

THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

PROVINCIAL REVIEW 2022

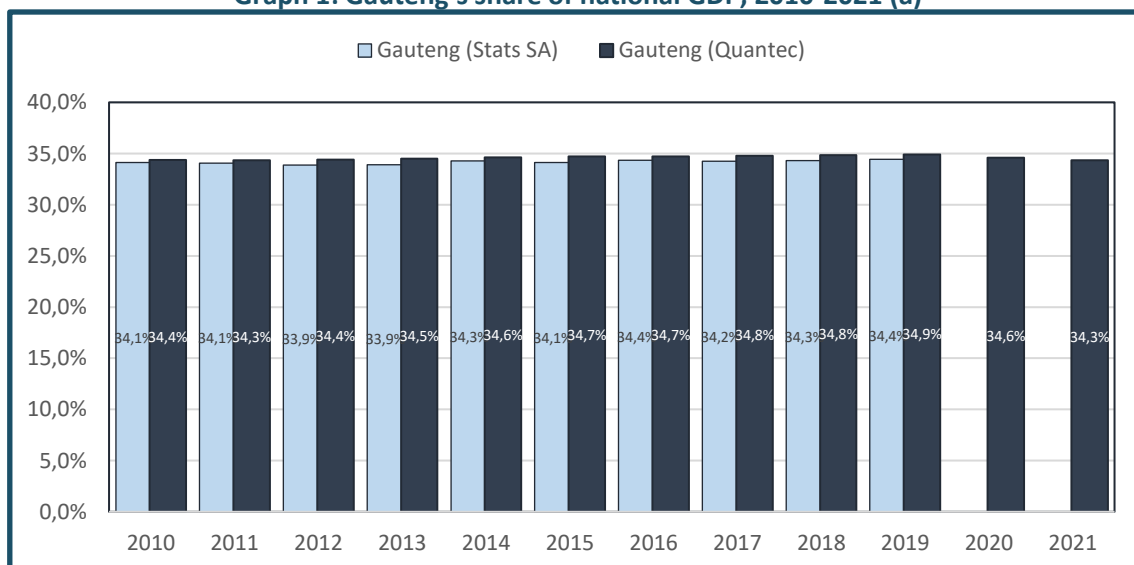
Provincial Review 2022: Gauteng

Gauteng is the most populous province in South Africa, with a rapidly growing population due to a large influx of internal migrants. It is also the largest economy in the country, although its growth performance has been in decline since 2005, with steeper declines during global shocks such as the 2008/9 global financial crisis and the COVID-19 pandemic. The real economy in Gauteng is dominated by the manufacturing sector, which accounts for 15% of the province's output, followed by construction, mining, and agriculture. However, the share of the real economy in the province has declined from 24.4% in 2010 to 20% in 2020. Employment in the real economy has declined in the past two years, although manufacturing remains the largest employer in the sector. Overall, Gauteng enjoys higher income, employment, education and infrastructure than other provinces.

The real economy in Gauteng: structure and growth

Gauteng has the largest population in the country. With 15.6 million residents in 2020, Gauteng accounted for 26% of South Africa's total population. In addition, the province has the fastest-growing population in the country, growing at an annual average of 2.6%, compared to the national average of 1.4%. The rapid population growth rate is attributable to a large inflow of migrants to the province. Between 2016 and 2021, net migration in the province was 980 000, accounting for 6.3% of the provincial population. Gauteng is also the largest economy in the country, accounting for 34.3% of the national GDP in 2021. Notably, due to pandemic effects, the province's share of the national GDP has declined from its peak in the past decade of 34.9% in 2019 to 34.4% in 2021 (see Graph 1).

