

THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

PROVINCIAL REVIEW 2024

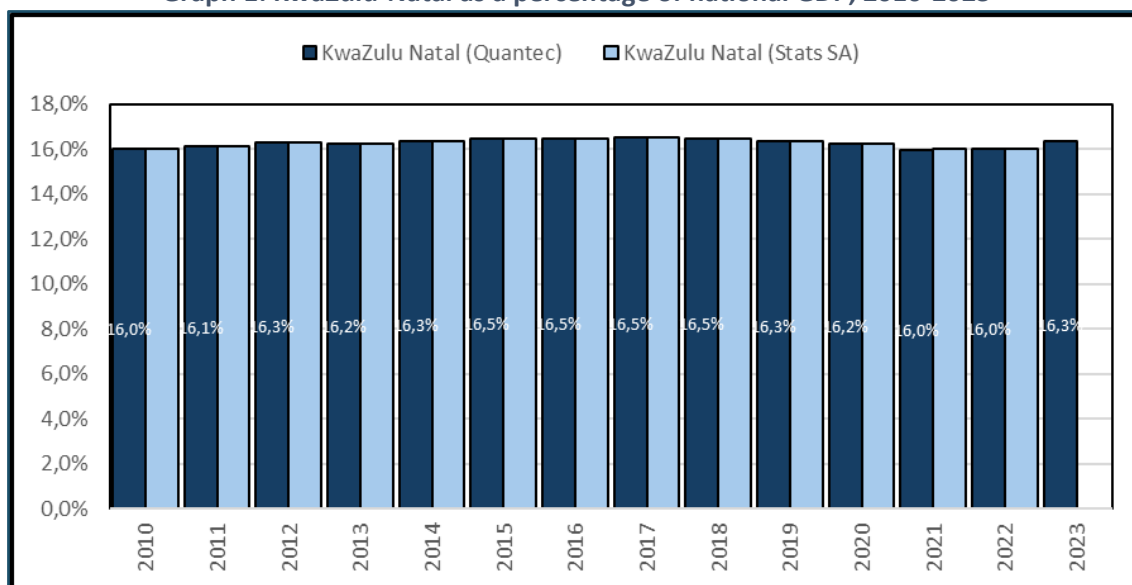
Provincial Review 2024: KwaZulu-Natal

KwaZulu-Natal is the second most populous province in South Africa and has the second-largest economy in the country. The province's real economy is dominated by the manufacturing sector, particularly the food and beverage, petroleum and metals industries. The province also has a significant agricultural sector 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 but recovering from 2022.

The real economy in KwaZulu-Natal: structure and growth

KwaZulu-Natal is the second largest economy after Gauteng, accounting for 16.3% of the national GDP in 2023. Notably, KwaZulu-Natal's contribution has remained unchanged over the past decade (see Graph 1).

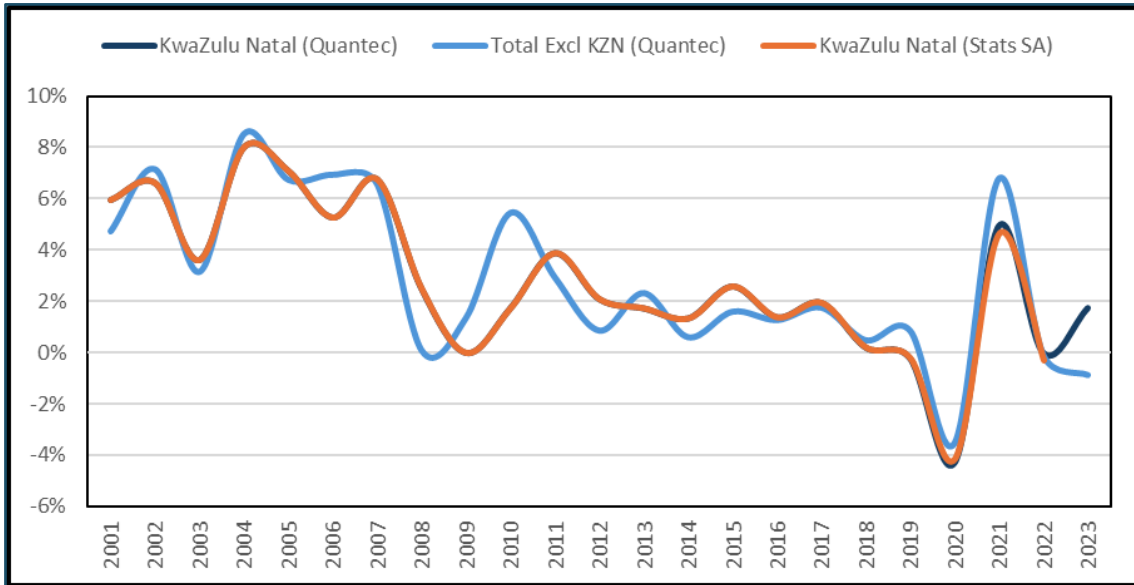
Graph 1: KwaZulu-Natal as a percentage of national GDP, 2010-2023



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.

