

THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

PROVINCIAL REVIEW 2022

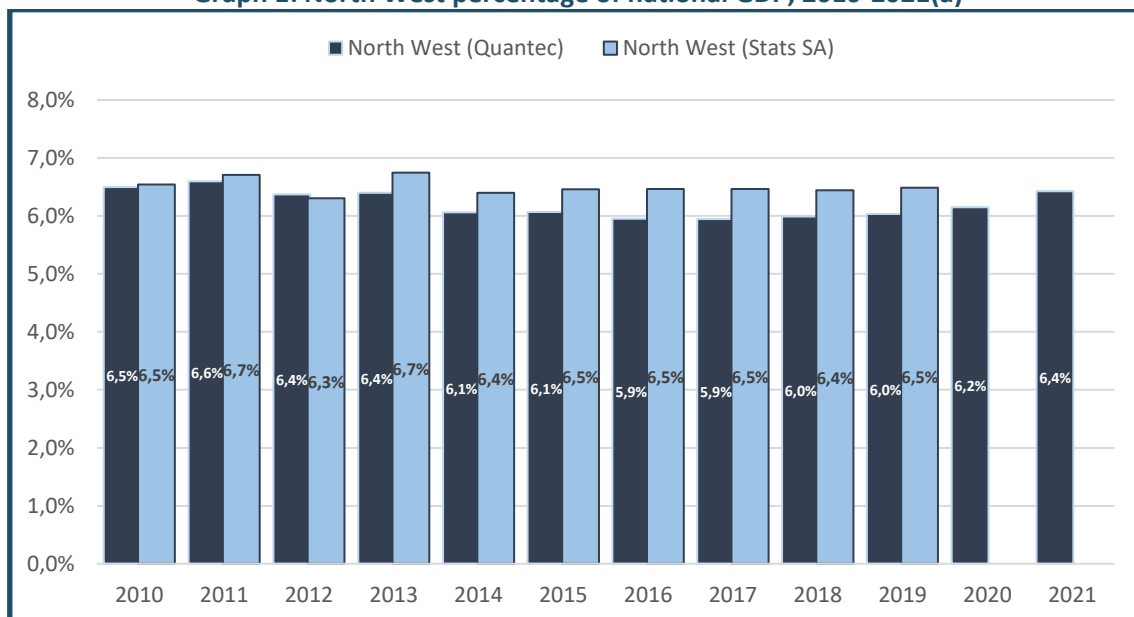
Provincial Review 2022: North West

In 2021, North West contributed 6.4% to the national GDP, with a real economy driven primarily by the mining sector. The mining sector accounted for 33% of the provincial output in 2021 and experienced exponential growth in 2021 due to a surge in commodity prices. The province also has a significant manufacturing sector, dominated by food and beverage production. Agriculture is also an important player in the North West, accounting for 2.7% of the provincial GDP, followed by construction with 1.7%. However, the province has a high level of unemployment, with an absorption rate of 34.6% compared to the national average of 37% in 2021. In addition, a significant share of the population in the North West still live in former homelands with limited access to water inside the yard or house.

The real economy in the North West: structure and growth

North West had four million residents in 2021, accounting for 6.8% of the national population. North West is among the provinces with the fastest population growth in the country, growing at an annual average of 1.6% from 2002, compared to the national average of 1.4%. This places it fourth in provinces with the fastest growing population after Gauteng, Western Cape and Mpumalanga. Furthermore, the province accounted for 6.4% of the national GDP in 2021, up from 6.2% in 2021. According to Quantec estimates, the North West share of the national GDP dipped to its lowest level in 2016 in the past decade. Thereafter the provincial contribution began to increase steadily. Notably, Stats SA data show that North West contributes more to national GDP than Quantec estimates. The reason for this divergence is unclear.

