Population
The world population increased from 7.5 billion people in 2017 to approximately 7.6 billion in 2018 and is expected to increase by 26% to 9.9 billion by 2050 (Population Reference Bureau, 2018).1 KZN is home to an estimated 11.4 million people, which translates to 19.7% of the total 57.7 million South African population. Collectively, children and young people account for approximately two thirds of the total provincial population. Hence the dependency ratio is highly skewed towards children at approximately 50% as compared to the older people at around 9%.

The domination of young people can yield a demographic dividend in the long-run. This can be achieved by intensifying the implementation of quality early childhood development, basic education, technical and vocational education and training, as well as higher education. The long-term result of quality education is an increase in productive citizens, which is anticipated to improve the average income per capita in the country.

Global and national economic outlook
The global and national economic outlook plays a crucial part in the economy of the province. It is against this backdrop that the national and global outlook is included. The global economic outlook for 2019 has deteriorated and is therefore expected to grow by 3.5%, down from 3.7% estimated in 2018. However, it is projected to expand marginally to 3.6% in 2020 according to the International Monetary Fund (IMF) (2019)2 and the World Bank (2019).3

On the contrary, the South African economic growth is expected to remain sluggish and thus averaged at 0.7% in 2018 (National Treasury, 2019; SARB, 2019).4 It is further anticipated to gain momentum during the forecast period, thereby recovering back to 1.4% in 2019 and 1.7% in 2020.

KwaZulu-Natal economic review and outlook
A regional comparison indicates that KZN is one of the key contributing provinces in the national gross domestic product (GDP). The province’s total regional gross domestic product (R-GDP) amounted to approximately R498.490 billion, which translates to 16% of the national output, thereby making KZN the second largest economy after Gauteng at 35.2%, followed by the Western Cape at 13.8%.

Similar to the national output growth, the economy of KZN grew unexpectedly by 1.4% in 2017, up from 0.6% recorded in 2016. The moderate growth rate in 2017 was primarily due to the favourable weather conditions, which resulted in higher agricultural production and thus a significant contribution to R-GDP.5 It is estimated that output growth averaged at 0.7% in 2018, but is expected to increase modestly to 1.4% and 1.6% in 2019 and 2020, respectively.

Sector performance analysis
In 2018, the community services (20.9%), finance (20.4%), and trade (13.7%) sectors were the main economic propellers of the national economy. Manufacturing (12.3%) and transport (8.6%) were also significant sectors in the economy of KZN (Figure 1).

The tourism industry (which is included in the trade sector) is one of the major contributors to the GDP in SA with its estimated total contribution of R412.5 billion to GDP in 2017. In terms of employment, nationally, the sector created 1.531 million jobs in 2017 and this figure is projected to rise to 2.082 million in 2028 (WTTC, 2018). In KZN, the industry’s total contribution to employment was estimated at 162 044 in 2017. Tourism’s total contribution to KZN’s GDP in 2017 was estimated at R18.8 billion (Zulu Kingdom, 2018).

Unemployment in South Africa and KZN
The national unemployment rate (narrow definition) in SA was estimated at 27.1% in 2018. The prevalence was highest among young people aged between 15 and 24 at 54.7% and those aged between 25 and 34 years at 33%. In KZN, the unemployment rate was estimated at 23% in the last quarter of 2018.6 Unemployment is among females at 29.5% compared to that of their male counterparts at 25.1%.

Inflation
The current inflation rate in KZN is 3.6%, which is moderately below the national headline inflation rate of 4% in January 2019. This rate is within the targeted band of 3% to 6%, and is mainly influenced by a resilient exchange rate and the lower oil prices.

Poverty
Approximately 36% of the KZN population was still living below the food poverty line in 2017. This percentage was the second highest in the country and had increased slightly by 1.1 percentage point from 34.9% in 2016. In terms of the share of people living below the lower-bound poverty line, KZN had 51.7% of its population living within this classification of poverty. This was the third highest rate in the country, and had also increased marginally from 50.6% in the previous year. The share of KZN people living below the upper-bound poverty line in 2017 stood at 66.1%, which is a percentage point up from the level it was at in 2016, and third highest in the country.

Development indicators (2017)
In 2017, the province had a Gini coefficient of 0.63, a Human Development Index (HDI) of 0.61, and a functional literacy rate of 81.9%.

Grant beneficiaries
KZN had the highest number of social grant beneficiaries as at the end of December 2018 on a national scale, with a total number of 3 938 973 recipients (22.2%). This was 2.1% higher than the 3 857 958 beneficiaries recorded on 31 December 2017. KZN had the highest share of recipients of the Old Age Grant (699 159 beneficiaries, 19.9%), Disability Grant (232 674 beneficiaries, 22%), Grant-in-Aid (63 131 beneficiaries, 29.3%), Care Dependency Grant (39 744 beneficiaries, 26.5%), Foster Child Grant (70 966 beneficiaries, 20.5%) and the Child Support Grant (2 833 268 beneficiaries, 22.8%).

Policy priorities driving KZN’s 2019/20 MTEF Budget
Education
According to National Treasury (2019)10, the proposed national allocation of basic education accounted for approximately 16.4% of all the spending over the 2019/20 MTEF. The fastest growing spending category is post-school education and training, which grows by an annual average of 9.3%, mostly as a result of the additional allocation to higher education and training bursaries for students from poor and working-class families. In line with national priorities, KZN allocates the highest proportion of its budget to Education at R54.022 billion (41.4%) in 2019/20.