Graph 2 shows that the economy of KwaZulu-Natal has been slowing down since 2012. Similar to other provinces, the province experienced a rapid decline in economic growth during the global financial crisis and the pandemic. The province's economy grew by 4% in 2011 after the global financial crisis, and it recovered by 5% in 2021 after a 4% decline during the pandemic. In 2023, KwaZulu-Natal recorded 2% growth.

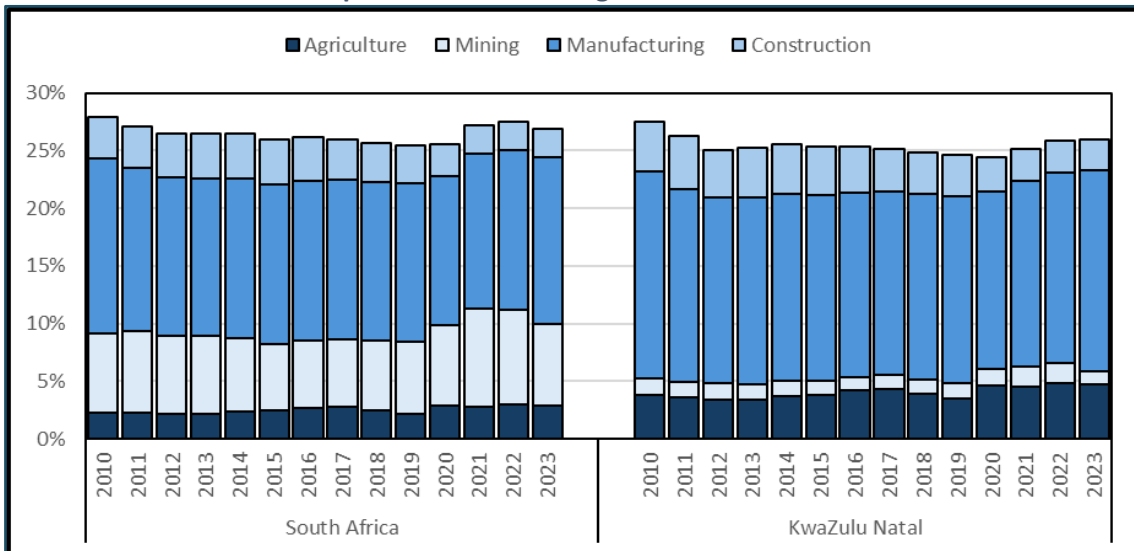
Graph 2: KwaZulu-Natal economic growth compared to the rest of the economy, 2000 to 2023



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.

In 2023, KwaZulu-Natal’s real economy accounted for 26%, compared to 27% nationally. As shown in Graph 3, manufacturing is the largest real sector in the province, accounting for 17% in 2023. Agriculture accounted for 5%, construction 3% and mining 1%. Manufacturing and construction declined by 1% from 2010 to 2023, while agriculture grew from 4% to 5% from 2010 to 2023.

Graph 3: Real sectors as a percentage of KwaZulu-Natal GDP compared national average from 2010 to 2023

