

THE ECONOMIC IMPACT OF THE BEER SECTOR IN SOUTH AFRICA

JULY 2022

ABOUT OXFORD ECONOMICS

Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Since then, we have become one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on more than 200 countries, 100 industries, and 7,000 cities and regions. Our best-in-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

Headquartered in Oxford, England, with regional centres in New York, London, Frankfurt, and Singapore, Oxford Economics has offices across the globe in Belfast, Boston, Cape Town, Chicago, Dubai, Dublin, Hong Kong, Los Angeles, Melbourne, Mexico City, Milan, Paris, Philadelphia, Stockholm, Sydney, Tokyo, and Toronto. We employ 450 staff, including more than 300 professional economists, industry experts, and business editors—one of the largest teams of macroeconomists and thought leadership specialists. Our global team is highly skilled in a full range of research techniques and thought leadership capabilities from econometric modelling, scenario framing, and economic impact analysis to market surveys, case studies, expert panels, and web analytics.

Oxford Economics is a key adviser to corporate, financial and government decision-makers and thought leaders. Our worldwide client base now comprises over 2,000 international organisations, including leading multinational companies and financial institutions; key government bodies and trade associations; and top universities, consultancies, and think tanks.

July 2022

All data shown in tables and charts are Oxford Economics' own data, except where otherwise stated and cited in footnotes, and are copyright © Oxford Economics Ltd.

The modelling and results presented here are based on information provided by third parties, upon which Oxford Economics has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

This report pertains to the entire beer sector in South Africa. The analysis was facilitated by data provided by AB InBev, Carlsberg Group, Heineken, and Molson Coors Beverage Company, as well as data collected by Oxford Economics. This report may not be published or distributed without AB InBev's prior written permission.

To discuss the report further please contact:

Francesca Biagini: fbiagini@oxfordeconomics.com and **Ankur Desai:** adesai@oxfordeconomics.com

Oxford Economics

4 Millbank, London SW1P 3JA, UK

Tel: +44 203 910 8061

KEY TAKEAWAYS

- In 2019, we estimate that beer supported a R 71 billion gross value added (GVA) contribution to South Africa's GDP, 249,000 jobs, and R 43 billion in tax payments to the government.
- By making and marketing beer, South African brewers supported a R 63 billion in GVA contribution to GDP, 181,000 jobs, and R 13 billion in tax revenues for the government.
- By selling beer to final consumers, retail and hospitality outlets stimulated a further R 8.4 billion in GVA contribution to GDP, 68,000 jobs and R 31 billion in tax revenue.

INTRODUCTION

A significant number of people cooperate across multiple sectors in South Africa to make and distribute beer to consumers in the country—and elsewhere in the world where South Africa is part of the value chain. That includes South Africans who grow raw materials like barley and hops, manufacture beer packaging, brew beer, transport beer, and sell beer at shops, restaurants, and entertainment venues. It also includes people in South Africa who contribute indirectly, by supplying specialised equipment and services to brewers and distributors, as well as to companies in the beer sector's wider supply chain.

In this report we assess the important role that beer plays in the South African economy in 2019.¹ We quantify this role in terms of the gross value added contribution to GDP, jobs, and tax revenues supported by the beer sector.² This assessment spans three channels of impact: the economic activity generated at brewers' and distributors' operational sites (direct impact), economic activity stimulated by brewers and distributors buying inputs of goods and services from third party suppliers (indirect impact), and further activity supported in the consumer economy when the beer sector pays wages to its employees (induced impact).

The largest share of the impact of beer in South Africa's economy arises from brewers making and selling beer locally. However, we also quantify the economic activity that occurs because South African businesses export beer, as well as materials, products, and services that are consumed, used to make beer, or used in other parts of the supply chain that is stimulated by the beer sector in other countries.³

¹ The study relies on 2019 data (instead of 2020) because of the distortions caused by COVID-19. The effects of the pandemic mean that 2019 is more representative of a normal year for the beer sector. In addition, the analysis for this report was conducted in USD, and the values have been converted to R throughout at an exchange rate of 1 USD = 14.45 R.

