

THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

PROVINCIAL REVIEW 2022

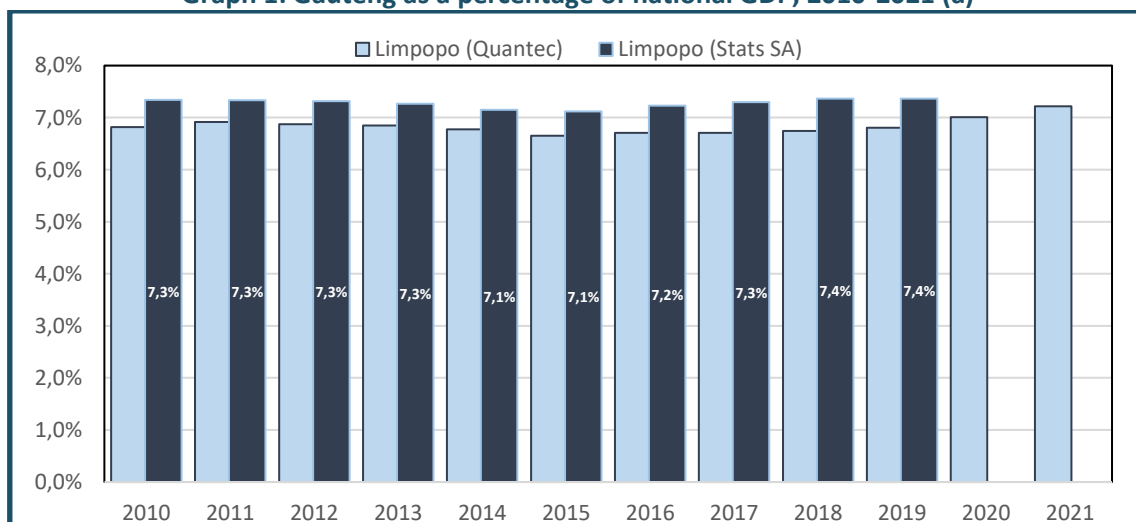
Provincial Review 2022: Limpopo

Limpopo has the highest share of population living in former homelands. Despite a declining growth rate since 2011, Limpopo's contribution to national GDP has remained stable and accounted for 7.2% of the national GDP in 2021. Among real economic sectors, mining is the most significant contributor to the province's GDP, accounting for 30% of the provincial output in 2021, while agriculture and manufacturing are almost equal, contributing 3.3% and 3.1%, respectively. The food and beverage industry dominates the manufacturing sector, accounting for 33% of the manufacturing output in 2020. In Q2 2022, Limpopo accounted for 9% of the total employment in South Africa, with agriculture being the largest employer among the real economic sectors, followed by construction and mining, while manufacturing had the least employment.

The real economy in Limpopo: structure and growth

Limpopo is home to 6 million people. It is the fifth most populous province, accounting for 10% of the national population. Limpopo's population has been growing at an average of 1% per year. In terms of economic contribution, Limpopo is the sixth most significant contributor to the GDP, accounting for 7.2% of the national GDP in 2021. Graph 1 shows that the contribution to GDP slightly dipped from 2014 before stabilising at its normal levels again in 2016. Quantec estimates indicate that, in 2021, Limpopo's contribution to GDP increased above its normal level. This increase is attributable to the fact that the province was not as severely affected by the pandemic as other provinces. In 2020, it experienced a modest decline in growth of 1.1%. Moreover, the province experienced a strong rebound from 2020, increasing by 9.7% in 2021.

