

Together, Moving Gauteng City Region Forward

GAUTENG PROVINCE
**SOCIO-ECONOMIC
REVIEW AND OUTLOOK**

2019



GAUTENG PROVINCE
TREASURY
REPUBLIC OF SOUTH AFRICA

SOCIO-ECONOMIC REVIEW AND OUTLOOK 2019

Gauteng Provincial Government



GAUTENG PROVINCE
PROVINCIAL TREASURY
REPUBLIC OF SOUTH AFRICA

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PR09/2019

ISBN: 978-0-621-47013-0



Barbara Creecy
MEC: Finance

Foreword

It is an honour to present the final Socio-Economic Review and Outlook (SERO) for the Fifth Administration Term of office. During the State of The Province Address, Premier David Makhura emphasised significant progress made in implementing the broad programme of radical Transformation, Modernisation and Reindustrialisation (TMR). Amongst others, the TMR programme has been successful in unlocking skills and job opportunities for the youth, business opportunities for township enterprises, women-owned co-operatives, increased spending and procurement on township businesses, infrastructure development and foreign direct investment into the province.

The successful implementation of this programme has not been without challenges, such as the low economic growth environment and constrained fiscal space. On average, the domestic economy grew by an average of 1 per cent between 2015 and 2018, and the National Treasury expects growth to average only 1.5 per cent in 2019. Our province, as the hub of the national economy, is estimated to have grown by an average of 1.4 per cent between 2015 and 2018. The constraint fiscal space, which resulted in declining national transfers to provinces, has affected provincial government's capacity to accelerate the necessary investment for economic and social development. Furthermore, the ability of the province to generate own revenue has also been constrained by low economic growth.

Confronted with these challenges, we re-enforced efforts to prioritise policy interventions with a focus on addressing poverty, inequality and unemployment.

As Premier Makhura noted in his State of the Province Address, through initiatives on the township and mainstream economies, infrastructure development and inter-Africa trade, the province was able to raise employment from 4.7 million people in 2014 to 5.1 million people employed in 2018. The province was also able to attract almost R200 billion worth of Foreign Direct Investment since 2014, creating 30 000 jobs in the process. Our youth empowerment flagship programme, Tshepo 1 Million, ensured that over 500 000 young people benefited from demand-led skills training and entrepreneurship development.

It is clear that, if we accelerate interventions to encourage economic growth and deepen our understanding of drivers of socio-economic issues, there is more that we can achieve. Thus, SERO is a piece of research that contributes to that body of knowledge by providing an analysis about progress on development challenges and service delivery within the different spheres of provincial government. This year's publication assesses the extent to which the current economic performance impacts on the social and living conditions of households and individuals in Gauteng.

We are hopeful that the information presented in this publication will be useful to stakeholders seeking information on the socio-economic conditions of particularly Gauteng, including provincial corridors.

I wish to thank Ms. Nomfundo Tshabalala, the Head of the Gauteng Provincial Treasury and her team for their efforts in successfully completing this year's SERO.

A handwritten signature in black ink, appearing to read 'Barbara Creecy'.

Barbara Creecy
MEC for Finance

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List of Abbreviations

ARVs	Antiretroviral
BCI	Business Confidence Index
CCI	Consumer Confidence Index
CoE	City of Ekurhuleni
CoJ	City of Johannesburg
CoT	City of Tshwane
CPI	Consumer Price Index
ECB	European Central Bank
EM	Emerging Markets
EMDEs	Emerging Market and Developing Economies
EPWP	Expanded Public Works Programme
EU	European Union
FDI	Foreign Direct Investment
FPL	Food Poverty Line
GCRO	Gauteng City Region Observatory
GDE	Gross Domestic Expenditure
GDP	Gross Domestic Product
GDP-R	Gross Domestic Product by Region
GHS	General Household Survey
GPG	Gauteng Provincial Government
HDI	Human Development Index
HIV	Human Immunodeficiency Viruses
ICT	Information and Communications Technology
IMF	International Monetary Fund
LBPL	Lower Bound Poverty Line
Metros	Metropolitan Municipalities
MPC	Monetary Policy Committee
MTBPS	Medium Term Budget Policy Statement
NDP	National Development Plan
OECD	Organisation for Economic Co-operation and Development
PCE	Personal Consumption Expenditure
Repo	Re-purchasing Rate
SARB	South African Reserve Bank
SERO	Socio-Economic Review and Outlook
SMMEs	Small, Medium and Micro-Sized Enterprises
SoEs	State Owned Entities
SoNA	State of the Nation Address
SoPA	State of the Province Address
SSA	Sub-Saharan Africa
Stats SA	Statistics South Africa
TEA	Township Entrepreneurship Awards
TER	Township Economy Revitalisation
TMR	Transformation, Modernisation and Re-industrialisation
UBPL	Upper Bound Poverty Line
UK	United Kingdom
UNDP	United Nations Development Programme
US	United States
WEO	World Economic Outlook

Executive Summary

The 2019 SERO publication reviews the socio-economic environment of South Africa and Gauteng within the context of the current economic environment. This year's publication, which is structured into three chapters, also marks the end of the Fifth Administration of the province. Thus, the publication takes stock of some of the gains that have been made through the Transformation Modernisation and Re-industrialisation (TMR) programme and key challenges that continue to mark the socio-economic landscape of the province.

Chapter One covers the global and domestic economic review and outlook. The global economy lost momentum in the second half of 2018 as global trade tensions resulted in a slowdown in trade growth and manufacturing output. Except for the United States, growth generally slowed in advanced economies but remains steady. Economic growth prospects in the United Kingdom and the European Union have dimmed as the Brexit process unfolds. The Federal Reserve Bank has continued its steady increases in the Federal funds rate as inflation outcomes have hovered near their target, while the European Central Bank's next move remains tentative given the uncertain economic growth and inflationary expectations.

Despite the transitioning Chinese economy, a recovery in commodity prices has been supportive of the recovery in the Emerging Market and Developing Economies. Russia, Brazil, and Nigeria have emerged from recession and are growing at an accelerated rate. The recovery in agricultural and oil output is particularly supportive for higher economic growth rates in Sub-Saharan Africa. Brexit, trade tensions, tightening financial conditions and volatile commodity prices pose significant downside risks to global growth.

Against this background and its own domestic challenges, South Africa's economic climate remains challenging. However, forecasts for 2019 are more upbeat about South Africa's economic prospects in the face of government's commitment to shore up investment and lower unemployment. The National Treasury projects domestic economic growth to improve moderately from 0.7 per cent in 2018 to 1.5 per cent in 2019. Growth is forecast to reach 2.1 per cent in 2021.

Chapter Two reviews the economic performance of Gauteng over the past year or so, also looks at progress made, and challenges encountered in delivering the GPG's policy framework of TMR. Gauteng GDP growth has remained below 2 per cent for at least the past three years and this has been driven by both external and domestic factors. Investment growth has remained in the negative territory, growth in household income is steadily picking up and the unemployment rate remains more than 20 per cent. In 2018, economic growth in the province is expected to have slowed to 0.9 per cent from 1 per cent in 2017. The slowdown in growth was recorded across all the province's municipalities, with growth rates coming in below 1 per cent.

Fortunately, the outlook for the province remains optimistic, with rising economic growth rates expected over the medium term. Investment is also expected to pick up as economic conditions improve. The continuing global growth expansion, although at a slower pace than previously expected, is anticipated to support economic growth in the province. IHS Markit forecasts provincial growth to reach 1.7 per cent in 2019 from an estimated 0.9 per cent in 2018. The West Rand District is expected to come out of recession in 2019, growing by 0.6 per cent. For 2019, growth is expected to reach 1.5 per cent in Sedibeng, 1.7 per cent both in the CoE and CoT and 1.9 per cent in the CoJ.

To deal with the triple challenges of poverty, inequality and unemployment in Gauteng, the GPG has committed to implement the TMR Programme adopted in 2014, which set out policy priorities for the five-year term of office from 2014 to 2019. Notable progress has been made in implementing this programme over the past four and a half years. For example, the provincial government was able to increase its procurement spent on good and services from township businesses from ZAR600 million to ZAR22 billion over the past five years. Through the Tshepo 1 Million youth empowerment programme, over 500 000 youth have benefited from training and skills development initiatives.

Progress on the TMR programme has been impacted by unfavourable economic environment over the years. Despite these challenges, it could be argued that the gains realised through implementing this programme have somehow contributed positively to the economy of the province.

Chapter Three provides the demographic and developmental assessment at national and at a provincial level as well as at municipalities. In recent years, provincial population growth has outpaced South Africa's economic growth, resulting in negative growth in GDP per capita. In 2018, domestic economic activity is estimated to have grown by 0.7 per cent, while population growth is estimated to have reached 1.7 per cent. In Gauteng, growth in economic activity is estimated at 0.9 per cent while population growth is projected to have averaged 2.7 per cent in 2018.

Among the metropolitan municipalities, the CoJ had the highest population growth averaging at 3 per cent between 2003 and 2018. About 36.9 of Gauteng's population resided in the CoJ. In the Sedibeng District Municipality, Midvaal had the highest population growth averaging 3.2 per cent between 2000 and 2018. In the West Rand District, Mogale City had the highest population growth, averaging 1 per cent between 2000 and 2018.

Despite significant progress that has been made in reducing poverty, high levels of poverty remain in South Africa. In 2000, about 72.7 per cent of households were living below the Upper Bound Poverty Line, the most comprehensive measure of poverty, in South Africa. This has since declined to 58.2 per cent in 2017. In Gauteng, the Upper Bound Poverty Line declined to 47.6 per cent in 2017, from 54.2 per cent 2000. According to the Lower Bound Poverty Line, 42.9 per cent of the population in South Africa was living in poverty in 2017 and 33.4 per cent in Gauteng.

In the metropolitan municipalities, there was a decrease in the share of people living below the Upper Bound Poverty Line to 46.9 per cent in 2017 compared to 53.2 per cent recorded in 2000 in the CoJ. About 52.2 per cent households were living below the Upper Bound Poverty Line in Sedibeng in 2017, which is a decrease compared to 63.5 per cent recorded in 2000. In the West Rand, in 2017 about 46.9 per cent of households were living below the Upper Bound Poverty line. This declined from a staggering 54.3 per cent recorded in 2000.

The HDI for both South Africa and Gauteng has improved, mainly driven by an improvement in life expectancy. In South Africa HDI rose from 0.53 in 2000 to 0.66 in 2017. In Gauteng, the HDI increased from 0.65 in 2000 to 0.72 in 2017. The CoT had the highest HDI at 0.73 in 2017. In the Sedibeng District, the HDI increased over the years reaching 0.67 in 2017 while - in the West Rand - it rose to 0.62 in the same year.

The delivery of basic services has remained high, both in South Africa and in Gauteng. However, there are still several backlogs that need to be dealt with to ensure the maximum provision of basic services. The Premier of Gauteng, Honourable David Makhura reiterated this during his 2019 State of the Province Address speech, that despite delivering 1.2 million houses in the province, the backlog remains high at 1 million, mainly as a result of the high rate of in-migration and rapid urbanisation. He however, emphasised that the province is planning about 31 mega human settlements in the next five years, to cater for this backlog.

Overall, the chapter concludes that given high rates of poverty and inequality in the province, policies that encourage job creation remain important for addressing socio-economic challenges in the province. The conclusion also highlights government's recent interventions to stimulate economic activity and enlists the strides gained by the TMR programme.

Chapter 1 : Global Economic Review

1.1 Introduction

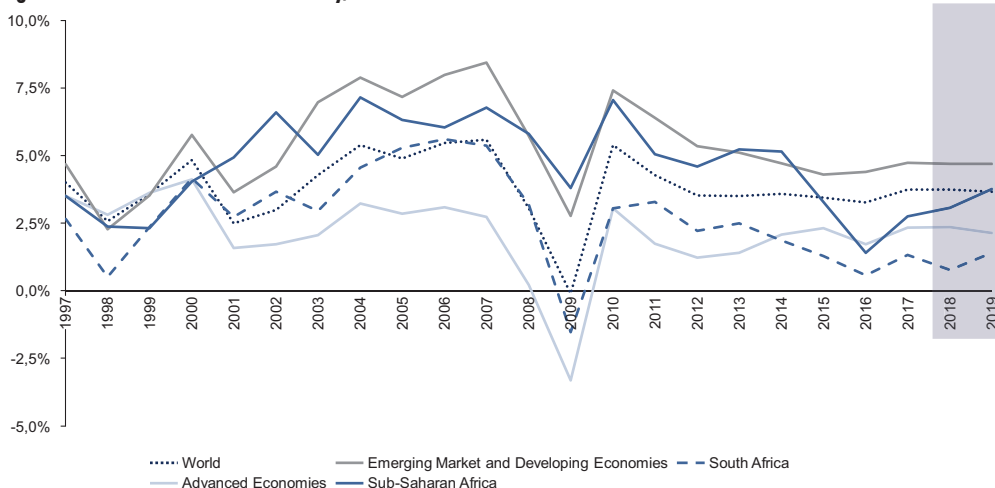
The global economy lost momentum in the latter part of 2018 after starting off on a high note. Buoyant global trade and manufacturing waned as investor sentiment decreased on the back of trade tensions among key economies. The negative sentiment spilled over into emerging markets. This resulted in downwardly revised growth outcomes in some key emerging market economies. Against this backdrop, South Africa's economic climate remains challenging. The national government thus has taken extra ordinary measures to stimulate the economy.

This chapter provides an assessment of economic performance in the past few years on global and national levels. In it, some observations are made of the main factors which characterised the economic landscape on the global level in the past year. The report analyses how these factors affected the performance of the domestic economy. From sections 1.2 to 1.4, the report gives an account of global economic developments. It focuses on advanced economies, emerging markets and the Sub-Saharan Africa region. Sections 1.5 and 1.6 provide a review of economic developments in South Africa while Section 1.7 concludes the chapter.

1.2 The Global Expansion Continues with Momentum Slowing

A steady global economic recovery continues in a less balanced nature. The possibility of upward surprises to global economic growth has declined while downside risks persist. In its World Economic Outlook (WEO) of January 2019, the International Monetary Fund (IMF) estimates global economic growth to have increased by 3.7 per cent in 2017, compared with 3.2 per cent in 2016. The IMF anticipates the global growth momentum to remain stable. It expects growth to have increased by 3.7 per cent in 2018, forecasting another 3.5 per cent increase for 2019. A less even global growth outcome is expected with economic growth in some regions having plateaued.

Figure 1.1: Growth in Economic Activity, 1997 – 2019



Source: IMF World Economic Outlook Database, 2019

Note: Shaded area illustrates forecasts.

Figure 1.1 shows growth in economic activity which is measured by gross domestic product (GDP). GDP growth in the Emerging Market and Developing Economies (EMDEs) was relatively higher when compared to the advanced economies for most of the review period. Growth in EMDEs has remained stable and higher than most regions. It is mainly driven by strong growth in India and China.

The second half of 2017 saw growth surprises in the Euro Area and the United Kingdom (UK). This resulted in a broad-based improvement in global economic performance which was also led by other advanced economies, particularly the United States (US), Japan and Canada¹. This strong growth was expected to continue in 2018, however, that did not materialise. The first half of 2018 saw growth in world trade, manufacturing, and investment decline. This was owing, in part, to rising global trade tensions that lead to a moderation in growth in Europe and the UK.

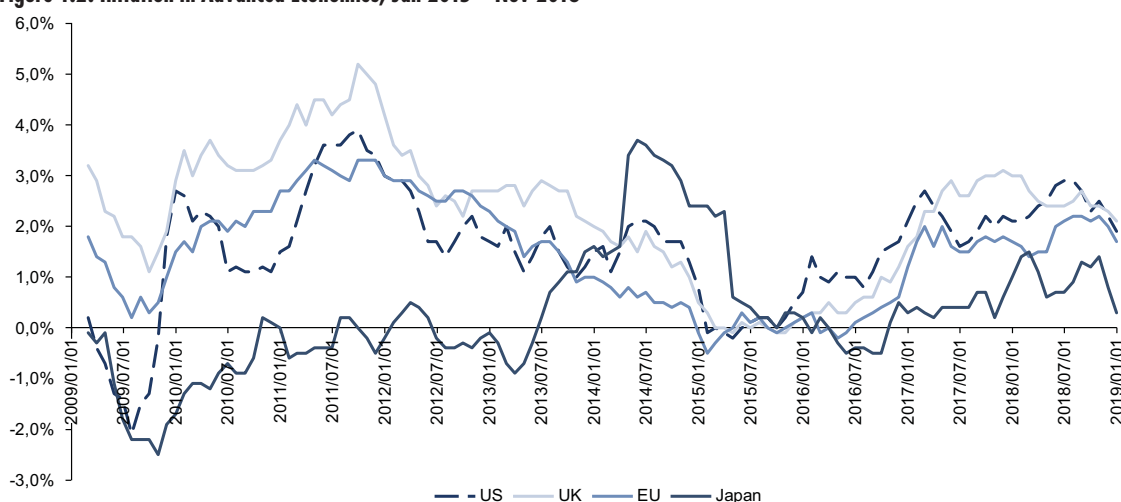
As such, 2018 growth is expected to have been boosted by the EMDEs². Prospects have also improved in key BRICS countries³. The rate of growth in the EMDEs in 2017 was 4.7 per cent. This reflects stronger than initially expected growth in China, among others. China grew by 6.9 per cent in 2017 and is expected to have increased by 6.6 per cent in 2018 as the government continues to boost growth through a combination of expansionary fiscal and monetary policies. Russia, Brazil and Nigeria are also expected to recover from a period of contraction of 2016. Russia grew by 1.5 per cent in 2017 and is expected to have reached 1.7 per cent in 2018, whereas the rates of economic growth in Brazil and Nigeria in 2017 reached 1.1 and 0.8 per cent, respectively.

Economic growth in Sub-Saharan Africa (SSA) picked up in 2017 after slowing in 2015 and 2016 due to weak commodity prices and drought conditions. Following a growth of 1.4 per cent in 2016, the rate of economic growth in SSA increased by 2.9 per cent in 2017 and is expected to have remained constant at 2.9 per cent in 2018. This is in response to improved oil production and agricultural output.⁴

Energy prices, including that of oil, increased during 2018. Oil prices climbed to around USD80 a barrel in September 2018. This has placed upwards pressure on inflation and, as a result, real disposable incomes have fallen on average across most oil importing countries. Oil producers have, however, benefited from these developments.

As Figure 1.2 below shows, inflation has risen in advanced economies as the economic growth recovery boosts growth above potential and energy prices hike. In the US, personal consumption expenditure (PCE), the Federal Reserve's preferred measure of inflation, is forecast to average 2.1 per cent in 2018 and 2.3 per cent in 2019. Headline inflation in the Euro Area is expected to be 1.7 per cent in 2018 and 2019. In Japan, headline inflation is expected to increase to 1.2 per cent in 2018 which is up from 0.5 per cent in 2017. In the UK, headline inflation is expected to edge down to 2.5 per cent in 2018, from 2.7 per cent in 2017, with a gradual convergence to 2 per cent projected in 2020.

Figure 1.2: Inflation in Advanced Economies, Jan 2015 – Nov 2018



Source: Bloomberg, 2018

Despite the good news, areas of weak economic growth persist in many countries. This is particularly true among oil exporters which have been hit hard by a fall in foreign earnings. Inflation in the European Union (EU) remains below the European Central Bank's (ECB) 2 per cent target.

¹ IMF (2018). *World Economic Outlook, January 2018*. Washington, DC

² IMF (2018). *World Economic Outlook, January 2018*. Washington, DC

³ These countries are Brazil, Russia, India, China and South Africa.

⁴ National Treasury. (2017). *Medium Term Budget Policy Statement*. Pretoria

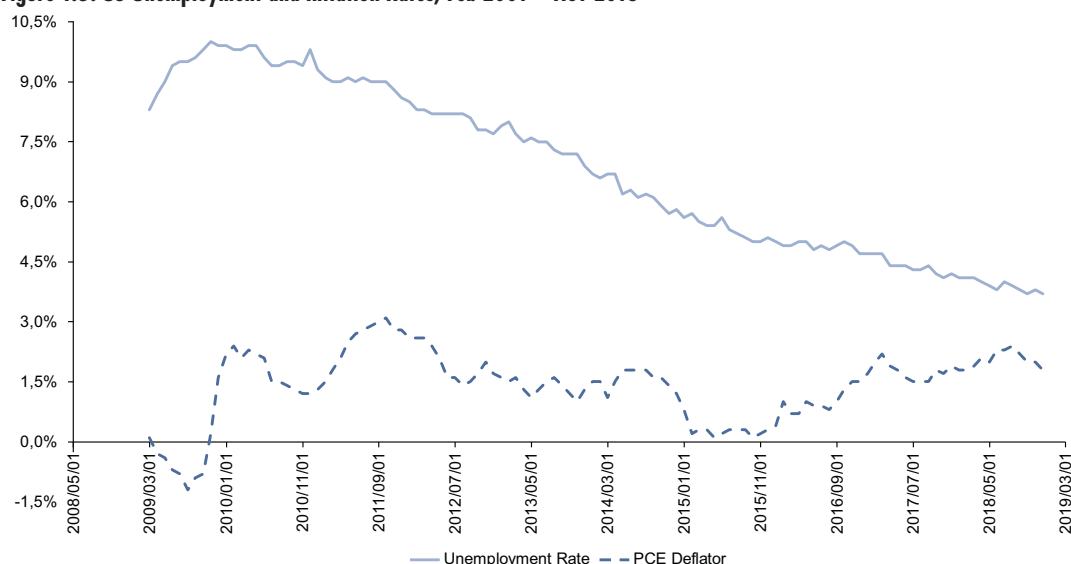
The ECB considers this low inflation rate to be desirable for a healthy economy in most advanced economies.⁵ In some instances, the low inflation rates reflect subdued wage growth which has continued despite a notable recovery in labour markets.

Political uncertainty persists in the SSA region and, particularly, in the region's largest economies such as Nigeria and South Africa. When these two countries are excluded, SSA grew by 4.4 per cent in 2017 and is estimated to have grown by 5.1 per cent in 2018.⁶ Other downside risks for growth globally include the lagged impact of the commodity price slump especially among the top oil-exporting countries. Some of these had negative growth in 2017. The possibility of tighter financial conditions and the adverse effects of the US and China trade war are other risks factors to the region's growth.

Growth Has Remained Strong in the United States

Now in its eighth year of expansion since the recession, the US economy continues its surge. This is led by domestic sectors that are primarily centred around personal consumption. The government continues to spur economic growth with its procyclical expansionary fiscal policy. US consumer spending, in the second and third quarters of 2018, increased notably. This was largely owing to consumers benefiting from tax cuts and a tighter labour market.

Figure 1.3: US Unemployment and Inflation Rates, Feb 2009 – Nov 2018

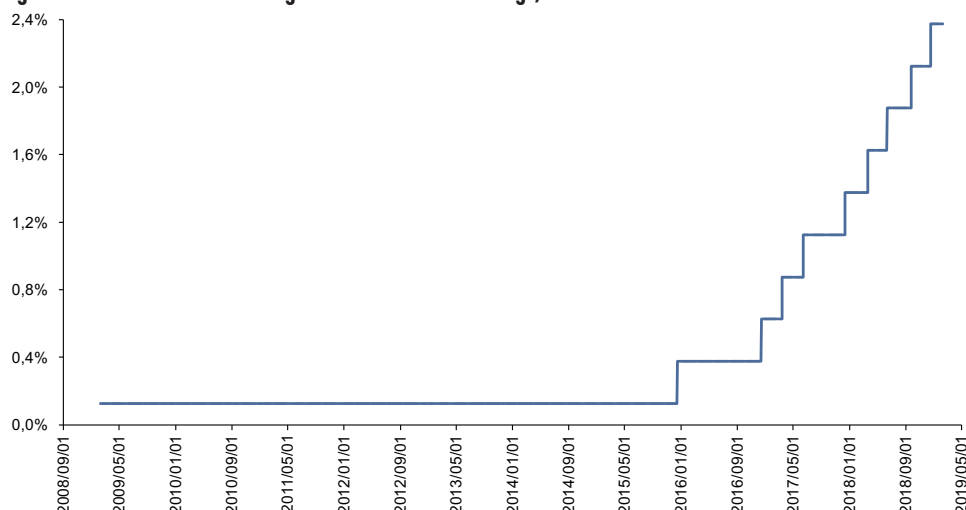


Source: Bloomberg, 2018

The recovery and economic fundamentals remain supportive of growth. The unemployment rate has fallen to pre-global financial crisis levels. The Fed's preferred gauge of inflation, the core personal consumption expenditure (PCE) deflator, has remained anchored at 2 per cent. Financial conditions remain accommodative. Real interest rates remain lower than the economic growth rate. Sentiment remains elevated, however uncertainty surrounding trade wars seems to be limiting more rapid growth in business investment.

⁵ European Central Bank. (2017). *Definition of Price Stability*. (Accessed 01 December 2017): www.ecb.europa.eu

⁶ IMF. (2017). *Regional Economic Outlook: Sub-Saharan Africa, October 2017*. Washington, DC

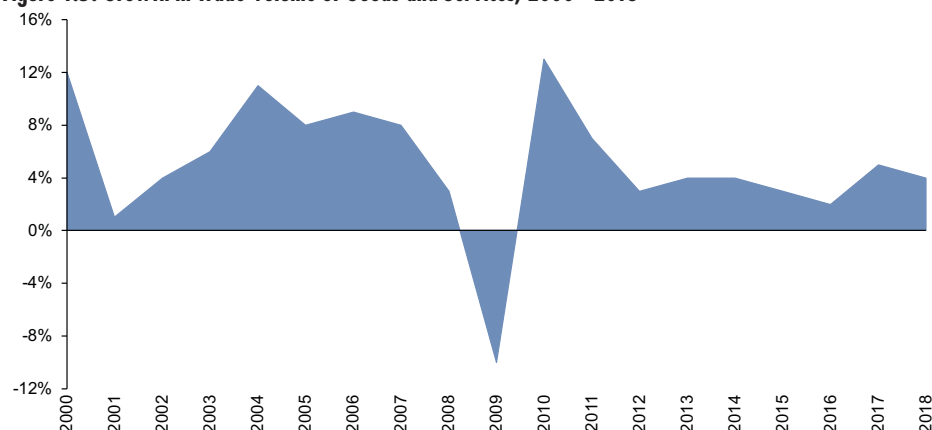
Figure 1.4: US Federal Funds Target Rate Mid-Point of Range, 2008 – 2019

Source: Bloomberg, 2018

The Federal Reserve raised the target range for the federal funds rate four times in 2018, the last of which was by 25bps to 2.25 - 2.5 per cent during its December meeting.⁷ The Fed has also lowered its forecast for Federal funds interest rate increases in 2019. These increases are set to remain gradual amid slowing global growth and the absences of significant wage pressures and high inflation which is reflective of a flat Philips curve⁸ effect as the strong dollar continues to constrain price pressures.

Global Trade Tensions

The world's largest bilateral flows of merchandise trade run between China and the US, and between their respective neighbouring economies. In 2017, goods worth USD 526 billion were imported by the US from China. Goods worth USD154 billion also travelled in the opposite direction.⁹

Figure 1.5: Growth in Trade Volume of Goods and Services, 2000 - 2018

Source: IMF World Economic Outlook Database, 2018

Global trade volumes picked up in 2017 as investors became upbeat about the global economic outlook. The uptick in confidence and trade growth dissipated in the second half of 2018. A major reason behind this loss in momentum is the implementation of tariffs by major economies, especially the US as well as retaliatory measures taken by others, including China. The increasingly protectionist rhetoric on trade has meant higher uncertainty about trade policy, which weighs on future investment decisions.¹⁰

7 US Federal Reserve Board (2018). Meeting Calendars, Statements, And Minutes: December 2018. Washington, DC.

8 The inverse relationship between the level of unemployment and the rate of inflation.

9 IMF. (2017). *World Economic Outlook: October 2017*. Washington, DC.

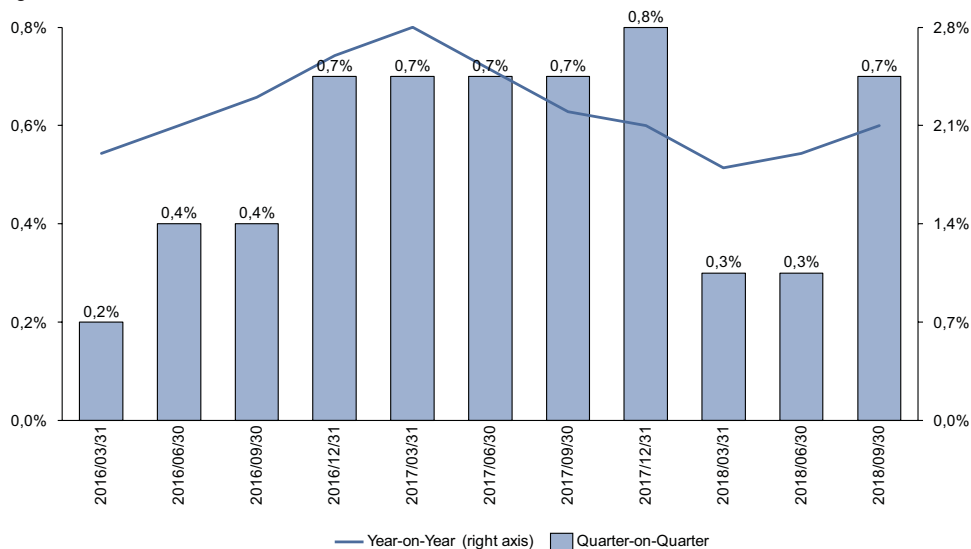
10 IMF. (2018). *5 Charts That Explain the Global Economy in 2018, December 2018*. Washington, DC.

Growth Moderating in Europe

Historically, South Africa's main trading partners have been the EU, the US, Japan and the UK. In recent years, China has overtaken these regions and has become South Africa's single largest export partner. Nevertheless, almost a quarter of South Africa's exports are destined for the EU region. In 2016, South Africa's exports to the EU region accounted for 22.5 per cent of total exports. Although South Africa's exports to the EU region have declined from the 36.1 per cent of 2005, the region remains one of the country's leading trading partners.

Economic growth in the EU was 2.7 per cent in 2017, which is an improvement from 1.8 per cent in 2016. However, momentum has slowed and economic growth has been below expectations in the EU. The region's economic growth is expected to have slowed to 2.2 per cent in 2018, and is forecast at 2 per cent in 2019. A contraction in Germany, the EU's biggest economy has held back growth in the region. Nevertheless, growth is expected to remain above potential in most countries in the region.

Figure 1.6: Euro-Area GDP Growth, 2016 – 2018



Source: UNCTAD, 2017

The economic growth figures in 2018 are the weakest the Euro Area has seen since 2014. External demand has weakened, higher oil prices have dampened incomes, and issues around labour shortages and production capacity have escalated.

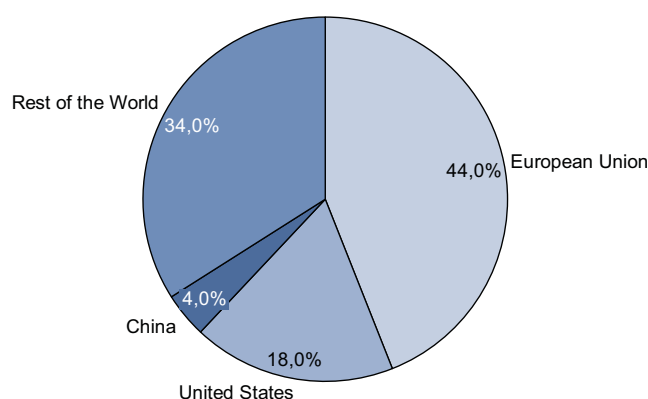
Figure 1.6 shows that year-on-year GDP growth has gradually slowed from its peak of 2.8 per cent in the third quarter of 2017 to 2.6 per cent in the fourth quarter. Thereafter, growth slowed further to 2.3 per cent and 2.1 per cent in the first and second quarters of 2018 before reaching 1.9 per cent in the third quarter of 2018.

Much of the strong growth that the region enjoyed prior to 2018 was a result of strong growth in domestic demand. Unemployment is at its lowest level and wages are rising.

Dampening economic prospects, particularly in countries which are among South Africa major trading partners, weaken the country's economic growth prospects through decreased exports.

The Effect of Brexit on the UK Economy and Eurozone

The departure of the UK from the EU, which is set for the March 2019, is surrounded by uncertainty. Of relevance in this section are the economic changes that this presents. Whether this presents economic opportunities for trade relations with non-EU countries, or threatens the strength of the UK's economic recovery, is uncertain.

Figure 1.7: United Kingdom Trading Partners, 2018

Source: IMF World Economic Outlook Database, 2018

The EU is the UK's largest trading partner, 44 per cent of the UK's exports of goods and services are destined for the EU. EU membership ensured that trade between the regions was seamless. The UK's departure from the EU will result in trade restrictions that were not present during membership. In addition, the migration of labour will also be subject to some limitations.

1.3 Emerging Markets

The region's economic growth remained steady at 4.7 per cent as in 2017. A moderation in output in China from 6.9 per cent in 2017 and to 6.6 per cent in 2018 is reflective of newly imposed tariffs which are affecting external demand. In India, growth is expected to have risen to 7.3 per cent in 2018 following the recent increase in oil prices which has dampened growth prospects. In Russia, the recovery in oil prices is likely to have pushed growth up by 0.2 per cent to 1.7 per cent in 2018. A recovery in private demand is driving up growth in Brazil. Growth is anticipated to have risen to 1.3 per cent in 2018 from 1.1 per cent in 2017.

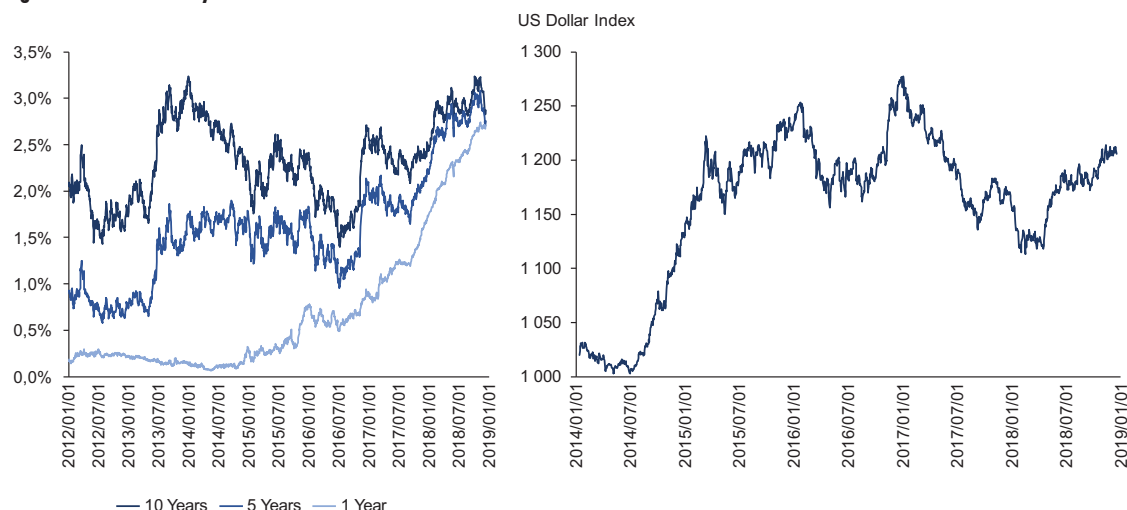
Some pockets of weakening economic performance exist in the region. After growing at 2.9 per cent in 2017, Argentina is estimated to have contracted by 2.6 per cent in 2018 and is expected to decline by 1.6 per cent in 2019, following financial market disruptions, high real interest rates, and the faster fiscal consolidation. Plummeting oil production has resulted in a fifth straight year of contraction in Venezuela's economy. The South American country's economy is expected to have declined by 18 per cent in 2018.¹¹

Emerging Markets Sell-Off as Yields Rise in the US

Earlier sections in this chapter have showed evidence of a strengthening economic recovery in the US which is prompting the US Federal Reserve Bank to continue raising the federal funds rate. This has resulted in higher US Treasury bond yields.

For example, as shown in Figure 1.8, the yield on the benchmark 10-year US Treasury bond has risen by about 40 basis points since the beginning of 2018. As in similar episodes historically, this has resulted in a sell-off in emerging markets' financial markets, which includes equities and currencies. This is also reflected by a strengthening USD.

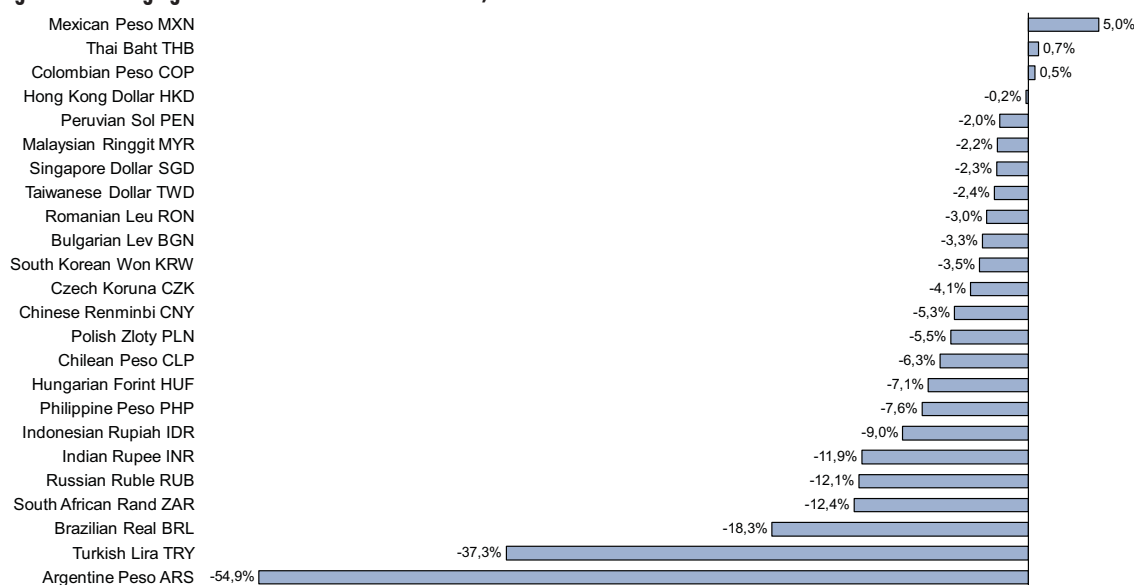
¹¹ IMF (2018). *World Economic Outlook*, January 2018. Washington, DC.

Figure 1.8: US Treasury Yields and US Dollar Index

Source: BER and Bloomberg, 2018

Figure 1.8 shows the yields on treasury bonds of three different maturities on the left-hand panel. The Bloomberg Dollar Spot Index, which tracks the performance of a basket of 10 leading global currencies versus the USD, is shown on the right-hand panel. The currencies in the basket and their weight is determined annually based on their share of international trade and foreign exchange liquidity. At the start of December 2018, the dollar spot index was up by 8 per cent year-to-date.

As a basket, emerging market currencies have been under pressure in 2018 and experienced a lot of volatility owing to higher yields in the US, the broad strengthening of the USD and rising oil prices. Alongside idiosyncratic factors, such low economic growth, high inflation and political uncertainty compound the losses for specific countries.

Figure 1.9: Emerging Market Currencies versus the USD, Jan 2018 – Dec 2018

Source: Bloomberg, 2018

Figure 1.9 shows the percentage appreciation/depreciation of emerging market currencies against the USD from January 2018 to December 2018. The currencies of many emerging market countries - including Argentina, Turkey and Brazil - came under immense pressure as tighter monetary policy from the US Federal Reserve boosted the USD. Argentina's peso plunged by more than 50 per cent against USD after the country was struck by a drought and growth slowed in 2018. The Turkish lira and Brazilian real have depreciated by 37 per cent and 18 per cent, respectively, between January and December 2018. The Indonesian rupiah depreciated to its weakest levels, since the 1997-98 Asian financial crisis, on 10 October.¹²

¹² The Financial Times (2018). *Wrong lessons from Asia's crisis*. (Accessed 05 December 2018): www.ft.com. Washington, DC.