² Gross domestic product (GDP) is the most commonly used metric to describe the size and health of an economy. It is the total value of final goods and services produced in the economy within a year. After adjustments for taxes and subsidies, the sum of all gross value added created by all firms and industries in an economy is equal to GDP. Gross value added for an individual brewer, beer distributor, retailer, or hospitality firm is equal to the revenue it generates in a year less the cost of the bought-in goods and services used up to generate that revenue.

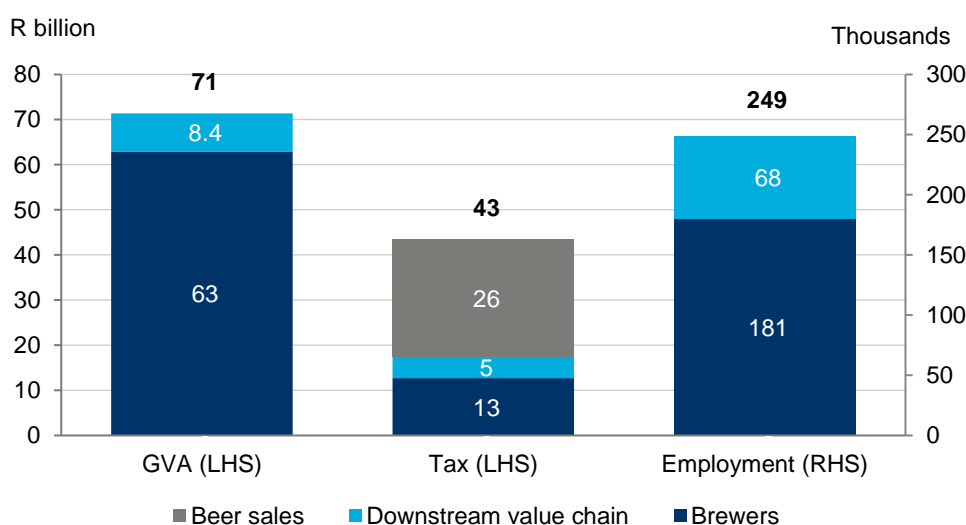
³ The global beer sector, for the purposes of this report, comprises the brewers and distributors in South Africa and 69 other countries that, together, make up 89% of global beer sales.

BEER SECTOR'S TOTAL IMPACT IN SOUTH AFRICA

In 2019, we estimate that beer supported a R 71 billion gross value added (GVA) contribution to South Africa's GDP.⁴ This contribution represented about 1.3% of the South African economy, or R 1 in every R 79 of GDP produced in South Africa in 2019.⁵ The magnitude of that impact is equivalent to 25% of all the GVA created in the city of Pretoria in 2019.⁶ Of this, we estimate that the process of making beer by brewers supported R 63 billion (88% of the total contribution), while the remaining R 8 billion (12% of the total) was supported by beer's downstream activities of transporting and selling beer.

R 1 in every R 79
 The beer sector was linked to R 1 in every R 79 of GDP in South Africa

Total GVA, employment and tax supported by the beer sector in South Africa, 2019



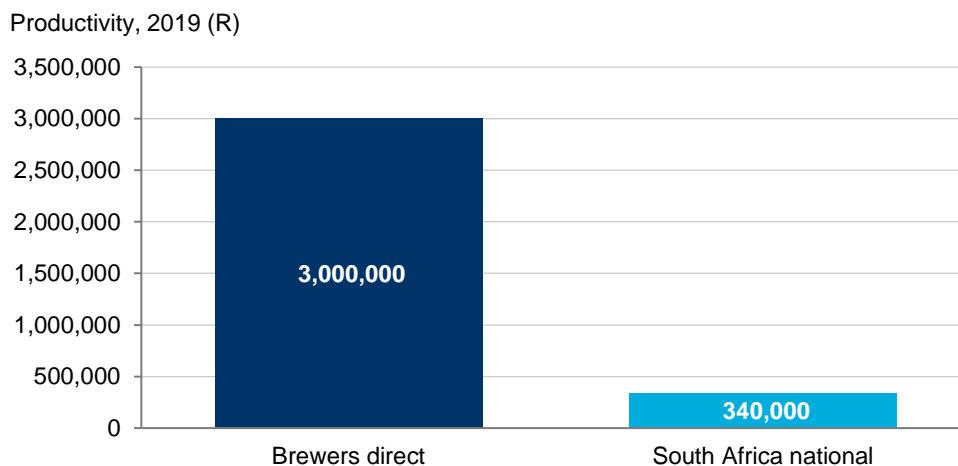
Source: Oxford Economics

9x
 On average, brewers' employees were around nine times as productive as the average South African worker