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

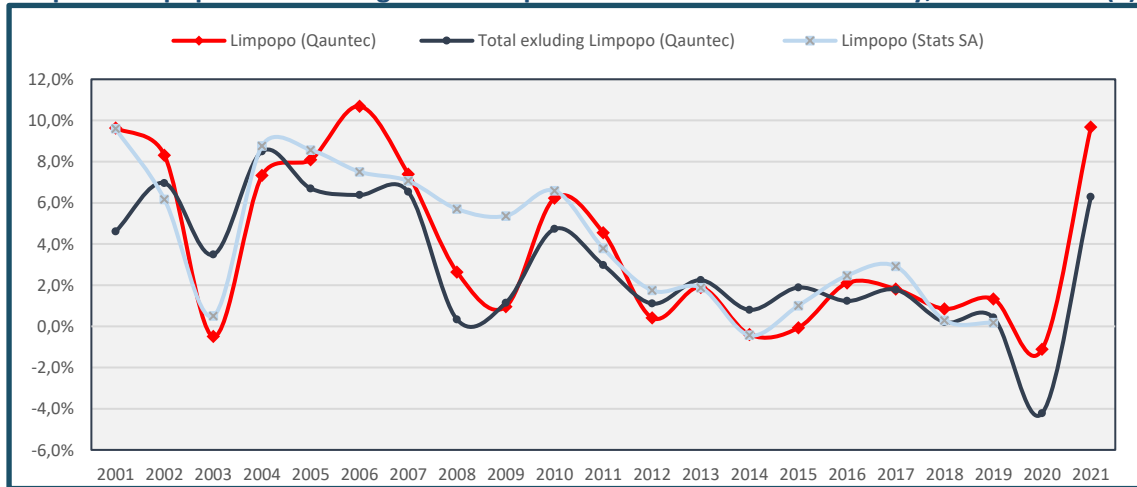


Source: Statistics South Africa and Quantec. Note (a): % of national GDP is calculated at GVA basic prices at constant 2021 prices.

Similar to other provinces, Limpopo's growth rate has been declining since 2011 (see Graph 2). The province's economic growth rate is often higher than the national rate. As previously noted, Limpopo is one of the provinces, along with Free State, that did not experience a massive decline

in growth rates due to the pandemic. The relatively small decline and massive recovery in 2021 could be attributed to a surge in commodity prices, as the province has a large mining sector.

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

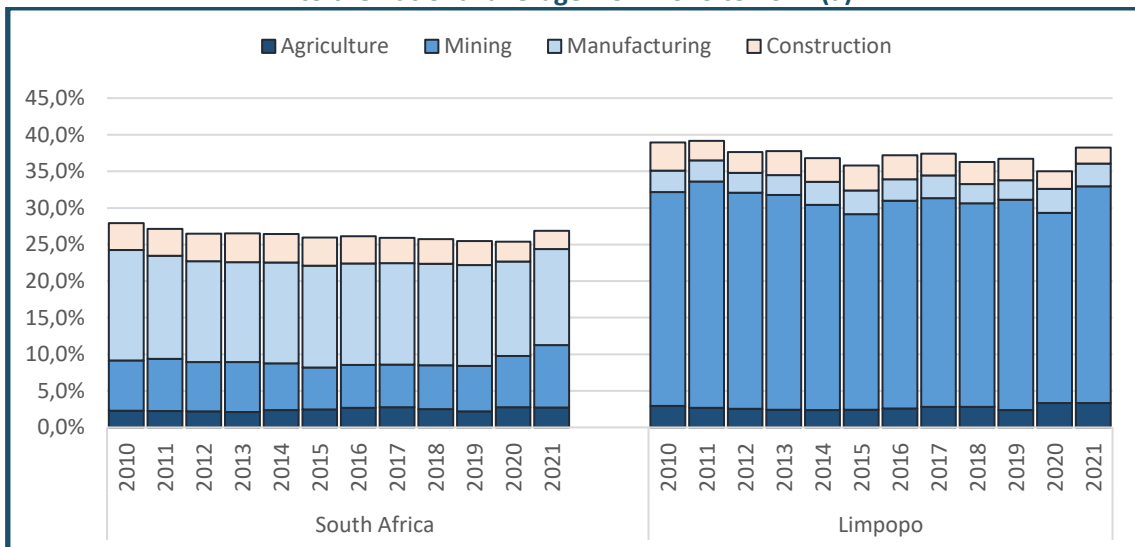


Source: Calculated using Qauntec and Stats SA data. Note (a): Growth rates are calculated at GVA basic prices at 2021 constant prices.

As noted, mining is the real economic sector in Limpopo, accounting for 30% of the provincial output in 2021. Agriculture and manufacturing are nearly equal, accounting for 3.3% and 3.1%, respectively to the provincial GDP (see Graph 3). Notably, the mining and manufacturing contribution to the provincial GDP has remained the same since 2010, while agriculture’s contribution has marginally increased. Construction, on the other hand, declined from 3.8% of GDP in 2010 to 2.9% in 2019 before the pandemic.

