



# WORKING FOR SOUTH AFRICA

**THE CONTRIBUTION OF SAB TO THE SOUTH AFRICAN ECONOMY**

A STUDY CONDUCTED BY ECONEX AND QUANTEC RESEARCH  
FOR THE SOUTH AFRICAN BREWERIES LTD.

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A subsidiary of SABMiller plc

## Key Highlights

### The South African Breweries (SAB)

- SAB's economy-wide contribution to South Africa's gross domestic product amounted to R66.2 billion in 2009 or **3.1% of the country's GDP**.
- During the 2009/2010 fiscal year, the National Treasury received **R10.2 billion in tax revenue** directly from SAB in the form of corporate taxes; its employees via personal income tax; and consumers of beverages produced by SAB through, amongst others, VAT and excise duties. This accounted for 1.7% of the South African government's total tax haul for the year.
- SAB has a workforce of 9 390 and sales revenue of R32 billion. When the economic multiplier effects of SAB's operations are also taken into consideration, SAB and its value chain sustained more than **355,000 jobs throughout South Africa** and added an estimated R28 billion to state coffers in terms of direct and indirect taxes during 2009.
- In addition to the tangible economic benefits arising from the deep employment linkages and economic output stimulated by SAB, the company also invests **R60 million per annum in responsible alcohol use campaigns and CSI activities**. It also implemented a ground-breaking broad-based black economic empowerment transaction, called **Zenzele, worth over R7 billion** in 2009.

### The beer and liquor industry

- An estimated **R94.2 billion (or 4.4%) of the country's gross domestic product** (GDP) can be traced back to the liquor industry's manufacturing operations and capital expenditure.
- The direct impact of the liquor industry and its first round suppliers on **tax revenue is estimated at R19.5 billion in 2009**, with a hefty 57% derived from taxes on the production and sale of malt beer.
- The liquor industry employed an estimated **21,300 workers** during 2009, and supported an **additional 66 000 jobs** at first round suppliers. Approximately 88% of the employees in the liquor industry and its direct suppliers are from previously disadvantaged backgrounds, and the agriculture, forestry and fishing sector derives the largest direct benefit (in terms of employment opportunities) from the liquor industry's operations.

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## Executive summary

The purpose of this study was to assess the direct, as well as the multiplier effects, of the The South African Breweries on production, employment, labour remuneration, capital stock, tax revenue and the gross domestic product in South Africa. Given the importance of the malt beer industry to the South African economy, this study also explores the overall economic impact of this segment of the liquor market, as well as the contribution of the total liquor industry to South Africa.

### The contribution of SAB to the South African economy

- With a workforce of 9,390, sales revenue of R32 billion and tax contributions in excess of R10.2 billion (inclusive of VAT and excise duties) in 2009, SAB is the leading producer and distributor of alcoholic and non-alcoholic beverages and one of the largest manufacturing firms in South Africa. However, this initial injection of economic activity by SAB is only the tip of the iceberg – when the economic multiplier effects of SAB’s operations are also taken into consideration, SAB and its value chain sustained production to the value of R228 billion, supported more than **355,000 jobs throughout South Africa** and generated R27.6 billion in labour income during 2009. In addition, the economy-wide impact of SAB’s operations sustained capital stock to the value of R121 billion during 2009, or 2.4% of South Africa’s total capital stock.
- For each job offered by SAB and its direct suppliers, 6.7 additional jobs are sustained in the rest of the South African economy, of which approximately **86% are for individuals from previously disadvantaged backgrounds**. The majority of job opportunities generated by SAB’s value chain are low skilled positions (37%) or in the informal sector (22%). SAB’s noteworthy contribution to employment of low skilled workers should be viewed positively given the high unemployment rate among low skilled workers in South Africa.
- During the 2009/2010 fiscal year, the National Treasury received **R10.2 billion in tax revenue** directly from SAB (corporate taxes), its employees (personal income tax) and consumers of beverages produced by SAB (i.e. VAT and excise duties), accounting for 1.7% of the South African government’s total tax haul for the year. The amount of tax revenue generated by SAB in a single year is almost equal to the total amount (R10.6 billion) that government has spent since

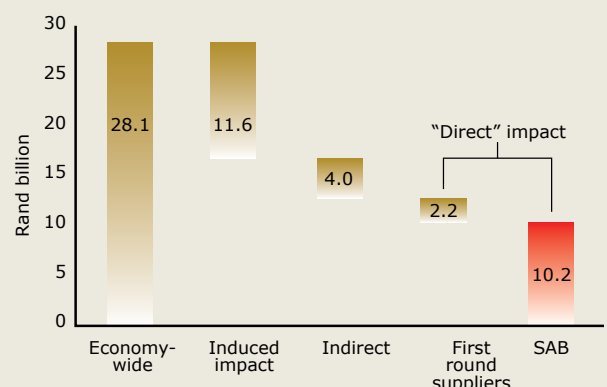
1992 in electrifying 4.9 million households, 5,000 schools and all health clinics in South Africa.

- The largest proportion (53%) of the taxes derived from the production and sale of SAB’s products came from specific excise tax. SAB’s alcoholic beverage sales generated excise tax to the tune of R5.4 billion during 2009/10, comprising more than a quarter of all excise tax collected in South Africa.

- **Excise duties on liquor topped R10 billion during the 2009/2010 fiscal year, representing 47% of all excise tax collected in South Africa**
- **The malt beer industry accounts for an impressive 57% of the liquor industry’s contribution to excise duties**
- **Nearly half of all the tax revenue generated by the liquor industry in 2009 can be traced back to SAB**

- When the government income generated by the indirect and induced impacts of SAB’s operations throughout the economy are also considered, the tax revenue added by SAB and its upstream and downstream partners increases to a staggering R28 billion (see Figure 1), or 4.5% of the government’s total tax haul during 2009. SAB’s

Figure 1: SAB’s economy-wide contribution to government tax revenue topped R28 billion in 2009



beer division accounted for an astounding 48.5% of the tax revenue generated by the total liquor industry in 2009.

**Including all the multiplier effects, SAB:**

- **Sustained production to the value of R228 billion throughout the economy**
- **Supported more than 355 000 jobs**
- **Generated R28.1 billion in government income (4.5% of total tax revenue)**
- **Added R66.2 billion (or 3.1%) to the country's gross domestic product in 2009**

- SAB's economy-wide contribution to South Africa's gross domestic product amounted to R66.2 billion in 2009, or **3.1% of the country's GDP**. Based on SAB's sales revenue of R32.7 billion in 2009,

the company's GDP multiplier is estimated at 2.02, indicating that for every R1.00 in sales revenue generated by SAB, R2.02 is added to the country's GDP. SAB's beer division accounts for 66% of the company's total GDP injection, and 46% of the economy-wide contribution of the total liquor industry.

- In addition to the tangible economic benefits arising from the deep employment linkages and economic output stimulated by SAB, the company also invests more than **R60 million per annum in responsible alcohol use campaigns and CSI activities**, and tabled a ground-breaking Broad Based Black Economic Empowerment transaction, **SAB Zenzele, worth over R7 billion** in 2009. With a strong focus on skills development, entrepreneurship and job creation through the stimulation of small and medium sized enterprises, SAB's initiatives are supportive of

**Table 1: The contribution of SAB, the malt beer industry and the total liquor industry to the South African economy**

|   | SAB<br>(Beer and Soft Drinks Divisions) |                     | Total Malt Beer Industry |                     | Total Liquor Industry |                     |
|---|---|---------------------|--------------------------|---------------------|-----------------------|---------------------|
|   | Direct impact                           | Economy-wide impact | Direct impact            | Economy-wide impact | Direct impact         | Economy-wide impact |
| <b>Intermediate output (at user prices)</b>               |   |                     |                          |                     |                       |                     |
| Rand billion  | 76.5                                    | 228.4               | 60.3                     | 169.8               | 115.5                 | 332.7               |
| <b>Employment (number, including the informal sector)</b> |   |                     |                          |                     |                       |                     |
| Number  | 46,485                                  | 355,755             | 35,408                   | 245,407             | 87,312                | 547,917             |
| Share of total employment in SA                           | 0.4%                                    | 2.9%                | 0.3%                     | 2.0%                | 0.7%                  | 4.5%                |
| <b>Government tax revenue</b>                             |   |                     |                          |                     |                       |                     |
| Rand billion  | 12.4                                    | 28.1                | 11.2                     | 22.8                | 19.5                  | 41.8                |
| Share of total employment in SA                           | 2.0%                                    | 4.5%                | 1.8%                     | 3.7%                | 3.1%                  | 6.7%                |
| <b>Value added (GDP) at factor cost</b>                   |   |                     |                          |                     |                       |                     |
| Rand billion  | 15.8                                    | 66.2                | 12.0                     | 48.4                | 22.5                  | 94.2                |
| Share of Total GDP in SA                                  | 0.7%                                    | 3.1%                | 0.6%                     | 2.3%                | 1.0%                  | 4.4%                |
| <b>Multipliers</b>  |   |                     |                          |                     |                       |                     |
| Employment multiplier                                     |   | 7.7                 |                          | 6.9                 |                       | 6.3                 |
| GDP multiplier  |   | 2.0                 |                          | 1.9                 |                       | 2.1                 |

Source: Quantec Research

the government's ASGISA programme, aimed at higher and broader shared economic growth.

***SAB's operations have particularly high spin-off effects on employment:***

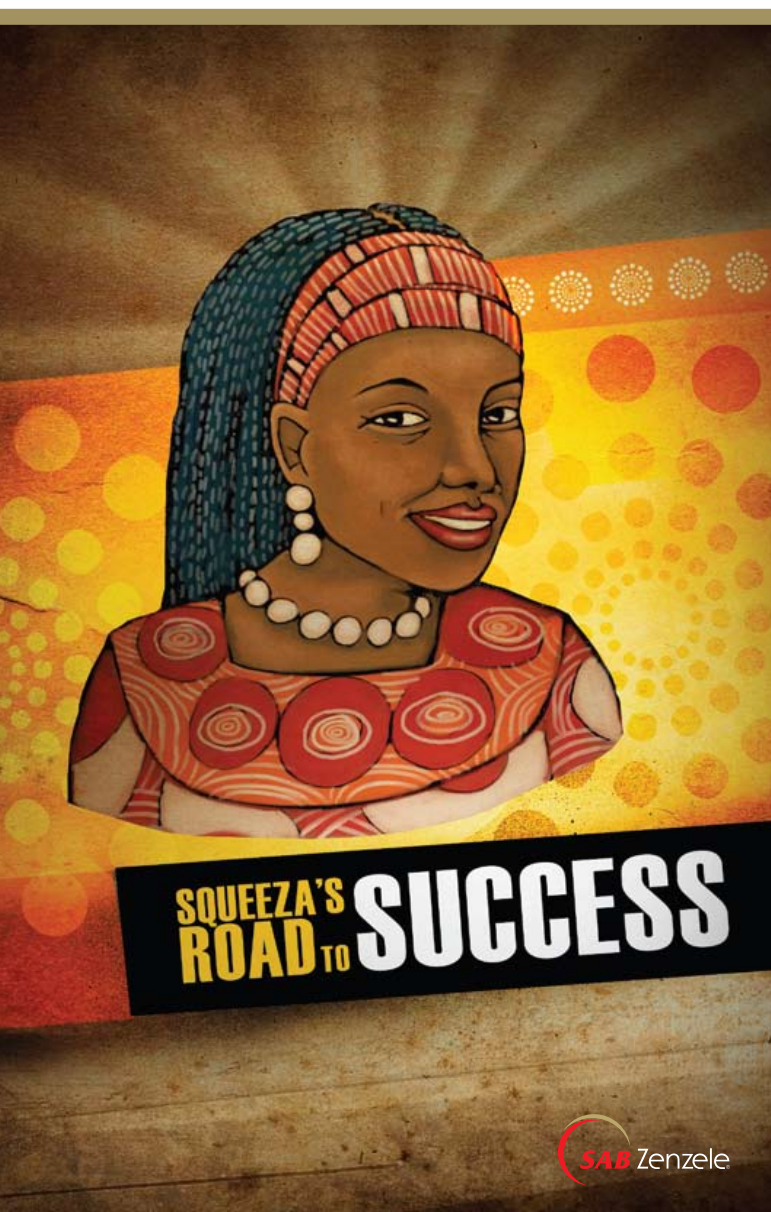
- ***For each job offered by SAB and its direct suppliers, 6.7 additional jobs are sustained in the rest of the economy***
- ***The majority of the positions are for low skilled workers***

**The ripple effects of the liquor industry in the South African economy**

- The value of production supported by the liquor industry throughout the South African economy amounted to an astonishing **R332.7 billion during 2009**, sustaining R173 billion worth of capital stock in South Africa (or 3.5% of the country's total capital stock). The malt beer segment of the market makes the largest contribution to intermediate output of the liquor industry, accounting for 51% of the total industry's economy-wide impact on production; while roughly 45% of the total value of production stimulated by the liquor industry can be traced back to the economic impact of SAB's beer division.
- Beer, wine and spirits manufacturers in South Africa employed an estimated 21,300 workers during 2009, and supported an additional 66,000 jobs at first round suppliers. **Approximately 88% of the employees in the liquor industry and its direct suppliers are from previously disadvantaged backgrounds**, and the agriculture, forestry and fishing sector derives the largest direct benefit (in terms of employment opportunities) from the liquor industry's operations. However, the direct employment impact (i.e. by liquor manufacturers and their first round suppliers) only represents a fraction (16%) of the total economy-wide impact of the liquor industry – for each job offered by the liquor industry and its first round suppliers, 5.3 additional jobs are supported in the rest of the economy. In all, **548,000 employment opportunities (or 4.5% of total employment in South Africa)** can be directly or indirectly traced back to the production and sale of liquor (of which an estimated 37% are in the retail, wholesale, catering and accommodation sectors).







- The direct impact of the liquor industry and its first round suppliers on **tax revenue is estimated at R19.5 billion in 2009**, with a hefty 57% derived from taxes on the production and sale of malt beer. However, the tax revenues arising from the indirect and induced impacts through the economy raised the government's take to an estimated R41.8 billion in 2009, or 6.7% of total government tax revenue. SAB's beer division accounted for nearly half of all the tax revenue generated by the liquor industry during 2009.
- The lion's share (59%) of the tax revenue generated by the liquor industry stems from

indirect taxes such as excise duties and VAT, followed by corporate tax (24%). According to official excise tax statistics, excise duties derived from the liquor industry topped R10 billion during the 2009/2010 fiscal year, representing 47% of all excise tax collected in South Africa. The malt beer industry accounted for 57% (or an impressive R5.7 billion) of the liquor industry's contribution to excise duties during the 2010 fiscal year. Considering that **malt beer sales account for roughly 51% of total liquor sales in alcohol by volume (ABV) terms**, the excise burden on the malt beer industry is large by comparison.

*Including all the multiplier effects, the South African liquor industry:*

- **Sustained production to the value of R333 billion**
  - **Supported 548 000 jobs**
  - **Generated R41.8 billion in government income (6.7% of total tax revenue)**
  - **Added R94.2 billion (or 4.4%) to the country's gross domestic product in 2009**
- An estimated **R94.2 billion (or 4.4%) of the country's GDP** can be traced back to the liquor industry's manufacturing operations and capital expenditure. The liquor industry's GDP multiplier is estimated at 2.08, indicating that for every R1.00 in sales revenue generated by the liquor industry, R2.08 is added to the country's GDP. The malt beer industry is the largest contributor to value added in the liquor industry, accounting for an estimated 51.4% (or R48.4 billion) of the liquor industry's total GDP contribution in 2009.
  - In all, the findings from this analysis reflect the economic importance of the liquor industry in South Africa. The liquor industry – and the South African Breweries in particular – is an indispensable source of government tax revenue, and has high spin-off effects on production, employment creation and value added in the South African economy. In addition, both the GDP/capital ratio and the labour/capital ratio of the liquor industry suggest that the liquor industry is more efficient in utilising a unit of investment compared to the overall South African economy.



# 1. Introduction

The South African liquor industry has developed into a major force in the South African economy, providing employment and income to thousands of households and making a substantial contribution to export earnings and government tax revenue.

However, the direct economic impact of the liquor industry constitutes only a small fraction of its total contribution to the South African economy. In the process of manufacturing, packaging, marketing and delivering alcoholic beverages, the liquor industry stimulates economic activity throughout the entire beverage value chain, encompassing a wide range of producers and suppliers (upstream linkages) and retailers, distributors and the hospitality industry (downstream linkages). These upstream and downstream activities in the alcoholic beverage value chain generate additional income and tax revenue, which in turn is spent in the economy, inducing further economic benefits. The purpose of this study is to give a credible assessment and measurement of the direct contribution of the liquor industry, and SAB in particular, to the South African economy, as well as its indirect and induced impacts – also referred to as the multiplier effect – on value added (i.e. the gross domestic product), intermediate output (or production), employment, labour remuneration, capital stock and tax revenue in South Africa.

The domestic liquor industry can broadly be classified into the manufacturing (or direct importation) of beer, wine, spirits and flavoured alcoholic beverages. The malt beer segment is by far the largest sub-category of the liquor industry, with malt beer sales accounting for approximately 51% of total liquor sales volumes (in alcohol by volume terms). Given the importance of the malt beer industry to the South African economy, this study also explores the overall economic impact of this segment of the market, as well as the contribution of South Africa's premier beer producer, SAB, to the South African economy. With five out of the country's top six most popular beer brands in its stable – namely Carling Black Label, Hansa Pilsner, Castle Lager, Castle Lite and Castle Milk Stout – SAB is South Africa's undisputed brewmaster. Apart from SAB's alcoholic beverage interests, this study also considers the contribution of ABI – SAB's soft drinks division – to the South African economy.

The study was commissioned by SAB and conducted by Econex (Pty) Ltd, with the aid of Quantec Research. SAB provided the data and other information on the direct economic impact of SAB,

as well as estimates of liquor sales volumes and value by category, and these were supplemented by independent research undertaken by Econex. The Social Accounting Matrix (SAM) for South Africa, developed and published by Quantec, was modified and employed by Quantec to estimate the ripple effects of the liquor industry, the malt beer industry and SAB's operations throughout the South African economy.

The economic impact assessment was based on the latest available annual data – 2009 was used as the base year for the multiplier calculations. Given the ambitious scope of this research project, which covers both company level aspects and multiplier effects throughout the entire alcoholic beverage value chain, with limited availability of official data, the research does not purport to be comprehensive. Furthermore, in exploring the footprint of SAB in South Africa, the focus is on the operations of SAB Ltd in South Africa, not those of its multinational parent company SABMiller.

***The purpose of this study is to give a credible assessment and measurement of the direct contribution of SAB to the South African economy, as well as its indirect and induced impacts on value added intermediate output (or production), employment, labour remuneration, capital stock and tax revenue in South Africa***

Chapter 2 describes SAB's operations, employment profile and direct contribution to government tax revenue in more detail, while the ripple effects of SAB's operations, including the overall economic impacts of both its beer and soft drinks divisions, are presented and discussed in Chapter 3. Chapter 4 provides a broad overview of the liquor industry, considering, among others, its structure, key role-players and industry sales. Chapter 5 concludes. Appendix 1 details the methodology employed to quantify the economic impact of the liquor industry and SAB's operations in South Africa.

## 2. The South African Breweries Limited – South Africa’s premier beer producer

### 2.1 Heritage, operations and key financial statistics

Founded in 1895, The South African Breweries Limited (SAB) has been South Africa’s premier liquor manufacturer for more than a century. With five out of the country’s top six most popular beer brands in its stable – namely Carling Black Label, Hansa Pilsner, Castle Lager, Castle Lite and Castle Milk Stout – SAB is South Africa’s undisputed brewmaster. SAB operates seven breweries, with an annual brewing capacity of 3.1 billion litres, and 40 depots in South Africa. It boasts a brand portfolio of ten beers and five flavoured alcoholic beverages. Upon its acquisition of the US-based Miller Brewing Company in 2002, SAB became the South African subsidiary of SABMiller plc (SABMiller), the world’s second largest brewer by volume and one of the largest companies listed on the Johannesburg Stock Exchange (according to market capitalisation).<sup>1</sup> Today, SABMiller employs more than 70,000 people across six continents, manufactures in excess of 200 brands and sells 213 million hectolitres of beer per year in 75 countries around the globe.

#### SAB at a glance

|         |  |
|---------|--|
| 7       | Breweries  |
| 40      | Depots   |
| 6       | Bottling plants (ABI)  |
| 14      | Independent distributors   |
| 2       | Malting plants   |
| 1       | Hop production plant   |
| R7 bn   | Value of SAB’s BBBEE “Deal of the Year”, SAB Zenzele                     |
| R60 m+  | SAB’s annual investment in CSI and responsible alcohol use campaigns     |
| R2.9 bn | Amount invested by SAB in its owner-driver project since inception       |
| 287     | Independent owner-drivers  |
| 74%     | % of beer delivered by owner-drivers                                     |
| 22,936  | South Africans provided with business skills through KickStart programme |
| 280,000 | Tons of barley procured by SAB annually                                  |
| 160,000 | Tons of maize procured by SAB annually                                   |

*During the 2009/2010 fiscal year, SAB:*

- *Produced 2.46 billion litres of beer, 1.64 billion litres of non-alcoholic beverages and 90 million litres of FABs*
- *Generated sales revenue of R33 billion, accounting for 56.3% of the total value of production by the beverage manufacturing industry in South Africa*
- *Invested R2.6 billion in the salaries and wages of its 9,390 employees*
- *Added R10.2 billion to state coffers in terms of tax revenue, comprising 1.7% of government’s total tax haul for the year*

SAB’s soft drinks division, Amalgamated Beverage Industries (ABI), is one of the largest producers and distributors of Coca-Cola brands (e.g. Coca-Cola, Tab, Fanta and Sprite) in the southern hemisphere. With five ultra-modern production plants in South Africa, ABI accounts for approximately 60% of Coca-Cola’s sales in South Africa.<sup>2</sup> ABI also has an agreement with Appletiser South Africa (Pty) Ltd – a wholly owned subsidiary of SABMiller – to distribute and sell their products in South Africa. ABI operates primarily across the upper central region of South Africa – from the KwaZulu-Natal east coast through Gauteng and west of Rustenburg in the North West – and manufactures and distributes 28 brands and 20 pack sizes of carbonated soft drinks, energy drinks, bottled water and fruit juices.

Apart from its beer and soft drinks divisions, SAB also has its own hops production company – The South African Breweries Hop Farms (Pty) Ltd (SABHF); the barley malting company SAB Maltings;<sup>3</sup> a 60% share of the metal crown manufacturer Coleus Packaging; and a 30% stake in Distell, one of South Africa’s leading wine and spirits producers.

During their last financial year, SAB produced 2.46 billion litres of beer, 1.64 billion litres of non-alcoholic beverages (sold through ABI) and 90 million litres of flavoured alcoholic beverages, generating sales revenue of R32.99 billion.<sup>4</sup> Figure 2 shows the divisional distribution of SAB’s sales revenue –

<sup>1</sup>SABMiller is also listed on the London Stock Exchange.

<sup>2</sup>ABI was established in 1976 and has had a franchise agreement with the Coca-Cola Company to manufacture and distribute Coca-Cola brands for the last three decades.

<sup>3</sup>SAB holds all the ordinary shares in SAB Maltings, while Caledon Rivieronderend Ko-operasie Beperk owns all the preference shares.

