South African Petroleum Industry Association

The petroleum industry’s contribution to South Africa
04 May 2017
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Introduction
SAPIA in South Africa

SAPIA is a trade organisation representing the main petroleum and liquefied petroleum gas companies in South Africa...

Supports employment of over 10 000 people (direct or indirect)

Manufacturing more than 90% of South Africa’s petroleum products

Selling approximately 27 billion litres of petroleum products annually

Membership

Integrated members:

bp
PetroSA
Sasol
Shell
Chevron
Engen
Total

Sector turnover

<table>
<thead>
<tr>
<th>Year</th>
<th>Rand billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>285</td>
</tr>
<tr>
<td>2013</td>
<td>329</td>
</tr>
<tr>
<td>2014</td>
<td>365</td>
</tr>
</tbody>
</table>

Source: SAPIA annual report 2014
Approach to estimating SAPIA’s economic contribution
What did we do?
We measured the broader **economic impact** that the petroleum industry makes across the petroleum value chain.

How did we do it?
We used the **SAM methodology** to estimate how the activities of the petroleum industry (i.e. SAPIA members) in one or more parts of the economy, could **affect other sectors** of the economy, and how the industry investment and operational impact is distributed in the economy. It thereby highlights the **economic linkages within the economy** and has the ability to show the **direct, indirect and induced effects** of a given expenditure.

What data did we use?
The analysis that follows uses a **2014 SAM** for South Africa, built by KPMG. We utilised the following data from a number of different sources: value chain cost items from the various **SAPIA members**; **National Accounts**; income and expenditure surveys; labour force surveys; and the Gross Domestic Product statistical release (P0441).
**Approach: SAM model outputs**

<table>
<thead>
<tr>
<th>Contribution to economic growth through the Gross Value Added created</th>
<th>Contribution to public finance through tax revenue</th>
<th>Contribution to employment creation</th>
<th>Contribution to poverty alleviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>This included the petroleum industry’s direct, indirect and induced GDP contributions to the economy</td>
<td>Impact on public finance through the additional tax revenue generated due to the petroleum industry’s investment and operations</td>
<td>Direct jobs associated with the petroleum industry Indirect employment sustained through inputs purchased from suppliers</td>
<td>The impact on poverty alleviation due to the petroleum industry investment and operations</td>
</tr>
</tbody>
</table>
Economic impact of the petroleum industry
# Combined economic impact

## Combined results (CAPEX and OPEX)

<table>
<thead>
<tr>
<th>Impact on GDP</th>
<th>Impact on jobs</th>
<th>Impact on government revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional economic activity created – <strong>R324 billion, 8.5% of national GDP</strong></td>
<td>Sustained <strong>96 711 direct jobs</strong> and <strong>692 706 jobs</strong> (indirect &amp; induced)</td>
<td>Increased government revenue of <strong>R90 billion</strong></td>
</tr>
</tbody>
</table>

**Impact on households**
- Total household income **R6.5 billion**, 3.0% going to lower income households

## Looking at the future

- Every **R1** expenditure potentially adds an **additional R1.57** to the South African economy
- 3.0% of additional household income generated will flow to low income households
- Additional expenditure implies an **additional 4 jobs per R1 million spend**
- Every **R1** expenditure potentially adds an **additional 38 cents** to the national government revenue
Capital investment impact

Petroleum industry’s capital investment in the economy

In 2014, SAPIA members have contributed **R9.7 billion** in capital expenditure.

Petroleum industry’s impact on the economy

- **Additional economic activity** – **R16 billion**, **0.4%** of national GDP
- Sustained **16 256 direct jobs** and **23 000 indirect and induced jobs**
- Increased government revenue **by R3.2 billion**

Looking at the future

- Every R1 **new investment**, potentially adds an **additional R1.63** to the South African economy.
- Additional investment implies an **additional 4 jobs per R1 million invested**.
- Every R1 **new investment**, potentially adds an **additional 33 cents** to the national government revenue.
- 2.8% of additional **household income** generated will flow to low income households.

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Operational impact

Petroleum industry’s operations in the economy

In 2014, SAPIA members generated more than R200 billion in revenue.

Petroleum industry’s impact on the economy

Additional economic activity that was created was in the order of R308 billion, 8.1% of national GDP.

Sustained 80 455 direct jobs and about 669 880 indirect and induced jobs.

Increased total government revenue by R87 billion.

Looking at the future

Every R1 revenue generated, the economy gains an additional R1.54.

For every R1 million of revenue generated, the petroleum industry sustains 4 jobs per year.

For every R1 revenue generated, an additional 43 cents will flow to national government.

3.2% of additional household income generated will flow to low income households.

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**Value chain impacts**

- **Crude oil activities**
- **Head office activities**
- **CAPEX**
- **Refinery activities**
- **Distribution activities**
- **Storage activities**
- **Wholesale activities**
- **Retail activities**

### Petroleum industry’s impact on the economy

- **Refinery activities** contributed the most additional economic activity of **R213 billion**, with **retail activities** (excl. convenience stores) contributing the second most of **R80 billion**

- **Refinery activities** sustained the most jobs of **484 478** while retail activities contributed the second most jobs, **221 580**

### Looking at the future

- **Distribution activities** has the highest multiplier with every R1 of revenue generated contributing an additional **R1.68** that could potentially be added to the South African economy

- Revenue generated in the **head office, storage, wholesale and retail** components, implies an additional **4 jobs per R1 million spend** in each component could be sustained
4 Petroleum’s contribution to community development
CSI contribution

**SAPIA members’ Invested**

a total of **R70.2 million** in various CSI initiatives

**Education projects**

**R27.4 million**

**Community related projects**

**R26.6 million**

SAPIA members’ investments in communities have assisted in **reducing unemployment, decreasing poverty** and **improving people’s lives**. This has supported economic growth through the upliftment of communities and poverty elevation.

**What impact have SAPIA members had on the economy?**

Every **R1 million** of additional investment into CSI could create an additional **4 jobs**

For every **R1** invested into CSI initiatives an **additional R1.47** could be added to the economy.
Questions
Thank you!

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