GAUTENG PROVINCIAL GOVERNMENT

SOCIO-ECONOMIC REVIEW AND OUTLOOK 2013

GAUTENG PROVINCE
PROVINCIAL TREASURY
REPUBLIC OF SOUTH AFRICA

SOCIO-ECONOMIC REVIEW AND OUTLOOK

2013

Gauteng Provincial Government

GAUTENG PROVINCE
PROVINCIAL TREASURY
REPUBLIC OF SOUTH AFRICA

The Socio-Economic Review and Outlook 2013 is compiled using the available information from different sources. Some of this information is subject to revision.

To obtain additional copies of this document, please contact:
The Head Official of Treasury
Gauteng Provincial Government
Private Bag X091, Marshalltown, 2107

Tel: 011 227 9004

PR34/2013
ISBN: 978-0-621-40667-2
Title of Publication : Socio-Economic Review and Outlook 2013

Mandla Nkomfe
MEC: Finance

Foreword

It is an honour to present the annual Socio-Economic Review and Outlook (SERO), now in its sixth year of publication. The document presents an analysis of the province in terms of a number of economic and social variables, and seeks to inform the public and other stakeholders about the current state and future expectations of the province.

This edition of the SERO places much emphasis on Sub-Saharan Africa (SSA) as a region with great and growing potential, and on the opportunities that this provides for South Africa and Gauteng, with their relatively strong economies, to contribute to growth in the region. An economic comparison of South Africa with the rest of the BRICS group is included in the publication, placing the performance of the country within the context of the bloc. Internationally, and emanating from the Euro-debt crisis and uncertainty surrounding fiscal consolidation and tax reform programmes in the United States of America, the advanced economies are displaying notably slow growth. Global economic growth in 2013 is expected to be gradual. Assuming that this expectation is realised, it will have significant spill-over effects on the national and provincial economies.

The province's economy is the fifth largest in Africa and the third largest in the SSA region. The Gauteng Provincial Government (GPG) strives to maintain and improve the province's strong economic position as a preferred location from which to do business with other countries within the continent.

To enhance the value of this year's publication for its readers, the SERO has disaggregated the data analysed to the local municipal level. This information will be useful to those on the frontline of service delivery as it highlights areas that need attention in order to support socio-economic development in local government spheres. The Census 2011 results have shed new light on the South African and provincial socio-economic landscape, and will enable the GPG to make informed and decisive choices on poverty reduction and employment enhancement strategies.

In his State of the Nation Address presented on the 14th of February 2013, the Honourable President Jacob Zuma indicated that the National Development Plan (NDP), which sets out the vision for the country for the next 20 years, contains proposals for tackling the problems of poverty, inequality and unemployment. He has called on all citizens to help in this regard. The guiding strategy for the GPG will be Gauteng Vision 2055 which addresses the specific social, economic and spatial realities of the province. During her 2013 State of the Province Address, the Honourable Premier of Gauteng Ms Nomvula Mokonyane said that this strategy, which will be launched later in the year, will take the NDP as its core in addressing the challenges faced by the province. She pointed to youth unemployment as one of the greatest challenges and stated that the GPG is addressing this problem by enabling the youth to gain workplace experience and promote their entrepreneurship skills. The Premier has also indicated that the Expanded Public Works Programme created a total of 66,000 direct permanent and temporary jobs in the 2012/13 financial year. The aim is to create 196,000 more work opportunities in the province in the 2013/14 period, providing a beacon of hope for many. Through the GPG's long term plan, a better Gauteng is indeed in the making.

In conclusion, I wish to thank the Head of the Gauteng Provincial Treasury, Ms Nomfundo Tshabalala, and her core project team for their diligence in ensuring the successful completion of this publication.

Mandla Nkomfe
MEC: Finance

Table of Contents

List of Figures

Chapter 1

Chapter 2

Chapter 3

Chapter 4

List of Tables

List of Abbreviations

AIDS	Acquired Immunodeficiency Syndrome
ALSI	All Share Index
ASSA	Actuarial Society of South Africa
BRICS	Brazil, Russia, India, China and South Africa
CDE	Centre for Development and Enterprise
CDG	Care Dependency Grant
CHF	Swiss Francs
CNY	China yuan renminbi
COFER	Composition of Foreign Exchange Reserves
CoJ	City of Johannesburg
CoT	City of Tshwane
CPI	Consumer price index
CPIX	Consumer Price Index excluding interest rates on mortgage bonds
CRDP	Comprehensive Rural Development Programme
CSG	Child Support Grant
DBSA	Development Bank of Southern Africa
EC	Eastern Cape
DG	Disability Grant
DRC	Democratic Republic of Congo
DRDLR	Department of Rural Development and Land Reform
ECF	Extended credit facility
EIU	Economist Intelligence Unit
EU	European Union
FAO	Food and Agricultural Organisation
FCG	Foster Child Grant
FDI	Foreign direct investment
FICC	Fixed Income Currency and Commodity
FIFA	Fédération Internationale de Football Association
FOREX	Foreign exchange reserves
FTSE	London Stock Exchange
GAP	Global agricultural productivity
GCI	Global Competitiveness Index
GCRDS	Gauteng Comprehensive Rural Development Strategy
GCRO	Gauteng City Region Observatory
GDARD	Gauteng Department of Agriculture and Rural Development
GDED	Gauteng Department of Economic Development
GDLGH	Gauteng Department of Local Government and Housing
GDP	Gross domestic product
GDP-R	Gross domestic product by region
GFCF	Gross fixed capital formation
GFMER	Geneva Foundation for Medical Education and Research
GFSI	Global Food Security Index
GHI	Global Harvest Initiative
GIA	Grant in aid
GNI	Gross national income
GP	Gauteng Province
GPG	Gauteng Provincial Government
GVA	Gross value added
GVA-R	Gross Value Added by Region
HDI	Human Development Index

HH	Household
HIV	Human Immunodeficiency Virus
HPCSA	Health Professions Council of South Africa
HST	Health Systems Trust
ICBC	Industrial and Commercial Bank of China
ICT	Information and communications technology
IFSS	Integrated Food Security Strategy
ILO	International Labour Organisation
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan
JSE	Johannesburg Stock Exchange
Kcal	Kilocalories
Km^2	Square Kilometres
LARP	Land and Agrarian Project
LP	Limpopo
MDG	Millennium Development Goal
MENA	Middle East and North Africa
Metro	Metropolitan municipality
MTBPS	Medium Term Budget Policy Statement
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
NEA	Not economically active population
NERSA	National Energy Regulator for South Africa
NGP	New Growth Path
NPFS	National Programme for Food Security
NW	North West
OAG	Old Age Grant
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
P.a.	Per annum
PBC	People's Bank of China
PHC	Primary health care
PoA	Programme of action
PPP	Purchasing power parity
PRB	Population Reference Bureau
QLFS	Quarterly Labour Force Survey
QoL	Quality of life
RBA	Regional Bureau for Africa
RID	Rural infrastructure development
RMB	Rand Merchant Bank
S&P 500	Standard & Poor's 500 Index
S&P Euro	Standard & Poor's Euro Index
S&P	Standard & Poor's
SANC	South African Nursing Council
SAPC	South African Pharmacy Council
SARB	South Africa Reserve Bank
SASSA	South African Social Security Agency
SBA	Stand-by arrangement
SERO	Socio-Economic Review and Outlook
SSA	Sub-Saharan Africa
Stats SA	Statistics South Africa
TB	Tuberculosis
TFP	Total Factor Productivity
UK	United Kingdom
UN	United Nations

UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNISA	University of South Africa
US	United States of America
WC	Western Cape
WEF	World Economic Forum
WEO	World Economic Outlook
WFS	World Food Summit
WHO	World Health Organisation
WVG	War Veteran Grant

Currency symbols:

€	Euro
¥	Japanese yen
£	Pound sterling
$	US dollar
R	Rand

Executive Summary

The 2013 Socio-Economic Review and Outlook (SERO) analyses the socio-economic variables of the country and of the province. To provide comprehensive information for policy makers, other stakeholders and the general public in the province, the publication reviews a wide range of variables. It presents selected indicators at the provincial and local level, using Statistics South Africa (Stats SA) 2011 Census results where possible. The first chapter looks at global economic trends, paying special attention to the role played by South Africa in the Sub-Saharan African (SSA) region, the BRICS grouping and the global economy. The second chapter provides information about Gauteng, including metropolitan municipalities (metros) and district municipalities. The metros are the City of Johannesburg (CoJ), the City of Tshwane (CoT) and Ekurhuleni. The districts are Sedibeng and the West Rand. Chapters Three and Four give break-downs of variables and indicators at the local municipal level for Sedibeng and the West Rand. Chapter Three focuses on the three municipalities in Sedibeng, namely Emfuleni, Midvaal and Lesedi; and Chapter Four on the West Rand's local municipalities, namely Mogale City, Randfontein, Westonaria and Merafong City.

Chapter One examines the global economy and in particular that of SSA and how the South African and Gauteng provincial economies perform relative to this region. Global economic growth stood at 3.9 and 3.2 percent in 2011 and 2012 respectively. The rate of recovery is expected to increase to 3.5 percent in 2013 as the Euro debt crisis, which created so much global economic uncertainty through 2011 and 2012, recedes. Gross Domestic Product (GDP) in advanced economies is expected to grow by 1.4 and 2.2 percent in 2013 and 2014 respectively. Strong growth in emerging & developing economies including the SSA region is set to continue, with growth rates of 5.5 percent for emerging & developing countries and 5.8 percent in the SSA region. The share of global GDP contributed by the emerging & developing economies has increased significantly over the last decade, from 37.2 percent in 2000 to 49.8 percent in 2012. Conversely, the contribution of the economy of the United States of America has declined from 23.5 percent in 2000 to 18.9 percent in 2012.

Chapter One also analyses the composition of foreign reserves held by central banks and how the United States dollar has become less influential, with the share held as reserves globally declining from 72.3 percent in 2001 to 62.2 percent in 2011. The Euro increased its share of global reserves from 18.4 percent to 25.6 percent in the same period; and China has been trying to internationalise its currency, the Renminbi, by using the BRICS bloc as a platform.

Seven of the top ten fastest growing stable economies globally are situated in SSA, and there is something of a tug-of-war among the global super-powers over this region where new markets and opportunities can be found. These seven countries are Mozambique, Angola, Zambia, Rwanda, Ghana, Tanzania and Niger. With its population expected to grow to 2.34 billion by 2050 from 1.072 billion people in 2012, SSA has attracted much foreign direct investment as a means of tapping into this consumer market. The economic contribution of South Africa and Gauteng to SSA over a number of years has declined, possibly harming the country and province's reputation as the preferred entry point to the African continent. However, South Africa and Gauteng still have one of the most sophisticated financial markets globally, and investors still seek to use them when setting up operations in the rest of Africa.

Although SSA countries have made significant strides in economic performance, the region still has the lowest level of human development and is plagued by poverty. Malnutrition and food insecurity continue to prevent many people from unlocking their full potential to participate in their economies. An adequate food supply is the most basic requirement for the development of human capital and labour. South Africa is the most food secure country in the SSA region.

Chapter Two analyses socio-economic variables at the provincial and municipal levels. The 2011 Census results show that Gauteng remains the most populous province in the country, although it has the smallest land area. KwaZulu-Natal is the second most populous, and has the third smallest land area size. Of the Gauteng municipalities, the CoJ is the most populous, followed by Ekurhuleni and CoT. Data on migration show that the largest share of those moving into the Gauteng province are from outside the country. Of those coming from other South African provinces, Limpopo accounted for the largest share followed by KwaZulu-Natal.

The Human Immunodeficiency Virus (HIV) and the Acquired Immune Deficiency Syndrome (AIDS) remain among the main health challenges facing the country and the province. The percentage of people living with HIV, though still a concern is forecast to decline through to 2016, while the percentage of those living with AIDS is also expected to decline. Among Gauteng's municipalities, the West Rand had the largest proportion of its population living with HIV while the CoT had the smallest.

Chapter Two also includes a brief overview of rural development. It is a government priority to improve the socio-economic conditions of people in areas where poverty prevails. About 40 percent of the country's population lives in rural areas, while these areas account for 70 percent of the poor population. In Gauteng, 96 percent of the population lives in urban areas and only 4 percent in rural areas. Infrastructure development is lower in rural areas than in urban areas, and this hampers the delivery of services to rural communities.

The Euro-area debt crisis resulted in a slowdown in economic growth in 2012. Gauteng's share of the SSA GDP was 9.5 percent, while it contributed approximately 35.7 percent to the country's GDP. The province's economy is estimated to have grown at a rate of 3 percent in 2012. Amongst Gauteng's municipalities, the CoJ had the largest Gross Domestic Product by Region (GDP-R), followed by the CoT. The province has recorded a trade surplus since 2008, and this reached R66.7 billion in 2011. Among the municipalities, the CoT had the largest trade surplus in 2011, at R101.3 billion.

Analysis of the labour market shows that high unemployment remains one of the major challenges facing the country. During the fourth quarter of 2012, the working age population of the province and of the country increased. Gauteng's unemployment rate in the fourth quarter of 2012 was 23.7 percent and that of South Africa was at 24.9 percent. According to Census 2011, Sedibeng had the highest unemployment rate, at 31.9 percent. This is due to the declining contribution of the manufacturing sub-sector to its economy. Ekurhuleni had the second highest rate, at 28.8 percent. In Sedibeng, about 21 percent of the employed were working in the government, social & personal services sub-sector, while in the CoJ approximately 24.6 percent were in the finance & business service sub-sector.

An essential element of social development is access to water and sanitation. Sedibeng had the largest proportion of its households with access to piped water inside their dwellings in 2011, at 92.8 percent. Access to flush toilets was highest in the CoJ, at 90.5 percent in 2011. At 90.8 percent in that year, the CoJ had the largest share of its households using electricity for lighting. For all the municipalities, the largest proportion of households had access to formal housing. Although housing backlogs remain high, the general trend for most of the municipalities is a declining one.

Income inequality remains high in most parts of the province. Sedibeng had the largest Gini coefficient, indicating the most uneven spread of income for the region, while the smallest Gini coefficient was that of the West Rand. The Quality of Life (QoL) was higher in the CoT, CoJ and in Sedibeng, despite its high income inequality. In all the provinces of the country, there are more people receiving the Child Support Grant than any other grant. According to the Economic Policy Research Institute, social security is effective in reducing poverty, regardless of the poverty line used to measure it.

Chapter Three reviews the socio-economic variables of the three local municipalities within the Sedibeng district municipality. At 721,663, Emfuleni had the largest population and the highest population density at 743 people per square kilometre. In 2011, Lesedi had the highest percentage of its population living with HIV, at 8.7 percent, and 0.49 percent of its population were suffering from AIDS. Amongst the three municipalities, Midvaal had the lowest percent of its population living with HIV and AIDS.

In reviewing the economic variables of the municipalities, Emfuleni had the largest GDP-R at R19 billion, and a growth rate of 2.9 percent. Manufacturing accounted for the largest share of the Gross Value Added by Region (GVA-R) in Emfuleni, at 37 percent. In Midvaal and Lesedi, government, social & personal services accounted for the highest share of GVA-R, at 21.2 and 26.7 percent respectively.

The review of the labour profiles of the local municipalities shows that Emfuleni had the highest unemployment rate according to the 2011 Census; this was followed by Lesedi and then Midvaal. In Emfuleni, the sub-sector with the highest share of employment was manufacturing, in Midvaal wholesale & retail and trade and in Lesedi government, social & personal services.

The review of access to services illustrates the standard of living of the residents of the local municipalities. Of Sedibeng's three municipalities, Emfuleni had the highest percentage of households with access to piped water inside their dwellings, at 92.7 percent. It also had the highest percentage of households with flush toilets, followed closely by Lesedi. Emfuleni had a Gini coefficient of 0.61, indicating the least income inequality amongst itself, Midvaal and Lesedi. Midvaal had the highest level of human development, with an HDI index of 0.65 and the lowest percentage of people living in poverty in the district, at 31.2 percent.

Chapter Four reviews the socio-economic variables of the four local municipalities of the West Rand district municipality. The municipality in the West Rand with the highest population is Mogale City, with 362,422 citizens. This was followed by Merafong City and Randfontein. The municipality with the lowest population was Westonaria with 111,769 citizens. Randfontein had the highest population density, at 312 people per square kilometre, and Merafong City the lowest, at 121 people. Merafong City had the highest prevalence of HIV and AIDS, at 11.6 and 0.73 percent respectively. The municipality with the lowest prevalence was Randfontein, with 7.3 and 0.47 percent of the population with HIV and AIDS respectively.

Mogale City had the largest GDP-R at R12.5 billion, and the highest growth rate at 3.8 percent, in 2011. Randfontein also had positive economic growth, at 3.1 percent, while the economies of Westonaria and Merafong City contracted. Forecasts for 2013 indicate that Mogale City and Randfontein will have moderately positive growth. These two local municipalities have more diversified economies than Westonaria and Merafong City. The sub-sectors that contributed the most to GVA-R in the municipalities were government, social & personal services in Mogale City and finance & business service in Randfontein. Westonaria and Merafong City both rely heavily on the mining & quarrying sub-sector. This explains their negative GDP-R growth in 2011, as the mining industry was hit by strikes and by reduced international demand.

The highest percentage of the working age population was economically active in Westonaria but it also had the lowest percentage of its economically active population employed, according to the 2011 Census. Merafong City had the highest unemployment rate, and Mogale City had the lowest. The sectors with the highest share of employment were government, social & personal services for Mogale City and for Randfontein, and mining & quarrying for Westonaria and Merafong City.

Randfontein had the highest percentage of its households with piped water inside their dwellings. This was followed by Mogale City, Merafong City and Westonaria. Mogale City had the highest percentage of households with access to a flush toilet. Households in the West Rand municipalities used electricity primarily for lighting, secondly for heating and least for cooking. Mogale City had the highest percentage of households whose refuse was removed by the local authority.

Social development indicators reveal that Mogale City had the highest income inequality, with a Gini coefficient of 0.62. Mogale City and Randfontein had the highest HDI, at 0.64 each. About 17.6 percent of people in Randfontein were illiterate, the lowest percentage amongst the four municipalities. Mogale City had the highest poverty rate, at 29.5 percent. The highest QoL was that of Randfontein, at 6.5 units, and the lowest was that of Westonaria, at 5.8 units.

Chapter 1: Socio-Economic Review and Outlook of Africa and Selected Economies

1.1 Introduction

The global economic environment has not been the same since the financial crisis of 2008/09 that culminated in the global recession. While the crisis in the debt-ridden Euro-area persists, creating a world of economic uncertainty, the United States of America (US) seemed to have escaped imminent danger. The integration of South Africa into global markets has made it susceptible to global fluctuations. As the world looks towards new economic opportunities in Sub-Saharan Africa (SSA), South Africa is regarded as an important 'gateway to Africa'[1] due to its sophisticated financial sub-sector and good infrastructure. This chapter explores past, current and future economic trends on a global scale and assesses the reputation of South Africa as a spring board into SSA.

A number of developments are slowly changing the global economic outlook. These include the trend in currencies being held as foreign reserves, as shown by the decline in the share of the United States Dollar (US$) held as reserves. The contributions to global economic growth by developed and emerging & developing economies has changed significantly over the last decade, and there has been a substantial increase in SSA economic activity. Some of the world's top performing economies, in terms of economic growth, are in SSA, including South Africa's neighbour Mozambique. Elements elaborated on in this chapter are the share of the South African and Gauteng economies in SSA, which have for a number of years been declining. This is because other SSA countries have been growing at a faster pace and attracting more foreign direct investment (FDI) in recent times. An important and worrying factor relating to the South African economy is the downward trend in the share of manufacturing in Gross Domestic Product (GDP). This chapter includes economic comparisons of the BRICS nations and assesses inflation, interest rates, shares of manufacturing, population and unemployment rates of the member countries. The chapter also looks at the demographics and labour profile of SSA, its level of human development and food security amongst other issues.

1.2 Global Economic Developments

According to the 2012 State of the Future Report[2], the world is becoming richer, healthier, better educated, more peaceful and better connected and people are living longer, yet half the world is potentially unstable. The report emphasises that this is due to a growing tendency by protesters to be unwilling to tolerate unethical decision-making by authorities who are not making good decisions within adequate time or on a scale big enough to address global challenges. In the wake of the global financial crisis and the effects rippling from it, the world's citizens view authorities in charge with a more scrupulous eye. An example of this would be the demonstrations in Greece between 2010 and 2012 over proposed austerity measures to deal with the Greek debt crisis. Global challenges include rising food prices, increasing income inequality between rich and poor, diminishing water tables, crime, corruption, debt insecurity, economic uncertainty and climate change. Although the report suggests world conditions are improving, this is happening at a slower pace. The Climate Vulnerability Monitor Report[3] states that climate change caused by global warming is slowing world economic output. Escalating temperatures and carbon-related pollution are, it is estimated, currently costing the world economy 1.6 percent of global GDP and this is projected to double to 3.2 percent by 2030.

---

[1] The intended meaning is that South Africa is used as a base that foreign companies can use to grow their operations into the rest of the African continent.

[2] Jerome C. Glenn, Theodore J. Gordon, and Elizabeth Florescu, *State of the Future Report* (The Millennium Project Organisation. 2012).

[3] *Climate Vulnerability Monitor Report* (DARA and Climate Vulnerable Forum, 2010).

1.2.1 Economic Growth

The European crisis[4] has created a new dimension of economic uncertainty, namely high debt levels coupled with sluggish economic growth. The October 2012 World Economic Outlook[5] (WEO) from the International Monetary Fund[6] (IMF) highlights that the economic uncertainty weighs heavily on the global outlook. The recovery continues, but has weakened. The main reason for this is that policies in the major advanced economies have not rebuilt confidence for the medium-term. Growth in advanced economies is too weak to make any significant improvement in unemployment, and strong growth in emerging & developing economies has begun to slow.

In the light of the economic challenges presented to South Africa by the global economic slowdown, as well as internal challenges including high unemployment, moderate economic growth, instability in the mining sub-sector, high crime rates and social challenges such as low education attainment levels, the Johannesburg Stock Exchange (JSE) gives an indication that in other respects the country is doing fairly well.

Figure 1.1: Trends in World Stock Markets, January 2008-January 2013

Source: Financial Times (UK), 2012

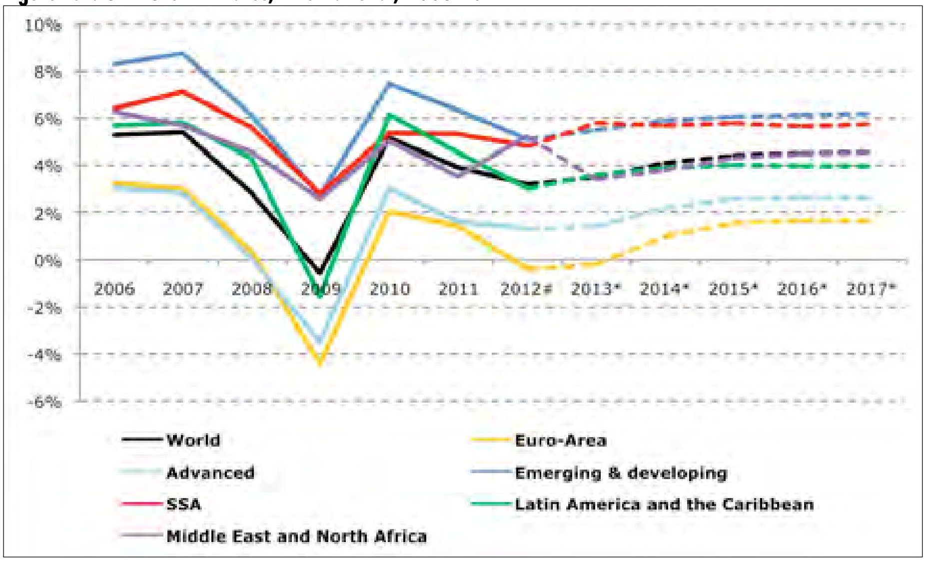
Figure 1.1 shows a simple view of how the JSE's All Share Index (ALSI) has compared to leading exchanges including the London Stock Exchange (FTSE), Standard & Poor's 500 (S&P 500) in the US and the S&P Euro. Despite the socio-economic challenges faced by the country, the ALSI has shown marked growth since the 2008/09 financial crisis, illustrating high confidence in the stock market which should translate into positive economic prospects. There has been a general upward trend in not only the ALSI but in the FTSE and S&P 500 as well. However, the S&P Euro from mid-2011 to 2012 saw stagnant, flat movement. This is due to the problems faced by the region since the global financial crisis, followed by its own debt crisis through 2010 to 2012.

4 This is a situation in which many European countries have found themselves unable to repay or re-finance their government debt.

5 The WEO is published on a bi-annual basis by the IMF, in April and October.

6 Where possible in this publication, information by the IMF contains data from both the October WEO and the January updates.

Figure 1.2: GDP Growth Rates, International, 2006-2017*



Source: WEO, 2013

Note: # indicates estimates and * forecasts.

Figure 1.2 illustrates the GDP growth rates of selected world regions for the period 2006 to 2011, with estimates for 2012 and forecasts to 2017. World growth before the 2008/09 financial crisis averaged 5.3 percent for 2006 and 2007. The financial crisis plunged most global regions into economic contraction with others experiencing significantly slower growth than before. In 2009, global growth contracted by 0.6 percent but recovered to over 5 percent in 2010. However, the Euro-area debt crisis reduced any gains made previously, slowing global growth to 3.9 and 3.2 percent in 2011 and 2012 respectively. Recovery is expected to increase slowly to 4.6 percent by 2017 as the Euro-crisis unravels.

Advanced economies were hit harder by the global financial crisis, and are experiencing significantly slower growth than the emerging & developing economies and this is expected to continue through to 2017. Advanced economies contracted by 3.5 percent in 2009 while emerging & developing economies grew by 2.7 percent. By 2017, the advanced economies are expected to reach growth levels of 2.7 percent while emerging & developing economies are forecast to reach 6.2 percent.

In the aftermath of the Arab revolution[7], the Middle East and North Africa (MENA) countries were expected to have had increased growth rates in 2012 from 3.5 percent in 2011 to 5.2 percent. This is due to many of these countries experiencing a process of political and economic transition. The oil-rich countries of MENA also drove prices higher following the revolutionary wave, gaining increased income through oil-exports. According to the 2012 October WEO, largely due to the recovery in Libya the pace of overall growth among oil exporters was expected to have risen sharply in 2012. This region is expected to attain more stability in 2013 and to return to a growth rate of 3.4 percent. By 2017, economic growth is expected to reach approximately 4.5 percent.

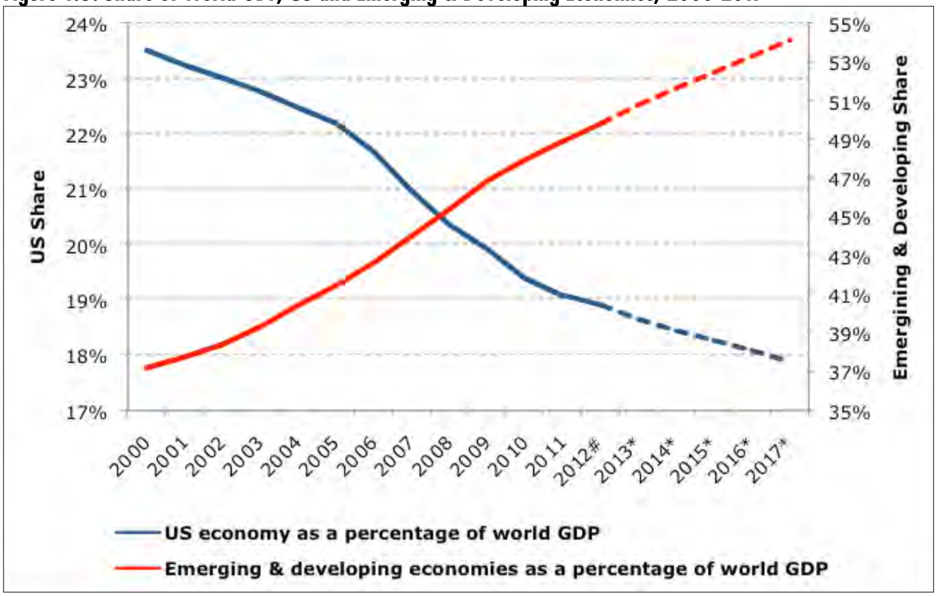
The Euro-area remains a major downside risk to growth and financial stability, not only to itself but to global markets. The economic bloc contracted by 4.4 percent in 2009, feeling the full might of the global financial crisis. This was followed by the sovereign debt crisis in Europe, where rising debt levels coupled with downgrading by credit rating agencies negatively affected the economic prospects for the region. The causes differ between countries, from increasing private debt levels arising from property bubbles to bailouts in the banking system and governments' slow response to dealing with the matter attributed by the Euro-area's having a monetary union rather than a fiscal union[8]. The region is expected to remain in negative territory in 2013, contracting by 0.2 percent, before positive slow growth in 2014 of 1 percent is reached. The President of the European Central

7 This is also known as the Arab Spring that started in December 2010.

8 A monetary union is a situation where two or more countries share the same currency. A fiscal union is one where the collection and expenditure of taxes are carried out by common institutions, shared by the participating governments.

Bank, Mario Draghi, has said the Euro-area economy faces a long, uphill road to recovery.[9] This is evident from the WEO forecasts for the region, with growth forecast to reach 1.7 percent by 2017.

Figure 1.3: Share of World GDP, US and Emerging & Developing Economies, 2000-2017*



Source: IMF WEO, 2012

Note: # indicates estimates and * forecasts.

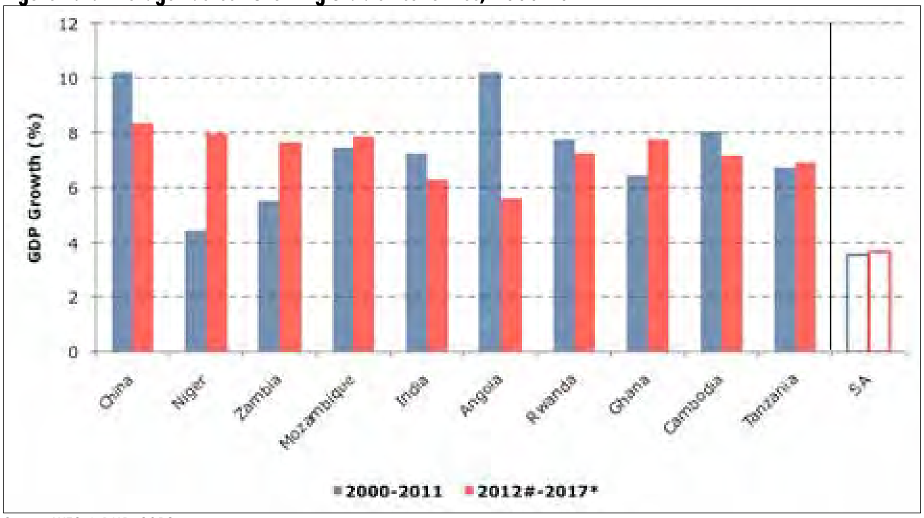
Figure 1.3 shows an interesting development in global growth and shows how the tide of economic power is shifting from one economic power house to another. The US economy as a single country is a very large player in global markets and is compared to a group of countries classified as emerging & developing economies. On the left hand vertical axis (in blue), the share of the US economy in relation to total global output is shown while on the right hand vertical axis (in red), the share of the emerging & developing economies in relation to total global output is shown. Following the global growth paths shown in Figure 1.2, it is unsurprising that the growth potential in the emerging & developing economies is resulting in their increased contribution of economic output ousting one of the world's most powerful countries, the US. Figure 1.3 shows that the contribution of the US economy to global GDP in 2000 was 23.5 percent but that this declined by 2011 to 19.1 percent. The decline is forecast to continue and to reach 17.9 percent by 2017. By contrast, emerging & developing economies have continued to experience an upward trend in their contribution to global GDP. In 2000, this group contributed 37.2 percent; this had grown to 48.9 percent by 2011 and is expected to continue to increase to 54.2 percent by 2017.

According to Rand Merchant Bank (RMB)[10], seven of the world's top ten fastest growing economies between 2012 and 2016 will be in Africa. Although there are other countries growing at faster rates globally, they tend to be countries emerging from post-war conflict or political crises, or to have economies with population of less than 10 million; this distorts the base from which annual GDP growth is measured. Figure 1.4 illustrates these countries identified by RMB, using WEO real-growth data for the period 2000 to 2011, and forecasts for 2012 to 2017. Also included is a comparison with South Africa's average growth rate for the same period. Although South Africa is not one of the fastest growing economies globally, it is placed within the figure for comparison reasons to gauge its economic growth.

[9] Information sourced from http://uk.reuters.com/article/2012/10/09/uk-eurozone-economy-draghi-idUKBRE8980GY20121009

[10] This is according to the RMB's Fixed Income Currency and Commodity (FICC) Research unit, T. de Wet, J. Cairns, C. Fauconnier, 2011, *Where to Invest in Africa 2012 Report.*

Figure 1.4: Average Fastest Growing Stable Economies, 2000-2017*



Source: WEO & RMB, 2012

Note: # indicates estimates and * forecasts. According to RMB, the figure excludes countries emerging from post-war conflict, political crises and economies with population less than 10 million.

For the period 2000 to 2011, the highest average growth was experienced in Angola and China, with both at 10.2 percent. The third and fourth highest growth rate was achieved by Cambodia and Rwanda, at 8 and 7.8 percent respectively. South Africa[11] experienced an average growth rate of 3.5 percent when compared to these top 10 fastest growing economies. The WEO expects China to sustain a high, albeit more slowly increasing, rate of growth between 2012 and 2017, at 8.4 percent. Five countries are expected to increase their average economic growth to higher levels during the same period. All are in SSA: Niger, Zambia, Mozambique, Ghana and Tanzania. South Africa is expected to experience a rate of growth of 3.7 percent for 2012 to 2017. It is important to note that eight out of these ten economies come off a low base; in other words they have small economies which have the potential to grow at exceptional rates. China and India have large economies, while South Africa has a moderate economic base. Seven out of the ten economies listed here are the fastest, stable growing within SSA. Section 1.3 provides further insight into SSA as the next frontier for economic growth and opportunities.

1.2.2 Trends in the Reserves of Central Banks

New forces at work in the evolution of global markets are being tested with a shift in the practices of central reserve banks towards holding other forms of foreign exchange reserves (FOREX)[12]. In 2009, senior Chinese banking officials felt that the international monetary system was flawed owing to what they perceived to be an unhealthy dependence on the US$, and called for a super-sovereign international reserve currency. The influence of China's economic strength through trade mechanisms means that they are on the drive to expand their operations to new markets. For these reasons, China seeks to internationalise its currency and is using the BRICS[13] states to lobby for this. The use of the Renminbi (CNY) should lower transaction costs[14] in Africa and other emerging markets, thus lowering the barriers to doing business. In this way, African companies may seek to have two accounts, a CNY denominated bank account and a US$ account and this could be an advantage for African enterprises that seek to do business in emerging markets. [15]

South Africa endorses the replacement of the US$ by the Chinese CNY as the favoured worldwide currency for trade and investment in emerging economies. According to Brazilian delegate Fundacao Vargas, the CNY is the preferred choice as the economy of China is projected to overshadow that of the US by 2020. Goldman Sachs

[11] These figures are from the October WEO. The January update estimates SA growth to average 3.6 percent for both 2000 to 2011 and 2012 to 2017.

[12] The most common currencies held by Central Banks are US$, Pounds Sterling (£), Japanese yen (¥), Swiss francs (CHF) and Euros (€).

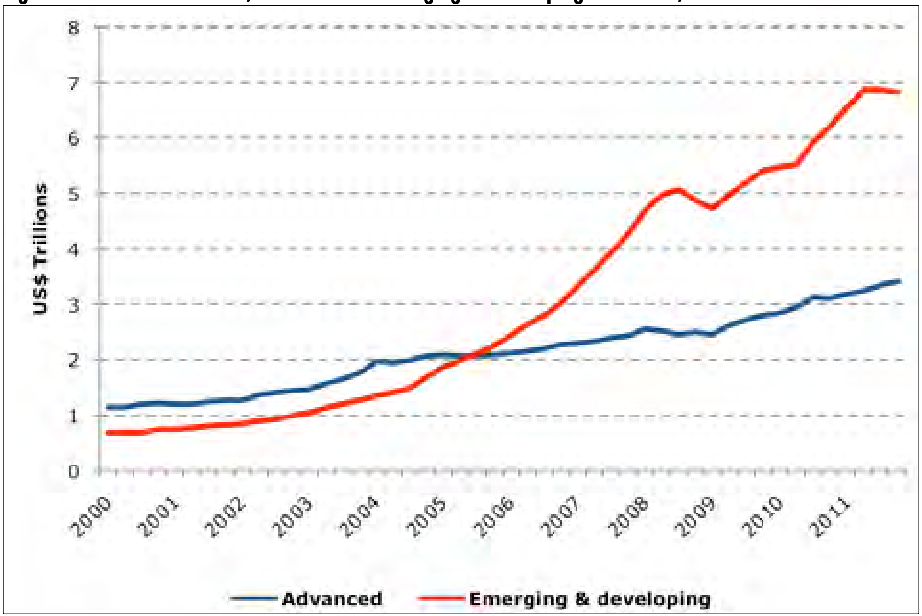
[13] BRICS is the association of emerging national economies: Brazil, Russia, India, China and South Africa.

[14] Transaction costs could be reduced because if there are large trade flows between two countries , this means the flow of money exchanging hands does not need intermediaries to convert the money to the desired currency.

[15] Information was sourced from http://www.fin24.com/Economy/Brics-move-to-unseat-dollar-as-trade-currency-20120325

Economist Jim O'Neill makes the same projection, but for 2027. He has also predicted that the BRICS total GDP will be larger than that of the US by 2016.[16] The BRICS nations are in the process of setting up their own multinational development bank to facilitate financing and advisory services for the purpose of development. The establishment of a BRICS development bank in South Africa will increase the sphere within which China can use the CNY.[17] This would link the African continent with other BRICS members, as the mutual fund would seek to support African infrastructure and industrial development.

Figure 1.5: FOREX Reserves, Advanced vs. Emerging & Developing Economies, 2000-2011



Source: IMF COFER Composition, 2012

Figure 1.5 illustrates the trend in FOREX reserves in US$ terms held central banks in advanced and emerging & developing economies, between 2000 and 2011, as per their Composition of Foreign Exchange Reserves (COFER). In 2000, advanced economies held on average US$1.178 trillion. For emerging & developing economies, this figure was approximately US$689.613 billion. By the third quarter of 2005, the emerging & developing economies overtook advanced economies by holding higher amount of reserves, and this continued to increase rapidly, creating a significant gap between the two economic blocs. In 2011, emerging & developing economies held an average of US$6.758 trillion as opposed to US$3.28 trillion held by advanced economies. The reasons for this explosion in reserves are shown in Figure 1.6, where China is the main contributor to world reserves.

[16] Information was sourced from http://www.fin24.com/Economy/Brics-move-to-unseat-dollar-as-trade-currency-20120325

[17] Information sourced from http://rt.com/business/news/brics-bank-currency-plan-669/

Figure 1.6: World FOREX Reserves and China's Share, 2001-2011

Source: IMF COFER Composition, Chinability & PBC, 2012

Note: Chinability sourced this information from the State Administration of Foreign Exchange, People's Republic of China and the People's Bank of China (PBC).

Figure 1.6 illustrates China's significant increase in its share of total world FOREX reserves. World reserves have risen from US$1.868 trillion in 2001 to US$10.038 trillion in 2011. Of this global increase, China's share increased from 9.6 percent in 2001 to 31.6 percent in 2011. This amounts to approximately US$3.2 trillion in China's coffers. Currency wars between the US and China are not new to world markets. China has been accused by the US of manipulating its CNY value by deliberately lowering its exchange rate[18] which has for many years bolstered China's domestic economic sectors. These sectors were supported through cheaper exports, thus allowing booming growth and massive industrialisation. As most currencies in Africa are weak, China would possibly be more successful in transacting in CNY in these markets.

[18] There are a number of methods for devaluing a currency. The most common is when a country sells its own currency to buy other currencies. Secondly, and less commonly, is through quantitative easing which tends to lead to a fall in the value of the currency even if the central bank does not directly buy any foreign assets. Thirdly, authorities can talk down the value of their currency by hinting at future action to discourage speculators from betting on a future rise. Another method is for central banks to lower their interest rates, thus discouraging deposits in that country.

Figure 1.7: US$ and Share of World Foreign Reserves, 2001-2011

Source: IMF COFER Composition, 2012

Figure 1.7 shows how the holdings of FOREX reserves by central banks in various global currencies are changing. The most widely used currency is the US$; however it is slowly losing ground as the most favoured currency by central banks in their reserve composition, as is shown by the left hand vertical axis (in blue). However, it is important to note that the share of the US$ as reserves still far exceeds that of the Euro (€). Between 2001 and 2011, the US$'s share has dropped from 72.3 to 62.2 percent. This is a 10.1 percentage point share decline. On the other side of the scale, the € has been gaining ground substantially, as shown by the right hand vertical axis (in red). In 2001, on average 18.4 percent of global reserves were in the €. The holding of the € peaked in 2009, at approximately 27.3 percent, before losing momentum through to 2011 following the Euro-debt crisis, averaging 25.6 percent. This share of holding the € to global reserves nevertheless translates to a 7.2 percentage point increase since 2001.

1.2.3 Consumption and Gross Fixed Capital Formation

A person's standard of living is measured according to the types of goods and services acquired by their particular household. According to economic strategist Michael Mandel[19], "The goal of a consumption economy is to provide consumers with low prices and a wide variety, with less concern about jobs and wages. Low prices can presumably bring higher living standards for households, as real wages rise." This statement means there are both good and bad outcomes to a consumption-orientated economy. Cheaper prices enable households to spend their money on other goods and services. However, households may not take into consideration that cheaper imported goods do not benefit local production and also create a downside risk of increased unemployment.

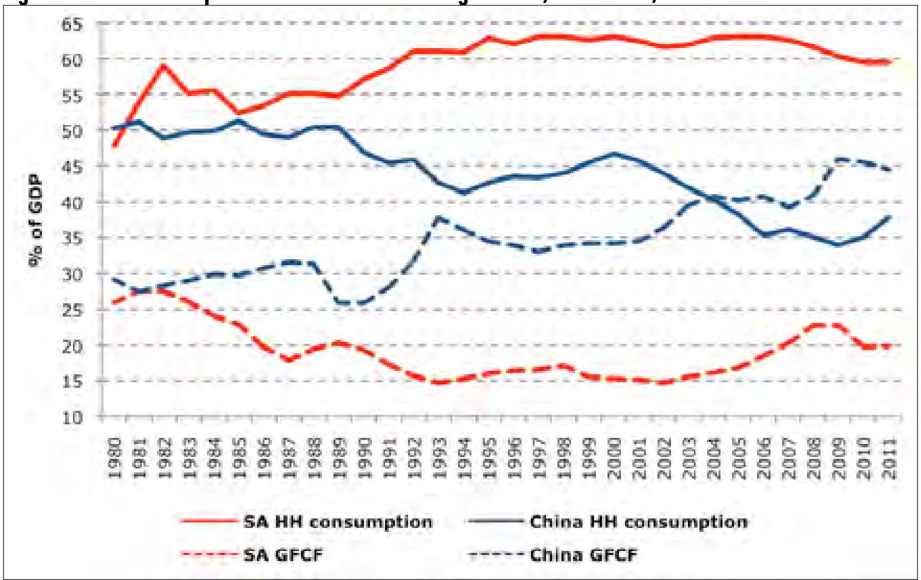
The desire to consume is usually coupled with a focus on the ways and means by which production might be increased. However, often elements like skilled labour, capital and resources are missing from the factors of production in an economy which is becoming consumption driven, and this brings its own set of problems. Production is limited by the desire to consume, but cheap imports and less desire to save can have a negative impact on the manufacturing sub-sector of a given economy. When the trend is for buildings which were used for manufacturing to be converted for consumption-based use, such as retail, wholesale and warehouses, the market is driven to satisfy consumption. Consumption fuels the economy in the short term, but saving is necessary for capital formation for long term growth. In South Africa's case, GDP figures are closely associated with retail

[19] Information sourced from: http://innovationandgrowth.wordpress.com/2011/08/10/production-economy-vs-consumption-economy/

trade sales, indicating a consumption oriented economy.[20] According to Gavin Came[21], the low savings rate in South Africa is not because of a lack of incentives to save: "the non-savings culture in South Africa does not have to do with poor interest rates on savings products, but because people prefer to spend their money on cell phones, airtime, iPads etc."

The following two figures show a number of interesting observations when comparing South Africa's and China's household (HH) consumption and Gross Fixed Capital Formation[22] (GFCF) levels, relative to their respective GDP[23].

Figure 1.8: HH Consumption and GFCF as a Percentage of GDP, SA & China, 1980-2011



Source: World Bank, 2012

Figure 1.8 provides an illustration of South Africa's and China's household consumption and GFCF path relative to their GDP. China is selected because of its similar position to South Africa in the early 1980s in terms of consumption and GFCF position relative to its GDP. Furthermore, China currently has a strong economic foot print in global markets. In 1980 and 1981, the two countries' household consumption levels were very similar, at approximately 50 percent of GDP. However, the two countries took very different paths thereafter, with South Africa's general household consumption trends increasing and peaking at 63.1 percent in 1998. China experienced a decreasing trend in household consumption, to reach 35 percent of GDP in 2010 before increasing to 37.7 percent in 2011. In the same period, household consumption in South Africa stood at 59.4 percent of GDP in 2010 and 2011.

GFCF shows how much of the new value added in an economy is invested rather than consumed. It measures the acquisitions of new, or improvement of existing, fixed assets by business, government and households. These fixed assets can include new infrastructure projects. Likewise with household consumption, in 1981 South Africa and China had a similar GFCF as a percentage of GDP, at approximately 27.4 percent. While South Africa's trend in GFCF has declined to two low points, in 1993 and in 2002, to 14.7 percent in both years, China has made significant strides, increasing its GFCF to a high of 45.9 percent in 2009. The hosting of the 2010

[20] A review of retails sales is one of the components used to measure consumption in a given economy as a means for calculating the demand side GDP (see footnote 23). Information was also sourced from: http://www.bdlive.co.za/opinion/columnists/2012/10/15/time-for-a-bold-new-idea-of-what-it-means-to-be-sa

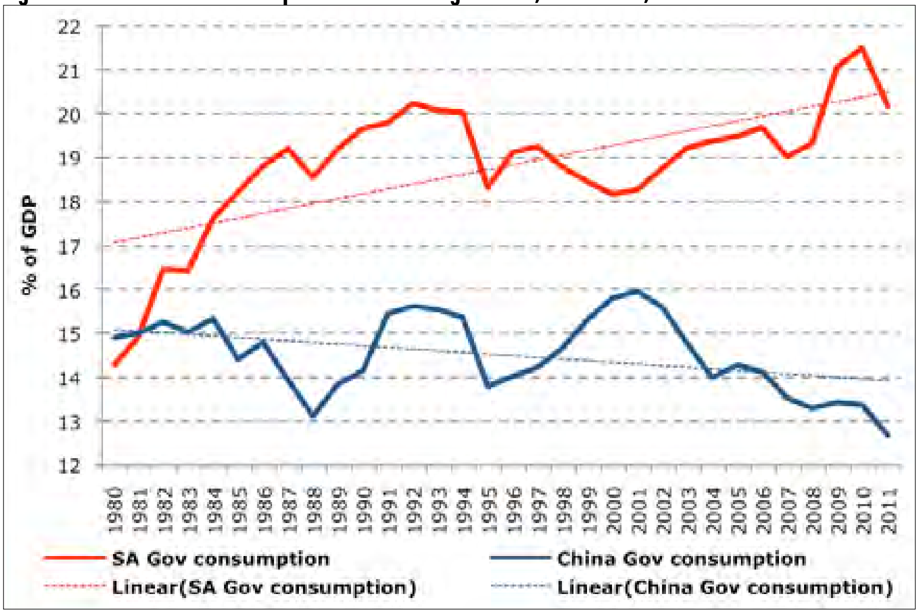
[21] Mr Came is the Chairman of the Financial Planning Committee at the Financial Intermediaries Association of Southern Africa. Information sourced from: http://www.moneyweb.co.za/moneyweb-economic-trends/south-africans-prefer-consumption-over-saving

[22] Investopedia defines capital formation as net additions of capital stock such as equipment, buildings and other intermediate goods. The higher the capital formation of an economy, the faster it can grow its aggregate income. Increasing an economy's capital stock also increases its capacity for production, which means it can produce more. Information sourced from http://www.investopedia.com/terms/c/capital-formation.asp

[23] GDP can be measured from the demand side as GDP= Private consumption + Government consumption + Investment + (Exports – Imports). The structure of the China economy is mainly driven by Investment and Trade components whereas for South Africa the data suggest its economy is driven by Private and Government consumption.

Fédération Internationale de Football Association (FIFA) Soccer World Cup in South Africa and the construction of the Gautrain saw GFCF levels increase to 22.7 percent in 2008 and 2009. This was followed by a decline to 19.6 percent in 2010, and a slight increase in 2011 to 19.7 percent.