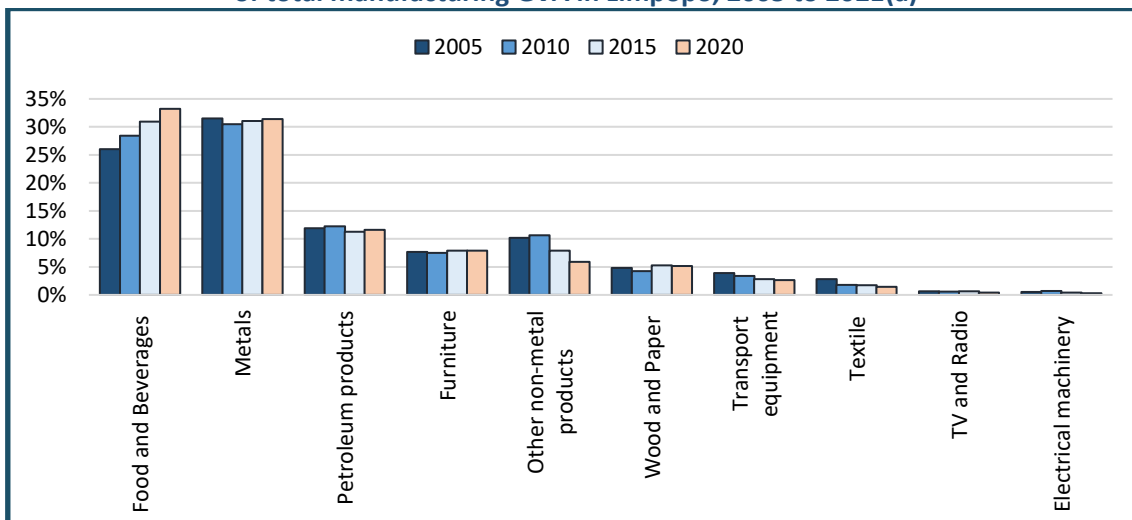
Graph 4 shows that the manufacturing sector in the province is largely dominated by food and beverages, metals and petroleum industries. The food and beverage industry has rapidly grown in the province as its share of manufacturing output increased from 26% in 2005 to 33% in 2020.

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



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

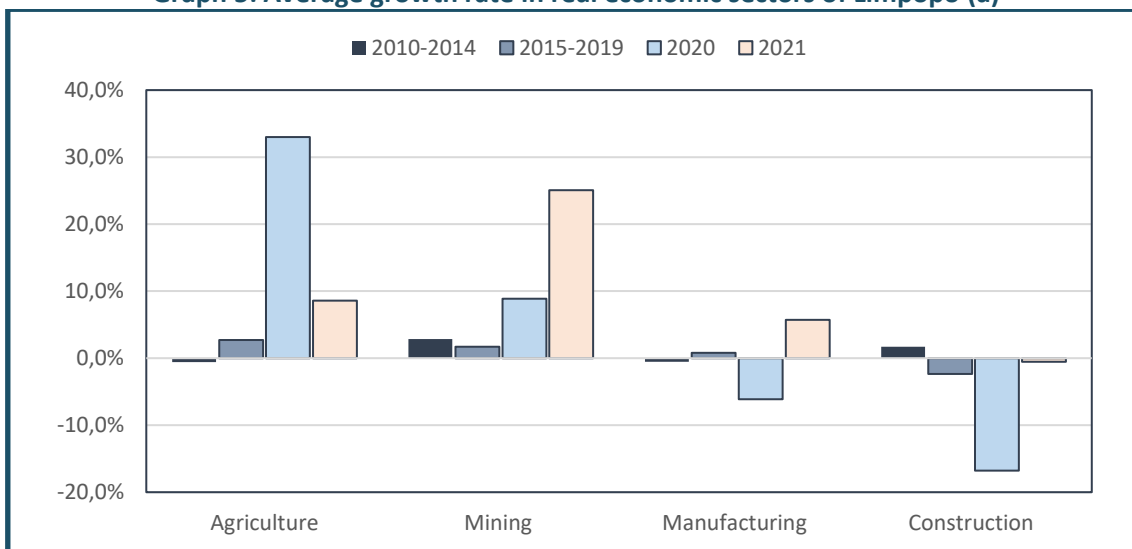
Graph 4: Manufacturing subsectors as a percentage share of total manufacturing GVA in Limpopo, 2005 to 2021(a)



