THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

PROVINCIAL REVIEW 2016

Introduction

The annual REB Provincial Review analyses developments in the real economy and in development policies and projects at the provincial level. Provincial GDP data are only available up to 2014.

The share of provinces in the national GDP and population varies substantially. Gauteng alone accounts for over a third of the GDP and almost a quarter of the population. In contrast, the Eastern Cape accounts for 13% of the population but 8% of the GDP, while the Northern Cape contributes just 2% of both the economy and the population (Graph 1).

The differences are even starker in the provinces' contribution to the real economy. Gauteng, the Western Cape and KwaZulu-Natal together account for 77% of national manufacturing production and 74% of manufacturing employment. Gauteng dominates heavy industry, while the Western Cape and KwaZulu-Natal have more light industry.

In contrast, mining is concentrated in the North West, Mpumalanga, Limpopo, the Free State and the Northern Cape. In Limpopo, Mpumalanga and the Northern Cape, mining contributes over 20% of the provincial economy, and in the North West it makes up 30% (Graph 2).

During the commodity boom from 2003 to 2011, platinum, coal and iron ore saw particularly strong growth. The provinces with these resources – above all the North West, Limpopo and the Northern Cape – saw relatively rapid growth and in-migration to the new mining centres. In contrast, the Free State has mostly maturing gold mines, which saw relatively limited growth in output and employment. Since 2011, all the mining provinces have been particularly affected by the decline in mining prices.

Each province's economic wellbeing is shaped in large part by how it was affected by apartheid spatial planning.

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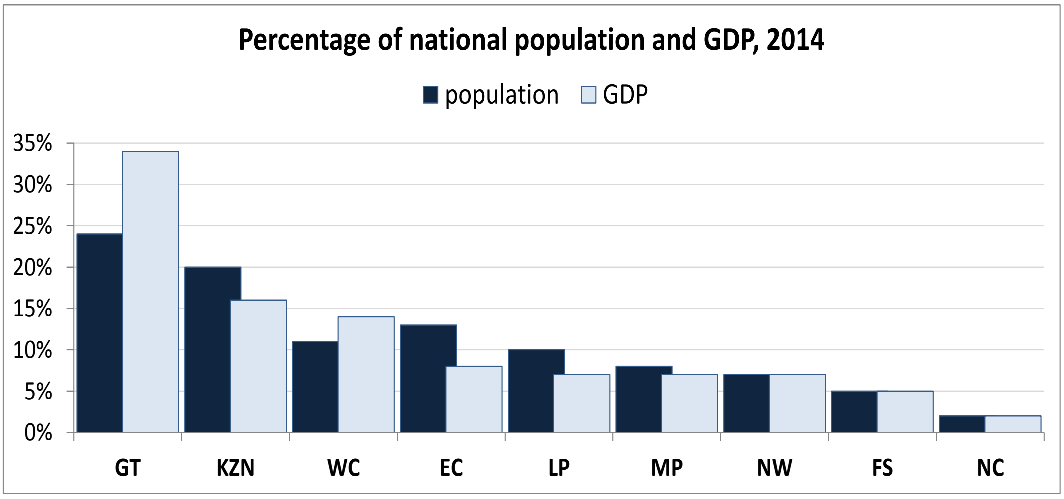
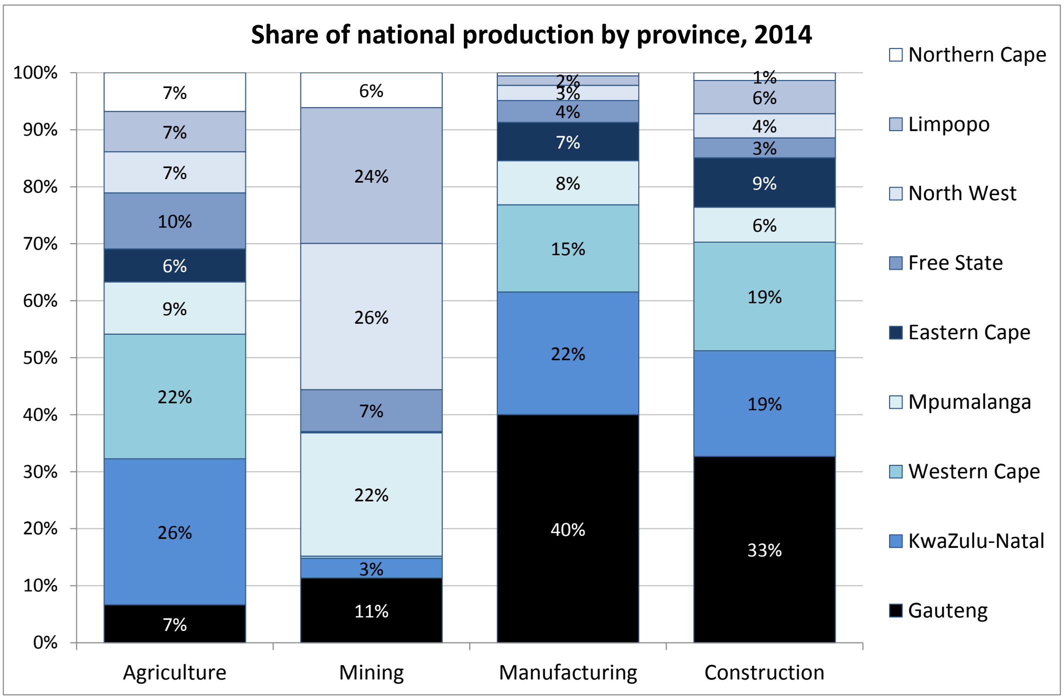
The former so-called "homelands" were set up effectively as sources of cheap labour. As such, they were designated mainly in areas without substantial natural resources and starved of public investment and social services. Even today, provinces where a large share of the population lives in former "homeland" regions typically have lower household incomes and worse infrastructure. In contrast, Gauteng was established essentially as an enclave around a few metropoles, while the Western Cape historically excluded Africans all together (Graph 3).

Graph 1



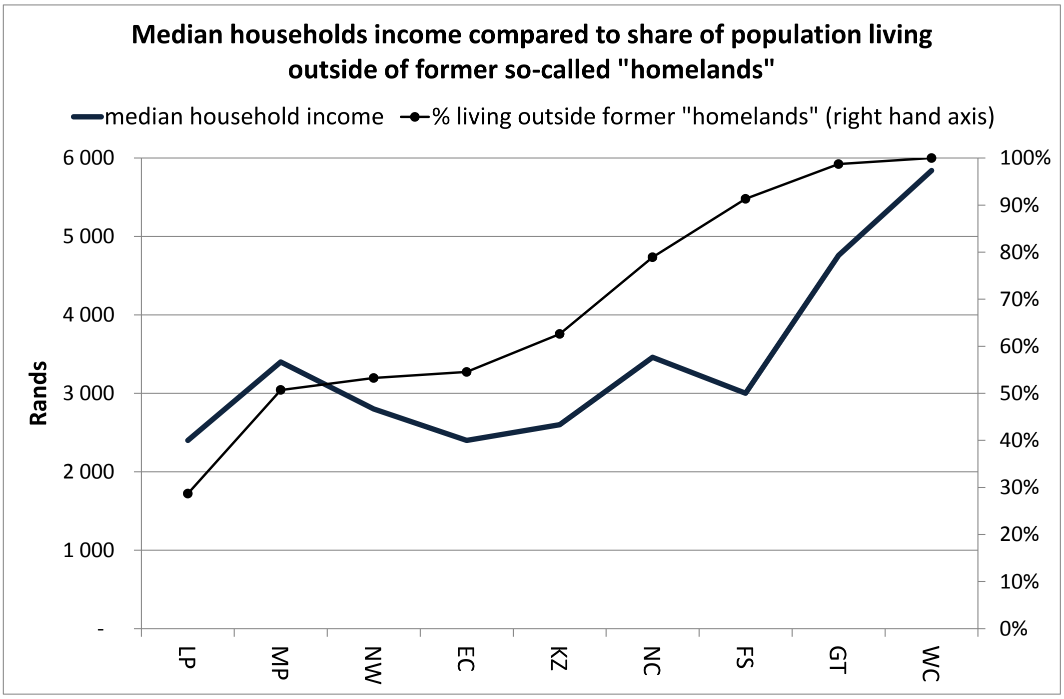
Source: Statistics South Africa. GDP and mid-year population statistics by province.

Graph 2



Source: Statistics South Africa. GDP Annual and Regional Tables 2016. Excel spreadsheet. Series on provincial share in sectors in current rand.

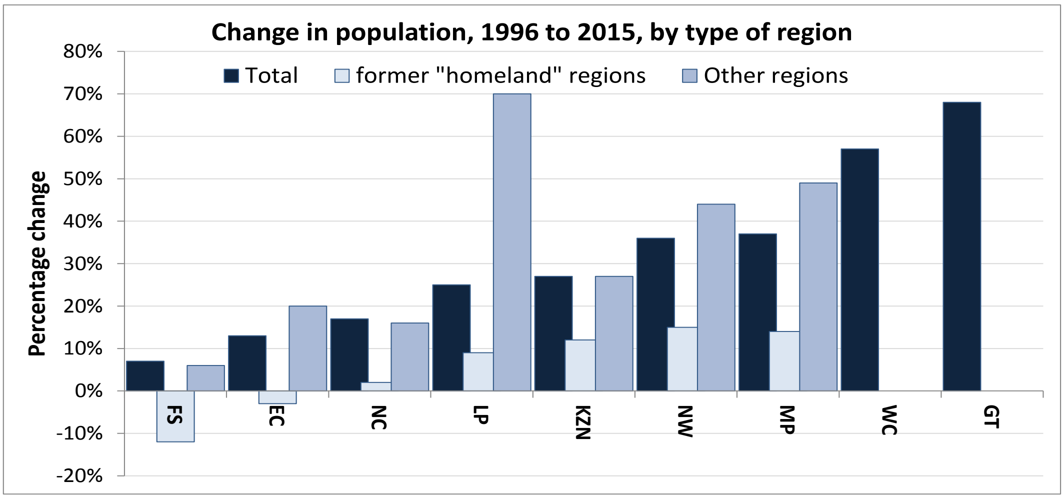
Graph 3



Source: Calculated from, Statistics South Africa. General Household Survey 2015. Electronic database. Series on median household income and geography by province.

The dissolution of apartheid residential planning since 1994 underpins unusually large-scale migration between provinces. Gauteng's population grew by 68%, or over five million, from 1996 to 2015; the Western Cape grew by 57%, or 2,2 million. In contrast, the population of the Free State and the Eastern Cape climbed by under 15%, or under a million in both provinces combined (Graph 4).

Graph 4



Source: For 1996, Census data for population by type of region. For 2015, Statistics South Africa, Quarterly Labour Force Survey, population by geography and province; average of all four quarters.

The following table summarises some of the major public and private projects announced over the recent past. The table draws on public sources and may not be complete, and some of the projects may not have been initiated as planned.

Announced major projects in the real economy by province, 2013 to 2016

	Sector	Company	Project Name	Projected investment
EC	Manufacturing	VWSA	WVSA Investment Plan	R4,5 billion
FS	Manufacturing	Sasol Performance Chemicals	Sasol Fischer Tropsch Wax Expansion Project	R13,6 billion
GT	Manufacturing	Ford Motor Company SA	Ford Silverton Assembly Plant Expansion Project	R2,5 billion
	Construction	Gayatri GZI Beverage cans	Beverage Can Plant Project	R1 billion
	Construction/ Manufacturing	Unilever	Khanyisa Production Facility Development	R1,4 billion
	Construction	Gibela Rail Transport Consortium	Dunnottar Train Manufacture Complex	R1 billion
	Construction	Atterbury Property Holdings	Gosforth Industrial and Business Park	R850 million
	Manufacturing	BMW SA	Rosslyn Plant Investment Programme	R6 billion
	Construction	Tambo Springs Development Company and SA Government	Tambo Springs Inland Port and Logistics Gateway Project	R7,5 billion
KZN	Construction	Tongaat Hulett Developments and eThekwini Municipality	Cornubia Mixed Use Development	R20 billion
	Manufacturing	Sumitomo Rubber South Africa	Tyre manufacturing plant upgrade and expansion	R2,01 billion
	Construction	Fortress Income Fund	Clairwood Logistics Park and Distribution Centre	R3,5 billion
	Infrastructure	Eskom	Ingula pumped-storage scheme	R29,6 billion
	Infrastructure	Umgeni Water Board	Umgeni Water Board: Lower Thukela	R1 billion
LP	Mining	Boabab Mining and Exploration, subsidiary of Coal of Africa Limited	Makhado cocoking coal project	R3,96 billion
	Mining	Ivanhoe Mines and Partners	Ivan Plaatreef Project	$1,2 billion
	Mining	De Beers Consolidated Mines (DBCM)	De Beers Venetia Underground Project	R20 billion
	Infrastructure	TCTA	Bulk water projects	R8,6 billion
MP	Forestry	York Timbers	York Timbers Biomass Plant Project	R1,4 billion
	Mining	Sasol Mining	Tweedraai Coal Project	R1,4 billion
	Mining	Sasol Mining	Shondoni Coal Project	R3,09 billion
	Mining	Sasol	Impumelelo Replacement Coal Project	R4,6 billion
	Mining	Exxaro	Belfast Coal Project	R3,8 billion
	Infrastructure	Eskom	Kusile power plant	R161 billion
	Infrastructure	Transnet	Coal line	R9 billion
NW	Construction	Sun International	Sun City Refurbishment Project	R1,1 billion
	Mining	Maseve Investments 11	Maseve Platinum Mine	$514 million

	Sector	Company	Project Name	Projected investment
	Manufacturing/ Mining	Sephaku Cement	Sephaku Cement Holdings	R3,3 billion
	Mining	Royal Bafokeng Platinum	Styldrift 1 Expansion Project	R11,01 billion
NC	Mining	Frontier Rare Earths and Korea resources Corporation	Zandkopsdrift Rare-Earth Element project	$809 million
	Infrastructure	National Research Foundation	Square Kilometre Array (radio telescope)	R16 billion
	Infrastructure	Transnet	Sishen-Saldanha iron ore line expansion (with the WC)	R9 billion
WC	Construction	Sanral	N1/N2 Winelands Toll Highway Project	R10 billion
	Infrastructure	Transnet	Sishen-Saldanha iron ore line expansion (with the NC)	R9 billion

As the following chart shows, the establishment of Special Economic Zones was expected to affect every province, in contrast to the more limited scope of the earlier Industrial Development Zones. The new zones were expected to cover a highly divergent set of sectors, ranging from solar energy in the Northern Cape to platinum in both the North West and Limpopo, and electronics in Gauteng.

Industrial Development and proposed Special Economic Zones by province as of late 2015

	IDZ/SEZs	Focus	Designation date
EC	Coega	Automotive; agro-processing; chemicals; general manufacturing; business process outsourcing; and energy	2001
	East London	Automotive; renewable energy; ICT; and agro-processing sectors	2002
	Mthata	Agro-processing	Proposed
FS	Harrismith	Automotive logistics; agro-processing; and pharmaceutical	Proposed
GT	OR Tambo	Specialised jewellery manufacturing	2002
	JHB	ICT and electronics	Proposed
KZN	Richards Bay	Aluminium; titanium; dry dock (ship and repair); and furniture	2002
	Dube Trade Port	Value niche aquaculture and horticulture; automotive; electronics; and fashion garments	2013
	DTP	Agro-processing; and electronics	Proposed
LP	Tubatse	PGMs	Proposed
	Musina	Logistics, petrochemicals; and trade hub	Proposed
MP	Nkomazi	General logistics	Proposed
NW	Bojanala	PGMs	Proposed
NC	Upington	Solar corridor	Proposed
WC	Saldanha Bay	Oil and gas services complex	2014
	Atlantis	Renewable energy	Proposed

1 Eastern Cape

The real economy of the Eastern Cape is characterised by a relatively high share of manufacturing, but an economy that lags the national economy in productivity terms. This arose largely from the co-existence of:

- A strong manufacturing sector centred on the auto industry in the coastal metros, and
- The incorporation of two large apartheid "homeland" regions, which were historically heavily deprived of resources, infrastructure and public services.

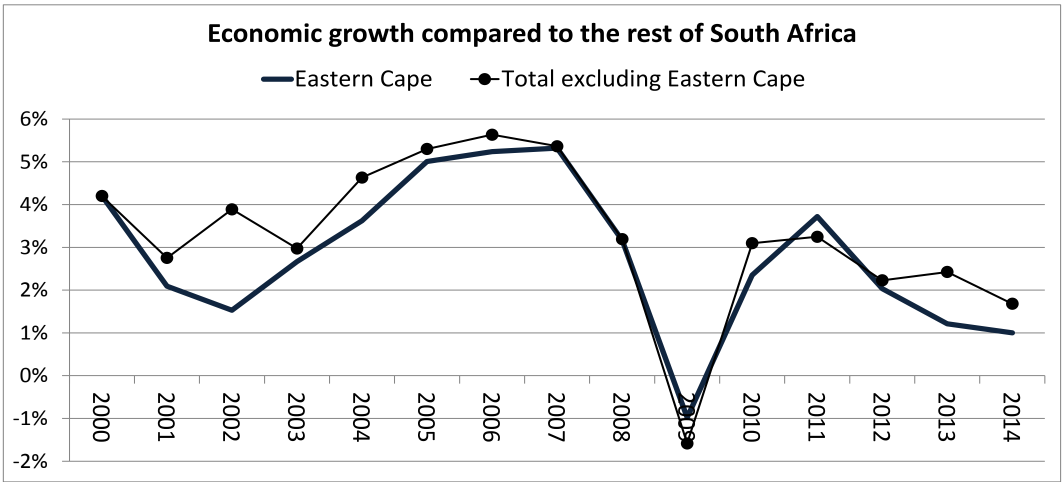
In this context, the province has seen relatively slow employment growth and low pay, especially in the past four years. Since the transition to democracy, it has also experienced unusually high levels of migration out of the province.

The real economy in the Eastern Cape: Structure and growth

The Eastern Cape, with 6,9 million residents, accounted for 13% of South Africa's population in 2014/2015. But it contributed just 8% of the GDP. In 2014 – the latest available data – the real economy (represented here by agriculture, mining, manufacturing and construction) made up 17% of the Eastern Cape's output.

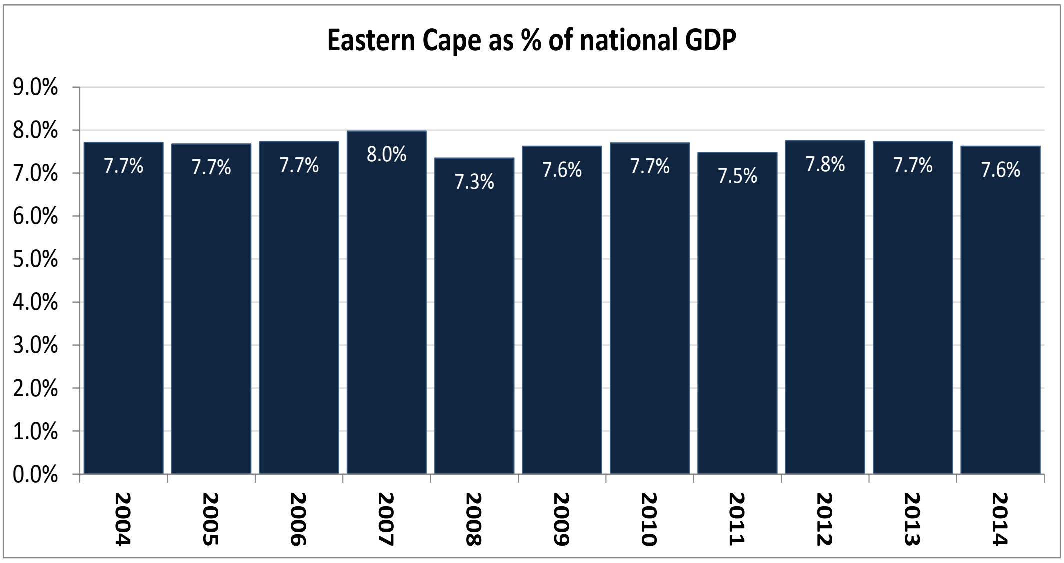
The largest real-economy sector was manufacturing, at 11% of the provincial economy, followed by construction at 4%, agriculture at 2%, and mining at 0,2%. Still, the Eastern Cape contributed just 7% of national manufacturing. It accounted for 9% of national construction but just 6% of national agriculture and less than 0,3% of national mining.

The Eastern Cape benefited from South Africa's faster growth during the commodity boom from 2003 to 2011, although it had very little mining itself. It saw a rapid recovery from the 2008/2009 Global Financial Crisis, but since then its growth has slowed more than the rest of the country, averaging 1,4% a year from 2011 to 2014.



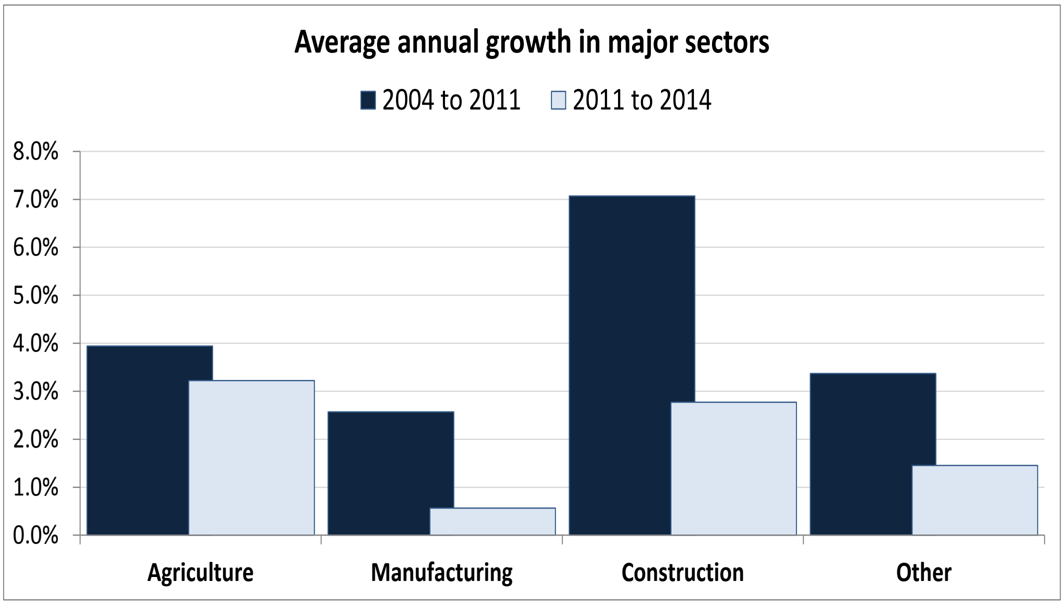
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

Overall, the share of the Eastern Cape in the national economy (in current rand) fell sharply during the Global Financial Crisis in 2008/2009. It then recovered somewhat, but lost ground again from 2012 to 2014.



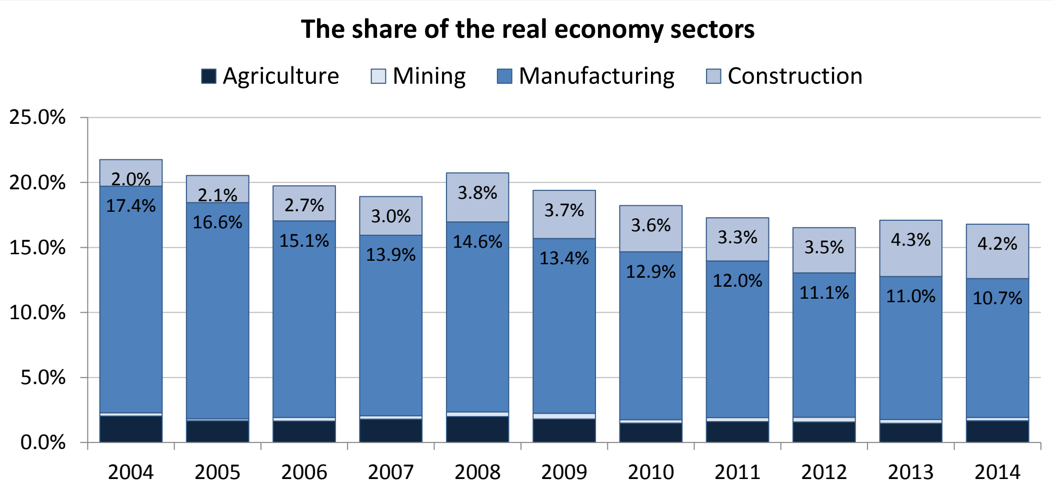
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The following table shows growth rates for the main sectors of the real economy of the Eastern Cape from 2004 to 2011 and from 2011 to 2014. For most of the period, construction was the fastest growing sector in volume terms. By this measure, it expanded 5,8% a year over the past decade. In contrast, the much larger manufacturing sector /grew just 2,0% a year and agriculture 3,7%.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

Slower growth in manufacturing means it has fallen steadily as a share of the provincial economy, falling from 17% in 2004 to 11% a decade later. In contrast, the share of construction increased from 2% to 4% in the same period.