Figure 1.9: Government Consumption as a Percentage of GDP, SA & China, 1980-2011



Source: World Bank, 2012

As with household consumption, government consumption in the two countries has taken very different paths, as is shown in Figure 1.8. In 1981, both countries' government consumption levels were at 14.9 percent of their respective GDPs. Government consumption for South Africa increased rapidly to peak at 21.5 percent in 2010 before declining to 20.2 percent in 2011. China experienced a slowing trend in government consumption, reaching 12.7 percent of GDP in 2011. In economic theory, too much government expenditure can crowd out private sector spending, thus reducing private investment.

1.3 Top Performing Economies in Africa and BRICS

The 1886 Witwatersrand gold rush[24] in South Africa gave birth to Johannesburg. Today, not dissimilarly, the African continent is viewed as the next economic frontier. Africa is gaining economic momentum, signalling that the region is about to boom and become the next strategic hotspot over which the super powers may be likely to fight. Not only does Africa have abundance and variety of natural resources, its booming population of 1.072 billion people is expected to grow to 2.34 billion by 2050. According to the United Nations (UN)[25], the youth, meaning people below the age of 24, make up over 60 percent of the continent's population and represent a consumer market paradise. Africa is also geographically located at the centre of the world, having the equator cutting right through the centre of the continent, giving it a strategic advantage for trade.

SSA is, geographically, the area of the continent of Africa that lies south of the Sahara desert. Northern Africa includes eight countries or territories: Algeria, Egypt, Libya, Morocco, Sudan, Tunisia and Western Sahara. In July 2011, Sudan formally divided into South Sudan and Sudan. There are different views and much debate whether Sudan and South Sudan belong to SSA or to North Africa, with these views sometimes being based more on political than geographical reasons. The Arabs from Northern Sudan associate themselves more with other North African Arab Nations and the Black population on the southern part associate themselves with SSA where African Black population are mostly found. However, the UN places the region as part of North Africa. For the purposes of this chapter, Sudan and South Sudan are largely excluded due to a lack of data, and most of the analysis in the chapter focuses on SSA and on its potential growth.

[24] Information sourced from http://www.sahistory.org.za/archive/glitter-gold

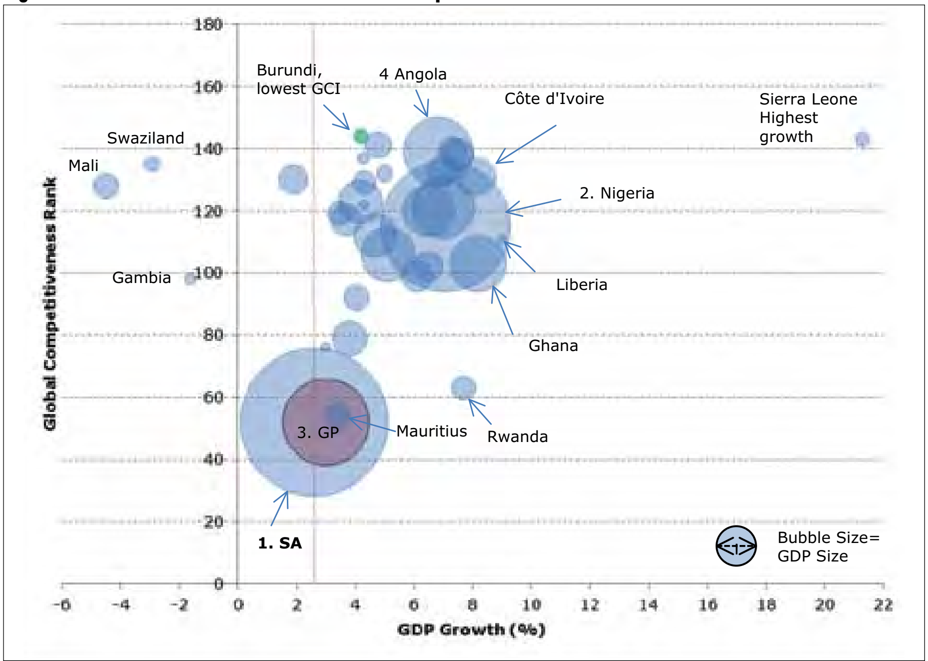
[25] Information sourced from http://esa.un.org/wpp/Excel-Data/population.htm

The reason for focusing on SSA in the context of potential economic gains is to examine the situation which presents itself to South Africa and to the Gauteng provincial economy. These two economies have long been regarded as the economic hubs or gateway to SSA and Africa. Does this status still hold for the country and for the province, or are these two African economic power houses losing their position as the preferred entry point into African markets?

1.3.1 Gross Domestic Product and Growth

It has been argued that SSA is the new economic frontier, and member countries need to be aware of what developments they are embarking on. Increased economic activity in the last decade has seen the SSA region become a more attractive destination for business. According to information from the WEO, average economic growth for the region was approximately 2.6 percent in the 1980s. This slowed slightly in the 1990s to 2.34 percent before rising sharply to 5.57 percent from 2000 to 2009. From 2010 to 2017, average economic growth is expected to be maintained at around 5.5 percent. In terms of global market contributions, the proportion of SSA is significantly small, at about 2.5 percent of the world total. However, opportunities and increasingly stable economic environments have led to much interest in the region.

Figure 1.10: Economic Size, GDP Growth and Competitiveness, SSA, 2012#



Source: WEO, 2012

Note: # indicates estimates. Angola's competitiveness rank is based on 2011. Gauteng province (GP) is not ranked by competitiveness but is included for representative purposes.

Figure 1.10 shows the SSA countries listed in the 2012-2013 Global Competitiveness Index (GCI) by the World Economic Forum (WEF). It shows the economic sizes[26] of the countries and their estimated growth rate[27] for 2012.[28] According to the figure, South Africa is shown to have the largest economic size in SSA, as its bubble size is the largest relative to the other SSA countries and is valued as US$578.6 billion. Nigeria has the second largest economic size, at US$450.5 billion, followed by Gauteng province at US$198.9 billion; in fourth place is Angola, valued at US$126.2 billion. Although not shown in the figure, in terms of the whole African continent, Egypt has the second largest economy in Africa, approximately US$40 billion behind South Africa and is valued at US$537.8

[26] Economic size is measured using the IMF's Purchasing Power Parity (PPP) levels. GDP at PPP uses exchange rates to benchmark the sum value of all goods and services produced in a country valued at prices prevailing in US$. This makes possible comparisons between countries.

[27] The growth rates given here are as per the October WEO. The January update only provides adjustments to selected countries, including SA. In the January update, SA is estimated to have grown by 2.3 percent in 2012 and is expected to reach 2.8 and 4.1 percent in 2013 and 2014 respectively.

[28] Figure 1.10 does not include the following SSA countries, which are excluded in the GCI from the WEF: Equatorial Guinea, DRC, Congo, Niger, Togo, Eritrea, CAR, Guinea-Bissau, Comoros, Sao Tome & Principe.

billion. Algeria also has a significant economic size, with the third largest economy in the African continent, valued at US$274.5 billion. This places Gauteng as the fifth largest economy in Africa and third in SSA.

To South Africa's advantage, the country is ranked 52nd out of 144 countries in terms of overall competitiveness, making it the highest ranked country in SSA. This is mainly due to its world class banking and financial sub-sector, which is ranked third in the 2012-2013 GCI report. The second highest ranked SSA country is Mauritius, and is placed 54th due to its having reasonably good market efficiency, institutions and education. Rwanda moved 17 positions up from 80th in 2010 to 70th in 2011, and ranked 63rd in 2012, making it the third highest ranked in SSA. It has high labour market efficiency and a good institutional base and is one of the fastest-growing stable economies in SSA. The poorest ranked country is Burundi, at 144th.

Economic growth in most SSA countries ranges between 4 and 8 percent. However, many of these nations come off a low growth base, except for possibly Nigeria, Angola, Ethiopia and Ghana. Some countries have come out of political and civil strife, with small amounts of growth thus translating into strikingly high rates, as is the case with Sierra Leone which is estimated to grow at a staggering 21.3 percent. The background of this country explains why. Between 1991 and 2002, it was enveloped in an 11-year civil war. Post war growth saw GDP increase by 26.6 percent in 2002. The country has been heavily dependent on mineral extraction of diamonds and gold. New iron ore mines[29] coming into operation in 2012 have contributed significantly to the jump in GDP growth, with increasing revenue from mining licenses and royalties. The Sierra Leone central bank has dropped interest rates and the government has implemented infrastructure projects financed through donors. Governance and economic policy have been improving over recent years.[30]

Only four countries are expected to have a lower growth rate than South Africa in 2012. These are to the left of the red line in Figure 1.10: Mali, Swaziland, Lesotho and Madagascar. Those to the right of the red line are expected to achieve growth rates higher than 2.6 percent, which is the IMF's 2012 expected growth[31] for South Africa. According to IHS Global Insight, Gauteng is estimated to grow at 3 percent, 0.4 percentage points higher than the average growth for the country.

As shown earlier in Figure 1.4. Ghana, Rwanda, Mozambique, Angola, Tanzania, and Zambia are some of the world's fastest growing stable economies. The following analysis looks at each of these economies more closely and examines their recipes for improved economic performance.

Ghana

Like South Africa, Ghana is a middle-income country. Its recent economic boom has been the result of new oil production, generating substantial revenue. In 2009, Ghana signed with the IMF a three-year Extended Credit Facility (ECF) arrangement, also known as the Poverty Reduction and Growth Facility, to improve its macroeconomic front, boost private sector competitiveness, improve human resource development and establish good governance and civic responsibility. The construction sub-sector has also rebounded, with 26 major projects mainly in transport, energy, trade facilitation and agriculture. One such project is the West Africa Gas Pipeline which connects Nigeria's gas resources to Benin, Togo and Ghana, thus lowering energy production costs in Ghana. Gold and cocoa production increased, coupled with higher commodity prices, and this benefitted the country's exports significantly. High FDI flows have also boosted economic growth. Ghana is gaining momentum as the West African economic hub.[32]

---

[29] Information sourced from http://www.africancapitalmarketsnews.com/1466/sierra-leone-to-be-world%E2%80%99s-fastest-growing-economy-in-2012-50-gdp-growth-forecast/

[30] Information sourced from http://www.africaneconomicoutlook.org/en/countries/west-africa/sierra-leone/

[31] The January revised growth update for SA is 2.3 percent, but the October figure has been used in the graph to maintain consistency as all the values were for October.

[32] Information sourced from http://www.worldbank.org/en/country/ghana and http://www.modernghana.com/news/367207/1/imf-approves-3billion-chinese-loan.html and http://www.indexmundi.com/ghana/economy_profile.html

Rwanda

Since the genocide of 1994 when 20 percent of the population was murdered, the country has made significant strides towards political, social and economic stability. Reforms in the agriculture sub-sector have boosted production and exports in coffee and tea. Other reforms include tourism, mining and construction (power, transport & ICT[33]) contributing to economic growth. The services industry accounts for over half of the country's GDP. The goal of the Rwandan Government is to transform its economy away from subsistence agriculture towards increased commercial agriculture, as well as towards manufacturing and services. According to Spanish commentators Angel Martín Oro and Marc Bisbal Arias[34], improvements in the regulatory and institutional framework has led to Rwanda increasing its ranking to 45th in business regulation according to the Doing Business Report (2012), where only four years ago it was ranked 148th out of 185 countries.[35]

Mozambique

South Africa's neighbouring country is highly dependent on aluminium prices, with the metal making up nearly a third of the country's exports. Subsistence agriculture accounts for nearly 30 percent of GDP. In 2011, Mozambique exported coal for the first time, marking a turning point in its economy. The country has managed to keep debt levels under control and has invested in ambitious infrastructure plans. The financial services sub-sector and ICT industry have been performing well, with high FDI inflows having driven economic growth and being expected to do so in the future.[36]

Angola

One of the newest members of the Organization of the Petroleum Exporting Countries (OPEC), Angola has newly discovered deep-sea fields, challenging Nigeria as the continent's leading crude oil producer. The country joined OPEC in 2007, and over 90 percent of its export revenue is currently from oil. Production has soared since 2000. The country also has the opportunity to harvest natural gas, a direct by-product of oil production. However, the natural gas industry still needs significant investment to unlock its full economic potential. The country now offers a more stable and secure environment than before. In November 2009, the country signed a Stand-By Arrangement (SBA) with the IMF. This was done in order to increase fiscal and monetary discipline, reform the exchange rate system, improve public financial management, create a sound banking system and enhance fiscal transparency. In addition, Angola has overhauled its tax system, established a debt management unit and channelled and tracked oil revenues to the government's budget.[37]

Tanzania

Tanzania's high growth rate in recent years is due to high gold production and improved performance in tourism. Other significant drivers of growth include the mining sub-sector, telecommunications and construction as the country seeks to diversify its economy. However, the economy still depends heavily on agriculture. Banking reforms have helped increase private sector growth and investment, and the government has increased spending on agriculture.[38]

Zambia

Zambia's economy is largely dependent on copper, its most valuable export, with its growth opportunities strongly tied to commodity prices. The country has sustained expansion in the agriculture, construction, manufacturing, transport & communications sub-sectors and is expecting a rebound in mining. It has maintained single-digit inflation, privatised government-owned copper mines and emphasised the importance of investor confidence as a key issue.[39]

---

[33] ICT stands for Information & Communications Technology.

[34] Angel Martín Oro is director of the Economic Trends Reporter at the Instituto Juan de Mariana in Madrid, Spain, and is a Ph.D. student in economics. Marc Bisbal Arias studies international business economics at the Universitat Pompeu Fabra in Barcelona, Spain.

[35] Information sourced from http://www.thefreemanonline.org/features/rwandas-economic-success-how-free-markets-are-good-for-poor-africans/ and http://www.businessinsider.com/29-of-the-worlds-fastest-growing-countries-2012-6?op=1

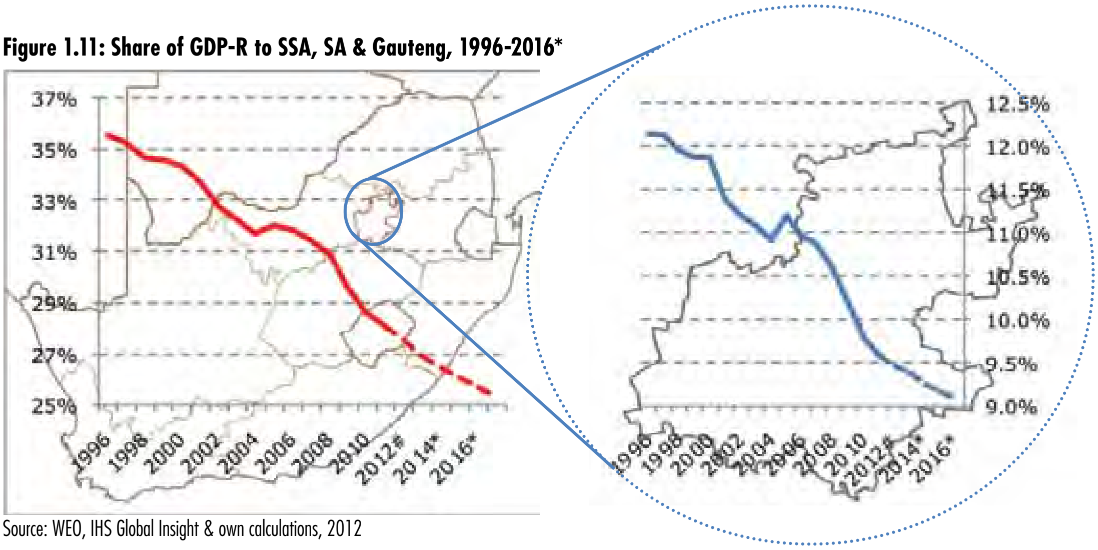
[36] Information sourced from http://www.africaneconomicoutlook.org/en/countries/southern-africa/mozambique/ and http://www.businessinsider.com/29-of-the-worlds-fastest-growing-countries-2012-6?op=1

[37] Information sourced from http://www.africaneconomicoutlook.org/en/countries/southern-africa/angola/ and http://www.angola-today.com/key-industries/oil-gas/

[38] Information sourced from http://www.worldbank.org/en/country/tanzania/overview and http://www.indexmundi.com/tanzania/economy_profile.html.

[39] Information sourced from http://www.africaneconomicoutlook.org/en/countries/southern-africa/zambia/ and http://www.indexmundi.com/zambia/economy_profile.html

Figure 1.11: Share of GDP-R to SSA, SA & Gauteng, 1996-2016*



Source: WEO, IHS Global Insight & own calculations, 2012
Note: # indicates estimates and * forecasts.

Figure 1.11 gives information about South Africa's and Gauteng's performance in relation to total SSA economic output. The graph on the left shows the share of South Africa's GDP within SSA, and the figure on the right indicates the share of Gauteng's GDP in relation to SSA. In 1996, South Africa contributed 35.5 percent of SSA's total GDP. This had decreased to 28.1 percent by 2011, and it is forecast to continue to decrease to 25.3 percent by 2016. According to IHS Global Insight, Gauteng contributes approximately 35 percent of national GDP, with this its share of economic growth within SSA is also decreasing, from 12.14 percent in 1996 to 9.58 percent in 2011, and is forecast to decline to 9.07 percent by 2016.

There are a number of reasons for these percentage decreases. First and most obvious is the fact that the rest of SSA's economies are growing at a higher rate, and economic growth in South Africa has only been moderate to low compared to the rest of SSA. Furthermore, other SSA countries are receiving increased levels of FDI inflows, as shown below in Section 1.5. It is also possible that South Africa is no longer viewed as the 'spring board' or 'gateway' into Africa, as other SSA countries offer more stable and secure economic and political environments. According to Stanlib[40] emerging market economist Xhanti Payi, South Africa no longer holds the title of gateway to Africa. With the development and upgrading of ports around Africa, it has become possible for international companies to trade directly with other African countries rather than using South Africa as a gateway. He gave the example of the Port of Maputo in Mozambique, which has been significantly upgraded and where the amount of traffic has increased over the last decade. Taking South Africa's geographical position into consideration, it is his opinion that it would be difficult to trade with other countries in the middle of the continent, as the number of border crossings are more, coming from South Africa to central Africa. Given South Africa's infrastructure and its historical position, it is still regarded as an entry-point for doing business in the continent. However, the gap is closing, with countries like Nigeria and Kenya growing their infrastructure as well as being situated more centrally in relation to some parts of Africa than is South Africa. Mr Payi notes that it remains easier for companies to set up their offices in South Africa and to access the country's sophisticated banking system. According to the Sales Director of Database 360[41] Louise Robinson, South Africa looks to Europe, the US and Australia for business instead of recognising opportunities that its own continent can afford. He also indicated that South Africa is becoming a more expensive destination and that its geographical position in Africa can hinder its competitiveness.[42]

---

[40] Stanlib is an SA investment and asset management company established in 2002 which is wholly owned by the Liberty Group which has since merged with Standard Bank Group's asset management, wealth management and unit trust businesses.

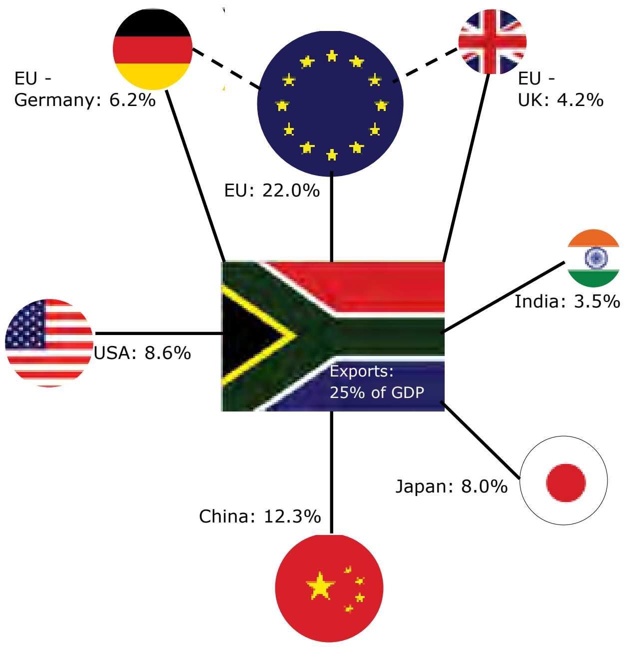
[41] Database 360 are data owners and brokers for the emerging African and Middle Eastern markets. They are a division of CG Consulting, a lead generation and telemarketing company specialising in business to business.

[42] Information from http://www.bdlive.co.za/articles/2012/07/25/sa-s-gateway-to-africa-status-no-longer-applies

1.3.2 Trade Balance

A country's trade balance is calculated by subtracting its imports from its exports. A positive trade balance thus means that a country exports a greater total value of goods and services than it imports. This benefits the country as it results in a net inflow of monetary payments into the domestic economy. A negative trade balance is not entirely undesirable, since some imports may be used in domestic production processes and those that are not are still satisfying the needs of domestic consumers. A negative trade balance is unsustainable, as it necessitates an outflow of foreign currency.

Figure 1.12: Share of SA Exports, Major Destinations, 2011

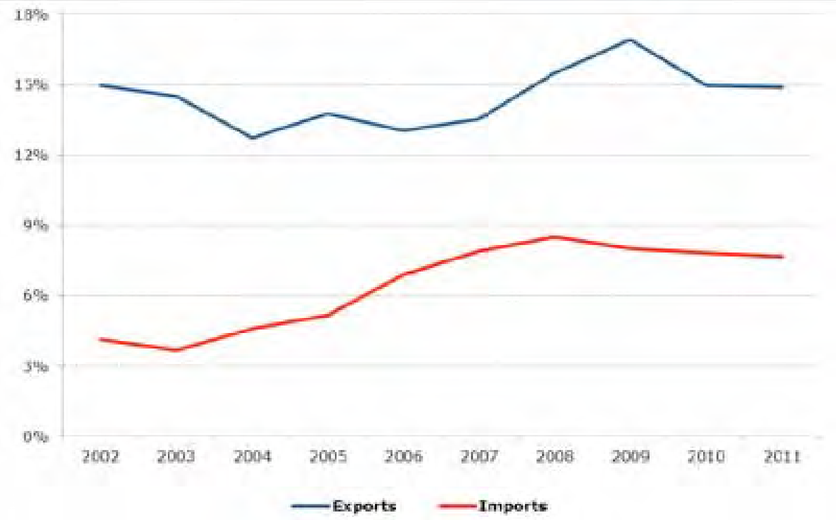


Source: Export shares from Quantec Research, and exports as a percent of SA GDP from IHS Global Insight, 2012

Figure 1.12 shows the major destinations of South Africa's exported goods and services, and the share of South African exports for 2011. It shows that the country's exports accounted for approximately 25 percent of GDP. This suggests that if the rest of the world ceased importing from the country, South Africa would lose about one quarter of its economy. The European Union (EU) accounts for just over one fifth of South Africa's exports, thus if the EU alone no longer imported any goods from the country, South Africa could lose approximately 5 percent of its GDP. This would approximately undo the last two years' worth of growth. The debt crisis in the Euro-area has resulted in that region importing less from other countries, including South Africa. While it is unlikely in the extreme that the region would completely cease importing from the country, even a halving of demand from the EU would reduce South Africa's GDP by approximately 2.5 percent. Within the EU, Germany is the largest importer of South African exports, accounting for 6.2 percent of the total in 2011, with the United Kingdom (UK) second, at 4.2 percent.

The country which imports the greatest amount from South Africa is China, at 12.3 percent. If China ceased accepting any imports from South Africa, it could cost this country just over 4 percent of its GDP. Other major importers of South African goods are the US, Japan and India, at 8.6 percent, 8 percent and 3.5 percent respectively. Of note is the fact that, like South Africa, these countries export to the EU. If the Euro-area debt crisis escalates and causes even more harm to the region, it would almost certainly spread to South Africa's other trading partners through the trade channels. This would in turn increase the negative impact on South Africa.

Figure 1.13: Share of Exports and Imports, SA & Africa, 2002-2011



Source: Quantec Research, 2012

Figure 1.13 shows the share of South African exports which are sold to other African countries, and the share of South African imports which are sourced from Africa, for the years 2002 to 2011. The share of exports accounted for by Africa has fluctuated around 15 percent, including a spike to 16.9 percent in 2009, as the global recession reduced demand in the country's traditional trading partners. It returned to approximately 15 percent in 2010 and 2011. In 2002, Africa accounted for just 3.7 percent share of imports into South Africa. This share reached a peak of 8.5 percent in 2008, primarily due to increasing imports of mineral fuels, oils and distillation products. In 2011, Africa's share of South African imports was more than twice as high as its 2002 value, at 7.7 percent.

Although not shown in the figure, regarding trade with the other major African economies, in 2011 Angola accounted for 5.7 percent of South African exports to Africa, Algeria 2.7 percent and Nigeria 5.5 percent. Angola held a 20.6 percent share of South African imports from Africa and Nigeria 40.7 percent.

Table 1.1: Share of Selected Exports to Africa, 2011

Classification	% to Africa
Vehicles	20.07%
Wood products	20.67%
Textile products	23.57%
Live animals & animal products	28.80%
Chemical products	29.55%
Paper & wood pulp	29.66%
Machinery	36.38%
Miscellaneous manufactures	37.05%
Prepared food & tobacco	42.01%
Articles of stone & glass	45.29%
Original components of motor vehicles	46.20%
Precision instruments	55.09%
Plastic products	56.29%
Organic fats & oils	92.98%

Source: Quantec Research, 2012

Table 1.1 lists a number of South African exports together with the percentage of that product which was exported to other African countries in 2011. In other words, of the total products exported, a percentage of that is exported to Africa and the remainder to the rest of the world. Over 90 percent of South African organic fats & oils exports were purchased by African countries. Africa also accounted for large shares of many manufactured exports from South Africa. For example, a 65.3 percent share of the country's clothing & accessories exports were sold to the rest of Africa, as well as shares of over 55 percent each for plastic products and for precision instruments such as clocks and medical apparatus. This suggests that a focus on increasing exports to Africa could support the South African manufacturing sector. An emphasis on manufactured goods is also visible when considering exports to the largest trading partners within Africa. In 2011, 20 percent of South African exports to Angola were made up of prepared food & tobacco, with chemical products at 15.9 percent. Machinery accounted for 10.7 percent of exports to Angola from South Africa and 11.4 percent of exports to Nigeria. Just over a quarter of South African exports to Nigeria were vehicles, partly due to the high monetary value of these goods.

Table 1.2: Share of Selected Imports from Africa, 2011

Classification	% from Africa
Wood products	9.77%
Unclassified goods	9.84%
Textile products	9.91%
Mineral Products	27.15%
Precious & semi-precious metals & stones	34.53%
Art & antiques	35.11%

Source: Quantec Research, 2012

Table 1.2 lists a number of South African imports together with the percentage of that product which was imported from other African countries in 2011. In other words, of the total products imported, a percentage of that is imported from Africa and the remaining is imported from the rest of the world. While Africa accounts for large shares of South African exports of manufactured goods, as shown in Table 1.1, the country's imports from the rest of the continent consist mainly of raw materials. In 2011, about 27.2 percent of South African imports of mineral products were sourced from Africa. The mineral products sub-category of which South Africa imports the most is petroleum oils, oils from bituminous minerals and crude oil. Nigeria accounted for 14.6 percent of those mineral products, and 7.4 percent were from Angola. In both cases, mineral products accounted for over 90 percent of the total import value from those countries into South Africa. The petroleum oils, oils from bituminous minerals and crude oil sub-category specifically accounted for 100 percent of these mineral product imports. At 34.5 percent, a large share of South African imports of precious & semi-precious metals & stones also came from Africa. The one manufactured good in which Africa accounted for a large share of South African imports is art & antiques, at 35.1 percent in 2011.

1.3.3 Inflation and Interest Rates

Many countries have formally committed to an inflation target as the anchor of their monetary policy. Since New Zealand pioneered inflation targeting in 1988 and formally adopted it in March 1990, this practice by central banks is found in all parts of the world.[43] Inflation targeting stipulates price stability as the formal objective of monetary policy. The South Africa Reserve Bank (SARB) formally introduced inflation targeting in February 2000. According to the SARB[44], a multi-year target approach was adopted as an average annual rate of increase of between 3 and 6 percent in the Consumer Price Index excluding interest rates on mortgage bonds (CPIX) for the years 2002 and 2003, and an increase of between 3 and 5 percent for the years 2004 and 2005. The annual average was then replaced by a continuous target of 3 to 6 percent for the period beyond 2006.

From January 2013, Statistics South Africa (Stats SA) has introduced a revised Consumer Price Index (CPI) basket of goods & services.[45] In addition, new weights were adjusted in line with the latest Income & Expenditure Survey of 2012 thus giving more weight to household costs. The National Energy Regulator for South Africa (NERSA) and Eskom are in the process of negotiating Eskom's request for a 16 percent tariff increase for the next five years; if approved, inflation will be expected to increase substantially. Analysts believe that inflation will breach the upper 6 percent ceiling of the inflation target.[46] Furthermore, the impact of e-tolling in Gauteng on inflation will also be realised going forward.

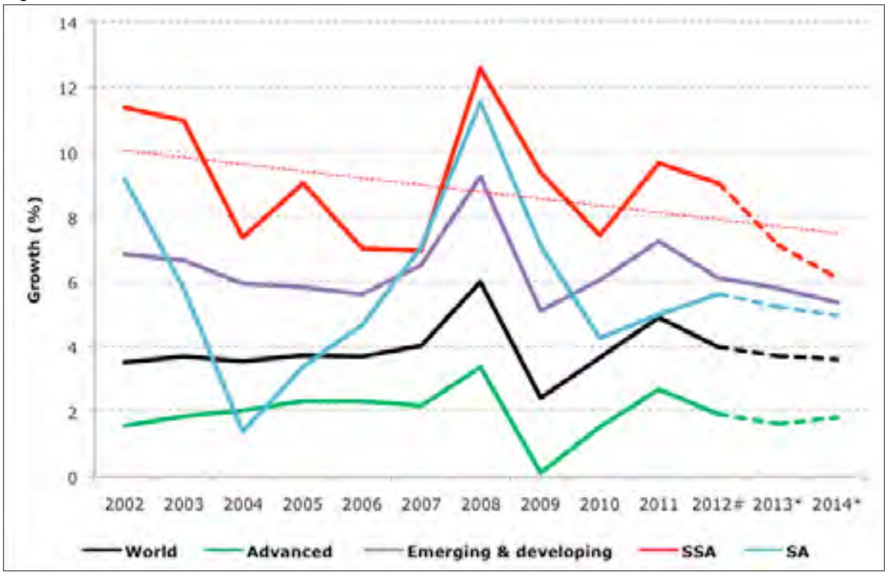
[43] Information sourced from www.rbnz.govt.nz/about/whatwedo/briefing_2point3.pdf

[44] E J van der Merwe, *Inflation Targeting in South Africa.* SARB Occasional Paper No 19 (2004)

[45] The last time Stats SA changed the basket was in 2009. Information sourced from http://www.statssa.gov.za/news_archive/press_statements/CPI_weights_Press_Statement_6_November_2012.pdf

[46] Information sourced from http://www.bdlive.co.za/economy/2012/11/07/inflation-to-breach-6-as-electricity-prices-soar

Figure 1.14: Inflation Rates, Global, 2002-2014*



Source: WEO, 2012

Note: # indicates estimates and * forecasts.

Figure 1.14 illustrates global inflation rates, including SSA countries and South Africa, from 2002 to 2011, and estimates for 2012 followed by forecasts to 2014.[47] Inflation trends tend to move in unison with global economic catastrophes such as overheating of the global economy before the global financial crisis of 2008/09. World inflation in 2011 averaged 4.9 percent and is estimated to have slowed to 3.9 percent in 2012. The IMF expects global inflation to level out to 3.6 percent in 2014. However, according to Bloomberg[48], the impact of the worst drought in the US since the 1950s will be felt in 2013 through increased food prices. This will place strain on households which spend a high proportion of their disposable income on basic necessities such as food. Advanced economies experienced the lowest price increases averaging 2.7 and 1.9 percent for 2011, and estimated for 2012, respectively. By 2014, inflation should slow marginally to 1.8 percent. Emerging & developing economies run parallel, above world inflation, reaching annual price increases of 7.2 percent in 2011 and estimated to slow to 6.1 percent in 2012. SSA has had a general declining or slowing trend in its inflation rate. In 2002, the rate was 10.9 percent; it peaked to 12.6 percent in 2008 but has subsequently slowed to 9.1 percent for 2012 and is expected to slow further to 6.1 percent by 2014.

In South Africa, at 1.4 percent, the inflation rate in 2004 was at its lowest point and below world and advanced economies average rates. During this period the Rand showed relative strength averaging R6.42/US$. Figure 2.17 in Chapter Two shows the R/US$ exchange rate, which is highly correlated[49] with the general trend of the inflation rate at 0.73.[50] Figure 1.14 also shows that inflation for 2011 was 5 percent and within the target range of 3 to 6 percent, and in 2012 it has remained in this target range although at a higher rate of 5.6 percent.

Table 1.3: Inflation Rates, BRICS & Selected SSA Countries, 2006-2014*

	2006	2007	2008	2009	2010	2011	2012#	2013*	2014*
Brazil	4.18	3.64	5.68	4.89	5.04	6.64	5.23	4.94	4.82
Russia	9.68	9.01	14.11	11.65	6.85	8.44	5.10	6.59	6.50
India	6.27	6.37	8.35	10.88	11.99	8.86	10.25	9.65	8.29
China	1.47	4.77	5.90	-0.68	3.33	5.42	3.01	3.01	3.00
SA	***4.69***	***7.09***	***11.54***	***7.13***	***4.27***	***5.00***	***5.64***	***5.24***	***4.97***
Mozambique	13.25	8.16	10.33	3.26	12.70	10.35	3.00	8.56	5.60

47 These inflation rates are as per the October WEO. The January update does not include all the regions.

48 Information sourced from http://www.bloomberg.com/news/2012-07-25/food-inflation-may-rise-to-3-to-4-in-2013-after-drought-1-.html. Bloomberg is "a major global provider of 24-hour financial news and information including real-time and historic price data, financials data, trading news and analyst coverage, as well as general news and sports. Its services, which span their own platform, television, radio and magazines, offer professionals analytic tools". Description of Bloomberg sourced from http://www.investopedia.com/terms/b/bloomberg.asp

49 Measured using the correlation coefficient, which determines the degree to which two variables' movements are associated. The correlation coefficient will vary from -1 to +1. A -1 indicates perfect negative correlation, and +1 indicates perfect positive correlation.

50 Own calculations run for the period from 2002 to 2011 between the annual average inflation rate and R/US$ exchange rate.

	2006	2007	2008	2009	2010	2011	2012#	2013*	2014*
Nigeria	8.22	5.41	11.58	12.54	13.72	10.84	11.45	9.46	8.19
Angola	13.31	12.25	12.47	13.72	14.48	13.50	10.75	8.58	7.50
Botswana	11.55	7.08	12.62	8.11	6.95	8.46	7.52	6.25	5.90
Kenya	6.04	4.27	15.10	10.55	4.09	14.00	9.97	5.79	5.00
Rwanda	8.83	9.08	15.44	10.35	2.31	5.67	7.00	6.10	5.45
Zambia	9.02	10.66	12.45	13.39	8.50	8.66	6.39	6.19	5.55
Ghana	10.15	10.73	16.52	19.25	10.71	8.73	9.82	10.88	8.95

Source: WEO, 2012

Note: # indicates estimates and * forecasts.

Table 1.3 shows the inflation rates of the BRICS countries and several countries selected from SSA, for the years 2006 to 2011, with estimates for 2012 and forecasts to 2014. The IMF's inflation figures for South Africa show that in 2007 inflation rose to 7.09 percent. This was above the SARB target band of 3 to 6 percent. In 2008, inflation rose further, to 11.54 percent. By 2009, however, it had started to slow down as the global recession reduced economic growth in the country, lowering demand and thus reducing upward pressure on prices. This effect was stronger in 2010 as the country joined the majority of the world in recession and inflation therefore fell to 4.27 percent. Since then, the economy has normalised and inflation has risen again, though still remaining within the SARB target band of between 3 to 6 percent. The level was at 5 percent for 2011, and it is expected to continue within the accepted levels and reach 4.97 percent by 2014.

Several countries, such as Russia, Nigeria and Kenya, experienced large increases in inflation in 2008. Inflation in Russia rose from 9 percent in 2007 to 14.1 percent in 2008. For Nigeria and Kenya, the increase was from 5.4 percent to 11.6 and from 4.3 percent to 15.1 respectively. This may have been a result of policies intended to stimulate their economies and thereby to counteract the negative impact of the global recession. Such policies include the lowering of interest rates and injection of additional money into the economy, both of which are likely to result in upward pressure on prices. Inflation in developing economies is also heavily influenced by changes in the prices of fuel and food. While these are often global price movements, developing countries usually have poorer populations on average and thus a larger share of their expenditure is accounted for by these basic necessities.

Table 1.4: Interest Rates, Selected Countries, January 2013

	Current Rate	Previous Rate	Date Change
USA	0.25%	1.00%	Dec-08
UK	0.50%	1.00%	Mar-09
Europe	0.75%	1.00%	Jul-12
Brazil	7.25%	7.50%	Oct-12
Russia	8.25%	8.00%	Sep-12
India	7.75%	8.00%	Jan-13
China	6.00%	6.31%	Jul-12
SA	***5.00%***	***5.50%***	***Jul-12***
Mozambique	9.50%	10.50%	Nov-12
Nigeria	12.00%	9.25%	Oct-11
Angola	10.00%	10.25%	Jan-13
Botswana	9.50%	10.00%	Dec-10
Kenya	9.50%	11.00%	Dec-12
Rwanda	7.50%	7.00%	May-12
Zambia	9.25%	9.00%	Nov-12
Ghana	15.00%	14.50%	Jun-12

Source: Global-rates & Trading Economics, 2013

Table 1.4 shows the recent interest rate levels of several countries together with their previous rates and the date of the changes. In an attempt to stimulate growth in their economies, developed countries such as the US and UK have reduced their interest rates to below 1 percent. This stimulation is needed because of the negative impact of the global financial crisis and resultant recession. These low interest rates have been maintained for significant lengths of time already, with the US having reduced its rate to 0.25 percent in December 2008 and the UK to 0.5 percent in March 2009. Given that the GDP growth rates of these countries are still low, it is arguable that low interest rates are proving ineffective at encouraging economic growth. The ineffectiveness of these low interest rates may be related to uncertainty about the future of the global economy. Investors had not yet entirely recovered from their hesitancy after the global recession when the Euro-area debt crisis became widely known and revived concerns. It is also likely that many of those persons who are taking advantage of the low cost of borrowing in advanced economies are investing that money in developing economies where returns are higher (known as the carry trade). Moderate returns are available in South Africa and the country still has a fairly low risk profile compared to many other developing economies. It is likely that a significant portion of the portfolio investments which have been offsetting the South African current account deficit have indirectly been brought into the country by advanced countries' attempts to stimulate their own economies.

South Africa has an interest rate of 5 percent, down from 5.5 percent since July 2012. This places the country somewhere between the advanced economies and most of its fellow developing economies. The SARB is juggling between encouraging spending and attracting foreign capital, while at the same time warding off excessive inflation. Combating inflation is a reason for the higher interest rates of some of the developing economies, as shown in Table 1.3. Countries such as Mozambique, Angola and India have noticeably higher inflation than South Africa. Many developing countries also have higher GDP growth rates than that of South Africa and of the advanced economies. They therefore have less need to stimulate their economic growth with low interest rates.

1.4 Share of Manufacturing

The New Growth Path (NGP) Framework, Industrial Policy Action Plan (IPAP) 2012/13-2014/15 and the National Development Plan: Vision for 2030 (NDP) have identified manufacturing as the sub-sector to drive job-creation and exports for South Africa.[51] The NGP aims to create 5 million new jobs by 2020, while the NDP builds on this to target the creation of 11 million new jobs by 2030. Both seek to do these through microeconomic reforms, and they cite manufacturing as the labour-absorptive sub-sector to achieve this. The NDP states that South Africa can benefit from rapid growth in developing countries which leads to increased demand for commodities and expanding consumer markets. In addition, the increased value added and competitiveness of manufacturing exports reduces the current account deficit. This plan also states that the economy is not competitive in labour-intensive manufacturing because cost structures are too high, exchange rates are too volatile, infrastructure is inadequate and the skills base is too limited. South Africa therefore needs to compete in the mid-skill manufacturing and service areas and niche markets that do not require large economies of scale. The country cannot compete in low-skilled industries because cost structures are already too high and it lacks the skills to compete with advanced manufacturing countries such as Germany.

The Department of Trade and Industry Minister, Dr Rob Davies, expressed the view that no developed economy has achieved its status without first going through a process of industrialisation. "We have taken a view that manufacturing is fundamental and integral to our economic growth. We have no doubt that we need to industrialise our country and immediately address the potential threat of de-industrialisation." For re-industrialisation to occur, some argue for a weaker exchange rate. However, this could lead to other problems such as making imports more expensive and thus damaging the country's economic trade balance. South Africa's poor performance in education[52] is not equipping the next generation of entrepreneurs with the skills needed to become the next generation of industrialists. Reforms in macro- and micro-economic policies need to adequately pave the way for a suitable and competitive environment for re-industrialisation.[53]

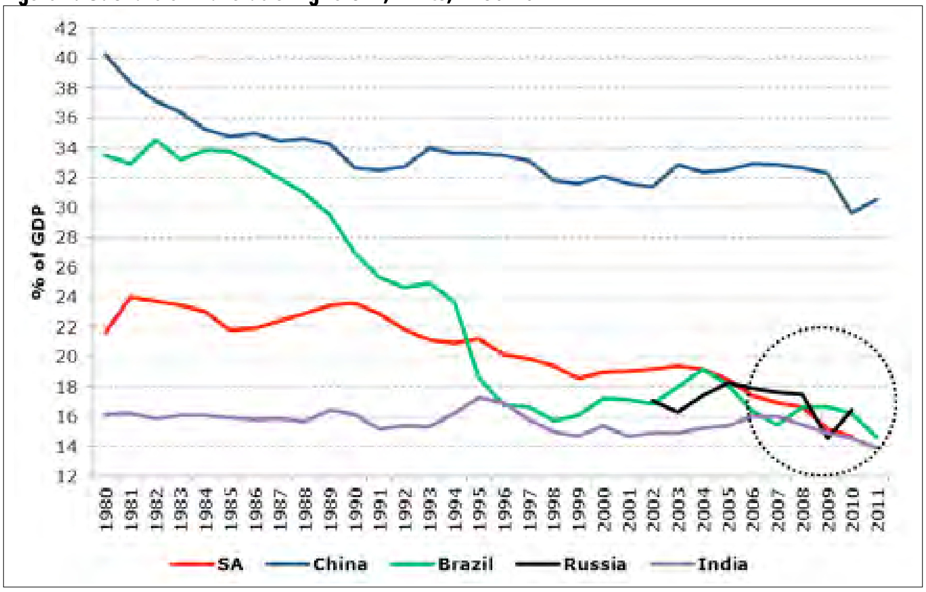
---

[51] The NGP of 2010 was developed by the Department of Economic Development whereas the IPAP of 2012 was developed by the Department of Trade & Industry and the NDP (2012) was developed by the National Planning Commission.

[52] According to the WEF Global Competitiveness Index (GCI), out of 144 countries globally South Africa is ranked 132nd for quality of primary education and 143rd for quality of maths and science education.

[53] Information sourced from http://www.polity.org.za/article/reindustrialisation-recipe-2012-08-03

Figure 1.15: Share of Manufacturing to GDP, BRICS, 1980-2011



Source: World Bank, 2012

Note: Figures for Russia are only available from 2002 to 2010.

Figure 1.15 illustrates manufacturing Gross Value Added (GVA) as a percentage of GDP for the BRICS countries between 1980 and 2011. Four out of the five BRICS nations have converged at similar levels over the last couple of years. Manufacturing as a percentage of Chinese GDP has the highest share, although it gradually declined from 40.23 percent in 1980 to 30.57 percent in 2011. This is still significantly higher than the other BRICS nations, and China boasts strong exports of manufactured goods.

Brazil saw a significant decline between 1985 and 1998, a drop from 33.75 percent to 15.72 percent. During this period, Brazil experienced a number of challenges. According to the WEO, the Brazilian economy grew by 0.26 percent in 1988 and contracted by 4.2 percent in 1990, grew by 1 percent in 1991 and contracted again in 1992 by 0.5 percent. The Asian financial crisis[54] of 1997 to 1999 and the Russian[55] financial crisis of 1998 also hit the economy hard. Throughout the 1980s and 1990s, the economy of Brazil suffered from hyper-inflation that subdued economic growth. In 1990, Fernando Collor was elected President, but was later charged with corruption. After several failed economic initiatives by the government, in 1994 the Plano Real[56] was introduced to stabilise the economy.[57] In 2011, manufacturing accounted for 14.6 percent of Brazilian GDP.

India has had a fairly consistent level of manufacturing throughout the period under review, ranging from 14 to just over 16 percent of GDP. In 2011, it hit its lowest point, at 13.9 percent. Data for Russia is only available from 2002, with growth in manufacturing in that country ranging from 16 to 18 percent since that date.

South Africa has had a continuous decline in its manufacturing value added to GDP since 1980. This is a sign of de-industrialisation, as argued by Dr Rob Davies and referred to earlier in this Chapter. Manufacturing as a percentage of GDP peaked in 1981 at 24 percent but has subsequently declined to 13.4 percent by 2011. sub-section 1.2.3 highlights the difference between a consumption and a production driven economy. The data suggests that the South African economy is leaning towards being a consumption-driven economy.

---

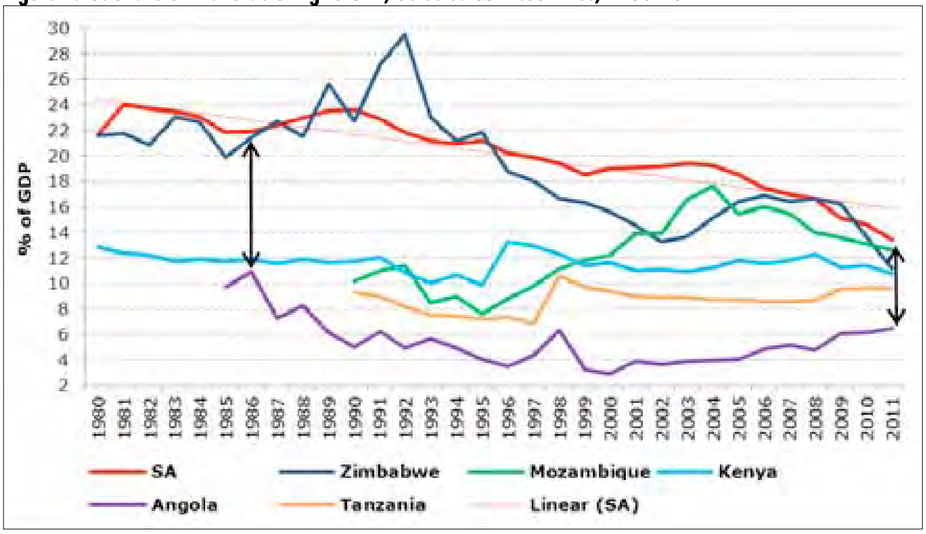
54 Before the crisis, Asia had high economic growth, high interest rates and a fixed exchange rate. This encouraged foreign investment; however, shorter-term financing flooded the region and some of this money was used to finance long-term capital projects. This resulted in the countries failing to meet their short-term liabilities and an inability to maintain the exchange rate peg. This was met with panic by investors; their withdrawal from the region further aggravated the shortage of money.

55 Like the Asian crisis, foreign investors were at the heart of this crisis. Fears of the Russian government devaluing their currency in order to meet debt liabilities caused investor confidence to drop and investors to pull out their funds in large numbers. This affected the country's balance sheet.

56 The Plano Real was a set of measures taken to stabilise the Brazilian economy in early 1994, under the direction of Rubens Ricupero as the Minister of Finance during the presidency of Itamar Franco.

57 Information sourced from http://www.sjsu.edu/faculty/watkins/brazil0.htm

Figure 1.16: Share of Manufacturing to GDP, Selected SSA Countries, 1980-2011



Source: World Bank, 2012

Figure 1.16 illustrates the share of manufacturing value added to GDP for selected SSA countries. Again, South Africa's negative trend in the proportion of manufacturing to GDP is evident. The arrows indicate that the gap between South Africa and the likes of Mozambique, Kenya, Angola and Tanzania is closing. Upward swings in Angola's manufacturing sub-sector between 2000 and 2011 should see this sub-sector grow considerably going forward. Mozambique has also seen significant gains in the manufacturing share of production, although it tapered off after 2004 to reach 12.6 percent in 2011. Kenya has had a fairly consistent level of manufacturing to GDP of approximately 12 percent. Zimbabwe has shown significant declines in production from a peak of 29.5 percent in 1992 to 11.18 percent of GDP in 2011. The country has experienced extreme hyper-inflation and contraction of economic growth of as much as negative 16.9 percent in 2003 and negative 18.35 percent in 2008.[58]

1.5 Foreign Direct Investment

The direct investment into production made by a company or entity based in another country is deemed FDI. There are many reasons why companies invest in other countries including taking advantage of cheaper wages, tax exemptions, nearness to input resources, to diversify their portfolio of investments and to take advantage of opportunities that have the potential to make significant profits and expand operations.