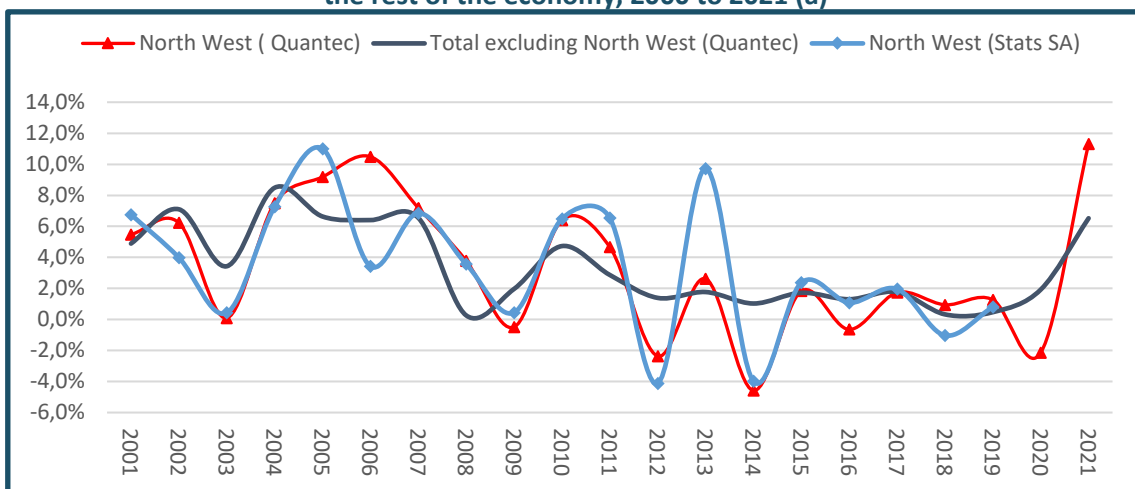
Graph 1: North West percentage of national GDP, 2010-2021(a)



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

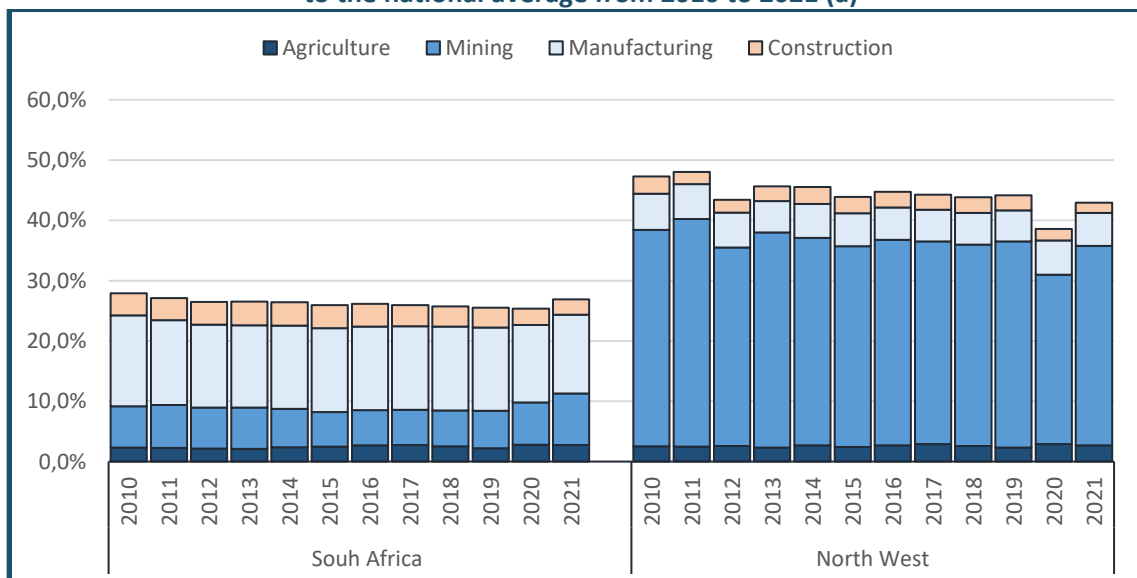
North West's growth performance is more volatile than the national growth performance. The volatility in the North West's growth rate is due to the dominance of the mining sector in the province, which is vulnerable to commodity price shocks. Graph 2 shows that between 2005 and 2007, the provincial economy's growth performance outpaced the national economy due to the commodity boom of the early 2000s. However, as commodity prices subdued, the provincial growth rate narrowed down and became much more volatile. In addition, North West experienced a GDP contraction of 2.1% in 2020 due to the national lockdown. However, in 2021, North West growth sharply increased to 11.3% – the second largest growth rate after Mpumalanga. This sharp increase in the provincial growth rate is due to a surge in commodity prices in 2021.