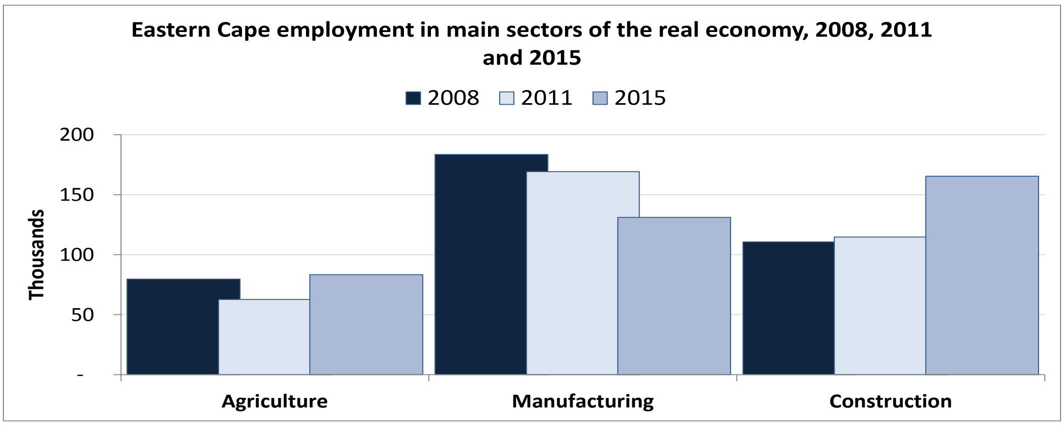
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The employment data shed further light on the structure of the economy in the Eastern Cape. In 2015 (using the average for the year from the Quarterly Labour Force Survey – QLFS), the province accounted for 9% of total employment in South Africa. Some 383 500 people were employed in the real economy sectors, which contributed 28% of total provincial employment.

Of employed people in the real economy in the Eastern Cape in 2015:

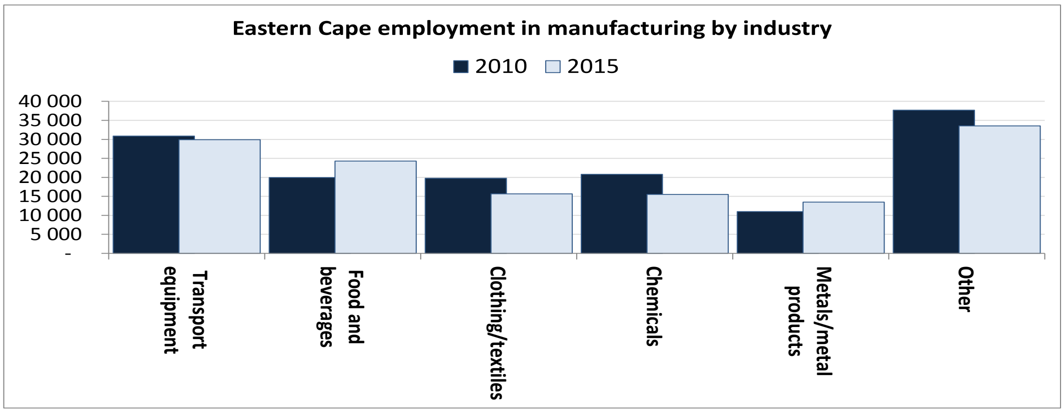
- 165 000 were in construction
- 131 000 were in manufacturing
- 83 000 were employed in agriculture
- 1 500 were in mining (in 2014)

The chart below shows the employment change by major sector in the real economy in 2008, 2011 and 2015, using the average of quarterly figures for each year. Employment tended to decline steadily, while construction increased rapidly from 2011 to 2014.



Source: Statistics South Africa, QLFS Trends 2008-2016. Excel spreadsheet.

The Eastern Cape accounted for 7% of South African manufacturing employment. The top five manufacturing industries in the province, in employment, were transport equipment; food and beverages; clothing, textiles and footwear; chemicals and plastics; and basic iron and steel plus metal products. The province accounted for 28% of all South African employment in transport equipment, its largest manufacturing industry.



Source: For 2010, Statistics South Africa, Labour Market Dynamics 2010. Electronic database. For 2015, average of four quarters, Statistics South Africa, QLFS for relevant quarters. Electronic database.

Major public and private projects announced in the real economy sectors of the Eastern Cape over the past three years included the following.

Large recent public and private real-economy projects in the Eastern Cape

Project Name	Company	Value	Sector	Industry
VWSA Investment Plan	VWSA	R 4,5 billion	Private	Manufacturing
Uitenhage Tyre Manufacturing Plant Expansion	Goodyear South Africa	R 670 million	Private	Manufacturing
Graaf-Reinet-based Fresh Water Fishing Farm and Processing Initiative	Karoo Catch and the Eastern Cape Development Corporation	R 100 million	Public	Agriculture
Agro-processing Multiuser Facility	Coega Development Corporation	R 86 million	Public	Manufacturing

Employment and unemployment

The Eastern Cape has relatively high levels of joblessness. Just 31% of the working-age population was employed in 2015 – well below the national average of over 40% (again using the average of the QLFS for 2015). The international norm is around 60%. In the rest of the country, employment climbed from 2010, when it hit a low point following the 2008/2009 global financial crisis. In the Eastern Cape, in contrast, employment was lower in 2015 than in 2010, when 33% of provincial adults were employed.

In 2014, the median formal wage in the Eastern Cape was R3 300 and the median wage for domestic, informal and agricultural workers was R1 213. That compared to R4 000 nationally for formal workers, and R1 500 for other employees. Yet 73% of total employment was in the formal sector, compared to the national average of 69%.

Limited job creation combined with poor pay help explain relatively high outmigration from the Eastern Cape. Its population grew only 13% from 1996 to 2015, compared to a national average of 35%.

The Eastern Cape economy and the national spatial economy

Apartheid geography has a significant impact on economic structures, and especially on access to economic opportunities for ordinary South Africans. The Eastern Cape has:

- A relatively high share of former so-called “homeland” areas within its borders. In 2015, 45% of the population lived in former “homeland” regions, compared to 27% for the country as a whole.
- Two metro areas and no secondary cities, out of a total of 45 municipalities. Metros and secondary cities account for 27% of the province’s population. That compared to 40% of the national population living in metro areas and secondary cities.
- A relatively small share of non-Africans in the total population, at 13% compared to 20% nationally.

These factors help explain the province's economic structure and key constraints on growth. Under apartheid, African areas and especially the former “homeland” regions typically excluded natural resources, and for decades were largely deprived of infrastructure and government services.

Some indicators of the implications for the Eastern Cape are:

- In 2015, according to the General Household Survey, the median household income was R2 400 a month, compared to R3 260 nationally. In the former “homeland” regions in the Eastern Cape it was R1 860 a month, compared to R3 300 in the rest of the province.
- In 2015, only 17% of working-age people in the former “homeland” regions were employed, compared to 43% in the rest of the Eastern Cape. That means employment in the Eastern Cape’s former “homeland” regions was lower than the national average, while employment in the rest of the province was close to the norm.
- According to Census data, the population in the former so-called “homeland” regions in the Eastern Cape shrank by 3% from 1996 to 2011, while the rest of the province saw population growth of 20%.
- In 2015, matric degrees were held by 22% of the province's working-age population aged over 20, but by only 15% in the former “homeland” regions. The share of adults in the Eastern Cape with matric had climbed from 11% in 1996. Still, for the country as a whole, 29% of adults had matric. Moreover, just 9% of the Eastern Cape’s adult population had a degree, compared to 13% nationally.
- The provincial government struggled with infrastructure backlogs entrenched under apartheid. According to the 2015 General Household Survey, 46% of households in the Eastern Cape had running water in their houses or yards, compared to 36% in 1996. Some 82% had electricity, up from 33% in 1996. Nationally, however, 73% of households had running water and 85% electricity.
- Municipal expenditure continued to reflect apartheid realities. In 2015/2016, it came to R4 400 per person in the Eastern Cape, compared to R5 900 nationally. The metros and secondary cities, with 27% of the population, spent R7 600 per person

compared to R3 100 per person in other Eastern Cape municipalities. They raised 69% of all municipal rates and tariffs in the province, although they received only 28% of current and 31% of capital transfers and subsidies, most of which from the national government.

Economic policy initiatives

The main national industrial policy and development initiatives that affected the Eastern Cape included the following.

In terms of Department of Trade and Industry (the dti) support, from 2013/2014 to 2014/2015, 55 projects were approved under the Manufacturing Competitiveness Enhancement Programme (MCEP) in the Eastern Cape, for a total value of R159 million. A further 40 projects were approved under the Manufacturing Investment Programme (MIP), with a value of R219 million. The Eastern Cape also benefited strongly from the auto industry support programmes included in the Industrial Policy Action Plan (IPAP). Moreover, under the dti programme to support black industrialists, it helped organise funding for a R75 million plant to produce hypodermic disposable syringes and needles at Coega, which will employ 300 people. It is also piloting a programme to support growth in small saw mills in the Eastern Cape.

- The Eastern Cape had three designated and/or proposed Industrial Development and Special Economic Zones.

Industrial Development and Special Economic Zones in the Eastern Cape

IDZ/SEZs	Focus	Designation Date
Coega	Automotive; agro-processing; chemicals; general manufacturing; business process outsourcing; and energy	2001
East London	Automotive, renewable energy, ICT, and agro-processing sectors	2002
Mthata	Agro-processing	Proposed

- The dti will also spend more than R44 million during the first phase of the revitalisation and refurbishment of industrial parks at Vulindlela Heights and Queenindustria.
- The Industrial Development Corporation (IDC) invested 6.7% of its total spending in the Eastern Cape in 2015, including in a number of wind farms for the national grid as well as to save 600 jobs at Good Hope Textiles in Zwelitsha.
- The following table summarises the major infrastructure projects in the Eastern Cape that were included in the 2016/2017 national Budget Review. In addition, the province was expected to benefit from programmes to upgrade schools, clinics and hospitals; extend access to broadband; and develop renewable energy, especially from wind and photovoltaic technologies.

Major existing or planned national infrastructure projects in the Eastern Cape as of 2016/2017

Project name	Implementing agent	Project cost (R billion)	Project description
Manganese rail and terminal (Hotazel to Ngqura port)	Transnet	19,9	Double exports to 14 million tonnes p.a. by 2020
Mthombo refinery at Coega (feasibility study)	Department of Energy	200	Construct 3 000 kilo barrel per day oil refinery at Coega with supporting infrastructure of R100 billion
Biofuels refinery (Design)	IDC	2	Construct 90 million litres per annum plant at Cradock using sugar, beet and sorghum
OR Tambo, Mthatha and King Sabata Dalindyebo district municipality bulk water supply and sanitation	Municipal project	2,7	Augment existing bulk water scheme
Lusikisiki regional water supply scheme: Zalu Dam on Xura River (feasibility study)	Departmental agencies	5	Develop bulk water and wastewater infrastructure for municipal reticulation infrastructure

The Eastern Cape budget totalled R53 billion in 2015/2016. Per person, the province spent R7 700, compared to an average for all the provincial budgets of R7 000. In constant 2015 rand (deflated by CPI), the budget had climbed by 1,7% from 2014/2015. From 2011/2012, it had fallen by 0,3%. The decline resulted from adjustments when the 2011 Census showed that population growth had been slower than anticipated essentially due to out-migration.

Some 90% of the Eastern Cape's budget went for education and health. That was equal to the average for all the provinces taken together.

The Eastern Cape spent less on infrastructure than other provinces. In 2015/2016, the provincial budget set aside R3,5 billion, or 6,6% of the total, for investment in buildings and public works. As a group, the provinces budgeted R35 billion, or 8% of their total expenditure, for these purposes. In addition, transfers to households for housing came to R2 billion, or 3,7% of the Eastern Cape's 2015/2016 budget. The provinces as a whole expected to provide R18 billion in housing subsidies, or 5% of their spending.

The economic departments in the provincial government in 2015 were Economic Development, Environmental Affairs and Tourism, and Rural Development and Agrarian Reform. In 2015/2016, their combined budgets came to around R3 billion, or about 6% of the provincial budget. The provinces as a group spent an average of 5% of their budgets on these functions, with the lowest share of spending, at 3%, in the most industrialised provinces of Gauteng and the Western Cape.

2 Free State

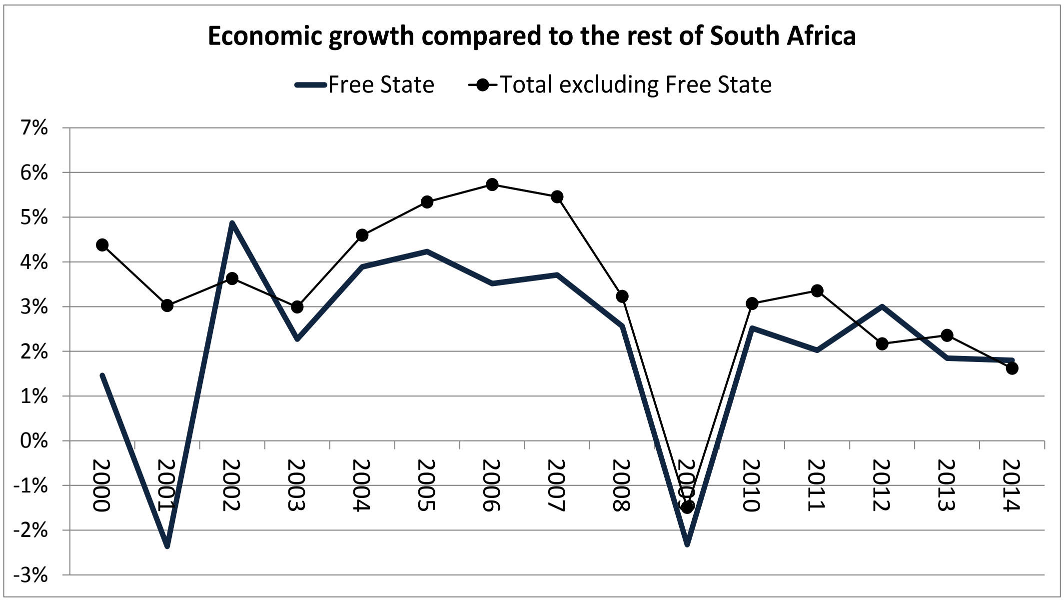
The Free State's real economy is dominated by gold mining and agriculture, with limited manufacturing and construction. Only a small share of the population lives in former "homeland" regions. The result has historically been a combination of high employment levels with comparatively low pay. The province has battled with the long decline in gold mining, which has dampened growth in both output and employment.

The real economy in the Free State: Structure and growth

The Free State, with 2,8 million residents, accounted for 5% of South Africa's population in 2014/2015 and contributed proportionately to the GDP. In 2014 – the latest available data – the real economy (represented by agriculture, mining, manufacturing and construction) made up 27% of the Free State's output.

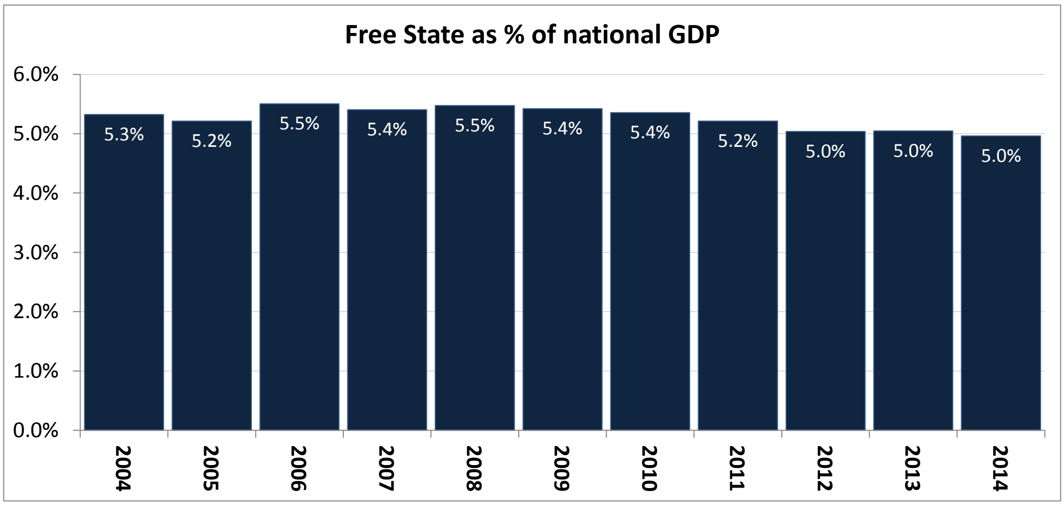
The largest real-economy sector was mining, at 11% of the provincial economy, followed by manufacturing at 9%, agriculture at 4%, and construction at 3%. The Free State contributed 10% of national agriculture and 7% of national mining, but just 4% of national manufacturing and 3,5% of national construction.

As the following chart shows, economic growth in the Free State has generally lagged national growth. The main reason has been the maturing of the gold mines, which offset the benefits of the commodity boom for the province.



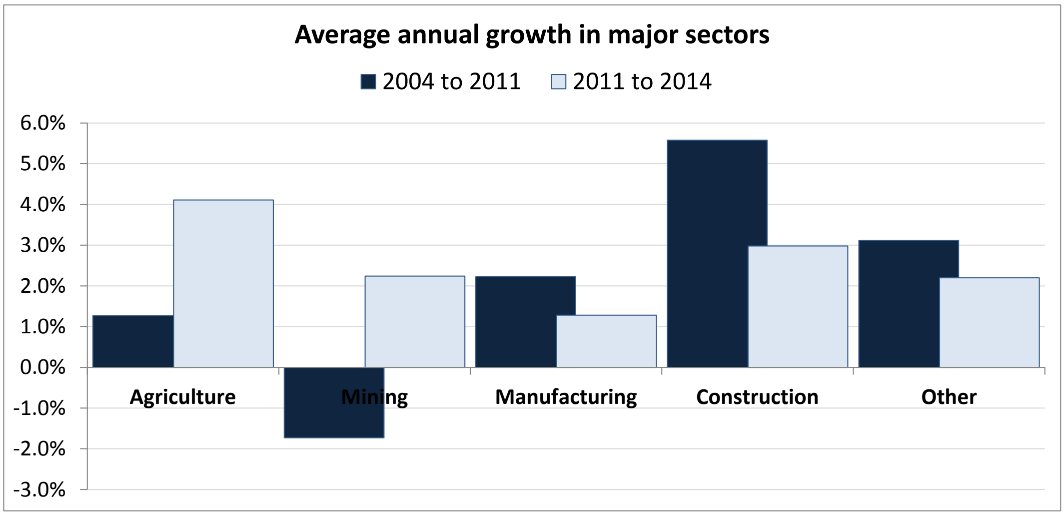
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

Overall, the Free State's share in the national economy (in current rand) decreased from 2003 to the end of the commodity boom in 2011, then fell further with the commodity bust.



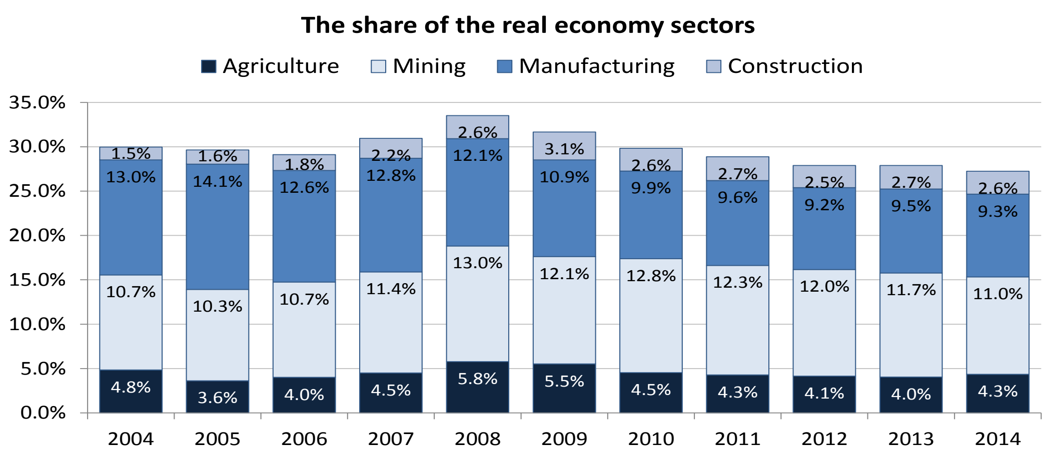
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The following table shows growth rates for the main sectors of the real economy of the Free State from 2004 to 2011 and from 2011 to 2014. From 2004 to 2011, construction was the fastest growing sector in the real economy, growing an average of 5,6% a year. It slowed to 3% a year from 2011 to 2014, however. In volume terms, mining production declined during the commodity boom, although higher prices helped offset the fall in output. Manufacturing has consistently lagged growth in the rest of the provincial economy, falling to 1,3% a year from 2011 to 2014.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

These growth trends meant that both mining and manufacturing generally declined as a share of the provincial economy over the past decade.



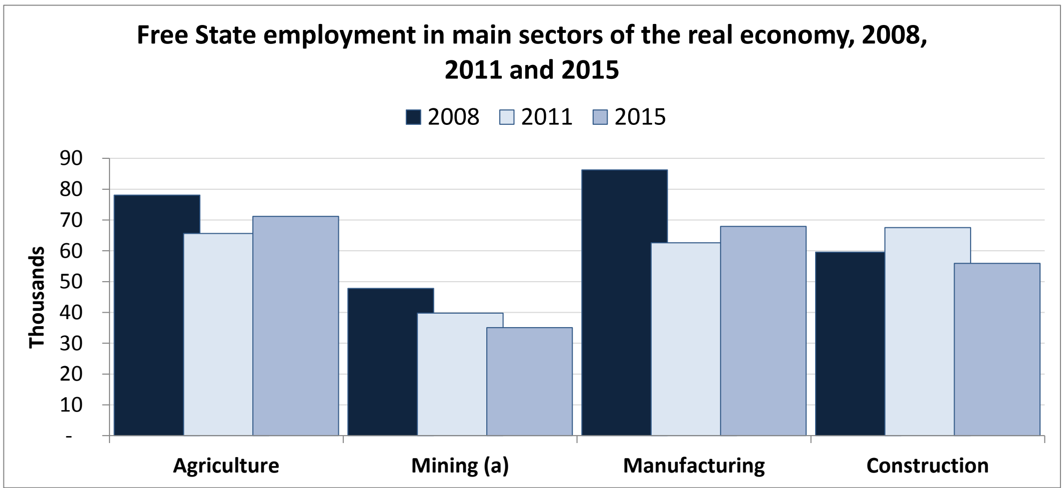
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

In 2015 (using the average for year of the Quarterly Labour Force Survey – QLFS), the province accounted for 5% of total employment in South Africa. Some 232 000 people were employed in the real economy sectors, which contributed 29% of total provincial employment.

In employment terms, in 2015 agriculture, manufacturing and mining led the real economy in the Free State. Of the employed in the province:

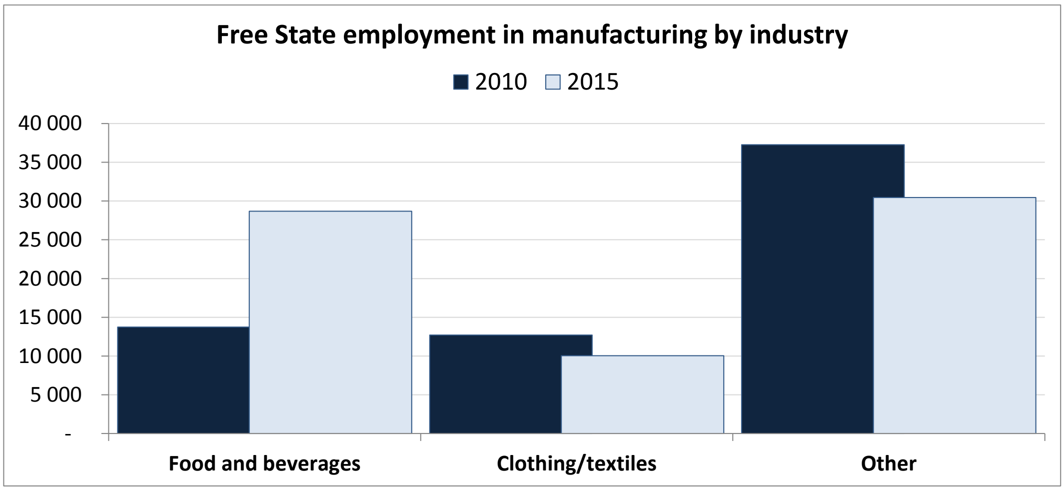
- 71 000 were in agriculture
- 68 000 were in manufacturing
- 56 000 were in construction
- 35 000 were in mining (in 2014)

The following chart shows the change in employment by major sector in the real economy in 2008, 2011 and 2015, using the average of quarterly figures for each year. The data show a significant decline from 2008 to 2011, a period in which national employment was growing, followed by higher employment in 2015 in every major sector except construction.



Notes: (a) 2014. *Source:* Except for mining, Statistics South Africa, QLFS Trends 2008-2016. Excel spreadsheet. Average of four quarters for the year. For mining, Department of Mineral Resources. B1 Statistical Tables. Excel spreadsheet.

The Free State accounted for 4% of South African manufacturing employment. The top five manufacturing industries in the province, in terms of employment, were food and beverages; clothing, textiles and footwear; basic iron and steel plus metal products; chemicals and plastic; and the residual category of furniture, recycling and other smaller industries. The province accounted for 7% of employment in food and beverages, its largest manufacturing industry.



Source: For 2010, Statistics South Africa, Labour Market Dynamics 2010. Electronic database. For 2015, average of four quarters, Statistics South Africa, QLFS for relevant quarters. Electronic database.

