SOUTH AFRICAN GROWTH DETERMINANTS – WHICH IS THE CHICKEN AND WHICH IS THE EGG?

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Abstract:

In this paper we attempt to empirically determine important factors contributing to, or detracting from, South Africa's economic growth over time. For this purpose growth-inducing factors tested in international studies were identified and time series analysis was applied in order to determine whether these factors have a meaningful causal link to growth in South Africa over the past four decades or more.

We use annual data and test the variables for Granger causality and non-stationarity. In addition we estimate vector autoregression (VAR) models, and provide variance decomposition and impulse response functions for the variables under consideration. Our results indicate that for some economic and social variables, causality runs from the independent variable to economic growth, while in other instances a bidirectional causality exists. In some cases, evidence of a reverse causality exists, implying that growth might be a prerequisite, rather than the result.

What is also important is that this analysis could indicate causes for the poor growth performance of the last decade and provide alternatives to revitalise the growth process, i.e. to suggest a set of policy measures to put South Africa in a position to achieve higher growth rates in future.