

# THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

PROVINCIAL REVIEW 2022

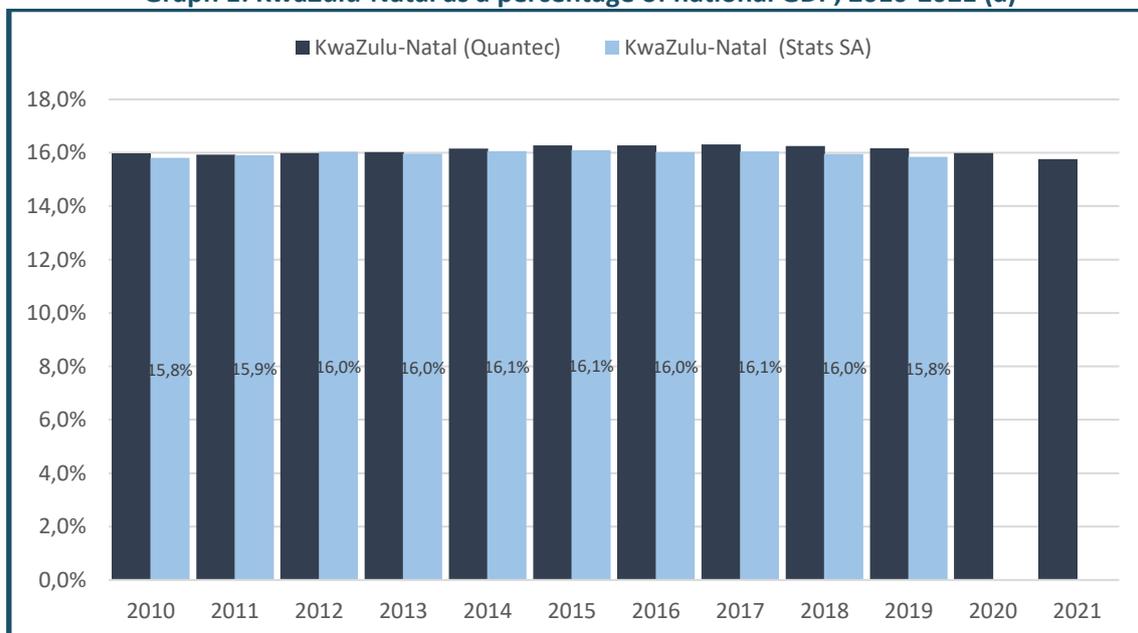
## Provincial Review 2022: KwaZulu-Natal

KwaZulu-Natal is the second largest economy in South Africa, and its real economy is dominated by the manufacturing sector, particularly petroleum, food, and beverage production. The province also has a significant agricultural sector, employing more than 90 000 people, and a smaller construction industry. The COVID-19 pandemic has had a significant impact on KwaZulu-Natal's economy, with employment in the real economy declining by 16% since Q1 2020. All real economic sectors experienced a reduction in employment, with mining being the most affected, followed by agriculture, manufacturing, and construction. In addition, KwaZulu-Natal's unemployment rate is higher than the national average, and inequality has worsened in the province. Notably, the province has a relatively high share of non-urban areas and one metro and three secondary cities. Infrastructure is also a mixed picture, with most households having electricity, but piped water access is still relatively low.

### The real economy in the KwaZulu-Natal: structure and growth

With 11.5 million residents in 2020, KwaZulu-Natal accounts for 19.4% of the national population. Compared to other major provinces such as Gauteng and the Western Cape, population growth in Kwa-Zulu Natal is relatively slow, growing at an annual average of 1%. Kwa-Zulu Natal is also the second largest economy after Gauteng, accounting for 15.8% of the national GDP in 2021. Notably, Kwa-Zulu Natal's contribution has essentially remained the same over the past decade (see Graph 1).