Gold dominated mining employment in the Free State. Generally, gold mining saw job losses during the commodity boom, while platinum mining, coal and iron ore created employment. According to Department of Mineral Resources data, which is more reliable for mining, total mining employment in the Free State fell from 56 000 in 2003 to 40 000 in 2011. Sales of mining products also declined from 11% of the national total to 5%. From 2011 to 2014, the number of the Free State miners dropped even further to 35 000, while sales stabilised at 5% of the national total, mostly because the prices of iron ore and coal fell much faster than gold and platinum after 2011.

Major public and private projects announced for the real economy of the Free State over the past three years included the following.

Large recent public and private real-economy projects in the Free State

Project Name	Company	Value	Sector	Industry
Sasol Fischer Tropsch Wax Expansion Project	Sasol Performance Chemicals	R13,6 billion	Private	Manufacturing
Maluti-A-Phofong Special Economic Zone	Free State Development Corporation	R4,8 million	Public	Construction
Lace Diamond Mine Development Project	Lace Diamond Mines	R384 million	Private	Mining

Employment and unemployment

The Free State is more or less at the national norm for employment. Around 43% of the working-age population was employed in 2015, compared to a national average of over 4%. The international norm is around 60%. The share of working-age people with employment had risen from 42% in 2010, when employment hit a low point following the 2008/9 global financial crisis.

In 2014, the median formal wage in the Free State was R3 900 and the median wage for domestic, informal and agricultural workers was R1 200. Formal wages were close to the national median formal wage of R4 000. Other employees, including the large number of farmworkers, earned less than the national median wage, which was R1 500. In the Free State, 67% of total employment was in the non-agricultural formal sector, compared to the national average of 69%.

The decline in mining and overall low pay help explain significant out-migration from the Free State over the past 20 years. Its population grew 7% from 1996 to 2015, compared to a national average of 35%.

The Free State economy and the national spatial economy

Apartheid geography has a significant impact on economic structures, and especially on access to economic opportunities for ordinary South Africans.

The Free State has:

- A relatively low share of former "homeland" areas within its borders. In 2015, 9% of the population lived in former "homeland" regions, compared to 27% for the country as a whole.
- One metro area and one secondary city, out of a total of 24 municipalities. Metros and secondary cities account for 41% of the province's population. That was almost exactly equal to the national average.
- A relatively small share of non-Africans in the total population, at 12% compared to 20% nationally.

These factors help explain the province's economic structure and key constraints on growth. Under apartheid, African areas and especially the former "homeland" regions typically excluded natural resources, and for decades were largely deprived of infrastructure and government services. In contrast, the historically "white" regions, which dominated in the Free State, enjoyed much stronger investment in infrastructure and government services.

The Free State's dependence on mining and agriculture combined with a relatively small share of former "homeland" regions makes it unique among South Africa's provinces. The small share of former "homeland" regions combined with extensive low-wage industries emerged in the key indicators outlined below.

- According to the 2015 General Household Survey, the median household income in the Free State was R3 000 a month, compared to R3 260 nationally. In the relatively small former “homeland” regions, however, it was only R1 000 a month.
- In 2015, only 24% of working-age people in the former “homeland” regions were employed, compared to 42% in the rest of the Free State.
- According to Census data, the population in the former so-called “homeland” regions in the Free State shrank by 12% from 1996 to 2011, while the rest of the province saw population growth of 6% – still far below national population growth.
- In 2015, matric degrees were held by 28% of the province's working-age population aged over 20, but by just 23% in the former “homeland” regions. For the country as a whole, the figure was 29%. The share of adults in the Free State with matric had climbed from 13% in 1996. 11% of the Free State’s adult population had a degree, compared to 13% nationally.
- Municipal services in the Free State were comparatively advanced, reflecting the low level of former “homeland” regions in the province. The 2015 General Household Survey found that 90% of households in the Free State had running water in their houses or yards, compared to 70% in 1996, which was well above the national average at that time. Some 89% had electricity, up from 57% in 1996. Nationally, 73% of households had running water and 85% electricity.
- Municipal expenditure per person in the Free State came to R6000 in 2015/6, compared to R5900 nationally. The metros and secondary cities spent R7200 per person compared to R5200 per person in the other municipalities in the Free State. The metros and secondary cities, with 41% of the population, raised 57% of all municipal rates and tariffs in the province and got 47% of capital transfers and subsidies, although they received only 34% of current transfers. Most of municipal transfers came from the national government.

Economic policy initiatives

The main national industrial policy and development initiatives that affected the Free State included the following.

- In terms of Department of Trade and Industry (the dti) support, from 2013/2014 to 2014/5, a total of 18 projects were approved under the Manufacturing Competitiveness Enhancement Programme (MCEP) in the Free State, for a total value of R67 million. A further ten projects were approved under the Manufacturing Investment Programme (MIP), with a value of R30 million.
- Under the National Infrastructure Plan, the Free State will benefit primarily from the development of the corridor along the Durban-Gauteng rail and road routes. The Free State planned a Special Economic Zone at Harrismith that would focus on automotive logistics, agro-processing and pharmaceuticals.

- The Industrial Development Corporation (IDC) invested 7% of its total spending in the Free State. Most of the funds went to mining, although it also supported a number of agro-processing projects.

The Free State budget totalled R22 billion in 2015/2016. Per person, the province spent R7 700, compared to an average for all the provincial budgets of R7 000. In constant 2015 rand (deflated by CPI), the budget had risen by 0,4% from 2014/2015. From 2011/2012, it had climbed by a total of 2%.

Some 93% of the Free State's budget went for education and health. That compared to 90% for provincial budgets as a whole.

In 2015/2016, the provincial budget showed a significant focus on infrastructure. It set aside R2,1 billion, or 9,6% of the total, for investment in buildings and public works. As a group, the provinces budgeted R35 billion, or 8% of their total expenditure, for these purposes.

In addition, transfers to households for housing came to R1 billion, or 4.8% of the Free State's 2015/2016 budget. The provinces as a whole expected to provide R18 billion in housing subsidies, or 5% of their spending.

The economic departments in the provincial government in 2015 were:

- Economic and Small Business Development, Tourism and Environmental Affairs, and
- Agriculture and Rural Development.

It also had a provincial investment agency, the Free State Development Agency, and the Free State Tourism Authority.

In 2015/2016, the combined budgets of the Free State's Economics Departments came to around R1,2 billion, or about 6% of the provincial budget. The provinces as a group spent an average of 5% of their budgets on these functions, with the lowest share of spending, at 3%, in the most industrialised provinces of Gauteng and the Western Cape.

3 Gauteng

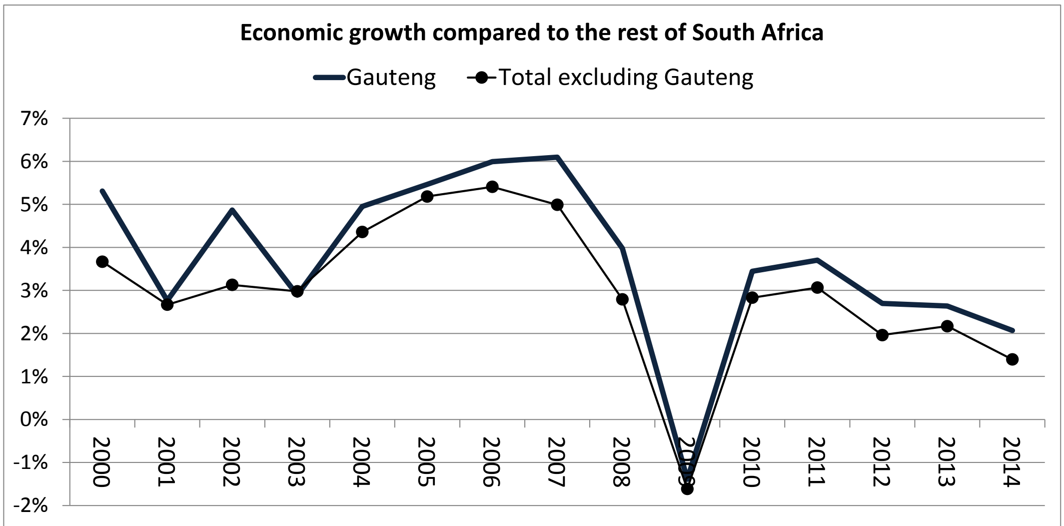
Gauteng dominates manufacturing in South Africa, and especially heavy industry. It has long been the fastest growing and richest province in the country, although its growth is mainly driven by its status as a global financial centre and by high-level services rather than the core sectors of the real economy. It is in some ways an enclave, with borders drawn to exclude former "homeland" and agricultural areas. Still, it has the fastest growing population in South Africa. Nonetheless, it has largely managed to maintain adequate services. Overall, it enjoys higher incomes, employment, education and infrastructure than the other provinces.

The real economy in Gauteng

While Gauteng, with 13,2 million residents, accounted for 24% of South Africa's population in 2014/5, it contributed some 34% of the GDP. In 2014 – the latest available data – the real economy (represented here by agriculture, mining, manufacturing and construction) made up 20% of Gauteng's output – a relatively small share by national standards.

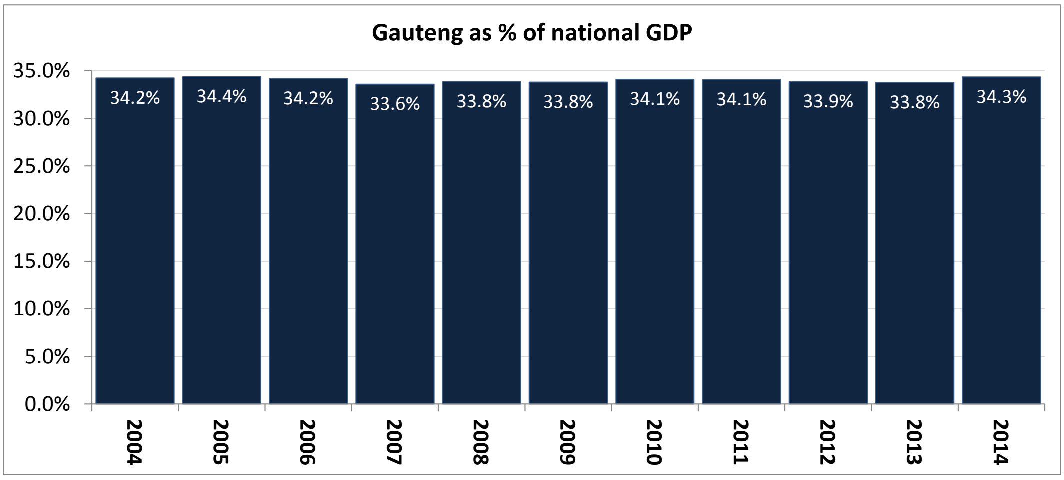
Manufacturing domianted the real economy of the province, providing 14% of total provincial output, followed by construction at 3%, mining at 2%, and agriculture at under 0,5%. Gauteng contributed 40% of national manufacturing and 33% of national construction, but just 11% of national mining and 7% of national agriculture.

Gauteng has grown faster than the national economy for most of the past 20 years. Overall, the GDP expanded at 4% a year from 2003 to 2011, and at 2,5% a year from 2011 to 2014. The province saw a particularly deep downturn during the 2008/2009 global financial crisis, which had a particularly harsh effect on the province's heavy industry. But it recovered and has since then generally expanded faster than the rest of the economy. Still, it has shared the downward growth trend with the end of the commodity boom, even though it no longer has a significant share of the national mining industry.



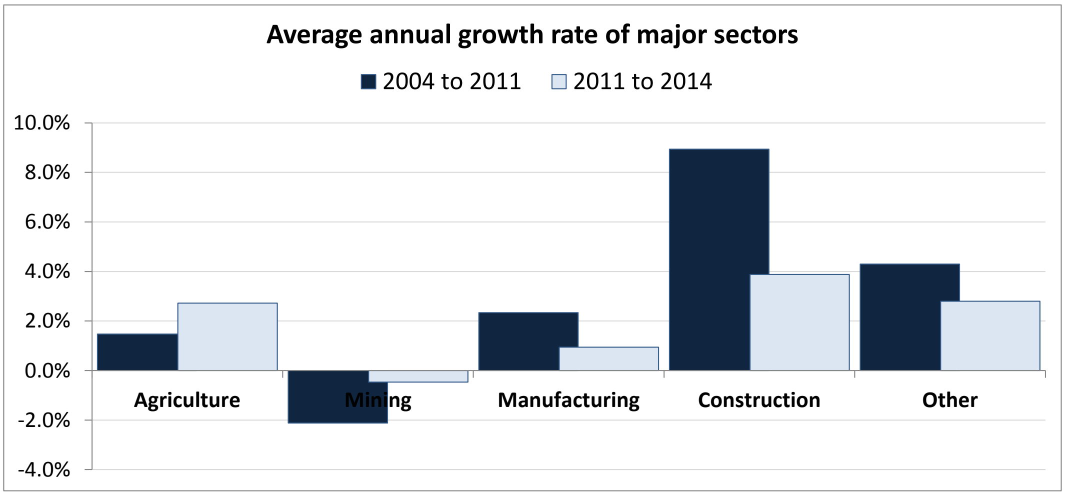
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

As a result of its relatively rapid growth, Gauteng has contributed a rising share of the national economy at constant prices. In current rand, however, its share was depressed during parts of the commodity boom, when the rapid increase in metals prices lifted the share of mining provinces compared to the total.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

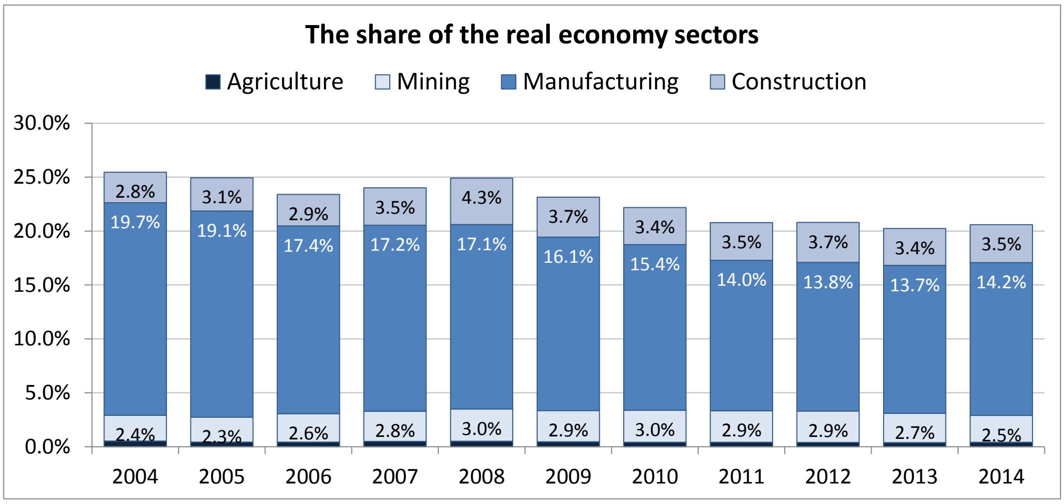
Construction was the fastest growing industry in Gauteng for most of the past decade. In contrast, manufacturing showed relatively slow growth across the period. In the three years from 2011 to 2014, the slowdown in metals with the end of the commodity boom and the global steel glut meant growth in the province's manufacturing sector as a whole dropped to under 1% a year.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The maturing of the Gauteng gold industry meant it did not benefit substantially from the commodity boom in volume of output and employment. Higher prices for gold and other metals did, however, boost the industry's profitability and prolong its life.

These growth trends meant that manufacturing and mining constituted a shrinking share of Gauteng's total economy.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

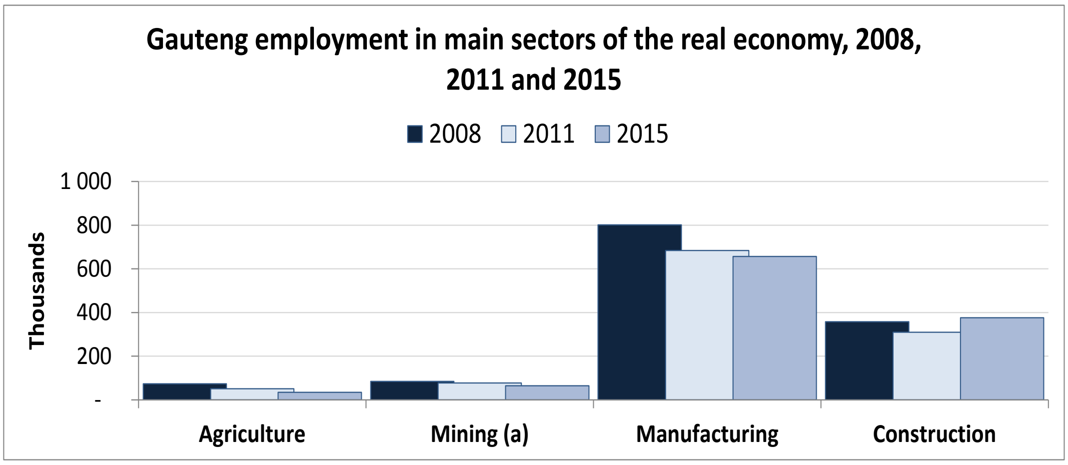
The employment data shed further light on the structure of the economy in Gauteng.

In 2015 (using the average for year of the Quarterly Labour Force survey – QLFS), the province accounted for 32% of total employment in South Africa. Some 1 175 500 people were employed in the real economy sectors, which contributed 23% of total provincial employment.

Of employed people in the real economy in Gauteng in 2015:

- 657 000 were in manufacturing
- 376 000 were in construction
- 64 000 were in mining (in 2014)
- 34 000 were in agriculture

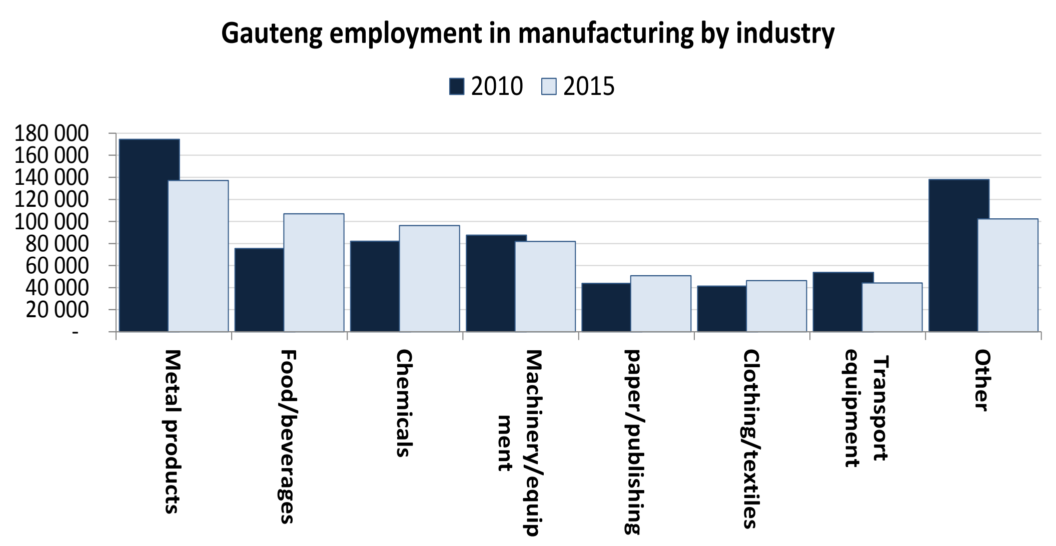
Manufacturing employment remained important for Gauteng, but it did not recover from substantial job losses during the 2008/2009 downturn. The decline in mining employment reflected the maturing of the province's gold mines.



Notes: (a) 2014. *Source:* Except for mining, Statistics South Africa, QLFS Trends 2008-2016. Excel spreadsheet. Average of four quarters for the year. For mining, Department of Mineral Resources. B1 Statistical Tables. Excel spreadsheet.

Gauteng accounted for 37% of South African manufacturing employment.

The top five manufacturing industries in the province, in terms of employment, were basic iron and steel plus metal products; food and beverages; chemicals and plastic; machinery and equipment; and a residual sector composed mostly of furniture, recycling and other smaller industries. The province accounted for 48% of national employment in basic iron and steel and metal products, its largest manufacturing industry.



Source: For 2010, Statistics South Africa, Labour Market Dynamics 2010. Electronic database. For 2015, average of four quarters, Statistics South Africa, QLFS for relevant quarters. Electronic database.

Gauteng dominated most manufacturing subsectors, although its historic strength was heavy industry. That said, at least with jobs, over the past decade the province saw growth in light industry – notably agro-processing, chemicals, paper and publishing – while heavy industry declined.

Gold dominated mining employment in Gauteng. Generally, gold mining saw job losses during the commodity boom, while platinum mining, coal and iron ore created employment. According to Department of Mineral Resources data, which is more reliable for mining, total mining employment in Gauteng fell from 98 500 in 2003 to 77 000 in 2011, while sales dropped from 13% of the national total to 10%. From 2011 to 2014, the number of Gauteng miners declined to 64 000, while sales stabilised at 10% of the national total.

Major public and private projects announced for the real economy of Gauteng over the past three years included the following.

Large recent public and private real-economy projects in Gauteng

Project Name	Company	Value	Sector	Industry
Tambo Springs Inland Port and Logistics Gateway Project	Tambo Springs Development Co. and SA Government	R7,5 billion	Public	Construction
Rosslyn Plant Investment Programme	BMW SA	R6 billion	Private	Construction/ Manufacturing
Ford Silverton Assembly Plant Expansion Project	Ford Motor Company SA	R2,5 billion	Private	Manufacturing
Khanyisa Production Facility Development	Unilever	R1,4 billion	Private	Construction/ Manufacturing
Beverage Can Plant Project	Gayatri GZI Beverage cans	R1 billion	Private	Construction
Dunnottar Train Manufacture Complex	Gibela Rail Transport Consortium	R1 billion	Private	Construction
Gosforth Industrial and Business Park	Atterbury Property Holdings	R850 million	Private	Construction
OR Tambo Industrial Development Zone	Gauteng IDZ Company	R267 million	Public	Construction

Employment and unemployment

Gauteng has low levels of joblessness by South African standards. Just 52% of the working-age population was employed in 2015, compared to a national average of around 40%. The international norm is around 60%. The share of working-age people with employment had risen from 51% in 2010, when employment hit a low point following the 2008/2009 global financial crisis.

Gauteng also had relatively high wage levels. In 2014, the median formal wage was R5 000 and the median wage for domestic, informal and agricultural workers was R2 000. That compared to R4 000 nationally for formal workers, and R1 500 for other employees. In Gauteng, 72% of total employment was in the formal sector, compared to the national average of 69%.

Relatively low joblessness and good pay explain high migration into Gauteng. Its population grew 68% from 1996 to 2015, compared to a national average of 35%. Gauteng had by far the fastest population growth of any province in South Africa.

The Gauteng economy and the national spatial economy

Apartheid geography has a significant impact on economic structures, and especially on access to economic opportunities for ordinary South Africans. Gauteng province was drawn to exclude virtually all rural and former labour-sending regions, which has made it effectively an industrial enclave for the inland regions. It has:

- Almost none of the former so-called “homeland” areas within its borders. In 2015, 1% of the population lived in former “homeland” regions, compared to 27% for the country as a whole.

- Three metro areas and two secondary cities, out of a total of 12 municipalities. Metros and secondary cities account for 93% of the province's population. That compared to 40% of the national population living in metro areas and secondary cities.
- Just over the average share of non-Africans in the total population, at 22% compared to 20% nationally. The share of Africans had risen from around 70% in 1996.

These factors help explain the province's economic dynamism as well as its core challenges. Under apartheid, African areas and especially the former "homeland" regions typically excluded natural resources, and for decades were largely deprived of infrastructure and government services. In contrast, Gauteng was demarcated essentially as an enclave around the main industrial metros. These areas had historically enjoyed strong infrastructure, incomes and education levels.

In this context, the province has dealt relatively well with the influx of new residents while maintaining core economic strengths.

The following indicators underscore the socio-economic implications of Gauteng's position in South Africa's historically distorted spatial economy.

- In 2015, the General Household Survey found that the median household income was R4 760, compared to R3 260 nationally. The high household income in large part resulted from relatively high employment levels.
- In 2015, matric degrees were held by 35% of the province's working-age population aged over 20. For the country as a whole, the figure was 29%. The share of adults in Gauteng with matric had climbed from 21% in 1996 – already well above the national average of around 15%. Some 19% of Gauteng's adult population had a degree, compared to 13% nationally.
- Where other provinces had to address backlogs left by apartheid, in Gauteng the challenge for municipal services and housing was to keep up with in-migration from poorer regions, which meant its population grew almost twice as fast as the rest of the country. Still, according to the 2015 General Household Survey, 90% of households in Gauteng had running water in their houses or yards, compared to 83% in 1996. Furthermore, 83% had electricity, up from 79% in 1996. Nationally, 73% of households had running water and 85% electricity.
- Municipal expenditure per person in Gauteng came to R9 000 in 2015/2016, compared to R5 900 nationally. It was funded mostly by locally raised revenue rather than national grants and subsidies, which targeted poorer regions. As discussed below, relatively high municipal spending was offset by low provincial budgets per person.

Economic policy initiatives

The main national industrial policy and development initiatives that affected Gauteng included the following.