Dr Jacqueline Chimhanzi, Africa Lead for Deloitte[59] Consulting, believes that although South Africa's world-class banking system and good infrastructure has appeared to provide a good platform for foreign companies to use and grow their operations into the rest of the continent, a closer examination of the facts shows that this is far from the truth. Dr Chimhanzi states that "the mistake that most South Africans make is to assume that these investors will choose South Africa as an entry point for all African investments. The reality is that significant investments are flowing directly into respective African economies as these markets currently boast higher GDP growth rates than South Africa". She highlights that there is a risk of South African businesses becoming complacent about proactively pursuing opportunities presented by the rest of the continent, and that South African firms face competition from a new breed of African firms. These African firms are quietly but confidently expanding outwards from their home markets. South Africa still provides a good base for foreign companies to launch their operations, and the country has a number of characteristics of a developed economy to provide a solid and stable environment to fast track expansion into the continent. The 2012-2013 GCI ranks South Africa third for financial market development, thus providing a strong financial framework. As a percentage of GVA, the financial & business services sub-sector contributes just over 21 percent[60] indicating a strong services-based economy. For those firms looking to expand in Africa but still uncertain about the continent, South Africa in many ways provides the ideal entry point.

---

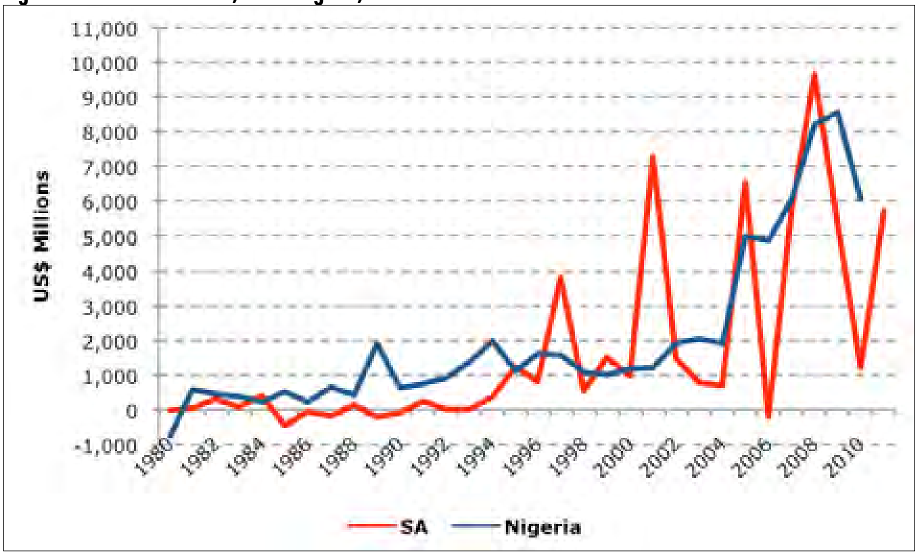
[58] Information sourced from the WEO, 2012.

[59] Deloitte is a professional services firm that provides audit, tax, consulting and financial advisory services.

[60] Information is according to IHS Global Insight.

The two figures below compare FDI net flows between South Africa and Nigeria and a comparison to other SSA countries. Comparison for South Africa and Nigeria is provided for separately because of the magnitude of their FDI flows in relation to the smaller FDI flows in the SSA countries.

Figure 1.17: FDI Net Flows, SA & Nigeria, 1980-2011



Source: World Bank, 2012

Figure 1.17 illustrates the net FDI flows for South Africa and Nigeria from 1980 to 2011 in US$. According to the United Nations Conference on Trade and Development (UNCTAD) online Stat Database[61], in 2011 South Africa received 15.7 percent share of SSA FDI while Nigeria received a 24.2 percent share. Both countries have shown a similar upward trend in attracting FDI, except that South Africa's experience has been more erratic and volatile. This volatility is due to significant transactions between organisations. A few examples of this volatility can be shown in 1997 when government sold shares in Telkom and in 2001 with the takeover of De Beers by Anglo American.[62] In 2005, UK banking group Barclays bought ABSA and Vodafone bought a 50 percent stake in Vodacom.[63] In 2008, the Industrial and Commercial Bank of China (ICBC) bought into Standard Bank, taking a 20 percent stake which saw a significant jump in FDI inflows.[64] Thus it is evident that FDI flows can be distorted by single, large deals giving rise to spikes.

Nigeria has had FDI inflows from large US oil production companies such as Chevron Texaco and Exxon Mobil in 2008.[65] South African companies such as MTN and Standard Bank have also made significant inroads in Nigeria.[66]

---

61 Information sourced from http://unctadstat.unctad.org/TableViewer/tableView.aspx

62 Information sourced from http://books.google.co.za/books?id=W_LcnKavtYgC&pg=PA65&lpg=PA65&dq=FDI+in+SOuth+Africa+volatile&source=bl&ots=0nM9tmklFu&sig=tpq8x-w4Vvd6LWXk9cQ_3j0Do00&hl=en&sa=X&ei=9fmQUK2vEcqi0QWz3YHACQ&sqi=2&ved=0CDIQ6AEwAw#v=onepage&q=FDI%20in%20SOuth%20Africa%20volatile&f=false

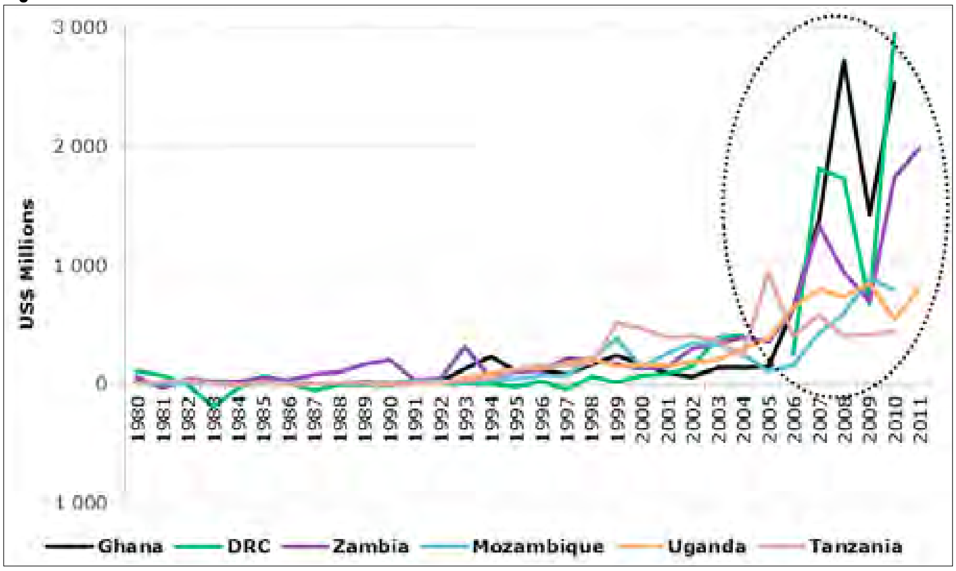
63 Information sourced from http://books.google.co.za/books?id=psHdXG1WET8C&pg=PA75&dq=ABSA+FDI+in+South+Africa&hl=en&sa=X&ei=Jv2QUO3yCMaK0AXJ2ICgDg&ved=0CDsQ6AEwAw#v=onepage&q&f=false

64 Information sourced from http://www.engineeringnews.co.za/article/sa-may-still-surprise-on-the-fdi-upside-in-2009–unctad-2009-09-17

65 Information is according to http://www.corporate-nigeria.com/index/fdi/foreign_direct_investment_overview.html

66 Information sourced from http://www.nigerianorientnews.com/?p=2018

Figure 1.18: FDI Net Flows, Selected SSA Countries, 1980-2011



Source: World Bank, 2012

While currently South Africa and Nigeria share the majority of FDI flows into SSA, other SSA countries are attracting more attention, as shown in Figure 1.18. Little FDI activity occurred throughout the 1980s and early 1990s. In more recent times, the likes of Ghana, Democratic Republic of Congo (DRC), Zambia, Mozambique, Uganda and Tanzania have received substantial positive net inflows. Higher, consistent GDP growth rates coupled with stable and secure environments have led to growth in FDI activity from an almost dormant state to a vibrant frenzy of inflows by foreign companies.

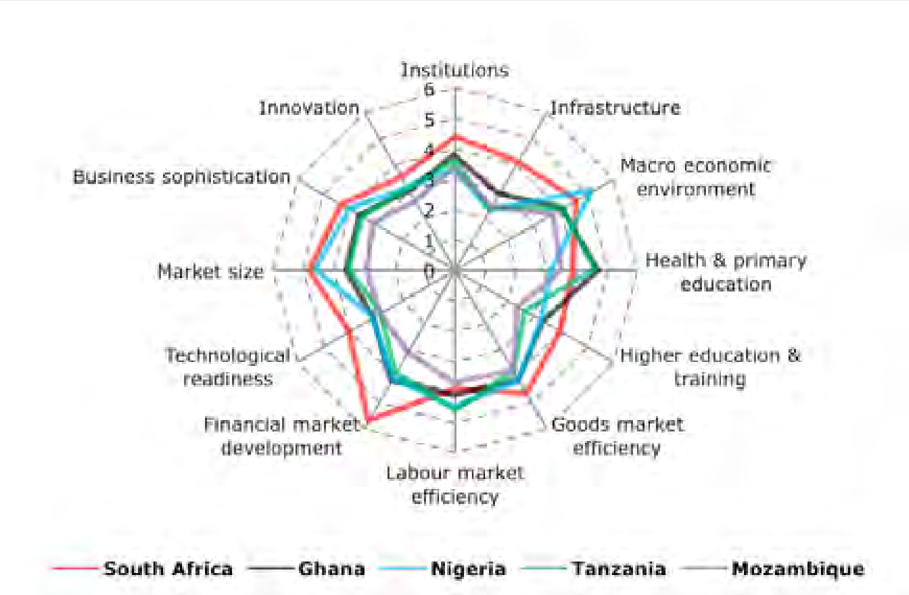
1.6 Economic Development

The WEF in its competitiveness analysis uses the GCI, which is a comprehensive tool that measures the micro- and macro-economic foundations of national competitiveness. It defines competitiveness as the set of institutions, policies and factors that determine the level of productivity of a country. In turn, the level of productivity sets the level of prosperity that can be achieved by a particular economy. The GCI consists of several different pillars[67] that are used to determine a country's competitiveness. These pillars can also be used to determine its stage of economic development. According to the GCI report for 2012-2013, there are different stages of development, ranging from 1 to 3. An economy at stage 1 of development is a factor-driven economy, while stage 2 represents an efficiency-driven economy and stage 3 represents an innovation-driven economy. A factor-driven economy competes based on its factor endowment, such as natural resources and low-skilled labour. An efficiency-driven economy has more efficient production processes and increased product quality. It is characterised by an efficient goods & service market and well developed financial markets. An innovation driven economy competes by producing new and different goods & services using recent technologies and sophisticated production processes. Countries between two of the three stages are considered to be in transition, which means they are in the process of moving from one stage to the next. The figure below shows the scores[68] in the GCI pillars for selected SSA countries and a reference is made to their rankings out of 144 countries, as per the 2012-2013 WEF CGI report.

[67] The pillars include infrastructure, institutions, labour market efficiency, health & primary education, business sophistication and the macro-economic environment.

[68] The score ranges between 1 and 7, with 1 representing the worst possible score and 7 the best possible score.

Figure 1.19: GCI Scores, Selected SSA Countries, 2012/13



Source: GCI, 2012

Figure 1.19 shows the GCI scores in the different pillars for selected SSA countries, from the 2012-2013 GCI report. According to the report, South Africa is an efficiency-driven economy at stage 2 of its development. However, the country did not rank well on labour market efficiency, at 113th place out of 144 countries (with a score of 3.9) and health & primary education, at 132nd (with a score of 3.9). The overall ranking for the country as indicated earlier in Figure 1.10 was 52nd (with a score of 4.4), two places below its 2011-2012 ranking. The overall ranking for Ghana was 103rd (with a score of 3.8) and 11 places above its 2011-2012 ranking. According to the report, Ghana is at stage 1 of its development. This means that it is a factor-driven economy, depending mainly on its natural resources and characterised by low-skilled labour. Its best ranking was for the financial market development pillar, at 59th place (with a score of 4.2). Nigeria was ranked 115th, seven places above its 2011-2012 ranking. The country is also a factor-driven economy, depending considerably on its oil resources. It was ranked 33rd in market size (with a score of 4.6), its best ranking compared to other pillars. Tanzania was ranked 120th, the same ranking as for the 2011-2012 report, and is also a factor-driven economy. The country was ranked more competitively in labour market efficiency, being ranked at 47th place with a score of 4.6. At 138th place, Mozambique was dependent on its natural resources. It ranked better in its market size, at 101st place with a score of 2.9.

1.7 Comparison of Socio-Economic Aspects in Selected African Countries and BRICS

This section provides a brief overview of demographics and levels of unemployment and development in other African countries as well as for the BRICS bloc. An important aspect for Africa in fighting poverty is securing food for the continent. Thus, this basic need of the growing population of the region is looked at in detail.

1.7.1 Demographics and Labour Markets

Demographic patterns in Africa and SSA are an important factor for corporations looking to expand their operations and tap into the consumer market presented by the region's growing population. According to a publication by Deloitte[69], the African middle class has been rising steadily from 111 million in 1980 (26 percent of the continental population) to 151.4 million in 1990 (27 percent of the continental population). This increased further to 196 million in 2000 with a further substantial increase to 313 million in 2010 (34.3 percent of the continental population). The report highlights the forecasts which predict that the African middle class will grow to 1.1 billion (42 percent) by 2060. However, the continent still grapples with extreme poverty and under development.

[69] Deloitte on Africa, *The Rise and Rise of the African Middle Class,* 2012. Deloitte is one of the largest professional services firms in the world.

Table 1.5: Top 20 African countries by Population, 2012

		Population (Million)			Population (Million)
1	Nigeria	164.8	11	Morocco	32.5
2	Ethiopia	88.9	12	Ghana	24.9
3	Egypt	82.0	13	Ivory Coast	23.4
4	DRC	74.7	14	Mozambique	22.5
5	***South Africa***	***51.2***	15	Madagascar	22.4
6	Tanzania	43.0	16	Cameroon	21.5
7	Kenya	42.1	17	Angola	20.2
8	Algeria	36.5	18	Burkina Faso	17.4
9	Uganda	35.6	19	Niger	15.6
10	Sudan#	33.5	20	Mali	16.3

Source: WEO, 2012

Note: * Indicates information for 2011. # indicates the exclusion of South Sudan.

Table 1.5 illustrates the most populous countries in Africa for 2012. South Africa is ranked fifth for the most populated country in Africa, with Nigeria leading with 164.8 million people. Ethiopia and North Africa's Egypt have 88.9 and 82 million, in second and third places respectively. Central Africa including the DRC, Tanzania, Kenya, Uganda and Angolan populations together create a massive market for the consumption of goods and services. In fact, according to the Population Reference Bureau (PRB)[70], nine out of the ten countries in the world with the highest fertility rates[71] are in Africa. These are, in descending order, Niger at 7.1 children born per female, Somalia at 6.4, Burundi at 6.4, Mali, Angola, DRC and Zambia at 6.3, Uganda at 6.2 and Burkina Faso at 6.

Unemployment in South Africa is difficult to gauge against other African counterparts due to the lack of data. In addition, some African countries include subsistence farming as being employed. However, South Africa has a similar unemployment rate to Nigeria, at 24.4 and 23.9 percent respectively. Algeria, Egypt, Sudan and Morocco have significantly lower unemployment rates than South Africa and Nigeria.

Table 1.6: Population and Unemployment Rates, BRICS, 2012

		Population (Million)	Unemployment rate
	Brazil	196.526	6%
	Russia	141.924	6%
	India	1,223.17	3.8%*
	China	1,353.82	4.1%
	South Africa	***51.2***	***24.4%***

Source: WEO, 2012

Note: * indicates data sourced from Trading Economics.

Table 1.6 looks at the population and unemployment rates of the BRICS nations. China has the highest population at 1.353 billion followed by India at 1.223 billion. According to the PRB, India is forecast to overtake China by 2025. Unemployment in the other BRICS nations is relatively low in comparison with South Africa's rate of 24.4 percent, with Brazil and Russia both having a rate of 6 percent, India 3.8 percent and China 4.1 percent.

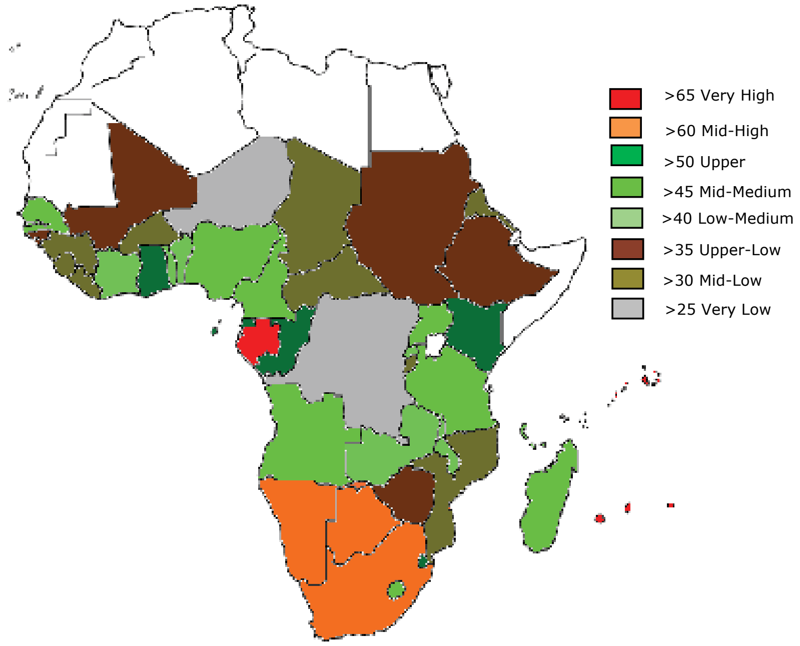
[70] *2012 World Population Data Sheet.*

[71] Fertility rate refers to the average number of children born to a woman over her lifetime.

1.7.2 Human Development

The Human Development Index (HDI) is a composite relative index used to compare human development across population groups or regions. It is based on a combination of three basic dimensions: a long healthy life, education and per capita income. The index can assume a maximum value of 1, indicating a very high level of human development, and a minimum value of 0, indicating no human development.

Figure 1.20: HDI, SSA, 2011



Source: UNDP, 2012

Figure 1:20 illustrates the 2011 HDI levels in SSA countries categorised into groups incrementing by five indices points. For South Africa, the average number of years of schooling is 8.5, Gross National Income (GNI) per capita is US$9,469 and life expectancy is 52.8 years. With an index value of 0.619, the South African HDI is higher than the average for SSA which was 0.46 in 2011, and is in the mid-high category of human development. The gap is narrower now than in 2000 when the country had a value of 0.62 and SSA had 0.4.[72] At 52.8 years, South Africa's life expectancy is not amongst the highest in the region. The relatively high HDI recorded for the country is a result of its high GNI and the high average number of years its citizens spend in school. The latter point does, however, illustrate one of the imperfections of HDI. While South African citizens spend more years, on average, in school than the citizens of many other SSA countries, the quality of the education received is not taken into account in these calculations. South African students are in fact outperformed by their counterparts in much of SSA.[73]

The two island countries, the Seychelles and Mauritius, have the highest level of development at 0.773 and 0.728 respectively; these are coloured red. This is followed by Gabon at 0.674. These three countries have fairly low populations of 91,000, 1.29 million and 1.52 million respectively. The reason for the higher HDI of the Seychelles is due to the higher number of years of schooling (9.4 years), the higher GNI per capita[74] of US$16,729 and life expectancy from birth of 73.6 years. The next level of HDI is between 0.6 and 0.64 and is highlighted in orange. This group includes Botswana at 0.633, Namibia at 0.625 and South Africa. Cape Verde, a small island off the west coast of Senegal, follows with a HDI of 0.568.

The dark green SSA countries with an HDI of between 0.5 and 0.54 usually show good signs for one or two out of the three sub-indices that make up the overall HDI. For example a country such as Ghana which has an HDI of

[72] Figures sourced from http://hdrstats.undp.org/en/countries/profiles/ZAF.html

[73] South Africa was ranked 132nd out of 144 countries for the quality of its primary education in the 2012-2013 Global Competitiveness Report. For the full text, see http://www.weforum.org/issues/global-competitiveness

[74] The GNI is measured as PPP in US$.

0.541 has a life expectancy of 64.2 years, 7.1 average years of schooling but a low GNI per capita of US$1,584. The same can be said for Equatorial Guinea which has an HDI of 0.537 made up of a comparatively high GNI per capita US$17,608, but has a similar life expectancy to South Africa at 51.1 years and a low average number of years of schooling, at 5.4 years. Some of the lowest HDI indices come from Niger and the DRC, with an HDI of 0.295 and 0.286 respectively. Both these countries have extremely low levels of schooling and income per capita.

The SSA country with the highest life expectancy was Cape Verde at 74.2 years, followed by the Seychelles. The highest average number of schooling years were experienced in the Seychelles, followed by Botswana at 8.9 years. The highest income per capita was in Equatorial Guinea, followed by the Seychelles. Overall, the SSA region averages an HDI level of 0.463, with an average life expectancy of 54.4, an average number of years of schooling of 4.5 and a GNI per capita of US$1,966. According to the African Human Development Report[75] for 2012, of the 187 countries for which an HDI was calculated for 2011, the 15 lowest ranked are in SSA. Among the 30 countries ranked at the bottom, only Afghanistan and Haiti are outside the region.

1.7.3 Food Security Monitor

Malnutrition, food deprivation, undernourishment, hunger, food insecurity and poverty are often thought to have the same meaning, but this is not the case. The concepts are, however, interlinked. Malnutrition results from deficiencies, excesses or imbalances in the consumption of macro- and/or micronutrients. According to the Food and Agricultural Organisation (FAO) of the UN, the undernourished are said to be suffering from food deprivation or hunger, the degree of which is determined by measuring the 'prevalence of undernourishment' within a nation.

Undernourishment refers to the proportion of the population whose dietary energy consumption is less than a pre-determined threshold, which the FAO determined to be 2,300 kilocalories (kcal) per day per person. This means that the average adult needs a daily intake of at least 2,300 kcal in order to live a healthy life. It should be understood that all hungry people are food insecure, but not all food insecure people are hungry, as there are other causes of food insecurity such as poor intake of micro-nutrients. Poverty is a multidimensional concept and encompasses, amongst other concepts, hunger and food security.[76] As stated by the Organisation for Economic Co-operation and Development (OECD):

"Poverty encompasses different dimensions of deprivation that relate to human capabilities including consumption and food security, health, education, rights, voice, security, dignity and decent work."

Achieving food security relates to the attainment of the first Millennium Development Goal, which deals with the eradication of extreme poverty and hunger. The Millennium Development Goals (MDGs) are eight targets that South Africa and the other 188 UN member nations in 2000 committed themselves to achieving in order to improve the lives of their citizens. Achieving the first MDG involves meeting three specified targets by the year 2015. Each of these has specific indicators that measure a nation's progress in terms of meeting the said target. The UN monitors the food security status of a nation by reviewing the progress the nation has made in terms of meeting the third target of the first MDG, which is to 'Halve the proportion of people who suffer from hunger'. The recognised definition of food security was established at the 1996 World Food Summit (WFS) and states:

"Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life."

This definition encompasses four distinct dimensions, including availability of food, access to food and utilisation of food. The fourth dimension is the stabilization of the three abovementioned dimensions. From the definition, the link between human development and food security can be identified because when the food security conditions are not met, malnutrition will result.

---

[75] *African Human Development Report*, 2012. United Nations Development Programme (UNDP), Regional Bureau for Africa (RBA), 2012.

[76] Information sourced from http://www.fao.org/docrep/013/al936e/al936e00.pdf

The Economist Intelligence Unit[77] (EIU) makes use of the WFS established definition of food security for the creation of its Global Food Security Index (GFSI) where each of the dimensions were measured using several specified indicators. The GFSI is a benchmarking model that uses 25 qualitative and quantitative indicators to provide a standard against which 105 developed and developing countries are measured. The purpose of the GFSI is to provide deeper insight into the global food security situation by investigating and assessing food security across three internationally designated dimensions that make up the three categories of the index: affordability & financial access, availability, and quality & safety.[78] Each dimension also formed its own category. The 2012 GFSI revealed that the US is the most food secure nation in the world, ranked first overall. However, taking each of the categories individually, regarding affordability Switzerland was ranked first and the US second. Denmark was ranked first in terms of food availability while Israel was revealed to have the most nutritious and safe food in the world.

Table 1.7: GFSI Rankings for BRICS & Selected SSA Countries, 2012

Overall GFSI rank	Country	Affordability rank	Availability rank	Quality & safety rank
30	Russian Federation	29	37	27
31	Brazil	30	34	30
37	China	42	30	40
40	***South Africa***	***40***	***33***	***52***
66	India	71	52	73
68	Ghana	72	55	73
74	Côte d'Ivoire	69	69	101
80	Nigeria	103	51	84
89	Angola	82	94	98
92	Mozambique	91	83	102
99	Tanzania	98	97	91
100	Ethiopia	87	96	104

Source: Economist Intelligence Unit, 2012

Table 1.7 shows the GFSI rankings of South Africa, its fellow BRIC countries and SSA countries. In relation to its fellow BRICS countries, South Africa is the second least food secure nation, with India being the least food secure. South Africa has a ranking of 40 and India 66. Comparatively, South Africa is the most food secure country in the SSA region as it received the highest ranking. Out of the 28 SSA countries included in the index, 25 fell within the bottom third of ranked countries, thus making SSA the most food insecure region in the world.

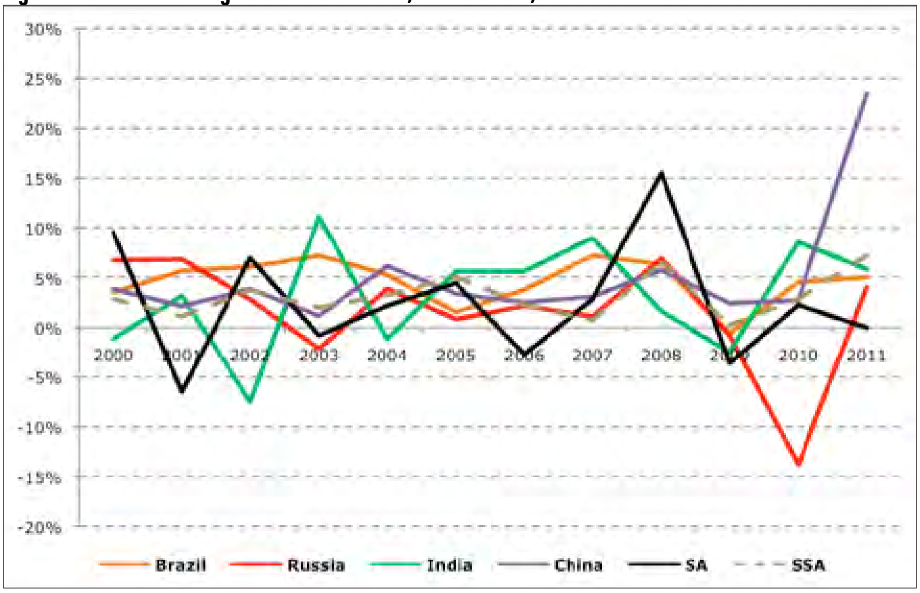
The poor state of food security within SSA is predominately due to food price volatility. The growing global population, higher costs of agricultural inputs and lower returns on agricultural productivity are factors that have pushed food prices up. Higher prices make food less affordable to consumers, thus making them more vulnerable to hunger. The state of a nation's agricultural sector affects the availability, accessibility and quality of the food. The logic is that a more productive agricultural sector will increase the amount of food available for consumption, thus lowering the prices of food. That would lead to the improvement of food accessibility as the food would become more affordable.

[77] The EIU is a company that provides forecasting and advisory services to entrepreneurs, financiers and government figures around the world. Information accessed from http://www.eiu.com/public/who-we-are.aspx

[78] Information sourced from http://foodsecurityindex.eiu.com/Home/Methodology

The two main components of food availability are food production, which is a result of agricultural input availability and production, and net trade in agricultural products. It would be useful to gauge the progress made in improving food availability by observing these components.

Figure 1.21: Growth in Agricultural Production, BRICS & SSA, 2000-2011



Source: FAOSTAT, 2013

Figure 1.21 displays the growth in agricultural production for the BRICS nations and the SSA region from 2000 to 2011. Agriculture includes forestry, hunting & fishing as well as cultivation of crops and livestock production. Even though growth in agricultural output has fluctuated over the years, it has remained predominately between 10 and negative 5 percent, except for South Africa and India. For Brazil, China and SSA, growth has lingered between 0 and 7 percent. However, according to the Global Harvest Initiative[79] (GHI), the agricultural sub-sectors of China and Brazil are more productive than those of SSA. In 2009, agricultural production dropped as many nations suffered severe droughts during that year.[80] Despite the peak in 2008, Russian agricultural output continued to fall to reach negative 13.8 percent in 2010, due to a severe heat wave and drought. South Africa experienced its own drought in 2009, with agricultural growth plummeting from a peak of 15.5 percent in 2008 to a trough of negative 3.6 percent in 2009. The rise recorded in 2008 was predominately attributed to the introduction of the Ilima/Letsema campaign[81].

The GHI had estimated that global agricultural productivity[82] must grow by an annual average of at least 1.75 percent in order to double agricultural output by 2050 and thereby meet future global food demand. In its 2012 Global Agricultural Productivity (GAP) Report[83], the GHI reported that for the SSA region, agricultural productivity growth had averaged 0.5 percent for the previous decade, significantly lower than the global average annual rate of 1.84 percent. Considering that future food demand is projected to grow by an annual rate of 2.83 percent between 2000 and 2030, it is evident that SSA will not be able to satisfy this demand if agricultural productivity is not improved, and SSA would remain the most food insecure region in the world. Global food and agricultural production are riddled with threats and challenges such as high fuel and oil prices and unfavourable

[79] The Global Harvest Initiative is an enterprise organised and led by private sector companies involved in the food and agricultural industry. It develops policies that it believes will improve global food and nutrition security by accelerating agricultural productivity gains while conserving natural resources thus meeting the demands of a growing world. Information accessed from http://www.globalharvestinitiative.org/index.php/about-us/

[80] Information accessed from http://www.globalresearch.ca/catastrophic-fall-in-2009-global-food-production/12252

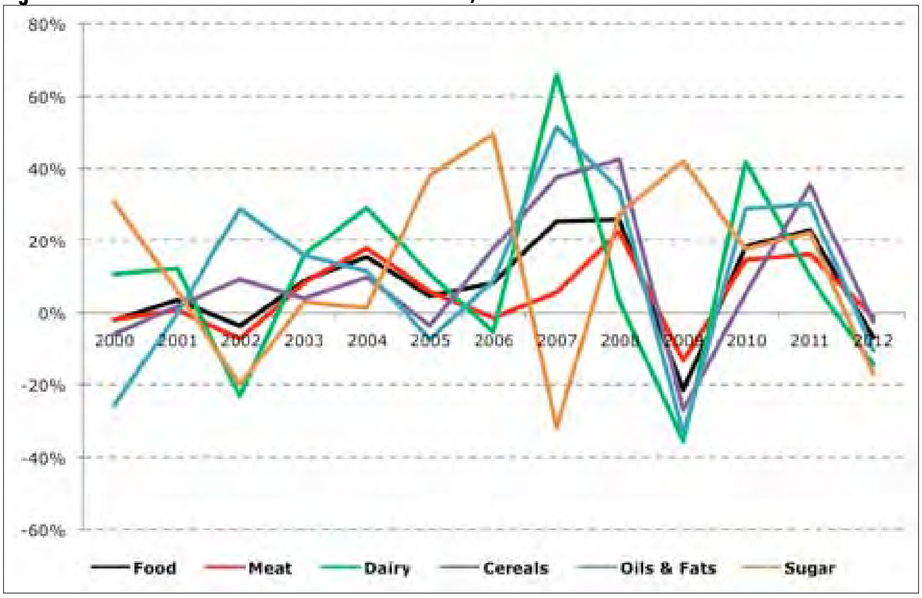
[81] The Ilima/Letsema campaign aims to stimulate food production through household and backyard activities to ensure food security, create micro-enterprises through the use of communal land thereby promoting social cohesion and convert dormant agricultural assets into liquid income-generating assets. Information sourced from http://www.nda.agric.za/doaDev/doc/Ilima-Letsema_newspaper%20add.pdf

[82] Agricultural productivity is measured by the agricultural Total Factor Productivity (TFP) ratio which is a ratio of agricultural outputs (gross crop and livestock) per inputs (land, labour, livestock, fertilizer and machinery) used. The TFP can be highly variable as yields will rise and fall, reflecting changing weather patterns and other factors.

[83] The GAP is an annual report released by GHI. It serves as a benchmark for analysing agricultural productivity growth. Every year, the report is updated to mark the progress toward sustainably increasing agricultural output over the next 40 years. Information accessed from 2012 GAP Report. See http://globalharvestinitiative.org/GAP/GHI_2012_GAP_Report.

weather conditions that lead to poor harvests. This is why fluctuations in agricultural production can be expected. These factors lead to food price volatility which is detrimental to food security, as market participants have difficulty planning ahead and adjusting to fluctuating market signals.[84]

Figure 1.22: Annualised Growth in Global Food Prices, 2000-2012



Source: FAO, 2013

Figure 1.22 illustrates the price volatility associated with the food and agricultural production market. The change in food prices has fluctuated over the years, particularly for sugar and dairy products. The growth of the overall food price was between approximately 0 and 20 percent except in 2007 and 2008, when it peaked at above 25 percent, and in 2009 when growth contracted to negative 21.5 percent.

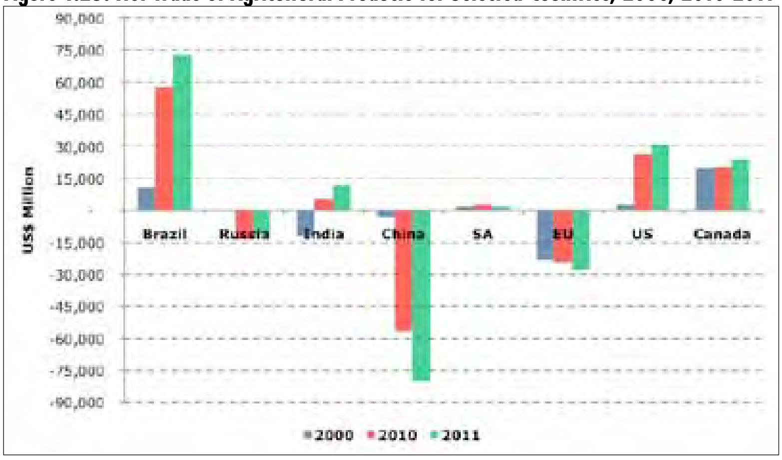
During 2007 and 2008, the rise in food prices, except for sugar prices, created a global food price crisis as a result of which many countries, especially those in SSA, suffered food deficits and hunger. According to the MDG Report released by the United Nations Development Program (UNDP) in July 2012, the number of undernourished people in SSA rose from 210 million in 2006 to 231 million in 2008. Food prices increased due to droughts suffered by grain-producing nations, and to rising oil prices. The rise in oil prices led to escalations in the general costs of fertilizers, food transportation and industrial agriculture. The FAO attributed the food price decline experienced in mid-2009 to the market attempting to achieve a balance due to the easing market conditions after the crisis.[85] From August 2009 onwards, prices rose and then fell until they reached negative growth in 2012.

In almost all countries, trade plays an increasingly important role in stabilizing food availability. This is because, when agricultural-based countries experience wide fluctuations in per capita production of staple foods particularly due to variable climates, trade assists in ensuring that those countries are food secure. Whatever staple food a country cannot produce can be sourced from another country.

[84] Information sourced from *FAO Statistical Yearbook 2012: World Food and Agriculture.* See http://www.fao.org/docrep/015/i2490e/i2490e00.htm

[85] Information sourced from *Food Outlook: Global Market Analysis – June 2009*, UNFAO. See http://www.fao.org/docrep/011/ai482e/ai482e00.htm

Figure 1.23: Net Trade of Agricultural Products for Selected Countries, 2000, 2010-2011

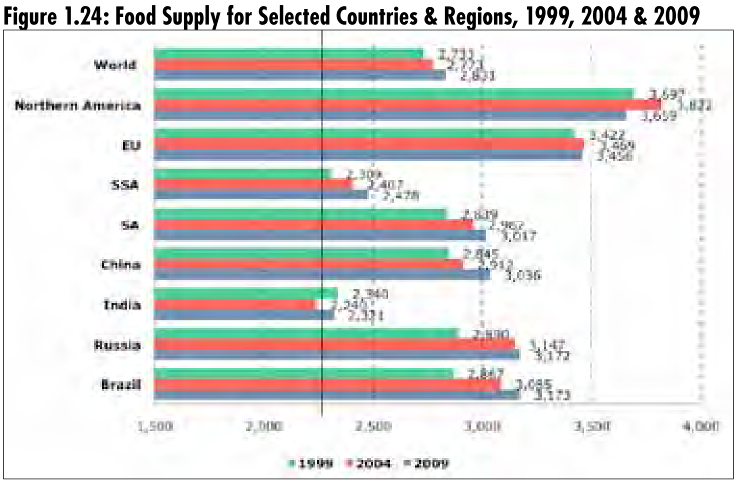


Source: WTO, 2012

Figure 1.23 shows the net trade of agricultural products of the BRICS countries, the US, Canada and the EU for 2000, 2010 and 2011. Russia, China and the EU are net importers of agricultural products, with China having had the largest agricultural trade deficit. South Africa, like Brazil and the US, has remained a net food exporter over the years. However, while the agricultural trade surplus for the country has remained below US$3 billion within a span of 10 years, those of Brazil and the US have grown from the respective US$10.7 billion and US$2.3 billion in 2000 to US$57.8 billion and US$26 billion in 2010.

SSA as a whole is and has been a net food importer. This is because, although food production in SSA has risen, consumption has increased even faster due to rapid population growth. This should not be the case as SSA has the agricultural potential to become a net exporter of food. According to the UNDP, SSA's food production has been predominately driven by the lack of growth in harvested area. The region has about 200 million hectares of uncultivated land that, if were to be cultivated, would result in increased production. However, expansion in cultivated land would not necessarily translate to increased yields per hectare because, compared to Asia and Latin America, SSA is characterised by land degradation caused by poor conservation techniques, lack of effective irrigation practices and low fertilizer use. Arable land in this region is unevenly distributed, with large-scale farmers who predominately trade globally. This outcome has resulted from policies implemented by government institutions in favour of large-scale modernised capital-intensive mechanised farming, where small-holder and subsistence farmers have been side-lined. Small-scale labour-intensive farming would be advantageous to SSA as it would result in diversification and a decreased regional food deficit because these farmers would predominately trade amongst themselves, thus improving food security.[86]

Figure 1.24: Food Supply for Selected Countries & Regions, 1999, 2004 & 2009



Source: FAOSTAT, 2012

Note: Black vertical line indicates the FAO daily adult requirement of 2,300 kcal per day per person.

[86] Information sourced from, 2012 Africa Human Development Report: Towards a Food Secure Future, UNDP, See http://www.undp.org/content/undp/en/home/librarypage/hdr/africa-human-development-report-2012/

Figure 1.24 shows the amount of food available for human consumption in each of the selected countries and regions, measured in terms of kcal per capita per day. Over the years, food supply in India has been just below or just above the FAO daily adult requirement. However, individuals in its fellow BRICS nations have received more than the FAO daily requirement of calories as food supply has gradually increased. Average food supply for SSA has slowly risen over time, from 2,309kcal/capita/day in 1999 to 2,478kcal/capita/day in 2009. In Northern America and the EU, food supply declined in 2009. This was due to the drought that affected many countries and their agricultural production.

The world grows enough food to feed its entire population, but an adequate supply of food at the national or international level does not in itself guarantee household level food security. A majority of households in SSA spend a significant portion of their income on food, with food consumption accounting for over 50 percent of total household expenditure in countries such as Ghana, Tanzania and Nigeria. Regarding the BRICS countries, it is only in Brazil and South Africa where food consumption makes up less than 20 percent of household expenditure, as in the US and the EU. In Chinese and Russian households, food consumption expenditure makes up more than 35 percent of total expenditure while in India almost half of income is spent on food.

To ensure a food secure household, food must consist of a diversified diet as it increases the probability that the individual receives all the nutrients required to remain healthy. As a measure of a nation's degree of diet diversification, the FAO estimates the share of non-starchy foods in the total dietary energy consumption. According to this estimate, individuals in developed nations enjoy a substantially varied diet as the share of non-starchy food consumed is above 70 percent. The diet of the SSA region is the least diversified as the share of non-starchy food consumed in most countries, inclusive of South Africa, has been reported as below 45 percent.

The UNDP has identified four drivers it deemed crucial for achieving and sustaining a food secure nation. These are greater agricultural productivity of smallholder farmers, more effective nutrition policies, greater community and household resilience to shocks, and wider participation and empowerment of vulnerable groups. Given that every nation in the world is concerned with ensuring that the people living within its borders are food secure, several countries in association with the UN have implemented National Programmes for Food Security (NPFS). As of the end of 2009, 40 NPFS were at different stages of the formulation process in regions including Africa, Asia & the Pacific and Latin America & the Caribbean. In SSA, 10 NPFS were under implementation.[87] The components of the NPFS may vary from country to country but they basically involve two paths: improving the livelihoods of the poor (especially small-scale farmers), and improving access for vulnerable people. This can be done through, amongst other initiatives, sustainable smallholder development, land reform, advancement of rural infrastructure and the establishment of food banks and school feeding schemes.[88]

1.7 Conclusion

Subdued global economic activity in recent years, resulting from the global financial and Euro-debt crises, have played a big role in suppressing economic upswings as projections for global growth are expected to be gradual. Weaker demand by developed economies through trade linkages has placed economic growth prospects for developing & emerging economies such as South Africa at higher risk. World economic growth is projected to reach a moderate 3.5 percent in 2013, advanced economies to reach 1.4 percent, emerging & developing 5.5 percent, SSA 5.8 percent and South Africa a sluggish 2.8 percent. Amongst all the global economic uncertainty, a number of developments are changing the face of global economic trends. These include the continual decline of the GDP share of the US to global economic output and the decline of the use of US$ as the preferred foreign exchange reserve. Another trend is the rising interest shown by super powers in tapping into SSA markets.

The combined GDP of the BRICS countries is expected to exceed that of the US in the next three years. The grouping is in the process of establishing a development bank with its head office based in South Africa. Four out of the five BRICS nations, namely Brazil, Russia, India and South Africa, have converged to similar levels of manufacturing output to GDP over the last couple of years, to approximately 16 percent. China still remains the strongest, with over 30 percent of GDP coming from the manufacturing sub-sector.

[87] The countries where the NPFS were under implementation in 2009 are Algeria, Brazil, Chad, the Republic of the Congo, El Salvador, Indonesia, Jordan, Kenya, Madagascar, Malawi, Mali, Mexico, Nigeria, Pakistan, Sierra Leone, South Africa and the United Republic of Tanzania. Information sourced from http://www.fao.org/spfs/national-programmes-spfs/participating-countries-npfs/en/

[88] Information sourced from http://www.fao.org/spfs/national-programmes-spfs/how-works-npfs/en/

Some of the fastest growing economies in the world are situated in SSA. These include Mozambique, Angola, Zambia, Rwanda, Ghana, Tanzania and Niger. In recent years, the region has attracted much FDI as a means of tapping into its consumer market and future population which is expected to grow to 2.34 billion by 2050 from 1.072 billion people. The stable economic environment provided by South Africa and its advanced financial sector has provided a platform for foreign investment into the continent for many years. However, a number of SSA countries are beginning to stabilise their own economic environments through policy reforms, transforming to a more sophisticated tertiary sector thereby attracting foreign investment directly and expanding their spheres of trade. Countries such as Rwanda have jumped 17 positions in the Global Competitiveness Index from 80th in 2010 to 70th in 2011 and in 2012 ranked 63rd, making it the third highest ranked in SSA. The country is estimated to have grown by 7.7 percent in 2012. South African neighbour, Mozambique, has experienced growth of over 7 percent through increased trade and infrastructure programmes. South Africa contributed 35.5 percent to total GDP for SSA in 1996; in 2011 this had declined to 28.05 percent. Gauteng contributes approximately 35 percent to national GDP and its share of economic growth to SSA has declined from 12.14 percent in 1996 to 9.58 percent in 2011. Thus it is important for the economy of Gauteng not to become complacent about its position as one of the leading economies in the region.

Although SSA has made inroads in their economic growth, the SSA region still has the lowest level of human development and is plagued by poverty. Malnutrition and food security still halt the full potential for people to unlock and participate in the economy. The building block to any economy is the combination of capital and labour. The most basic requirement for the development of labour is a good supply of food. South Africa is considered the most food secure country in SSA.

Chapter 2: Socio-Economic Review and Outlook of Gauteng

2.1 Introduction

According to 2011 Census data, released in October 2012, Gauteng remains the most populous province in the country with a population of 12.3 million. The province accounts for approximately 23.7 percent, the highest share of the total population of the country. It has three metropolitan (metros) and two district municipalities, with the metros accounting for the largest share of the population and contribution to the region's economic output. The metros are the City of Johannesburg (CoJ), the City of Tshwane (CoT) and Ekurhuleni and the districts are Sedibeng and the West Rand. This chapter analyses the socio-economic variables at provincial and municipal level. The first part of the chapter reviews the demographic profile of each municipal region in the province. This is followed by an overview of the province's rural development. Government, together with various stakeholders, have developed numerous initiatives for the achievement of sustainable rural development. These include the Comprehensive Rural Development Programme (CRDP) and the Land and Agrarian Reform Project (LARP).

The economic review shows that in 2011 CoJ contributed the highest share to the province's economy, followed by the CoT. Among the district municipalities, the West Rand contributed the highest share in the same year. The latter parts of the chapter look at the labour profile which shows that the unemployment rate for the province stood at 25.3 percent, while that of the country was 24.7 in 2011. Finally, the chapter examines access to services and development indicators, using the infrastructure diamond and the development diamond for all the municipalities. The access to services indicators include access to water, sanitation, electricity, refuse removal and housing by type. Development indicators are the Gini coefficient, HDI, poverty and illiteracy.

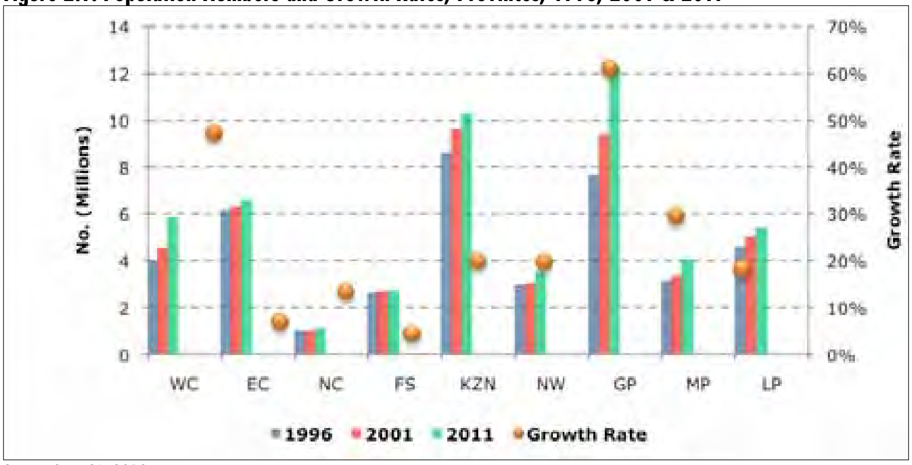
2.2 Demographic Profile

The research period of the 2013 SERO coincided with the release of the results of the 2011 Census for the country. Between the 2001 and the 2011 Censuses, the boundaries of the provinces and municipalities changed. This has resulted in Gauteng's land area increasing by 7.3 percent, from 16,936 square kilometres (km^2) to 18,178 km^2. The changes in area size are determined by the demarcation board; however, communities often influence the outcome of the boundaries by seeking to be incorporated into Gauteng, due to the perception that the province is affluent and is in a better position to provide services. The incorporation of these municipalities into Gauteng has affected the number of people living in the province, as well as other demographical variables.

2.2.1 Population Profile

Population growth has benefits for a region, such as an increasing labour force that allows for the expansion of production. Overly rapid growth can, however, create difficulties for government as it endeavours to provide basic services to an ever-increasing number of citizens.

Figure 2.1: Population Numbers and Growth Rates, Provinces, 1996, 2001 & 2011



Source: Stats SA, 2013

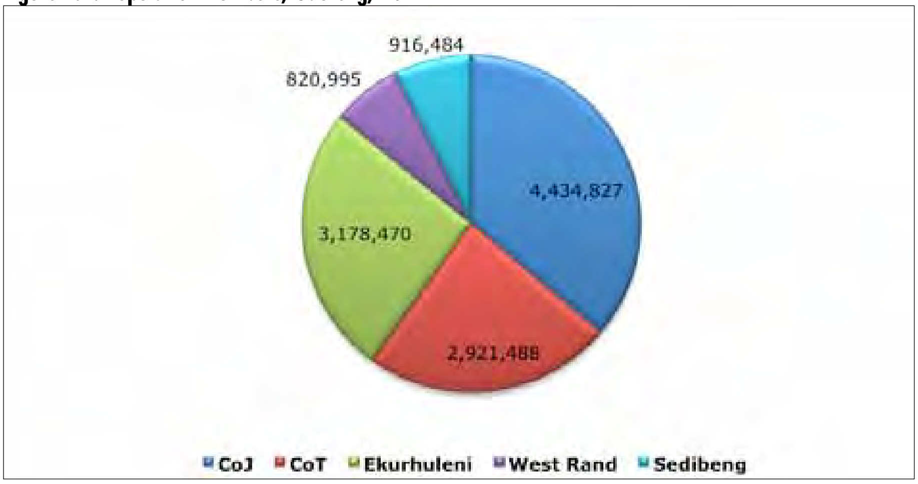
Note: WC=Western Cape, EC=Eastern Cape, NC=Northern Cape, FS=Free State, KZN= KwaZulu-Natal, NW=North West, GP=Gauteng, MP=Mpumalanga and LP=Limpopo.