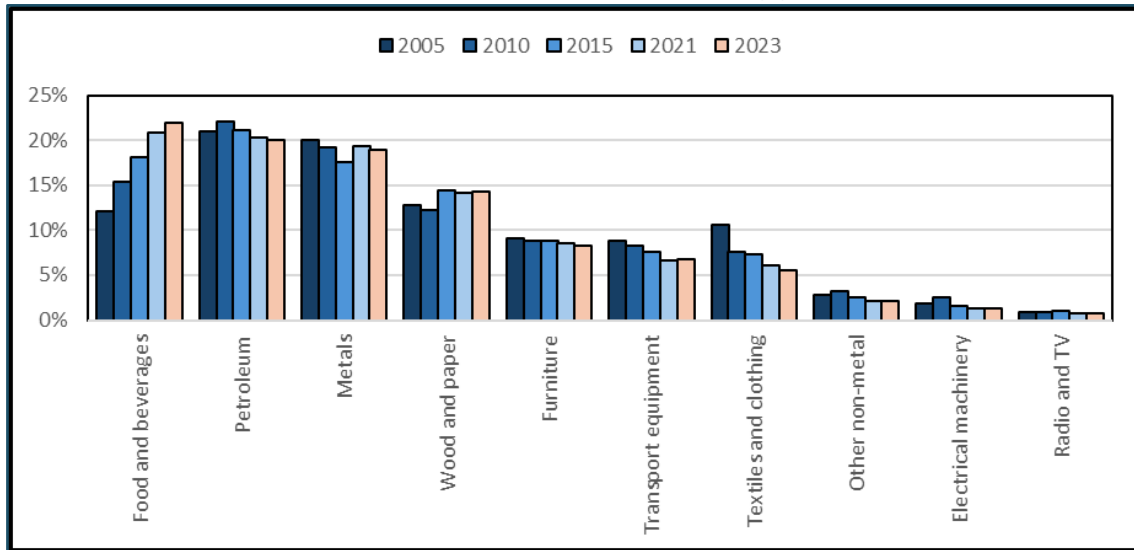


Source: Calculated from Quantec, EasyData. Series on Gross Value Added at basic prices in Regional Service. Accessed at www.easydata.co.za in July 2024. Note: Rebased to 2023 using CPI data from Stats SA.

The manufacturing sector in KwaZulu-Natal is dominated by food and beverages, petroleum, and metals, with these industries accounting for a 22%, 20%, and 19% share of provincial manufacturing output in 2023. As shown in Graph 4, the food and beverages industry has grown

rapidly, growing by 10% from 2005 to 2023. In contrast, transport equipment and textiles and clothing steadily declined over the same period.

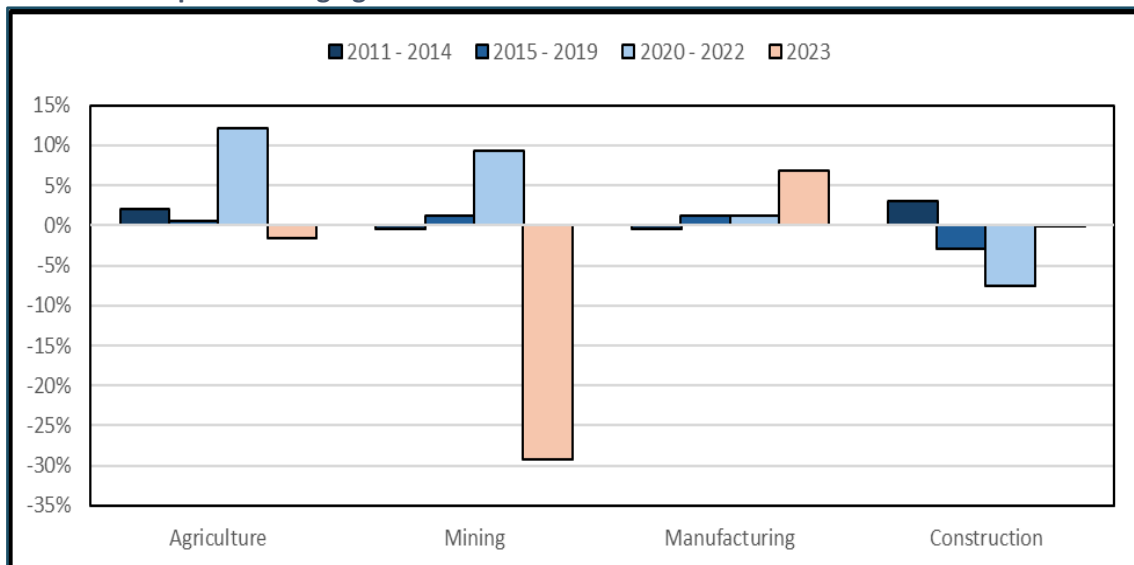
Graph 4: Manufacturing industries as a percentage share of total manufacturing GVA in KwaZulu-Natal, 2005 to 2021 (a)



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.

Construction grew the most between 2011 and 2014, growing by 3%, followed by agriculture at 2% (see Graph 5). Mining and manufacturing declined by 0.5% and 0.4% during this period. Between 2015 and 2019, there was minimal growth among these sectors, with construction declining by 3%. The pandemic mostly negatively affected construction and manufacturing in 2020. Between 2020 and 2022, the province's agriculture grew by 12%, mining by 9%, and manufacturing by 1%, while construction declined by 8%. In 2023, mining experienced a high 29% decline while agriculture declined by 2% and construction by 0.14%. manufacturing grew by 7% during this period.

