THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA — SECOND QUARTER 2024

*The Real Economy Bulletin is a TIPS review of quarterly trends, developments and data in the real economy, together with a comprehensive analysis of the main manufacturing industries and key data in Excel format.**

GDP growth

The GDP eked out 0.4% growth in the year to the second quarter of 2024. That comes on top of near-stagnation from early 2023, which was largely a result of falling mining and metals prices combined with difficulties at Eskom and Transnet. Manufacturing value added climbed 1.1% in the quarter, but is still lower than it was two years ago. It is 7% below its pre-pandemic levels. Metals revenues have fallen precipitously since 2022.

The GDP has remained almost unchanged since the second half of 2022, edging up 0.4% in the year to the second quarter. That rate of growth is around 1% slower than the expansion in the population.

In effect, the relatively rapid, although volatile, growth rates seen in the recovery from the pandemic have levelled out, apparently in large part due to the challenges around electricity and transport discussed in the section on infrastructure on page 9. Stagnation in world mining prices and restrictive macro-economic policies have added to the malaise.

In April, the IMF forecast that South Africa's GDP growth would accelerate to 1.4% by the end of the decade, compared to 3% for other upper middle-income countries excluding China, and 3.3% for China.

*Available at www.tips.org.za/the-real-economy-bulletin

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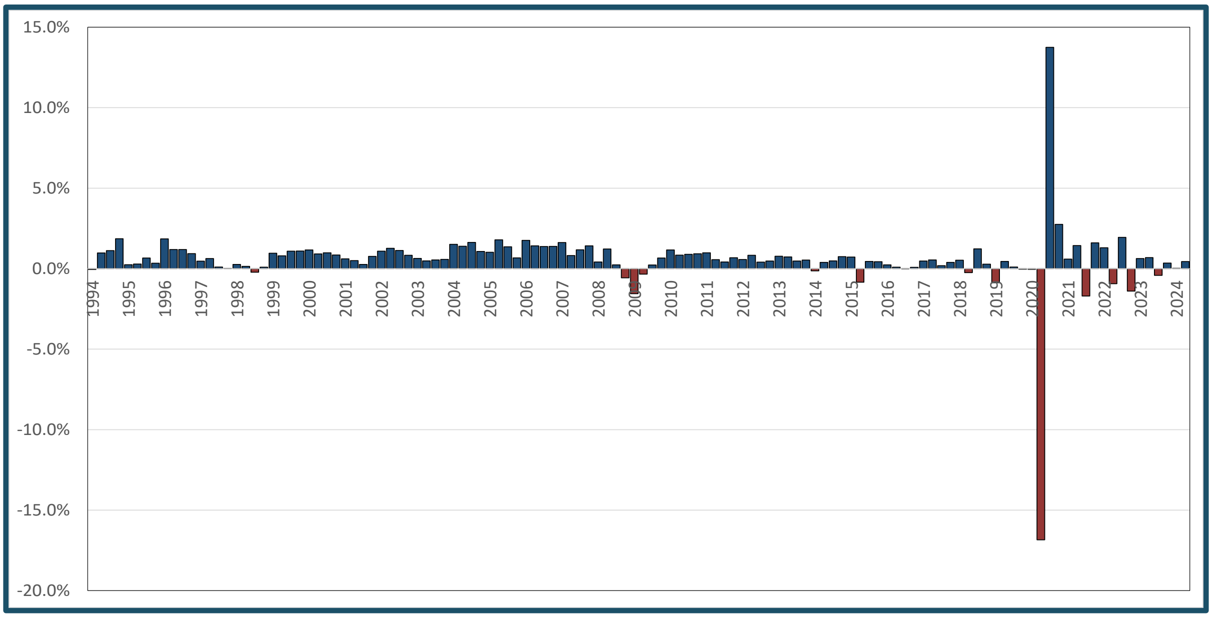
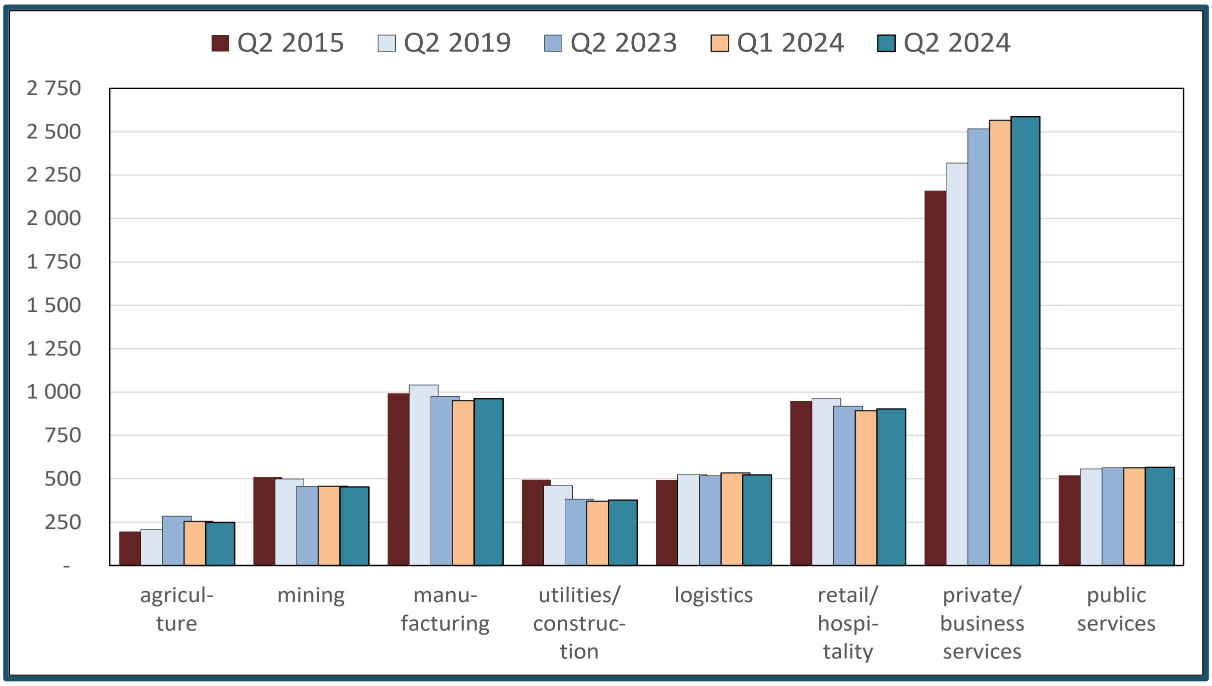
Graph 1: Quarterly change in GDP, seasonally adjusted, 2000 to first quarter 2024



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2022Q4.Excel spreadsheet.

Virtually all the growth in the year to second quarter took place in private services – professional services like engineering, software production, cultural work and the law; cleaning and security; and personal services such as hair dressing. These industries have driven the recovery from the pandemic downturn in 2020, but they have also seen slowing growth in the past two years. Retail and hospital also saw some expansion in the year to June 2024. Manufacturing shrank over the year, although it saw some recovery in the second quarter of 2024. Every other sector was flat or declined. (Graph 2).

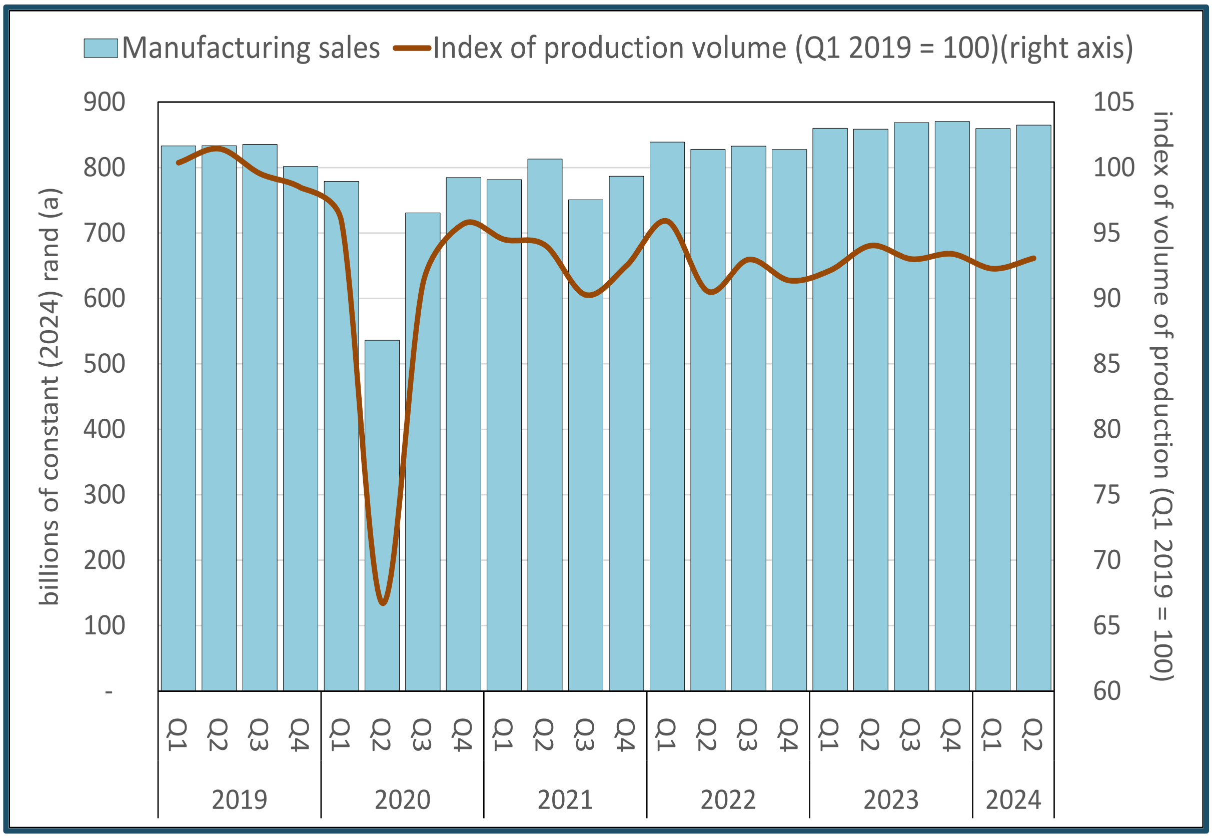
Graph 2: Value added by sector, second quarter 2015, 2019, 2023 and 2024, and first quarter 2024, in billions of constant (2024) rand (a)



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2022Q4. Excel spreadsheet.

