

THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

PROVINCIAL REVIEW 2024

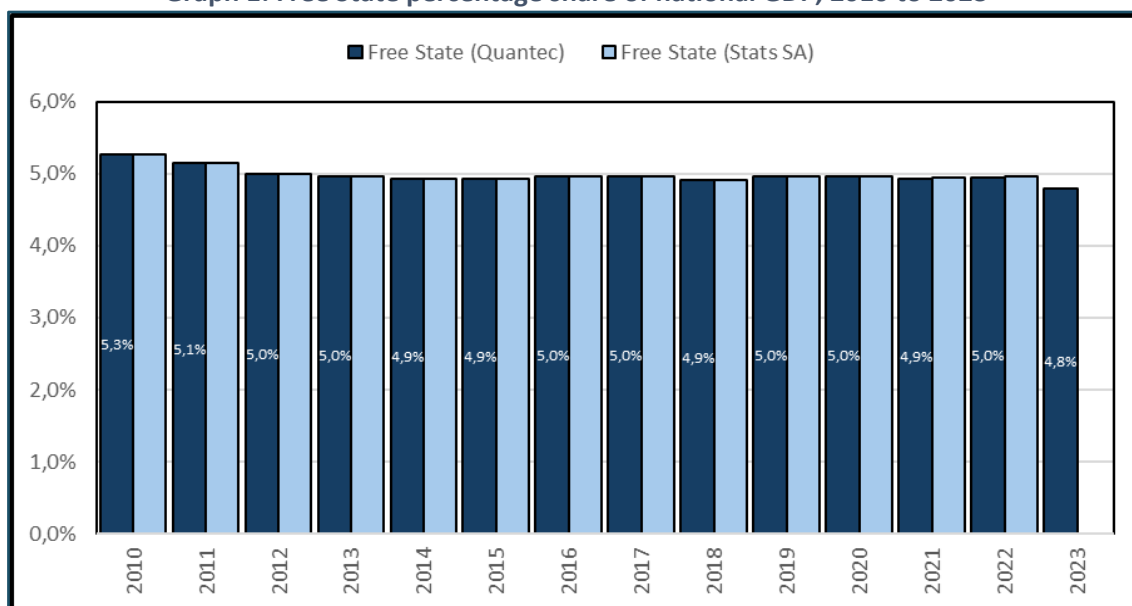
Provincial Review 2024: Free State

The Free State province in South Africa has a slow-growing population and is the second-lowest contributor to the national output after Northern Cape, with its contribution to GDP remaining flat over the past decade. The lacklustre contribution to GDP and the growth rate is often attributed to the waning mining sector in the province. Mining is the largest real economic sector in the Free State, followed by manufacturing and agriculture. The province experienced a strong rebound in 2021, despite this, it is still among the least-performing provinces.

The real economy in the Free State: structure and growth

The Free State is the second lowest contributor to national output after the Northern Cape. Graph 1 shows that the province's contribution to the GDP has remained flat over the past decade, with only marginal variance. In 2023, Free State contributed 4.8% to the national GDP, according to Quantec estimates. This represents an increase from the pre-COVID pandemic contribution.

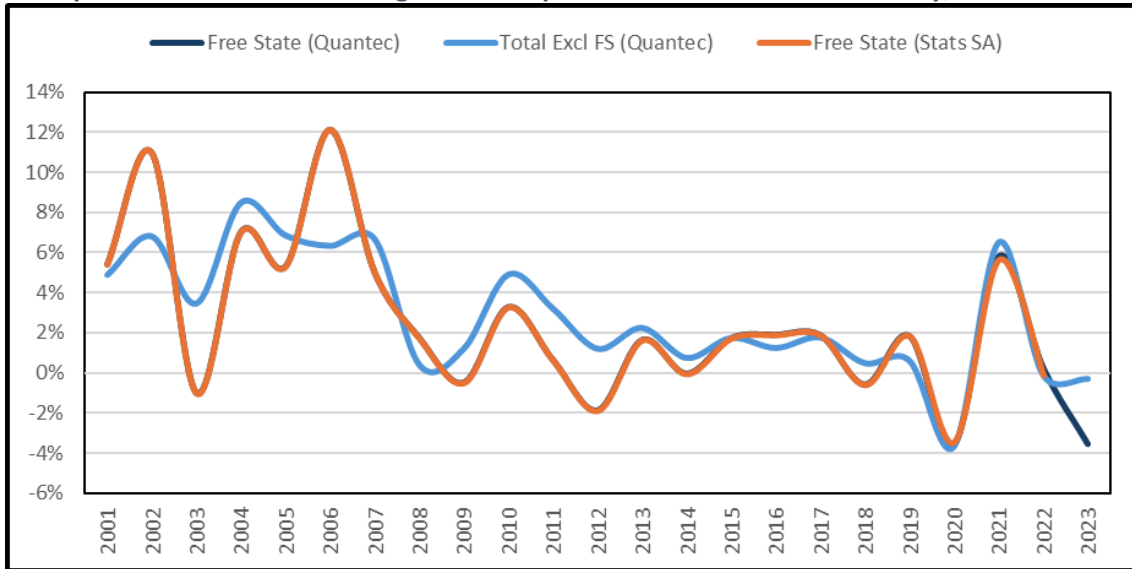
Graph 1: Free State percentage share of national GDP, 2010 to 2023