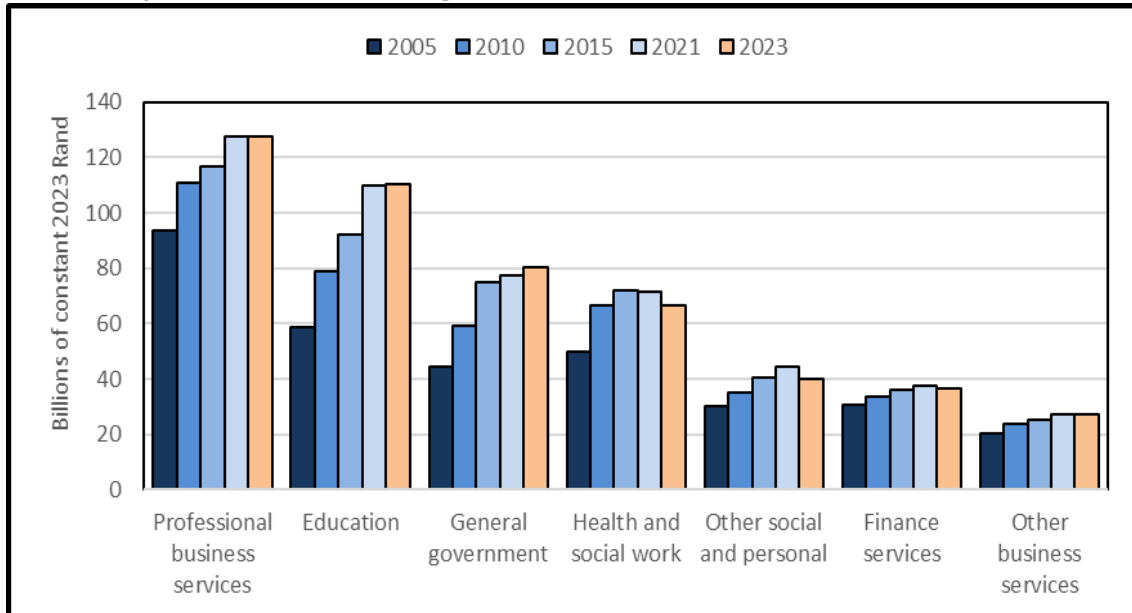
Graph 5: Average growth rate in real economic sectors of KwaZulu-Natal



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 value added in services in KwaZulu-Natal (see Graph 6). The industry has experienced significant growth in the province and accounted for R127 billion in 2023. Education accounted for R110.5 billion in the province. General government services and other social and personal services have also experienced significant growth over the years. Financial services and other business services have moderately grown over the years.

Graph 6: Service industries' gross value added in KwaZulu-Natal, 2005 to 2023



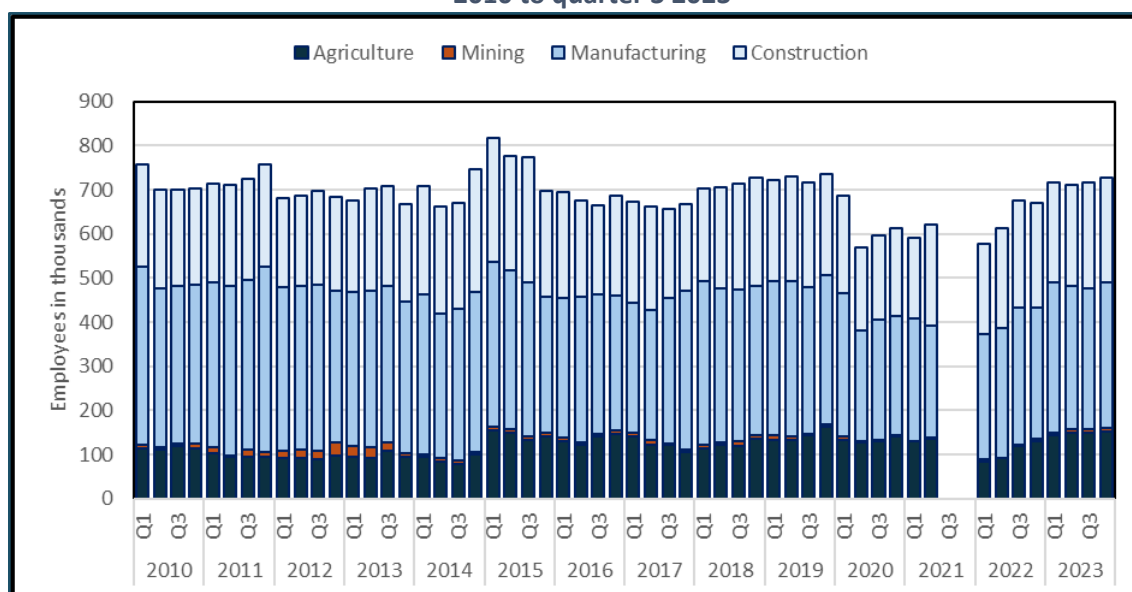
Source: Calculated from Quantec, EasyData. Series on Gross Value Added at basic prices in Regional Service. Accessed at www.easydata.co.za in February 2025. Note: Rebased to 2023 using CPI data from Stats SA.