Manufacturing sales in constant terms have been essentially flat since early 2023, while output in volume terms has reportedly barely increased since early 2021. (Graph 3)

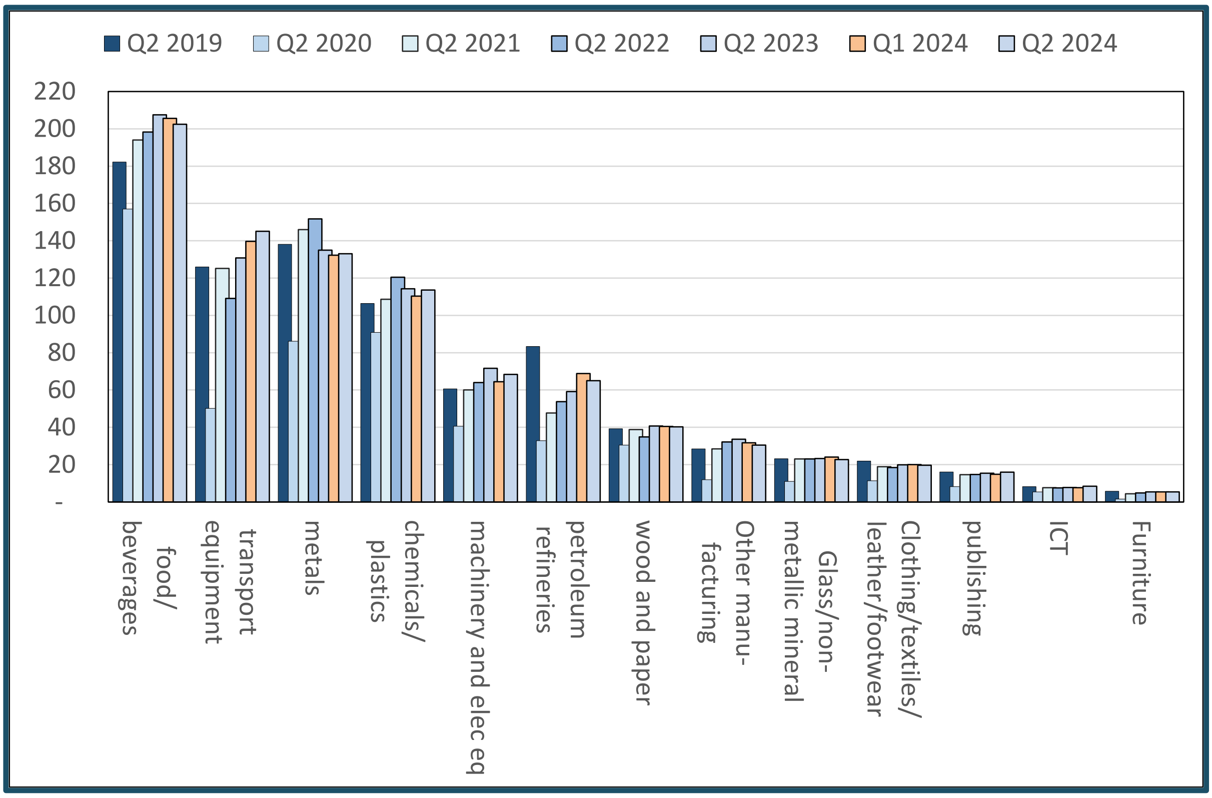
Graph 3: Quarterly manufacturing sales in billions of constant (2024) rand (a) and volume index (January 2020 = 100), seasonally adjusted, first quarter 2019 to second quarter 2024



Note: (a) Reflated with CPI rebased to first quarter 2024. Source: Calculated from Statistics South Africa. Manufacturing: Production and Sales, June 2024. Accessed at www.statssa.gov.za in September 2024.

Within manufacturing, most of heavy industry saw modest growth in the past quarter, but have shrunk year on year. For the year to the second quarter of 2024, only transport equipment and petrochemicals expanded their sales significantly, while most other manufacturing industries shrank. Petroleum, metals, and clothing and textiles are producing at well below pre-pandemic levels, but most other industries have caught up.

Graph 4: Second quarter sales by manufacturing industry from 2019 to 2024, and first quarter 2024, in billions of constant (2024) rand (a), seasonally adjusted

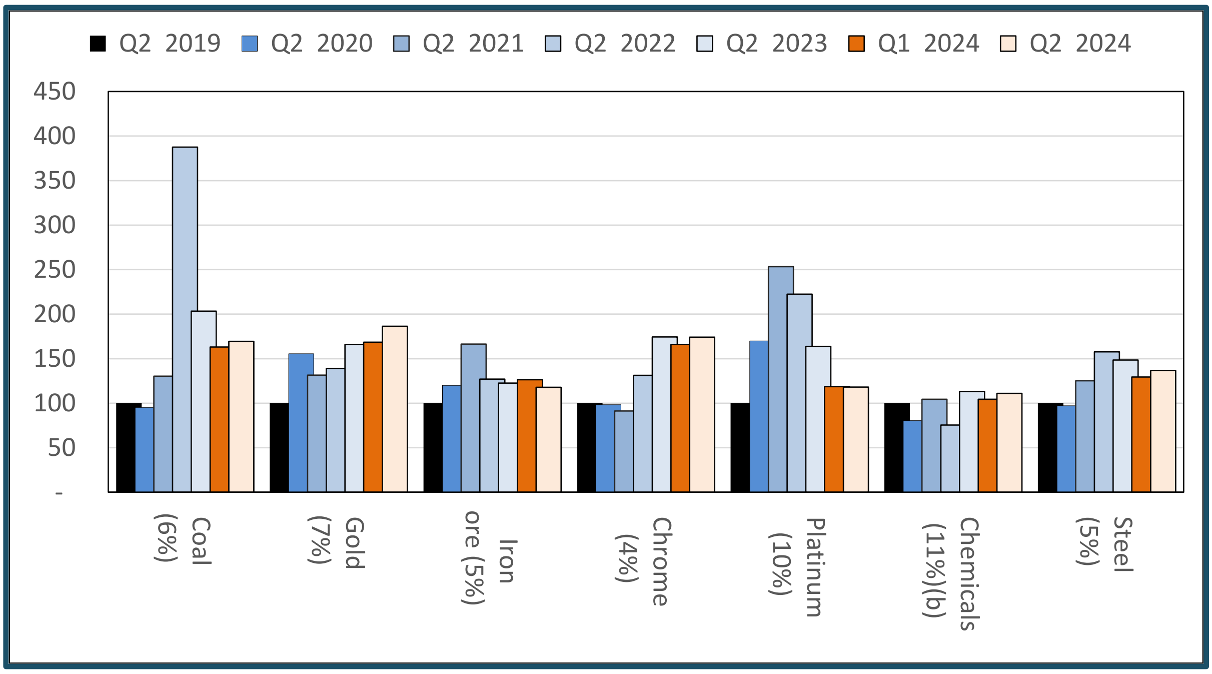


Note: (a) Reflated with CPI rebased to first quarter 2024. Source: Calculated from Statistics South Africa. Manufacturing: Production and Sales, June 2024.

The most obvious factors slowing manufacturing growth remain infrastructure challenges, as discussed in the section on page 9, and the fall in world mining prices since 2022.

As Graph 5 shows, prices for South Africa's main mineral exports have fallen significantly since their speculative peaks following Russia's 2022 invasion of Ukraine. The only exceptions are gold and chrome, which have seen a price surge, but together contribute only 11% of South African exports. In addition, deepening fiscal austerity and rising real interest rates have dampened domestic demand. Public investment has fallen in the year to the second quarter of 2024; the 2024/25 budget is imposing cuts in real terms to public services, including education and health; and interest rates are higher relative to CPI than at any time in the past decade.

Graph 5: Indices of South African unit export prices for major mining-based exports in 2024 rand (a); current share in total export revenues in parentheses



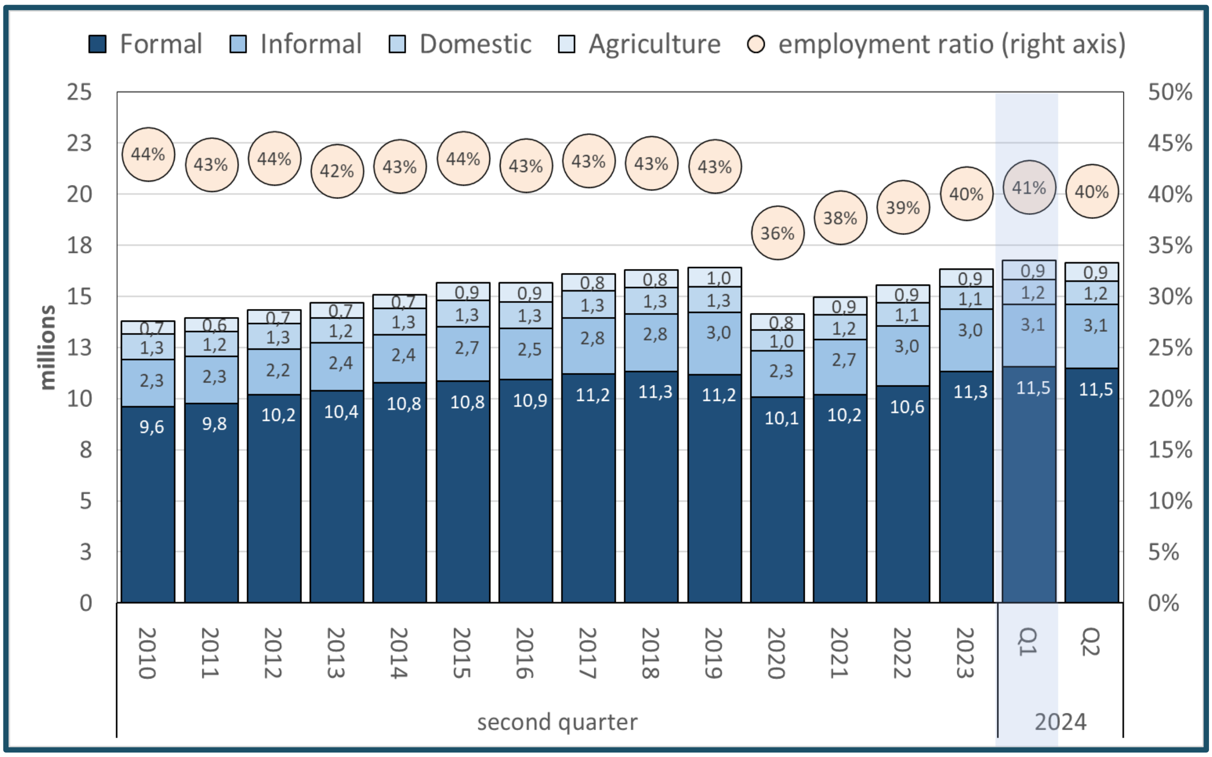
Note: (a) Reflated with CPI rebased to second quarter 2024. South African chemicals exports derive primarily from coal. Source: Calculated from Quantec. EasyData. Interactive dataset. Series on trade in SIC categories.

