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

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

Finding 2
- average backward and forward multipliers have risen
- but variation across sectors

Classifying sectors
Indices show sectors relative to average
"Dep" = dependent
- 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

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

<table>
<thead>
<tr>
<th>VA/X</th>
<th>W/VA</th>
<th>Opt to create R1 wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agric</td>
<td>55% 38%</td>
<td>31% 30% more now than then</td>
</tr>
<tr>
<td>Mining</td>
<td>62% 59%</td>
<td>40% 38% more now than then</td>
</tr>
<tr>
<td>Food mnf</td>
<td>33% 30%</td>
<td>60% 46% 18% less now than then</td>
</tr>
<tr>
<td>Trpt &amp; Comms</td>
<td>58% 47%</td>
<td>31% 48% 89% more now than then</td>
</tr>
</tbody>
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Economy must sell R4.27 now to create R1 wage vs R3.28 then

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?