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

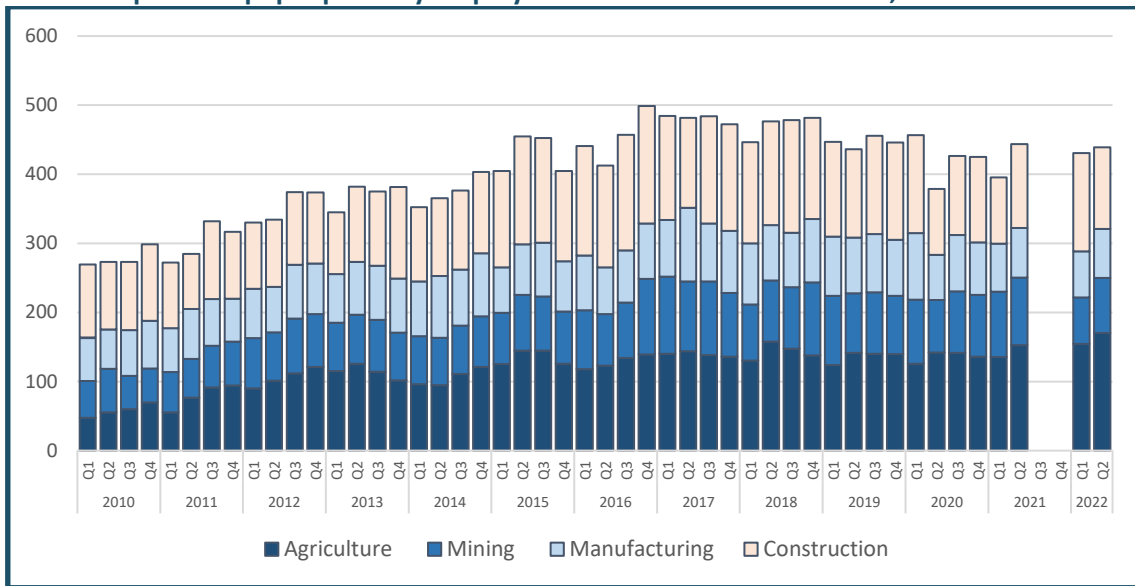
Furthermore, from 2010 to 2014, mining was the fastest growing sector in Limpopo, increasing by 2.9% annually, followed by construction with 1.7% (see Graph 5). Over the same period, manufacturing declined by 0.5% annually. However, from 2015 to 2019, manufacturing began to experience some growth, growing at an annual average of 0.8%. In 2020, Agriculture grew by 33%, followed by mining with 8.9%. In contrast, construction declined by 16.8%, and manufacturing declined by 6.1%. Mining continues to experience spectacular growth in 2021, with an increase of 25.1%. This growth rate is attributable to the surge in commodity prices from 2020.

Graph 5: Average growth rate in real economic sectors of Limpopo (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.

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



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

In Q2 2022, Limpopo accounted for 9% of total employment in South Africa. The real economic sectors in the province accounted for 32% employment in Q2 2022. Agriculture is the largest employer among the real economic sectors with 170 000 workers in Q2 2022, followed by construction with 118 000 and mining with 79 000. Manufacturing has the least employment, with 71 000 works over the same period. Historically, construction was the biggest employer among the real economic sectors but was overtaken by agriculture by 2020. The pandemic has seemingly affected manufacturing and construction. Employment in manufacturing fell by 21%, from 83 000 in 2019 to 65 000 in 2021. Similarly, employment in construction declined by 7% over the same period.

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

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

PROJECT NAME	COMPANY	VALUE	SECTOR
Musina-Makhado Energy Park	Consortium led by Hoi Mor (Hong Kong Mining Exchange), and consisting of Hoi Mor Industrial, China Harbour Engineering, China Africa Development Fund, Guangzhou Stainless Steel, Lianzhong Stainless Steel, Guangzhou Rising Steel, TaiYuan Iron and Steel, and China Power Investment Company	R40 billion	Manufacturing
Platreef Project – platinum group metals, gold, nickel and copper mine.	Ivanhoe Mines indirectly owns 64% through subsidiary, Ivanplats. BBBEE partners 26% stake and the remaining 10% is owned by a Japanese consortium of Itochu Corporation; Japan Oil, Gas and	R21 billion	Mining

	Metals National Corporation; ITC Platinum Development, an Itochu affiliate; and Japan Gas Corporation		
Anglo American Polokwane sulphur dioxide (SO2) abatement project.	Anglo American Platinum	R1.5 billion	Mining
Zebediela nickel mine project	URU Mining	R11.2 billion	Mining
Ivanhoe/Ivanplats Platreef project-	Ivanhoe Mines	R1 billion	Mining
Waterberg Bushveld Igneous Complex Platinum Group Metals project	Platinum Group Metals	R18 billion	Mining
Amplats Expansion Projects: Mogalakwena Expansion	Anglo American Platinum	R29.7 million	Mining
Amplats Expansion Projects: Mototolo/Der Brochen Replacement Project	Anglo American Platinum	R29.7 million	Mining
Amplats Expansion Projects: Mototolo/Der Brochen Expansion	Anglo American Platinum	R29.7 million	Mining
Amplats Capital Projects: Modikwa chrome recovery plant	Anglo American Platinum	R200 million	Mining
Amplats Capital Projects: Amandelbult modernisation	Anglo American Platinum	R1.3 billion	Mining
Amplats Capital Projects: Tumela 15E mechanisation	Anglo American Platinum	R1.1 billion	Mining
Steelpoortdrift vanadium project	Vanadium Resources	R2.4 billion	Mining
Ivanhoe/Ivanplats Platreef project	Ivanhoe Mines	R73 million	Mining
Makhado hard coking coal project	MC Mining	R433 million	Mining
Venetia underground project	De Beers/ Anglo American	R32 million	Mining