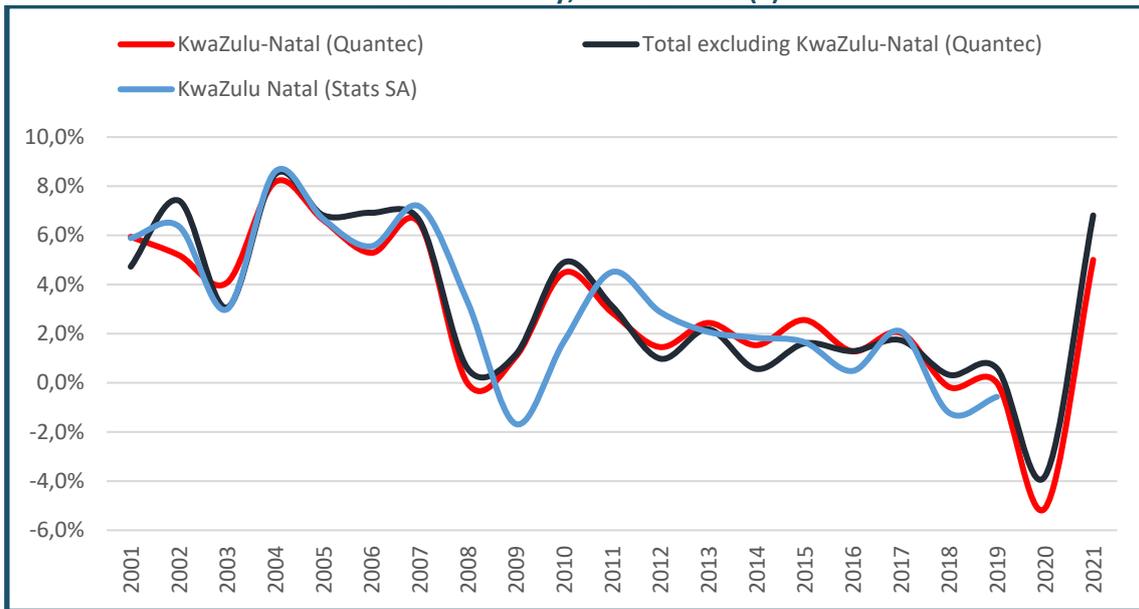
Graph 1: KwaZulu-Natal as a percentage of national GDP, 2010-2021 (a)



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

Graph 2 shows that the KwaZulu-Natal economy has been slowing down since 2011. In 2020, the provincial growth rate contracted by 5.1% but recovered with an increase of 5% in 2021.

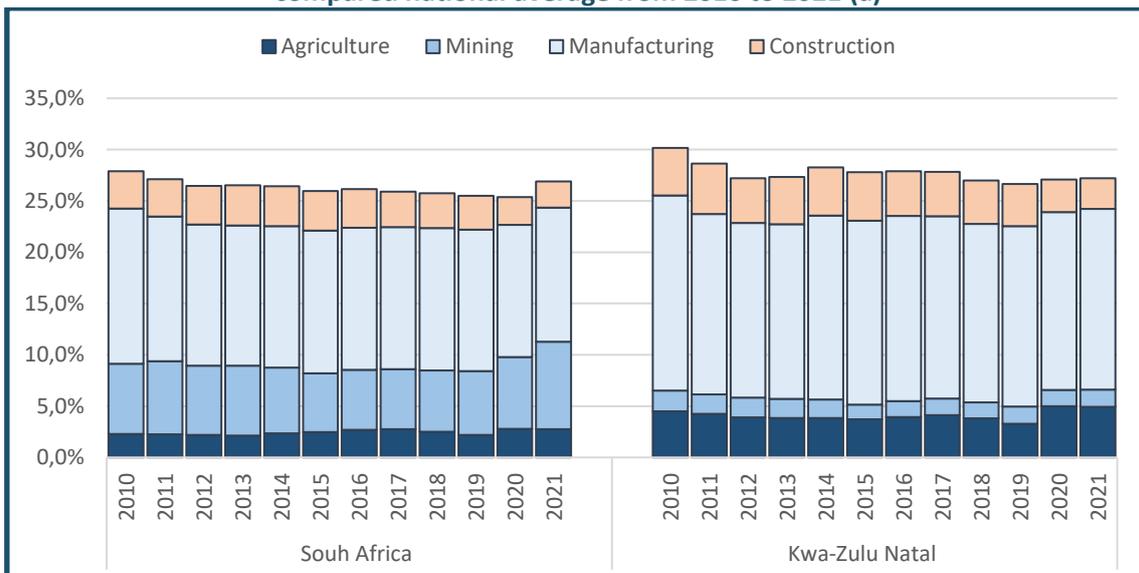
**Graph 2: KwaZulu-Natal economic growth compared to the rest of the economy, 2000 to 2021 (a)**



