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The impact of minerals and oil and gas on economies

A focus on Africa

African economies are having a torrid time as a result of the lack-lustre performance of various mineral commodities as well as the oil and gas sector. Many countries have explicitly mentioned the poor performance of these sectors as having contributed to reductions in GDP growth and this is particularly the case where these sectors have accounted for a large proportion of government revenue or exports.

Some interesting statistics in this regard are that:-

- some countries have shown a marked drop in the mineral and oil and gas industries' contributions to their GDPs, with the African Economic Outlook showing a drop in Guinea's mineral sector's contribution to GDP from 21.1% in 2009 to 16.9% in 2014, for instance;
- some countries have historically been heavily reliant on one mineral commodity, with the USGS reporting that gold exports have contributed 80% of Mali's export earnings historically, for example; and
- some countries have traditionally been critically dependent on the hydrocarbon sector, with this sector historically accounting for 70% of Nigerian government revenue and 96% of Nigerian exports, as an illustration.

With few brave enough to put money on a date for the recovery of the minerals and oil and gas industries, African countries are putting significant efforts into diversification. Telecommunication, banking, agriculture and manufacturing have in some cases responded with impressive growth. Interestingly, for some oil-rich nations, including Nigeria, diversification has also meant that there is a renewed emphasis on the mining sector, since Nigeria is intent on promoting this sector as well as the agricultural sector.

While many in the minerals and oil and gas sectors are eager for resource prices to strengthen, the hope is that policy shifts away from resource dependency will leave resource-rich African nations better able to withstand future shocks to the hydrocarbon and mineral sectors.

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Kind regards,
Deborah Spicer

Contact:

Tel: +27 (0)11 517 4205/6
Office Hours: 7am - 5pm (GMT+2) Monday to Friday

venmyninfo@deloitte.com | venmyndeloitte.com