Source: Calculated from Statistics South Africa and Quantec, EasyData. Series on Gross Value Added at basic prices in Macroeconomic Service and Series on Gross Value Added at basic prices in Regional Service. Accessed at www.easydata.co.za in July 2024. Note: Rebased to 2023 using CPI data from Stats SA.

After a strong rebound from the 2008/9 global financial crisis, the growth rate in the Free State has plateaued since 2013, similar to the Eastern Cape. The Free State recorded a 2% growth rate in 2019 (see Graph 2). The province experienced a 4% decline in 2020, highlighting the effects of the pandemic. However, Quantec estimates indicate that the province experienced a strong rebound in 2021, recording a 6% growth rate. Although the province seems to have recovered from the pandemic, it is still among the least-performing provinces. The lacklustre contribution to GDP and growth rate is often attributed to the waning mining sector in the province.

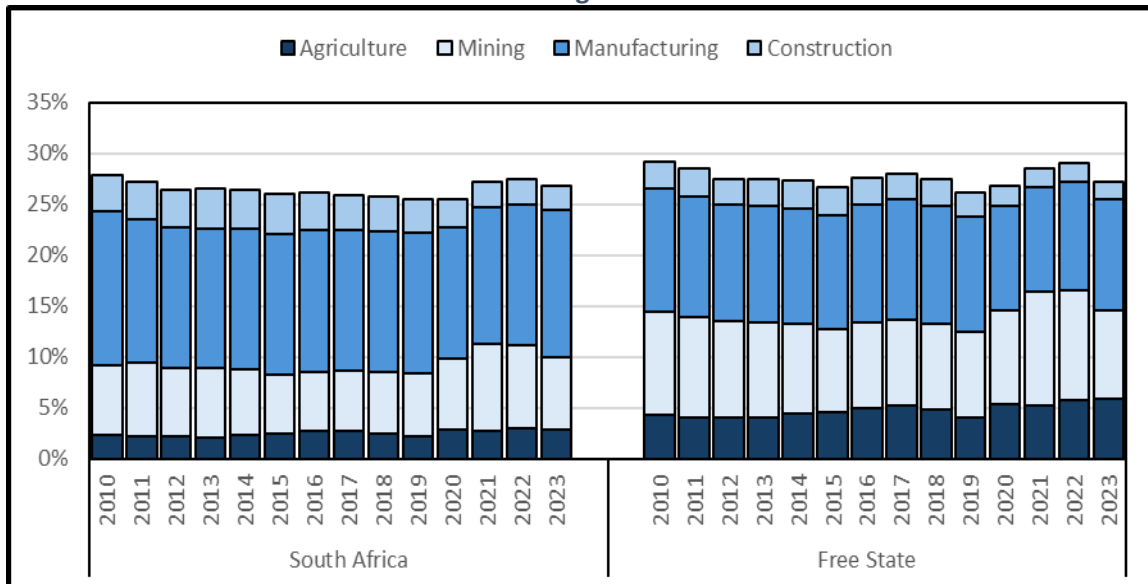
Graph 2: Free State economic growth compared to the rest of the economy, 2000 to 2021



Source: Calculated from Statistics South Africa and Quantec, EasyData. Series on Gross Value Added at basic prices in Macroeconomic Service and Series on Gross Value Added at basic prices in Regional Service. Accessed at www.easydata.co.za in July 2024. Note: Rebased to 2023 using CPI data from Stats SA.

The real economic sectors in Free State accounted for the same share as national output, at 27% in 2023 (see Graph 3). Manufacturing became the largest real economic sector in Free State, accounting for 11% of the provincial GDP in 2023, mining declined by 2% to 9% from the previous year, and agriculture accounted for 6%. Construction is the smallest sector among real economic sectors, accounting for 2% of the provincial GDP. Agriculture’s contribution to GDP increased from 4% in 2010 to 6% in 2023.