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

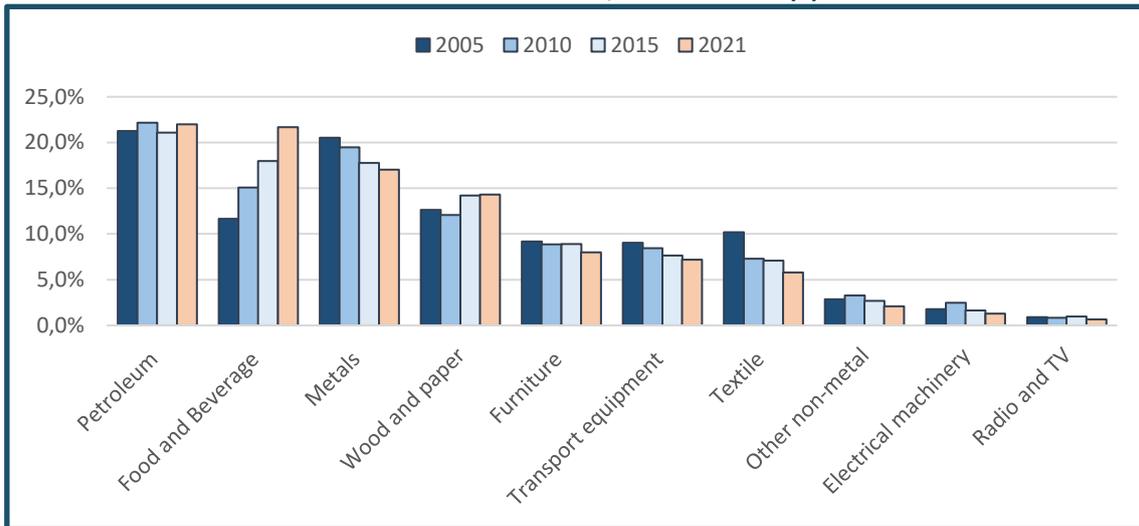
In 2021, KwaZulu-Natal’s real economy accounted for 27%, which is equal to the national average. As shown in Graph 3, manufacturing is the largest real sector in the province, accounting for 17.6% in 2021. Petroleum, food and beverages dominate the manufacturing sector in the province, and metal industries (see Graph 4). In addition, as shown in Graph 4, the food and beverage industry has grown rapidly since 2005. In contrast, the metals sector has shrunk over the same period. Agriculture is the second largest real sector, accounting for 4.9% of provincial GDP in 2021, followed by construction with 3%. Similar to Western Cape, mining plays a small role in KwaZulu-Natal’s economy, accounting for 1.7% of the provincial GDP in 2021.

**Graph 3: Real sectors as a percentage of KwaZulu-Natal GDP compared national average from 2010 to 2021 (a)**



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

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



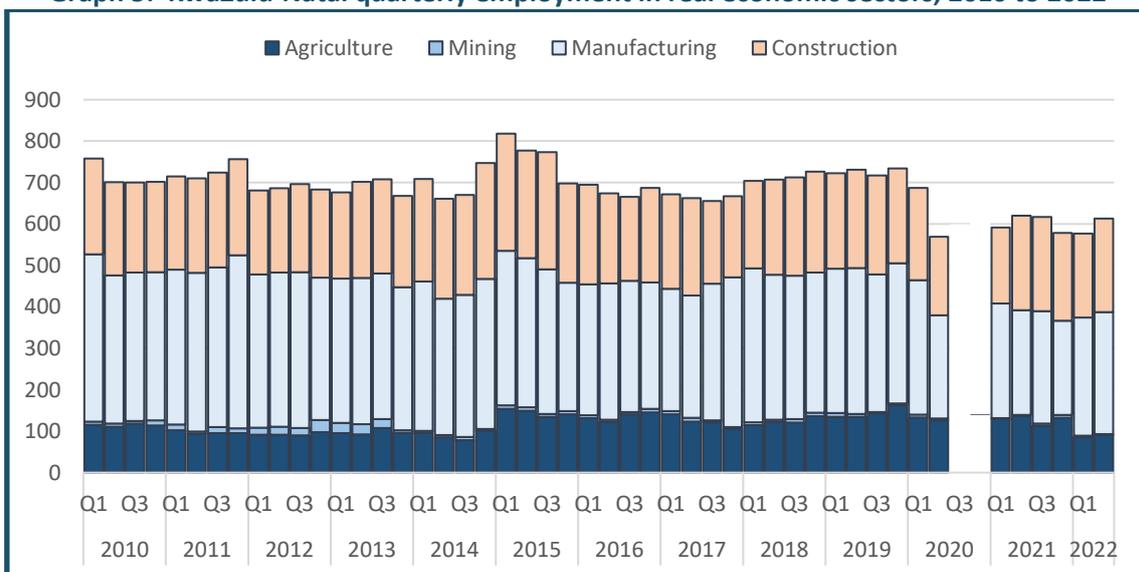
Source: Calculated using Quantec estimates. Downloaded from [www.easydata.co.za](http://www.easydata.co.za). Note (a): Calculation based on GVA at basic prices in constant 2021 prices.