The high productivity of brewers in the South Africa was an important driver of the beer sector's GVA contribution to GDP. On average, we estimate that each employee at a South African brewer generated a R 3 million GVA contribution to GDP in 2019. This was almost nine times the productivity of the average South African worker (at R 340,000 per worker). While this productivity is important to brewers themselves, it also has benefits for the wider economy. When highly productive employees interact with others in the economy – whether through a supply chain relationship, in business meeting, or by moving jobs – their knowledge and techniques can spread to other businesses, increasing average productivity in the economy overall. This is valuable because productivity is the only mechanism that can sustainably increase wages and therefore living standards over the long-run.

⁴ Individual figures may not always sum to totals due to rounding.
⁵ GDP was R 5.6 trillion in South Africa in 2019.
⁶ GDP was R 290 billion in Pretoria in 2019.

Productivity (GVA per worker) at South African brewers compared to national average



Source: Oxford Economics

1 in 66 jobs
The beer sector was linked to 1 in every 66 jobs in South Africa in 2019

Together, brewers and retailers supported an estimated 249,000 jobs in South Africa in 2019. This is around 1.5% of all jobs in South Africa, or one in 66 jobs in the country.⁷ The employment was similar in magnitude to 67% of employment in Port Elizabeth.⁸ Some 181,000 jobs were supported by beer manufacturing (72.6% of the total jobs supported), whilst the remaining 68,000 jobs were supported by downstream transportation and retail activities (27.4% of the total jobs supported).

The beer sector is also important for government revenues in South Africa. In 2019, the tax payments directly remitted or stimulated by the South African beer sector totalled R 43 billion; of this, R 26 billion (or 60% of the total tax contribution) is estimated to have come from sales tax and excise duties from beer sales.

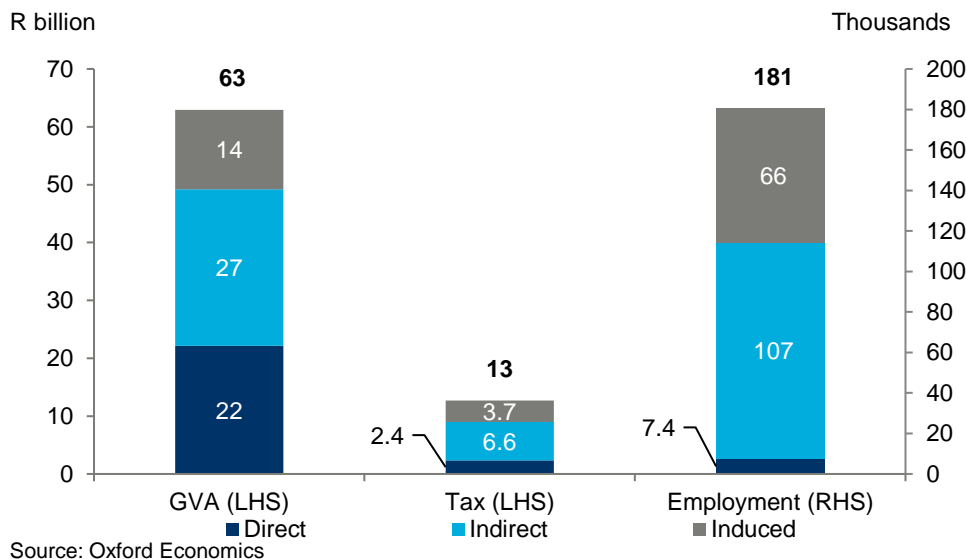
BREWERS' IMPACT IN SOUTH AFRICA

By marketing and brewing beer, brewers themselves have an important impact on South Africa's economy. In 2019, brewers' total economic contribution amounted to R 63 billion in GVA contributions to GDP, more than 180,000 jobs, and R 13 billion in tax revenues. This is equal to 1.1% of South African GDP, 1.1% of national employment, and 1.0% of national tax, respectively.

⁷ There were 16.3 million jobs in South Africa in 2019.

⁸ Employment was 370,000 in Port Elizabeth in 2019.