Graph 3: Real sectors as a share of Free State GDP compared to the national average from 2010 to 2023

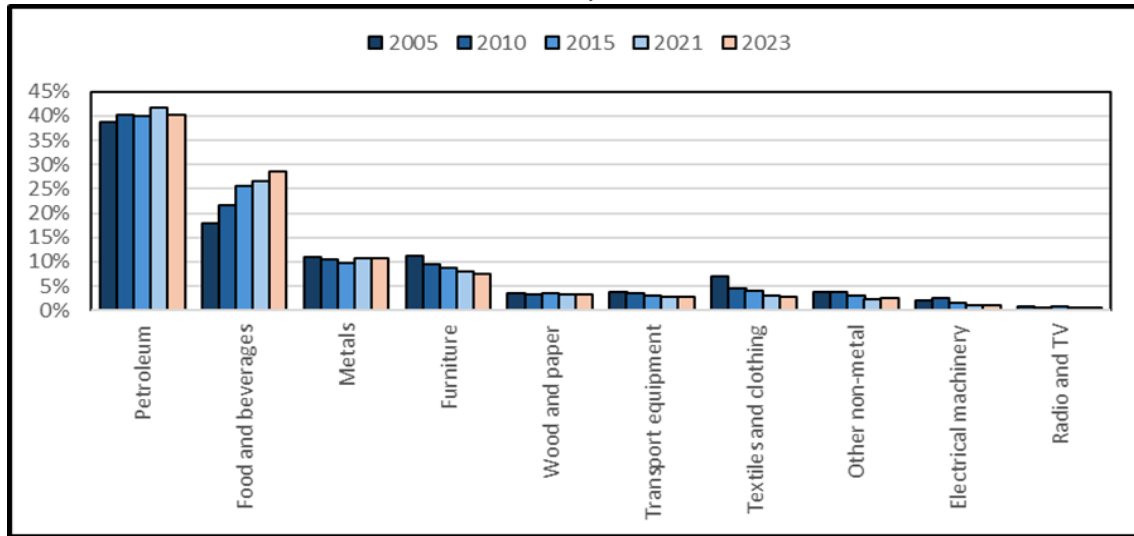


Source: Calculated from Quantec, EasyData. Series on Gross Value Added at basic prices in Regional Service. Accessed at www.easydata.co.za in July 2024. Note: Rebased to 2023 using CPI data from Stats SA.

Petroleum products are the largest contributor to the manufacturing output in the Free State, accounting for 40% in 2023 (see Graph 4). It is followed by the food and beverage industry, which

accounts for 29% of manufacturing value added, and metals with 11%. Notably, the share of petroleum declined by 2% while food and beverage share increased by 3% in 2023 from 2021.

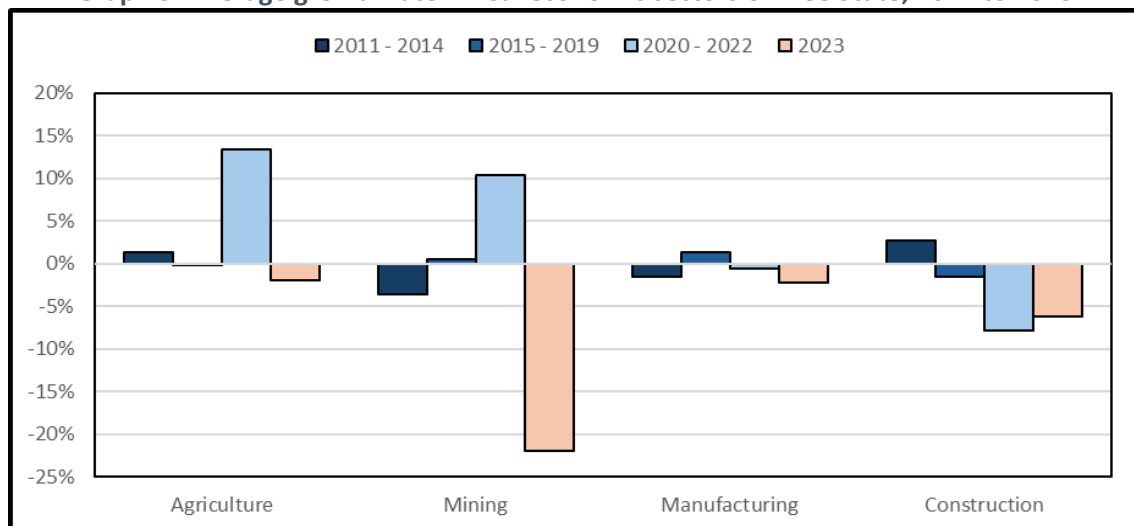
Graph 4: Manufacturing industries as a percentage share of total manufacturing GVA in the Free State, 2005 to 2023



Source: Calculated from Quantec, EasyData. Series on Gross Value Added at basic prices in Regional Service. Accessed at www.easydata.co.za in July 2024. Note: Rebased to 2023 using CPI data from Stats SA.