In terms of employment, KwaZulu-Natal accounted for 16% of national employment in the second quarter of 2022. With 613 000 people employed in Q2 2022, the real economy accounted for 25% of total employment in the province. Of employed people in the real economy:

- 294 000 were in manufacturing
- 225 000 were in construction
- 91 000 in agriculture
- 2 000 in mining

Employment in the real economy has declined by 16% since Q1 2020 due to the COVID-19 pandemic. All real economic sectors experienced a reduction in employment since Q1 2020. Mining had the largest reduction in employment as it declined by 48%, followed by agriculture with 36%, manufacturing with 12% and construction with 9%. Employment in the real economy of KwaZulu-Natal is yet to recover to pre-pandemic levels.

**Graph 5: KwaZulu-Natal quarterly employment in real economic sectors, 2010 to 2022**



Source: Stats SA Quarterly Labour Force Survey. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za).

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

**Table 1: Large public and private real economy projects in KwaZulu-Natal 2010-2021**

PROJECT NAME	COMPANY	VALUE	SECTOR
Avon Peaking Power Plant	Mitsui	R6 billion	Utilities
HBM-SA Health Protection Services condom manufacturing facility	HBM-SA Health Protection Services	R150 million	Manufacturing
Nestle Coffee Export Facility	Nestle	R1.2 billion	Manufacturing
Sumitomo Tyre Factory	Sumitomo Rubber Industries	R2 billion	Manufacturing
Cipla's First South African Biotech Manufacturing Facility	Cipla BioTec	R1.3 billion	Manufacturing
Yangtze Optics Africa Cable investment in Dube Trade Port	Yangtze Optics Africa Cable (Pty) (Ltd)	R150 million	Services
Petredec, Bidvest LPG Storage Facility	Petredec and Bidvest Tank Terminals	R1 billion	Utilities
KwaZulu Cruise Terminal	MSC Cruises and Africa Armada Consortium	R215 million	Specialised construction activities
Metso Second Smelting Furnace at Isithebe Foundry	Metso Corporation	R54 million	Manufacturing
Zulti South Mine	Rio Tinto	R6.5 billion	Mining
Defy Jacobs factory upgrade	Arcelik- Defy Appliances	R121 million	Manufacturing
Cisco Edge Incubation Centre	Cisco Systems	R10 million	Services
Toyota Hiace Ses'fikile minibus production	Toyota Motors South Africa (TMSA)	R454	Manufacturing
Toyota Hilux Export operation (Kenya kit project)	Toyota Motors South Africa	R20 million	Manufacturing
Toyota new passenger car production	Toyota South Africa	R2.43 billion	Manufacturing
Royal Vopak LPG Terminal and distribution facility	Royal Vopak	R3.1 billion	Services
Defy production line investment	Arcelik- Defy Appliances	R462 million	Manufacturing
Wilmar manufacturing plant	Wilmar International	R1.5 billion	Manufacturing
Menar coal project pipeline: Riversdale Anthracite Colliery (RAC) project	Menar (Canyon Coal)	R300 million	Mining
Toyota Hiace output increase	Toyota South Africa	R91 million	Manufacturing
Chem Energy South Africa fuel cell production factory	Chem Energy South Africa (Chem Corporation)	R166 million	Manufacturing
Toyota Health support package	Toyota Motors South Africa	R15 million	Services
United Heavy Industries Investment Programme	United Heavy Industries	R17 million	Manufacturing
Home Stead game lodge	Really Epic Dog (The Homestead)	R200 million	Services
Risk Mitigation Independent Power	Karpowership South Africa/Karadeniz Energy Group	R10.9 billion	Utilities