Figure 2.1 shows the number of people living in South Africa's nine provinces at the time of the 1996, 2001 and 2011 Censuses, as well as the growth rate from 1996 to 2011. The left y-axis displays the population by numbers and the right y-axis shows the average annual growth rate. With 8.6 and 9.6 million people respectively living in KwaZulu-Natal, this was the most populous province in 1996 and 2001. In 2011, it was the second most populous province, with 10.3 million people. Gauteng was the second most populous province in 1996 and 2001, with 7.6 and 9.4 million people. Over the period of 1996 to 2011, Gauteng had the largest growth rate in population, at 60.9 percent, or 3.2 percent per annum (p.a.). According to the Mid-Year Population Estimates from Stats SA, the population of the province surpassed that of KwaZulu-Natal in 2003. Since then, the province has continued to account for the largest population, culminating at a total of 12.3 million by the year 2011. According to the National Treasury's 2013/14 budget allocation letters, the increase in Gauteng's population, has led to an adjusted increase of R9.5 billion to the province's baseline budget allocation over the 2013 Medium Term Expenditure Framework (MTEF). This amounts to R1.4 billion in the 2013/14 financial year, R2.9 billion in 2014/15 and R5.2 billion in 2015/16 financial year.[1] The Western Cape had the second largest population growth rate, at 47.2 percent (2.61 percent p.a.). The high growth rates of these two provinces are stimulated by their greater economic activity. The two provinces also experienced the highest inflow of people.

No provinces had negative population growth. The provinces with the lowest growth rates were the Free State (4.3 percent), the Eastern Cape (6.7 percent) and the Northern Cape (13.2 percent). Throughout the reviewed period the Northern Cape, the Free State and the North West were the least populous provinces. In 2011, their populations were 1.1, 2.7 and 3.5 million, respectively.

[1] Information is according to the Gauteng Provincial Government 2013/14 allocation letters from National Treasury, 2013.

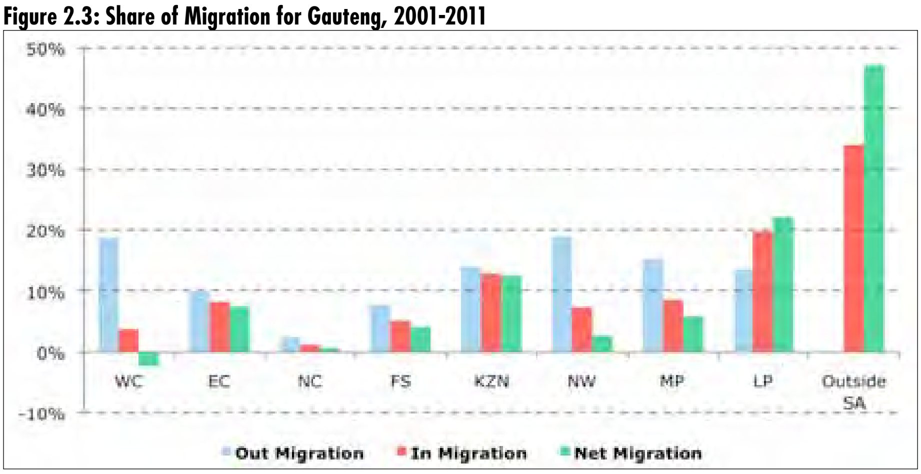
Figure 2.2: Population Numbers, Gauteng, 2011



Source: Stats SA, 2013

Figure 2.2 shows the number of people living in the metros and district municipalities of Gauteng during 2011. At 4.4 million, the CoJ has the most people living in it, and accounts for 36.1 percent of Gauteng's population. Ekurhuleni, with a population of 3.1 million, has a 25.9 percent share of Gauteng's population and the CoT makes up 23.8 percent, with 2.9 million. The districts have considerably smaller populations compared with the metros. Sedibeng had a population of 916,484 (7.5 percent) while the West Rand a population of 820,995, making up 6.7 percent.

Figure 2.3: Share of Migration for Gauteng, 2001-2011



Source: Stats SA, 2013

Note: Data for persons migrating from Gauteng to outside of South Africa was unavailable. These shares pertain only to and from Gauteng.

Figure 2.3 shows the shares of in-, out- and net-migration in Gauteng between 2001 and 2011. The figure does not show any migration patterns between the other provinces. The majority of people who migrated into Gauteng were from outside the country (33.8 percent), followed by the Limpopo province (19.7 percent). This supports citizenship statistics from the Census which showed that, at 7.1 percent in 2011, Gauteng was the province with the highest share of its population accounted for by non-citizens[2]. It is important to note that total net-migration data on people leaving Gauteng to reside outside of the country's borders is not available. This is the reason why the share of net-migration from outside South Africa into Gauteng was 46.9 percent. The net result to and from Limpopo is a net increase into Gauteng by 229,350. This accounts for 22.1 percent of the net Gauteng's migration. The percentage share that came from KwaZulu-Natal (12.8 percent) was slightly

[2] Stats SA defines citizenship having a legal right to be in a country. That country may or may not be one's country of birth. A person may be a citizen of more than one country. The fact that a person holds a resident's permit, whether temporary or permanent, of a country does not make one a citizen of that country. Non-citizens would therefore be people who are illegal in the country or those with residents' permits.

less than the percentage going to that province (13.8 percent). There was a net inflow of 128,717 people into Gauteng from this province, which accounted for 12.4 percent of the net migration. The majority of the shares of people who moved out of Gauteng went to North West (18.7 percent), the Western Cape (18.6 percent) and Mpumalanga (15.2 percent). For the Western Cape, this resulted in a negative net migration[3] of 2.3 percent for Gauteng.

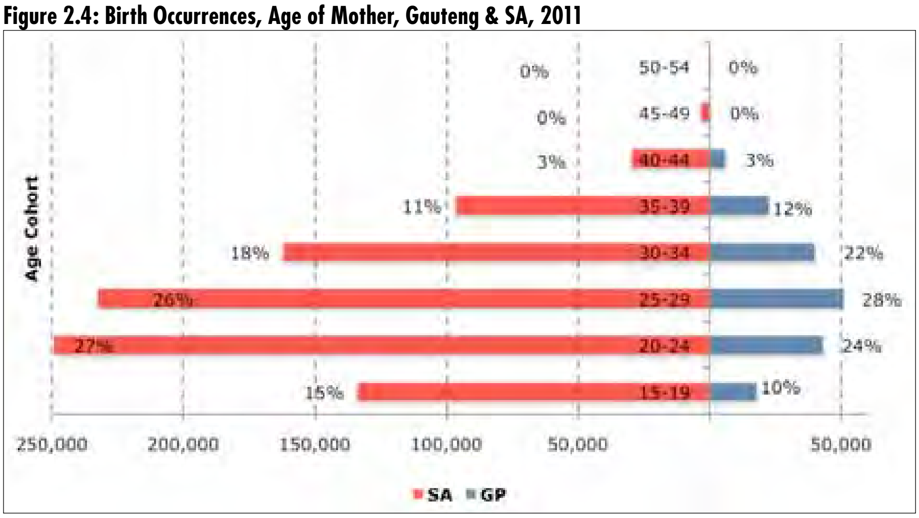
2.2.2 Birth Occurrence and Mortality

This section reviews vitality statistics for Gauteng and its metros. The importance of these statistics is that they assist in gauging the level of development. Vitality statistics of a developed country tend to indicate delayed and/or reduced fertility and decreases in mortality. These tend to result from improved education standards and in health management. Fertility refers to the number of children that could be born to a woman if she were to live to the end of her childbearing years and bear children in accordance with prevailing age specific fertility rates. Birth occurrences are all births that occur within a specific year and are registered in the year in which the birth occurred. Mortality refers to the number of deaths per thousand persons in a population.

Birth Occurrences

Measuring birth occurrences assists in understanding the level of fertility. In its 2010 Expert Panel on Fertility, Reproduction Health and Development Report, the UN states that fertility levels and trends matter for development partly in terms of numbers of people and resource-use, but more importantly because of age structure effects. This section looks at birth occurrences in Gauteng and South Africa in 2011. Below is a comparison of birth occurrences by age cohort of the mother, as provided by the Census 2011 data from Stats SA.

Figure 2.4: Birth Occurrences, Age of Mother, Gauteng & SA, 2011



Source: Stats SA, 2013

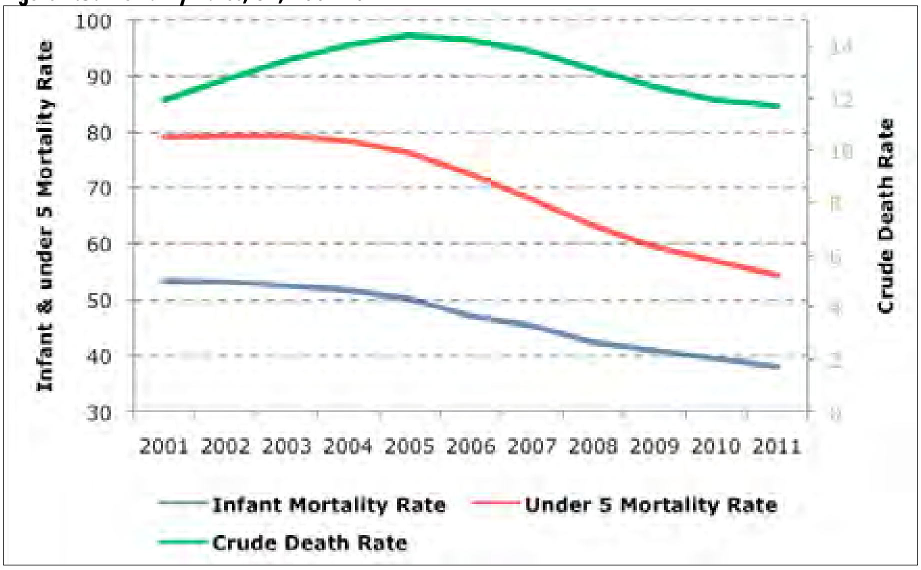
The horizontal axis of Figure 2.4 shows the number of birth occurrences, while the vertical axis shows this by age group of the mother, for Gauteng and for South Africa. The shares of birth occurrences are shown in the data labels to provide perspective on the differences between Gauteng and South Africa. The majority of the birth occurrences in the country were to women between the ages of 20 to 24 (248,725), a share of 27 percent, while birth occurrences in Gauteng were to a slightly older age group of 25 to 29 (50,772). This figure amounts to a share of 28 percent of Gauteng's total birth occurrences. The three youngest groups in South Africa accounted for 68 percent of the birth occurrences (614,789 births), while in Gauteng the same age groups made up 62 percent (111,911 births).

[3] Negative net migration refers to the fact that there were more people who left Gauteng to reside in the Western Cape compared to the number of people who migrated from the Western Cape to Gauteng.

Mortality

Mortality is one of the indicators of the level of health in a country. According to the Geneva Foundation for Medical Education and Research (GFMER), a decline in mortality and delayed fertility have reduced the number of economic dependents and increased the working age population in East Asian countries. Mortality in South Africa and Gauteng is, however, reducing the working age population. Infant and child mortality are shown below, as well as crude death rates which refer to total mortality rates.

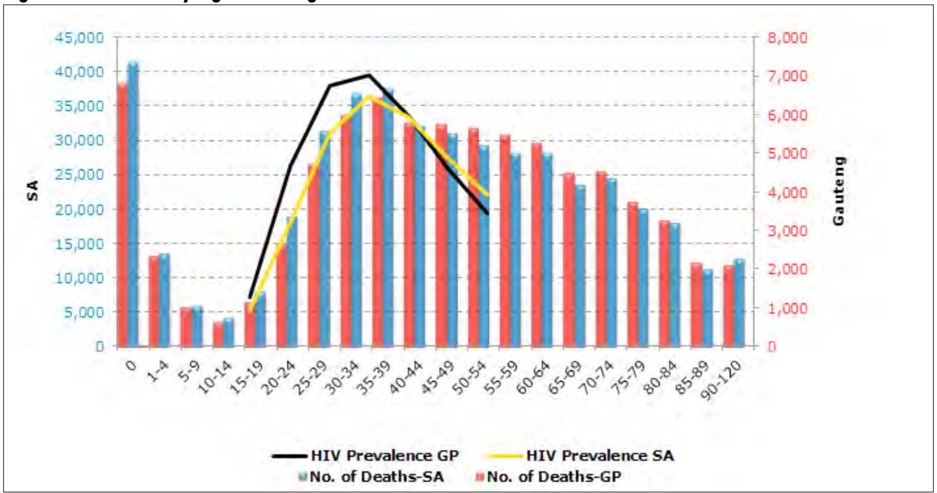
Figure 2.5: Mortality Rates, SA, 2001-2011



Source: Stats SA, 2013

Figure 2.5 shows the infant and child mortality rates (under-five years of age) as well as the crude death rate, which is shown on the secondary axis. These statistics are for South Africa from 2001 to 2011. The fourth MDG, which is Child Health, targets infant and child mortality. The target is a maximum death rate of 18 and 20 per 1,000 for infants and under-fives respectively; these targets are to be met by 2015. According to Stats SA's Millennium Development Goals Country Report for 2010, South Africa is unlikely to meet these targets by this date. From the start of the review period, infant mortality has been declining from an initial figure of 53.3. From 2003, under-five mortality began to decline, after peaking at 79.2 in 2002. By 2011, the targets had not been met, as infant mortality was at 37.9 and under-five mortality at 54.3, considerably higher than the targets of 18 and 20 per 1,000. The report provides further insight into factors that generally contribute to high infant and child mortality. These include lack of access to vaccinations, and the child-rearing skills and socio-economic status of the parents. The report states that in South Africa there has been an increase in coverage of vaccination and the probable cause of the high infant and child mortality is the high prevalence of Human Immunodeficiency Virus (HIV) since 1998. Crude mortality has a similar pattern to infant and child mortality; it peaked late in 2005 at 14.4. From then on, it decreased marginally each year to reach 11.7 by 2011.

Figure 2.6: Deaths by Age, Gauteng & SA, 2011



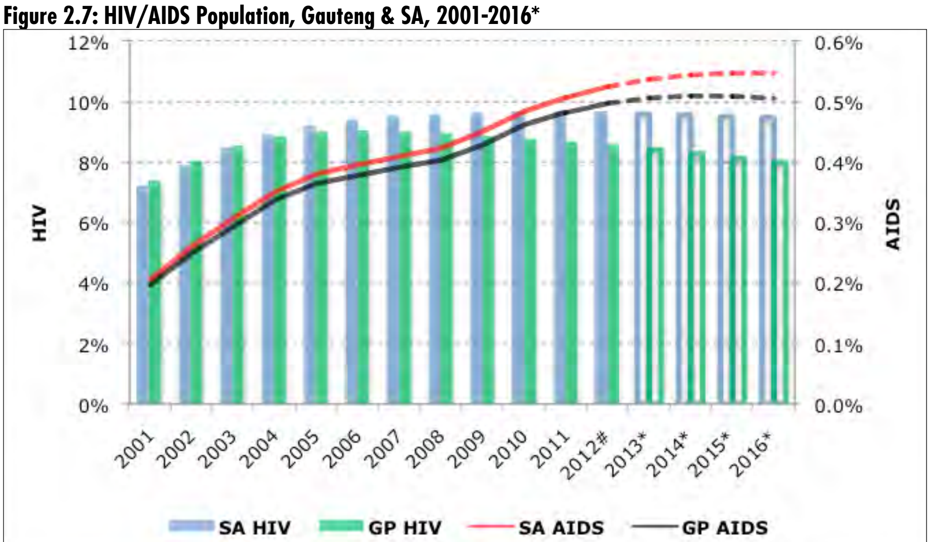
Source: Stats SA and ASSA 2008 Model, 2013

Figure 2.6 shows death rates by age cohort for South Africa and Gauteng. The black and gold lines on the graph show the pattern of HIV prevalence by age cohort in 2011. For both the country and the province, the highest number of deaths occurred in the group below one year of age, at 41,635 and 6,846 respectively. This was followed by the 35 to 39 age group (37,700 and 6,457 respectively) and then the 30 to 34 age group (37,024 and 6,020 respectively). Noteworthy is the sharp increase in the number of deaths for the 20 to 24 age cohorts when compared with the preceding cohort. The pattern of the black and gold lines suggests a correlation between the number of deaths and HIV prevalence. There is a sharp increase in HIV prevalence from the 15 to 19 age cohort until the peak at the 35 to 39 age cohort, where the number of deaths also peaks. Mortality in these age cohorts has far-reaching consequences for the economy since it affects people at the prime of their working lives.

2.2.3 HIV/AIDS

HIV is a virus that attacks the human immune system and leads to the Acquired Immunodeficiency Syndrome (AIDS). HIV/AIDS is the second biggest epidemic in South Africa, after tuberculosis (TB), which is also particularly life-threatening to people who are HIV-positive. HIV/AIDS is burdening the South African health system as well as reducing the productivity of the country. The government, with cooperation from the international community, has embarked on many strategies to combat this epidemic. It is therefore important that data on HIV/AIDS is frequently monitored to assess if these strategies are having the desired effect.

Figure 2.7: HIV/AIDS Population, Gauteng & SA, 2001-2016*

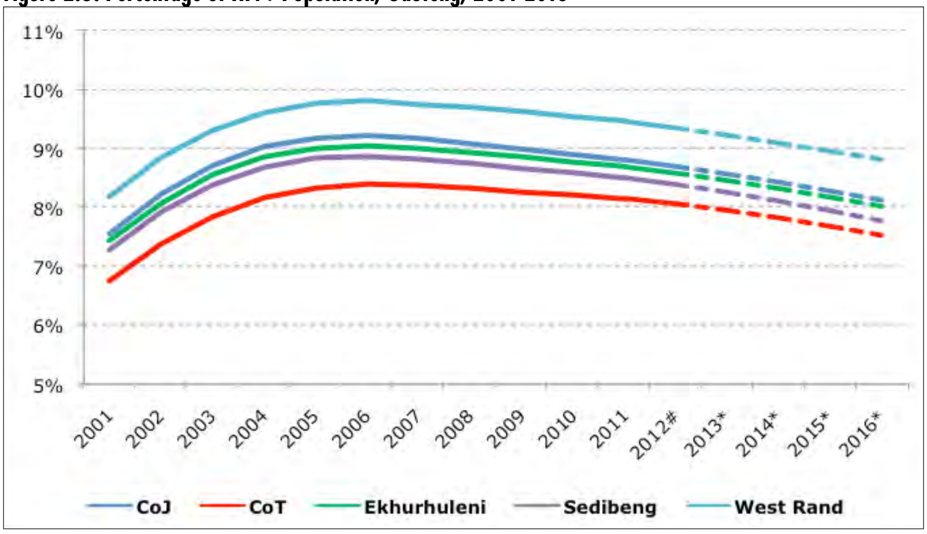


Source: IHS Global Insight, 2012

Note: # indicates estimates and * forecasts.

The bars in Figure 2.7 show the estimated percentage of people living with HIV, and the lines represent the estimated percentage of people with AIDS in South Africa and Gauteng. In 2001, 7.17 percent of South Africa's population were HIV-positive and in Gauteng the percentage was 7.37. The percentage of people living with HIV is estimated to have increased to 9.64 percent in 2011 for the country, with the peak for the province in 2006, at 9.01 percent. The share of the HIV-positive population for the province is estimated to have stopped increasing by 2006. This share has decreased marginally each year, and it is forecasted to reach 7.98 percent by 2016. The percentage of people who live with AIDS has been estimated to be increasing and is forecast to increase marginally throughout the reviewed period. The country and the province started the reviewed period at 0.249 and 0.197 percent respectively and are forecast to reach 0.51 and 0.55 percent by 2016, for Gauteng and South Africa respectively.

Figure 2.8: Percentage of HIV+ Population, Gauteng, 2001-2016*



Source: IHS Global Insight, 2012

Note: # indicates estimates and * forecasts.

Figure 2.8 shows the percentage of people with HIV in Gauteng's metros and district municipalities. The trend for all of the municipalities in Gauteng is similar, with all increasing from the beginning of the reviewed period to peak in 2005 and remaining at a plateau for three years before decreasing from 2009 through to the forecasted periods. Throughout the reviewed period, the West Rand had the province's highest percentage of its population living with HIV. At the start of the reviewed period, 8.2 percent of the population were HIV- positive; this peaked at 9.8 percent in 2006 and is forecast to decrease to 8.8 percent by 2016. The CoT has the smallest percentage of people living with HIV of all municipalities. About 6.8 percent of its population were living with HIV in 2001. This peaked at 8.4 percent in 2006, and is expected to decrease to 7.5 percent by 2016.

2.3 Rural Development

This sub-section discusses rural development, which forms part of improving the socio-economic status and livelihood of people living in poverty. An overly-simple definition of rural development would be 'development that benefits rural populations; where development is understood as the sustained improvement of the population's standards of living or welfare'. However, rural development is transversal, and Anríquez and Stamoulis define rural development as more 'about enabling rural people to take control of their destiny, thereby dealing effectively with rural poverty through the optimal use and management of natural resources'. The essence of rural development lies in creating capacity for rural poor people to sustainably self-develop.[4]

Rural development emphasises facilitating change in rural areas to enable poor people to earn more. This should assist them to invest in themselves and their communities and contribute towards the maintenance of infrastructure essential to their livelihood. Properly empowered, rural communities will be able to manage their

[4] Definition was sourced from G. Anríquez and K. Stamoulis, 2007, *Rural Development and Poverty Reduction: Is Agriculture Still the Key?*, FAO. See ftp://ftp.fao.org/docrep/fao/010/ah885e/ah885e.pdf

own local developmental efforts.[5] Rural areas are commonly characterised by housing that is often substandard and with residents having to travel to work in urban areas. Improving life in the rural areas has thus been left primarily to those who, generation after generation, remain behind. People staying in rural areas are often categorised as vulnerable groups because they are mostly children, women, the elderly and the physically and mentally disabled.

The Presidency has developed a set of 12 outcomes that need to be achieved to ensure that every South African has a better standard of living. Of these outcomes, adopted by government in 2010, the seventh pertains to the development of rural communities as it refers to the establishment of 'Vibrant, equitable and sustainable rural communities and food security for all'.

2.3.1 Progress of Rural Development in South Africa and Gauteng

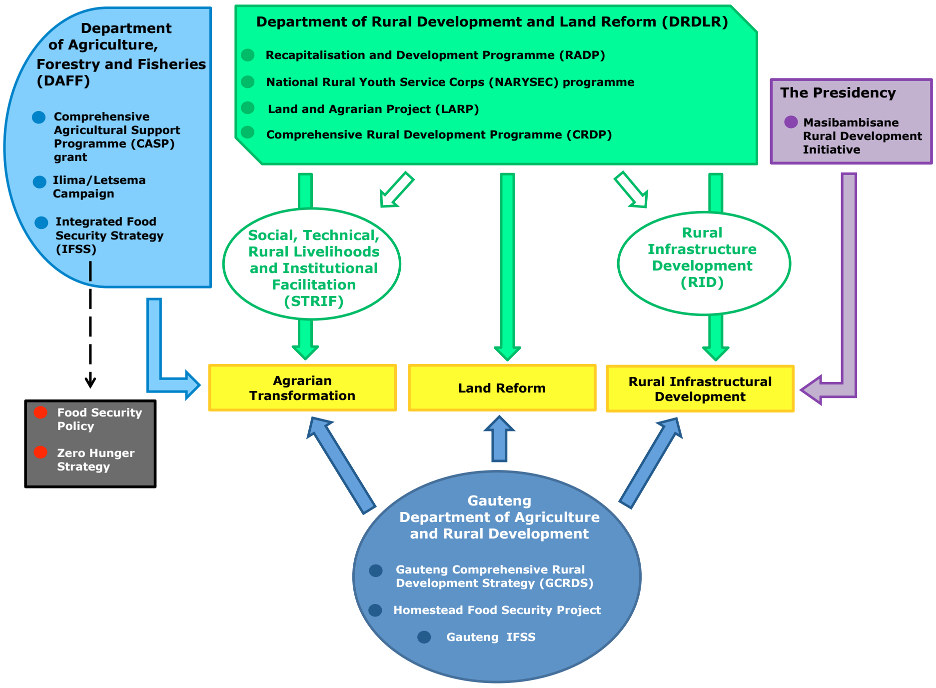
About 40 percent of the South African population lives in rural areas, while those areas account for 70 percent of the country's poor population. In Gauteng, by contrast, 96 percent of the population lives in urban areas while only 4 percent live in rural and peri-urban areas. With a smaller percentage of them living in rural areas does not necessarily mean that Gauteng's citizens fare better compared to those in the rest of the country. Given the geographical size of Gauteng and bearing in mind that it is the most populous of the provinces, the provincial urban areas are densely populated. Rural development is crucial for Gauteng because if the rural areas are not developed so that the standard of living of their people s deemed acceptable, the issue of rural-urban migration is likely to grow, creating more informal settlements and posing more problems for urban developments.

National and provincial governments, in collaboration with various stakeholders, have developed and implemented numerous initiatives for the achievement of sustainable rural development. The focus of these initiatives predominately involves:

- maximising the growth of the agricultural sub-sector along with the jobs within the sub-sector through the protection of existing arable land;
- encouraging and maximising the sustainable use and management of natural resources as well as of the environment;
- alleviating poverty and food insecurity;
- job creation;
- infrastructural development; and
- raising the quality of the livelihood of rural dwellers by ensuring that they have access to affordable basic needs and services.

[5] Information accessed from *Gauteng Comprehensive Rural Development Strategy 2009 – 2014*, GDARD. See www.gautengonline.gov.za

Figure 2.9: Rural Development Initiatives, SA & Gauteng, 2012



Sources: DRDLR, DAFF, The Presidency and GDARD, 2012

Figure 2.9 illustrates the various initiatives developed by the different national and provincial governments to create viable and sustainable rural communities. At the national level, the Department of Rural Development and Land Reform (DRDLR) is primarily responsible for rural development and has identified three components to this development for the country: agrarian transformation, land reform and infrastructural development. At the provincial level, the Gauteng Department of Agriculture and Rural Development (GDARD) refers to these three components when pursuing initiatives for the development of the province's rural areas.

In line with the nationally developed Comprehensive Rural Development Programme (CRDP), the Gauteng Provincial Government (GPG) established its own rural development strategy in order to fulfill the fourth strategic priority in its Programme of Action[6] (PoA) for 2009–2014. According to the PoA, the fourth strategic priority of the GPG is 'Stimulating rural development and food security' in order 'to develop a food secure Gauteng that is a sustainable region which promotes equitable rural development'. Thus, in March 2011, GDARD launched the Gauteng Comprehensive Rural Development Strategy (GCRDS). The purpose of the strategy is to provide a strategic framework that will facilitate coordinated implementation of sector policies and strategies concerned with the development of rural communities.[7] The three components of rural development, agrarian transformation, land reform and rural infrastructural development are discussed in the section below.

Agrarian Transformation

According to the GCRDS, agrarian transformation is 'the rapid fundamental change in the relations of land, livestock, cropping and community.' Hence it focuses on initiatives involving the empowerment and improvement of rural people and their livelihoods, such as the betterment of food security and the establishment of rural business schemes, agro-industries, co-operatives, cultural initiatives and lively local markets within the rural environments.

South Africa has been reported as the most food secure nation in SSA because the country as a whole is able to meet national food requirements. However, there are a large number of households that do not have food security. In 2011, more than 21 percent of South African households were reported to have inadequate access

[6] The PoA is a framework outlining the seven strategic priorities and the programmes that the provincial government is pursuing in order to give effect to the electoral mandate in the province in the period 2009-2014. The strategies can be accessed from http://www.gautengonline.gov.za/Government/Documents/Gauteng%20Provincial%20Government%20Programme%20of%20Action%20-%202009-2014.pdf

[7] Information sourced from *Gauteng Comprehensive Rural Development Strategy 2009–2014*, GDARD. See www.gautengonline.gov.za

to food, with households in rural areas making up 25.5 percent of this category. According to the Social Profile of Vulnerable Groups 2002–2011 report from Stats SA, in 2011 18.5 percent of Gauteng households reported having experienced inadequate access to food. Children made up 22 percent of those living in these households, 22.6 percent were youth in the age group 15 to 24 years, 19.5 percent were youth in the age group 25 to 34 years and 16.6 percent were aged 60 years and above.[8]

Land Reform

This is a crucial element of rural development because it aims to revitalise and develop rural areas in order to alleviate poverty, promote job creation, improve food security and encourage entrepreneurship. Land reform is aimed at tenure reform, restitution and land distribution. According to the 2012 Midterm Review of the DRDLR, there has been 888,238ha of total land in South Africa that has been re-distributed, of which 7,683ha is situated within Gauteng. Additionally, 640 farms had been recapitalized, with 117 of those located in Gauteng.

Rural Infrastructural Development

The DRDLR's strategic objectives for rural development include providing economic, social and ICT infrastructure in rural areas, thereby effectively reducing spatial inequalities by 5 percent. During the 2011/12 financial year, the department's Rural Infrastructure Development (RID) branch reported that five rural wards benefitted from improved ICT access with 15 schools, country-wide, introduced to the I-schools programme[9]. Hence about 3,500 learners have access to ICT facilities with 1,700 of them residing in Gauteng. Also during that period, the DRDLR, in association with GDARD and all other provincial departments along with the district and local municipalities, oversaw the refurbishment and renovation of cemeteries, fencing, roads, schools and sports complexes in the four rural nodes of Bantu Bonke, Devon, Hekpoort and Sokhulumi. Also, three schools are currently being renovated, benefitting 11,500 learners. Additionally, in 2012 the department installed solar geysers, bio-digestion technologies and innovative environmental user-friendly technologies in Devon and within the CRDP pilot sites in the province.[10]

The Gauteng Department of Local Government and Housing (GDLGH) is continuing with the eradication of informal settlements in rural areas. In 2004, the GPG identified 395 informal settlements for eradication by 2014, 122 of which were deemed suitable for upgrading and formalisation[11]. As of 2009, 85 settlements had been formalised and 36 were eradicated.[12]

2.3.2 Challenges of Rural Development

Although progress has been made in developing rural areas, the backlogs in infrastructure development are much higher in rural than in urban areas. As a result, service delivery is hampered. A significant challenge is that of coordination across the spheres of government. According to the 2012 Midterm Review of the DRDLR, this is because the budgetary frameworks of the different spheres of government seldom align to allow for the desired outcome. Other challenges experienced during the rural development process include conflicts between local stakeholders like traditional leaders, municipalities and communities which in some instances cause delays in project execution.

To avoid additional challenges, stakeholders involved in development projects must ensure that the governance structures of rural communities have the capacity to deal with planning, budgeting, implementation and monitoring issues as they arise. A successful development project is one that suits the delivery environment of the rural area and meets the needs of its inhabitants.[13]

[8] Information sourced from http://www.statssa.gov.za/Publications/Report-03-19-00/Report-03-19-002011.pdf

[9] The I-schools programme was initiated by DRDLR to provide schools in rural areas with computer technology to facilitate teaching and learning. Information accessed from http://www.ruraldevelopment. gov.za/phocadownload/newspaper-clippings/May/30052012-3.pdf

[10] Information accessed from http://www.ruraldevelopment.gov.za/phocadownload/Mid_Term_Review/rdlr_midterm_pic_book.pdf

[11] Formalisation refers to upgrading the structure of a house to formal status. According to Stats SA, a house is regarded as a formal house when it is built according to approved plans i.e. house on a separate stand.

[12] Information sourced from http://www.dlgh.gpg.gov.za/Documents/LOCAL%20GOVERNMENT%20PERFORMANCE%20REVIEW/Housing%20Book%20CD.pdf

[13] Information sourced from http://www.ruraldevelopment.gov.za/publications/mid-term-review/file/1176

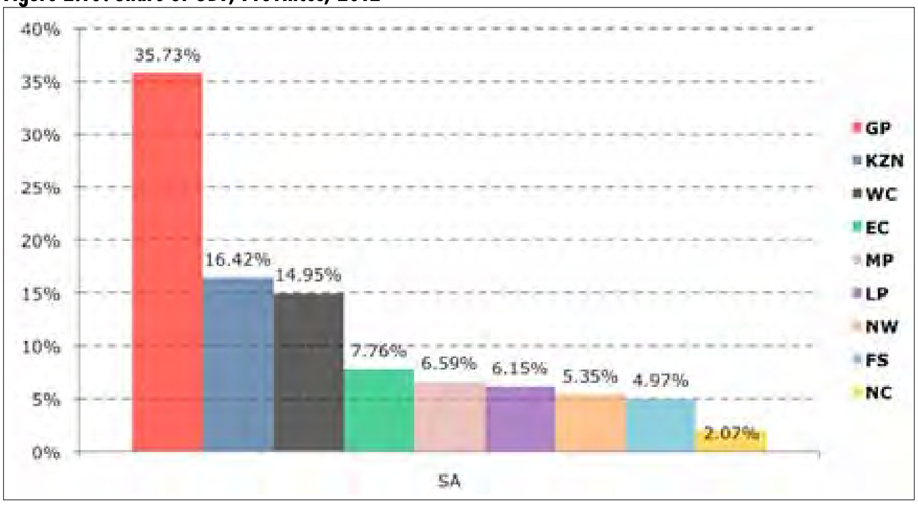
2.4 Economic Review

Chapter One briefly touched on Gauteng's economic size and contribution in relation to SSA. This sub-section further discusses the province's economic performance in relation to South Africa and other provinces. Statistics for 2012 indicate that Gauteng contributes approximately 9.5 percent to SSA and 35.7 percent to the national economy. KwaZulu-Natal followed with a contribution of 4.4 percent to SSA and 16.4 percent to the national economy. Gauteng's sizable economic contribution is the main driver of economic activity, drawing the attention of many corporations, investors and job seekers to the province. Gauteng's strong linkages to global markets have made it vulnerable to upswings and downswings in international markets. The province boasts a share of 65.7 percent of South Africa's total trade for 2011 according to IHS Global Insight.

2.4.1 GDP Growth and Outlook

The slowdown in economic growth in 2012 stemmed mainly from the Euro-area debt crisis. The lack of a meaningful resolution of this crisis created much uncertainty in the global economy in 2012 and impacted on South Africa and the province, for which the economic outlook is not favourable, with growth expectations to be moderate. Credit rating agencies have downgraded the credit-worthiness[14] of the country and many of its institutions, affecting its ability to attract investment and making borrowing more difficult and more expensive.

Figure 2.10: Share of GDP, Provinces, 2012

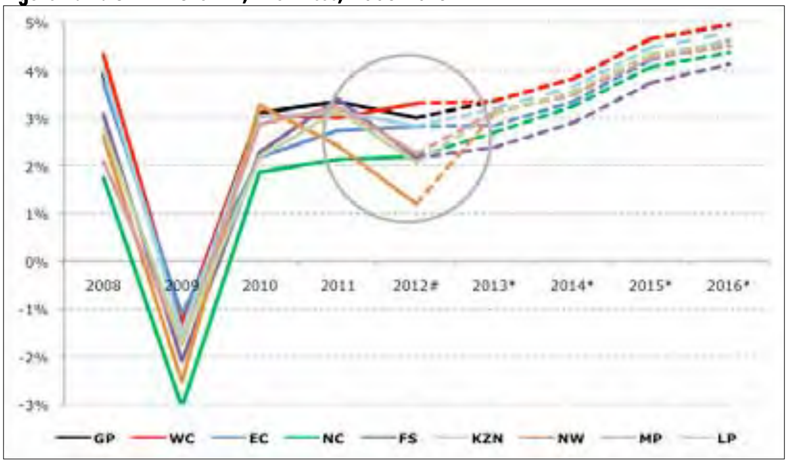


Source: IHS Global Insight, 2012

Figure 2.10 illustrates the estimated economic contributions by each province to the South African GDP for 2012 arranged in descending order. Gauteng contributes the most significant proportion at 35.7 percent followed by KwaZulu-Natal at 16.4 percent. The Western Cape closely follows KwaZulu-Natal with a contribution of just under 15 percent. These three provinces tend to have larger finance & business services and/or manufacturing sub-sectors. The Northern Cape contributes the least to the GDP at 2.1 percent.

[14] The credit rating assigned to an entity is an opinion on the likelihood of the entity defaulting on one or more payments towards the debt that it has incurred. Information is as per the 2012 SERO.

Figure 2.11: GDP-R Growth, Provinces, 2008-2016*



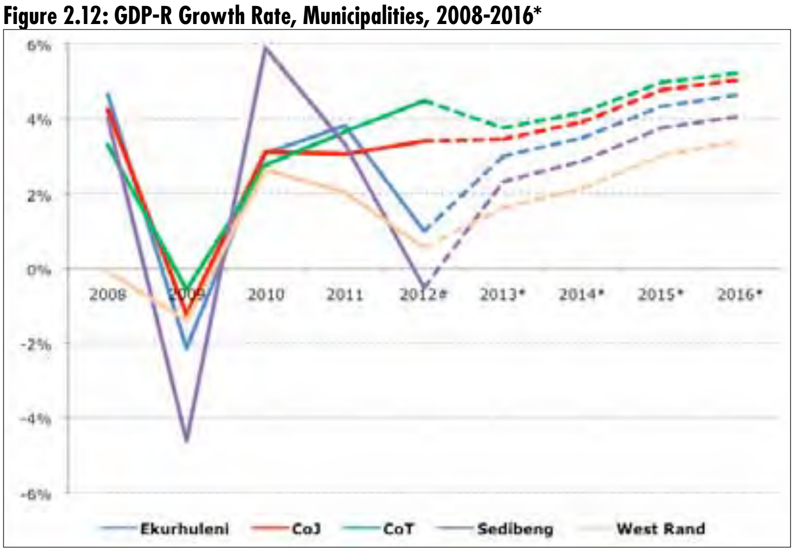
Source: IHS Global Insight, 2012

Note: # indicates estimates and * forecasts.

Figure 2.11 illustrates the annual Gross Domestic Product by Region (GDP-R) growths for the provinces of the country from 2008 to 2011, with estimates for 2012 and forecasts for 2013 to 2016 indicating a projected gradual increase. The global economic environment has not fully recovered from the financial crisis of 2008/09 that culminated in the global recession. All provinces contracted in 2009 due to the global financial crisis. The worst contraction experienced was in the Northern Cape at negative 3.1 percent and the smallest contraction was in the Eastern Cape at negative 1.1 percent. Gauteng experienced negative 1.3 percent contraction in economic growth. The recovery in 2010 seemed promising but was overshadowed by the Euro debt crisis in 2011 and 2012. Gauteng is estimated to have reached an economic growth rate of 3 percent in 2012 while the country's second and third biggest provincial economies, KwaZulu-Natal and the Western Cape, are estimated to have experienced growth rates of 2.8 and 3.3 percent respectively. It is anticipated that economic stability will return to global markets as the Euro-area debt crisis plays out in 2013 and beyond. Growth in the Euro-area according to the WEO is expected to move to positive economic territory in 2014. This explains the subdued economic growth for the provinces in 2013. However, by 2014 growth in the Euro-area should move to more than 1 percent and reach approximately 1.7 percent by 2016 explaining the acceleration of economic growth for the provinces, especially those with significant trading linkages such as Gauteng, KwaZulu-Natal and the Western Cape. These three provincial economies are expected to reach economic growth rates of 5, 4.8 and 5 percent respectively in 2016.

The three metros of the province contribute the most to the GDP-R whereas the two districts contribute relatively less. This information is displayed in the Figure 2.13 to illustrate the point.

Figure 2.12: GDP-R Growth Rate, Municipalities, 2008-2016*

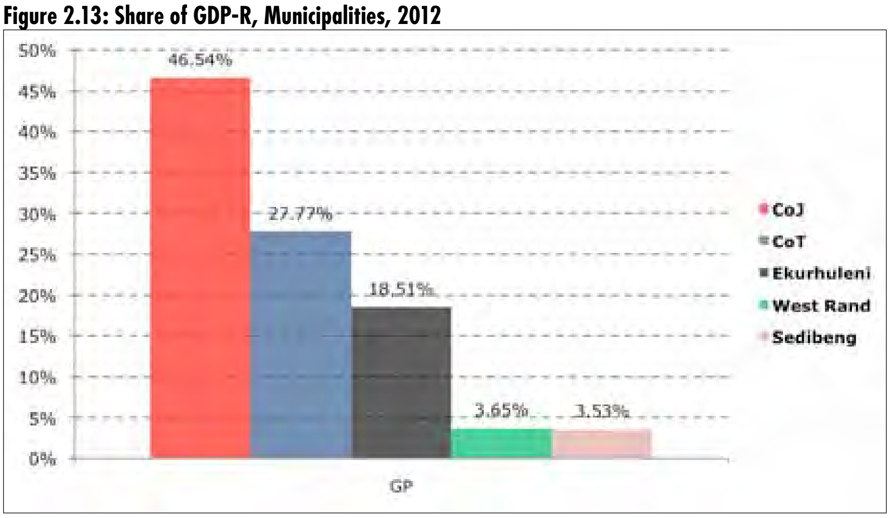


Source: IHS Global Insight, 2012

Note: # indicates estimates and * forecasts.

Figure 2.12 illustrates the GDP-R growth pattern by municipal regions from 2008 to 2011, with estimates for 2012 and forecasts of a gradual increase from 2013 to 2016. In 2008, four out of the five municipal regions experienced reasonable economic growth, except for the West Rand which contracted by negative 0.1 percent. This was mainly due to the heavy dependence of the region on the mining sub-sector as shown in Figure 2.15. During 2008, mining contracted by negative 12.2 percent, subduing the region's economic growth. The global financial crisis plunged all municipal regions into recession. Sedibeng suffered the most with a negative growth rate of 4.6 percent, driven mainly by a contraction in the manufacturing sub-sector by negative 17.2 percent. Thus in 2010 the Sedibeng municipality saw a significant jump in economic growth of 5.9 percent attributed to the rebound of manufacturing at 8.6 percent and trade growing at 7.5 percent. The global uncertainty created by the Euro-debt crisis mentioned earlier has affected various sub-sectors and industries differently. Growth in 2012 is estimated to have slowed for Ekurhuleni and the West Rand while Sedibeng is estimated to have contracted. Mining is estimated to have contracted in all five municipal regions during 2012. This sluggish output by Ekurhuleni, West Rand and Sedibeng is due to a contraction in the wholesale & retail trade sub-sector, estimated to have contracted by 2.1 percent in Ekurhuleni, 5.6 percent in Sedibeng and 3.5 percent in the West Rand. The CoJ and CoT are estimated to have experienced increased economic growths for 2012, at 3.4 and 4.5 percent, respectively. This is attributed to positive wholesale & retail trade growth and higher growth in construction and finance & business services. These municipalities are expected to reach growth rates of over 3.4 percent by 2016.

Figure 2.13: Share of GDP-R, Municipalities, 2012



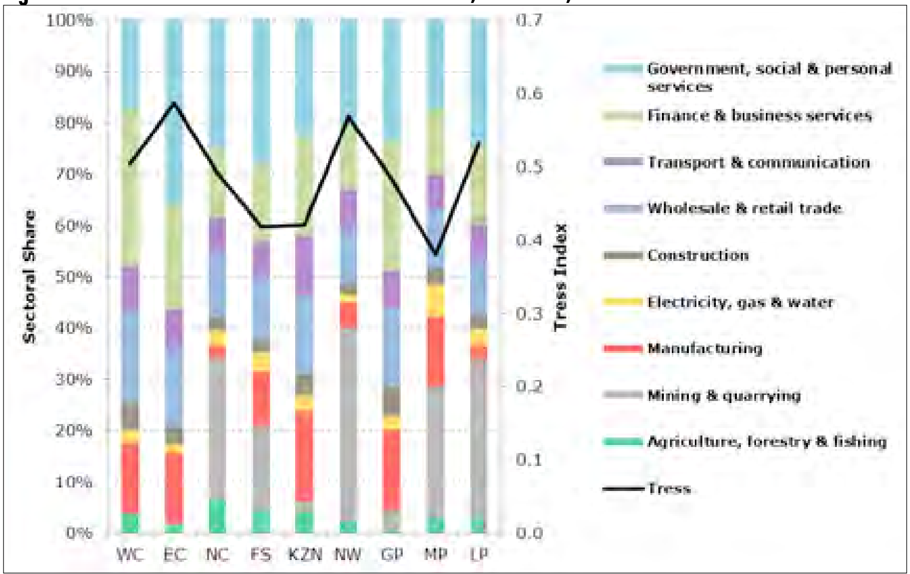
Source: IHS Global Insight, 2012

Figure 2.13 is a replica of Figure 2.10 but indicates the contribution of Gauteng's municipal regions to the provincial economy for 2012. The CoJ's proportion of 46.5 percent is attributed to its finance & business services sub-sector. At 27.8 percent, the CoT contributes the second highest to the province's economy. CoT is driven mainly by the government, social & personal services sub-sector. Ekurhuleni, through the manufacturing sub-sector contributes a sizeable proportion of 18.5 percent while the two districts of Sedibeng and the West Rand contribute 3.7 and 3.5 percent respectively.

2.4.2 Sectoral analysis

This sub-section looks at the composition of the provincial economies by reviewing and assessing their sub-sectors and diversification. Sectoral analysis provides an indication of how well a given group of industries are categorised according to their function and output and how they perform within the economy.

Figure 2.14: Sectoral Share of GVA-R and Tress Index, Provinces, 2012

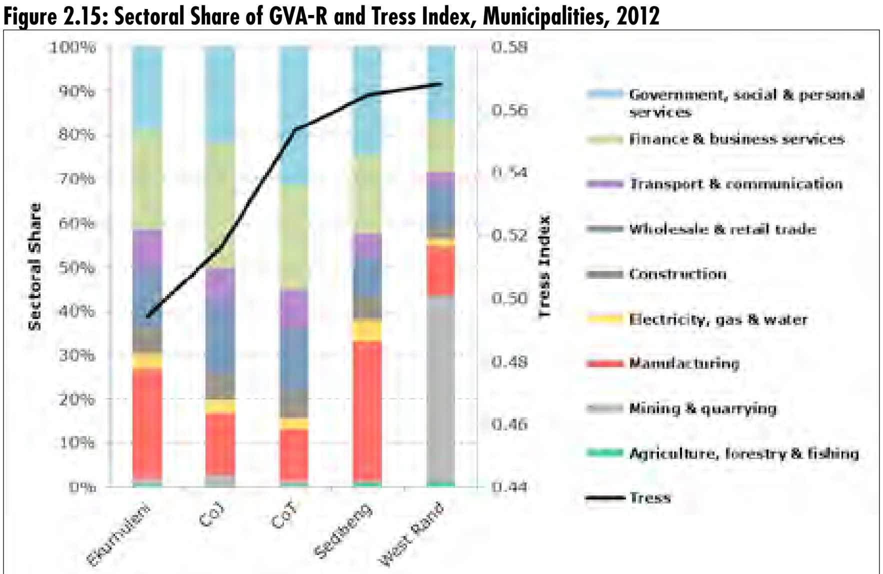


Source: IHS Global Insight, 2012

Note: Tress Index is for 2011.

Figure 2.14 shows the sectoral composition of the economy of the provinces and their economic diversity, measured using the tress index[15]. Those with a higher tress index such as the Eastern Cape, North West and Limpopo tend to have one or two dominant sub-sectors contributing to their economies. When these sub-sectors suffer a period of economic contraction, the impact on such a region is significantly harder than is that on a more diversified economy. The Eastern Cape economy is concentrated around the government & personal services sub-sector, and North West and Limpopo rely heavily on mining. The most even and diversified economy is Mpumalanga with a tress index of 0.38, although a significant proportion of its economy relies on the mining sub-sector (25.7 percent). The Gauteng province has an average tress index of 0.484 and is mainly driven by the finance & business services sub-sector at 25 percent followed by the government, social & personal services sub-sector at 23.7 percent. Both wholesale & retail trade and manufacturing contribute sizable proportions to the provincial economy at approximately 15.3 percent each.