Health
According to Stats SA (2018), TB remained the leading underlying natural cause of death in KZN in 2016 at 7.6%, followed by other forms of heart disease (7.4%), diabetes mellitus (5.5%) and HIV (5%). In 2017/18, KZN’s

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1 Population Reference Bureau (2018); World Population Data Sheet, 2018.
2 Demographic dividend refers to the growth in an economy that is the resultant effect of a change in the age structure of a country’s population.
3 IMF (January 2019); World Economic Outlook Update, an update of the key WEO projections, A Weakening Global Expansion.
4 World Bank (2019); Global Economic Prospects, Darkening Skies.
5 National Treasury (2019); Budget Review, 2019 and SARB (2019) Statement of the Monetary Policy Committee, Press statement delivered by the Governor of the SARB.
6 It must be remembered that SA suffered a sever drought in 2015 and 2016, which severely impacted negatively to the economy of the country, and KZN was not immune.
7 World Travel & Tourism Council (2017): Economic Impact 2017 South Africa.
9 Stats SA (2019); Quarterly Labour Force Survey, Quarter four 2018, Statistical release P0201.
performance against maternal, neonatal and child (under 5) mortality indicators dwindled when compared to the previous year and to its ranking against other provinces, yet the province is in a relatively more dire situation considering that it has a higher disease and population burden.

**Infrastructure**

**Table 1: Summary of infrastructure payments and estimates**

<table>
<thead>
<tr>
<th>R thousand</th>
<th>2019/20</th>
<th>2020/21</th>
<th>2021/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing infrastructure assets</td>
<td>9 916 711</td>
<td>9 791 038</td>
<td>10 284 283</td>
</tr>
<tr>
<td>Maintenance and repair: Current</td>
<td>3 568 294</td>
<td>3 866 532</td>
<td>3 415 127</td>
</tr>
<tr>
<td>Upgrades and additions: Capital</td>
<td>3 131 043</td>
<td>3 541 154</td>
<td>3 998 588</td>
</tr>
<tr>
<td>Refurbishment and rehabilitation: Capital</td>
<td>2 237 342</td>
<td>2 288 779</td>
<td>2 920 619</td>
</tr>
<tr>
<td>New infrastructure assets: Capital</td>
<td>1 339 392</td>
<td>949 569</td>
<td>1 105 194</td>
</tr>
<tr>
<td>Infrastructure transfers</td>
<td>605 254</td>
<td>728 214</td>
<td>748 019</td>
</tr>
<tr>
<td>Infrastructure transfers: Current</td>
<td>450</td>
<td>450</td>
<td>450</td>
</tr>
<tr>
<td>Infrastructure transfers: Capital</td>
<td>555 804</td>
<td>738 064</td>
<td>748 019</td>
</tr>
<tr>
<td>Inf: Payments for financial assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Infrastructure: Leases</td>
<td>162 939</td>
<td>166 491</td>
<td>168 086</td>
</tr>
<tr>
<td>Non infrastructure</td>
<td>2 364 322</td>
<td>7 203 247</td>
<td>7 452 753</td>
</tr>
<tr>
<td>Total</td>
<td>13 043 415</td>
<td>13 866 152</td>
<td>14 383 761</td>
</tr>
<tr>
<td>Capital infrastructure</td>
<td>7 432 783</td>
<td>7 543 900</td>
<td>7 821 809</td>
</tr>
<tr>
<td>Current infrastructure</td>
<td>6 015 732</td>
<td>6 320 252</td>
<td>6 531 952</td>
</tr>
<tr>
<td>Source: KZN Treasury, 2019</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Existing infrastructure assets receive the largest share of the KZN infrastructure budget over the 2019/20 MTEF. In 2019/20, this category receives R9 billion out of the R13.6 billion allocated to infrastructure. New infrastructure assets receive the second largest share of the infrastructure budget for the year at R1.3 billion, and infrastructure transfers is allocated R655 million (Table 1).

**Figure 2: Proportion of infrastructure payments in KZN, 2019/20**

**2019/20 KZN budget summary: Allocation by departments**

Total budget of KZN for 2019/20 is R130.474 billion, allocated as follows:

- R54 billion for the Department of Education (41.4% of the total budget)
- R45 billion for the Department of Health (34.5% of the total budget)
- R10.8 billion for the Department of Transport (8.3% of the total budget)
- R4 billion for the Department of Human Settlements (3.1% of the total budget)
- R3.5 billion for the Department of Social Development (2.7% of the total budget)
- R3.2 billion for the Department of Economic Development, Tourism and Environmental Affairs (2.5% of the total budget)
- R2.4 billion for the Department of Agriculture and Rural Development (1.9% of the total budget)
- R1.8 billion for the Department of Co-operative Governance and Traditional Affairs (1.4% of the total budget)
- R1.7 billion for the Department of Public Works (1.3% of the total budget)
- R1.1 billion for the Department of Arts and Culture (0.9% of the total budget)
- R271.6 million for the Provincial Treasury (0.6% of the total budget)
- R714 million for the Office of the Premier (0.5% of the total budget)
- R598.8 million for the Provincial Legislature (0.5% of the total budget)
- R450 million for the Department of Sport and Recreation (0.4% of the total budget)
- R235.1 million for the Department of Community Safety and Liaison (0.2% of the total budget).

**Figure 3: Departmental share (%) of the total provincial budget**

Source: KZN Treasury, 2019