Employment

In the year to the second quarter of 2024, employment reportedly expanded by just over 300 000 or almost 2% – far faster than reported GDP growth. The informal sector saw the most rapid growth, expanding by 3.3% compared to just 1.2% for the formal sector. As a result, the share of adults with paid employment stabilised at 40%, still well below pre-pandemic figures and far lower than the global norm of 60%. Manufacturing employment recovered from steep job losses in mid-2023, gaining 100 000 jobs year on year.

In the year to the second quarter of 2024, the Quarterly Labour Force Survey (QLFS) found that total employment increased by 311 000 jobs, or 1.9%, to reach a total of 16.7 million (Graph 6) The QLFS is not seasonally adjusted, and quarter-on-quarter changes are largely seasonal. The formal sector gained 140 000 new positions, or 1.2%. In contrast, the much smaller informal sector expanded by 100 000, for growth of 3.3%. Domestic work gained 67 000 jobs, or 6.1%, increasing its total to 1.2 million compared to 1.3 million in 2019, before the pandemic. Agriculture remained essentially unchanged.

Graph 6: Second quarter employment by type of employer, and the employment ratio (a), second quarter from 2010 to 2024 and first quarter of 2024

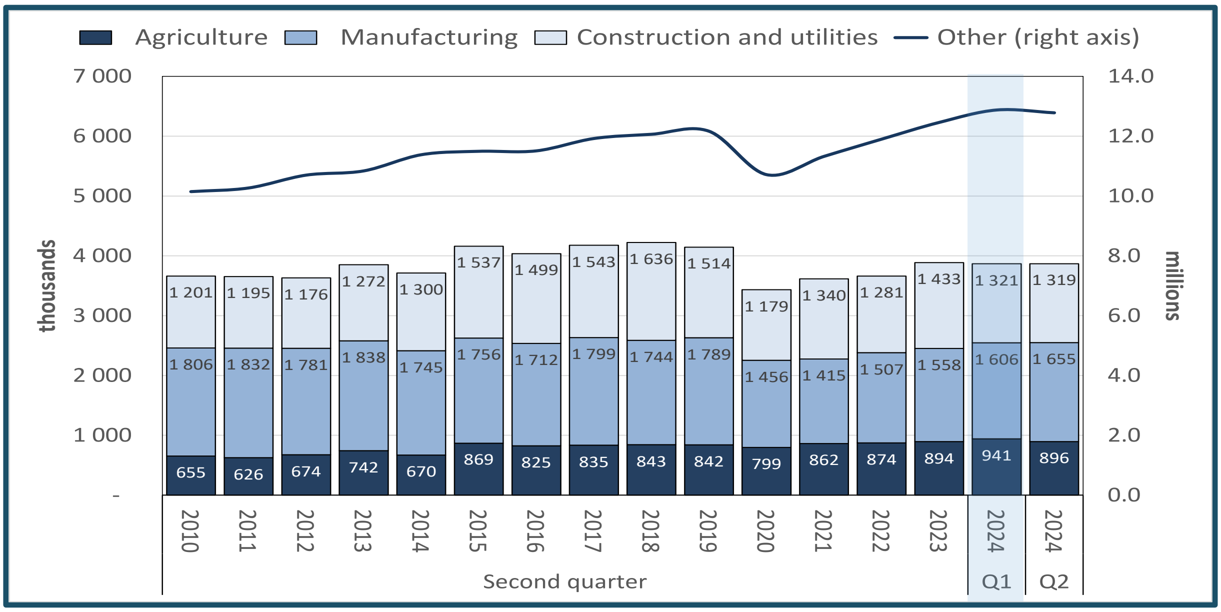


Note: (a) The employment ratio equals employed as percentage of total working aged population.
Source: Calculated from Statistics South Africa. QLFS Trends 2008-2024Q2. Excel spreadsheet.

Employment in the second quarter of 2024 was slightly higher than in the second quarter of 2019, before the pandemic, following the loss of 2.3 million jobs in the second quarter of 2020. The share of adults with employment reached 40%, 0.5% higher than a year earlier. That was the same as a year earlier, and still well below pre-pandemic rates, as job creation lagged the growth in the adult population since 2020.

Manufacturing gained almost 100 000 jobs in the year to June 2024 according to the QLFS. Construction lost the same number of jobs, however, for an 8% decline over the year. Together, these sectors employed approximately 300 000 fewer people than before the pandemic. In contrast, the rest of the economy, made up mostly of private and personal services, retail, logistics and social services, gained 320 000 jobs, or 2.6% in the year to June 2024.

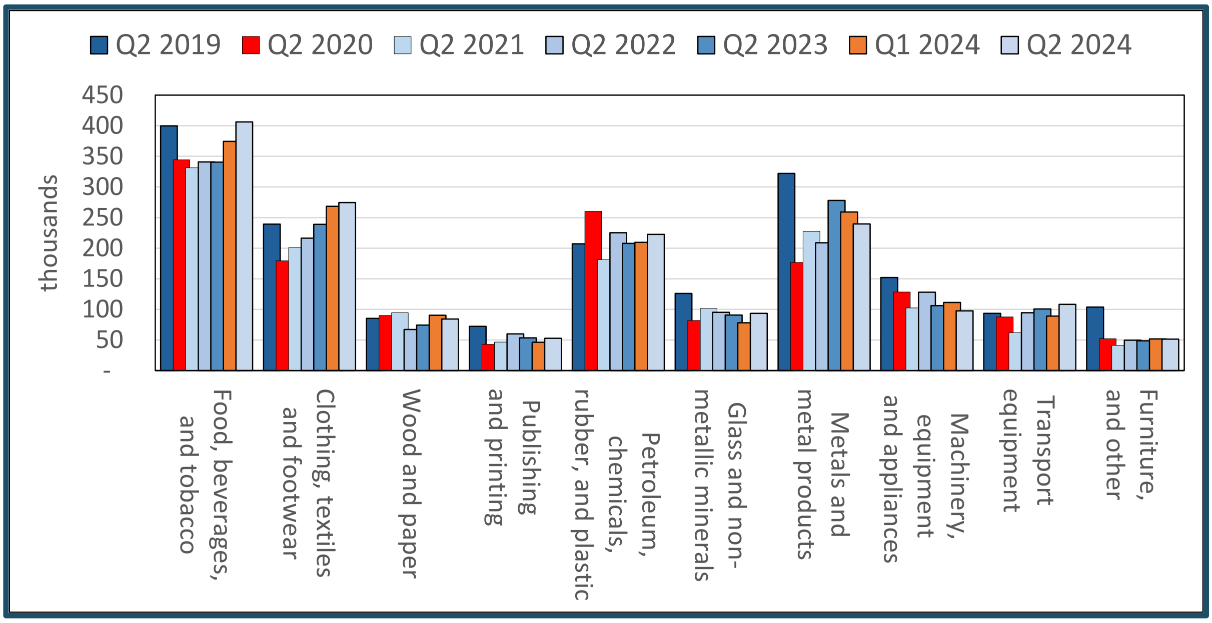
Graph 7: Employment in agriculture, manufacturing and utilities and construction, in thousands, and in the rest of the economy in millions, 2010 to second quarter 2024



Source: Calculated from Statistics South Africa. QLFS Trends 2008-2024Q2. Excel spreadsheet.

Within manufacturing, food processing accounted for two thirds of job gains in the year to the second quarter of 2024. Clothing and textiles made up most of the rest. In contrast, metals and metal products saw significant net job losses. Employment in machinery and equipment also shrank. Employment in most of heavy industry remains below pre-pandemic levels, but clothing and food processing have more than recovered from the lockdown in the second quarter of 2020.

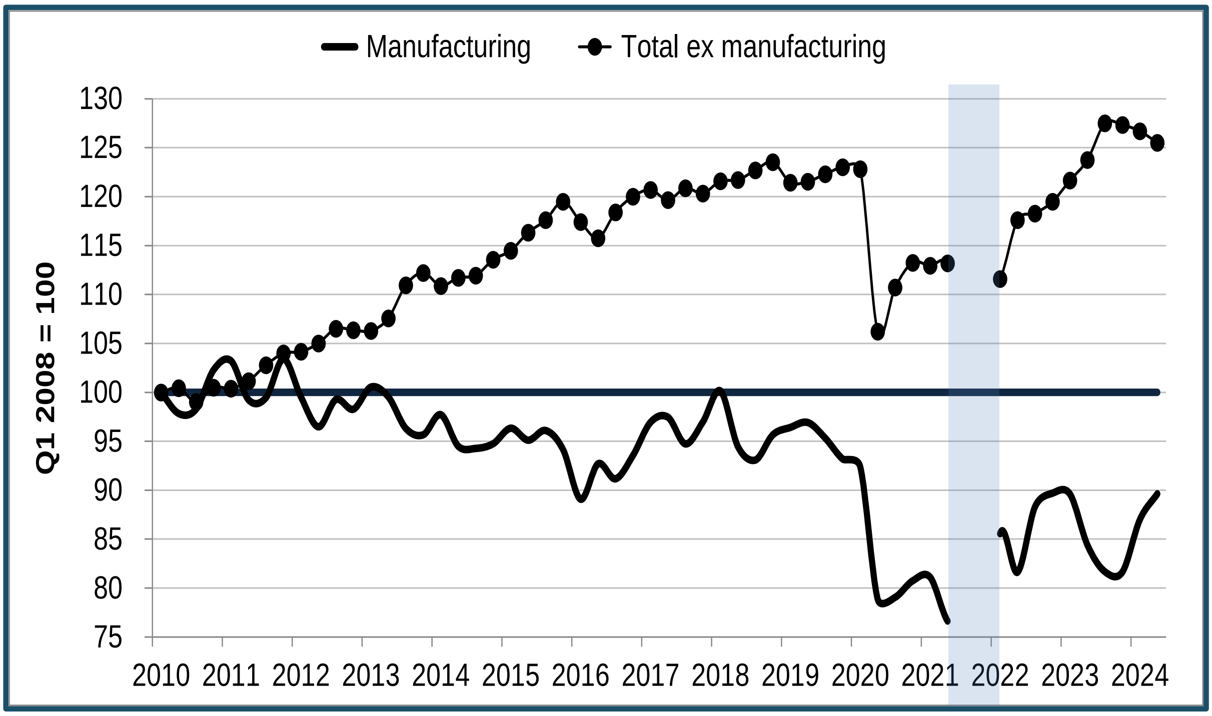
Graph 8: Employment in manufacturing industries, second quarter 2020 to 2024 and first quarter 2024



Source: Calculated from Statistics South Africa. Quarterly Labour Force Survey for relevant quarters. Electronic databases.