Figure 2.15: Sectoral Share of GVA-R and Tress Index, Municipalities, 2012

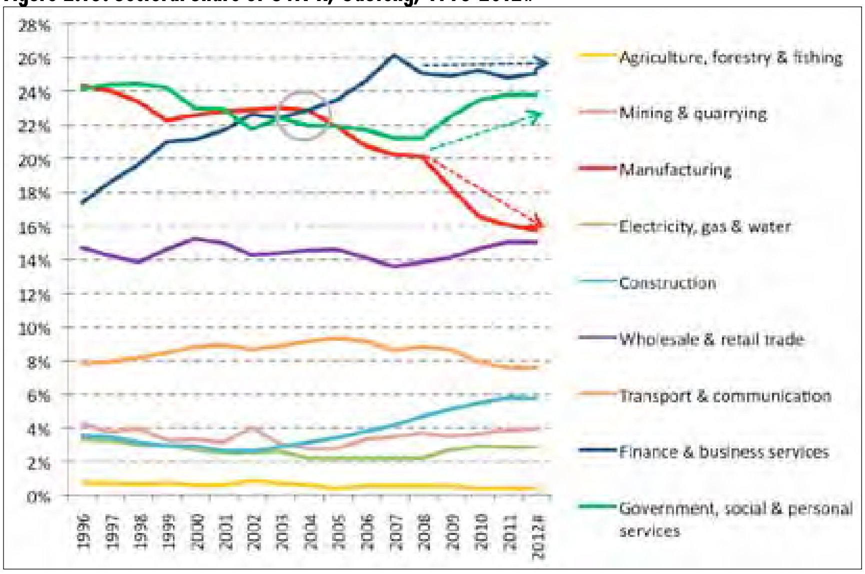


Source: IHS Global Insight, 2012

15 The Tress index is estimated by ranking the nine sub-sectors according to their contribution to GVA and then adding the values cumulatively and indexing them. The index provides insight into the level of concentration (or diversification) within an economic region. A Tress index value of 0 means that all economic sub-sectors in the region contribute equally to GVA, whereas a Tress index of 1 means that only one economic sub-sector makes up the whole GVA of the region (Definition sourced from IHS Global Insight).

Figure 2.15 illustrates the economic composition and diversity of the municipal regions in Gauteng. Ekurhuleni has the most diverse economy in the province, with the sub-sectors most evenly spread and has a tress index of 0.494. The main contributors to GVA-R in this metro are manufacturing at 24.6 percent, followed by finance & business services at 22.3 percent and government, social & personal services at 19.1 percent. The CoJ has a tress index of 0.516, slightly less diverse, driven mainly by finance & business services at 28.5 percent, followed by government & personal services at 21.9 percent and wholesale & retail trade at 17.2 percent. With a tress index of 0.553, the CoT is home to many national government departments thus the economy of the region leans towards government, social & personal services at 31.2 percent. This is followed by a 24.1 percent for the finance & business services sub-sector. The districts of Sedibeng and the West Rand have tress indices of 0.565 and 0.568 respectively. Manufacturing drives the economy of Sedibeng, contributing 31.4 percent to GVA-R followed by government, social & personal services at 24.4 percent, whereas at 42.3 percent the West Rand is heavily reliant on the mining sub-sector.

Figure 2.16: Sectoral Share of GVA-R, Gauteng, 1996-2012#



Source: IHS Global Insight, 2012

Note: # indicates estimates.

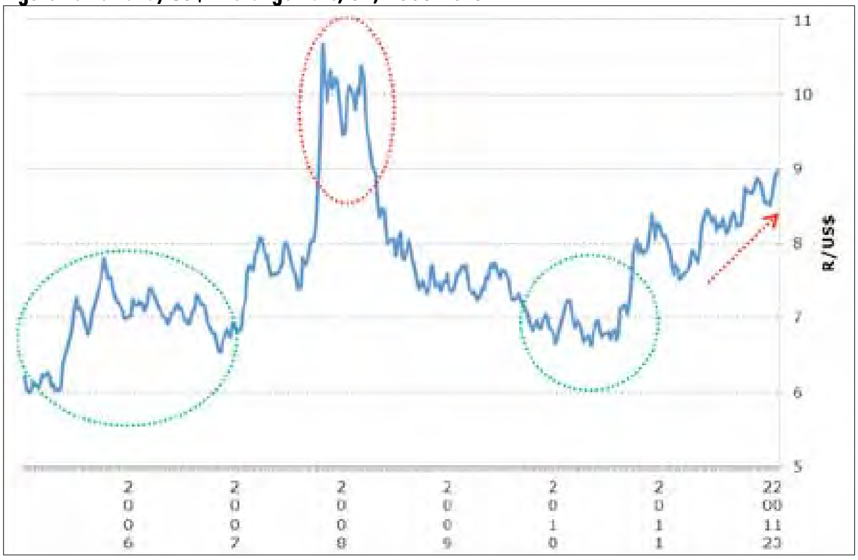
While previous charts have provided a snapshot of the sectoral composition in 2012, Figure 2.16 illustrates the sectoral composition of GVA-R for Gauteng over the period 1996 to 2012. In 1996, manufacturing was the largest contributor at 24.3 percent followed by government, social & personal services at 24.1 percent. As illustrated in Figure 1.16, manufacturing has tended to decline over time. Figure 2.16 shows that the government, social & personal service gradually declined to 21.2 percent in 2007, but has since increased to an estimated 23.6 percent in 2012. The finance & business services sub-sector contributed 17.4 percent in 1996 and peaked just before the global financial crisis in 2007 at 26.1 percent. Following the global financial crisis this sub-sector has declined and plateaued at approximately 25 percent from 2008 to 2012 (as shown by the dashed blue arrow). Following numerous infrastructure developments in the province, the construction sub-sector has also seen significant gains overtaking the mining sub-sector in 2004 to reach 5.8 percent in 2011. With national government's plan[16] to use infrastructure building to stimulate the economy and create new job opportunities, it is expected that this sub-sector will increase its contribution to the economy.

2.4.3 Trade Position

This section explores the trade position of the country, its provinces and the municipalities of Gauteng. Before examining the trade balance account for the country and its provinces, it is important to be aware of the Rand/ US$ exchange rate. Theory suggests that a weak currency is good for exports as it makes the goods and services cheaper for potential overseas buyers and a strong currency makes imports into the country cheaper.

[16] In September 2011, the Presidential Infrastructure Coordinating Commission was inaugurated, bringing key ministers, premiers and metro mayors for the first time into a joint forum to promote infrastructure coordination and decision making, headed by the President and assisted by the Deputy President (Source: *DBSA The State of South Africa's Economic Infrastructure: Opportunities and challenges 2012*).

Figure 2.17: Rand/US$ Exchange Rate, SA, 2006-2013

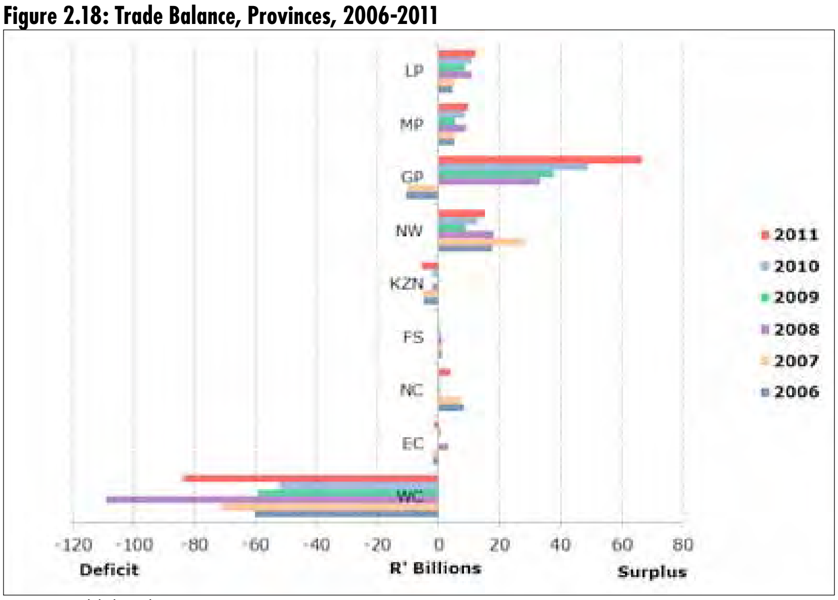


Source: Oanda, 2012

Note: Information up to 3rd February 2013.

Figure 2.17 illustrates the Rand value against the US$ from 2006 to February 2013 as per information by Oanda[17]. The green circles show periods of relative strength of the Rand of approximately R7 or less to the US$1. The red circle shows weaker Rand conditions while the red arrow illustrates how the Rand has weakened in 2012 to above R8/US$ following disruption in the mining sector epitomised by events at Marikana and by the Cape wine-land strikes, and by credit rating downgrades which lowered foreign investor confidence. This figure ties in with the analysis in the following trade balance figures in this sub-section.

Figure 2.18: Trade Balance, Provinces, 2006-2011



Source: IHS Global Insight, 2012

Figure 2.18 indicates the provincial trade balance[18] from 2006 to 2011. From 2006 to 2008 the country experienced a significant trade deficit of between R35 billion to R40 billion. Gauteng contributes between 58

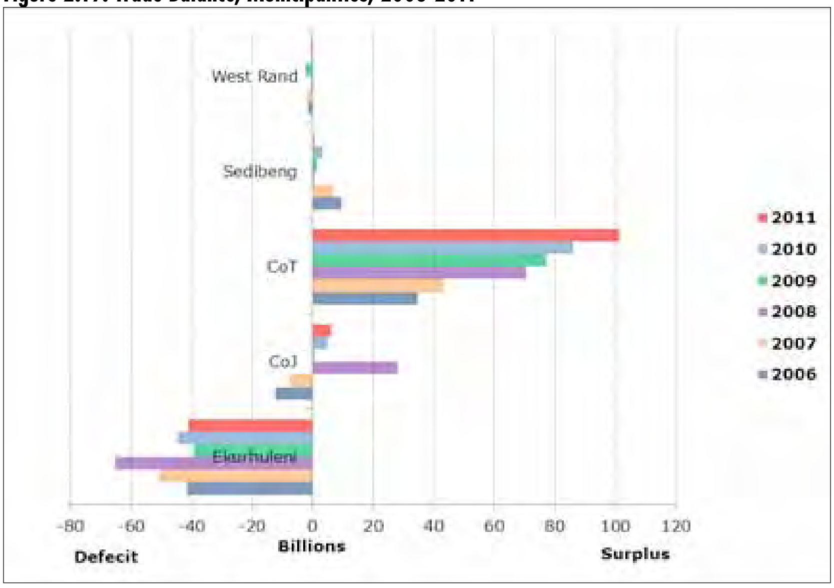
[17] OANDA is a web based company that uses computer and financial technology to provide Internet-based forex trading and currency information services. It has one of the world's largest historical, high frequency, filtered currency databases.

[18] A trade balance is the difference between the monetary value of exports and imports of a specific country's economic output over a certain period of time. A positive or favourable balance of trade is known as a trade surplus when exports exceed imports. Conversely, a negative or unfavourable balance is referred to as a trade deficit.

to 66 percent of total trade in South Africa, followed by the Western Cape at between 13 to 17 percent and KwaZulu-Natal at approximately 11 to 13 percent. This shows how the national trade balance can easily be influenced by the trade balance of one of these provinces especially that of Gauteng. In 2006, Gauteng and the Western Cape had trade deficits of R10.5 billion and R60.1 billion, respectively, overpowering the relatively small trade surpluses experienced in the Northern Cape, North West, Mpumalanga and Limpopo. Very little changed in 2007. Gauteng again had a trade deficit of R10 billion and that of Western Cape increased to R71.1 billion. The Rand was relatively strong during these two years as shown in Figure 2.17. In 2008 and 2009, the Rand began to weaken significantly against the US$, making imports more expensive and exports cheaper for international buyers. South Africa went from a deficit in 2006 and 2007 to a surplus of R2.27 billion in 2009 and R28.1 billion in 2010. In 2011, the Rand began to strengthen again thus reducing the surplus to R16.4 billion.

Gauteng has had a positive trade balance increasing from R33.3 billion in 2008 to R37.7 billion in 2009 jumping to R49 billion in 2010 and R66.7 billion in 2011. The Western Cape has had a trade deficit throughout the review period, peaking at negative R108.9 billion in 2008. The province managed to reduce this deficit to R59.3 billion in 2009 but it increased substantially to R83.7 billion in 2011. The increasing surplus from 2008 to 2011 for Gauteng as shown in figure is mainly attributed to the CoT metro, as shown in Figure 2.19. This is the single municipality that has maintained a surplus trade balance throughout the review period. The CoT contributes approximately 16 percent to total national trade. Although this is less than the CoJ, which at approximately 37 percent contributes more to total trade, the CoT has a better balance of trade. Ekurhuleni contributes about 11 percent to total trade in South Africa but had a trade deficit from 2006 to 2011.

Figure 2.19: Trade Balance, Municipalities, 2006-2011



Source: IHS Global Insight, 2012

Figure 2.19 shows the trade balances of the municipalities of Gauteng for the years 2006 to 2011. In 2011, the CoT had a surplus of R101.3 billion, followed by the CoJ with a surplus of R6.1 billion and Sedibeng at R354.4 million. Trade deficits were experienced by Ekurhuleni at R40.9 billion and the West Rand at R182 million. The reason for the significant trade deficit in Ekurhuleni is the presence of O.R. Tambo International Airport, a point of high frequency and volume of trade. The two districts of Sedibeng and the West Rand, at approximately 2 and 0.63 percent, contribute a small share to total trade in Gauteng. The trade balance for these two regions will be analysed further in Chapters Three and Four.

2.5 Labour Market

According to the International Labour Organisation (ILO) 197 million people were unemployed in 2012 bringing aggregated world unemployment to 8.6 percent. This is 28.4 million more people than were unemployed in 2007 before the economic crises of 2009 to date[19]. Section 1.7.1 in Chapter One makes a fuller comparison between South Africa's labour market and those of other countries. Between 2010 and 2011 there was no change in the unemployment rate (24.9 percent) of South Africa. This rate is considerably higher than that of most of the rest of the world. This section reviews the labour profile of South Africa, Gauteng and its municipalities, including a detailed review of employment and unemployment[20].

2.5.1 Labour Profile

This section reviews the labour profile of Gauteng and compares it to the country. The profiles of the provincial districts and metros are also analysed.

Table 2.1: Labour Force Profile, SA & Gauteng, Q4 2011 & Q4 2012

	SA			Gauteng		
	Q4 2011	**Q4 2012**	**% change**	**Q4 2011**	**Q4 2012**	**% change**
Working age population ('000)	32,670	33,128	1.4%	7,847	7,954	1.4%
Employed ('000)	13,497	13,577	0.6%	4,115	4,178	1.5%
Unemployed	4,244	4,501	6.1%	1,379	1,299	-5.8%
Not economically active ('000)	14,929	15,050	0.8%	2,354	2,477	5.2%
Discouraged work seekers ('000)	2,315	2,257	-2.5%	309	294	-4.9%
			% point change			**% point change**
Unemployment rate	**23.9%**	**24.9%**	**1.0%**	**25.1%**	**23.7%**	**-1.4%**

Source: Stats SA, 2013

Table 2.1 provides data pertaining to the labour profile of South Africa and Gauteng for the fourth quarters of 2011 and 2012. The working age population of the country and that of Gauteng have increased by 1.4 percent. Employment for the country increased by 0.6 percent, this was due to the increase in employment in the informal non-agricultural sector (by 3.3 percent), and an increase in agriculture by 8.7 percent. Employment in the province increased by 1.5 percent. The number of people unemployed in South Africa grew by 6.1 percent and though Gauteng experienced a decrease of 5.8 percent. The Not Economically Active population (NEA) are people who are old enough to be working but lack the desire or ability to do so, or have given up hope of finding work. This category includes full time students, disabled individuals who cannot work, home makers and discouraged work-seekers. The NEA increased by 0.8 percent in South Africa and by 5.2 percent in Gauteng. The decrease in discouraged work-seekers nationally (2.5 percent) indicates optimism amongst some job seekers and has impacted in the apparent increase in the labour force. The labour market was not able to absorb all of these new participants and this has resulted in the South African unemployment rate increasing by 1 percentage point. Discouraged work seekers decreased by 4.9 percent in Gauteng and the unemployment rate decreased by 1.4 percentage points when compared with the fourth quarter of 2011.

According to information from Labour Market Dynamics South Africa (2011) by Stats SA, in both 2006 and 2011, the youth unemployment rate for South Africa was over 10 percentage points higher than the overall unemployment rate. There was no youth unemployment data available specifically for Gauteng. In its Youth Employment Strategy, the Gauteng Department of Economic Development (GDED) states that in 2010, unemployment was at 79.3 percent in the age group 15 to 19 years, 53.1 percent for the 20 to 24 age group and 32.4 percent for the 25 to 34 age group.

[19] World unemployment rates are as provided by the International Labour Organisation.

[20] Stats SA defines the unemployment rate as the proportion of the labour force (working age population) who were not employed in the reference week and actively looked for work or tried to start a business in the four weeks and were available for work or business to start at a definite date in the future and were available.

Table 2.2: Labour Force Profile, Municipalities, 2011

	CoJ	CoT	Ekurhuleni	Sedibeng	West Rand
Working age population	3,222,606	2,101,474	2,279,453	637,220	589,971
Employed	1,696,520	1,079,273	1,126,844	271,398	293,335
Unemployed	564,970	345,356	455,608	127,217	104,894
Not economically active	961,116	676,845	697,001	238,605	191,742
Unemployment rate	**25.0%**	**24.2%**	**28.8%**	**31.9%**	**26.3%**

Source: Stats SA, 2013

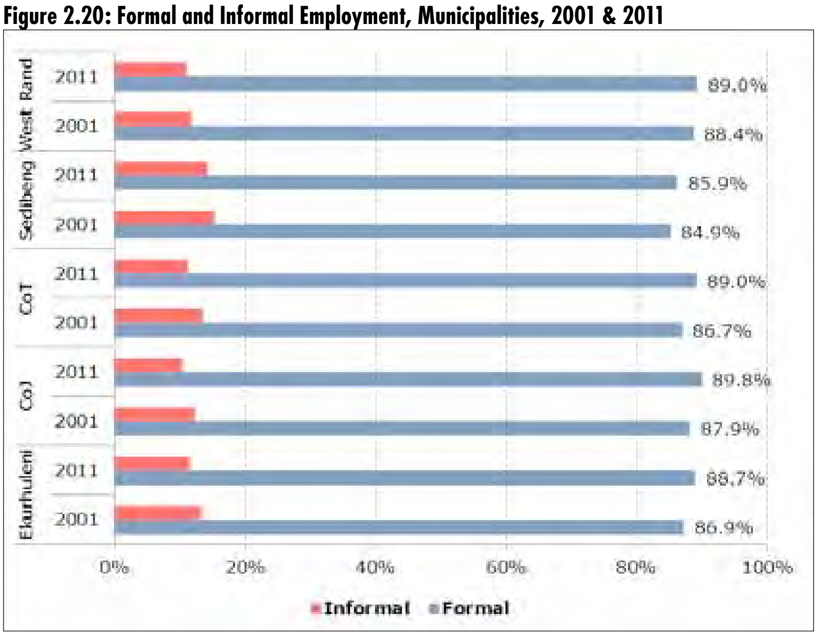
Note: Not economically active is own calculation. Census data is used in this table because the QLFS does not give data on local municipalities. The QLFS is officially recognised as the most accurate source of labour statistics.

Table 2.2 shows labour statistics for the metros and district municipalities of Gauteng in 2011. The CoJ had the largest working age population (3.2 million), followed by Ekurhuleni (2.2 million) and CoT with 2.1 million people. The district municipalities had the smallest share of the working-age population. Sedibeng had a working-age population of 637,220, while the West Rand had 589,971. The economically active, not shown in the above table, is the proportion of the working age population employed or actively looking for employment, that is, the employed plus the unemployed. The economically active were at 70.2 percent in CoJ, 67.8 percent in CoT, 69.4 percent in Ekurhuleni, 62.6 percent in Sedibeng and 67.5 percent in the West Rand. Thus at 1.7 million the employed in CoJ accounted for 75 percent of the economically active. The employed in CoT accounted for 75.8 percent of the economically active, 71.2 percent in Ekurhuleni, 68.1 percent in Sedibeng and 73.7 percent in the West Rand.

2.5.2 Employment

This section investigates trends in employment. It looks at formal and informal employment in the municipalities. There is also a sectoral review of employment.

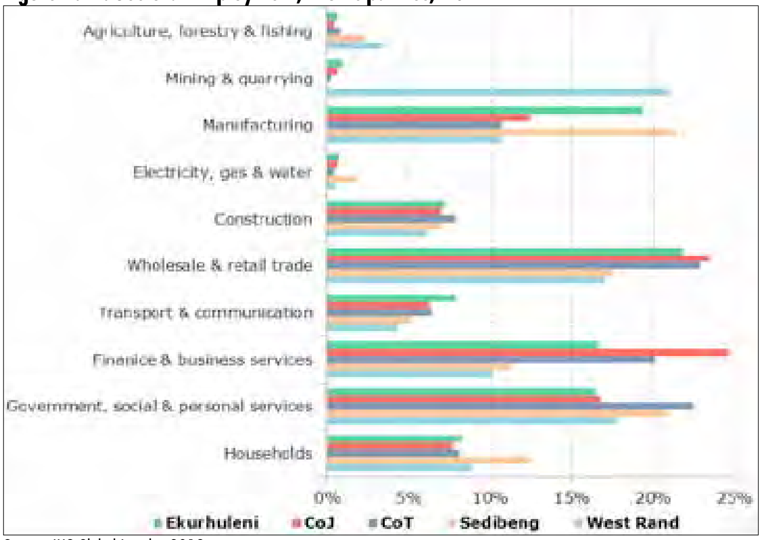
Figure 2.20: Formal and Informal Employment, Municipalities, 2001 & 2011



Source: IHS Global Insight, 2012

Figure 2.20 shows the percentage of people who were employed in the formal and informal sectors in 2001 and 2011 in the municipalities. The majority of their workers were in the formal sector in all the municipalities. Between 2001 and 2011 all the municipalities experienced an increase in the proportion of people employed in the formal sector. At 15.1 percent Sedibeng had the highest percentage of people employed in the informal sector in 2001. This decreased to 14.1 percent in 2011.

Figure 2.21: Sectoral Employment, Municipalities, 2011



Source: IHS Global Insight, 2012

Figure 2.21 shows the employment shares by sector for the metros and district municipalities in 2011. At 3.5 percent, the West Rand had, as compared with the other municipalities, the highest share of its employed people working in the agriculture, forestry & fishing sub-sector. At 20.9 percent, the district also had the highest share of people working in mining & quarrying as compared with the other municipalities. Ekurhuleni had the second highest share, at 1 percent, of the employed working in the mining sector. This could be because Ekurhuleni has a more diversified economy (with a tress index of 0.494), as shown in section 2.4.2. The diverse nature of the economy of Ekurhuleni means that employment opportunities are likely to arise in a considerable range of sectors.

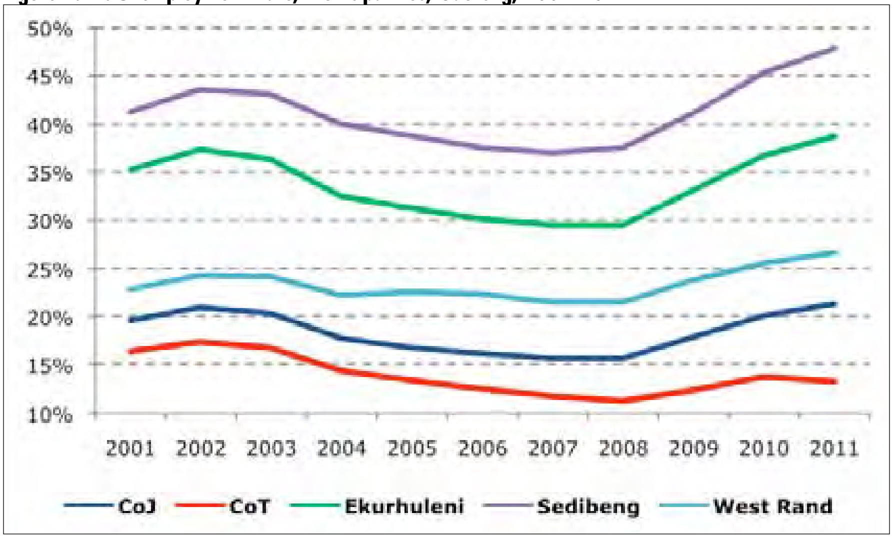
Participation in the manufacturing sub-sector is higher than in the mining & quarrying and agriculture, forestry & fishing sub-sectors. Although Sedibeng dominates with 21.4 percent of those employed working in manufacturing, Ekurhuleni follows closely with 19.4 percent and then the CoJ with 12.5 percent. Fewer worked in the electricity, gas & water sub-sector and in agriculture, forestry & fishing. The municipality with the biggest share in the electricity, gas & water sub-sector was Sedibeng at 1.7 percent. This could be because the fifth largest coal powered station, Lethabo, situated in the Free State offers employment opportunities for people in Sedibeng. Shares of employment in construction were similar for all the municipalities with the biggest share being 7.9 percent for CoT and the smallest share 6.1 percent for the West Rand.

The metros dominated the wholesale & retail trade sub-sector, with 23.5 percent of the employed in the CoJ working in trade; this was followed by CoT at 22.9 percent and Ekurhuleni at 21.9 percent. Transport & communication had the smallest participation within the tertiary sector. Ekurhuleni's share was the biggest at 7.9 percent and the West Rand's the smallest at 4.3 percent. The metros had the highest shares in the finance & business services sub-sector. The CoJ had the biggest share, at 24.6 percent, followed by 20.1 percent in CoT and Ekurhuleni at 16.6 percent. For the districts, the proportions were 11.3 percent in Sedibeng and 10.2 percent in West Rand. The government, social & personal services sub-sector had a high share of employment of all the sub-sectors in all municipalities, with the CoT at 22.5 percent, Sedibeng at 21 percent, the West Rand at 17.8 percent, the CoJ at 16.7 percent and Ekurhuleni at 16.5 percent.

2.5.3 Unemployment

High unemployment in South Africa cascades down to the province as well as to its municipalities. During times of economic prosperity in 2005 and 2007, when GDP averaged 5.5 percent, unemployment averaged 22.9 percent. In 2011 GDP growth in South Africa stood at 3.4 percent while unemployment was at 24.9 percent. Although there is some correlation between economic growth and decrease in unemployment, unemployment rates are not proportionally affected by economic growth. This suggests that South Africa is faced with a challenge of structural unemployment. The section below reviews the unemployment rates of South Africa and Gauteng.

Figure 2.22: Unemployment Rate, Municipalities, Gauteng, 2001–2011



Source: IHS Global Insight, 2012

Figure 2.22 shows the unemployment rates for Gauteng and the municipalities[21]. All of the regions have experienced a similar pattern. During the first year of the reviewed period, all the regions had an increase in the unemployment rate. In 2003 there were marginal decreases in unemployment, and most of the regions' unemployment decreased until 2008, and then rose due to the global financial crisis in 2009. Throughout the reviewed period, Sedibeng had the highest unemployment rate. At the start of the review period it was at 41.2 percent. The region's lowest rate was in 2007, at 37 percent, and at the end of the review period the rate was 47.8 percent. At 3.53 percent Sedibeng contributes the least to Gauteng's GDP-R. The sector that contributes most to Sedibeng's GVA-R is manufacturing, a sector that has been experiencing steep declines in recent times. Ekurhuleni started the period with an unemployment rate of 35.2 percent; its lowest rate was in 2008 at 29.5 percent and post-recession unemployment increased to 38.7 by 2011. Sedibeng and Ekurhuleni had unemployment rates that were above the unemployment rate of the country.

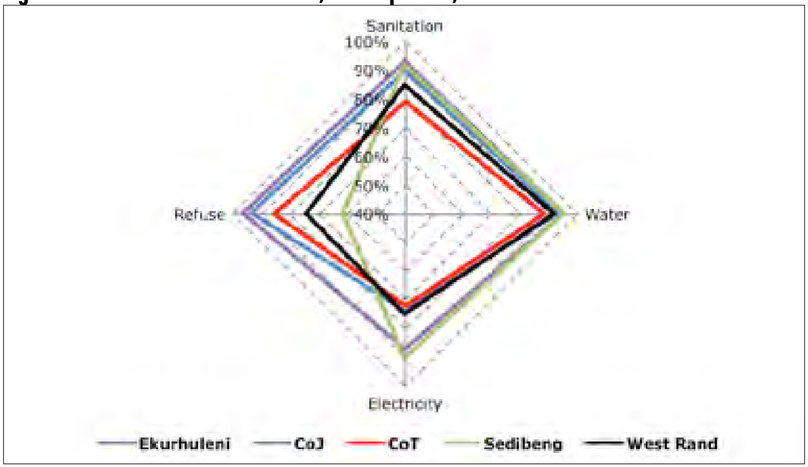
The West Rand started the reviewed period with 22.7 percent unemployment and the lowest rate was in 2008 when it was at 21.5 percent. Employment gains made in the West Rand were lost during the recession, standing at 26.6 percent at the end of the review period. CoJ and CoT had the lowest rates of unemployment, starting the review period at 19.6 and 16.4 percent respectively. The lowest rate for CoJ was in 2007 at 15.7 percent and for CoT 11.2 percent in 2008. CoJ ended at 21.3 percent and CoT is the only municipality that ended in a better position than it started at 13.2 percent. The lower unemployment rates in CoJ and CoT could be because of the high contribution that they both make towards the GDP-R of Gauteng implying that they are more productive and present better opportunities for employment.

2.6 Access to Services

The provision of basic services in the country remains with the local sphere of government. Access to basic services is one of the largest challenges faced by the province and its municipalities. Service delivery protests that have taken place in the province show the extent of the challenges. This section provides analysis and comparison of access to services such as housing, water & sanitation, electricity and refuse removal in Gauteng and reference is also to the country in some instances. The figure below uses the infrastructure diamond for the metros and district municipalities to analyse access to different services.

[21] This information differs from the one in Table 2.2 because Stats SA's Census data does not provide the time series data for unemployment rates in the municipalities.

Figure 2.23: Infrastructure Diamond, Municipalities, 2011



Source: IHS Global Insight, 2012

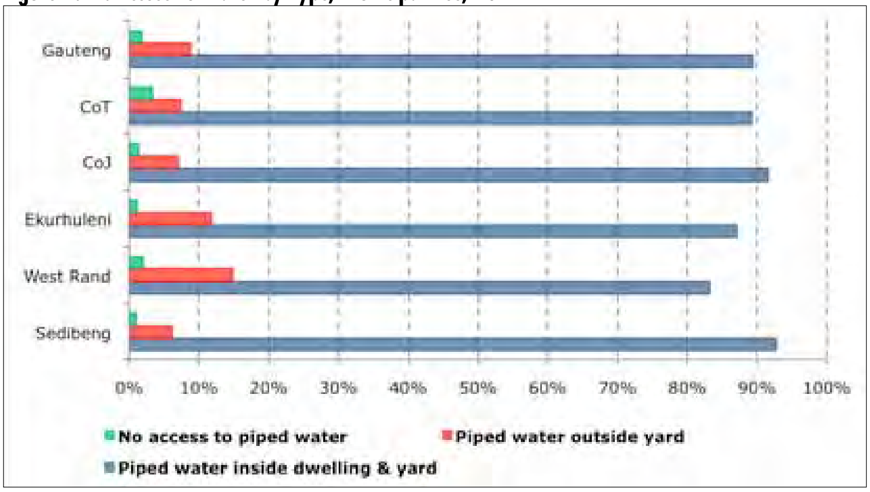
Figure 2.23 shows the infrastructure diamond for the three metros and two districts in Gauteng for 2011. The CoJ had the largest percentage of households with access to sanitation at 93.1 percent followed by Sedibeng at 91.8 percent and Ekurhuleni at 89.7 percent. In the West Rand, about 84.8 percent of households had access to sanitation and CoT had the lowest access at 78.9 percent. The percentage for the CoT may result from the Metsweding district municipality having been incorporated into Tshwane since the 2011 municipal elections. With respect to access to water, the CoJ and Sedibeng had the largest percentages of households with access, both at 95 percent, followed by Ekurhuleni at 93.3 percent. The CoT had the lowest access to water at 88.4 percent and West Rand had the second lowest percentage at 91.8.

Sedibeng had the highest percentage of households with access to electricity at 90 percent, followed by the CoJ which at 86.9 percent had the largest proportion of households with such access amongst the metros. In Ekurhuleni 73.8 percent of households had access to electricity, in the West Rand 74.5 percent and the lowest was the CoT at 72 percent. The CoJ had the largest percentage of households with access to refuse removal at 96.4 percent, followed by Ekurhuleni at 93.6 percent. The CoT had the smallest percentage of households with access to refuse removal amongst the metros at 85.6 percent. For the districts, the West Rand had the largest percentage of households with access to refuse removal at 74.5 percent and Sedibeng was at 61.7 percent. The section below analyses the infrastructure indicators individually for the municipalities.

2.6.1 Water & Sanitation

Access to water and sanitation remains one of the most crucial elements for both social and economic development. For the country to ensure the sustainable provision of these services, a comprehensive regulatory framework, improved public education about the need to conserve water and the acceleration of overall service delivery are needed. This section analyses access to water by type and province as well as access to sanitation by province.

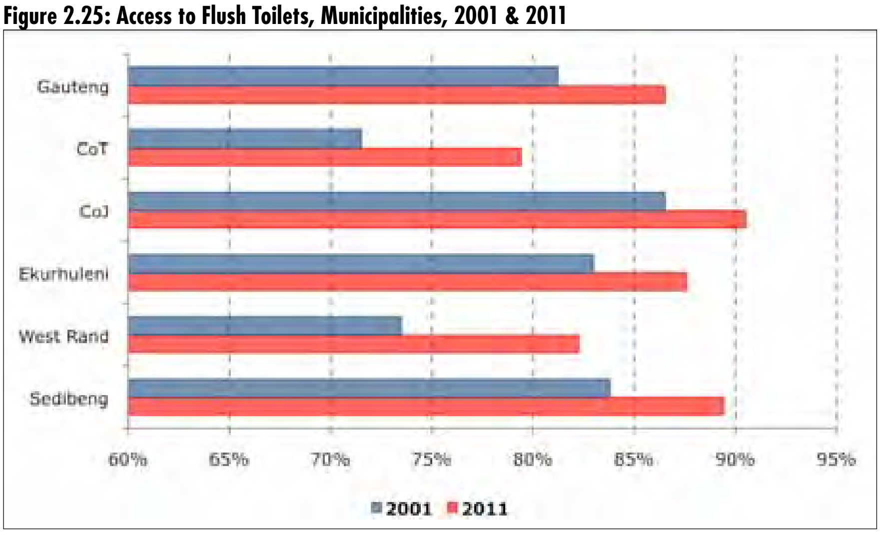
Figure 2.24: Access to Water by Type, Municipalities, 2011



Source: Stats SA, 2013

Figure 2.24 shows the percentage of households with different categories of access to water by municipalities for 2011. Sedibeng had the largest percentage of households with access to piped water inside their dwelling & yard at 92.8 percent. According to IHS Global Insight, the improvements in Sedibeng, 3.4 percentage points higher than that of the average for the province, are due to a decrease in the household infrastructure backlog the municipality previously experienced. In the CoJ, about 91.6 percent of households had access to piped water inside their dwelling & yard, and in the CoT 89.2 percent. The West Rand had the lowest percentage of households with access to piped water inside their dwelling & yard at 83.2 percent and the largest percentage of households with piped water outside their yard at 14.8 percent. In Ekurhuleni, 11.7 percent of households had access to piped water outside their yard, 2.9 percentage points higher than that of the province. About 3.4 percent of households in CoT had no access to piped water, the largest share of any of the municipalities.

Figure 2.25: Access to Flush Toilets, Municipalities, 2001 & 2011



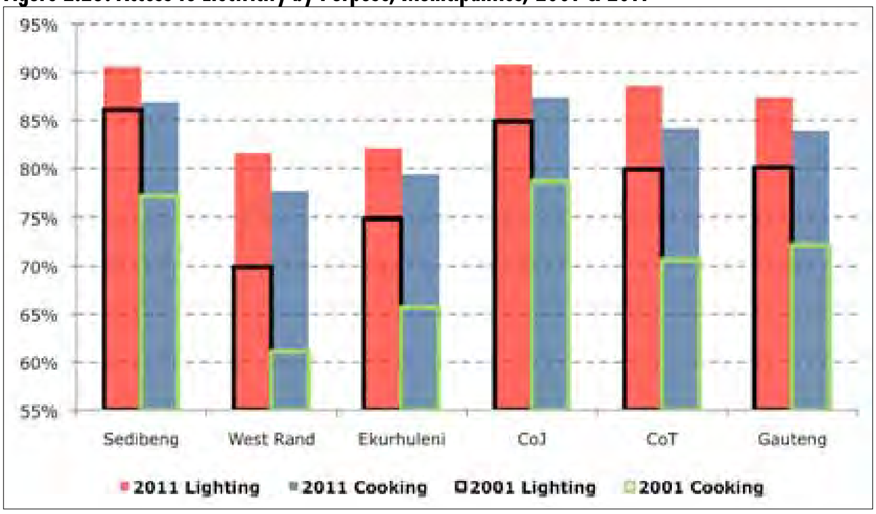
Source: Stats SA, 2013

Figure 2.25 shows the percentage of households with access to flush toilets by municipalities for 2001 and 2011. The figure indicates that there was an increase in the percentage of households with access to flush toilets across all the municipalities for the two census years. The CoJ had the largest percentage of households with access to flush toilets in 2011 at 90.5 percent, an increase of 4 percentage points compared to 2001. In Sedibeng, about 89.4 percent of households had access to flush toilets, rising by 5.6 percentage points from 83.8 percent in 2001. For the province, about 86.5 percent had access to flush toilets in 2011, an increase from the 81.2 percent recorded in 2001.

2.6.2 Electricity

According to Bekker, Gaunt and Eberhard (2006), before 1990 about a third of households in South Africa had access to electricity and this had doubled in the space of ten years.[22] In 2004, the country set itself the target, which has not been met, of achieving universal access to electricity by 2012. According to the target, a total of 14.5 million households in the country should have access to electricity. Recent data from the Census shows that only 84.7 percent (about 12.3 million households) of households had access to electricity.

Figure 2.26: Access to Electricity by Purpose, Municipalities, 2001 & 2011



Source: Stats SA, 2013

Figure 2.26 shows the percentage of households with access to electricity for lighting and cooking for 2001 and 2011. The figure indicates that there was an increase in the percentage of households with access to electricity for both purposes in the two census periods. In the CoJ, in 2011 access to electricity for lighting rose to 90.8 percent and for cooking to 87.4 percent. Sedibeng had 86.1 percent of households with access to electricity for lighting in 2001, rising by 4.5 percentage points to 90.6 percent. The CoJ had the largest percentage of households with access to electricity for cooking in 2011 at 87.4 percent. This was 3.5 percentage points higher than that of the province. The West Rand had the smallest percentage of households with access to electricity for cooking although it rose from 61.1 percent in 2001 to 77.7 percent in 2011. Access to electricity for lighting for the province as a whole increased to 87.4 percent in 2011 and that for cooking to 83.9 percent.

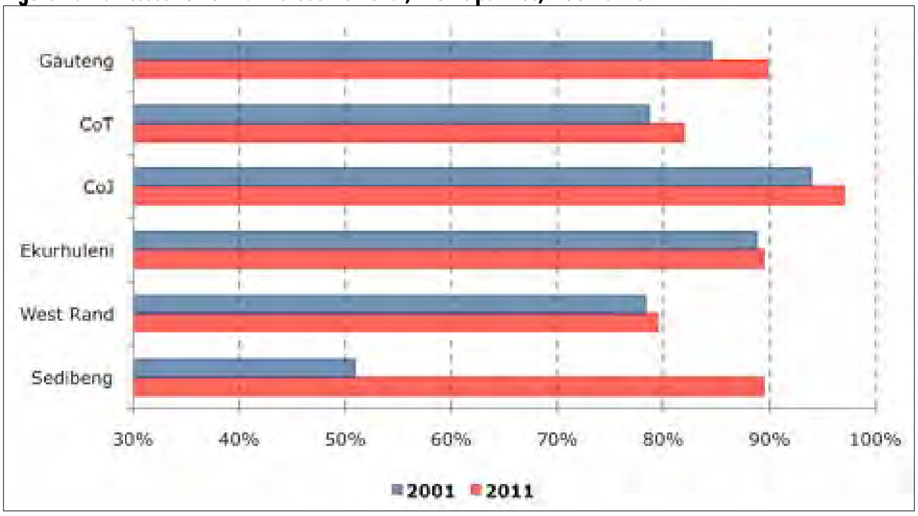
2.6.3 Refuse Removal

According to the National Environment Management Act, No. 59 of 2008, waste or refuse is defined as any substance, whether or not it can be reduced, re-used, recycled or recovered, that is surplus and to be disposed of or treated.[23]

[22] B. Bekker, C.T. Gaunt, and A. Eberhard, *Uncertainties within South Africa's goal of universal access to electricity by 2012*, University of Cape Town, South Africa, 2006.

[23] Definition is according to the Department of Environmental Affairs. Accessed at http://www.sawic.org.za/?menu=17

Figure 2.27: Access to Formal Refuse Removal, Municipalities, 2001 & 2011



Source: Stats SA, 2013

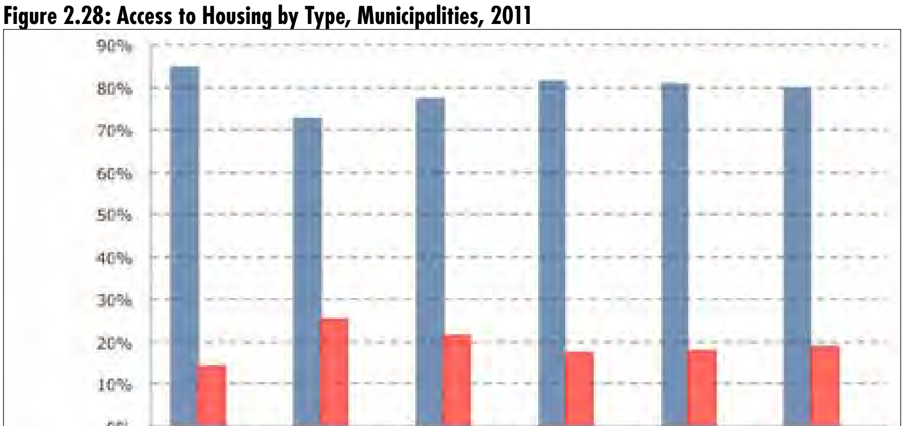
Note: Access to refuse removal refers to removal by authorities and private companies.

Figure 2.27 shows the percentage of households with access to refuse removal in the municipalities for 2001 and 2011. In the CoJ, about 97 percent of households had access to refuse removal in 2011, the largest percentage as compared to all other municipalities. Sedibeng and Ekurhuleni had 89.4 percent of households with access to refuse removal in 2011, an increase of 38.5 and 0.6 percentage points, respectively, compared to 2001. Although showing an increase, the West Rand had the lowest percentage of household with access to refuse removal. Refuse removal in the whole of the province rose from 84.6 percent in 2001 to 89.8 percent in 2012.

2.6.4 Housing

The need for shelter is one of the most basic needs for survival. In Gauteng, provision of housing and related basic services faces the challenge of in-migration of people in search of better living conditions and employment. For more information on migration, refer to sub-section 2.2.1, Figure 2.3. The section below discusses access to housing and the housing backlog within the province.

Figure 2.28: Access to Housing by Type, Municipalities, 2011



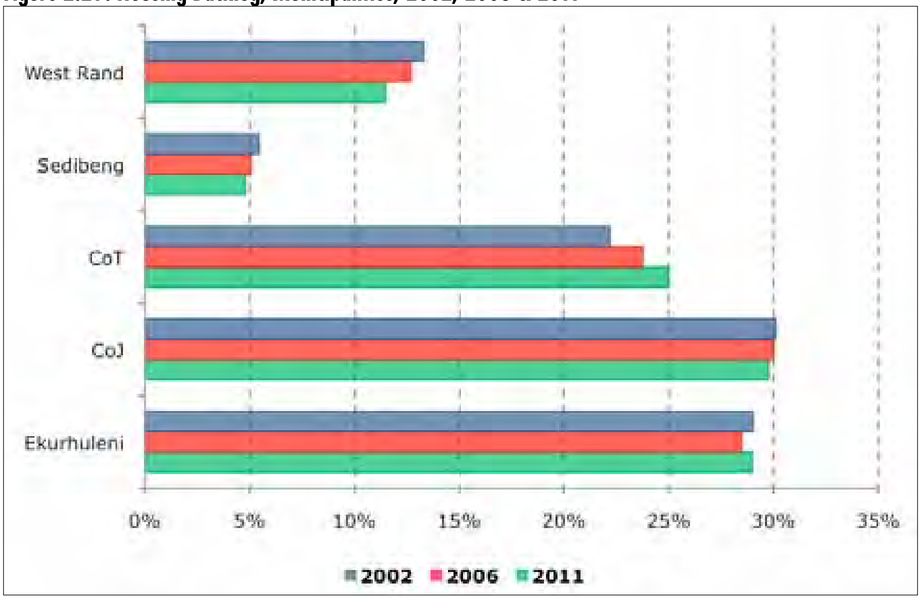
	Sedibeng	West Rand	Ekurhuleni	CoJ	CoT	Gauteng
Formal	84.8%	72.7%	77.4%	81.4%	80.7%	79.8%
Informal	14.3%	25.3%	21.5%	17.4%	18.0%	18.9%
Traditional	0.3%	0.3%	0.2%	0.4%	0.4%	0.4%

Source: Stats SA, 2013

Note: The percentages do not add up to 100% due to the 'other catagory' which is not included because of it's insignificance. These includes boats, caravans and tents.

Figure 2.28 shows household access to housing by type for the metros and districts in Gauteng for 2011. According to the figure, Sedibeng had the largest percentage of households living in formal dwellings at 84.8 percent. About 81.4 percent of households in the CoJ were in formal housing, the second largest proportion amongst the municipalities. The smallest share of households living in formal housing was in the West Rand at 72.7 percent. Those living in informal housing accounted for 25.3 percent in the West Rand and 21.5 percent in Ekurhuleni. In the province as a whole, about 79.8 percent of households lived in formal and 18.9 percent in informal housing and 0.4 percent in traditional dwellings.

Figure 2.29: Housing Backlog, Municipalities, 2002, 2006 & 2011



Source: IHS Global Insight, 2012

Figure 2.29 shows the share of households affected by the housing backlog[24] in the metros and districts in Gauteng for 2002, 2006 and 2011. The CoJ had the largest proportion of households in the housing backlog followed by Ekurhuleni and the CoT. In 2002, 30.1 percent (267,515 houses) of households in the CoJ were in the housing backlog. This decreased to 29 percent (306,306) in 2012. Ekurhuleni's proportion dropped from 29 percent (257,984) in 2002 to 28.5 percent (290,833) in 2006 before rising again to 29 percent (241,121) in 2011. The percentage of households experiencing the backlog in the CoT shows an increase over the review period, although it was the lowest amongst the metros. It rose from 22.2 percent which was about 197,195 houses in 2002 to 23.7 percent (242,270) in 2006 and reached 25 percent or 208,129 houses by 2011. The increases may result from Metsweding having been incorporated into CoT after the 2011 municipal elections. Of the two districts, despite showing a decreasing trend, the West Rand had the largest percentage of households with backlog at 13.3 percent (118,098) in 2002, 12.7 percent (129,837) in 2006 and 11.5 percent (95,961) by 2011.

2.6.5 Health

Health issues in the country are managed and regulated by statutory health councils which include the Health Professions Council of South Africa[25] (HPCSA), the South African Nursing Council[26] (SANC) and the South African Pharmacy Council[27] (SAPC).

All these institutions are statutory and advisory bodies for the National Department of Health.[28] According to the World Health Organisation (WHO),[29] the country spent about 8.9 percent of its GDP on health in 2010. In the 2012/13 financial year, health & social development expenditure accounts for 23.3 percent of the total budget.

[24] This backlog refers to the number of households that are not living in a formal or a very formal dwelling. IHS Global Insight defines a formal dwelling as a structure built according to approved plans, but without running water or flush toilet within the dwelling. Very formal dwellings is a structures built according to approved plans that also has running water and flush toilets within the dwelling.

[25] The HPCSA is a statutory regulatory body established in terms of the Health Professions Act, No. 56 of 1974.

[26] The SANC is the body entrusted to set and maintain standards of nursing education and practice in the country.

[27] The SAPC is the regulator established in terms of the Pharmacy Act, No. 53 of 1974, to regulate pharmacists, pharmacy support personnel and pharmacy premises in the country.

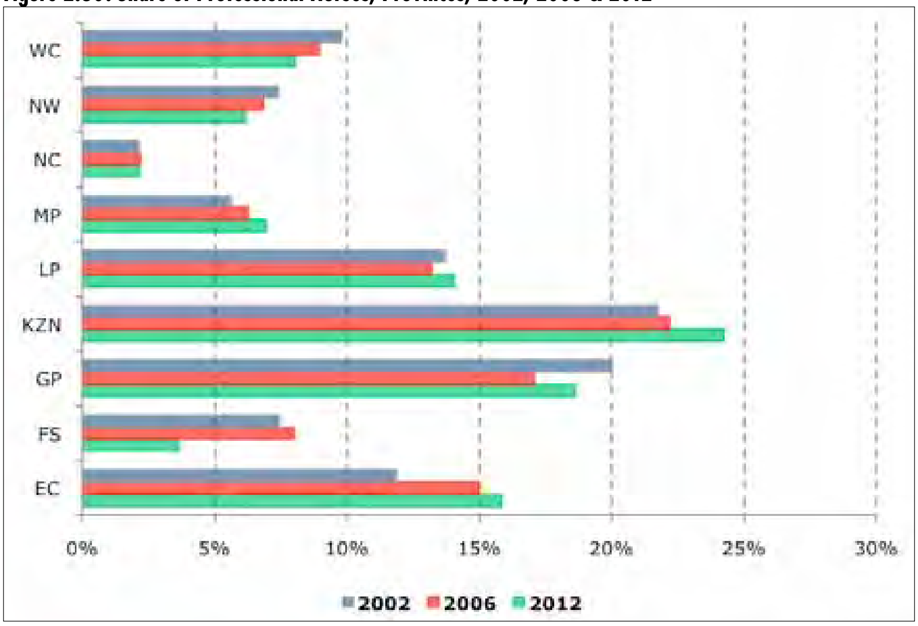
[28] Other statutory bodies include the Allied Health Professions Council of South Africa, the South African Dental Technicians Council, Medicine Control Council, Council for Medical Schemes, South African Medical Research Council and the Compensation Commission for Occupational Diseases.

