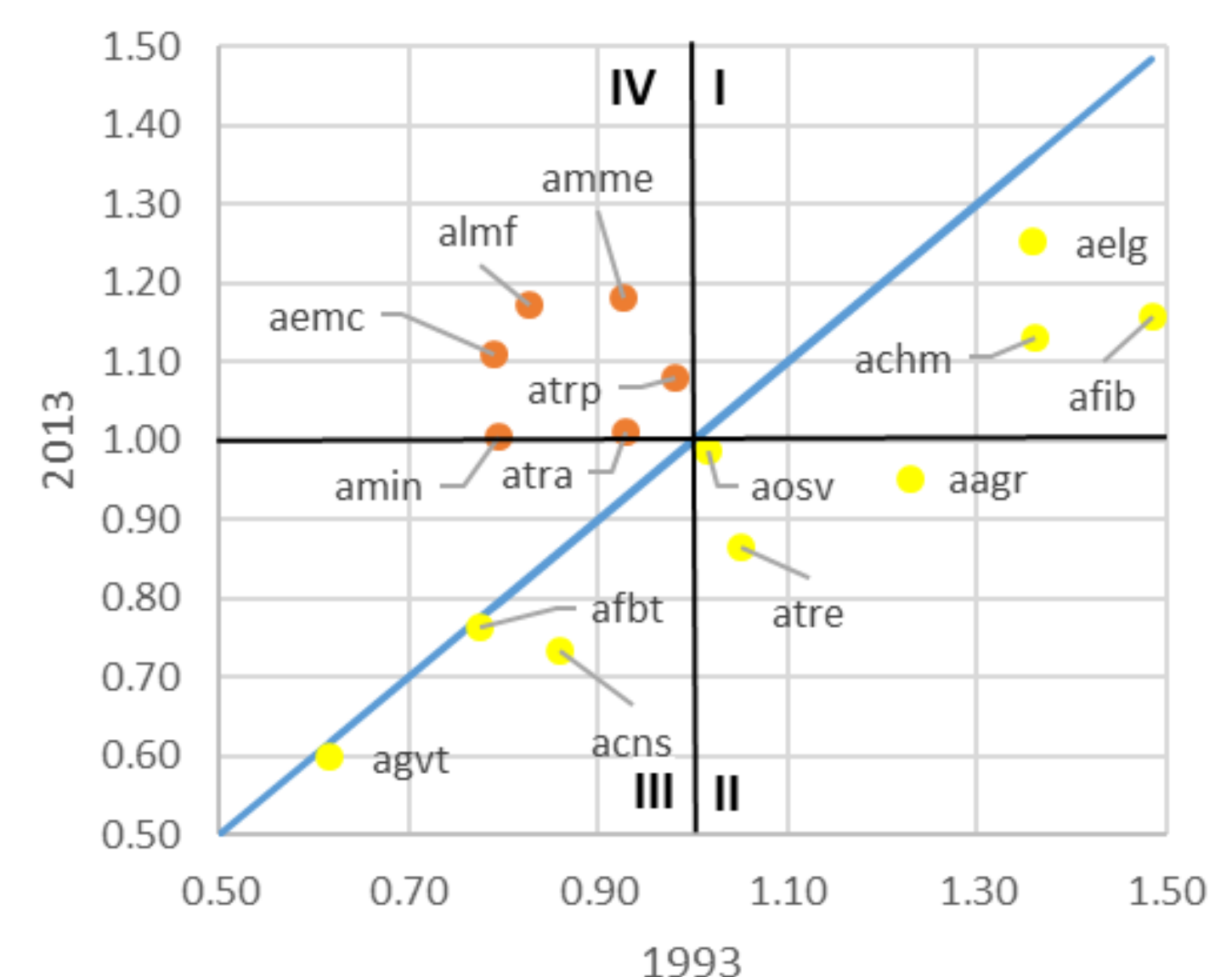
Indices show sectors relative to average
'Dep' = dependent

		Forward	
		< avg	> avg
Backward	< avg	Weak	demand dep
	> avg	Supply dep	Strong

- Economy is generally more connected
- Only Gov remains weakly connected
- Mining shifts from weak to demand dep as do trade and transport
- Other sectors shift to strong



Backward Multiplier Indices



Forward Multiplier Indices

Policy Relevance

- Exploring the policy context
 - Outcome of past processes
 - Determinant of future impact

Descriptive not causal

- Suggest lines for further investigation
 - What have been the drivers of the changes we identify?
 - How might policy influence structure, both negatively and positively?