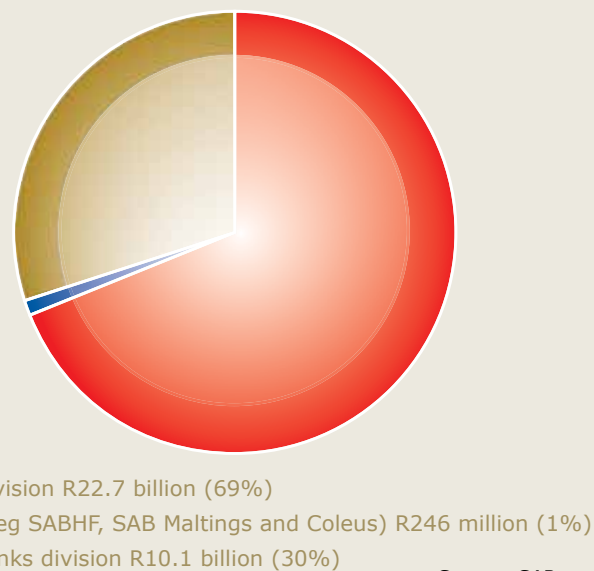
<sup>4</sup>Although SAB has a 30% stake in Distell, Distell figures were not taken into consideration when calculating the sales, employment, tax or any other SAB figures reported in this study.

SAB's beer division accounted for close on 70% of the company's sales revenue during its last financial year. According to Statistics South Africa, beverage manufacturing sales totalled R58.56 billion during the 12 months between April 2009 and March 2010 period, giving SAB a share of 56.3% in South Africa's total beverage manufacturing sector.

Measured over SAB's 2009/10 financial year, SAB's direct contribution to the total manufacturing sector was estimated at 2.8%.<sup>5</sup> Through continued investments in people and brands, the sales of SAB's beer division proved resilient in the face of the global recession and increased competition in the domestic liquor market. In contrast, South Africa's broader manufacturing sector was hard hit by the recession, contracting by 11.9% over the same period.

A number of key performance indicators for SAB are presented in Table 2. With an attributable profit of R2.9 billion, the beer division contributed 67% to SAB's total profits in the 2009/10 financial year. Furthermore, the beer division's profit was up by 2.4% compared to the previous financial year, despite difficult trading conditions, and SAB declared ordinary dividends to equity shareholders to the value of R3.99 billion. SAB added a total of R10.21 billion to state coffers in its 2009/10 financial year, of which R1.7 billion was in the form of corporate taxes, R2.3 billion in value added tax (VAT) and R5.4 billion in excise duties. Capital expenditure amounted to R1.6 billion, while corporate social investment equated to R21.1 million in 2009/10.

Figure 2: Divisional distribution of SAB's sales revenue, 2009/10



## 2.2 Employment creation at SAB

SAB currently employs 9,390 people, with 5,602 (or 60%) of all SAB employees working in SAB's beer division. According to the March 2010 Quarterly Employment Statistics (QES) report from Statistics South Africa, the broader manufacturing sector employed 1.2 million people during the fourth quarter of 2009 – SAB therefore accounted for 0.8% of the workers in the manufacturing sector. (The manufacturing sector is one of the largest sectors

Table 2: Key performance indicators for SAB, April 2009 to March 2010

| (Rand millions)                           | Beer division | Soft drinks division | SAB Ltd |
|---|---------------|----------------------|---------|
| Sales revenue                             | 22,653        | 10,087               | 32,986  |
| EBITA*                                    | 4,337         | 1,535                | 5,906   |
| Taxation (corporate tax only)             | 1,247         | 431                  | 1,686   |
| Other: Excise duties                      | 5,394         | -                    | 5,394   |
| Value added tax (VAT)                     | 1,852         | 446                  | 2,298   |
| Attributable profit (after corporate tax) | 2,908         | 1,145                | 4,345   |
| Ordinary dividend on equity shares        | 2,699         | 1,127                | 3,994   |
| Capital expenditure                       | 1,076         | 566                  | 1,642   |
| Corporate social investment               | 15.3          | 4.3                  | 21.1    |

\*Earnings before interest, tax and amortisation; Source: SAB

<sup>5</sup>Statistics South Africa estimated that total manufacturing sales amounted to R1.2 billion during the April 2009 to March 2010 period (Source: Manufacturing - Production and Sales, P30441.2, Statistics South Africa).

in South Africa, accounting for 1 in 7 of all jobs in formal non-agricultural industries.)

In light of the trying economic times and dramatic job losses seen throughout the South African economy since the onset of the recession, SAB is to be lauded for not succumbing to the pressure to cut costs by retrenching workers. According to the QES, total employment in the formal non-agricultural sector declined by 4.1% between December 2008 and December 2009, while 7.1% of the jobs in the manufacturing sector were destroyed over the same period. In sharp contrast, SAB increased its labour force by 2.7%, creating employment opportunities for another 250 workers during 2009.<sup>6</sup>

Even more impressive is the remuneration that SAB offers its workers. Whereas the average monthly wage, including bonuses and overtime, in the manufacturing sector came in at R9,178 during 2009 (and R10,237 for all formal sector workers in South Africa), the average SAB employee earned R23,307 per month during 2009 (see Table 3). This is equal to roughly two and a half times the average wage in the manufacturing sector. A possible explanation for this trend is that 52% of the people working at SAB are classified as either skilled<sup>7</sup> or highly skilled<sup>8</sup> individuals – skills groups that naturally earn higher salaries (see Figure 3). However, it should be noted that even the “relatively lower” remunerated semi- and unskilled workers at SAB earn an average monthly income (R11,981) that is significantly higher compared to the average South African worker, including all skills groups. In 2009, the average

**Table 3: SAB’s direct employment and labour remuneration**

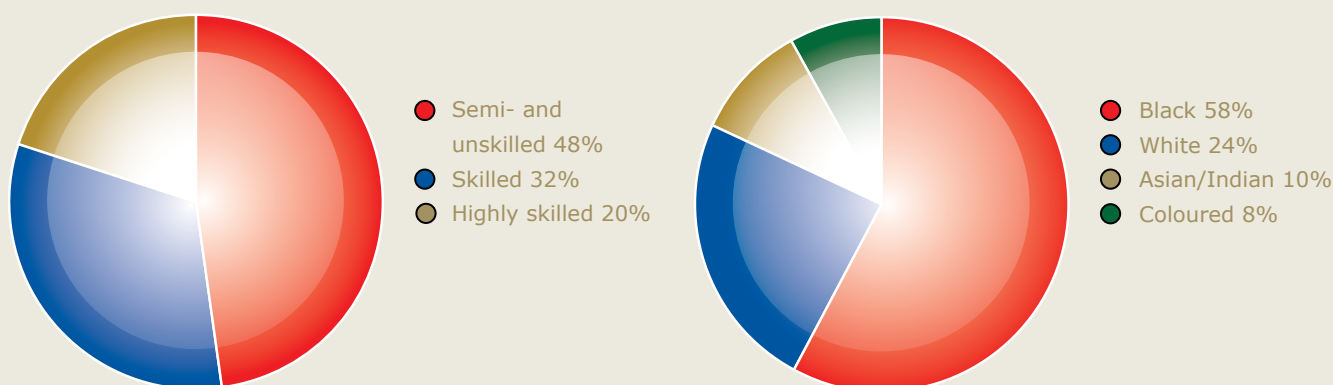
|  | 2009    |
|--|---------|
| Number of employees  | 9,390   |
| Labour remuneration (R million)                              | 2,626   |
| Average annual wage (R)                                      | 279,691 |
| Average monthly wage (R)                                     | 23,307  |
| Average monthly wage in total manufacturing sector* (R)      | 9,178   |
| SAB’s average wage as % of average manufacturing sector wage | 254%    |

Source: Statistics South Africa, Quarterly Employment Survey, March 2009 to December 2009 (4 quarter average of monthly earnings including bonuses and overtime)

worker employed in the formal non-agricultural sectors of South Africa earned R10,237 per month – 15% less than even the semi- and unskilled employees at SAB – while the average worker in the manufacturing industry earned 23% less than the average semi- and unskilled employee at SAB. In all, SAB’s workforce can therefore be said to be well-remunerated in the South African context.

Figure 3 shows the distribution of SAB’s labour force by skills level and race. More than three quarters of SAB’s employees are from previously disadvantaged race groups, and 58% of its workers are black. Even at the highly skilled level, workers from previously disadvantaged backgrounds account for almost half of SAB’s employees (see Table 4).

**Figure 3: SAB’s employment distribution by skills level and race, 2009**



Source: SAB

<sup>6</sup>The number of permanent employees and trainee positions at SAB increased from 9,139 in December 2008 to 9,390 in December 2009.

<sup>7</sup>Skilled employees include technical and academically qualified workers, junior management, supervisors, foremen and superintendents.

<sup>8</sup>Highly skilled includes top management, senior management and professionally qualified and experienced specialists and mid-management.



**Table 4: Skills categories by race (2009)**

|                     | Black        | Coloured   | Asian/<br>Indian | White        | Total        | PDI %<br>of total | Black %<br>of total |
|---------------------|--------------|------------|------------------|--------------|--------------|-------------------|---------------------|
| Highly skilled      | 421          | 142        | 331              | 980          | 1,874        | 47.7%             | 22.5%               |
| Skilled             | 1,514        | 339        | 253              | 894          | 3,000        | 70.2%             | 50.5%               |
| Semi- and unskilled | 3,560        | 255        | 346              | 355          | 4,516        | 92.1%             | 78.8%               |
| <b>Total</b>        | <b>5,495</b> | <b>736</b> | <b>930</b>       | <b>2,229</b> | <b>9,390</b> | <b>76.3%</b>      | <b>58.5%</b>        |

Source: SAB

**Table 5: Comparison between SAB's tax contribution and total government tax revenue (2009/2010 tax year)**

| Rand million                  | SAB           | Government<br>tax revenue | SAB % of government<br>tax revenue |
|-------------------------------|---------------|---------------------------|------------------------------------|
| Specific excise tax           | 5,394         | 21,000                    | 25.69%                             |
| Company tax and STC           | 1,779         | 146,500                   | 1.21%                              |
| VAT                           | 2,298         | 146,500                   | 1.57%                              |
| SITE/PAYE                     | 670           | 203,500                   | 0.33%                              |
| Other                         | 78            | 72,925                    | 0.11%                              |
| <b>Total taxes and levies</b> | <b>10,219</b> | <b>590,425</b>            | <b>1.73%</b>                       |

Source: SAB Tax department and National Treasury, Budget Review 2010, p 73 (Revised 2009/2010 government tax estimates)

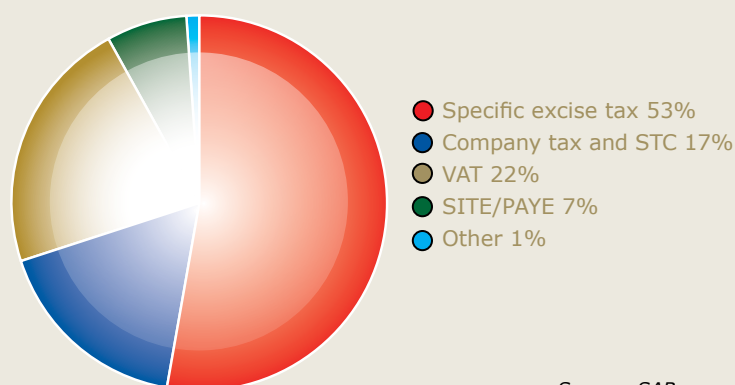
### 2.3 SAB's contribution to government tax revenue

Each year, the South African Breweries makes a significant contribution to government tax revenue, not only in terms of company tax, but also as a producer of goods that carry excise duties and value added tax (VAT), and as a provider of employment (i.e. generating personal income tax). In the 2009/2010 fiscal year, SAB and its employees contributed R10.22 billion to state coffers, or 1.7% of the South African government's total tax haul for the year (see Table 5). The lion's share (53%) of the taxes derived from the production and sale of SAB's products came from specific excise tax (see Figure 4). The sale of alcoholic beverages by SAB's beer division generated excise tax to the tune of R5.4 billion during 2009/10, representing just over a quarter of all excise tax collected in South Africa.

SAB contributed R1.8 billion to state revenue in the form of corporate taxes in 2009/10, accounting for 1.2% of all corporate taxes collected in South Africa, while the company's employees paid

R670 million in personal income taxes. Although it is ultimately the consumer that has to foot the bill, it is also instructive to consider the VAT income that government receives from the sale of beer, flavoured alcoholic beverages and soft drinks produced by SAB. Approximately 1.6% (or R2.3 billion) of the VAT revenue government received in 2009/10 was acquired directly from the sale of SAB's products.

**Figure 4: Distribution of SAB's taxes according to type of tax**



Source: SAB

VAT accounts for 22% of all the taxes paid by SAB. Apart from the abovementioned taxes, the company contributed another R78 million to the National Treasury in the form of municipal, RSC and skills/ training levies.

In all, taxes on the production and sale of SAB's products amounted to R10.21 billion in the year ended March 2010 – effectively more than enough to finance both the government's planned Comubia housing development (19,313 mixed-income houses planned for 2016/2017 at a cost of R5.1 billion) and the N2 Gateway project (22,000 low-income homes to be finished by 2013 at a cost of R2.3 billion).<sup>9</sup> From another perspective, the R10.2 billion collected from SAB in 2009/10 would also have been sufficient to finance the construction of Soccer City Stadium – the biggest all-seated stadium ever built for any FIFA World Cup football event – the Green Point Stadium in Cape Town, Durban's Moses Mabhida Stadium and the Peter Mokaba Stadium in Nelspruit. Alternatively, SAB's tax contribution also comes close to the total amount (R10.6 billion) that government has spent since 1992 on electrifying 4.9 million households, 5,000 schools and all health clinics in South Africa.<sup>10</sup> In light of the fact that the National Treasury derives such a substantial amount of income from all the different taxes levied on the production and sale of a single company's products, SAB can be described as

a key asset and important source of state revenue in South Africa.

***The taxes on the production and sale of SAB's products totalled R10.2 billion in the year ended March 2010, enough to fund:***

- ***Both the government's Comubia and N2 Gateway housing projects; or***
- ***Soccer City, Green Point stadium, Moses Mabhida stadium and the Peter Mokaba stadium; or***
- ***The electrification of 4.9 million homes, 5,000 schools and all health clinics in South Africa***

## 2.4 SAB – a responsible corporate citizen

In addition to the tangible economic benefits arising from SAB's beer and soft drinks operations, SAB also invests large amounts in a wide range of corporate social investment activities, ground-breaking black economic empowerment initiatives and responsible alcohol use campaigns. SAB has long played a role as one of South Africa's most socially progressive and innovative enterprises. The company looks beyond traditional business approaches and searches for pioneering solutions to new challenges, and

*Previous SAB KickStart winners*



<sup>9</sup>Source: National Treasury, Budget Review, page 67.

<sup>10</sup>Source: National Treasury, Budget Review, page 128.

considers a focus on corporate social investment and sustainable development integral to hardcore business practice, rather than a 'nice to have'.

The SAB beer division spends in excess of R40 million annually on initiatives which aim to tackle the abuse of alcohol and encourage responsible drinking. This figure increases to more than R90 million annually if the value of campaigns is considered – i.e. the discounts given by media houses and other suppliers to expand media and advertising coverage. A significant portion of this amount is spent on high impact initiatives aimed at reducing drinking and driving through the highly effective *Reality Check* campaign and alcohol evidence centres. Further significant investments have been made in combating FAS (Foetal Alcohol Syndrome), addressing underage drinking, ensuring responsible trading and supporting independent industry bodies.

In addition, SAB spends in excess of R21 million annually on enterprise development (ED) and corporate social investment (CSI) initiatives. A key initiative is the SAB KickStart programme, which celebrates its 15th anniversary in 2010. Since its launch in May 1995, the programme has benefitted 22,936 young entrepreneurs through a total investment of R51 million in grant funding by SAB. From this total number of beneficiaries, 3,200 small businesses have been established.

Other CSI and ED initiatives include:

- Owner-driver and Taung Barley Farmers initiatives, which support the formation of new businesses and which, in turn feed into SAB's supply chain
- The support and development of sport in South Africa
- The funding of the SAB regional soccer league and the Caddies Trust, which gives children of golf caddies opportunities to apply for financial assistance for furthering studies
- A collaboration with Bobs For Good worth R1 million, which sees specially reflective shoes delivered to disadvantaged school children
- A collaboration with the World Wildlife Fund (WWF) on their Water Neutral Project
- The support of the Women in Business initiative which supports women entrepreneurs in the tourism sector
- The ETEYA Awards, which ensures that the smaller, black-owned tourism businesses are adequately equipped to gain entry into the tourism industry



SAB also sponsors, among others, the national rugby, cricket and football teams.

In June 2009 SAB announced a broad based black economic empowerment (BBBEE) transaction – called SAB Zenzele – worth over R7 billion. The deal aims to benefit the major stakeholder groups who play a meaningful role in SAB's long-term business success, including SAB employees, black-owned beer and soft drink retailers and the wider public through the formation of the SAB Foundation. This transaction was awarded the Deal of the Year Award in the DealMakers magazine awards.

With a strong focus on skills development, entrepreneurship and job creation through the stimulation of small businesses, SAB's initiatives also further the goals of government's Accelerated and Shared Growth Initiative for South Africa (ASGISA). It should be noted, however, that the production, employment, and tax revenue figures presented above only portray the initial direct impact of SAB; in the process of manufacturing, packaging, marketing and delivering alcoholic and non-alcoholic beverages, SAB stimulates economic activity throughout the entire beverage value chain and the broader South African economy. These upstream and downstream activities in the beverage value chain create additional income and tax revenue, which in turn is spent in the economy, inducing further economic benefits. The indirect and induced impacts that arise from SAB's activities, as well as the total economy-wide impact of SAB's operations, are considered in Chapter 3 of this report.



### 3. The economic impact of The South African Breweries

SAB is South Africa's leading beer and soft drinks producer and one of the largest manufacturing companies in the country.

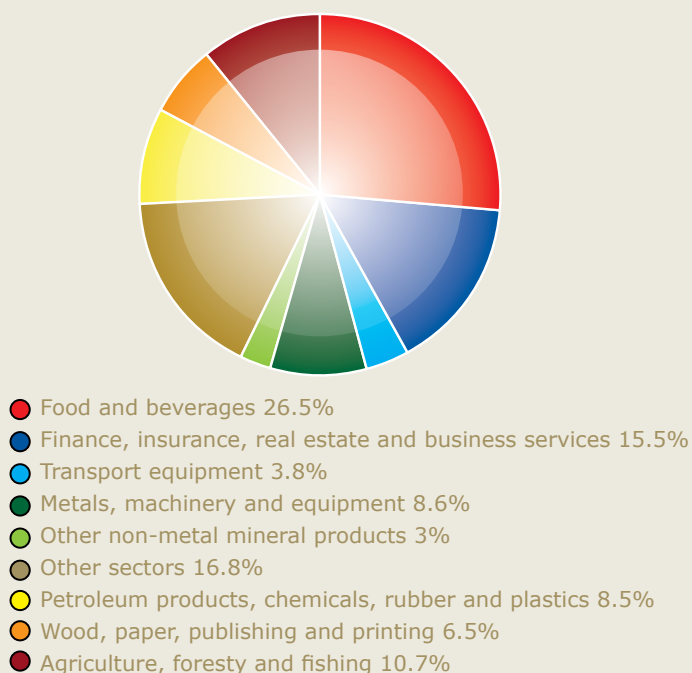
The business operations of a large company like SAB are at the centre of a complex value chain with both upstream and downstream linkages into the economy. Whereas Chapter 2 considered SAB's own employment profile, sales revenue and contribution to tax revenue, the aim of this chapter is to trace the ripple effects of SAB's operations throughout the South African economy. The direct, indirect and induced impacts of SAB's operations on intermediate output (i.e. the value of production), capital stock, employment, labour remuneration, government tax revenue and value added (GDP) are analysed. The Social Accounting Matrix (SAM) for South Africa developed and published by Quantec Research was modified to map the economic footprint of SAB throughout the domestic economy. The SAM utilises the initial injection of operational spending by SAB (e.g. sales revenue, employment, capital expenditure and contribution to tax revenue - as discussed in the previous chapter), along with a series of inter-industry technical coefficients and multipliers reflecting the linkages between SAB and the rest of the economy, to estimate the total impact of SAB on different sectors in the economy.

The SAM differentiates between:

- The *initial* injection – SAB's own employment numbers, capital expenditure and tax contributions
- First round effects – the impact of SAB on its direct suppliers (e.g. production, employment and tax revenue stimulated at first round suppliers)
- The direct impact – the sum total of SAB's initial injection (e.g. the total production/turnover of SAB, the intermediate goods bought, the salaries and wages paid and the profits generated by SAB) and the impact on its first round suppliers
- The indirect impact – the impact that occurs when suppliers to SAB purchase goods and services from their suppliers, who in turn remunerate their employees and pay taxes
- The induced impact – the impact that occurs when the supplying sectors and their employees and households re-spend in the economy, generating further economic activity
- The total economy-wide impact – the sum total of the direct, indirect and induced impacts

The SAM modelling results are summarised in Table 6, while detailed output from the SAM for SAB's beer and soft drinks divisions, as well as the company as a whole, are presented in Appendices 2 to 4.

