

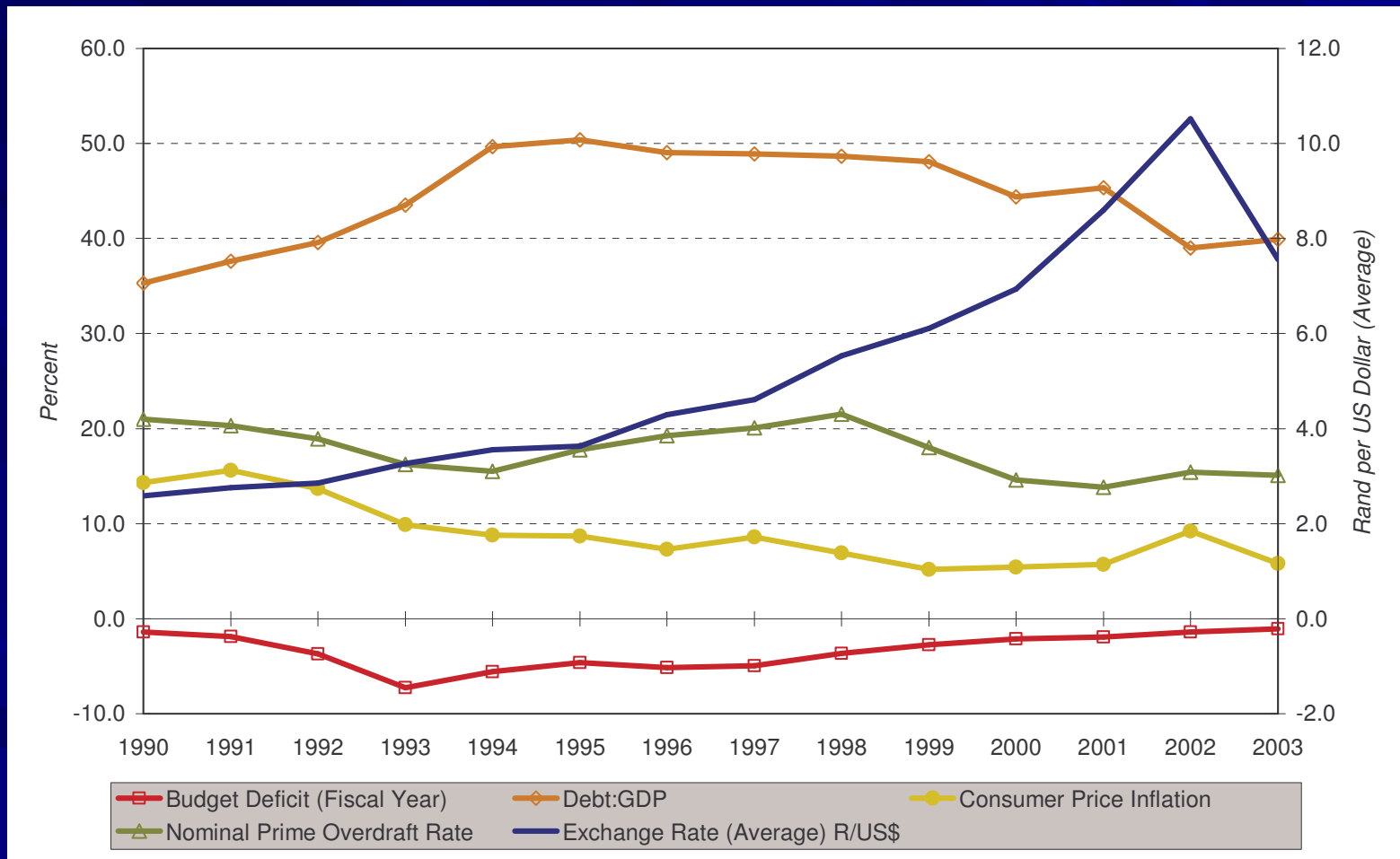
# Growth, Poverty & Inequality in South Africa

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# Economic Policy In Post-Apartheid South Africa: A Quick Tour