- In terms of Department of Trade and Industry (the dti) support, from 2013/2014 to 2014/2015, a total of 260 projects were approved under the Manufacturing Competitiveness Enhancement Programme (MCEP) in Gauteng, for a total value of R2,3 billion. A further 146 projects were approved under the Manufacturing Investment Programme (MIP), with a value of R630 million. Because of its dominant position in manufacturing, Gauteng benefited from most Industrial Policy Action Plan (IPAP) sectoral programmes, ranging from film to fuel cells.
- From 2002, Gauteng had an Industrial Development Zone focused on jewellery manufacturing near O.R. Tambo international airport. It is planning to extend this zone to produce fuel cells. It is also establishing a new Special Economic Zone near Nasrec in Johannesburg, which will focus on information and communications technology and electronics.
- The Industrial Development Corporation (IDC) invested 30% of its total spending in Gauteng in 2015.
- Gauteng's economy depended on many of the major infrastructure programmes outside its own borders, including the major transport corridors from the coast as well as increased electricity generation. These projects also provided a market for Gauteng's heavy industry, both for transport equipment and for structural steel.

The Gauteng budget totalled R74 billion in 2015/2016. Per person, the province spent R5 600, compared to an average for all the provincial budgets of R7 000. Low provincial spending was, however, partially offset by unusually high municipal expenditure. In constant 2015 rand (deflated by CPI), the provincial budget had climbed 5% from 2014/2015. From 2011/2012, however, it had fallen by around the same amount.

Some 95% of Gauteng's budget went for education and health. That compared to 90% for provincial budgets as a whole.

Gauteng spent a relatively small share of its budget on infrastructure, but a larger than usual percentage on housing. In 2015/2016, the provincial budget set aside R5 billion, or 6.8% of the total, for investment in buildings and public works. As a group, the provinces budgeted R35 billion, or 8% of their total expenditure, for these purposes. Transfers to households for housing came to R5.8 billion, or 7.2% of Gauteng's 2015/2016 budget. The provinces as a whole expected to provide R18 billion in housing subsidies, or 5% of their spending.

The economic departments in the provincial government in 2015 were the Department of Economic Development and the Department of Agriculture and Rural Development. The departments' budget totalled R2 billion, or 3% of the total for the province. As a group, the provinces spent 5% of their budgets on these functions.

4 KwaZulu-Natal

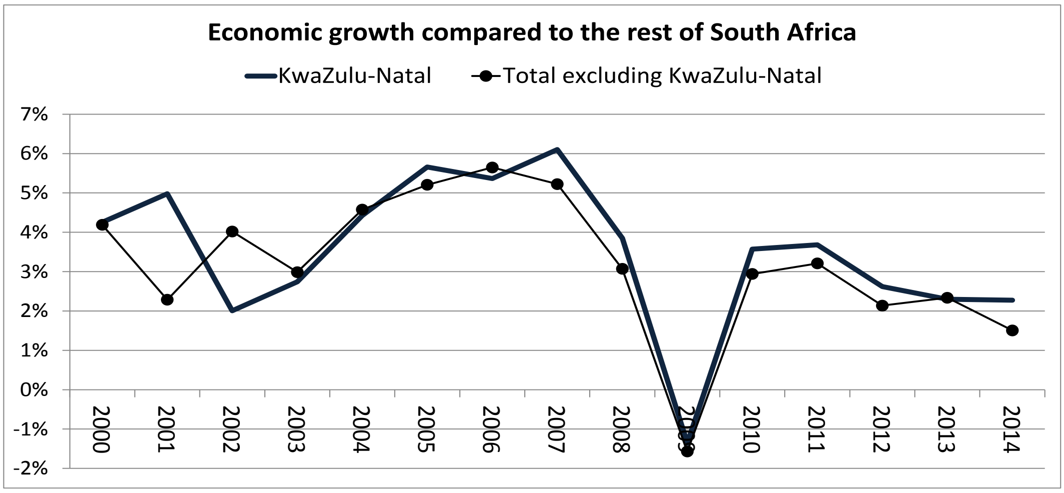
KwaZulu-Natal has a strong role in South Africa's manufacturing and agriculture, and has its largest port and main North-South freight corridor. Its manufacturing industry has been diverse, combining strong light and heavy industries. But half the population lives in impoverished former "homeland" regions, compared to the national average of 30% (and virtually none in the other major manufacturing regions of Gauteng and the Western Cape). These areas have limited employment opportunities and substantial infrastructure backlogs. As a result, while the province mirrors national economic growth, it lags in employment levels, wages, household incomes and municipal services.

The real economy in KwaZulu-Natal: Structure and growth

While KwaZulu-Natal, with 10,9 million residents, accounted for 20% of South Africa's population in 2014/2015, it contributed just 16% of the GDP. In 2014 – the latest available data – the real economy (represented here by agriculture, mining, manufacturing and construction) made up 25% of KwaZulu-Natal's output.

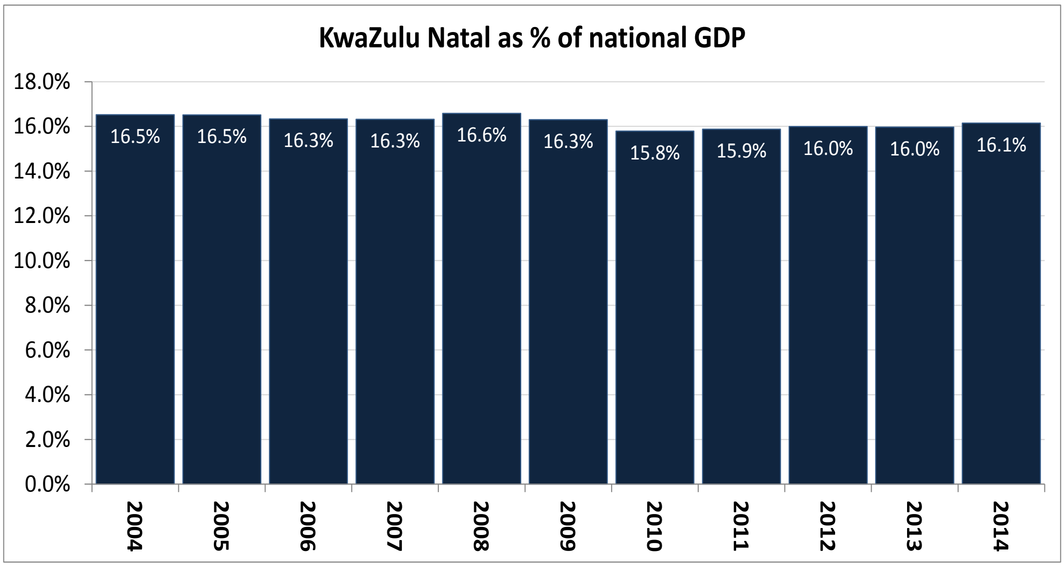
The largest real-economy sector was manufacturing, at 16% of the provincial economy, followed by agriculture at 3%, construction at 4%, and mining at 2%. KwaZulu-Natal contributed 22% of national manufacturing, 25% of national agriculture, 19% of national construction, but only 3% of national mining.

KwaZulu-Natal was hard hit by the 2008/2009 global financial crisis, but recovered and since then has grown somewhat faster than the rest of the economy. It has, however, been affected by the general slowdown since the end of the commodity boom in 2011. From 2003 to 2011, its growth averaged 4% a year; from 2011 to 2014, it fell to 2,4% a year.



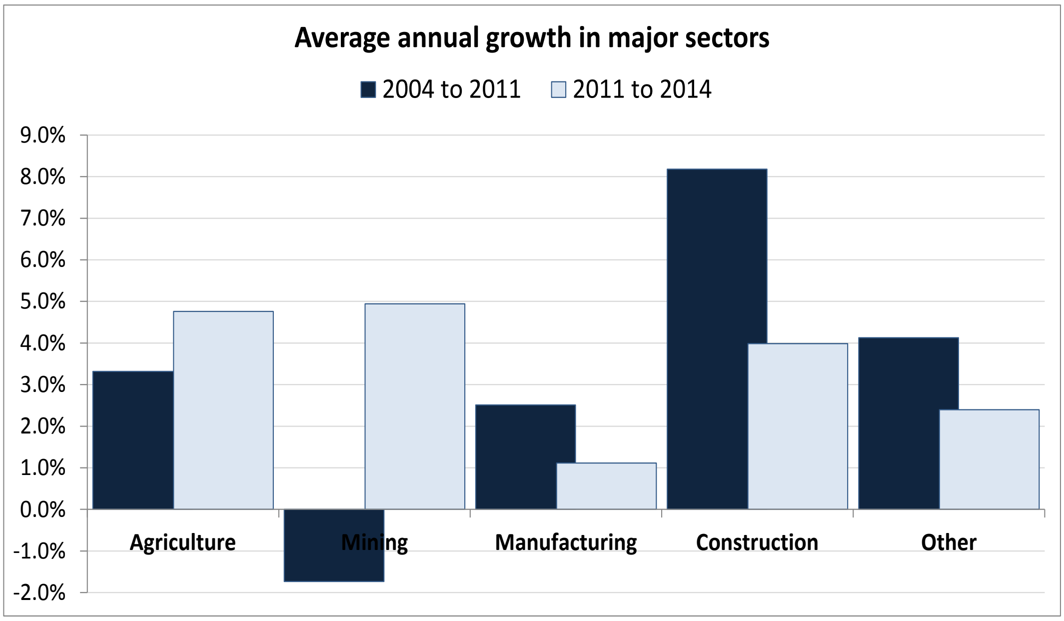
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

Overall, the share of KwaZulu-Natal in the national economy (in current rand) decreased from 2003 to the end of the commodity boom in 2011, then climbed. Soaring prices for metals effectively meant that mining provinces displaced non-mining provinces during the boom in purchasing power, but then lost ground after prices fell from 2011.



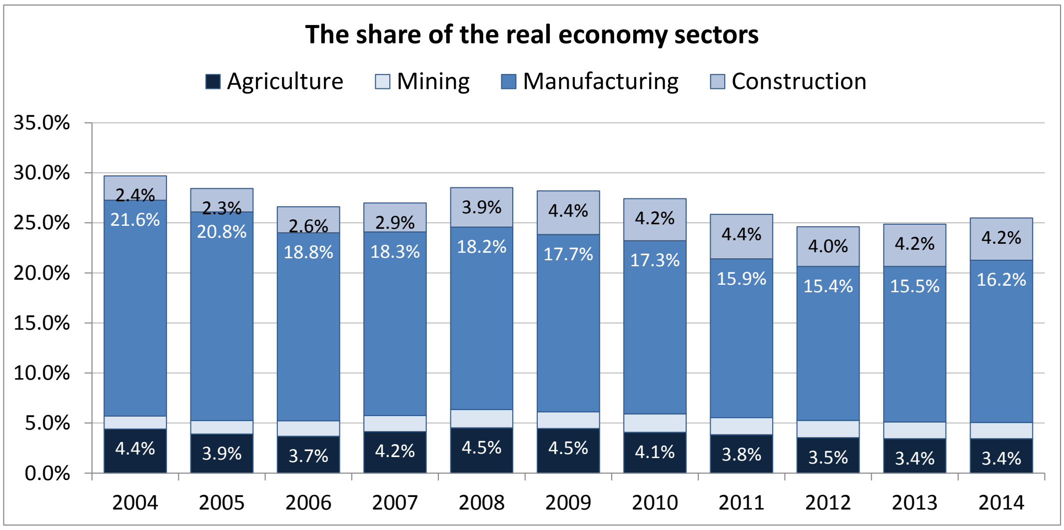
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

Of the main real economy sectors, the fastest growing in KwaZulu-Natal was construction. The province benefited from major rail, road and port projects under the National Infrastructure Plan. In contrast, manufacturing saw particularly slow growth from 2011 to 2014, at just over 1% a year.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

These growth trends meant that manufacturing generally declined as a share of the provincial economy over the past decade. Still, it remained easily the dominant sector in the real economy of the province.



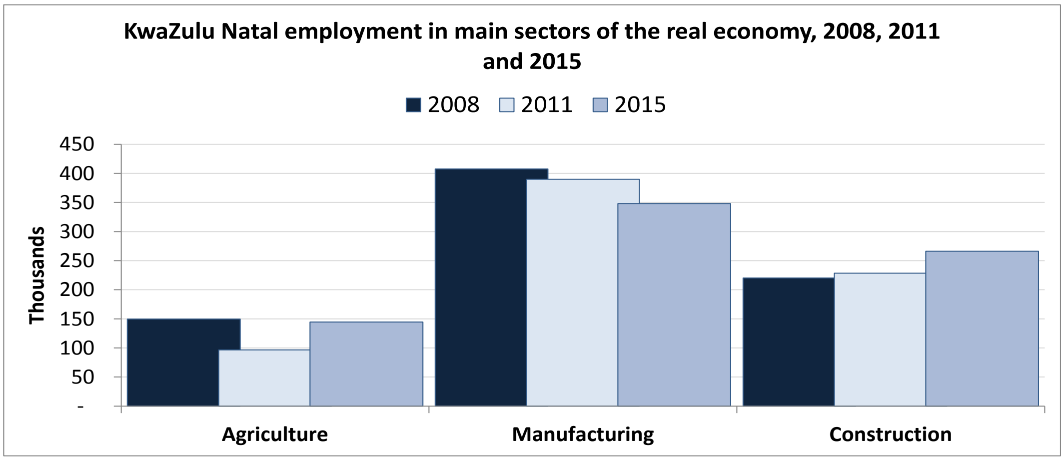
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The employment data shed further light on the structure of the economy.

Of employed people in the real economy in KwaZulu-Natal in 2015:

- 348 000 were in manufacturing
- 145 000 were in agriculture
- 266 000 were in construction
- 12 000 were in mining (in 2014)

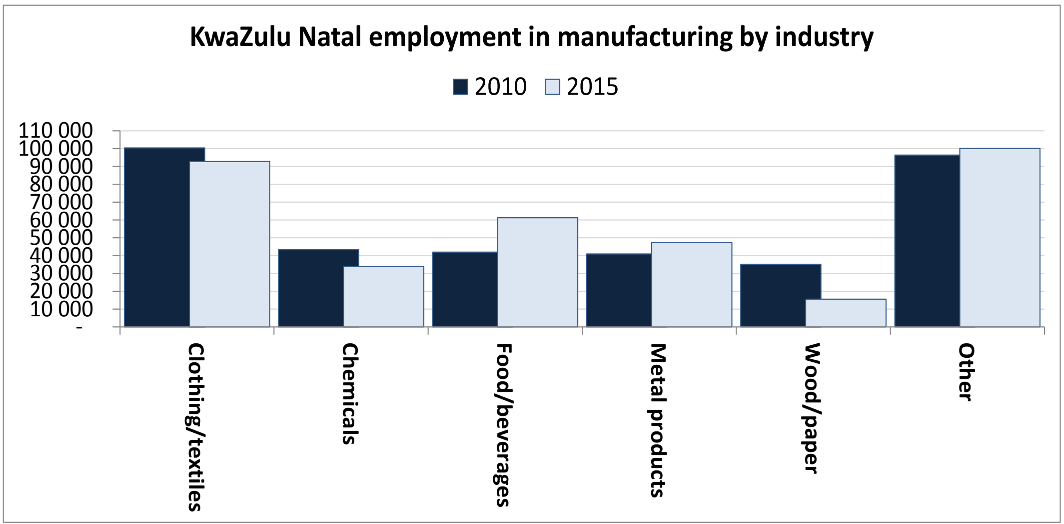
The following chart shows the change in employment by major sector in the real economy in 2008, 2011 and 2015, using the average of quarterly figures for each year. Employment in manufacturing declined steadily over the period, while construction increased. The number of farmworkers fluctuated, and has likely declined more recently due to the drought.



Source: Statistics South Africa, QLFS Trends 2008-2016. Excel spreadsheet. Average of four quarters for the year.

KwaZulu-Natal accounted for 20% of South African manufacturing employment. The top five manufacturing industries in the province, in terms of employment, were clothing, textiles and footwear; food and beverages; basic iron and steel andmetal products;

chemicals and plastic; and paper and publishing. The province accounted for 41% of employment in clothing, textiles and footwear, its largest manufacturing industry. But the main growth in manufacturing jobs came from food and beverages.



Source: For 2010, Statistics South Africa, Labour Market Dynamics 2010. Electronic database. For 2015, average of four quarters, Statistics South Africa, QLFS for relevant quarters. Electronic database.

Coal dominated mining in KwaZulu-Natal, but it accounted for only around 2% of national mining sales.

Major public and private projects announced for the real economy of KwaZulu-Natal over the past three years included the following.

Large recent public and private real-economy projects in KwaZulu-Natal

Project Name	Company	Value	Sector	Industry
Cornubia Mixed Use Development	Tongaat Hulett Developments and eThekwini Municipality	R20 billion	Mixed	Construction
Clairwood Logistics Park and Distribution Centre	Fortress Income Fund	R3,5 billion	Private	Construction
Tyre manufacturing plant upgrade and expansion	Sumitomo Rubber South Africa	R2 billion	Private	Manufacturing

Employment and unemployment

KwaZulu-Natal has relatively high levels of joblessness. Just 38% of the working-age population was employed in 2015, compared to a national average of over 40%. The international norm is around 60%. The province gained 200 000 jobs from 2010, when national employment hit a low point following the 2008/2009 global financial crisis. Still, because of population growth, the share of working-age people with employment had remained virtually unchanged from that year.

In 2014, the median formal wage in KwaZulu-Natal was R3 050 and the median wage for domestic, informal and agricultural workers was R1 300. That compared to R4 000 nationally for formal workers, and R1 500 for other employees. Some 63% of total employment in the province was in the non-agricultural formal sector, compared to the national average of 69%.

Relatively high joblessness and poor pay explain a degree of out-migration from KwaZulu-Natal. Its population grew 27% from 1996 to 2015, compared to a national average of 35%.

The KwaZulu-Natal economy and the national spatial economy

Apartheid geography has a significant impact on economic structures, and especially on access to economic opportunities for ordinary South Africans. This was particularly true of KwaZulu-Natal, with its rich coastal areas co-existing with extensive historically deprived former so-called “homeland” and “border” areas. KwaZulu-Natal has:

- A relatively high share of former “homeland” areas within its borders. In 2015, 37% of the population lived in former “homeland” regions, compared to 27% for the country as a whole.
- One metro area and three secondary cities, out of a total of 61 municipalities. Metros and secondary cities account for 44% of the province’s population. That was slightly above the national average of 40%.
- A relatively small share of non-Africans in the total population, at 11% compared to 20% nationally.

These factors help explain the province's economic structure and key constraints on growth. Under apartheid, African areas and especially the former “homeland” regions typically excluded natural resources, and for decades were largely deprived of infrastructure and government services.

Some indicators of the implications for KwaZulu-Natal are:

- The 2015 General Household Survey found that the median household income was R2 600 a month, compared to R3 260 nationally. In the former “homeland” regions it was R2 160 a month, while it was R3 010 in the rest of the province.
- In 2015, only 24% of working-age people in the former “homeland” regions were employed, compared to 46% in the rest of KwaZulu-Natal. These figures were close to the national averages for both regions.
- According to Census data, the population in the former so-called “homeland” regions in KwaZulu-Natal increased by 12% from 1996 to 2011, while the rest of the province saw population growth of 27%.
- In 2015, matric degrees were held by 31% of the province's working-age population aged over 20, but only by 24% in the former “homeland” regions. For the country as a whole, the figure was 29%. The share of adults in KwaZulu-Natal with matric had climbed from 15% in 1996. Some 10% of KwaZulu-Natal’s adult population had a degree, compared to 13% nationally.

- The 2015 General Household Survey found that 64% of households in KwaZulu-Natal had running water in their houses or yards, compared to 47% in 1996. Some 82% had electricity, up from 53% in 1996. Nationally, 73% of households had running water and 85% electricity.
- Municipal expenditure per person in KwaZulu-Natal came to R5 100 in 2015/2016, compared to R5 900 nationally. The metros and secondary cities were R7 900 per person compared to R2700 per person in the other municipalities in the province. They provided for 44% of the population but raised 84% of all municipal rates and tariffs in the province. They received 38% of current and 46% of capital transfers and subsidies, which came mostly from the national government.

Economic policy initiatives

The main national industrial policy and development initiatives that affected KwaZulu-Natal included the following.

- In terms of Department of Trade and Industry (the dti) support, from 2013/2014 to 2014/2015, a total of 107 projects were approved under the Manufacturing Competitiveness Enhancement Programme (MCEP) in KwaZulu-Natal, for a total value of just over R500 million. A further 74 projects were approved under the Manufacturing Investment Programme (MIP), with a value of R195 million. The province also benefited strongly from sectoral programmes included in the Industrial Policy Action Plan (IPAP), including for clothing and textiles, the aluminium foundries
- The major aluminium smelters near Richards Bay were established with dti support that ensured them of relatively low-cost electricity.
- KwaZulu-Natal has three actual or proposed Industrial Development and Special Economic Zones.

Industrial Development and Special Economic Zones in KwaZulu-Natal

IDZ/SEZs	Focus	Designation
Richards Bay	Aluminium; titanium; dry dock (ship and repair); and furniture	2002
Dube Trade Port	Value niche aquaculture and horticulture; automotive; electronics; and fashion garments	2013
DTP	Agro-processing; and electronics	Proposed

- The Industrial Development Corporation (IDC) invested 7,1% of its total spending in KwaZulu-Natal.
- The following table summarises the major infrastructure projects in KwaZulu-Natal that were included in the 2016/2017 national Budget Review. In addition, the province should benefit from substantial Transnet investmetns in upgrading the Durban-Gauteng rail line; extensive investments in hospitals, clinics, schools and colleges; and the roll-out of broadband to poor communities.

Major infrastructure projects in KwaZulu-Natal as of 2016/2017

Project name	Implementing agent	Project cost (R billion)	Project description
Ingula pumped-storage scheme	Eskom	29.6	1 332MW pumped-storage scheme
Cornubia integrated human settlement	Housing Development Agency/municipalities	25.8	50 000 mixed-income, mixed-density houses by 2026
Greytown regional bulk scheme	Department of Water and Sanitation	1	New bulk water scheme and upgrade existing scheme
Umgeni Water Board: Lower Thukela bulk water supply scheme	Umgeni Water Board	1	New bulk water scheme

The KwaZulu-Natal budget totalled R90 billion in 2015/2016. Per person, the province spent R8 300, compared to an average for all the provincial budgets of R7 000. In constant 2015 rand (deflated by CPI), the budget had increased by 2,3% from 2014/2015. From 2011/2012, it had risen 6,2%.

Just 83% of KwaZulu-Natal's budget went for education and health. That compared to 90% for provincial budgets as a whole.

In 2015/2016, the provincial budget set aside R7 billion, or 7,7% of the total, for investment in buildings and public works. As a group, the provinces budgeted R35 billion, or 8% of their total expenditure, for these purposes. In addition, transfers to households for housing came to R2,9 billion, or 3,2% of KwaZulu-Natal's 2015/2016 budget. The provinces as a whole expected to provide R18 billion in housing subsidies, or 5% of their spending.

The economic departments in the provincial government in 2015 were Economic Development, Tourism and Environmental Affairs, and Agriculture and Rural Development. In 2015/2016, their combined budgets came to R5 billion, or about 6% of the provincial budget. The provinces as a group spent an average of 5% of their budgets on these functions, with the lowest share of spending, at 3%, in the most industrialised provinces of Gauteng and the Western Cape.

5 Limpopo

Limpopo's growth since 2003 has been dominated by the mining sector, especially platinum, and by national construction projects. As a result, the provincial economy grew rapidly during the mining boom from 2003 to 2011, but has since slowed to below the national rate. The province also has by far the largest share of residents in former so-called "homeland" areas in the country, which poses challenges because they continue to face a lack of employment opportunities, poor incomes, weak infrastructure and low educational levels. The result has been high out-migration both to Limpopo's urban areas – now among the fastest growing in the country – and to other provinces.

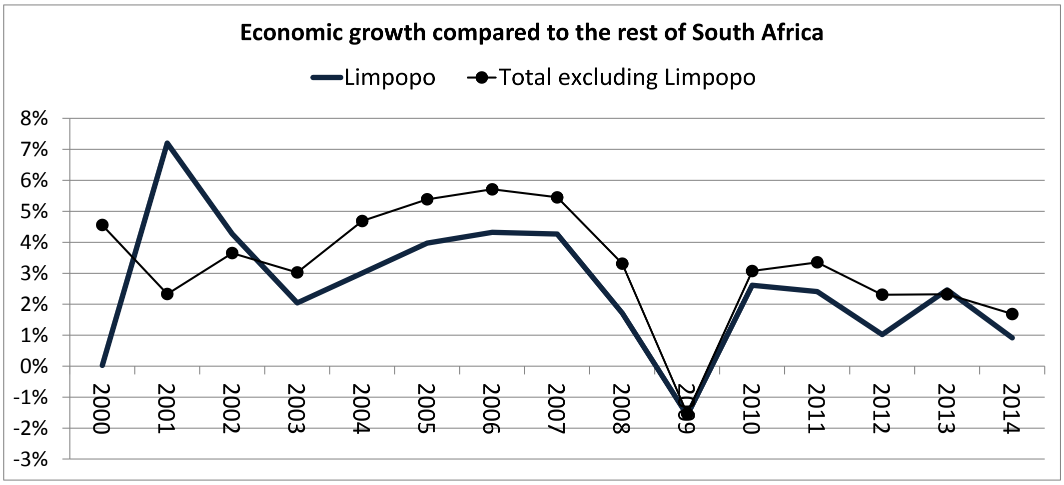
The real economy in Limpopo

While Limpopo, with 5,7 million residents, accounted for 10% of South Africa's population in 2014/2015, it contributed just 7% of the GDP. In 2014 – the latest available data – the real economy (represented by agriculture, mining, manufacturing and construction) made up 33% of Limpopo's output.