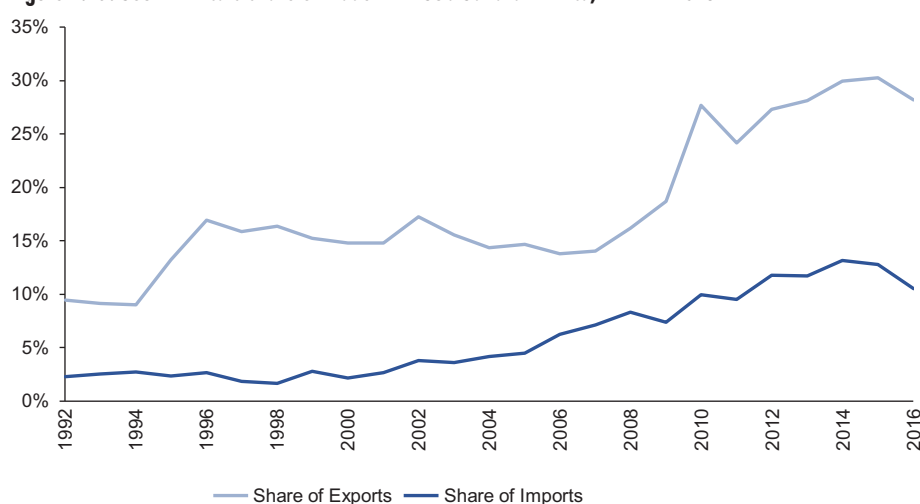
South Africa's rand is one of the most highly liquid EM currencies. This caused it to depreciate by about 12 percent since the start of 2018, in the contagion.

1.4 Sub-Saharan Africa

The Sub-Saharan region has largely embraced democratic rule but some regions have still been prone to civil unrest. No less than 20 countries on African will hold elections during 2019¹³, which may stabilise economic policy and improve economic prospects or lead to greater unrest. More recently, the commodity price slump has also weighed in on economic prospects in the region.

South Africa's share of trade with the Sub-Saharan region has increased over the past two decades. The country's exports to SSA made up 16.9 per cent of the country's total in 1996. This had increased to 28.1 per cent in 2016 to make SSA the largest destination for South Africa's exports at a regional level. Imports from SSA made up 2.6 per cent of the country's total in 1996 and had increased to 10.5 per cent in 2016. Increasing intra-regional trade presents further trade opportunities for South Africa and SSA. It is particularly important given the generally weak demand in the local market and the policy uncertainty in some of the advanced economies that trade with South Africa.

Figure 1.10: South Africa's share of trade with Sub-Saharan Africa, 1992 – 2016



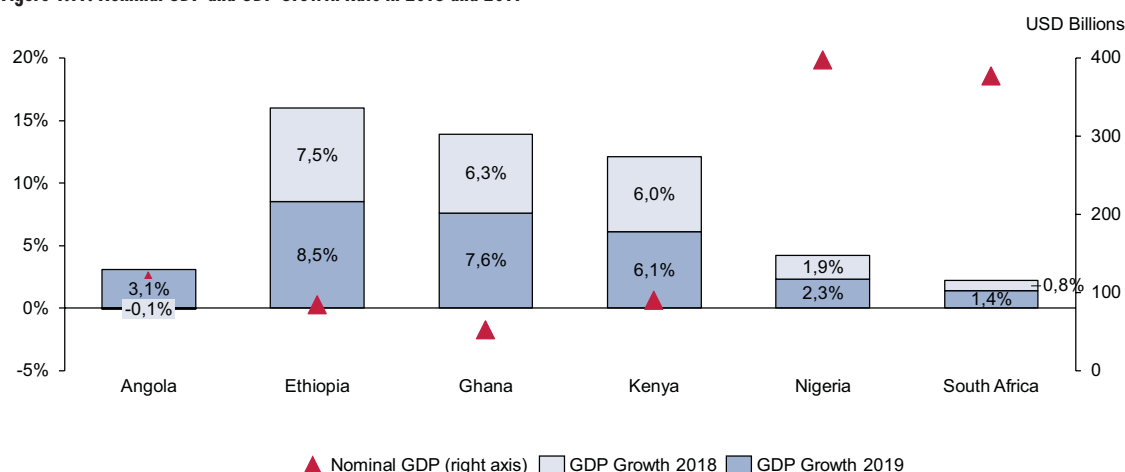
Source: World Integrated Trade Solution WITS, 2018

The external environment continues to be supportive of the recovery in the SSA region. Global growth continues its steady rise, averaging at higher levels than in recent years. Further, commodity prices have recovered which is a positive for commodity exporting countries. However, the recovery in energy commodity prices has adverse consequences for oil-importing countries. At the aggregate level, growth in SSA is estimated to have increased from 2.7 per cent in 2017 to 3.1 per cent in 2018. However, a degree of diversity exists among the economic growth outcomes in the region.

The 10 largest economies in Africa account for 78 per cent of the continent's GDP.¹⁴ Six of them are in the SSA region, namely Nigeria, South Africa, Angola, Kenya, Ethiopia and Ghana. Figure 1.11 below shows the GDP, in USD billions, and the percentage change in GDP for Nigeria, South Africa, Angola, Kenya, Ethiopia and Ghana.

¹³ Bloomberg (2018). *Spotlight on Africa's Hotspots, 2019 Preview*. Johannesburg: South Africa.

¹⁴ IMF (2018). *World Economic Outlook*, October 2018. Washington, DC.

Figure 1.11: Nominal GDP and GDP Growth Rate in 2018 and 2019

Source: IMF World Economic Outlook Database, October 2019

Angola and Nigeria are oil exporters and, as a result, their growth is linked to the oil price cycle. Growth is rising but remains weak relative to the historical levels in the oil-exporting countries. Nigeria is expected to have grown at 1.9 per cent in 2018 and is forecast to rise to 2.3 per cent in 2019. In Angola, GDP growth is anticipated to have declined by 0.1 per cent in 2018 and is expected to accelerate to 3.1 per cent in 2019.

Ghana and Kenya are agriculture- and resources-based economies. Their economies are forecast to grow, in the region of 6 to 8 per cent annually, over the next two years. Ethiopia is one of the fastest-growing economies in the region. It is a resource-based economy, where coffee accounts for 60 per cent of exports. It is expected to have grown by 7.5 per cent in 2018 and is estimated to grow by 8.5 per cent in 2019. South Africa, a well-diversified economy where manufacturing and services account for 80 per cent of GDP, is expected to have increased by 0.8 per cent in 2018. In 2019, the country is estimated to grow by 1.4 per cent.

1.5 South African Economic Review and Outlook

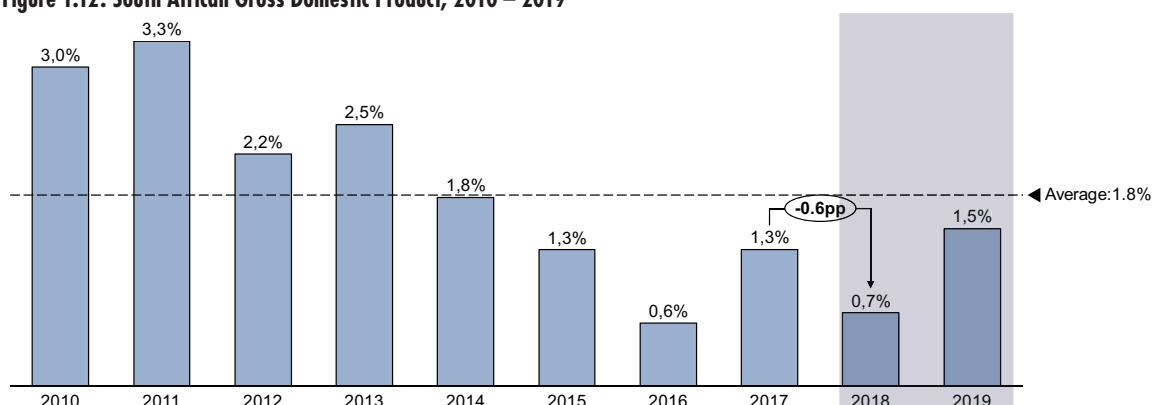
Against the backdrop of rising economic vulnerabilities, some of the optimism that permeated across the country, at the start of last year, has faded as domestic economic growth continues to lag and the output gap widens. The following section reviews domestic economic developments. It focuses on the economic performance of individual sectors, investment, inflation, the rand exchange rate and confidence levels. These have a bearing on the overall economic performance of the country.

Economic Performance of South Africa

South Africa has been faced with a challenging economic landscape for the past several years as a result of both global economic events and domestic challenges. External factors have caused increased volatility in terms of the value of the rand and commodity prices. These factors, in addition to domestic constraints, have resulted in a below-potential GDP growth rate for South Africa's economy and, eventually, a technical recession¹⁵ in the second quarter of 2018. Annual growth has, however, not turned negative and is forecasted to have reached 0.7 per cent in 2018 and is expected to rise to 1.5 per cent in 2019 and 1.7 per cent in 2020.¹⁶

¹⁵ A technical recession is two consecutive quarters of negative GDP growth.

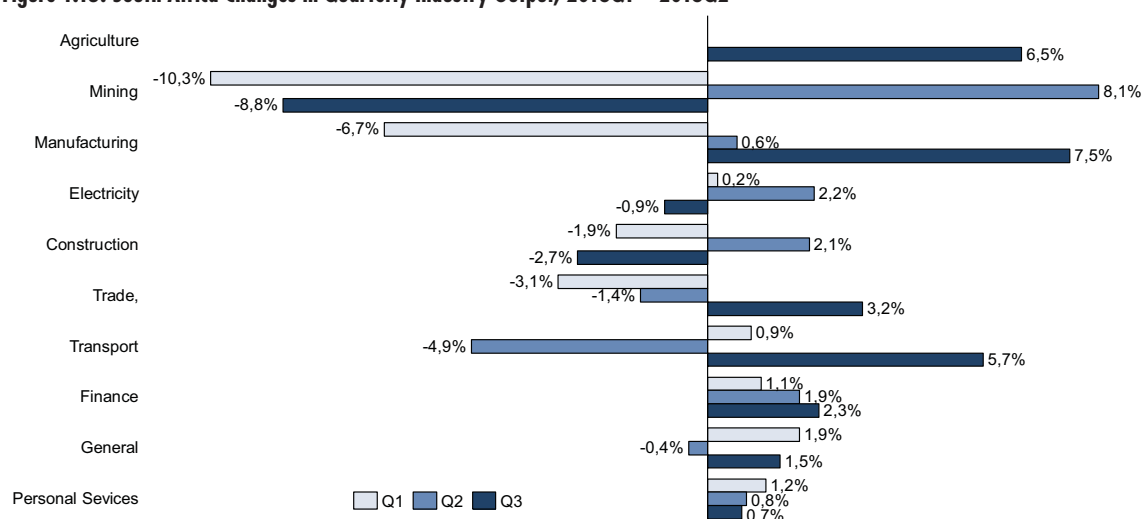
¹⁶ National Treasury. (2019). *Budget Review 2019*. Pretoria: South Africa.

Figure 1.12: South African Gross Domestic Product, 2010 – 2019

According to Statistics South Africa (Stats SA), South Africa has experienced an average growth rate of approximately 5 per cent in real terms between 2004 and 2007. However, the period 2008 to 2012 only recorded average growth just above 2 per cent. This is largely as a result of the global economic recession. After reaching a high of 3.3 per cent in 2011, growth in South Africa has been on a downward trend. It fell to 0.6 per cent in 2016 and slowed even further to average just 1.3 per cent in the period 2013–2018.

Sector Performance

The first two quarters of 2018 saw South Africa's economy dip into its second recession since 1994. The economy slumped by 2.6 per cent in the first quarter and a further 0.4 per cent in the second quarter.¹⁷ The contraction was broad based but was led by sharp shrinkages in the agricultural sector (-24.2 per cent) and the mining (-0.8 per cent) industry. The manufacturing sector contracted by 6.4 per cent in the first quarter.

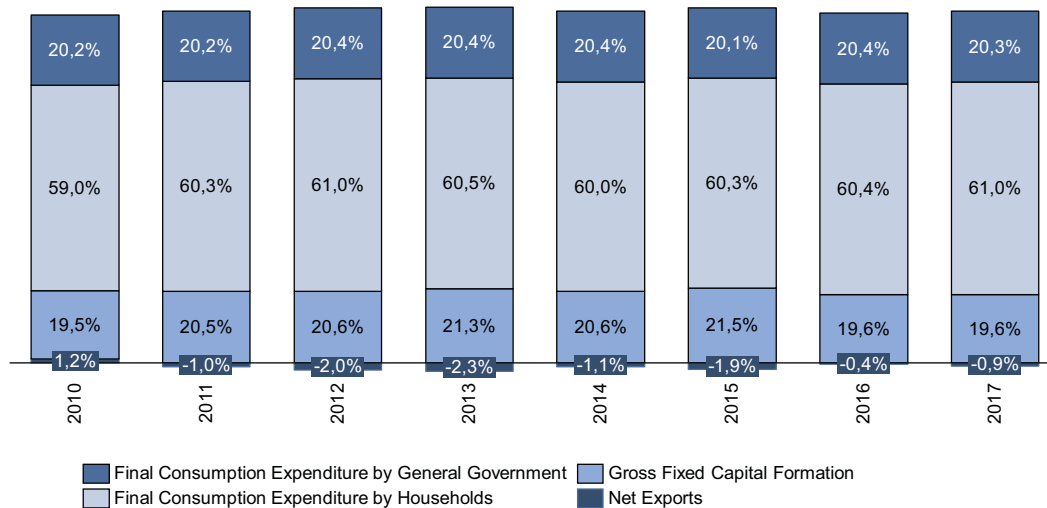
Figure 1.13: South Africa Changes in Quarterly Industry Output, 2018Q1 – 2018Q2

The manufacturing sector reversed some of its losses and output rose by 7.5 per cent in the third quarter, contributing 0.9 per cent to overall growth. After contracting by 0.4 per cent in the second quarter, the transport sector rebounded by 5.7 per cent in the third quarter. This made it the second-largest contributor to overall growth at 0.5 percentage points along with the finance sector which edged up by 2.3 per cent. The agriculture sector bounced back from two consecutive quarters of sharp contractions to record a 6.5 per cent rise in the third quarter. Strong growth in the production of field crops, horticultural cultivation and animal products contributed to the rebound. The mining sector was the biggest detractor from economic growth, declining by 8.8 per cent in the third quarter. Lower production levels were recorded for platinum group metals, iron ore, gold, copper and nickel.

¹⁷ Statistics South Africa. (2017). The Recession Ends as GDP Climbs By 2.2%. Pretoria: South Africa.

At the start of the millennium, domestic economic growth largely followed that of the global economy. More recently, however, a dichotomy has appeared between the domestic and global economy. Domestic economic growth has undershot that of an already-slowing global economy, which suggests that the growth inertia may largely be attributed to specific domestic factors.

Figure 1.14: Shares of Expenditure on GDP, 2010 – 2017



Source: Quantec EasyData, 2018

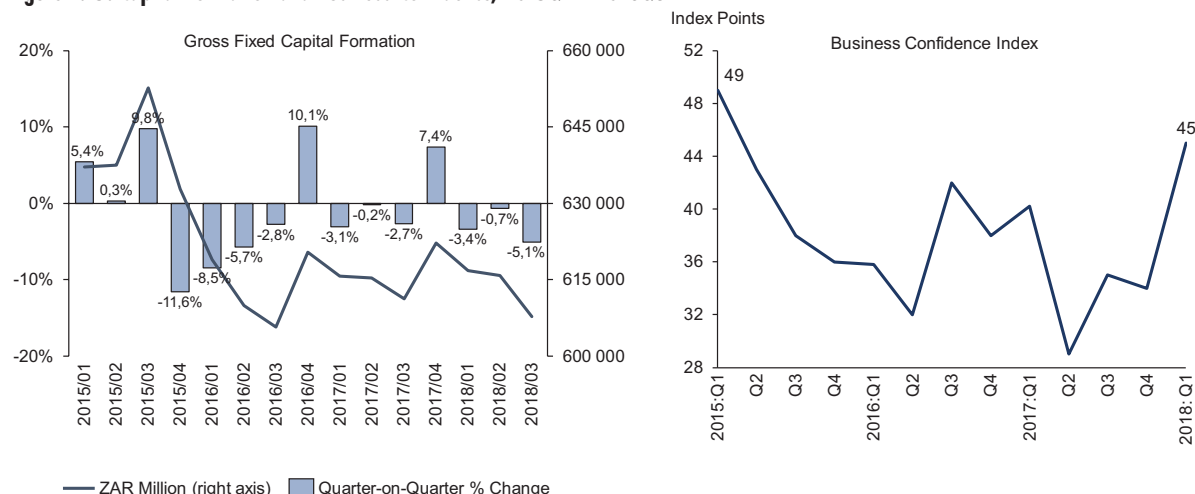
Figure 1.14 shows South Africa's shares of gross domestic expenditure (GDE) for the period between 2010 and 2017. Final consumption expenditure by households is the main driver of the country's economy. It accounted for 61 per cent (the largest share) of the country's GDP by expenditure in 2017, followed by government expenditure and gross fixed capital formation at 20 per cent respectively. The contribution of net exports to GDP is minimal.

Investment

Investment, as measured by gross fixed capital formation, is made up of investment by the private sector, government and state owned entities (SoEs). At 20 per cent, domestic investment - as a percentage of GDP - is below the emerging market average of 32.5 per cent. A slowdown in fixed capital formation, largely because of declining investment in construction and the transport sector, is one of the main reasons behind the economic stagnation.

Investment spending involves the acquisition of new machinery, buildings and other equipment with the aim of increasing the production capacity of the economy. Gross fixed capital formation by the private sector and government plays a vital role in the region's economic development and performance. Private sector investment is acknowledged to be a critical component since it can generate significant expenditure multipliers.

Figure 1.15: Capital Formation and Business Confidence, 2015Q1 – 2018Q3



Source: BER, 2018

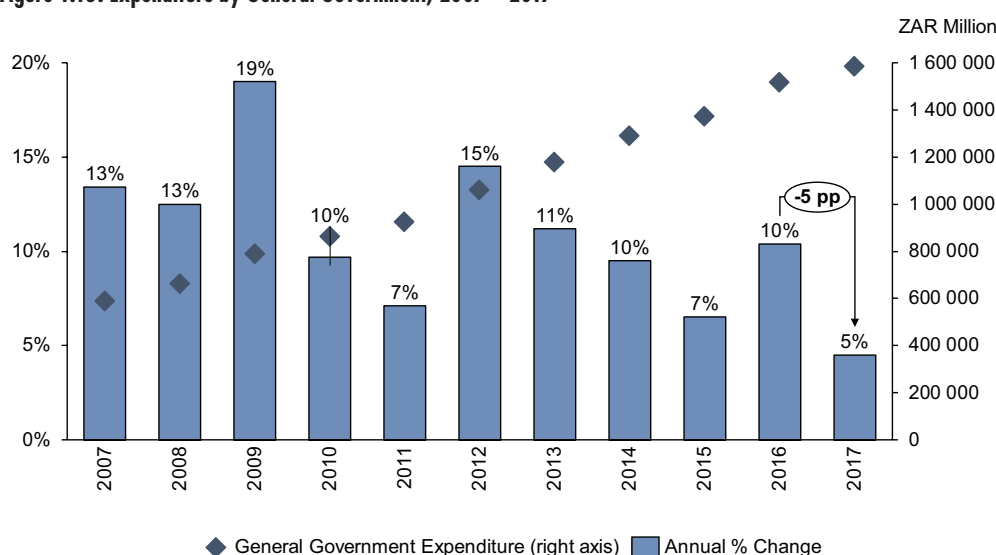
Figure 1.15 shows gross fixed capital formation and the Business Confidence Index (BCI) for South Africa. Growth in fixed capital formation has slowed considerably since peaking at 5.9 per cent in the first quarter of 2007. Investment, especially by the private sector, is influenced mostly by business confidence.

On the other hand, the BCI demonstrated a fluctuating trend for the analysis period. The index for the first quarter of 2015, at 49 points, shows that respondents were evenly split between those who were satisfied and unsatisfied with the current and future business conditions of the country. There was an improvement in business confidence later before a dip in the second quarter of 2017. Business confidence spiked by 11 points to 45 index points in the first quarter of 2018. The improvement in business confidence can be attributed to easing political tension rather than a marked improvement in the business sentiment. As such, it remains to be seen if the improvement in business confidence will be sustainable. Despite improved business confidence, total fixed investment declined significantly in the first quarter as investors remain reluctant to invest in the domestic economy.

Government Expenditure

Limited fiscal space and muted economic growth compounds government's task of improving the quality of services provided while, at the same time, remaining fiscally disciplined. While the population has continued to grow, growth in government expenditure on non-financial assets has been on a negative trend since 2009. Much of this expenditure is directed at education (19 per cent), social protection (14 per cent) and health (12 per cent).¹⁸

Figure 1.16: Expenditure by General Government, 2007 – 2017



Source: Stats SA, 2018

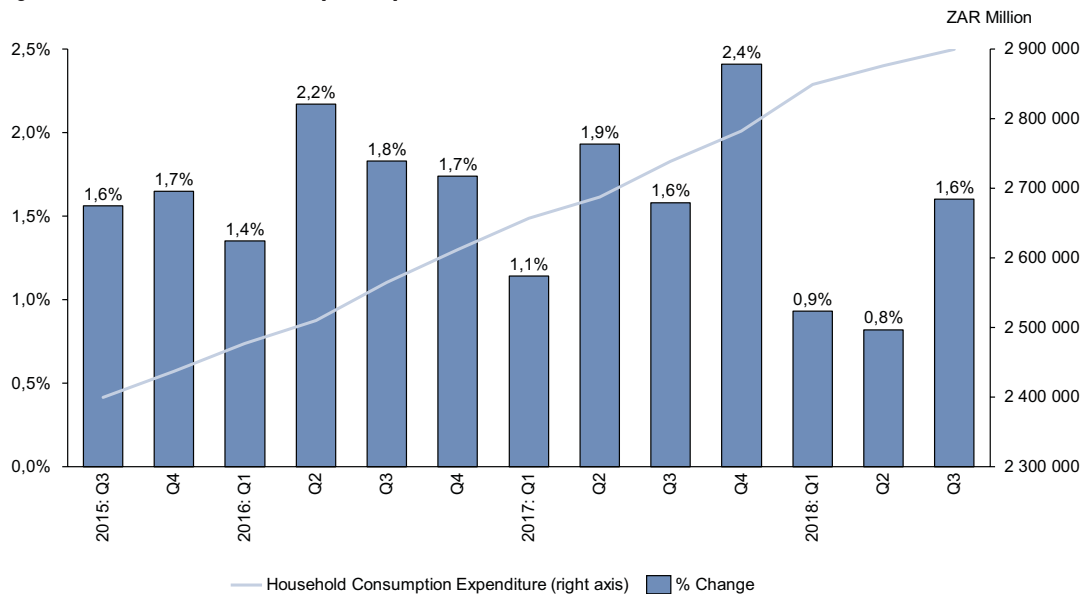
General government - which includes all national and provincial government departments, municipalities, extra-budgetary accounts and higher education institutions - spent ZAR 1.58 trillion in the 2016/2017 financial year. This was 4.5 per cent higher than the ZAR 1.51 trillion spent in the year ending in March 2016. This is the lowest annual rise in spending on record since the financial year ending 2006.

Household Consumption Expenditure

Consumption expenditure by private households absorbs by far the largest part of South Africa's GDP. As a percentage of GDP in the post-1960 era, household consumption expenditure ranged from a low of 50 per cent in 1980 to a high of 61 per cent in 1992.¹⁹ More recently, household final consumption expenditure, as a percentage of GDP in South Africa, was reported at 59.97 per cent in 2016, according to the World Bank's collection of development indicators.

¹⁸ Statistics South Africa. (2017). *Financial Statistics of Consolidated General Government 2016/2017*. Pretoria: South Africa.

¹⁹ C.J. Pretorius and S. Knox. (2018). *Private Consumption Expenditure In The Macro Econometric Model Of The Reserve Bank*. Pretoria: South Africa.

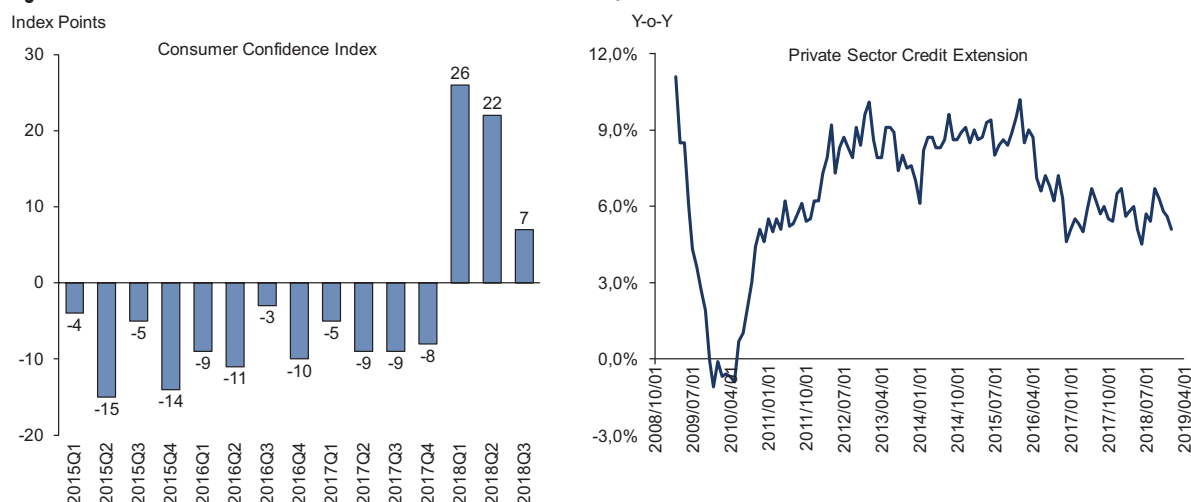
Figure 1.17: Household Final Consumption Expenditure, 2015Q2 – 2018Q3

Source: Stats SA, 2018

Figure 1.17 illustrates growth in final household consumption expenditure. For the most part of 2018, growth in household consumption expenditure remained below 2 per cent. In the third quarter of 2018, growth in consumption expenditure increased by 1.6 per cent. Several factors have constrained growth in household consumption. These include rising unemployment, slow growth in credit extension, high household debt to income, slow growth in real disposable income and real wages.

Consumer Confidence Has Turned Positive

The Consumer Confidence Index (CCI) has fluctuated between -33 (indicating an extreme lack of confidence) and +23 (indicating extreme confidence) since 1982. The average of the index is +2 and could therefore be regarded as at a neutral level. Consumer confidence has languished in the negative territory since the fourth quarter of 2014 as weak economic conditions weighed on consumer finances and sentiment.

Figure 1.18: Consumer confidence and Private Sector Credit Extension, 2015Q1 – 2018Q3

Source: BER, 2018

Following an upshot in consumer confidence levels at the start of 2018, which saw the CCI soaring to a record high of 26 index points in the first quarter,²⁰ consumer confidence levels deteriorated in the second and third quarters of the year across all income groups. Most severely impacted were low-income consumers.

²⁰ Bureau for Economic Research. (2018) Consumer Confidence Index in the First Quarter. Stellenbosch: South Africa.

This was indicative of an economy under strain. However, a reading above the neutral mark suggests that consumers are still cautiously optimistic about the economic outlook and their household finances.

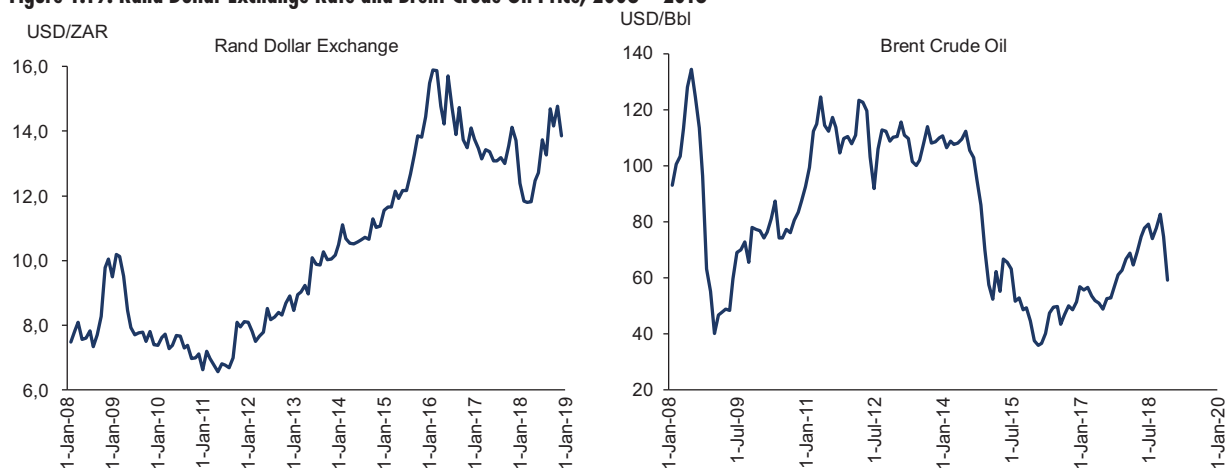
The improvement in consumer confidence during the first quarter of 2018 contributed significantly to the first quarter GDE figures as final household expenditure increased by 0.9 per cent. The rise in consumer confidence was accompanied by an improvement in business confidence. Business confidence spiked by 11 points, to 45 index points, in the first quarter of 2018.

The improvement in business confidence can be attributed to easing political tension rather than a marked improvement in the business sentiment. Improved consumer and business sentiment bodes well for economic growth.

Consumer Price Inflation

Tighter global financial conditions, financial market volatility and a change in investor sentiment towards emerging markets caused the ZAR, along with other emerging market currencies, to depreciate significantly during 2018. In addition, energy prices - including that of oil - increased during 2018. Figure 1.19 below shows the ZAR/USD exchange rate on the left-hand panel and the price of Brent Crude oil in USD on the right-hand panel.

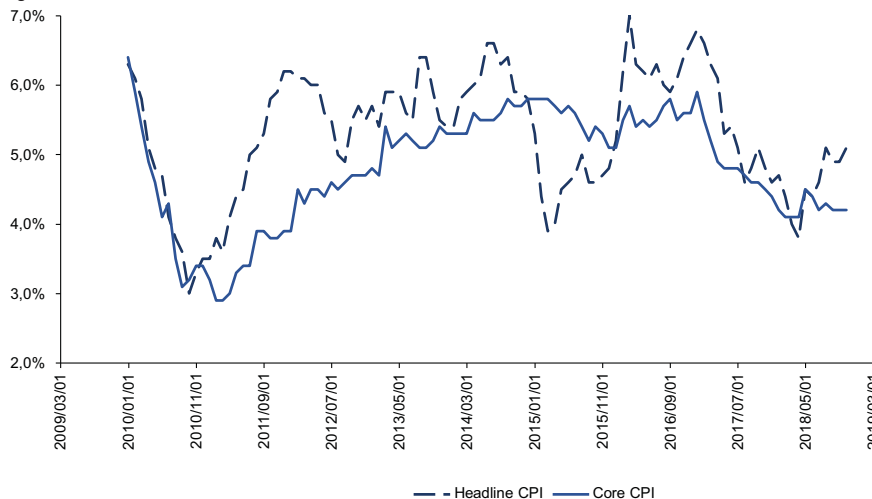
Figure 1.19: Rand Dollar Exchange Rate and Brent Crude Oil Price, 2008 – 2018



Source: Iress, (2018)

Oil prices climbed to around USD80 a barrel in September 2018 and the ZAR plunged to 15.4 to the USD on 5 September. When the rand oil price rises significantly, South Africa's inflation rate rises as the country is a net importer of oil for use in its production processes. This has resulted in a rise in fuel prices which has been particularly painful in 2018. Annual fuel inflation, which incorporates prices for all forms of fuel, was 25.3 per cent in July 2018, according to Stats SA's Consumer Price Index (CPI) release. In other words, motorists paid, on average, 25.3 per cent more for fuel in July 2018 than they did in July 2017. This was the highest annual fuel inflation rate since December 2011.²¹

²¹ Statistics South Africa. (2017). Fuel Inflation remains in double digit territory as prices rise. Pretoria: South Africa.

Figure 1.20: South Africa Headline Consumer Price Inflation, 2009 – 2018

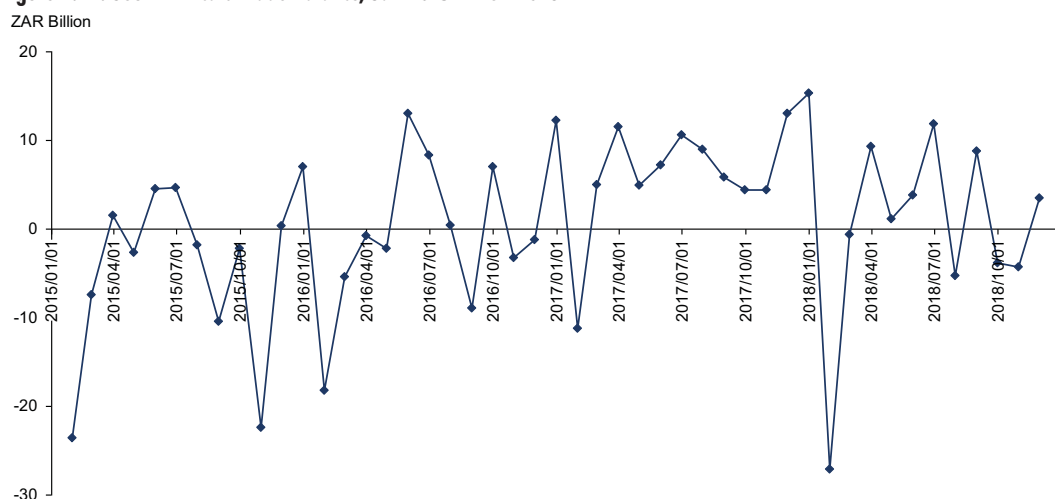
Source: Stats SA, 2018

Figure 1.20 shows headline consumer price inflation and core consumer price which excludes the prices of food and energy products. Higher oil prices and the weakening ZAR exchange rate have contributed to rising headline inflation since March 2018 while underlying demand-side pressures remained subdued. This is reflected in a divergence in the gap between headline and core inflation during 2018. The South African Reserve Bank (SARB) forecasts headline inflation to average 4.7 per cent in 2018.

Despite headline inflation remaining within SARB's target band for the year, a major concern for the inflation outlook is the persistent depreciation in the ZAR exchange rate, which has caused an increase in inflation expectations.

International Trade

The trade balance forms part of the country's current account, which is the broadest measure of traded goods and services. The annual cumulative trade deficit for November 2018 was ZAR 4.2 billion compared with a positive balance of ZAR 62.3 billion a year earlier. The ZAR weakened more than 13 per cent against the USD in 2018.

Figure 1.21: South Africa's Trade Balance, Jan 2015 – Nov 2018

Source: Bloomberg, 2018

Figure 1.21 shows South Africa's trade balance between January 2015 and November 2018. South Africa had a trade surplus of ZAR 8.8 billion in August 2018 compared to a deficit of ZAR 5.3 billion in July the same year. In October, the trade deficit recorded was the biggest in 10 months as imports of vehicle equipment surged and exports of agricultural products declined. South Africa is an oil importer and oil prices surged to a record in October. Imports of chemical products climbed by ZAR 2.5 billion from the previous month.

In November, South Africa recorded a trade surplus of ZAR 3.5 billion as imports declined and exports of chemical and mineral products rose.

Labour Market Review

Over time South Africa's official unemployment rate has displayed an upward trend. The number of those unemployed in South Africa rose to 6.2 million in the third quarter of 2018, compared to 4.3 million a decade prior. Despite numerous efforts by government to strengthen growth and tackle unemployment, in the past five years the official unemployment rate has risen by 3per cent and by 6per cent in the past 10 years. At this rate, the official unemployment rate would exceed 30 per cent by 2023.

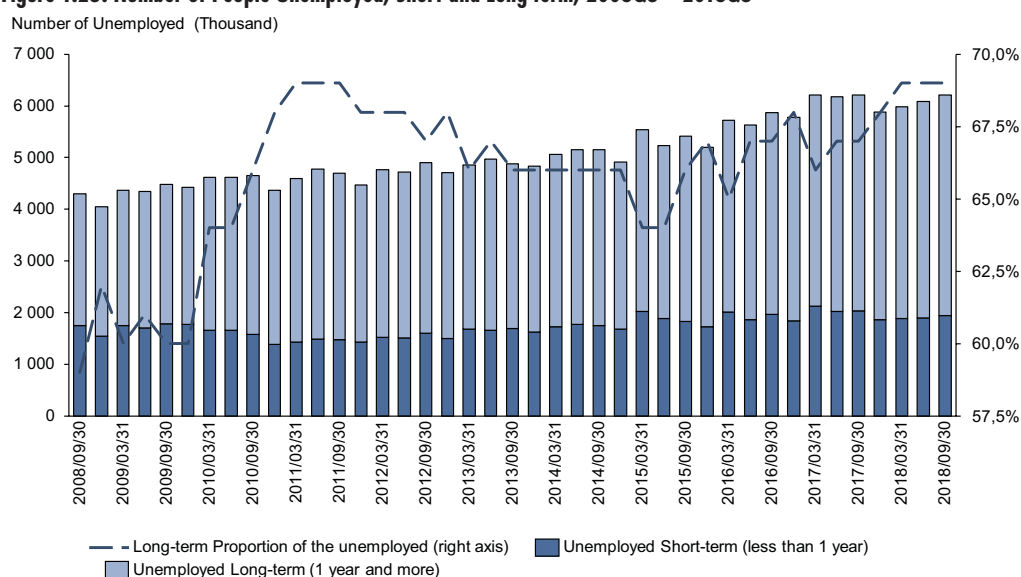
Figure 1.22: South African Official and Expanded Unemployment Rate, 2008Q3 – 2018Q3



Source: Stats SA, 2018

The expanded unemployment rate, which does not take discouraged job seekers into account, was even higher and increased from 29.5 per cent in the third quarter of 2008 to 37.3 per cent in the same quarter of 2018. Throughout this period, both rates were higher among women as opposed to men. The rate of unemployment amongst women was 29.4 per cent in the third quarter of 2018 compared with 25.9 per cent among men, according to the official definition of unemployment. According to the expanded definition, the rate of unemployment among women was 7.5 percentage points higher than that of males.

Figure 1.23: Number of People Unemployed, Short and Long term, 2008Q3 – 2018Q3



Source: Quantec EasyData and Stats SA, 2018

Of more concern to policymakers is the increasing rate of long-term unemployment²², which the Organisation for Economic Co-operation and Development (OECD) suggests is an indication that labour market is operating inefficiently.²³ The long-term unemployment rate has increased by 10 per cent in the last ten years to 69 per cent of those unemployed in 2018. The most affected persons by long-term unemployment were women and youth. The percentage of women who were in long-term unemployment is higher than that of men. Secondly, long-term unemployment affects the youth more than it affects the adults. About two-thirds of those in long-term unemployment were youth (15–34 years) in 2018. Once a person has been in long-term unemployment, the probability of finding a job declines. This leaves them at risk of being permanently detached from the labour market.²⁴

1.6 Government's Response to Low Economic Growth

Following the contraction of the economy in the first two quarters of 2018, and the structural weaknesses in the domestic economy which have been compounded by global factors such as the rising oil price and weakening sentiment towards emerging markets and the rising unemployment and low economic growth environment that South Africa finds itself currently, the President - Honourable Cyril Ramaphosa - unveiled a range of measures which aim to fast-track progress in dealing with the country's economic challenges. These measures come in the form of an economic stimulus package. This includes a range of measures that would be initiated to set the country on a new path of growth, advance employment and transformation.