Although manufacturing recovered from a sharp dip in 2023 by mid-2024, it remained more than 5% below pre-pandemic levels. In contrast, the rest of the economy has lost jobs for the past four months, but it is still slightly higher than in 2019, before the pandemic downturn. Overall, manufacturing has lost jobs since 2010, while the rest of the economy has gained positions, mostly in services and agriculture. (Graph 9)

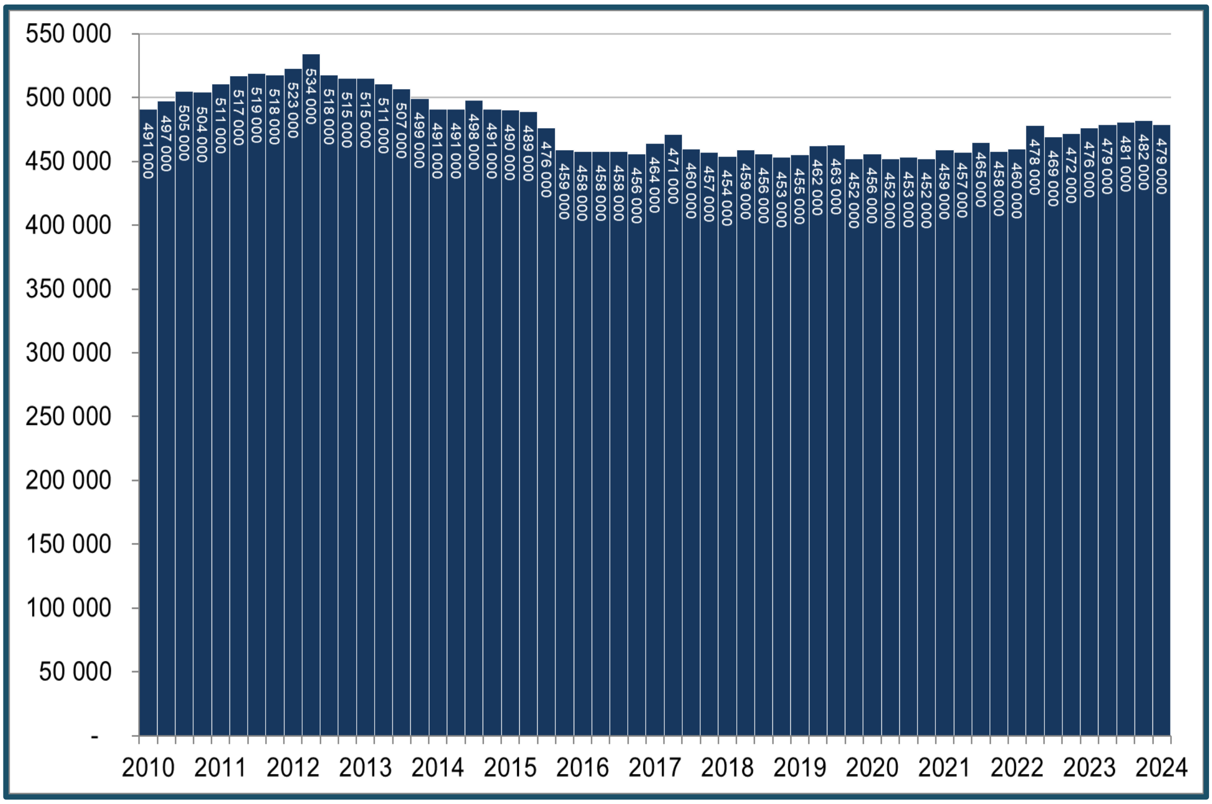
Graph 9: Index of employment in manufacturing and the rest of the economy, first quarter 2010 to the second quarter of 2024 (first quarter 2010 = 100) (a)



Note: (a) Response rates for the QLFS were extremely low in the second half of 2021, and the figures for that period are therefore highly unreliable and excluded from the graph. Source: Calculated from Statistics South Africa. QLFS for relevant quarters. Electronic databases.

For data on mining employment, Statistics South Africa recommends the survey of formal businesses, the Quarterly Employment Survey, rather than the QLFS, which samples households. However, the Quarterly Employment Survey is published a quarter behind the QLFS. It found that mining employment was essentially flat in the year to the first quarter of 2024, following a period of steady although slow expansion from 2020. (Graph 10) The flattening out in mining employment presumably reflected, at least in part, the fall in mining prices from mid-2023.

Graph 10: Mining employment, first quarter 2010 to first quarter 2024



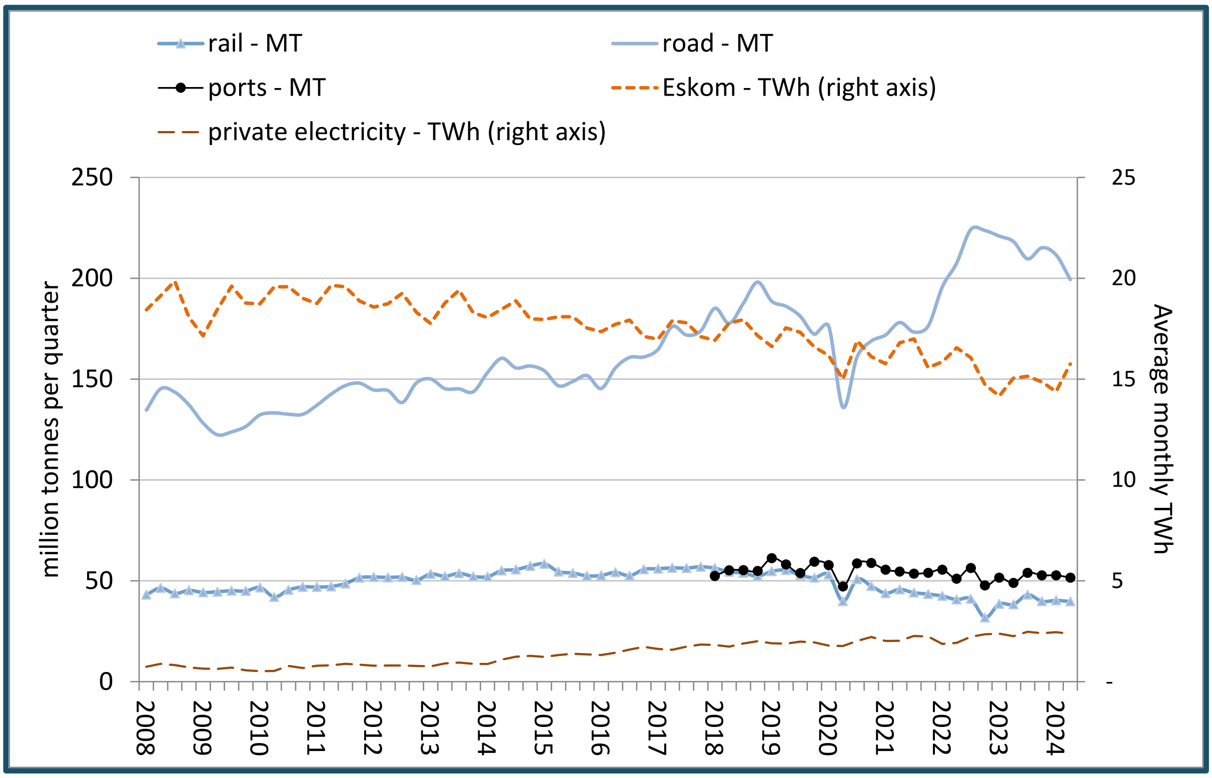
Source: Statistics South Africa. Quarterly Employment Statistics. Detailed breakdown. First quarter 2024 Excel spreadsheet.

Infrastructure

From the mid-2010s, both Eskom and Transnet saw lower sales but higher tariffs. In the second quarter of 2024, electricity generation showed significant signs of recovery at both Eskom and private suppliers. Transnet rail and ports, however, declined further. In real terms, both electricity and rail tariffs increased faster than headline inflation.

Loadshedding virtually disappeared in the first half of 2024 after reaching historic heights in 2023. In the second quarter of 2024, the electricity available through the national grid was 4.7% higher than a year earlier. Nonetheless, national supply, excluding generation for own use by households and companies, remained at levels last seen in 2002. Eskom's supply to the grid jumped nearly 10% in the second quarter 2024, following a decline in the previous two quarters. Like the overall grid supply Eskom's output was 4.7% higher than a year earlier. (Graph 11) Eskom's supply to the grid remained below 2000 levels, however, having plummeted almost 20% from 2008.

Graph 11: Road, rail and ports tonnage carried (in million tonnes) and Eskom and other grid suppliers' electricity available (in TWh), 2008 to second quarter 2024



Source: Calculated from Statistics South Africa. Electricity generated and available for distribution. Excel spreadsheet from 2000; and Land Transport Survey. Excel spreadsheet. Downloaded from www.statssa.gov.za in September 2024. For ports, Transnet National Ports Authority. Port Statistics. Webpage. Accessed at https://www.transnetnationalportsauthority.net/Commercial%20and%20Marketing/Pages/Port-Statistics.aspx in September 2024.

Private supply to the grid has been essentially flat for the past six quarters. Still, as of the second quarter 2024, it was nearly twice as high as in 2008. The private share in grid electricity climbed from 4% in 2010 to 14% in the first half of 2024. In addition, off-grid electricity capacity climbed sharply as loadshedding spiked in 2023. SALGA estimates off-grid solar alone now has almost 5GW capacity, equal to nearly a tenth of the grid's installed capacity. Nearly half of the estimated solar capacity, however, is not registered.[1] The end of loadshedding will likely see some slowdown in solar installations at households, small businesses and commercial buildings. It is unlikely to affect the huge planned investments in renewable energy in the mining value chain and other export-oriented manufacturing. These industries are concerned that they will face barriers to foreign sales unless they move away from coal-fuelled electricity.

The price of grid electricity has exceeded CPI consistently since 2008. The price index for household electricity and other fuels, excluding petrol, rose some 350% above headline CPI from 2008 to mid-2024. In the second quarter of 2024, it was 15% higher than a year earlier, while headline inflation had risen only 5%. The rising price of grid electricity has encouraged growth in off-grid generation.