Between 2011 and 2014, construction grew the most in the Free State, growing by 3%, while agriculture grew by 1.3% (see Graph 5). Mining declined by 4% and manufacturing by 2% during this period. From 2020 to 2022, agriculture grew the most by 13%, closely followed by mining at 10%, indicating post-pandemic growth. However, construction declined the most during this period by 8% while manufacturing declined by 0.6%. All sectors declined in 2023 in the province. Mining declined the most by 22%, followed by construction at 6%, and manufacturing and agriculture at 2%.

Graph 5: Average growth rate in real economic sectors of Free State, 2011 to 2023

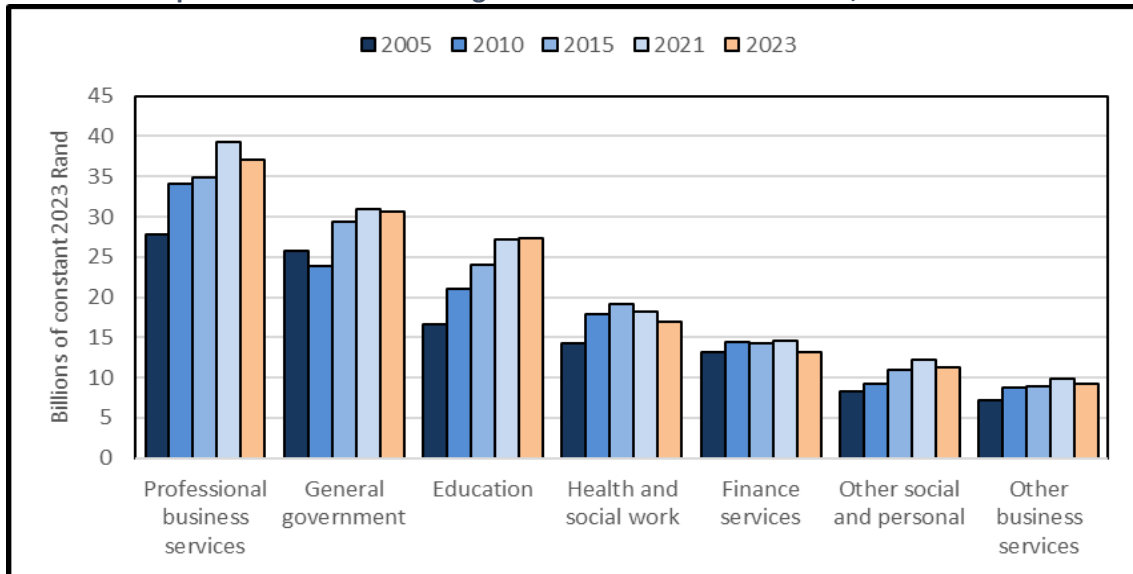


Source: Calculated from Quantec, EasyData. Series on Gross Value Added at basic prices in Regional Service. Accessed at www.easydata.co.za in July 2024. Note: Rebased to 2023 using CPI data from Stats SA.

Professional business services account for the largest share of service industries in the Free State. The industry has experienced significant growth over the years and accounted for R37 billion in 2023 (see Graph 6). General government services, education, and social and personal services

have also experienced growth. Financial services' value added has been moderate while health and social work have been declining since 2015.

