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GAUTENG PROVINCIAL GOVERNMENT
SOCIO-ECONOMIC REVIEW
AND OUTLOOK



GAUTENG PROVINCE
PROVINCIAL TREASURY
REPUBLIC OF SOUTH AFRICA



Socio-Economic Review and Outlook 2015



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Gauteng Provincial Government



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PROVINCIAL TREASURY
REPUBLIC OF SOUTH AFRICA

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MEC: Finance

Foreword

This edition of the Socio Economic Review and Outlook (SERO) is the first in the nine months of the fifth Administration of this Government. The essence of this publication as a research document in the main, aims to provide some insights relating to strides made in addressing socio-economic challenges, particularly the triple challenges of inequality, poverty and unemployment. This Administration has committed itself to address the socio-economic challenges of the province through creating a socially-cohesive and economically inclusive region. This commitment was affirmed by the Premier during his first State of the Province Address (SoPA) in 2014, when he announced a Ten Pillar Programme of Radical Economic Transformation, Modernisation and Re-industrialisation (TMR). The intended outcome of this Program is a seamless integrated, socially cohesive and economically inclusive City Region.

In tabling the State of the Nation Address (SoNA) on the 12th of February 2015, the Honourable President Mr Jacob Zuma acknowledged that South Africa is operating in a difficult economic environment, making reference to the recent downward revisions of global economic growth forecasts by the International Monetary Fund (IMF). The President also highlighted that the government's goal of achieving 5 per cent in domestic economic growth by 2019 will be affected by this development. He cautioned that this will further be exacerbated by the current domestic challenges, including the electricity constraints capacity. He therefore highlighted that the domestic economic is in need of a major push, and thus announced a "nine point plan" to stimulate growth and create jobs.

The 2015 (SoPA), which was tabled by the Premier of Gauteng, Honourable Mr David Makhura on the 23rd of February, focused on the theme of enhancing economic development. In line with the TMR, the Premier announced a detailed plan of restructuring the province's spatial configuration and economic development, which involves the development of five corridors, in collaboration with private sector, which will serve as economic hubs of industrialisation and manufacturing. He highlighted that these corridors will enable economic growth, infrastructure development, sustained employment and economic inclusivity across the Gauteng City Region. Since the announcement of the TMR, the Gauteng Provincial Government (GPG) has held the Township Economy Revitalisation Summit, where more than 50,000 enterprises from 65 townships were consulted. The consultations have produced a strategy and the Provincial Government has committed more than R160 million to the township economy.

The 2015 SERO edition also provides research which could serve as a source for municipalities to refine their planning and also stimulate policy debates amongst policy analysts on aspects pertaining to issues of the local economy in order to support planning for economic transformation and job creation. The publication also provides insight on how, particularly the metros, drive the provincial economy as well as how the five corridors identified in the Premier's speech, offer opportunities for economic growth. An in-depth analysis of

economic and socio-economic issues of provincial metropolitan and district municipalities is made to provide valuable information towards planning in an effort to address service delivery challenges as well as employment opportunities. It is envisaged that this information will enable those at the forefront of policy formulation to make informed policy decisions and focus on areas that need strengthening to advance the lives of Gauteng citizens.

To conclude, I wish to thank Ms. Nomfundo Tshabalala, the Head of the Gauteng Provincial Treasury and her team for their efforts throughout the development of the 2015 SERO, and the core project team for their work.



Honourable B D Creedy
MEC for Finance

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List of Abbreviations

AIDC	Automotive Industry Development Centre
AIDS	Acquired Immune Deficiency Syndrome
ARV	Antiretroviral
BBBEE	Broad-Based Black Economic Empowerment
bn	billion
BRT	Bus Rapid Transit system
CAADP	Comprehensive Africa Agricultural Development Programme
CDR	Crude Death Rates
CoJ	City of Johannesburg
CoT	City of Tshwane
DoH	Department of Health
DRC	Democratic Republic of the Congo
EBFN	Ekurhuleni Business Facilitation Network
EC	Eastern Cape Province
EPWP	Expanded Public Works Programme
EY	Ernest & Young
FBTP	Food, beverage & tobacco products
FDI	Foreign Direct Investment
FPCR	Fuel, petroleum, chemical & rubber products
FPL	Food Poverty Line
FS	Free State Province
GCRO	Gauteng City Region Observatory
GGDA	Gauteng Growth and Development Agency
GDED	Gauteng Department of Economic Development
GDFI	Gross Domestic Fixed Investment
GDP	Gross domestic product
GDP-R	Gross Domestic Product By Region
GDS	Growth and Development Strategy
GEP	Gauteng Enterprise Propeller
GFCF	Gross Fixed Capital Formation
GIC	Gauteng Investment Centre
GIPF	Gauteng Industrial Policy Framework
GP	Gauteng Province
GPG	Gauteng Provincial Government
GVA-R	Gross Value Added by Region
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
HSRC	Human Sciences Research Council
ICT	Information and Communications Technology
IDC	Industrial Development Corporation
IDP	Integrated Development Programme
ILO	International Labour Organisation
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan
IT	Information Technology
KZN	KwaZulu-Natal Province
LBPL	Lower-Bound Poverty Line
LP	Limpopo Province
MDGs	Millennium Development Goals
MIIF	Municipal Infrastructure Investment Framework
MP	Mpumalanga Province
MTBPS	Medium Term Budget Policy Statement
NC	Northern Cape Province
NDP	National Development Plan
NEPAD	New Partnership for Africa's Development
NPC	National Planning commission
NW	North-West Province

PPP	Purchasing Power Parity
PRB	Population Reference Bureau
QLFS	Quarterly Labour Force Survey
R&R	Retail trade & repairs
RSA	Republic of South Africa
SA	South Africa
SEDA	Small Enterprise Development Agency
SMME	Small Medium & Micro Enterprises
SRMS	Sale, repairs of motor vehicles, sale of fuel
SSA	Sub-Saharan Africa region
SoPA	State of the Province Address
Stats SA	Statistics South Africa
TVET	Technical vocational education and training
TMR	Transformation, Modernisation and Re-industrialisation
UBPL	Upper-Bound Poverty Line
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
US\$	United States Dollar
USA	United States of America
USAID	United States Agency for International Development
WC	Western Cape
WCT	Wholesale & commission trade
WDI	World Development Indicators
WEO	World Economic Outlook
WRDA	West Rand Development Agency
y-o-y	year-on-year

Executive Summary

The 2015 edition of the Socio-Economic Review and Outlook (SERO) consists of four chapters. The focus of the publication this year in the main is to provide a record of research aimed at enhancing planning options for economic transformation and job creation opportunities in both metropolitan and district municipalities. The aim of the publication is to give effect to the Transformation, Modernisation and Re-industrialisation programme of the province as announced by the Premier in his first State of the Province Address (SoPA) in June 2014. The publication is themed around the areas of economic strengths, as well as areas where challenges are presented, in order to show-case options available; to take advantage of strengths and opportunities; to unblock growth potential, so as to address the triple challenges of inequality, poverty and unemployment.

Chapter One provides an overview of the socio-economic trends of the Sub-Saharan Africa region (SSA) and shows that the strong economic growth in this region has resulted in better living standards and improved socio-economic indicators. Many countries have enjoyed strong economic growth in the past three years or so, especially resource-rich countries like Sierra Leone, whilst growth in some countries, such as South Africa has lagged behind. Nonetheless, robust economic growth has exposed the region as the most attractive investment destination in Africa. The region's consumer market continues to grow in line with the emerging middle class that is becoming more demanding as income levels and spending increase. The SSA consumer market is expected to reach US\$938 billion by 2020, up from US\$600 billion in 2010. The region is also characterised by growing opportunities in services, consumer oriented and manufacturing sectors. These present even greater opportunities for Gauteng, and South Africa as a whole given its geographical advantage.

However, the region is still faced with some developmental challenges. Progress in reducing fertility and death rates has been slow, resulting in an unfavourable population structure, which poses a risk to the region's socio-economic development. SSA still remains one of the regions with the lowest regional Human Development Index (HDI) of 0.50, after South-East Asia (0.59). In terms of risks to SSA's growth prospects, Africa is still perceived as a politically unstable continent due to past incidents of conflict. Political instability remains a threat to the region's investment prospects. Inadequate infrastructure remains a challenge, mostly in energy supply and logistics. However, this could be seen as an opportunity for domestic investors, particularly in financing infrastructure assets like railway lines and power stations.

Chapter Two focuses on the strides Gauteng has made in improving human development, particularly in health and education attainment. However, the province continues to face the challenge of high population growth, which is largely due to in-migration, mostly of those between the ages of 15 and 49 years. This is supported by the Gauteng City Region Observatory (GCRO) report which shows that the internal and cross-border migrants in the province are dominated by people of the working-age category.

In terms of the province's economy, the potential lies in the finance & business services, wholesale & retail trade, manufacturing, and government, social & personal services sectors. Although manufacturing continues to be clouded by various challenges, the sector has a potential to be a key role player in the province's economy, particularly given its strong linkages with both upstream and downstream industries. Gauteng has also been the most popular foreign investment destination for projects in Africa, mostly in its key sectors, including the technology & telecommunication sectors.

Chapter Three reviews the socio-economic trends of the three metropolitan municipalities (metros) of Gauteng. These are the City of Johannesburg (CoJ), City of Tshwane (CoT) and Ekurhuleni. The metros continue to see an influx of foreign and national citizens from other provinces, resulting in an in-migration of around 481 thousand people between 2011 and 2014. The CoJ's population share increased by 1.7 percentage points between 2004 and 2014, and accounted for 36.4 per cent of the province's total population in 2014. The CoJ has the largest share of provincial GVA-R.

The wholesale & retail trade, government, social & personal services, and finance & business services sectors represent the dominant sectors across the metros, with the finance & business services sector being a key strength of the CoJ's economy. In terms of manufacturing, the CoT remains the main hub of South Africa's automotive industry, contributing roughly 40 per cent of national automotive production. Furthermore, Ekurhuleni continues



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to be the transport hub of the province, with the Maputo Corridor Development connecting this metro with Maputo and the largest Indian Ocean port on the continent. Similar sectors employ the largest number of people in all the metros, with manufacturing being well represented in Ekurhuleni. Unemployment amongst females continues to be higher than amongst males.

In his 2015 SoPA, Gauteng Premier, Honourable Mr David Makhura announced various initiatives by the province that are aimed at unlocking the economic potential of the metros. These initiatives, which are referred to as Development Corridors, focus on the key economic strengths of the metros. The Central Corridor, which is anchored around the CoJ will be consolidated as the financial hub and the hub of the services industry. The Northern Corridor, encompassing the CoT, will be the hub of the country's automotive industry, research development and innovation, with various projects already being implemented in the automotive industry. The Eastern Corridor, which is anchored around Ekurhuleni, will remain the hub of manufacturing, transport and logistic industry. Various projects, in collaboration with the private sector are already in operation.

Chapter Four provides socio-economic analysis of Sedibeng and the West Rand districts. The two district municipalities made up 3.6 per cent and 6.5 per cent of the Gauteng population in 2014, respectively, mostly characterised by a large youth bulge and many people of working age. Both Sedibeng and West Rand have met the MDGs targets of eradicating poverty. However, high levels of poverty, inequality and low levels of human development still persist.

There are strong linkages between the population structure of a region, its economic activity and its development indicators. Sedibeng accounted for about 3.6 per cent of the province's GDP-R in 2014, a decline from the 3.8 per cent contribution that was recorded in 2004. The fall is partly attributed to the declining contribution of the manufacturing sector, which is the key contributor of economic activity in the district. The West Rand, on the other hand contributed 5.3 per cent of the province's economic output in 2004; however, this declined to 3.8 per cent in 2014. Economic activity in this district is led by the mining & quarrying sector, which has also been experiencing significant decline in output in recent years.

Premier Makhura has identified growth enhancing developments, the Southern and Western Development Corridors, which are centred around Sedibeng and West Rand, respectively. Development projects within the Southern corridor are more focused on shifting the economy of this Corridor away from its heavy reliance on the manufacturing sector and more to industries such as tourism & entertainment, agro-processing and logistics. The Western Corridor will focus on transforming, modernising and diversifying the economy of West Rand and revitalise mining towns within this district. The projects are geared more towards tourism, agro-processing and logistics industries.