Figure 5: Output by industry – first round effects of SAB's operations totalled R21.8 billion in 2009



Source: Quantec Research

#### ***During 2009, SAB's beer and soft drinks operations:***

- ***Stimulated production (or intermediate output) to the value of R228 billion in the domestic economy***
- ***Sustained in excess of 355,000 jobs in SA, yielding close to R28 billion in labour income***
- ***Generated R28 billion in government tax revenue***
- ***Contributed R66 billion to SA's gross domestic product***

#### **3.1 Contribution to intermediate output**

In order to produce beer, soft drinks and flavoured alcoholic beverages, SAB depends on various sectors of the economy to supply the necessary production inputs, ranging from water, sugar, barley, hops and malt to tin cans, glass bottles and bottle crowns, as

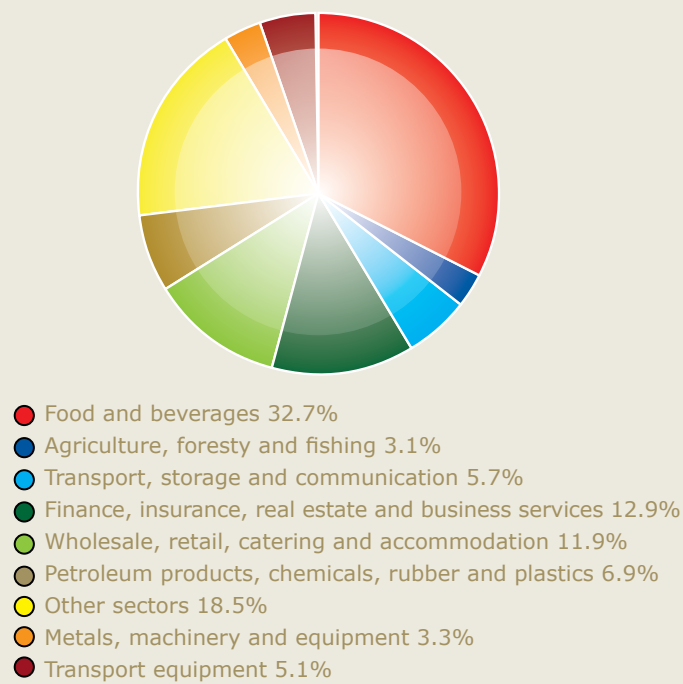


**Table 6: The impact of SAB on the South African economy – 2009**

|   | Impact including gross domestic fixed investment (Rand billion) |  |                 |                            |                     |
|---|---|--|-----------------|----------------------------|---------------------|
|   | First round impact  | Direct impact: SAB + First round suppliers | Indirect impact | Direct and indirect impact | Economy-wide impact |
| <b>Intermediate output (at user prices)</b>               |   |  |                 |                            |                     |
| Total SAB   | 21.8  | 76.5                                       | 40.2            | 116.7                      | 228.4               |
| SAB soft drinks division                                  | 7.1   | 22.9                                       | 13.9            | 36.8                       | 77.5                |
| SAB beer division   | 14.7  | 53.6                                       | 26.4            | 79.9                       | 150.9               |
| SAB beer as % of total liquor                             | 47.4%   | 46.4%                                      | 46.5%           | 46.4%                      | 45.3%               |
| <b>Capital requirement</b>                                |   |  |                 |                            |                     |
| Total SAB   | 11.8  | 25.6                                       | 18.6            | 44.2                       | 121.3               |
| SAB soft drinks division                                  | 4.4   | 7.8  | 6.8             | 14.6                       | 42.7                |
| SAB beer division   | 7.4   | 17.8                                       | 11.8            | 29.6                       | 78.6                |
| SAB beer as % of total liquor                             | 44.7%   | 50.6%                                      | 47.0%           | 49.1%                      | 45.4%               |
| <b>Employment (number, including the informal sector)</b> |   |  |                 |                            |                     |
| Total SAB   | 37,095  | 46,485                                     | 54,928          | 101,413                    | 355,755             |
| SAB soft drinks division                                  | 10,016  | 13,804                                     | 19,380          | 33,184                     | 126,448             |
| SAB beer division   | 27,079  | 32,681                                     | 35,548          | 68,229                     | 229,306             |
| SAB beer as % of total liquor                             | 41.1%   | 37.4%                                      | 48.8%           | 42.6%                      | 41.9%               |
| <b>Labour income</b>                                      |   |  |                 |                            |                     |
| Total SAB   | 3.3   | 6.8  | 3.8             | 10.6                       | 27.7                |
| SAB soft drinks division                                  | 1.0   | 2.2  | 1.4             | 3.6                        | 9.8                 |
| SAB beer division   | 2.3   | 4.6  | 2.4             | 7.0                        | 17.9                |
| SAB beer as % of total liquor                             | 54.1%   | 46.7%                                      | 45.4%           | 46.2%                      | 44.3%               |
| <b>Government tax revenue</b>                             |   |  |                 |                            |                     |
| Total SAB   | 2.1   | 12.4                                       | 4.05            | 16.5                       | 28.07               |
| SAB soft drinks division                                  | 0.7   | 2.5  | 1.1             | 3.6                        | 7.82                |
| SAB beer division   | 1.4   | 10.0                                       | 3.0             | 12.9                       | 20.3                |
| SAB beer as % of total liquor                             | 42.3%   | 51.0%                                      | 49.7%           | 50.7%                      | 48.5%               |
| <b>Value added (GDP) at factor cost</b>                   |   |  |                 |                            |                     |
| Total SAB   | 6.4   | 15.8                                       | 11.2            | 27.1                       | 66.2                |
| SAB soft drinks division                                  | 2.0   | 4.8  | 3.6             | 8.4                        | 22.8                |
| SAB beer division   | 4.4   | 11.0                                       | 7.6             | 18.6                       | 43.5                |
| SAB beer as % of total liquor                             | 49.4%   | 49.0%                                      | 54.1%           | 51.0%                      | 46.2%               |
| <b>SAB's share of:</b>                                    |   |  |                 |                            |                     |
| Total capital stock in SA                                 | 0.2%  | 0.5%                                       | 0.4%            | 0.9%                       | 2.4%                |
| Total employment in SA                                    | 0.3%  | 0.4%                                       | 0.4%            | 0.8%                       | 2.9%                |
| Government tax revenue                                    | 0.3%  | 2.0%                                       | 0.7%            | 2.6%                       | 4.5%                |
| GDP at factor cost  | 0.3%  | 0.7%                                       | 0.5%            | 1.3%                       | 3.1%                |

Source: Quantec Research

Figure 6: Output by industry – economy-wide effects of SAB’s operations valued at R228 billion



well as fuel and power. During 2009, SAB purchased goods and services (including capital equipment) from its *direct* suppliers to the value of R21.8 billion, of which roughly two-thirds were utilised in the production of beer. Figure 5 shows that the supplying sectors that experience the greatest *direct* benefit from SAB’s operations are the food and beverages sector (particularly sugar and fruit juices); finance, insurance and other business services (including advertising); agriculture, forestry and fishing (e.g. barley, hops, malt and maize farming); metals, machinery and equipment (including aluminium and tin products); and petroleum products, chemicals, rubber and plastic.

Valued at R228 billion in 2009, the economy-wide impact of SAB on intermediate output (or production) is considerable. Figure 6 shows that the sectors that profit the most from SAB’s operations are food and beverage manufacturing; finance, insurance and other business services; wholesale, retail, catering and accommodation; petroleum products, chemicals, rubber and plastic; and transport, storage and communication. SAB’s beer division accounted for 66% (or R150.9 billion) of the economy-wide value of production stimulated by SAB’s operations (and 45% of that of the total liquor industry).

The remaining 34% of the economy-wide impact on intermediate output can be attributed to ABI’s production of soft drinks, energy drinks, bottled water and fruit juices (see Figure 7). The direct impact of SAB accounts for approximately a third of SAB’s economy-wide impact on production, while the indirect impact contributes a further 17.6% and the induced impact constitutes the remaining 49%.

3.2 Capital requirement

Productive capital assets – including technologically advanced machinery and equipment, trucks and building structures – together with labour and entrepreneurship, form the basic productive factors needed in most manufacturing processes. Whereas SAB’s own capital stock is valued at approximately R13.8 billion, SAB’s production processes also stimulate significant fixed investment in the economy. A further R107.5 billion in capital is needed throughout the South African economy to support the upstream and downstream linkages of SAB’s operations.

Figure 7: Direct, indirect and induced effects of SAB’s operations on intermediate output

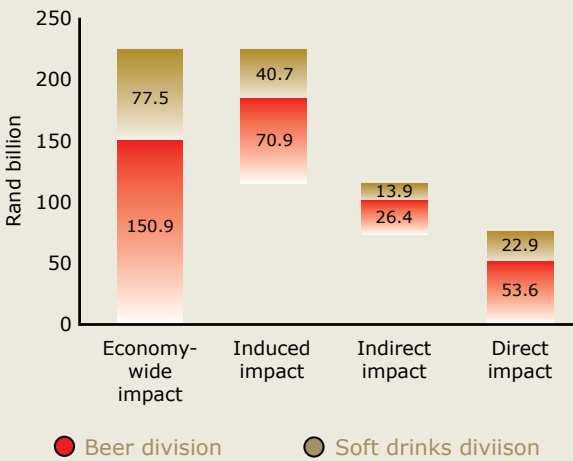
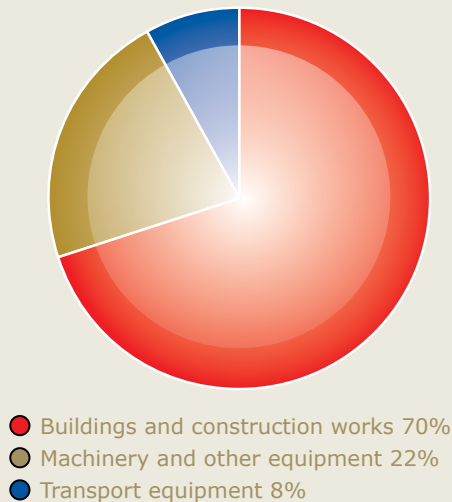


Figure 8: The value of capital stock sustained throughout the economy as a result of SAB’s operations topped R121 billion in 2009



In all, the total capital stock needed to sustain the present level of beer and soft drinks production by SAB totals R121 billion, or 2.4% of South Africa's total capital stock. Buildings and construction works account for 70% of the total capital requirement, while machinery and other equipment and transport equipment constitute 22% and 8% respectively.

#### ***In terms of employment:***

- ***For each employment opportunity created by SAB and its first round suppliers, 6.7 additional jobs are supported upstream and downstream from SAB***
- ***The vast majority (71%) of the jobs sustained by SAB's operations are filled by black employees***

### **3.3 Impact on employment creation**

As highlighted in the previous chapter, SAB employed 9,390 people during 2009, with 5,602 (or 60%) working in the beer division and 3,788 in the soft drinks division. It is estimated that SAB's operations sustain another 37,095 employment opportunities at first round suppliers, the majority of which are in the agriculture, forestry and fishing (27%); finance, insurance, real estate and business services (26%) and wholesale, retail, catering and accommodation (13%) sectors (see Figure 9).

Figure 10 illustrates that some 355,000 jobs are sustained throughout the economy as a result of all the activities related to the production and sale of SAB's products, with the wholesale, retail, catering and accommodation sector being the main beneficiary. SAB's employment impact represents 2.9% of total employment in South Africa, while employment stimulated by SAB's beer division accounts for an estimated 41.9% of the economy-wide employment impact of the total liquor industry.

Direct employment (at SAB and its first round suppliers) only represents a small fraction (13.5%) of the total economy-wide impact – for each job offered by SAB and its first round suppliers, 6.7 additional jobs are supported upstream and downstream from SAB (see Figure 11).

Figure 9: Employment by industry – First round effects of SAB's operations totalling 37,095

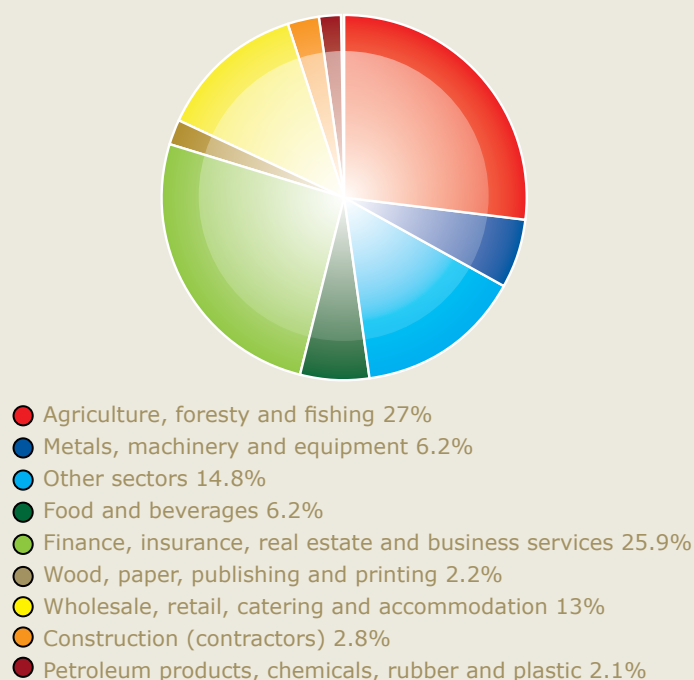


Figure 10: Employment by industry – economy-wide impact of SAB's operations estimated at 355,755

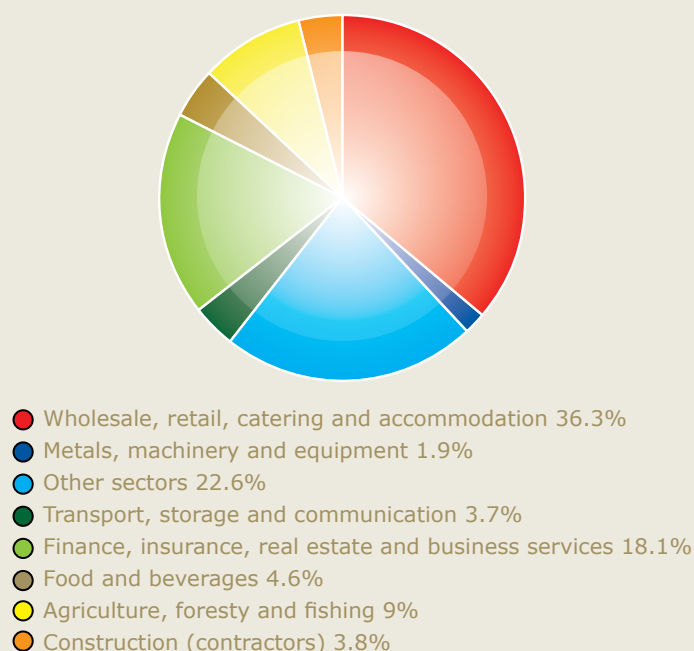


Figure 11: Direct, indirect and induced effects of SAB's operations on employment

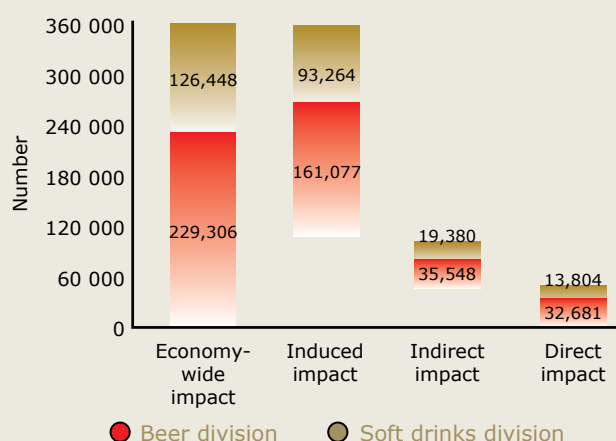
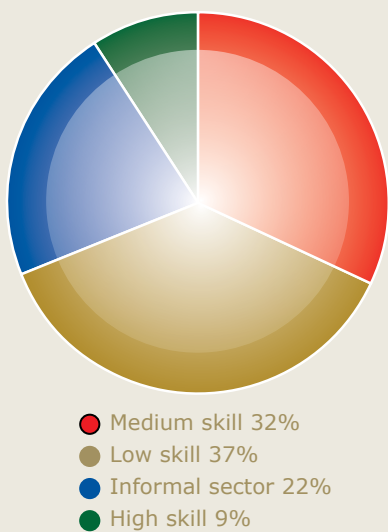


Figure 12: Employment by skill and race – economy-wide impact of SAB's operations



Looking at the skills composition of the economy-wide impact of SAB's operations on employment, only a small portion (9%) of the positions are filled by highly skilled employees. The majority of job opportunities sustained by SAB's value chain are low skilled positions (37%) or in the informal sector (22%). SAB's noteworthy contribution to employment of low skilled workers should be viewed positively given the high unemployment rate among low skilled workers in South Africa. Furthermore, the vast majority (71%) of the 355,000 jobs sustained by SAB's operations are filled by black employees (see Figure 12).

### 3.4 Contribution to labour income

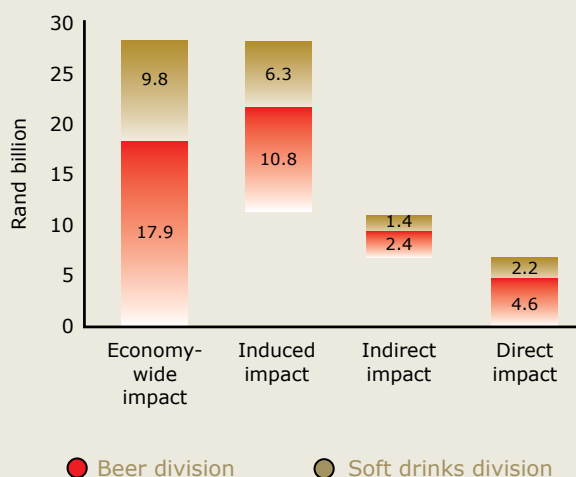
SAB and its first round suppliers contributed an estimated R6.7 billion towards labour remuneration during 2009. However, the results from the SAM multiplier analysis show that, when the indirect and induced impacts of SAB's value chain are also taken into consideration, the economy-wide impact on household incomes increases to R27.7 billion (see Figure 13). SAB's beer division accounts for 65% (or R17.9 billion) of the economy-wide impact of the company on labour remuneration.

In contrast to the skills breakdown of employment, the labour income figures favour the higher skilled (i.e. higher remunerated) occupations – approximately 70% of the labour income generated can be ascribed to the medium and highly skilled groups in the formal sector.

### 3.5 Contribution to government tax revenue

During 2009, the National Treasury received more than R10 billion in tax revenues from SAB, its employees and consumers of alcoholic and non-alcoholic beverages produced by SAB. When the indirect and induced impacts through the economy are also considered, the total tax revenue generated by SAB and its upstream and downstream partners increases to a staggering R28 billion (see Figure 14), or 4.5% of the government's total tax haul during 2009. Indirect taxes (e.g. excise duties and VAT) paid by consumers are the most important revenue source, at R15.8 billion (or 56% of SAB's economy-wide tax contribution), followed by corporate taxes at R7.3 billion (26%).

Figure 13: Direct, indirect and induced effects of SAB's operations on labour income estimated at R27.7 billion





Looking at SAB's two different divisions, the tax contribution split is roughly 70:30 in favour of SAB's beer division (see Figure 14), mainly due to the impact of excise duties on beer. Furthermore, considering the split between the direct, indirect and induced impacts, the contribution of SAB and its first round suppliers – i.e. the direct impact – comprises the largest proportion (44%) of the total tax contribution, indicative of the heavy tax burden borne by SAB, its first round suppliers and consumers of its products.

### 3.6 Impact on the gross domestic product

Estimated at R66.2 billion during 2009, the total economic contribution from the production and sale of SAB's products to the South African economy is considerable. Approximately 3.1% of South Africa's GDP can be traced back to the direct, indirect and induced impacts of SAB, with SAB's beer division accounting for two-thirds of the company's total contribution to value added (GDP at factor costs). SAB's GDP multiplier is estimated to be 2.02, indicating that for every R1.00 in sales revenue generated by SAB (i.e. turnover at company level), R2.02 is added to the country's gross domestic product. The GDP multiplier of SAB's soft drinks division is estimated to be slightly higher (2.26) than that of SAB's beer division (1.92). Figure 15 shows that the direct and indirect impacts comprise approximately 41% of SAB's economy-wide impact,

with induced effects accounting for the remaining 59% of the value added.

Table 7 shows the GDP and employment multipliers for SAB and the liquor industry, as well as two indicators of the efficiency with which SAB and the industry employs scarce productive resources, namely the GDP/capital ratio and the labour/capital ratio.

**Table 7: SAB's multipliers and efficiency ratios**

|   | Total SAB | Total liquor industry | Total RSA |
|---|-----------|-----------------------|-----------|
| Employment multiplier in terms of direct jobs (including informal sector) | 7.7       | 6.3                   |           |
| GDP multiplier  | 2.0       | 2.1                   |           |
| GDP/Capital ratio   | 0.6       | 0.5                   | 0.4       |
| Labour/Capital ratio  | 2.9       | 3.2                   | 2.5       |

Source: Econex calculations based on SAM modelling results from Quantec Research

SAB's labour/capital ratio, measuring the number of additional employment opportunities that can be created from the investment of R1 million in capital by SAB and its first round suppliers, is estimated at 2.9. While this is slightly lower compared to the overall liquor industry (3.2), it compares favourably

Figure 14: Direct, indirect and induced effects of SAB's operations on government tax revenue amount to R18.1 billion

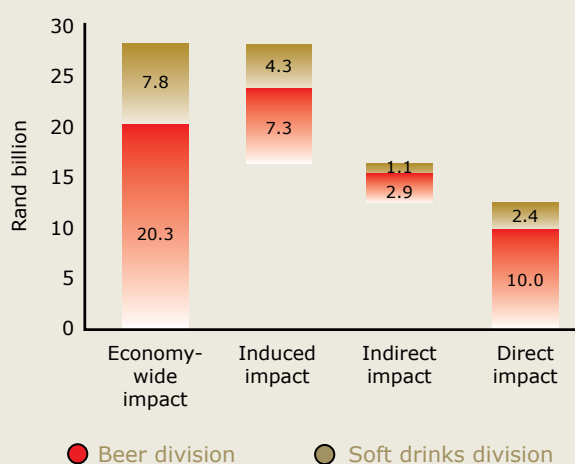
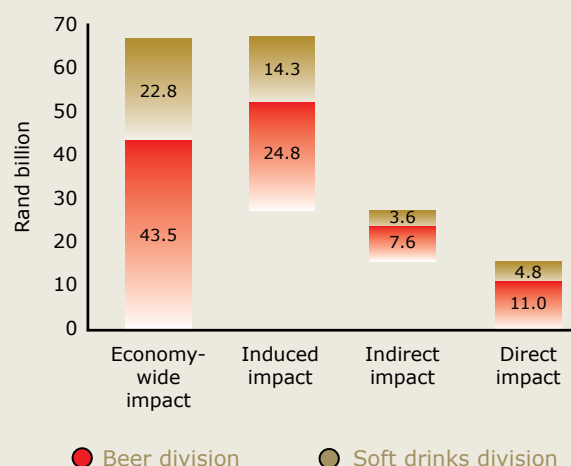


Figure 15: Direct, indirect and induced effects of SAB's operations on GDP at factor cost



with that of the overall SA economy (2.5). SAB's GDP/capital ratio of 0.6 is in line with that of the total liquor industry (0.5), indicating that for every R1 million in capital invested by SAB and its first round suppliers, an additional R0.6 million in GDP is generated. Both SAB's GDP/capital ratio and its labour/capital ratio suggest that SAB and its first round suppliers are slightly more efficient in utilising a unit of investment compared to the overall South African economy.

In all, the results from the analysis show that SAB not only makes a substantial direct contribution to state coffers in terms of tax revenue, but SAB's operations have high spin-off effects on production, employment creation and value added in the South African economy.

***Given the high unemployment rate among low skilled workers in South Africa, SAB's contribution to low skilled and informal sector employment is particularly valuable.***



## 4. Broad overview of the South African liquor industry

The South African liquor industry has developed into a major force in the South African economy, providing employment and income to thousands of households and making a substantial contribution to government tax revenue and export earnings in South Africa.

In the process of manufacturing, packaging, marketing and delivering alcoholic beverages, the liquor industry stimulates economic activity throughout the entire beverage value chain, encompassing a wide range of producers and suppliers (upstream linkages) and retailers, distributors and the hospitality industry (downstream linkages). The primary focus of this section of the report is to provide an overview of the liquor *manufacturing* industry in South Africa, rather than on the upstream or downstream linkages of the industry. In what follows, the market segmentation and recent industry sales, the international trade performance of the different liquor types, and the structure of and key players in the liquor industry are considered briefly.

### 4.1 Market segmentation and industry sales

The domestic liquor industry can broadly be classified into the manufacturing (or direct importation) of beer, wine, spirits and flavoured alcoholic beverages, with beer sales accounting for just over 50% of the value of total liquor sales in 2009. The beer category can be further sub-divided into malt and sorghum beer (or traditional African beer), while wine can be delineated into natural, fortified and sparkling wine. Spirits, in turn, can be segmented into white spirits (e.g. vodka and gin), brown spirits (e.g. brandy and rum) and whisky, while spirit coolers and cider-like drinks are the main categories within the flavoured alcoholic beverages segment.