[1] SALGA. 2023. Status of Embedded Generation in South African Municipalities. South African Local Government Association. December 2023. Accessed at https://www.sseg.org.za/wp-content/uploads/2024/02/Status-of-EG-in-South-African-Municipalities-2023-FINAL-2.pdf in September 2024. Page 16.

The decline at Transnet since the mid-2010s has been less marked than at Eskom, but has accelerated in the past five years. (Graph 11) The tonnage carried by Transnet rail fell 17% from the second quarter of 2019 to the second quarter of 2024, with most of the decline coming after 2023. Freight through the ports dropped 6% in this period, virtually entirely from 2022. The decline in tonnage results in part from inadequate facilities to maintain locomotives and cable theft.

For the 2023/24 year, Transnet's auditors expressed concerns about its viability as a going concern because its losses rose to R7 billion, up from R5 billion a year earlier. Transnet's revenues peaked in 2018 at R97 billion in constant (2024) terms. In the year to March 2024, its revenues were 17% below the peak, although they had recovered 5% from 2022/3.

Volumes transported on road freight were far more volatile, but stagnated from 2019. The share of rail in total freight transport, by weight, dropped from over 25% in the mid-2010s to 15% in 2023, but recovered to 17% in the second quarter of 2024.

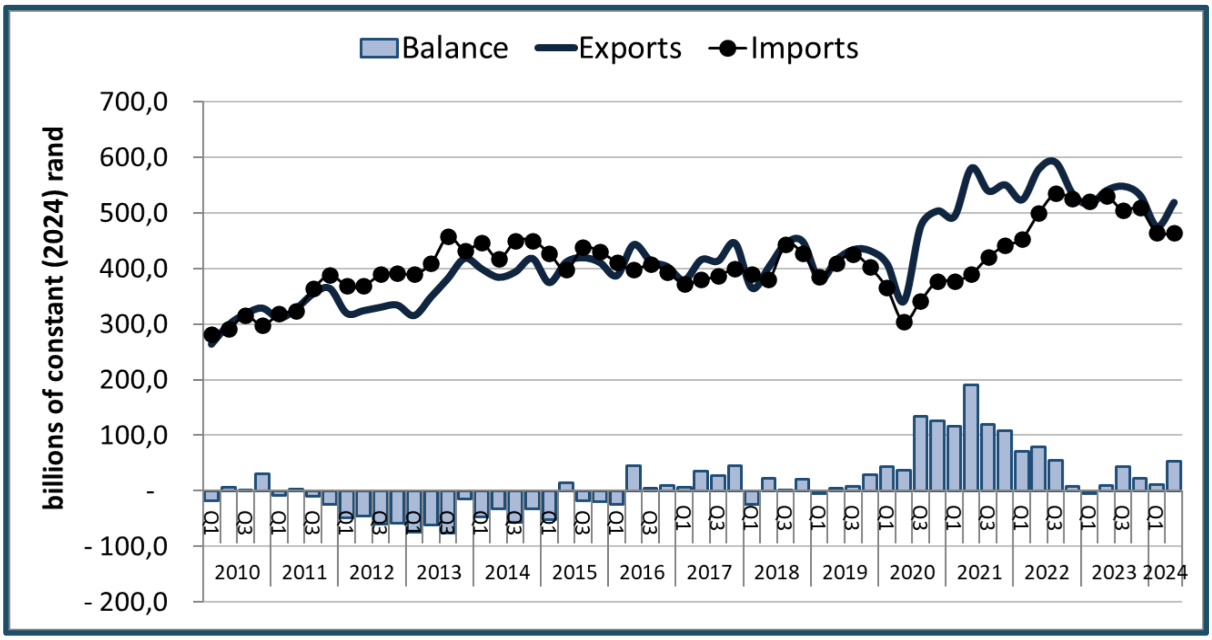
In contrast to Eskom, Transnet tariffs were mostly flat in the 2010s. They dropped sharply in 2021, but then recovered, rising 8% in constant rand in the three years to the second quarter of 2024. In contrast, the average cost per tonne for road freight declined almost continuously from 2008, dropping by over a third. From 2017, road freight was, on average, less costly than Transnet. Transnet's bulk ore and coal routes remained competitive, however, since they charged far less per tonne than container lines.

International trade

South Africa had a surplus in goods trade in the second quarter of 2024. That continued an almost unbroken string of surpluses since the 2020 pandemic, mostly because slow economic growth has dampened imports while global mining prices, although off their peaks, remain stronger than before the pandemic. Both goods exports and imports were lower than a year earlier, although exports ticked up compared to the previous quarter.

In constant rand, South Africa's goods trade surplus climbed from R11 billion in the first quarter of 2024 to R53 billion in the second quarter. The improvement mostly reflected falling imports and exports as both global mining markets and the South African economy slowed. Exports fell 4% from their peak in mid-2022, while imports dropped 6%. From the first to the second quarter of 2024, goods exports jumped 9% while imports climbed only 0.2%. In constant rand, in the second quarter of 2024 goods exports rose by R44 billion to R519 billion while goods imports climbed just R1 billion to R465 billion.

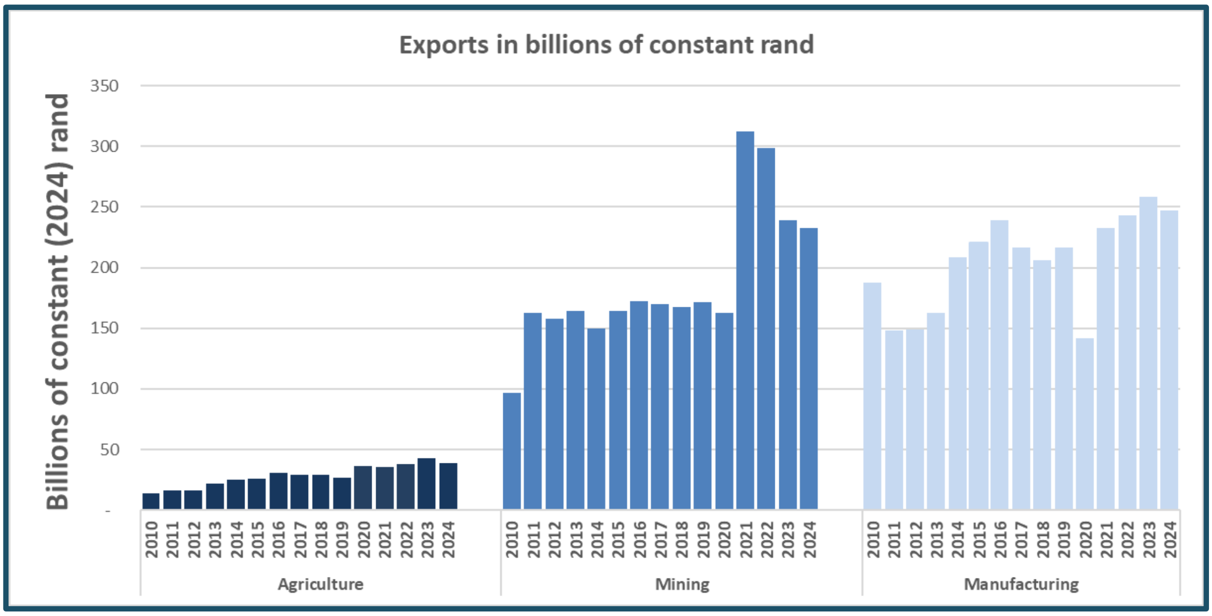
Graph 12: Quarterly exports, imports and balance of trade in billions of constant (2024) rand (a), first quarter of 2010 to second quarter of 2024



Note: (a) Reflated with CPI rebased to second quarter of 2024. Source: Calculated from South African Revenue Service data.

In constant rand, the value of mining exports was 25% off their 2021 peak in the second quarter of 2024 (Graph 13), mostly due to lower world prices. Manufacturing exports increased by some R14 billion (16%) during the same period, although they declined in the year to the second quarter 2024. Compared to mining and manufacturing, agriculture exports, which are comparatively small, dropped by 9% (R4 billion) from their 2023 peak of R43 billion.

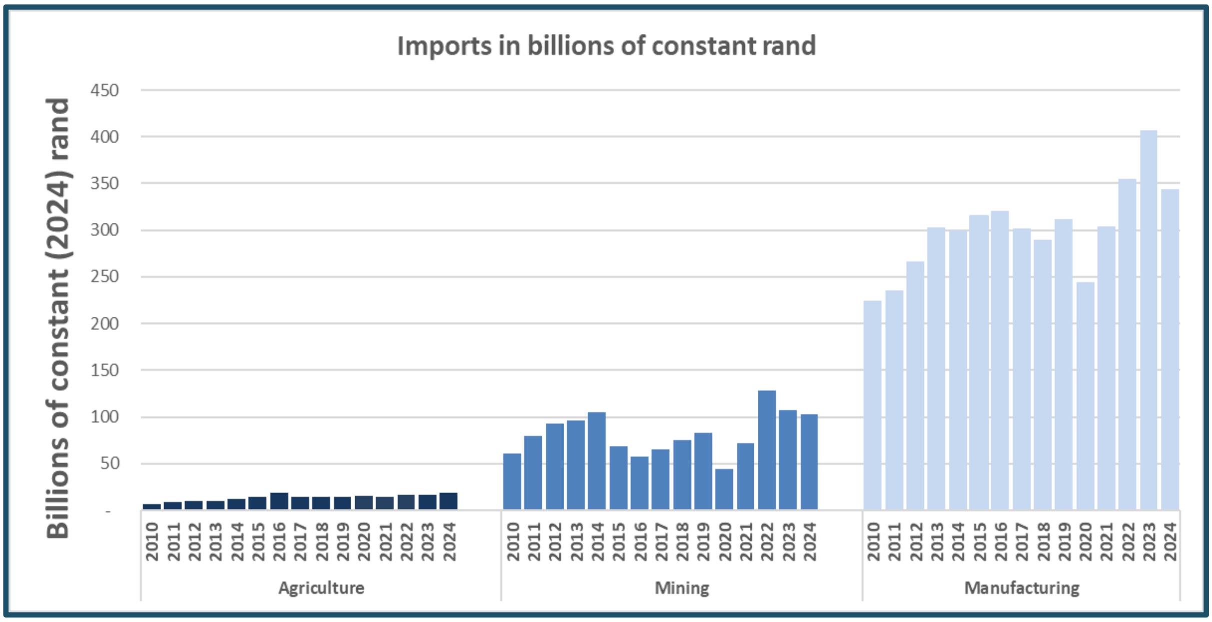
Graph 13: Second quarter goods exports in billions of constant (2024) rand (a), by sector, 2010 to 2024



Note: (a) Reflated with CPI rebased to second quarter of 2024. Source: Calculated from South African Revenue Service data.