- ❖ 1994 first democratic elections
- ❖ 1994 - Reconstruction and Development Programme (RDP)
  - Growth through development
  - Government to invest heavily in the poor to increase productivity of resources
- ❖ 1996 – Growth Employment and Redistribution (GEAR)
  - Development through growth
  - Private sector investment to stimulate growth
- ❖ 2001- Post GEAR and ASGISA
  - Growth remains central but acknowledgement that public sector must play greater role

# Selected South African Macroeconomic Indicators, 1990-2003

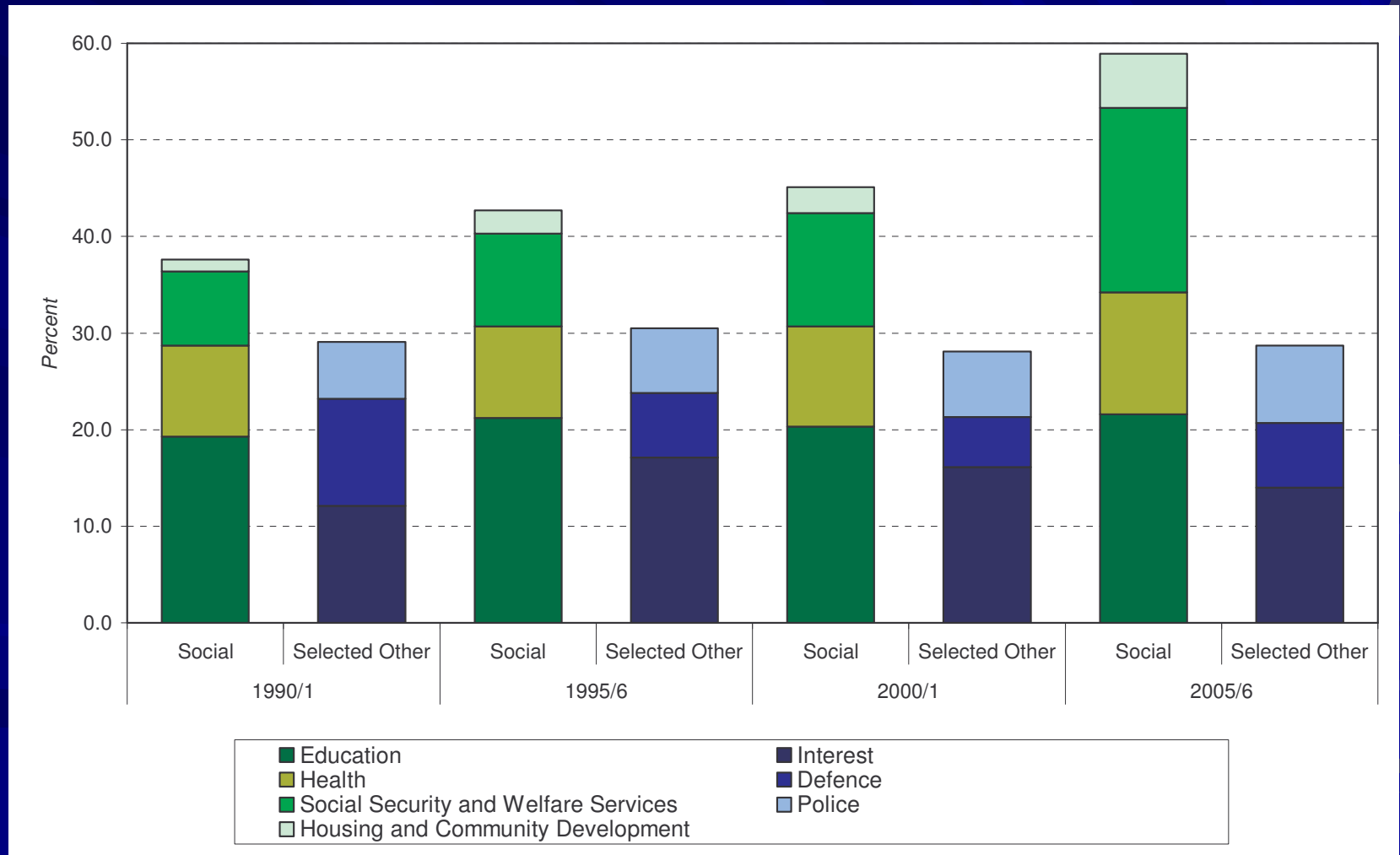


Source: SARB (2005)