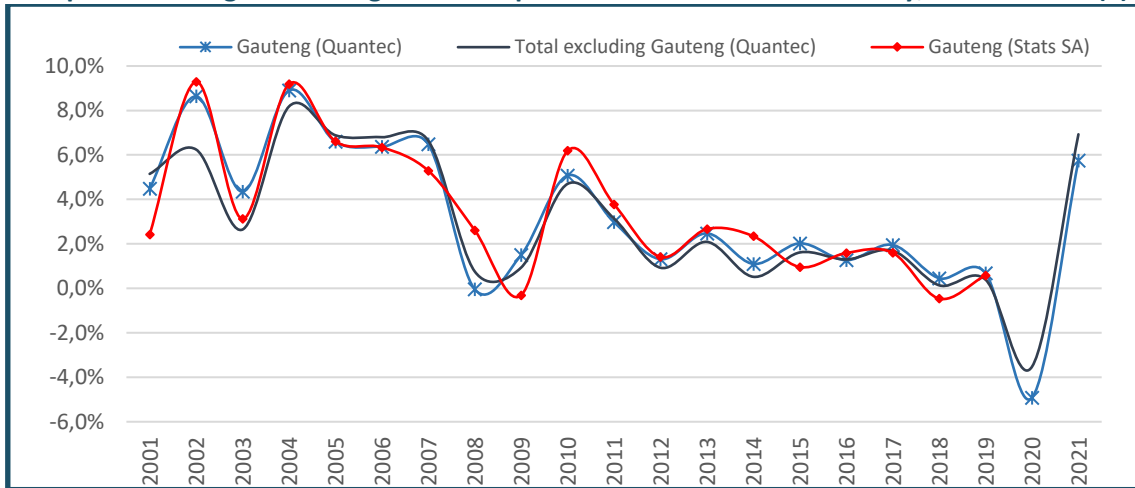
Graph 1: Gauteng's share of national GDP, 2010-2021 (a)



Source: Statistics South Africa and Quantec. Note (a): % of national GDP is calculated at GVA basic prices at constant 2021 prices.

Although Gauteng remains the biggest economy, its growth performance has been on a terminal decline since 2005, with steeper declines from global shocks such as the 2008/9 global financial crisis as well the COVID-19 pandemic. In 2020, Gauteng’s growth rate contracted by 4.9% due to the pandemic, becoming the second hardest-hit province after Western Cape. In the following year, Gauteng recovered from the pandemic and experienced a growth rate of 5.8%.

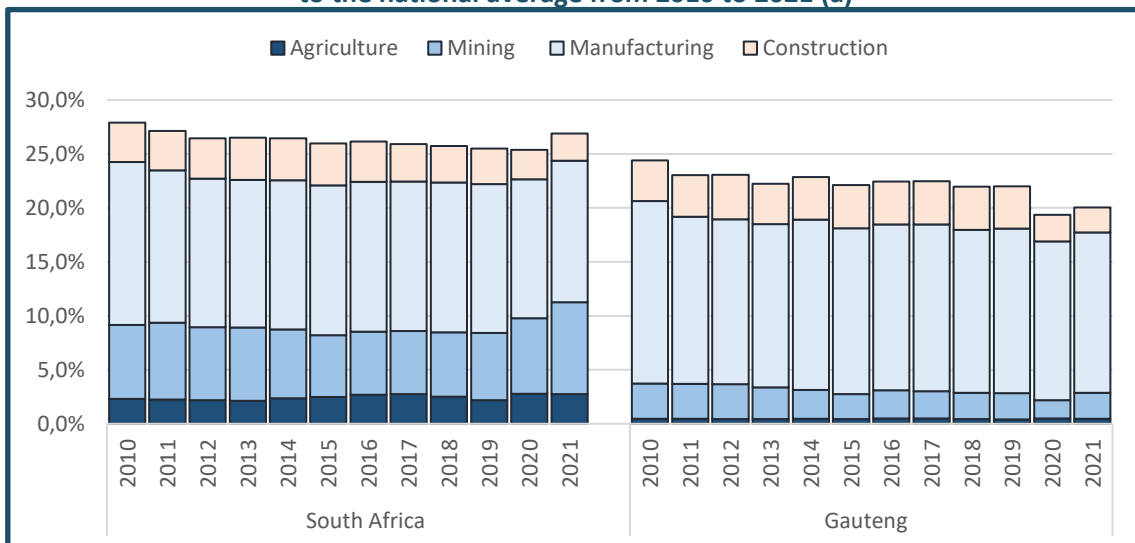
Graph 2: Gauteng economic growth compared to the rest of the economy, 2000 to 2021 (a)



Source: Calculated using Quantec and Stats SA data. Note (a): Growth rates are calculated at GVA basic prices at 2021 constant prices.