Producer Procurement Programme (RMIPPPP): Karpowership South Africa Richards Bay			
Toyota Wessels Institute for Manufacturing Studies	Illovo Africa, Metair, The Foschini Group and Toyota	R9 million	Research and Development
Defy Danskraal warehouse	Arcelik/Defy	R170 million	Services

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

## Employment and unemployment

Unlike other major provinces such as Gauteng and the Western Cape, KwaZulu-Natal has a high level of unemployment. In 2021, the absorption rate in the province was 32.7%, which is lower than 37% at the national level. In addition, KwaZulu-Natal's joblessness level has increased as the absorption rate has declined from 37.6% in 2010.

## Economic policy initiatives

The following are the main national industrial policy and development initiatives that impacted the KwaZulu Natal economy.

- In 2019/20, the dtic approved projects worth R1.2 billion in KwaZulu-Natal, which is expected to generate 10.6 billion and 8 548 jobs.
- In 2017/18, the projected investment for the MCEP in KwaZulu-Natal was worth R36.7 million and retained 201 baseline jobs.
- In 2021, the dtic invested R894 million into Black Industrialist KwaZulu-Natal. This is the dtic's second-largest investment in the black industrialist initiative relative to the dtic's investment in the other eight provinces.
- In the same period, The IDC invested R2.2 billion towards the black industrialist initiative in KwaZulu-Natal, and the NEF invested R577 million towards the programme.
- KwaZulu-Natal had two designated and/or proposed Special Economic Zones as of 2020 (see box below).

	FOCUS	DESIGNATION DATE
Richards Bay SEZ	<ul style="list-style-type: none"> <li>- Agro-processing</li> <li>- Marine Industry Development</li> <li>- ICT and Techno-Parks</li> <li>- Renewable Energy</li> <li>- Metals Beneficiation</li> </ul>	2016
Dube Tradeport SEZ	<ul style="list-style-type: none"> <li>- Aerospace and aviation-linked manufacturing and related services</li> <li>- Agriculture and agro-processing, including horticulture, aquaculture and floriculture</li> <li>- Electronics manufacturing and assembly</li> <li>- Medical and pharmaceutical production and distribution</li> <li>- Clothing and textiles</li> <li>- Automotive component manufacturing</li> <li>- Other supplemental sectors</li> </ul>	2016

**Table 2: Major existing or planned national infrastructure projects  
in KwaZulu-Natal 2016-2022**

PROJECT NAME	IMPLEMENTING AGENT	PROJECT COST	PROJECT DESCRIPTION
N3 Dardenelles to Lynnfield Park	SANRAL	R1.48 billion	Cato Ridge- Dardanelles N3 upgrade
Greater Cornubia	Department of Human Settlements	R25 billion	The project aims to provide 28 000 social housing
Umkhomazi Water Project Phase 1	Department of Water and Sanitation	R23.2 million	The project involves the construction of Smithfield Dam and the associated conveyance infrastructure to augment the Mgeni System
N3 Cato Ridge to Dardanelles	SANRAL	R1.6 billion	N3 road upgrades
N3 Dardenelles to Lynnfield Park		R1.6 billion	
N3 Paradise Valley to Mariannhill Toll Plaza		R1.9 billion	
N2 Edwin Swales to South of EB Cloete Interchange		R1.9 billion	
N3 Ashburton Interchange to Murray Road		R2 billion	
N3 Mariannhill Toll Plaza to Key Ridge		R2.1 billion	
N2 EB Cloete Interchange		R3.9 billion	

### **KwaZulu-Natal's national spatial economy**

KwaZulu-Natal has a relatively high share of non-urban areas within its borders. In 2021, 37% of the population lived in non-urban areas, 7% lived on farms, and 56% of the population lived in urban areas. The province has one metro and three secondary cities, which together account for 47% of the province's population. In terms of education, 33% of the adult population had matric in 2021, up from 15% in 1996. Furthermore, 8% of the population in the province had a degree compared 13% at national level.

Regarding infrastructure, 69% of households in KwaZulu Natal had running water inside their houses and yards combined, compared to 46% in 1996. The share of households with running water inside their houses, and not yard was 36% in 2021. In addition, 95% of households in KwaZulu Natal had electricity including generators.

**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