### Key statistics for the South African liquor industry - 2009

|                     |   |
|---------------------|---|
| 4.053 bn            | Litres of alcoholic beverages sold in 2009  |
| R62.5 bn            | Value of total liquor sales at off-premise prices   |
| 51%                 | Contribution of malt beer to total liquor sales   |
| Carling Black Label | South Africa's top selling liquor brand   |
| SAB                 | South Africa's premier liquor manufacturer and home to 6 out of the top 10 liquor brands consumed in South Africa (by volume) |
| R10 bn              | Excise duties paid by the liquor industry during the 2010 fiscal year   |
| 47%                 | Liquor industry's share in total excise tax collected in South Africa   |
| 57%                 | The share of malt beer in the liquor industry's total excise contribution   |
| R16 bn              | Corporate tax, personal income tax, VAT and excise duties paid by the liquor industry, its employees and consumers in 2009    |
| 21,300              | Estimated number of employees in the liquor industry  |
| R7.1 bn             | Value of liquor exports in 2009   |
| 253%                | Growth in liquor exports since 2000   |
| United Kingdom      | Top South African liquor export destination   |



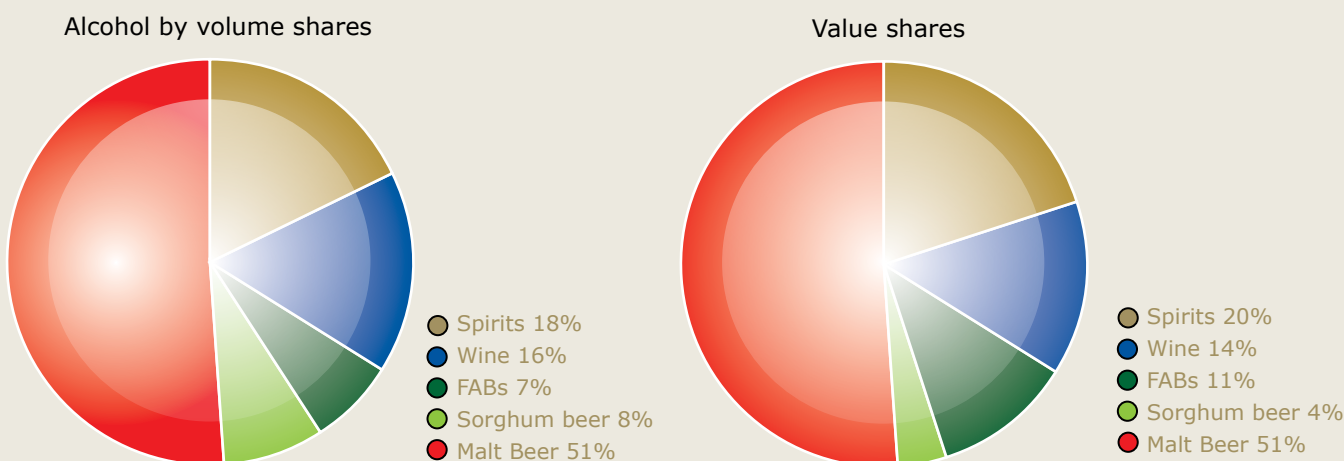


Figure 16 shows that sales of malt (or “clear”) beer accounted for roughly 51% of total liquor sales (alcohol by volume) in 2009, as well as 51% of the sales revenue generated by the liquor industry.<sup>11</sup> In alcohol by volume (ABV) terms, spirits (with an ABV share of 18%) and wine (16%) are the second and third largest liquor segments, followed by sorghum beer (8%). However, it should be noted that these estimates only cover sales of commercially produced sorghum beer, while more than two-thirds of sorghum beer is home-brewed (and hence

unrecorded). Flavoured alcoholic beverages (FABs) contributed roughly 6.6% to liquor sales in ABV terms in 2009, but comprised a considerably larger share (11%) in sales revenue terms.

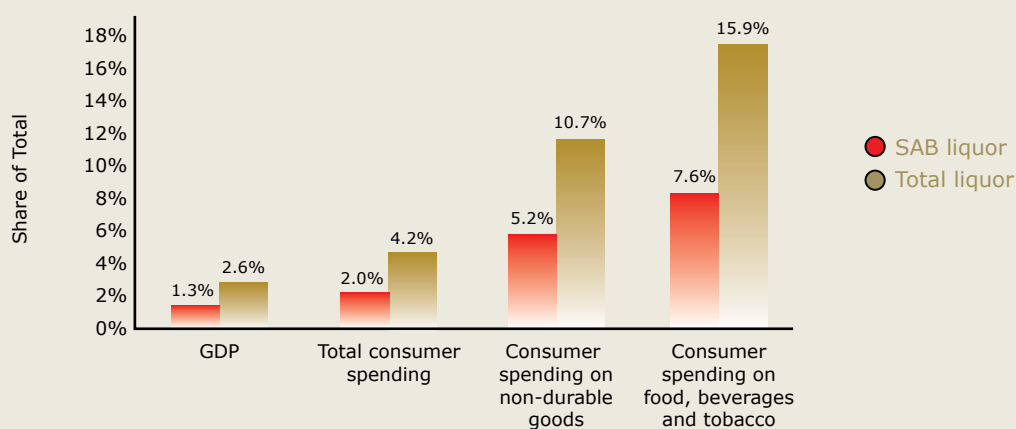
With the value of sales at off-premise prices estimated at R62.5 billion in 2009, total liquor sales (including commercially produced sorghum beer) accounted for 15.9% of consumer spending on food, beverages and tobacco in 2009, and 4.2% of total consumer spending (see Figure 17).<sup>12</sup>

Figure 16: Market share by liquor segment



Source: SAB, based on data supplied by AC Nielsen, SAWIS, SALBA and the Department of Trade and Industry

Figure 17: Share of total liquor sales (and SAB’s liquor sales) in nominal GDP and consumer spending in South Africa, 2009



Source: Econex calculations, based on official statistics from the SARB Quarterly Bulletin and liquor industry data supplied by SAB

<sup>11</sup>Industry sales data was supplied by SAB and comprises off-premise figures (i.e. liquor sales by bars, restaurants and other drinking establishments are excluded so as to avoid double counting). SAB incorporated data sourced from AC Nielsen, the South African Liquor Brand Owners Association (SALBA) and the South African Wine Industry Information and Systems (SAWIS), as well as excise figures for sorghum beer from the Department of Trade and Industry, in their estimates of liquor sales in South Africa.

<sup>12</sup>The ratios were calculated using the value of sales at off-premise (e.g. liquor store) prices. However, given that hotels, restaurants and bars (i.e. on-premise consumption outlets) typically have higher mark-ups on liquor prices compared to liquor stores, the actual contribution of liquor to total consumer spending and GDP in South Africa may in fact be higher than reflected by the ratios in Figure 17.



**Table 8: Industry sales by liquor category, 2009**

|  | Sorghum beer | Malt beer | Spirits | Wine                           | Flavoured alcoholic beverages | Total liquor | Total liquor excluding sorghum beer |
|--|--------------|-----------|---------|--------------------------------|-------------------------------|--------------|-------------------------------------|
| Bulk volume - Thousands of hectolitres | 5,319        | 27,204    | 1,041   | 3,472                          | 3,491                         | 40,528       | 35,209                              |
| Alcohol strength                       | 4.2%         | 5%        | 43%     | Natural: 12%<br>Fortified: 17% | 5%                            |              |                                     |
| Share of total by ABV                  | 8.4%         | 51.2%     | 17.6%   | 16.3%                          | 6.6%                          | 100%         |                                     |
| Value – Rand billion                   | 2.5          | 31.9      | 12.7    | 8.4                            | 7.0                           | 62.5         | 60.0                                |
| Share in total                         | 4.0%         | 51.0%     | 20.3%   | 13.4%                          | 11.2%                         | 100%         |                                     |

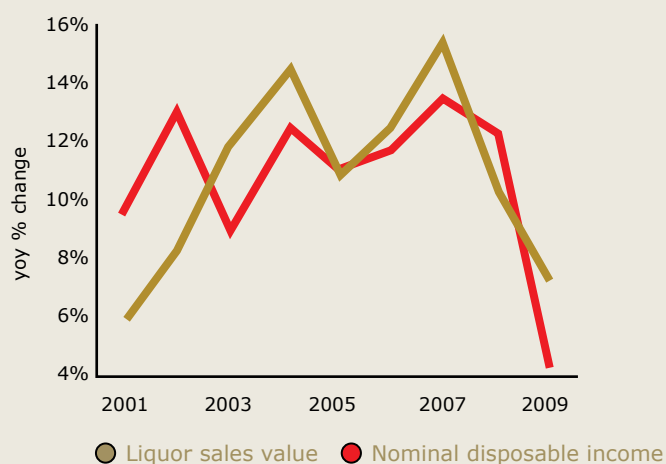
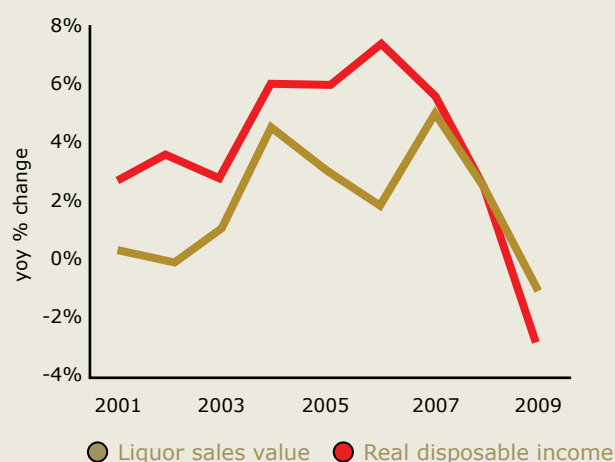
Source: SAB, based on data supplied by AC Nielsen, SAWIS, SALBA and the Department of Trade and Industry

Weighed against South Africa's GDP, the share of total liquor sales measured 2.6% in 2009. SAB, South Africa's largest liquor producer, held approximately 48% of the total liquor market (in value terms) in 2009. Roughly 8% of consumer spending on food, beverages and tobacco (or 2% of total consumer spending) in 2009 was directed at alcoholic beverages produced by SAB.

Figure 18 shows the growth in liquor sales, in both volume and value terms, relative to the growth in disposable income since 2001. In volume terms, total liquor sales (including commercially produced sorghum beer) increased by an average rate of 1.9% over the last nine years, significantly slower compared to the average annual growth in real disposable income of 3.7%. However, in value terms, the growth in liquor sales (10.6% per annum) was on par with the growth in nominal disposable income (10.7% per annum). In other words, despite subdued volume growth, the value share of liquor in consumers' wallets remained more or less unchanged since 2001.

This can be ascribed to relatively high liquor price increases over the last decade, which, in turn, are partly related to high excise tax increases. The spirits and natural wine categories saw particularly high price increases, with average annual price increases of 9.8% and 8.8% per annum respectively over the last decade, followed by FABs at 8.4% per annum. Malt beer and commercially brewed sorghum beer saw the lowest inflation rates, coming in at 7.6% and 7.0% respectively since 2000, only slightly higher compared to the average CPI inflation rate of 6.8%.

**Figure 18: Growth in liquor sales vs growth in disposable income, 2001 - 2009**



Source: SAB, based on data supplied by AC Nielsen, SAWIS, SALBA and the Department of Trade and Industry

Considering the relative performance of the different liquor categories over the last decade, FABs topped the log, with an average annual growth rate of 17.7% in sales at off-premise sales between 2001 and 2009. This was followed by spirits (12.9%), malt beer (9.4%) and wine (9.2%), while the value of commercially brewed sorghum beer increased by only 7.9% per annum since 2001. Given that total household consumption expenditure posted an average annual increase of 10.9% since 2001, this suggests that there was a significant increase in the share of FABs in total consumer spending. The share of spirits in total consumer spending also increased slightly, mainly at the expense of wine and sorghum beer consumption.

While the South African liquor industry has performed relatively well in recent years, other retail sectors are challenging domestic liquor sales for a share of the consumer's wallet. During the late 1990s and early 2000s, the proliferation of new spending avenues such as cell phones, laptop computers, satellite television, digital cameras, MP3 players, casinos and the National Lottery attracted an increasing share of the disposable income of consumers. Although the

growth in liquor sales improved significantly between 2003 and the first half of 2008, the recession posed new challenges to the South African liquor industry. In particular, widespread job losses<sup>13</sup> in the domestic economy, topping one million between 2008 Q4 and 2010 Q1, are weighing on volume growth and the pricing power of the liquor industry. Furthermore, the South African government is reinvestigating excise duties on liquor, and any increase in excise will likely lead to further downward pressure on volume growth in the industry.

## 4.2 International trade performance

South Africa is a net exporter of liquor, largely due to extensive wine exports. Total beer, spirits, wine and other fermented beverage exports measured R7.1 billion in 2009, while imports were estimated at only R3.36 billion in 2009 (see Table 9). Total liquor exports have shown impressive growth over the last four years, with an increase of 71% in the Rand value between 2005 and 2009. In comparison, the Rand value of exports of all commodities increased by 58% since 2005. Considering South Africa's export performance since 2000, the outperformance of the

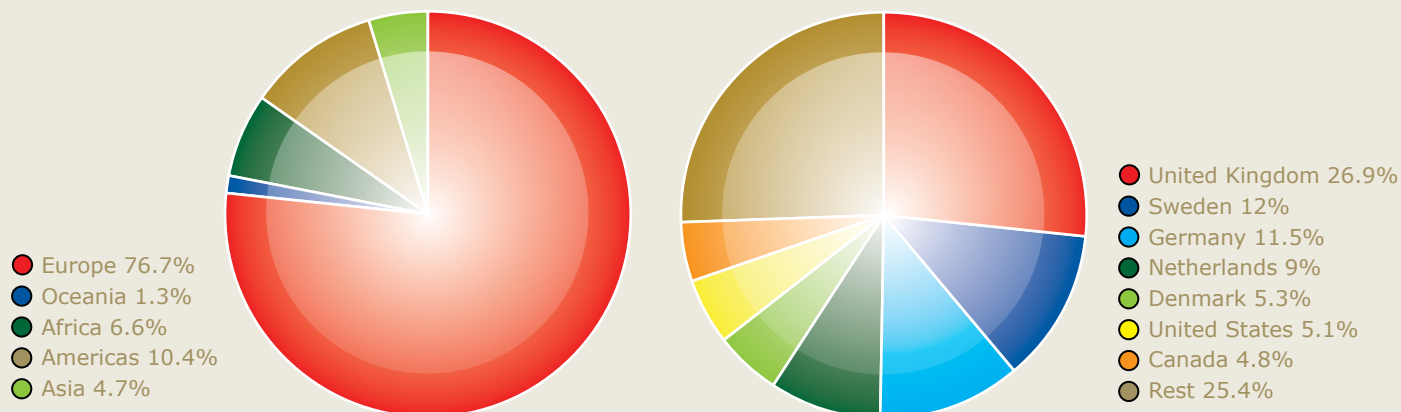
**Table 9: Liquor import and export performance, 2005 - 2009 (Rand million)**

|                          | Malt beer |         | Wine    |         | Other fermented beverages (e.g. cider) |         | Spirits |         | Total     |         |
|--------------------------|-----------|---------|---------|---------|--|---------|---------|---------|-----------|---------|
| HS Classification        | H2203     |         | H2204   |         | H2206                                  |         | H2208   |         | Aggregate |         |
|                          | Exports   | Imports | Exports | Imports | Exports                                | Imports | Exports | Imports | Exports   | Imports |
| 2005                     | 51.6      | 35.4    | 3,806.8 | 81.3    | 20.3                                   | 1.3     | 255.4   | 1,141.2 | 4,134.1   | 1,259.1 |
| 2006                     | 70.1      | 58.4    | 3,563.5 | 110.4   | 28.1                                   | 2.7     | 287.2   | 1,501.0 | 3,948.9   | 1,672.5 |
| 2007                     | 68.8      | 637.5   | 4,731.9 | 130.5   | 32.1                                   | 0.9     | 398.7   | 1,823.3 | 5,231.6   | 2,592.2 |
| 2008                     | 188.6     | 813.4   | 6,229.0 | 163.7   | 106.9                                  | 1.1     | 550.1   | 2,113.7 | 7,074.5   | 3,092.0 |
| 2009                     | 182.2     | 1,185.9 | 6,015.4 | 143.5   | 261.8                                  | 1.1     | 608.7   | 2,025.8 | 7,068.2   | 3,356.3 |
| % change, 2005-09        | 253.1%    | 3,253%  | 58.0%   | 76.6%   | 1,191%                                 | -17.3%  | 138.3%  | 77.5%   | 71.0%     | 166.6%  |
| Share of exports in 2009 | 2.6%      |         | 85.1%   |         | 3.7%                                   |         | 8.6%    |         |           |         |
| Share of imports in 2009 |           | 35.3%   |         | 4.3%    |  | 0.0%    |         | 60.4%   |           |         |

Source: Department of Trade and Industry – Trade Statistics

<sup>13</sup>According to Statistics South Africa's Quarterly Labour Force Survey (June 2010), 232,000 jobs were destroyed during the first half of 2010, pushing the total number job losses up to 1.1 million between 2008 Q4 and 2010 Q2.

Figure 19: Key wine export markets in 2009 (HS2204)



Source: Department of Trade and Industry – Trade Statistics

liquor industry is even more striking – whereas the value of all South African exports increased by 143% between 2000 and 2009, the value of liquor exports surged by 253%. Furthermore, liquor exports appear to have weathered the recession quite well, posting only a marginal decline of 0.1% in value terms in 2009, compared to a contraction of 20.5% in the value of total exports from South Africa.

Wine exports accounted for 85% of total exports in 2009, followed by spirits (8.6%), other fermented beverages (3.7%) and beer (2.6%). Beer exports are typically small in comparison with wine, as beer is generally brewed by domestic breweries within a country. Europe (and the United Kingdom in particular) is South Africa's largest wine export market, accounting for three-quarters of all South African wine exports (see Figure 19).

Liquor imports also showed strong growth over the last four years, with a cumulative increase of 166.6% since 2005, relative to total import growth of 52.8% between 2005 and 2009. Spirits (with a share of 60.4% in 2009) and malt beer (35.3%) imports account for the bulk of liquor imports in South Africa. The dynamics of the spirits market are such that global brands are either imported directly, or produced under international licence in South Africa. Looking at a breakdown of spirits imports by country, the bulk of spirits imports were sourced from the UK and Ireland (76.4%), home to the world's leading spirits (notably whisky) producers and marketers. On the spirits export side, South Africa is regarded as one of the premier brandy producers worldwide, while

South Africa can also boast with other "home-grown" spirits brands such as Amarula Cream Liqueur and Cape to Rio cane spirit in international markets.

Table 9 shows that beer imports surged over the last four years (albeit from a low base). While SAB started to import the Peroni Nastro Azzurro (from Italy) and Grolsch brands (from the Netherlands), the dramatic increase in beer imports between 2006 and 2009 can largely be ascribed to imports of the Amstel brand from the Netherlands. Whereas Amstel, one of the fastest growing premium beer brands, was previously brewed by SAB in South Africa under licence from Heineken, Heineken moved the brand to brandhouse – a joint venture between Namibian Breweries, Heineken and Diageo – in 2007, as Heineken was now competing with SABMiller on an international level. Given that brandhouse had no local brewing capacity at the time, Amstel was imported from the Netherlands, leading to a surge in South African beer imports between 2007 and 2009. However, on 25 March 2010, Heineken and Diageo opened a new brewery south of Johannesburg (the Sedibeng Brewery), with an initial capacity of 3 million hectolitres. The brewery was estimated R3.5 billion, and, in anticipation of growing demand for premium brands, the brewery is being expanded to increase its capacity to 4 million hectolitres in September 2010. The Sedibeng brewery will brew and bottle a range of premium beers for the local market, including Amstel, Heineken and Windhoek Lager, implying that South African beer imports should decline significantly during the second half of 2010.

### 4.3 Industry structure and key players in the liquor industry

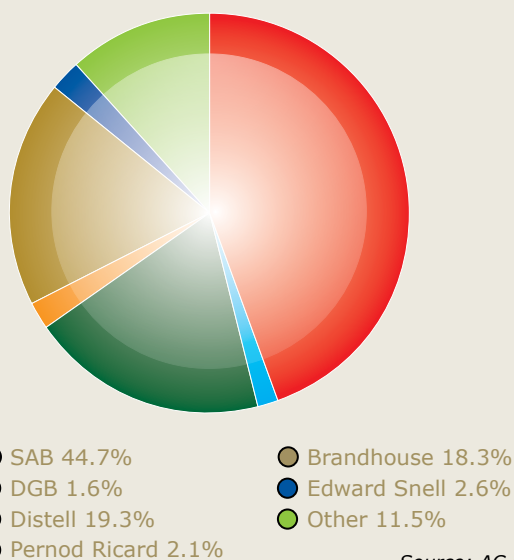
The domestic liquor industry is characterised by high levels of concentration, implying that a few liquor manufacturers (or distributors) serve the vast majority of the market. Concentration levels are particularly high in the malt beer, commercially produced sorghum beer and spirits segments in South Africa, where SAB (malt beer), United National Breweries (sorghum beer), Distell (spirits and FABs) and Brandhouse (malt beer, spirits and FABs) each hold a substantial share of the respective segments of the liquor market in which they operate. Although companies like Distell, the KWV and DGB also control a number of brands in the wine industry, a large number of smaller “independent” producers also actively compete in the wine industry, implying significantly lower levels of concentration relative to the beer and spirits segments. In fact, according to SAWIS, there were 3,839 primary wine producers (i.e. growers of grapes), supplying 585 wine cellars and wine co-operatives with grapes in 2008.<sup>14</sup>

Table 10 shows a breakdown of the largest liquor manufacturers and distributors in South Africa, as well as a sample of the brands in each company’s stable. With a volume share of roughly 88% in the malt beer market – and approximately 51% of the total liquor market measured in alcohol by volume terms – SAB is South Africa’s undisputed brewmaster.

SAB, the South African subsidiary of SABMiller, operates seven breweries in South Africa and boasts a brand portfolio of ten beers and five flavoured alcoholic beverages. SABMiller is now the world’s second largest brewer by volume. Table 10 shows that six out of the top ten liquor brands consumed in South Africa (by volume) in the 12 months from June 2009 to May 2010 came from the SAB stable (namely Carling Black Label, Hansa Pilsner, Castle Lager, Castle Lite, Castle Milk Stout and Redds).

**Brandhouse**, the Heineken-Diageo-Namibian Breweries joint venture, is SAB’s main competitor in the malt beer market, and the third largest liquor company in South Africa by value of sales (see Figure 20 for AC Nielsen’s market share estimates). With brands such as Amstel, Heineken, Windhoek, Guinness and Kilkenney, brandhouse has a bias towards the premium end of the beer market. Brandhouse also houses an impressive portfolio of spirits brands, including some of the world’s leading international brands, such as Johnnie Walker, J&B, and Bell’s whisky, Smirnoff vodka, Captain Morgan and Spiced Gold rum, Jose Cuervo tequila, Archers schnapps and Baileys cream liqueur. Home grown brands include Gilbey’s gin, Cape Velvet cream liqueur and Bertrams VO brandy. Brandhouse also produces and distributes various flavoured alcoholic beverage brands, including Archers Aqua, Smirnoff Spin, Strongbow and Foundry.