The economic stimulus recovery plan consists of financial and non-financial measures which would be implemented by government and its social partners to stimulate economic activity, restore investor confidence, prevent further job losses and create new jobs.

The stimulatory measures are focused around four sectors, namely Agriculture, Telecommunications, Infrastructure development and the Tourism sector. The latter has shown some resilience in the face of a tough economic climate by creating 31 752 net new jobs in 2017. This suggests that the sector is playing a larger role in job creation than other major industries. These contributions include the relaxation of visa requirements, availability of spectrum in the telecommunications sector as well as the development and implementation of a ZAR 400 billion hybrid-financed infrastructure fund.

1.7 Conclusion

The global recovery is weaker than a year ago, notably in Europe and Asia owing to many developments. Firstly, the process of the Brexit continues to unfold which may affect growth in the UK and the EU further. Secondly, the Chinese economy continues to slow to a more sustainable growth path. Lastly, global economic activity continues to be adversely affected by trade disputes among the largest economies.

Despite the weaker performance in some economies, the global economy is projected to grow at 3.5 per cent in 2019 and 3.6 per cent in 2020. A heightening of trade tensions may lower global output further in 2019. Similarly, a no-deal Brexit withdrawal, a more pronounced slowdown in China and tighter-than-expected financial conditions may aggravate global output growth further. On the other hand, the effects of volatile energy commodity prices, which receded during the start of 2019, will lower growth among energy exporters such as Russia, and Nigeria. These will have the reverse effect on energy importers.

South Africa is among the nations that will hold general elections during 2019. Against the backdrop of a slowing economy, growth projections from various institutions are more upbeat about the domestic economy given the various measures that have been instituted by policy makers. The IMF forecasts South Africa's economic growth to rise to 1.4 per cent and 1.7 per cent in 2019 and 2020. Meanwhile, SARB's growth projections are 1.7 and 2 per cent for 2019 and 2020 respectively. National Treasury forecasts growth at 1.5 per cent for 2019 and 1.7 in 2020.

²² Long-term unemployment refers to people who have been unemployed for 12 months or more.

²³ OECD. (2018). OECD Data: Long Term Unemployment Rate. (Accessed 01 December 2018): <https://data.oecd.org/unemp/long-term-unemployment-rate>.

²⁴ Statistics South Africa. (2018). Who Is Most Likely to Be Affected by Long-Term Unemployment? Pretoria: South Africa.

Chapter 2: Gauteng and Municipal Economic Review

2.1 Introduction

The slow pace of economic growth recovery in South Africa and in Gauteng continues to be a key challenge for policymakers. The lacklustre growth, which has been mainly marked by domestic constraints, was also worsened by external shocks. On the domestic side, slow growth has been marked by weak consumer and business confidence which affects household consumption and investment. Furthermore, the limited fiscal space, as mirrored by the constrained government expenditure, has not been helpful. From the external side, currency depreciation and the negative impact of the escalating trade tensions between China and the US have affected the province's manufacturing and mining sectors.

The current growth trajectory does have implications for the province's efforts to create jobs as well as alleviate poverty and inequality (this is outlined in detail in Chapter 3). The deteriorating state of public finances, which affects the national transfers to provinces, means that the provincial government is not only limited in its ability to provide social services but is also constrained in its capacity to expand investment necessary for economic and social development. The poor economic performance and high unemployment would necessitate a continued focus on prioritising policy imperatives that cater for crucial social services, such as health and education. The province's radical Transformation, Modernisation and Reindustrialisation (TMR) programme - together with the goals of the National Development Plan - are key focus areas of the Fifth Administration which came into effect in 2014.

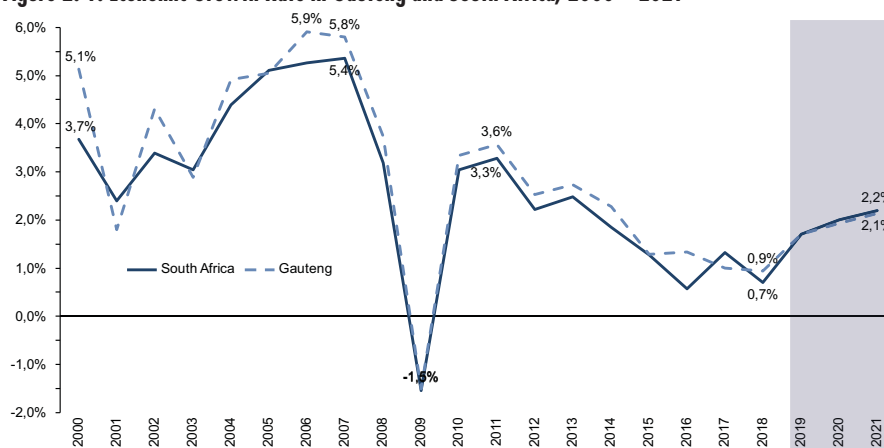
This chapter reviews the economic performance of the province over the past year or so and also looks at progress made and challenges encountered in delivering the Gauteng Provincial Government's (GPG's) policy framework of TMR. This is done in the context of the province's economic performance. The chapter also provides an outlook on how the economy is likely to perform in the next two years or so.

The chapter is structured as follows: Section 2.2 reviews Gauteng's economic performance. Section 2.3 looks at the performance of the metropolitan municipalities' (metros) economies. This is followed by Section 2.4, which reviews the economic performance of the province's district municipalities and their local municipalities. Section 2.5 focuses on the performance of the labour market in the province and its regions. Sections 2.6 reviews gains made and challenges experienced in carrying out the strategic policy objectives of the provincial government. This is followed by Sections 2.7 and 2.8 that provide economic outlook for the province and offer concluding remarks.

2.2 Performance of the Gauteng Economy

Similar to the national economy, Gauteng's economic growth has gradually decelerated, particularly since 2013. Since then, the province's economy has grown by roughly 2.5 per cent. It slowed down further, between 2015 and 2017, when it grew at below 1.5 per cent. For 2018, provincial growth is expected to have slowed to 0.9 per cent. This is reflective of low business and consumer confidence levels as well as constrained government revenue.

The meagre growth rate estimate for 2018 is accounted for by declining output in the manufacturing, finance, trade and government services sectors. Combined, these constitute the largest share of economic activity in the province. These developments were worsened by external shocks, including global trade tensions, a volatile domestic currency and higher oil prices.

Figure 2. 1: Economic Growth Rate in Gauteng and South Africa, 2000 – 2021

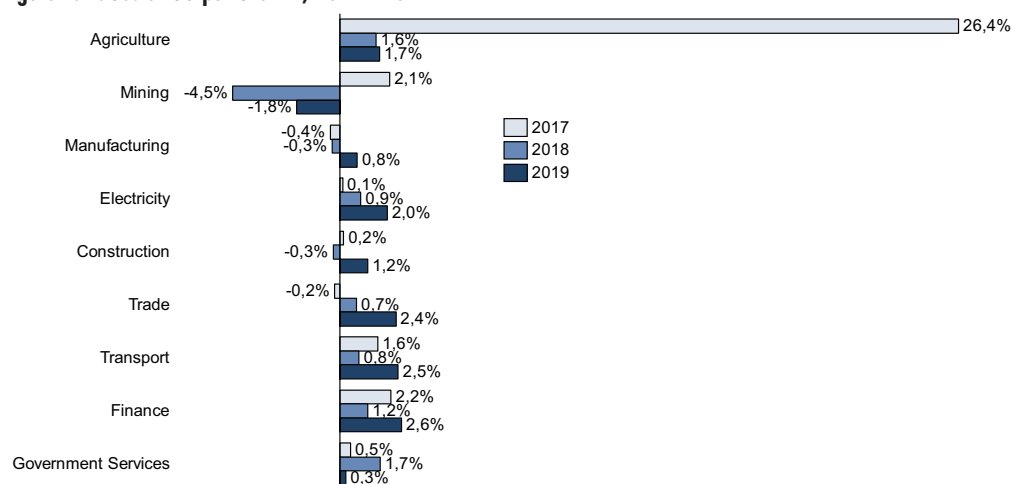
Source: SARB and IHS Markit, 2019

Note: Shaded area illustrates forecasts.

Despite this, growth projections over the medium term remain optimistic. IHS Markit expects the Gauteng economy to recover to 1.7 per cent in 2019 and to over 2 per cent by 2021. The estimates suggest that the province's economy will still outperform the national economy to reflect some recovery in the finance and trade sectors.

Sector Performance

The Gauteng economy is driven by services sectors with the tertiary sector²⁵ accounting for the largest share of economic output at 74.7 per cent in 2018. Within the tertiary sector, financial services, government services and trade contributed 25.2 per cent, 25.9 per cent and 13.7 per cent, respectively. Among the non-services sectors, manufacturing accounts for a higher share of economic output at 14.5 per cent.

Figure 2. 2: Sector Output Growth, 2017 – 2019

Source: IHS Markit, 2018

In 2018, growth in output is expected to have slowed in finance, agriculture and transport so leading to a proportional decline in the contribution of these sectors to GDP- R growth. Output is expected to have gone down by 1.2 per cent in the financial sector in 2018, from the 2.2 per cent growth recorded in 2017. Similarly, output in agriculture is expected to have declined to 1.6 per cent in 2018 from 26.4 per cent in 2017. Transport is expected to have decreased by 0.8 per cent. Manufacturing and mining are the only sectors where growth in output is expected to have contracted in 2018, by 0.3 and 4.5 per cent respectively.

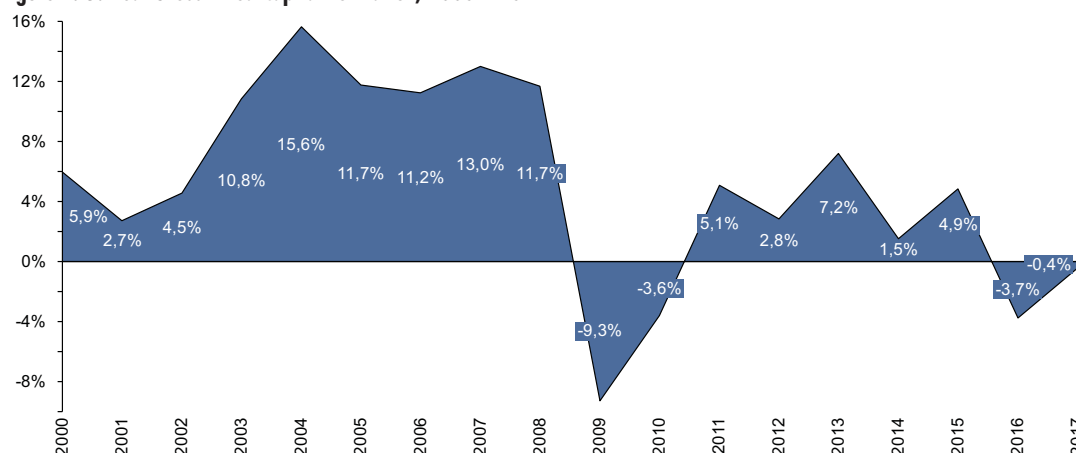
For 2019, output growth is estimated to improve in all sectors, except in mining, manufacturing and government services. This is expected to lead to an improvement of 1.7 per cent in the province's GDP growth in 2019, a marginal recovery from 0.9 per cent in 2018.

²⁵ The tertiary sector is made up of finance services, government services, trade and transport industries.

Investment

In 2017, the total value of investment, as a percentage of GDP, was 18.5 per cent in Gauteng, which is marginally lower than 18.8 per cent in the previous year. The 10-year average - from 2007 to 2017 - was 19.1 per cent. Investment, especially by the private sector, is influenced mostly by business confidence. Other factors that influence investment include the level of demand in the economy and the state of governance, particularly for investment in the public sector.

Figure 2.3: Real Gross Fixed Capital Formation, 2000 – 2017



Source: Quantec EasyData, 2018

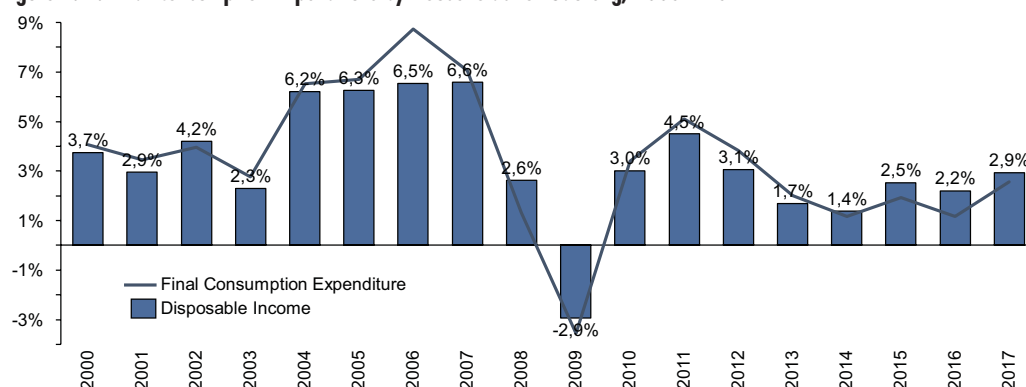
In 2017²⁶, growth in real investment continued its negative trend, although at a lesser pace than in 2016. Investment contracted by 0.4 per cent in 2017 after having contracted by 3.7 per cent in the previous year. The relatively higher levels of investment were last seen in the period 2003 to 2008 just before the global financial crisis hit.

The main drivers of negative investment growth have been low business confidence levels, operational and governance challenges faced by SoEs and the generally low levels of demand in the economy.²⁷

Household Consumption Expenditure

Real consumption expenditure by households is an important component of GDP-R. It is made up of spending on durable, semi-durable, non-durable goods and services. In 2017, services accounted for the highest share of consumption expenditure at 47.7 per cent, followed by non-durable goods (34.7 per cent), durable (8.9 per cent) and then semi-durable (8.7 per cent). Broadly speaking, household consumption is influenced by factors such as consumer confidence, inflation, interest rates, wage growth and disposable income.

Figure 2.4: Final Consumption Expenditure by Households for Gauteng, 2000 – 2017



Source: Quantec EasyData, 2018

²⁶ 2017 is the latest year that data is available for final household consumption expenditure, gross fixed capital formation, and international trade data

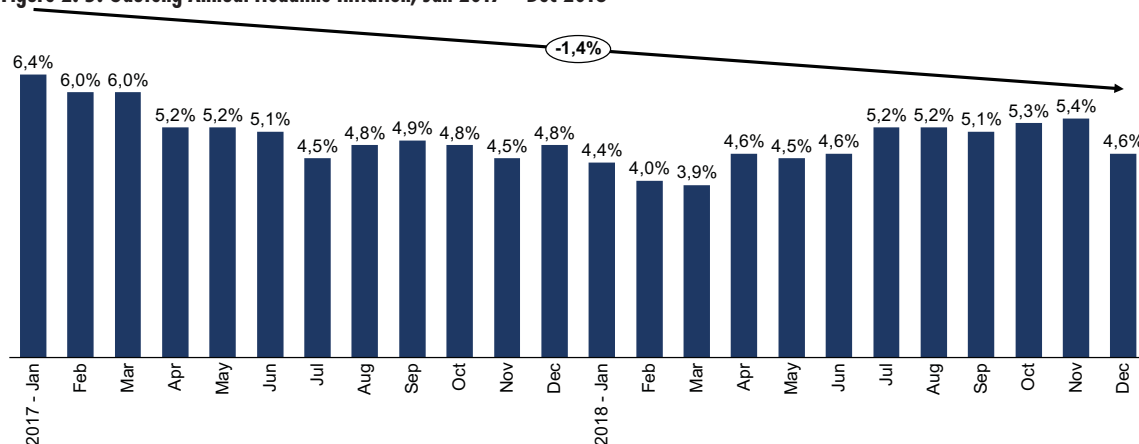
²⁷ National Treasury. (2018). *Medium Term Budget Policy Statement*. Pretoria.

Final consumption expenditure by households rose by 2.6 per cent in 2017 after having grown by 1.2 per cent in the previous year. This was driven by expenditure on services which grew at a faster pace than other components of household expenditure as well as the increase in spending on durable goods which recovered from three consecutive years of contraction.²⁸ Since 2012, growth in consumption by households has remained below 2 per cent, making the 2017 rate the highest recorded in five years. Growth in 2017 was supported by improved growth in household disposable income, which recovered to 2.9 per cent during the same year. Growth in disposable income was boosted by a better inflationary environment and lower interest rates, which provided some relief to households' incomes.

Provincial Consumer Price Inflation

Inflation has improved significantly from the time when it was pushed up by the negative effects of drought in 2016. Between January 2017 and December 2018, year-on-year inflation has declined by an annual average of 1.4 per cent. It remained around at 4 per cent since the beginning of 2018. However, the rate has been rising by over 5 per cent year-on-year since July 2018, before slowing to 4.6 per cent in December 2018.

Figure 2. 5: Gauteng Annual Headline Inflation, Jan 2017 – Dec 2018



Source: Stats SA, 2019

The main drivers of inflation have mainly been the rising international oil price and a depreciation in domestic exchange rate. By September 2018, provincial headline inflation had reached 5.2 per cent year-on-year rising uncomfortably closer to the upper end of the 3 - 6 per cent target band, before declining to 4.6 per cent in December. At the national level, inflation was 4.9 per cent in September. As such, the South African Reserve Bank (SARB), during its last Monetary Policy Committee (MPC) meeting of 2018, raised the repurchasing rate (repo) by 25 basis point to 6.75 per cent. This was the first time the MPC raised interest rates in that year. Given the lacklustre economic growth, this is likely to have unfavourable implications for the already low household consumption expenditure.

Imports and Exports Trends

This sub-section analyses trends in Gauteng's imports and exports of goods.²⁹ The data does not include trade in services. The total share of exports for agriculture, mining and manufacturing are the ones indicated, with only the highest contributing industries within those sectors highlighted. This is applicable for both Tables 2.1 and 2.2.

²⁸ Quantec EasyData. (2018). Data Set: RIES – Household and Income Expenditure. (Access on 11 November 2018). <https://www.easydata.co.za>

²⁹ The provincial import and export figures are subject to limitations which should be kept in mind when making the analysis. The provincial trade figures are usually tied to postal codes of head office or agents that reports imports and exports activities. The South African Revenue Services (SARS) calculates provincial imports and exports figures by aggregating figures for all postal codes in each province. As such, there is a limitation in allocating trade to the right region because the postal codes may not reflect the correct region where the actual import or export activity took place but may recognise the agent that handles international trade transactions. In most cases, these transactions are usually handled by the head office, which may not be in the same province as branches where the actual import and export activity happened (Information accessed from Quantec Research, 2018.).

Table 2. 1: Exports of Goods in Gauteng, 2016 and 2017

Sector	2016		2017	
	Contribution to total	Growth rate	Contribution to total	Growth rate
Total	100%	10.97%	100%	9.95%
Agriculture	1.56%	35.09%	1.86%	30.69%
Vegetables	0.24%	31.41%	0.20%	-6.52%
Meat	0.21%	16.41%	0.20%	7.71%
Mining	28.62%	7.70%	35.13%	34.73%
Precious Metals	6.23%	11.88%	5.49%	-3.19%
Mineral Products	14.63%	20.10%	17.81%	33.83%
Base Metals	12.84%	8.78%	11.52%	-1.40%
Iron & steel	8.87%	15.15%	7.89%	-2.20%
Manufacturing	68.10%	9.74%	61.69%	-0.57%
Vehicles & Other Transport Equipment	15.62%	19.19%	14.16%	-0.32%
Prepared Food Stuff, Beverages & Tobacco	2.62%	15.68%	2.45%	2.76%
Pharmaceutical Products	0.61%	19.06%	0.54%	-2.79%

Source: Quantec Research, 2018

Note: Iron & steel is the major industry contributing to the base metals category

Growth in the export of goods slowed marginally in 2017, decreasing to 9.95 per cent from 10.97 per cent in the previous year. The slowdown was mainly because of lower manufacturing and agricultural exports. Manufacturing exports contracted by 0.57 per cent in 2017. Within the selected sub-sectors, exports of vehicles and other transport equipment as well as pharmaceutical products declined during the year. Exports of prepared food stuff, beverages and tobacco grew at a much slower pace.

Table 2. 2: Imports of Goods to Gauteng, 2016 and 2017

Sector	2016		2017	
	Contribution to total	Growth rate	Contribution to total	Growth rate
Total	100%	2.12%	100%	1.21%
Agriculture	2.12%	58.86%	1.17%	-44.04%
Vegetables	0.10%	-0.53%	0.08%	20.85%
Meat	0.28%	-0.53%	0.34%	20.85%
Mining	9.07%	-19.11%	11.23%	25.35%
Precious Metals	1.46%	56.39%	1.67%	15.40%
Mineral Products	9.48%	-16.96%	11.26%	20.21%
Base Metals	4.17%	-6.18%	3.93%	-4.59%
Iron & steel	1.0%	-11.42%	0.9%	-3.16%
Manufacturing	88.45%	4.03%	87.30%	-0.10%
Vehicles & Other Transport Equipment	18.51%	7.66%	19.33%	5.70%
Prepared Food Stuff, Beverages & Tobacco	2.33%	17.12%	2.30%	0.10%
Pharmaceutical Products	3.51%	1.50%	3.66%	5.60%

Source: Quantec EasyData, 2018

Imports grew at a much slower pace in 2017 than in the previous year. These rose by only 1.2 per cent compared with 2.1 in 2016. This is in line with a slowdown in economic activity which has been characterised by low investment and meagre growth in household consumption. Slow growth in imports was as a result of the negative growth in imports of manufactured products. Manufacturing, which accounts for over 80 per cent of total imports in Gauteng, declined by 0.1 per cent in 2017 after having increased by 4 per cent in 2016. Among the selected sub-sectors of manufacturing, imports of prepared food stuff, beverages and tobacco goods slowed significantly as did imports of vehicles and other transport equipment.

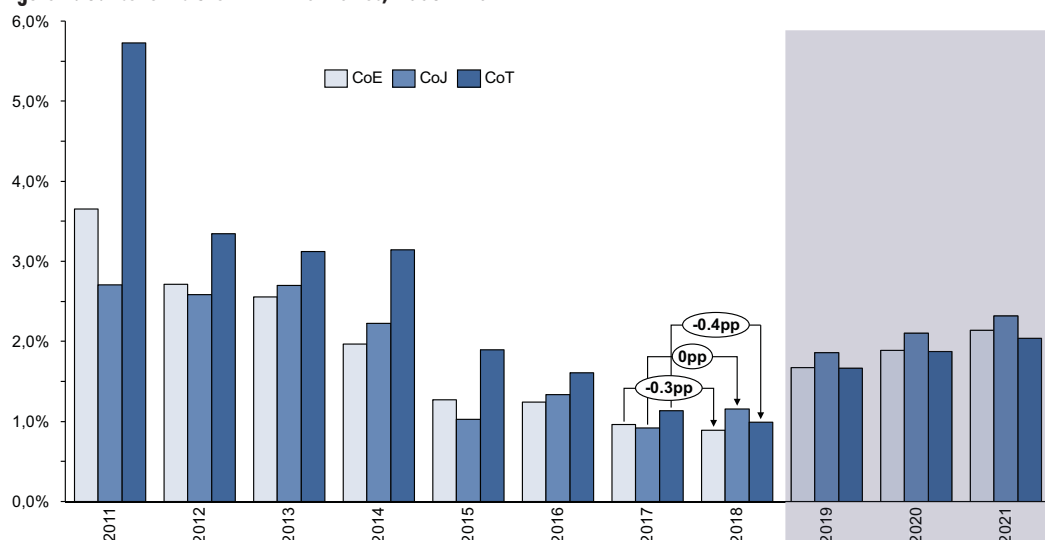
2.3 The Performance of Metropolitan Municipality Economies

Gauteng is made up of three metros: the City of Johannesburg (CoJ), City of Tshwane (CoT) and City of Ekurhuleni (CoE). This section examines the economic performance in these metros.

Economic Developments in the Metros

The CoJ is the largest of the three metros in terms of the economic and population size. In terms of the size of the economy, the CoT is the second-largest metro in the province. However, in terms of population size, the CoE is the second-most populated metro in Gauteng.

Figure 2. 6: Economic Growth in the Metros, 2006 – 2021



Source: IHS Markit, 2019

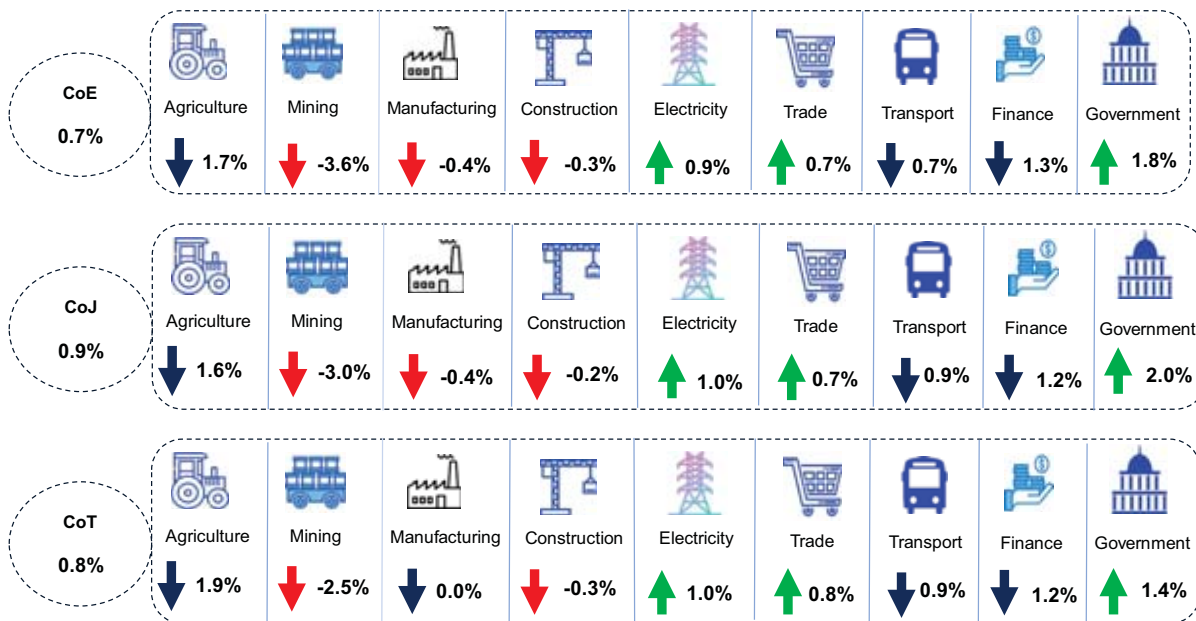
Note: Shaded area illustrates forecasts.

Economic growth continued to decelerate in 2018 across all the metros. The economy of the CoE is expected to have slowed to about 0.9 per cent in 2018, down from 1 per cent recorded in 2017. Growth was held back by the poor performance of the manufacturing sector, which accounts for a significant share of the CoE's total output.

Similarly, economic growth is expected to have decreased in the CoT, slowing to 1 per cent in 2018 from 1.1 per cent in 2017. In the CoT, the government sector predominately drives the economy and, as such, the increase in output of the government services offset declines in the output of other sectors including finance and manufacturing. On the other hand, the economy of the CoJ is expected to have grown by 1.2 per cent, from 0.9 per cent 2017. The economy was held back by slow growth in the output of the finance sector, which accounts for a noticeable proportion of economic activity in the CoJ.

Sector Performance

A key contributor to the economies of the metros in the province is the tertiary (finance, government, trade and transport) and secondary sectors (mainly manufacturing). The significance of these sectors varies for each metro. For example, in 2018 manufacturing activity accounted for 20.5 per cent of economic output in the CoE, compared with 13.6 per cent in the CoJ and 11.1 per cent in the CoT. Similarly, the finance sector contributed a proportionally higher share of economic activity in the CoJ (at 29.7 per cent) than in the CoT (23.2 per cent) and CoE (21.3 per cent). In the CoT, government accounted for 32.3 per cent of economic output in 2018.

Figure 2. 7: Sector Output Growth for Metros in 2018

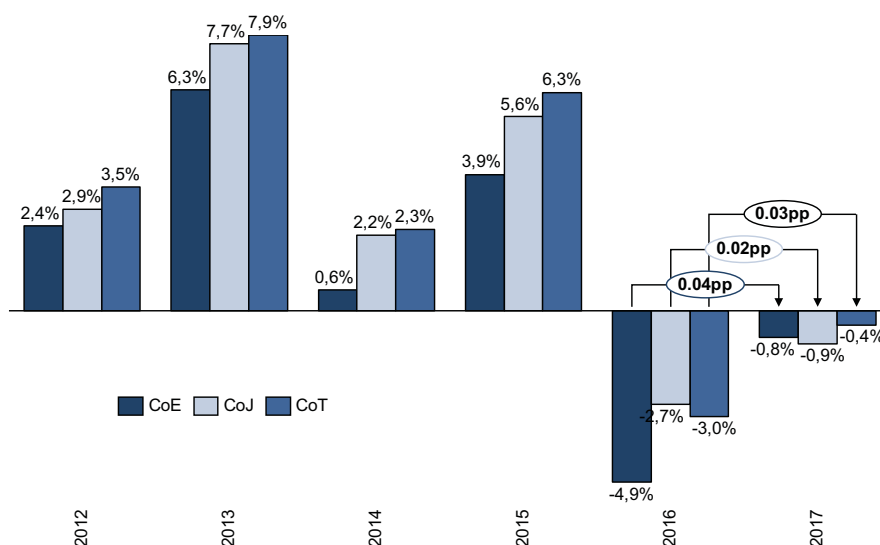
Source: IHS Markit, 2019

Note: Blue arrows indicate deceleration in growth. Green arrows indicate increase and red shows contraction.

There was a broad-based decline in the output of sectors in the province's metros in 2018. This reflects tough economic conditions during the year. Growth in manufacturing output is expected to have contracted in all metros, except in the CoT where there was no growth in 2018. This was indicative of the overall low demand in the economy of the province. Output in the financial sector is expected to have decreased by 1.2 per cent in the CoJ and CoT during the same year. Despite the constrained fiscal purse, output in government services is expected to have increased in all the metros by 1.4 per cent in the CoT, 2 per cent in CoJ and by 1.8 per cent in the CoE. Trade was also up across all metros although it increased at below 1 per cent throughout.

Investment

This sub-section looks at real investment in the province's metros, which is an important stimulus of economic activity.

Figure 2. 8: Growth in Real Gross Fixed Capital Formation, 2012 – 2017

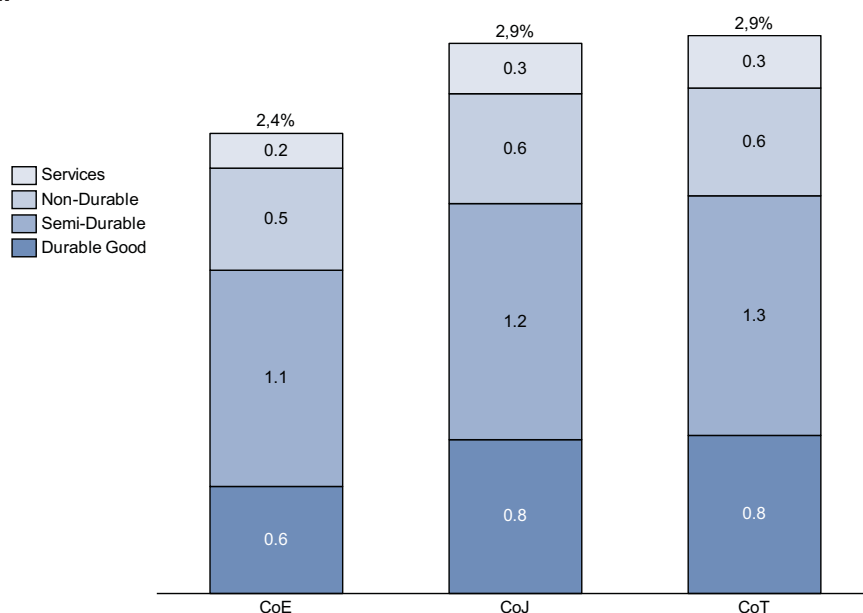
Source: Quantec EasyData, 2018

Growth in real gross fixed capital formation improved slightly in 2017 although it remained negative. In the CoE, investment contracted by 0.8 per cent in 2017 which was slightly better than -4.9 per cent recorded in the previous year. It contracted by 0.4 per cent in the CoT and by 0.9 per cent in the CoJ, improving from negatives 3 and 2.7 per cent, respectively in 2016. Investment in the province has been held back by weak business confidence and the generally low demand in the economy.

Household Consumption Expenditure within Metros

Metros account for over 80 per cent of households in the province and thus household consumption plays a noticeable role in the province's economic activity. This sub-section analyses final household consumption expenditure in the metros.

Figure 2. 9: Contribution of Expenditure Components to Household Expenditure Growth in Metros, 2017



Source: Quantec EasyData, 2018

Growth in final household consumption expenditure expanded to 2.9 per cent in both the CoJ and CoT in 2017. This was a notable improvement from the 1.1 per cent and 1.4 per cent recorded in 2016.³⁰ The driver of growth in household consumption expenditure was expenditure on semi-durable goods, which contributed 1.2 percentage points in the CoJ and 1.3 percentage points in the CoT. In the CoE, spending on semi-durable goods contributed 1.1 percentage points to the 2.4 per cent growth in household consumption expenditure. Expenditure on durable goods also increased significantly, adding 0.8 percentage points in the CoJ and CoT and 0.6 percentage points in the CoE.

Imports and Exports Trends

This sub-section analyses trade of goods in the province's metros. As previously mentioned, provincial trade data is subject to some limitations which are associated with the "head office" effect as explained in footnote 5.

30 Quantec EasyData. (2018). Data Set: RIES—Household Income & Expenditure by 2011 Municipality/Ward-Based Metro Region. (Access on 11 November 2018). <https://www.easydata.co.za>

Table 2. 3: Export of Goods in Metros, 2016 – 2017

Region/Sector	2016		2017	
	Contribution to total	Growth rate	Contribution to total	Growth rate
CoE	100%	0.4%	100%	3.4%
Agriculture	1.1%	0.8%	1.0%	-0.9%
Mining	5.4%	1.3%	5.2%	0.4%
Manufacturing	93.5%	0.3%	93.7%	3.6%
CoJ	97%	14.6%	98%	14.6%
Agriculture	1.9%	37.2%	2.3%	37.2%
Mining	35.2%	42.0%	43.6%	42.0%
Manufacturing	59.8%	-0.7%	51.8%	-0.7%
CoT	100%	11.3%	100%	4.8%
Agriculture	1.3%	30.1%	1.4%	11.6%
Mining	26.5%	-7.4%	31.4%	23.8%
Manufacturing	72.1%	19.9%	67.3%	-2.3%

Source: Quantec EasyData, 2018

The total value of exports increased by 3.4 per cent in the CoE in 2017 up from 0.4 per cent in 2016. This was owing to an increase in the value of exported manufactured goods, which rose by 3.6 per cent from 0.3 per cent in 2016. Export of goods also rose in the CoJ, increasing by 14.6 per cent because of significant growth in the export of mining products (42 per cent). A notable jump in mining exports was also recorded in the CoT at 23.8 per cent, resulting in a 4.8 per cent increase in the total value of exported products in the CoT.

Table 2. 4: Import of Goods in Metros, 2016 – 2017

Region/Sector	2016		2017	
	Contribution to total	Growth rate	Contribution to total	Growth rate
CoE	100%	1.1%	100%	1.3%
Agriculture	0.6%	3.7%	0.6%	-9.2%
Mining	1.1%	16.8%	5.1%	384.7%
Manufacturing	98.3%	0.9%	94.3%	-2.8%
CoJ	99%	3.0%	100%	-1.6%
Agriculture	2.8%	91.5%	1.3%	-55.0%
Mining	13.6%	-20.5%	15.6%	13.5%
Manufacturing	83.1%	6.5%	82.6%	-2.2%
CoT	100%	-0.2%	100%	11.7%
Agriculture	1.7%	-11.7%	1.5%	-3.6%
Mining	0.7%	-24.3%	0.5%	-26.9%
Manufacturing	97.6%	0.2%	98.1%	12.2%

Source: Quantec EasyData, 2018

The total value of imports increased by 1.3 per cent and 11.7 per cent in 2017 in the CoE and CoT, respectively. In the CoE, growth in imports of mining products jumped significantly. This offset the negative effect of a decline in the imports of agricultural and manufacturing products. An increase in the imports of manufacturing products (12.2 per cent) in the CoT cushioned against the negative impact of contractions in imports of agricultural and mining products. The total value of imports declined in the CoJ, which was mainly driven by a fall in imports of agricultural and manufacturing products.

2.4 The Performance of District Municipality Economies

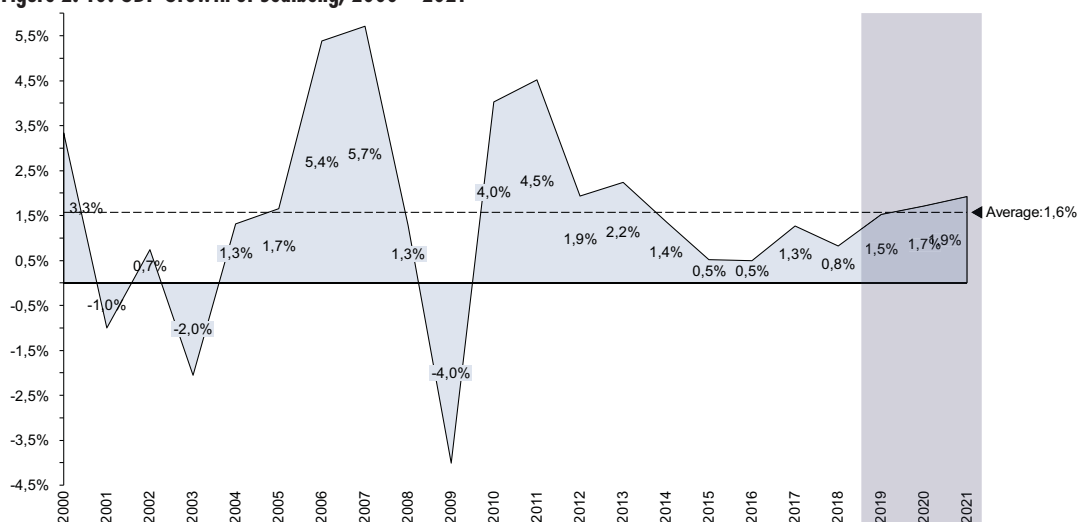
In addition to the three metros, Gauteng houses two district municipalities: Sedibeng and West Rand. Sedibeng has three local municipalities: Emfuleni, Lesedi and Midvaal. The West Rand also consists of three local municipalities: Mogale City, Merafong City and Rand West City. This sub-section focuses on the economic performance of the two districts and their local municipalities.

Economic Developments in Sedibeng

Sedibeng is the fourth-largest contributor to the Gauteng economy. The predominant economic sector in this district is the manufacturing of fabricated metal (mainly steel) and chemicals. This sub-section reviews the recent economic performance trends in Sedibeng and its local municipalities.

GDP Growth Performance

Figure 2. 10: GDP Growth of Sedibeng, 2000 – 2021

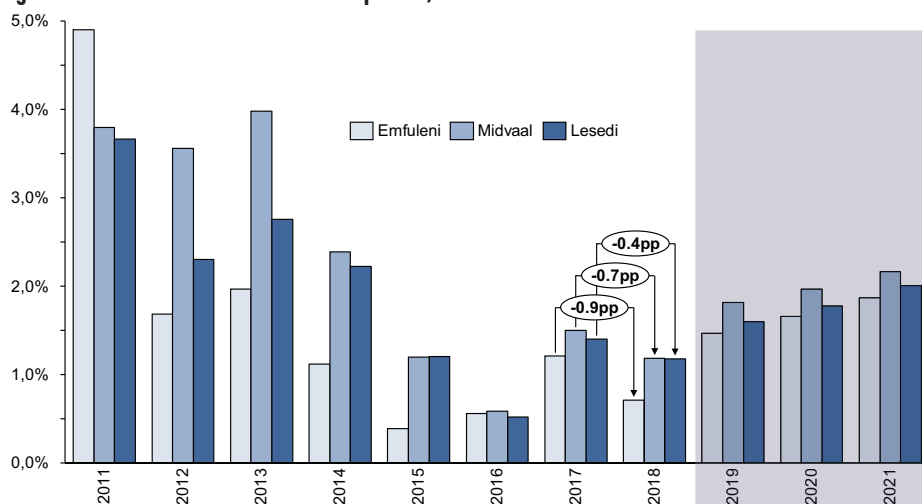


Source: IHS Markit, 2019

Note: Shaded area illustrates forecasts.