As of 2021, the real economy – that is, agriculture, mining, manufacturing and construction – in Gauteng accounted for 20% of the provincial GDP compared to 27% at the national level (see Graph 3). However, the share of the real economy in the province has declined from 24.4% in 2010 to 20% in 2020, suggesting a broader trend of deindustrialisation. Manufacturing is the largest real economic sector in Gauteng, accounting for 15% in 2021, down from 17% in 2010. At the subsector level, petroleum (23%), metals (22%), as well as food and beverages (19%) account for the largest share of manufacturing output in Gauteng. As shown in Graph 4, the food and beverage industry has been the fastest-growing manufacturing subsector in Gauteng, with its share of total manufacturing output increasing from 11% in 2005 to 19% in 2021.

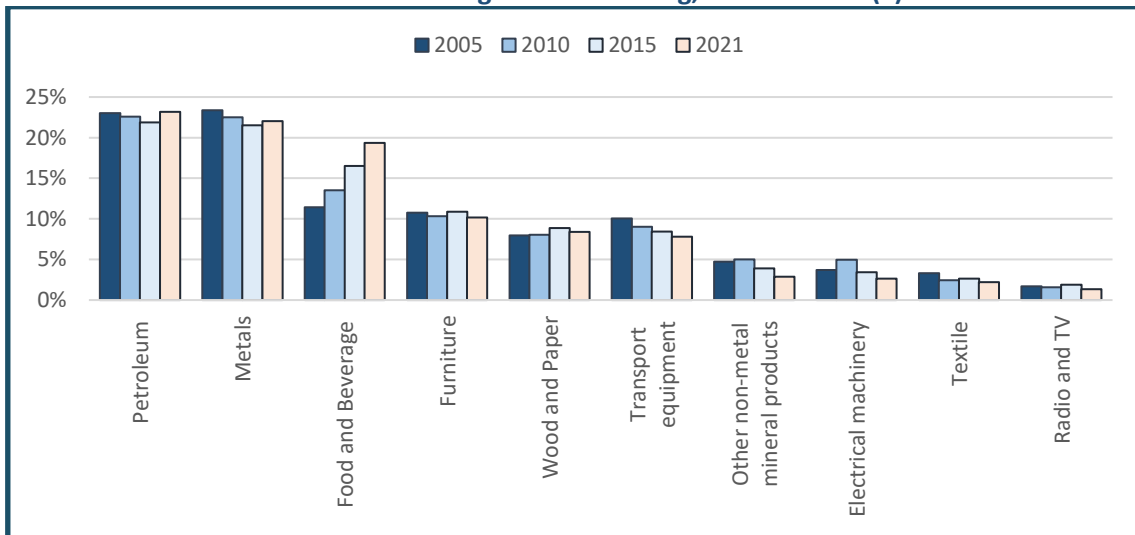
Graph 3: Real sectors as a percentage of Gauteng GDP compared to the national average from 2010 to 2021 (a)



Source: Calculated using Quantec estimates and Stats SA data. Downloaded from www.easydata.co.za. Note (a): Calculation based on GVA at basic prices in constant 2021 prices.

Construction is the second largest real economic sector, making up 2.3% of the province's output, followed by mining with 2.4% and agriculture with 0.5%. While the construction and mining contribution to Gauteng's GDP has declined over the past decade, agriculture output has essentially remained flat.

Graph 4: Manufacturing subsectors as a percentage share of total manufacturing GVA in Gauteng, 2005 to 2021 (a)