Mining dominated the real economy, at 25% of the provincial economy. In contrast, construction and manufacturing contributed just 3%, and agriculture 2%. Limpopo accounted for 24% of national mining output, 7% of national agriculture and 6% of national construction, but just 2% of national manufacturing.

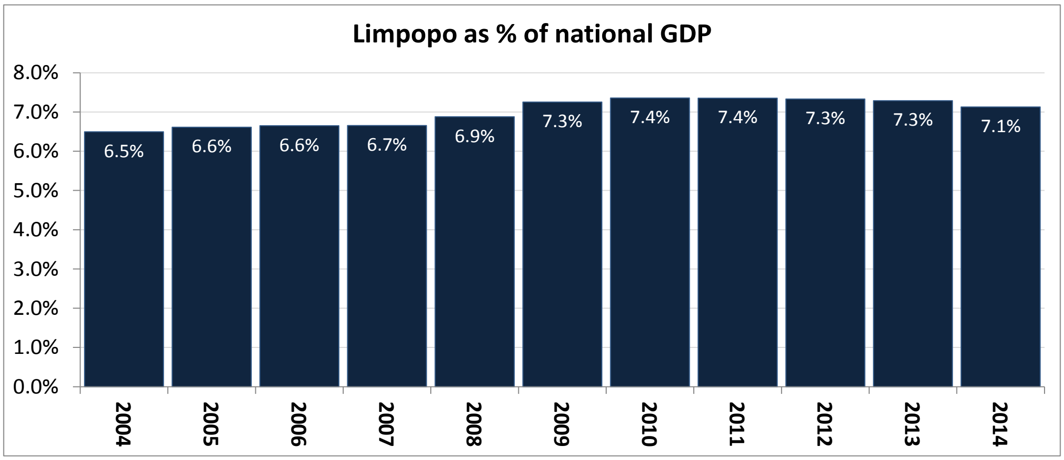
The rapid increase in mining prices compared to other products during the commodity boom, and their subsequent sharp decline, makes it more difficult to assess GDP growth at provincial level. Looking only at the volume of production understates the benefits for Limpopo and other mining-dependent provinces during the boom as well as the slowdown afterwards, and exaggerates the relative performance of provinces that do not have much mining activity.

The following chart shows growth in Limpopo using standard figures that show only the volume of production, effectively ignoring the impact of changes in prices on the purchasing power of the province. By this measure, Limpopo consistently lagged national economic growth.



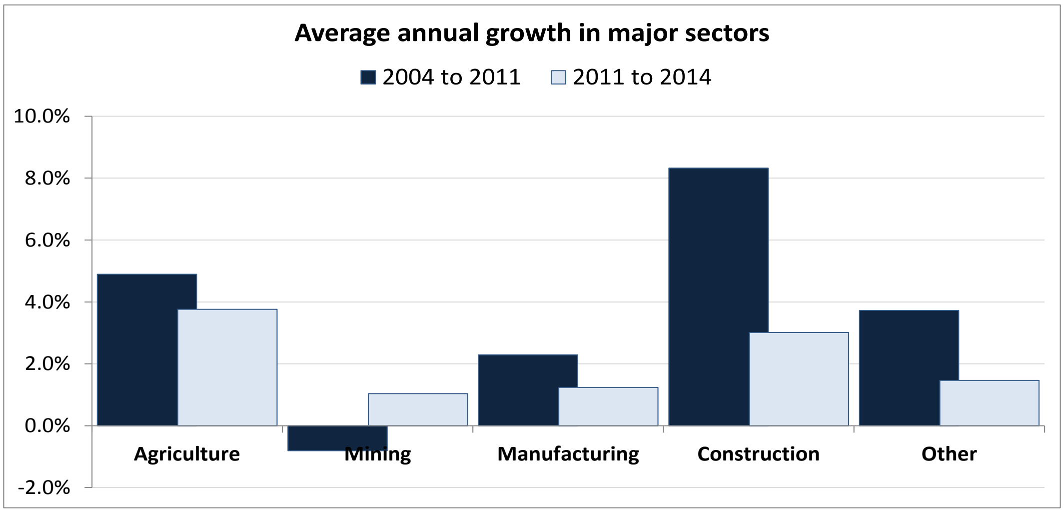
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

In contrast, as a share of the national GDP, which uses current values of output, Limpopo's fortunes tracked the commodity boom. Overall, Limpopo's share in the national economy (in current rand) increased from 2003 to the end of the commodity boom in 2011, then fell.



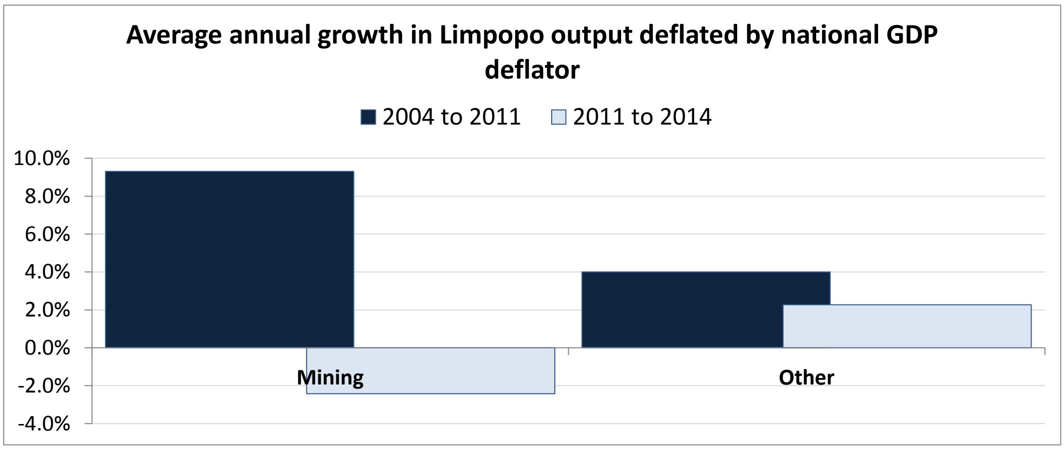
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

A similar paradox emerges from the figures for growth by sector over the past decade. In volume terms, as the following chart shows, mining output in Limpopo fell during the commodity boom. Overall, mining and manufacturing output increased at only around 1% a year in the decade to 2014. In terms of volume, the fastest-growing sector was construction, which benefited from both national infrastructure projects and large-scale rural-urban migration in the province as well as the mining boom.



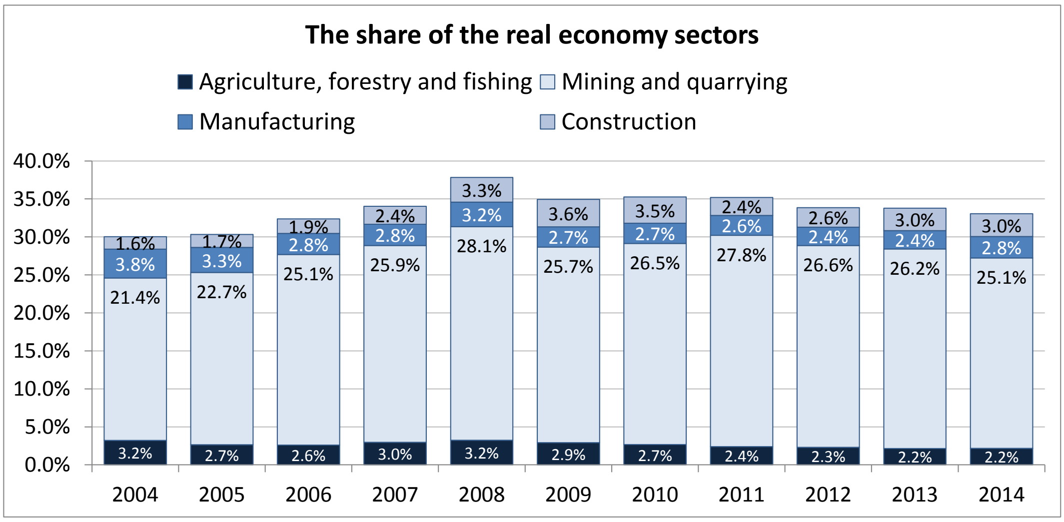
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The impact of higher metals prices on mining becomes clear, however, if we compare the change in mining output deflated by the GDP deflator with the figures for growth in the volume of production. As the following chart shows, by this measure mining production climbed 9% a year from 2004 to 2011, but since then has fallen back to -2% a year. In terms of purchasing power, as measured by the deflated rand value of production, mining growth far exceeded the rest of the Limpopo economy during the commodity boom.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The importance of mining for Limpopo emerged from its dominant share in the provincial economy. With the end of the commodity boom, however, its share dropped from 28% in 2011 to 25% in 2014.



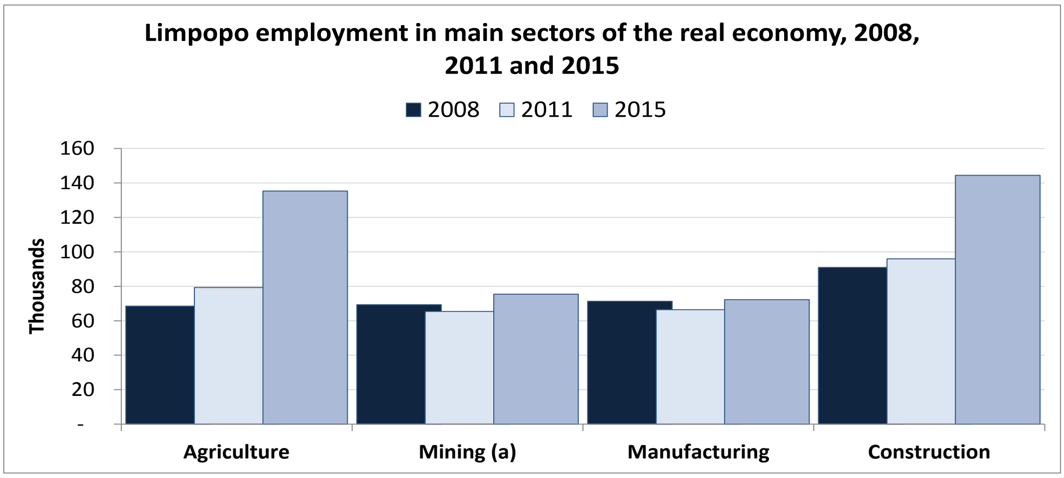
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The employment data shed further light on the structure of the economy in the Limpopo.

Of employed people in the real economy in Limpopo in 2015:

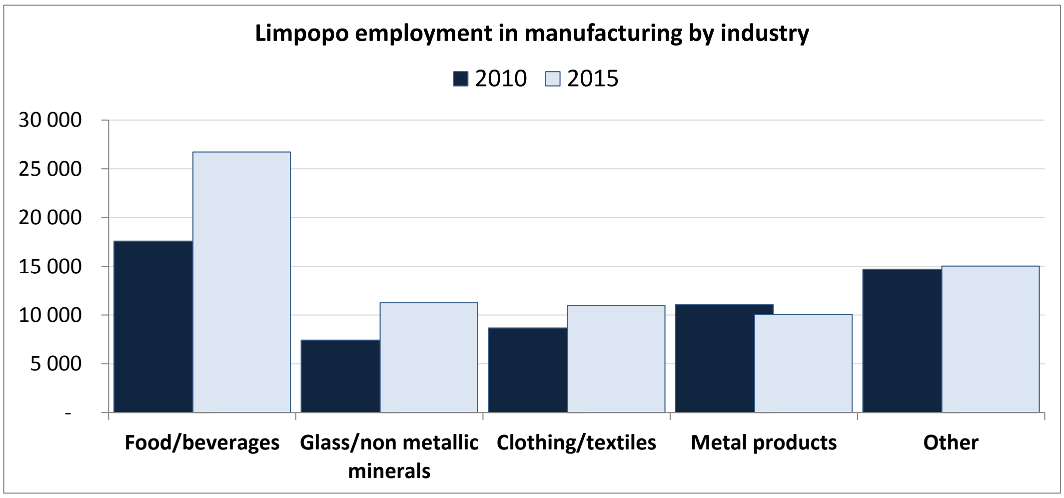
- 144 000 were in construction
- 135 000 were in agriculture
- 75 500 were in mining (in 2014)
- 72 000 were in manufacturing

The following chart shows the change in employment by major sector in the real economy from 2008 to 2015. The bulk of new jobs in the real economy emerged in agriculture and construction, despite their relatively small share of the provincial economy. In contrast, mining employed only around half as many, and barely increased during the commodity boom.



Notes: (a) 2014. *Source:* Except for mining, Statistics South Africa, QLFS Trends 2008-2016. Excel spreadsheet. Average of four quarters for the year. For mining, Department of Mineral Resources. B1 Statistical Tables. Excel spreadsheet.

Limpopo accounted for only 4% of South African manufacturing employment. The top manufacturing industries in the province for employment were food and beverages; glass and non-metallic minerals; and clothing. But all of its industries were relatively small. The province contributed just 7% of national employment in food and beverages, its largest manufacturing industry.



Source: For 2010, Statistics South Africa, Labour Market Dynamics 2010. Electronic database. For 2015, average of four quarters, Statistics South Africa, QLFS for relevant quarters. Electronic database.

Platinum dominated mining employment in Limpopo. Generally, gold mining saw job losses during the commodity boom, while platinum mining, coal and iron ore created employment. According to Department of Mineral Resources data, which is more reliable for mining, total mining employment in Limpopo climbed from 56 500 in 2003 to 65 500 in 2011, while sales rose from 10% of the national total to 13%. From 2011 to 2014, the number of Limpopo miners increased to 75 500, while sales rose further, reaching 16% of the national total.

Major private projects announced for the real economy of Limpopo over the past three years included the following.

Large recent private real-economy projects in Limpopo

Project Name	Company	Value	Industry
De Beers Venetia Underground Project	De Beers Consolidated Mines (DBCM)	R20 billion	Mining
Makhado cocoking coal project	Boabab Mining and Exploration, subsidiary of Coal of Africa Limited	R 4 billion	Mining
Biokarabelo Coal Project	Resource Generation (Resgen)	$480 million	Mining
Ivan Plaatreef Project	Ivanhoe Mines and Partners	$1,2 billion	Mining

Employment and unemployment

Limpopo has relatively high levels of joblessness, although the mining and construction boom brought substantial improvements. Just 36% of the working-age population was employed in 2015, compared to a national average of more than 40%. The international norm is around 60%. The share of working-age people with employment had risen sharply from 29% in 2010, when employment hit a low point following the 2008/2009 global financial crisis.

Limpopo has an unusually low share of formal employment, reflecting the dominance of the former “homeland” regions. Only 53% of total employment in the province was in the formal sector, compared to the national average of 69%.

Limpopo has relatively low pay levels. In 2014, the median formal wage was R3450 and the median wage for domestic, informal and agricultural workers was R1200. That compared to R4 000 nationally for formal workers, and R1 500 for other employees.

Relatively high joblessness and poor pay explain out-migration from Limpopo despite the boom from 2003 to 2011. Its population grew 25% from 1996 to 2015, compared to a national average of 35%.

The Limpopo economy and the national spatial economy

Apartheid geography has a significant impact on economic structures, and especially on access to economic opportunities for ordinary South Africans. Limpopo has:

- A very high share of former so-called “homeland” areas within its borders. In 2015, 71% of the population lived in former “homeland” regions, compared to 27% for the country as a whole.
- Very limited urbanisation by national standards. The province has no metro areas and one secondary city, out of a total of 30 municipalities. The secondary city, Polokwane, accounts for 9% of the province’s population. That compared to 40% of the national population living in metro areas and secondary cities.
- A very small share of non-Africans in the total population, at 2% compared to 20% nationally.

These factors help explain the province's economic structure and key constraints on growth. Under apartheid, African areas and especially the former “homeland” regions typically excluded natural resources, and for decades were largely deprived of infrastructure and government services.

Some indicators of the implications for Limpopo are:

- The 2015 General Household Survey found the median household income was R2 400 a month, compared to R3 260 nationally. This was R2 000 in the former “homeland” areas of Limpopo, while it was R3 500 in the rest of the province.
- In 2015, only 26% of working-age people in the former “homeland” regions were employed, compared to 55% in the rest of Limpopo. Both levels were higher than the norm for the type of region. Nonetheless, overall employment was low because of the unusually high share of “homeland” spaces in the province.
- According to Census data, the population in the former so-called “homeland” regions in Limpopo increased by 9% from 1996 to 2011, while the rest of the province saw population growth of 70%.
- In 2015, matric degrees were held by 21% of the province's working-age population aged over 20, and by 19% in the former “homeland” regions. For the country as a whole, the figure was 29%. The share of adults in Limpopo with matric climbed from 13% in 1996. Some 12% of Limpopo’s adult population had a degree, compared to 13% nationally.
- The General Household Survey found that 47% of households in Limpopo had running water in their houses or yards, compared to 36% in 1996. Some 93% had electricity, up from 39% in 1996. Nationally, 73% of households had water on site, and 85% had electricity.
- Most Limpopo towns are poor by national standards. Municipal expenditure per person came to R2 600 in 2015/2016, compared to R5 900 nationally. Polokwane, with 9% of the population, raised 30% of all municipal rates and tariffs in the province. It received 9% of current and 10% of capital transfers and subsidies, mostly from national government. However, it spent R3 600 per person compared to R2 500 per person in other Limpopo municipalities – still far below the norm for large municipalities.

Economic policy initiatives

The main national industrial policy and development initiatives that affected Limpopo included the following.

- In terms of Department of Trade and Industry (the dti) support, from 2013/2014 to 2014/2015, 12 projects were approved under the Manufacturing Competitiveness Enhancement Programme (MCEP) for R39 million. A further 20 projects were approved under the Manufacturing Investment Programme (MIP), with a value of R37 million. The dti has been working to establish aquaculture in Limpopo under the Industrial Policy Action Plan (IPAP).
- Limpopo proposed two special economic zones – one for platinum group metals, at Tubatse, and one for logistics, petrochemicals and regional trade, at Musina. The dti

is working with the Limpopo Economic Development Agency to establish a metallurgical cluster at Musina.

- The Industrial Development Corporation (IDC) invested 3,7% of its total spending in Limpopo.
- While industrial initiatives in Limpopo seemed limited, the province benefited from major logistics, water and electricity infrastructure projects. These large investments, which were planned at the height of the commodity boom, aimed both to support Eskom's new electricity plants and to open up mining across the province. Some of them may, however, face difficulties if mining slows further, since the anticipated demand (and associated revenues) may not emerge. The following table summarises the major projects that were included in the 2016/2017 national Budget Review. In addition, the province should benefit from investments in hospitals, clinics, schools and colleges, as well as the roll-out of broadband to poor communities.

Major infrastructure projects Limpopo as of 2016/2017

Project name	Agent	Rbn	Description
Medupi power station	Eskom	145	4800MW coal plant in the Waterberg region
Ingula pumped-storage scheme	Eskom	29,6	1332MW pumped-storage scheme
Works and pipelines to obtain bulk water from Mokolo, West Crocodile and Olifants Rivers	TCTA	10 to 23	Pump and pipelines for domestic and industrial water supply to new power stations, associated mining activities and growing population
Waterberg rail (in feasibility)	Transnet	5.1	Develop Waterberg as coal hub, increasing coal tonnage to 23 million tonnes per annum (mtpa) over seven years

Limpopo itself spent relatively little on infrastructure. In 2015/2016, the provincial budget set aside R1,4 billion, or 3% of the total, for investment in buildings and public works. As a group, the provinces budgeted R35 billion, or 8% of their total expenditure, for these purposes. In addition, transfers to households for housing from the Limpopo budget came to R1.3 billion, or 3% of Limpopo's 2015/2016 budget. The provinces as a whole expected to provide R18 billion in housing subsidies, or 5% of their spending.

The Limpopo budget totalled R45 billion in 2015/2016. Per person, the province spent R7 900, compared to an average for all the provincial budgets of R7 000. In constant 2015 rand (deflated by CPI), the budget had fallen by 5% from 2014/2015. It was 3,4% lower than in 2011/12.

Some 89% of Limpopo's budget went for education and health, up from 84% in 2011/2012. That compared to 90% for provincial budgets as a whole.

The economic departments in the provincial government in 2015 were Economic Development and Tourism and Agriculture. Together, their budgets came to R2,8 billion, or 6% of the provincial total. The provinces as a group spent an average of 5% of their budgets on these functions, with the lowest share of spending, at 3%, in the most industrialised provinces of Gauteng and the Western Cape.

6 Mpumalanga

Mpumalanga's economy is dominated by mining, mostly coal for the Eskom power plants that are also located in the province. As a result, it benefited from the commodity boom that lasted from 2003 and 2011, and has experienced much slower growth since it ended. Mpumalanga also has extensive heavy industry, which forms part of the long-standing Highveld complex, and a strong commercial agricultural sector. These industries have driven its growth since 2011.

The strength of Mpumalanga's major sectors has meant the province has been mainly at, or above, the national average for employment levels and pay. Still, two fifths of the population – substantially more than the national average – live in former homeland regions, where infrastructure, employment and incomes lag behind national norms.

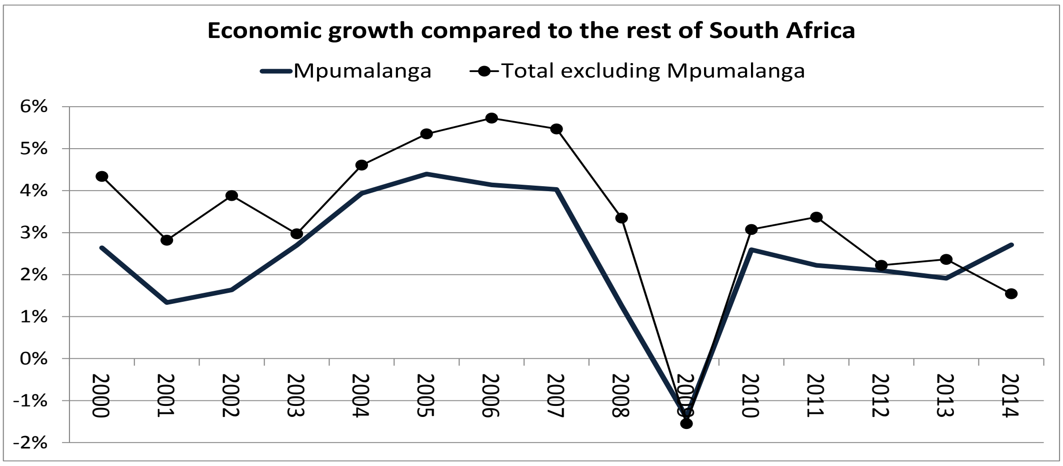
The real economy in Mpumalanga

While Mpumalanga, with 4,3 million residents, accounted for 8% of South Africa's population in 2014/5, it contributed 7% of the GDP. In 2014 – the latest available data – the real economy (represented by agriculture, mining, manufacturing and construction) made up 40% of Mpumalanga's output.

The real-economy sector was dominated by mining, at 22% of the provincial economy, followed by manufacturing at 12%, construction at 3%, and agriculture at 3%. Mpumalanga contributed 22% of national mining, 8% of national manufacturing, 9% of agriculture and 6% of construction.

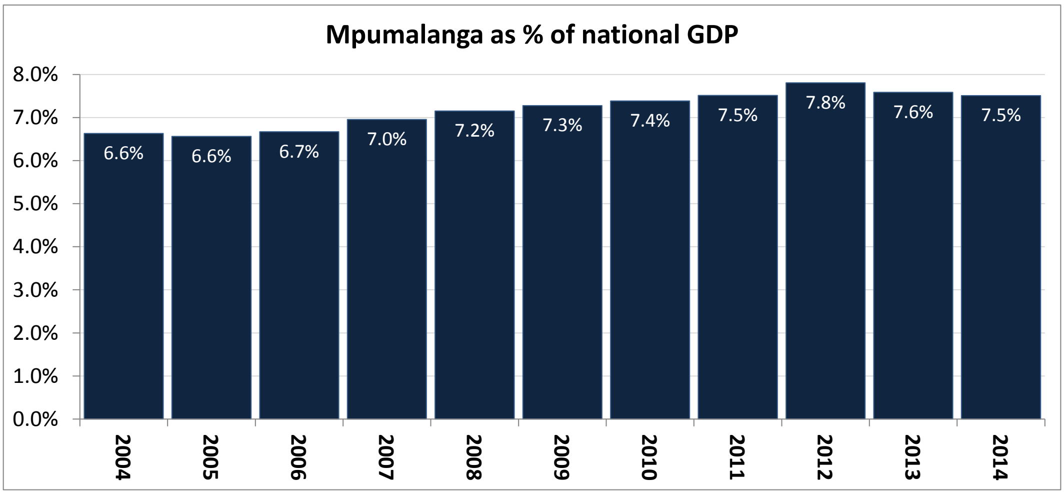
The rapid increase in mining prices compared to other products during the commodity boom, and their subsequent sharp decline, makes it more difficult to assess GDP growth at provincial level. Looking only at the volume of production understates the benefits for mining-dependent provinces during the boom as well as the slowdown afterwards, and exaggerates the relative performance of provinces without much mining activity.

The following chart shows growth in Mpumalanga using standard figures that show only the volume of production, effectively ignoring the impact of changes in prices on the purchasing power of the province. By this measure, Mpumalanga mostly lagged national economic growth, especially during the commodity boom.