Sedibeng's economy recovered to 1.3 per cent in 2017 after growing by 0.6 per cent in 2016. This recovery, however, is expected to have slowed in 2018, with economic growth estimated at 0.8 per cent. The slow pace of economic recovery in the region in 2018 was driven by negative growth in manufacturing output which accounts for 24 per cent of economic activity in the region. The finance sector, which also accounted for a noticeable share of economic activity (21 per cent), is estimated to have grown at a much slower pace in 2018.

Figure 2. 11: GDP Growth of Local Municipalities, 2004 – 2021



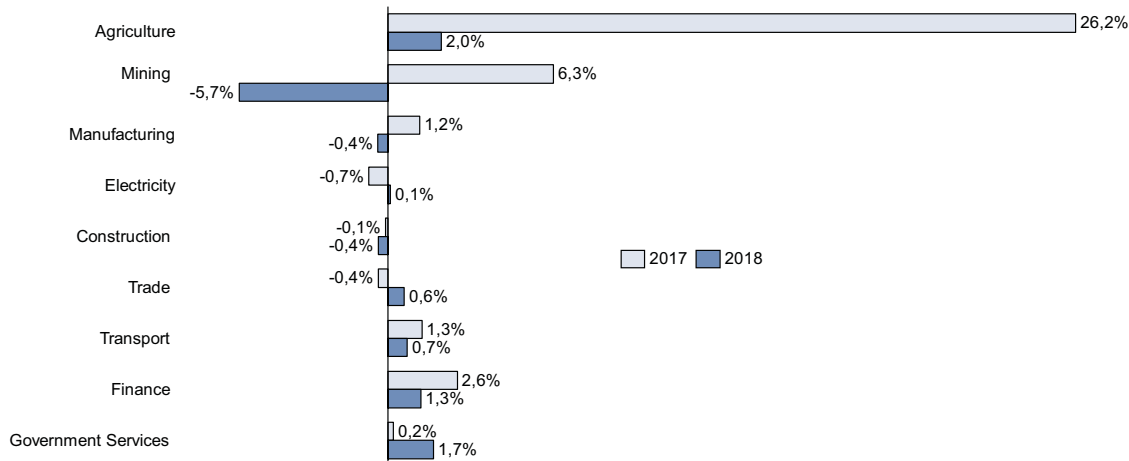
Source: IHS Markit, 2019

Note: Shaded area illustrates forecasts.

Similar to the district, growth is expected to have slowed in the Sedibeng local municipalities in 2018. Emfuleni, which is the largest local municipality in the region, is expected to have recorded the lowest growth rate of 0.7 per cent, which is down from 1.2 per cent in 2017. The Midvaal economy is expected to have grown at 1.2 per cent, compared with 1.5 per cent in 2017. Lesedi is estimated to have grown at 1.2 per cent in 2018, down from 1.4 per cent in 2017. The economies of Emfuleni and Midvaal were negatively affected by the negative growth in the manufacturing sector while Lesedi somewhat benefited from better growth in its manufacturing and agriculture sectors.

Sector Performance

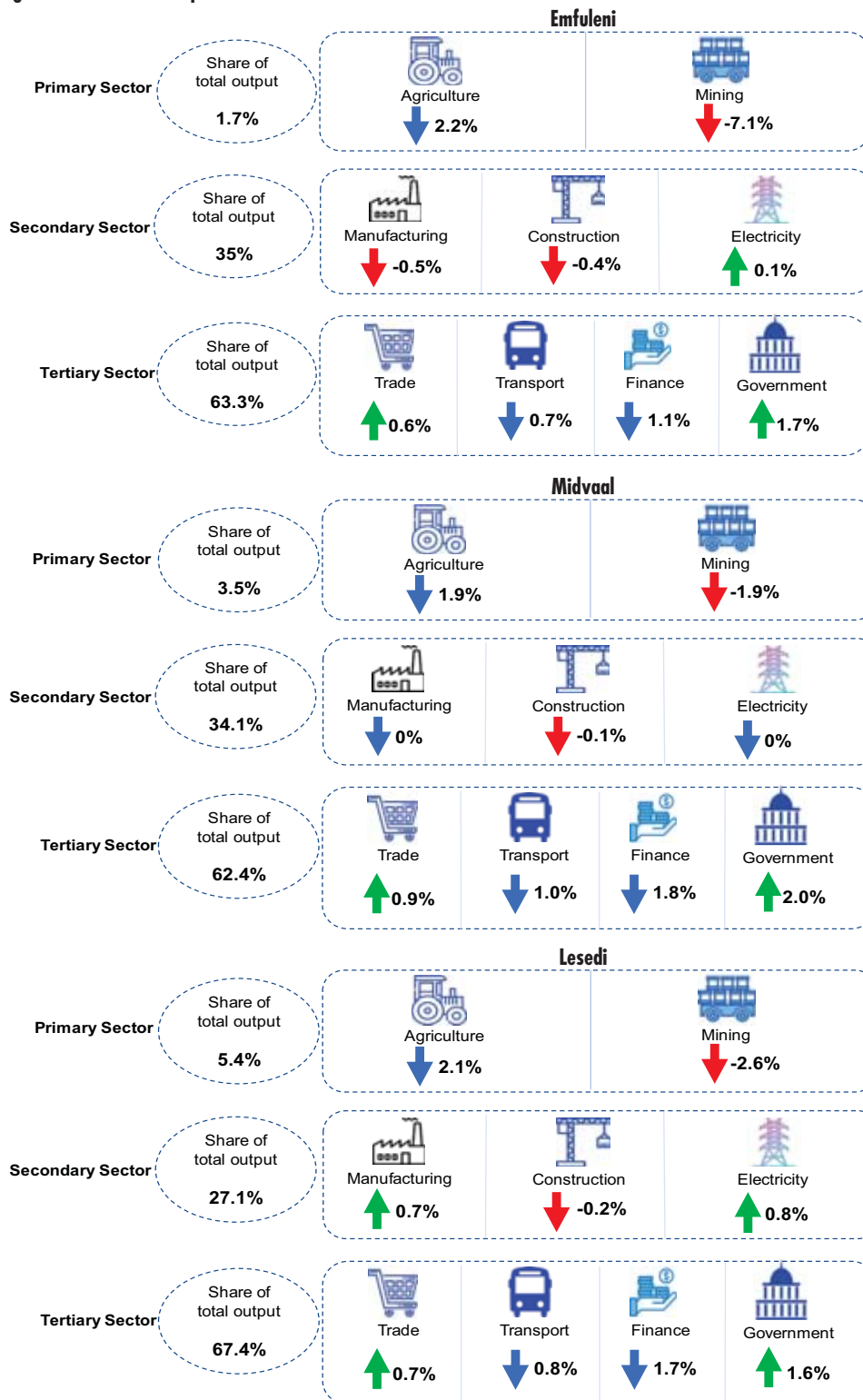
Figure 2. 12: Sedibeng's Sector Output Growth, 2017 and 2018



Source: IHS Markit, 2019

After expanding by 26.2 per cent in 2017, owing to base effects, output in the agricultural sector is expected to have slowed by 2 per cent in 2018. However, the impact of a decline in agricultural output in Sedibeng will not be significant as the sector accounts for only 1.2 per cent of economic output. Mining is also among the sectors that experienced contractions during the year but, because the sector accounts for roughly 1 per cent of economic activity, the impact will not be that significant.

In the main, manufacturing and finance are the sectors that held back growth in Sedibeng throughout the year. As previously mentioned, the manufacturing sector accounts for 24 per cent of activity in Sedibeng. This sector is expected to have contracted by 0.4 per cent in 2018, down from a growth of 1.2 per cent in the previous year. The contraction was mainly driven by the generally low demand in the domestic economy. Sectors that are estimated to have grown and boosted economic growth in Sedibeng in 2018 are government and trade. Together, these sectors account for 35 per cent of activity in the region.

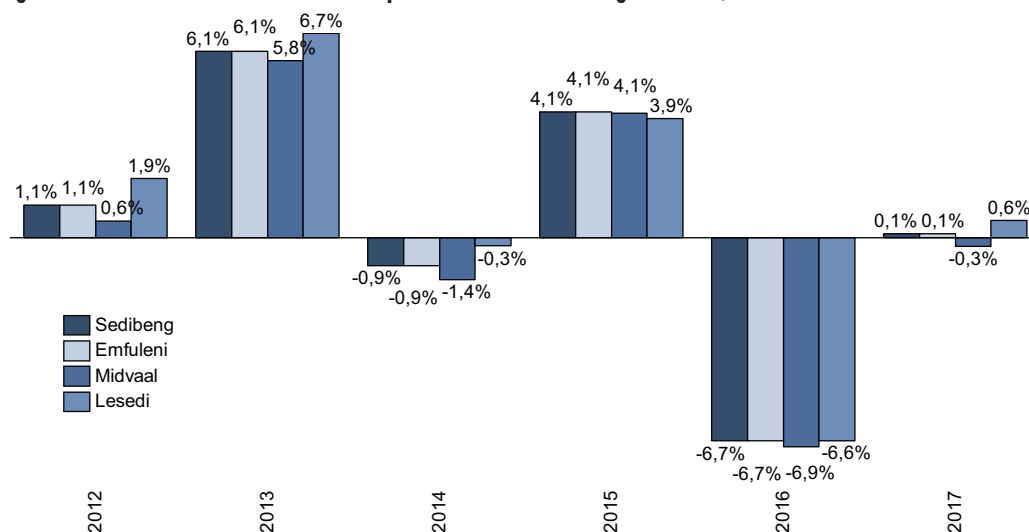
Figure 2. 13: Sector Output Growth in Locals in 2018

Source: IHS Markit, 2018

Note: Blue arrows indicate deceleration in growth. Green arrows indicate increase and red shows contraction.

Municipalities, where economic output is mostly accounted for by manufacturing, were negatively affected by a decline in manufacturing output in 2018. These municipalities are Emfuleni and Midvaal. In Emfuleni, manufacturing output is expected to have contracted by 0.5 per cent in 2018. It is expected for no growth to have been recorded in Midvaal. In contrast, manufacturing output in Lesedi grew by 0.7 per cent in 2018. Overall, sectors where output expanded across all municipalities include government services, trade and electricity.

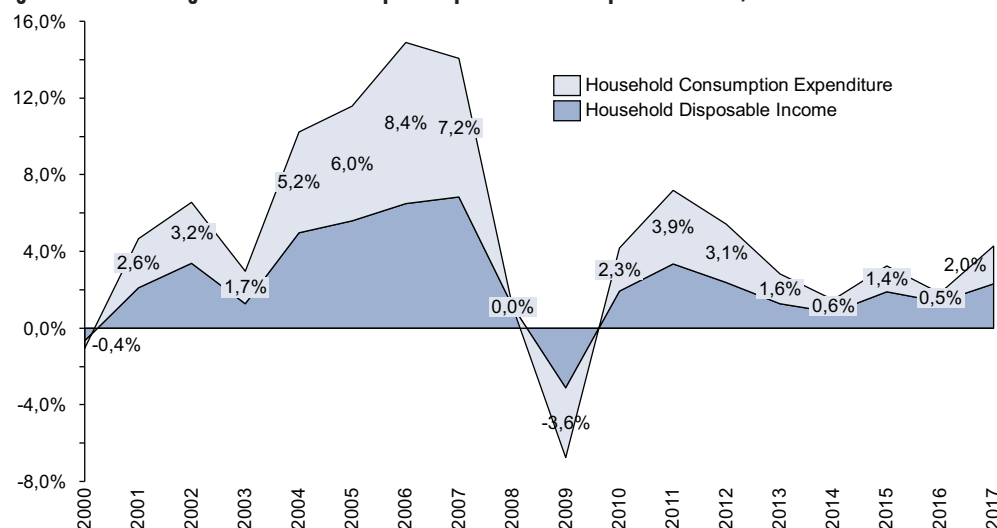
Investment

Figure 2. 14: Growth in Real Gross Fixed Capital Formation in Sedibeng and Locals, 2012 – 2017

Source: Quantec EasyData, 2018

Real investment in Sedibeng and its local municipalities recovered somewhat in 2017 after having contracted in 2016. However, Midvaal was the only local municipality where growth in investment remained in the negative territory, at -0.3 per cent, in 2017. Real investment rose by 0.1 per cent in Sedibeng, driven by increased investment in the manufacturing sector.³¹ Growth in real investment recovered by 0.6 per cent in Lesedi. This was underpinned by strong investment growth in the transport sector which is one of the drivers of economic activity in that area.³² In Emfuleni, investment was up by only 0.1 per cent, driven by manufacturing that is a key sector for economic growth in the sub-region.

Household Consumption Expenditure

Figure 2. 15: Sedibeng's Household Consumption Expenditure and Disposable Income, 2000 – 2017

Source: Quantec EasyData, 2018

Final household consumption expenditure in Sedibeng was up by 2 per cent in 2017 from 0.5 per cent in 2016. The improvement in household expenditure was bolstered by better inflation environment and relatively low interest rates which supported household disposable income. Household disposable income grew by 2.3 per cent in 2017 which was up from 1.4 per cent in 2016.

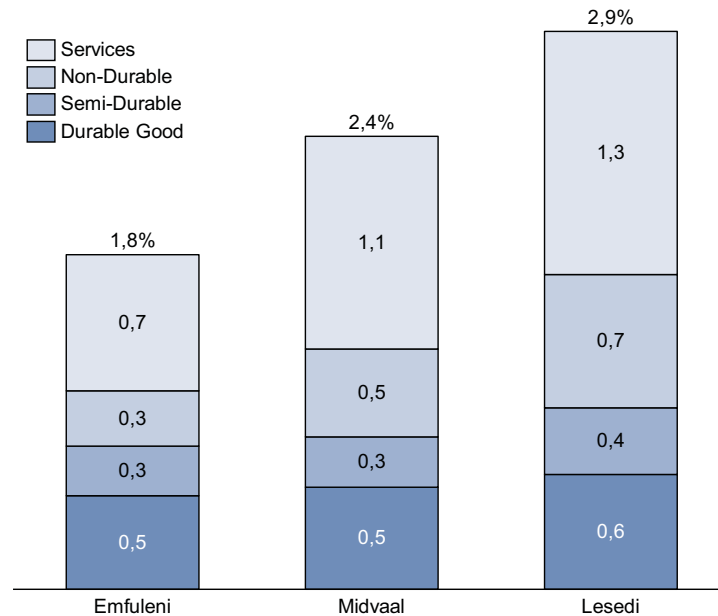
31 Quantec EasyData. (2018). *Data Set: RECAP – Fixed Capital Formation and Capital Stock by Industry*. (Access on 11 November 2018). <https://www.easydata.co.za>

32 Quantec EasyData. (2018). *Data Set: RECAP – Fixed Capital Formation and Capital Stock by Industry*. (Access on 11 November 2018). <https://www.easydata.co.za>

However, growth in household consumption was still relatively low. This suggests that households are still faced with difficult conditions amid high unemployment rate and low economic growth.

Of the components of household expenditure, expenditure on durable goods grew the fastest by 6.5 per cent (from -4.7 per cent in 2016). Expenditure on semi-durable goods was up by 3 per cent, spending on service by 1.9 per cent while expenditure on non-durable goods increased by 1 per cent.³³

Figure 2. 16: Contribution of Components to Household Expenditure Growth in Locals, 2017



Source: Quantec EasyData, 2018

At the local municipal level, final household consumption expenditure increased noticeably in Lesedi. It rose by 2.9 per cent in 2017 from 1.5 per cent in the previous year. The second largest increase in household consumption expenditure was in Midvaal at 2.4 per cent. Despite being the largest economy in the Sedibeng region, growth in household expenditure remained below 2 per cent in Emfuleni, which was driven by low contribution of the services component (compared with the other two locals). The contribution of the services component to total household expenditure growth in Midvaal and Lesedi was 1.1 and 1.3 percentage points, respectively.

Although Emfuleni is the largest economy in the Sedibeng region in terms economic and population size, it is characterised by weak economic activity and high unemployment (highest amongst the three locals). This has negative implications for households' disposable income. Emfuleni's economy is closely linked to the steel industry and the closure of various companies in this industry has negatively affected economic activity in this economy.

33 Quantec EasyData. (2018). *Data Set: RIES – Household and Income Expenditure*. (Access on 11 November 2018). <https://www.easydata.co.za>

Imports and Exports Trends

Table 2. 5: Exports of Goods in Sedibeng, 2016 - 2017

Region/Sector	2016		2017	
	Contribution to total	Growth rate	Contribution to total	Growth rate
Sedibeng	100%	-16%	100%	13%
Agriculture	0.2%	-18.4%	0.1%	-34.6%
Mining	4%	6.9%	4.2%	9.1%
Manufacturing	95%	-17.1%	95.7%	13.4%
Emfuleni	100%	-21%	100%	24%
Agriculture	0.1%	25.5%	0.1%	96.3%
Mining	0.5%	-41.0%	0.5%	47.7%
Manufacturing	99%	-21.4%	99.4%	24.0%
Midvaal	100%	-2%	100%	-22%
Agriculture	0%	-20%	0%	-28%
Mining	7%	9%	10%	13%
Manufacturing	93%	-3%	90%	-24%
Lesedi	100%	40%	100%	-31%
Agriculture	2%	-26%	1%	-76%
Mining	41%	17%	61%	3%
Manufacturing	57%	70%	38%	-54%

Source: Quantec EasyData, 2018

The value of exports in Sedibeng rose by 13 per cent in 2017 from a contraction of 16 per cent in the previous year. The increase in exports was driven by exports in manufacturing sector, which also accounted for the largest share of exported goods in both years. Manufacturing exports went up by 13.4 per cent and these were mostly characterised by exports of iron and steel and articles made from these products. Sedibeng's export growth was held back by agricultural exports which declined by 34.6 per cent. Fortunately, agriculture accounted for just 0.1 per cent of total exports in the region.

At the local municipal level, Emfuleni was the only region where exports grew, increasing by 24 per cent in 2017. Emfuleni houses the majority of steel companies in Sedibeng and thus the significant rise in exports could be explained by the "head office" effect. This is more so given that exports of iron and steel accounted for a noticeable 23.7 per cent in Midvaal but exports still contracted by 22 per cent in 2017. According to the Quantec EasyData data set, the decline in exports in Midvaal was because of the decline in exports of iron and steel, at 20.5 per cent in 2017. Again, this could be attributed to the fact that many steel companies are housed in Emfuleni and thus export figures are tied to the postal codes of the head office, even though export activity did not take place at the head office.

In Lesedi, total exports declined by 31 per cent in 2017. This was owing to a relatively small increase in exports of precious metals and a decline in exports of paper and paperboard which accounted for 61.5 per cent and 19.1 per cent of total exports, respectively.³⁴ Manufacturing exports were down by 54 per cent and agriculture by 76 per cent.

34 Quantec EasyData. (2018). Data Set: TRD11 – RSA Regional Trade HST 6-digit. (Access on 03 December 2018). <https://www.easydata.co.za>

Table 2. 6: Import of Goods in Sedibeng, 2016 – 2017

Region/Sector	2016		2017	
	Contribution to total	Growth rate	Contribution to total	Growth rate
Sedibeng	100%	17%	100%	14%
Agriculture	1%	-11%	2%	320%
Mining	24%	10%	42%	101%
Manufacturing	75%	20%	55%	-16%
Emfuleni	100%	23%	100%	15%
Agriculture	0%	-71%	0%	7%
Mining	27%	10%	47%	102%
Manufacturing	73%	29%	53%	-17%
Midvaal	100%	-15%	100%	-16%
Agriculture	4%	-23%	3%	-33%
Mining	0%	11%	0%	-33%
Manufacturing	96%	-15%	97%	-15%
Lesedi	100%	-24%	100%	125%
Agriculture	15%	9%	56%	754%
Mining	0%	-	0%	-
Manufacturing	85%	-28%	44%	16%

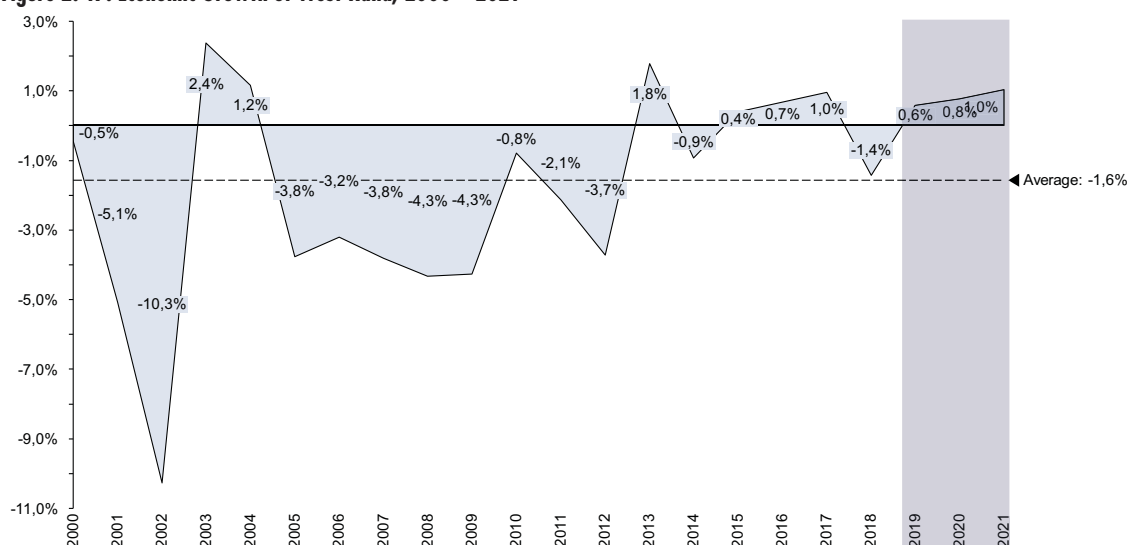
Source: Quantec EasyData, 2018

In 2017 total imports increased by 14 per cent in Sedibeng, which was down from 17 per cent in 2016. The increase in imports was because of agriculture and mining, which increased by 320 and 101 per cent, respectively. At the local level, total imports were up by 15 per cent in Emfuleni and by 125 per cent in Lesedi. In contrast, total imports declined by 16 per cent in Midvaal in 2017, with the decrease recorded in all sectors.

Economic Developments in West Rand

The West Rand District Municipality consists of three local municipalities: Mogale City, Merafong City and West Rand City. In 2018, West Rand is estimated to have contributed about 3.8 per cent to the economic output of the province. The sector that predominately drives the economy of the district is mining. This sub-section outlines recent economic performance of the West Rand district and its local municipalities.

GDP Growth Performance

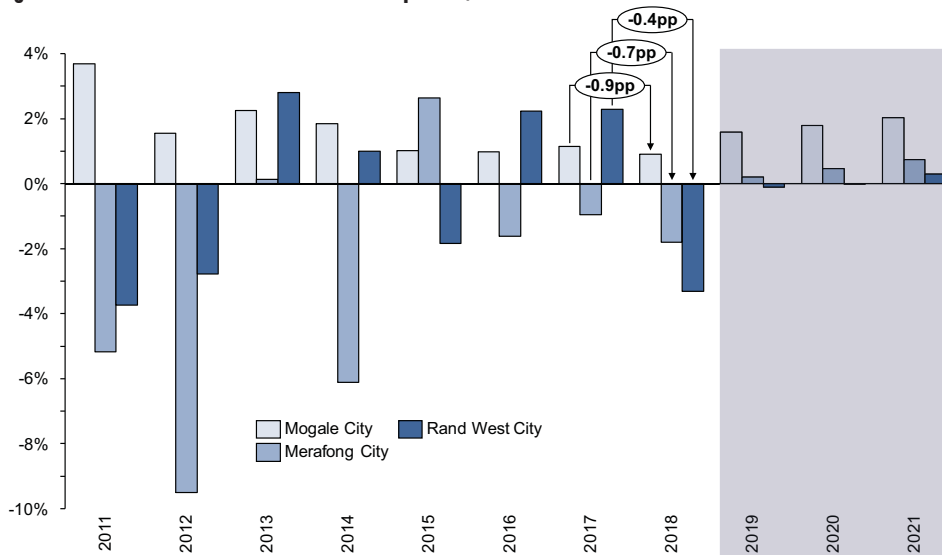
Figure 2. 17: Economic Growth of West Rand, 2000 – 2021

Source: IHS Markit, 2019

Note: Shaded area illustrates forecasts.

The West Rand's economy is expected to have been in recession in 2018, with growth contracting by 1.4 per cent from the 1 per cent in 2017. The decline in economic growth is owing to the decline in mining output. The mining sector, which accounts for roughly 30 per cent of economic activity in West Rand, is expected to have contracted by 8 per cent in 2018. Output in manufacturing and construction also contracted. The economy of West Rand has been negatively affected by the distressed mining sector owing to declining gold reserves, continuously rising input costs and the stagnant international price of gold.³⁵

Figure 2. 18: Economic Growth of Local Municipalities, 2004 – 2021



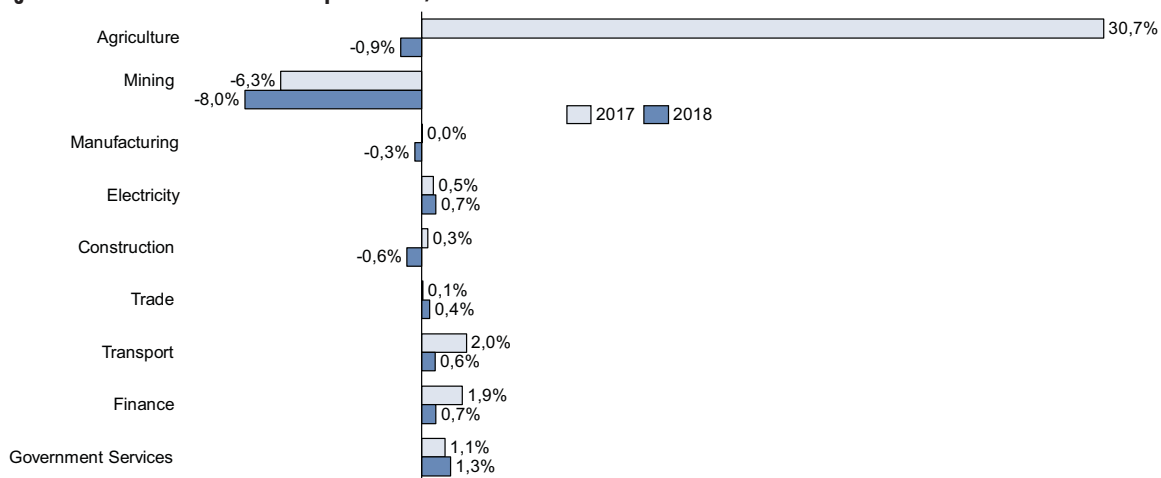
Source: IHS Markit, 2019

Note: Shaded area illustrates forecasts.

Merafong City and Rand West City are expected to have been in recession in 2018, with contractions of 1.8 per cent and 3.3 per cent in economic growth, respectively. These sub-regions have been negatively affected by declining mining output and the impact was more severe because mining activity accounts for over 35 per cent of economic activity in both Merafong and Rand West. In contrast, Mogale City's economy is expected to have grown by 0.9 per cent in 2018, down from 1.1 per cent recorded in 2017. Mogale City's economy is more diversified and mining output contributes as little as 3.1 per cent to the economic activity. The diversification of its economy has helped cushion Mogale City from the negative effects of the declining mining activity in the region.

Sector Performance

Figure 2. 19: West Rand's Sector Output Growth, 2017 and 2018



Source: IHS Markit, 2018

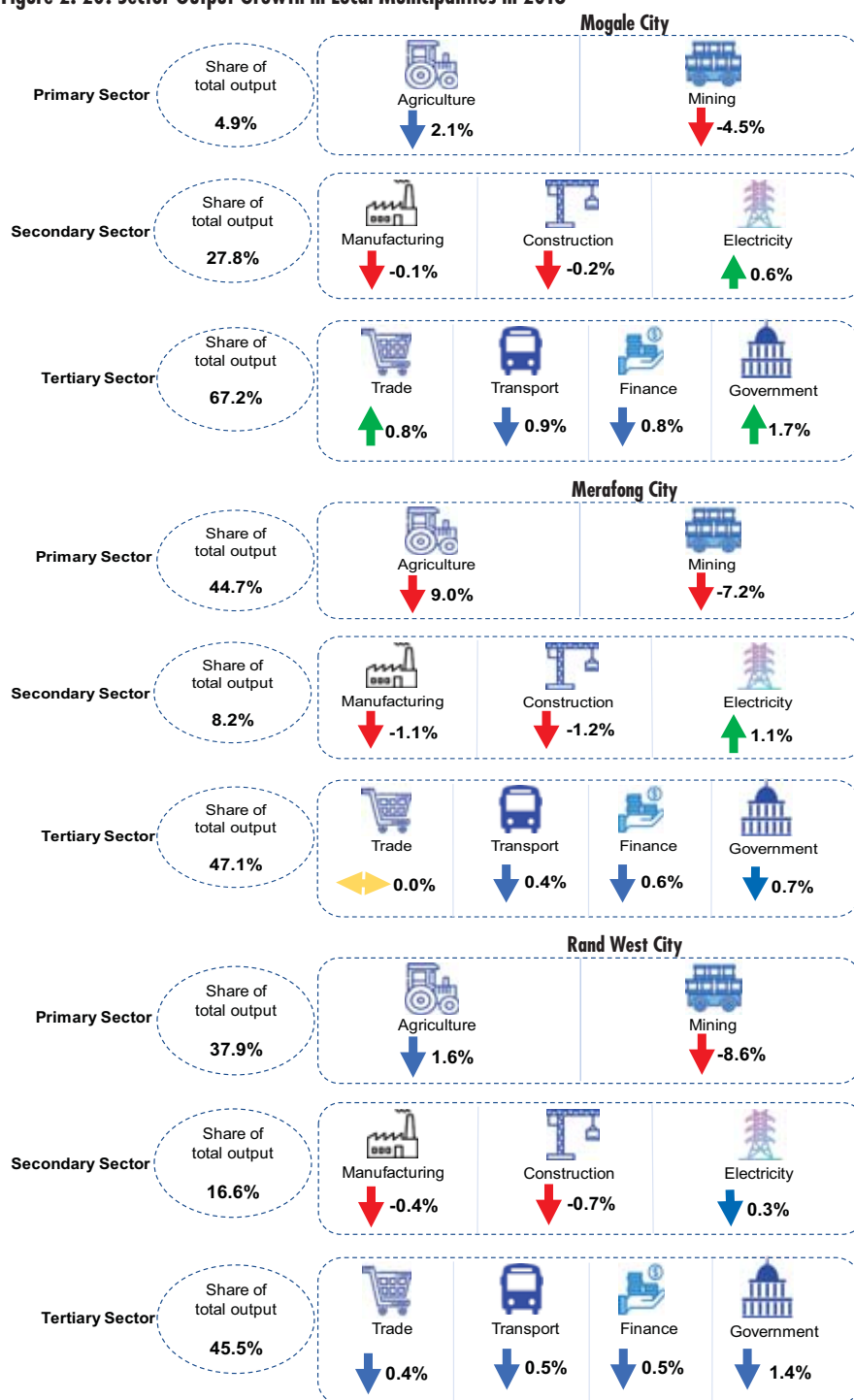
The mining sector in West Rand is the single biggest driver of economic activity. Mining output is expected to account for 29.2 per cent of West Rand's economic output in 2018. Thus, a decline in mining output has serious implications for growth in the region.

³⁵ Chamber of Mines. (2017). *Mining Indaba 2017 Chamber Media Briefing: State of the Mining Sector*. Johannesburg.

Mining is expected to have declined to -8 per cent in 2018, from a contraction of 6.3 per cent in 2017. As previously mentioned, continuously rising input costs and a stagnant gold price are some of the factors that have contributed to this negative outcome.

Government services and finance are the second and third largest contributors to economic activity in the West Rand, respectively. Government services is estimated to contribute 19.8 per cent to the West Rand's economy in 2018 and finance, 14.4 per cent. Thus, the slow output growth in the finance sector (0.7 per cent) in 2018 did not bode well for the district's economy. Output of the government services sector is expected to have increased by 1.3 per cent but, because the improvement was marginal, it was not sufficient to pull West Rand out of recession. Manufacturing, which also accounts for a noticeable share of economic activity in the district, is expected to have declined by 0.3 per cent in 2018.

Figure 2. 20: Sector Output Growth in Local Municipalities in 2018



Source: IHS Markit, 2018

Note: Blue arrows indicate deceleration in growth. Green arrows indicate increase and red shows contraction. Yellow indicates no change in growth.

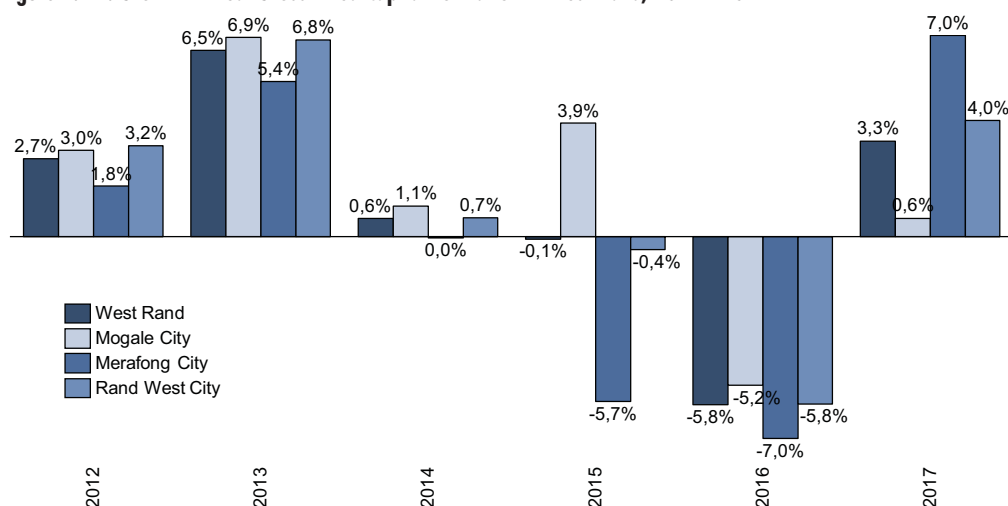
The slow pace of economic growth in Mogale City could be attributed to contractions in the manufacturing and construction sectors which, together, accounted for 23.7 per cent of economic activity in 2018. Manufacturing output is expected to have declined by 0.1 per cent and construction by 0.2 per cent. Sectors where output is expected to have risen in 2018 in Mogale City include government services (1.7 per cent) and trade (0.8 per cent).

In Merafong City, the primary sector accounted for 44.7 per cent of activity in the municipality. Much of this was attributed to mining activity (43.7 per cent). Growth in mining output is expected to have contracted again in 2018, by 7.2 per cent. This is better than the 12.2 per cent contraction in 2017. Other sectors in which output is expected to have declined in 2018 in Merafong City were manufacturing, construction and agriculture. Although at a slower pace than in the previous year, output is anticipated to have grown in the finance, trade and government services sectors in 2018.

Mining output is also expected to have decreased in Rand West City by 8.6 per cent in 2018. Other sectors where output is anticipated to have contracted included manufacturing and construction. Within the tertiary sector, there was a broad-base slowdown in output. Output in the trade sector is expected to have slowed by 0.4 per cent and by 1.4 per cent in government services. Output growth in both the trade and finance sectors is expected to have slowed to 0.5 per cent.

Investment

Figure 2. 21: Growth in Real Gross Fixed Capital Formation in West Rand, 2012 – 2017

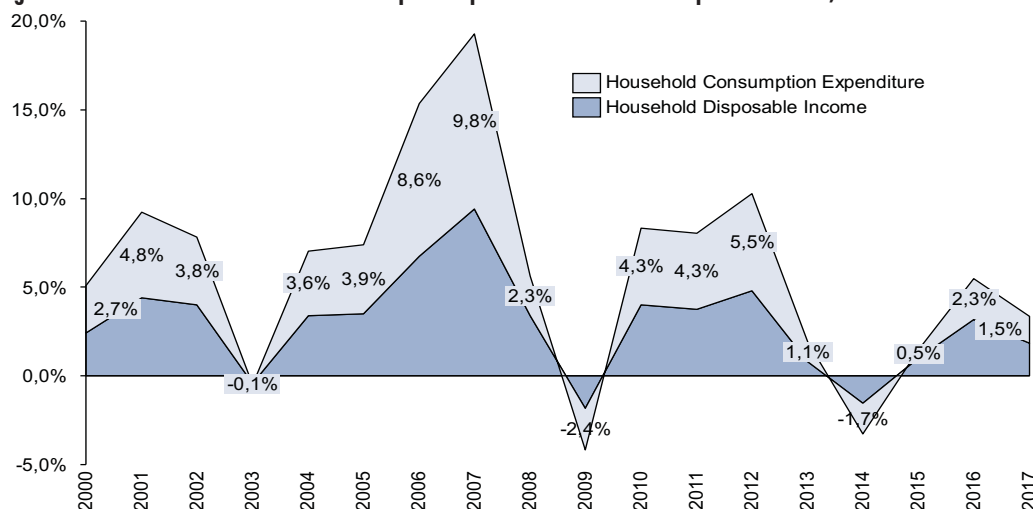


Source: Quantec EasyData, 2018

In 2017 real investment rebounded in West Rand and across all its sub-regions. Investment in the district recovered by 3.3 per cent. At the local municipal level, strong investment growth was recorded in the mining towns of the district (Merafong and West Rand). Real investment increased by 7 per cent in Merafong and by 4 per cent in West Rand in 2017, after having contracted by 7 and 5.8 per cent respectively in 2016. The mining sector was the main driver of the increase in investment.³⁶ While the increase in mining investment is not yet evident in production, it may be a sign of better prospects for the sector.

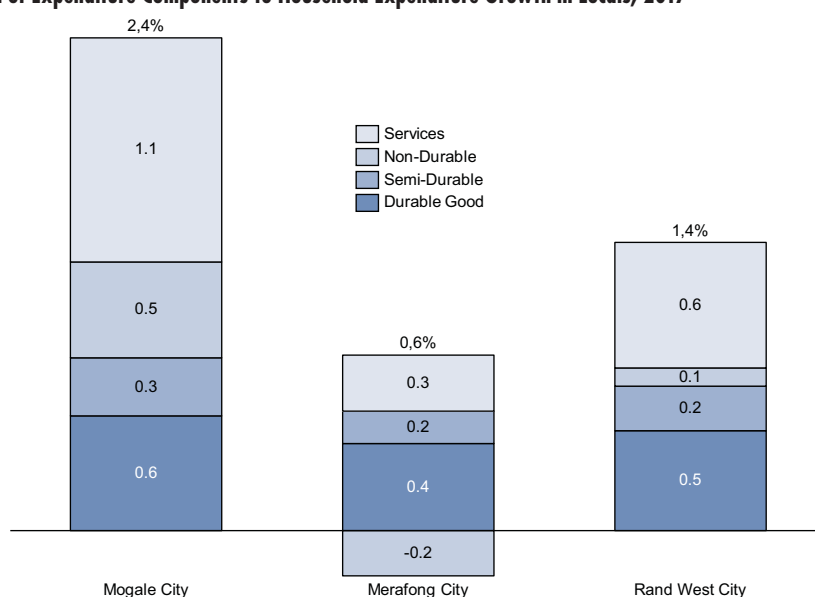
36 Quantec EasyData. (2018). Data Set: Recap— Fixed Capital Formation and Capital Stock by Industry, Asset Type and 2011 Local Municipal/Ward-Based Metro Region Level. (Access on 12 December 2018). <https://www.easydata.co.za>

Household Consumption Expenditure

Figure 2. 22: West Rand's Household Consumption Expenditure Growth and Disposable Income, 2000 – 2017

Source: Quantec EasyData, 2018

Growth in final household consumption expenditure in the West Rand district slowed to 1.5 per cent in 2017, from 2.3 per cent growth in 2016. The slowdown in household consumption is consistent with the meagre performance of the district's economy that has resulted in rising unemployment and declining household incomes. In fact, household disposable income was also down by 1.8 per cent during the same year. Growth slowed in all components of household expenditure except in the durable goods category where growth recovered to 6.4 per cent from a contraction of 2.7 per cent in 2016.³⁷

Figure 2. 23: Contribution of Expenditure Components to Household Expenditure Growth in Locals, 2017

Source: Quantec EasyData, 2018

In line with the better economic performance, compared to the other two municipalities, household consumption expenditure growth was much better in Mogale city, in 2017, at 2.4 per cent. This was because of strong growth in the durable goods category which contributed 1.1 percentage points to the overall growth in household expenditure.