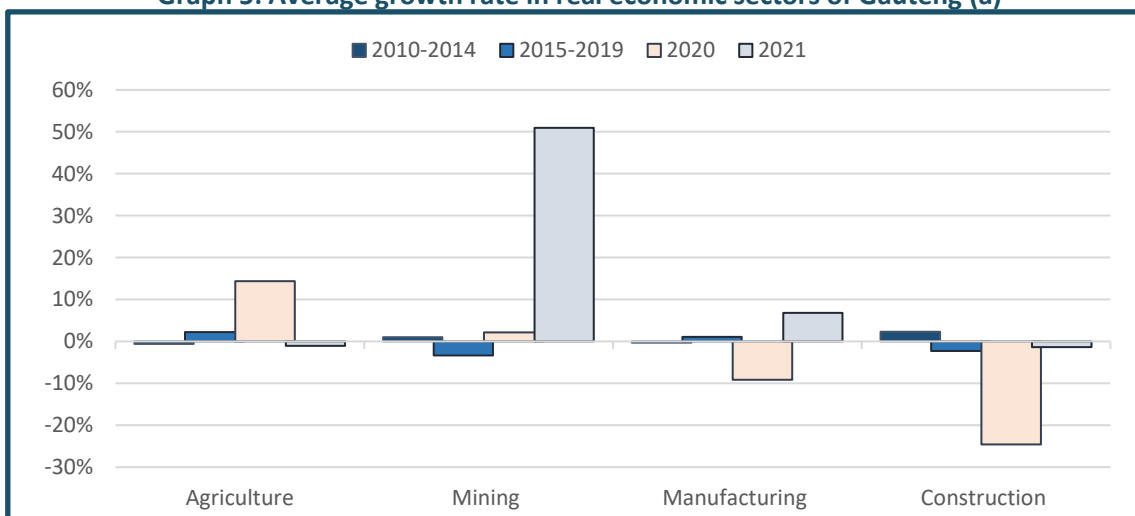


Source: Calculated using Quantec estimates. Downloaded from www.easydata.co.za.

Note (a): Calculation based on GVA at basic prices in constant 2021 prices.

The growth of the real economy in Gauteng was sluggish between 2014 and 2019. Between 2010 and 2014, construction was the fastest-growing real economic sector in Gauteng, with an average growth rate of 1%, while manufacturing growth was mute. However, between 2015 and 2019, the manufacturing sector experienced an annual growth rate of 1%, while agriculture grew by 2%. Much like elsewhere, COVID-19 sent Gauteng's real economy into a tailspin, with construction experiencing a contraction of 25%, followed by the manufacturing sector with 9%. In contrast, agriculture and mining experienced 14% and 2% growth rates, respectively. All real economic sectors recovered except construction, which is still lagging behind. Notably, mining recorded a sharp increase of 51% in 2021, which can be attributed to commodity price surges.

Graph 5: Average growth rate in real economic sectors of Gauteng (a)



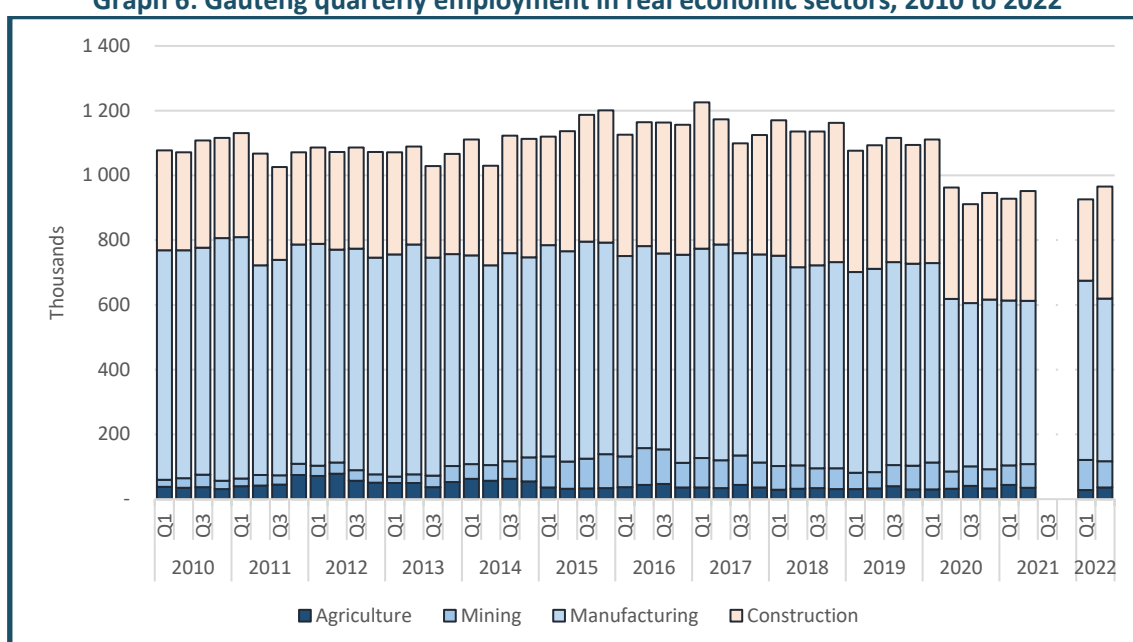
Source: Calculated using Quantec data. Downloaded from www.easydata.co.za.