Total GVA, employment, and tax supported in South Africa by brewers, 2019



We estimate that by brewing beer, South African brewers directly generated a R 22 billion GVA contribution to South Africa’s GDP, provided 7,400 jobs, and made R 2.4 billion worth of tax payments in 2019.

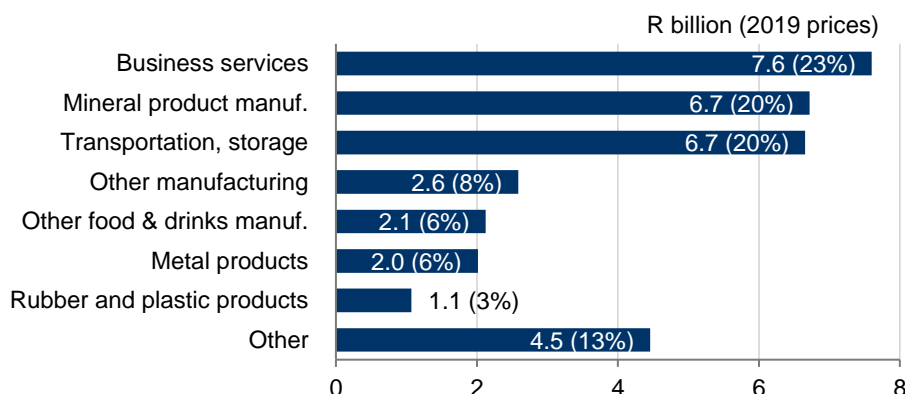
R 33 billion in procurement
 R 33 billion in goods and services bought by beer manufacturer’s from South African companies

Brewers procure a large amount of goods and services in South Africa. This procurement means brewers stimulate a substantial indirect impact in the country.

In 2019, extrapolating from data provided by four major brewers indicate that brewers as a group, both domestic and international, bought R 33 billion worth of goods and services from South African companies. Of the total procurement in South Africa by brewers, the vast majority, R 32 billion (or 97%), was purchased by South African brewers; another R 1.1 billion (3%) worth of South African goods and services were exported to overseas brewers.

Of the total procurement in South Africa R 33 billion by brewers, business services providers (such as accountants, engineers, marketers, and legal services providers) benefitted from R 7.6 billion worth of payments (or 23% of brewers’ total purchases), followed by mineral product manufacturers that make cans and bottles (R 6.7 billion, or 20%), and then transportation and storage firms (R 6.7 billion, or 20%). We estimate that through this procurement, brewers supported R 27 billion in GVA contributions to South Africa’s GDP, 107,000 jobs, and R 6.6 billion in tax revenue.

Brewers’ procurement from South African suppliers⁹



Source: Oxford Economics

Finally, the beer sector pays a large amount of wages, which further stimulates economic activity, jobs and taxes within South Africa. Through this wage-induced channel of impact, we estimate that in 2019 brewers supported R 14 billion in GVA contributions to GDP, 66,100 jobs, and R 3.7 billion in tax revenue.

BEER DISTRIBUTORS, RETAILERS, AND HOSPITALITY SECTOR’S IMPACT IN SOUTH AFRICA

R 73 billion
 The beer sector sold R 73 billion worth of beer to final consumers in South Africa in 2019

As the consumer-facing portion of the beer sector, beer’s downstream value chain is responsible for a large amount of economic activity. Beer’s downstream value chain is comprised of wholesalers, retailers, restaurants, bars, pubs, clubs, sports arenas, and other hospitality venues that sell beer to final consumers. In total, the retail and hospitality sector sold R 73 billion worth of beer to consumers in South Africa in 2019.

