

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
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1963. Dr D T George (DA) to ask the Minister of Finance:

Whether the National Treasury has ever conducted an economic impact study to determine the impact of load-shedding on the economy since it began in 2008, as it has been shown to have a direct impact on economic growth,; if not, why not; if so, what are the relevant details?

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REPLY

- While the National Treasury has not specifically done a full cost analysis evaluating the impact that load shedding has had on GDP since 2008, various analyses have been undertaken over the past few years to assess the impact of the electricity constraint on economic activity.
- To understand the impact of electricity shortages on factor productivity, investment and potential growth, the National Treasury uses analytical tools such as its macro-structural model (which is also used for the macroeconomic forecast) as well as a computable general equilibrium (CGE) model.
- This macro-econometric analysis generally builds on detailed energy modelling conducted by institutions such as the CSIR and is always supplemented by secondary research, data from Eskom's Medium-Term System Adequacy Outlook as well as consultations with key stakeholders in the energy sector.
- Some of this analytical work has focused specifically on the economic impact of load shedding, which has been published in several editions of the Budget Review as macro-fiscal scenarios that inform the budgeting process. This includes:
 - The 2019 Budget Review quantified the impact of a decline in Eskom's average energy availability factor to between 65 and 70 per cent for 18 months. As a consequence, GDP growth was anticipated to weaken to 0.2 per cent in 2019 relative to the baseline forecast of 1.5 per cent (which is equivalent to a loss in GDP of R40 billion in real terms).
 - The 2015 Budget Review estimated growth to decline by 1 per cent in 2015 should there continue to be a deterioration in electricity availability.
- Beyond assessing the impact of load shedding on the economy, several studies on the evolution of electricity supply and economic growth have been conducted as part of the National Treasury's Southern Africa - Towards Inclusive Economic Development (SA-TIED) programme. These studies are available on the SA-TIED website (<https://sa-tied.wider.unu.edu/climate>).

- National Treasury takes into account the energy constraint when generating its macroeconomic forecasts, and frequently reviews its outlook for load shedding based on the most recent information at its disposal.