[29] The WHO is a coordinating authority for health within the United Nations, it is responsible for providing leadership on global health related matters.

However, these investments have not led to the results that would be expected, and some countries that spend less on health have better health outcomes. Health statistics from the WHO show that Ghana spends about 5.2 percent of its GDP on health, Angola 2.9 percent and Nigeria about 5.1 percent. Compared to the BRICs countries, South Africa's proportional expenditure on health was the second largest after Brazil which spent about 9 percent of its GDP on health.

According to a 2011 report, by the Health System Trust (HST), the poor performance of the country in health matters can be attributed to the swift escalation of the HIV/AIDS pandemic and TB leading to the failure of the Primary Health Care (PHC) system to cope. Other health system challenges include inadequate access to and coverage & quality of services; limited governance & management capacity, and limited human resources.[30] According to information from National Treasury, the Western Cape allocated a greater proportion of its budget to health in the 2012/13 financial year, at 36 percent, compared to the other provinces. In Gauteng, health was allocated the second largest proportion, after education, at 35 percent. KwaZulu-Natal allocated 31 percent of its budget towards health, while the Free State apportioned 29 percent. The Northern Cape assigned 27 percent while the Eastern Cape, Limpopo and North West each allocated 26 percent of their respective budgets to their health departments. Mpumalanga had the lowest allocation at 24 percent.

Figure 2.30: Share of Professional Nurses, Provinces, 2002, 2006 & 2012



Source: Health System Trust, 2012

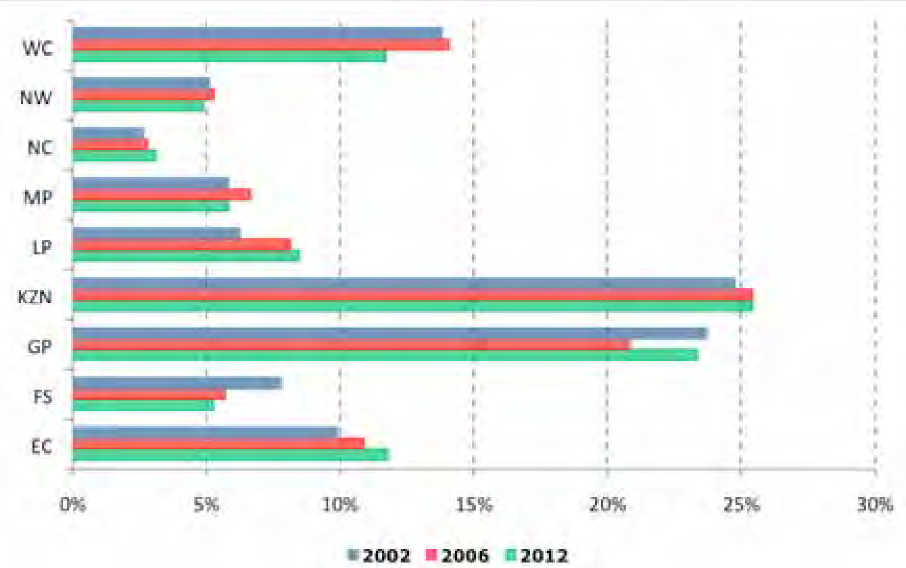
Figure 2.30 shows the share of professional nurses by provinces for 2002, 2006 and 2012. KwaZulu-Natal had the largest proportion in these years followed by Gauteng. The share of nurses in KwaZulu-Natal rose from 21.8 percent in 2002 to 22.2 percent in 2006. Between 2002 and 2012, this province's share of the national supply of nurses increased by 2.5 percentage points. In Gauteng, the share fluctuated over the review period. It decreased from 20 percent in 2002 to 17.1 percent in 2006 before rising in 2012 to reach 18.6 percent. The Eastern Cape's proportion of nurses rose from 11.9 percent in 2002 to 15 percent in 2006 and reached 15.9 percent in 2012. The Northern Cape had the smallest share of nurses. This showed little change over the three years in question, being at 2.2 percent in 2002 and increasing to 2.3 percent in 2006 before returning to 2.2 percent in 2012. The figures reveal that although Gauteng has the largest population, the province has an under supply of nurses compared to KwaZulu-Natal, which has the second largest population and a larger proportion of nurses. According to the HST, the nurse clinical workload[31] for Gauteng increased from 24.9 in 2007 to 28 in 2009. That of the country also rose from 23.3 to 24.1 per day in the same period. According to a study commissioned by the National Labour Department on the shortage of nurses in the country, a favourable

30 Information is according to the S*outh African Health Review 2011*, published by the Health System Trust, 2011.

31 The nurse clinical workload is the average number of patients seen by all nurses in a Public Health Care facility per day.

nurse population ratio is not always desirable. It might not be justified by the proportion of people that those nurses are serving.[32] In other words the proportion of nurses or medical practitioners should be appropriate for the population they are intended to serve in different provinces.

Figure 2.31: Share of Medical Practitioners, Provinces, 2002, 2006 & 2012



Source: Health System Trust, 2012

Figure 2.31 compares the share of doctors by province for the years 2002, 2006 and 2012. KwaZulu-Natal, followed by Gauteng, had the largest share of doctors compared to the other provinces, at 24.8 percent in 2002, 25.4 percent in 2006 and the same in 2012. Gauteng's share dropped from 23.7 percent in 2002 to 20.8 percent in 2006 before rising to 23.4 percent in 2012; 0.3 percentage points less than the 2002 share. In Western Cape, the share rose from 13.8 percent in 2002 to 14.1 percent in 2006 before decreasing sharply to 11.7 percent in 2012. The decrease in the Western Cape's share may be as a result of the decline in the number of medical practitioners registered with the HPCSA from 7,288 in 2007 to 6,183 in 2012 and possibly Gauteng drawing practitioners from other provinces. The Northern Cape had the lowest share of doctors at 2.7 percent in 2002, increasing to 3.1 percent in 2012.

2.7 Development Indicators

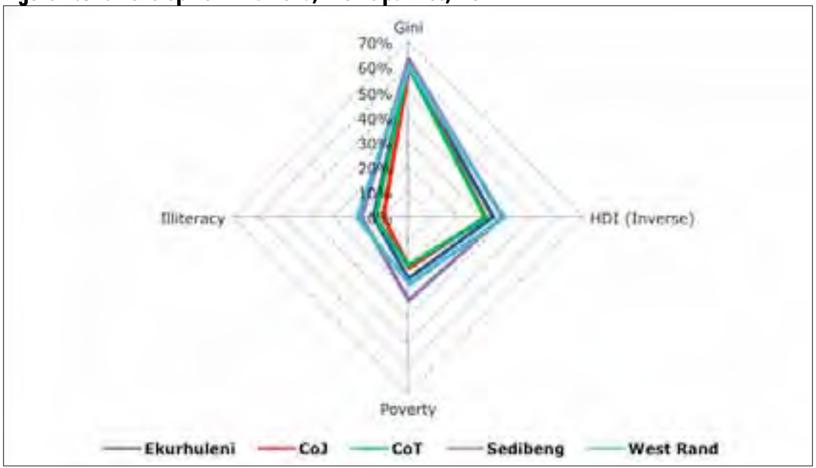
Levels of community development can be measured by using a development diamond with different variables. These include the Gini coefficient, HDI, and levels of poverty and literacy. The Gini coefficient is a statistical measure of income inequality and varies from 0 to 1.[33] When the Gini coefficient is zero, income is distributed equally, indicating no variance between income earners in the population. If the Gini coefficient is one, income distribution is completely unequal. This would mean that one person earned all the income. The HDI is a composite relative index used to compare human development across population groups or regions as described in Chapter One sub-section 1.7.2. Poverty relates to a complex of measurements of deprivation relating to factors including consumption and food security, health, education, rights, voice, security, dignity and decent work as explained in sub-section 1.7.3.

[32] A. Wildschut and T. Mqolozana, *Shortage of Nurses in South Africa: Relative or Absolute?* Human Sciences Research Council, Pretoria, 2008. Accessed at https://www.labour.gov.za/downloads/documents/research-documents/nursesshortage.pdf

[33] The definition is according to the IHS Global Insight definition encyclopaedia.

2.7.1 Development Diamond

Figure 2.32: Development Diamond, Municipalities, 2011



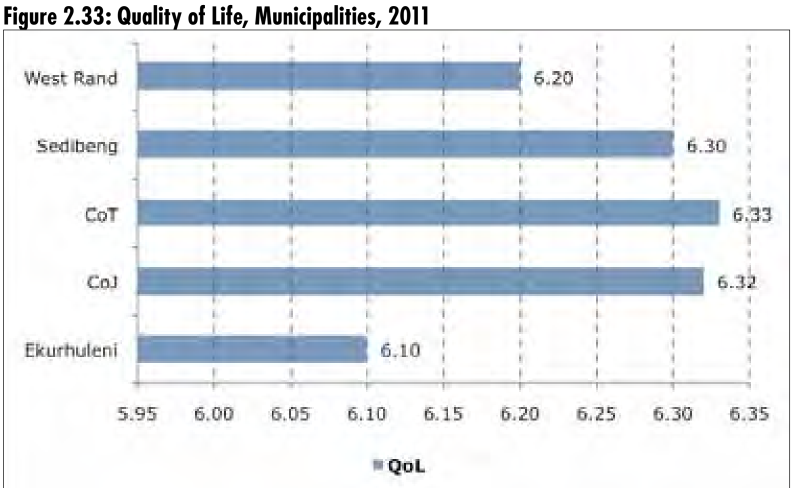
Source: IHS Global Insight, 2012

Figure 2.32 compares development within the municipalities for 2011. Each corner of the diamond shows one of the development indicators. The closer the diamond is to the centre the better is the development indicator. The figure reveals that income inequality remains a challenge in the province. The Gini coefficient for all the municipalities ranges between 0.603 and 0.633. The municipality with the largest Gini coefficient was Sedibeng at 0.633 followed by Ekurhuleni at 0.61. The West Rand had the lowest Gini at 0.603. This means income inequality was higher in Sedibeng and lower in the West Rand. The HDI for the CoT and the CoJ was at 0.69, followed by Ekurhuleni at 0.66. In the district municipalities the HDI was at 0.62 for West Rand and 0.63 for Sedibeng. This implies that CoT and CoJ residents tend to have longer and healthier lives and are able to communicate better in writing and live a better life. The percentages of people in poverty were the largest in the districts, with Sedibeng at 33.3 percent and 26.7 percent in the West Rand.

Quality of Life Survey

The Gauteng City Region Observatory (GCRO) conducts the Quality of Life survey (QoL), an index based on 56 indicators spread across 10 dimensions. These indicators include subjective and objective[34] criteria. Each dimension is scored between 0 and 1. To get the overall QoL score, the indicators are added together to score out of 10. High scores are desirable. According to the GCRO, work, social and crime issues are the key indicators putting a strain on the quality of life in the province.

Figure 2.33: Quality of Life, Municipalities, 2011



Source: GCRO, 2012

[34] Subjective are opinion-based, for example how free is the press, how do people rate the state of their dwellings, is the judiciary free etc... Objective indicators include hard fact statistics based on actual numbers such as employment status, level of education attainment, access to basic services and access to health care.

Figure 2.33 shows the QoL scores for municipalities in Gauteng for 2011. According to this GCRO report, Gauteng scored an average of 6.25 in 2011. At 6.2 and 6.1 respectively, the West Rand and Ekurhuleni scored below the provincial average. The municipality with the highest score was the CoT at 6.38 followed by the CoJ at 6.32. According to data from IHS Global Insight, the unemployment rate of Ekurhuleni was amongst the highest at 38.7 percent in 2011. This may be one of the reasons for Ekurhuleni municipality having the lowest QoL.

2.7.2 Education

Education Opportunities & Challenges

Opportunities within the South African education system include the fact that education receives the second highest proportion of the budget allocation after health. According to the 2012 Medium Term Budget Policy Statement (MTBPS), about R220 billion (a share of 20.8 percent) was set aside for education for the financial year. This was projected to increase to R234 billion in 2013/14 and R250.6 billion in the 2014/15 financial year.

Educational challenges in South Africa have many aspects. As in any country, socio-economic factors are strong determinants of access to quality schooling. Where pupils live and the earning potential of parents often determine the kinds of school children will attend. This will in turn affect their readiness for further academic life. According to the Southern African Bishop's Conference (2012)[35], the educational prospects of a rural child are dismal compared to those of an urban child.

According to the Centre for Development and Enterprise's (CDE) Building on What Works for Education there are downstream and upstream challenges in tertiary education in South Africa. The study notes that the foundational level of education in South Africa is amongst the worst in the world. The reasons given include the low level of teacher training in universities and the fact that the standard of universities in the country, do not match its level of development.

The CDE's recommendations include expanding the size, quality and diversity of post-school education. It argues that this is fundamental in growing the economy, developing well-trained public servants and educators, encouraging business expansion and reducing unemployment. Furthermore, it argues that the government needs to recognise the role that can be played by private institutions through improving the quality of education they provide.

This section examines the educational attainment by municipalities, before looking at the repetition rates of school grades by provinces.

Table 2.3: Education Attainment, Municipalities, 2011

	Ekurhuleni	CoJ	CoT	Sedibeng	West Rand
No schooling	3.7%	2.9%	3.6%	4.3%	4.9%
Grade 0-2	0.7%	0.6%	0.7%	1.2%	1.1%
Grade 3-6	5.9%	5.0%	5.3%	7.7%	9.7%
Grade 7-9	18.6%	17.1%	16.2%	21.3%	23.9%
Grade 10-11	26.1%	24.6%	21.2%	27.5%	24.8%
Certificate (FET)	1.1%	1.0%	1.0%	1.0%	0.7%
Matric	31.6%	32.8%	33.6%	27.7%	26.4%
Diploma	8.5%	9.1%	10.5%	6.6%	6.1%
Bachelors degree	2.6%	4.3%	5.0%	1.8%	1.7%
Postgraduate degree	1.1%	2.7%	3.0%	0.8%	0.7%
	100%	**100%**	**100%**	**100%**	**100%**

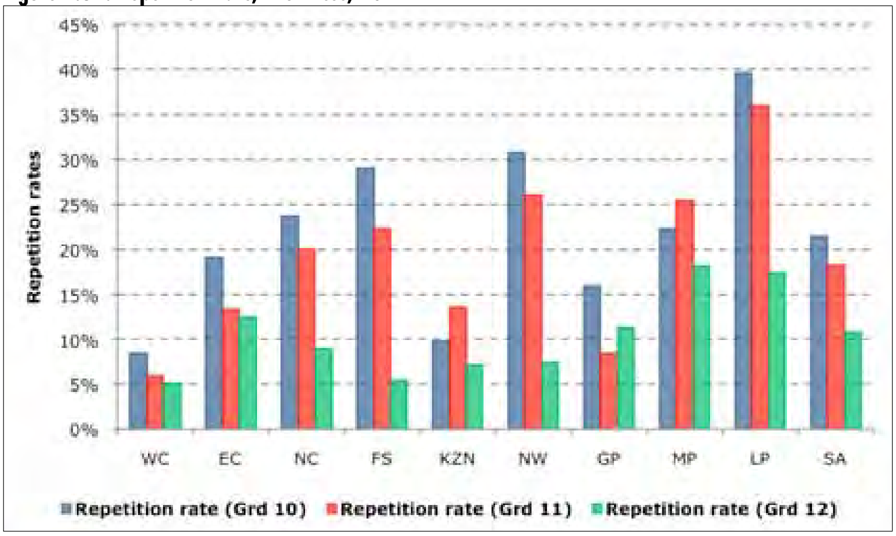
Source: IHS Global Insight, 2012

Table 2.3 compares educational attainment in the metro and district municipalities for 2011. For all the municipalities, people with matric comprised the highest share, followed by those with grades 10 to 11 and grades 7 to 9. The CoT had the highest percentage of people with matric at 33.6 percent and the CoJ was the second at 32.8 percent. Ekurhuleni had the third highest percentage of people with matric at 31.6, Sedibeng was

[35] According to the Southern African Bishop's Conference, Parliamentary Liaison Office, Briefing Paper 299, September 2012.

the second lowest at 27.7 percent and the lowest was the West Rand at 26.4 percent. Sedibeng had the highest percentage of people with grade 10 to 11 at 27.7 percent. With respect to post-matric qualifications, the CoT had the highest percentage of people with diplomas at 10.5 percent followed by the CoJ at 9.1 percent. About 5 percent of people in the CoT had bachelors degrees and 4.3 percent in the CoJ. The high percentages of people with a higher tertiary education level in the metro municipalities could be as a result of the increased access and easier accessibility to universities and colleges in and around these urbanised regions.

Figure 2.34: Repetition Rate, Provinces, 2011



Source: Stats SA, General Household Survey, 2012

Figure 2.34 shows the repetition rates by province in grades 10, 11 and 12 for 2011. The repetition rate is the proportion of pupils in a given grade in a given school year who study in the same grade in the subsequent year. It is one of the indicators used to project pupil flows from one grade to the next within the educational cycle. The figure reveals that Limpopo had the highest repetition rate for both grades 10 and 11 at 39.7 and 36 percent, respectively. The North West had the second highest repetition rates for these grades at 30.8 and 26.1 percent. Mpumalanga had the highest repetition rates for those in matric at 18.1 percent. The province with the lowest rates was the Western Cape with 8.5 percent for grade 10, 5.9 percent for grade 11 and 5.1 percent for grade 12.

2.7.3 Social Security

Social security is managed and regulated by the South African Social Security Agency (SASSA). This is a statutory body of the National Department of Social Development. The mandate of the agency is to ensure the delivery of comprehensive social security services against vulnerability and poverty within the constitutional and legislative framework. According to a study by the Economic Policy Research Institute, social security is effective in reducing poverty regardless of the methodology used to quantify the impact of the poverty line.[36] The different kinds of social grants applicable in the country include, Old Age Grant (OAG), War Veteran Grant (WVG), Disability Grant (DG), Grant In AID (GIA), Care Dependency Grant (CDG), Foster Child Grant (FCG) and Child Support Grant (CSG). The OAG is for all South African citizens of 60 years of age and above, while the WVG is for citizens who are disabled, 60 years of age and above, who fought in the Second World War or the Korean War. The DG is for all disabled citizens, whereas the GIA is for those citizens looking after the elderly, the disabled or war veterans who are in need of full time attendance or care. The CDG is for citizens who are looking after children below the age of 18 years and the FCG is given to foster parents on behalf of the child, where both the child and foster parents are residents of South Africa. The CSG is for all citizens where the applicant is the primary care giver of the child meeting the requirements of the means test; in other words, the parents must lack means to look after the child.[37]

---

[36] This information is according to M. Samson, A. Ndlebe, K. Mac Quene, I. Van Niekerk, V. Ghandi, T. Harigaya C. Abrahams and U. Lee, *The Social and Economic Impact of South Africa's Social Security System*, Economic Policy Research Institute, Department of Social Development, Pretoria, 2004.

[37] Information from SASSA was accessed at http://www.sassa.gov.za/Portals/1/Documents/d54e383b-7e3d-4c96-8aa2-4cc7d32bc78f.pdf

Table 2.4: Share of Social Grants Recipients, Provinces, September 2012

Region	OAG	DG	GIA	CDG	FCG	CSG	TOTAL
EC	18.5%	6.9%	0.3%	0.7%	4.7%	68.9%	**100%**
FS	17.8%	9.5%	0.1%	0.6%	5.0%	66.9%	**100%**
GP	***18.8%***	***5.8%***	***0.1%***	***0.7%***	***3.0%***	***71.6%***	***100%***
KZN	14.9%	8.3%	0.7%	0.9%	3.9%	71.3%	**100%**
LP	18.2%	4.2%	0.5%	0.5%	3.0%	73.6%	**100%**
MP	16.0%	5.8%	0.2%	0.6%	2.6%	74.7%	**100%**
NW	19.5%	7.6%	0.3%	0.7%	4.1%	67.8%	**100%**
NC	17.4%	12.0%	1.0%	1.0%	3.8%	64.8%	**100%**
WC	19.5%	11.9%	0.7%	0.8%	2.3%	64.8%	**100%**

Source: SASSA, 2012

Note: WVG is not included on the table because of its insignificance.

Table 2.4 shows the share of social grants by type for all the provinces as of September 2012. It shows that for all the provinces, the largest proportion of grants was for those receiving CSG. Mpumalanga had the highest percentage of its grant recipients receiving CSG, at 74.7 percent, followed by Limpopo at 73.6 percent. About 71.6 percent in Gauteng were receiving this category of grant. The second largest proportion of grants issued was for the OAG. In the North West and the Western Cape this category accounted for 19.5 percent of those receiving grants, while in Gauteng, it was 18.8 percent. The grant contributing the smallest proportion in all the provinces was the WVG, accounting for less than one percent. As a result it has been excluded from the table.

2.7.4 Household Income

According to a research report from The Bureau of Market Research at the University of South Africa, households in South Africa received a combined income of R2 trillion in 2011. Of this amount 22.4 percent was earned by the emerging middle class with an annual income of between R152,000 - R364,000. About 10 percent of the total household income was earned by the lowest income group and another 10 percent by the affluent group (R1.3 million per annum).[38] Table 2.5 below illustrates household income by source for all provinces of the country.[39] For households to reduce their dependence on social grants, they need to have a sustainable source of income.

Table 2.5: Household Income by Source, Provinces, 2011

	WC	EC	NC	FS	KZN	NW	GP	MP	LP	SA
Income from work	76.4%	64.0%	75.8%	71.1%	69.5%	76.4%	***74.4%***	75.4%	65.0%	72.7%
Pensions, social insurance & allowances	2.8%	11.0%	6.6%	6.6%	7.3%	6.3%	***1.8%***	5.7%	13.3%	4.9%
Income from individuals	0.2%	0.2%	0.1%	0.3%	0.2%	0.2%	***0.1%***	0.1%	0.4%	0.2%
Rent on owned dwelling	13.0%	18.7%	12.2%	12.1%	16.5%	11.5%	***18.8%***	15.4%	15.1%	16.4%
Other income	7.6%	6.1%	5.2%	10.0%	6.4%	5.6%	***4.9%***	3.4%	6.2%	5.9%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Stats SA, Income and Expenditure Survey 2010/11, 2012

Note: other income includes dividends and interest earned from shares and other forms of investments.

Incomes from individuals include remittances or transfers from family members living elsewhere.

Table 2.5 shows household income by source in the nine provinces for 2011. The table reveals that the highest source of income for households in all the provinces is from work, followed by rent on owned dwelling. About 76.4 percent of household income in the Western Cape and the North West was from work and 75.8 and

[38] Other income groups include the low emerging middle class (R54,345-R151,727), realised middle class (R363,931-R631,120), upper middle class (R631,121-R863,906) and emerging affluent (R863,907-R1,329.844).

[39] M.E. Masemola and C.J. Van Aardt et al, *Income and Expenditure of Households in South Africa*, UNISA Bureau of Market Research, 2011.

75.4 percent in the Northern Cape and Mpumalanga, respectively. Household income from work in Gauteng accounted for 74.4 percent. Rent accounted for a higher proportion of income in Gauteng than in any other province, at 18.8 percent. This also indicates the effects of in-migration and higher demand as people from other regions and countries rent accommodation during their stay in the province. At 13.3 percent Limpopo received a higher proportion of its income from pensions, social insurance & allowances than any other province.

2.8 Conclusion

Although Gauteng is the most populous province in the country, at 18,178 km^2 it is the smallest in land area. Amongst the municipalities the CoJ is the most populous with 4.4 million people, accounting for approximately 36.1 percent of the total Gauteng population. The increase in the Gauteng population has resulted into an increase of R9.5 billion in the province's budget allocation over the 2013 MTEF. Although the country has a large rural population, about 96 percent of Gauteng's people live in urban areas. It also remains the largest contributor to the economy of the country at 35.7 percent in 2011. The economic growth rate for Gauteng is estimated to have reached 3 percent in 2012.

According to Stats SA's QLFS for the last quarter of 2012, the labour force of the country has risen by 1.4 percent between the fourth quarter of 2011 and 2012, while that of the province also increased by 1.4 percent. During the same period, the number of employed people rose by 1.5 percent in the province, while the unemployment rate declined by 1.4 percentage points. Amongst the municipalities, based on information from the 2011 Census, Sedibeng had the highest unemployment rate at 31.9 percent in the year 2011, while Ekurhuleni had the second highest rate at 28.8 percent. The high unemployment rate in Sedibeng is due to a decline in the manufacturing sub-sector that makes the most significant contribution to the GVA of this municipality.

The existence of households that are caught in the housing backlog remains a challenge for the province and the municipalities. In 2011, the CoJ had the largest share of households in this backlog at 30 percent with Ekurhuleni at 29 percent. The CoT, CoJ and Sedibeng had QoL scores higher than the average of the province of 6.25, indicating that the quality of life is higher in these municipalities. In all the municipalities, the highest level of education reached by most people was matric, followed by those with grades 10 to 11 and then grades 7 to 9.

Chapter 3: Socio-Economic Review and Outlook of Sedibeng

3.1 Introduction

Sedibeng district municipality is situated on the banks of the Vaal River and the Vaal Dam in the southern part of Gauteng, and has an area size of 4,185 km². Sedibeng is made up of three local municipalities, namely Emfuleni, Midvaal and Lesedi.[1] Midvaal has the largest area size at 1,728 km², followed by Lesedi (1,489 km²) and Emfuleni (968 km²). Towns within these municipalities include Vereeniging, Vanderbijlpark, Meyerton and Heidelberg. Townships include Evaton, Sebokeng, Boipatong, Bophelong, Sharpeville and Ratanda. The predominant economic sector in the district is the manufacturing of fabricated metal and chemicals. Major manufacturing companies in Sedibeng are ArcelorMittal, Cape Gate Davsteel and Samancor. Manufacturing projects more recently introduced include a Heineken plant, a Liquid Fuel Mass Storage Hub and a Coca-Cola South Africa plant. This chapter provides an overview of Sedibeng's socio-economic variables, including its demographic profile. This is followed by a review of the economy, labour, access to services and development indicators for its three local municipalities.

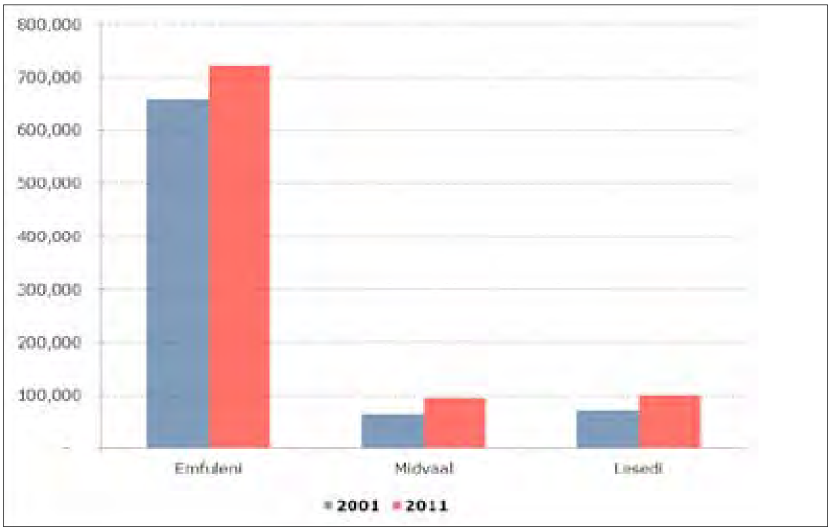
3.2 Demographic Profile

This section reviews the demographics of the three local municipalities in Sedibeng by reviewing their population profiles, population densities and the HIV/AIDS status.

3.2.1 Population Profile

To review the population of the local municipalities in Sedibeng, this section mostly uses pyramid graphics. The data in these pyramids is taken from both the 2001 and 2011 Censuses. This enables their data to be compared.

Figure 3.1: Population, 2001 & 2011



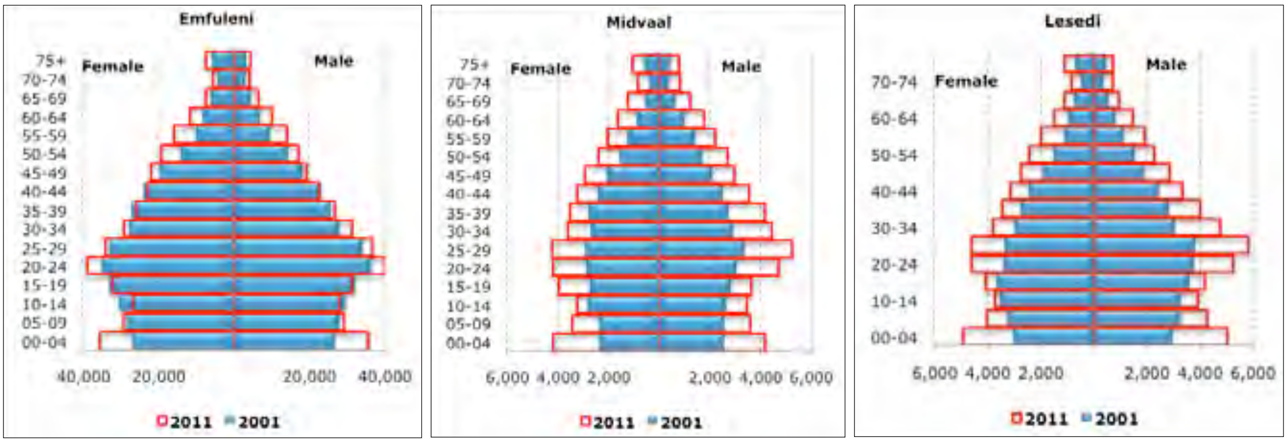
Source: Stats SA, 2013

Figure 3.1 shows the population figures of Sedibeng district's three local municipalities, for 2001 and 2011. Emfuleni is by far the largest of the three, with a population of 721,663 in 2011. The population growth in this

[1] The information in the introduction was extracted from the *Sedibeng District Municipality Integrated Development Plan 2012 – 2016.*

local municipality was 0.9 percent p.a. In 2011, Midvaal and Lesedi had populations of 95,301 and 99,520 respectively. Midvaal experienced the greatest population growth of the three municipalities, with its population growing by 4 percent p.a. This could be because of the lower base, as in 2001 it was the municipality with the lowest population of the three. The population of Lesedi grew by 3.3 percent p.a. over the period, and in 2011 accounted for 10 percent of the population of Sedibeng. Overall, the population of Sedibeng grew by 1.4 percent p.a. over the ten-year period. This contributed to the increase in the dependency ratio[2] from 42.9 to 43.8 over the same time period.

Figure 3.2: Population Composition by Age & Gender, 2001 & 2011



Source: Stats SA, 2013

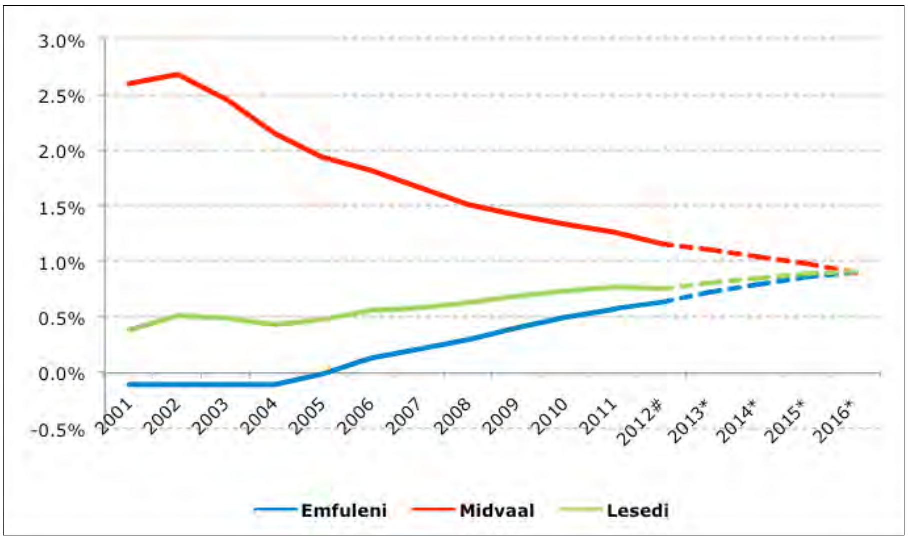
Figure 3.2 gives population pyramids for the three municipalities for 2001 and 2011. In Emfuleni, the age cohort with the highest population increase was the 00 to 04 years, for both males and females, with males increasing by 8,885 and females by 8,643. The cohort with the largest number of people was 20 to 24 years, with 40,016 males and 39,200 females. The biggest contraction was in the 10 to 14 year old cohort, with a decrease of 1,545 for males (from 29,910 in 2001 to 27,881 in 2011) and 3,588 for females (from 30,458 to 26,870).

In Midvaal, the age cohorts with the highest increase were the 25 to 29 years for males and 65 to 69 for females, with males increasing by 1,870 and females by 1,326. The cohort with the largest number of people was 25 to 29 years, with 1,870 males and 1,326 females. The lowest increases were experienced by the 75+ years for males with 334 and 70 to 74 years by females.

In Lesedi, the age cohorts with the highest increase were the 00 to 04 years for males and females, with males increasing by 2,034 and females by 1,936. The cohort with the largest number of people was 25 to 29 years, with 5,817 males and 4,616 females. The lowest increases were experienced by the 75+ years for males with an increase of 203 and 70 to 74 years by females with an increase of 357.

[2] Stats SA defines the dependency ratio as the figure that indicates the burden borne by those in the working age group (15–64 years) in supporting those aged 0–14 and 65+ years.

Figure 3.3: Population Growth Rates, 2001-2016*



Source: IHS Global Insight, 2013

Note: # indicates estimates and * forecasts.

Stats SA Census data does not provide time series data, therefore data from IHS Global Insight was used.

Figure 3.3 shows the population growth rate for the three local municipalities from 2001 to 2011, with estimates for 2012 and forecasts to 2016. Emfuleni had the lowest population growth rate throughout most of the review period. At the start of the period, it had a negative population growth rate. This however increase each year, and is expected to reach near one percent by 2016. Midvaal had the highest population growth rate of the three municipalities. It started the review period at 2.61 percent and this increased slightly in 2002 to 2.69 percent and from then on it slowed progressively. It is projected to reach 0.9 percent by 2016. Lesedi had a moderate population growth rate compared with the other two municipalities. It started the review period at 0.39 percent and increased each year to reach an estimated 0.76 percent in 2012. Its growth rate for 2016 is forecast at 0.91

Population Density

Measuring population density is essential, as it gives an indication of the levels of service delivery required. Population density is measured by dividing the population of a region by its area size. To satisfy the needs of their larger populations, densely populated areas require appropriate amounts of infrastructure and service delivery.

Table 3.1 Number of People per km², Population Group, 2001 & 2011

	Emfuleni			Midvaal			Lesedi		
	2001	2011	Change p.a.	2001	2011	Change p.a.	2001	2011	Change p.a.
Black	571	637	1.1%	22	32	3.9%	39	52	2.9%
White	95	90	-0.6%	15	21	3.8%	9	13	4.2%
Asian	6	7	1.9%	0	0	10.0%	0	1	7.9%
Coloured	7	9	1.8%	1	1	5.8%	0	1	7.2%
Total	**680**	**743**	**0.9%**	**37**	**55**	**4.0%**	**48**	**66**	**3.2%**

Source: Stats SA, 2013

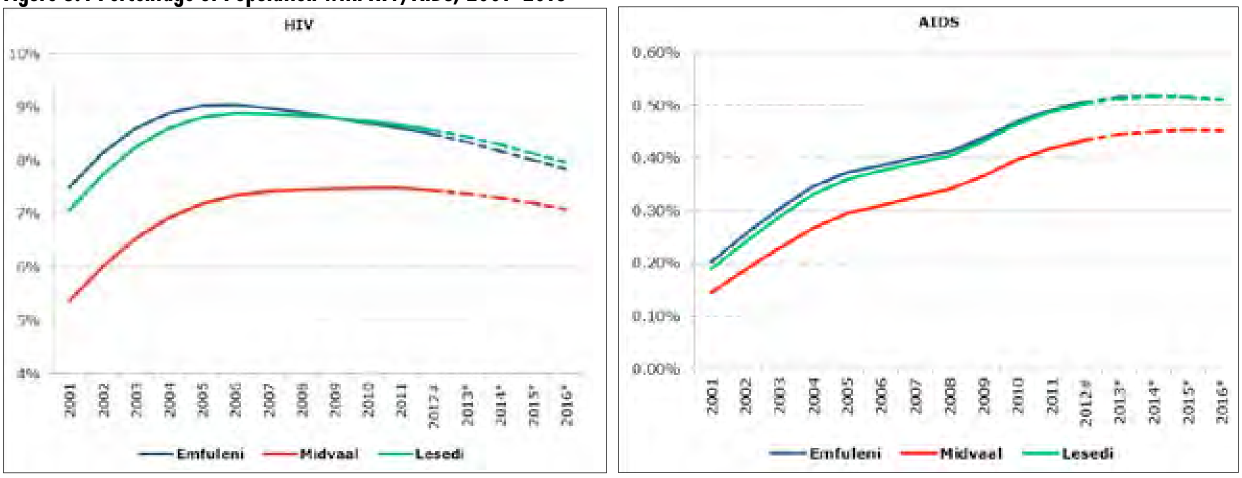
Note: Numbers of people per km2 have been rounded off to an integer, while percentage change calculations are based on actual data.

Table 3.1 gives the number of people per km² by population group for 2001 and 2011 in the three municipalities. In 2001, in Emfuleni there were 571 Black people for every km². This increased by 1.1 percent p.a. to 637 per km² by 2011. The population density for the White population group decreased by 0.6 percent p.a., from 95 to 90 persons per km². The density for the Asian and Coloured groups increased by 1.9 and 1.8 percent p.a. respectively. The total change in population density in Emfuleni was 0.9 percent p.a., from 680 people per km² to 743. In Midvaal, there was a 3.9 percent p.a. increase in the population density amongst the Black population group, and increases in the density of the White group of 3.8 percent p.a., in the Asian group of 10 percent p.a., and in the Coloured group of 5.8 percent p.a. In total, there was a 4 percent p.a. change in the population density of Midvaal; by 2011 there were 55 people per km^2. In Lesedi, the density of the Black population group increased by 2.9 percent p.a.; as with Midvaal, it had an increase in the density of the White population group of 4.2 percent p.a., of the Asian group of 7.9 percent p.a. and of the Coloured group of 7.2 percent p.a. The overall increase in population density in Lesedi was 3.2 percent p.a.

3.2.2 HIV/AIDS

As indicated in Chapter Two, it is essential to be able to monitor HIV/AIDS statistics as AIDS has an adverse effect on the population and in particular on the economically active part of the population. This section looks at the percentage of people estimated to be living with HIV and AIDS in Sedibeng.

Figure 3.4 Percentage of Population with HIV/AIDS, 2001–2016*



Source: IHS Global Insight, 2012

Note: # indicates estimates and * forecasts.

The left chart in Figure 3.4 shows the estimated percentage of people living with HIV and the right chart shows the estimated percentage of people living with AIDS, for the three local municipalities from 2001 to 2011. The figure includes estimates for 2012 and forecasts to 2016. Emfuleni started the reviewed period with 7.5 percent of its population infected with HIV. This percentage increased to 2006, when 9 percent of the population were infected, with this percentage remaining the same in 2007. From then on, it continued on a downward trend to reach 8.6 percent by 2011, and is forecast to decrease further to 7.8 percent by 2016. Out of the three local municipalities, Midvaal had the smallest percentage of its population living with HIV at the start of the review period, 5.4 percent of its population estimated to have been infected. This increased until 2008 when the percentage peaked at 7.5 percent, staying the same to 2011. It is estimated to have started to decrease in 2012 and will continue to do so until 2016, when it will be 7.1 percent. Lesedi started the review period with a 7.1 percent prevalence rate, just below that of Emfuleni. It peaked in 2006 at 8.9 percent, is estimated to have decreased to 8.7 percent by 2011 and is anticipated to decrease to 8 percent by 2016.

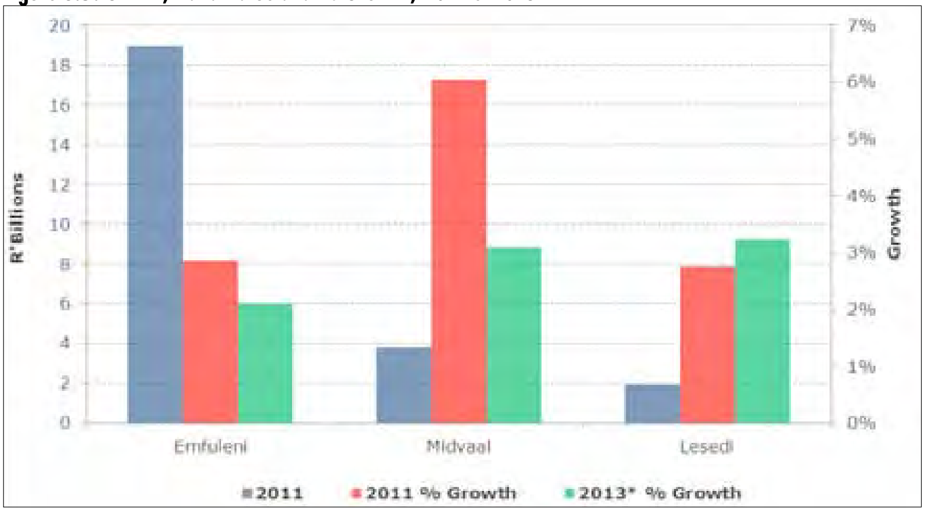
The percentage of the population who have AIDS is smaller than the percentage of the population who are HIV positive. Emfuleni had the same percentages as those of Lesedi from 2010 to 2012 and for the forecast years. Midvaal had the lowest percentage, starting the review period at 0.14 percent. Like in the other three municipalities this has increased, and is forecast to reach 0.45 by 2016.

3.3 Economic Review

The economy of a region is important as it can affect employment, influence migration patterns and enable improvements in living conditions. The economies of the Sedibeng local municipalities are analysed in this sub-section in terms of their GDP-R, sectoral composition and trade position.

3.3.1 GDP-R Growth & Outlook

Figure 3.5: GDP-R, Rand Value and % Growth, 2011 & 2013*



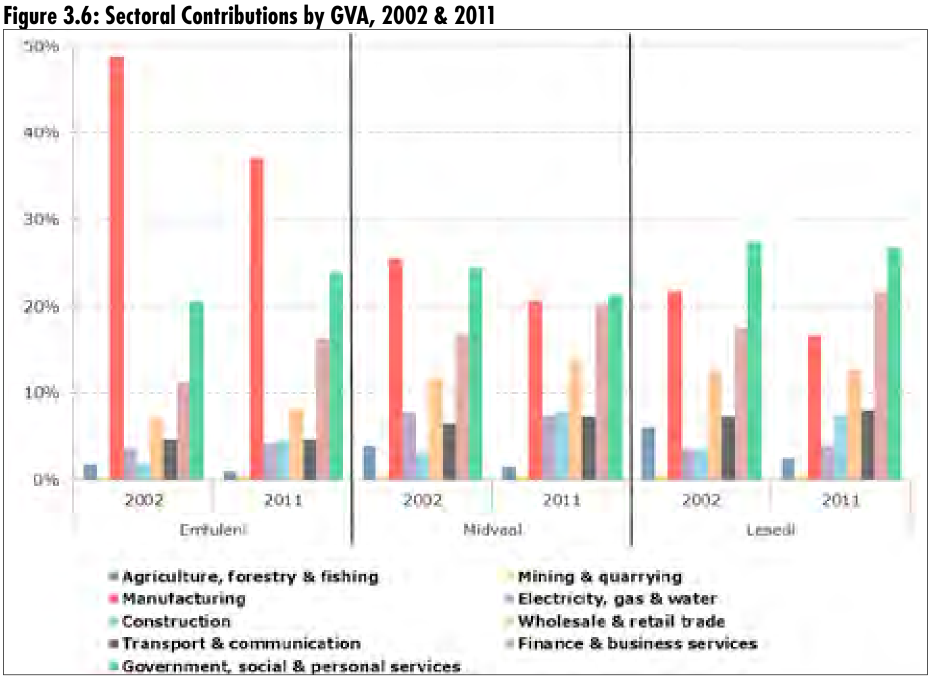
Source: IHS Global Insight, 2012

Note: * indicates forecasts.

Figure 3.5 shows total GDP-R in 2011, the growth rate that year, for the three local municipalities of Sedibeng and forecasts for 2013. Emfuleni had the largest of the three economies, at just under R19 billion in 2011 after 2.9 percent growth during that year. In 2013, Emfuleni is expected to record a lower growth rate, at 2.1 percent. Midvaal had the second largest economy, with a GDP-R of R3.8 billion. The Midvaal economy is about a fifth the size of the Emfuleni economy, but almost twice as large as that of Lesedi. Midvaal had the fastest growing economy in Sedibeng, at 6 percent. At 3.1 percent, the 2013 forecast for Midvaal is approximately half the rate it recorded in 2011. Lesedi had the smallest and slowest growing economy. Its GDP-R was just R1.9 billion in 2011, and its growth rate of 2.8 percent was slightly lower than that of Emfuleni Lesedi is the only Sedibeng municipality predicted to experience faster economic growth in 2013, with a forecast of 3.2 percent.

3.3.2 Sectoral analysis

Figure 3.6: Sectoral Contributions by GVA, 2002 & 2011



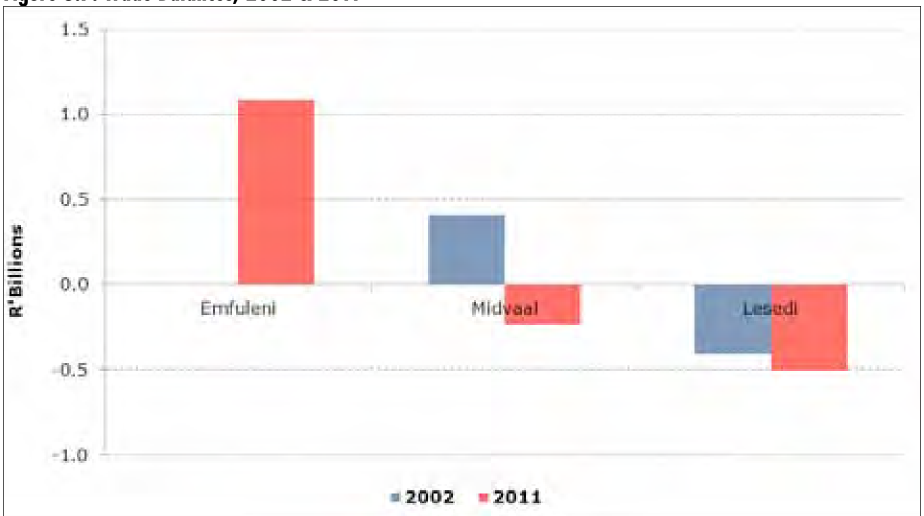
Source: IHS Global Insight, 2012

Figure 3.6 shows the shares of Gross Value Added by Region[3] (GVA-R) accounted for by each economic sub-sector for each of the local municipalities in the years 2002 and 2011. The Emfuleni region experienced little growth in the economic sub-sectors which account for the largest shares of its economy. Manufacturing, for example, grew by 16.6 percent between 2002 and 2011, a rate of 1.32 percent p.a. It thus accounted for only 37 percent of the Emfuleni GVA-R in 2011, down from 48.8 percent in 2002. Figure 3.5 shows that the GDP-R growth of Midvaal was the highest compared with the other local municipalities. This growth can be explained by the fact that Midvaal had strong growth in sub-sectors which accounted for large shares of its economy, while the strongest growing sub-sectors in Emfuleni and Lesedi were those which account for low shares of their economies, such as mining & quarrying and construction. Midvaal has experienced growth of 1.52 percent p.a. in manufacturing over the ten-year period. Manufacturing's share fell, however, from 25.5 percent in 2002 to 20.6 percent in 2011, because other sub-sectors grew even faster. Two other sub-sectors which make up a large share of Midvaal's economy, finance & business services and wholesale & retail trade, respectively grew by 98.8 and 100.4 percent (or 1.58 and 1.9 percent p.a.) between 2002 and 2011. Finance & business services increased its share of the Midvaal GVA-R from 16.7 percent in 2002 to 20.1 in 2011, while the share accounted for by the wholesale & retail trade rose from 11.8 percent to 13.8 percent. The construction sub-sector in Lesedi grew by 1.65 percent p.a. between 2002 and 2011, raising the sub-sector's share of the municipal GDP-R from 3.5 to 7.5 percent. Finance & business services in the municipality grew by 1.56 percent p.a., with its share increasing from 17.4 to 21.7 percent.

