Which Factor bites? Identifying Labour, Land or Capital as the Dominant Resource Constraint in South Africa.

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Capital scarcity is often treated as the main bottleneck to structural transformation in African economies.
Yet for South Africa, it remains unclear whether capital is more binding than labour or land, and whether foreign or domestic investment is better aligned with the sectors most important for demand-led development.
This paper addresses these questions using a demand-driven Social Accounting Matrix (SAM) model calibrated to South Africaâ€™s 2019 SAM.
We derive labour, land and capital-specific multipliers and refine them with the Hypothetical Extraction Method (HEM) to identify the activities whose constraints most strongly attenuate economy-wide effects.
We then compare the sectoral distribution of foreign direct investment (FDI) and domestic investment demand with the sectoral pattern implied by these multipliers and extraction results.
This makes it possible to assess whether observed investment allocations are consistent with the sectors that lead growth under alternative factor constraints, and whether foreign or domestic investment is more closely aligned with employment creation, capital deepening, land use, and broader developmental objectives.
The analysis therefore links macro-structural multiplier effects to the composition of actual investment, providing evidence on whether policy should prioritise FDI facilitation, domestic finance, or a differentiated sectoral strategy.