Chapter 1 : Socio-Economic Review of the Sub-Saharan Africa Region

1.1 Introduction

Economic growth prospects in the Sub-Saharan Africa region (SSA) are positive. After developing Asia, the region is currently the second fastest growing in the world. SSA's revised economic growth reached 4.8 per cent for 2014, from the 5.2 per cent recorded in 2013. Growth was driven mainly by strong investment in the resources sector and public infrastructure.¹

In the past, developmental potential in the SSA was mainly hindered by unfavourable socio-economic factors, including political instability and the Human Immuno Deficiency Virus (HIV) and Acquired Immune Deficiency Syndrome (AIDS) epidemic. Recent data suggests that conditions are improving and are supportive of growth.² In the Medium Term Budget Policy Statement (MTBPS) speech, the Finance Minister, the Honourable Mr Nhlanhla Nene, highlighted the need to accelerate the expansion of investment and business partnerships within the region in order to stimulate development.³ Recently, South Africa's economic performance has been disappointing. Whilst most of the constraints are attributed to domestic problems, other reasons are due to subdued external demand, particularly in the country's traditional export markets. Therefore, it has become important for the country to look for other avenues that will boost the domestic economy and ensure that economic development is enhanced. This chapter will show how the region's emerging economic environment is presenting opportunities for South Africa and Gauteng, in particular as the economic hub of the country. These opportunities will be more important for Gauteng in the context of the newly outlined Ten Pillar Programme of Radical Economic Transformation, the Modernisation and the Reindustrialisation of the Gauteng economy. Amongst others, the programme seeks to facilitate economic activity, growth and job creation. As such, this chapter aims to contribute to ideas around how to stimulate economic activity in line with the Ten Pillar Programme objectives, and also to draw attention to emerging opportunities within SSA that the national economy and the province can tap into.

This chapter looks at socio-economic developments in the SSA region, comparing them with global trends as well as trends in South Africa. This analysis is followed by a focus on policy actions that are directed at advancing socio-economic conditions in the region, including South Africa. The latter section reviews the region's economic developments and focuses on economic prospects over the medium-term, and the key economic opportunities and potential risks that may weigh on prospects in SSA.

1.2 Demographics

The global population continues to grow and has now surpassed the seven billion mark. Concurrently, tremendous progress in development has been made, especially in health care, education, infrastructure and technology.⁴ In SSA, the strong economic growth that the region has enjoyed over the past few years has resulted in better living standards and improved social indicators.⁵ Progress has, however, been uneven with some countries progressing faster than others. Demographic trends show that the region is yet in the early stages of demographic transition.⁶ This section discusses demographic indicators notwithstanding that in some instances, information was only available until 2013.

¹ International Monetary Fund (IMF). (2015). *World Economic Outlook Update – An Update of the Key WEO Projections*. Retrieved from <http://www.imf.org/external/pubs/ft/weo/2015/update/01/pdf/0115.pdf>

² IHS Global Insight. (2014). *Quarterly Report: Sub-Saharan Africa on the Rise*. Retrieved from <http://www.ihs.com/tl/quarterly/expertise/africa-on-the-rise.aspx>

³ National Treasury. (2014). *Medium Term Budget Policy Statement Speech*. Retrieved from <http://www.treasury.gov.za/documents/mtbps/2014/mtbps/speech.pdf>

⁴ United Nations. (2014). *Practical Guide to Population and Development*.

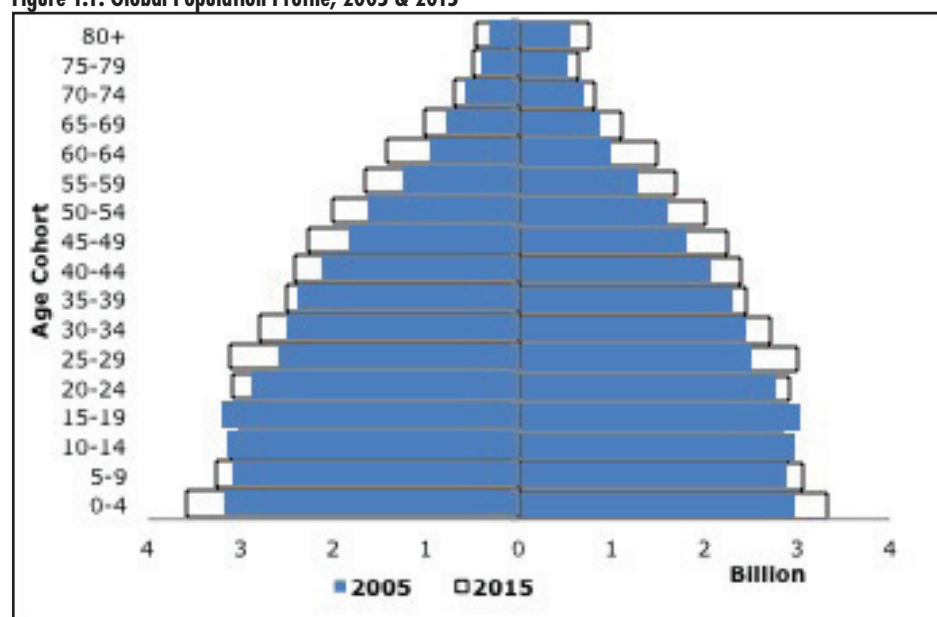
⁵ IMF. (2014). *Regional Economic Outlook: Sub-Saharan Africa, Fostering Durable and Inclusive Growth*.

⁶ A demographic transition is a transition from high fertility and death rates to low fertility and death rates, eventually leading to a decline in population growth.

1.2.1 Population Profile

Population structures of countries are very important for economic development. When a larger share of the population falls within the working-age group, this is beneficial, especially if the group is productively employed. With fewer children to support, this creates a 'window of opportunity'⁷ to raise economic output, education and skills and to generate the wealth needed to cope with the future needs of the aging population.⁸

Figure 1.1: Global Population Profile, 2005 & 2015*



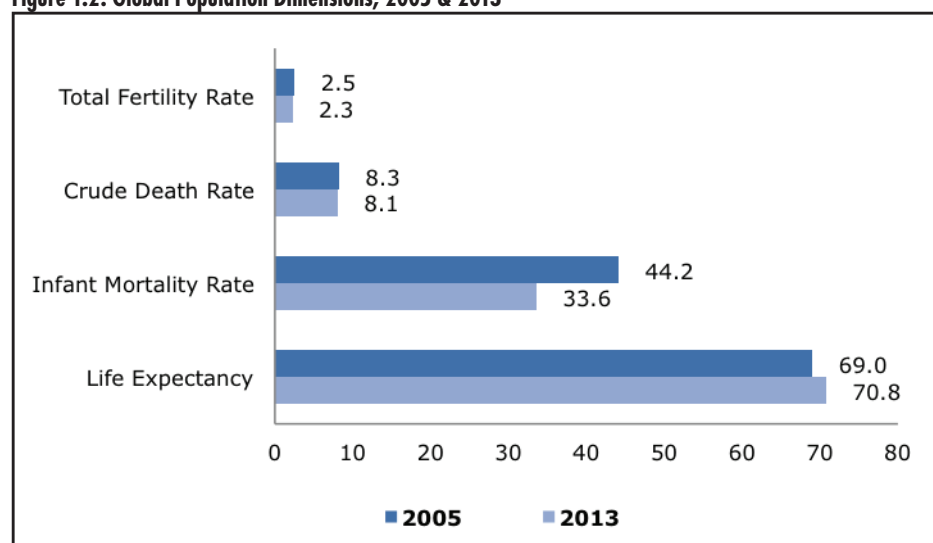
Source: United Nations, 2014

Note: * indicates estimate.

Figure 1.1 shows how the global population structure is expected to change between 2005 and 2015. According to the latest revision of the United Nations (UN) population estimates and projections, the mid-2013 world population of 7.2 billion is expected to increase by around 13 per cent by 2015. This is despite the assumption that fertility levels will continue to decline. Fertility and mortality rates are important dimensions of population dynamics.

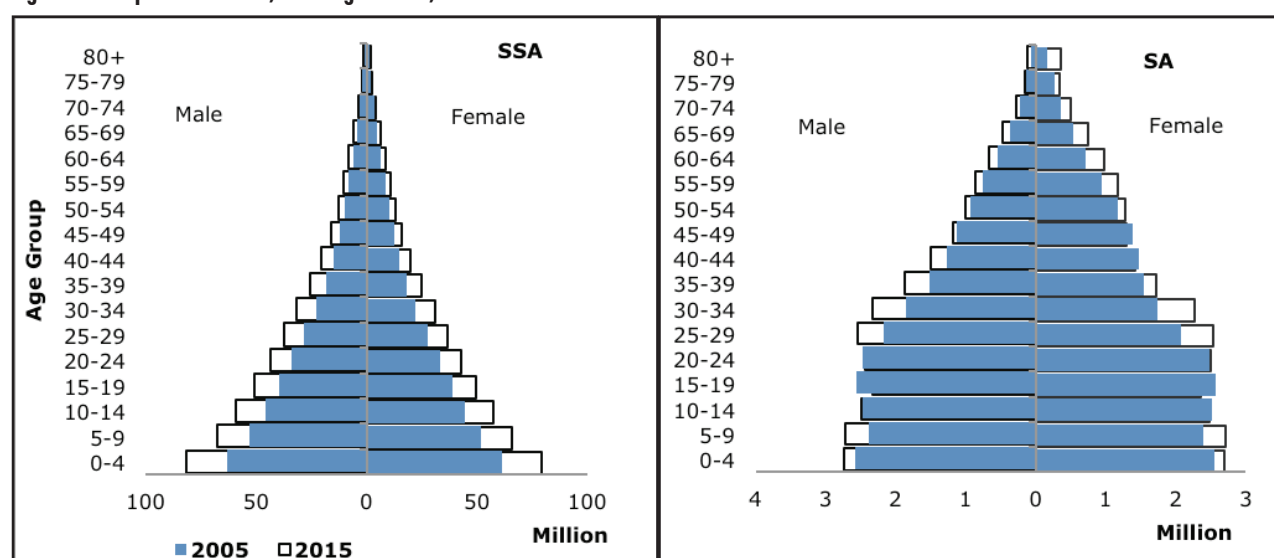
⁷ The 'window of opportunity' known as a demographic dividend is rapid economic growth due to reduced fertility and consequently, a change in the population structure of a country.

⁸ National Planning Commission. (2012). *National Development Plan, Chapter Two: Demographic Trends*. Retrieved from <http://www.npconline.co.za/MediaLib/Downloads/Home/Tabs/NDP%202030-CH2-Demographic%20trends.pdf>

Figure 1.2: Global Population Dimensions, 2005 & 2013

Source: The World Bank's World Development Indicators, 2014

The global total fertility rate has declined from 2.5 children per woman in 2005 to 2.3 in 2013. The infant mortality rate has also declined notably, from 44.2 deaths per 1,000 births to 33.6 in 2013, with life expectancy at birth rising from 69 years to 71.8 years in 2013. However, these improvements have not been enough to reduce the global population growth. This is mostly due to slow progress in reducing fertility rates and population growth in developing countries.⁹ High fertility rates, coupled with rapidly growing populations have implications for the scale of development challenges and investments required to manage them.