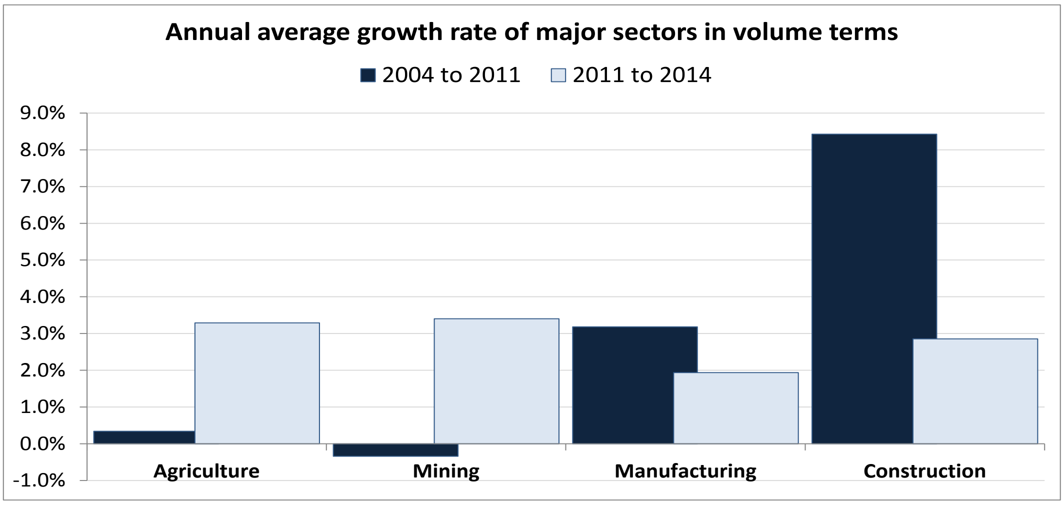
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

In contrast, as a share of the national GDP, which uses current values of output, Mpumalanga's fortunes more closely tracked the commodity boom. Overall, Mpumalanga's share in the national economy (in current rand) increased from 6,6% in 2004 to a high of 7,8% in 2012 – a year after metals prices began to fall - then declined to 7,5% in 2014.



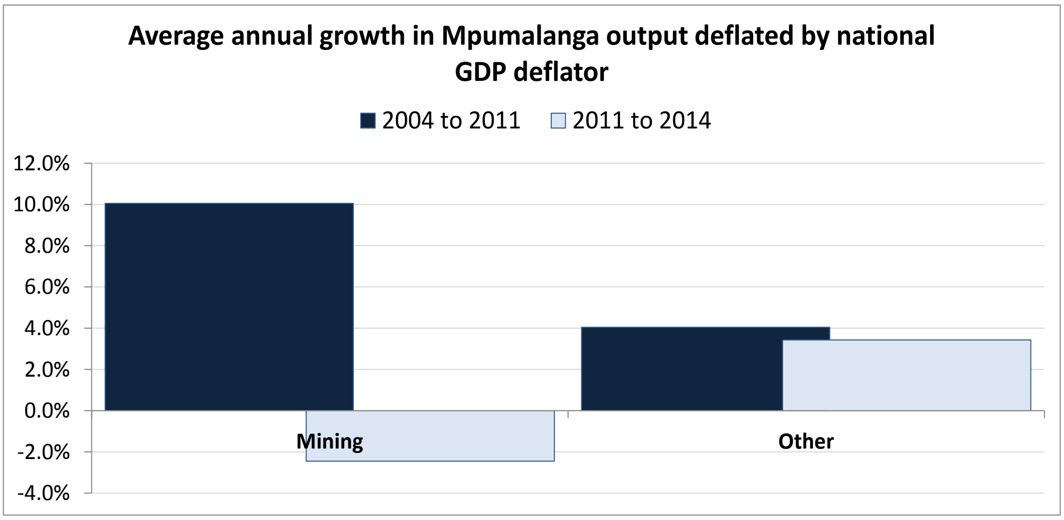
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

A similar paradox emerges from the figures for growth by sector over the past decade. In volume terms, as the following chart shows, mining output in Mpumalanga fell during the commodity boom. In terms of volume, the fastest-growing sector was construction, which benefited from major national infrastructure projects around transport and energy in the province. Manufacturing performed well compared to most provinces, with growth at over 3% a year during the boom, and almost 2% from 2011 to 2014.



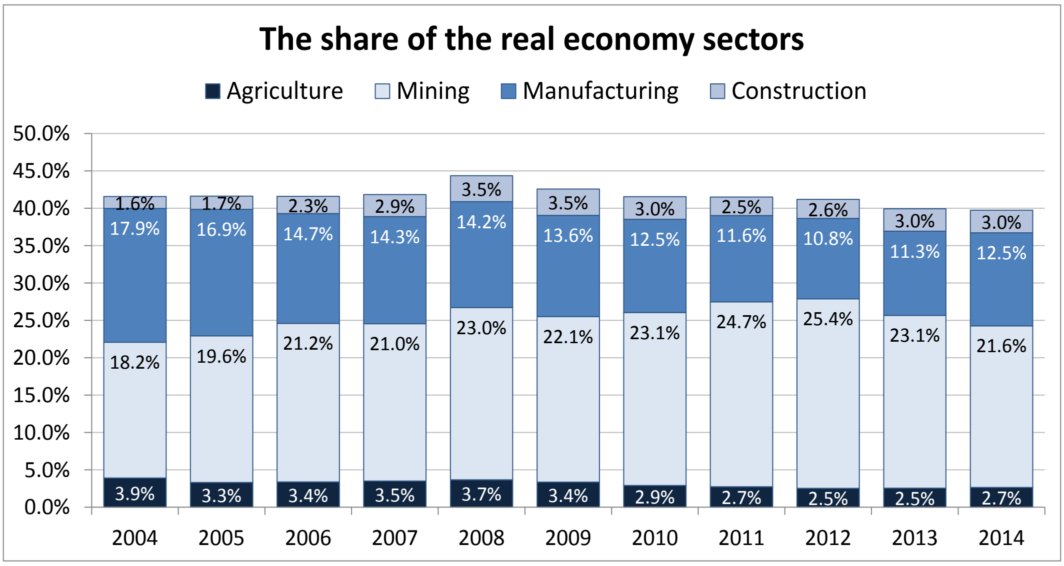
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The impact of higher metals prices on mining becomes clear if we compare the change in mining output deflated by the GDP deflator with the figures for growth in the volume of production. As the following chart shows, by this measure mining production climbed 10% a year from 2004 to 2011, but then fell 2,4% a year through 2014. In purchasing power, as measured by the deflated rand value of production, mining growth far outstripped the rest of the Mpumalanga economy during the commodity boom.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The importance of mining for Limpopo emerged from its dominant share in the provincial economy. During the commodity boom, its contribution climbed from 18% in 2004 to 25% in 2011 and 2012. It then fell back to 22% in 2014 as coal prices collapsed.



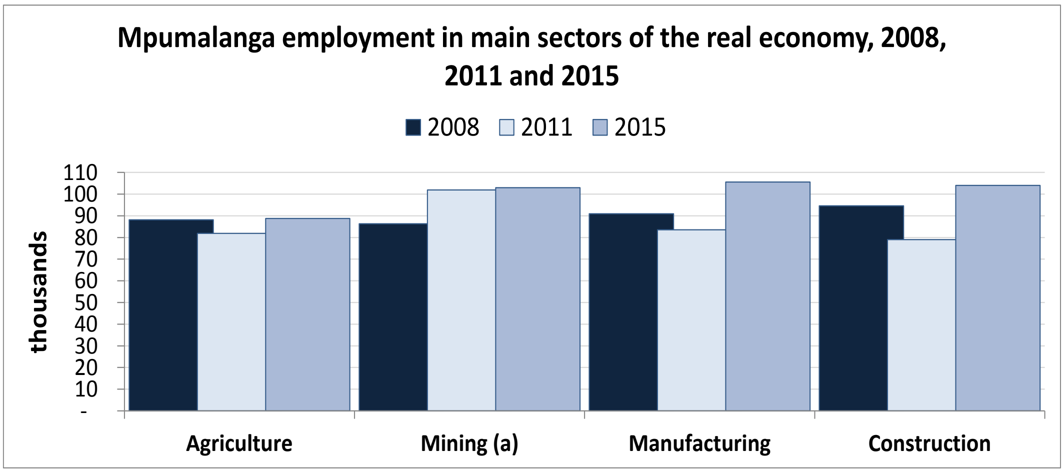
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The employment data shed further light on the structure of the Mpumalanga economy.

Of employed people in the real economy in Mpumalanga in 2015:

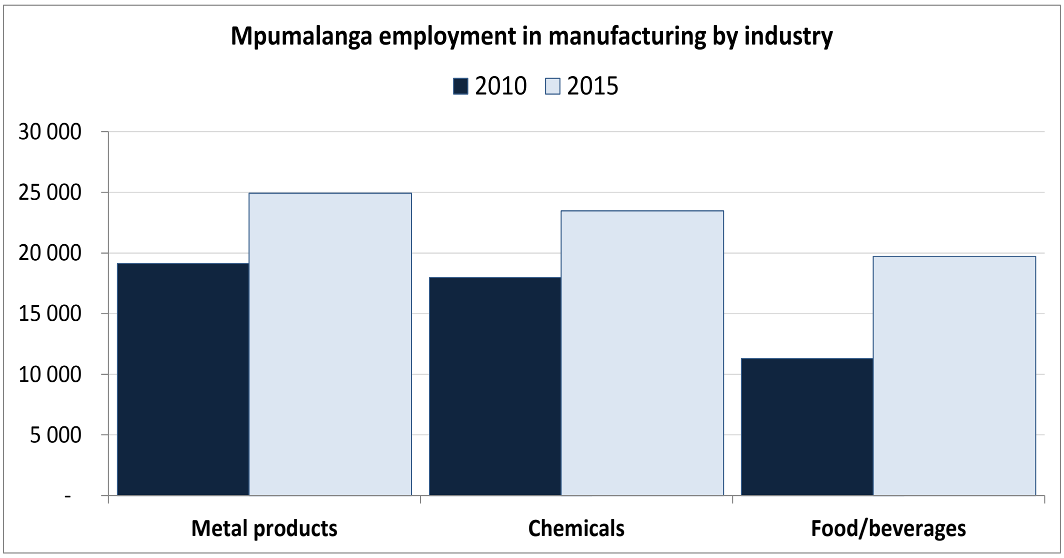
- 106 000 were in manufacturing
- 104 000 were in construction
- 103 000 were in mining (in 2014)
- 89 000 were in agriculture

The following chart shows the change in employment by major sector in the real economy from 2008 to 2015. It suggests that all the main sectors of the Mpumalanga economy saw employment gains from 2011 to 2015.



Notes: (a) 2014. *Source:* Except for mining, Statistics South Africa, QLFS Trends 2008-2016. Excel spreadsheet. Average of four quarters for the year. For mining, Department of Mineral Resources. B1 Statistical Tables. Excel spreadsheet.

Mpumalanga accounted for 6% of South African manufacturing employment. The top five manufacturing industries in Mpumalanga, in terms of employment, were basic iron and steel plus metal products; chemicals and plastic; food and beverages; glass and non metallic minerals; and clothing, textiles and footwear. The province accounted for 9% of employment in basic iron and steel and metal products, its largest manufacturing industry. Its manufacturing was closely integrated into the Gauteng industrial sector.



Source: For 2010, Statistics South Africa, Labour Market Dynamics 2010. Electronic database. For 2015, average of four quarters, Statistics South Africa, QLFS for relevant quarters. Electronic database.

Coal dominated mining employment in Mpumalanga, producing mainly to supply Eskom as well as for export. Generally, gold mining saw job losses during the commodity boom, while platinum mining, coal and iron ore created employment. According to Department of Mineral Resources data, which is more reliable for mining, total mining employment in Mpumalanga climbed from 53 500 in 2003 to 102 000 in 2011, while sales rose from 22% of the national total to 26%. From 2011 to 2014, the number of Mpumalanga miners increased slightly to 103 000, while sales rose further, reaching 29% of the national total.

Major private projects announced for the real economy of Mpumalanga over the past three years included the following.

Large recent private real-economy projects in Mpumalanga

Sector	Project Name	Company	Value
Construction	York Timbers Biomass Plant Project	York Timbers	R1, 4 billion
Mining	Tweedraai Coal Project	Sasol Mining	R1, 4 billion
Mining	Shondoni Coal Project	Sasol Mining	R3, 09 billion
Mining	Impumelelo Replacement Coal Project	Sasol	R4, 6 billion
Mining	Exxaro	Belfast Coal Project	R3, 8 billion

Employment and unemployment

Mpumalanga has average levels of joblessness for South Africa, with 43% of the working-age population employed in 2015, compared to the national figure of over 40%. The international norm is around 60%. The share of working-age people with employment had risen from 39% in 2010, when employment hit a low point following the 2008/2009 global financial crisis.

Wages in Mpumalanga were somewhat higher than in most other provinces, with the exception of Gauteng and the Western Cape. In 2014, the median formal wage in the province was R4 200 and the median wage for domestic, informal and agricultural workers was R1 800. That compared to R4 000 nationally for formal workers, and R1 500 for other employees. Some 67% of total employment in the province was in the formal sector, compared to the national average of 69%.

Relatively high employment levels and pay help explain a fairly high degree of in-migration into Mpumalanga. Its population grew 37% from 1996 to 2015, compared to a national average of 35%.

The Mpumalanga economy and the national spatial economy

Apartheid geography generally has a significant impact on economic structures, and especially on access to economic opportunities for ordinary South Africans.

Mpumalanga has:

- A relatively high share of former so-called “homeland” areas within its borders. In 2015, 49% of the population lived in former “homeland” regions, compared to 27% for the country as a whole.
- No metro areas, but four secondary cities out of a total of 21 municipalities. Secondary cities account for 32% of the province’s population. That compared to 40% of the national population living in metro areas and secondary cities.
- A relatively small share of non-Africans in the total population, at 7% compared to 20% nationally.

Under apartheid, African areas and especially the former “homeland” regions typically excluded natural resources, and for decades were largely deprived of infrastructure and government services. In Mpumalanga, however, these backlogs were offset both by strong mining and agriculture, and by relatively advanced industrialisation in the Western parts of the province. As a result, despite the relatively large share of former “homeland” regions, the province’s level of economic inclusion and social development largely mirrored the national average, as the following indicators suggest.

- The 2015 General Household Survey found that the median household income in Mpumalanga was R3400 a month, compared to R3260 nationally. In the former “homeland” regions in Mpumalanga it was R2700 a month, compared to R4700 in the rest of the province.
- In 2015, some 32% of working-age people in the former “homeland” regions were employed, compared to 46% in the rest of Mpumalanga. That means that employment was higher than the national average for each category of region.
- According to Census data, the population in the former so-called “homeland” regions in Mpumalanga increased by 14% from 1996 to 2011, while the rest of the province saw population growth of 49%.
- In 2015, matric degrees were held by 29% of the province's working-age population aged over 20, but only by 24% in the former “homeland” regions. For the country as a whole, the figure was 29%. The share of adults in Mpumalanga with matric had climbed from 14% in 1996. Only 10% of Mpumalanga’s adult population had a degree, however, while the national average was 13%.
- Despite the relatively strong economy, Mpumalanga struggled with the backlogs in household services left by apartheid. In 2014, 69% of households in Mpumalanga had running water in their houses or yards, compared to 58% in 1996. Some 88% had electricity, up from 51% in 1996. Nationally, 73% of households had running water and 85% electricity.
- Municipal expenditure per person in Mpumalanga came to only R3800 in 2015/6, compared to R5900 nationally. The metros and secondary cities, with 32% of the population, raised 68% of all municipal rates and tariffs in the province. They only received 28% of current and 36% of capital transfers and subsidies, mostly from the national government. Still, they spent R5000 per person, compared to R3100 per person in the other municipalities in Mpumalanga.

Economic policy initiatives

The main national industrial policy and development initiatives that affected Mpumalanga included the following.

- In terms of Department of Trade and Industry (the dti) support, from 2013/2014 to 2014/2015, a total of 19 projects were approved under the Manufacturing Competitiveness Enhancement Programme (MCEP) in Mpumalanga, for a total value of R75 million. A further 16 projects were approved under the Manufacturing Investment Programme (MIP), with a value of R156 million.
- Mpumalanga planned a Special Economic Zone at Nkomazi as a general logistics hubs.

- The Industrial Development Corporation invested 4.3% of its total spending in Mpumalanga.
- While national industrial initiatives in Mpumalanga seemed limited, the province benefited from major logistics, water and electricity infrastructure projects. These large investments, which were planned at the height of the commodity boom, aimed to support Eskom's new electricity plants, especially by facilitating access to coal and water. These projects may be negatively affected by the end of the commodity boom and the consequent reduction in mining demand for electricity, water and freight transport. The following table summarises the major projects that were included in the 2016/7 national Budget Review. In addition, the province should benefit from investments in hospitals, clinics, schools and colleges, as well as the roll out of broadband to poor communities.

Major infrastructure projects planned for Mpumalanga as of 2016/2017

Project name	Agent	R bn	Project description
Kusile power station	Eskom	161	4764MW coal plant to come on line in 2018
Coal freight line expansion	Transnet	18	Upgrade coal lines from Mpumalanga to coast and to electricity plants
Swaziland rail link (concept phase)	Transnet	19	New and upgraded rail to Swaziland
De Hoop regional bulk water (feasibility)	Municipality	4	Link communities in Sekhukhuniland with De Hoop Dam

Mpumalanga itself undertook comparatively high levels of infrastructure investment. In 2015/2016, the provincial budget set aside R3,1 billion, or 10,8% of the total, for investment in buildings and public works. As a group, the provinces budgeted R35 billion, or 8% of their total expenditure, for these purposes. In addition, transfers to households for housing came to R1.3 billion, or 4.4% of Mpumalanga's 2015/6 budget. The provinces as a whole expected to provide R18 billion in housing subsidies, or 5% of their spending.

The Mpumalanga budget totalled R29 billion in 2015/2016. Per person, the province spent R6 700, compared to an average for all the provincial budgets of R7 000. In constant 2015 rand (deflated by CP!), the budget had risen by 2,1% from 2014/2015. From 2011/2012, it had climbed 8,7%.

Some 93% of Mpumalanga's budget went for education and health. That compared to 90% for provincial budgets as a whole.

The economic departments in the provincial government in 2015 were Economic Development and Tourism, and Agriculture, Rural Development, Land and Environmental Affairs. In 2015/2016, their combined budgets came to around R1,8 billion, or about 6% of the provincial budget. The provinces as a group spent an average of 5% of their budgets on these functions, with the lowest share of spending, at 3%, in the most industrialised provinces of Gauteng and the Western Cape.

7 North West

The North West economy depends heavily on platinum mining, with limited manufacturing, agriculture and construction. As a result, over the past 20 years, its fortunes mainly tracked commodity prices, with a boom from 2003 to 2011 and a sharp slowdown from 2011 to 2014. But manufacturing in the province did not develop to support the platinum mines, which instead remained dependent on inputs from Gauteng and abroad.

Wages in the formal sector in the North West were high by national standards, in part because mining paid more than most other industries. But a relatively large share of the population lived in former "homeland" regions, where employment was low. As a result, employment levels were comparatively low and median incomes in the province lagged national levels. There was significant internal migration to the platinum belt especially during the commodity boom.

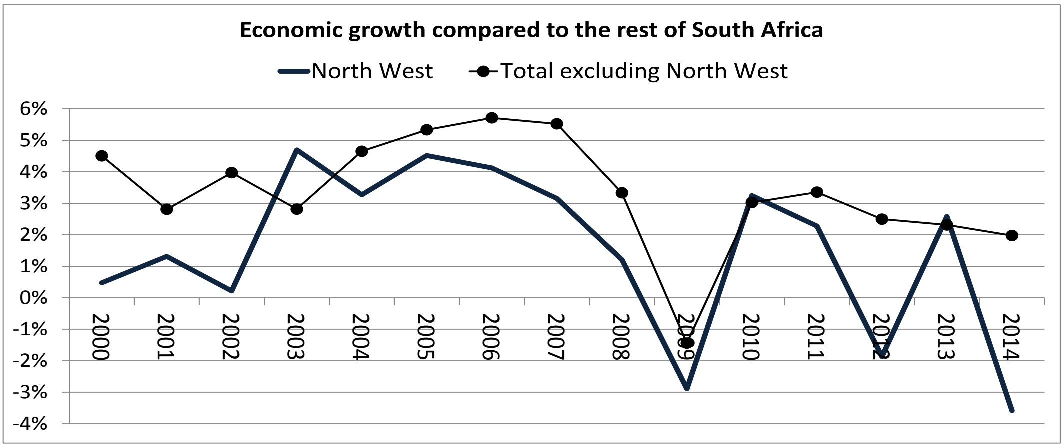
The real economy in the North West

The North West, with 3,7 million residents, accounted for 7% of South Africa's population in 2014/2015, and contributed the same proportion of the GDP. In 2014 – the latest available data – the real economy (represented by agriculture, mining, manufacturing and construction) made up 39% of its output.

The economy was dominated by mining, at 30% of the provincial economy, followed by manufacturing at 5%, agriculture at 2%, and construction at 2%. The North West contributed 26% of national mining and 7% of national agriculture, but only 3% of manufacturing and 4% of construction.

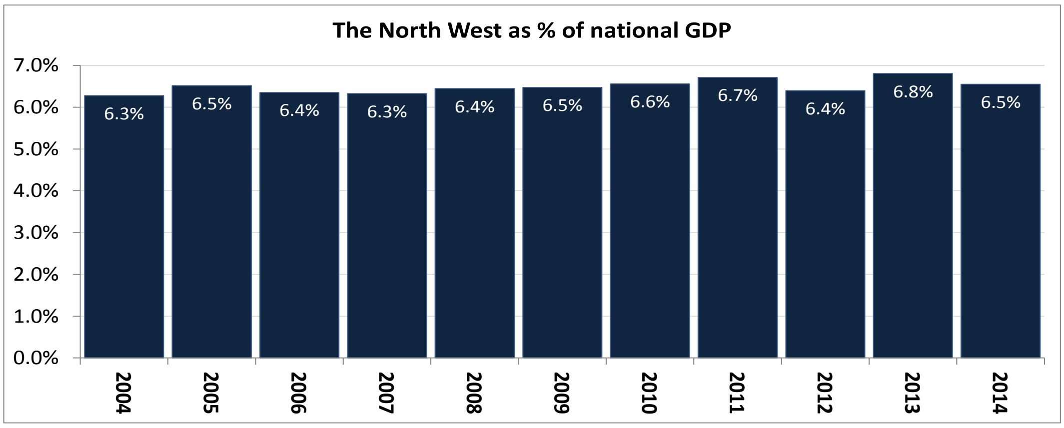
The rapid increase in mining prices compared to other products during the commodity boom, and their subsequent sharp decline, makes it more difficult to assess GDP growth at provincial level. Looking only at the volume of production understates the benefits for mining-dependent provinces during the boom as well as the slowdown afterwards, and exaggerates the relative performance of provinces that do not have much mining activity.

The following chart shows growth in the North West using standard figures that show only the volume of production, effectively ignoring the impact of changes in prices on the purchasing power of the province. By this measure, the North West mostly lagged national economic growth, especially during the commodity boom. In 2012, its growth dipped sharply as a result of the prolonged strike on the platinum mines.



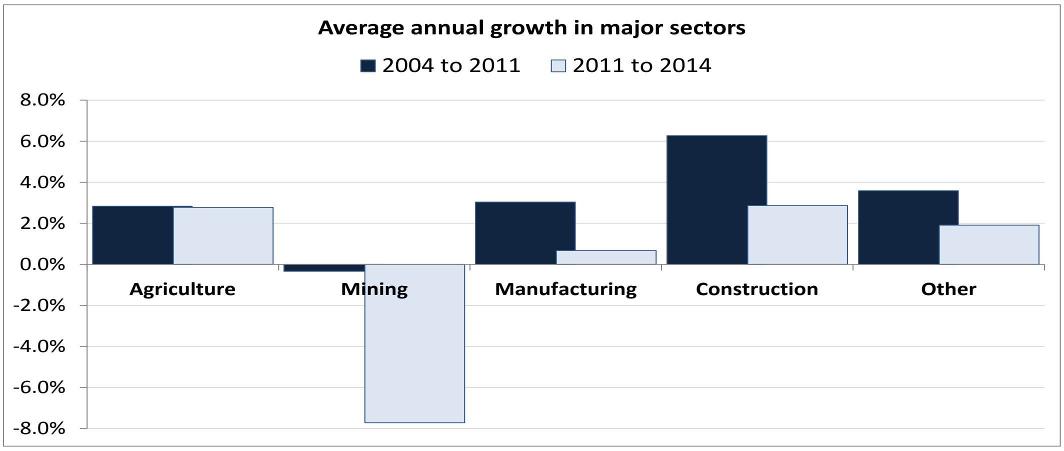
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

In contrast, as a share of the national GDP, which uses current values of output, the North West's output climbed steadily during the commodity boom from 2004 to 2011, then saw some decline as platinum prices fell.