# A Summary of Post-Apartheid Economic Performance

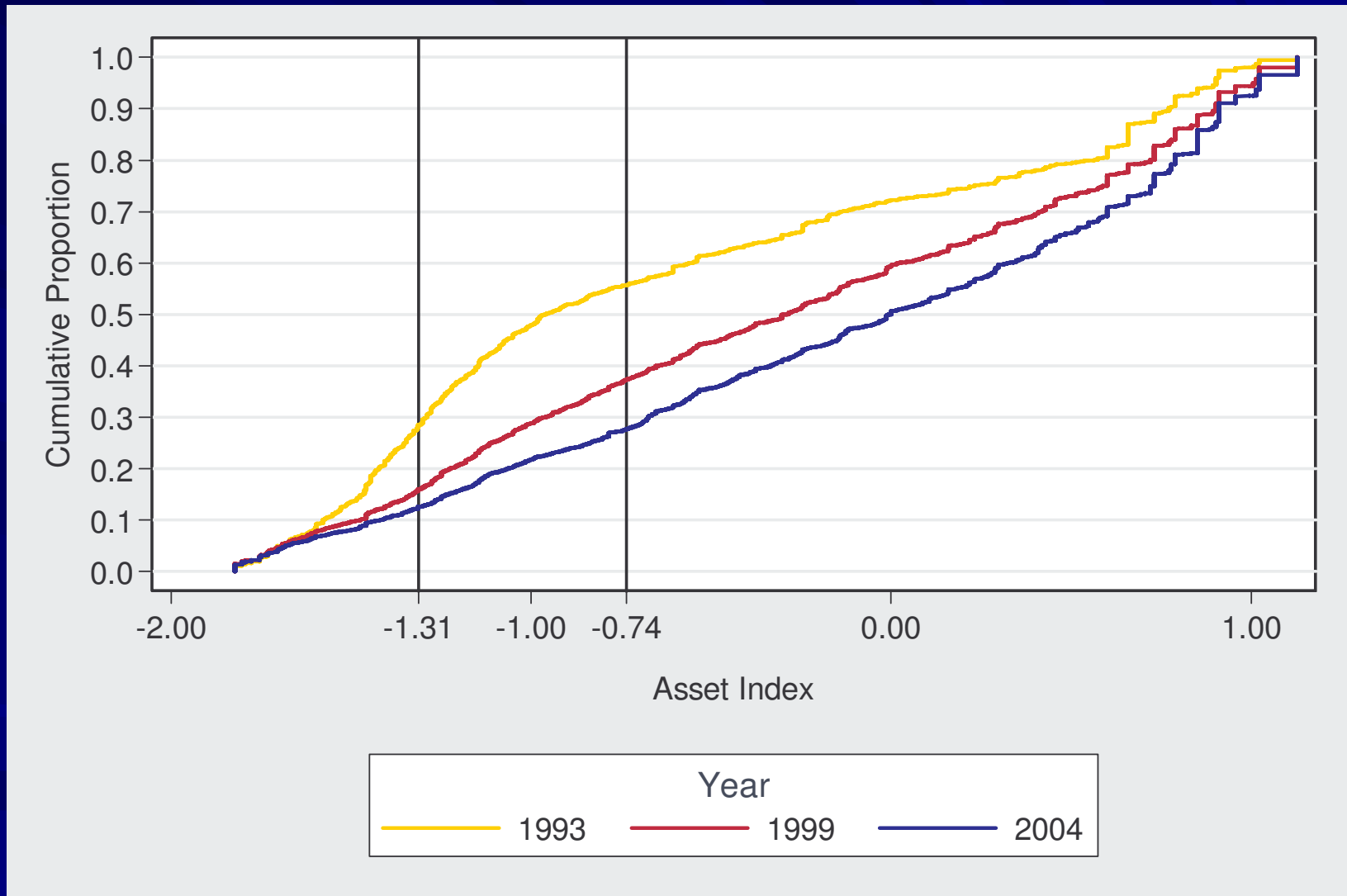
- ❖ 1994 – 2003 growth in
  - Real GDP = 2.9% pa
  - Population =  $\pm 2\%$  pa
  - Real GDP per capita = 0.86
- ❖ Insufficient investment
- ❖ Low savings
- ❖ Improving Consumption (largely M)
- ❖  $\uparrow$ s in X and M : GDP
- ❖ Narrow Ue: 17.5% (1995) to 28.2% (2003)
- ❖ Broad Ue : 30.8% (1995) to 41.8% (2003)