Household consumption expenditure grew at 0.6 per cent in Merafong City, the lowest rate among the three local municipalities. Growth in household consumption expenditure was held back by negative growth in the non-durable goods category which subtracted 0.2 percentage points from the overall growth. The durable goods category contributed 0.4 percentage points to the total household consumption expenditure in Merafong City, while services added 0.3 percentage points and semi-durable goods 0.2 percentage points. Again, the

37 Quantec EasyData. (2018). Data Set: TRD11 – RSA Regional Trade HST 6-digit. (Access on 03 December 2018). <https://www.easydata.co.za>

inadequate growth in household expenditure in Merafong City is consistent with negative economic growth (- 1 per cent) that the municipality recorded in 2017.

In Rand West City, total household consumption expenditure grew by 1.4 per cent in 2017, driven by expenditure on services and durable goods. These contributed 0.6 and 0.5 percentage points, respectively, to total consumption expenditure.

Imports and Exports Trends

Table 2. 7: Export of Goods in West Rand, 2016 – 2017

Region/Sector	2016		2017	
	Contribution to total	Growth rate	Contribution to total	Growth rate
West Rand	100%	-7.7%	100%	-14.1%
Agriculture	2.3%	7.3%	2.8%	7.5%
Mining	60.3%	-11.3%	51.1%	-27.2%
Manufacturing	37.4%	-2.1%	46.1%	5.7%
Mogale City	100%	7.0%	100%	7.2%
Agriculture	4.6%	10.0%	4.6%	7.3%
Mining	32.9%	18.0%	32.0%	4.1%
Manufacturing	62.5%	1.8%	63.5%	8.8%
Merafong City	100%	-16.8%	100%	-33.9%
Agriculture	0.1%	-58.9%	0.1%	-38.1%
Mining	86.1%	-17.7%	82.0%	-37.1%
Manufacturing	13.8%	-9.5%	17.9%	-14.2%
Rand West City	100%	-21%	100%	-35.5%
Agriculture	0.0%	0%	0.2%	319.3%
Mining	87.0%	-20%	78.9%	-41.6%
Manufacturing	12.9%	-27%	20.9%	4.3%

Source: Quantec EasyData, 2018

The value of exports in the West Rand fell by 14.1 per cent in 2017, mainly owing to a 27.2 per cent decline in exports of mining goods. The total value of exported goods was also down in Merafong City and Rand West City, declining by 33.9 per cent and 35.5 per cent, respectively. Mogale City was the only municipality where exports grew in 2017. These rose by 7.2 per cent owing to strong growth in exports of manufacturing products. Manufacturing exports rose by 8.8 per cent, up from 1.8 per cent in 2016.

Table 2. 8: Import of Goods in West Rand, 2016 – 2017

Region/Sector	2016		2017	
	Contribution to total	Growth rate	Contribution to total	Growth rate
West Rand	100%	-15.1%	100%	-14.8%
Agriculture	1.7%	-13.0%	1.9%	-0.7%
Mining	1.2%	-7.6%	1.5%	3.5%
Manufacturing	97.1%	-15.2%	96.6%	-15.3%
Mogale City	100%	-22%	100%	-9%
Agriculture	2.2%	-8.3%	2.5%	-0.9%
Mining	1.5%	-14.4%	1.9%	9.6%
Manufacturing	96.2%	-22.7%	95.7%	-9.9%
Merafong City	100%	-1.6%	100%	-26%
Agriculture	0.00%	-	0.0%	-
Mining	0.00%	-	0.0%	-
Manufacturing	100.00%	-1.6%	100.0%	-26%
Rand West City	100%	50%	100%	-35%
Agriculture	0.0%	-98.5%	0.1%	303.9%
Mining	0.8%	-	0.4%	-72.1%
Manufacturing	99.1%	50.8%	99.6%	-34.9%

Source: Quantec EasyData, 2018

The value of imports declined further in the West Rand, contracting by 14.8 per cent in 2017 from -15.1 per cent in 2016. Manufacturing accounts for almost 100 per cent of goods that are imported in West Rand and the 15.3 per cent contraction in imports of manufactured goods was the main reason for the overall decline in total imports. The value of imports also declined across all the sub-regions of the district mostly because of a decline in the import of manufactured products. Overall, the decline in the value of imported goods reflects the low demand in the district as evidenced by slow growth in consumption expenditure and investment (other than in the mining sector).

2.5 Labour Market Profile

The poor economic performance in the region has significant implications for the labour market, particularly unemployment. The high unemployment rate has been a thorny issue for the provincial government, which has somewhat resulted in rising poverty and inequality (see details in Chapter 3). This section reviews the labour market in the province and its regions.

Labour Market in Gauteng

Data from Statistics South Africa shows that Gauteng accounts for 25 per cent of the country's working population age. The economic strength of the province continues to influence its attractiveness to migrants into the province. Most migrants come into the province in search of economic and job opportunities.

Table 2. 9: Labour Market Key Indicators for Gauteng, 2012Q4 and 2018Q3

Indicator	2012Q4		2018Q3	
	Official	Expanded	Official	Expanded
Number (thousand)				
Working Population (age 15+)	9 564	9 564	11 028	11 028
Labour Force	6 224	6 679	7 275	7 785
Employed	4 772	4 772	5 132	5 132
Unemployed	1 453	1 907	2 143	2 653
Not Economically Active	3 340	2 885	3 753	3 243
Discouraged Job Seeker	348	2 999	413	3 094
Unemployment Rate	23.3%	28.6%	29.5%	34.1%
Employed/Population Ratio (absorption rate)	49.9%	49.9%	46.5%	46.5%
Labour Force Participation Rate	65.1%	69.8%	66.0%	70.6%

Source: Quantec EasyData, 2018

According to the official definition³⁸, Gauteng's labour force increased by roughly 1 million people between the fourth quarter of 2012 and the third quarter of 2018. Meanwhile, the expanded definition³⁹ suggests that the labour force rose by 1.1 million people to reach about 7.8 million people in the third quarter of 2018. Much of the increase in the labour force was accounted for by the number of unemployed people, which increased by 690 000 according to the official definition and by 746 000 people according to the expanded definition. This has resulted in the official unemployment rate in the province rising to 29.5 per cent from 23.3 per cent in the fourth quarter of 2012. This rate was much higher, according to the expanded definition of unemployment, at 34.1 per cent in the third quarter of 2018.

An indicator which mirrors the health of the labour market is the labour absorption rate. It shows the proportion of the working age population that is employed⁴⁰. Table 2.9 shows that the rate has declined from 49.9 per cent in the fourth quarter of 2012 to 46.5 per cent in the third quarter of 2018. This rate implies that roughly four in 10 people of a working age have a job in the province. This is concerning as rates in the 40 percentile are regarded as very low by the international norms.⁴¹

Labour Market in Metros

Metros are the economic hubs of the province and thus tend to attract a lot of migrants who are looking for economic and job opportunities. For example, in 2018 the CoJ accounted for 37.3 per cent of the province's working age population while the CoE and CoT accounted for 25.6 and 24.2 per cent respectively. This subsection looks at labour market trends in the province's metros.

Table 2. 10: Labour Market Key Indicators Based on Official Definition, 2012 and 2017

Indicator	2012			2017		
	CoE	CoJ	CoT	CoE	CoJ	CoT
Labour Force (thousand)	1 541	2 404	1 370	1 756	2 761	1 607
Economically Active Population (thousand)	1 541	2 278	1 379	1 720	2 589	1 607
Employed/Population Ratio (absorption rate)	49.3%	59.0%	51.3%	48.5%	57.8%	52.4%
Unemployment Rate	29.0%	23.9%	23.1%	32.5%	26.5%	23.9%
Employment Growth	3.7%	3.2%	4.2%	1.9%	2.2%	2.6%

Source: IHS Markit, 2018

Note: 2017 is the latest year that data is available.

The metro which experienced the highest increase in its labour force between 2012 and 2017 was the CoJ, where the labour force increased by 357 000 people to reach over 2.7 million people in 2017. This was followed by the CoT with an increase of 238 000 people and the CoE with an increase of 215 000 people. The highest increase in the unemployment rate was recorded in the CoJ, followed by the CoE. In the CoJ, the unemployment rate increased to 26.5 per cent in 2017 from 23.9 per cent in 2012. The unemployment rate increased to 32.5 per cent during the same period in the CoE.

38 The official definition of unemployment considers a person to be unemployed only if they have "taken active steps to look for work or to start some form of self-employment in the four weeks prior to the interview".

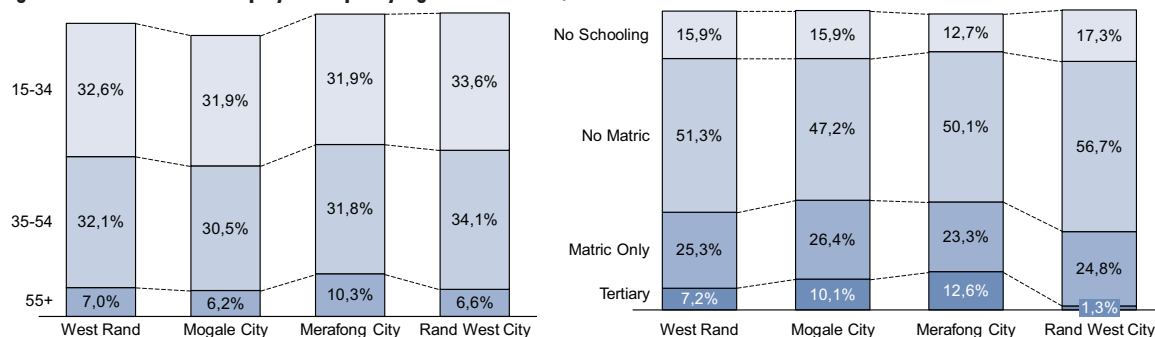
39 The expanded definition of unemployment includes discouraged job seekers, those that wanted to work but there are no jobs in the area or were unable to find work that required their skills.

40 Statistics South Africa. (2018). *Quarterly Labour Force Survey: Quarter 3 2018*. Pretoria.

41 South African Institution of Race Relations (IRR). (2016). *Labour Market Absorption Rate Slips*. Johannesburg.

The labour absorption rate declined during the period under review, except for in the CoT. However, the CoJ still had the highest rate, at 57.8 per cent, suggesting that over half of the working age population in the metro is employed. In terms of the rate of growth in employment in 2017, the CoT recorded the highest employment growth at 2.6 per cent, followed by the CoJ (2.2 per cent) and CoE at 1.9 per cent.

Figure 2. 24: Share of Unemployed People by Age and Education, 2018Q3



Source: Quantec EasyData, 2018

Disaggregated by age and educational level, the share of unemployed people during the third quarter of 2018 was highest among the 15 - 34 age cohort which is also referred to as youth population. It was 34.9 per cent in the CoE, 34.7 per cent in CoT and 33.8 per cent at CoJ. In terms of educational level, the share of unemployment was highest among those who do not have matric. This was 48.3, 46.8 and 42.8 per cent at the CoE, CoJ and CoT, respectively. The relatively low proportion of unemployed people with a tertiary qualification suggests that the chances of employment are better for those who have higher levels of educational attainment.

Labour Market in Sedibeng

Although the district municipalities have a relatively small labour force compared to the metros, these tend to have the highest rates of unemployment. This sub-section analyses labour market trends in the Sedibeng District and its local municipalities.

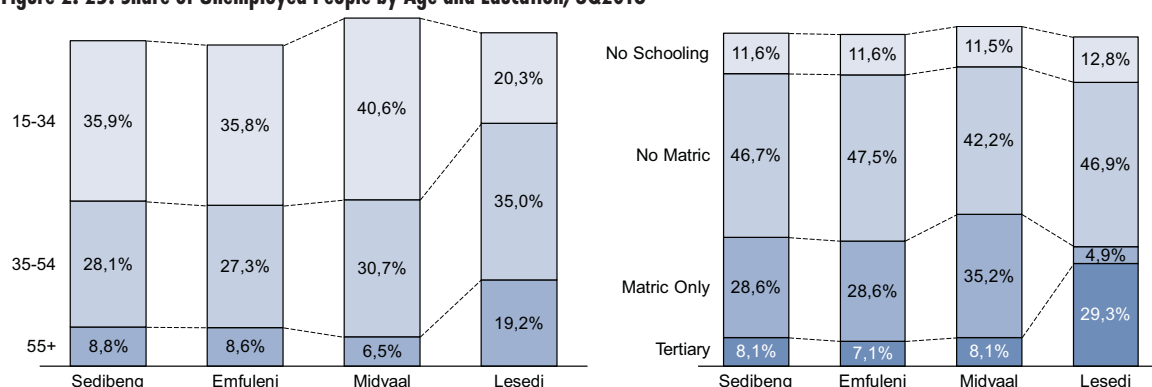
Table 2. 11: Labour Market Key Indicators Based on Official Definition, 2012 and 2017

Indicator	2012				2017			
	Sedibeng	Emfuleni	Midvaal	Lesedi	Sedibeng	Emfuleni	Midvaal	Lesedi
Labour Force (thousand)	353.9	285.1	43.0	25.8	478.1	381.8	56.2	40.1
Economically Active Population (thousand)	383.5	298.0	44.6	40.9	486.6	376.2	56.1	54.3
Employment/Population Ratio (absorption rate)	37.4%	37.5%	52.9%	21.8%	34.6%	34.3%	50.8%	20.5%
Unemployment Rate	32.3%	35.0%	18.8%	27.6%	52.5%	56.2%	34.2%	45.9%
Employment Growth	-3.1%	-4.4%	1.9%	1.9%	1.0%	0.7%	2.1%	1.8%

Source: IHS Markit, 2018

Note: 2017 is the latest year that data is available.

The number of people who entered the labour market in Sedibeng increased by 124 200 between 2012 and 2017 to reach 478 100 people. This is as the number of unemployed increased by 96 000 people in Emfuleni, 13 000 in Midvaal and 14 000 in Lesedi. On the other hand, the proportion of the working age population that is employed in the district and its regions declined in 2017, reaching over 34 per cent in both Sedibeng and Emfuleni, 50.8 per cent in Midvaal and 20.5 per cent in Lesedi.

Figure 2. 25: Share of Unemployed People by Age and Education, 3Q2018

Source: Quantec EasyData, 2018

At the district level, the number of unemployed people in the youth population was 35.9 per cent in Q3 of 2018, compared with a share of 28.1 per cent for the 35-54 age cohort and 8.8 per cent for those aged 55 years and older. Among the local municipalities, Lesedi was the only municipality where the share of unemployed people for youth population was smaller than that of those aged 35 - 54 years.

When disaggregated by educational level, Lesedi was the only municipality where the share of unemployed people with a tertiary education was the highest at 29.3 per cent. This suggests that a noticeable number of people with tertiary qualifications are unemployed. This could also mean that there are more graduates in Lesedi than in the other municipalities.

Labour Market in West Rand

The West Rand District accounts for the least percentage of the province's working age population in 2017 at 7 per cent. This sub-section looks at the labour market trends in the West Rand District and its local municipalities.

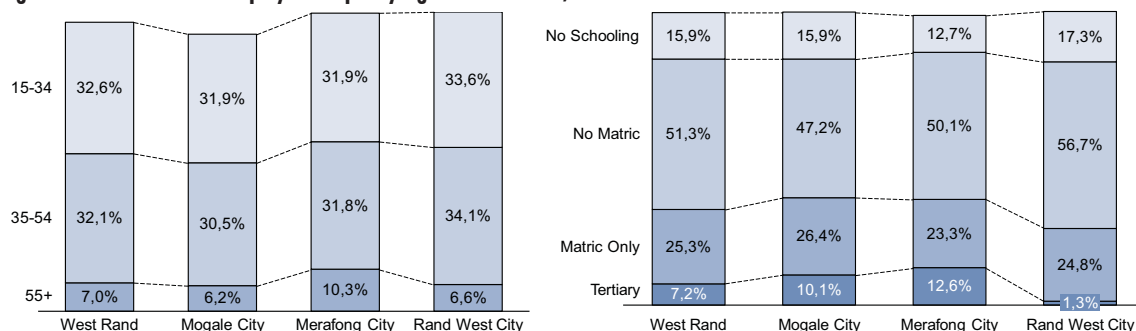
Table 2. 12: Labour Market Key Indicators Based on Official Definition, 2012 and 2017

Indicator	2012				2017			
	West Rand	Mogale City	Merafong City	Rand West City	West Rand	Mogale City	Merafong City	Rand West City
Labour Force (thousand)	363.2	150.1	98.5	114.6	451.1	196.0	112.5	142.6
Economically Active Population (thousand)	373.8	170.9	79.9	123.0	443.6	209.6	88.6	145.5
Employment/Population Ratio (absorption rate)	47.0%	42.6%	58.8%	44.2%	47.2%	39.2%	73.1%	40.8%
Unemployment Rate	26.0%	25.3%	23.3%	28.7%	40.6%	43.7%	22.8%	47.0%
Employment Growth	-0.4%	0.1%	-1.1%	-0.2%	0.8%	0.8%	0.6%	0.8%

Source: IHS Markit, 2018

Note: 2017 is the latest year that data is available.

The labour force in West Rand increased by almost 87 900 people between 2012 and 2017 to reach 451 100 people in 2017. It went up by 45 900 people in Mogale City, 28 000 in Rand West and by 14 000 people in Merafong. Given that the economy of the West Rand has been in recession for the past two years, it was unable to absorb the new entrants into the labour market. This has led to an increase in the unemployment rate across all municipalities (except in Merafong City) in 2017. The unemployment rate was particularly high in the West Rand at 47 per cent in 2017. The rate was 43.7 per cent in Mogale City and 40.6 per cent at the district level.

Figure 2. 26: Share of Unemployed People by Age and Education, 3Q2018

Source: Quantec EasyData, 2018

In the West Rand District, the youth population accounted for 32.6 per cent of unemployment in the region, whereas the people aged 35 - 54 years accounted for 32.1 per cent and those aged 55 years and above accounted for 7 per cent of unemployed people. The proportional shares were similar across the local municipalities, with the population aged 15 - 34 years (youth population) accounting for the highest share of unemployed people.

In terms of education, people with no matric accounted for the highest share of the unemployed population in the region and this was highest in Rand West City. Interestingly, Rand West City has the lowest share of unemployed people with a tertiary qualification. This figure is at 1.3 per cent. Over 12 per cent of population with tertiary qualifications were unemployed in Merafong compared with 10.1 per cent in Mogale City and 7.2 per cent at the district level.

Overall, the data seems to suggest that the chances of being unemployed are much higher for those who have not attained higher education qualification, particularly one at tertiary level.

2.6 Gains Made and Constrains to Provincial Growth: Taking Stock

During the 2014 State of the Province Address (SoPA), the Premier of Gauteng announced the Ten Pillars of Transformation, indicated as the TMR programme earlier on. This is the province's policy framework for transforming and modernising the Gauteng economy. It sets out policy priorities for the five-year term of office for the GPG from 2014 to 2019 and beyond to 2030.⁴² 2019 marks the end of the Fifth Administration of the province and this section reviews some of progress made in implementing the specific programmes within the TMR and challenges that have been encountered.

The specific programmes discussed are:

- Township enterprise development and local procurement;
- Youth employment creation and skills development;
- Building infrastructure and creating EPWP opportunities; and
- Attracting investment into the province

Township enterprise development and local procurement

In the 2014 SoPA, the Premier of Gauteng emphasised the need to revitalise the province's township economies by supporting township businesses and SMMEs. Against this backdrop, the GPG developed the Township Economy Revitalisation (TER) strategy that sets out key focus areas and identifies where interventions can be made to improve the economies of townships in the province. The TER calls for a shift in how government uses its public spending to support township enterprises and their value chains.

Since 2014, about 10 000 township businesses have had the opportunity to register on the GPG Central Supplier Database. About 43 per cent of those businesses registered have benefited from the ZAR 10.7 billion the province has spent on the TER programme.⁴³

⁴² Gauteng Provincial Government. (2016). *Report for the People of Gauteng. Mid-Term Performance Review 2014-2016*. Johannesburg.

⁴³ Gauteng Provincial Government. (2018). Speech by The Honourable Barbara Creecy Gauteng MEC For Finance on the Occasion of the Tabling of the Medium-Term Budget Policy Statement 2018 and the Provincial Adjustment Appropriation 2018/19. Gauteng Legislature. Johannesburg.

In support of township businesses, 30 townships industrial or business centres were established, particularly ICT incubation facilities and industrial parks. Other initiatives linked to the TER that have been implemented include the Township Entrepreneurship Awards (TEA) which encourages the growth and support of Gauteng SMMEs as this will help contribute meaningfully to the provincial economic growth.⁴⁴ In line with this initiative, various SMMEs and cooperatives, that contribute towards growth of small businesses in townships, have been provided with financial support.

Overall, the provincial government procurement spent on goods and services from township business has increased from ZAR600 million to ZAR22 billion over the past five years.⁴⁵

Youth employment creation and skills development

In 2014, the province launched a youth empowerment programme named Tshepo 500 000, which aimed to provide the youth with skills for entrepreneurship and enable those – who are looking for employment - to access the labour market. Over the past four years, the programme - which is in partnership with Harambe Youth Employment Accelerator and the private sector - has benefited over 500 000 youth through training and skill development initiatives. In 2017, the programme was up-scaled to Tshepo 1 million. As of the 2017/18 financial year, the overall number of people trained through the programme stood at over 70 000.⁴⁶ About 8 000 of those trained obtained permanent jobs and over 5 000 were placed in temporary and transitional employment. Over 200 were assisted to start their own businesses.

Building infrastructure and creating EPWP opportunities

Infrastructure development is one of the focus areas of the TMR programme, with the intention to fast-track spatial and economic transformation in the province. To emphasise the GPG's commitment in this area, in the 2018 provincial Medium Term Budget Policy Statement (MTBPS) the largest share of the ZAR 1.9 billion budget was allocated to infrastructure spending, with a focus on the completion of current road repairs and upgrades, building compliance with Occupational Health and Safety Regulations and repairs to pump stations on the Vaal River.

Over the last four and a half years, infrastructure investment in the province is estimated to have added about ZAR40 billion to the provincial economy.⁴⁷ It has also facilitated over 400 000 Expanded Public Work Programme (EPWP) job opportunities and created 265 000 jobs. According to the 2019 SoPA, over 100 000 women have benefited from EPWP programmes in Gauteng.⁴⁸

In volume terms, infrastructure investment in the past four year has resulted in the building of over 30 new schools, two new provincial hospitals and three clinics and eight new libraries. Furthermore, over 5 000 kilometres of roads have been upgraded and rehabilitated.⁴⁹

Attracting investment into the province

Over the past five years, Gauteng has attracted nearly ZAR 200 billion in Foreign Direct Investment (FDI) and this has created 300 000.⁵⁰ Furthermore, the automotive industry in the province has seen significant investment commitments. For example, Ford SA has invested about R3 billion in its plant in Silverton to build the new Ranger in addition to the investment that went into the production of the new Ford Everest. BMW has also invested about R6 billion to capacitate its plant for the manufacturing of the new X3 model, which will be destined for the export market.

Challenges Encountered in Implementing the TMR Programme

As outlined in previous sections, the slow pace of economic growth has been a hindrance to the implementation of various government programmes that are aimed at addressing the triple challenges of unemployment, poverty and inequality.

44 Gauteng Department of Economic Development. (2018). *2018/2019 Budget Vote*. Gauteng Legislature. Johannesburg.

45 SoPA. (2019). *Re-Igniting the Spirit of Resilience and Excellence in Gauteng: State of the Province Address By Premier David Makhura, 2019*. Johannesburg: South Africa.

46 Gauteng Provincial Government. (2018). *Speech by Premier David Makhura on the Occasion of the Budget Vote of the Office of the Premier*. Johannesburg.

47 Gauteng Provincial Government. (2018). *Speech by The Honourable Barbara Creecy Gauteng MEC For Finance on the Occasion of the Tabling of the Medium-Term Budget Policy Statement 2018 and the Provincial Adjustment Appropriation 2018/19*. Gauteng Legislature. Johannesburg.

48 SoPA. (2019). *Re-Igniting the Spirit of Resilience and Excellence in Gauteng: State of the Province Address By Premier David Makhura, 2019*. Johannesburg: South Africa.

49 SoPA. (2019). *Re-Igniting the Spirit of Resilience and Excellence in Gauteng: State of the Province Address By Premier David Makhura, 2019*. Johannesburg: South Africa.

50 SoPA. (2019). *Re-Igniting the Spirit of Resilience and Excellence in Gauteng: State of the Province Address By Premier David Makhura, 2019*. Johannesburg: South Africa.

On average, the provincial economy is estimated to have grown by a mere 1.4 per cent during the period 2014 - 2019. This meagre growth has negative implications for the province to deliver on its mandate. It means that the province's ability to generate revenue that is necessary to meet the needs of the citizens and to investment in areas of potential growth has been constrained.

The money that the province receives from the national government in the form of equitable share and conditional grants has also declined, in real terms, in the past four years.⁵¹

The pressure of rapid urbanisation and migration into the province, as well as ageing infrastructure, are also critical issues for the GPG.⁵² While urbanisation and migration have some advantages for the economy of the province, the rapid pace that this is happening is negatively affecting the ability of the province to meet service delivery needs and targets. The Gauteng City Region Observatory's (GCRO) quality of life survey shows that, while it remains relatively high at 61 per cent, the service satisfaction index has declined somewhat between the 2013/14 and 2017/18 financial years.⁵³ The survey indicates that there has generally been lower satisfaction in government-provided housing, services costs and billing as well as waste services.

2.7 Economic Outlook for Gauteng

IHS Markit forecasts that provincial GDP growth will improve to 1.7 per cent in 2019 from 0.9 per cent in 2018, before rising to 1.9 per cent in 2020 and 2.1 per cent in 2021. These forecasts reflect better growth in the finance, trade and manufacturing sectors. While these forecasts are welcomed, they are still not sufficient to deal with the triple challenge of high unemployment, poverty and inequality in the province. To put a dent on the unemployment rate, an average growth rate of at least 3 per cent per annum is essential. This requires a substantial improvement in both public and private investment, and efficiently run state institutions.

Fortunately, forecasts for investment for 2019 and 2020 - at least at the national level - are more optimistic although still at the lower end, at 1.5 and 2.1 per cent⁵⁴. Other than the expected recovery in business confidence over the medium term, investment is likely to be supported by the fact that companies will have to start investing again to keep up with depreciation. This is because their investment plans were previously postponed for an extended period owing to subdued economic activity.

Final consumption expenditure by household, at least at the national level, is expected to grow by less than 2 per cent in 2018 and 2019. It will only reach 2.5 per cent in 2020. These forecasts are likely to be reflective of final consumption expenditure outcomes expected for Gauteng as the two growth trends tend to move at a similar fashion. Inflation is expected to remain within the 3 - 6 per cent target band over the medium term, despite pressure from a weaker exchange rate and higher oil prices.

Economic growth prospects at the provincial level are expected to reflect expected outcomes in the municipalities, particularly the metros as they are economic hubs of the province. Over the medium term, economic growth in the CoE is forecast at 1.7 per cent in 2019, rising to 2.1 per cent in 2021. In the CoJ, it is expected to rise to 2.3 per cent by 2021, and 2 per cent - in 2021 - in the CoT.

At the district level, Sedibeng's economy is expected to grow at a faster pace than that of the West Rand. The economy of West Rand is expected to recover to 0.6 per cent in 2019 after being in recession for two years. The West Rand's economy is predicted to rise to 1 per cent in 2021. Economic growth in Sedibeng will increase to 1.5 per cent in 2019 before increasing to 1.7 per cent in 2020 and 1.9 per cent in 2021. As expected, the economics of the local municipalities in Sedibeng are expected to perform better than the local municipalities in the West Rand.

51 Gauteng Provincial Treasury. (2018). *Gauteng Province Medium Term Budget Policy Statement*. Johannesburg.

52 Office of the Premier. (2018). *Fifth Political Report to The Provincial Legislature*. Gauteng Legislature. Johannesburg.

53 GCRO. (2018). *Key Insights from GCRO's 5th Quality of Life Survey (2017/18)*. Johannesburg.

54 National Treasury. (2018). *Medium Term Budget Policy Statement*. Pretoria

2.8 Conclusion

This chapter discussed the economic performance of the province and highlighted that economic growth has not been overly conducive for the province. It showed that growth has remained below 2 per cent for the past 3 years or so and this has been a consequence of both external and domestic factors. In most cases, investment has remained negative, growth in household income is steadily picking up and the unemployment rate remains stubbornly high.

Fortunately, the outlook remains optimistic, with rising economic growth rates expected over the medium term. Investment is also expected to pick up as economic conditions improve. Global growth expansion is continuing although at a slower pace than previously expected. This is expected to support economic growth in the province. The GPG remains committed to improving the lives of the citizens in Gauteng and to transform the economic landscape of the province. This commitment is amplified by the progress that this Fifth Administration has made in implementing its programme of TMR over the past four years and a half. While this progress has been limited by the unfavourable economic environment over the years, it could be argued that the gains that have been experienced through implementing this programme have somehow contributed positively to the economy of the province.

Chapter 3: Socio-Economic Review and Development

3.1 Introduction

As discussed in the previous chapters, the domestic economic growth environment has been broadly unfavourable with GDP growth rates expected to have remained below 1 per cent for both the national and Gauteng economies in 2018. Forecasts for 2019 to 2021 also suggest a more moderate recovery path, with Gauteng GDP growth reaching only 2.1 per cent by 2021.

The slow pace of economic recovery has negative implications for policymakers who have to deal with the socio-economic challenges of high unemployment, poverty and inequality levels. In fact, available data shows that progress, which has been made in reducing poverty since 1994, has reversed and that more people are slipping into poverty in the greater parts of the country and in Gauteng.

Research by the World Bank has shown that employment is key for reducing poverty and inequality. The unemployment rate in South Africa and in the province remain in excess of 20 per cent and this has been the case for the past 10 years or so. As revealed later in the chapter, municipalities - where unemployment remains the highest - are characterised by high levels of poverty and inequality. Furthermore, data shows that poverty and inequality still have a strong demographic and geographical split both at the national and provincial levels.

This chapter uses available data to analyse the extent of socio-economic challenges in South Africa and in the province. It assesses the degree to which the current economic performance impacts on the social and living conditions of households and individuals in South Africa and Gauteng.

The proceeding sections provide a demographic analysis of South Africa, Gauteng and its municipalities. Migration patterns are also analysed as these helps explain some of the pressures experienced by various municipalities in the provision of households' basic services infrastructure. The latter parts of the chapter analyse development indicators. These focuses on the households' access to basic services infrastructure in order to track progress of the core functions of municipalities, and government at large, on developmental issues.

3.2 South Africa and Gauteng

The Mid-Year Population Estimates by Statistics South Africa (Stats SA) show that there were about 57.7 million people living in South Africa in 2018.⁵⁵ About 29.5 million of this population were females and 28.2 were males. Of the total population, about 25.5 per cent resided in Gauteng, 19.7 per cent in KwaZulu-Natal and 11.5 per cent in the Western Cape.

Demographic Profile

Population Growth

In recent years, population growth has outpaced the country's economic growth. This means that the per capita GDP of the country is on a decline as the population continues to rise at a faster pace. Since 2015, growth in GDP per capita has been on a declining trajectory and is estimated to have contracted by 0.8 per cent in 2018.⁵⁶

Population growth can influence economic development in various ways. In most European countries, for example, population growth was one of the factors contributing to the rapid industrialisation and economic growth.⁵⁷ The increase in population can be regarded as a source of capital formation in that growth of capital stock depends on human capital formation which is process of increased knowledge and skills. Thus, the spread of education and knowledge raises efficiency and leads to increased levels of productivity.

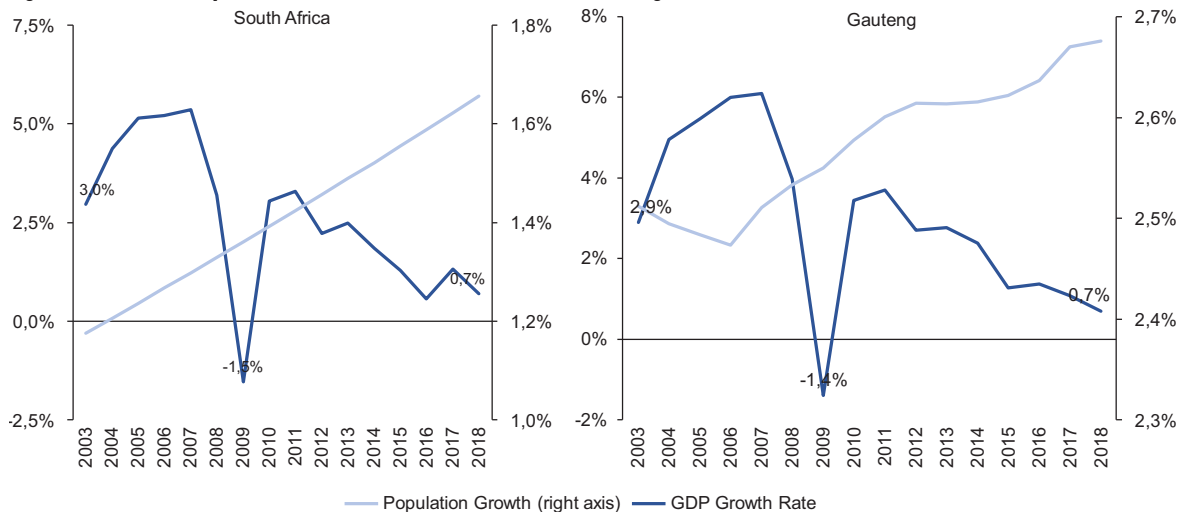
55 Statistics South Africa. (2018). *Mid-Year Population Estimates 2018*. Pretoria

56 IMF. (2018). *World Economic Outlook Database, October 2018*. (Accessed on 28th January 2019): <https://www.imf.org>

57 Jhingon, M.L. (1997). *The Economics of Development and Planning, 40th Edition*. India Vrinda Publications Ltd.

On the other hand, rapid population growth can be a hindering factor to economic development especially in under-developed countries. Investment is essential for economic development for any country. With investment resources being scarce for underdeveloped countries, rapid population growth creates a challenge for investment needed for future growth and development.⁵⁸

Figure 3.1: GDP and Population Growth Rate for South Africa and Gauteng, 2003 - 2019



Source: Quantec EasyData, 2019

Figure 3.1 shows the growing gap between the rate of population growth and GDP growth of South Africa and Gauteng. South Africa's economy grew at 0.6 per cent in 2016 while, during the same period, the population increased by 1.6 per cent. In 2018, domestic growth is anticipated to have averaged 0.7 per cent⁵⁹ while population is estimated to have increased by 1.7 per cent. This is estimated to have resulted in a contraction of 0.8 per cent in GDP per capita in 2018. In the Gauteng region, GDP averaged 1.4 per cent in 2016, while population growth is estimated to have averaged at 2.6 per cent. For 2018, economic activity is estimated to have grown by 0.7 per cent⁶⁰ with a population growth rate of 2.7 per cent.

The Youth Population Bulge

South Africa has a favourable demographic profile. This implies that the largest proportion of the country's population consists mostly of the those within the working-age population. This highlights an opportunity for South Africa to take advantage of what is known as the demographic dividend⁶¹. Taking advantage of this dividend requires that economic environment and socio-economic conditions are favourable. In South Africa, this has not been the case. With high unemployment rates of almost 30 per cent, the country and Gauteng are at the risk of not realizing the demographic dividend. The unemployment levels are more prevalent among the youth population with the rate reaching as high as 38.7 per cent in 2017.⁶² High unemployment levels also have negative implications for poverty and inequality.

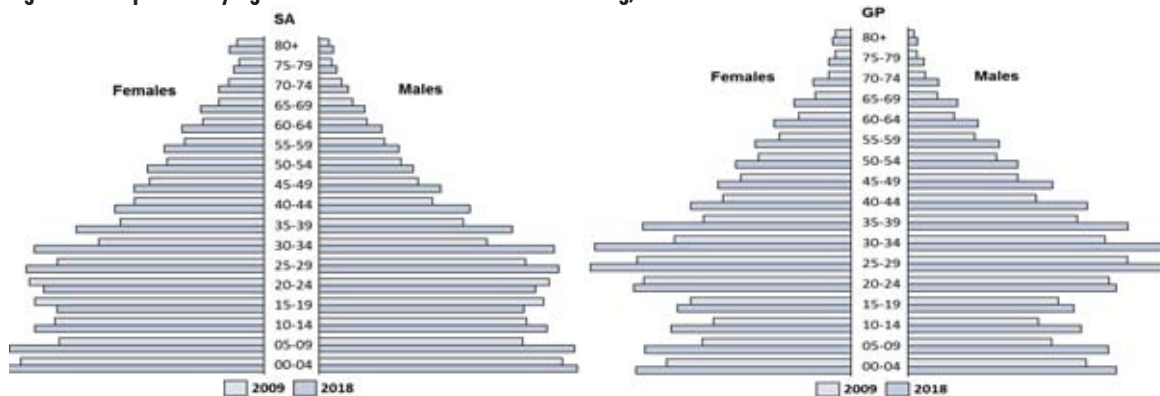
58 Jhingan, M.L. (1997). *The Economics of Development and Planning*, 40th Edition. India Vrinda Publications Ltd.

59 South African Reserve Bank. (2019). *Statement of Monetary Policy Committee 17th January 2019*. Pretoria

60 Data according to the *IHS Markit Regional Explorer*, 1570.

61 Demographic dividend refers to growth in economic activity as a result of change in the age structure of the country's population.