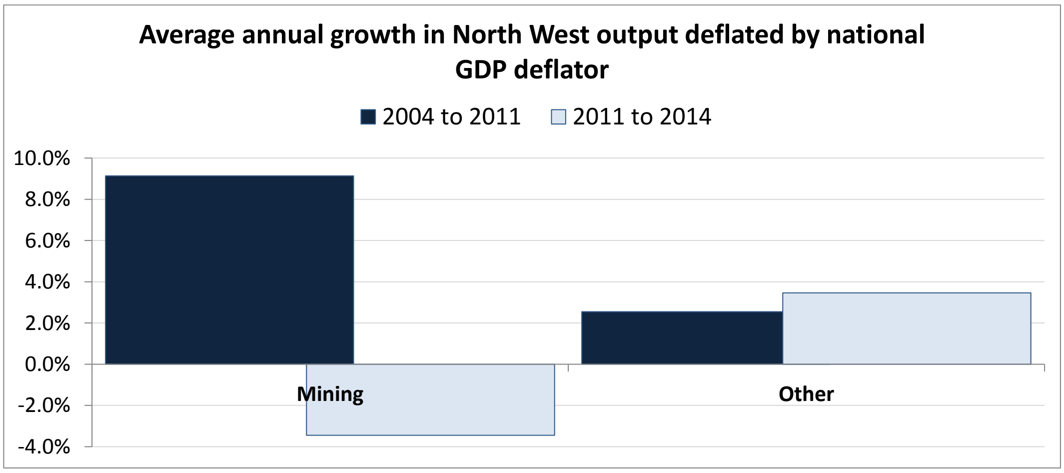
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

A similar paradox emerges from the figures for growth by sector over the past decade. In volume terms, as the following chart shows, mining output in the North West reportedly declined during the commodity boom. In terms of volume, the fastest-growing sector was construction. Manufacturing performed reasonably well during the commodity boom, but grew by only 0,7% a year from 2011 to 2014.



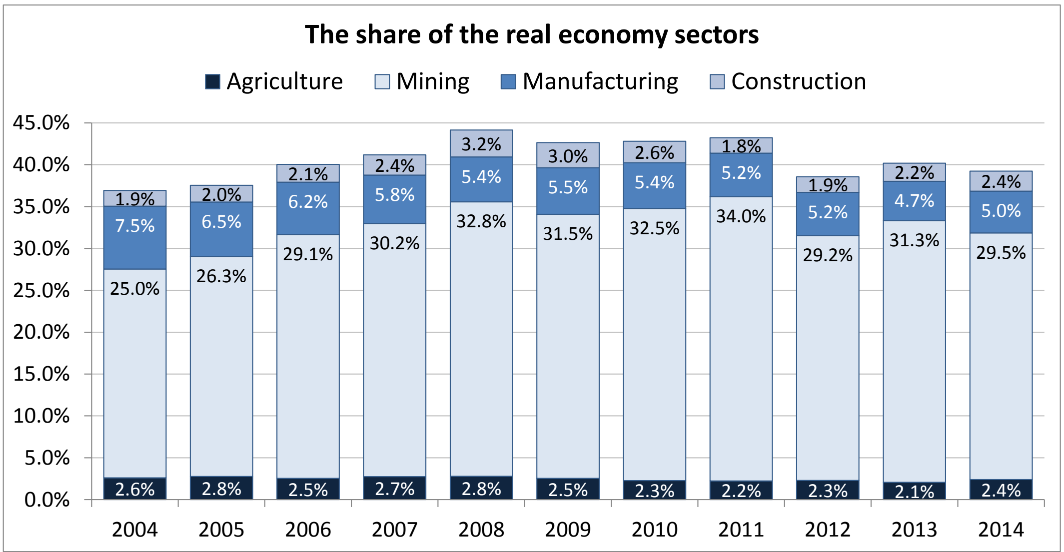
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The impact of higher metals prices on mining becomes clear if we compare the change in mining output deflated by the GDP deflator with the figures for growth in the volume of production. As the following chart shows, by this measure mining production climbed 9% a year from 2004 to 2011, but then fell 3,5% a year through 2014. In purchasing power, as measured by the deflated rand value of production, mining growth far outstripped the rest of the North West economy during the commodity boom.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The importance of mining for the North West emerged from its dominant share in the provincial economy. During the commodity boom, its contribution climbed from 25% in 2004 to 35% in 2011. It then fell back to 30% in 2014 as metal prices collapsed.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The employment data shed further light on the structure of the economy in the North West.

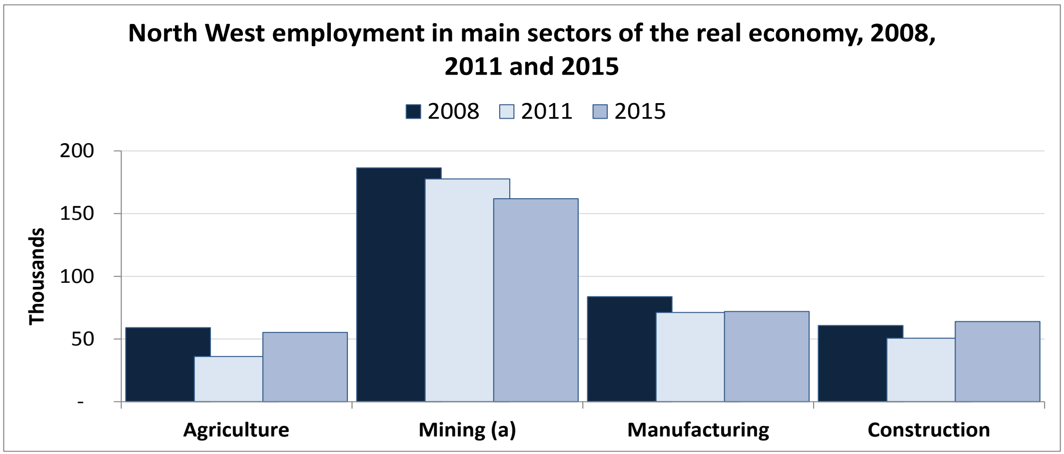
In 2015 (using the average for year of the Quarterly Labour Force Survey - QLFS), the province accounted for 6% of total employment in South Africa. Some 348 000 people were employed in the real economy sectors, which contributed 37% of total provincial employment.

Of employed people in the real economy in the North West in 2015:

- 162 000 were in mining (in 2014)
- 72 000 were in manufacturing
- 64 000 were in construction
- 55 000 were in agriculture

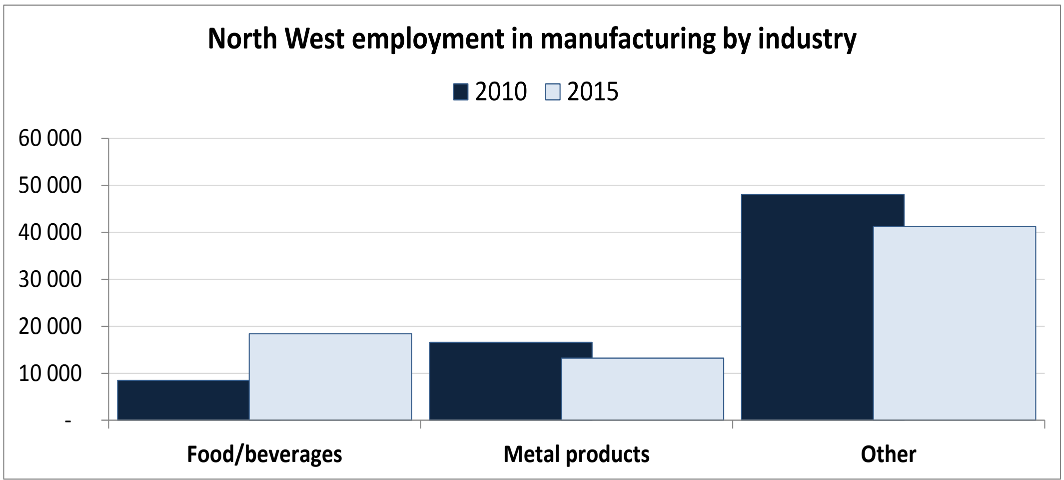
The North West was the only province where mining was the largest employment sector.

The following chart shows the change in employment by major sector in the real economy from 2008 to 2015.



Notes: (a) 2014. *Source:* Except for mining, Statistics South Africa, QLFS Trends 2008-2016. Excel spreadsheet. Average of four quarters for the year. For mining, Department of Mineral Resources. B1 Statistical Tables. Excel spreadsheet.

The North West accounted for 4% of South African manufacturing employment in 2015. The top five manufacturing industries in the province, in terms of employment, was food and beverages. The province accounted for 5% of national employment in that industry. Notably, the main manufacturing industry in the province was not linked to its rich mining sector, which instead depended mainly on inputs from Gauteng and abroad.



Source: For 2010, Statistics South Africa, Labour Market Dynamics 2010. Electronic database. For 2015, average of four quarters, Statistics South Africa, QLFS for relevant quarters. Electronic database.

Platinum dominated mining employment in the North West. Generally, gold mining saw job losses during the commodity boom, while platinum mining, coal and iron ore created employment. According to Department of Mineral Resources data, which is more reliable for mining, total mining employment in the North West climbed from 139 000 in 2003 to 177 500 in 2011, even though its sales declined from 31% of the national total to 22%, mostly because prices of iron ore and coal outstripped platinum during the boom. From 2011 to 2014, the number of the North West miners declined to 162 000, while sales slumped to 16% of the national total.

Major private projects announced for the real economy of the North West over the past three years included the following.

Large recent private real-economy projects in the North West

Sector	Project Name	Company	Value
Construction	Sun City Refurbishment Project	Sun International	R1,1 billion
Mining	Maseve Platinum Mine	Maseve Investments 11	$514 million
Manufacturing/ Mining	Sephaku Cement Holdings	Sephaku Cement	R3,3 billion
Mining	Styldrift 1 Expansion Project	Royal Bafokeng Platinum (67%) with AAC	R11 billion

Employment and unemployment

The North West has relatively high levels of joblessness with 39% of the working-age population employed in 2015, compared to a national average of over 40%. The international norm is around 60%. The share of working-age people with employment had risen from 37% in 2010, when employment hit a low point following the 2008/2009 global financial crisis.

In the North West, 77% of total employment was in the formal sector, compared to the national average of 69%. In 2014, the median formal wage was R4 500 and the median wage for domestic, informal and agricultural workers was R1 500. That compared to R4 000 nationally for formal workers, and R1 500 for other employees. Formal wages were relatively high because the dominant industries were mining and the public service, both of which paid well compared to the rest of formal employment.

The growth of mining meant the North West attracted substantial in-migration, even though many people also left poorer regions for Gauteng. The province's population grew 36% from 1996 to 2015, compared to a national average of 35%.

The North West economy and the national spatial economy

Apartheid geography has a significant impact on economic structures, and especially on access to economic opportunities for ordinary South Africans.

The North West has:

- A relatively high share of former so-called "homeland" areas within its borders. In 2015, 47% of the population lived in former "homeland" regions, compared to 27% for the country as a whole.

- No metro areas and four secondary cities, out of a total of 23 municipalities. Secondary cities housed 40% of the province's population. That was the same as the share of the national population living in metro areas and secondary cities.
- A relatively small share of non-Africans in the total population, at 8% compared to 20% nationally.

These factors help explain the province's economic structure and key constraints on growth. Under apartheid, African areas and especially the former "homeland" regions typically excluded natural resources, and for decades were mainly deprived of infrastructure and government services.

Some indicators of the implications for the North West are:

- The 2015 General Household Survey found that the median household income was R2 800 a month, compared to R3 260 nationally. In the former "homeland" regions in the North West it was R2 520 a month, but in the rest of the province it was R3 500. In other words, the median income in the province was low because of a disproportionately large share of former "homeland" areas, with low employment and pay, despite relatively high wages for the formally employed.
- In 2015, only 25% of working-age people in the former "homeland" regions were employed, compared to 42% in the rest of the North West.
- According to Census data, the population in the former so-called "homeland" regions in the North West increased by 15% from 1996 to 2011, while the rest of the province saw population growth of 44%. This trend underscored the impact of large-scale migration from both inside and outside the province to the platinum towns of Rustenburg and Madibeng during the commodity boom.
- In 2015, matric degrees were held by 25% of the province's working-age population aged over 20, but only by 23% in the former "homeland" regions. For the country as a whole, the figure was 29%. The share of adults in the North West with matric had climbed from 12% in 1996. Only 8% of the North West's adult population had a degree, compared to 13% nationally.
- The 2015 General Household Survey found that 63% of households in the North West had running water in their houses or yards, compared to 51% in 1996. Some 84% had electricity, up from 43% in 1996. Nationally, 73% of households had running water and 85% electricity.
- Municipal expenditure per person in the North West came to R4 200 in 2015/2016, compared to R5 900 nationally. But the secondary cities spent R5 700 per person compared to R3 100 per person in the other municipalities in the North West. They had 40% of the population but raised 78% of all municipal rates and tariffs in the province. They also received 34% of current and 40% of capital transfers and subsidies, mostly from the national government.

Economic policy initiatives

The main national industrial policy and development initiatives that affected the North West included the following.

- In terms of Department of Trade and Industry (the dti) support, from 2013/2014 to 2014/2015, a total of 10 projects were approved under the Manufacturing Competitiveness Enhancement Programme (MCEP) in the North West, for a total value of R46 million. A further 13 projects were approved under the Manufacturing Investment Programme (MIP), with a value of R57 million.
- The North West also planned a Special Economic Zone that would focus on platinum group metals.
- The Industrial Development Corporation (IDC) invested 0.8% of its total spending in the North West.

In 2015/2016, the provincial budget set aside R3 billion, or 12.4% of the total, for investment in buildings and public works. As a group, the provinces budgeted R35 billion, or 8% of their total expenditure, for these purposes. In addition, transfers to households for housing came to R2,1 billion, or 8,5% of the North West's 2015/2016 budget. The provinces as a whole expected to provide R18 billion in housing subsidies, or 5% of their spending.

The North West budget totalled R24 billion in 2015/2016. Per person, the province spent R6 600, compared to an average for all the provincial budgets of R7 000. In constant 2015 rand (deflated by CPI), the budget had risen by 1,4% from 2014/2015. From 2011/2012, it had climbed 12,9%.

Some 92% of the North West's budget went for education and health. That compared to 90% for provincial budgets as a whole.

The economic departments in the provincial government in 2015 were Economy and Enterprise Development, Tourism, and Rural, Environment and Agricultural Development. In 2015/2016, their combined budgets came to around R1,5 billion, or about 6% of the provincial budget. The provinces as a group spent an average of 5% of their budgets on these functions, with the lowest share of spending, at 3%, in the most industrialised provinces of Gauteng and the Western Cape.

8 Northern Cape

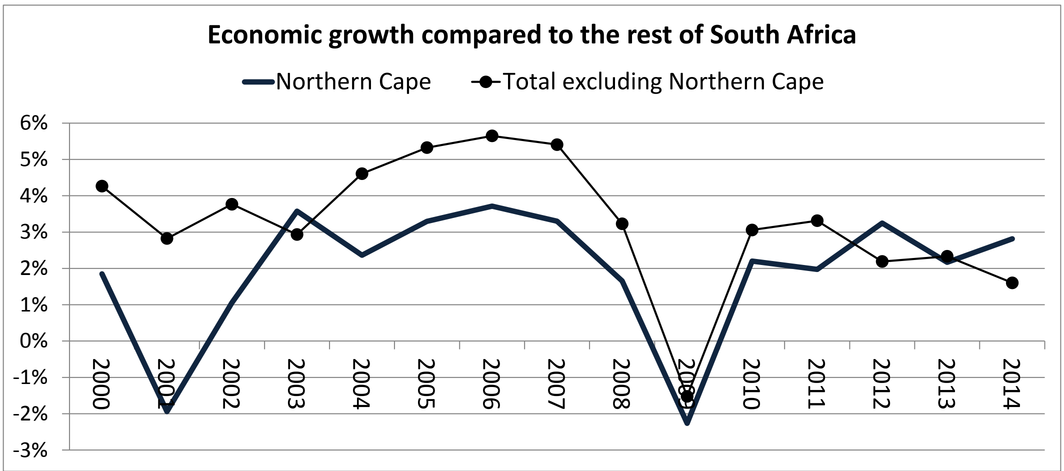
The Northern Cape has by far the smallest population and economy of any of the provinces. Its real economy has been dominated by iron ore and ferro alloys, with the mines linked to the coast by significant investments in rail transport. As a result, its economy has been closely linked to the price of iron ore, with rapid growth during the commodity boom and a significant slowdown since then. The province has seen significant out-migration over the past 20 years.

The real economy in the Northern Cape

The Northern Cape, with 1,2 million residents, accounted for only 2% of South Africa's population in 2014/2015, and contributed a similar share of the GDP. In 2014 – the latest available data – the real economy (represented by agriculture, mining, manufacturing and construction) made up 34% of the Northern Cape's output. The largest real-economy sector was mining, at 22% of the provincial economy, followed by agriculture at 7%, manufacturing at 3%, and construction at 2%. The Northern Cape contributed 6% of national mining, 0,5% of national manufacturing and 7% of national agriculture, but just 1% of construction.

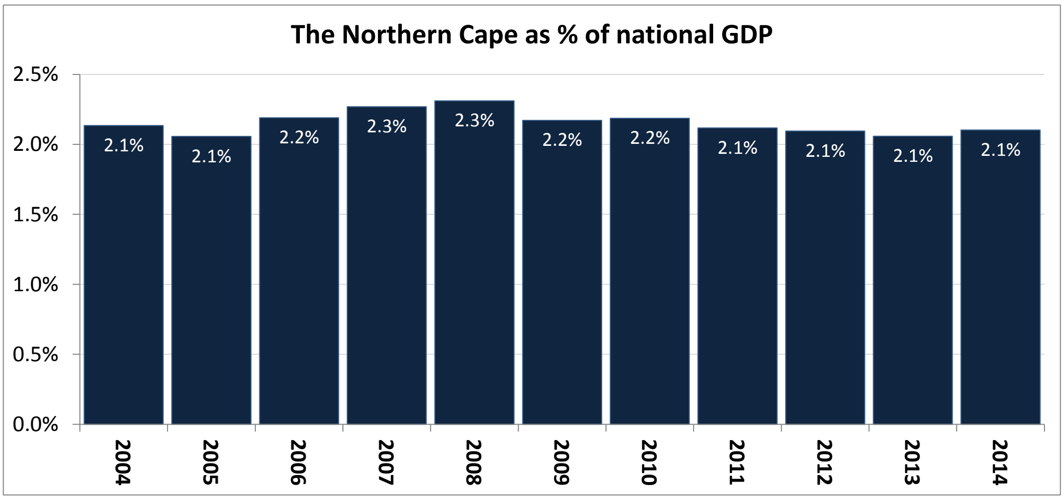
The rapid increase in mining prices compared to other products during the commodity boom, and their subsequent sharp decline, makes it more difficult to assess GDP growth at provincial level. Looking only at the volume of production understates the benefits for mining-dependent provinces during the boom as well as the slowdown afterwards, and exaggerates the relative performance of provinces that do not have much mining activity.

The following chart shows growth in the Northern Cape using standard figures that show only the volume of production, effectively ignoring the impact of changes in prices on the purchasing power of the province. By this measure, the Northern Cape mostly lagged national economic growth, especially during the commodity boom.



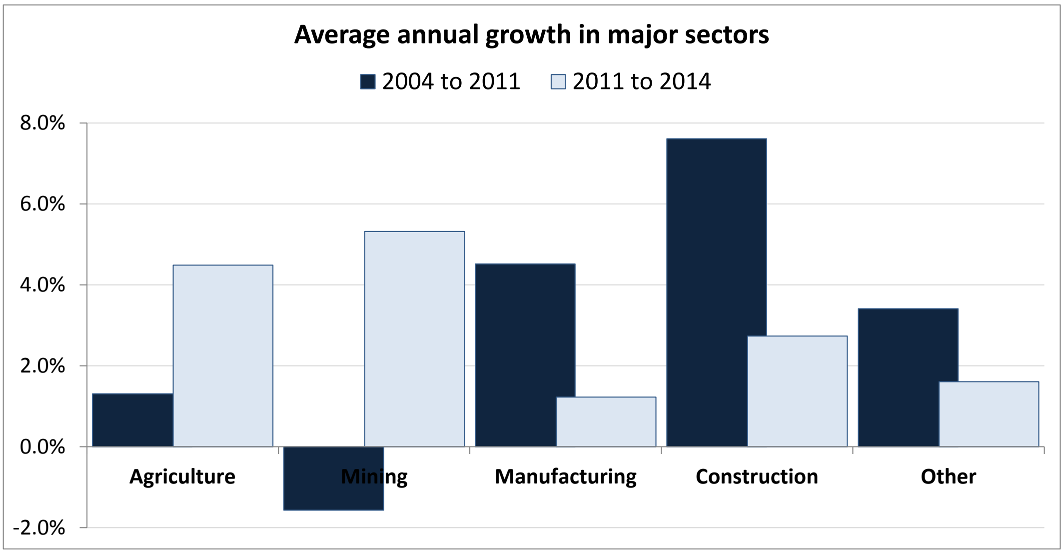
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

In contrast, as a share of the national GDP, which uses current values of output, the Northern Cape's output climbed through 2008, then stabilised at 2,1%.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

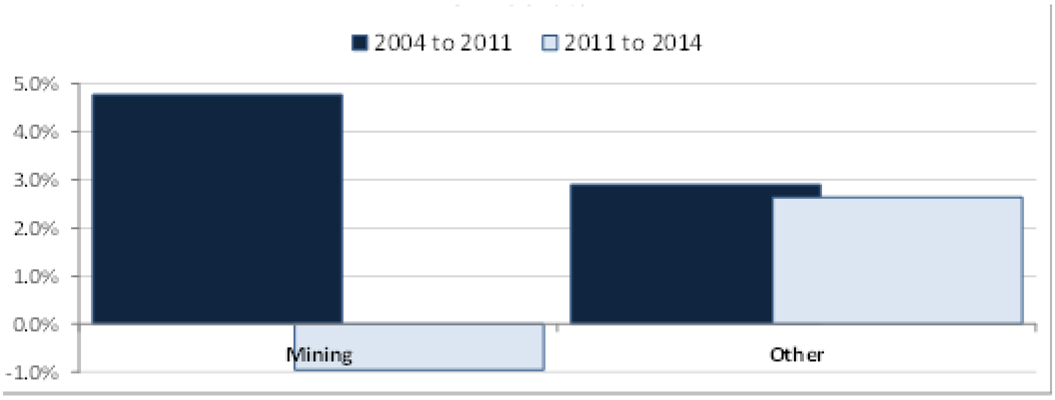
A similar paradox emerges from the figures for growth by sector over the past decade. In volume terms, as the following chart shows, mining output in the Northern Cape reportedly declined during the commodity boom. In terms of volume, the fastest-growing sector was construction. Manufacturing performed reasonably well during the commodity boom, but grew by only 0,7% a year from 2011 to 2014.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The impact of higher metals prices on mining becomes clear if we compare the change in mining output deflated by the GDP deflator with the figures for growth in the volume of production. As the following chart shows, by this measure mining production in the Northern Cape climbed almost 5% a year from 2004 to 2011, but then fell 1% a year through 2014. In terms of purchasing power, as measured by the deflated rand value of production, mining growth far outstripped the rest of the Northern Cape's economy during the commodity boom.

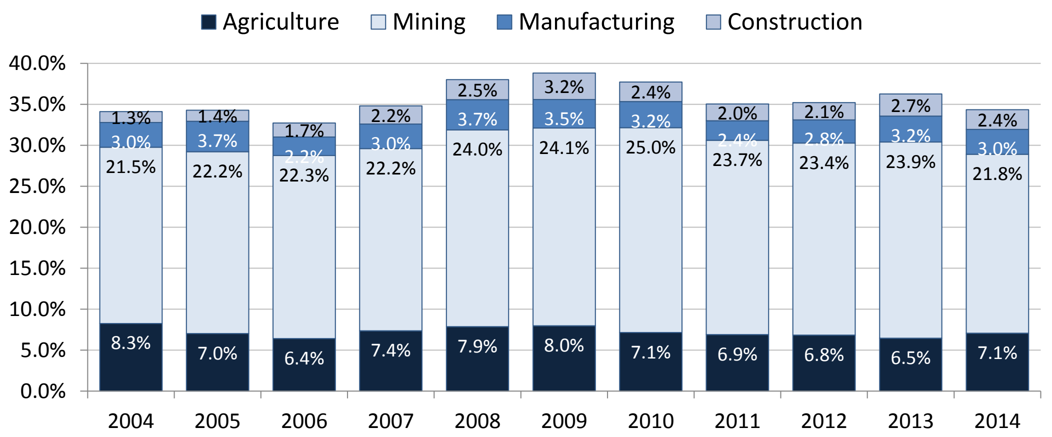
Average annual growth in Northern Cape deflated by national GDP deflator



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The importance of mining for the Northern Cape emerged from its dominant share in the provincial economy. During the commodity boom, its contribution climbed from 21,5% in 2004 to 25% in 2010. It then fell back to 22% in 2014 as iron ore prices collapsed.