# Distributing the Gains from Growth: Government Expenditure (Share of Total Expenditure)



**Source:** Statistics South Africa (various years)

# Welfare Consequences of Growth I: Asset Poverty Shifts, African Households



# Welfare Consequences of Growth: Shifts In Income Poverty

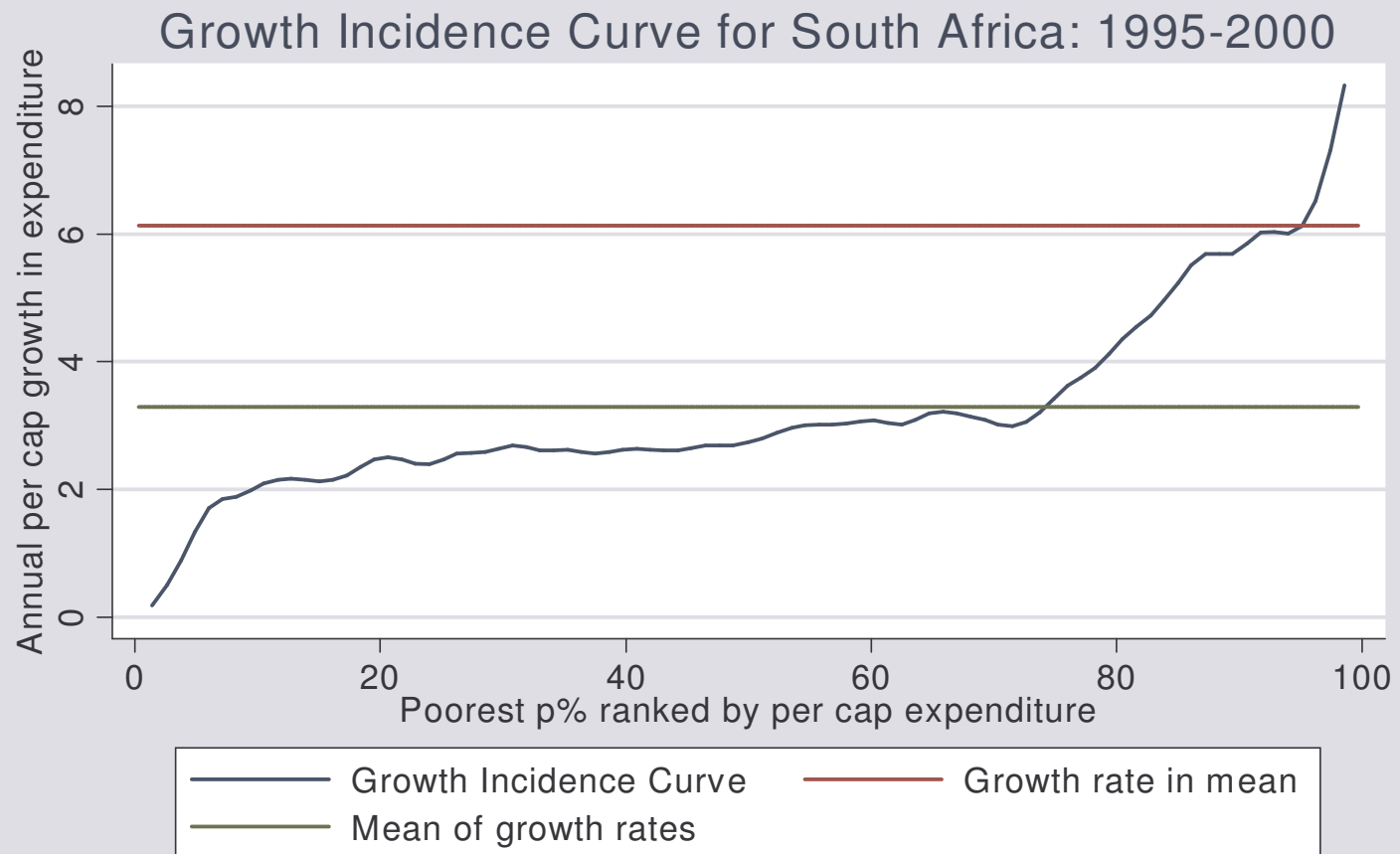
	Headcount			Poverty Gap Ratio			Gini	
	1995	2000		1995	2000		1995	2000
African	0.68 (0.01)	0.67 (0.01)		0.32 (0.00)	0.34 (0.01)	*	0.467 (0.007)	0.501 (0.005)
Coloured	0.50 (0.02)	0.35 (0.02)	*	0.19 (0.01)	0.13 (0.00)	*	0.439 (0.009)	0.453 (0.008)
Asian	0.08 (0.01)	0.07 (0.02)		0.02 (0.00)	0.02 (0.01)		0.398 (0.019)	0.374 (0.014)
White	0.01 (0.00)	0.01 (0.01)		0.00 (0.00)	0.00 (0.00)		0.344 (0.007)	0.319 (0.009)
Urban	0.36 (0.01)	0.40 (0.01)	*	0.14 (0.00)	0.16 (0.00)	*	0.527 (0.006)	0.533 (0.006)
Rural	0.75 (0.01)	0.80 (0.01)	*	0.37 (0.01)	0.44 (0.01)	*	0.493 (0.009)	0.502 (0.008)
<b>South Africa</b>	<b>0.58</b> (0.01)	<b>0.58</b> (0.01)		<b>0.27</b> (0.01)	<b>0.29</b> (0.01)	*	<b>0.565</b> (0.005)	<b>0.577</b> (0.005)

