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AN ECONOMIC SNAPSHOT

Overview

The composition of the South African economy has changed substantially over the last decade. In 1990, agriculture comprised 5 percent of Gross Domestic Product (GDP), manufacturing 40 percent, and the services sector 55 percent. By 2005, agriculture and manufacturing had decreased to 3 and 30 percent of GDP, while services rose to 67 percent.

As a middle-income country, the economy has performed well since returning to democracy in 1994, increasing at a steady annual rate of a little in excess of 3 percent each year. Despite this modest growth, it has not been strong enough to counter growing income disparities and high unemployment. High poverty rates and entrenched inequality continue to hamper economic growth part of an economic legacy inherited from the apartheid era.

Table 1: Key Economic Indicators

	1990	2000	2005
Economy			
GDP per Capita (US\$)	4112.6	3912.4	5106.61
GDP growth rate (year on year)	-0.3	3.5	4.9
Value added in agriculture (% of GDP)	5	3	3
Value added in manufacturing (% of GDP)	40	31	30
Value added in services (% of GDP)	55	66	67
X/M (%)	132	111	95
Current Account Balance (millions of US\$)	2.1	-5.8	-8.9
People			
Total Fertility Rate	3.3	2.9	2.8
Under 5 mortality rate	60	94.7	72.1
Poverty (headcount US\$2 per person per day)	35.8	34.0	--
Population (millions)	35.2	44.0	45.2

Notes: Poverty data are for 1993; under 5 mortality rate from the Health Systems Trust. Manufacturing includes industry.

Source: World Development Indicators; Statistics South Africa; Health Systems Trust

Trade Timeline

Since the 1990s, South Africa substantially liberalized its trading regime, both unilaterally and through World Trade Organization (WTO) commitments. Although the trade regime remains complex, a series of export subsidies and quantitative restrictions have been eliminated. The number of tariff bands remains high, with *ad valorem* duties applied at 39 different rates, ranging between 0 and 55 percent. South Africa also remains committed to a variety of regional and bilateral trading arrangements (IMF, 2005).

Poverty Rates

Poverty rates in South Africa are high, and the distribution of wealth and income across households and population groups is among the most unequal in the world. Efforts to reduce poverty and inequality since the 1990s have secured mixed outcomes. The proportion of people living in income poverty increased during 1993-2000 (Bhorat and Kanbur, 2006). The data by race reveals stark differences in income

poverty: between 1995 and 2000, absolute and relative poverty levels amongst African-headed households increased, while for non-African households it either remained stagnant or declined (Bhorat and Kanbur, 2006). Yet between 2000-2004, the proportion of poor people appears to have declined, and per capita real incomes of the poorest population rose by more than 30 percent (BER, 2005). Although consistent measurements of poverty and inequality reveal that African households continue to have higher poverty rates and that inequality remains high, the outcomes for social indicators and access to public services are much more encouraging. The share of households with access to piped water increased from 80 to 85 per cent between 1996 and 2001, with similar gains reported for related sanitation services (Bhorat, Poswell & Naidoo, 2004). Similarly, the share of households with access to electricity for lighting and cooking demonstrates significant gains. For example, between 1996 and 2001, the share of African households with access to electricity for lighting increased from 44 to 62 per cent (Bhorat and Kanbur, 2006).

Labor Market

Women currently make up approximately 45 percent of the economically active in the labor market (see Table 2). The greatest proportion of men and women are engaged in services with 71 percent of the male and 81 percent of the female labor force in this sector. Agriculture absorbs the smallest proportion of the male and female labor force with approximately 13 percent of men and 8 percent of all economically active women.

The apartheid labor market was characterized by a high degree of contract and migrant labor in agriculture and manufacturing. Workers faced controls limiting where they could live and as a consequence many households were separated and labor markets were highly controlled. Since 1994, however, the labor market has undergone changes in order to address regional inequalities and disparities, institute statutory minimums and create greater worker protections and benefits.

Employment in domestic agriculture had decreased continually since the mid 1980s. However, this decline has been countered by an increase in employment in services (18 percent), and manufacturing (14 percent). Unfortunately, the informal economy has grown substantially in the post-apartheid era between 1997 and 2001, yet remains small compared with other African economies, employing approximately 20 percent of the active labor force. Some of this increment in informal employment is attributed to increased cross-border as well as rural-urban migration. In 2002, documented immigrants to South Africa increased 35 percent compared to the previous year. The country attracts both skilled and unskilled workers (57 percent economically active immigrants) from Africa, Central and South America, the Middle East, and Asia (NALEDI 2004). Notwithstanding sustained growth over the last decade, unemployment rates remain high for both women (31 percent) and men (22 percent), and particularly for youth (SSA 2005).

Table 2: Economically Active, Share of each Sector in 2003 in percentages

	Percent of Each Sector		Percent of Labor Force		Total (1000s)
	Men	Women	Men	Women	
Agriculture	67.7	32.3	12.6	7.5	1,197.2
Manufacturing	64.3	35.7	16.3	11.3	1,634.3
Services	52.0	48.0	71.1	81.3	8,790.8
Total	55.4	44.6			11,622.3

Notes: Persons aged 15 and older. Manufacturing includes manufacturing and industry.