Graph 2: North West 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.

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



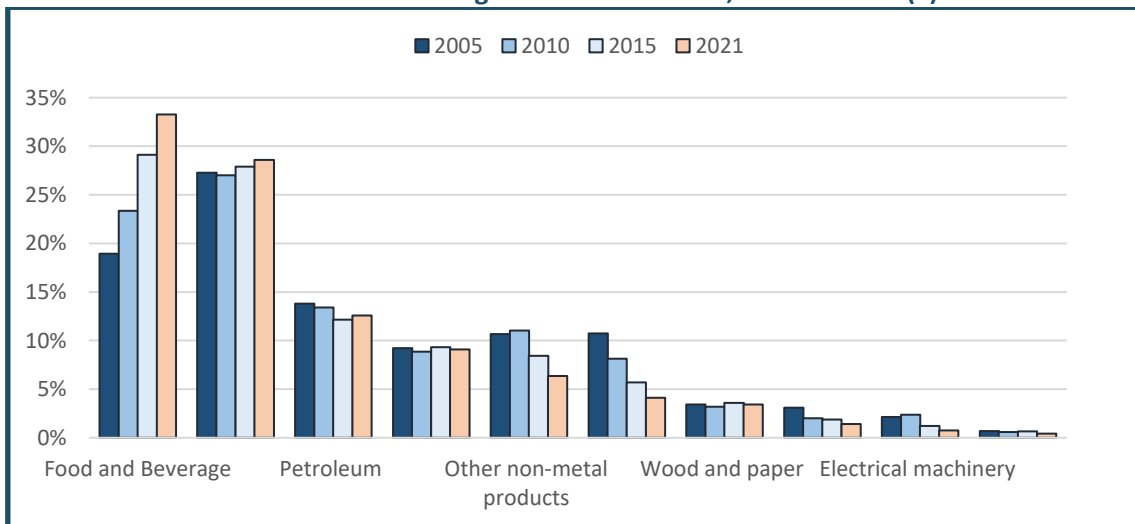
Source: Calculated using Quantec estimates and Stats SA data. Downloaded from www.easydata.co.za. Note (a): Calculation based on GVA at basic prices in constant 2021 prices.

The real economy of the North West – agriculture, mining, manufacturing and construction – is the largest in South Africa. Overall, in 2021, North West's real economic sectors accounted for

43% of the provincial output compared to the 27% national average. The higher proportion of the real economic sector to the provincial GDP is primarily driven by the dominance of mining, particularly platinum mining, in the province. Graph 3 shows that the mining sector is the largest real economic sector in the province, accounting for 33% of provincial output in 2021. In addition, in 2021, the North West mining output made up a quarter of the national mining output and contributed 2% to the national GDP.

Manufacturing is the second largest sector in the province, making up 5.5% of the GDP in 2020. Manufacturing in North West is dominated by the food and beverage industry, which accounted for a third of manufacturing output in 2021, followed by metals at 29% and petroleum at 13%. Notably, the share of food and beverages has steadily increased over the past decade, see Graph 4. Agriculture is another important player in the North West, accounting for 2.7% of the provincial GDP, followed by construction with 1.7%.