Figure 20: Market shares of the key players in the liquor industry, June 2009 to May 2010 (excluding sorghum beer)



Source: AC Nielsen



<sup>14</sup>Source: SAWIS, 9 December 2009. “Macro-economic impact of the wine industry on the South African Economy also with reference to the impacts on the Western Cape.” Report compiled by Conningarth Economists, page 20.



**Table 10: Key players in the South African liquor industry**

| Name of company           | Liquor segment                | Selected example of brands   |
|---------------------------|-------------------------------|--|
| SAB                       | Malt beer                     | Carling Black Label, Castle, Castle Lite, Dreher Premium Lager, Grolsch, Hansa, Miller Genuine Draft, Peroni Nastro Azzurro, Pilsner Urquell   |
|                           | Flavoured alcoholic beverages | Blakes and Doyle, Brutal Fruit, Redd's, Sarita, Skelter's Straight   |
| Distell                   | Wine                          | Alaska, Allesverloren, Alto, Autumn Harvest Crackling, Brandyale, Capenheimer, Cellar Cask, Chateau Libertas, Drostdy-Hof, Durbanville Hills, Flat Roof Manor, Fleur du Cap, Graça, Grünberger, Hill&Dale, Jacobsdal, J.C. Le Roux, Le Bonheur, Lomond, Monis, Nederburg, Neethlingshof, Obikwa, Paarl Perlé, Plaisir de Merle, Pongrácz, Sedgwick's Old Brown Sherry, Stellenzicht, Tassenberg, Theuniskraal, Tukulu, Two Oceans, Uitkyk, Zonnebloem, Zorba, 4th Street, 5th Avenue |
|                           | Spirits                       | Amarula, Angel's Share, Bacardi, Bain's, Bisquit, Black Bottle, Bunnahabhain, Collison's White Gold, Commando, Count Pushkin, Flight of the Fish Eagle, Gordon's, Harrier, Klipdrift, Knights, Mainstay, Mellow-Wood, Nachtmusik, Nederburg, Oude Meester, Richelieu, Romanoff, Scottish Leader, Seven Seas, Three Ships, Uitkyk, Van Ryn's, Viceroy   |
|                           | Flavoured alcoholic beverages | Bernini, Burchell, Esprit, Hunter's, Klipdrift and Cola, Savanna, Vawter   |
| Brandhouse                | Malt beer                     | Amstel, Kilkenney, Guinness, Heineken, Tafel Lager, Windhoek   |
|                           | Spirits                       | Archers, Bayleys, Bell's, Bertrams, Black & White, Bushmills, Johnnie Walker, Caol Ila, Cragganmore, Cape Velvet, Captain Morgan, Ciroc, Dimple, Don Julio, Gilbey's, Glen Elgin, J&B, Jose Cuervo, Lagavulin, Lupini, Montego, Oban, Slate, Smirnoff, Spiced Gold, Squadron, Swing, Talisker, Tanqueray, White Horse  |
|                           | Flavoured alcoholic beverages | Archers, Bertrams and Ginger Ale, Captain Morgan and Cola, Foundry, J&B and Soda, Smirnoff, Strongbow  |
| United National Breweries | Sorghum beer                  | Chibuku, Ijuba Blue, iJuba Special, Joburg Beer, Leopard Special, Tlokwe   |
| DGB                       | Wine                          | Bellingham, Boschendal, Culemborg, Douglas Green, Franschhoek Cellar, Graham Beck, Legacy, Oude Kaap, St. Augustine, St. Pettie, The Beachouse, The Delivery, Tall Horse   |
|                           | Spirits                       | Antonella, Black Douglas, Butlers Liqueurs, Douglas Green Ruby Port, Fetzer, Flex Bender, Nordic Ice, Potency, Red Heart, Tango, Teacher's, Zappa  |
| Pernod Ricard             | Wine                          | Long Mountain, Mumm  |
|                           | Spirits                       | Absolut Vodka, Ballantine's, Beefeater, Chivas Regal, Havana Club, Jameson, Kahlua, Malibu, Martell, Pernod, Olmeca, Ricard, Seagram's, The Glenlivet  |
| Edward Snell & Co.        | Wine                          | Craighall  |
|                           | Spirits                       | Barclays, Campari, Cape Hope, Cape to Rio, Cinzano, Clan MacGregor, First Watch, Glenfiddich, Glen Grant, Grand Marnier, Grant's, Hendrick's, Hooper's, Jack Daniel's, Jack Tarr, Oude Molen, Skyy, Stretton's, Stroh Rum, Russian Bear, The Balvenie, Two Keys, Wellington  |
| KWV                       | Wine                          | Café Culture, Cathedral Cellar, Golden Kaan, KWV Wines, Laborie, Pearly Bay, Roodeberg   |
|                           | Spirits                       | Imoya, KWV Brandy, Wild Africa   |

Source: Company websites

While SAB and brandhouse are by far the largest players in the malt beer market, a number of smaller breweries also exist in South Africa, operating mainly at the premium end of the market. Among these are Bavaria Brau, owned by its Dutch namesake Bavaria – the second largest brewery in the Netherlands – and the Knysna based Mitchells Brewery.

**United National Breweries (UNB)** is the leading manufacturer of sorghum beer (or Umqombothi) in South Africa, with iJuba, Leopard Special and Chibuku being the most popular brands in the UNB stable. This Indian-owned company produces and distributes sorghum beer from seven breweries around the country, and also owns its own malt plant. Sorghum beer is typically regarded as a nutritional drink, and is mainly consumed in rural and semi-urban areas by poorer households. While UNB holds the vast majority of the commercially produced sorghum beer market, it is estimated that more than two-thirds of sorghum beer is home-brewed.

Other companies with a presence in the sorghum beer market include **Awethu Breweries** and **Tiger Brands**. Awethu Breweries brews sorghum beer and mageu (fermented porridge) from its two breweries in Welkom and Carltonville, and also mills maize, wheat and flour for use in its own production

processes. King Foods, a small division of Tiger Brands, produces and distributes powdered sorghum beer and malt for home preparation, as well as sorghum-based breakfast cereals.

The **Distell Group Ltd** (Distell) is one of South Africa's premier producers and marketers of spirits, wine and flavoured alcoholic beverages.<sup>15</sup> With a market share of around 19% for the 12 months ending May 2010, Distell is the second largest liquor company in South Africa by value of sales.<sup>16</sup> Distell's domestic distribution network consists of 20 depots situated across South Africa, as well as international offices in Windhoek, Accra, Nairobi, London, New York, São Paulo and Singapore. Distell owns a portfolio of trademarks in the liquor industry, including spirits such as Amarula liqueur, Gordon's gin, Bacardi rum, Mainstay cane and Klipdrift, Oude Meester, and Van Ryn's brandy; popular wine labels such as Tassenberg, Chateau Libertas, Durbanville Hills, Nederburg and Fleur du Cap; as well as FABs such as Hunter's, Savanna, Vawter, Esprit and Bernini.

Other competitors in the spirits segment of the liquor market include **Edward Snell & Co Ltd**, **Douglas Green Bellingham (DGB)**, and **Pernod Ricard**. Edward Snell & Co Ltd prides itself in being South Africa's largest family-owned spirits business, with

**Table 11: Ranking of top 30 liquor brands by sales volumes**

| Ranking | Brand               | Ranking | Brand             |
|---------|---------------------|---------|-------------------|
| 1       | Carling Black Label | 16      | Red Square        |
| 2       | Hansa Pilsner       | 17      | Hansa Marzen Gold |
| 3       | Castle Lager        | 18      | Windhoek Light    |
| 4       | Castle Lite         | 19      | Peroni            |
| 5       | Amstel              | 20      | Sarita            |
| 6       | Castle Milk Stout   | 21      | Foundry           |
| 7       | Heineken            | 22      | Klipdrift         |
| 8       | Hunter's            | 23      | Hoopers Hooch     |
| 9       | Redd's              | 24      | Archers           |
| 10      | Savanna             | 25      | Grolsch           |
| 11      | Windhoek Lager      | 26      | Strongbow         |
| 12      | Smirnoff            | 27      | J&B               |
| 13      | Windhoek Draught    | 28      | Esprit            |
| 14      | Brutal Fruit        | 29      | Vawter            |
| 15      | Miller              | 30      | Bernini           |

Source: AC Nielsen National Off-Premise Sales Volumes (June 2009 – May 2010)

<sup>15</sup>SAB holds a 30% stake in Distell

<sup>16</sup>Source: AC Nielsen sales statistics



production facilities in Cape Town and Johannesburg and seven distribution centres throughout Southern Africa. Edward Snell owns a number of prominent international and South African spirits brands, including Jack Daniel's whisky, Cape to Rio cane, Russian Bear vodka and Wellington brandy, as well as the Craighall wine label. Whereas brandhouse and Distell are predominantly active in the premium and proprietary segments of the spirits markets, Edward Snell mainly supplies the lower priced market segment.

**DGB's** production headquarters are located in Wellington in the Western Cape (the Bellingham cellar), while its sales, marketing and administrative head office is in Midrand. Among other operations, DGB also owns the renowned Boschendal wine farm in the Cape winelands. Apart from the Boschendal label, DGB also markets wine trademarks such as Bellingham, Douglas Green and Graham Beck. DGB's spirits portfolio includes brands such as Nordic Ice vodka, Red Heart rum, and Zappa sambuca.

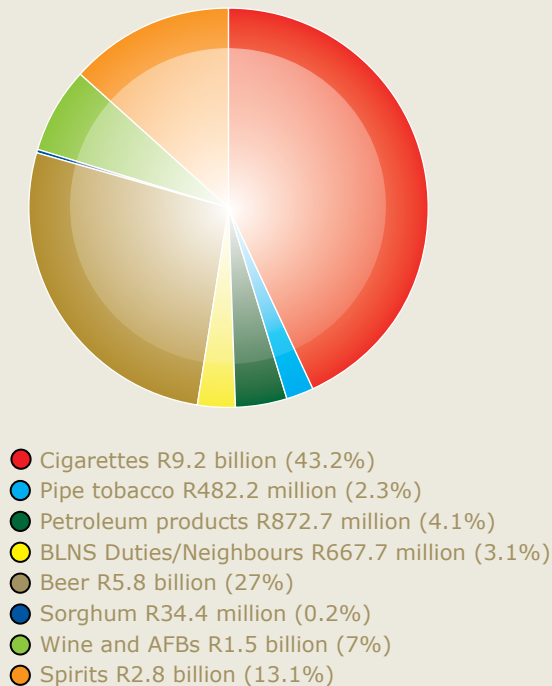
**Pernod Ricard** South Africa is a subsidiary of

the second largest international wine and spirits company in the world, Pernod Ricard. Pernod Ricard sells a rich portfolio of spirits brands in the domestic market, including Chivas Regal, Ballantine's and Jameson whisky, Olmeca tequila, Absolut vodka, Kahlua liqueur, Malibu and Havana Club rum and Martell brandy, as well as Mumm champagne and Long Mountain wines.

Located mainly in the Western Cape and Northern Cape provinces, the wine industry is characterised by lower levels of concentration compared to the spirits and beer industry, with more than 500 active wine producers in the country. Apart from Distell and DGB, **KWV** is one of the largest producers in the wine industry, with well-known wine labels such as KWV Wines, Cathedral Cellar, Laborie and Roodeberg. KWV wines and brandies (e.g. Imoya, Wild Africa and KWV Brandy) are popular in export markets. Other smaller independent wine producers include Mooiuitsig, Vergelegen, Warwick, Fairview, Meerlust, Simonsig, Delheim, Neil Ellis, L'Ormarins, Morgenhof, Middelvlei and Zevenwacht, to name but a few.



Figure 21: Excise duties on liquor accounted for 47% of the R21 billion in specific excise tax collected by government during 2009/2010



Source: Department of Trade and Industry



While the liquor companies listed in this report do not represent an exhaustive account of all the players in the industry, it does include the largest manufacturers and distributors in the market. According to AC Nielsen, the three largest producers in the liquor market – namely SAB, Distell and brandhouse – had a combined market share of roughly 91% in bulk volume terms and 82% in value terms (measured at off-premise prices) during the 12 months between June 2009 and May 2010.

#### 4.4 Bolstering government tax revenue

Financial proceeds arising from direct and indirect taxes on the production and sale of beverages, particularly alcoholic beverages, are an important source of government revenue in South Africa. The liquor industry contributes to government tax revenue in various ways, including excise duties, value added tax (VAT), corporate tax and personal income tax. Although one can argue that excise duties, VAT and income taxes essentially fall upon liquor industry employees and consumers of alcoholic beverages, and not on manufacturers, it is nevertheless instructive to consider the total amount of state revenue derived from taxes on the production and sale of liquor. In this regard, Quantec Research estimates that the liquor industry and its employees contributed around R16 billion to state coffers during 2009, or 2.6% of total government tax revenue in South Africa.<sup>17</sup>

The single largest proportion of the tax paid by the liquor industry during 2009 was derived from specific excise tax. According to excise tax statistics from the Department of Trade and Industry, excise duties derived from the liquor industry (excluding sorghum) amounted to R10.01 billion during the April 2009 to March 2010 period, representing roughly 60% of the liquor industry's total tax burden, and 47% of all excise tax collected in South Africa (see Figure 21). With excise duties totalling R5.7 billion in 2009/2010, the malt beer industry accounted for 57% of the liquor industry's contribution to excise duties, followed by spirits (R2.8 billion) and wine and alcoholic fruit beverages (R1.5 billion).

According to the 2010 Budget Review, the government received 78.90c in excise tax from every 340 ml can of malt beer sold in 2009/10. In the

<sup>17</sup>This estimate only includes the corporate taxes paid by liquor manufacturers, personal income tax paid by employees in the liquor industry and the VAT, customs and excise duties paid by liquor consumers. It does not include the tax contributions of the suppliers to the liquor industry, nor any of the liquor industry's ripple effects throughout the economy.



**Table 12: Specific excise duties: 2009/10 vs 2010/11**

| Product                              | 2009/10<br>Excise duty rate   | 2010/11<br>Excise duty rate   | Change in excise duties |        |
|--------------------------------------|---|---|-------------------------|--------|
|                                      |   |   | Nominal                 | Real   |
| Malt beer                            | R46.41 / litre of absolute alcohol (78.90c / average 340ml can)     | R50.2 / litre of absolute alcohol (85.34c / average 340ml can)      | 8.2%                    | 2.50%  |
| Traditional beer                     | 7.82c / litre   | 7.82c / litre   | 0.0%                    | -5.70% |
| Traditional African beer powder      | 34.70c / kg   | 34.70c / kg   | 0.0%                    | -5.70% |
| Unfortified wine                     | R1.98 / litre   | R2.14/ litre  | 8.1%                    | 2.40%  |
| Fortified wine                       | R3.72 / litre   | R4.03 / litre   | 8.3%                    | 2.60%  |
| Sparkling wine                       | R6.16/ litre  | R6.67 / litre   | 8.3%                    | 2.60%  |
| Ciders and alcoholic fruit beverages | R2.33 / litre (79.32c / average 340 ml can)                         | R2.52 / litre (85.68c / average 340 ml can)                         | 8.2%                    | 2.50%  |
| Spirits                              | R77.67 / litre of absolute alcohol (R25.05 / average 750 ml bottle) | R84.57 / litre of absolute alcohol (R27.27 / average 750 ml bottle) | 8.9%                    | 3.20%  |
| Cigarettes                           | R7.70c / 20 cigarettes  | R8.94 / 20 cigarettes   | 16.1%                   | 10.40% |
| Cigarette tobacco                    | R9.15 / 50g   | R9.73 / 50g   | 6.3%                    | 0.60%  |
| Pipe tobacco                         | R2.5 / 25g  | R2.7 / 25g  | 8.0%                    | 2.30%  |
| Cigars                               | R444.88 / 23g   | R47.66 / 23g  | 6.2%                    | 0.50%  |

Source: National Treasury, Budget Review 2010, p80

current (2010/11) financial year, the amount was increased by 8.2% in nominal terms to 85.34c/ 340 ml can (see Table 12), or 2.5% in real terms. Apart from traditional beer (i.e. sorghum), for which excise was not increased, and spirits, for which excise duties increased by 3.2% in real terms, all the other liquor categories saw real increases in excise duties of around 2.5% in the 2010/2011 fiscal year.

Considering excise tax according to the Rand amount paid per litre of absolute alcohol obtained (see Table 13), spirits currently carry the highest excise duties, at R84.57 per litre of absolute alcohol (2010/2011 fiscal year). At R50.40 and R50.20 respectively, alcoholic fruit beverages and malt beer rank second and third highest on the list. At only R17.83 per litre of absolute alcohol, the excise duties on unfortified wine is 78.9% lower compared to the ABV excise rate on spirits, and 64.5% below that of malt beer.

The government's current excise policy is to maintain a total tax burden (VAT and excise duties) of 33% on malt beer, 23% on wine and 43% on spirits in South Africa. However, during his Budget Speech,

Minister Pravin Gordhan announced that the National Treasury is reinvestigating these benchmarks, which were set in 2002, and suggested that they may be increased in an attempt to curb alcohol abuse.

**Table 13: Excise duties – Rand per litre of absolute alcohol**

| Product                   | 2009/10<br>Excise duty rate | 2010/11<br>Excise duty rate |
|---------------------------|-----------------------------|-----------------------------|
| Spirits                   | R77.67                      | R84.57                      |
| Alcoholic fruit beverages | R46.60                      | R50.40                      |
| Malt beer                 | R46.41                      | R50.20                      |
| Sparkling wine            | R37.33                      | R40.42                      |
| Fortified wine            | R21.88                      | R23.71                      |
| Unfortified wine          | R16.50                      | R17.83                      |
| Sorghum beer              | R1.86                       | R1.86                       |
| Sorghum flour (R/kg)      | R0.35                       | R0.35                       |



#### 4.5 Employment creation and other economic impacts of the liquor industry

The liquor industry is an important source of household employment in South Africa. Unfortunately, Statistics South Africa does not provide disaggregated employment statistics for the beverage sector – not to mention for the liquor industry – implying that there are no official statistics on the number of jobs sustained by the liquor industry in South Africa.

However, the three largest players in the market – SAB's beer division (5,600 employees), Distell (4,200) and brandhouse (900 plus) – employ close on 11,000 workers in total. Furthermore, a recent report by Conningarth Economists estimated the direct labour impact of wine cellars and wine manufacturing at around 16,000 workers, with roughly 15,000 of those jobs located in the Western Cape.<sup>18,19</sup> For the purposes of this analysis, Quantec Research estimated that the liquor industry (excluding sorghum beer) employed roughly 21,300 workers in 2009, with around 15,100 working in the wine and spirits segments of the market (reflecting the higher labour intensity of the wine industry) and the remaining 6,200 in the malt beer industry.

#### 4.6 The ripple effects of the liquor industry in South Africa

While the liquor industry in itself provides employment and income to thousands of workers and makes a substantial direct contribution to export earnings and government tax revenue in South Africa, this initial injection of economic activity is only the tip of the iceberg. The results from the SAM multiplier analysis suggest that, after accounting for all the indirect and induced economic benefits arising from the liquor value chain, the liquor industry stimulated production to the value of R333 billion during 2009, of which 51% can be traced back to the malt beer industry. In addition, the liquor industry supported roughly 548,000 jobs, or 4.5% of total employment in South Africa, yielding more than R40 billion in household income. The malt beer industry makes a particularly important contribution to the economy-wide employment impact of the liquor industry - roughly 245,407 jobs (or 45% of

<sup>18</sup>Source: SAWIS, 9 December 2009. "Macro-economic impact of the wine industry on the South African economy also with reference to the impacts on the Western Cape." Report compiled by Conningarth Economists, page 52-53.

<sup>19</sup>Conningarth estimated that, including the indirect and induced impacts, the wine industry supports just over 275,000 jobs in South Africa. The wine industry has a high labour intensity due to the labour intensive production methods followed in the primary agriculture sector in South Africa.



the jobs supported by the total liquor industry) can be traced back to the malt beer industry.

The results from the multiplier analysis confirm that the liquor industry is a key source of government revenue in South Africa. The direct impact of the liquor industry on tax revenue is estimated at R19.5 billion in 2009, with a mighty 57% derived from taxes on the production and sale of malt beer. The tax revenues arising from the indirect and induced impacts through the economy raised the government's take to an estimated R41.8 billion in 2009, or a hefty 6.7% of total government tax revenue.

Estimated at R94 billion in 2009, or 4.4% of the country's gross domestic product (GDP), the liquor industry makes a substantial contribution to the South African economy. The GDP multiplier - based on net sales by liquor manufacturers - is 2.08, indicating that for every R1.00 in sales revenue generated by the liquor industry (i.e. turnover at company level) R2.08 is added to the country's GDP.

Apart from the multiplier effects quantified in the above analysis, the liquor industry – and the Cape wine route in particular – also serves as a draw card for tourism in South Africa. Although data on the number of tourists that visit the winelands are lacking, Conningarth Economists made a rough estimate that around R4.2 billion in foreign tourism spend in 2008 may be indirectly linked to visitors to the winelands, while local tourists in all likelihood spent another R800 million in the winelands.<sup>20</sup> Considering its contribution in terms of tourism, job creation, export earnings and government tax revenue, it is clear that the South African liquor industry has developed into a major force in the South African economy.



<sup>20</sup>Source: SAWIS, 9 December 2009. "Macro-economic impact of the wine industry on the South African Economy (also with reference to the impacts on the Western Cape," Report compiled by Conningarth Economists, page 18-19.

## 5. Concluding remarks

SAB is the leading producer and distributor of malt beer and soft drinks and one of the largest manufacturing firms in South Africa. During its 2009/2010 financial year, SAB produced more than 2.5 billion litres of alcoholic beverages, sold 1.6 billion litres of non-alcoholic beverages and employed a workforce of 9,390 people.

With sales revenue of R33 billion in 2009, the beverages manufactured by SAB accounted for 56.3% of the total value of production by the beverage manufacturing sector in South Africa. However, this initial injection of economic activity by SAB is only the tip of the iceberg. When the economic multiplier effects of SAB's operations are also taken into consideration, SAB and its value chain sustained production to the value of R228 billion, supported more than 355,000 jobs throughout South Africa and generated R27.6 billion in labour income. In addition, the economy-wide impact of SAB's operations sustained capital stock to the value of R121 billion during 2009, or 2.4% of South Africa's total capital stock.

SAB's beer and soft drinks operations have particularly high positive spin-off effects on employment in South Africa. For each job offered by SAB and its direct suppliers, 6.7 additional jobs are sustained in the rest of the South African economy, of which roughly 86% are for individuals from previously disadvantaged backgrounds. Furthermore, both SAB's labour/capital ratio and its GDP/capital ratio compare favourably to the ratios for the overall South African economy, suggesting that SAB and its first round suppliers are slightly more efficient in utilising a unit of investment compared to the rest of the South African economy.

***The entire liquor value chain accounts for roughly 548,000 jobs, R41.8 billion in tax revenue and R94.2 billion (4.4%) of the country's GDP***



During the 2009/2010 fiscal year, the National Treasury received R10.2 billion in tax revenue from SAB (corporate taxes), its employees (personal income tax) and consumers of beer, FABs and soft drinks produced by SAB (i.e. VAT and excise duties). The amount SAB added to state coffers is almost equal to the total amount (R10.6 billion) that government has spent since 1992 on electrifying 4.9 million households, 5,000 schools and all health clinics in South Africa. From another perspective, the R10.2 billion collected directly from SAB in 2009/10 was effectively sufficient to finance the construction of Soccer City Stadium - the biggest all-seated stadium ever built for any FIFA World Cup football event - the Green Point Stadium in Cape Town, Durban's Moses Mabhida Stadium and the Peter Mokaba Stadium in Nelspruit. When the tax income generated by the indirect and induced impacts of SAB's operations throughout the economy are also considered, the government revenue added by SAB and its upstream and downstream partners increases to a staggering R28 billion, or 4.5% of the government's total tax haul during 2009. SAB's beer division accounted for an estimated 48.5% of the tax revenue generated by the total liquor industry in 2009.