Employment in real economic sectors

KwaZulu-Natal accounted for 18% of national employment in 2023. With 728 000 people employed in Q4 2023, the real economy accounted for 25% of total employment in the province (see Graph 7). Of employed people in the real economy, manufacturing and construction are the dominating real economic sectors at 328 000 and 239 000 respectively. This is followed by 153 000 workers in the agriculture sector, and mining representing a very small number of workers at 7000.

While all real economic sectors have experienced a reduction in employment since Q1 2020, most sectors recovered after Q2 2022. Between Q4 2022 and Q4 2023, agriculture experienced the largest growth in employment by 18%, followed by an increase in manufacturing with 11% and mining with 2%. Notably, construction had the lowest growth in the real sector at 0.6%.

Graph 7: KwaZulu-Natal 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 KwaZulu-Natal between 2010 and 2023.

Table 1: Large public and private real economy projects in KwaZulu-Natal 2010 – 2023

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
Nestlé Coffee Export Facility	Nestlé	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
Zulti South Mine	Rio Tinto	R6.5 billion	Mining

PROJECT NAME	COMPANY	VALUE	SECTOR
Defy Jacobs factory upgrade	Arçelik/Defy	R121 million	Manufacturing
Toyota Hiace Ses'fikile minibus production	Toyota Motors South Africa (TMSA)	R454 million	Manufacturing
Toyota Hilux Export operation (Kenya kit project)	Toyota Motors South Africa (TMSA)	R20 million	Manufacturing
Toyota new passenger car production	Toyota Motors South Africa (TMSA)	R2.43 billion	Manufacturing
Royal Vopak LPG Terminal and distribution facility	Royal Vopak	R3.1 billion	Services
Defy production line investment	Arçelik/Defy	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
Chem Energy South Africa fuel cell production factory	Chem Energy South Africa (Chem Corporation)	R166 million	Manufacturing
Homestead game lodge	Really Epic Dog (The Homestead)	R200 million	Services
Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP): Karpowership South Africa Richards Bay	Karpowership South Africa/Karadeniz Energy Group	R10.9 billion	Utilities
Defy Danskraal warehouse	Arçelik/Defy	R170 million	Services
Tetrapak aseptic packaging material plant expansion	Tetrapak	R500 million	Manufacturing
Waihoek Wind Facility	Mainstream Renewable Power Projects (Ikamva)	R2.7 billion	Utilities
Textile manufacturing facility	Compagnie Mauricienne de Textile Ltee	R390 million	Manufacturing
Cipla pharmaceuticals manufacturing	Cipla	R150 million	Manufacturing
Huhtamaki packaging supplies manufacturing facility expansion	Huhtamaki	R150 million	Manufacturing