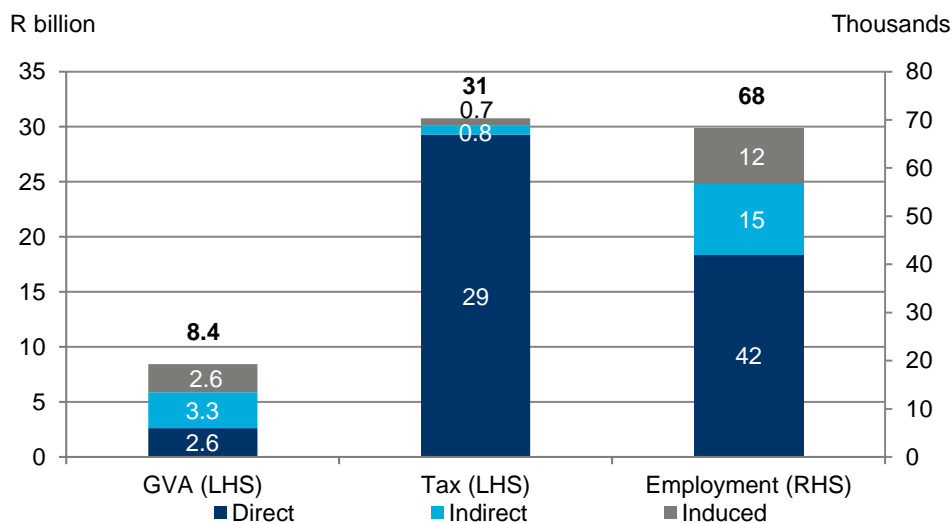
The total GVA contribution by the downstream value chain—including direct, indirect, and induced impacts—amounted to an estimated R 8.4 billion in South Africa in 2019. This is equivalent to 0.2% of South African GDP. The jobs supported by beer’s downstream value chain totalled 68,000, or about 0.4% of South African employment. Finally, the tax revenue generated by beer’s downstream value chain helped raise R 31 billion, about 2.3% of national tax.

The retail and hospitality sector directly generated a substantial share of the total impact. We estimate that the direct economic contribution from selling beer to consumers in South Africa amounted to R 2.6 billion in GVA in 2019. The service of transporting and selling beer is labour intensive, which creates a large number of jobs in the downstream value chain; thus, we estimate that the downstream value chain generated 42,000 jobs in 2019. In addition, beer’s downstream value chain generated R 29 billion in tax payments to the South African government.¹⁰

⁹ Other food & drinks manufacturing refers to non-beer food and drinks manufacturing (a category that includes things like adjuncts, bulk water, carbonates, flavour, and yeast).

¹⁰ This figure includes beer sales taxes worth R 26 billion.

Total GVA, employment, and tax supported by the global beer distributors, retailers, and hospitality in South Africa, 2019



Source: Oxford Economics

The retail and hospitality sector supports further economic activity by buying goods and services from South African suppliers. We estimate that firms involved in the selling and transporting of beer bought R 3.3 billion worth of goods and services from South African firms in 2019. Through the indirect channel of impact, we estimate that, in 2019, beer’s downstream value chain supported R 3.3 billion in gross value added, 15,000 jobs and R 0.8 billion in taxation in South Africa.

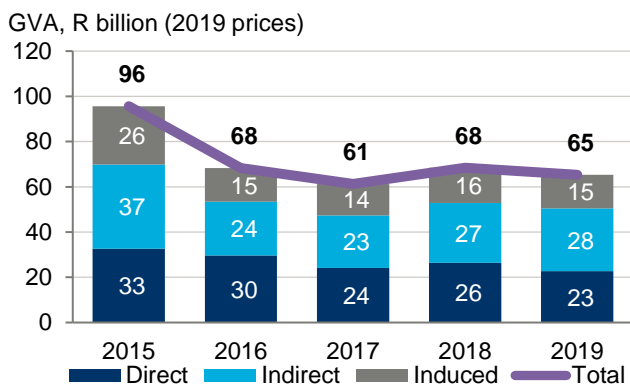
Additional economic activity is stimulated in South Africa because the retail and hospitality sector pays staff wages and supports wage payments in the supply chain. Through the induced channel of impact, we estimate that a R 2.6 billion GVA contribution to GDP, 12,000 jobs, and R 0.7 billion in tax revenue were supported by beer’s downstream value chain in South Africa in 2019.

As the figures show, the downstream value chain is an important source of jobs. To put these figures into perspective, the direct employment in the downstream value chain of 42,000 jobs means that for every job at a South African brewer there were six jobs directly employed in South Africa’s downstream value chain. When we consider the downstream activities and the upstream supply chain (i.e., the direct and indirect channels), we see that 22 jobs are supported for every job at a South African brewer. Including the consumer economy (the induced channel) means that this number rises to 33 jobs for every job at a brewer.

