

■ OPINION / COLUMNISTS

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NEVA MAKGETLA: Get the numbers straight, and it's clear alcohol ban was beneficial

Revenue in some sectors may have dropped, but there were larger economic benefits of fewer Covid-19 transmissions

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Officials pour out confiscated alcohol in Hillbrow, Johannesburg. Picture: SUNDAY TIMES/ALAISTER RUSSELL

In the past month we have been flooded with reports about the economic costs of the ban on alcohol. Most of these stories relay sensationalised estimates of the direct costs to businesses and workers, while ignoring the much larger economic benefits of reduced Covid-19 transmission.

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SA has already paid dearly for the failure to control the virus over the past year. On January 30, we ranked 15th globally in terms of diagnoses per person and 41st for diagnosed deaths. Estimates of undiagnosed deaths put SA in the top 10 internationally. On January 30, SA Medical Research Council analyses found that more than one in 500 South Africans had died due to the pandemic. Today, virtually everyone knows someone who passed away from Covid-19.

Limiting alcohol consumption is a key step in limiting social gatherings, which are central to the spread of Covid-19. Already, sales by mining and manufacturing, as well as most professional services, are approaching pre-pandemic levels. But if high-risk industries return to their old business models and cases resurge, the

recovery is likely to stall.

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The alcohol industry has nonetheless lobbied and litigated against restrictions on its sales. In the process, it has propagated highly questionable cost estimates. A much-publicised report by an industry lobby group recently argued that alcohol sales contributed 3.4% of GDP and 10% of tax revenues. But the GDP estimate reflects total sales, not just value added.

In practice, the alcohol value chain likely contributes less than 1.5% to GDP. Moreover, local industry estimates suggest the excise tax on alcohol accounts for just

2% of government revenues. And even if we count all restaurant and bar jobs — many of which do not depend on alcohol sales — the entire value chain contributes just 3% of jobs, almost all in hospitality.

In any case, two-thirds of the decline in alcohol and hospitality revenues during the pandemic occurred when sales were permitted. From March to the end of 2020, the bans covered three months. In the rest of the period, however, alcohol sales remained depressed because many consumers avoided socialising, whether in businesses or house parties.

The decline in alcohol sales was doubtless devastating for the enterprises involved. But it was small at the national level. Shrinkage in liquor production plus restaurant and bar sales during the bans in 2020 cut GDP by about 0.16% (that is, roughly one

sixth of 1%). Bars and restaurants lost 100,000 jobs from the first to the third quarter of 2020, or 6% of the 1.7-million jobs lost in this period. Most of the decline resulted from changes in consumer choices and rules on social distancing rather than the alcohol ban itself.

For comparison, in the first nine months of 2020, AB InBev, which now owns SA Breweries, lost almost \$1.7bn – more than twice the decline in SA alcohol sales from March to November – by hedging share payment schemes for its senior executives and managers, because its stock performed so poorly during the pandemic. Its own reports noted that globally, even absent legal restrictions, countries affected by the pandemic have seen “ongoing economic impacts and health concerns ... [that] may continue to affect consumer behaviour, spending levels and consumption preferences”.

The debates around the alcohol ban underscore the difficulty of making evidence-based policy decisions in a deeply inequitable democracy, where the powerful can deploy immense capacity to spread misinformation. That reality places the burden on policymakers, civil society, the courts and media to test their claims. In this case, SA risks forgoing the enormous economic benefits of controlling the virus in an effort to protect a small part of the economy that is inextricably linked to newly hazardous behaviour.

• *Makgetla is a senior researcher with Trade & Industrial Policy Strategies.*

Correction: February 8 2021

An earlier version of this story stated the proportion of jobs lost in bars and restaurants was 0.6%. This has been corrected to 6%.

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Joe Soap

• 3 months ago •
edited

Other countries (Thailand) limited alcohol to home consumption and the amounts that could be bought. In SA the alcohol ban was always accompanied with fairly strict curfews and consequently one cannot ascribe the inferred benefits to purely alcohol

limitations.

Countries in Europe and UK have had strict curfews but have not banned alcohol sales and have also managed to reduce transmission. If one uses the free availability of alcohol as a measure, alcohol is extremely freely available in Japan in vending machines, supermarkets (including spirits). They have had curfews in particular areas but not national. Virus infection and transmission in Japan has not reached the levels of South Africa. The damage to the country goes beyond the fiscus but also to employment and investment in ancillary industries (hospitality, glass, packaging etc.). One would like the author of the above article to quantify these aspects and still manage to justify the alcohol ban. The statement that many restaurants do not depend on alcohol sales is fallacious and

is belied by the