Source: ILO Labour Statistics <http://laborsta.ilo.org/> , 2006

The labor market in South Africa reflects some degree of sex segmentation—men and women are not distributed evenly across all sectors and occupations in proportion to their participation in the total labor

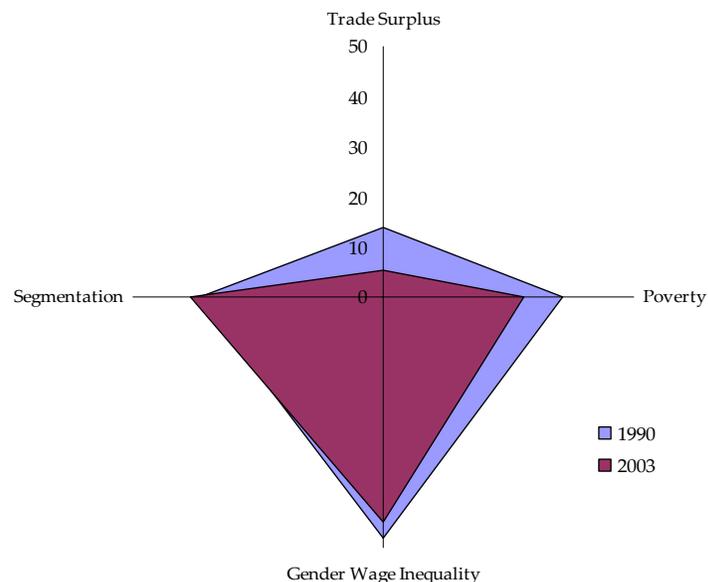
force. The Duncan Index calculated for 10 sectors,¹ and used to measure labor market segmentation by sex, was approximately 37 percent in 1990, indicating a fairly high degree of segmentation. By 2003 this had risen slightly to 39 percent—registering an increment of almost 2 percentage points (See Figure 1).²

The gap in South African wages between men and women is evident as female workers are paid approximately 70 percent of male workers remuneration (Thurlow, 2006). In some cases, however, such as in the financial and transport sectors, female workers receive higher wages. Additionally, unionized workers earn consistently higher wages than non-unionized workers. Unionized female workers in formal sector construction jobs earn 97 percent of what men do in the same field, while non-unionized female workers in the informal sector earn on average 40 percent less than men (NALEDI, 2004; EPINET, 2005).

Development Diamond

The Development Diamond (Figure 1) tracks some of the economic indicators analyzed above by mapping poverty, labor market segmentation, trade, and wage rate indicators for South Africa over a 10-year period.³ While improvement is visible in poverty rates and gender wage inequality the trade surplus has declined as the growth in imports has outstripped exports and labor market segmentation by sex has increased over the period under study. Furthermore, there is evidence that efforts to distribute the gains from trade more equitably must be redoubled if women and African households are to benefit from liberalization. With high levels of unemployment and inadequate human capital, poor households are less likely to benefit from liberalization (Thurlow, 2006).

Figure 1: Development Diamond, in percent



¹ The Duncan Index is $D = 100 * \frac{1}{2} \sum_{i=1}^N |f_i - m_i|$. Where $i = (1, 2, \dots, N)$ is the total number of sectors, industries or

occupations and f_i and m_i are the sectoral employment ratios of men and women to their respective labor force. We use 10 sectors defined by their two-digit ISIC codes.

² The Duncan Index of dissimilarity, ranging from 0 to 100, can be used to measure labor market segmentation by sex. An index of 0 indicates that the sectors or occupations are not sex segregated; women and men are distributed across sectors and occupations in proportion to their participation in the total labor force. An index of 100 indicates that men and women are in entirely different sectors and occupations.

³ The trade surplus is measured as $(X-M)/(X+M)$, and gender wage inequality as the average gender wage gap as a percentage of male wages $(W_m - W_f)/W_m$.

References

BER "Examining the trends in poverty and income inequality in South Africa from 1993-2004", Van der Berg, S.; Burger, R.; Burger, R.; Louw, M.; Yu, D., Bureau for Economic Research, South Africa. 2005.

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Thurlow, James. "Has Trade Liberalization in South Africa Affected Men and Women Differently?" Report to GATE. March 2006.

UNDP. "Human Development Report", United Nations Development Programme, 2003.

Data Sources

National

Statistics South Africa

<http://www.statssa.gov.za>

Reserve Bank of South Africa

<http://www.reservebank.co.za/>

Bilateral

CIA World Factbook

<http://www.cia.gov/cia/publications/factbook/>

International Database, US Census Bureau

<http://www.census.gov/ipc/www/idbnew.html>

Multilateral

International Financial Statistics Yearbook, International Monetary Fund

ILO Labor Statistics

<http://laborsta.ilo.org/>

Food and Agricultural Organization

<http://www.fao.org>

United Nations Economic Commission for Africa

<http://www.uneca.org>

Non Governmental

Global Policy Network

<http://www.globalpolicynetwork.org/>

Globalis

<http://globalis.gvu.unu.edu/>