Extractive imports, mostly petroleum, fell by R4 billion or 4% to R103 billion. That followed a sharp drop in 2023, mostly because of falling world prices. Still, in mid-2024, oil prices in US dollar terms remained substantially higher than in the late 2010s, although they declined in July and August. In year-on-year terms, manufacturing imports in the second quarter of 2024 contracted by R63 billion or 16% in constant terms, falling to R344 billion. Agricultural imports were essentially unchanged. (Graph 14)

Graph 14: Second quarter goods imports in billions of constant (2024) rand (a), by sector, 2010-2024



Note: (a) Reflated with CPI rebased to second quarter of 2024. Source: Calculated from South African Revenue Service data.

Within manufacturing, only food and transport equipment expanded exports in the year to June 2024. Transport equipment saw the largest increase in constant rand terms, by about R3 billion or 5%. Food and beverages exports grew by R320 million, while other subsectors continued to contract in the second quarter of 2024 (Table 1). Most manufacturing subsectors saw falling imports, with the exception of clothing and footwear, which had a minimal increase in the second quarter of 2024 (2%).

Table 1: Trade by manufacturing subsector

INDUSTRY	VALUE (BILLIONS)		% CHANGE FROM Q2 2023		CHANGE IN BILLIONS	
	USD	RAND	USD	RAND	USD	RAND
EXPORTS						
Food and beverages	1.31	24.3	7.3%	1.3%	0.09	0.32
Clothing and footwear	0.44	8.1	-0.1%	-5.5%	-0.00	-0.47
Wood products	0.15	2.8	3.2%	-2.3%	0.00	-0.06
Paper and publishing	0.43	8.1	0.6%	-5.0%	0.00	-0.42
Chemicals, rubber, plastic	2.15	40.0	2.1%	-3.6%	0.04	-1.48
Glass and non-metallic mineral products	0.10	1.8	-13.0%	-17.8%	-0.01	-0.39

INDUSTRY	VALUE (BILLIONS)		% CHANGE FROM Q2 2023		CHANGE IN BILLIONS	
	USD	RAND	USD	RAND	USD	RAND
Metals and metal products	2.91	54.1	-8.4%	-13.3%	-0.27	-8.32
Machinery and appliances	2.13	39.5	-5.2%	-10.5%	-0.12	-4.61
Transport equipment	3.40	63.2	11.2%	5.2%	0.34	3.10
IMPORTS						
Food and beverages	0.93	17.2	-1.8%	-7.2%	-0.02	-1.33
Clothing and footwear	1.10	20.3	8.3%	2.4%	0.08	0.49
Wood products	0.09	1.8	5.2%	-0.5%	0.00	-0.01
Paper and publishing	0.32	5.9	-57.4%	-59.8%	-0.43	-8.79
Chemicals, rubber, plastic	3.65	67.7	3.5%	-2.1%	0.12	-1.44
Glass and non-metallic mineral products	0.22	4.1	-8.6%	-13.5%	-0.02	-0.64
Metals and metal products	1.37	25.4	-5.3%	-10.5%	-0.08	-2.97
Machinery and appliances	6.00	111.5	-23.8%	-28.0%	-1.88	-43.30
Transport equipment	4.48	83.3	-0.4%	-5.9%	-0.02	-5.18

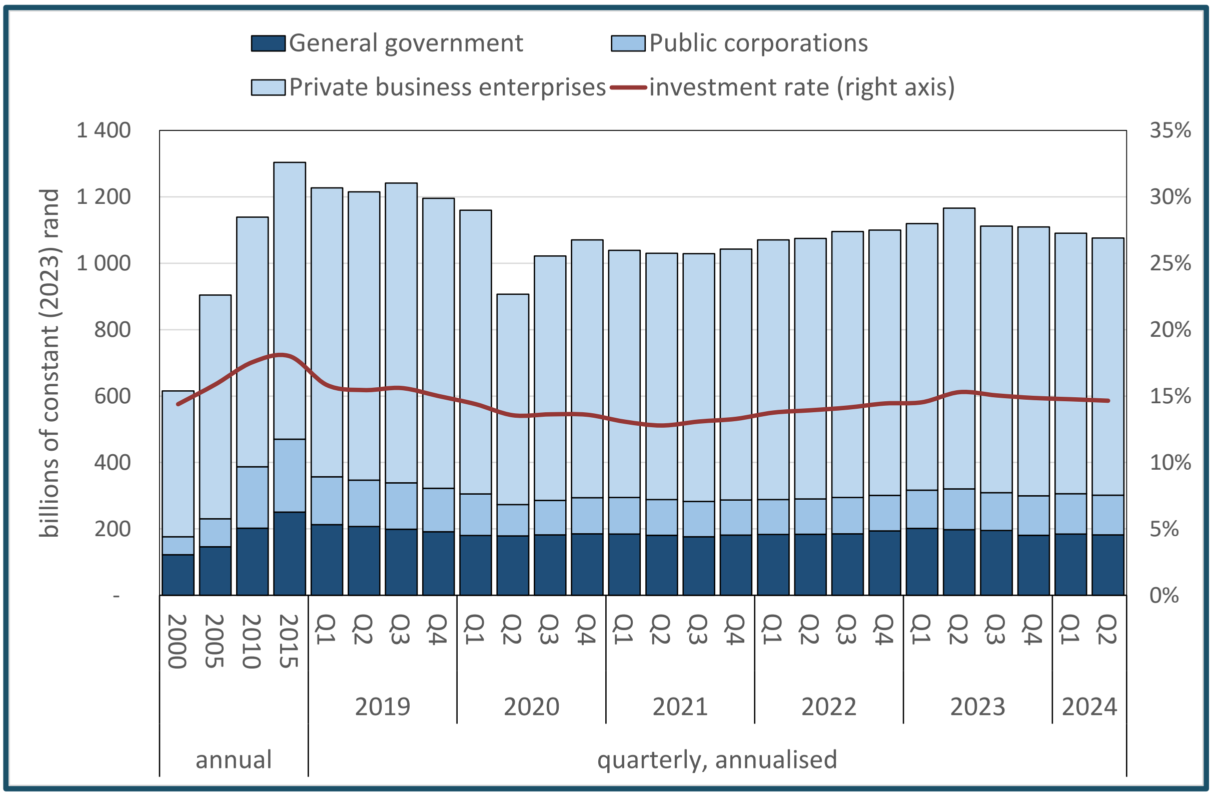
Source: SARS monthly data.

Investment and profitability

Over the year to the second quarter of 2024, the investment rate fell to 14.6%, down from its post-pandemic peak of 15.3% and well below pre-pandemic levels. Both government and private investment shrank sharply over the year. By type of capital acquired, public works and buildings accounted for most of the decline, while machinery and equipment increased, in part reflecting large-scale investment in renewable electricity. In terms of profitability, manufacturing remained stable but mining and construction experienced a decline.

Post-pandemic investment peaked in the second quarter of 2023, but it has fallen steadily since then. Gross fixed capital formation in the second quarter of 2024 was 6% lower than a year earlier, and 1% down on the first quarter. For the year, both private and general government investment shrank 7% in constant rand terms, while investment by state-owned companies fell 1%. The investment rate – that is, gross fixed capital formation as a share of the GDP – dropped from 15.3% in the second quarter of 2023 to 14.6% a year later. That compares to a post-1994 high of 18% in 2015, but the rate had already fallen to 15.5% by 2019. (Graph 15)

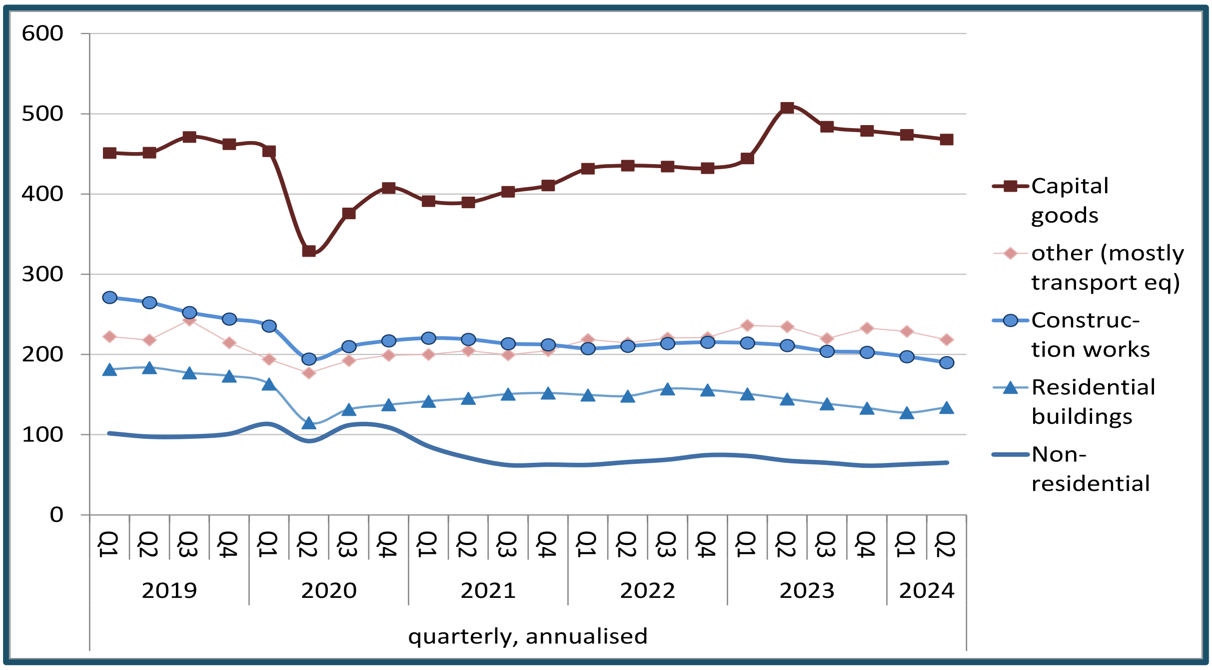
Graph 15: Investment by type of investor in constant 2024 rand and the investment rate (a), every five years from 2000 and quarterly from 2020 to the second quarter of 2024



Note: (a) Figures for investment are reflated with implicit deflator rebased to March 2023. The investment rate is gross fixed capital formation as a percentage of expenditure on the GDP. Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2024Q2. Excel spreadsheet.

