

WINE INDUSTRY MUSCLES IN ON SOUTH AFRICAN GDP WITH STRONG GROWTH

The South African wine industry's annual impact on the national Gross Domestic Product (GDP) grew to R26,2bn in 2008. According to a study done by Conningarth Economists for the SA Wine Industry Information and Systems (SAWIS), this represents a substantial increase in the wine industry's contribution to the national GDP since the last study. In 2003, when the previous study was done to measure the wine industry's macro economic impact on the economy, the industry's annual contribution was R22,5 bn.

According to the study, which was released at the Groot Constantia Wine Estate today (2 February) the wine industry's contribution represents 2,2% of the total GDP.

Of the R26,2bn GDP created in South Africa by the wine industry, about R14,2bn remained in the Western Cape. The wine industry supports employment opportunities to the tune of 275 606. Of this number 58% are unskilled, 29% semi-skilled and 13% skilled. According to the labour/capital ratio (5.54) it is obvious that capital is applied much more effectively regarding employment creation as the ratio is higher than that of the national economy (3.18).

The relative labour intensiveness of the wine industry is specifically the result of the intensive labour production methods which are followed in the primary agriculture. In the Western Cape, the wine industry in total is responsible for 8.8% of total employment compared to 2.2% for the country as a whole.

The total turnover of the wine alcohol industry in 2008 amounted to R19,2bn. Of this amount R6,3bn was exported directly. Imports amounted to R237 million or about 2% of domestic sales. In actual fact, primary agricultural output valued at R3,3bn was beneficiated and added in value downstream to the value of R19,2bn, i.e. about five times the initial value of the raw materials. Another R4,3bn is generated indirectly through wine tourism.

What is also important to note is the measure of value added that takes place with every step of beneficiation. Starting at farm level, the initial value of the raw material in terms of income created, amount to R3,4bn and ultimately leads to a total GDP value of R21,7bn (excluding tourism). This illustrates the exceptional ability of the industry as a creator of economic growth.

However, the question is whether the wine industry contributes a fair and reasonable share to GDP per unit of capital invested compared to other industries. The study showed that its GDP/Capital ratio of 0.53 is higher than the national average of 0.46. Even though this is not a measure of the profitability of the industry, it does signify that its capital "productivity" is in line with the average for the national economy.

Compared with the 2003 study, it is evident that the wine industry as a whole did somewhat better over the 2003 – 2008 period. Total turnover grew by 79%. This growth can be attributed mainly to the excellent export performance (close to doubling in current rand value terms since 2003). The growth in value of domestic sales in nominal terms, over the period 2003 – 2008 amounted to 76%. These figures also indicate the much slower growth in primary producers'

income but an escalating tax haul by government. Tax and excise amounted to R3,5 bn in 2008, growing by 71% since 2003.

The industry has been under ever increasing inflationary pressures on the production side that ultimately had to be given through to the consumers.

According to Yvette van der Merwe, CEO of SAWIS, this study on the wine industry's macro economic impact confirms the industry's growth trend.

“Wine is firmly established as the leader in exports from the agricultural sector, and is second only to minerals and motor cars, with the growth in exports substantially contributing to the rise in the industry's contribution to national GDP,” says Van der Merwe. “The study once again confirms the industry's importance to the Western Cape as a creator of employment opportunities on various levels – from vineyard workers to those involved in the tourist industry.

“However, with the industry now having become a true global player, future growth is largely dependent on a favourable exchange rate for exporters.”

The full report is available on the SAWIS website, www.sawis.co.za. For further enquiries, please contact Yvette van der Merwe (tel 021-807 5703, cell phone 083-7032718, e-mail yvette@sawis.co.za).