Graph 6: Service industries' gross value added in Free State, 2005 to 2023

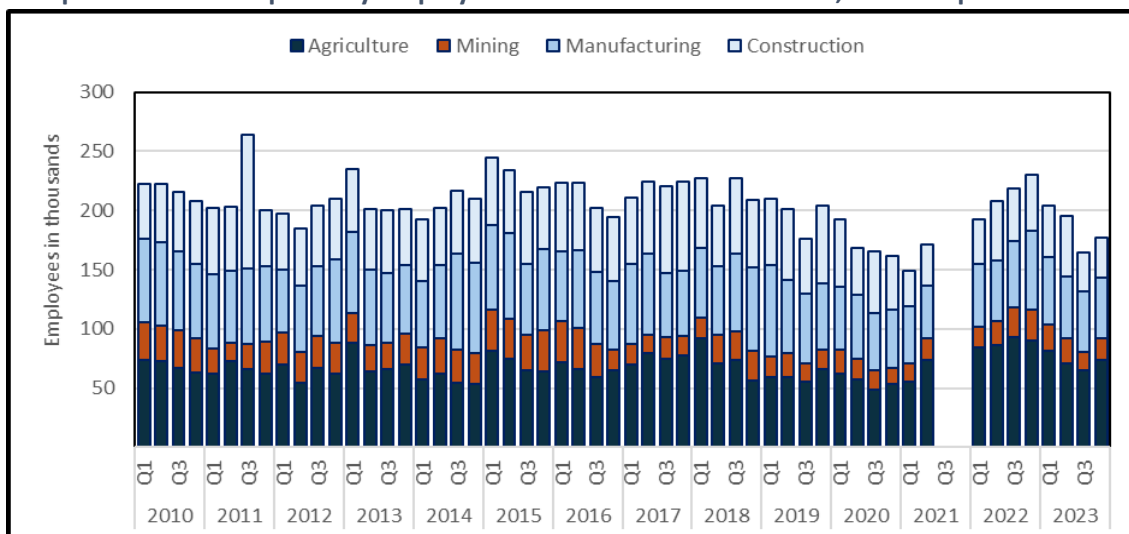


Source: Calculated from Quantec, EasyData. Series on Gross Value Added at basic prices in Regional Service. Accessed at www.easydata.co.za in February 2025. Note: Rebased to 2023 using CPI data from Stats SA.

Employment in real economic sectors

In 2023, Free State accounted for 5% of the national employment. Agricultural was the largest employer of the real economic sectors, employing 73 000 workers in 2023, followed by manufacturing with 53 000 workers (see Graph 7). Between the fourth quarters of 2022 and 2023, employment in mining declined by 29%. Similarly, employment in construction, manufacturing and agriculture decreased by 28%, 24% and 18% respectively over the same period. Overall, employment in the real economic sectors experienced a sharp decline, decreasing from 230 000 workers in the fourth quarter of 2022 to 176 000 workers in the fourth quarter of 2023, representing a 23% reduction in workforce in real economic sectors.

Graph 7: Free State quarterly employment in real economic sectors, 2010 to quarter 3 2023



Source: Statistics South Africa. Quarterly Labour Force Survey. Series on Employment by industry and province. Downloaded from www.statssa.gov.za. Note: Q3 and Q4 2021 are excluded because during the pandemic Stats SA suspended the QLFS in both quarters due to low response rates.

Real economy projects

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

Table 1: Large public and private real-economy projects in the Free State 2010-2023

PROJECT NAME	COMPANY	VALUE	PROJECT INDUSTRY
The revitalisation of Lace Diamond Mine	Diamond Corp	R384 million	Mining
Kruisvallei small hydroelectric plant	Building Energy	R102 million	Utilities
Renergen Gas Project	Renergen	R583 million	Utilities
Draslovka facility upgrades	Draslovska Holding Company	R797 million	Manufacturing
Sasol Fischer Tropsch Wax Expansion Project	Sasol	R13.6 billion	Manufacturing
Sasolburg Green Hydrogen Project	Sasol	R350 million	Utilities
Kentani Solar Facility	Mainstream Renewable Power (Ikamva Consortium)	R1.4 billion	Utilities
Klipfontein Solar Facility	Mainstream Renewable Power Projects (Ikamva Consortium)	R1.4 billion	Utilities
Klipfontein2 Solar Facility	Mainstream Renewable Power Projects (Ikamva Consortium)	R1.4 billion	Utilities
Leliehoek Solar Facility	Mainstream Renewable Power Projects (Ikamva Consortium)	R1.4 billion	Utilities
Braklaagte Solar Facility	Mainstream Renewable Power Projects (Ikamva Consortium)	R1.4 billion	Utilities
Sonoblomo Solar Facility	Mainstream Renewable Power Projects (Ikamva Consortium)	R1.4 billion	Utilities
Grootspruit Solar PV Project	ENGIE Africa/Pele Green Energy	R1.4 billion	Utilities
Sannaspos Solar PV Park 1 Project	ENGIE Africa/Pele Green Energy	R1.4 billion	Utilities
Hangda steel manufacturing facility	Hangda Trading	R300 million	Manufacturing