Valued at R66.2 billion during 2009, the total economic contribution from the production and sale of SAB's products to the South African economy is substantial. Approximately 3.1% of South Africa's gross domestic product can be traced back to the direct, indirect and induced impacts of SAB. Based on SAB's sales revenue of R32.7 billion in 2009, the company's GDP multiplier is estimated at 2.02, indicating that for every R1.00 in sales revenue generated by SAB, R2.02 is added to the country's GDP. SAB's beer division accounts for 66% of the company's total GDP injection, and 46% of the economy-wide contribution of the total liquor industry.

***Malt beer makes the largest contribution of all the liquor segments, accounting for more than half of the liquor industry's total GDP contribution***

In addition to the tangible economic benefits arising from the deep employment linkages and economic output stimulated by SAB, the company also invests large amounts in a wide range of corporate social investment activities, pioneering black economic empowerment initiatives and responsible alcohol use campaigns. SAB's beer division spends in excess of R40 million annually on initiatives which aim to tackle alcohol abuse and encourage responsible drinking, while the company dedicates more than R21 million per annum to its enterprise development and corporate social investment (CSI) initiatives.

A key project is the SAB KickStart programme, which celebrates its 15th anniversary in 2010. Since its inception in May 1995, the programme has empowered more than 22,900 young entrepreneurs with business skills training, and has enabled the establishment of 3,200 fledgling businesses. Furthermore, the Broad Based Black Economic Empowerment (BBBEE) transaction announced by SAB in June 2009, SAB Zenzele, is worth over R7 billion, and was awarded the Deal of the Year Award in the DealMakers magazine Awards.

This analysis also considered the economic footprint of the total liquor industry in South Africa. The liquor industry makes an important contribution to employment, tax revenue and the overall gross domestic product in South Africa. With liquor sales



volumes (excluding sorghum beer) topping 3.5 billion litres in 2009, the liquor industry and its direct suppliers provided employment to an estimated 87,000 employees and generated tax revenue in excess of R19.5 billion.

***The trade, agriculture, finance and other business services sectors are the largest beneficiaries in terms of job creation by the liquor industry***

However, this direct economic impact of the liquor industry only constitutes a fraction of the overall economic contribution made by the industry. After accounting for all the indirect and induced economic

benefits arising from the liquor value chain, roughly 548,000 employment opportunities, R41.8 billion in tax revenue and R94.2 billion (or 4.4%) of the country's gross domestic product can be traced back to the liquor industry's manufacturing operations and capital expenditure. The value of production supported by the liquor industry amounted to R332.7 billion during 2009, sustaining R173 billion worth of capital stock in South Africa. The industry's GDP multiplier is estimated at 2.08, indicating that for every R1.00 in sales revenue generated by the liquor industry, R2.08 is added to the country's GDP.

***The malt beer industry accounts for an impressive 57% of the liquor industry's contribution to excise duties***

The malt beer industry is the largest contributor to value added in the liquor industry, accounting for an estimated 51.4% (or R48.4 billion) of the liquor industry's total GDP contribution in 2009. Roughly 2.3% of South Africa's GDP can be traced back to the direct, indirect and induced impacts of the malt beer industry. The malt beer industry makes a particularly

important contribution to the economy-wide employment impact of the liquor industry – roughly 245,000 workers owe their jobs directly or indirectly to the production and consumption of malt beer.

***The malt beer industry makes a notable contribution to employment of low skilled workers***

The SAM modelling techniques employed in this study also allow for the analysis of employment effects across different industries and skills levels. The majority of the jobs sustained by the malt beer industry (and total liquor industry) are in the retail, wholesale, catering and accommodation; finance, insurance and other business services; agriculture, forestry and fishing; and food and beverage manufacturing sectors. In addition, 60% of the jobs that can be traced back to the malt beer industry are in the form of low skilled or informal sector employment. The ability of the malt beer industry to create employment opportunities for low skilled workers should be viewed positively, given the high unemployment rate among low skilled workers in South Africa.



Whereas the direct impacts of the liquor industry on employment, labour income and the gross domestic product are relatively small (typically less than 25% of the total impact) compared to the indirect and induced impacts, this is not the case for the industry's contribution to government tax revenue. The direct impact of the liquor industry accounts for almost 46% of the total economy-wide tax impact, indicative of the large tax burden borne by the liquor industry.

The largest proportion (59%) of the tax revenue generated by the liquor industry stems from indirect taxes such as excise duties and VAT. Excise duties derived from the liquor industry topped R10 billion during the 2010 fiscal year, representing 47% of all excise tax collected in South Africa. The malt beer industry accounted for 57% (or a whopping R5.8 billion) of the liquor industry's contribution to excise duties during the 2010 fiscal year. Considering that malt beer sales account for about 51% of total liquor sales in alcohol by volume (ABV) terms, the excise burden on the malt beer industry is large by comparison.

***With an investment of more than R60 million per annum in responsible alcohol use campaigns and CSI activities – and the “Deal of the Year” BBBEE transaction – SAB takes corporate responsibility seriously***

In all, the results from this analysis show that the liquor industry is a major force in the South African economy. The liquor industry – and SAB in particular – is an indispensable source of government tax revenue, and has high spin-off effects on production, employment creation and value added in the South African economy. SAB also takes corporate responsibility seriously, with its innovative approach to BBBEE and investments of more than R60 million per annum in responsible alcohol use campaigns and CSI activities. With a strong focus on skills development, entrepreneurship and job creation through the stimulation of small and medium sized enterprises, SAB's initiatives are supportive of the government's ASGISA programme, aimed at higher and broader shared economic growth.





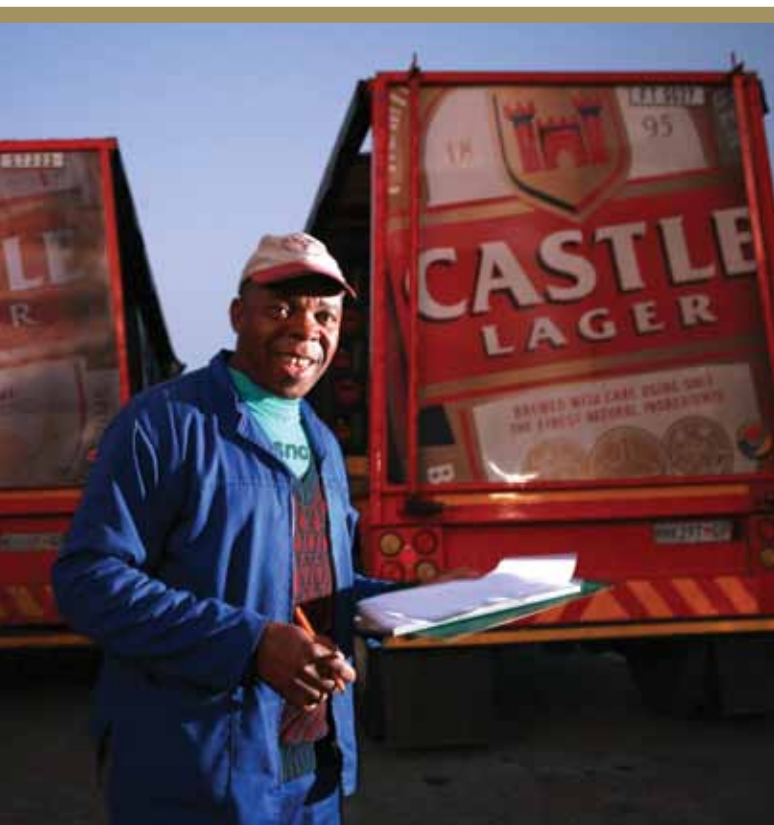
## Appendix 1: Methodology

This study aimed to quantify the economic impact of SAB, including both its direct contribution to the South African economy and the economic multiplier effects working through a complex chain of business activity.

The project commenced with the collection of financial and labour information data from SAB, describing its beer and soft drinks operations separately, as well as desk research by Econex on the structure and direct economic contribution of the broader liquor industry in South Africa. The information provided by SAB comprises sales revenue, input costs, export earnings, capital stock and expenditure and detailed employment and labour remuneration by skill, gender and population group for the 2009 calendar year (alternatively, SAB's last financial year - from April 2009 to March 2010). SAB also provided Econex with estimates of total liquor sales volumes (and the value of sales), as well as the breakdown for the main liquor categories, namely malt beer, sorghum beer (commercially brewed only), spirits, wine and flavoured alcoholic beverages. These estimates were used to approximate the contribution of the total liquor industry to the South African economy, and to map the economic footprint of the malt beer industry in the country.

In light of the fact that the majority of sorghum beer consumed in South Africa is home-brewed, rendering the sorghum beer sales estimates incomplete, it was decided that the focus of the study would be on the liquor industry excluding the sorghum beer segment. The information supplied by SAB was supplemented with official data, such as employment and manufacturing sales statistics from Statistics South Africa and trade statistics from the Department of Trade and Industry, as well as with desk research undertaken by Econex (e.g. the operations of the key players in the liquor industry).

***Every social accounting matrix analysis begins with an injection of new money into the economy – this represents the so-called direct effect. The direct economic impact of the liquor industry is the result of operational and capital expenditures by the different players in the liquor industry.***



The macro-economic impact assessment conducted for this study was based on a detailed input-output analysis and comprehensive Social Accounting Matrix (SAM) based economic model for South Africa, developed and maintained by Quantec Research. Input-output analysis can be described as an accounting framework that provides a snapshot of the economy at a specific point in time (i.e. the base year - 2009 in the case of this study), describing the composition and level of economic activity and the interactions and dependencies between industries and institutions. SAM multiplier models are well-suited for the purpose of this study, and generally, for modelling the intricate linkages of different industries and measuring the economy-wide effects of a specific sector. These models are often used for economic impact analysis, where the economic implications of a potential action (e.g. a large infrastructure investment) or new policy or regulation can be evaluated prior to taking that action.

The SAM model developed by Quantec identifies 43 activities or industries in the South African economy. However, for the purpose of this analysis,



Quantec extended the SAM, with the aid of the abovementioned SAB data, to split the beverage industry into two broad categories, namely non-alcoholic and (non-sorghum) alcoholic beverages, after which the alcoholic beverages category was then sub-divided into three product groups, namely “SAB malt beer” and “other malt beer” (the sum total of which forms “total malt beer”) and the rest of the liquor industry (i.e. wine, spirits and flavoured alcoholic beverages).

Similarly, the non-alcoholic beverage industry was subdivided into two segments, namely “SAB soft drinks” and the rest of the non-alcoholic beverage industry. The activities and commodities in the full SAM are summarised in Appendix 7. The labour component of the SAM was extended to accommodate labour by skill, population group and gender. Capital stock and expenditure are available for three asset classes, namely construction work, machinery and transport equipment.

Every SAM analysis begins with an injection of new money into the economy – this represents the so-called direct effect. The direct economic impact of the liquor industry is the result of operational and capital expenditures by the different players in the liquor industry. Ongoing spending creates employment and income for individuals working within the liquor manufacturing industry, as well as at its direct suppliers.

The SAM model then calculates indirect and induced impacts, deriving from several sources. For example, if SAB purchases supplies in South Africa, the suppliers receive income which they in turn spend, leading to further rounds of income and expenditure by other businesses and individuals in South Africa. More employment and income is generated.

Furthermore, SAB’s suppliers also have to invest to maintain and extend their production capacity. This indirect effect resulting from the purchases of and investment by suppliers, along with the specific impacts on different industries, can be modelled through the SAM. Moreover, the remuneration that employees in the liquor industry and its supply chain receive will be spent, creating yet another impact – namely the “induced impact”. A SAM can trace these ripple effects and provide estimates of total economy-wide employment, income and returns on capital.



Essentially, the SAM offers a complete model of the economy at hand, focusing on relationships among production activities (split between various industries), labour, households, and the public sector. In addition, the SAM offers a way to analyse the total impact on South African employment and income, including the distribution among different skills and population groups.

The results presented in this report derive mainly from the following data sources:

- Published data and reports from official sources, such as Statistics South Africa, the National Treasury, the South African Reserve Bank and the Department of Trade and Industry
- Public and internal management documents, as well as emails and other written and verbal communication from SAB staff, supplying information on SAB’s key financial statistics, tax contribution, production costs, employment and labour remuneration numbers
- Estimates of total liquor sales volumes (and value) for 2009 split between beer, wine, spirits and flavoured alcoholic beverages – supplied by SAB
- Information published on the websites of the largest South African liquor manufacturers
- Quantec’s input-output tables for the South African economy (used to map the direct, indirect and induced impacts of SAB’s operations in South Africa)

## Appendix 2: The impact of SAB on the South African economy – 2009

| Description  | Impact including gross domestic fixed investment<br>(Rand million) |                 |                            |                |                     |
|--|--|-----------------|----------------------------|----------------|---------------------|
|  | Direct impact  | Indirect impact | Direct and indirect impact | Induced impact | Economy-wide impact |
| <b>Initial injection</b>   |  |                 |                            |                |                     |
| Sales - Net  | 32,740   | 32,740          | 32,740                     | 32,740         | 32,740              |
| Sales - Net at consumer prices   | 54,653   | 54,653          | 54,653                     | 54,653         | 54,653              |
| Gross domestic fixed investment  | 3,067  | 3,067           | 3,067                      | 3,067          | 3,067               |
| <b>Output by industry (intermediate at user-prices)</b>                |  |                 |                            |                |                     |
| Agriculture, forestry and fishing                                      | 2,336  | 1,570           | 3,906                      | 3,224          | 7,130               |
| Mining and quarrying   | 52   | 2,353           | 2,404                      | 3,587          | 5,991               |
| Food and beverages   | 60,442   | 5,838           | 66,279                     | 8,386          | 74,665              |
| Textiles, clothing and leather goods                                   | 64   | 266             | 331                        | 2,765          | 3,096               |
| Wood and paper; publishing and printing                                | 1,418  | 1,297           | 2,715                      | 3,140          | 5,855               |
| Petroleum products, chemicals, rubber and plastic                      | 1,856  | 3,728           | 5,585                      | 10,135         | 15,720              |
| Other non-metal mineral products                                       | 658  | 732             | 1,390                      | 634            | 2,024               |
| Metals, metal products, machinery and equipment                        | 1,876  | 3,328           | 5,205                      | 2,343          | 7,548               |
| Electrical machinery and apparatus                                     | 14   | 619             | 633                        | 714            | 1,347               |
| Radio, TV, instruments, watches and clocks                             | 8  | 341             | 348                        | 1,651          | 1,999               |
| Transport equipment  | 835  | 7,021           | 7,856                      | 3,686          | 11,542              |
| Furniture, tobacco and other manufacturing                             | 24   | 435             | 458                        | 2,226          | 2,684               |
| Electricity, gas and water   | 463  | 639             | 1,102                      | 2,202          | 3,304               |
| Construction (contractors)   | 412  | 3,419           | 3,831                      | 1,429          | 5,260               |
| Wholesale and retail trade, catering and accommodation                 | 619  | 694             | 1,314                      | 25,773         | 27,086              |
| Transport, storage and communication                                   | 325  | 1,525           | 1,850                      | 11,212         | 13,062              |
| Financial intermediation, insurance, real estate and business services | 3,372  | 5,392           | 8,764                      | 20,680         | 29,445              |
| Community, social and other personal services                          | 1,694  | 1,036           | 2,730                      | 7,865          | 10,595              |
| <b>Total output (at consumer prices)</b>                               | <b>76,468</b>  | <b>40,233</b>   | <b>116,701</b>             | <b>111,652</b> | <b>228,354</b>      |
| Output multiplier  | 1.4  | 0.7             | 2.1                        | 2.0            | 4.2                 |
| <b>Capital requirement</b>   |  |                 |                            |                |                     |
| Buildings and construction works                                       | 16,306   | 13,063          | 29,369                     | 55,315         | 84,684              |
| Machinery and other equipment  | 8,233  | 4,376           | 12,609                     | 14,800         | 27,409              |
| Transport equipment  | 1,027  | 1,184           | 2,211                      | 7,025          | 9,237               |
| <b>Total capital requirement</b>                                       | <b>25,566</b>  | <b>18,623</b>   | <b>44,89</b>               | <b>77,141</b>  | <b>121,329</b>      |
| % Share of RSA capital stock   | 0.5  | 0.4             | 0.9                        | 1.5            | 2.4                 |

|   | Direct impact | Indirect impact | Direct and indirect impact | Induced impact | Economy-wide impact |
|---|---------------|-----------------|----------------------------|----------------|---------------------|
| <b>Labour income by skill</b>                       |               |                 |                            |                |                     |
| High skill  | 2,896         | 1,525           | 4,421                      | 6,043          | 10,463              |
| Medium skill  | 1,777         | 940             | 2,717                      | 6,194          | 8,911               |
| Low skill   | 1,941         | 1,185           | 3,126                      | 3,767          | 6,893               |
| Labour income - Formal sector                       | 6,614         | 3,650           | 10,264                     | 16,004         | 26,268              |
| <b>Informal sector</b>                              | <b>134</b>    | <b>176</b>      | <b>310</b>                 | <b>1,094</b>   | <b>1,404</b>        |
| <b>Total labour income</b>                          | <b>6,748</b>  | <b>3,826</b>    | <b>10,574</b>              | <b>17,098</b>  | <b>27,672</b>       |
| <b>Employment by race (number)</b>                  |               |                 |                            |                |                     |
| Black   | 33,606        | 38,021          | 71,626                     | 182,333        | 253,960             |
| Coloured  | 5,077         | 6,071           | 11,148                     | 26,280         | 37,428              |
| Asian   | 1,714         | 1,809           | 3,524                      | 9,887          | 13,411              |
| White   | 6,088         | 9,027           | 15,115                     | 35,841         | 50,956              |
| <b>Total employment (including informal sector)</b> | <b>46,485</b> | <b>54,928</b>   | <b>101,413</b>             | <b>254,341</b> | <b>355,755</b>      |
| <b>Employment by gender (number)</b>                |               |                 |                            |                |                     |
| Male  | 27,818        | 37,723          | 65,541                     | 140,571        | 206,111             |
| Female  | 18,667        | 17,206          | 35,873                     | 113,770        | 149,643             |
| <b>Total employment (including informal sector)</b> | <b>46,485</b> | <b>54,928</b>   | <b>101,413</b>             | <b>254,341</b> | <b>355,755</b>      |
| <b>Employment by skill (number)</b>                 |               |                 |                            |                |                     |
| High skill  | 4,128         | 5,054           | 9,182                      | 21,714         | 30,896              |
| Medium skill  | 11,558        | 17,006          | 28,564                     | 84,707         | 113,271             |
| Low skill   | 24,421        | 23,842          | 48,263                     | 84,506         | 132,769             |
| <b>Employment - Formal sector</b>                   | <b>40,107</b> | <b>45,903</b>   | <b>86,010</b>              | <b>190,926</b> | <b>276,936</b>      |
| Employment - Informal sector                        | 6,378         | 9,025           | 15,404                     | 63,415         | 78,819              |
| <b>Total employment</b>                             | <b>46,485</b> | <b>54,928</b>   | <b>101,413</b>             | <b>254,341</b> | <b>355,755</b>      |

|  | Direct impact | Indirect impact | Direct and indirect impact | Induced impact | Economy-wide impact |
|--|---------------|-----------------|----------------------------|----------------|---------------------|
| <b>Employment by industry</b>                          |               |                 |                            |                |                     |
| Agriculture, forestry and fishing                      | 10,432        | 7,137           | 17,569                     | 14,435         | 32,005              |
| Mining and quarrying                                   | 74            | 2,003           | 2,077                      | 2,738          | 4,815               |
| Food and beverages                                     | 11,777        | 292             | 12,070                     | 4,219          | 16,288              |
| Textiles, clothing and leather goods                   | 202           | 408             | 610                        | 4,027          | 4,637               |
| Wood and paper; publishing and printing                | 836           | 1,269           | 2,106                      | 3,112          | 5,218               |
| Petroleum products, chemicals, rubber and plastic      | 812           | 968             | 1,779                      | 2,382          | 4,162               |
| Other non-metal mineral products                       | 553           | 900             | 1,453                      | 871            | 2,324               |
| Metals, metal products, machinery and equipment        | 2,385         | 2,379           | 4,764                      | 2,080          | 6,843               |
| Electrical machinery and apparatus                     | 18            | 286             | 304                        | 377            | 681                 |
| Radio, TV, instruments, watches and clocks             | 7             | 56              | 64                         | 287            | 351                 |
| Transport equipment                                    | 363           | 2,541           | 2,904                      | 1,633          | 4,538               |
| Furniture, tobacco and other manufacturing             | 161           | 440             | 601                        | 1,949          | 2,550               |
| Electricity, gas and water                             | 271           | 385             | 656                        | 1,265          | 1,921               |
| Construction (contractors)                             | 1,068         | 8,607           | 9,675                      | 3,845          | 13,520              |
| Wholesale, retail, catering and accommodation          | 5,042         | 4,734           | 9,776                      | 119,520        | 129,296             |
| Transport, storage and communication                   | 355           | 1,559           | 1,914                      | 11,320         | 13,234              |
| Finance, insurance, real estate and business services  | 10,002        | 13,191          | 23,193                     | 41,051         | 64,244              |
| Community, social and other personal services          | 3,708         | 6,190           | 9,898                      | 39,232         | 49,130              |
| <b>Total employment</b>                                | <b>48,068</b> | <b>53,345</b>   | <b>101,413</b>             | <b>254,341</b> | <b>355,755</b>      |
| <b>Employment multiplier (In terms of direct jobs)</b> |               |                 |                            |                |                     |
| Employment multiplier (excluding informal)             |               |                 | 2.1                        | 4.8            | 6.9                 |
| Employment multiplier (including informal)             |               |                 | 2.2                        | 5.5            | 7.7                 |
| % Share of RSA employment                              |               |                 | 0.8                        | 2.1            | 2.9                 |
| <b>Government income</b>                               |               |                 |                            |                |                     |
| Direct taxes - Corporate                               | 2,256         | 928             | 3,184                      | 4,085          | 7,269               |
| Direct taxes - Personal                                | 1,160         | 743             | 1,903                      | 3,138          | 5,040               |
| Indirect taxes   | 9,010         | 2,379           | 11,389                     | 4,377          | 15,766              |
| <b>Total government tax revenue</b>                    | <b>12,426</b> | <b>4,050</b>    | <b>16,476</b>              | <b>11,599</b>  | <b>28,075</b>       |
| % Share of government tax revenue                      | 2.0           | 0.7             | 2.6                        | 1.9            | 4.5                 |
| <b>Value added</b>                                     |               |                 |                            |                |                     |
| Gross operating surplus                                | 9,069         | 7,415           | 16,484                     | 22,071         | 38,555              |
| Labour income  | 6,748         | 3,826           | 10,574                     | 17,098         | 27,672              |
| Value added at factor costs (GDP)                      | 15,817        | 11,240          | 27,058                     | 39,169         | 66,227              |
| <b>GDP multiplier</b>                                  | <b>0.5</b>    | <b>0.3</b>      | <b>0.8</b>                 | <b>1.2</b>     | <b>2.0</b>          |
| <b>% Share of RSA GDP</b>                              | <b>0.7</b>    | <b>0.5</b>      | <b>1.3</b>                 | <b>1.8</b>     | <b>3.1</b>          |