ANNEX

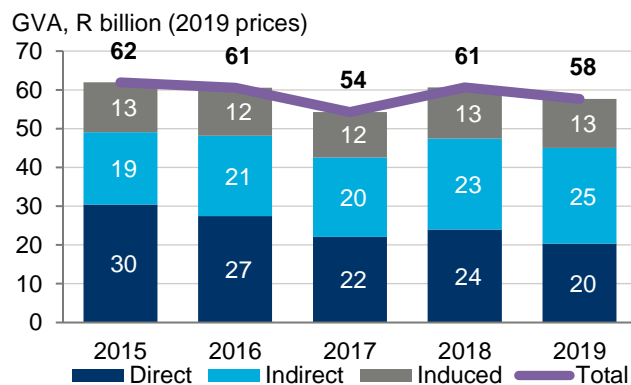
The following charts show how the beer sector’s economic impact has evolved in South Africa between 2015 and 2019. The first set of charts shows the direct, indirect, and induced impact in terms of GVA, jobs, and tax revenue for both brewers and distributors; the second set isolates the impact brewers supported, and the third set shows the impact that distributors stimulated.

Evolution of global beer’s economic contribution in South Africa, 2015-2019

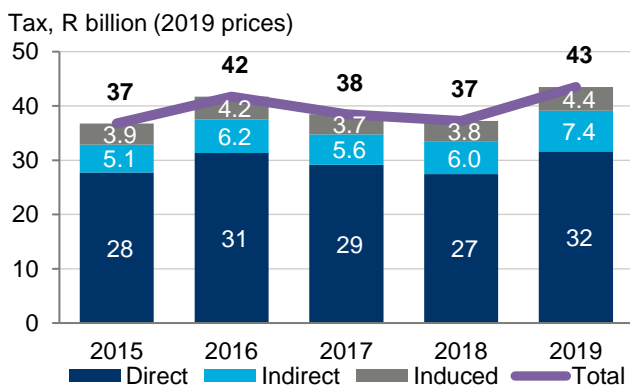


Source: Oxford Economics

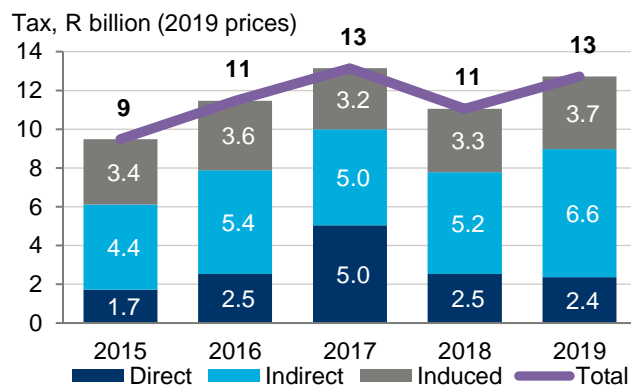
Evolution of the brewers’ economic contribution in South Africa, 2015-2019