Figure 1.3: Population Profile, SSA Region & SA, 2005 & 2015*

Source: UN, 2014

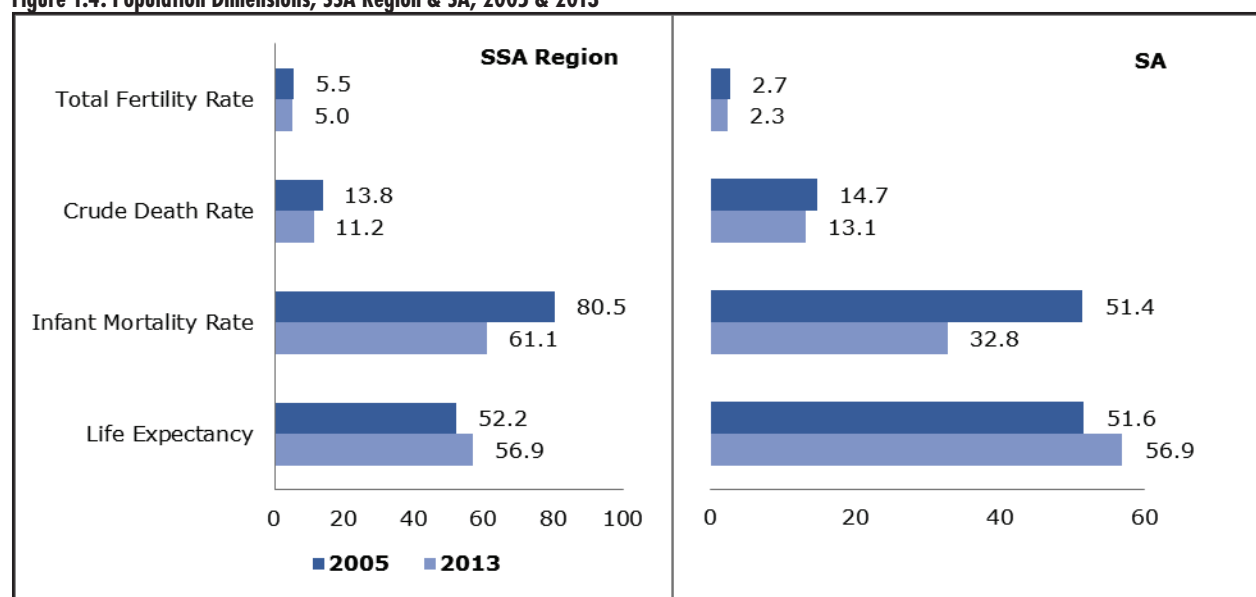
Note: * indicates estimate

⁹ United Nations. (2013). *World Population Prospects, the 2012 Revision*.

Most of the increases in the global population are driven by rapid growth in the developing regions, including the SSA region. In fact, the United Nations' estimates suggest that by 2025, the increase in the global population will be mainly accounted for by South-East Asia (24 per cent), followed by SSA (16 per cent). The continued growth in population has implications for health, well-being and economic development, as it determines the demand for social services, natural resources and the size of the labour force. In SSA, as shown in Figure 1.3, the wide base of the region's pyramid represents a significant number of young dependants. About 43.8 per cent of the total population in the region is under the age of 15 years, and only 53.2 per cent of the population is of working-age, compared to the global number of 64.7 per cent. This indicates the slow demographic transition in the region. The Population Reference Bureau (PRB) suggests that the reversal of this trend in SSA will depend on the degree to which family planning will be undertaken by future parents.¹⁰ If the uptake remains slow, the population will continue to grow rapidly, further restricting socio-economic development, including efforts to address poverty and create jobs.

South Africa is one of the few countries in the region that has a relatively favourable demographic age profile. The large share of its working-age population and smaller proportions of very young and old persons allows it to capitalise on its demographic dividend.¹¹ However, having a favourable demographic profile does not automatically translate into a demographic dividend.¹² With the high unemployment rate in South Africa, the challenge is to ensure that the majority of the large proportion of the working-age population is employed. The National Development Plan (NDP) acknowledges this challenge and proposes various measures to address it. These include improving health care provision to ensure the working-age population is not hampered by diseases, and can thus participate productively in the economy.

Figure 1.4: Population Dimensions, SSA Region & SA, 2005 & 2013



Source: The World Bank's WDI, 2014

There have been broad-based improvements in both SSA and South African indicators, as shown in Figure 1.4. However, progress with the indicators of the SSA region remains somewhat slow. For example, the 10 countries with the highest fertility rates globally are all in the SSA region, with a total fertility rate of 7.6 children in Niger.¹³ The infant mortality rate remains high in the region, at an average of 61.1 deaths per 1,000 births relative to the global and SA rates of 33.6 and 32.8, respectively. The total fertility rate remains high in the SSA region, at an average of five children per woman in 2013. The relatively high rate of fertility is also consistent with the structure of the region's population pyramid, which illustrates the large number of very young people relative to the working-age and elderly age groups (as shown in Figures 1.3 and 1.4).

¹⁰ Population Reference Bureau. (2013). *World Population Datasheet*. Retrieved from <http://www.prb.org/Publications/Datasheets/2013/2013-world-population-data-sheet/data-sheet.aspx>

¹¹ National Planning Commission. (2012). *National Development Plan, Chapter Two: Demographic Trends*. Retrieved from <http://www.npconline.co.za/MediaLib/Downloads/Home/Tabs/NDP%202030-CH2-Demographic%20trends.pdf>

¹² The World Bank defines a demographic dividend as "an accelerated economic growth that may result from a rapid decline in a country's fertility and the subsequent change in the population age structure".

¹³ Population Reference Bureau. (2013). *World Population Data Sheet*. Retrieved from <http://www.prb.org/Publications/Datasheets/2013/2013-world-population-data-sheet/data-sheet.aspx>

1.3 Development Indicators

Research shows that in regions and countries where investments in health care are prioritised and where policies that improve family planning and gender equality are implemented, fertility and mortality rates tend to decline faster.¹⁴ SSA needs to ensure that its rising public investment is channelled in a way that is favourable for the region's demographic indicators.

Globally, most regions, including SSA, have been making progress in human development. Poverty levels are declining, incomes are rising and education and health outcomes are improving. However, more than two billion people globally continue to live in poverty¹⁵ and remain excluded from this progress. The challenge is how to reduce poverty and inequality levels and improve the lives of people, without compromising the environment and the well-being of future generations.

Table 1.1: HDI & Components, 2005 & 2013

Region	HDI Index		Life Expectancy at Birth		Expected Years of Schooling		GDP Per Capita	
	(Index Points)		(Years)		(Years)		(2011 PPP US\$)	
	2005	2013	2005	2013	2005	2012#	2005	2013
World	0.67	0.70	69.0	70.8	10.8	12.2	11,444	13,863
Sub-Saharan Africa	0.45	0.50	52.2	56.8	8.0	9.7	2,696	3,223
South Africa	0.61	0.66	51.6	56.9	13.1	13.1	10,611	12,106

Source: UNDP & WDI Database, 2014

Note: # indicates that data for 2013 was not available. PPP= Purchasing Power Parity

The Human Development Index (HDI), as shown in Table 1.1, is an important measure of the quality of life of people. It measures development, taking into account life expectancy, years of schooling and income per person.¹⁶ Substantial strides have been made in the SSA region to improve human development; in fact, the region's HDI has grown faster than the global one, as shown in Table 1.1. The most pronounced improvements in the region have been recorded in health, with life expectancy at birth having increased by 4.6 years between 2005 and 2013, and in education, with expected years of schooling¹⁷ increasing by 1.7 years. SSA, nevertheless remains the region with the lowest regional HDI ranking, after South-East Asia, highlighting that there is a great deal of work to be done to improve human development.

Despite increased investment and government's commitment to improve education outcomes in South Africa, the expected years of schooling remained at 13.1 years and have not changed between 2005 and 2012. However, the value can be considered high as it compares favourably with the values in countries that are ranked high in human development. These include Thailand (13.1 years) and Colombia (13.2).¹⁸ The improvement in life expectancy and per capita Gross Domestic Product (GDP), however, has resulted in an increase in the country's HDI.

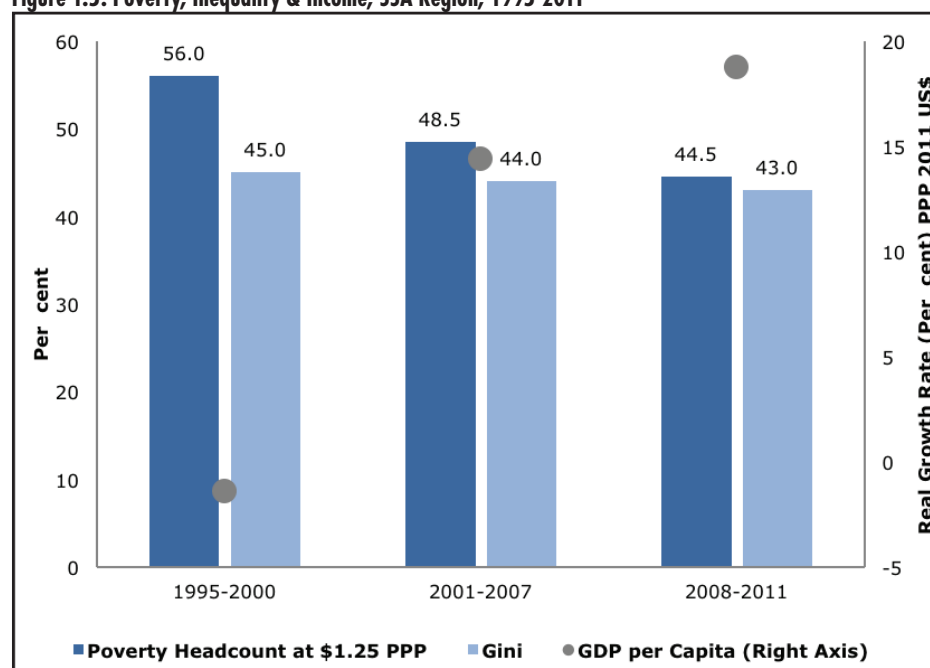
¹⁴ Graff, M. & Bremner, J. (2014). *A Practical Guide to Population and Development*. Retrieved from <http://www.prb.org/pdf14/guide-population-development.pdf>

¹⁵ United Nations. (2014). *Practical Guide to Population and Development*. Retrieved from <http://www.prb.org>

¹⁶ UNDP. (2014). *Human Development Index Report*. Retrieved from http://hdr.undp.org/sites/default/files/reports/14/hdr2013_en_complete.pdf

¹⁷ According to the United Nations, expected years of schooling better reflects changing education opportunities in developing countries than the literacy rate does.

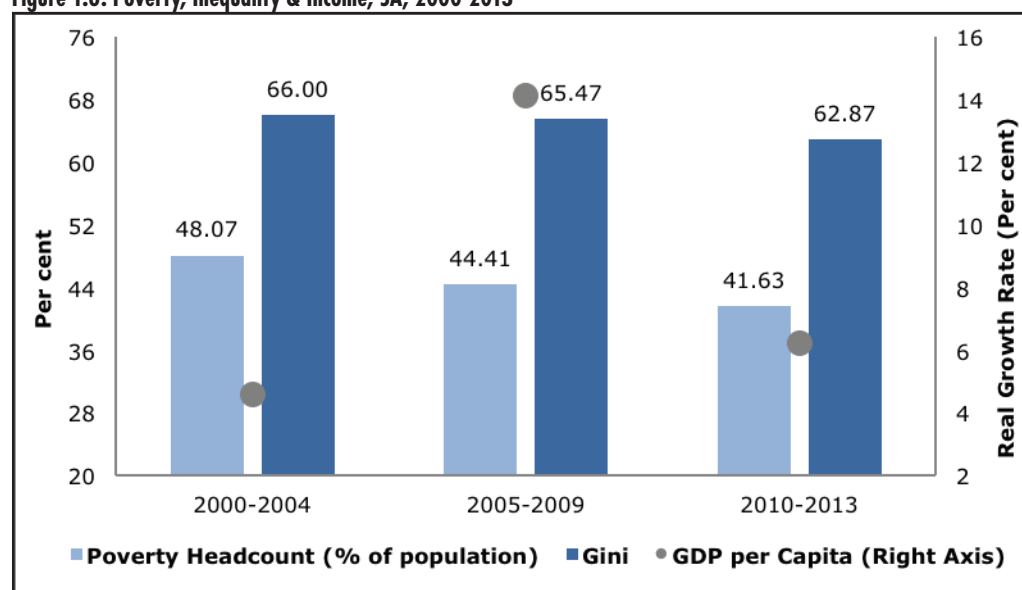
¹⁸ United Nations. (2014). *Human Development Report*. Retrieved from <http://www.un.org>

Figure 1.5: Poverty, Inequality & Income, SSA Region, 1995-2011

Source: The World Bank's Africa's Pulse Report, 2014

Note: 2011 data was the latest available.

Recently available data for the SSA points to progress in the fight against poverty. Figure 1.5 provides information on poverty, inequality and income statistics for the SSA region from 1995 to 2011.¹⁹ The figure shows that the share of people living on less than US\$1.25 a day in the region has declined during the period under review. It is a concern that 44.5 per cent of the population in the region live on less than US\$1.25 a day. With a Gini coefficient of over 0.4 (40 per cent), inequality in the region remains high. This is despite the region growing richer, with the GDP per capita growth rate rising from an average of negative 1.4 per cent between 1995 and 2000 to approximately 18.9 per cent between 2008 and 2011.