The available evidence underscores the difficulty of maintaining public investment in a context of fiscal and monetary austerity, despite the government's formal prioritisation of infrastructure spending. The structure of capital investment reflects these constraints. All types of construction – homes, non-residential buildings and public works – have fallen by 28% in recent years. In contrast, investment in machinery and equipment now exceeds 2019 levels by 4%. The rapid expansion in off-grid electricity, especially in renewables, pushed up expenditure on capital goods in 2023.

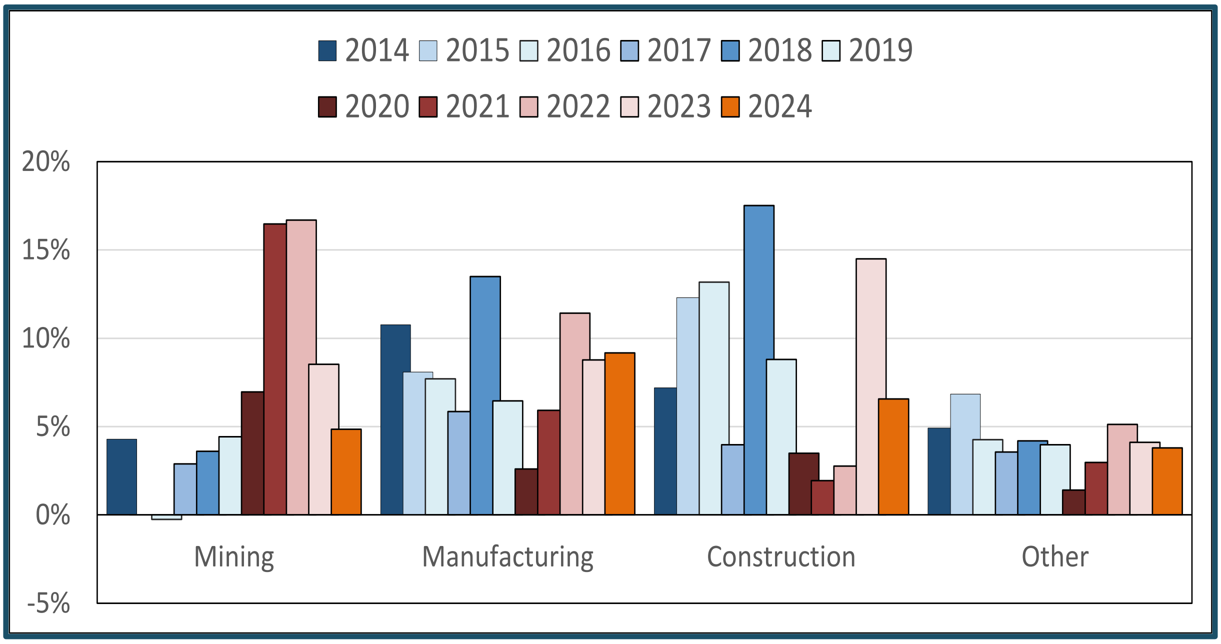
Graph 16: Quarterly gross fixed capital formation by type of asset, 2019 to second quarter 2024, in billions of constant (2024) rand (a)



Note: (a) Figures for investment are reflated with implicit deflator rebased to March 2023. Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2024Q2. Excel spreadsheet.

Data on profitability by sector are available only through the first quarter of 2024, from Statistics South Africa's Quarterly Financial Statistics. Return on capital in construction spiked at 14% in the first quarter of 2023, but had dropped to 7% a year later. In mining, the return on capital decreased to 5% at the start of 2024, well below the level two years earlier. In contrast, returns on capital in manufacturing remained relatively stable at 9%, substantially higher than the other sectors.

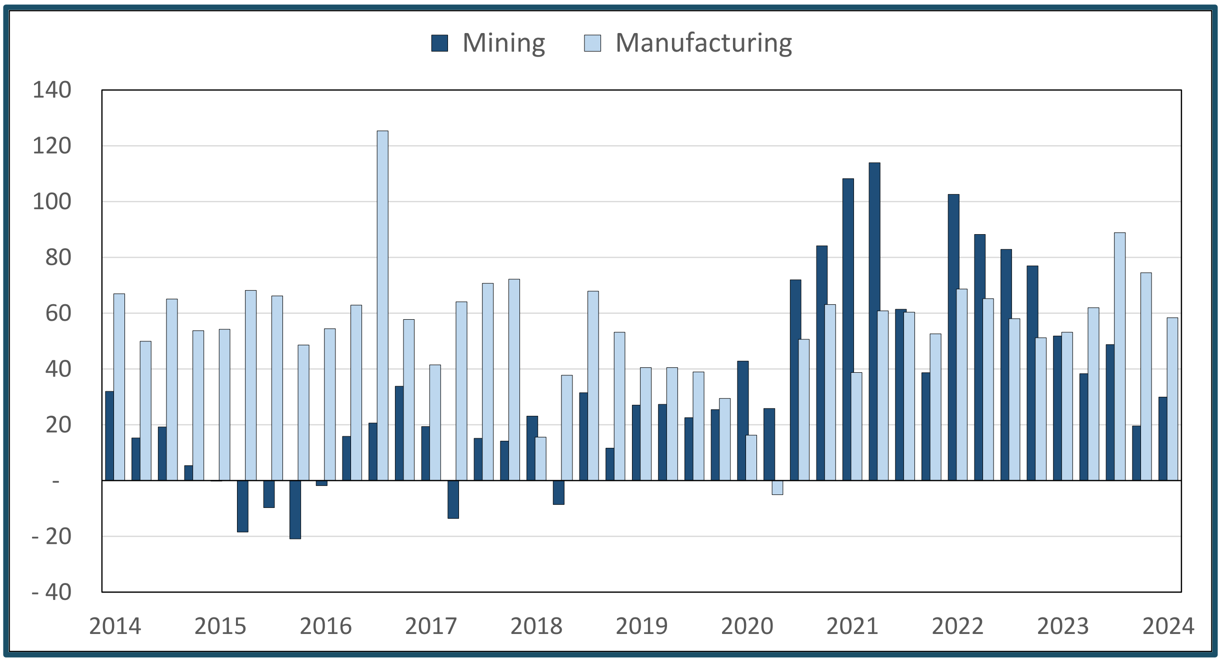
Graph 17: Return on assets by sector, first quarter, 2014 to 2024



Source: Calculated from Stats SA, Quarterly Financial Statistics. Excel spreadsheet.

In the first quarter of 2024, manufacturing profits in constant (2023) rand dropped sharply from R75 billion in the fourth quarter of 2023 to R58 billion. This decline was presumably due to slow economic growth and infrastructure delays in South Africa. In contrast, mining profits increased by more than half (53%), from R20 billion in the fourth quarter of 2023 to R30 billion in the first quarter of 2024

Graph 18: Quarterly profits in manufacturing and mining in billions of constant 2023 rand (a), 2013 to first quarter of 2023



Source: Calculated from Stats SA, Quarterly Financial Statistics. Excel spreadsheet.

Foreign direct investment projects

The TIPS Foreign Direct Investment Tracker monitors FDI projects on a quarterly basis, using published information. It added 11 projects across four industries – electricity, services, manufacturing and mining – in the second quarter 2024. Less than a handful of projects reported values for their respective investments; the R8.1 billion investment value reported for the quarter comes from only three projects. The Tracker updated progress for 17 projects recorded previously.

New and existing projects

This quarter's projects centre on renewable energy and recycling. Six initiatives provide renewable energy infrastructure, including the R5.7 billion Red Sands Battery Energy Storage System (BESS) by Globeleq, the fifth project selected under bid window 1 of the Battery Energy System Independent Power Producer Programme. Heineken is investing R2.3 billion investment in a returnable glass programme. The main source of investment is Europe.

Table 2: FDI projects captured in the second quarter of 2024

Investor Company	Country Of Origin	Pledged Value (R bns)	Location	Project Summary
Electricity: R5.7 billion				
Globeleq	United Kingdom	5.7	Northern Cape	153 MW Red Sands standalone Battery, Energy Storage System (BESS) project, 5th preferred bidder under the Battery Energy Storage IPP Procurement Programme (BESIPPPP)
Enertrag	Germany	Not reported	Mpumalanga	Developing the 210MW Hendrina Wind Energy Facility
Yellow Door Energy	UAE	Not reported	North West	240 MW Leeudoringstad (Naledi) solar photovoltaic solar PV plant
Yellow Door Energy	UAE	Not reported	Limpopo	Overyssel Boerdery hybrid renewable energy and micro grid system (Solar PV and BESS)
BP Southern Africa	United Kingdom	Not reported	Multiple locations	Piloting solar PV installations on four sites
Sunfarming	Germany	Not reported	Multiple locations	Agri-solar power plant for energy generation and food production
Services: R2.3 billion				
Heineken	Netherlands	2.3	Multiple locations	Expanded returnable glass bottle programme and redesigning bottle
Bp Southern Africa	United Kingdom	0.02	KwaZulu-Natal	Adding new service stations
DPD Laser	France	Not reported	Multiple locations	Expanding courier delivery fleet
Manufacturing: Not reported				
ArcelorMittal South Africa	Luxembourg	Not reported	Gauteng	Converting one of three blast furnaces to an electric arc furnace
Mining: Not reported				
Menar	Luxembourg	Not reported	Northern Cape	Proposed underground manganese mine

Note: Numbers may not always sum to the exact amounts due to rounding. Source: FDI Tracker database

Greenfield projects make up the majority of the announced projects, as Table 3 shows.

Table 3: Value of projects by investment stage and type, second quarter 2024, in billions of rand

	Stage	Announced	Feasi-bility	Prepara-tion	Implemen-tation	Com-pleted	Total value	Number
Invest-ment type	Green-field	n.a.	n.a.	5.7	n.a.	-	5.7	7
	Upgrade	n.a.	-	-	-	-	n.a.	1
	Expan-sion	0.02	-	-	-	2.3	2.3	3
Total value		**0.205**	**2.5**	**5.7**	**n.a.**	**n.a.**		
Number		**4**	**1**	**4**	**1**	**1**		

Note: Numbers may not always sum to the exact amounts due to rounding. Source: TIPS FDI Tracker database.

Updates

The second quarter of 2024 saw a mix of government and private renewable energy generation projects advance. Notably, under the Renewable Energy Independent Power Producer Programme (REIPPPP), Scatec has commenced construction of the Grootfontein solar projects. Private sector initiatives include the Crossroads green energy cluster, which will supply Hive Energy's planned green ammonia export facility that was announced at the 2023 South African Investment Conference (SAIC). Another project announced at SAIC 2022, the expansion of Tetra Pak's manufacturing facility, was completed this quarter.