Employment and unemployment

Limpopo has a high level of joblessness compared to the national average. In 2020, the absorption rate was 31% compared to the national average of 37%. Notably, unemployment has marginally declined in the province with the absorption rate increasing from 29% in 2010 to 30% in 2020.

Economic policy initiatives

The following are the fundamental national industrial policy and development initiatives that influenced Limpopo's economy.

- In 2019/20 the dtic approved projects worth R190.4 million in the Limpopo Province, which was anticipated to yield a projected investment of R755 million and create 418 jobs. This represents a decline relative to the dtic's 2016/17 project approvals, which were worth R660.9 million.
- In 2016/17, the Limpopo province received an actual investment of R41.1 million, for the MCEP, which yielded 875 jobs at the claim stage.
- The 2021 Black Industrialist Report reported that the dtic allocated R186 million the programme in Limpopo. Similarly, the NEF invested R258 million in the Black Industrialists scheme. initiative.
- The dtic approved projects worth R48.3 million towards the BIS in the Limpopo Province. This represents an increase in investment relative to the collective Investment of 2021, despite the COVID-19 pandemic.
- The Limpopo Province has one designated SEZ, namely Makhado-Musina. It also has one proposed SEZ – Tubatse SEZ, which will focus on PGMs beneficiation as well as general manufacturing.
- The Makhado/Musina SEZ's investment pipeline is more than R250 billion, while the Tubatse SEZ's investment pipeline is R25 billion.

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

PROJECT NAME	IMPLEMENTING AGENT	PROJECT COST	PROJECT DESCRIPTION
Groot Letaba River Water Development Project – Nwamitwa Dam	Department of Water and Sanitation	R3.8 billion	To provide the ecological water reserve for domestic and irrigation water requirements in the Greater Letaba area of Limpopo
N1 Musina Ring Road: Limpopo	SANRAL	R 661 million	The project involves the construction of N1 Musina Ring Road
Olifants River Water Resources Development Project: Phase 2	Department of Water and Sanitation	R12 billion	The project aims to increase the bulk water supply to effectively support the mining developments on the province
Phase 2A of the Mokolo Crocodile	Department of Water and Sanitation	R12.3 billion	The project involves the construction of a water transfer system from the

River (West) Augmentation Project			Crocodile River to Steenbonkap and Lephalale, linking it Medupi Power Station and Exxaro Grootgeluk Mine
Groot Letaba River Water Development Project - Nwamitwa Dam	Department of Water and Sanitation	R 3.7 billion	The project includes the construction of a dam below the GrootLetaba and Nwanedzi Rivers.
N1 Polokwane Eastern Ring Rd Phase 2	SANRAL	R 697 million	The project involves the construction of 5.9 km section of eastern ring. The proposal includes construction of interchanges at Burgersfort (R37), Tzaneen (R71) and R81.

Limpopo's national spatial economy

Limpopo has a very high share of non-urban areas within its borders. In 2021, 75% of the population lived in non-urban areas and 6% in farms, compared to 26% and 5% for the country as a whole. Limpopo has limited urbanisation by national standards, with no metro and two secondary cities. Together, these cities account for 13% of the province's population. In terms of education, 22% of the adult population in Limpopo has matric, up from 13% in 1996.

In terms of infrastructure, 45% of households in Limpopo had running water in their houses and yard in 2021, compared to 38% in 1996. Limpopo still has a massive infrastructure backlog, with the share of households with running water in the house (excluding yard) sitting at 12% in 2021. In term of electricity, 97% of households in the province had electricity, including generators, which is above the national average of 93%.

In 2021, Limpopo was home to 3% of the richest 10% of households in South Africa. In contrast, 1% of the poorest 60% lived in the province in 2021. Notably, the number of households in the poorest 60% decile has declined by 1% between 2000 and 2021.

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