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Briefing Note 1: Insights from the TIPS Regional Tracker: How commodity dependence harms continental SADC

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TIPS is introducing a new Regional Tracker, which will provide a regular analysis of economic performance and industrialisation in continental SADC (that is, excluding Madagascar, Mauritius and the Seychelles). It provides key data on economic growth, inequality, trade flows, infrastructure development, and investment. This briefing note highlights findings on economic growth, export composition, and inequality in continental SADC.

The continental SADC economies are characterised by high levels of inequality, small market sizes, and significant distance from global markets. Dependence on commodities, for which prices are determined internationally, reigns supreme. While natural resource abundance has, historically, supported national income generation, the region's failure to complement extractive industries with a robust manufacturing sector has left it vulnerable to international price fluctuations, undermining long-term economic growth. These challenges underscore the importance of developing regional value chains to drive industrialisation, diversify exports, and build resilience against global economic shocks.

The SADC region remains relatively small in terms of population and GDP. In 2022, continental SADC had a total population of about 360 million, with an average population per country of under 30 million. This is significantly smaller than other developing economies excluding China, where the average population exceeds 40 million. Economic size also lags; in 2022, the region's average GDP per country was US$65 billion — less than half the size of peer developing countries, again excluding China. In addition, regional GDP growth of 130%, from 1995 to 2022, fell short of the 170% observed in other developing countries outside of China.[1]

SADC enjoyed relatively high economic growth rates during the commodity boom of 2002-2011, and for a few years thereafter. Since then, however, growth has tapered off. For almost a decade, it has remained relatively low,[2] pointing to the challenges that arise when the rents earned from extractive industries are not used to bolster other industries. In 2022, over 90% of exports by continental SADC countries excluding South Africa were tied to commodity production. Even for South Africa, the region's most industrialised economy, almost 70% of exports arose from mining and agriculture. That share is notably higher than other developing countries, especially in East Asia. Moreover, from 2018 to 2022, the share of commodities in the exports of several SADC countries, including the Democratic Republic of Congo, Tanzania and South Africa, increased at the expense of manufacturing products, mostly due to a spike in world metals prices after the COVID-19 pandemic and the Russian invasion of Ukraine.

[1] Also, across the income classifications used for population: low-, lower-middle, and upper-middle income.

[2] This argument is within the context of time clusters used in the analysis. The clusters are as follows: 1995-2002; 2002-2011; 2011-2014; 2014-2018; 2018-2022.

In part because of its unusually strong reliance on mining, continental SADC suffers from unusually deep inequalities both within and between countries. That both limits regional trade and fosters migration. In 2022, low-income SADC countries accounted for 43% of the region's population but controlled only 12% of regional income. At the national level, the population-weighted average Gini coefficient for continental SADC (0.49) substantially exceeds the average for other developing economies (0.36). Only 10 countries in the world report a Gini coefficient over 0.50; eight of them are in Southern Africa. That said, most petrostates do not report a Gini coefficient at all. Within continental SADC, countries that depend on mining tend to be more unequal than those that rely more on agricultural exports, such as Malawi and Tanzania.

Persistent reliance on mineral exports indicates that mining rents are not invested to diversify the continental SADC economies. As a result, they remain concentrated among the companies and individuals that control mining rights and in mining locations, leaving the majority of the population locked into low-paying work or even jobless. This kind of rent-seeking behaviour typically arises when democratic and regulatory institutions remain weak.

To overcome the problems associated with commodity dependence, SADC countries must strengthen governance, establishing transparent frameworks for resource management and combating corruption. The aim should be to ensure that when international prices spike, as they have in the past few years, the resulting resource rents are effectively reinvested into productive sectors. To achieve this, governments need effective industrialisation strategies to build manufacturing capabilities and supportive service industries. This approach would focus on developing industries that create jobs and build more diversified and equitable economies.