In the automotive sector, Volkswagen announced a facility upgrade and a new vehicle model, while Stellantis is gearing up to begin construction of its manufacturing plant. In mining, several projects made progress, with permits being granted and operations, such as the Zandfontein underground restart project, beginning. The service sector saw limited updates, with Amazon's newly launched digital marketplace being the sole development reported.

Table 3: Project updated in the second quarter of 2024

Project	Company	Announced value (R bns)	Sector	Progress update
Complete/ Operational				
Tetra Pak aseptic packaging material plant expansion	Tetra Pak	0.5	Mfg	Completed upgrades and re-opened facility. Pledged the investment in 2022 SAIC
Amazon marketplace	Amazon	Not reported	Services	Officially launched the Amazon online store for South Africa
Crocodile River Mine: Zandfontein under-ground restart project	Eastern Platinum	0.4	Mining	The restart of Zandfontein mine initiated
Menar coal project pipeline: Gugulethu Colliery	Menar	0.6	Mining	Started producing first Run- of-Mine in January, processing plant hot and cold commissioned
Construction/implementation				
Grootfontein (1, 2 and 3) solar PV projects	Scatec	3	Utilities	Construction started
Ener-G-Africa manufacturing operation	Ener-G-Africa	0.1	Mfg	Opened new biomass stove and cookware manufacturing facility. To focus on solar panel manufacturing plant next.
VWA sustainability projects: Solar 2	Volkswagen Group Africa	0.1	Utilities	Installation commissioned
Africa Data Centre solar PV power plant	Africa Data Centre	Not reported	Utilities	Broken ground, construction commencing
Project-preparation				
Doornhoek PV	AMEA Power	14	Utilities	Reached financial close and signed PPA with Eskom
TGME gold project	Theta Gold Mines	7	Mining	Project fully permitted, finalising construction contracts

Project	Company	Announced value (R bns)	Sector	Progress update
Green Ammonia export plant- Green energy cluster	Hive Energy and others	3	Utilities	Received EIA authorisation for cluster of nine projects
Steelpoortdrift vanadium project	Vanadium Resources/V8	1.1	Mining	Finalising plans and regulatory permits pending
Stellantis manufacturing plant	Stellantis	Not reported	Mfg	The Coega Development Corporation is preparing the site where the facility will be built.
Early- stage developments: regulatory approvals, studies and exploration				
Vitol/ Vivo capital investment	Vivo Energy/ Vitol	10	Mfg	Competition Tribunal approved acquisition of Engen assets in South Africa – one of the conditions is a sizeable capital investment
VWA new vehicle model	Volkswagen Group Africa	4	Mfg	VWA confirmed investment to upgrade the Kariega facility and introduce new SUV model vehicle. Work scheduled for end of 2024
Sasol/ArcelorMittal Decarbonisation initiatives: Saldanha green hydrogen	Arcelor Mittal	3	Utilities	Prefeasibility report nears completion

Briefing Note 1: Women's economic access and the limitations of "men in hard hats" industrial policy

Nokwanda Maseko

Post-apartheid industrial policy has for the most part fallen short of delivering economic inclusion for women, particularly Black women. While there have been some improvements in women's economic outcomes since 1994 – in part due to policies aimed at redressing broader structural inequality – South African industrial policy has primarily focused on "hard hats" industries built under apartheid. These industries – like automotive manufacturing, petrochemicals and energy – often offer workers comparatively good economic outcomes in terms of earnings and social protection, but they are dominated by men.

Over two thirds of women are employed in community, social and personal services, wholesale and retail trade, and private households. In contrast, about 15% of men are employed in community, social and personal services, and almost two thirds in manufacturing, construction, financial and other business services, and wholesale and retail trade. Men are also more likely to be in senior management roles (11%), while women are more likely (about a third) to be in elementary and domestic work occupations. In addition, men's occupations show a bias towards "hard hats" roles as plant/machine operators and in craft and trade-related work (almost a third compared to 5% for women). In contrast, women are more likely (a fifth compared to just over 10% for men) to be in professional, technical and associate roles – which largely depend on knowledge and not "physical" labour. Similar trends can be seen in small business ownership, where men make up a higher share of formal business ownership than women.

However, women are not a homogenous group. In the same way that gender serves as an indicator for worse economic outcomes in the overall population, race predicts worse outcomes among women. Black women are less likely to be in employment and business ownership compared to women of other races. When they are economically active, it is more often in low-paying industries and occupations. Over a tenth of Black women are employed in private households (domestic workers). About a third are in community, social and personal services. In contrast, about 80% of employed White women are in financial and other business services, community, social and personal services, and wholesale and retail trade. These industries provide positions for two thirds of employed Coloured and Asian women.

Similar trends are seen in terms of women's occupation. Black women are over-represented in elementary and domestic occupations and among clerical, service and sales workers (more than two thirds). Less than 5% of employed Black women are in senior management roles. In contrast, a fifth of employed White women are in senior management, as are about a tenth of Coloured and Asian women.

Lagging economic outcomes for women reflect broader failures in addressing the structural factors perpetuating economic exclusion, especially for Black women. These problems are mainly historical. They are visible in unequal access to quality education, asset ownership and social networks, and spatial inequality. Black women are more likely for instance to have less than matric, and less likely to be employed even if they have a degree. Because of the privatisation of township housing, Black women are more likely than other women to own their homes, but their housing has a far lower value.

Among White women who own property, about half are valued between R500 000 and R2 million, compared to about a tenth for Black women and almost a third for Coloured and Asian women.

In addition, South African industrial policy is entrenched in industries built under apartheid, which did not prioritise women's economic inclusion. State support remains biased towards these industries, further entrenching socio-economic and spatial inequality. In 2018/19, for instance, the Department of Trade, Industry and Competition approved almost R3 billion in incentives for the automotive industry, in addition to large-scale support provided through tax incentives. Incentives for industrial infrastructure were also high, at R2 billion. In contrast, agro-processing and clothing, textiles, leather and footwear, both of which employ a higher share of women, received a combined R700 million in the same period. More than 90% of the 2018/19 incentives went to just four provinces (Gauteng, Western Cape, KwaZulu Natal and Eastern Cape).

Improving women's participation in industrial policy, and the economy more broadly, requires more than lip service to empowerment. For instance, while gender-mainstreaming programmes may increase the number of women promoted to senior roles, it does not address the structural factors keeping women, especially Black women, at the margins of industrial policy.

Better outcomes require:

a) Improved access to social infrastructure like quality education, health and family care, and stable and affordable energy to change how women use their time.
b) Addressing resource and spatial inequality by investing in townships and rural areas and, more broadly, in provinces with historical under-investment.
c) Collaborative action by the state and key stakeholders to set clear plans and actions for increasing women's economic participation (using public/private employment programs for instance).
d) Investing in industries where women participate in large numbers, including industries that support industrial policy such as education.

Briefing Note 2: SMMEs in the Just Transition

Elize Hattingh and Michael Hector

Small, Medium, and Micro Enterprises (SMMEs) are widely acknowledged as vital drivers of economic growth and job creation globally. The National Integrated Small Enterprise Development Masterplan indicates that stimulation of the SMME sector can address unemployment – SMMEs are a source for job creation and economic growth and seen in South Africa as an integral part of achieving sustainable development. In addition, SMMEs account for 90% of businesses and provide over 50% of employment opportunities, contributing around 40% to the GDP in emerging economies. However, the potential of SMMEs to drive the Just Transition is underutilised, particularly for marginalised groups that face significant barriers to participation in the green economy.

This note draws on research for a forthcoming report on SMMEs and the Just Transition. This investigated how the Just Transition can be more effectively leveraged to provide the necessary support to SMMEs, particularly those owned by marginalised groups. The Local Green Entrepreneurs (LGEs) interviewed for this study were micro and very small entrepreneurs, in early stage business development cycles and they were found to be responding to emerging needs to resolve challenges in the socio-economic conditions that they find themselves in. Through interviews with several entrepreneurs in the water, waste and energy sectors, the research found that many LGEs continue to struggle to gain access to established markets and secure financing, and to compete with larger, more established businesses. The situation is exacerbated by a lack of information and the difficulty of prioritising long-term growth over short-term survival, particularly in competitive and rapidly evolving sectors. Furthermore, South Africa's historical legacy of apartheid has left deep-rooted inequalities and persistent unemployment, particularly among women and youth. This environment creates additional challenges for SMMEs, often deeply embedded in local communities.

Evidence from the research shows that there is a growing pipeline of local green entrepreneurs that are actively exploring opportunities in renewable energy, water, and waste sectors. However, they face significant barriers limiting their participation in these green industries. It found that the following barriers were hindering the growth and success of green businesses in South Africa:

1. **Financing:** Access to capital is a major hurdle for SMMEs investing in green technologies. Solutions include grants, subsidies, green loans, and public-private partnerships to ease financial constraints.
2. **Lack of (Green) Skills:** Many small businesses lack the technical expertise to implement and manage green technologies. Training programmes, technical assistance, and certification can help bridge this gap.
3. **Burdensome Regulations:** Complex regulatory frameworks deter SMMEs from adopting green technologies. Simplifying procedures, offering regulatory incentives, and establishing one-stop shops can reduce the administrative burden.

Addressing these barriers through targeted support and policies will enable small businesses to thrive in the green economy, drive sustainable economic growth, and create jobs, while also reducing carbon emissions and promoting cleaner production practices. It is further argued that supporting SMMEs in a Just Transition can promote diversity and inclusion by ensuring that all sectors and communities can participate in and benefit from the transition to a low-carbon economy. It is, however, unclear how the current Just Transition Framework provides opportunities for youth-owned, female-owned and people with disabilities-owned enterprises to participate in green industries that can address social and environmental challenges in South Africa and build greater climate resilience through mitigation and adaptation.

A key aspect of the Just Transition is the incorporation of social inclusion, as evidence has pointed out that female-, black- and youth-owned enterprises have been active in addressing the challenges faced by their communities; however, issues around access to adequate finance have prevented them from growing and succeeding. There is thus a need for LGE finance to consider the issues around social inclusivity, especially when it comes to women in the waste, energy and water sectors.

Policy shifts are thus needed to create a supportive Green Economy ecosystem that fosters the development of marginalised SMMEs, promoting fair trade and inclusive participation in a low-carbon economy. By enabling SMMEs to participate, a diverse range of perspectives and experiences can help address the challenges of transitioning to a low-carbon economy. Streamlining regulations and reducing red tape could attract more SMMEs to engage in Just Transition opportunities. This would build resilience and adaptive capacity, enabling these enterprises to better cope with extreme weather events, regulatory changes, and market disruptions. Ultimately, this approach could strengthen the economy's overall resilience and contribute to a more just and sustainable future.