Figure 1.6: Poverty, Inequality & Income, SA, 2000-2013

Source: IHS Global Insight & South African Reserve Bank, 2014

Note: Different years than in Figure 1.5 were used in Figure 1.6 as more recent data was available. SA indicators are measured differently from the SSA indicators.

¹⁹ For more information on how these indicators were estimated, see Christiaensen, L., Chuhun-Pole, P. & Sanoh, A. (2013). *Africa's Growth, Poverty and Inequality Nexus - Fostering Shared Prosperity*. Retrieved from https://editorialexpress.com/cgi-bin/conference/download.cgi?db_name=CSAE2014&paper_id=381

In South Africa, the average percentage of the population living in poverty has declined, from 48.1 per cent to 41.6 per cent for the period under review. This is attributed to both the delivery of basic services and social grants.²⁰ The Gini coefficient, representing the level of inequality has also declined marginally, although it remains significantly high. Some of the improvements in reducing the national poverty and inequality can be attributed to the work done in relation to the achievement of the Millennium Development Goals (MDGs). In 2000, the 189 member states of the United Nations at the time, including South Africa, became signatories and adopted the MDGs. The MDGs were established within targets that were aimed at improving human dignity, equality, equity and the eradication of extreme poverty.²¹ The goals were set to be achieved in 2015. South Africa adopted seven (only six are shown due to data limitations) of the MDGs, as listed in the Table 1.2.

Table 1.2: Progress in Achieving MDGs in SA

Goal and Target	1994	Latest Available	2015 Goal	Achievability
Eradicate Extreme Poverty and Hunger:				
• Halve proportion of people living on less than US\$1	11.3	4.0 (2011)	5.7	→
• Halve proportion of people who suffer from hunger	29.9	12.9 (2011)	15	↑
Achieve Universal Primary Education (Adjusted net enrollment rate in primary education)				
Promote Gender Equality and Empower Women (Ratio of literate females to literate males, 15-24 years)	1.1:1	1:1 (2011)	1:1	↑
Reduce Child Mortality (Under 5 mortality rate, per 1,000 births)	54	13.8(2011)	18	→
Improve Maternal Health(Maternal mortality ratio, per 100,000 births)	150	269 (2010)	38	↓
Combat HIV/AIDS, Malaria and Other Diseases:				
• Halt and reverse the spread of HIV and AIDS (HIV prevalence, 15-24 years, %)	9.3	7.3 (2012)	4.2	→
• Halt and reverse the incidence of malaria & major diseases (incidence of malaria per 100,000 people)	64,622	6,846	32,311	↑

Source: Statistics South Africa, 2014

Note: ↑ → ↓
 Achieved Likely Unlikely

South Africa has been able to make some gains in achieving the MDGs, with roughly three of the seven goals having been achieved way before the 2015 deadline. The country was able to halve the proportion of people who suffer from hunger from 29.9 per cent in 1994 to about 12.9 per cent in 2011 ahead of the 2015 goal of 15 per cent. Compared to the rest of SSA, progress in reducing hunger has been uneven across the region's countries and mostly slow, resulting in SSA being the region with the highest prevalence of hunger.²² Strides have been made in reversing the incidence of malaria and other major diseases in South Africa and the SSA region as a whole.

In terms of education, South Africa has achieved huge gains, consistent with the improved human development index. The adjusted net enrolment rate in primary education increased from 96.5 per cent to 98.9 per cent in 2011, suggesting that the 2015 goal of 100 per cent is likely to have been achieved. Similar strides were made in SSA as a region, with the adjusted net enrolment rate having increased from 60 to 78 per cent between 2000 and 2012. However, the United Nations indicates that progress in the region would have been more significant if it was not for armed conflicts and other emergencies that kept children out of school.

²⁰ The Presidency. (2012). *Development Indicators*. Retrieved from <http://www.thepresidency.gov.za/MediaLib>

²¹ United Nations. (2014). *The Millennium Development Goals Report*. Retrieved from <http://www.un.org>

²² United Nations. (2014). *The Millennium Development Report*. Retrieved from <http://www.un.org>

Overall, South Africa remains ranked amongst the most economically unequal societies in the world (see footnote 19). The government has incorporated the MDGs into its broader national developmental objectives,²³ and is ensuring that through the NDP, the unmet MDGs and other emerging challenges are part of the future development agenda. For SSA as a whole, progress in achieving the MDGs continues to be hampered by rapid population growth, conflicts and decline in aid, which makes it unlikely that the countries in the region will reach many of the MDGs targets.²⁴

1.4 Policy Actions to Advance Socio-Economic Indicators

In spite of a notable progress being made, the region continues to be affected by the huge scale of development challenges. Fertility rates remain stubbornly high, resulting in a rapid increase in population; levels of high poverty and inequality persist. These factors, in turn, affect the demand for social services and put pressure on the region's resources. Policy makers in the region are aware of these challenges and their potential impact on economic development.

²³ Statistics South Africa. (2014). *South Africa's Response to Development Challenges*. Retrieved from <http://beta2.statssa.gov.za/?p=3115>

²⁴ United Nations. (2014). *The Millennium Development Report*. Retrieved from <http://www.un.org>

Table 1.3: Selected Policy Action Measures, SSA & SA

Region	Indicator	Initiatives/Programme	Objective
SSA	Demographics	Voluntary Family Planning	To reduce fertility rates, thereby reducing the proportion of pregnancy and raising the awareness of contraceptive use.
		Health Immunization Programmes	To reduce infant mortality rates through investing in child survival programmes.
	Poverty	Comprehensive Africa Agriculture Development Programme (CAADP)	The CAADP aims to eliminate hunger and reduce poverty through agriculture. African countries are encouraged to incorporate the objectives of this programme on their agriculture and rural development strategies.
		Social Protection	These include a variety of assistance from government such as cash transfers, social grants and agricultural investment support, with the objective of reducing poverty.
		Millennium Development Goals (MDGs)	This relates to Goal 1: Eradicate Extreme Poverty and Hunger. The SSA region has also adopted this goal, with the aim of halving the share of people living on less than US\$1.25 a day by 2015.
SA	Inequality	Gender Equality Programmes	The programme seeks to address the vulnerability of young girls and women to HIV/AIDS, poverty and gender based violence. It focuses on the intersection of culture and the empowerment of women.
	Demographics	National Development Plan	The NDP highlights potential areas of opportunities presented by the country's demographic profile and provides proposals on how these opportunities can be maximised.
	Poverty	Social Protection	These include the provision of various social grants which are generally targeted at the most vulnerable members of society including the aged and children.
		Extended Public Works Programme (EPWP)	The programme is aimed at providing poverty and income relieve for the unemployed through providing temporary employment with training.
	Inequality	Broad Based Black Economic Empowerment (BBBEE)	This is an economic empowerment initiative that is aimed at reversing the racial nature of the economy that was inherited by the democratic government in 1994.
		Land Reform Strategy	The strategy broadly aims to reverse high levels of racial inequality in land ownership.

Source: The World Bank, NEPAD, UN, Ubuntu Institution, Department of Trade and Industry, & The Presidency, 2014

Table 1.3 shows a sample of policy initiatives that have been adopted to enhance the socio-economic developments within SSA. These initiatives are not necessarily SSA region-specific, but have been adopted by different countries within the region. The main goal of these developmental initiatives is to create an environment for rapid economic growth. The initiatives are directed to different indicators and range from demographics-specific initiatives, to initiatives tailored to deal with poverty and inequality.

The most popular policy initiative under the poverty indicator is social protection, where various types of grants are provided to the most vulnerable members of society. Many countries in the region, including South Africa, have adopted the MDGs to address developmental challenges.

1.5 Economic Developments and Outlook

Many countries in the SSA region have enjoyed robust economic growth. Although growth in some countries has fallen short of expectations, the International Monetary Fund (IMF) attributes the robust regional growth to sound economic policies, relatively stronger institutions, higher commodity prices and higher levels of investment.²⁵

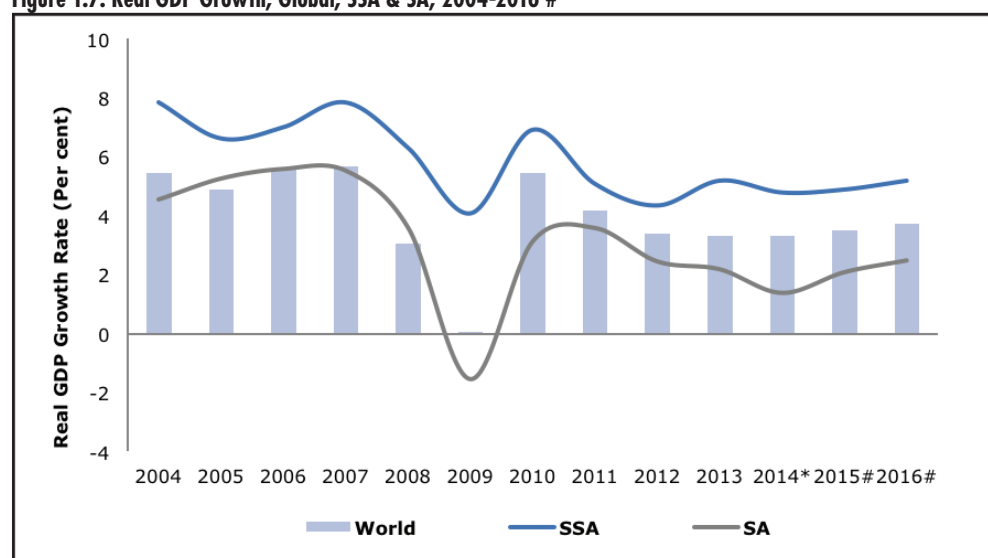
Maintaining strong economic growth is important. What is even more important is whether this growth is broadly shared, improves standards of living and results in economic opportunities that attract investment. This section focuses on key drivers of economic growth in the region, risks to this growth and whether there are any opportunities being created in the region to attract investment.

1.5.1 Review of Economic Trends

Economic Growth Prospects Remain Positive

With 4.8 per cent growth rate recorded for 2014, SSA is expected to be one of the regions that will lead global growth, with growth projections of 4.9 per cent in 2015 and 5.2 per cent in 2016.²⁶ The structure of the region's economic activity is also changing. The share of GDP generated by the agriculture and industry²⁷ sectors is falling, whilst the share generated by services is rising. The declining trend, however, in the share of GDP generated by the agricultural sector is consistent with any developing region where the occurrence of urbanisation and mechanisation is common.

Figure 1.7: Real GDP Growth, Global, SSA & SA, 2004-2016 #



Source: IMF, WEO January Update, 2015

Note: * indicates estimate and # forecast.

Figure 1.7 shows that real economic growth in the region has remained robust, at over 5 per cent in most instances since 2004, with the exception of 2009, 2012 and 2014. GDP growth in the region strengthened from 4.4 per cent in 2012 to a revised 5.2 per cent in 2013, and 4.8 per cent in 2014. Economic activity in the region was underpinned by continued strong investment demand. SSA growth came in above the global GDP growth rate of 3.3 per cent in 2013. South Africa's growth, however, has fallen behind SSA growth. This has mostly been a result of domestic challenges, including tense labour relations, energy supply constraints and the generally low business and consumer confidence levels. The impact of these factors on growth has been further worsened by weak external demand as the economic activity in Europe, South Africa's major trading partner, remains restrained.