Source: Quantec Research



## Appendix 3: The impact of the SAB's beer interests on the South African economy – 2009

|  | Impact including gross domestic fixed investment<br>(Rand million) |                 |                            |                |                     |
|--|--|-----------------|----------------------------|----------------|---------------------|
| Description  | Direct impact  | Indirect impact | Direct and indirect impact | Induced impact | Economy-wide impact |
| <b>Initial injection</b>   |  |                 |                            |                |                     |
| Sales - Net  | 22,653   | 22,653          | 22,653                     | 22,653         | 22,653              |
| Sales - Net at consumer prices   | 38,860   | 38,860          | 38,860                     | 38,860         | 38,860              |
| Gross domestic fixed investment  | 2,122  | 2,122           | 2,122                      | 2,122          | 2,122               |
| <b>Output by industry (intermediate at user-prices)</b>                |  |                 |                            |                |                     |
| Agriculture, forestry and fishing                                      | 2,336  | 1,081           | 3,417                      | 2,065          | 5,481               |
| Mining and quarrying   | 47   | 1,475           | 1,522                      | 2,292          | 3,814               |
| Food and beverages   | 43,145   | 4,064           | 47,209                     | 5,292          | 52,501              |
| Textiles, clothing and leather goods                                   | 49   | 176             | 225                        | 1,782          | 2,007               |
| Wood and paper; publishing and printing                                | 1,337  | 940             | 2,277                      | 1,987          | 4,264               |
| Petroleum products, chemicals, rubber and plastic                      | 327  | 2,416           | 2,743                      | 6,496          | 9,238               |
| Other non-metal mineral products                                       | 428  | 470             | 898                        | 402            | 1,300               |
| Metals, metal products, machinery and equipment                        | 1,475  | 2,245           | 3,720                      | 1,487          | 5,208               |
| Electrical machinery and apparatus                                     | 9  | 396             | 405                        | 456            | 861                 |
| Radio, TV, instruments, watches and clocks                             | 5  | 209             | 214                        | 1,059          | 1,273               |
| Transport equipment  | 597  | 4,629           | 5,226                      | 2,360          | 7,587               |
| Furniture, tobacco and other manufacturing                             | 11   | 266             | 277                        | 1,429          | 1,706               |
| Electricity, gas and water   | 211  | 340             | 551                        | 1,412          | 1,963               |
| Construction (contractors)   | 235  | 2,154           | 2,389                      | 905            | 3,293               |
| Wholesale and retail trade, catering and accommodation                 | 427  | 459             | 887                        | 16,141         | 17,028              |
| Transport, storage and communication                                   | 216  | 992             | 1,208                      | 7,139          | 8,347               |
| Financial intermediation, insurance, real estate and business services | 1,537  | 3,365           | 4,902                      | 13,184         | 18,086              |
| Community, social and other personal services                          | 1,162  | 684             | 1,847                      | 5,056          | 6,903               |
| <b>Total output (at consumer prices)</b>                               | <b>53,553</b>  | <b>26,362</b>   | <b>79,915</b>              | <b>70,945</b>  | <b>150,859</b>      |
| Output multiplier  | 1.4  | 0.7             | 2.1                        | 1.8            | 3.9                 |
| <b>Capital requirement</b>   |  |                 |                            |                |                     |
| Buildings and construction works                                       | 11,089   | 8,198           | 19,287                     | 35,211         | 54,498              |
| Machinery and other equipment  | 5,971  | 2,815           | 8,785                      | 9,393          | 18,178              |
| Transport equipment  | 728  | 768             | 1,496                      | 4,462          | 5,958               |
| <b>Total capital requirement</b>                                       | <b>17,788</b>  | <b>11,781</b>   | <b>29,569</b>              | <b>49,066</b>  | <b>78,634</b>       |
| % Share of RSA capital stock   | 0.4  | 0.2             | 0.6                        | 1.0            | 1.6                 |

|   | Direct impact | Indirect impact | Direct and indirect impact | Induced impact | Economy-wide impact |
|---|---------------|-----------------|----------------------------|----------------|---------------------|
| <b>Labour income by skill</b>                       |               |                 |                            |                |                     |
| High skill  | 2,193         | 988             | 3,181                      | 3,829          | 7,010               |
| Medium skill  | 1,353         | 518             | 1,871                      | 3,925          | 5,796               |
| Low skill   | 959           | 800             | 1,760                      | 2,400          | 4,160               |
| <b>Labour income - Formal sector</b>                | <b>4,505</b>  | <b>2,306</b>    | <b>6,811</b>               | <b>10,154</b>  | <b>16,966</b>       |
| Informal sector                                     | 93            | 114             | 207                        | 690            | 897                 |
| <b>Total labour income</b>                          | <b>4,598</b>  | <b>2,420</b>    | <b>7,018</b>               | <b>10,845</b>  | <b>17,863</b>       |
| <b>Employment by race (number)</b>                  |               |                 |                            |                |                     |
| Black   | 24,270        | 24,307          | 48,578                     | 115,453        | 164,031             |
| Coloured  | 3,688         | 4,082           | 7,770                      | 16,653         | 24,423              |
| Asian   | 910           | 1,192           | 2,103                      | 6,251          | 8,353               |
| White   | 3,812         | 5,967           | 9,779                      | 22,720         | 32,499              |
| <b>Total employment (including informal sector)</b> | <b>32,681</b> | <b>35,548</b>   | <b>68,229</b>              | <b>161,077</b> | <b>229,306</b>      |
| <b>Employment by gender (number)</b>                |               |                 |                            |                |                     |
| Male  | 19,683        | 24,130          | 43,813                     | 89,057         | 132,870             |
| Female  | 12,998        | 11,418          | 24,416                     | 72,020         | 96,436              |
| <b>Total employment (including informal sector)</b> | <b>32,681</b> | <b>35,548</b>   | <b>68,229</b>              | <b>161,077</b> | <b>229,306</b>      |
| <b>Employment by skill (number)</b>                 |               |                 |                            |                |                     |
| High skill  | 2,508         | 3,472           | 5,980                      | 13,755         | 19,734              |
| Medium skill  | 9,562         | 9,917           | 19,479                     | 53,582         | 73,061              |
| Low skill   | 15,949        | 16,321          | 32,270                     | 53,795         | 86,065              |
| <b>Employment - Formal sector</b>                   | <b>28,019</b> | <b>29,710</b>   | <b>57,729</b>              | <b>121,131</b> | <b>178,860</b>      |
| Employment - Informal sector                        | 4,662         | 5,838           | 10,500                     | 39,946         | 50,446              |
| <b>Total employment</b>                             | <b>32,681</b> | <b>35,548</b>   | <b>68,229</b>              | <b>161,077</b> | <b>229,306</b>      |

|  | Direct impact | Indirect impact | Direct and indirect impact | Induced impact | Economy-wide impact |
|--|---------------|-----------------|----------------------------|----------------|---------------------|
| <b>Employment by industry</b>                          |               |                 |                            |                |                     |
| Agriculture, forestry and fishing                      | 10,425        | 4,906           | 15,331                     | 9,243          | 24,575              |
| Mining and quarrying                                   | 51            | 1,252           | 1,303                      | 1,749          | 3,052               |
| Food and beverages                                     | 7,253         | 205             | 7,457                      | 2,702          | 10,159              |
| Textiles, clothing and leather goods                   | 122           | 268             | 390                        | 2,592          | 2,982               |
| Wood and paper; publishing and printing                | 729           | 878             | 1,607                      | 1,975          | 3,582               |
| Petroleum products, chemicals, rubber and plastic      | 132           | 608             | 740                        | 1,525          | 2,265               |
| Other non-metal mineral products                       | 358           | 574             | 931                        | 553            | 1,484               |
| Metals, metal products, machinery and equipment        | 1,868         | 1,584           | 3,452                      | 1,318          | 4,770               |
| Electrical machinery and apparatus                     | 12            | 183             | 195                        | 241            | 435                 |
| Radio, TV, instruments, watches and clocks             | 3             | 35              | 38                         | 184            | 221                 |
| Transport equipment                                    | 256           | 1,674           | 1,931                      | 1,043          | 2,973               |
| Furniture, tobacco and other manufacturing             | 41            | 271             | 312                        | 1,251          | 1,563               |
| Electricity, gas and water                             | 120           | 204             | 324                        | 811            | 1,135               |
| Construction (contractors)                             | 604           | 5,422           | 6,026                      | 2,435          | 8,461               |
| Wholesale, retail, catering and accommodation          | 3,681         | 3,120           | 6,801                      | 74,875         | 81,676              |
| Transport, storage and communication                   | 233           | 1,029           | 1,262                      | 7,207          | 8,470               |
| Finance, insurance, real estate and business services  | 5,710         | 8,318           | 14,027                     | 26,170         | 40,197              |
| Community, social and other personal services          | 2 034         | 4,067           | 6,101                      | 25,205         | 31,306              |
| <b>Total employment</b>                                | <b>33,633</b> | <b>34,596</b>   | <b>68,229</b>              | <b>161,077</b> | <b>229,306</b>      |
| <b>Employment multiplier (In terms of direct jobs)</b> |               |                 |                            |                |                     |
| Employment multiplier (excluding informal)             |               |                 | 2.1                        | 4.3            | 6.4                 |
| Employment multiplier (including informal)             |               |                 | 2.1                        | 4.9            | 7.0                 |
| % Share of RSA employment                              |               |                 | 0.6                        | 1.3            | 1.9                 |
| <b>Government income</b>                               |               |                 |                            |                |                     |
| Direct taxes - Corporate                               | 1,548         | 663             | 2,210                      | 2,586          | 4,796               |
| Direct taxes - Personal                                | 675           | 518             | 1,192                      | 1,990          | 3,182               |
| Indirect taxes   | 7,757         | 1,766           | 9,523                      | 2,756          | 12,278              |
| <b>Total government tax revenue</b>                    | <b>9,979</b>  | <b>2,947</b>    | <b>12,926</b>              | <b>7,331</b>   | <b>20,257</b>       |
| % Share of government tax revenue                      | 1.6           | 0.5             | 2.1                        | 1.2            | 3.3                 |
| <b>Value added</b>                                     |               |                 |                            |                |                     |
| Gross operating surplus                                | 6,433         | 5,185           | 11,618                     | 13,987         | 25,605              |
| Labour income  | 4,598         | 2,420           | 7,018                      | 10,845         | 17,863              |
| Value added at factor costs (GDP)                      | 11,031        | 7,605           | 18,636                     | 24,832         | 43,468              |
| <b>GDP multiplier</b>                                  | <b>0.5</b>    | <b>0.3</b>      | <b>0.8</b>                 | <b>1.1</b>     | <b>1.9</b>          |
| <b>% Share of RSA GDP</b>                              | <b>0.5</b>    | <b>0.4</b>      | <b>0.9</b>                 | <b>1.2</b>     | <b>2.0</b>          |

Source: Quantec Research

## Appendix 4: The impact of the SAB's soft drinks interests on the South African economy – 2009

| Description  | Impact including gross domestic fixed investment<br>(Rand million) |                 |                            |                |                     |
|--|--|-----------------|----------------------------|----------------|---------------------|
|  | Direct impact  | Indirect impact | Direct and indirect impact | Induced impact | Economy-wide impact |
| <b>Initial injection</b>   |  |                 |                            |                |                     |
| Sales - Net  | 10,087   | 10,087          | 10,087                     | 10,087         | 10,087              |
| Sales - Net at consumer prices   | 15,793   | 15,793          | 15,793                     | 15,793         | 15,793              |
| Gross domestic fixed investment  | 945  | 945             | 945                        | 945            | 945                 |
| <b>Output by industry (intermediate at user-prices)</b>                |  |                 |                            |                |                     |
| Agriculture, forestry and fishing                                      | 0  | 489             | 489                        | 1,159          | 1,649               |
| Mining and quarrying   | 4  | 877             | 882                        | 1,295          | 2,177               |
| Food and beverages   | 17,296   | 1,774           | 19,070                     | 3,095          | 22,165              |
| Textiles, clothing and leather goods                                   | 15   | 91              | 106                        | 984            | 1,090               |
| Wood and paper; publishing and printing                                | 81   | 357             | 438                        | 1,153          | 1,591               |
| Petroleum products, chemicals, rubber and plastic                      | 1,529  | 1,313           | 2,842                      | 3,640          | 6,482               |
| Other non-metal mineral products                                       | 230  | 262             | 492                        | 232            | 724                 |
| Metals, metal products, machinery and equipment                        | 402  | 1,083           | 1,485                      | 856            | 2,340               |
| Electrical machinery and apparatus                                     | 6  | 222             | 228                        | 257            | 485                 |
| Radio, TV, instruments, watches and clocks                             | 3  | 132             | 135                        | 592            | 726                 |
| Transport equipment  | 237  | 2,393           | 2,630                      | 1,326          | 3,955               |
| Furniture, tobacco and other manufacturing                             | 13   | 169             | 182                        | 796            | 978                 |
| Electricity, gas and water   | 252  | 299             | 551                        | 790            | 1,341               |
| Construction (contractors)   | 177  | 1,265           | 1,443                      | 524            | 1,967               |
| Wholesale and retail trade, catering and accommodation                 | 192  | 235             | 427                        | 9,632          | 10,059              |
| Transport, storage and communication                                   | 109  | 533             | 642                        | 4,072          | 4,715               |
| Financial intermediation, insurance, real estate and business services | 1,835  | 2,027           | 3,862                      | 7,497          | 11,359              |
| Community, social and other personal services                          | 532  | 352             | 883                        | 2,809          | 3,692               |
| <b>Total output (at consumer prices)</b>                               | <b>22,915</b>  | <b>13,871</b>   | <b>36,786</b>              | <b>40,708</b>  | <b>77,494</b>       |
| Output multiplier  | 1.5  | 0.9             | 2.3                        | 2.6            | 4.9                 |
| <b>Capital requirement</b>   |  |                 |                            |                |                     |
| Buildings and construction works                                       | 5,217  | 4,865           | 10,082                     | 20,104         | 30,186              |
| Machinery and other equipment  | 2,262  | 1,561           | 3,823                      | 5,408          | 9,231               |
| Transport equipment  | 299  | 416             | 715                        | 2,563          | 3,278               |
| <b>Total capital requirement</b>                                       | <b>7,778</b>   | <b>6,842</b>    | <b>14,620</b>              | <b>28,075</b>  | <b>42,695</b>       |
| % Share of RSA capital stock   | 0.2  | 0.1             | 0.3                        | 0.6            | 0.9                 |



|   | Direct impact | Indirect impact | Direct and indirect impact | Induced impact | Economy-wide impact |
|---|---------------|-----------------|----------------------------|----------------|---------------------|
| <b>Labour income by skill</b>                       |               |                 |                            |                |                     |
| High skill  | 703           | 537             | 1,240                      | 2,213          | 3,453               |
| Medium skill  | 425           | 422             | 846                        | 2,269          | 3,115               |
| Low skill   | 982           | 385             | 1,367                      | 1,367          | 2,734               |
| <b>Labour income - Formal sector</b>                | <b>2,109</b>  | <b>1,343</b>    | <b>3,452</b>               | <b>5,850</b>   | <b>9,302</b>        |
| Informal sector                                     | 41            | 62              | 103                        | 404            | 507                 |
| <b>Total labour income</b>                          | <b>2,150</b>  | <b>1,405</b>    | <b>3,556</b>               | <b>6,253</b>   | <b>9,809</b>        |
| <b>Employment by race (number)</b>                  |               |                 |                            |                |                     |
| Black   | 9,335         | 13,713          | 23,049                     | 66,880         | 89,929              |
| Coloured  | 1,389         | 1,989           | 3,378                      | 9,627          | 13,005              |
| Asian   | 804           | 617             | 1,421                      | 3,636          | 5,057               |
| White   | 2,276         | 3,061           | 5,336                      | 13,121         | 18,457              |
| <b>Total employment (including informal sector)</b> | <b>13,804</b> | <b>19,380</b>   | <b>33,184</b>              | <b>93,264</b>  | <b>126,448</b>      |
| <b>Employment by gender (number)</b>                |               |                 |                            |                |                     |
| Male  | 8,135         | 13,593          | 21,727                     | 51,514         | 73,241              |
| Female  | 5,669         | 5,788           | 11,457                     | 41,751         | 53,207              |
| <b>Total employment (including informal sector)</b> | <b>13,804</b> | <b>19,380</b>   | <b>33,184</b>              | <b>93,264</b>  | <b>126,448</b>      |
| <b>Employment by skill (number)</b>                 |               |                 |                            |                |                     |
| High skill  | 1,620         | 1,583           | 3,203                      | 7,959          | 11,162              |
| Medium skill  | 1,996         | 7,089           | 9,085                      | 31,125         | 40,210              |
| Low skill   | 8,472         | 7,521           | 15,993                     | 30,711         | 46,704              |
| <b>Employment - Formal sector</b>                   | <b>12,088</b> | <b>16,193</b>   | <b>28,281</b>              | <b>69,795</b>  | <b>98,076</b>       |
| Employment - Informal sector                        | 1,716         | 3,187           | 4,903                      | 23,470         | 28,373              |
| <b>Total employment</b>                             | <b>13,804</b> | <b>19,380</b>   | <b>33,184</b>              | <b>93,264</b>  | <b>126,448</b>      |

| Description  | Direct impact | Indirect impact | Direct and indirect impact | Induced impact | Economy-wide impact |
|--|---------------|-----------------|----------------------------|----------------|---------------------|
| <b>Employment by industry</b>                          |               |                 |                            |                |                     |
| Agriculture, forestry and fishing                      | 7             | 2,231           | 2,238                      | 5,192          | 7,430               |
| Mining and quarrying                                   | 22            | 751             | 774                        | 989            | 1,763               |
| Food and beverages                                     | 4,525         | 88              | 4,612                      | 1,517          | 6,129               |
| Textiles, clothing and leather goods                   | 80            | 140             | 220                        | 1,435          | 1,655               |
| Wood and paper; publishing and printing                | 107           | 392             | 499                        | 1,137          | 1,636               |
| Petroleum products, chemicals, rubber and plastic      | 680           | 360             | 1,039                      | 858            | 1,897               |
| Other non-metal mineral products                       | 196           | 326             | 522                        | 318            | 840                 |
| Metals, metal products, machinery and equipment        | 517           | 795             | 1,312                      | 761            | 2,073               |
| Electrical machinery and apparatus                     | 7             | 103             | 109                        | 136            | 245                 |
| Radio, TV, instruments, watches and clocks             | 4             | 22              | 26                         | 103            | 129                 |
| Transport equipment                                    | 107           | 866             | 974                        | 590            | 1,564               |
| Furniture, tobacco and other manufacturing             | 120           | 169             | 289                        | 698            | 987                 |
| Electricity, gas and water                             | 151           | 181             | 332                        | 454            | 786                 |
| Construction (contractors)                             | 464           | 3,185           | 3,649                      | 1,410          | 5,059               |
| Wholesale, retail, catering and accommodation          | 1,361         | 1,614           | 2,975                      | 44,645         | 47,620              |
| Transport, storage and communication                   | 122           | 530             | 652                        | 4,112          | 4,764               |
| Finance, insurance, real estate and business services  | 4,292         | 4,874           | 9,166                      | 14,881         | 24,047              |
| Community, social and other personal services          | 1,674         | 2,123           | 3,797                      | 14,027         | 17,823              |
| <b>Total employment</b>                                | <b>14,436</b> | <b>18,749</b>   | <b>33,184</b>              | <b>93,264</b>  | <b>126,448</b>      |
| <b>Employment multiplier (In terms of direct jobs)</b> |               |                 |                            |                |                     |
| Employment multiplier (excluding informal)             |               |                 | 2.3                        | 5.8            | 8.1                 |
| Employment multiplier (including informal)             |               |                 | 2.4                        | 6.8            | 9.2                 |
| % Share of RSA employment                              |               |                 | 0.3                        | 0.8            | 1.0                 |
| <b>Government income</b>                               |               |                 |                            |                |                     |
| Direct taxes - Corporate                               | 709           | 265             | 974                        | 1,499          | 2,472               |
| Direct taxes - Personal                                | 485           | 225             | 710                        | 1,148          | 1,858               |
| Indirect taxes   | 1,253         | 613             | 1,866                      | 1,621          | 3,487               |
| <b>Total government tax revenue</b>                    | <b>2,447</b>  | <b>1,103</b>    | <b>3,550</b>               | <b>4,268</b>   | <b>7,818</b>        |
| % Share of government tax revenue                      | 0.4           | 0.2             | 0.6                        | 0.7            | 1.3                 |
| <b>Value added</b>                                     |               |                 |                            |                |                     |
| Gross operating surplus                                | 2,636         | 2,229           | 4,866                      | 8,084          | 12,950              |
| Labour income  | 2,150         | 1,405           | 3,556                      | 6,253          | 9,809               |
| Value added at factor costs (GDP)                      | 4,786         | 3,635           | 8,421                      | 14,338         | 22,759              |
| <b>GDP multiplier</b>                                  | <b>0.5</b>    | <b>0.4</b>      | <b>0.8</b>                 | <b>1.4</b>     | <b>2.3</b>          |
| <b>% Share of RSA GDP</b>                              | <b>0.2</b>    | <b>0.2</b>      | <b>0.4</b>                 | <b>0.7</b>     | <b>1.1</b>          |