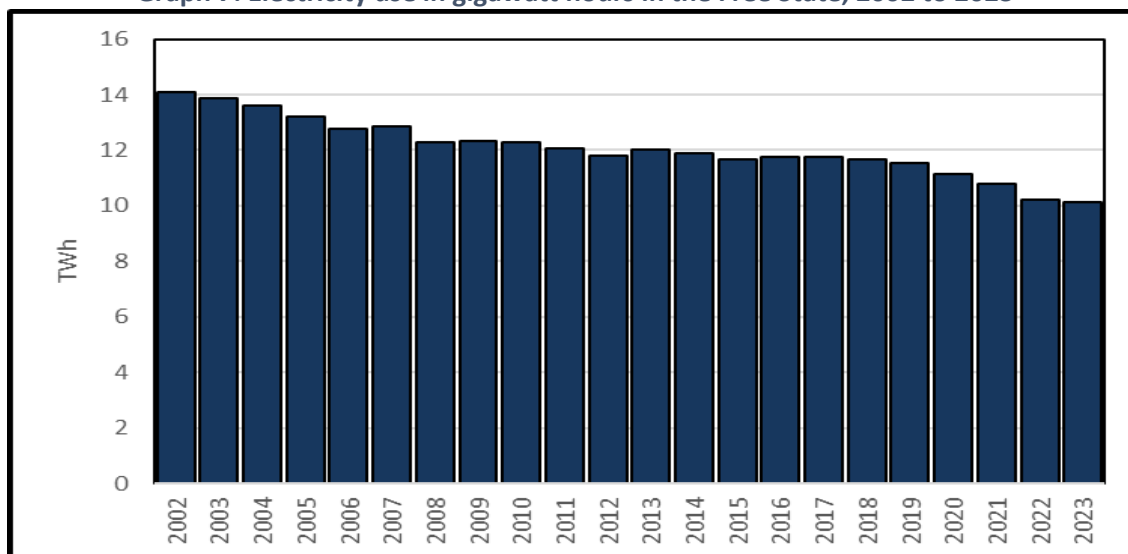
Source: TIPS FDI Tracker. 2010-2023. Available at <https://www.tips.org.za/manufacturing-data/fdi-tracker>.

Energy

The electricity generated and distributed by Eskom to the Free State has declined over the years. Free State receives the third least amount of electricity from Eskom. In 2007, Eskom generated 12 856 Gigawatt hours (GWh), accounting for 6% of the total electricity distributed by the utility (see Graph 8). Distributed electricity plummeted over the years, reducing to 10 148 GWh in 2023,

which was likely the result of loadshedding. Despite this decline, the proportion of Eskom’s total electricity distributed to the Free State was 5% in 2023.

Graph 7: Electricity use in gigawatt hours in the Free State, 2002 to 2023



Source: Calculated from Statistics South Africa. Electricity generated and available for distribution, Excel table from 2000. Downloaded from www.statssa.gov.za in February 2025.

Table 2 shows the IPP projects in the Free State, with projects being a mixture of small hydro, Photovoltaic Crystalline and Photovoltaic Thin Film.

Table 2: Independent Power Producer Projects in Free State

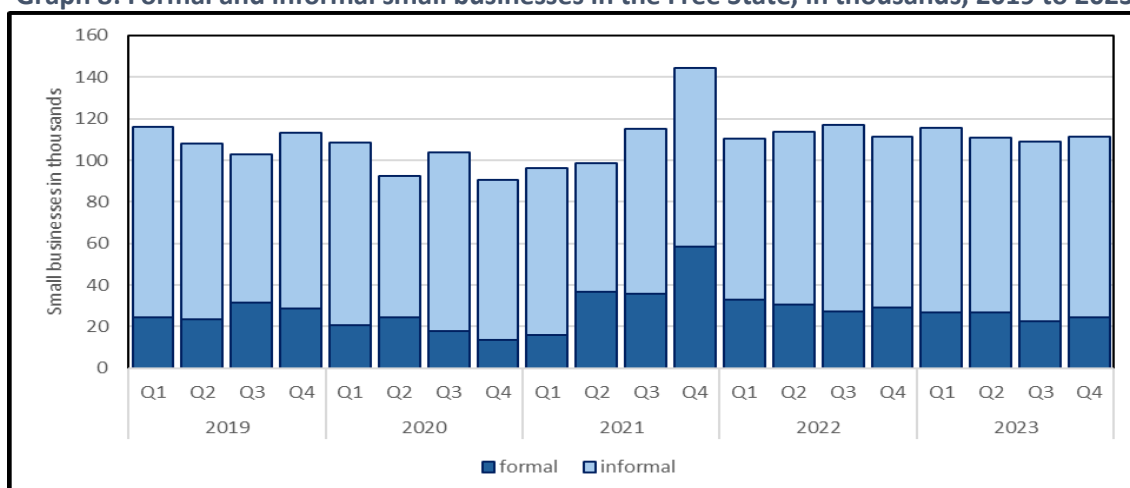
BID WINDOW	PROJECT NAME	TECHNOLOGY	CAPACITY (MW)	LOCAL COMMUNITY	PROJECT STATUS
Bid Window 2	Stortemelk Hydro	Small Hydro	4.22	Clarens	Operational
Bid Window 3	Pulida Solar Park	Photovoltaic Thin Film Fixed	75	Jacobsdal	Operational
Bid Window 6	Ngonyama Solar PV	Photovoltaic Crystalline-Single Axis	140	–	No financial close yet
Bid Window 1	Letsatsi Power Company	Photovoltaic Crystalline Fixed	64	Bloemfontein	Operational
Bid Window 4	Kruisvallei Hydro	Small Hydro	3.8	Bethlehem	Operational
Bid Window 5	Grootspruit Solar PV Project	Photovoltaic Thin Film Single Axis	75	–	Under construction
Bid Window 6	Good Hope Solar Park	Photovoltaic Thin Film Single Axis	200	–	No financial close yet
Bid Window 2	Boshoff Solar Park	Photovoltaic Crystalline-Single Axis	57	Boshof	Operational

