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Sectoral Energy Consumption in South Africa and Its Implication for Economic Growth

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Abstract : South Africa is in its post-industrial era moving from the primary and secondary sector to the tertiary sector. The study investigated the impact of the disaggregated energy consumption (coal, oil, and electricity) on the primary, secondary and tertiary sectors of the economy between 1980 and 2012 in South Africa. Using vector error correction model, it was established that South Africa is an energy dependent economy, and that energy (especially electricity and oil) is a limiting factor of growth. This implies that implementation of energy conservation policies may hamper economic growth. Output growth is significantly outpacing energy supply, which has necessitated load shedding. To meet up the excess energy demand, there is a need to increase the generating capacity which will necessitate increased investment in the electricity sector as well as strategic steps to increase oil production. There is also need to explore more renewable energy sources, in order to meet the growing energy demand without compromising growth and environmental sustainability. Policy makers should also pursue energy efficiency policies especially at sectoral level of the economy.

Keywords : causality, economic growth, energy consumption, hypothesis, sectoral output
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