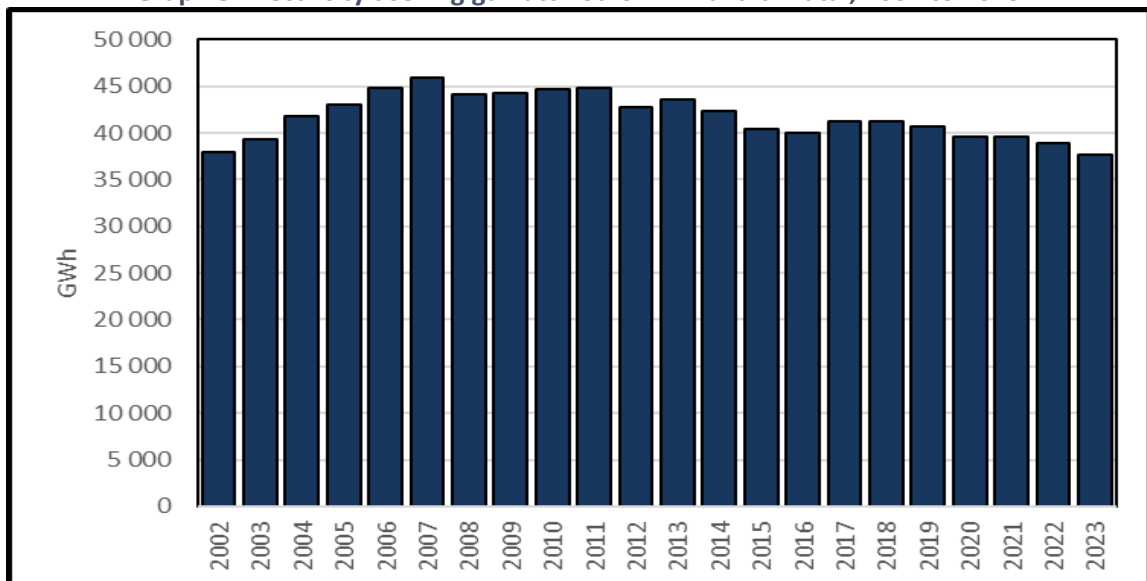
PROJECT NAME	COMPANY	VALUE	SECTOR
Defy appliances and electronics production plant expansion	Arçelik/Defy	R317 million	Manufacturing
South 32 Hillside Smelter energy efficiency project	South 32	R314 million	Mining
Defy facilities investment	Arçelik/Defy	R288 million	Manufacturing
YOA fibre optic manufacturing plant project	YOA Holdings	R155 million	Manufacturing
Club Med Tinley	Tinley Leisure Pty Ltd/ Fosun International (Club Med)/ local co-owners (Collins Residential, Royal Shaka and GFS Holdings)	R2 billion	Wholesale and Retail Trade

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

Energy

KwaZulu-Natal receives the second highest amount of electricity distributed by Eskom, accounting for approximately 19% of the total electricity distributed by Eskom in 2023 (see Graph 8). In 2007, Eskom distributed 45 939 Gigawatt hours (GWh) to the province, accounting for 20% of its total distribution. Despite maintaining the second highest distribution share, the amount of electricity distributed to KwaZulu-Natal declined to 37 714 GWh in 2023. This decline is attributed to loadshedding over the years.

Graph 8: Electricity use in gigawatt hours in KwaZulu-Natal, 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 1 indicates the IPPs in KwaZulu-Natal which is currently only Biomass technology and not yet operational.

Table 2 Independent Power Producer projects in KwaZulu-Natal

BID WINDOW	PROJECT NAME	TECHNOLOGY	CAPACITY (MW)	LOCAL COMMUNITY	PROJECT STATUS
Bid Window 3	Mkuze	Biomass	16.5	Mkuze	No financial close yet

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

In the fourth quarter of 2023, KwaZulu-Natal hosted 15% of small formal businesses and 20% of small informal businesses. Similar to other provinces, KwaZulu-Natal has a high number of informal small businesses compared to formal small businesses. In the fourth quarter of 2023, KwaZulu-Natal hosted 112 000 formal small businesses and 353 000 informal small businesses (see Graph 9).

Despite a peak recovery in Q4 2023, the number of formal businesses has declined from 127 000 businesses to 74 000 businesses. The informal sector experienced similar fluctuations. The number of businesses increased from 296 000 in Q1 2020 to 353 000 in Q4 2023.