3.3.3 Trade Position

Local municipalities are not isolated entities, pursuing their economic objectives in seclusion. They trade with one another and produce goods and services which are traded internationally. This sub-section examines the trade positions of the Sedibeng local municipalities.

Figure 3.7: Trade Balances, 2002 & 2011

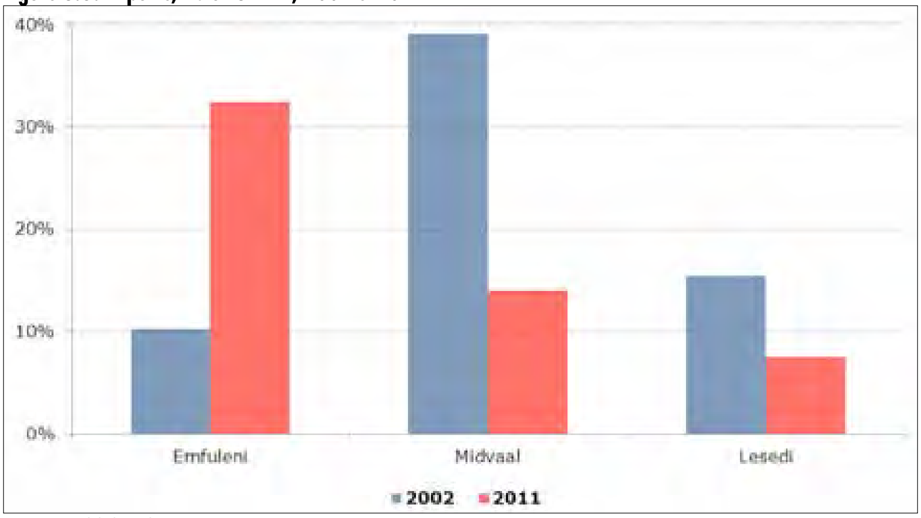


Source: IHS Global Insight, 2012

Figure 3.7 shows the trade balances of the Sedibeng local municipalities for the years 2002 and 2011. In 2002, Emfuleni had a comparatively small trade deficit of R4.5 million. By 2011, this municipality was the only one to record a trade surplus, with a substantial R1.1 billion. As shown in Figure 3.8 below, it has significantly increased the percentage of its economy accounted for by exports. Midvaal had a positive trade balance of R412 million in 2002, but by 2011 had a trade deficit of R231 million. This is due to the relatively small increase in total export value from Midvaal when comparing 2002 and 2011. There was also a significant increase in the total value of imports, with greater demand likely fuelled by rising incomes. As shown in Figure 3.20, of the three municipalities Midvaal also has the highest income per capita. The trade deficit of Lesedi increased from R409 million in 2002 to R504 million in 2011.

[3] "Gross Value Added by Region is the difference between the inputs obtained from outside the region and the outputs of the region" – IHS Global Insight.

Figure 3.8: Exports, % of GDP-R, 2002 & 2011



Source: IHS Global Insight, 2012

Figure 3.8 shows total export values for Emfuleni, Midvaal and Lesedi, as percentages of the GDP-R, for the years 2002 and 2011. The percentage for Emfuleni rose from 10.3 percent in 2002 to 32.4 percent in 2011. This municipality recorded low increases in traditionally export-commodity-oriented sectors such as mining & quarrying and manufacturing, as shown in Figure 3.6, but has increased exports significantly. According to information from IHS Global Insight, the largest export categories for Emfuleni in 2011 were iron & steel and articles of iron, with 81.3 and 9.6 percent respective shares of total exports. The Midvaal export value, as a percentage of GDP-R, fell from 39 percent in 2002 to 14 percent in 2011. The GDP-R of the municipality has risen significantly, but its export value declined for 2011, suggesting that the majority of the municipality's additional output is being consumed locally. The highest shares of Midvaal's exports were made up of electrical machinery & equipment (at 29.2 percent) and iron & steel (26.9 percent). The majority of Lesedi's economic growth has been in non-export sectors, such as construction, with the municipality's export value as a percentage of GDP-R falling to 7.5 percent in 2011 from 15.4 percent in 2002. At 26.4 and 16.6 percent respectively, Lesedi's exports consisted primarily of vehicle parts & accessories and articles of leather.

3.4 Labour Market

This section reviews the labour market of Sedibeng's local municipalities. It includes a review of each local municipality's labour profile, followed by a sectoral analysis of employment and a review of unemployment.

3.4.1 Labour Profile

Table 3.2: Labour Force Profiles, 2011

	Emfuleni	Midvaal	Lesedi
Working age population	501,784	67,182	68,254
Economically active	310,097	45,956	42,560
Employed	202,543	37,336	31,518
Unemployed	107,554	8,620	11,042
Not economically active	191,687	21,226	25,694
Unemployment rate	**34.7%**	**18.8%**	**25.9%**

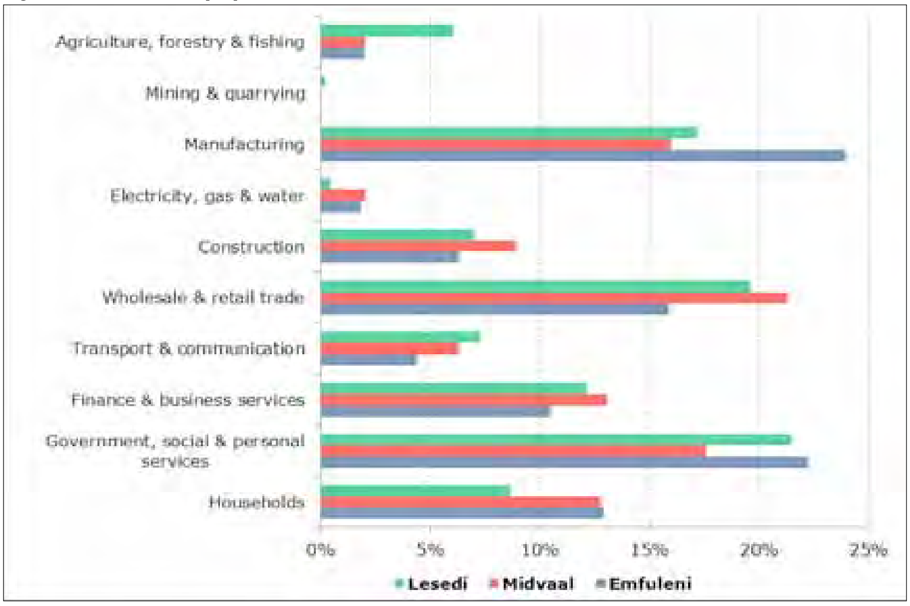
Source: Stats SA, 2013

Note: Census data is used in this table because the QLFS does not give data on local municipalities. The QLFS is, however, officially recognised as the most accurate source of labour statistics.

Table 3.2 shows the labour profiles of the local municipalities within Sedibeng. Because of its larger population, Emfuleni had the highest number (501,784) of persons in its working age population in 2011. This was followed by Lesedi (68,254), while Midvaal had the smallest number, at 67,182. At 61.8 percent, Emfuleni had the smallest percentage of economically active[4] persons compared with its working age population. This means that 38.2 percent were in the NEA category. 68.4 percent of the working age population of Midvaal was economically active, while Lesedi had 62.4 percent. Their NEAs thus accounted for 31.6 and 37.6 percent, respectively. At 202,543, the employed in Emfuleni made up 40.4 percent of the working age population. Midvaal had the highest percentage of its working age population employed, at 55.6 percent. The 31,518 people who were employed in Lesedi accounted for 46.2 percent of the working age population. There were 107,554 unemployed people in Emfuleni, thus giving an unemployment rate of 34.7 percent, the highest unemployment rate of all the municipalities in Gauteng. Midvaal had 8,620 unemployed people, an unemployment rate of 18.8 percent. Lesedi had 11,042 unemployed people, an unemployment rate of 25.9 percent.

3.4.2 Employment

Figure 3.9: Sectoral Employment, 2011

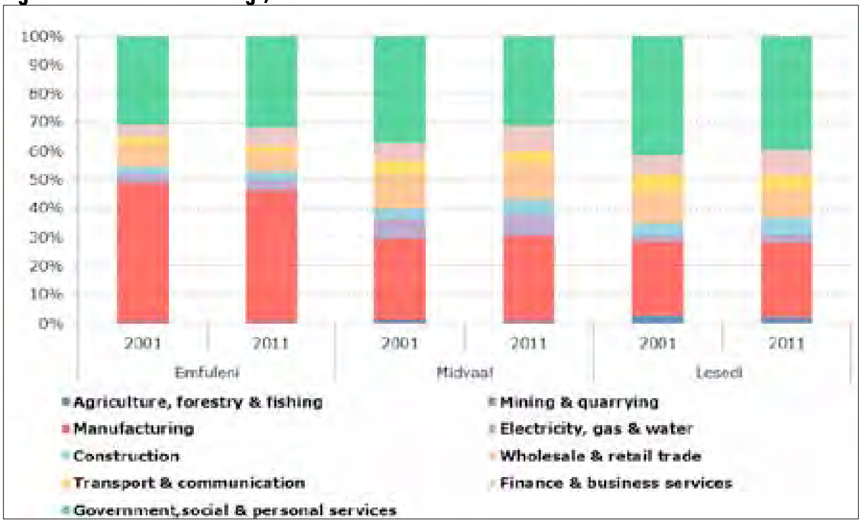


Source: IHS Global Insight, 2012

Figure 3.9 shows the share of employment by sub-sector in the local municipalities in Sedibeng for 2011. In Emfuleni, most people were employed in the manufacturing sub-sector, with a share of 24 percent. This was followed by government, social & personal services (22.2 percent) and wholesale & retail trade (15.9 percent). The sub-sector with the smallest share was mining & quarrying. In Midvaal, the sub-sectors with highest share of employment were wholesale & retail trade (21.3 percent) and government, social & personal services (17.6 percent). The lowest were mining & quarrying at near 0 percent and agriculture, forestry & fishing (2 percent). In Lesedi, the sub-sectors with the highest shares of employment were government, social & personal services (21.5 percent) and wholesale & retail trade (19.6 percent). The lowest were mining & quarrying (0.2 percent) and electricity, gas & water (0.4 percent).

[4] The economically active population is the sum of the employed and unemployed persons.

Figure 3.10: Sectoral Earnings, 2001 & 2011

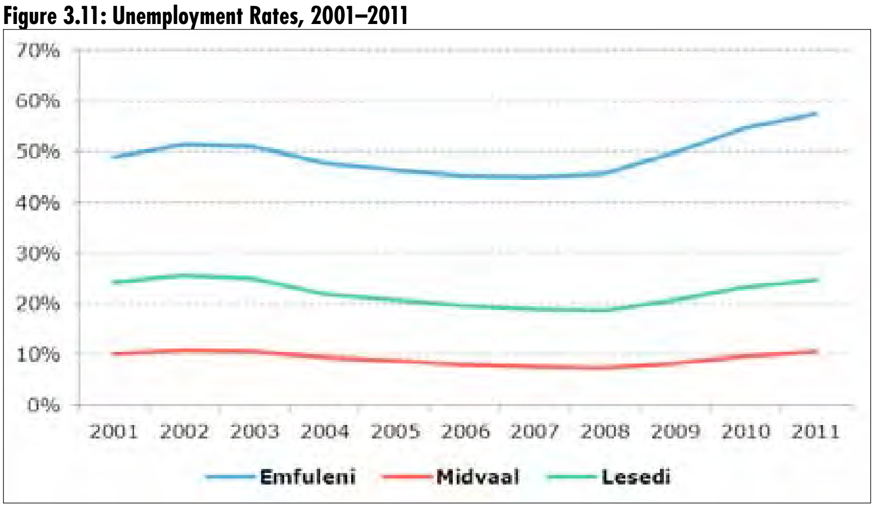


Source: IHS Global Insight, 2012

Figure 3.10 shows the shares of earnings by sub-sectors for the three municipalities for 2001 and 2011. For all three municipalities, the majority of earnings were from manufacturing and from government, social & personal services. For Emfuleni, the sectoral earnings from manufacturing decreased from 48.2 to 45.5 percent between 2001 and 2011. Earnings from the government, social & personal services increased from 30.8 to 31.9 percent. In Midvaal, the majority of earnings came from government, social & personal services, which decreased from 37.4 to 31.2 percent in the decade to 2011. Manufacturing made up 28.1 percent of earnings in 2001 and had increased to 29.7 percent by 2011. This trend is repeated in Lesedi, where the share of earnings from government, social & personal services was the highest. However, this declined from 41.7 percent in 2001 to 39.9 percent by 2011. The share of earnings from manufacturing in Lesedi increased from 25.6 to 26 percent over the review period. Earnings from agriculture, forestry & fishing accounted for 0.3, 0.6 and 1.4 percent for Emfuleni, Midvaal and Lesedi respectively in 2011.

3.4.3 Unemployment

Figure 3.11: Unemployment Rates, 2001–2011



Source: IHS Global Insight, 2012

Figure 3.11 shows the unemployment rates from 2001 to 2011 for the three local municipalities[5]. Emfuleni had the highest rate of unemployment throughout the review period, rising from 48.9 percent to 57.4 in 20011. During times of economic upswing, when the GDP of the country and the GDP-R increased (2004 to 2007), unemployment in all three municipalities decreased. With the economic crisis from 2008/09, unemployment in all three municipalities increased, bringing about Emfuleni's rate of 57.4 percent at the end of the review period.

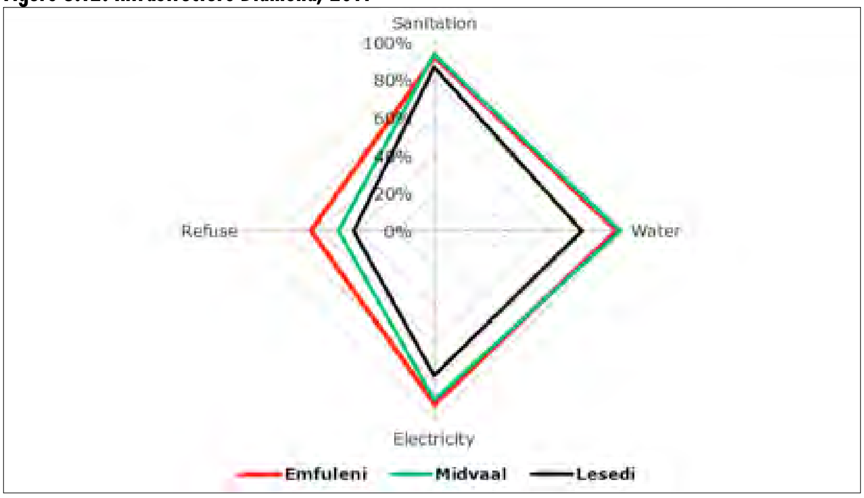
5 This information differs from the one in Table 3.2 because Stats SA's Census data does not provide the time series data for unemployment rates in the municipalities.

Midvaal had the lowest unemployment rate of all the three municipalities between 2001 and 2011. With a similar, if less volatile trend to that of Emfuleni, Midvaal started the review period with a rate of 10.1 percent and ended at 10.5 percent. Lesedi started the review period at 24.1 percent and ended at 24.7 percent.

3.5 Access to Services

This section provides an analysis of access to basic services in the three local municipalities. As indicated in Chapter Two, Sedibeng is the leading district municipality in the province in terms of access to formal housing, refuse removal, sanitation and piped water inside households. It also has a smaller proportion of housing backlogs.

Figure 3.12: Infrastructure Diamond, 2011

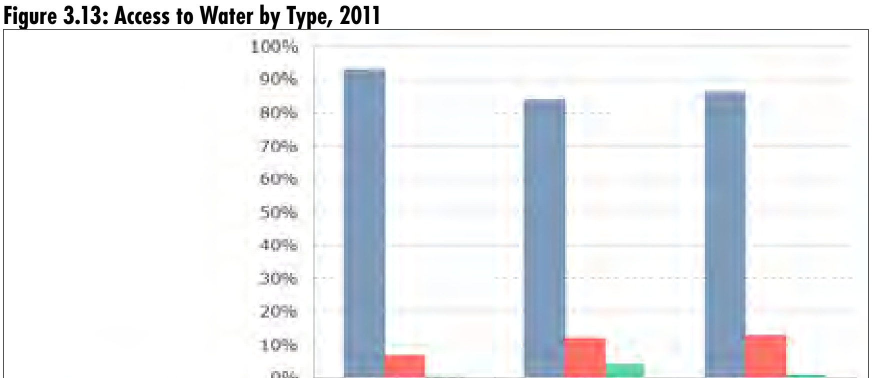


Source: IHS Global Insight, 2012

Figure 3.12 shows the infrastructure diamond for the three local municipalities for 2011. At 93.5 percent, Midvaal had the largest percentage of households with access to sanitation, followed by Emfuleni at 92.2 percent and Lesedi at 86.5 percent. Midvaal also had approximately 98.2 percent of its households with access to water, with Emfuleni at 96.6 percent. About 91.6 percent of households in that municipality had access to electricity, 89.5 percent in Midvaal and 76.7 percent in Lesedi. Emfuleni also had the largest percentage of households with access to formal refuse removal[6], at 65.2 percent. The figures for Midvaal and Lesedi were 50.8 percent and 42.6 percent respectively.

3.5.1 Water & Sanitation

Figure 3.13: Access to Water by Type, 2011



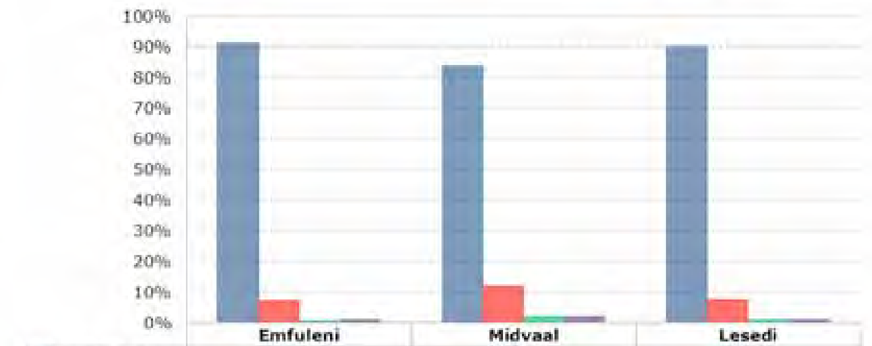
	Emfuleni	Midvaal	Lesedi
Piped water inside dwelling	92.7%	83.7%	86.2%
Piped water outside yard	6.7%	12.0%	12.7%
No access to piped water	0.6%	4.3%	1.1%

Source: Stats SA, 2013

6 Formal refuse removal refers to removal carried out by authorities once a week.

Figure 3.13 shows the percentage of households by type of access to water in the Sedibeng's three local municipalities for 2011. In Emfuleni, 92.7 percent of households had access to piped water inside their dwellings, while Lesedi and Midvaal were at 86.2 and 83.7 percent respectively. Lesedi had the largest percentage of households with access to piped water outside their yard, at 12.7 percent. About 4.3 percent of those living in Midvaal had no access to piped water in 2011, 1.1 percent in Lesedi and 0.6 percent in Emfuleni. The large proportion of households with access to piped water inside their dwellings could be related to the share of those living in formal housing, as shown in Figure 3.17 below.

Figure 3.14: Access to Sanitation by Type, 2011



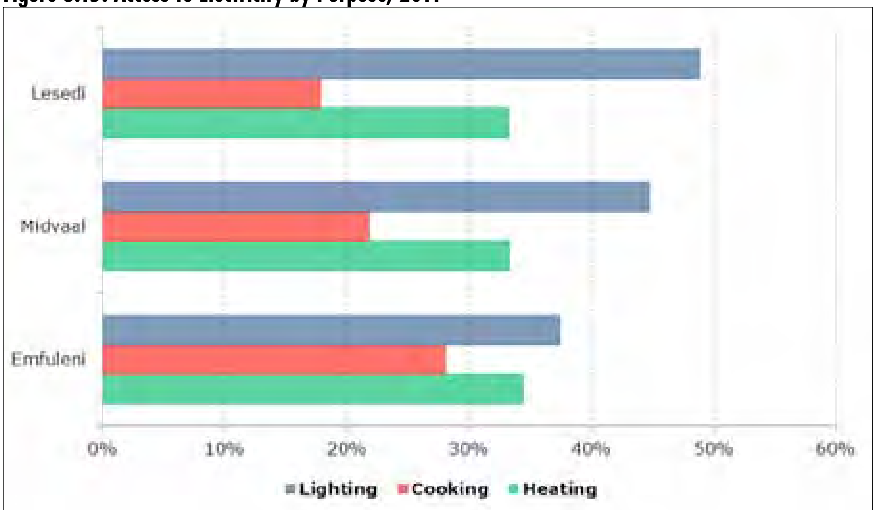
	Emfuleni	Midvaal	Lesedi
Flush toilet	91.0%	83.7%	90.3%
Pit toilet	7.0%	12.1%	7.4%
Bucket system	0.9%	2.2%	1.2%
No toilet	1.0%	2.1%	1.1%

Source: Stats SA, 2013

Figure 3.14 shows the share of households' access to sanitation type in the three local municipalities for 2011. Emfuleni, at 91 percent, had the largest percentage of households with access to flush toilets, followed by Lesedi at 90.3 percent and Midvaal at 83.7 percent. Midvaal had the largest percentage of people using pit toilets, at 12.1 percent. Of the three municipalities, Midvaal also had the largest percentage of households using the bucket system or with no access to toilets, at 2.2 and 2.1 percent respectively.

3.5.2 Electricity

Figure 3.15: Access to Electricity by Purpose, 2011

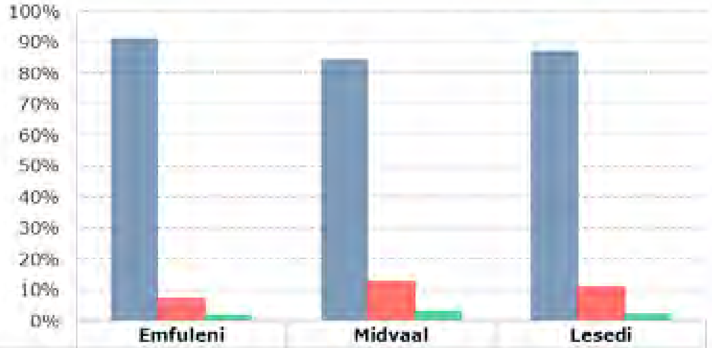


Source: Stats SA, 2013

Figure 3.15 shows the proportion of households using electricity for lighting, cooking and heating for the local municipalities for 2011. Note that the percentages do not indicate the total share of those with access to electricity, but indicates the share of households which use electricity for that purpose. The proportions of lighting, cooking and heating pertaining to each municipality add-up to a 100 percent. For all the local municipalities, lighting was the most-used purpose. In Lesedi, approximately 48.9 percent of households used electricity for lighting, in Midvaal 44.8 percent and in Emfuleni 37.5 percent. About 34.4 percent of households in Emfuleni used electricity for heating, 1 percentage point higher than that of Midvaal. In Emfuleni, 28 percent of households used electricity for cooking, 21.9 percent in Midvaal and 17.9 percent in Lesedi.

3.5.3 Refuse Removal

Figure 3.16: Access to Refuse Removal by Type, 2011



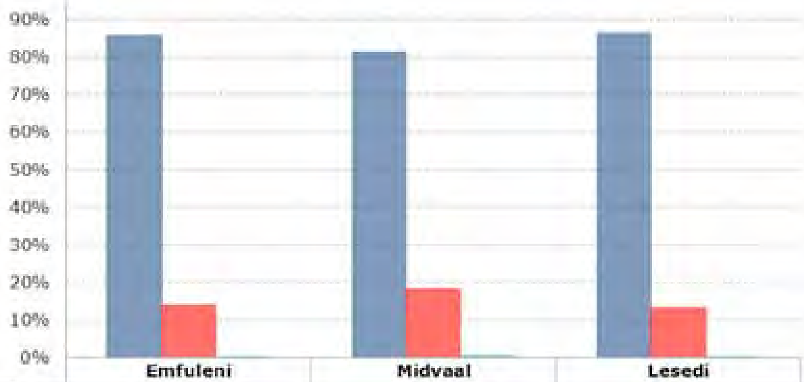
	Emfuleni	Midvaal	Lesedi
Authority	91.1%	84.1%	86.8%
Communal	7.2%	12.7%	11.1%
No refuse removal	1.7%	3.2%	2.1%

Source: Stats SA, 2013

Figure 3.16 shows the percentage of households with access to refuse removal, by type, in the local municipalities for 2011. For all three municipalities, most households had their refuse removed by the authorities on a weekly basis. Emfuleni had the largest percentage, at 91.1 percent, followed by Lesedi at 86.8 percent and Midvaal at 84.1 percent. Communal refuse removal was the second largest type, with 12.7 percent of households in Midvaal having this type of service. Midvaal had a larger share of its households with no refuse removal than did any other Sedibeng local municipality, at 3.2 percent. In Lesedi this was 2.1 percent, 0.4 percentage points higher than in Emfuleni.

3.5.4 Housing

Figure 3.17: Access to Housing by Type, 2011

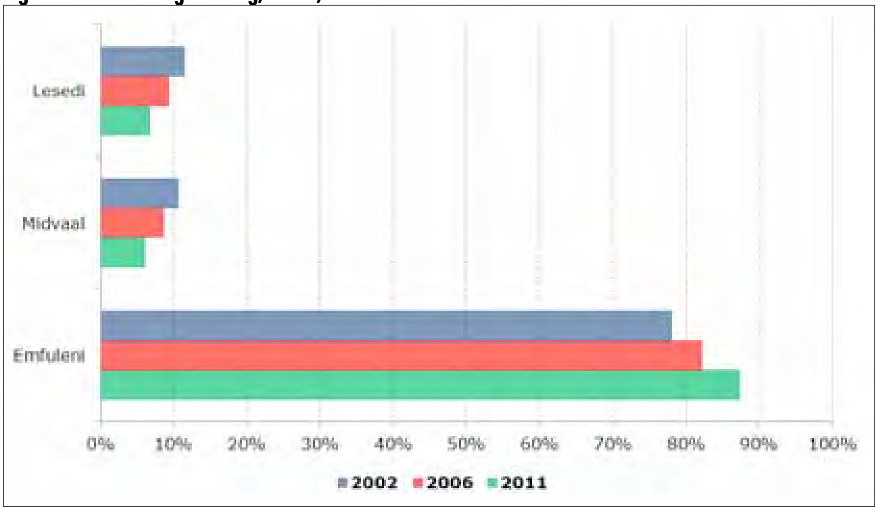


	Emfuleni	Midvaal	Lesedi
Formal	85.7%	81.3%	86.3%
Informal	14.0%	18.2%	13.3%
Traditional	0.3%	0.5%	0.4%

Source: Stats SA, 2013

Figure 3.17 shows the percentage of households by housing-type in the three local municipalities for 2011. At 86.3 percent, Lesedi had the largest percentage of households in formal housing followed by approximately 85.7 percent in Emfuleni and 81.3 percent in Midvaal. In Midvaal, about 18.2 percent of households lived in informal dwellings, 14 percent in Emfuleni and 13.3 percent in Lesedi. The smallest percentage of households was those living in traditional dwellings. This was 0.5 percent in Midvaal, the highest percentage of the three local municipalities.

Figure 3.18: Housing Backlog, 2002, 2006 & 2011



Source: IHS Global Insight, 2012

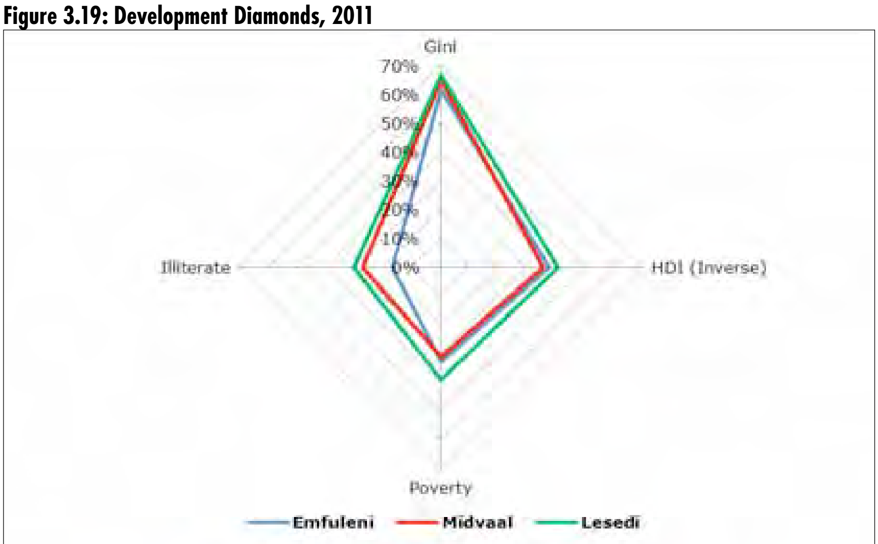
Figure 3.18 shows the share of households in the housing backlog by local municipality for 2002, 2006 and 2011. Housing backlog refers to the number of households that are not living in a formal or a very formal dwelling as explained in Chapter Two. It reveals that Emfuleni had the highest housing backlog share, and that this increased over the review period, rising from 77.9 percent in 2002 (or 37,662 houses) to 82 percent (42,381 houses) in 2006 and 87.3 percent (34,958 houses) in 2011. That of Lesedi showed a decreasing trend, from 11.4 percent (5,503) in 2002 to 9.3 percent (4,811) in 2006 and 6.7 percent (2,664 houses) in 2011. In Midvaal, the housing backlog also dropped from 10.7 percent in 2002 (5,115 houses) to 6.1 percent by 2011 (2,429 houses). The large share of housing backlogs for Emfuleni may be as a result of the larger population, as shown in Figure 3.1; thus the demand is higher for this type of service. Also, Emfuleni contributes the most to GDP-R of the district. This may result in people migrating there for work opportunities, with the delivery of houses being under strain.

3.6 Development

Using the development diamond, this section provides an analysis of the development indicators of Gini coefficient, HDI, poverty and illiteracy. The later part of the section looks at the QoL, educational attainment and income per capita for the local municipalities. The QoL is an index based on 56 indicators across 10 dimensions, as indicated in sub-section 2.7.1 of this publication.

3.6.1 Development Indicators

Figure 3.19: Development Diamonds, 2011

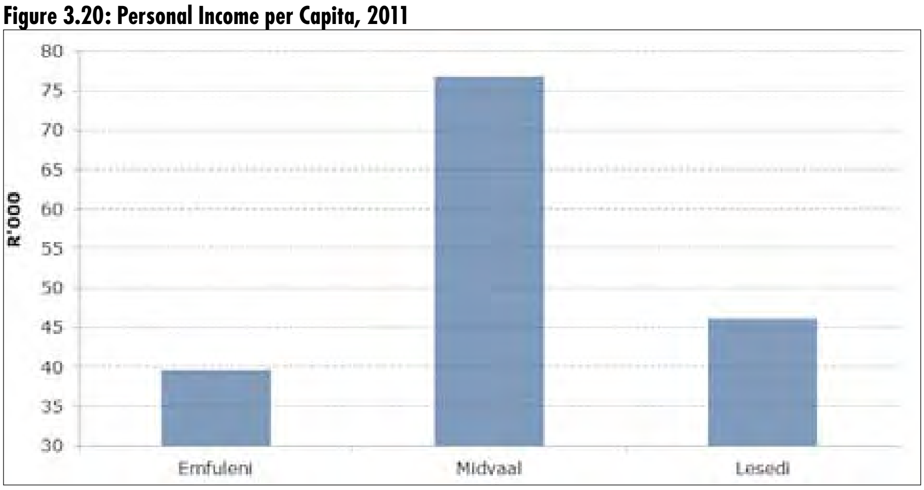


Source: IHS Global Insight, 2012

Figure 3.19 shows the development diamond for the local municipalities for 2011. It indicates that, of Sedibeng's three local municipalities, Lesedi had the highest income inequality, with a Gini coefficient of 0.66. This was followed by Midvaal, at 0.65 and Emfuleni at 0.61. Midvaal had the highest level of human development at 0.65, followed by Emfuleni at 0.62 and Lesedi at 0.59. At 38.9 percent, Lesedi had the highest percentage of people living in poverty, followed by Emfuleni at 32.8 percent and Midvaal at 31.2, a 7.7 percentage point variation below that of Lesedi. These higher poverty rates may be due to the decrease in the manufacturing sub-sector's share of GVA-R, as shown in figure 3.6, resulting in the decline in employment in these municipalities.

Income per capita is calculated by dividing the total income of a region by its population. It is thus the average income of that region. As with all averages, income per capita is subject to significant variation around that average with some members of the population earning much higher than average incomes and others much lower. Income per capita is nevertheless useful for regional comparisons, particularly if considered together with the Gini coefficient to indicate the degree of variation, and the unemployment rate to indicate what share of persons are subsisting on little to no income. Both of these additional indicators are shown in this chapter. The Gini coefficients of the three municipalities are discussed in Figure 3.19. Unemployment rates are found in Table 3.2.

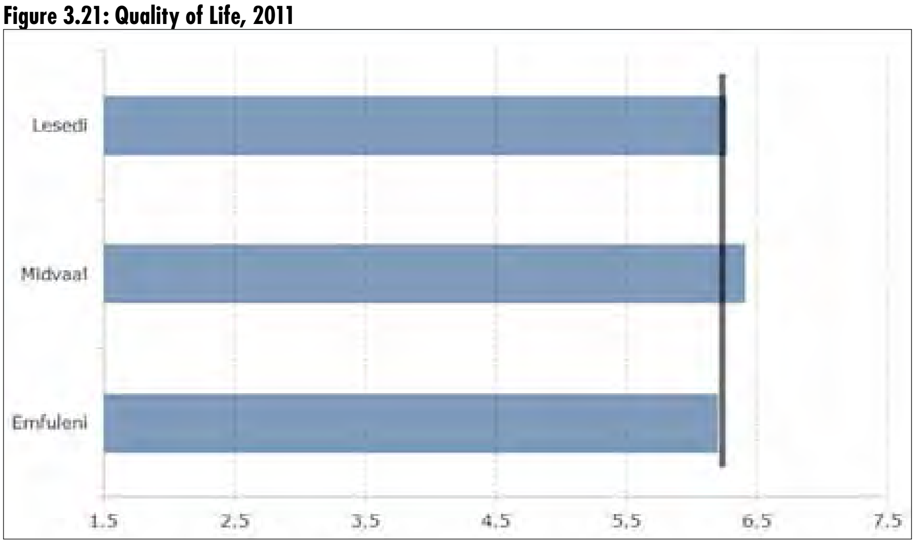
Figure 3.20: Personal Income per Capita, 2011



Source: IHS Global Insight, 2012

Figure 3.20 shows personal income per capita for the three local municipalities for 2011. Emfuleni had the lowest income per capita in Sedibeng, with residents earning just under R40,000 per year on average. Midvaal had the highest figure, at R76,787 or close to double that of Emfuleni. The higher income per capita in the municipality could be explained by the fact that Midvaal has a lower population and lowest unemployment rate in Sedibeng, as shown in Figure 3.1 and Table 3.2. Lesedi's income per capita was R46,069 in 2011.

Figure 3.21: Quality of Life, 2011



Source: GCRO, 2012

Figure 3.21 shows the QoL in the three Sedibeng local municipalities for 2011. The Sedibeng QoL average was 6.3, shown by the vertical black line. Midvaal had a QoL score of 6.4, meaning that the QoL in this local municipality was higher than the district average. The lower unemployment rate and higher income per capita could have resulted in the Midvaal as having the highest index score. The QoL score for Lesedi was the same as that of the district average, at 6.3, with Emfuleni 6.2, the lowest of the three.

3.6.2 Education Attainment

Table 3.3: Education Attainment, 2011

	Emfuleni	Midvaal	Lesedi
No schooling	3.7%	6.2%	7.4%
Grade 0-2	1.1%	2.1%	1.8%
Grade 3-6	7.0%	10.8%	10.3%
Grade 7-9	21.2%	20.6%	23.0%
Grade 10-11	28.1%	23.4%	26.2%
Certificate	1.1%	0.8%	1.0%
Matric only	28.4%	26.2%	23.6%
Diploma	6.9%	6.5%	4.6%
Bachelors degree	1.8%	2.2%	1.4%
Postgraduate degree	0.8%	1.3%	0.6%
	100%	**100%**	**100%**

Source: IHS Global Insight, 2012

Table 3.3 shows the education attainment of persons aged 15 years and older in the three local municipalities for 2011. In Emfuleni, about 28.4 percent of people had matric, 28.1 percent had grade 10 to 11, about 21.2 percent had grade 7 to 9 and about 3.7 percent had no schooling. The attainment proportion for diplomas and bachelors degrees amounted to 6.9 and 1.8 percent respectively, of people in the municipality. In Midvaal, 26.2 percent had matric, 23.4 percent had grade 10 to 11, about 6.5 percent had diplomas and 2.2 percent had bachelors degrees. Lesedi had 26.2 percent with grade 10 to 11, 23.6 percent with matric, about 4.6 percent with diplomas and 1.4 percent with bachelors degrees. The shortage of skilled people available to work in industry may be related to the municipality's share of people with bachelor's and postgraduate degree, the smallest share amongst Lesedi's people in relation to the other municipalities. This is compounded by the higher composition of those who have no schooling at 7.4 percent. The higher the education level attained by a person the better the person is in to find employment.

3.7 Conclusion

With over 700,000 people, Emfuleni had the largest population of Sedibeng's three local municipalities, while Midvaal and Lesedi had populations of fewer than 100,000. The largest single group of people in Emfuleni were between 20 and 24 years old and in Midvaal and Lesedi between 25 and 29 years old. Emfuleni was the municipality with the highest density with 743 people per km^2; this was followed by Lesedi and Midvaal. While HIV prevalence has declined in recent years, AIDS continues to increase in relation to population numbers.

In 2011, Emfuleni contributed R18.97 billion to Sedibeng's GDP-R, making it the biggest contributor at 76.8 percent. At 6 percent, Midvaal had the highest economic growth in the same year. The manufacturing sector made up the largest share of GVA-R in Emfuleni, although this decreased from 48.8 percent in 2002 to 37 percent in 2011. In 2011, Emfuleni had a trade surplus of R1.09 billion while Midvaal and Lesedi had trade deficits of R 0.23 and R0.51 billion respectively.

The labour market numbers were dominated by Emfuleni which had a working age population of 501,784 in 2011. In that year, Midvaal had 67,182 and Lesedi 68,254. Stats SA data shows that unemployment at 34.7 percent in Emfuleni, 18.8 percent in Midvaal and 25.9 percent in Lesedi. Among the sub-sectors, at 24 percent, manufacturing employed the largest single percentage in Emfuleni; government, social & personal services (21.5 percent) in Midvaal; and wholesale & retail trade (21.3 percent) in Lesedi.

Stats SA data indicate that, in terms of household shares across the three municipalities, Emfuleni has the highest access to services in most categories. Only 0.6 percent of people in Emfuleni did not have access to water, while Lesedi had 1.1 percent and Midvaal had 4.3 percent. In Emfuleni, 91.1 percent of households had their refuse removed on a weekly basis by the authorities, 86.8 percent in Lesedi and 84.1 percent in Midvaal. In terms of human development, Midvaal had an HDI of 0.65, Emfuleni 0.62 and Lesedi 0.59. Of the Midvaal population, 31.2 percent were living in poverty, the lowest percentage among the municipalities, with Emfuleni at 32.8 and Lesedi at 38.9 percent. The Midvaal QoL is higher than the average for Sedibeng and for the other local municipalities.

Chapter 4: Socio-Economic Review and Outlook of the West Rand

4.1 Introduction

The West Rand district municipality is located on the south-western edge of Gauteng Province and consists of four local municipalities: Mogale City, Randfontein, Westonaria and Merafong City.[1] Mogale City has an area of 1,345 km^2, Randfontein 478 km^2, Westonaria 639 km^2 and Merafong City 1,634 km^2, thus giving a total for the West Rand of 4,095 km^2. Many emerging farmers reside in the area, a number of mines are located in the municipality and tourism is a large income-producing sector. The Cradle of Humankind, Wonderfontein Caves, the Magaliesberg Express, the Magaliesberg Wilderness area and more than 50 golf courses all offer significant tourism opportunities. Lanseria International Airport is located close by and this has increased business potential, with many exporters utilising the airport. This chapter reviews the socio-economic overview of the four local municipalities, including demographics, economic review, labour market, access to services and development.

4.2 Demographic Profile

This section reviews the demographics of the local municipalities in the West Rand, analysing the population profiles, population densities and HIV/AIDS status of the four local municipalities.

4.2.1 Population Profile

To review the population of the local municipalities in the West Rand, this section mostly uses pyramid graphics. The data in these pyramids is taken from both the 2001 and 2011 censuses. This enables their data to be compared.

Figure 4.1: Population, 2001 & 2011

Source: Stats SA, 2013

Figure 4.1 shows the population figures of the four local municipalities for 2001 and 2011. At 362,422 persons, Mogale City had the largest population in 2011. This apparent preference for living in Mogale City is likely related to employment opportunities, with Figure 4.5 and Table 4.2 below showing that the municipality has the largest GDP-R and the lowest unemployment rate in the West Rand. Randfontein has experienced the second largest increase in population within the district, from 128,842 persons in 2001 to 149,286 in 2011. At

[1] The information in this introduction was extracted from the *West Rand Integrated Development Plan 2011/12-2015/16*, and from http://www.gautengcompanies.co.za/

111,769, Westonaria had the smallest population in the district in 2011. This may be related to the fact that the municipality experienced the largest fall in GDP-R in the West Rand between 2001 and 2011. Merafong City had the second largest population in the district, at 197,520 in 2011, although it experienced a decline between the two years. Figure 4.2 uses the population pyramids to distinguish the different age groups and genders.

Figure 4.2: Population Composition by Age & Gender, 2001 & 2011

Source: Stats SA, 2013

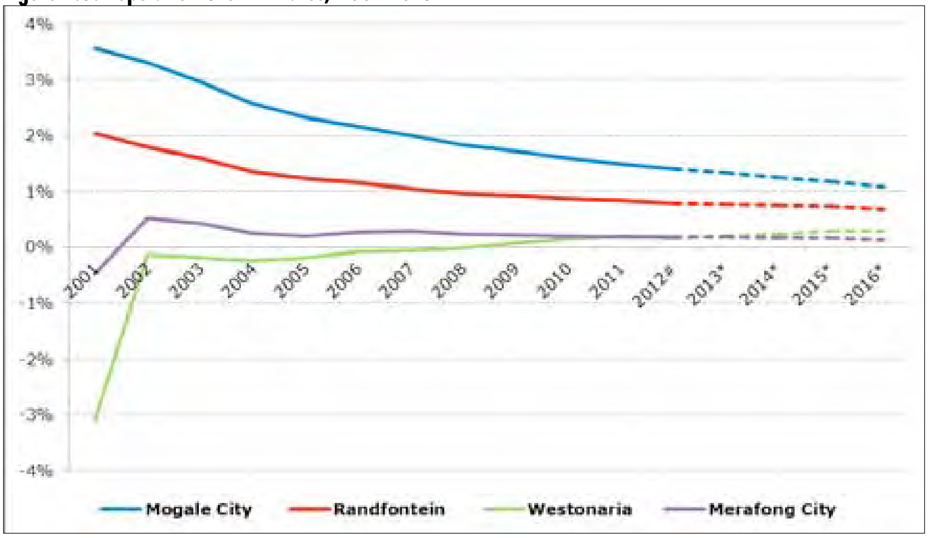
Figure 4.2 shows the population comparison by age and gender for the four local municipalities between 2001 and 2011. The number of males in Mogale City increased by 32,897 from 152,083 to 184,980, and the female population increased by 34,020 from 143,422 to 177,442 in the same period. The age cohort with the highest growth amongst males and females during this period was 00 to 04 years old, growing by 5,017 and 4,507 respectively.

In the review period, the male population of Randfontein grew by 9,991 from 64,895 to 74,886 and that of females by 10,453 from 63,947 to 74,400. The age cohorts with the greatest increases were 00 to 04 years old for males (with an increase of 1,415) and 50 to 54 years old for females (with an increase of 1,599).

The male population in Westonaria decreased by 1,301 from 62,453 in 2001 to 61,152 in 2011, and the female population grew by 3,272 from 47,345 to 50,617. The age cohort with the highest growth amongst males was 20 to 24 years old, which grew by 1,542. The 35 to 39 age cohort had the biggest decrease amongst males, falling by 3,225. The age cohort with the highest increase amongst females was 20 to 24 years old, which increased by 717. The cohort between the ages of 35 to 39 experienced the biggest decrease for females; in 2011, there were 816 fewer in the cohort than in 2001.

The male population group in Merafong City decreased by 13,801 people over the review period whereas the female population group grew by 840, from 89,523 to 90,363. Amongst males, the 35 to 39 age cohort experienced the biggest decrease (5,750). This age cohort also recorded the largest contraction amongst females (1,888).

Figure 4.3: Population Growth Rates, 2001-2016*



Source: IHS Global Insight, 2013

Note: # indicates estimates and * forecasts.

Stats SA Census data does not provide time series data, therefore data from IHS Global Insight data were used.

Figure 4.3 shows the population growth rates of the four municipalities from 2001 to 2011, with estimates for 2012 and forecasts to 2016. Analysis of the data underlying Figure 4.1 indicates an increase of over 66,000 persons in Mogale City between 2001 and 2011. The population growth rate in this municipality was the highest in the district, at 3.6 percent in 2001, although thereafter it slowed but remained positive, reaching 1.5 percent in 2011. It is forecast to continue to slow to 1.1 percent by 2016. Over the review period, Randfontein had the second highest population growth rate between 2001 and 2011; this aligns with the approximate 20,000 increase in population shown in Figure 4.1. The municipality's population growth rate was 2 percent in 2001, slowing to 0.8 percent in 2011. Westonaria and Merafong City have had fairly low population growth rates, with Figure 4.2 showing both municipalities having a decrease in population in the 30 to 44 age cohorts. This correlates with the slow growth in Merafong City and slightly negative population growth in Westonaria from 2001 to 2008. By 2016, the two municipalities are expected to have population growth rates of 0.3 and 0.1 percent respectively.

Population Density

Table 4.1: Number of People per km², Population Group, 2001 & 2011

	Mogale City			Randfontein			Westonaria			Merafong City		
	2001	2011	Change p.a.	2001	2011	Change p.a.	2001	2011	Change p.a.	2001	2011	Change p.a.
Black	160	208	2.7%	178	218	2.0%	150	155	0.4%	105	102	-0.3%
White	54	53	-0.1%	65	69	0.5%	21	18	-1.3%	23	18	-2.4%
Indian	2	2	3.3%	26	25	0.0%	1	1	0.7%	1	1	-0.9%
Coloured	5	6	2.4%	0	1	3.4%	0	0	3.4%	0	0	3.0%
Total	**220**	**270**	**2.1%**	**270**	**312**	**1.5%**	**172**	**175**	**0.2%**	**129**	**121**	**-0.6%**

Source: Stats SA, 2013

Note: Number of people per km² has been rounded off to an integer, while percentage change calculations are based on actual data.

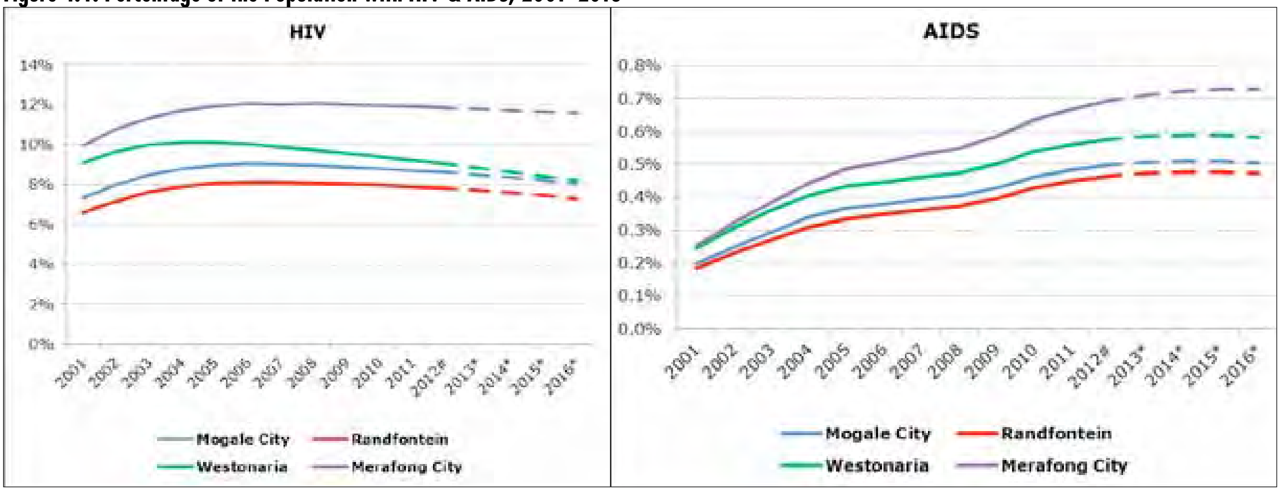
Table 4.1 shows the population density in the four local municipalities. The Black population group had the highest population density, followed by the White population group. In 2011, there were 208 Black people per km² in Mogale City, 218 in Randfontein, 155 in Westonaria and 102 in Merafong City. The population density amongst the White group was 53 people per km² in Mogale City, 69 in Randfontein and 18 in Westonaria and Merafong City. Other than in Mogale City, the Asian population group was the third densest within the municipalities. In Mogale City, there were approximately 2 Asians per km², 25 in Randfontein and 1 in Westonaria and Merafong City. The population density of Coloureds was 6 people per km² in Mogale City, 1 in Randfontein and an estimated 0 for both Westonaria and Merafong City.