62 Statistics South Africa. (2018). *Labour Market Dynamics in South Africa, 2017*. Pretoria

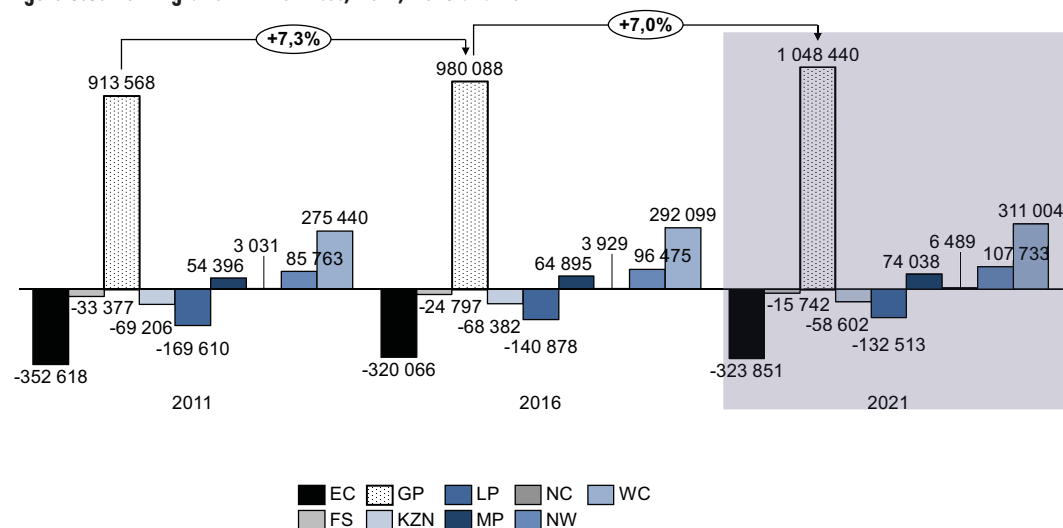
Figure 3.2: Population by Age Distribution in South Africa and Gauteng, 2009 and 2018

Source: Quantec EasyData, 2019

The youth population bulge, which refers to a situation where the majority of the population consists of youth, appears to be much stronger in the Gauteng region. This is especially within the age group of 20 – 34 years. This is further exacerbated by the fact that the province tends to attract migrants from various provinces and neighbouring countries who are seeking work and economic opportunities. In fact, the Gauteng City Region Observatory (GCRO) data shows that the majority of migrants into the province are of working age and are between 15 and 34 years.⁶³ In terms of the gender split, there were more females than males at the national level and in Gauteng in 2018. This split was more prevalent between the 20 - 24, 25 - 29 and 30 - 34 age cohorts.

Migration Patterns

Globally, migration trends are characterised by the movement of people who are looking for better economic opportunities and social services.⁶⁴ This is the case even in the inter-regional movement of the population within South Africa. Gauteng and the Western Cape are provinces with the highest net in-migration in the country.

Figure 3.3: Net Migration in Provinces, 2011, 2016 and 2021

Source: Stats SA, Mid-Year Population Estimate, 2019

Note: EC=Eastern Cape, FS=Free State, GP=Gauteng Province, KZN=KwaZulu-Natal, LP=Limpopo, MP=Mpumalanga, NC=Northern Cape, NW=North West and WC=Western Cape
Note: Shaded area illustrates forecasts.

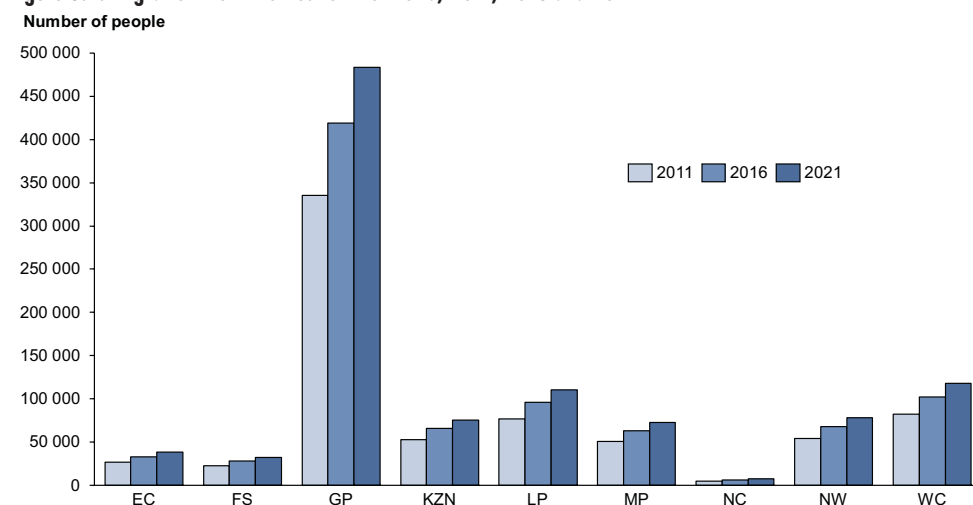
The 2018 mid-year population estimation data shows that in-migration into Gauteng increased from about 913 000 people in 2011 to 980 000 in 2016. Gauteng net-migration is projected to be over a million by 2021. The Western Cape province had the second-highest in-migration over the reviewed period, with projections showing that in-migration will reach over 300 000 people by 2021.

63 GCRO. (2012). *GCRO Data Brief No. 5 Gauteng: A Province of Migrants*. (Accessed on 28th January 2019): <http://www.gcro.ac.za>

64 International Organisation for Migration. (2014). *Regional Strategy for Southern Africa 2014-2016*. Pretoria

In terms of out-migration, the Eastern Cape has the highest number of out-migrants, with over 320 000 people leaving the province. This is forecast to rise to 323 000 by 2021.⁶⁵

Figure 3.4: Migration from the Rest of the World, 2011, 2016 and 2021



Source: Stats SA, Mid-Year Population Estimate, 2019

Note: EC=Eastern Cape, FS=Free State, GP=Gauteng Province, KZN=KwaZulu-Natal, LP=Limpopo, MP=Mpumalanga, NC=Northern Cape, NW=North West and WC=Western Cape

As the economic hub of the country, Gauteng attracts more international migrants than other provinces. Gauteng accounted for the largest number of international migrants entering the country, at 419 000, between 2011 and 2016. The number is estimated to reach 484 000 by 2021. It was followed by the Western Cape at 102 000 between 2011 and 2016 and is projected to reach 118 000 by 2021. The province with less international migrants was the Northern Cape, at 7 000, between 2011 and 2016.

The implication of faster population growth, which is not accompanied by high economic growth, are higher levels of unemployment, a rise in the share of people in poverty and income inequality. Thus, it is important that, in crafting developmental policy interventions, consideration should be given to the demographic structure of the country and its provinces.

Development Indicators

This sub-section analyses various development indicators in South Africa, with emphasis on trends in poverty, inequality and human development in South Africa and Gauteng.

The Share of Population Living in Poverty

Since the start of the Democratic era in 1994, South Africa has sought to address the challenges of high poverty and inequality levels. It has done so through various measures, including fiscal policy via income redistribution, social protection efforts and investment in education and health services.⁶⁶ For example, in 2015 the World Bank estimated government's social grants to have reduced poverty head count by about 7.9 per cent and poverty gap by almost 30 per cent. This emanates from the fact that many households which benefit from the grant system use the money to improve health and education outcomes which has a long-term impact on poverty reduction.⁶⁷

While much progress has been made in this regard, high levels of poverty remain in South Africa. On the back of persistently high unemployment and low economic growth, poverty and inequality levels have increased notably. This makes South Africa the most unequal society in the world by any measure.⁶⁸

Stats SA identifies three national poverty lines to be used for poverty measurement.⁶⁹ The Food Poverty Line (FPL), also referred to as the extreme poverty line, refers to the amount individual needs in order to afford a minimum daily food intake. This amount is set as ZAR547 per person per month.

⁶⁵ Statistics South Africa. (2018). *Mid-Year Population Estimates 2018*. Pretoria

⁶⁶ The World Bank. (2018). *Overcoming Poverty and Inequality in South Africa: An Assessment of Drivers, Constraints and Opportunities*. Washington, DC.

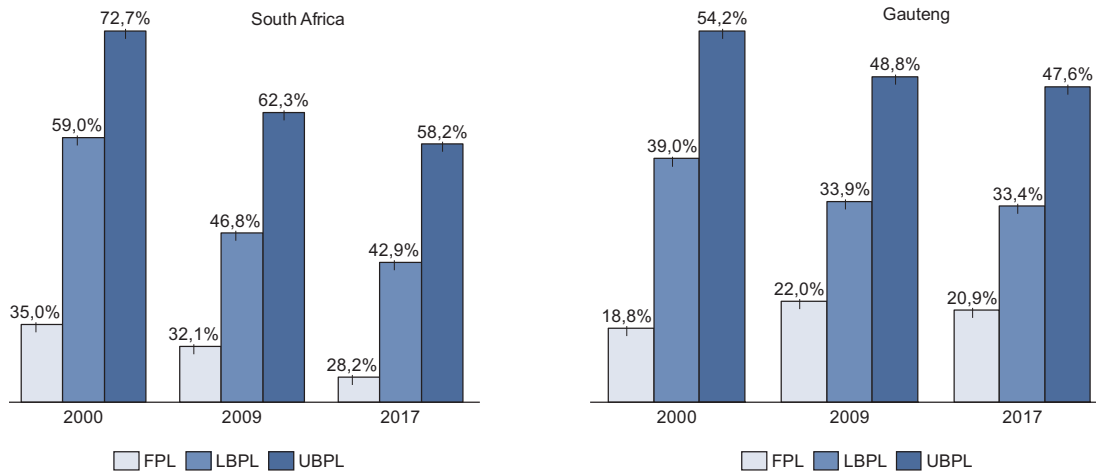
⁶⁷ The World Bank. (2018). *Overcoming Poverty and Inequality in South Africa: An Assessment of Drivers, Constraints and Opportunities*. Washington, DC.

⁶⁸ The World Bank. (2018). *Overcoming Poverty and Inequality in South Africa: An Assessment of Drivers, Constraints and Opportunities*. Washington, DC.

⁶⁹ Statistics South Africa. (2018). *National Poverty Line 2018*. Pretoria.

The Lower Bound Poverty Line (LBPL) includes the food poverty line plus amounts derived from non-food items of households.⁷⁰ The amount is ZAR785 per person per month. The Upper Bound Poverty Line (UBPL) considers the other two poverty line measures plus additional non-food items of households. The amount is set at ZAR1 183 per person per month. Stats SA adjusts these poverty lines for changes in inflation annually.

Figure 3.5: Share of Population in Poverty in South Africa and Gauteng, 2000, 2009 and 2017



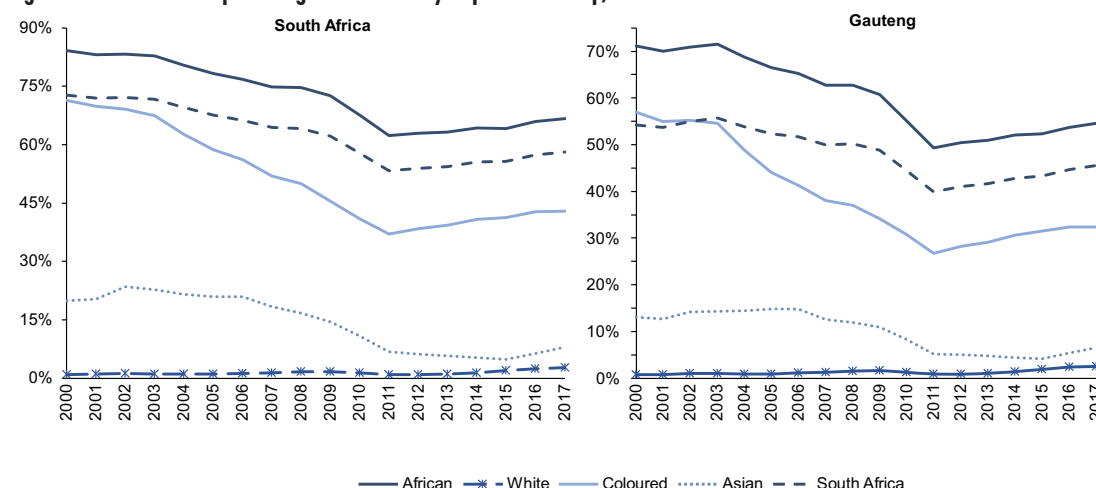
Source: Stats SA, 2019

Despite the fact that there has been a decrease in the number of those living in poverty, there is still a greater share of the population living in such conditions. The percentages are more pronounced especially when using the upper bound poverty line. For South Africa, just under 60 per cent of the people are living below this line, while in Gauteng just under 50 per cent are living in poverty conditions. The domestic poverty numbers are exacerbated by low growth in economic activity and the high rate of unemployed people. This puts a strain on the social welfare structure of the economy.

Demographic and Geographical Split of Poverty Trends

Poverty in South Africa is still characterised by demographic and geographical split. The data shows that there are still significant disparities in poverty levels between population groups and within provinces.

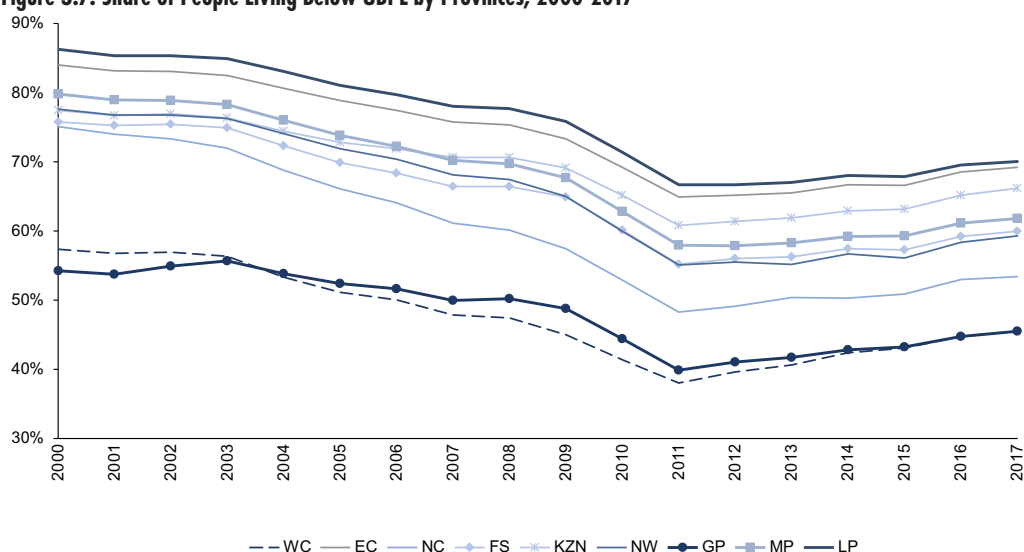
Figure 3.6: Share of People Living Below UBPL by Population Group, 2000 - 2017



Source: IHS Markit, 2019

Both diagrams in Figure 3.6 show that the share of people in poverty - as measured by the upper bound poverty line - was declining between 2000 and 2011. However, the trajectory of the decline was reversed between 2012 and 2017 across all the population groups. Both at the national level and in Gauteng, large proportions of people living in poverty are within the African population group. In Gauteng, more than 50 per cent of the African population was in poverty - as measured by the upper bound poverty line - in 2017. This is comparatively high when compared with 6.5 per cent within Asians and 2.5 per cent within the White population groups.

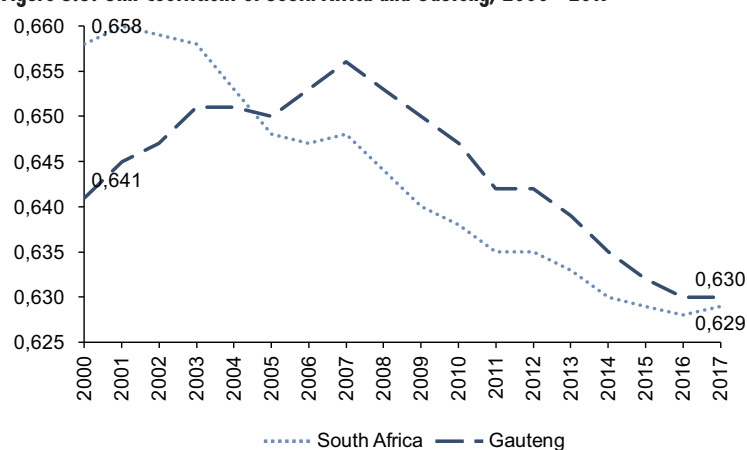
⁷⁰ The poverty lines are denoted as amounts needed per person per month.

Figure 3.7: Share of People Living Below UBPL by Provinces, 2000-2017

Source: IHS Markit, 2019

Poverty has a strong spatial dimension in South Africa. A large amount of people living in poverty are mostly found in the provinces that are considered “rural”. These are provinces such as Limpopo, Eastern Cape, KwaZulu-Natal, Northern Cape and Mpumalanga. Limpopo and the Eastern Cape have consistently been the poorest provinces in the country during the reviewed period, with poverty headcounts of about 70 per cent in 2017. KwaZulu-Natal was the second poorest province, with rates ranging between 64 and 66 per cent in 2017. Gauteng and the Western Cape, which are considered more urban, consistently had the lowest poverty rates - at roughly 45 per cent - in 2017.

Income Inequality as Measured by Gini Coefficient

Figure 3.8: Gini Coefficient of South Africa and Gauteng, 2000 - 2017

Source: IHS Markit, 2019

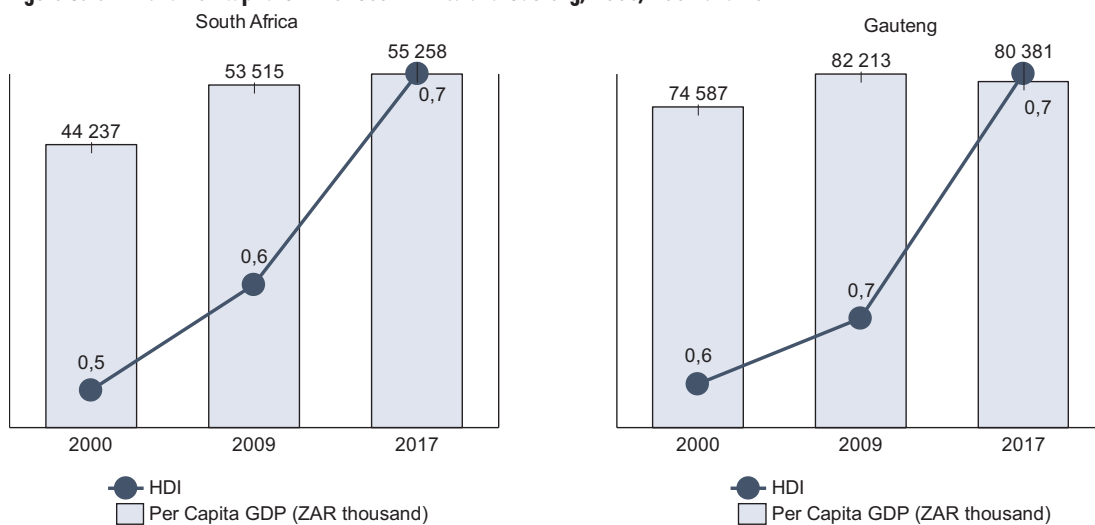
The figure shows that income inequality, as measured by the Gini coefficient, has been on a declining trend from 2007 to 2016 for both South Africa and Gauteng. This is before it marginally increased in 2017. In South Africa, it declined from 0.648 in 2007 to 0.628 in 2016 before reaching 0.629 in 2017. Over the analysis period, the Gini coefficient for the country averaged 0.64. This indicates a marginal change over the years. In Gauteng, income inequality decreased from 0.656 in 2007 to 0.630 in 2017. It averaged 0.64 for the analysis years.

Human Development Index

The Human Development Index, as originally compiled by the United Nations Development Programme (UNDP) focuses on improving human lives and it combines information on people's health, education and income. The UNDP believes that it will take complex and country-specific approaches to achieve the global development agenda.⁷¹ The Human Development Index (HDI) of the UNDP is used as a measure of human development across countries.

According to the 2018 UNDP's HDI, South Africa was ranked 113 out of a total of 189 countries. This reflected an index of 0.699 compared to 0.621 in the previous year. This puts the country in the medium human development category.⁷² The improvement in the HDI has mainly been owing to improvements in life expectancy, which increased from 55.8 years in 2002 to 64.2 years on average in 2018.⁷³ While South Africa ranks favourably in HDI, compared to its peers, the UNDP notes that the inadequate improvement in safety and education are some of the factors that are holding back the country's rapid progress.⁷⁴

Figure 3.9: HDI and Per Capita GDP for South Africa and Gauteng, 2000, 2009 and 2017



Source: IHS Markit, 2019

Both the HDI and GDP per capita are considered as measures of human development. Despite the slowdown in the country and Gauteng's per capita GDP, the HDI has increased over the reviewed years. The HDI increased more rapidly in Gauteng, from 2000 to 2017, from 0.65 to 0.72. This is compared to an increase from 0.53 to 0.66 for the same period in South Africa. On the other hand, the value of GDP per capita increased consistently for South Africa. This is in line with the increase in HDI, whereas in Gauteng it varied somewhat across the years. Generally, the HDI is still regarded as a better measure for human development, than GDP per capita, as it incorporates other standard of living measures such as knowledge and longevity.

Trends in Basic Education

The Organisation for Economic Co-operation and Development (OECD) ranks South Africa's education system very poorly at 75th place out of 76 countries in the 2015 report.⁷⁵ The OECD rankings were done by examining how well students fared in science and maths tests. However, in terms of access to education, South Africa has made significant strides, particularly at the basic level. For example, the number of enrolments in foundation phases (Grade R to Grade 3) increased to 4.3 million pupils in 2016 from the 3.7 recorded in 2009. In Gauteng, the number of enrolments in the foundation phases also increased to 780 000 pupils in 2016 from the 556 000 recorded in 2009.⁷⁶

71 United Nations Development Programme. (2018). *Human Development Indices and Indicators 2018 Statistical Update*. New York

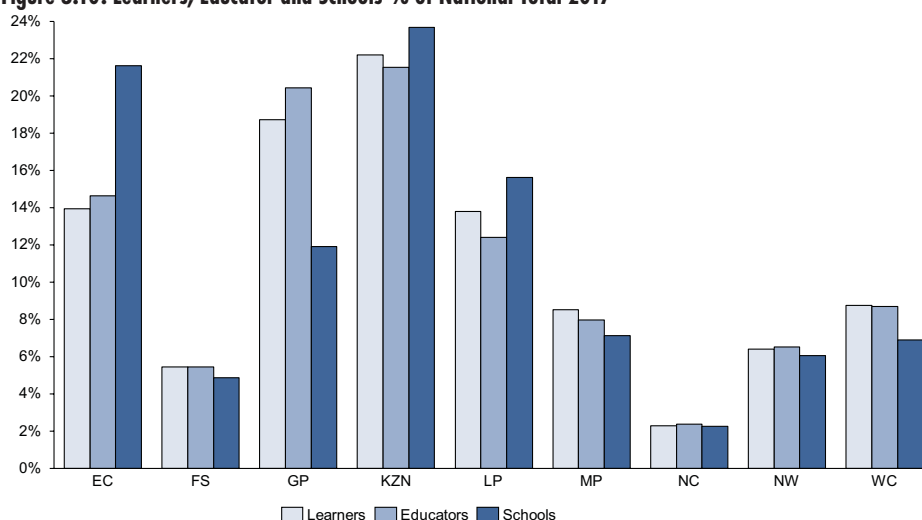
72 HDI Development Categories: Low (less than 0.550), Medium (0.550-0.699), High (0.700-0.799) and Very High (0.800 and greater)

73 Statistics South Africa. (2018). *Mid-Year Population Estimates 2018*. Pretoria

74 South African Government News Agency. (2018). *SA Moves Up Human Development Rankings*. Accessed (13th December 2018) at www.sanews.gov.za and Brand South Africa. (2016). *Analysis: South Africa's Performance in UNDP Human Development Report 2015*. Accessed (13th December 2018) at www.brandsouthafrica.com.

75 South African Institute of Race Relations. (2018). *The South African Education Crisis: Giving Power Back to Parents*. Johannesburg.

76 Department of Education. (2016). *Education Statistics in South Africa 2016*. Pretoria

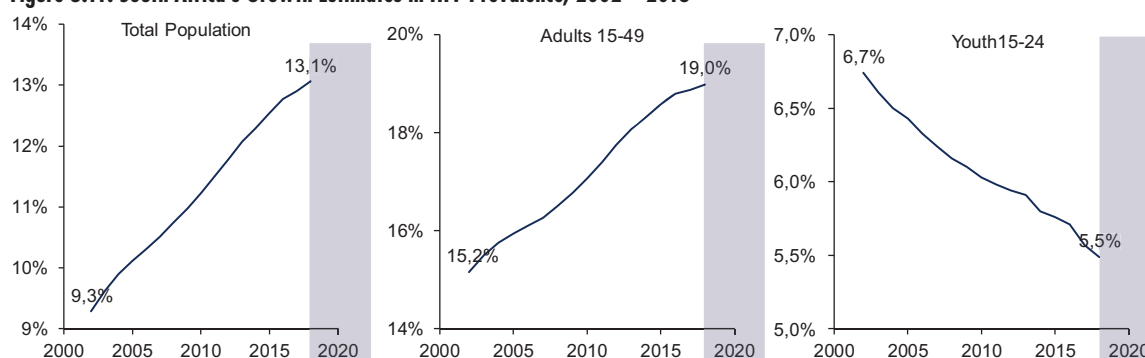
Figure 3.10: Learners, Educator and Schools % of National Total 2017

Source: Department of Basic Education, 2019

The figure shows the provincial proportions of learners, educators and schools to the country totals. As a proportion of the country total, Gauteng accounted for 11.9 per cent of schools in the country, while it had the second-highest proportions of learners at 18.7 per cent. KwaZulu-Natal had the highest proportion of schools (23.7 per cent), learners (22.2 per cent) and educators (21.5 per cent) in the country. Even though KwaZulu-Natal has the highest number of schools in South Africa, Gauteng tends to receive more learner applications than the schools can accommodate. This reflects on the aspect of in-migration.

HIV Prevalence, Crude Death Rates and Life Expectancy

The 2018 mid-year population estimates indicate that 7.5 million people lived with HIV in South Africa. This is an increase when compared with 4.25 million in 2002. In contrast, the estimates show that the growth in HIV prevalence, among the youth, has declined. This is shown in Figure 3.11. Stats SA notes that despite the rise in the number of new infections, the overall increase in HIV prevalence is also partly because of people being able to live longer and healthier due to the availability and proliferation of the antiretroviral (ARVs). In fact, in the 2019 State of the Province Address (SoPA), the Premier of Gauteng, Honourable David Makhura, highlights that the successful rollout of the ARV treatment has reduced the mother-to-child HIV transmission 0.68 per cent in Gauteng.⁷⁷

Figure 3.11: South Africa's Growth Estimates in HIV Prevalence, 2002 – 2018

Source: Stats SA, 2019

Note: Shaded area illustrates forecasts.

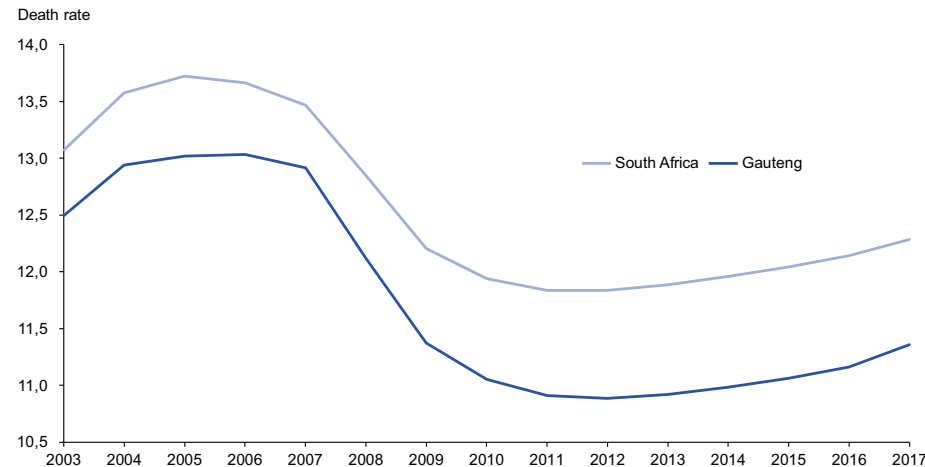
A comparison of the different age groups shows that growth in the HIV prevalence among the youth has declined significantly, from 6.7 per cent in 2002 to 5.5 per cent in 2018. This indicates a declining rate of new infections among young people. In contrast, the HIV prevalence in adults - between the ages of 15 and 49 - continued to rise, with an estimated growth rate of 18.9 per cent in 2018.

77 SoPA. (2019). *Re-Igniting the Spirit of Resilience and Excellence in Gauteng: State of the Province Address By Premier David Makhura, 2019*. Johannesburg: South Africa.

Overall, the estimated number of people living with HIV in South Africa increased by 13 per cent in 2018, compared with 12.9 per cent in 2017 and 9.3 per cent in 2002.

Estimates that are provided by IHS Markit (and not Stats SA⁷⁸) show that, in Gauteng, about 1.1 million people lived with HIV in 2002. This is estimated to have increased to 1.5 million in 2018, translating into a growth rate of 2.3 per cent.

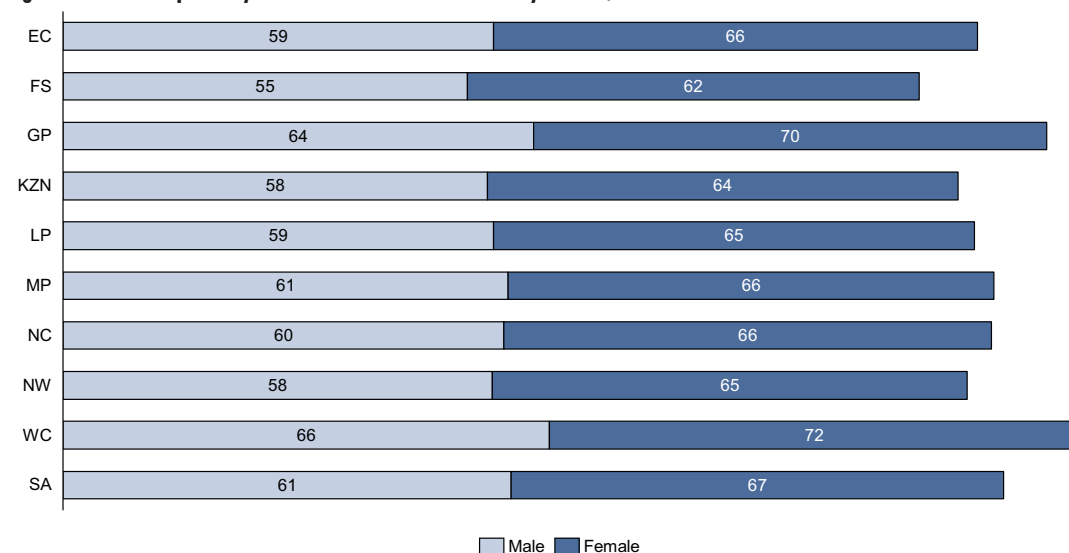
Figure 3.12: Crude Death Rate, 2003 – 2017



Source: Quantec EasyData, 2019

Crude death rate, the number of deaths per 1 000 population, for South Africa has declined notably since 2005. This could be partly attributed to improved life expectancy and the introduction of the ARVs programme by government. South Africa's crude death rate declined from 14.1 deaths in 2005 to 9.2 deaths in 2017. It is estimated to have reached 9.1 in 2018 according to the Stats SA's Mid-Year Population Estimates of 2018. In Gauteng, it declined from 13 deaths per 1000 population in 2005 to 10.9 in 2011, before rising to 11.4 in 2017.

Figure 3.13: Life Expectancy in South Africa and Provinces by Gender, 2016-2020



Source: Stats SA, 2019

Figure 3.13 shows that, on average, life expectancy has improved significantly in South Africa. Gauteng has the second-highest life expectancy in South Africa after the Western Cape. A gender comparison shows that there is a six-years gap, on average, in life expectancy between males and females in South Africa and in Gauteng. For example, females are expected to live until the age of roughly 70 years in Gauteng, compared to the 64 years for males. At a national level, females are expected to live up to the age of 67 years, on average, compared with males at 61 years.⁷⁹

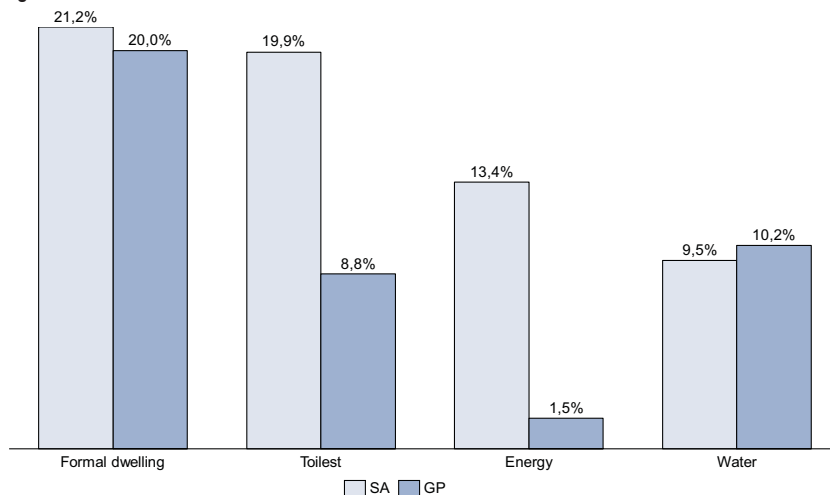
⁷⁸ Stats SA does not provide HIV prevalence rates at the provincial level.

⁷⁹ Stats SA. (2018). *2018 Mid-year Population Estimates*. Pretoria: South Africa.

Provision of Basic Services

Since the dawn of democracy in South Africa, the number of households with access to services has increased. However, there are still several backlogs in the provision of basic services. These are mostly in areas that are economically constrained owing to higher levels of unemployment and poverty, which limit households' ability to pay for municipal services. Instead of looking at the proportion of households with access to basic services, this section provides a different perspective by showing a share of those without access to the household infrastructure.

Figure 3.14: Share of Household Without Access to Basic Services, 2017



Source: IHS Markit, 2019

This figure indicates that, although progress has been made in the provision of basic services over the years, about 34,6 per cent of households in South Africa are still without access to refuse removal. This is compared to 9.9 per cent in Gauteng province. Regarding formal housing, 21.2 per cent of households in 2017 were still without access to formal housing in the country, compared to 20 per cent in Gauteng. According to the Gauteng State of the Province Address (SoPA), despite delivering 1.2 million houses, the backlog remains high at 1 million, mainly as a result of the high rate of in-migration and rapid urbanisation.⁸⁰ About 31 mega human settlements are planned in the Gauteng province in the next 5 years. 10 of these are under construction, 11 are in the planning phase and another 10 are at a conceptual stage. This project is expected to reduce the current high housing backlog in the region.

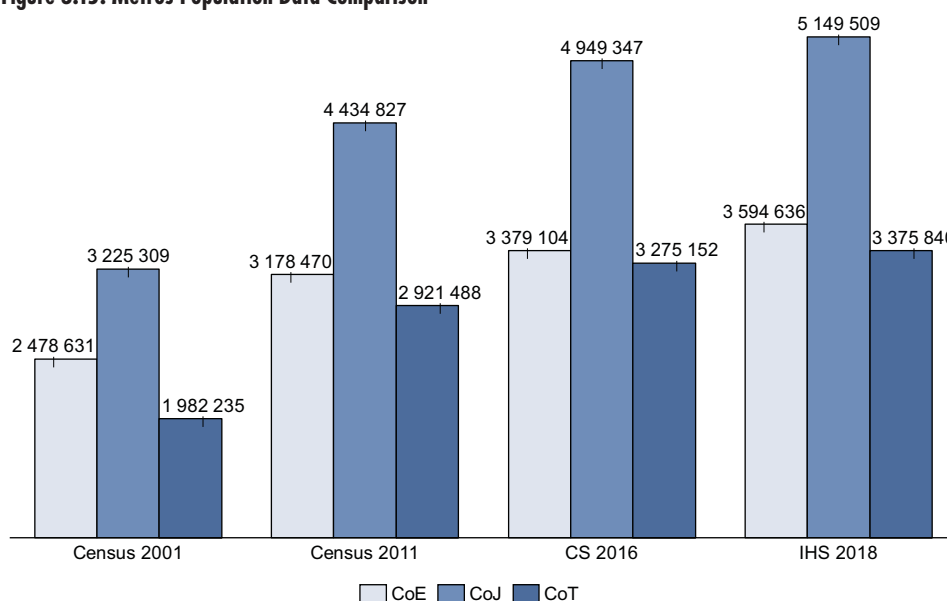
3.3 Metropolitan Municipalities

The Gauteng metropolitan municipalities (metros) account for the highest share of the province's economic activity and population. This sub-section focuses on the demographics of the CoJ, CoE and CoT progress on their development indicators and households' access to basic infrastructure.

Demographic Profile

Most of Gauteng's population is based within the metros. This is driven mainly due the fact that metros are the main contributors to the province's economic activity. People from neighbouring provinces and local regions are migrating to these centres.

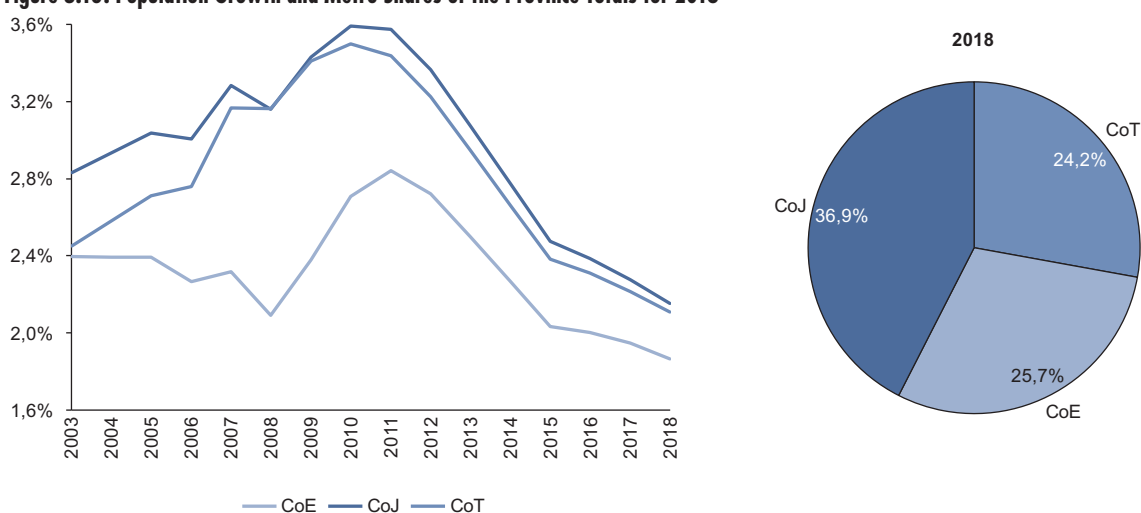
⁸⁰ Gauteng Office of the Premier. (2019). *Re-Igniting the Spirit of Resilience and Excellence in Gauteng: State of the Province Address by Premier David Makhura, 2019*. Johannesburg

Figure 3.15: Metros Population Data Comparison

Source: Stats SA and IHS Markit, 2019

Note: CS stands for Community Survey. The census 2001 data is according to the 2001 municipal demarcation and the 2011 census are based on the 2005 demarcation as published in the 2007 Community survey. The IHS Markit stats are based on the 2018 municipal Demarcations.

The figure above shows the population statistics for Gauteng metropolitan municipalities according to the 2001 and 2011 Stats SA Census, 2016 community Survey and the IHS Markit 2018 estimates. This is done to get a comprehensive picture of the Gauteng metropolitan population numbers to help in the region's fiscal planning and drafting of strategic documents. Across all the sources, the CoJ had the highest population, followed by the CoE and the CoT.