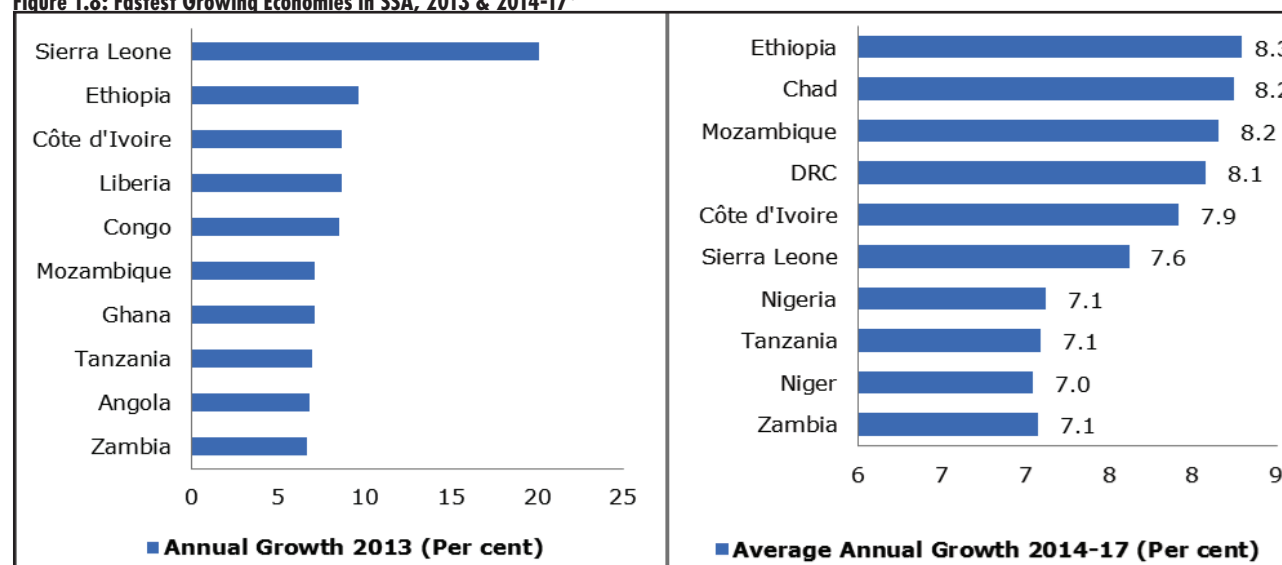
²⁵ IMF. (2014). *Regional Economic Outlook, Sub-Saharan Africa: Staying the Course*. Retrieved from <http://www.imf.org/external/pubs/ft/reo/2014/afr/eng/sreo1014.pdf>

²⁶ IMF. (2014). *Regional Economic Outlook, Sub-Saharan Africa: Staying the Course*.

²⁷ In this case, industry comprises of mining, manufacturing, construction, electricity, water, and gas, as per the World Bank's data.

SSA's GDP growth is expected to increase gradually, reaching 5.2 per cent by 2016. External demand is expected to support growth as the gradual economic recovery in the developed countries boosts export demand and investment flows.²⁸ South Africa's medium-term growth prospects are also positive, in line with the global outlook.

Figure 1.8: Fastest Growing Economies in SSA, 2013 & 2014-17*



Source: WEO October Update, 2014

Note: * indicates estimate

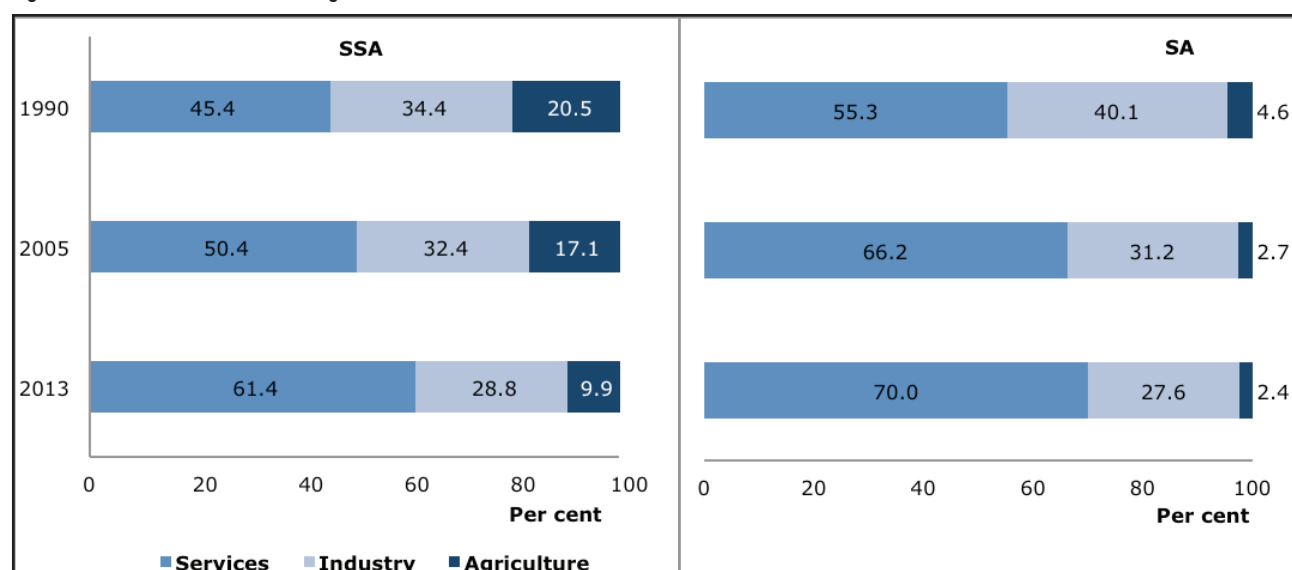
In 2013, SSA growth was led by strong growth mainly in resource rich countries, particularly Sierra Leone and the Democratic Republic of the Congo (DRC), attributed to higher mining production. Following political conflict in Côte d'Ivoire, growth rebounded to 8.7 per cent in 2013 and is expected to moderate to an annual average of 7.9 per cent between 2014 and 2015, as the political environment improves. Ethiopia is expected to grow at an annual average rate of 8.3 per cent between 2014 and 2017, followed by Chad and Mozambique. It must be noted, however, that because growth in some of these countries is coming off a low base it therefore results in higher growth rates. In 2013, in order the top five largest economies in the region were Nigeria, South Africa, Angola, Kenya, Ghana and Ethiopia. They are expected to remain the top five in 2015.²⁹ Nigeria overtook South Africa as the number one economy in Africa after its GDP was rebased in 2014. Previously, Nigeria's old GDP data was based on its 1990 economy. The new figures were rebased to 2010, whereby more weight was given to the country's fast-growing industries such as mobile telecoms and film-making.

Services Sector and Household Consumption are Main Drivers of GDP

The economic importance of the services sector in the SSA economy and in South Africa has grown considerably. The sector now accounts for over 60 per cent of GDP in SSA as a whole and about 70 per cent of South Africa's GDP. Nevertheless, household consumption continues to serve as the engine of regional growth.

²⁸ The World Bank. (2014). *Global Economic Prospects: Sub-Saharan Africa*. Retrieved from <http://www.worldbank.org>

²⁹ IMF. (2014). *World Economic Outlook Database October Update*. Retrieved from <http://www.imf.org/external/pubs/ft/weo/2014/02>

Figure 1.9: Value Added as Percentage of GDP, SSA & SA, 1990, 2005 & 2013

Source: WDI Database, 2014

Note: The analysis was done from 1990 specifically to show the change in the structure of both economies.

Figure 1.9 shows drivers of GDP growth, from the production side, in the SSA region and in South Africa. The structure of both economies has changed significantly since the 1990s, when the contributions of the industry and agricultural sectors were larger. The change, particularly in the agricultural sector's contribution to GDP, has been more prominent in the SSA region, where the sector's contribution to GDP has declined by more than half. Part of this is attributed to the general challenges that agricultural sectors across developing regions experience, including low yields and under investment.³⁰ The other part is due to the general natural trend of a developing economy, diversifying away from agriculture due to urbanisation and mechanisation.

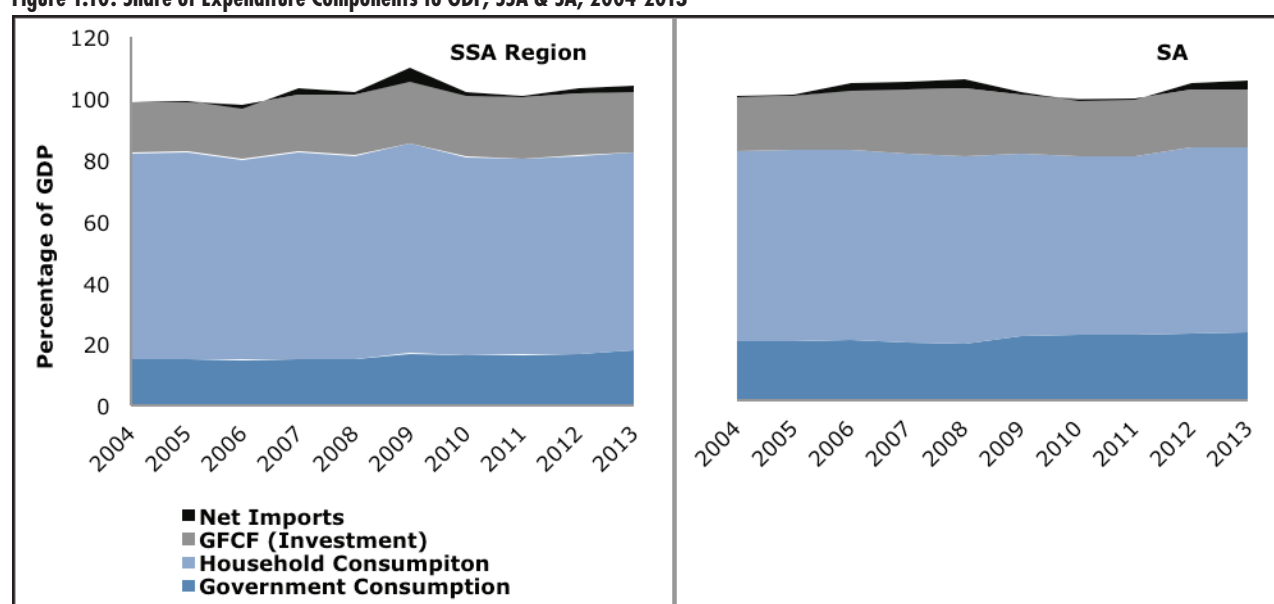
The services sector (including financial, telecommunication, wholesale and retail) is now playing a bigger role in the region, supported by increased consumer spending. With its increasing attractiveness as an investment destination, the region is a potential destination for investors in the retail, financial and telecommunication services sectors.³¹ The Doing Business report of the World Bank also showed that, in 2014, about 66 per cent of countries in the region had implemented at least one regulatory reform, making it easier to do business.³²

³⁰ World Bank. (2011). Global Economic Prospects June 2011. Retrieved from <http://siteresources.worldbank.org/78CFAB7E-3F50-4968-983A-6E2B7179B714/FinalDownload/DownloadId-CDF5C7F3739C10012C5631780C7ACA9B/78CFAB7E-3F50-4968-983A-6E2B7179B714/INTGEP/Resources/335315-1307471336123/7983902-1307479336019/AFR-Annex.pdf>

³¹ AT Kearney. (2014). The 2014 African Retail Development Index. Retrieved from <http://www.atkearney.com/56AC14B2-0BBA-45F6-AE01-71E8C94F71FC/FinalDownload71E8C94F71FC/documents>
Ernest & Young. (2014). EY's Attractiveness Survey Africa 2014. Retrieved from <http://www.ey.com/attractiveness>

³² The World Bank. (2014). Doing Business Report Regional Profile: Sub-Saharan Africa. Retrieved from <https://openknowledge.worldbank.org/bitstream/handle/10986/18980/834190DB140SSA0Box0382128B00PUBLIC0.pdf?sequence=1>

Figure 1.10: Share of Expenditure Components to GDP, SSA & SA, 2004-2013



Source: WDE Database, 2014

Figure 1.10 shows expenditure components as a proportion of GDP and indicates that increasing investment demand and strong household consumption remain the key drivers of both the region and South Africa's growth. The region now relies heavily on domestic demand (consumer demand and imports), despite it being known for its abundance of mineral resources. Gross Fixed Capital Formation's (GFCF) share of GDP in SSA grew from 16.9 per cent in 2004 to about 20 per cent in 2013, whereas household expenditure's share remained well over 60 per cent of GDP. Government consumption has also grown steadily over the period, accounting for over 18 per cent of the region's economic activity in 2013. The expenditure trends are also similar in South Africa, where consumption (both household and government) accounts for over 80 per cent of economic activity. Since the mid-2000s, moderated interest rates supported strong spending, thus boosting household consumption. Even after the 2009 recession, the low interest rate environment and the rapid growth in the unsecured lending market continued to provide a significant lift to consumption.