Source: Department of Mineral Resources and Energy (DMRE). Independent Power Producers Procurement Programme (IPPPP) Project database. Available at: <https://www.ipp-projects.co.za/ProjectDatabase>

Small business

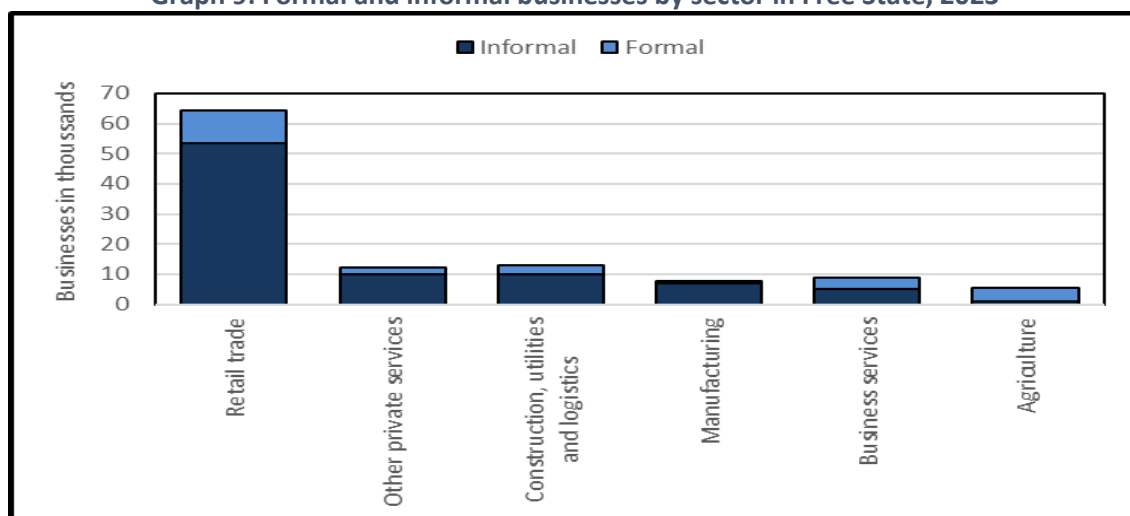
Small businesses in the Free State experienced moderate growth, peaking in the fourth quarter of 2021. The number of formal small businesses sharply decreased from 29 000 to 13 000 from the fourth quarter of 2019 to the fourth quarter of 2020, likely due to pandemic-related business operations restrictions (see Graph 9). By the fourth quarter of 2021, the number of formal small businesses had increased significantly to 58 000. However, this growth was not sustained, and the number declined to 24 000 by the fourth quarter of 2023. In contrast, informal businesses consistently outnumber formal businesses, highlighting the prevalence of informal economic activity in the province. Informal small businesses peaked at 92 000 in the first quarter of 2019 and the decreased to 87 000 in the fourth quarter of 2023. In the first quarter of 2020, informal businesses were 88 000 and then sharply decreased to 68 000, likely as a result of COVID-19. From the third quarter of 2020 the amount of small businesses recovered until the first quarter of 2021, growing to 80 000 small businesses but further reduced to 62 000 in the second quarter of 2021. This highlights the volatility and resilience of the informal sector in response to economic disruptions. The Free State had 111 000 small businesses in the fourth quarter of 2023.