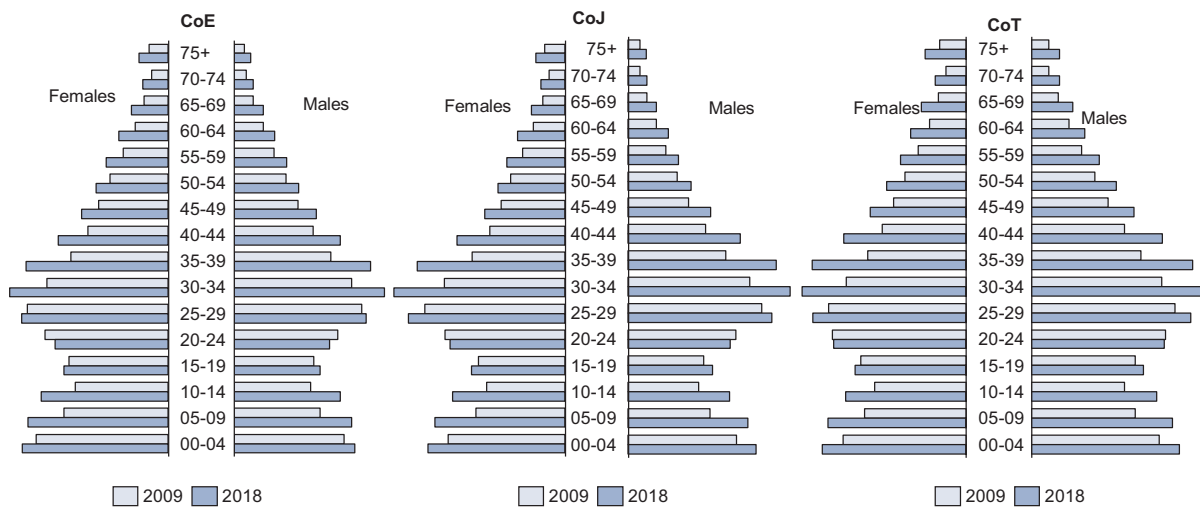
Figure 3.16: Population Growth and Metro Shares of the Province Totals for 2018

Source: IHS Markit, 2019

Over the reviewed period, the CoJ has recorded the highest population growth rate averaging about 3 per cent over the reviewed years. This was followed by the CoT, with growth averaging 3.9 per cent. Among the metros, the CoE had the lowest population growth rate with a mean growth rate of 2.6 per cent over the period reviewed. As a proportion of the Gauteng total, in 2018 most of the province's population (36.9 per cent) resided in CoJ, followed by CoE (25.7 per cent) and CoT (24.2 per cent).

Population Age Distribution

Figure 3.17: Population by Age Distribution, 2009 and 2018



Source: IHS Markit, 2019

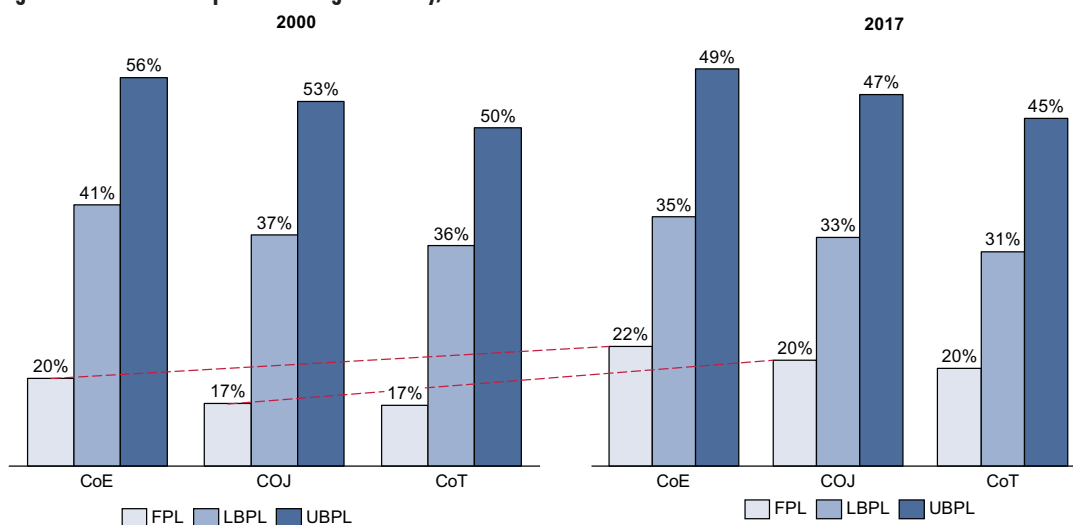
Similar to the national and provincial levels, the population pyramids of the metros have a large number of the working-age population and a relatively narrow base. The narrow base reflects a low proportion of children in the metros. However, between 2009 and 2018, there was a slight increase in the age population groups of 00 - 04, 05 - 09, 10 - 14 and 15 - 19 across all the metros. All increases were for both males and females. While these increases have slightly widened the base, the working age ratios continued to rise at a rapid pace for both males and females.

Development Indicators

This sub-section analyses development indicators in the Gauteng metros. It focuses on the three poverty measures in the metros, income in equality as measured by the Gini coefficient, highest level of educational attainment and health indicators such as HIV positive estimates.

The Share of Population Living in Poverty

Figure 3.18: Share of Population Living in Poverty, 2000 and 2017



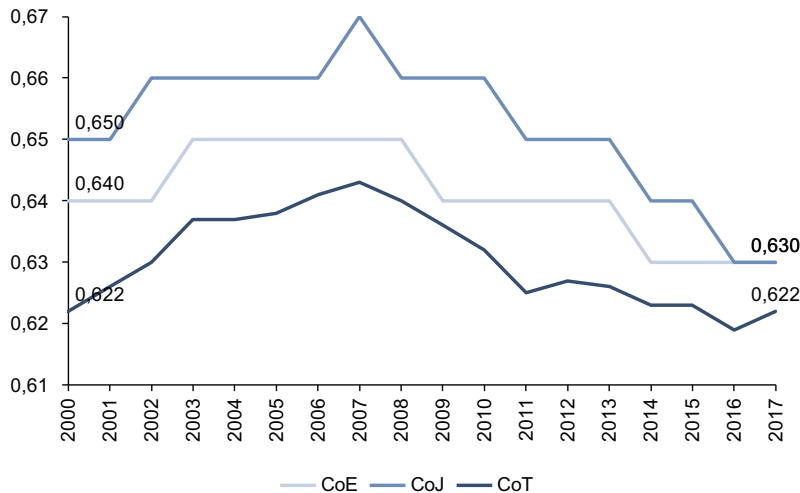
Source: IHS Markit, 2019

Figure 3.18 indicates that, despite the decrease in the share of those living in poverty, metros still carry a relatively greater proportion of people living in poverty, especially when using the upper bound poverty line.

The share of those living below the lower bound poverty line and the upper bound poverty line in the metros ranged between 31.3 and 49.4 per cent in 2017. Worth noting is the slight increase in the share of those living below the food poverty line in all the metros, although this category makes up the smallest component of the poverty lines. This is indicative of the phenomenon known as 'urban poverty', in which people migrate into cities in search of economic and job opportunities but urban development is unable to keep up with migration. This results in growing number of informal settlements and thus widening poverty levels.

Income Inequality as Measured by Gini Coefficient

Figure 3.19: Gini Coefficient, 2000 – 2017

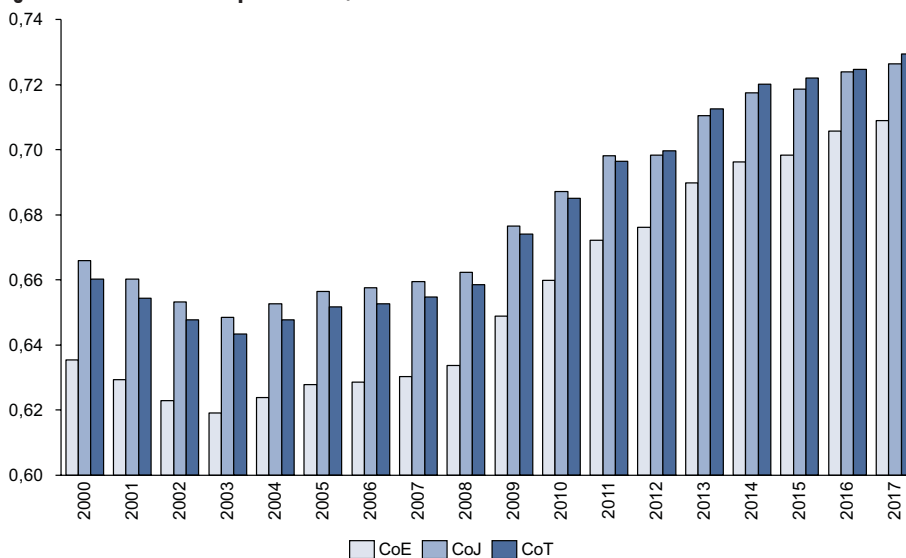


Source: IHS Markit, 2019

Inequality in the metros in South Africa is reportedly among the highest in the world.⁸¹ The figure shows a decline in the Gini coefficient over the years, though it remained higher in the CoJ at 0.63 in 2017 from the peak of 0.67 in 2007. The Gini coefficient for the CoT shows an increase in 2017 at 0.622, compared to the 0.619 it recorded in the year before. The CoE had the second-highest level of income inequality. It declined to 0.63 in 2017 from a peak of 0.65 in 2007.

Human Development Index

Figure 3.20: Human Development Index, 2000 – 2017



Source: IHS Markit, 2019

81 South African City Networks. (2016). *South African Cities State of Report 2016*. Johannesburg: SACN

As driven by improvement in the life expectancy, metros also follow a similar trend to South Africa and Gauteng's HDI. HDI has increased notably in all the metros, particularly from 2004 to 2017. The CoT recorded the highest HDI in 2017 at 0.729, followed by CoJ at 0.726 and CoE at 0.709 in 2017.

Trends in Educational Attainment of People aged 20+ Years

As indicated in the NDP and the UNDP, education in South Africa and its regions remains the critical factor to improve human development in the country further. This sub-section focuses on educational attainment of the population, aged 20 years and above, in the metros.

Table 3.1: Highest Educational Attainment for People aged 20+ by Population Group, 2017

CoE	Statistics	African	White	Coloured	Asian	Total
No Schooling	Number	62 342	2 434	1 160	890	66 826
	Per cent of total	3.3%	0.7%	1.9%	1.6%	2.8%
Primary	Number	973 862	74 911	29 619	14 272	1 092 664
	Per cent of total	51.0%	21.6%	47.4%	25.4%	46.0%
Matric	Number	650 853	167 415	23 987	25 271	867 525
	Per cent of total	34.1%	48.2%	38.4%	44.9%	36.5%
Tertiary	Number	221 254	102 320	7 659	15 856	347 089
	Per cent of total	11.6%	29.5%	12.3%	28.2%	14.6%
Total	Number	1 908 311	347 081	62 424	56 289	2 374 105

CoJ	Statistics	African	White	Coloured	Asian	Total
No Schooling	Number	76 292	1 861	2 111	2 663	82 927
	Per cent of total	2.8%	0.5%	1.2%	1.5%	2.4%
Primary	Number	1 336 805	49 296	77 270	39 387	1 502 757
	Per cent of total	48.9%	12.7%	42.5%	22.7%	43.2%
Matric	Number	959 362	140 630	75 513	69 791	1 245 297
	Per cent of total	35.1%	36.2%	41.5%	40.1%	35.8%
Tertiary	Number	363 422	196 490	27 104	62 010	649 026
	Per cent of total	13.3%	50.6%	14.9%	35.7%	18.7%
Total	Number	2 735 881	388 276	181 999	173 852	3 480 007

CoT	Statistics	African	White	Coloured	Asian	Total
No Schooling	Number	71 312	2 240	542	1 056	75 152
	Per cent of total	4.0%	0.5%	1.2%	2.4%	3.3%
Primary	Number	772 624	58 836	17 769	8 553	857 781
	Per cent of total	43.8%	13.9%	37.8%	19.2%	37.7%
Matric	Number	594 904	170 874	19 485	18 216	803 479
	Per cent of total	33.8%	40.4%	41.4%	40.8%	35.3%
Tertiary	Number	323 193	191 306	9 218	16 836	540 553
	Per cent of total	18.3%	45.2%	19.6%	37.7%	23.7%
Total	Number	1 762 033	423 256	47 015	44 661	2 276 965

Source: IHS Markit, 2019

Table 3.1 illustrates the metros' educational attainment by population group for people aged 20 years and above. This age group mostly consists of working-aged people, which largely reflects the labour force of the metros. Overall, educational attainment in the province has improved significantly since early 2000s.⁸² However, there are still wide disparities in educational attainment among the population groups.

⁸² IHS. (2019). *Regional eXplora Database Version 2.6d*. (Accessed 28th January 2019): www.ihsglobalinsight.co.za

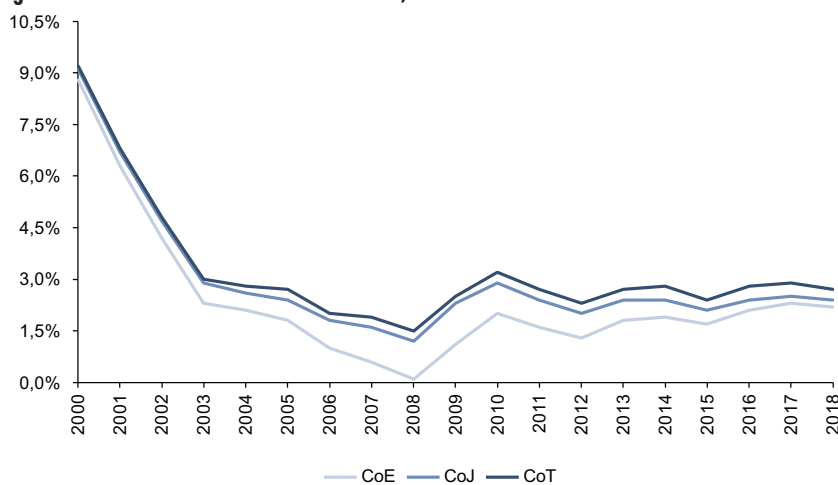
Africans still lag behind in tertiary educational attainment across all the metros. This is compared with the other population groups. For example, in the CoJ (which has the highest population of people aged 20+ years) only 13.3 per cent of the African population group had a tertiary qualification.

This is compared with 50.6 per cent within the White population group, 35.7 and 14.9 per cent within the Asian and the Coloured population groups. This trend was similar across all the metros, which is despite Africans being the largest population group in every metro. The White population group had the lowest share of people aged 20+ years with no schooling. This was the case across all the metros.

Comparing metros, on average the CoT had the highest share of people aged 20 years and older with a tertiary qualification (with 23.7 per cent) although it has the second-largest population in this age group. The CoJ, which has the largest share of the population aged 20 years and above, had the second-largest share of people with a tertiary education.

HIV Prevalence and Crude Death Rates

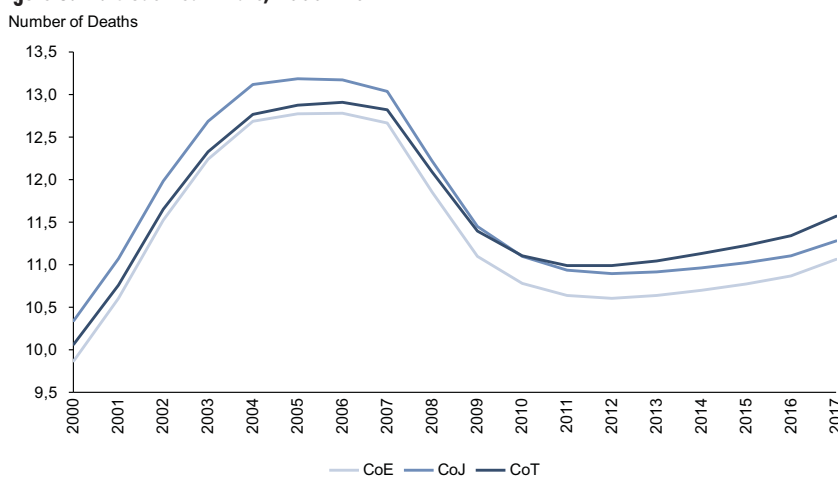
Figure 3.21: Growth in HIV Positive Estimates, 2000 - 2018



Source: IHS Markit, 2019

In the CoE, growth in HIV positive estimates decreased from 8.8 per cent to 0.1 per cent in 2008 before it rose again to 2.3 per cent in 2017. In the CoJ, it declined from 9.1 per cent in 2000 to 1.2 per cent in 2008, before it reached 2.5 per cent in 2017. In the CoT, it was at 9.2 per cent before it slowed down to 1.5 per cent. By 2017 it had risen again to 2.9 per cent.

Figure 3.22: Crude Death Rate, 2000 - 2017



Source: Quantec EasyData, 2019

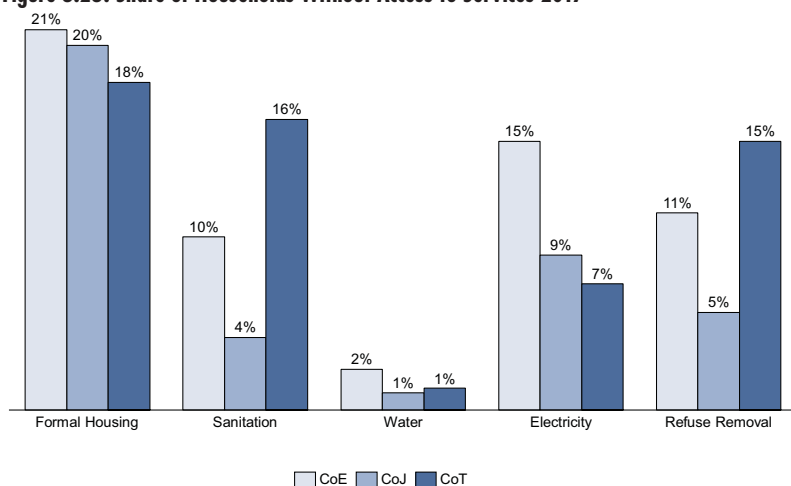
The figure shows the number of deaths per 1 000 population in the Gauteng metros from 2000 to 2017. The figure indicates that there was a high number of deaths recorded in 2003 and 2007 in all the metros. From 2008, however, there was a sudden drop in the number of deaths recorded.

This can be attributed to the introduction of HIV treatment, by the state in 2004,⁸³ in the form of ARVs and education campaigns, among other factors. This has also helped in improving the life expectancy in the country and all the regions, including metros.

Provision of Basic Services

Despite the increase in the provision of household basic services for the country and its regions, even the denser cities have household infrastructure backlogs. In Gauteng, this is further exacerbated by the influx of people to the metro cities in search for better living conditions. This section compares the share of households without access to basic services in 2017 to 2009.

Figure 3.23: Share of Households Without Access to Services 2017



Source: IHS Markit, 2019

The figure shows household infrastructure backlogs in Gauteng metros for 2017 compared to 2009. Despite an increase in the share of those with access to basic services, there is still a greater proportion of household without access to this basic household infrastructure. The figure indicates that, in all the Gauteng metros, those without access to formal housing constituted the highest proportion. In 2017, about 21 per cent of households in the CoE were without access to formal housing, followed by the CoJ at 20 per cent and 18 per cent for the CoT. Worth noting is that, in 2017, the CoT had the highest proportion of households without access to sanitation and refuse removal. As the province with high net-in migration from other provinces, Gauteng and its regions continue to experience pressure on the provision of basic services.

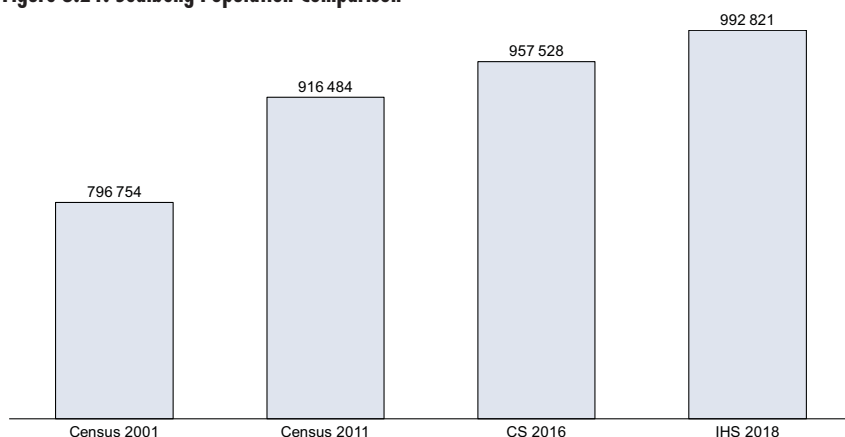
3.4 Sedibeng District Municipality

Sedibeng is not only the fourth-biggest contributor to Gauteng economic activity but it also accounted for the fourth-highest share of the province's population (7.1 per cent) in 2017. The region consists of three local municipalities: Emfuleni, Midvaal and Lesedi.

Demographic Profile

Of the three Sedibeng, local municipalities, Emfuleni is estimated to account for the highest share of the district's population (77 per cent), followed by Lesedi at (12 per cent) and Midvaal (11 per cent) in 2018. In term of economic activity, Emfuleni accounts for the highest proportion of the region's total economy.

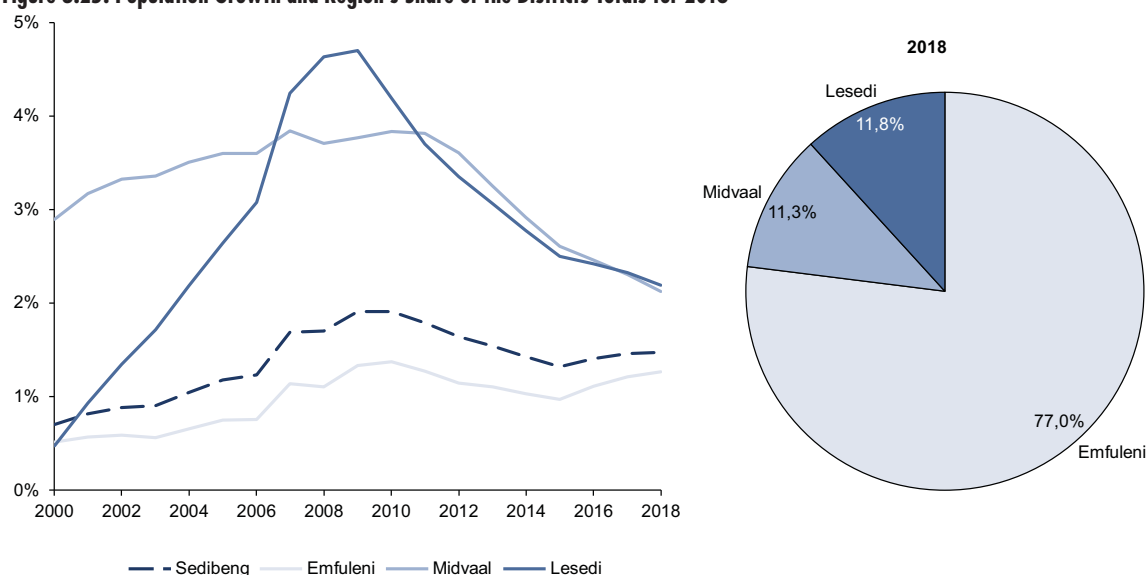
⁸³ The South Africa Health News Services. (2014). *South Africa Celebrates 10 Years of Free HIV Treatment*. Accessed (3rd January 2019) at www.health-e.org.za

Figure 3.24: Sedibeng Population Comparison

Source: Stats SA and IHS Markit, 2019

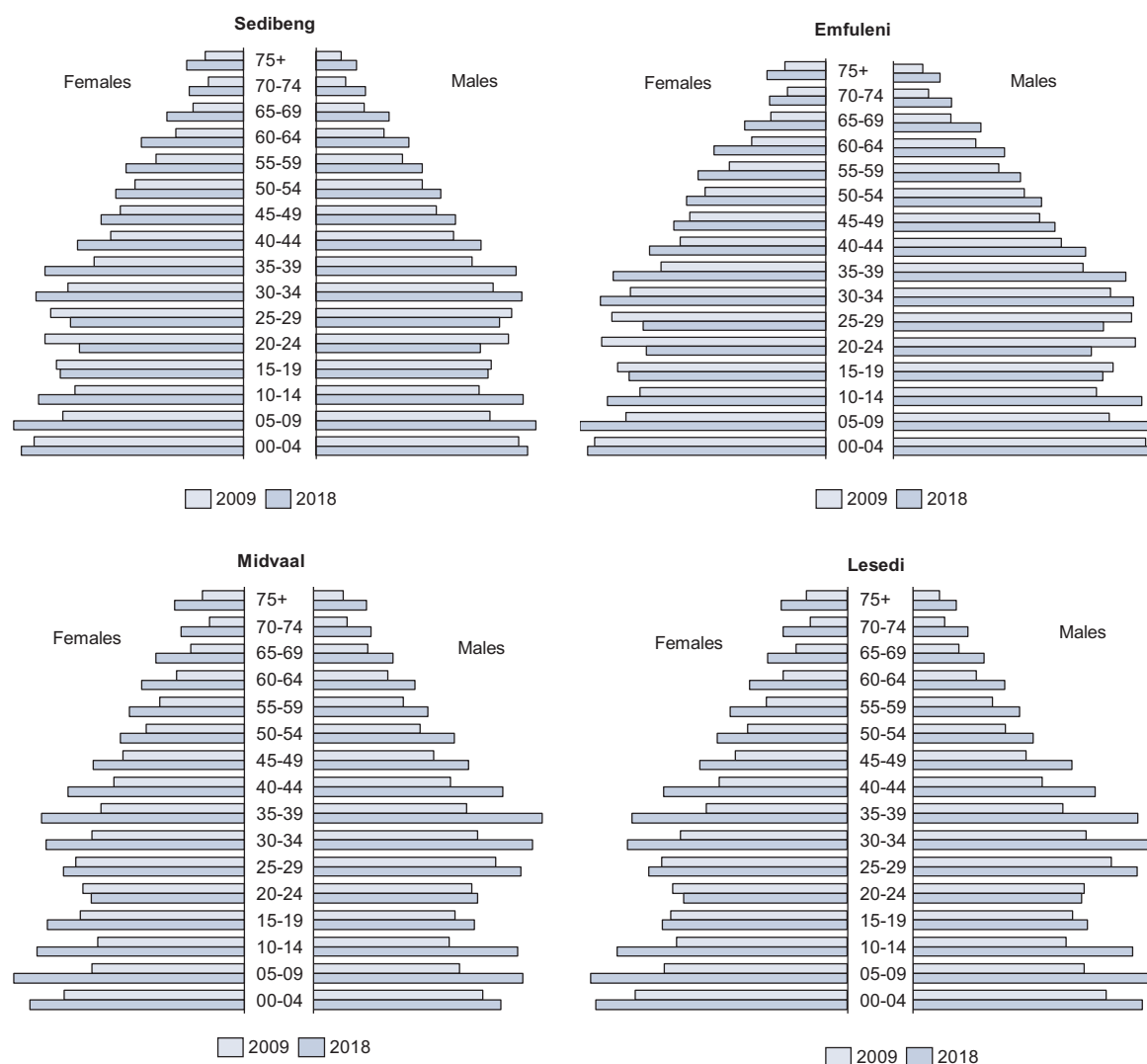
Note: CS stands for Community Survey. The census 2001 data is according to the 2001 municipal demarcations, while the 2011 census is as per the 2005 and the IHS Markit is according to the latest 2018 demarcations.

The figure indicates the Sedibeng district's total population numbers from the 2001 Stats SA Census to the 2016 Community Survey as well as the 2018 estimates from IHS Markit. Although the population showed an increase over the year, the regions' growth has averaged only 1.4 per cent between 2000 and 2018.

Figure 3.25: Population Growth and Region's Share of the Districts Totals for 2018

Source: IHS Markit, 2019

The Sedibeng region's population remains just under a million, with the highest growth rate being recorded in Midvaal and Lesedi over the review period. In Midvaal, population growth averaged 3.2 per cent for the analysis period while it averaged 2.8 per cent in Lesedi. Although it accounts for the most of the region's population, Emfuleni has the lowest population growth of the three local districts - at an average of 1 per cent - between 2000 and 2018.

Figure 3.26: Population by Age Distribution in Sedibeng and Locals, 2009 and 2018

Source: IHS Markit, 2019

Sedibeng's demographic structure is no different to that of the province and the country. For the district as a whole, there was a notable increase in the number of people across most age groups. In particular, there were significant increases in the population within the age cohorts 00 - 04, 05 - 09 and 10 - 14 between 2009 and 2018. The increases were recorded for both the male and female population. The age cohort 25 - 29 years was the only group where the population declined between 2009 and 2018 in Sedibeng. In general, there were more females in the district, at about 500 000 in 2018, compared to 493 000 males in the same year.

At the local municipal level, Emfuleni population increased for the age cohorts 00 - 04 to 15 - 19 and from 25 - 29 to 75+. Declines were recorded within the 20 - 24 and 25 - 29 age groups. In Midvaal, there was an increase for males in the 20 - 24 age cohort, while in Lesedi there was an increase for both males and females. In terms of the gender split, there were more females (389 000) than males (375 000) in Emfuleni in 2018. The split was different in Midvaal and Lesedi where the male population exceeded female population in 2018.

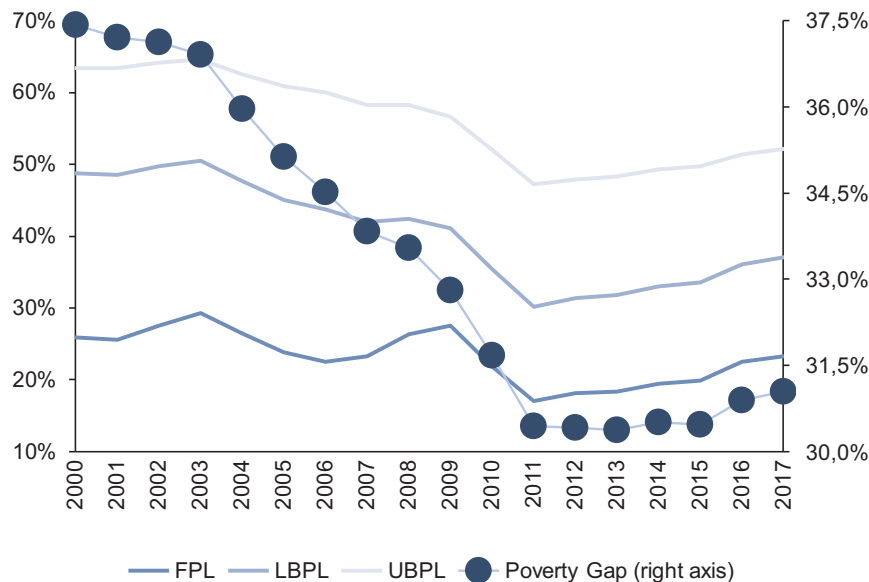
Development Indicators

This sub-section analyses the level of development in Sedibeng, focusing on changes in poverty, income inequality and the HDI.

The Share of the Population Living in Poverty

At the centre of South Africa and many of its regions' socio-economic challenges are high levels of unemployment, high inequality levels and the continuous poverty cycle.⁸⁴ With the Sedibeng regions displaying some of the country's highest unemployment rates (of between 34.2 and 56.2 per cent in 2017), poverty levels are among the highest in the province.⁸⁵

Figure 3.27: Share of People in Poverty in Sedibeng, 2000 - 2017

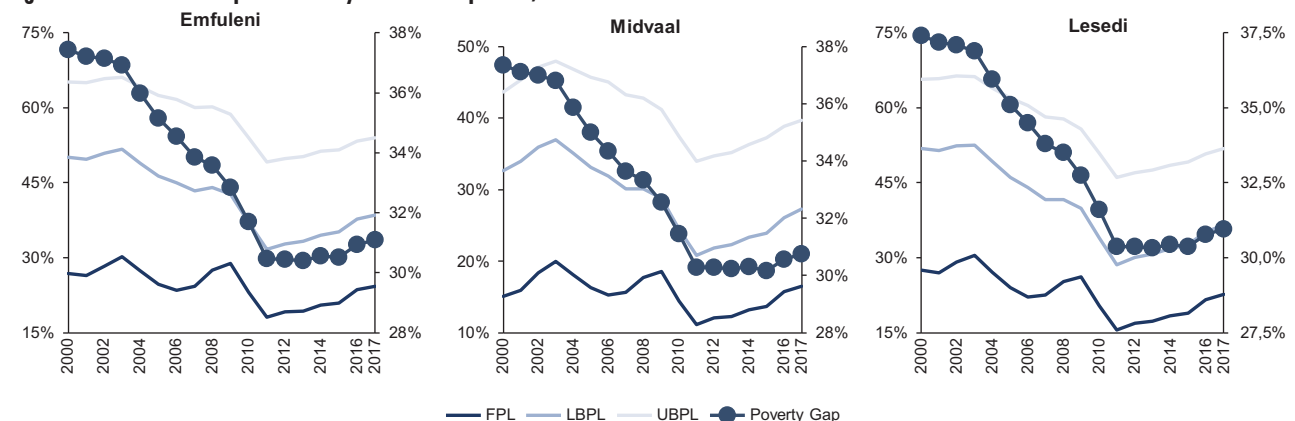


Source: IHS Markit, 2019

Figure 3.27 shows the share of Sedibeng people living under various poverty lines. The share of people living in poverty declined notably, particularly between 2000 and 2011. The decline in poverty was particularly steeper when using the lower bound poverty line. However, the trajectory of poverty decline was reversed between 2012 and 2017. Using the food poverty line, for example, 27 000 more people slipped into poverty in Sedibeng in 2017 and about 19 000 more people according to the upper bound poverty line. This broadens the total share of the population, living under the food poverty line, to 23.2 per cent in 2017 and those living below the upper bound poverty line to 52.2 per cent.

Fortunately, the depth of poverty - as measured by poverty gap⁸⁶ - in the district has declined by 6.4 percentage points between 2000 and 2017. This suggests that the severity of poverty has declined in the district. In other words, it means that the extent of poverty is not as deep as it used to be.

Figure 3.28: Share of People in Poverty Local Municipalities, 2000 - 2017



Source: IHS Markit, 2019

⁸⁴ Umsizi. (2018). *Socio-Economic Development Challenges in South Africa (And How to Beat Them)*. Accessed (4th January 2018) at www.umsizi.co.za

⁸⁵ Data from the IHS Markit Regional Explorer.

⁸⁶ This poverty gap captures the intensity of poverty relative to the poverty line and is measured as a percentage of the Upper Bound Poverty Line.

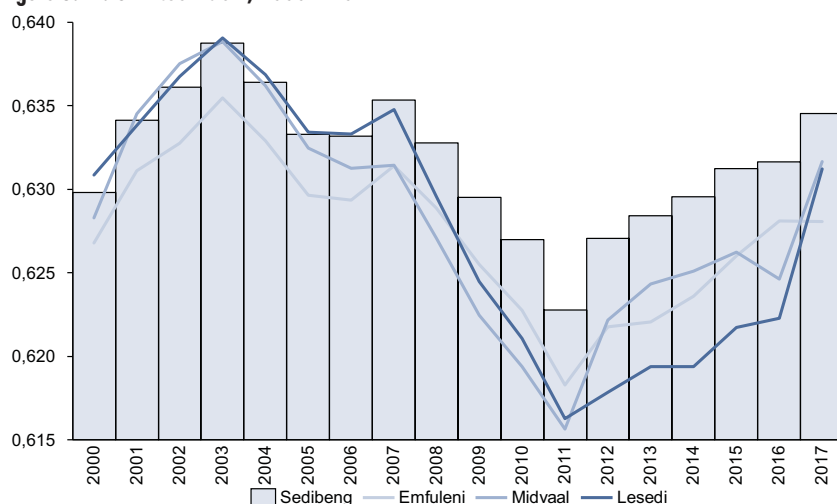
As seen in Figure 3.28, the change in the numbers of the population living in poverty show similar trends in the local municipalities as at the district level. Poverty ratios declined between 2000 and 2011, after which the trend was reversed during 2012 to 2017. Using the upper bound poverty line, Emfuleni recorded the highest number of people in poverty, at 54 per cent, in 2017. Lesedi had the second-highest number of people living in poverty at 51.9 per cent. The share of the population under the upper bound poverty line in Midvaal increased to 39.7 per cent.

The distance of the population from the upper bound poverty line has improved notably across all the municipalities. The severity of poverty declined more in Midvaal, by 6.6 percentage points, to 30.8 per cent in 2017. The gap declined by 6.5 percentage points in Lesedi and by 6.4 in Emfuleni, with the respective poverty gap rates of 30.9 and 31.1 per cent in 2017.

Income Inequality as Measured by Gini Coefficient

With the most of the region's active labour force unable to find employment opportunities, the level of inequality - as measured by the GINI coefficient - remains relatively high.

Figure 3.29: Gini Coefficient, 2000 – 2017



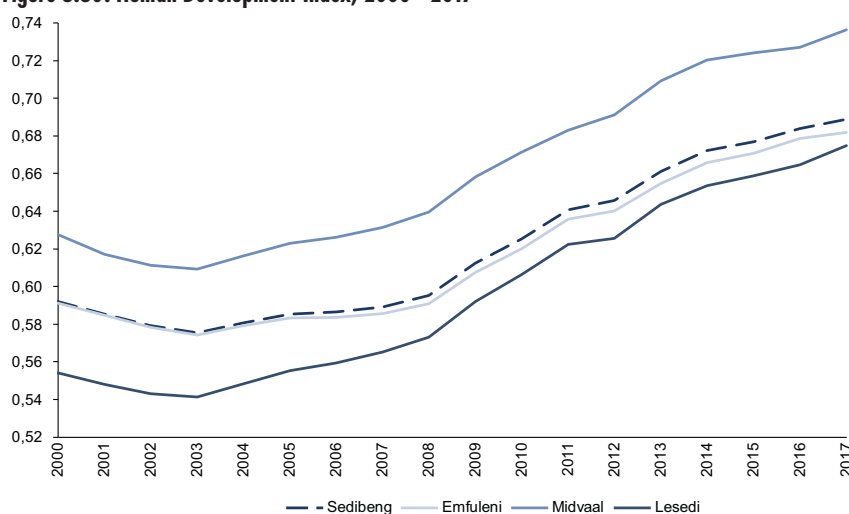
Source: IHS Markit, 2019

In Figure 3.29, the bar graphs show the Gini coefficient for Sedibeng region whereas the line graphs depict the same for the individual local municipalities. Very little progress has been made in reducing the level of income inequality. Income inequality, as measured by the Gini coefficient, has averaged 0.63 between 2000 and 2017 in the district, indicating a minimal change over the review years. Overall, there was a slight increase in the Gini coefficient in Sedibeng from 0.630 in 2000 to 0.635 in 2017. At the local municipal level, it roughly remained unchanged over the reviewed period.

Human Development

The improvement in health, especially life expectancy, has partly resulted into a better reading of the HDI, over the years, in Sedibeng. Any improvement effort in the educational achievement has the potential of improving the region's HDI even further.⁸⁷

⁸⁷ South African Government News Agency. (2018). *SA Moves Up Human Development Rankings*. Accessed (13th December 2018) at www.sanews.gov.za

Figure 3.30: Human Development Index, 2000 - 2017

Source: IHS Markit, 2019

Midvaal had the highest level of HDI over the analysis period, averaging 0.66. Lesedi had the lowest level in the three locals with a mean HDI of 0.60 over the review years. The increasing trend in the HDI was surprisingly accompanied by the slow growth in economic activity and population growth for the region.

Trends in Educational Attainment of People aged 20+ years

According to the 2017 General Household Survey (GHS), educational attainment outcomes continue to improve amid increasing access to educational facilities. The percentage of those age 20+ years and have no schooling, continues to decrease country wide while those with matric - as their highest level of education - continue to increase in addition to those with tertiary qualifications.⁸⁸

Table 3.2: Highest Educational Attainment for People Aged 20+ by Population Group in Sedibeng, 2017

Sedibeng		African	White	Coloured	Asian	Total
No Schooling	Number	21 528	477	175	167	22 347
	Per cent of total	4.1%	0.5%	2.1%	2.7%	3.5%
Primary	Number	279 624	27 717	3 958	2 232	313 530
	Per cent of total	53.7%	27.5%	47.4%	35.5%	49.3%
Matric	Number	159 813	47 277	2 975	2 520	212 585
	Per cent of total	30.7%	46.9%	35.6%	40.1%	33.4%
Tertiary	Number	59 649	25 304	1 248	1 362	87 564
	Per cent of total	11.5%	25.1%	14.9%	21.7%	13.8%
Total	Number	520 614	100 774	8 357	6 280	636 025

Source: IHS Markit, 2019

Table 3.2 shows educational attainment for the share of population aged 20+ years in 2017 in Sedibeng. While there have been notable improvements in educational attainment in Sedibeng over the years, there still exists a strong racial disparity between higher educational attainment and pre-matric schooling. As with the trends at the national level, the attainment of tertiary education among - the African and Coloured population groups - still lags behind, despite these groups being the largest population groups. Similarly, the share of Africans with no schooling remains comparatively higher than other population groups.