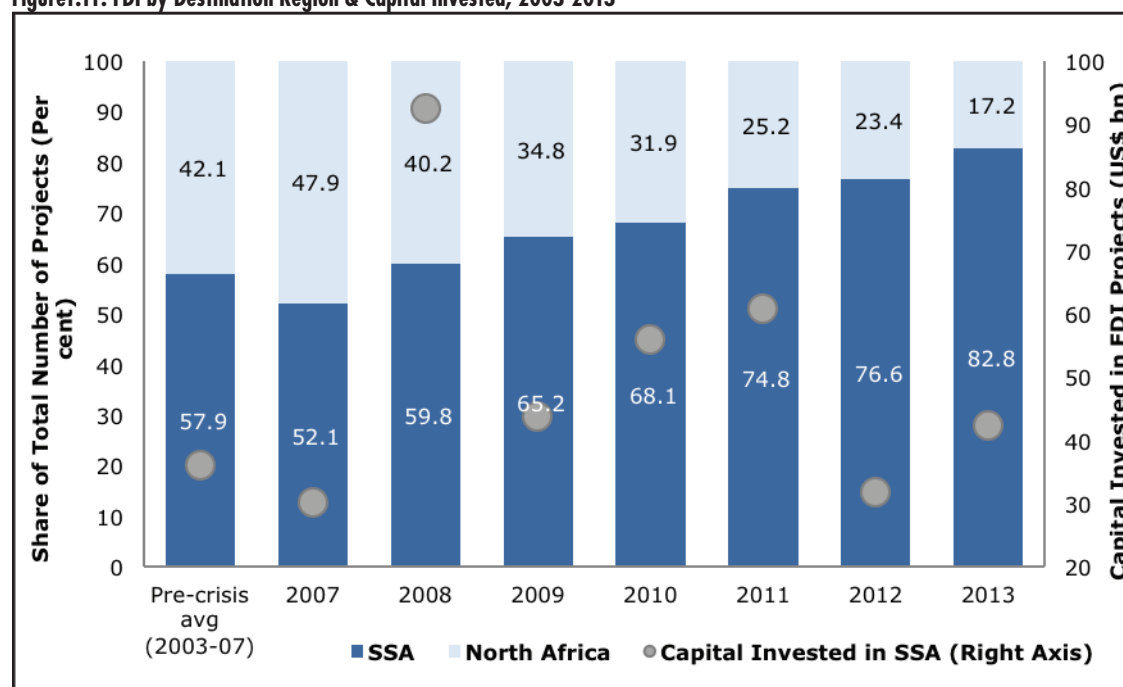
The SSA upward trajectory of consumer spending is expected to continue, in line with the emerging middle class that will become more demanding as income levels and spending increase.³³ Household spending remains the region's key attraction, with the majority of investment projects destined for SSA being directed to consumer-orientated industries. For South Africa, however, the normalisation of interest rates, high levels of indebtedness and the generally subdued economic growth are likely to influence household consumption.

Foreign Direct Investment into SSA is Rising

FDI (Foreign Direct Investment) has been one of the drivers of the region's economic growth. SSA's attractiveness as an investor destination has resulted in more FDI projects being channelled into the region. Positive growth prospects, improving political stability and a better socio-economic environment are some of the factors that have improved the region's attractiveness.

³³ Accenture. (2011). *The Dynamic African Consumer Market: Exploring Growth Opportunities in Sub-Saharan Africa*. Retrieved from http://www.accenture.com/SiteCollectionDocuments/Local_South_Africa/PDF/Accenture-The-Dynamic-African-Consumer-Market-Exploring-Growth-Opportunities-in-Sub-Saharan-Africa.pdf

Figure 1.11: FDI by Destination Region & Capital Invested, 2003-2013



Source: EY, 2014

The share of investment projects directed to the region increased significantly since the pre-crisis period (between 2003 and 2007). The pre-crisis average of the share of total number of FDI projects in SSA was 57.9 per cent, while FDI projects in North Africa accounted for 42.1 per cent. The gap between FDI projects in the two sub-regions further widened, with the SSA's share of FDI projects exceeding 80 per cent in 2013. The average size of FDI projects into the region also increased to US\$42.3 billion in 2013. Overall, consumer-orientated industries such as technology, media & telecommunication, retail & consumer products, financial services and real estate, hospitality & construction, were the main recipients of FDI projects in SSA.³⁴

According to EY, Africa now ranks second, after North America, as the most attractive investment destination. South Africa, Kenya and Nigeria remained the three top FDI destinations in SSA in 2013 (Figure 1.11). In addition, countries such as Ghana, Zambia and Mozambique moved up the ranks and increased their share of FDI projects (see footnote 29).

The Agriculture Sector Remains the Main Employer in SSA

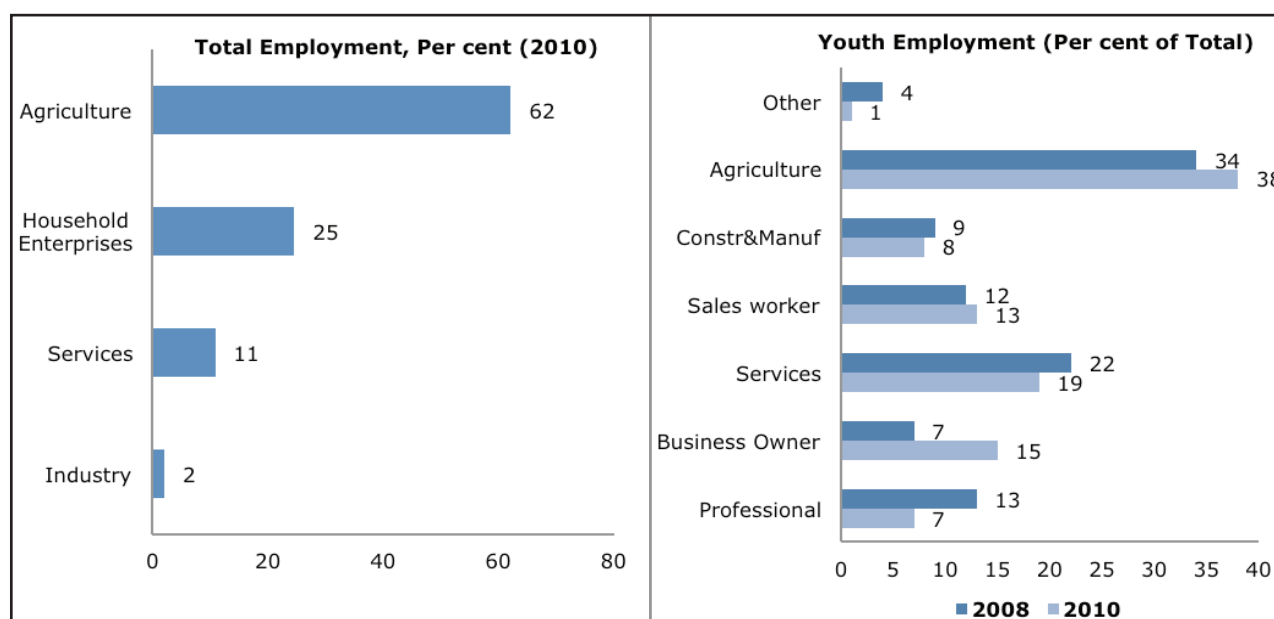
The UN estimates that in 2015, there will be 193 million youth (people between the ages of 15 and 24) in the SSA region.³⁵ Thus, an environment that is conducive to economic growth is important for the region's growing labour force. Since 2000, the region has experienced continuous expansion in growth its longest period of continuous expansion in more than 50 years.²⁶ However, this growth has not led to major transformation in employment and has not been as pro-poor as growth in other regions. According to the World Bank, each one per cent growth in average per capita consumption has led to only 0.69 per cent reduction in poverty, compared to just over 2 per cent reduction elsewhere in the world.³⁶

³⁴ EY. (2014). *EY's Attractiveness Survey Africa 2014: Executing Growth*. Retrieved from [http://www.ey.com/Publication/vwLUAssets/EYattractiveness-africa-2014/\\$FILE/EYattractiveness-africa-2014.pdf](http://www.ey.com/Publication/vwLUAssets/EYattractiveness-africa-2014/$FILE/EYattractiveness-africa-2014.pdf)

³⁵ International Labour Organization (ILO). (2004). *The World of Work Report: Developing Jobs*. Retrieved from http://www.ilo.org/wcmsp5/groups/public/-dgreports/-dcomm/documents/publication/wcms_243961.pdf

³⁶ The World Bank (2014). *Youth Employment in Sub-Saharan Africa*. Retrieved from <https://www.worldbank.org>

Figure 1.12: Employment by Occupation, SSA, 2008 & 2010



Source: Africa Economic Outlook³⁷ & ILO, 2014

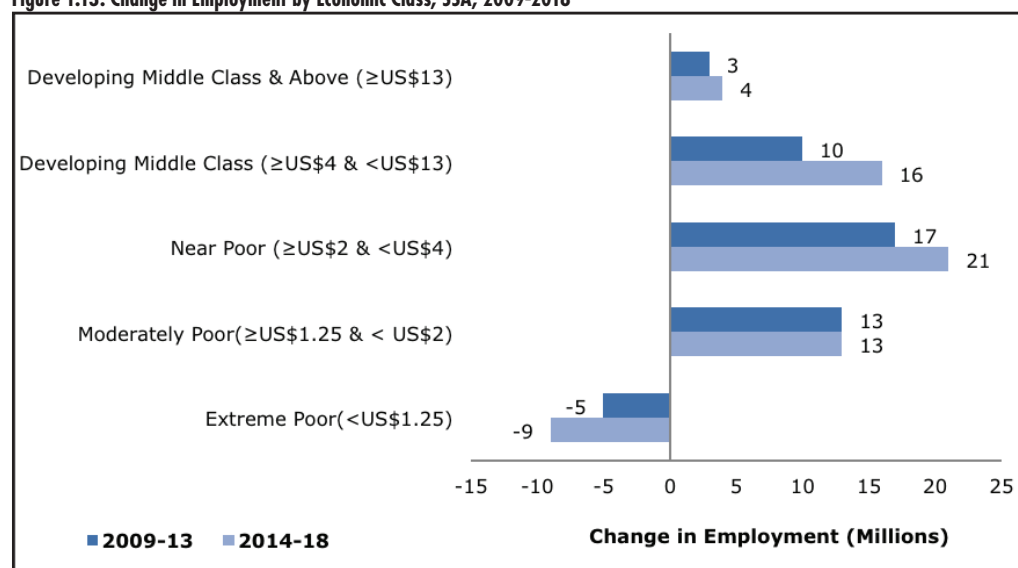
Note: The latest data available is for 2010. The analysis focuses on employment trends as data on unemployment is difficult to find and is not consistent across the region. The percentages may not add up to a 100 due to rounding off.

The majority of the region's work force continues to be employed in agricultural activities that generally have low proceeds (Figure 1.12). With the declining share of growth in agricultural productivity (see Figure 1.9), it is not surprising that income in the region remains low. Employment in agriculture accounted for 62.3 per cent of the regional work force and 38 per cent of the region's youth employment. Between 2008 and 2010, the occupational categories in youth employment with the highest education and income profiles (such as professional work and services) shrank. On the other hand during the same period, employment in other categories that have relatively low-income profiles expanded. Examples of these are sales, agricultural work and business ownership, which includes informal self-employment.

These trends show that even with high growth rates, the majority of SSA's labour force continues to work in the least productive sectors and as a result, diversifying employment out of the agriculture sector remains a challenge.³⁸ The International Labour Organisation (ILO) highlights that unemployment in the region remains relatively low, except in upper middle-income countries like South Africa, where the unemployment rate remains above 20 per cent.