Poverty line = R322 per person per month (2000 Rands)

**Source:** Hoogeveen and Ozler (2004).

# Measuring Pro-Poor Growth in SA

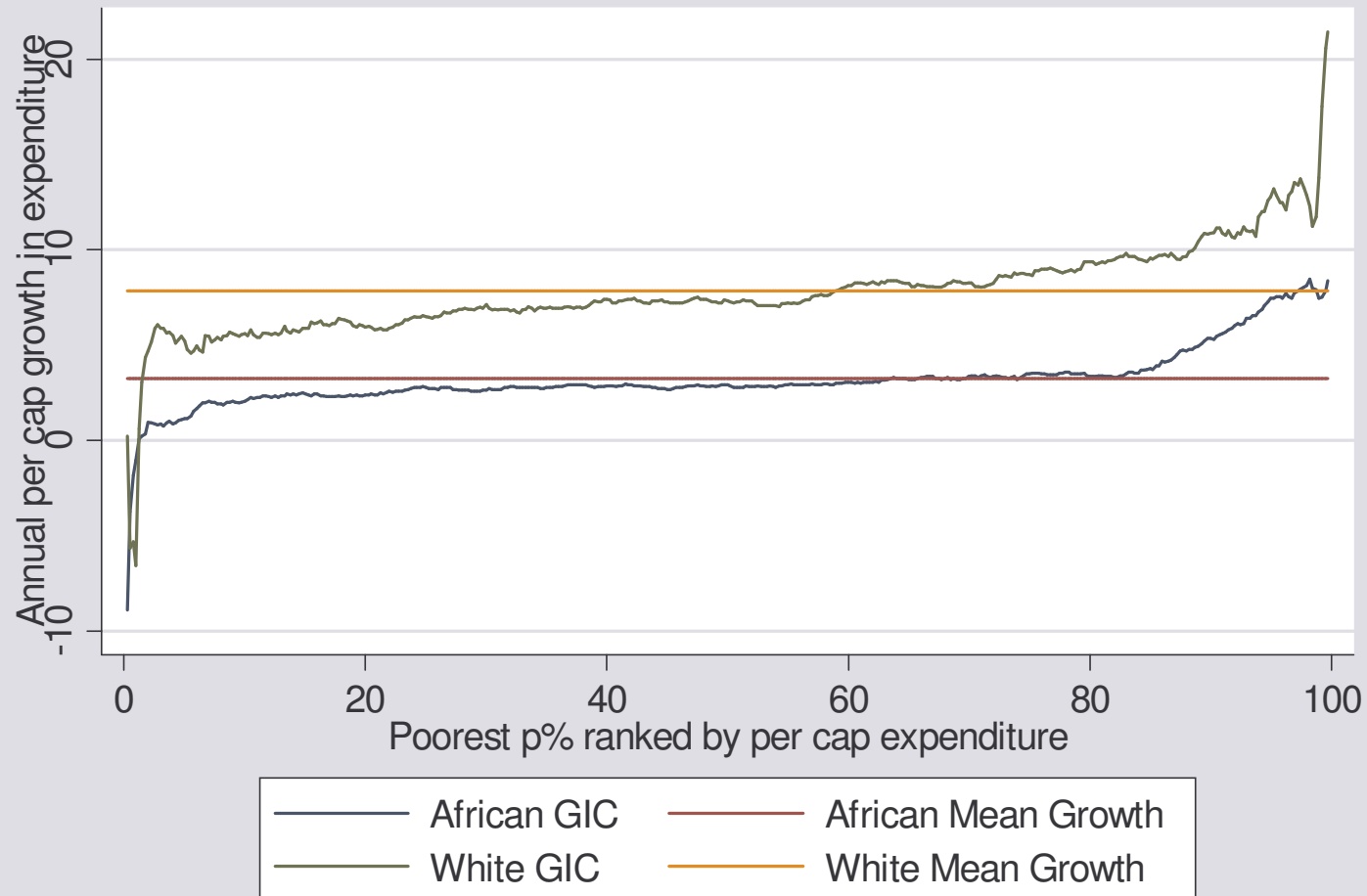
- ❖ Consider *growth* in expenditures of poor relative to the rich (growth across each centile)



Source: Statistics South Africa, 1995 and 2000 & own calculations

# Measuring Pro-Poor Growth in SA

Growth Incidence Curves for Africans and Whites: 1995-2000



Source: Statistics South Africa, 1995 and 2000 & own calculations

# Measuring Pro-Poor Growth in SA

<i>Growth Rate In...</i>	<i>Total</i>	<i>African</i>	<i>Coloured</i>	<i>White</i>
Mean p.c Expenditure	6.14	5.26	11.01	9.82
Median	2.79	2.91	9.16	7.3
Mean	3.3	3.23	9.13	7.84
<i>Growth at Percentile...</i>				
10	0.96	0.85	4.05	4.17
15	1.35	1.34	4.76	4.66
20	1.59	1.59	5.22	5.03
25	1.76	1.79	5.6	5.25
30	1.9	1.93	5.89	5.5
Rate of Pro-Poor Growth	2.29	2.48	6.14	-3.21
Rate of Ultra-Poor Growth	2.05	2.22	4.68	-2.71

# Datt-Ravallion Decompositions for South Africa, 1995-2000

Category	Growth Component	Redistribution Component	Total Change In Poverty
Total	-9.38	14.65	5.27
African	-8.84	14.21	5.37
White	-0.93	1.67	0.74
Urban	-8.79	17.69	8.89
Rural	-4.79	9.85	5.06
Male	-10.05	15.09	5.04
Female	-8.48	13.96	5.48