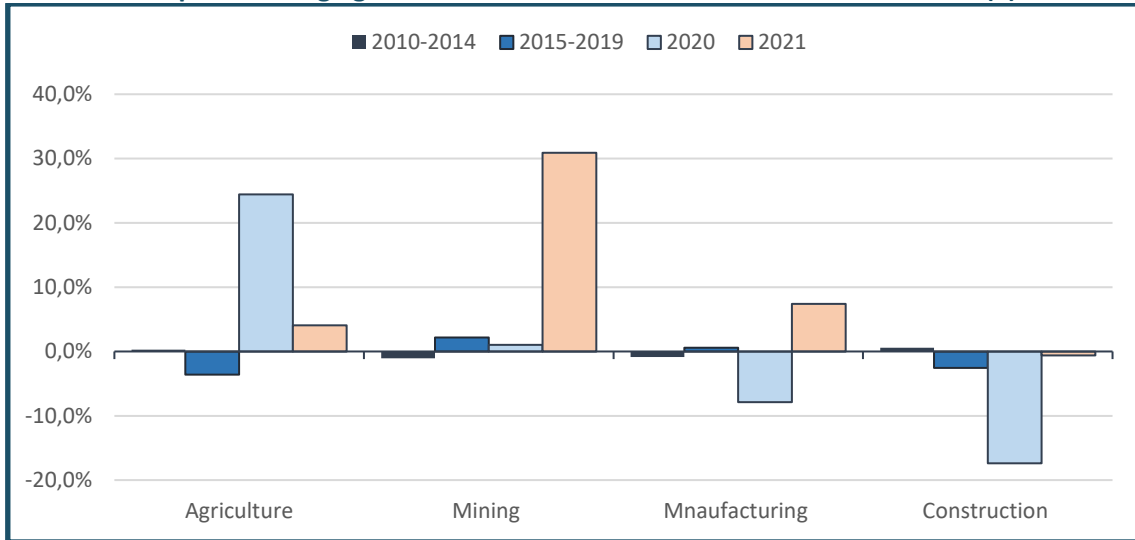
Graph 4: Manufacturing subsectors as a percentage share of total manufacturing GVA in North West, 2005 to 2021 (a)



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

Graph 5 shows that mining has been the fastest-growing sector in the North West for most of the past decade. In contrast, manufacturing, mining and construction faced slow growth, with construction contracting sharply between 2015 and 2019. Furthermore, construction suffered disproportionately more during COVID-19, as it contracted by 17.4% in 2020 and is yet to recover fully from the pandemic. Manufacturing growth also steeply declined in 2020 but has recovered, recording an increase of 7.4%. Much like elsewhere in the country, agriculture in the North West showed resilience as it grew by 24.4% in 2020 and 4% in 2021. The mining sector in the province experienced exponential growth in 2021 due to a surge in commodity prices.

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

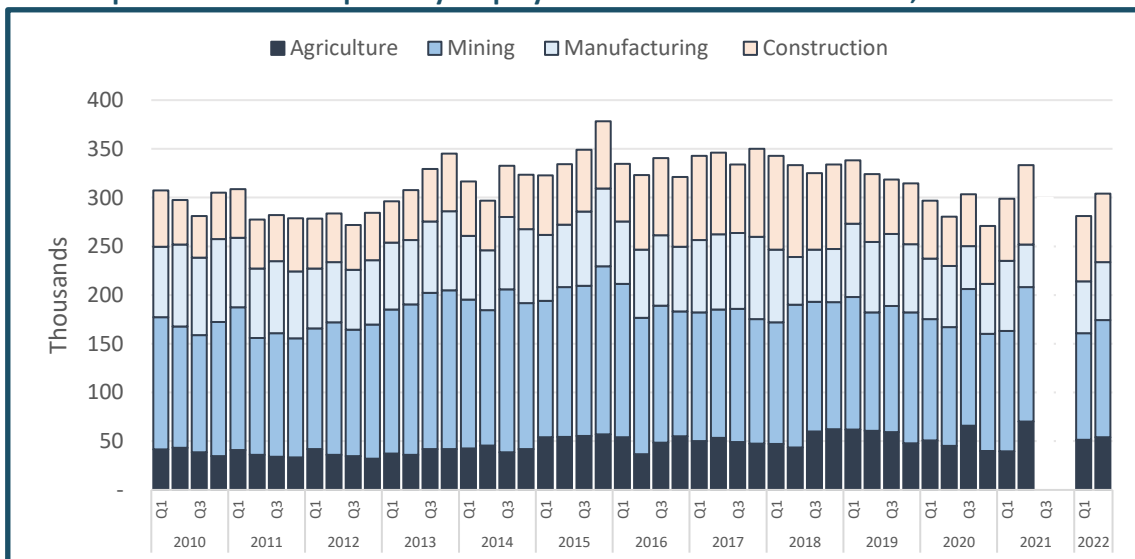


Source: Calculated using Quantec data. Downloaded from www.easydata.co.za. Note (a): Calculation based on GVA at basic prices in constant 2021 prices.