³⁷ African Economic Outlook. (2012). *Employment Outlook for Youth*. Retrieved from http://www.africaneconomicoutlook.org/theme/youth_employment/employment-outlook-for-youth/

³⁸ ILO. (2014). *The World of Work Report: Developing Jobs*. Retrieve from http://www.ilo.org/wcmsp5/groups/public/-dgreports/-dcomm/documents/publication/wcms_243961.pdf

Figure 1.13: Change in Employment by Economic Class, SSA, 2009-2018*

Source: ILO, 2014

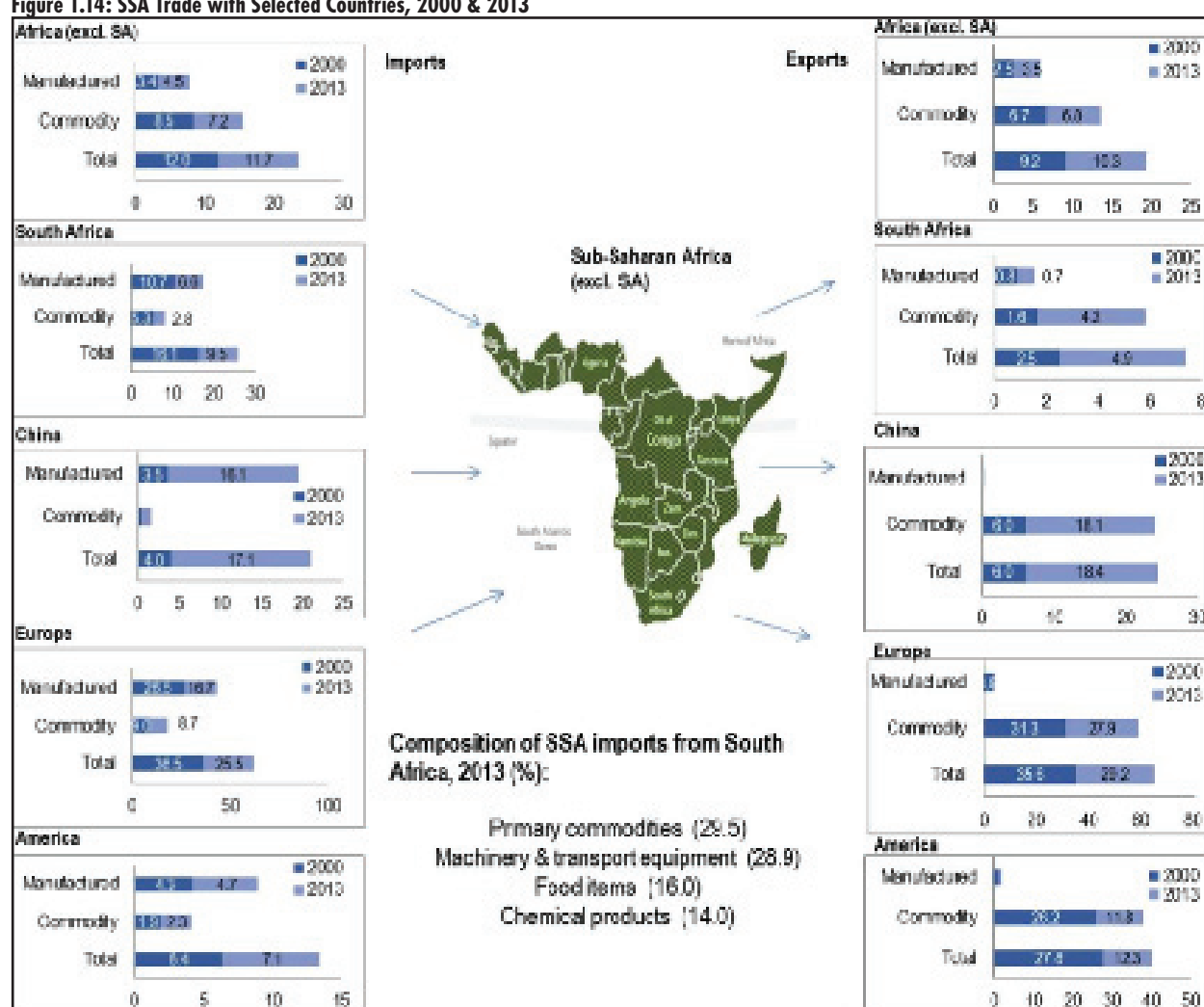
Note: # indicates forecast

A closer examination of employment by economic class shows that middle-class employment (people living between US\$4 and above US\$13 a day) is expected to increase substantially between 2014 and 2018. However, many of the new jobs to be created between 2014 and 2018 are expected to be from the “near poor” segment, where employment is expected to increase by 21 million. The projected notable gains in the region’s middle class employment will support domestic demand, which has been a major source of economic growth in SSA, as shown in Figure 1.13.

Region’s Trade Dynamics are Changing

Available data shows that the region’s trade performance has improved, although it has not been immune to developments in the global market. The current account deficit as a percentage of GDP, both in SSA and South Africa, is expected to widen between the next three to five years as demand rises for capital goods to meet infrastructure investment plans. Trade in SSA has grown significantly since the 1990s, with more countries now participating in the global trade arena. Exports now account for an average of nearly 30 per cent of regional GDP, while imports account for just over 30 per cent of GDP.

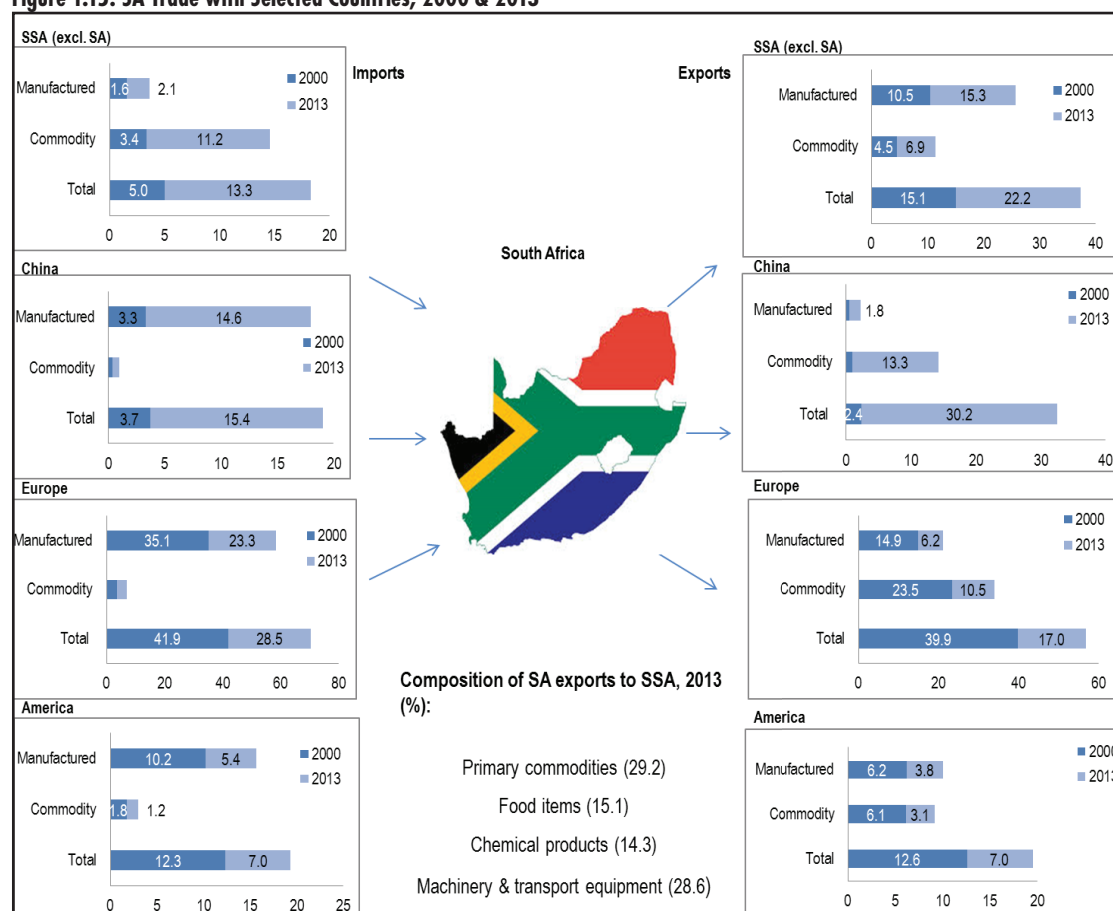
Figure 1.14: SSA Trade with Selected Countries, 2000 & 2013



Source: UNCTAD Stats, 2014

Note: Commodities include precious stones, non-monetary gold and food items

Figure 1.14 shows that the region's trade market composition is changing. Exports to the region's traditional markets (including Europe and America) have declined significantly, overtaken by markets such as China and the rest of Africa. SSA's share of exports to Africa (excluding South Africa) has grown from 9.2 per cent in 2000 to 10.3 per cent in 2013, driven mostly by export of commodity products. In the case of China, the regional share of exports has been dominated by exports of primary commodities, mainly mineral and metal products. The import market performance of the region is also showing a similar trend. SSA is now importing more from within the continent and China, and comparatively less from the traditional markets. However, Europe is the number one import market for SSA, with imports accounting for 25.5 per cent of the total imports of the region in 2013. The imports of the SSA from South Africa have also declined somewhat, with the share of regional imports from South Africa now accounting for 9.5 per cent of total SSA imports in 2013.

Figure 1.15: SA Trade with Selected Countries, 2000 & 2013

Source: UNCTAD Stats, 2014

Note: Commodity includes precious stones, non-monetary gold & food items

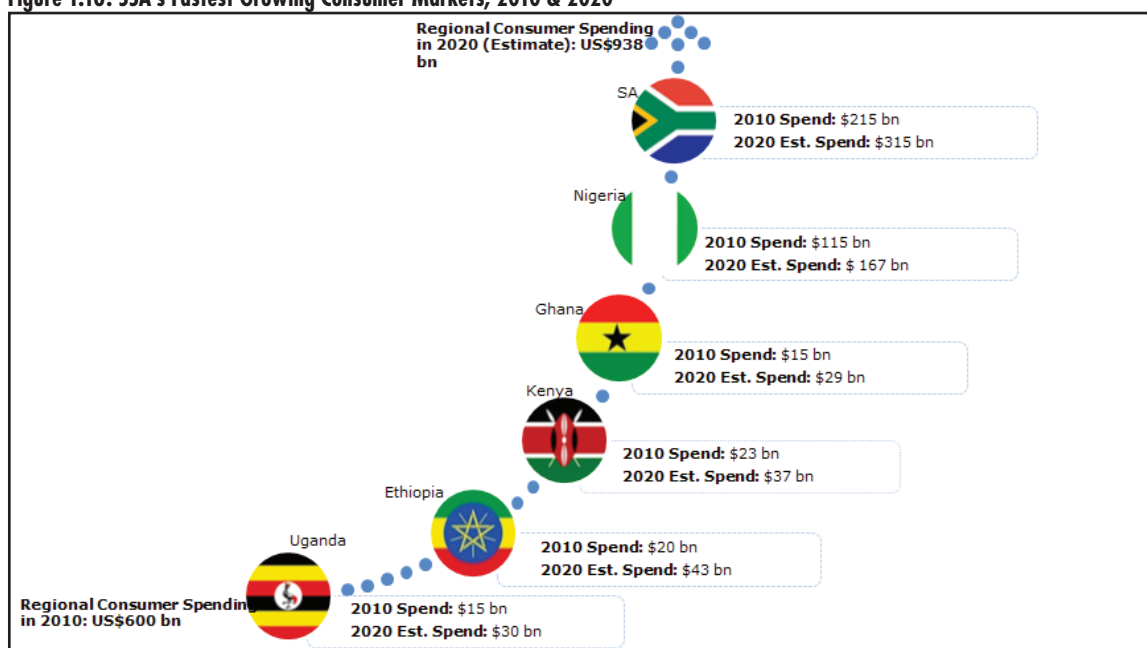
As shown in Figure 1.15, South Africa's trade market patterns are also changing, with a shift away from traditional trade markets, mostly to more developing countries. Domestic exports to Europe and America have more than halved since 2000, accounting for 17 per cent and 7 per cent of total exports, respectively in 2013. Much of the decline in the share of exports to these markets is attributable to the 2009 recession, and has also been exacerbated by the slow economic recovery in Europe. Meanwhile, exports to China and the SSA region have increased, with China accounting for roughly 30 per cent of South Africa's total exports, from just 2.4 per cent in 2000. Exports to SSA account for about 22 per cent of domestic total exports, primarily dominated by exports of manufactured goods, e.g. food items, chemical products, and machinery and transport equipment. With the expected growth in consumer spending and a rise in demand for capital goods to meet infrastructure needs, there is opportunity and scope for South Africa to increase its exports to SSA.