Attaining some form of tertiary qualification is very important in the South African context as studies and data have shown that a tertiary qualification gives people a higher probability of getting a job, which reduces the risk of poverty and inequality incidence.⁸⁹

88 Statistics South Africa. (2018). *General Household Survey 2017*. Pretoria

89 The World Bank. (2018). *Overcoming Poverty and Inequality in South Africa: An Assessment of Drivers, Constraints and Opportunities*. Washington, DC.

Table 3.3: Highest Educational Attainment for People Aged 20+ by Population Group in Locals, 2017

Emfuleni		African	White	Coloured	Asian	Total
No Schooling	Number	15 073	261	75	114	15 524
	<i>Per cent of total</i>	3.6%	0.5%	1.3%	2.5%	3.2%
Primary	Number	219 348	16 578	2 919	1 593	240 438
	<i>Per cent of total</i>	52.3%	28.7%	49.7%	35.6%	49.3%
Matric	Number	134 238	26 171	2 096	1 820	164 326
	<i>Per cent of total</i>	32.0%	45.3%	35.7%	40.7%	33.7%
Tertiary	Number	51 059	14 762	779	950	67 550
	<i>Per cent of total</i>	12.2%	25.6%	13.3%	21.2%	13.8%
Total	Number	419 718	57 773	5 869	4 477	487 838

Midvaal		African	White	Coloured	Asian	Total
No Schooling	Number	2 623	142	23	40	2 828
	<i>Per cent of total</i>	6.1%	0.5%	1.7%	6.2%	3.8%
Primary	Number	24 661	7 642	438	225	32 966
	<i>Per cent of total</i>	57.1%	26.4%	33.6%	34.5%	44.5%
Matric	Number	11 627	14 376	572	263	26 838
	<i>Per cent of total</i>	26.9%	49.6%	43.8%	40.5%	36.2%
Tertiary	Number	4 312	6 817	273	122	11 524
	<i>Per cent of total</i>	10.0%	23.5%	20.9%	18.7%	15.5%
Total	Number	43 223	28 976	1 306	650	74 155

Lesedi		African	White	Coloured	Asian	Total
No Schooling	Number	3 832	74	77	13	3 995
	<i>Per cent of total</i>	6.7%	0.5%	6.5%	1.1%	5.4%
Primary	Number	35 615	3 497	601	414	40 126
	<i>Per cent of total</i>	62.4%	24.9%	50.8%	35.9%	54.2%
Matric	Number	13 948	6 729	308	436	21 421
	<i>Per cent of total</i>	24.4%	48.0%	26.0%	37.8%	28.9%
Tertiary	Number	3 691	3 725	196	291	8 490
	<i>Per cent of total</i>	6.5%	26.6%	16.6%	25.2%	11.5%
Total	Number	57 086	14 025	1 181	1 153	74 032

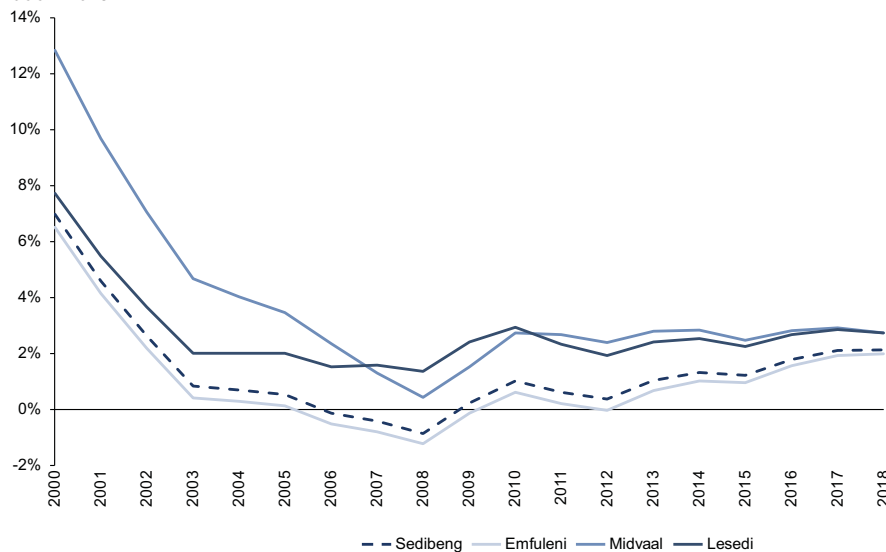
Source: IHS Markit, 2019

A comparison between the local municipalities shows that Midvaal had the highest average share of population aged 20+ years with tertiary qualification at 15.5 per cent. This was followed by Emfuleni (13.8 per cent) and Lesedi (11.5 per cent). In terms of the percentage of the population with no schooling, the highest average share was recorded in Lesedi at 5.4 per cent compared with 3.8 per cent in Midvaal and 3.2 per cent in Emfuleni. The educational category that constituted the highest attainment level across all the local municipalities was primary school. In other words, in 2017 the largest share of the population aged 20+ year in the local municipalities had only attended primary school (49.3 in Emfuleni, 44.5 in Midvaal and 54.2 per cent in Lesedi).

In terms of the racial comparison, Africans lag behind in the attainment of matric and post-matric qualifications. They constitute the highest share of the population with no schooling. This trend is the opposite for the White population group, which has the largest share of the population with tertiary qualifications and the lowest number of people with no schooling.

HIV Prevalence and Crude Death Rates

Figure 3.31: Growth in Estimates of HIV Prevalence in Sedibeng and Locals, 2000 - 2018

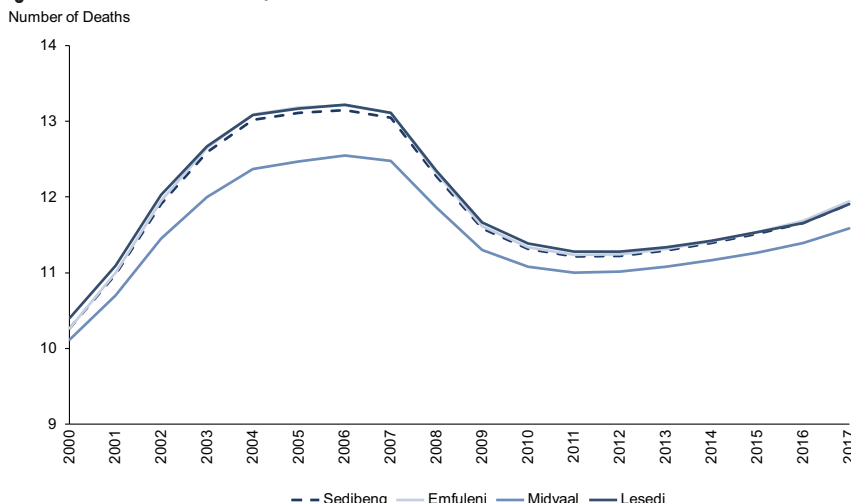


Source: IHS Markit, 2019

The figure indicates that there was a slight rise in the number of those living with HIV in the latter years of the review period. In explaining the increase in the number of people living with HIV, Stats SA cited that although there were new HIV infection cases, the increase is explained by more people living healthier and longer owing to the availability of the ARVs.⁹⁰

Midvaal experienced the highest growth in people living with HIV over the analysis period, closely followed by Lesedi from 2010. In Midvaal, growth in the HIV positive people declined from 12.8 per cent in 2000 to 0.4 per cent in 2008, before rising again to reach 2.7 per cent in 2018. In Lesedi, growth in HIV positive people started the review period at 7.7 per cent decreasing to 1.4 per cent in 2008 before reaching 2.7 per cent in 2018.

Figure 3.32: Crude Death Rate, 2000 – 2016



Source: Quantec EasyData, 2019

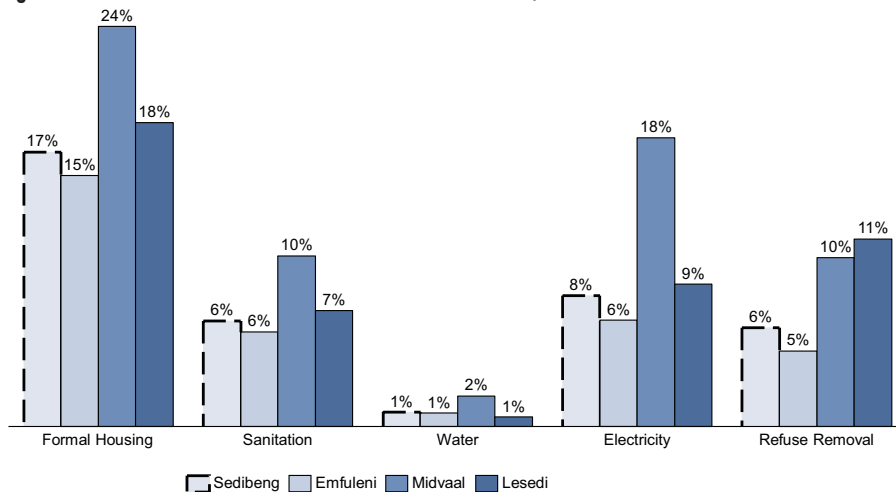
Crude death rate was the highest in Lesedi, followed by that of Midvaal. Globally, a rate below 10 deaths is considered to be low and a rate above 20 is considered to be relatively high. With the number of deaths per 1 000 population averaging 11.8, the district reading is closer to the global rate of below 10 deaths. Lesedi and Emfuleni had the highest number of deaths, reaching 11.7 in 2017 for both regions.

90 IOL (2018). *Over 7 Million People Living with HIV in SA*. Stats SA. Accessed (13th December 2018): www.iol.co.za

Provision of Basic Services

At the heart of all municipal functions, the most important is to ensure the provision of basic household services. This also helps to increase economic activity as employment is created and income is earned to ensure continued demand for goods and services. Despite a general increase in the provision of these services, since the democratic dispensation, there is still a relatively greater proportion of households without access to household infrastructure.

Figure 3.33: Share of Households Without Access to Services, 2017



Source: IHS Markit, 2019

Figure 3.33 shows that, of all the household infrastructure, there seems to be a greater share of the district's population living without formal housing. In Midvaal, about 24.3 per cent of the households were without access to formal housing. This was followed by Lesedi at 18.4 per cent. About 17.5 per cent of people in Midvaal were living without access to electricity in 2017. Only 0.9 per cent of households in the district were without access to water, with a relatively higher percentage in Midvaal at 1.9 per cent.

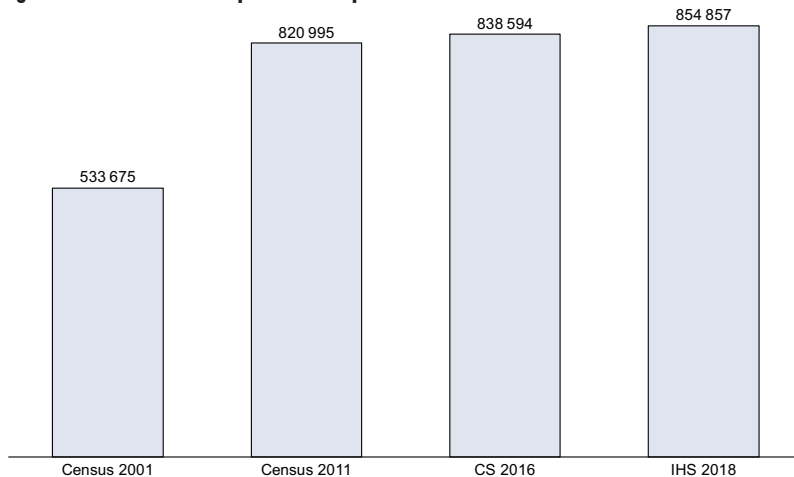
3.5 West Rand District Municipality

The West Rand District accounts for the fifth-highest share of Gauteng's population, at 6.2 per cent, in 2017. It is estimated to have declined marginally in 2018 to 6.1 per cent. The district is also the fifth-largest contributor to the province's economic activity, accounting for roughly 4 per cent of the province's total output.⁹¹ The district's main driver of economic activity is the mining sector which accounts for over 29 per cent of the region's output. It has three local municipalities: Mogale City, Merapong City and Rand West City.

Demographic Profile

In 2018, Mogale City accounts for the largest share of the district's total population, at 46.3 per cent, followed by the Rand West at 31.8 per cent and Merapong City at 21.9 per cent. Rand West is the second highest as it combines the former Randfontein and the Westonaria municipalities.

⁹¹ Data from IHS Markit Regional Explora 1570.

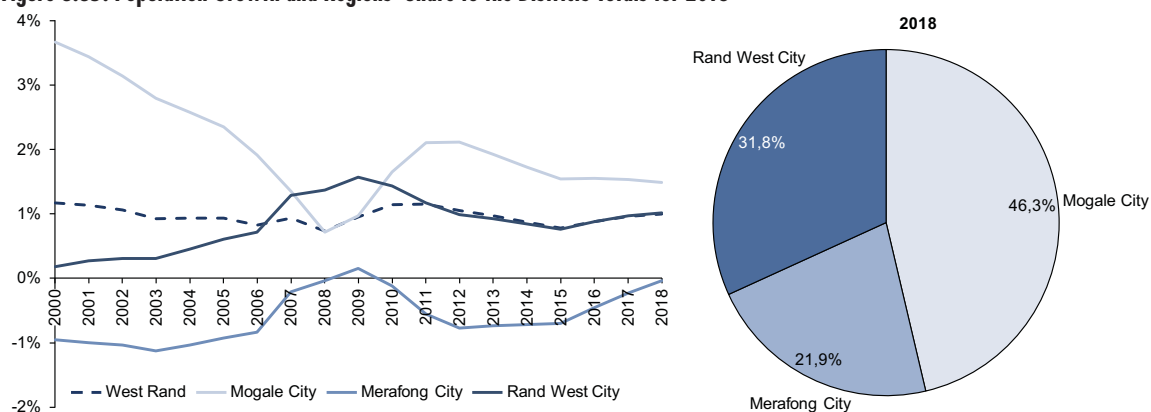
Figure 3.34: West Rand Population Comparison

Source: Stats SA and IHS Markit, 2019

Note: CS stands for Community Survey.

The census 2001 data is according to the 2001 municipal demarcations, while the 2011 census is as per the 2005 and the IHS Markit is according to the latest 2018 demarcations.

The figure shows that the West Rand region is the least populated municipality in Gauteng, with a population under 900 000 in both the 2016 community survey and the 2018 IHS Markit estimates. The district has the slowest population growth rate, estimated to be averaging a mere 1 per cent between 2000 and 2018.

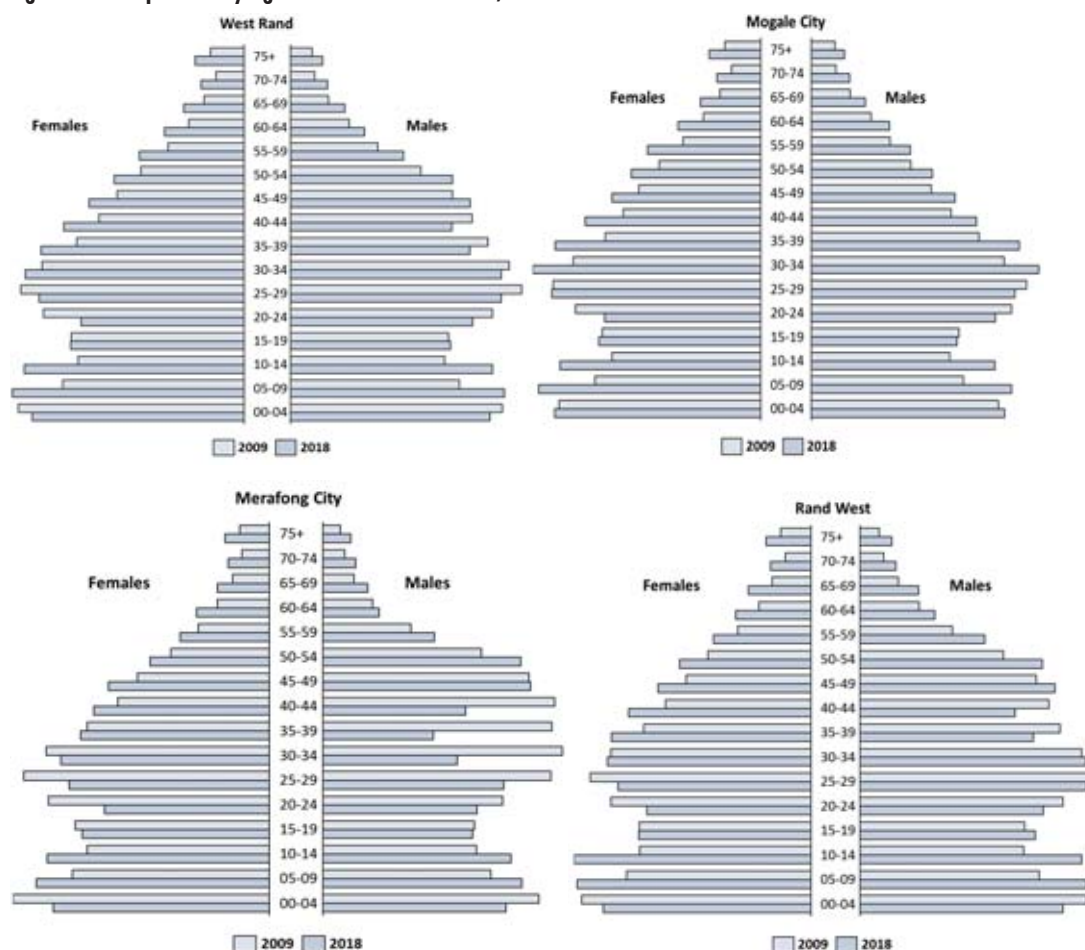
Figure 3.35: Population Growth and Regions' Share to the Districts Totals for 2018

Source: IHS Markit, 2019

The districts' population remains just under a million mark, with Mogale City recording the highest growth rates comparatively over the review period. Population growth in the Rand West City averaged 0.8 per cent from 2000 to 2018. The district's population growth rate averaged 1 per cent during the same period. Merafong City experienced negative population growth for most of the review period with an average growth rate of negative 0.6 per cent. This could be as a result of out-migration in this region as the mining sector continues to struggle and people look for better economic opportunities in other Gauteng and nearby regions.

Population Age Distribution

Figure 3.36: Population by Age Distribution and Gender, 2009 and 2018



Source: IHS Markit, 2019

Figure 3.36 shows the age distribution of the West Rand District and its three locals for 2009 and 2018. The district's population was estimated at 855 000 in 2018, compared to 783 000 in 2009. The increase in the population was accounted for by a rise in the age cohorts 05 - 09, 10 - 14, and 40 - 44 and above. Increases were recorded for both the male and female population. There was a decline in the number of babies born which is indicated by a fall in age cohort 00 - 04. The number of people aged 20 - 24 and 25 - 29 also declined between 2009 and 2018. Overall, in 2018 there were more males at 434 000, compared to females at 421 000.

At the local level, significant increases in population were recorded for age groups 05 - 09 and 10 - 14 for Mogale City and Rand West City. In Merafong City, there was notable declines in population of various age groups, particularly in the youth population which is made up of the 15 - 19, 20 - 24, 25 - 29 and 30 - 34 age cohorts. There was also a decline in the population aged 00 - 04. Overall, Merafong City had a total population of 187 000 people in 2018, a decline from 195 000 in 2009. The Rand West population was at 271 000 in 2018, up from 249 000 in 2009.

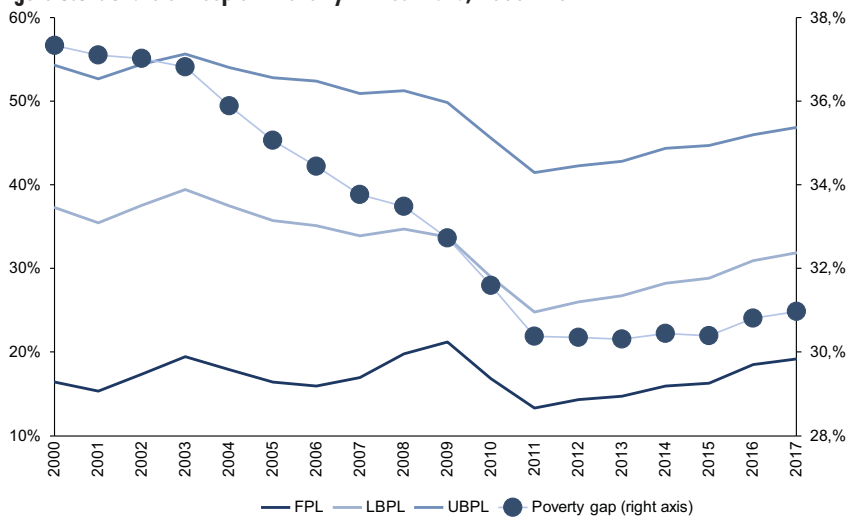
Development Indicators

Social challenges in terms of high levels of unemployment, inequality and poverty also remain prevalent in the West Rand districts and its locals. With the struggling mining sector, which has been a core driver of the district economy, most of its labour force has limited employment opportunities. West Rand has one of the highest unemployment rates, at 40.6 per cent in 2017, with the Rand West City having the highest unemployment rate of the three local municipalities at 47 per cent.

The section below looks at the district's poverty, inequality, human development, education and health indicators.

Share of the Population Living in Poverty

Figure 3.37: Share of People in Poverty in West Rand, 2000 - 2017



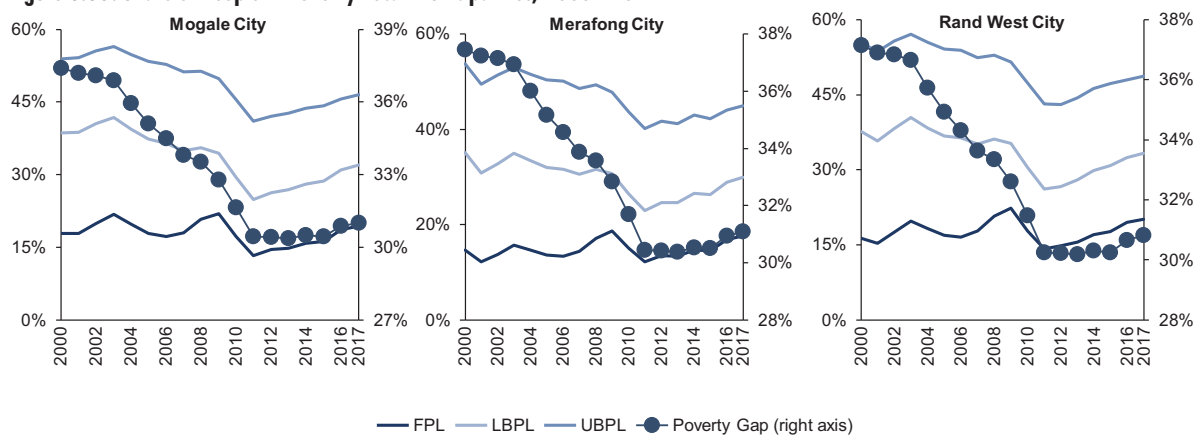
Source: IHS Markit, 2019

Figure 3.37 shows the share of West Rand's people living in poverty using the three different poverty lines. Similar to other municipalities in Gauteng, the share of people living in poverty declined somewhat between 2000 and 2011. This was more so for the lower and upper bound poverty measures. Although the decline was not steady throughout this period, the share of people living under the upper bound poverty line decreased to 41.5 per cent in 2011, from a staggering 54.3 per cent in 2000. Similarly, the proportion of people living under the lower bound poverty line declined to 24.8 per cent in 2011 from 37.3 per cent in 2000. The share of people living below the food poverty line peaked at 21.2 per cent in 2009 before declining to 13.3 per cent in 2011.

As with all other municipalities in the province, there are more people that have slipped into poverty between 2012 and 2017 and the general observation is that this trend is increasing. In 2017, 46.9 per cent of the people in West Rand were in poverty according the upper bound poverty line measure, 31.9 per cent lived below the lower bound poverty line while 19.2 per cent of the people in the district were unable to afford sufficient food to provide them with adequate nutrition as measured by the food poverty line.

What is more concerning is that, since 2012, the severity of poverty in the district has risen. This has reversed the improvements in the poverty gap rate that were recorded between 2000 and 2011. This is shown by the increasing rate of the poverty gap, which has risen to 31 per cent from 30.4 per cent in 2012.

Figure 3.38: Share of People in Poverty Local Municipalities, 2000 - 2017



Source: IHS Markit, 2019

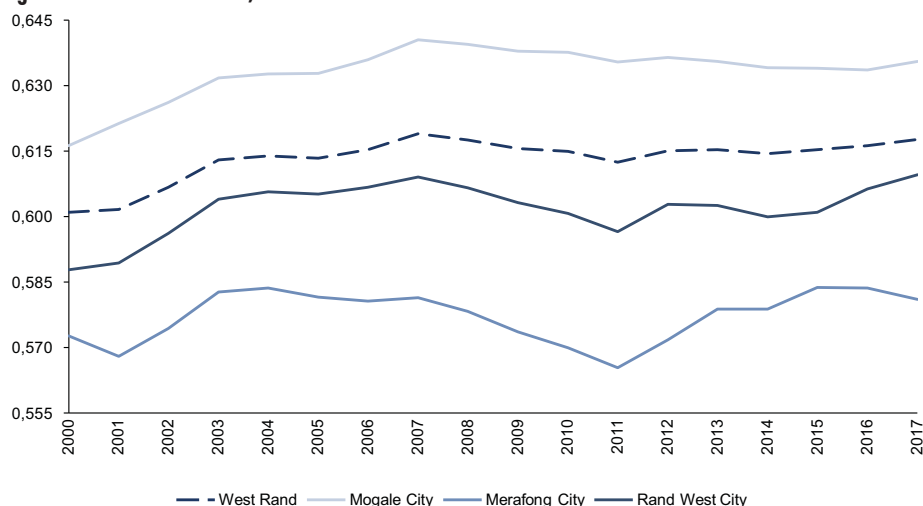
As seen in Figure 3.38, the change in the proportion of the population living in poverty shows similar trends in the local municipalities as at the district level. In the Rand West City, in 2017 almost half of the population (48.7 per cent) was living below the upper bound poverty line.

This was the highest rate recorded in all of the province's municipalities. The share of people in the upper bound poverty line was 45 per cent in Merafong City and 45.6 per cent in Mogale City.

The severity of poverty has improved notably across all the municipalities, particularly between 2000 and 2011. The poverty gap declined by roughly 7 percentage points in all local municipalities during this period. However, these improvements were reversed during the period 2012 – 2017, with the poverty rate increasing by an average of 0.6 percentage points.

Income Inequality as Measured by Gini Coefficient

Figure 3.39: Gini Coefficient, 2000 – 2017



Source: IHS Markit, 2019

Across the West Rand and its local municipalities, the income inequality gap has worsened between 2000 to 2017. The high rate of unemployment has exacerbated the level of inequality across the district. Among the local municipalities, the Gini coefficient was the highest throughout the review period in Mogale City, specifically at 0.64 in 2017 which climbed from 0.62 in 2000. At the district level, income inequality has widened, by 0.2 points between 2000 and 2017, to reach a Gini coefficient of 0.62.

Human Development on the Rise in the West Rand

Figure 3.40: Human Development Index, 2000 - 2017



Source: IHS Markit, 2019

Driven by the general increase in the country's life expectancy, the HDI in the West Rand and its local municipalities has increased over the years. The district's HDI reached 0.69 in 2017 compared to a reading of 0.59 in 2000. The local municipality, with the highest HDI, was Mogale City at 0.71 in 2017 compared to 0.62 in 2000.

Merafong City had the lowest HDI of the three locals reaching 0.67 in 2017, rising from the 0.55 it recorded at the start of the analysis period.

Trends in Educational Attainment of People Aged 20+ Years

Table 3.4: Highest Educational Attainment for People Aged 20+ by Population Group in West Rand, 2017

West Rand		African	White	Coloured	Asian	Total
No Schooling	Number	19 449	347	272	105	20 172
	Per cent of total	4.3%	0.4%	1.9%	1.7%	3.6%
Primary	Number	262 996	25 334	8 339	2 151	298 820
	Per cent of total	58.1%	27.0%	58.4%	33.9%	52.7%
Matric	Number	129 945	44 139	4 562	2 764	181 411
	Per cent of total	28.7%	47.1%	32.0%	43.6%	32.0%
Tertiary	Number	40 058	23 985	1 105	1 320	66 468
	Per cent of total	8.9%	25.6%	7.7%	20.8%	11.7%
Total		452 449	93 806	14 277	6 340	566 872

Source: IHS Markit, 2019

Table 3.4 shows educational attainment for the share of population aged 20+ years in 2017 in the West Rand. As with the trends at the national and provincial levels, the African population group was less qualified in terms of the attainment of both matric and tertiary qualifications compared with other population groups. In terms of no schooling and primary education, Africans still had the highest share of people in those educational categories, which is higher than the district average.

Overall, at the district level, the majority of the population aged 20+ years had attained primary qualification at 52.7 per cent. About 32 per cent attained matric and only 11.7 per cent had a tertiary qualification.

Table 3.5: Highest Educational Attainment for People Aged 20+ by Population Group in West Rand, 2017

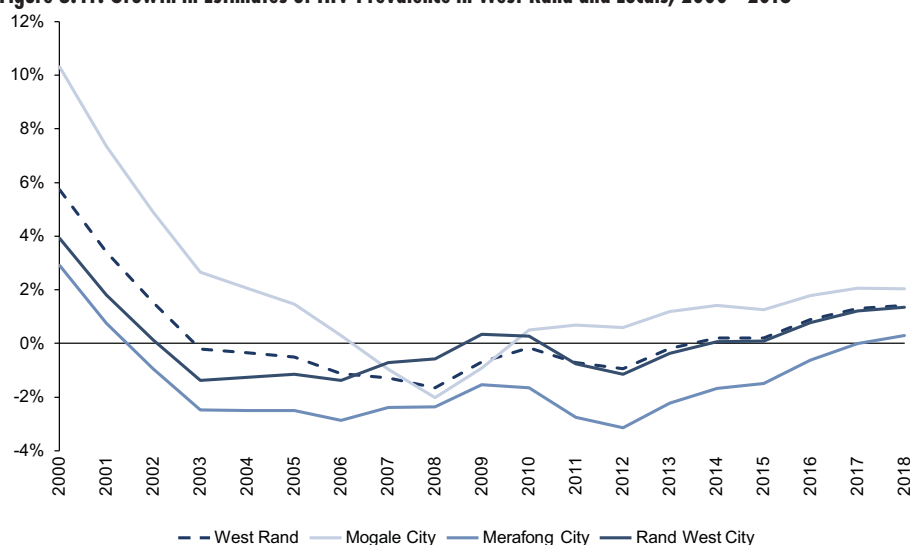
Mogale City		African	White	Coloured	Asian	Total
No Schooling	Number	7 825	151	49	66	8 092
	Per cent of total	3.9%	0.3%	2.1%	1.3%	3.1%
Primary	Number	110 971	11 993	1 138	1 594	125 696
	Per cent of total	55.1%	22.3%	47.7%	32.6%	47.9%
Matric	Number	61 642	25 296	795	2 062	89 795
	Per cent of total	30.6%	46.9%	33.4%	42.1%	34.2%
Tertiary	Number	21 000	16 457	402	1 176	39 035
	Per cent of total	10.4%	30.5%	16.8%	24.0%	14.9%
Total		201 438	53 898	2 384	4 898	262 618
Merafong City		African	White	Coloured	Asian	Total
No Schooling	Number	5 769	68	65	12	5 913
	Per cent of total	5.2%	0.5%	4.4%	2.3%	4.6%
Primary	Number	70 397	4 619	759	194	75 969
	Per cent of total	63.3%	31.4%	51.1%	37.1%	59.4%
Matric	Number	26 792	6 555	509	265	34 122
	Per cent of total	24.1%	44.5%	34.3%	50.8%	26.7%
Tertiary	Number	8 212	3 487	152	51	11 902
	Per cent of total	7.4%	23.7%	10.2%	9.8%	9.3%
Total		111 169	14 729	1 485	523	127 906
Rand West City		African	White	Coloured	Asian	Total
No Schooling	Number	5 855	128	158	26	6 167
	Per cent of total	4.5%	0.5%	1.5%	2.9%	3.5%
Primary	Number	81 628	8 723	6 442	363	97 155
	Per cent of total	62.7%	34.6%	61.9%	39.5%	55.1%
Matric	Number	41 511	12 288	3 258	437	57 494
	Per cent of total	31.9%	48.8%	31.3%	47.6%	32.6%
Tertiary	Number	1 205	4 041	551	93	15 532
	Per cent of total	0.9%	16.0%	5.3%	10.1%	8.8%
Total		130 199	25 179	10 409	919	176 348

Source: IHS Markit, 2019

A comparison between the local municipalities shows that, in 2017, Mogale City had the highest average share of the population aged 20+ years with tertiary qualification at 14.9 per cent. It was followed by Merafong City (9.3 per cent). Rand West City had the lowest share of the population, with a tertiary qualification, at 8.8 per cent. The educational category that had the highest attainment level across all the locals was primary schooling. In other words, the largest share of the population aged 20+ years in the local municipalities had attained a primary school qualification in 2017 (47.9 in Mogale City, 59.4 in Merafong City and 55.1 per cent in Rand West City). In terms of the racial split, similar trends as at the district level were prevalent in educational attainment, with the African population group lagging behind in matric and tertiary qualifications.

HIV Prevalence and Crude Death Rates

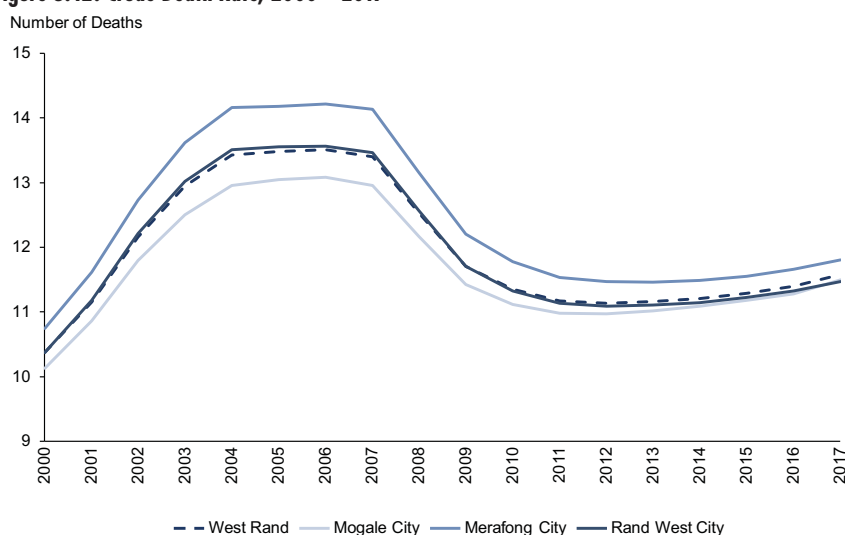
Figure 3.41: Growth in Estimates of HIV Prevalence in West Rand and Locals, 2000 - 2018



Source: IHS Markit, 2019

Growth in estimates of HIV positive people was in the negative territory for most parts of the period in the local municipalities under review, except in Mogale City. For Mogale City, growth in HIV estimates returned to positive territory from 2010 and grew faster than that of the districts and the other local municipalities. The West Rand District growth rate was at 1.4 per cent in 2018, the same as that of the Rand West City. Merafong City had recorded the lowest growth rate at 0.3 per cent in 2018. The increase in the number of HIV positive people in the region is also owing to people living longer as a result of healthier life style aided by the availability of ARVs.

Figure 3.42: Crude Death Rate, 2000 – 2017



Source: Quantec EasyData, 2019

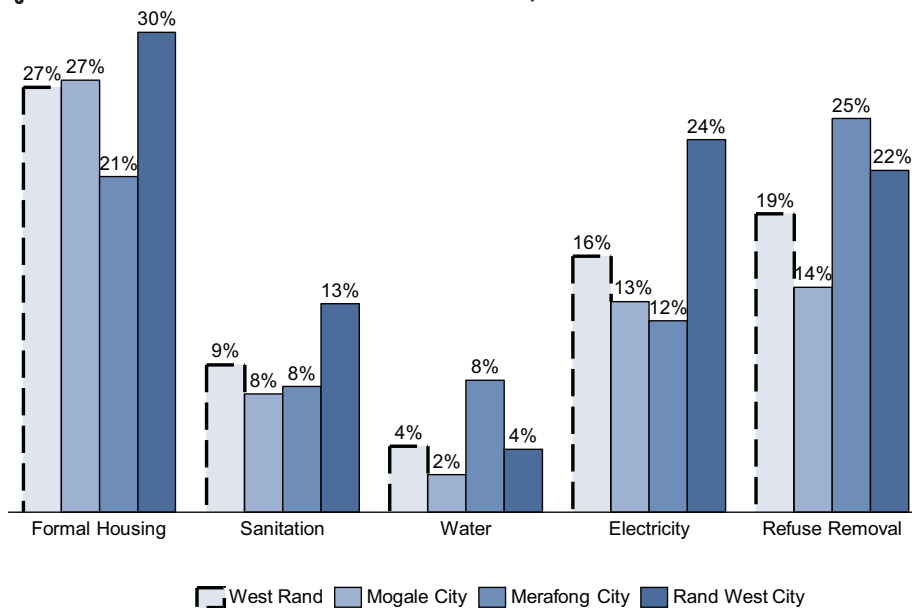
The number of deaths per 1 000 population was the highest in Merafong City, averaging 12.4 over the reviewed period. With the number of deaths per 1 000 population averaging 11.9 in West Rand, the district's reading is not considered to be very high.

Provision of Basis Services

Access to basic services by households are essential for both health and safety reasons. A healthy workforce means increased productivity and output. While the provision of basic services has improved in the district, there is still a greater share of households with no access to basic services such as housing and electricity.

This sub-section analyses households' access to basic services for the West Rand District and the three local municipalities.

Figure 3.43: Share of Households Without Access to Services, 2017



Source: IHS Markit, 2019

The proportion of households without access to formal housing is higher in most of the local municipalities and the district. About 30.4 per cent of households in the Rand West City were without access to formal housing, compared to 33.3 per cent in 2009. This was followed by Mogale City at 27.4 per cent, a decrease of 1.6 percentage points between the two review years. In the West Rand District, about 27 per cent of the household were without formal housing in 2017 compared to 29.2 per cent in 2009.

3.6 Conclusion

With the data presented in this chapter, it could be argued that subdued economic performance in the country and in the province has been one of the major limitations in eradicating poverty and inequality. As shown, regions where growth remains notably low are characterised by high levels of unemployment, increasing poverty rates and a high level of income inequality.

For example, the Gini coefficient - as a measure of income inequality - averaged 0.63 between 2000 and 2017 in Gauteng, while the share of people living below the Upper Bound Poverty Line is above 53 per cent. The share of households without access to formal housing is above 30 per cent in some regions in the country.

Amongst key Government intervention as detailed in the State of the Nation Address by Honourable President Cyril Ramaphosa, include stimulating economic activity through small business incubation programme and partnering with private sector to leverage infrastructure rollout, to enhance job creation towards reducing poverty and inequality. In the province, the TMR agenda has made some remarkable strides, as articulated in the SoPA, recently delivered by Honourable Premier David Makhura, which amongst other things has seen the creation of 469 000 jobs over the past five years; 172 000 of this were created in 2018. The data presented here will add to the public debates on policies and new interventions that will assist in addressing high levels of poverty, inequality and unemployment.

As previously mentioned, research by the World Bank shows that whilst social grants have been pivotal in reducing poverty head count and the poverty gap rate in South Africa, employment is key for sustainably reducing poverty and inequality. As such, policies that encourage job creation are important for addressing the bulk of the country's socio-economic challenges.

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PR09/2019
978-0-621-47013-0



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