Source: Quantec Research

## Appendix 5: The impact of the liquor industry on the South African economy – 2009

| Description  | Impact including gross domestic fixed investment<br>(Rand million) |                 |                            |                |                     |
|--|--|-----------------|----------------------------|----------------|---------------------|
|  | Direct impact  | Indirect impact | Direct and indirect impact | Induced impact | Economy-wide impact |
| <b>Initial injection</b>   |  |                 |                            |                |                     |
| Sales - Net  | 45,306   | 45,306          | 45,306                     | 45,306         | 45,306              |
| Sales - Net at consumer prices   | 84,501   | 84,501          | 84,501                     | 84,501         | 84,501              |
| Gross domestic fixed investment  | 4,512  | 4,512           | 4,512                      | 4,512          | 4,512               |
| <b>Output by industry (intermediate at user-prices)</b>                |  |                 |                            |                |                     |
| Agriculture, forestry and fishing                                      | 6,010  | 2,021           | 8,031                      | 4,335          | 12,366              |
| Mining and quarrying   | 71   | 3,101           | 3,173                      | 5,210          | 8,383               |
| Food and beverages   | 93,210   | 9,418           | 102,629                    | 8,215          | 110,843             |
| Textiles, clothing and leather goods                                   | 82   | 373             | 455                        | 3,995          | 4,450               |
| Wood and paper; publishing and printing                                | 2,432  | 1,951           | 4,383                      | 4,564          | 8,947               |
| Petroleum products, chemicals, rubber and plastic                      | 782  | 5,182           | 5,963                      | 14,683         | 20,646              |
| Other non-metal mineral products                                       | 1,283  | 1,097           | 2,380                      | 861            | 3,241               |
| Metals, metal products, machinery and equipment                        | 2,018  | 4,555           | 6,574                      | 3,411          | 9,984               |
| Electrical machinery and apparatus                                     | 20   | 860             | 880                        | 1,043          | 1,923               |
| Radio, TV, instruments, watches and clocks                             | 11   | 465             | 476                        | 2,398          | 2,874               |
| Transport equipment  | 1,280  | 9,664           | 10,944                     | 5,355          | 16,298              |
| Furniture, tobacco and other manufacturing                             | 29   | 591             | 620                        | 3,234          | 3,854               |
| Electricity, gas and water   | 308  | 696             | 1,003                      | 3,206          | 4,210               |
| Construction (contractors)   | 489  | 4,839           | 5,328                      | 2,144          | 7,472               |
| Wholesale and retail trade, catering and accommodation                 | 845  | 975             | 1,820                      | 39,736         | 41,556              |
| Transport, storage and communication                                   | 443  | 2,137           | 2,580                      | 16,543         | 19,123              |
| Financial intermediation, insurance, real estate and business services | 3,853  | 7,266           | 11,119                     | 30,330         | 41,449              |
| Community, social and other personal services                          | 2,362  | 1,465           | 3,827                      | 11,271         | 15,098              |
| <b>Total output (at consumer prices)</b>                               | <b>115,527</b>   | <b>56,657</b>   | <b>172,184</b>             | <b>160,533</b> | <b>332,717</b>      |
| Output multiplier  | 1.4  | 0.7             | 2.0                        | 1.9            | 3.9                 |
| <b>Capital requirement</b>   |  |                 |                            |                |                     |
| Buildings and construction works                                       | 22,410   | 17,368          | 39,778                     | 80,917         | 120,695             |
| Machinery and other equipment  | 11,309   | 6,035           | 17,344                     | 21,594         | 38,939              |
| Transport equipment  | 1,426  | 1,652           | 3,078                      | 10,389         | 13,466              |
| <b>Total capital requirement</b>                                       | <b>35,145</b>  | <b>25,055</b>   | <b>60,200</b>              | <b>112,900</b> | <b>173,100</b>      |
| % Share of RSA capital stock   | 0.7  | 0.5             | 1.2                        | 2.3            | 3.5                 |

|   | Direct impact | Indirect impact | Direct and indirect impact | Induced impact | Economy-wide impact |
|---|---------------|-----------------|----------------------------|----------------|---------------------|
| <b>Labour income by skill</b>                       |               |                 |                            |                |                     |
| High skill  | 3,685         | 2,061           | 5,746                      | 8,915          | 14,661              |
| Medium skill  | 2,850         | 1,421           | 4,270                      | 9,162          | 13,432              |
| Low skill   | 2,831         | 1,611           | 4,442                      | 5,417          | 9,859               |
| <b>Labour income - Formal sector</b>                | <b>9,365</b>  | <b>5,093</b>    | <b>14,458</b>              | <b>23,494</b>  | <b>37,952</b>       |
| Informal sector                                     | 489           | 244             | 733                        | 1,623          | 2,356               |
| <b>Total labour income</b>                          | <b>9,855</b>  | <b>5,337</b>    | <b>15,191</b>              | <b>25,117</b>  | <b>40,308</b>       |
| <b>Employment by race (number)</b>                  |               |                 |                            |                |                     |
| Black   | 63,907        | 50,731          | 114,638                    | 278,081        | 392,720             |
| Coloured  | 11,101        | 8,255           | 19,356                     | 39,825         | 59,181              |
| Asian   | 2,134         | 2,322           | 4,456                      | 15,246         | 19,701              |
| White   | 10,170        | 11,537          | 21,707                     | 54,608         | 76,316              |
| <b>Total employment (including informal sector)</b> | <b>87,312</b> | <b>72,845</b>   | <b>160,157</b>             | <b>387,760</b> | <b>547,917</b>      |
| <b>Employment by gender (number)</b>                |               |                 |                            |                |                     |
| Male  | 53,504        | 49,443          | 102,947                    | 213,753        | 316,700             |
| Female  | 33,808        | 23,402          | 57,210                     | 174,007        | 231,217             |
| <b>Total employment (including informal sector)</b> | <b>87,312</b> | <b>72,845</b>   | <b>160,157</b>             | <b>387,760</b> | <b>547,917</b>      |
| <b>Employment by skill (number)</b>                 |               |                 |                            |                |                     |
| High skill  | 5,780         | 6,793           | 12,574                     | 33,189         | 45,763              |
| Medium skill  | 23,503        | 20,764          | 44,268                     | 129,981        | 174,249             |
| Low skill   | 47,754        | 32,487          | 80,241                     | 125,738        | 205,979             |
| <b>Employment - Formal sector</b>                   | <b>77,038</b> | <b>60,045</b>   | <b>137,083</b>             | <b>288,907</b> | <b>425,990</b>      |
| Employment - Informal sector                        | 10,274        | 12,800          | 23,074                     | 98,853         | 121,927             |
| <b>Total employment</b>                             | <b>87,312</b> | <b>72,845</b>   | <b>160,157</b>             | <b>387,760</b> | <b>547,917</b>      |



|  | Direct impact | Indirect impact | Direct and indirect impact | Induced impact | Economy-wide impact |
|--|---------------|-----------------|----------------------------|----------------|---------------------|
| <b>Employment by industry</b>                          |               |                 |                            |                |                     |
| Agriculture, forestry and fishing                      | 27,741        | 9,295           | 37,037                     | 19,793         | 56,830              |
| Mining and quarrying                                   | 93            | 2,723           | 2,817                      | 4,087          | 6,904               |
| Food and beverages                                     | 24,534        | 537             | 25,070                     | 4,930          | 30,000              |
| Textiles, clothing and leather goods                   | 208           | 580             | 787                        | 5,972          | 6,759               |
| Wood and paper; publishing and printing                | 1,469         | 1,902           | 3,371                      | 4,662          | 8,033               |
| Petroleum products, chemicals, rubber and plastic      | 311           | 1,305           | 1,616                      | 3,566          | 5,182               |
| Other non-metal mineral products                       | 1,107         | 1,351           | 2,458                      | 1,259          | 3,716               |
| Metals, metal products, machinery and equipment        | 2,492         | 3,338           | 5,830                      | 3,113          | 8,943               |
| Electrical machinery and apparatus                     | 24            | 406             | 430                        | 566            | 996                 |
| Radio, TV, instruments, watches and clocks             | 7             | 78              | 86                         | 430            | 516                 |
| Transport equipment                                    | 571           | 3,568           | 4,138                      | 2,450          | 6,589               |
| Furniture, tobacco and other manufacturing             | 96            | 606             | 701                        | 2,909          | 3,610               |
| Electricity, gas and water                             | 174           | 427             | 601                        | 1,889          | 2,489               |
| Construction (contractors)                             | 1,291         | 12,476          | 13,767                     | 5,929          | 19,696              |
| Wholesale, retail, catering and accommodation          | 7,760         | 5,837           | 13,597                     | 189,841        | 203,438             |
| Transport, storage and communication                   | 477           | 2,259           | 2,735                      | 17,139         | 19,874              |
| Finance, insurance, real estate and business services  | 13,666        | 16,431          | 30,097                     | 61,772         | 91,868              |
| Community, social and other personal services          | 6,244         | 8,776           | 15,020                     | 57,452         | 72,472              |
| <b>Total employment</b>                                | <b>88,264</b> | <b>71,893</b>   | <b>160,157</b>             | <b>387,760</b> | <b>547,917</b>      |
| <b>Employment multiplier (In terms of direct jobs)</b> |               |                 |                            |                |                     |
| Employment multiplier (excluding informal)             |               |                 | 1.8                        | 3.8            | 5.5                 |
| Employment multiplier (including informal)             |               |                 | 1.8                        | 4.4            | 6.3                 |
| % Share of RSA employment                              |               |                 | 1.3                        | 3.2            | 4.5                 |
| <b>Government income</b>                               |               |                 |                            |                |                     |
| Direct taxes - Corporate                               | 2,595         | 1,295           | 3,889                      | 6,037          | 9,927               |
| Direct taxes - Personal                                | 1,561         | 1,036           | 2,597                      | 4,621          | 7,218               |
| Indirect taxes   | 15,392        | 3,594           | 18,986                     | 5,677          | 24,663              |
| <b>Total government tax revenue</b>                    | <b>19,548</b> | <b>5,924</b>    | <b>25,472</b>              | <b>16,335</b>  | <b>41,807</b>       |
| % Share of government tax revenue                      | 3.1           | 1.0             | 4.1                        | 2.6            | 6.7                 |
| <b>Value added</b>                                     |               |                 |                            |                |                     |
| Gross operating surplus                                | 12,642        | 8,726           | 21,369                     | 32,484         | 53,853              |
| Labour income  | 9,855         | 5,337           | 15,191                     | 25,117         | 40,308              |
| Value added at factor costs (GDP)                      | 22,497        | 14,063          | 36,560                     | 57,601         | 94,161              |
| <b>GDP multiplier</b>                                  | <b>0.5</b>    | <b>0.3</b>      | <b>0.8</b>                 | <b>1.3</b>     | <b>2.1</b>          |
| <b>% Share of RSA GDP</b>                              | <b>1.0</b>    | <b>0.7</b>      | <b>1.7</b>                 | <b>2.7</b>     | <b>4.4</b>          |

Source: Quantec Research

## Appendix 6: The impact of the malt beer industry on the South African economy – 2009

| Description  | Impact including gross domestic fixed investment<br>(Rand million) |                 |                            |                |                     |
|--|--|-----------------|----------------------------|----------------|---------------------|
|  | Direct impact  | Indirect impact | Direct and indirect impact | Induced impact | Economy-wide impact |
| <b>Initial injection</b>   |  |                 |                            |                |                     |
| Sales - Net  | 25,510   | 25,510          | 25,510                     | 25,510         | 25,510              |
| Sales - Net at consumer prices   | 43,761   | 43,761          | 43,761                     | 43,761         | 43,761              |
| Gross domestic fixed investment  | 2,577  | 2,577           | 2,577                      | 2,577          | 2,577               |
| <b>Output by industry (intermediate at user-prices)</b>                |  |                 |                            |                |                     |
| Agriculture, forestry and fishing                                      | 2,630  | 1,216           | 3,846                      | 2,324          | 6,171               |
| Mining and quarrying   | 53   | 1,661           | 1,714                      | 2,580          | 4,294               |
| Food and beverages   | 48,587   | 4,563           | 53,150                     | 5,957          | 59,107              |
| Textiles, clothing and leather goods                                   | 55   | 198             | 253                        | 2,006          | 2,259               |
| Wood and paper; publishing and printing                                | 1,505  | 1,058           | 2,563                      | 2,237          | 4,801               |
| Petroleum products, chemicals, rubber and plastic                      | 368  | 2,720           | 3,088                      | 7,313          | 10,401              |
| Other non-metal mineral products                                       | 482  | 529             | 1,011                      | 452            | 1,463               |
| Metals, metal products, machinery and equipment                        | 1,661  | 2,527           | 4,188                      | 1,675          | 5,863               |
| Electrical machinery and apparatus                                     | 10   | 446             | 456                        | 514            | 970                 |
| Radio, TV, instruments, watches and clocks                             | 6  | 235             | 241                        | 1,192          | 1,433               |
| Transport equipment  | 673  | 5,211           | 5,884                      | 2,657          | 8,541               |
| Furniture, tobacco and other manufacturing                             | 12   | 300             | 312                        | 1,609          | 1,921               |
| Electricity, gas and water   | 237  | 383             | 620                        | 1,590          | 2,210               |
| Construction (contractors)   | 264  | 2,425           | 2,689                      | 1,019          | 3,708               |
| Wholesale and retail trade, catering and accommodation                 | 481  | 517             | 998                        | 18,173         | 19,171              |
| Transport, storage and communication                                   | 243  | 1,117           | 1,360                      | 8,038          | 9,398               |
| Financial intermediation, insurance, real estate and business services | 1,731  | 3,788           | 5,519                      | 14,843         | 20,362              |
| Community, social and other personal services                          | 1,309  | 770             | 2,079                      | 5,693          | 7,772               |
| <b>Total output (at consumer prices)</b>                               | <b>60,308</b>  | <b>29,664</b>   | <b>89,972</b>              | <b>79,872</b>  | <b>169,844</b>      |
| Output multiplier  | 1.4  | 0.7             | 2.1                        | 1.8            | 3.9                 |
| <b>Capital requirement</b>   |  |                 |                            |                |                     |
| Buildings and construction works                                       | 12,488   | 9,226           | 21,714                     | 39,642         | 61,357              |
| Machinery and other equipment  | 6,724  | 3,167           | 9,891                      | 10,575         | 20,465              |
| Transport equipment  | 820  | 865             | 1,685                      | 5,023          | 6,708               |
| <b>Total capital requirement</b>                                       | <b>20,031</b>  | <b>13,258</b>   | <b>33,290</b>              | <b>55,240</b>  | <b>88,530</b>       |
| % Share of RSA capital stock   | 0.4  | 0.3             | 0.7                        | 1.1            | 1.8                 |

|   | Direct impact | Indirect impact | Direct and indirect impact | Induced impact | Economy-wide impact |
|---|---------------|-----------------|----------------------------|----------------|---------------------|
| <b>Labour income by skill</b>                       |               |                 |                            |                |                     |
| High skill  | 2,287         | 1,170           | 3,457                      | 4,311          | 7,768               |
| Medium skill  | 1,436         | 647             | 2,083                      | 4,419          | 6,502               |
| Low skill   | 1,041         | 906             | 1,947                      | 2,702          | 4,649               |
| <b>Labour income - Formal sector</b>                | <b>4,764</b>  | <b>2,723</b>    | <b>7,487</b>               | <b>11,432</b>  | <b>18,919</b>       |
| Informal sector                                     | 104           | 128             | 233                        | 777            | 1,010               |
| <b>Total labour income</b>                          | <b>4,869</b>  | <b>2,851</b>    | <b>7,720</b>               | <b>12,209</b>  | <b>19,929</b>       |
| <b>Employment by race (number)</b>                  |               |                 |                            |                |                     |
| Black   | 26,138        | 25,894          | 52,032                     | 123,444        | 175,476             |
| Coloured  | 4,008         | 4,332           | 8,340                      | 17,806         | 26,146              |
| Asian   | 1,008         | 1,257           | 2,265                      | 6,683          | 8,948               |
| White   | 4,255         | 6,290           | 10,545                     | 24,292         | 34,837              |
| <b>Total employment (including informal sector)</b> | <b>35,408</b> | <b>37,773</b>   | <b>73,181</b>              | <b>172,226</b> | <b>245,407</b>      |
| <b>Employment by gender (number)</b>                |               |                 |                            |                |                     |
| Male  | 21,388        | 25,627          | 47,015                     | 95,221         | 142,236             |
| Female  | 14,020        | 12,146          | 26,166                     | 77,005         | 103,171             |
| <b>Total employment (including informal sector)</b> | <b>35,408</b> | <b>37,773</b>   | <b>73,181</b>              | <b>172,226</b> | <b>245,407</b>      |
| <b>Employment by skill (number)</b>                 |               |                 |                            |                |                     |
| High skill  | 2,779         | 3,663           | 6,442                      | 14,707         | 21,148              |
| Medium skill  | 10,307        | 10,561          | 20,868                     | 57,290         | 78,158              |
| Low skill   | 17,337        | 17,307          | 34,644                     | 57,518         | 92,162              |
| <b>Employment - Formal sector</b>                   | <b>30,423</b> | <b>31,531</b>   | <b>61,954</b>              | <b>129,515</b> | <b>191,469</b>      |
| Employment - Informal sector                        | 4,986         | 6,241           | 11,227                     | 42,711         | 53,938              |
| <b>Total employment</b>                             | <b>35,408</b> | <b>37,773</b>   | <b>73,181</b>              | <b>172,226</b> | <b>245,407</b>      |

|  | Direct impact | Indirect impact | Direct and indirect impact | Induced impact | Economy-wide impact |
|--|---------------|-----------------|----------------------------|----------------|---------------------|
| <b>Employment by industry</b>                          |               |                 |                            |                |                     |
| Agriculture, forestry and fishing                      | 11,149        | 5,244           | 16,392                     | 9,883          | 26,276              |
| Mining and quarrying                                   | 55            | 1,339           | 1,393                      | 1,870          | 3,264               |
| Food and beverages                                     | 7,986         | 217             | 8,203                      | 2,889          | 11,092              |
| Textiles, clothing and leather goods                   | 130           | 287             | 417                        | 2,771          | 3,188               |
| Wood and paper; publishing and printing                | 780           | 938             | 1,718                      | 2,112          | 3,829               |
| Petroleum products, chemicals, rubber and plastic      | 141           | 650             | 791                        | 1,630          | 2,422               |
| Other non-metal mineral products                       | 383           | 613             | 996                        | 591            | 1,587               |
| Metals, metal products, machinery and equipment        | 1,997         | 1,693           | 3,690                      | 1,409          | 5,100               |
| Electrical machinery and apparatus                     | 13            | 196             | 208                        | 257            | 466                 |
| Radio, TV, instruments, watches and clocks             | 4             | 37              | 41                         | 196            | 237                 |
| Transport equipment                                    | 274           | 1,790           | 2,064                      | 1,115          | 3,179               |
| Furniture, tobacco and other manufacturing             | 44            | 290             | 334                        | 1,337          | 1,671               |
| Electricity, gas and water                             | 129           | 218             | 347                        | 867            | 1,214               |
| Construction (contractors)                             | 646           | 5,797           | 6,443                      | 2,603          | 9,047               |
| Wholesale, retail, catering and accommodation          | 4,085         | 3,281           | 7,366                      | 80,057         | 87,424              |
| Transport, storage and communication                   | 250           | 1,100           | 1,350                      | 7,706          | 9,056               |
| Finance, insurance, real estate and business services  | 6,054         | 8,783           | 14,838                     | 27,981         | 42,819              |
| Community, social and other personal services          | 2,242         | 4,347           | 6,588                      | 26,950         | 33,538              |
| <b>Total employment</b>                                | <b>36,360</b> | <b>36,821</b>   | <b>73,181</b>              | <b>172,226</b> | <b>245,407</b>      |
| <b>Employment multiplier (In terms of direct jobs)</b> |               |                 |                            |                |                     |
| Employment multiplier (Excluding informal)             |               |                 | 2.0                        | 4.3            | 6.3                 |
| Employment multiplier (Including informal)             |               |                 | 2.1                        | 4.9            | 6.9                 |
| % Share of RSA employment                              |               |                 | 0.6                        | 1.4            | 2.0                 |
| <b>Government income</b>                               |               |                 |                            |                |                     |
| Direct taxes - Corporate                               | 1,727         | 754             | 2,480                      | 2,911          | 5,392               |
| Direct taxes - Personal                                | 754           | 585             | 1,340                      | 2,240          | 3,580               |
| Indirect taxes   | 8,693         | 1,985           | 10,678                     | 3,102          | 13,781              |
| <b>Total government tax revenue</b>                    | <b>11,174</b> | <b>3,324</b>    | <b>14,498</b>              | <b>8,254</b>   | <b>22,752</b>       |
| % Share of government tax revenue                      | 1.8           | 0.5             | 2.3                        | 1.3            | 3.7                 |
| <b>Value added</b>                                     |               |                 |                            |                |                     |
| Gross operating surplus                                | 7,157         | 5,570           | 12,727                     | 15,747         | 28,475              |
| Labour income  | 4,869         | 2,851           | 7,720                      | 12,209         | 19,929              |
| Value added at factor costs (GDP)                      | 12,026        | 8,422           | 20,447                     | 27,957         | 48,404              |
| <b>GDP multiplier</b>                                  | <b>0.5</b>    | <b>0.3</b>      | <b>0.8</b>                 | <b>1.1</b>     | <b>1.9</b>          |
| <b>% Share of RSA GDP</b>                              | <b>0.6</b>    | <b>0.4</b>      | <b>1.0</b>                 | <b>1.3</b>     | <b>2.3</b>          |

Source: Quantec Research



## Appendix 7: Commodities/activities of the 2009 SAM for South Africa (Quantec Research)

| No | Commodities/activities                            | No | Commodities/activities   |
|----|---|----|--|
| 1  | Agriculture, forestry and fishing                 | 1  | Agriculture, forestry and fishing                                    |
| 2  | Mining and quarrying                              | 2  | Coal mining  |
|    |   | 3  | Gold and uranium ore mining  |
|    |   | 4  | Other mining   |
|    |   | 5  | Food   |
| 3  | Food, beverages and tobacco                       | 6  | Alcoholic beverages: Spirits and wine                                |
|    |   | 7  | Alcoholic beverages: Malt beer excluding SAB Ltd                     |
|    |   | 8  | Alcoholic beverages: Malt beer - SAB Ltd                             |
|    |   | 9  | Non-alcoholic beverages: Soft drinks and carbonated waters - SAB Ltd |
|    |   | 10 | Alcoholic and non-alcoholic beverages excluding 6 to 9               |
|    |   | 11 | Tobacco  |
| 4  | Textiles, clothing and leather goods              | 12 | Textiles   |
|    |   | 13 | Wearing apparel  |
|    |   | 14 | Leather and leather products   |
|    |   | 15 | Footwear   |
| 5  | Wood and paper; publishing and printing           | 16 | Wood and wood products   |
|    |   | 17 | Paper and paper products   |
|    |   | 18 | Printing, publishing and recorded media                              |
| 6  | Petroleum products, chemicals, rubber and plastic | 19 | Coke and refined petroleum products                                  |
|    |   | 20 | Basic chemicals  |
|    |   | 21 | Other chemicals and man-made fibres                                  |
|    |   | 22 | Rubber products  |
|    |   | 23 | Plastic products   |
| 7  | Other non-metal mineral products                  | 24 | Glass and glass products   |
|    |   | 25 | Non-metallic minerals  |
| 8  | Metals, metal products, machinery and equipment   | 26 | Basic iron and steel   |
|    |   | 27 | Basic non-ferrous metals   |
|    |   | 28 | Metal products excluding machinery                                   |
|    |   | 29 | Machinery and equipment  |
|    |   | 30 | Electrical machinery   |
| 10 | Radio, TV, instruments, watches and clocks        | 31 | Television, radio and communication equipment                        |
|    |   | 32 | Professional and scientific equipment                                |
| 11 | Transport equipment                               | 33 | Motor vehicles, parts and accessories                                |
|    |   | 34 | Other transport equipment  |
| 12 | Furniture, tobacco and other manufacturing        | 35 | Furniture  |
|    |   | 36 | Other industries   |

| No | Commodities/activities   | No | Commodities/activities                                   |
|----|--|----|--|
| 13 | Electricity, gas and water   | 37 | Electricity, gas and steam                               |
| 14 | Construction   | 38 | Water supply   |
| 15 | Wholesale and retail trade, catering and accommodation                 | 39 | Building construction                                    |
| 16 | Transport, storage and communication                                   | 40 | Wholesale and retail trade                               |
| 17 | Financial intermediation, insurance, real estate and business services | 41 | Catering and accommodation services                      |
| 18 | Community, social and other personal services                          | 42 | Transport  |
|    |  | 43 | Communication  |
|    |  | 44 | Finance and insurance                                    |
|    |  | 45 | Business services  |
|    |  | 46 | Medical, dental and other health and veterinary services |
|    |  | 47 | Community, social and personal services - other          |
|    |  | 48 | Government   |

Source: Quantec Research





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