Graph 8: Formal and informal small businesses in the Free State, in thousands, 2019 to 2023



Source: Calculated from Statistics South Africa. Quarterly Labour Force Survey for 2019 to 2023. Electronic datasets. Downloaded from Nesstar facility at www.statssa.gov.za in June 2024.

Graph 9: Formal and informal businesses by sector in Free State, 2023



Source: Calculated from Statistics South Africa. Quarterly Labour Force Surveys for 2023, Electronic datasets. Downloaded from Nesstar at www.statssa.gov.za before January 2025. Note: Calculated businesses as the number of formal employers and self-employed people in the survey.

The Free State has a significant number of informal businesses, with relatively few operating formally. Retail trade constitutes a significant share of businesses, accounting for 58% of all businesses in the province (see Graph 10). Other sectors represent a moderate share of businesses. The construction, utilities, and logistics sectors account for 12% of total businesses. Other private services make up 11%, followed by business services at 8%, manufacturing at 7%, and agriculture at 5%.

Employment and unemployment

The labour absorption rate in the Free State was 38.6% in 2023, similar to the national average of 40%. Notably, employment in the province has declined over the past decade. Unemployment in the province has risen over the past decade, with unemployment rates increasing from 27.8% in 2010 to 36.7% in 2023. The absorption rate declined from 42.5% in 2010 to 38.7% in 2023.

Economic policy initiatives

This section outlines major industrial policy and development initiatives introduced in the Free State between 2022 and 2024.

- The Industrial Development Corporation’s (IDC’s) Social Employment Fund created over 2 100 jobs in the Free State by the second quarter of 2023.
- In 2021/2022, the Department of Trade, Industry and Competition (the dtic) approved R651.4 million for industrial infrastructure projects in the Free State, aiming to support 900 direct jobs. The projects were expected to yield a projected investment of R1.1 billion.
- The Free State received five funding approvals from the IDC worth R92 million in the 2022/2023 financial year.
- In the seven years leading up to 2021/2022, the dtic, IDC, and the National Empowerment Fund approved combined funding of R314 million to the Free State through the Black Industrialist Programme to support spatial socioeconomic development.

Special Economic and Industrial Development Zones

Free State hosts the Maluti-A-Phofung Special Economic Zone (MAPSEZ), which was designated in 2015.

- In the 2021/2022 financial year, MAPSEZ attracted nine investors, exceeding its target of five, with total investments of R1.2 billion. The following year, it drew R3.2 billion from 16 local and international investors.
- The MAPSEZ hosts 23 operating businesses and employs 1 300 people.

Table 1: Major Infrastructure projects: 2022-2024

PROJECT NAME	IMPLEMENTING AGENCY	PROJECT COST	PROJECT DESCRIPTION
Road Rehabilitation programme: Ladybrand – Bethlehem (R26 road) and Ficksburg – Rosendal (R70 road)	The Free State Provincial Government	R1 billion	Road maintenance and alleviating road decay.

PROJECT NAME	IMPLEMENTING AGENCY	PROJECT COST	PROJECT DESCRIPTION
Bulk infrastructure project	Human Settlements	R430 million	The bulk infrastructure project is meant for Maokeng Extension 10 and 13 in Moqhaka community (Fezile Dabi district municipality). It is expected to yield 5 300 serviced stands for the community.
Welisizwe Rural Bridges	Department of Public Works and Infrastructure	R3.3 billion	Construction of bridges in rural areas across six provinces will provide safe crossings for community members across dangerous rivers.
Road infrastructure investment is split between the following municipalities: Thabo Mofutsanyana, Fezile Dabi, Xhariep, Mangaung and, Lejweleputswa.	The Free State Provincial Government	R1.5 billion	The Free State government has committed R1.5 billion for road infrastructure and construction from the 2022/2023 financial year.

National Spatial Economy

The Free State has a low share of non-urban areas within its borders. In 2023, the Free State had an 85% share of urban households compared to 9% of non-urban households. The province has a metro and a secondary city, constituting 42% of the Free State population. In 2023, 33% of Free State's adult population had a matric certificate and 9% possessed a post-matric qualification. Regarding infrastructure, 93% of households in the Free State had piped or tap water in their houses or yards combined in 2023, compared to 87% nationally. In addition, 92% of households had access to electricity compared to 90% nationally.

Provincial Government

The premier of the Free State is Maqueen Letsoha-Mathae, a member of the ANC. Moses Ketso Makume is the MEC of Finance, Tourism and Economic Development, while Elizabeth Cornelia Rockman is the MEC of Agriculture, Rural Development, and Environmental Affairs. Both MECs also represent the ANC.

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