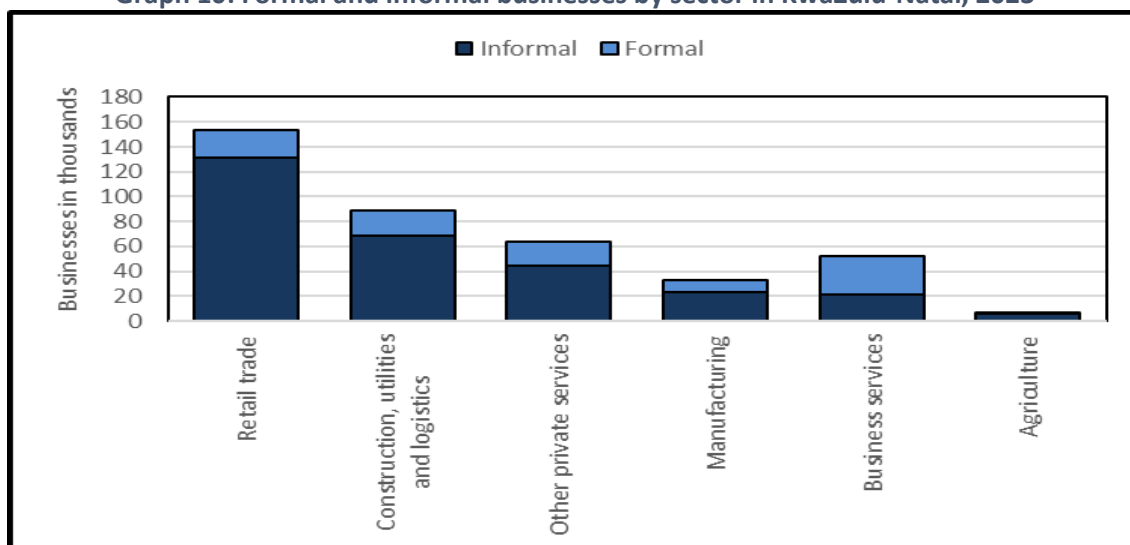
Graph 9: Number of formal and informal small businesses in KwaZulu-Natal, in thousands, quarterly from 2019 to 2023



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.

KwaZulu-Natal has a significant number of informal businesses, with relatively some operating formally. Retail trade constitutes a significant share of businesses, accounting for 38% of all businesses in the province. The construction, utilities, and logistics sectors represent the second-largest grouping, comprising 22% of total businesses. Other private services make up 16%, followed by business services at 13%, manufacturing at 8%, and agriculture at 2%.

Graph 10: Formal and informal businesses by sector in KwaZulu-Natal, 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. Notes: Calculated businesses as the number of formal employers and self-employed people in the survey.

Employment and unemployment

Compared to other major provinces such as Gauteng and the Western Cape, KwaZulu-Natal has a high level of unemployment. In 2023, the absorption rate in the province was 36%, which is lower than the 40% at the national level. Unemployment in the province has largely risen over the past decade, with unemployment rates increasing from 19.7% in 2010 to 30% in 2023.

Economic policy initiatives

This section outlines industrial policy and development initiatives introduced in KwaZulu-Natal between 2022 and 2024.

- The Industrial Development Corporation's (IDC's) Social Employment Fund created about 4 440 jobs in KwaZulu-Natal by the second quarter of 2023.
- In 2021/2022, the Department of Trade, Industry and Competition (the dtic) approved R1.4 billion for industrial infrastructure projects in KwaZulu-Natal, aiming to support 5 000 direct jobs. The projects resulted in an actual investment of R2.6 billion.
- KwaZulu-Natal received 41 funding approvals from the IDC worth R3.7 billion in the 2022/2023 financial year.
- In the third quarter of 2022, 20 entities benefited from the dtic's approved R687.6 million in the Clothing Textile Footwear Leather Growth Programme.
- The province's sugar small-scale growers benefited from the Sugar Industry Transformation Fund that allocated R225 million and R200 million in the 2021/2022 and 2022/2023 financial years.
- The dtic approved R49 million in industrial financing for KwaZulu-Natal-based projects, resulting in 1 900 jobs supported in the 2021/2022 period.
- The dtic approved R1.4 billion Industrial Infrastructure finance for projects, leading to 5 000 jobs directly supported over the 2021/2022 period.

- Over the 2022/2023 period, the IDC donated R500 million to the KwaZulu-Natal Flood Relief Fund to assist businesses and communities in the recovery cycle from the floods and the July unrest.
- In the seven years leading up to 2021/2022, the dtic, IDC, and National Empowerment Fund approved combined funding of R4 billion to KwaZulu-Natal through the Black Industrialist Programme to support spatial socioeconomic development.

Special Economic and Industrial Development Zones

- KwaZulu-Natal had two designated and/or proposed Special Economic Zones (SEZs) as of 2024.
- In 2021/2022, the Richards Bay SEZ created over 800 construction jobs against a target of 650.
- In 2022/2023, the Richards Bay SEZ created 560 construction jobs during the implementation of all its construction projects, above its set target of 500.
- In 2021/2022, the Dube Trade Port SEZ managed to create just over 1 300 jobs (670 permanent and 630 temporary).
- In 2023, the Dube Trade Port SEZ created 840 jobs (480 permanent and 360 temporary).
- The Richards Bay SEZ approved investments worth R29.8 billion 2021/2022 period.
- The Dube Trade Port SEZ attracted R3 billion in investments from a joint Dube Trade Port corporation and private sector investment.
- In the 2022/2023 financial year, the Richards Bay SEZ approved investments worth R9.1 billion. at the same time, R8.9 billion was approved through the Black Industrialist Programme.