Note (a): Calculation based on GVA at basic prices in constant 2021 prices

In Q2 2022, Gauteng accounted for 31% of total employment in South Africa. The real sector in the province employed 965 000 people in Q2 2022, making up 20% of total employment in the province. Manufacturing accounts for the lion’s share of employment in the real economy, with 502 000 people in Q2 2022, followed by construction with 346 000, mining with 81 000 and agriculture with 36 000.

Much like elsewhere in the country, employment in the real economy has substantially declined in the past two years of COVID-19. In the past two years, employment in the real economy declined by 17% (see Graph 6). Construction shed the most jobs, with employment declining in the sector by 34% from Q1 2020 to Q1 2022, followed by manufacturing with 10% over the same period. Although employment in mining declined substantially in the first year of COVID-19, the sector has recovered, recording an increase of 12% in employment from Q1 2020 to Q1 2022. Agricultural employment in the province increased by 44% between Q1 2020 and Q1 2021. However, employment in the sector has been declining since then.

Graph 6: Gauteng quarterly employment in real economic sectors, 2010 to 2022



Source: StatsSA Quarterly Labour Force Survey. Downloaded from www.statssa.gov.za.

Table 1 shows large public and private real-economy projects in Gauteng between 2010 and 2021.

Table 1: Large public and private real economy projects in Gauteng 2010-2021

PROJECT NAME	INVESTOR FIRMS	VALUE	PROJECT INDUSTRY
Ford Investment Programme	Ford Motor Company South Africa (Ford)	R15.8 billion	Manufacturing
Isondo Fuel Cell MEAs Manufacturing	Isondo Precious Metals	R8 billion	Manufacturing
BMW Rosslyn Plant Investment Programme	BMW South Africa	R6 billion	Manufacturing
Teraco JB4 datacentre infrastructure expansion	Teraco/Permira/Birkshire Partners	R4.4 billion	Services

Tshwane Auto SEZ	Ford and South African Government	R4.3 billion	Manufacturing
Ford Plant Expansion Project	Ford Motor Company South Africa	R3 billion	Manufacturing
Nissan Rosslyn Plant Investment-Navara	Nissan South Africa	R3 billion	Manufacturing
SAB Breweries Expansion	AB Inbev I(SAB Miller)	R2.8 billion	Manufacturing
Ford Silverton Assembly Plant Expansion Project	Ford Motor Company South Africa (FMCSA)	R 2.5 billion	Manufacturing
Cullinan Processing Plant Project	Petra Diamonds (74%), Kago Diamonds (14%) and the Itumeleng Petra Diamonds Employee Share Trust (12%).	R1.65 billion	Mining
Menar coal project pipeline: Palmietkuilen opencast thermal coal mine	Menar (Canyon Coal)	R1.5 billion	Mining
Liquid Telecom South Africa Data Centre (SADC) Expansion	Liquid Telecom	R1.3 billion	Construction
AB Inbev investment	AB InBev	R 1 billion	Manufacturing
Dunnottar train manufacturing complex project	Gibela Rail Transport"	R1 billion	Manufacturing
Nissan Investment Programme	Nissan	R1 billion	Manufacturing
Heineken Sedibeng Brewery Expansion	Heineken South Africa	R1 billion	Manufacturing
Leroy Merlin expansion project	Leroy Merlin	R1 billion	Wholesale and Retail Trade
Komatsu Industrial Campus	Komatsu Africa	R985 million	Manufacturing
Johannesburg 1 Data Centre	Dimension Data/Nippon Telegraph and Telephone Corporation (NTT)	R875 million	Services
Dangold Packaging beverage canning plant	Dangold Packaging	R830 million	Manufacturing
Opel South Africa	Opel International	R700 million	Services
Menar coal operations development: Khanye colliery	Menar (Canyon Coal)	R600 million	Mining
Heineken Sustainability Investments	The Heineken Company	R582 million	Utilities