In Q2 2022, North West accounted for 6% of total employment in South Africa. The provincial real economy had 304 000 employees in Q2 2022 (latest available data), making up a third of total employment in the province. Mining accounts for the largest share of employment, with 120 000 people employed in Q2 2022, followed by construction with 70 000 people, manufacturing with 59 000 people, and agriculture with 54 000 people.

Although COVID-19 had an adverse effect on employment in the province, the province has recovered most of the jobs lost during the hard lockdown in the second quarter of 2020. Between Q2 2020 and Q2 2022, total employment in the real sectors increased by 8%. From Q1 2022, employment in the real sectors increased by the same percentage. Construction and agriculture employment has recovered beyond the pre-pandemic levels; mining and manufacturing are still lagging behind.

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



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

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

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

PROJECT NAME	COMPANY	VALUE	SECTOR
Lonmin Bulk Tailings Treatment Plant	Lonmin	R664 million	Mining
Bakubung Platinum Mine project.	Wesizwe Platinum.	R10.69 billion	Mining
Bridgestone Brits plant upgrade	Bridgestone South Africa	R400 million	Manufacturing
Bakubung Platinum Mine project.	Wesizwe Platinum	R730 million	Mining
Triple Flag 2019 Conference Project	Triple Flag Precious Metals	R2.1 billion	Mining
Amplats Capital Projects: Rustenburg Base Metals Refinery	Anglo American Platinum	R700 million	Mining
Tharisa mining vulcan chrome plant	Tharisa Mining (Tharisa)	R882 million	Mining

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

Employment and unemployment

North West has a high level of joblessness compared to the national average. In 2021, the absorption rate in the province was 34.6% compared to the national average of 37%. Over the past decade, the level of unemployment has risen in the North West, with the absorption rate declining from 36.5% in 2010 to 34.6% in 2021.

Economic policy initiatives

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

- In 2019/20, the dtic approved projects worth R293.6 million in the North West. The projects were anticipated to generate an investment of R621.4 million and create 180 jobs.
- In 2016/17, the North West province received an actual investment of R64.4 million for the MCEP, which yielded 521 jobs at the claim stage.
- In 2020/21, the dtic invested R132 million into the Black Industrialist Scheme, while IDC invested R491 million and NED contributed R380 million.
- The North West Province has one proposed SEZ (see box below).

	FOCUS	DESIGNATION DATE
Bojanala SEZ	- Mineral beneficiation of platinum group metals (PGM) -Platinum (Pt) -Palladium (Pd) -Rhodium (Rh) -Osmium (Os) -Ruthenium (Ru) -Iridium (Ir)	Proposed

- In addition, in 2016/17, a grant worth R34.6 million was approved for the Bodirelo industrial Park in the North West province.

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

PROJECT NAME	COMPANY	PROJECT COST	PROJECT DESCRIPTION
Bakwena Toll Projects on the N4	SANRAL/Bakwena Platinum Corridor Concessionaire	R582 million	The project involves the construction of 22 km between Zeerust and Rustenburg, the rehabilitation of the N4 between Brits, Marikana and Swartruggens.
Prieska Power Reserve	Central Energy Corporation and the Industrial Development Corporation	R9.7 million	The project aims to produce green hydrogen and green ammonia in 2026, using renewable solar and wind energy
Matlosana N12 West Development	MXN Developments	R8.9 billion	The projects aims to eradicate housing demands and informal settlement in Klerksdorp.
Taung/ Naledi Bulk Water Supply	Departments of Water and Sanitation	R800 million	The project aims to overcome water provision challenges by upgrading the Taung/Naledi Bulk Water Supply

The North West economy and the national spatial economy

The North West has a relatively low share of non-urban areas and farms within its borders. In 2021, 47% of the population lived in non-urban areas and 44% in urban areas. The province has five secondary cities that account for 55% of the province’s population. In addition, 27% of the adult population in the North West had matric, and 9% had a degree.

Regarding infrastructure, 66% of households in the North West had running water inside their houses or yards, compared to 53% in 1996. However, only 24% of households in the North West had piped water inside the house (excluding the yard) in 2021. In terms of electricity, 91% of households had electricity, up from 50% in 1996.

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