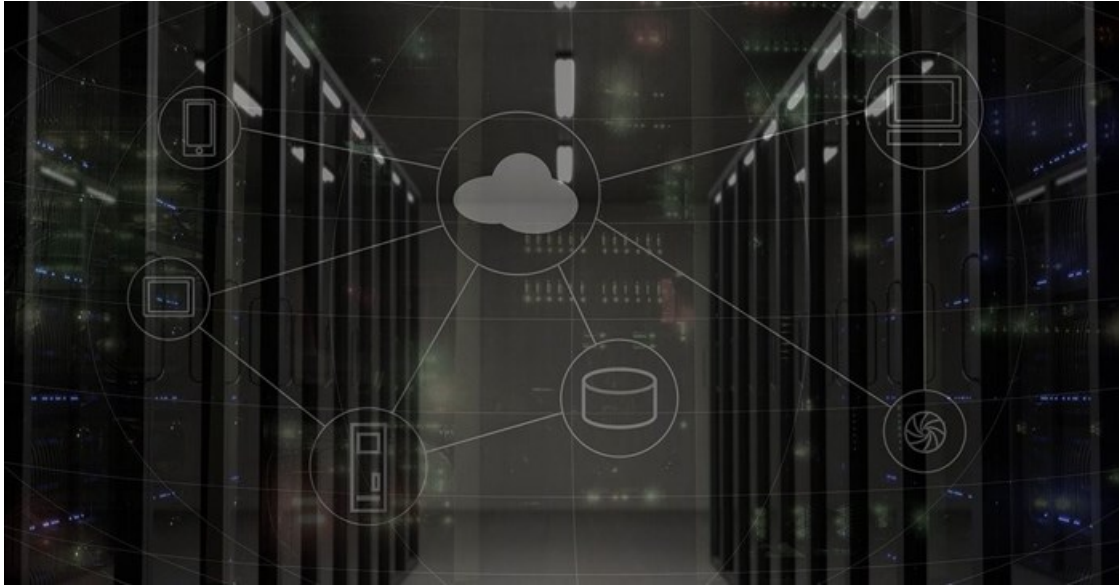


AWS report says cloud adoption could unlock R3.9trn for South Africa

The potential for public cloud computing to drive national productivity and economic growth in South Africa has been quantified in a [report commissioned by Amazon Web Services](#), Inc. (AWS), a subsidiary of Amazon.com, Inc. This report suggests that by accelerating the adoption of cloud computing, South Africa could unlock an additional R3.9 trillion in economic value over the next decade (2023-2033), equivalent to 4.05% of the country's cumulative GDP.



Source: Bethany Drouin/Fixabay

The study, conducted by Telecom Advisory Services LLC under the direction of Raul Katz, business strategy research director at the Columbia Institute for Tele-information (Columbia Business School), employs a state-of-the-art econometric method to calculate the aggregate productivity gains realized by economies that adopt cloud computing. This research extends beyond previous studies focused on firm-level productivity, establishing cloud adoption as a significant driver of national productivity and economic growth.

b>Unleashing the economic power of cloud computing in South Africa

In 2021, cloud adoption made a significant impact on the South African economy. According to the report, it contributed 0.18% to the regional GDP, generating an economic value of R14,3bn. Over 78% of this impact can be attributed to the national productivity gains or so-called “spillover effects” on the economy. The remaining 22% is driven by cloud spending from both public and private organisations.



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Lindsey Schutters 24 Aug 2023



On average, SA experienced a 0.06% increase in GDP for every 1% increase in cloud penetration. It was found that South Africa has the highest economic growth due to cloud adoption in sub-Saharan Africa (SSA), with 1% increase in cloud penetration yielding 0.06% increase in GDP growth, three times more than the SSA average.

Extrapolating this data, a 10% increase in cloud penetration across the entire SSA region, would result in economic spillover effects amounting to an estimated R71.9bn per year.

“Until recently, research on the economic impact of cloud was focused at the firm-level, understanding the microeconomic benefits associated with cloud adoption (for example, capital efficiency, contribution to product development, and the like). These studies, while valuable, did not quantify the aggregate effect of cloud on the economy in a similar way to what has been done in areas such as broadband internet,” explains Dr Katz.

“To address this gap, our team at Telecom Advisory Services developed a state-of-the-art econometric model, leveraging global series of data on cloud adoption between 2014 and 2021.”

Economic impact of cloud computing

The study demonstrates that the economic impact of cloud computing is guided by returns to scale - greater adoption of cloud computing will lead to proportionally greater productivity gains and economic impact.

“This report underscores the immense potential for South Africa, and the SSA region, to harness cloud computing and expedite economic growth. By increasing the current average cloud penetration, the region can unlock additional economic value,” says Amrote Abdella, general manager for Sub-Saharan Africa at AWS.

“AWS is committed to supporting its customers and partners in South Africa throughout their cloud journey. We firmly believe that cloud technology will be crucial in driving innovation, boosting productivity, and scaling businesses in the region over the next decade.”

In 2021, only 34% of organisations in SA embraced cloud computing, significantly lower than the adoption rates of 49% in Western Europe and North America. This presents an opportunity for the country to enhance its cloud penetration and reap substantial benefits.

“With the current forecast, the economic impact of the cloud is undeniable and is poised as a key catalyst for economic prosperity. As such, it is important for businesses in the region to invest in cloud computing technology to stay competitive and boost their economic potential,” added Abdella.

The report identifies four key advantages of cloud computing: First, it enhances business efficiency and effectiveness, streamlining processes and improving outcomes; second, it offers access to a wide range of services, enabling businesses to leverage advanced technologies; third, it boosts productivity by facilitating collaboration, mobility, and agility within the workforce; fourth, cloud computing promotes environmental sustainability by reducing carbon emissions per unit of data transmitted.

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