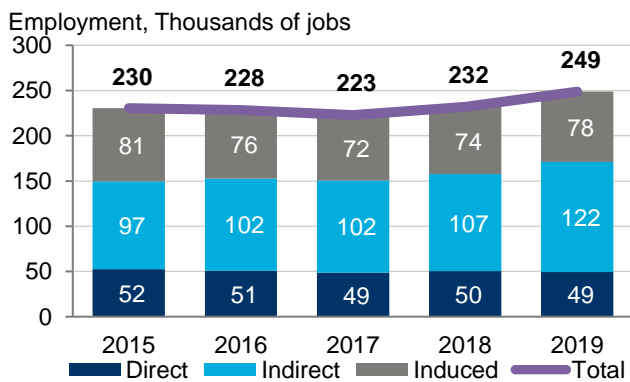
Source: Oxford Economic



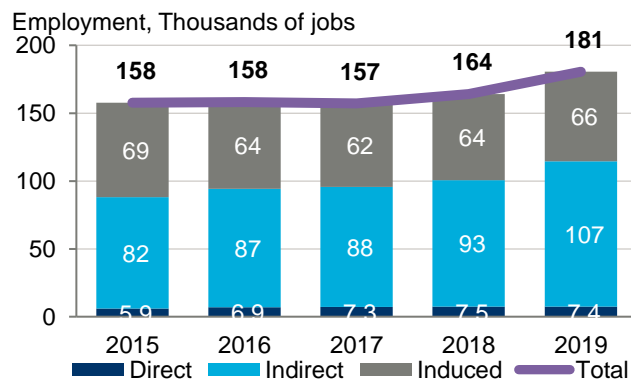
Source: Oxford Economics



Source: Oxford Economics

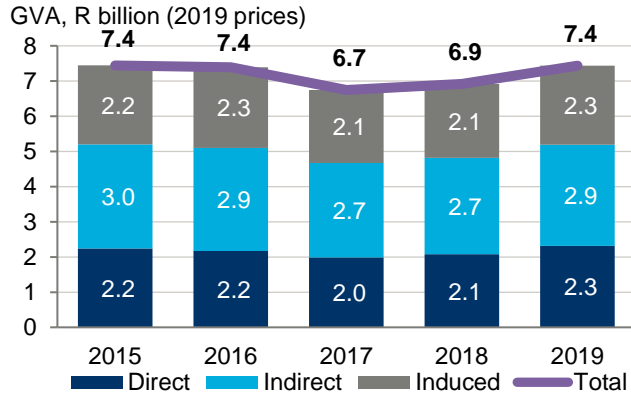


Source: Oxford Economics

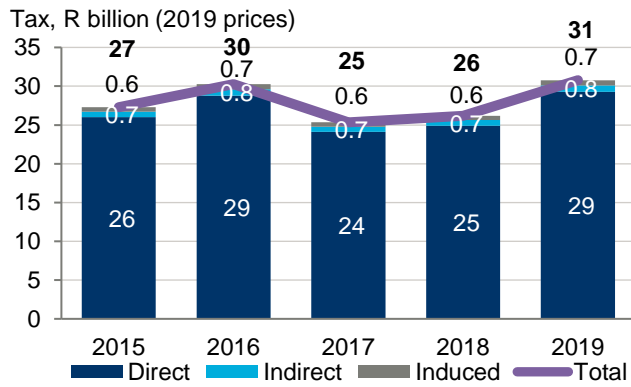


Source: Oxford Economi

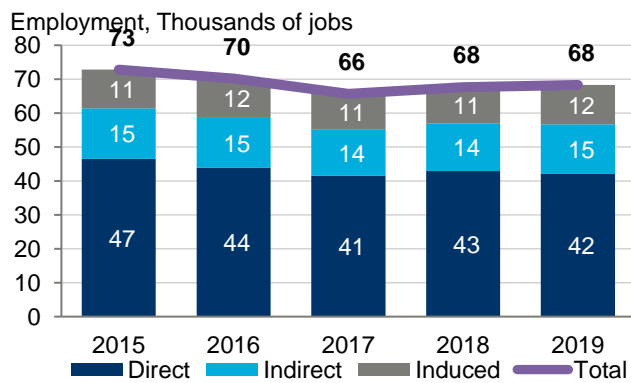
Evolution of the downstream value chain's economic contribution in South Africa, 2015-2019



Source: Oxford Economics



Source: Oxford Economics



Source: Oxford Economics



OXFORD
ECONOMICS

Global headquarters

Oxford Economics Ltd
Abbey House
121 St Aldates
Oxford, OX1 1HB
UK
Tel: +44 (0)1865 268900

London

4 Millbank
London, SW1P 3JA
UK
Tel: +44 (0)203 910 8000

Frankfurt

Marienstr. 15
60329 Frankfurt am Main
Germany
Tel: +49 69 96 758 658

New York

5 Hanover Square, 8th Floor
New York, NY 10004
USA
Tel: +1 (646) 786 1879

Singapore

6 Battery Road
#38-05
Singapore 049909
Tel: +65 6850 0110

**Europe, Middle East
and Africa**

Oxford
London
Belfast
Dublin
Frankfurt
Paris
Milan
Stockholm
Cape Town
Dubai

Americas

New York
Philadelphia
Boston
Chicago
Los Angeles
Toronto
Mexico City

Asia Pacific

Singapore
Hong Kong
Tokyo
Sydney
Melbourne

Email:

mailbox@oxfordeconomics.com

Website:

www.oxfordeconomics.com

Further contact details:

[www.oxfordeconomics.com/
about-us/worldwide-offices](http://www.oxfordeconomics.com/about-us/worldwide-offices)