

How droughts will affect South Africa's broader economy

By [Mmatlou Kalaba](#)

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Droughts have become more commonplace in South Africa in recent years. [In the past two decades since 1990](#), 12 of those years were defined as drier years compared to only seven years in the previous 20 years.



Image via [Shutterstock](#)

The latest period included three consecutive years of drier conditions, between 2014 to 2016. In some regions, such as the Western Cape, the country's second largest province in terms of economic contribution, the drought continued into 2017.

These droughts are associated with [climate change](#) – [the effect of human behaviour](#) on the planet's temperature.

Over the past two years the Western Cape was forced to set [strict water restrictions](#) – including curbs on irrigation – as dam levels dropped to below 20%. This had a direct effect on agriculture and food production, as well as ripple effects across the country.

In the province more than [R5 billion](#) was lost to the economy, largely due to the drought. This matters for the country as a whole because the Western Cape contributes [22% to national agricultural GDP](#). And the deciduous fruit and wine industries, and increasingly the citrus industry, are key exports and contribute significantly to South Africa's [overall agri-economy](#).

The economic implications of all of these outcomes are dire. From 2015 to 2017 South Africa's economic grew by a mere 1.1% average per annum, with the [agricultural sector](#) growing at a rate of less than 0.5%. That's not enough to make a dent on the country's biggest challenges, which include high rates of inequality, poverty as well as unemployment.

Western Cape as a case study

Tourism sector: The drought negatively affected the province's tourism sector. Even though the impact hasn't been quantified, the number of tourists visiting the province [went down during the drought period](#). This was also reflected in the

fact that year-on-year overnight guests in the region grew at a mere 1% from 2016 to 2017, compared with 7% a year earlier. Some hotels had bookings declining by between 10% and 15% in 2018, compared to 2017.

Tourism in Western Cape is estimated to employ about [300 000 people](#).

Food prices: the impact of drought on food prices was severe with staple food items such as maize increasing. This affected mostly poor households which spend relatively large portions of their income on food – as much as [34% of their total income](#).

Also, lower agricultural production has affected food supplies. This in turn could increase food prices and food insecurity.

Jobs: The Western Cape has the biggest agricultural workforce in South Africa – nearly a [quarter of the country's](#) farm workers are employed in the region. And agriculture and agro-processing are responsible for [18% of employment opportunities](#) in the province.

The drought has led to job losses in the province's agriculture sector. The 2017 [third quarterly labour force survey](#) showed that approximately 25,000 jobs were lost from the agricultural sector nationally. More [than 20 000 of these were](#) lost in the Western Cape province. Many were associated with the drought.

Most farm workers are unlikely to get jobs elsewhere, which means that job losses will worsen poverty.

Impact on the fiscus

If the pattern of drought continues, it's likely to affect the country's financial standing too. This is for a number of reasons.

Firstly, the National Treasury will have to continue spending money on disaster relief, as opposed to other economic activities. This year, for example, the South African government may need close [to R3 billion sought by farmers](#) severely affected by the drought.

Future assistance could be in the form of helping build infrastructure like boreholes and supporting farmers who need to reduce stock.

Secondly, continuing droughts could force up the country's import bill. Declining agricultural production could lead to shortages of some food items like maize, wheat and some protein sources such as meat and eggs. This could, in turn, force South Africa to import more.

Thirdly, a shortage of local produce could push up prices. This could affect food inflation and push up the consumer price index. Given that the South African Reserve Bank uses interest rates to control [inflation](#), this could lead to higher interest rates which will affect the broader economy.

Climate change a reality

Climate change poses a threat to everyone. Governments, farmers and society in general need to take proactive steps to deal with the outcomes of changing weather patterns.

Over time, agricultural production will need to adapt to new methods and approaches. These may include the use of drought-resistant seed varieties, modern technologies to adapt and taking up more crop insurance. These approaches are readily available to farmers who have the resources. It's the developing, smallholder and emerging farmers that remain at risk.

Governments can assist farmers by providing infrastructure support making new laws that support the conservation of resources. And government can provide financial support for the development of new technologies as well as seed varieties that are adaptable and can withstand severe weather patterns.

This requires better planning. In addition, government must work closely with the agricultural sector.

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