Transmashholding (TMH) Africa Rail Manufacturing Facility	Transmashholding (TMH) and Mjisa Investments	R500 million	Manufacturing
BMW Regional Distribution Hub, Training Centre and IT Operations Hub	BMW South Africa	R400 million	Services
Toyota Atlas warehouse expansion	Toyota Motors South Africa	R365 million	Construction
Radisson Red Hotel Johannesburg project	Radisson Hotel Group; Intaprop; RDC Properties	R358 million	Construction
Cummins Power Hub	Cummins	R350 million	Manufacturing
Diageo Africa sustainability projects	Diageo	R310 million	Manufacturing
UD Trucks Plant Upgrade (Phase 1)	UD Trucks	R300 million	Manufacturing
B. Braun Pharmaceutical Plant	B. Braun	R300 million	Manufacturing
Facilities expansion project: Equites Park Riverfields	Equites Property Fund Sandvik	R287 million	Manufacturing
Komatsu Africa Holdings remanufacturing plant	Komatsu Africa	R280 million	Manufacturing
BMW Midrand Campus	BMW South Africa	R260 million	Services
Fuch operations expansion	Fuchs Lubricants South Africa/Fuchs Petrolab SE	R260 million	Manufacturing
P&G diaper manufacturing plant expansion	Procter and Gamble (P&G)	R260 million	Manufacturing
BAW Taxi Manufacturing Plant Upgrade and Expansion	Beijing Automotive Works (BAW) South Africa	R250 million	Manufacturing
Econet Energy (Distributed Power Africa) Solar PV installations	Econet Global	R210 million	Utilities
AVK Valve Factory	AVK Southern Africa	R 200 million	Manufacturing
Lucchini RS Railway Wheels Manufacturing Plant	Lucchini South Africa"	R 200 million	Manufacturing
KLT Automotive expansion and diversification programme	KLT Automotive and Tubular Products	R200 million	Manufacturing

Bosch Rexroth Hytec Unified by Bosch (HUBB)	Bosch Rexroth	R200 million	Construction
Sew-Eurodrive head office and factory	Sew-Eurodrive	R200 million	Manufacturing
DR Oetker product production expansion	Dr Oetker	R200 million	Manufacturing
Rosslyn Plant Manufacturing Facility Upgrade	BMW South Africa	R160 million	Manufacturing
Supavut Auto components investment (Tshwane Special Economic Zone)	Supavut Industry	R150 million	Manufacturing
Ford "Project Blue Oval" renewable energy programme: Solar carports	Ford Motor Company South Africa	R135 million	Utilities
3M investment in Maple Park plant	3M South Africa	R120 million	Manufacturing
Ga-Rankuwa school, BMW	BMW South Africa	R113 million	Construction
ASSA ABLOY investment in automation	ASSA ABLOY (SA) Pty Ltd	R100 million	Manufacturing
Eicher Trucks Assembly	VE Commercial Vehicles	R100 million	Manufacturing
Jaguar Land Rover Experience centre	Jaguar Land Rover South Africa	R100 million	Services
Huawei Innovation and Experience Centre	Huawei	R72 million	Manufacturing
BFG Africa composites manufacturing plant	BFG Africa	R50 million	Manufacturing
Komatsu Africa Holdings undercarriage rebuild repair and rebuild centre	Komatsu Africa	R40 million	Manufacturing
Bosal emissions control system	Bosal	R25 million	Manufacturing
Enertronica Santerno manufacturing capacity expansion	Enertronica Santerno	R17 million	Manufacturing
Hyundai solar energy system	Hyundai	R3 million	Utilities

Compiled by Kelello Mashiane using FDI data. TIPS FDI tracker available at <https://www.tips.org.za/manufacturing-data/fdi-tracker>.

Employment and unemployment

Gauteng has a low level of joblessness compared to the national average. In 2020, the absorption rate, which is the proportion of the working-age population between 15-65 years employed, was 42%, while the national average was 37%. Although joblessness is still low in Gauteng compared to the national average, it has risen sharply over the past decade, with the absorption rate declining from 51% in 2010 to 47% in 2021.