Table 1: Major Infrastructure projects: 2022 – 2024

PROJECT NAME	IMPLEMENTING AGENT	VALUE	PROJECT DESCRIPTION
Upgrade of Main Road P16-3	Provincial Department of Transport	R25.9 billion invested over the next three years	Part of the KZN provincial government's efforts to reduce infrastructure backlog and improve infrastructure in the province
Upgrade of District Road D1252			
Upgrade of Main Road P714			
Upgrade of Main Road P303			
Planned construction of the D69-3528 Klein Boesman River Bridge			
Planned construction of the D1263-3733 Okhombe River Bridge			
Osindisweni Hospital multi-drug-resistant TB unit	Provincial Department of Health	R6.7 billion	The department aims to invest R6.7 billion over the

PROJECT NAME	IMPLEMENTING AGENT	VALUE	PROJECT DESCRIPTION
Roof repairs and asbestos removal at clinics in King Cetshwayo District			medium term in projects in the health cluster
Staff accommodation renovation at Ekhombe Hospital.			
Roof repairs and upgrades to the accommodation facilities at Grey's Hospital			
Electrical upgrades at RK Khan Hospital			
Facility repairs at Northdale Hospital			
The Empangeni Mega Housing Project in the uMhlathuze Municipality.	Provincial Department of Human Settlements	R11.3 billion	The department aims to invest R11 billion over the medium term in infrastructure and housing development projects
The JBC Housing Development in the Newcastle Municipality.			
The Cornubia Integrated Residential Development project in eThekweni.			
The uMlazi Urban Regeneration project in eThekweni.			
Phase 1 Housing projects			
The Mdloti River Vehicle Bridge project.	Provincial Department of Transport	R26.3 billion	The department aims to invest close to R27 billion over the medium term in various projects.
The Rehabilitation of Main Road P34-2.			
The upgrade of Main Road P123 in the Gqumeni area.			
The upgrade of Main Road P714			
The construction of the Mvubukazi Pedestrian River Bridge			
The construction of the Mhlalane Pedestrian River Bridge			
Planned conversion of the Newtown Community Health Centre into a large clinic in Inanda	Provincial Department of Health	R6.8 billion	The department aims to invest close to R7 billion over the medium-

PROJECT NAME	IMPLEMENTING AGENT	VALUE	PROJECT DESCRIPTION
Construction of new mental health units at the Port Shepstone Hospital and General Justice Gizenga Mpanza Hospital in Stanger			term in various projects in the health cluster
Construction of new clinic at Cwaka in Umsinga area.			
Security upgrades for the Natalia building			
Asbestos and roof programmes across health facilities in the province			

National spatial economy

KwaZulu-Natal is one of South Africa's coastal and rural provinces. In 2021 and 2022, it faced a series of challenges, including the unrest in July 2021 and volatile climate conditions that led to droughts and floods. These economic shocks have severely damaged the province's public infrastructure. Consequently, KwaZulu-Natal received over R23 million from the dtic's humanitarian crisis relief fund, making it the largest beneficiary of this assistance.

In 2023, the province housed 56% of households in urban areas and 37% in non-urban areas. A total of 37% of the adult population in KwaZulu-Natal had a matric certificate and 9% had a post-matric qualification. The province has a metro and three secondary cities, constituting 48% of the province's population in 2023. Regarding infrastructure, 82% of households in KwaZulu-Natal had piped or tap water in their houses or yards combined in 2023, compared to 87% nationally. In addition, 94% of households had access to electricity compared to 90% nationally.

Provincial Government

The premier of KwaZulu-Natal is Thami Ntuli, a member of the Inkatha Freedom Party (IFP). Musa Zondi is the MEC of Economic Development, Tourism and Environmental Affairs, while the MEC of Agriculture and Rural Development is Thembeni Madlopha-Mthethwa. Both MECs also represent the IFP.

<https://provincialgovernment.co.za/provinces/view/4/kwazulu-natal>

Trade & industrial policy Strategies (TIPS) supports policy development through research and dialogue. Its two areas of focus are trade and inclusive industrial policy; and sustainable growth.

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