Over the review period, Mogale City had the highest increase in total population density, increasing by 2.1 percent p.a. from 220 people per km^2 to 270. It was followed by Randfontein at 1.5 percent p.a. Westonaria experienced a marginal increase of 0.2 percent p.a. and Merafong City of 0.6 percent.

4.2.2 HIV/AIDS

This section looks at the percentage of people estimated to be living with HIV and AIDS in the local municipalities of the West Rand as AIDS has dire implications for the economically active part of the population.

Figure 4.4: Percentage of the Population with HIV & AIDS, 2001–2016*



Source: IHS Global Insight, 2012

Note: # indicates estimates and * forecasts.

Figure 4.4 shows the estimated percentage of people living with HIV in the left graph and those estimated to have AIDS on the right for the years 2001 to 2011, and with estimates for 2012 and forecasts to 2016. Approximately 7.3 percent of the population of Mogale City were living with HIV in 2001. This grew marginally and peaked at 9 percent in 2007. It is estimated that, by 2016, 8 percent of people in Mogale City will be living with HIV. In 2001, 6.6 percent of the population of Randfontein was living with HIV. This prevalence peaked in 2008, at 8.1 percent, and is expected to fall to 7.3 percent by 2016. Westonaria and Merafong City had 9.1 and 10 percent, respectively, of their people living with HIV in 2001. Prevalence in Westonaria peaked at 10 percent in 2006 and in Merafong City in 2008 at 12.1 percent. It is forecast that in 2016 8.2 percent of the population of Westonaria will be living with HIV, and in Merafong City 11.6 percent.

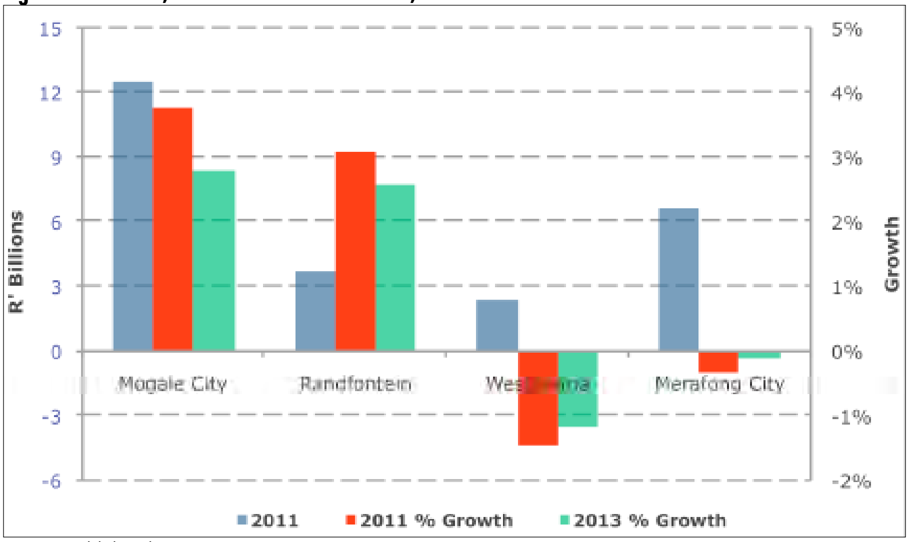
Similarly to the local municipalities in Sedibeng, the West Rand municipalities have a low, increasing percentage of people living with AIDS. In 2001, this was 0.2 percent in Mogale City, 0.18 percent in Randfontein, 0.24 percent in Westonaria and 0.25 percent in Merafong City. By 2016, these estimates are expected to have increased to 0.5 percent in Mogale City, 0.47 percent in Randfontein, 0.58 percent in Westonaria and 0.73 percent in Merafong City.

4.3 Economic Review

This section provides a brief analysis of GDP-R growth and the economic outlook for the local municipalities before disaggregating the sectoral make-up of their economies and analysing their trade positions.

4.3.1 GDP-R Growth & Outlook

Figure 4.5: GDP-R, Rand Value and % Growth, 2011 & 2013*



Source: IHS Global Insight, 2012

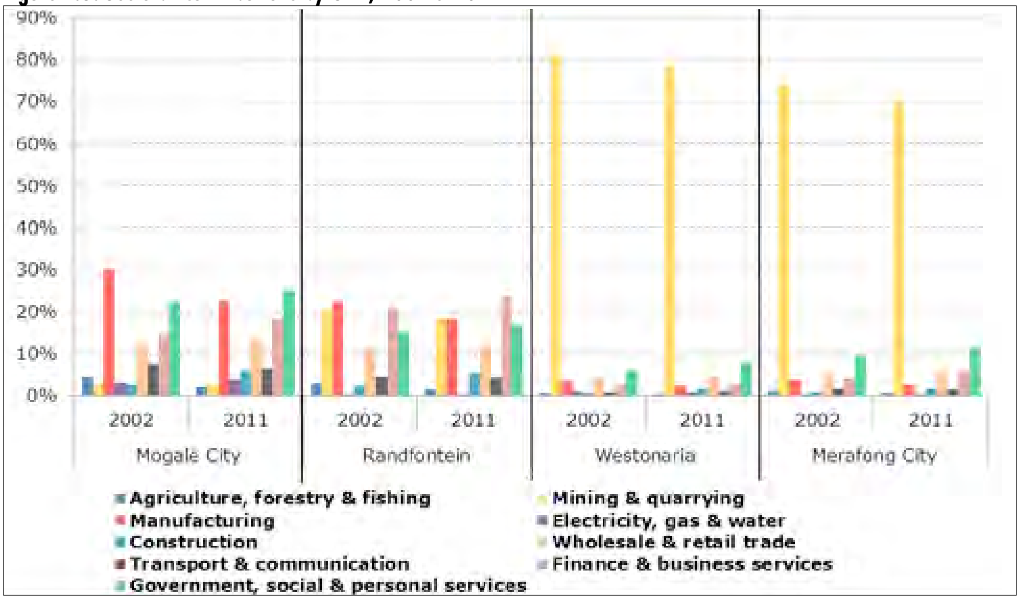
Note: * indicates forecasts.

Figure 4.5 shows the GDP-R totals and growth rates of the local municipalities for 2011. Growth throughout the district has been hampered by a reduction in mining & quarrying output, a sub-sector accounting for a significant share of the economy in every district except Mogale City. Mogale City had the largest GDP-R and the highest growth rate in the West Rand, at R12.5 billion and 3.8 percent respectively. The municipality's economic growth appears to be relatively broad-based, meaning both Mogale City and Randfontein have more diversified economies. Though the mining & quarrying sub-sector has suffered decreased output, this constitutes a small portion of the Mogale City economy and as a result has had only a limited negative impact on overall growth. Figure 4.6 shows small changes in the shares of the municipality's economy held by various sub-sectors. This implies that most of the components of the economy of Mogale City have been growing at largely similar rates. The municipality is predicted to record a lower growth rate in 2013, at 2.8 percent.

The GDP-R of Randfontein amounted to R3.7 billion in 2011 or a 3.1 percent growth rate for the year. Mining & quarrying make up a larger share of the Randfontein economy than in Mogale City and as a result Randfontein was more heavily affected by the decline in the sub-sector. The region nevertheless recorded positive growth, with the finance & business services sub-sector making the largest single contribution. Randfontein is expected to record a lower growth rate of 2.6 percent in 2013. Westonaria and Merafong City both suffered negative growth rates in 2011, at 1.5 and 0.3 percent respectively. As shown in Figure 4.6, mining & quarrying accounts for a large percentage of the economies of both of these municipalities and their growth rates have been greatly hampered by the loss of output in the sub-sector. The economies of Westonaria and Merafong City are expected to continue contracting, but at lower negative rates, with forecasts of negative 1.2 and negative 0.1 percent growth respectively.

4.3.2 Sectoral Analysis

Figure 4.6: Sectoral Contributions by GVA, 2002 & 2011



Source: IHS Global Insight, 2012

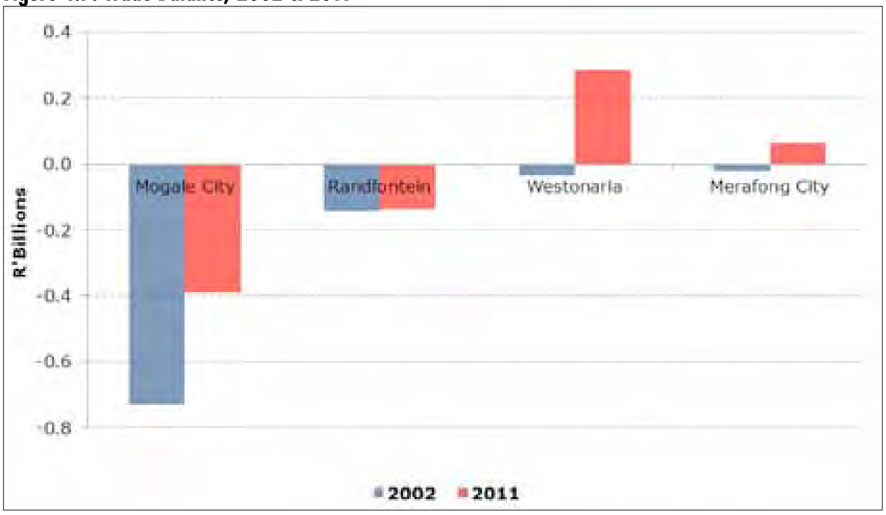
Figure 4.6 shows the shares of GVA-R accounted for by each economic sub-sector in the West Rand for the years 2002 and 2011. While the share accounted for by the manufacturing sub-sector in Mogale City decreased from 30 percent in 2002 to 22.6 percent in 2011, the total output by this sub-sector increased by 20.4 percent over the ten-year period, or by 1.35 percent p.a. The sub-sector's share decreased because its growth rate was not as high as those of others such as construction, which grew by 1.63 percent p.a. The second highest growth rate in this local municipality was for finance & business services, at 1.52 percent p.a.; this increased its share of GVA-R from 14.7 percent to 18.3 percent. Overall, the tertiary sector appears to be growing somewhat faster than the others, with the exception of the rapid growth seen in the construction sub-sector. In Randfontein, the figures for manufacturing mirrored those in Mogale City, with an increase in total output but a decrease in the share of GVA-R, from 22.3 percent in 2002 to 18.2 percent by 2011. The Randfontein mining & quarrying sub-sector, however, suffered decreases in both its share, from 20.4 to 18.3 percent, and its actual output, by 29.9 percent. The finance & business services sub-sector grew by 1.4 percent p.a. over the decade. This increased its share of the local municipal economy from 20.5 to 23.6 percent. Although it nearly doubled its output over ten years, the construction sub-sector in Randfontein was growing from a relatively low base and accounted for only 5.4 percent of the municipality's GVA-R in 2011.

The economies of Westonaria and Merafong City are dominated by the mining & quarrying sub-sector. The share accounted for by this sub-sector has, however, diminished in both regions. In Westonaria, there was a decline from 80.7 percent in 2002 to 78.3 percent by 2011, and from 74 percent to 70.3 percent over the same period in Merafong City. These shares have declined because the Rand value output of the sub-sector has declined in these municipalities. The construction sub-sector grew by over 90 percent in both municipalities between 2002 and 2011, this translates into an annual growth of 1.58 and 1.57 percent p.a. respectively, but that growth was from a low base and thus the shares are still relatively low. In 2011, it accounted for 1.5 percent of the Westonaria economy and for 1.7 in Merafong City. Government, personal & social services was the sub-sector with the largest increase in its share of both economies, accounting for 7.7 percent of the GVA-R of Westonaria in 2011 and 11.6 percent of that of Merafong City, from 5.9 percent and 9.2 percent respectively.

4.3.3 Trade Position

This section examines the trade positions of the local municipalities within the West Rand to determine its position within the district.

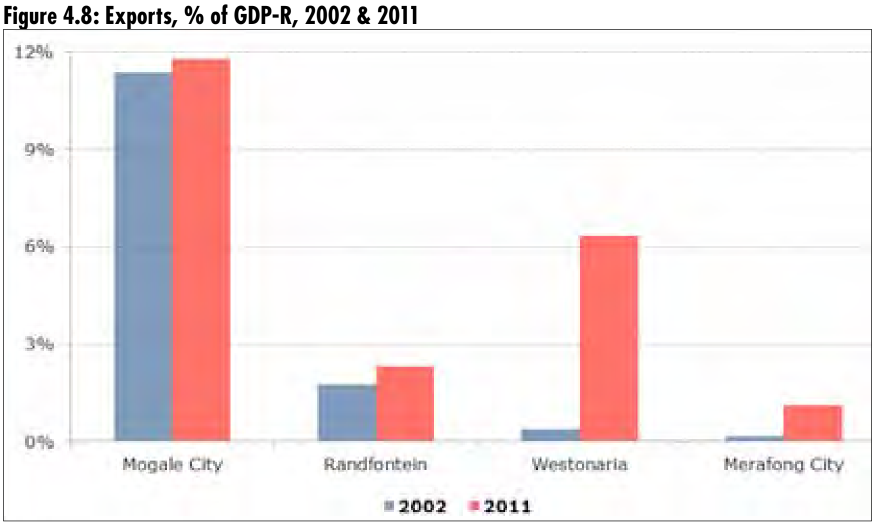
Figure 4.7: Trade Balance, 2002 & 2011



Source: IHS Global Insight, 2012

Figure 4.7 shows the trade balances of Mogale City, Randfontein, Westonaria and Merafong City for the years 2002 and 2011. The Mogale City trade balance is the most deeply negative, though to a lesser extent in 2011, at negative R390.2 million, than in 2002 when it was negative R729.9 million. Mogale City's trade deficit improved in spite of an increase in the total value of imports because of an even greater increase in total exports. This was despite the fact that the traditionally export-focused mining & quarrying sub-sector has declined by 26 percent in the municipality's economy, though from an already low base. At R143.1 million, Randfontein had a smaller trade deficit in 2002, and by 2011 this had decreased to R135.8 million. Westonaria and Merafong City had even smaller trade deficits in 2002, and by 2011 they had both had trade surpluses. Westonaria in particular had a relatively large trade surplus in 2011, at R282.8 million.

Figure 4.8: Exports, % of GDP-R, 2002 & 2011



Source: IHS Global Insight, 2012

Figure 4.8 shows the total export values of the four West Rand local municipalities, expressed as percentages of their respective GDP-R values, for the years 2002 and 2011. In 2002, the total export value from the Mogale City region was equal to 11.4 percent of its GDP-R, the highest figure in the West Rand. It rose slightly to 11.8 percent in 2011 and remained the highest figure despite a significant increase in that of Westonaria. In Mogale City, iron & steel and machinery accounted for the largest proportions of total exported goods in 2011, at 38.4

and 20.8 percent respectively.[2] The percentage of the GDP-R of Westonaria accounted for by exports increased from 0.4 percent to 6.3 percent between 2002 and 2011. This contributed to the region's shift from a small trade deficit to a relatively large surplus, as shown in Figure 4.7. At 61.3 percent, pearls & precious metals accounted for the largest share of the municipality's exports, followed by cleaning products at 13.4 percent. Randfontein and Merafong City also increased their exports as percentages of the GDP-R, reaching 2.4 and 1.1 percent respectively in 2011. Animal fats & oil products made up the largest percentage of exports from Randfontein, at 29.6 percent. This was followed by exports of machinery, at 15.7 percent in 2011. In Merafong City, nuclear reactors & mechanical appliances made up the largest share, at 52.3 percent.

4.4 Labour Market

This section reviews the labour profile, employment and unemployment trends within the municipalities.

4.4.1 Labour Profile

Table 4.2: Labour Force Profile, 2011

	Mogale City	Randfontein	Westonaria	Merafong City
Working age population	259,918	104,848	81,927	143,278
Economically active	178,481	70,652	57,575	91,521
Employed	134,635	51,480	40,585	66,635
Unemployed	43,846	19,172	16,990	24,886
Not economically active=	81,437	34,196	24,352	51,757
Unemployment rate	**24.6%**	**27.1%**	**29.5%**	**27.2%**

Source: Stats SA, 2013

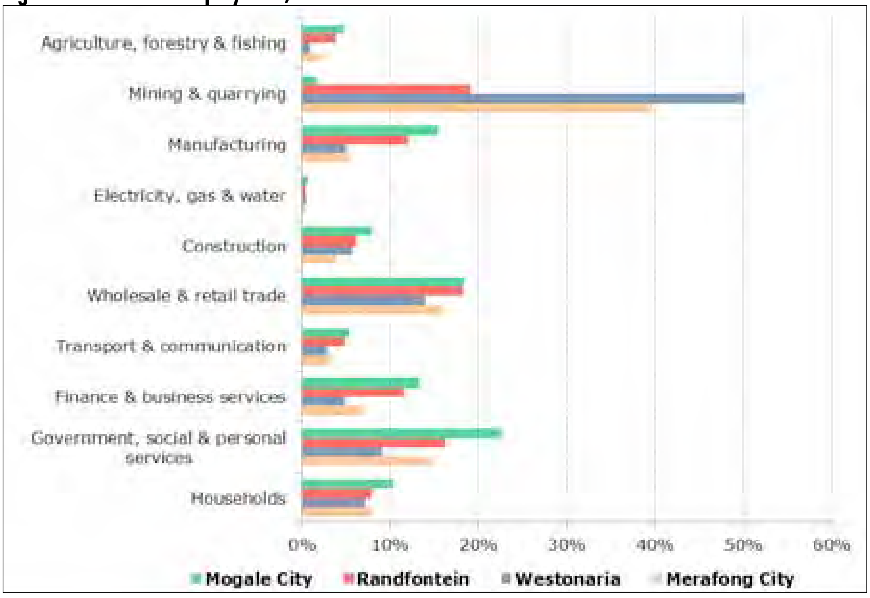
Note: Census data is used in this table because the QLFS does not give data on local municipalities. The QLFS is, however, officially recognised as the most accurate source of labour statistics.

Table 4.2 shows the labour profile of the four local municipalities in 2011. Mogale City had a working age population of 259,918. Of the 178,481 economically active people, 75.4 percent (134,635) were employed. The number of unemployed persons was 43,846; this brought the unemployment rate to 24.6 percent. Of the 104,848 working age population in Randfontein, 67.4 percent (70,652) were economically active. The employed accounted for 72.9 percent of the economically active, with the number of unemployed people (19,172) bringing the unemployment rate to 27.1 percent. Westonaria had the highest percentage of its working age population who were economically active but had the smallest percentage of persons employed, with an unemployment rate of 29.5 percent. Merafong City had a working age population of 143,278 people, with the economically active making up 63.9 percent (91,521). About 72.8 percent of the economically active were employed, while the unemployment rate stood at 27.2 percent, the second highest amongst the municipalities.

[2] The information on exported goods by local municipalities within the West Rand was obtained from IHS Global Insight.

4.4.2 Employment

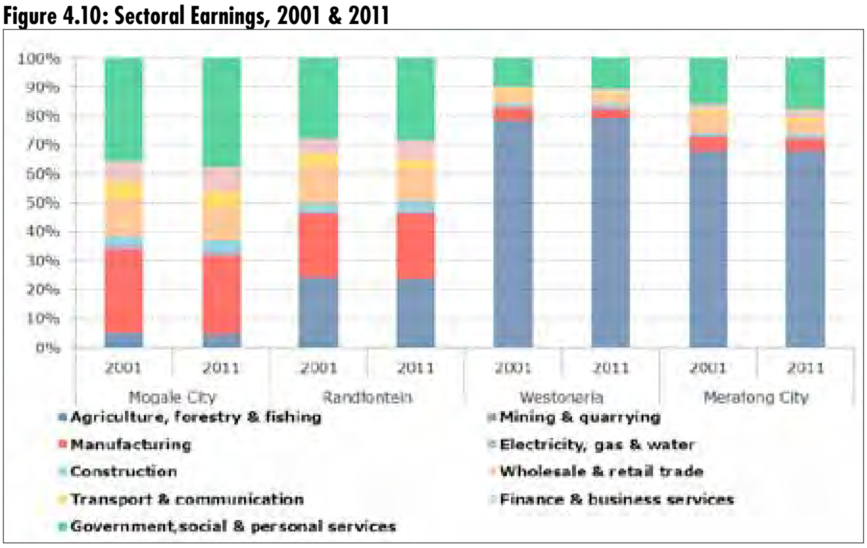
Figure 4.9: Sectoral Employment, 2011



Source: IHS Global Insight, 2012

Figure 4.9 shows the shares of employment by different sub-sectors for the four municipalities in 2011. The two sub-sectors with the highest shares of employment in Mogale City were government, social & personal services and wholesale & retail trade, at 22.5 and 18.3 percent respectively. The lowest were electricity, gas & water at 0.7 percent, and mining & quarrying at 1.7 percent. For Randfontein, the highest were mining & quarrying (19 percent) and wholesale & retail trade (18.2 percent), while the lowest were electricity, gas & water (0.3 percent) and agriculture, forestry & fishing (3.8 percent). The highest employment shares in Westonaria were in mining & quarrying (50.1 percent) and wholesale & retail trade (13.9 percent). The lowest were electricity, gas & water (0.4 percent) and agriculture, forestry & fishing (1 percent). Merafong City had its highest shares in employment from mining & quarrying (39.7 percent) and wholesale & retail trade (15.9 percent). The lowest were agriculture, forestry & fishing (2.4 percent) and electricity, gas & water (0.4 percent).

Figure 4.10: Sectoral Earnings, 2001 & 2011



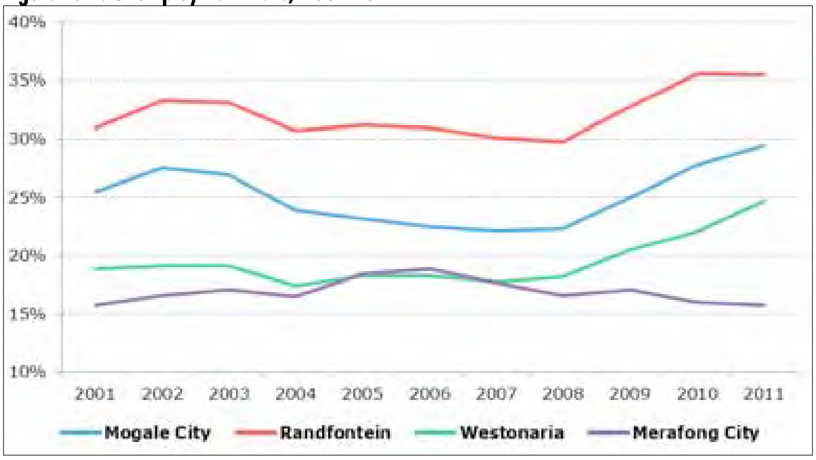
Source: IHS Global Insight, 2012

Figure 4.10 shows shares of earnings by different sub-sectors for the four local municipalities in 2001 and 2011. The biggest shares in earnings for Mogale City and Randfontein in 2011 were held by government, social & personal services, at 37.6 and 28.6 percent respectively. The lowest were agriculture, forestry & fishing at 1.3 and 1 percent respectively. Mining & quarrying made up the highest share of earnings for Westonaria, at 78.3

percent in 2001 and 78.9 percent in 2011. It made up the second highest shares for Merafong City, at 67.2 percent in 2001 and 67.3 percent in 2011. The lowest shares of earnings for Westonaria were from agriculture, forestry & fishing (0.2 percent in both 2001 and 2011); and for Merafong City the lowest were from electricity, gas & water (0.5 percent in 2001 and 0.3 percent in 2011).

4.4.3 Unemployment

Figure 4.11: Unemployment Rate, 2001-2011



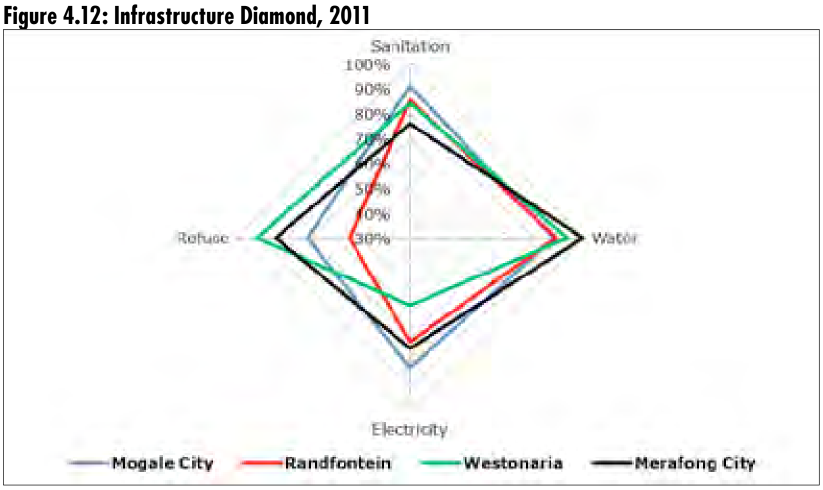
Source: IHS Global Insight, 2012

Figure 4.11 shows the unemployment rates for the four local municipalities from 2001 to 2011. Most of them follow the same trend as those of Sedibeng, and also show an inverse relationship with economic growth trends. During times of high economic growth there should be a decrease in unemployment, as seen in Mogale City during the period 2004 to 2007. This was less evident in the other local municipalities, and in particular in Merafong City which recorded a significant increase in unemployment from 2004 to 2006. The impact of the economic crisis that started in 2008 is visible in increases in the rates of unemployment, with the exception of Merafong City. The loss of output in the mining & quarrying sector in the municipality, referred to in sub-section 4.3.1, negatively affects job prospects here.

4.5 Access to Services

This section provides a comprehensive analysis of access to services in the four local municipalities. It uses the infrastructure diamonds to analyse access to sanitation, water, refuse removal and electricity. The four indicators are then elaborated on further before a discussion on access to housing.

Figure 4.12: Infrastructure Diamond, 2011

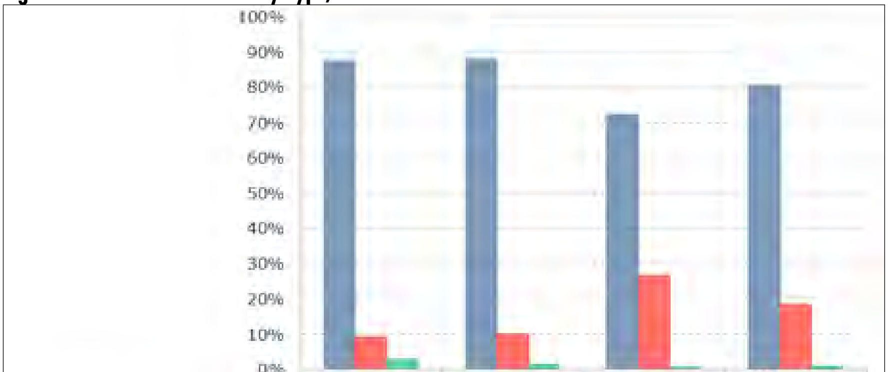


Source: IHS Global Insight, 2012

Figure 4.12 shows the infrastructure diamonds of the local municipalities for 2011. Of all the municipalities, Mogale City had the highest percentage of households with access to sanitation, at 90.8 percent, followed by Randfontein at 85.2 percent. About 84 percent of households in Westonaria had access to sanitation; the lowest percentage was that of Merafong City, at 76 percent. However, Merafong City had the highest percentage of households with access to water, at 99.4 percent. In Westonaria, about 93.1 percent had access to piped water; the lowest percentage was for Mogale City, at 87.8. Mogale City had the highest percentage of households with access to electricity, at 81.9 percent, and Westonaria the lowest, at 56.8 percent. At 91.7 percent, Westonaria had the highest percentage of households with access to refuse removal, followed by Merafong City at 84 percent. Randfontein had the lowest percentage of households with access to refuse removal, at 54.4 percent.

4.5.1 Water & Sanitation

Figure 4.13: Access to Water by Type, 2011

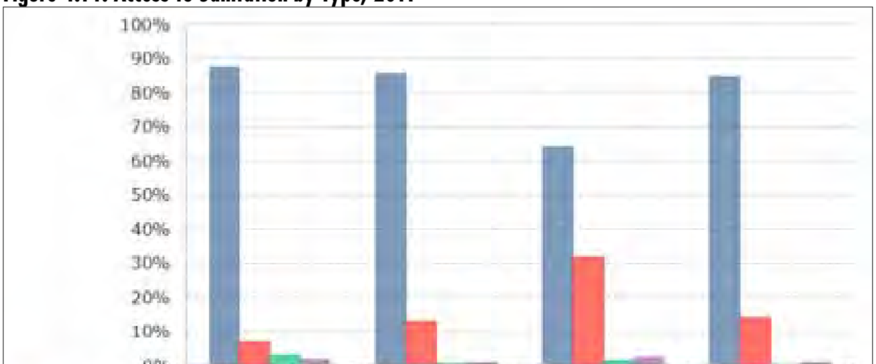


	Mogale City	Randfontein	Westonaria	Merafong City
Piped water inside dwelling	87.7%	88.1%	72.5%	80.5%
Piped water outside yard	9.4%	10.2%	26.6%	18.5%
No access to piped water	3.0%	1.8%	0.9%	1.0%

Source: Stats SA, 2013

Figure 4.13 shows the proportion of households with access to water, by type, for the municipalities in 2011. The largest share of households with access to piped water inside their dwellings was in Randfontein, at 88.1 percent, followed closely by Mogale City at 87.7 percent. At 72.5 percent, Westonaria had the smallest proportion of households with access to this type of water supply, 15.5 percentage points lower than that of Randfontein. It also had the largest percentage of households with piped water outside their yard, at 26.6 percent. In Merafong City, about 18.5 percent of households had access to water outside their yard and about 3 percent had no access to piped water, the largest proportion amongst the local municipalities. This may be due to the influx of people into the municipality, as shown by its high population indicated in figure 4.1 of this chapter.

Figure 4.14: Access to Sanitation by Type, 2011



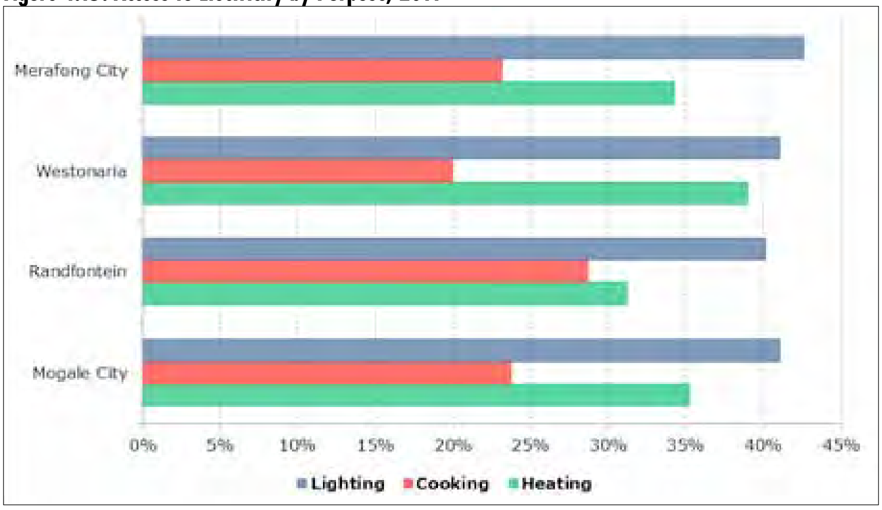
	Mogale City	Randfontein	Westonaria	Merafong City
Flush toilet	87.6%	85.5%	64.2%	84.6%
Pit toilet	7.2%	12.8%	31.7%	14.0%
Bucket system	3.2%	0.6%	1.4%	0.4%
No toilet	2.0%	1.1%	2.6%	1.0%

Source: Stats SA, 2013

Figure 4.14 shows the proportion of households with access to sanitation, by type, for the municipalities in 2011. Mogale City had the largest percentage of households with access to flush toilets, at 87.6 percent. This was 2.1 percentage points higher than the 85.5 percent in Randfontein. The figure also shows that about 31.7 percent of households in Westonaria were using pit toilets, the largest amongst the four municipalities. It was followed by Merafong City and Randfontein, at 14 and 12.8 percent respectively. About 3.2 percent households in Mogale City were using the bucket system, and 2.6 in Westonaria had no access to sanitation. The percentages still using the bucket system could be as a result of households living in informal dwellings with no access to flush or pit toilets.

4.5.2 Electricity

Figure 4.15: Access to Electricity by Purpose, 2011

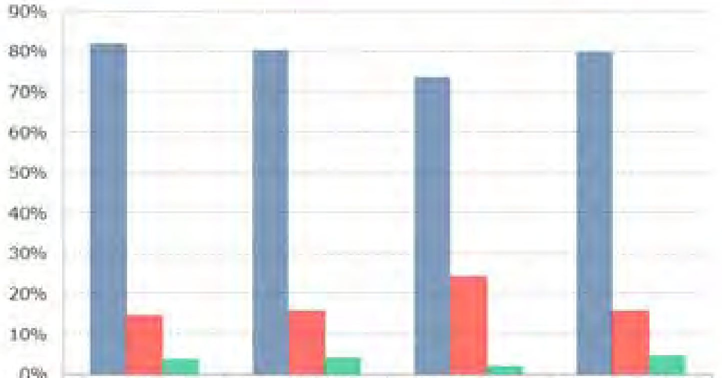


Source: Stats SA, 2013

Figure 4.15 shows percentages of households in the municipalities for 2011 using electricity for lighting, cooking and heating. Note that the percentages do not indicate the total share of those with access to electricity but indicates shares by most usage. The proportion for each municipality should add up to a 100 percent. The figure indicates that the largest proportion of households used electricity for lighting and heating. In Merafong City, about 42.6 percent of households used electricity for lighting, 1.5 percentage points higher than that of Westonaria, at 41.1 percent. Westonaria had the largest proportion of households using this type of energy for heating, at 39 percent, followed by Mogale City at 35.2 percent and Merafong City at 34.3 percent. The largest percentage of households using electricity for cooking was in Randfontein, at 28.7 percent, 8.8 percentage points higher than that of Westonaria, which had the smallest proportion at 19.9 percent.

4.5.3 Refuse Removal

Figure 4.16: Access to Refuse Removal by Type, 2011



	Mogale City	Randfontein	Westonaria	Merafong City
Authority	82.1%	80.3%	73.6%	80.0%
Communal	14.4%	15.6%	24.4%	15.6%
No refuse removal	3.5%	4.1%	2.0%	4.5%

Source: Stats SA, 2013

Figure 4.16 shows the proportion of households with access to refuse removal, by type, in the local municipalities for 2011. The largest proportion of households had access to weekly refuse removal by the authorities, with this category of households constituting 82.1 percent in Mogale City and 80.3 percent in Randfontein. At 24.4 percent, the share of households relying on communal refuse removal was the largest in Westonaria, with Randfontein and Merafong City both at 15.6 percent. Merafong City had the largest proportion of households with no access to refuse removal, at 4.5 percent.

4.5.4 Housing

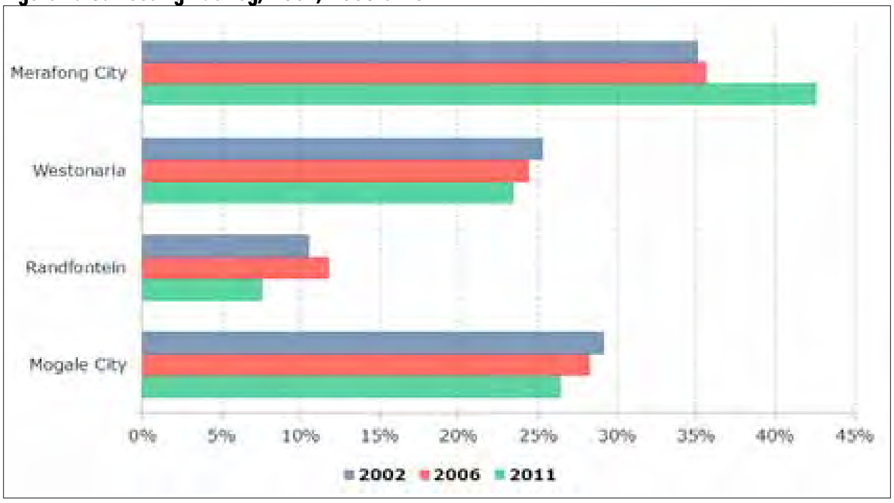
Figure 4.17: Access to Housing by Type, 2011

	Mogale City	Randfontein	Westonaria	Merafong City
Formal	74.2%	80.4%	60.1%	77.7%
Informal	25.5%	19.4%	39.6%	22.1%
Traditional	0.4%	0.2%	0.3%	0.2%

Source: Stats SA, 2013

Figure 4.17 shows the percentages of access to housing by different types in the local municipalities for 2011. Randfontein had the largest percentage of households with access to formal housing, at 80.4 percent, followed by Merafong City at 77.7 percent. Westonaria had the smallest proportion of households living in formal housing, at 60.1 percent. This was 20.3 percentage points lower than that of Randfontein. About 39.6 percent of households in Westonaria in 2011 were living in informal housing. This was a 20.2 percentage point difference compared to Randfontein, which had the smallest proportion at 19.4 percent, and reflects the very large housing backlog that the West Rand District municipality still has to address. In general, percentages of households living in traditional housing were insignificant, with Mogale City having the highest proportion at 0.4 percent.

Figure 4.18: Housing Backlog, 2002, 2006 & 2011



Source: IHS Global Insight, 2012

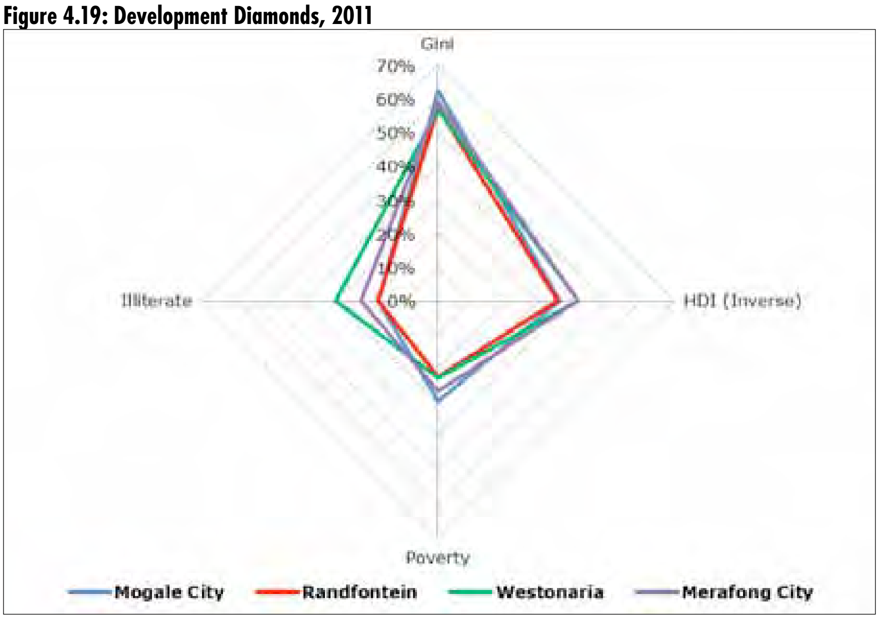
Figure 4.18 shows the share of households with housing backlog in the local municipalities for 2002, 2006 and 2011. Merafong City had the largest share of households with housing backlog over the period, and shows an increasing trend. In 2002, this made up approximately 35.1 percent of the households (about 41,440 houses), and increased by 0.5 percentage points to 35.6 percent in 2006 and to a high of 42.6 percent by 2011 (40,697 houses). In Mogale City, the share of households with housing backlog showed a decreasing trend, at 29.1 percent in 2002 (34,371 houses) and 28.3 percent in 2006 (36,707 houses) and 26.4 percent in 2011 (25,229 houses). For Westonaria, households with housing backlog decreased from 25.3 percent in 2002 (29,884 houses) to 23.5 percent in 2011. In Randfontein, the share of housing backlog increased from 10.5 percent to 11.7 percent between 2002 and 2006 before dropping to 7.5 percent (7,200 houses) in 2011.

4.6 Development

This section analyses the development indicators in the four local municipalities of the West Rand. It looks at the development diamond with the four indicators of Gini coefficient, HDI, poverty and illiteracy before providing an analysis of the QoL and the educational attainment in the municipalities.

4.6.1 Development Indicators

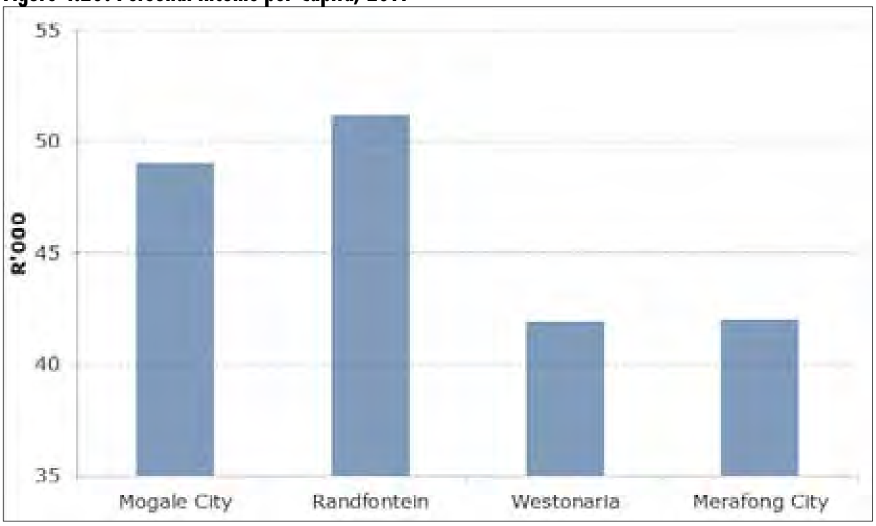
Figure 4.19: Development Diamonds, 2011



Source: IHS Global Insight, 2012

Figure 4.19 shows the development diamonds of the municipalities for 2011. According to the figure, of all the municipalities, Mogale City had the highest income inequality, with a Gini coefficient of 0.62, followed by Merafong City at 0.59 and by Randfontein and Westonaria, both at 0.57. Mogale City and Randfontein had the highest HDI, at 0.64 each, whilst those of Westonaria and Merafong City were at 0.58 each. Amongst the four municipalities, Mogale City had the highest poverty rate, at 29.5 percent, followed by Merafong at 26.7 percent. About 17.6 percent of people in Randfontein were illiterate, 17.7 percent in Mogale City, 22.9 percent in Merafong City and 30.4 percent in Westonaria.

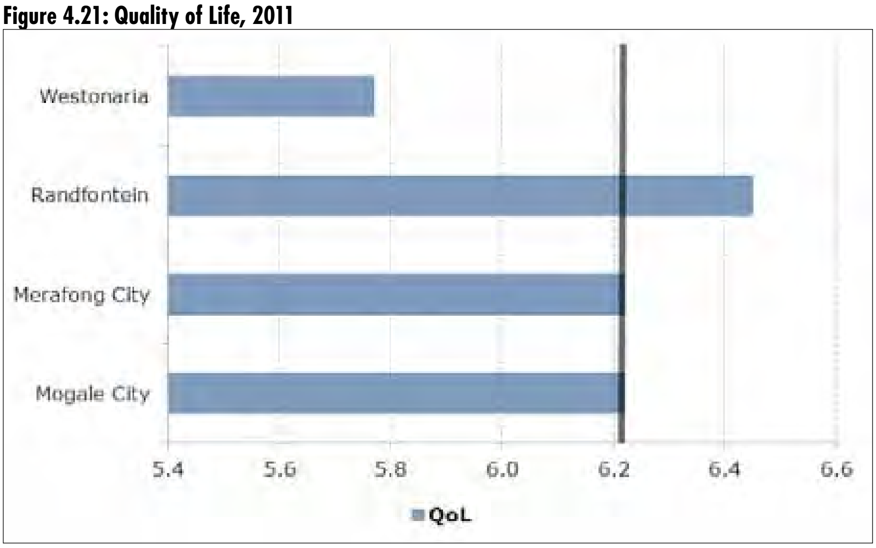
Figure 4.20: Personal Income per Capita, 2011



Source: IHS Global Insight, 2012

Figure 4.20 shows the personal income per capita for the Mogale, Randfontein, Westonaria and Merafong local municipalities for the year 2011. There is little variation in income levels between Mogale City and Randfontein, and the same holds true for Westonaria and Merafong City. Randfontein had the highest income per capita, at R51,179, with Mogale close behind at R49,020. Westonaria and Merafong both had income per capita of approximately R42,000.

Figure 4.21: Quality of Life, 2011



Source: GCRO, 2011

Figure 4.21 shows the QoL scores for the municipalities for 2011. The black line plots the average QoL for the West Rand. At 6.5, Randfontein was the only local municipality with a QoL score higher than that of the district as a whole. The average score for the district stood at 6.2, the same as that of Merafong City and Mogale City. This means that the QoL in Randfontein was higher than that of the other municipalities. Westonaria was the only municipality with a QoL score below that of the West Rand average, indicating a comparatively low quality of life in the municipality.

4.6.2 Education Attainment

Table 4.3: Education Attainment, 2011

	Mogale City	Randfontein	Westonaria	Merafong City
No schooling	4.0%	4.4%	6.4%	6.0%
Grade 0-2	0.9%	1.0%	1.3%	1.5%
Grade 3-6	7.7%	7.0%	14.1%	12.9%
Grade 7-9	21.5%	21.3%	28.5%	27.4%
Grade 10-11	25.1%	25.5%	23.7%	24.2%
Certificate	0.7%	0.9%	0.4%	0.6%
Matric only	29.2%	30.8%	20.4%	21.5%
Diploma	7.3%	6.8%	4.3%	4.4%
Bachelors degree	2.3%	1.7%	0.7%	1.0%
Postgraduate degree	1.1%	0.6%	0.3%	0.4%
	100%	**100%**	**100%**	**100%**

Source: IHS Global Insight, 2012

Table 4.3 compares educational attainment in the municipalities in 2011. In Randfontein, the educational attainment level which accounted for the largest share was matric, at 30.8 percent, followed by grade 10 to 11 at 25.5 percent. In Mogale City, the largest single percentage was also made up of those with matric, at 29.2 percent. In Merafong City, at 27.4 percent the largest single percentage was made up of those with grade 7 to 9, followed by those with grade 10 to 11 at 24.2 percent. At 28.5 percent, Westonaria had more people with grade 7 to 9 than any other level, followed by those with grade 10 to 11 at 23.7 percent. All of the municipalities had the lowest educational attainment shares in the post-matric categories.

4.7 Conclusion

In 2011, Mogale City had the largest population in the West Rand district municipality, with 362,422 residents. This was followed by Merafong City at 197,520, Randfontein at 149,286 and Westonaria at 111,767. Merafong City had the highest prevalence of HIV and the highest percent of people living with AIDS, followed by Westonaria, Mogale City and Randfontein.

In 2011, Mogale City and Randfontein had economic growth rates of 3.8 and 3.1 percent respectively while Westonaria and Merafong had negative growth rates of 1.5 percent and 0.3 percent respectively. In 2011, the sectors with the highest GVA-R shares in the municipalities were government, social & personal services at 25 percent in Mogale City, finance & business service at 23.6 percent in Randfontein and mining and quarrying in both Westonaria (78.3 percent) and Merafong City (70.3 percent). Mogale City had a trade deficit of R390.2 million and Randfontein of R135.8 million. Westonaria and Merafong City had trade surpluses of R282.8 and R390.2 million respectively. Exports made up 11.8 percent of GDP-R in Mogale City, 6.3 percent in Westonaria, 2.4 percent in Randfontein and 1.1 percent in Merafong City.

At 29.5 percent, Westonaria had the highest unemployment rate, followed by Merafong City and Randfontein at 27.2 and 27.1 percent respectively. Mogale City had the lowest unemployment rate in the district, at 24.6 percent. Of those who were employed, the largest percentages of people in Mogale City (32.9 percent) and Randfontein (24.1 percent) were employed in government, social & personal services. In Westonaria and Merafong City, the highest shares in employment were in mining & quarrying at 50.1 and 39.7 percent respectively. This pattern was similar in shares of earnings.

At 0.9 percent, Westonaria had the lowest percentage of people with no access to piped water. This was followed by Merafong at 1 percent, Randfontein at 1.8 percent and Mogale City with 3 percent. In all four municipalities, the most common use of electricity is for lighting purposes, followed by heating and then by cooking. In Mogale City, 82.1 percent of households had their refuse removed by local authorities, 80.3 percent in Randfontein, 80 percent in Merafong City and 73.6 percent in Westonaria. Randfontein had 80.4 percent of its population living in formal housing while Merafong City had 77.7 percent, Mogale City 74.2 percent and Westonaria 60.1 percent. Merafong City had the highest housing backlog in 2011, at 42.6 percent, and Randfontein the lowest, at 11.7 percent. The quality of life is highest in Randfontein, with a QoL score of 6.5, and lowest in Westonaria with score of 5.8. The average QoL for the West Rand as a whole was 6.2, the same as those of Merafong City and Mogale City.

PR34/2013
ISBN: 978-0-621-40667-2

GAUTENG PROVINCE
PROVINCIAL TREASURY
REPUBLIC OF SOUTH AFRICA

Hotline: 0860 428 8364
www.gautengonline.gov.za