Economic policy initiatives

This section outlines major industrial policy and development initiatives that had an impact in Gauteng:

- In 2019/20, the Department of Trade, Industry and Competition (the dtic) approved projects worth R3.7 billion for the Gauteng Province. The projects were expected to create a projected investment of R9 billion and 7 411 jobs. This represented a slight decline compared to the dtic 2016/17 approved projects worth R3.9 billion and anticipated to yield R11 billion projected investment while creating 8 647 new jobs.
- In 2016/17, the investment for Manufacturing Competitiveness Enhancement Programme (MCEP) in Gauteng was R2.2 billion and created 36 910 jobs. The Investment for MCEP for Gauteng is the largest compared to other regions.
- In 2021, the dtic made a R1.9 billion investment in the Black Industrialists Scheme (BIS) in Gauteng. the Industrial Development Corporation (IDC) invested R9.4 billion, and the National Empowerment Fund (NEF) invested R2 billion towards the BIS.
- As of 2020, Gauteng had two designated and/or proposed Industrial Development and Special Economic Zones (see box below).

	FOCUS	DESIGNATION DATE
OR Tambo SEZ	<ul style="list-style-type: none"> • Mineral beneficiation • Agro and food processing • Electronics • Pharmaceuticals • Aerospace/aviation 	2019
The Tshwane Automotive SEZ	<ul style="list-style-type: none"> • Automotive 	2020
Vaal SEZ	<ul style="list-style-type: none"> • Green hydrogen innovation • Agro-logistics • Aerotropolis • Aerodrome • Air freight • The revitalised steel manufacturing sector 	Proposed

- In 2021, Tshwane Automotive SEZ (TASEZ) completed building 12 factories with private investment valued at R4.33 billion. The TASEZ investments were anticipated to create 2088 jobs.
- In 2016/17, a grant worth R42 million was approved for the Ga-Rankuwa Industrial Park in the Gauteng province.

Table 2: Major existing or planned national infrastructure projects in Gauteng 2016-2022

PROJECT NAME	IMPLEMENTING AGENT	PROJECT COST	PROJECT DESCRIPTION
Lufhereng Mixed Housing Development Programme	City of Johannesburg	R22.3 billion	A mega housing project on 2 000 ha with the capacity to accommodate just over 30 000 households
Lesotho Highlands Phase 2	Lesotho Highlands Development Authority and Trans-Caledon Tunnel Authority	R32.6 billion	The project aims to augment supply to the Vaal System to specifically meet the increasing water demand from Gauteng and other downstream users
Lanseria Smart City	Gauteng Department of Economic Development	The exact investment is unknown	Lanseria Smart City is an area identified for residential and commercial development in West Rand, Gauteng.
Malibongwe Ridge	City of Johannesburg	R2.6 billion	An integrated human settlement development which aims to reduce the housing backlog and eradicate informal settlement.
Fochville Extension 11	Department of Human Settlements, Water and Sanitation	R114 million	The Fochville Extension 11 is social housing project in the West Rand District Municipality in Gauteng. The development will consist of 2 198 residential units
Germiston Ext 4 Social Housing Project	Department of Human Settlements, Water and Sanitation	R85 million	A social housing project in Ekurhuleni Metropolitan Municipality, Gauteng. The development will accommodate 601 people.
Salvokop Precinct	Department of Public Works and Infrastructure	R18.1 billion	Salvokop is a mixed-use precinct that will accommodate five government departments in the inner city of Tshwane

Gauteng's national spatial economy

Apartheid spatial planning continues to have a significant impact on the economic structure of South Africa, especially on access to economic opportunities for ordinary South Africans. Gauteng is mainly comprised of urban areas, with 98% share of households living in urban areas. In addition, the province has three metros and two secondary cities that accommodates 95% of Gauteng residents. In terms of education, 35% of adult population in Gauteng had matric. The share of adults with matric climbed from 23% in 1996.

Unlike historic labour sending regions, Gauteng enjoy higher service delivery. According to the General Household Survey 2021, 92% if the households in Gauteng had running water in their houses and yards compared to the national average of 75%. The share of households with piped water inside the house excluding the yard was 60% in 2021. Furthermore, 91% of households in Gauteng had electricity including generators in contrast to 93% nationally.

Trade & industrial policy Strategies (TIPS) supports policy development through research and dialogue. Its areas of focus are industrial policy, trade and regional integration, sustainable growth, and a just transition to a sustainable inclusive economy.

info@tips.org.za | +27 12 433 9340 | www.tips.org.za