The share of the real economy sectors



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

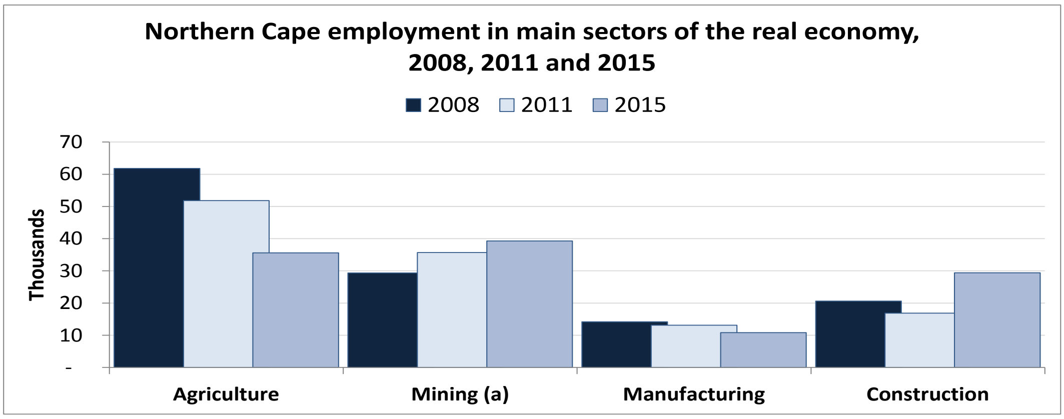
The employment data shed further light on the structure of the economy in the Northern Cape.

In 2015 (using the average for year of the QLFS), the province accounted for 2% of total employment in South Africa. Some 102 500 people were employed in the real economy sectors, which contributed 33% of total provincial employment.

Of employed people in the real economy in the Northern Cape in 2015:

- 39 500 were in mining (in 2014)
- 36 000 were in agriculture
- 29 000 were in construction
- 11 000 were in manufacturing.

The following chart shows the change in employment by major sector in the real economy from 2008 to 2015.



Notes: (a) 2014. *Source:* Except for mining, Statistics South Africa, QLFS Trends 2008-2016. Excel spreadsheet. Average of four quarters for the year. For mining, Department of Mineral Resources. B1 Statistical Tables. Excel spreadsheet.

The Northern Cape accounted for 1% of South African manufacturing employment. The top manufacturing industry in the province for employment was food and beverages. But the province accounted for only 1% of employment in that industry.

Iron ore and ferro alloys dominated mining employment in the province. Generally, gold mining saw job losses during the commodity boom, while platinum mining, coal and iron ore created employment. According to Department of Mineral Resources data, which is more reliable for mining, total mining employment in the province climbed from 22 000 in 2003 to 35 500 in 2011, while sales climbed sharply from 8% of the national total to 20%, mostly because iron ore prices multiplied more than tenfold. From 2011 to 2014, the number of Northern Cape miners increased to 39 500, while sales dropped to 19% of the national total as iron prices fell by almost 25%.

The major private projects announced for the real economy of the Northern Cape in the past three years have been in mining, including in rare earths, zinc and diamonds. The province has seen large public infrastructure projects (see policy initiatives section).

Employment and unemployment

Employment in the province is close to the national average, with 40% of the working-age population employed in 2015, compared to a national average of over 40%. The international norm is around 60%. Working-age people with employment had risen from 39% in 2010, when employment hit a low following the 2008/ 2009 global financial crisis. Sixty-four percent of total employment was in the formal sector, compared to the national average of 69%. In 2014, the median formal wage was R2 600 and the median wage for domestic, informal and agricultural workers was R1 400, compared to R4 000 nationally for formal workers, and R1 500 for other employees.

The Northern Cape has seen significant out-migration, in part due to low pay and limited employment opportunities outside of mining. Its population grew 17% from 1996 to 2015, compared to a national average of 35%.

The Northern Cape and the national spatial economy

Apartheid geography has a significant impact on economic structures, and especially on access to economic opportunities for ordinary South Africans. The Northern Cape has:

- A relatively low share of former “homeland” areas within its borders. In 2015, 21% of the population lived in former “homeland” regions, compared to 27% for the country as a whole.
- No metro areas and one secondary city (Sol Plaatje, which includes Kimberley) out of 32 municipalities. Sol Plaatje accounts for 20% of the province’s population. That compared to 40% of the national population living in metro areas and secondary cities.
- A relatively large share of non-Africans in the total population, at 47% compared to 20% nationally.

These factors help explain the province's economic structure and key constraints on growth. Under apartheid, African areas and especially the former “homeland” regions typically excluded natural resources, and for decades were mainly deprived of infrastructure and government services. Some indicators of the implications for the Northern Cape are:

- The 2015 General Household Survey found that the median household income was R3 460 a month, compared to a national median of R3 260. In the former “homeland” regions it was R2 260 a month, compared to R3 900 in the rest of the province.
- In 2015, only 21% of working-age people in the former “homeland” regions were employed, compared to 40% in the rest of the Northern Cape.
- According to Census data, the population in the former “homeland” regions in the Northern Cape increased by 2% from 1996 to 2011, while the rest of the province saw population growth of 16% - still well below the national average growth.
- In 2015, matric degrees were held by 26% of the province's working-age population aged over 20, but only by 21% in the former “homeland” regions. For the country as a whole, the figure was 29%. The share of adults in the Northern Cape with matric had climbed from 11% in 1996. Only 9% of the Northern Cape’s adult population had a degree, compared to 13% nationally.
- The 2015 General Household Survey found that 77% of households in the Northern Cape had running water in their houses or yards, compared to 73% in 1996. Some 92% had electricity, up from 64% in 1996. Nationally, 73% of households had running water and 85% electricity.
- Municipal expenditure per person in the Northern Cape came to R5 500 in 2015/2016, compared to R5 900 nationally. The lone secondary city, with 20% of the population, raised 36% of all municipal rates and tariffs in the province. It only received 10% of current and 8% of capital transfers and subsidies, mostly from the national government. Still, it spent R7 000 per person compared to R5 100 per person in the other municipalities in the Northern Cape.

Economic policy initiatives

The main national industrial policy and development initiatives that affected the Northern Cape included the following.

- In terms of Department of Trade and Industry (the dti) support, from 2013/2014 to

2014/5, seven projects were approved under the Manufacturing Competitiveness enhancement Programme (MCEP) for R40 million. Eight projects were approved under the Manufacturing Investment Programme (MIP), with a value of R17 million.

- In part because of its scattered population, the Northern Cape has begun to host large-scale renewable energy projects as well as the largest radio telescope programme in the world, known as the Square Kilometre Array (SKA). It is planning a solar corridor as a Special Economic Zone in Upington. In addition, the Industrial Development Corporation (IDC) invested 23,4% of its total spending in the Northern Cape, mostly in renewable energy projects.
- The renewable energy and SKA projects were included in the major infrastructure programmes in the province, which also included rail lines to move iron ore and ferro alloys for export and domestic refining. The rail investments have been scaled back in the wake of the collapse in international prices for these commodities. The Northern Cape should also benefit from a range of investments in education and health facilities as well as the roll-out of broadband to poor communities.

Major infrastructure projects in the Northern Cape as of 2016/2017

Project name	Agent	R billion	Project description
Square Kilometre Array	National Research Foundation	16	The most powerful radio telescope in the world
Sishen-Saldanha corridor expansion	Transnet	9.4	Expand Sishen-Saldanha iron ore line export capacity
Solar park and other renewable energy projects	Various	200	Establish 1GW solar park near Upington region and further 4GW elsewhere in Northern Cape, among others

The Northern Cape also invested a large share of its own budget in infrastructure. In 2015/2016, the provincial budget set aside R1,1 billion, or 10.9% of the total, for investment in buildings and public works. As a group, the provinces budgeted R35 billion, or 8% of their total expenditure, for these purposes. Transfers to households for housing came to R400 million, or 3.7% of the Northern Cape's 2015/2016 budget. The provinces as a whole expected to provide R18 billion in housing subsidies, or 5% of their spending.

The Northern Cape budget totalled R10 billion in 2015/2016. Per person, the province spent R8 600, compared to an average for all the provincial budgets of R7 000. In constant 2015 rand (deflated by CPI), the budget had fallen 1% from 2014/2015. From 2011/2012, however, it had risen by 7,9%. Some 89% of the Northern Cape's budget went to education and health. That compared to 90% for provincial budgets as a whole.

The economic departments in the provincial government in 2015 were Economic Development and Tourism, and Agriculture, Land Reform and Rural Development. In 2015/2016, their combined budgets came to R900 million, or about 9% of the provincial budget. The provinces as a group spent an average of 5% of their budgets on these functions, with the lowest share of spending, at 3%, in the most industrialised provinces of Gauteng and the Western Cape.

9 Western Cape

The Western Cape's real economy is dominated by manufacturing and commercial agriculture. As a result, while it did not benefit directly from the commodity boom, it has not suffered as much as more mining-dependent provinces from the downturn since 2011. Its manufacturing has been highly diverse, with a focus on light industry.

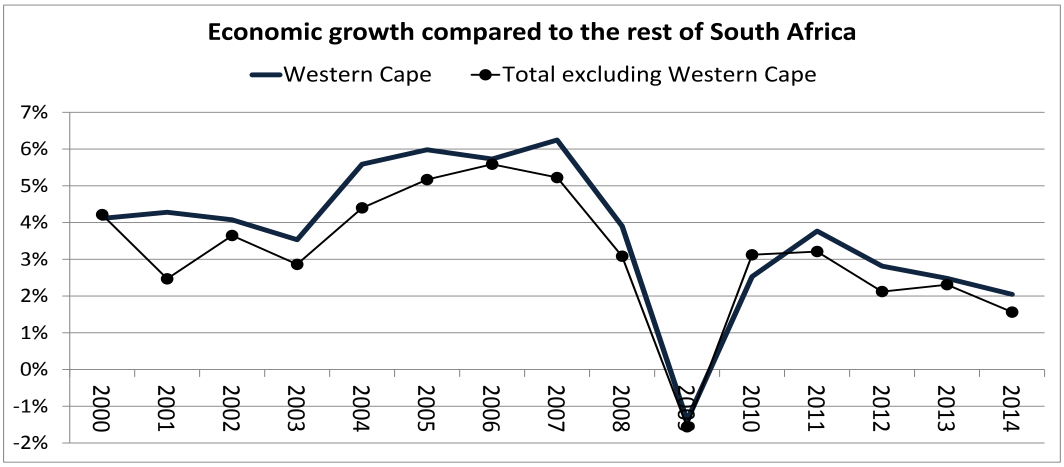
Historically, the Western Cape benefited from apartheid policies of investing more in non-African communities, since it is the only province with a minority African population and no homeland areas at all. As a result, since the transition to democracy it has had high employment levels by national standards. It also inherited far fewer backlogs of government services and infrastructure than other provinces. That said, the Western Cape has had to manage substantial in-migration. Only Gauteng has seen more rapid population growth.

The real economy in the Western Cape

While the Western Cape, with 6,2 million residents, accounted for 11% of South Africa's population in 2014/2015, it contributed 14% of the GDP. In 2014 – the latest available data – the real economy (represented by agriculture, mining, manufacturing and construction) made up 22% of The Western Cape's output.

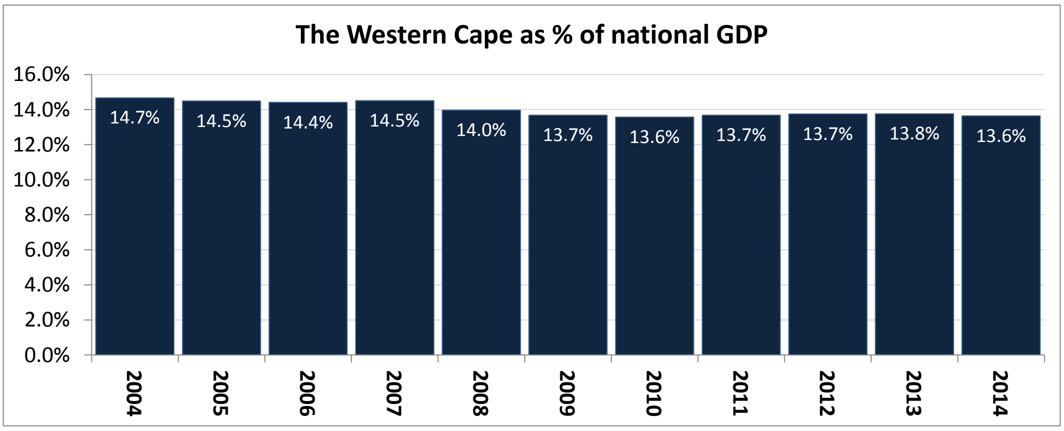
The largest real-economy sector was manufacturing, at 13% of the provincial economy, followed by construction at 5%, agriculture at 4%, and mining at under 0,5%. The Western Cape contributed 22% of national agriculture, 19% of construction and 15% of national manufacturing.

Overall, growth in the Western Cape has generally been slightly above that of the rest of the country. That said, it also saw slowing growth from 2011.



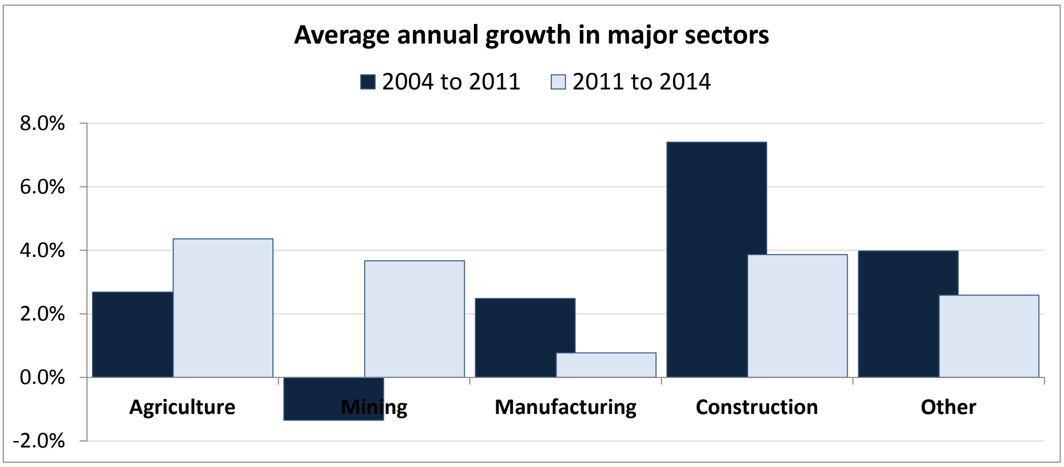
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

Despite its relatively rapid growth in volume terms, the sharer of the Western Cape in current rand has declined fairly steadily as a percentage of the national GDP over the past decade. This presumably resulted because the provincial economy does not have significant mining. As a result, it did not benefit from the unusually rapid increase in metals prices from 2003 to 2011.



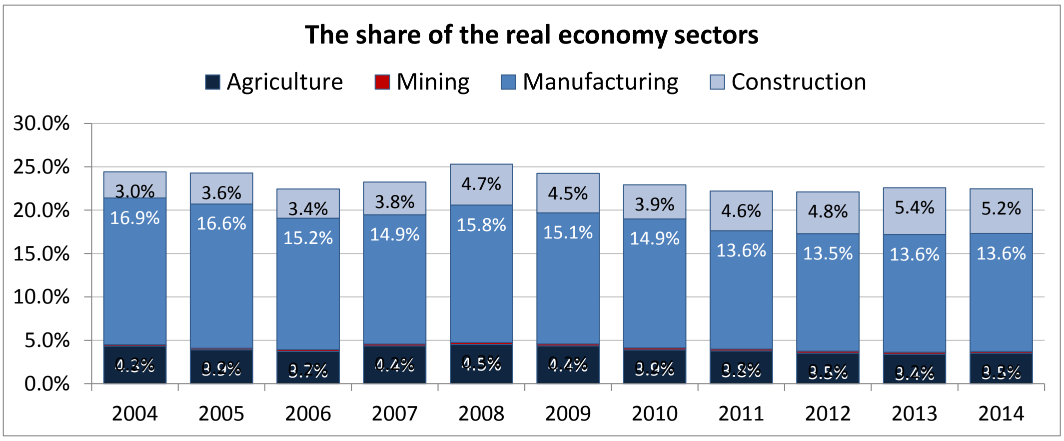
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

Construction was the fastest growing industry in the Western Cape for most of the past decade. In contrast, manufacturing showed relatively slow growth across the period. In the three years from 2011 to 2014, average annual growth in the province's manufacturing sector as a whole dropped to 0,8% a year.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

These growth trends meant that manufacturing constituted a shrinking share of Gauteng's total economy. Its contribution to the Western Cape's economy declined from 17% in 2004 to 14% a decade later.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

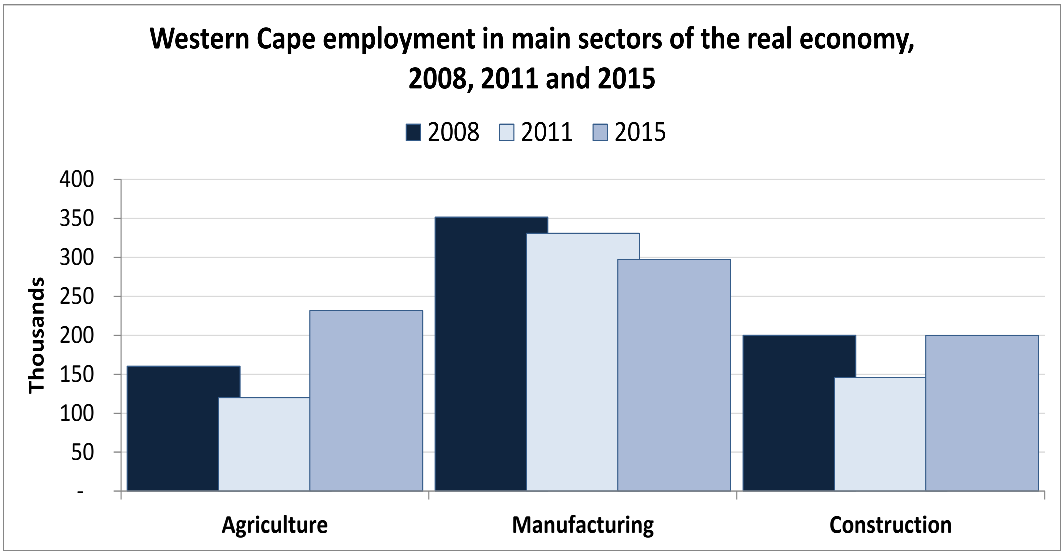
The employment data shed further light on the structure of the economy in the Western Cape.

In 2015 (using the average for year of the Quarterly Labour Force Survey - QLFS), the province accounted for 15% of total employment in South Africa. Some 737 500 people were employed in the real economy sectors, which contributed 32% of total provincial employment.

Of employed people in the real economy in The Western Cape in 2015:

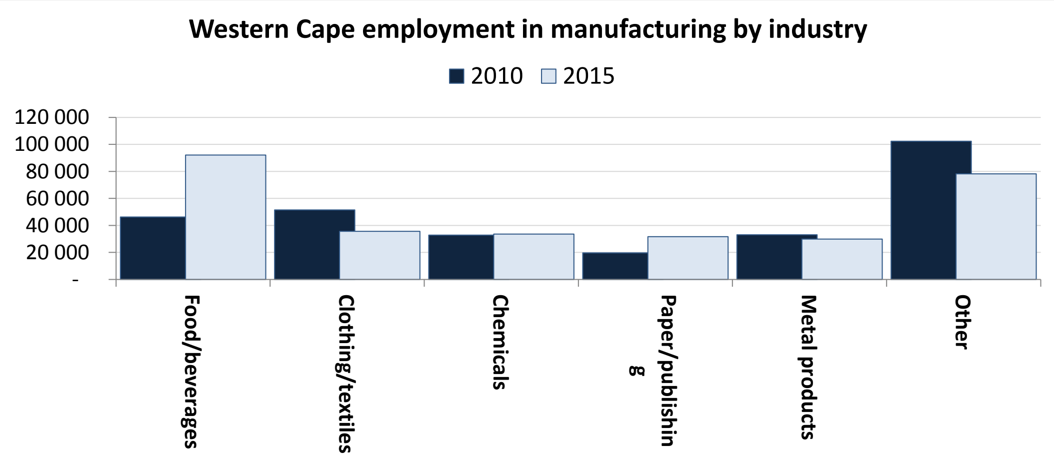
- 297 000 were in manufacturing.
- 232 000 were in agriculture
- 200 000 were in construction
- 3500 were in mining (in 2014)

The following chart shows the change in employment by major sector in the real economy in 2008, 2011 and 2015, using the average of quarterly figures for each year. It indicates a significant increase in employment in the Western Cape's agriculture, which may however result from a change in the master sample for the Quarterly Labour Force Survey in 2015. In contrast, manufacturing in the Western Cape has seen a significant decline in employment.



Source: Except for mining, Statistics South Africa, QLFS Trends 2008-2016. Excel spreadsheet. Average of four quarters for the year. For mining, Department of Mineral Resources. B1 Statistical Tables. Excel spreadsheet.

The Western Cape accounted for 17% of South African manufacturing employment. The top five manufacturing industries in the province for employment, were food and beverages; clothing, textiles and footwear; chemicals and plastic; paper and publishing; and basic iron plus metal products. It accounted for some 24% of employment in food and beverages, its largest manufacturing industry, which had grown rapidly over the past five years.



Source: For 2010, Statistics South Africa, Labour Market Dynamics 2010. Electronic database. For 2015, average of four quarters, Statistics South Africa, QLFS for relevant quarters. Electronic database.

Employment and unemployment

The Western Cape has relatively high levels of employment with 54% of the working-age population employed in 2015, compared to a national average of over 40%. The international norm is around 60%. Working-age people with employment had risen from 53% in 2010, when employment hit a low following the 2008/2009 global financial crisis.

In the Western Cape, 63% of total employment was in the non-agricultural formal sector, compared to the national average of 69%. In 2014, the median formal wage was R4 000 and the median wage for domestic, informal and agricultural workers was R2 000. The median formal wage nationally was also R4 000, but it was only R1 500 for other employees.

Comparatively high employment levels help explain the relatively strong migration into the Western Cape. Its population grew 57% from 1996 to 2015, compared to a national average of 35%. Of the provinces, only Gauteng saw faster population growth.

The Western Cape and the national spatial economy

Apartheid geography has a significant impact on economic structures, and especially on access to economic opportunities for ordinary South Africans.

The Western Cape has:

- No former "homeland" areas within its borders. That compares to 31% for the country as a whole.
- One metro area and three secondary cities, out of a total of 30 municipalities. Metros and secondary cities house 75% of the province's population. That compared to 40% of the national population living in metro areas and secondary cities.
- A very large share of non-Africans in the total population, at 66% compared to 20% nationally. The Western Cape was the only province that historically had a majority of non-African residents.

These factors help explain the province's economic structure and its high employment levels. Under apartheid, African areas and especially the former “homeland” regions typically excluded natural resources, and for decades were largely deprived of infrastructure and government services.

Some indicators of the implications for the Western Cape are:

- The 2015 General Household Survey found that the median household income was R5 840 a month, compared to R3 260 nationally.
- Municipal expenditure per person in the Western Cape came to R8 100 in 2015/2016, compared to R5 900 nationally. The metros and secondary cities spent R8 400 per person compared to R7 200 per person in the other municipalities in the province. The metros and secondary cities, with 75% of the population, raised 80% of all municipal rates and tariffs in the province. They also received 69% of current and 77% of capital transfers and subsidies, mostly from the national government.
- The high share of non-African residents historically meant that province inherited high levels of municipal investment. According to the 2015 General Household Survey, 90% of households in the Western Cape had running water in their houses or yards, compared to 89% in 1996. Similarly, 90% had electricity, up from 85% in 1996. Nationally, 73% of households had running water and 85% electricity. But in the rest of the country, only between half and two thirds of the population had enjoyed these amenities before 1994.
- In 2015, matric degrees were held by 31% of the province's working-age population aged over 20. For the country as a whole, the figure was 29%. The share of adults in the Western Cape with matric had climbed from 18% in 1996. Some 16% of the Western Cape’s adult population had a degree, compared to 13% nationally.

Economic policy initiatives

The main national industrial policy and development initiatives that affected the Western Cape included the following.

- In terms of Department of Trade and Industry (the dti) support, from 2013/2014 to 2014/2015, a total of 210 projects were approved under the Manufacturing Competitiveness Enhancement Programme (MCEP) in the Western Cape, for a total value of R845 million. A further 90 projects were approved under the Manufacturing Investment Programme (MIP), with a value of R310 million. Western Cape projects included in the Industrial Policy Action Plan (IPAP) range from the development of a leading film studio to the provision of equipment for the National Infrastructure Plan to aquaculture and clothing and textiles programmes.
- The Western Cape had an Industrial Development Zone at Saldanha Bay, designated in 2014, that focused on serving the oil and gas industry along the coastline. It proposed a Special Economic Zone at Atlantis that would focus on renewable energy.
- The Industrial Development Corporation invested 17.6% of its total spending in The Western Cape.

In 2015/2016, the provincial budget set aside R4,4 billion, or 11,4% of the total, for investment in buildings and public works. As a group, the provinces budgeted R35 billion, or 8% of their total expenditure, for these purposes. In addition, transfers to households for housing came to R1,9 billion, or 4,9% of The Western Cape's 2015/2016 budget. The provinces as a whole expected to provide R18 billion in housing subsidies, or 5% of their spending.

The Western Cape budget totalled R39 billion in 2015/2016. Per person, the province spent R6 200, compared to an average for all the provincial budgets of R7 000. In constant 2015 rand (deflated by CPA), the budget had increased by 2,9% from 2014/2015. From 2011/2012, it rose 13,5%.

Some 95% of The Western Cape's budget went for education and health. That compared to 90% for provincial budgets as a whole.

The economic departments in the provincial government in 2015 were Economic Development and Tourism, and Agriculture. In 2015/2016, their combined budgets came to R1,3 billion, or about 3% of the provincial budget. The provinces as a group spent an average of 5% of their budgets on these functions.