1.5.2 Key Opportunities in the SSA region

With strong economic prospects, it is not surprising that prominent global brands across consumer goods, telecommunications and banking sectors are increasingly looking to Africa to offset sluggish growth from more traditional markets, such as Europe.³⁹

³⁹ Business Day. (2014). *Sub-Saharan Africa A key Investment Opportunity*. Retrieved from <http://www.bdlive.co.za/africa/africanbusiness/2013/06/18/sub-saharan-africa-a-key-investment-opportunity>

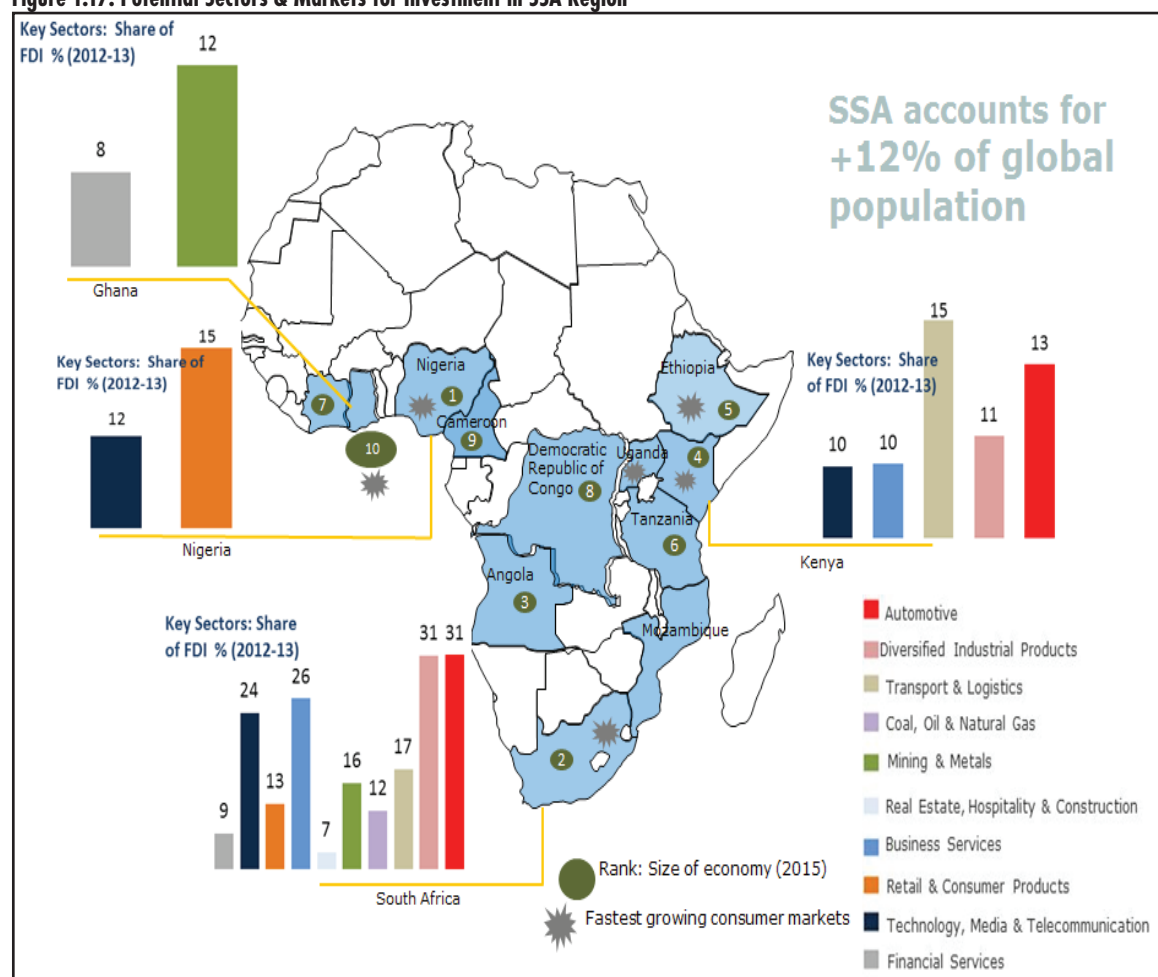
Figure 1.16: SSA's Fastest Growing Consumer Markets, 2010 & 2020*



Source: Accenture, 2014

Note: * indicates estimate

With the increasing FDI projects into consumer-orientated industries, it is not surprising that the SSA region has some of the fastest growing consumer markets. Figure 1.16 indicates six attractive consumer markets in SSA, with South Africa being the most attractive country. Spending by South Africa's consumers is expected to reach US\$315 billion by 2020. Nigeria, despite its larger population growth compared to South Africa, is expected to be the second most attractive market, reaching US\$115 billion in 2020. Countries such as Uganda, Ethiopia, Kenya and Ghana are also expected to see an increase in consumer spending, in line with their increasing economic growth rates.

Figure 1.17: Potential Sectors & Markets for Investment in SSA Region

Source: EY, IMF & Accenture, 2014

SSA is one of the fastest growing regions in the world, resulting in an increasing attractiveness as an investor destination (Figure 17). SSA is characterised by growing opportunities in services, consumer-orientated and manufacturing sectors. For South Africa, this presents even greater economic opportunity given its geographical advantage and the existence of bilateral agreements with some of the countries in the region.

The financial and business services sectors is one of the key emerging sectors in the region, drawing a larger proportion of FDI, particularly in Nigeria, Ghana and Kenya. In South Africa, this sector is regarded as being of world-class standard and one of the great strengths of the national economy. With the manufacturing sector in SA being centred mainly in Gauteng, local manufacturers who can overcome the barriers in the region could tap into the region's market. The region also demonstrates its strength in manufacturing, which has strong linkages with other sectors in the economy. For example, manufacturing has linkages with the mineral resources and agriculture industries through agro-processing and to some extent, with hospitality and the retail trade sectors. South Africa already has an established manufacturing base, dominated by industries including, automotive, chemicals, ICT, metals and agro-processing.⁴⁰ There is a scope for South Africa to diversify more of its automotive product exports to the region. The national economy already exports about 12 per cent of its total motor vehicles, parts and accessories to the rest of Africa.⁴¹ With the expected rise of middle-income class consumers and the overall increase in spending, this share could potentially be increased.

Other areas in SSA where opportunities are growing include transport & logistics, energy (i.e. coal, oil and natural gas), retail & consumer products and the ICT sector. The transport & logistics sector is an emerging key

⁴⁰ South Africa.info. (2014). *Key Sectors: Manufacturing in South Africa*. Retrieved from: <http://www.southafrica.info/business/economy/sectors/manufacturing.htm#VHsB9NKUd1Z>

⁴¹ Industrial Development Corporation. (2013). *The Interface Between Mining and Manufacturing in South Africa: The Context*. Retrieved from: [http://www.idc.co.za/images/2013/pdfs/Interface%20between%20Mining%20Manufacturing%20-%20M%20J%20Maia%20\(IDC\).pdf](http://www.idc.co.za/images/2013/pdfs/Interface%20between%20Mining%20Manufacturing%20-%20M%20J%20Maia%20(IDC).pdf)

sector in Kenya, with 14.9 per cent of total FDI in Kenya going towards that sector. In Nigeria, not surprisingly, the retail & consumer products sector is the most attractive, given that Nigeria is a market of over 160 million people. Nigeria is also the region's largest economy in terms of the size of GDP, with South Africa second.

Certainly, the emergence of SSA as one the fastest growing regions globally provides opportunities for South Africa to enhance its manufacturing base, promote technology sharing and expand trade and investment opportunities within the region. Whilst the ease of doing business in the region has improved over the years, SSA continues to have large infrastructure deficits and barriers that make trading difficult.

Ease of Doing Business in SSA has Improved Somewhat

The malfunctioning of laws that govern regulations pertaining to business operations can deter investors and hinder economic progress.⁴² Table 1.4 shows the regional averages of ease of doing business in SSA and South-East Asia. South-East Asia is included as benchmark region for SSA in order to provide a useful benchmark.

Table 1.4: Ease of Doing Business, Regional Averages, 2006, 2010 & 2015

Indicators	2006		2010		2015	
	SSA	South Asia	SSA	South Asia	SSA	South Asia
Easing of Doing Business, Rank (out of 189)	-	-	-	-	142	134
Starting a Business, Rank (out of 189)	-	-	-	-	128	95
- Cost (% of income per capita)	199	46	112	30	54	14
- Time (number of days)	63	38	47	29	26	19
Dealing with Construction Permits, Rank (out of 189)	-	-	-	-	110	118
- Cost (% of warehouse value)	20	41	11	25	7	12
- Time (number of days)	206	212	199	208	147	211
Registering Property, Rank (out of 189)	-	-	-	-	126	127
- Cost (% of property value)	12	7	10	6	9	7
- Time (number of days)	104	137	72	109	58	106
Trading Across Borders, Rank (out of 189)	-	-	-	-	141	137
- Cost Export (US\$ per container, constant)	3,486	2,361	2,746	1,894	2,140	1,578
- Time to Export (number of days)	39	36	33	33	30	28
- Cost to Import (US\$ per container, constant)	4,351	1,290	3,391	2,115	2,836	1,784
- Time to Import (number of days)	48	2,496	39	33	37	30

Source: World Bank, 2014

Progress has been made in the SSA region in improving regulatory efficiency and cutting red tape for potential investors. This has been done through a series of reforms that have been undertaken by various countries within the region. The majority of countries have created one-stop shops to speed up the processes of registering businesses and have implemented reforms that reduce the time and costs of obtaining operating licences.³⁶ For example, the cost of starting a business in SSA has declined significantly, from 199 per cent of regional per capita income in 2006, to 112 in 2010. It is estimated this will be equal to 54 per cent in 2015. Similarly, the number of days required to register property, or obtain a construction permit has also declined significantly since 2006. The ease of trading across borders is also an important aspect for foreign firms who want to operate in the region. An exported container used to cost US\$3,486 in 2006 and is now expected to cost US\$2,140 in 2015. Similarly, the cost of importing has also come down significantly since 2006.

These improvements, however, require that more work be done to ensure that SSA ranks competitively with other regions. Challenges including lack of electricity supply and inadequate infrastructure are some of the factors that are delaying faster development in South Africa and the SSA.

1.5.3 Risks and Challenges to Economic Prospects

The SSA economic outlook is overshadowed by several risks, some of which are country specific. Although growth is expected to remain strong, prospects and short-term risks vary across countries:

- In South Africa, growth in 2014 was affected by the prolonged industrial actions, as well as the on-going electricity supply constraints. Gradual recovery is expected in 2015.

⁴² The World Bank. (2015). *Doing Business Report: Going Beyond Efficiency*. Retrieved from: <http://www.doingbusiness.org/reports/global-reports/doing-business-2015>

- The Ebola outbreak remains rife in countries such as Liberia, Guinea and Sierra Leone, and is expected to have a dire impact on those economies.⁴³
- The tightening of monetary policy in Ghana and Zambia, amid concerns of inflationary pressures and exchange rate depreciation are expected to adversely affect these economies.⁴⁴ Interest rates were hiked by 200 basis points in Ghana and by 50 basis points in Zambia.
- Although incidents of armed conflict and political instability in the region have declined over the years, the perception of Africa as a politically unstable continent continues to pose a risk to SSA growth prospects.

The SSA region also remains vulnerable to the external environment, especially with regards to lower oil and commodity prices. The subdued economic activity in other emerging markets poses a risk to demand for commodity exports from the region. This could potentially lead to reduced appetite for investment, with longer term implications for growth momentum.

Addressing Challenges of Youth Employment in SSA

In the region where the population consists mostly of youth, it is concerning that the majority of the youth are employed in the least productive and profitable sectors, mainly agriculture and informal self-employment. This is attributed to low educational achievements and limited skills. According to the ILO, trends in SSA show that people who do not finish primary school are more likely to work in agriculture, those with primary or lower-secondary education in non-farm household enterprises (i.e. domestic work, informal self-employment, etc.), whilst those with higher levels of education are likely to enter the modern wage sector.⁴⁵

Fortunately, most countries in the region are aware of these challenges and are building skills through post-school training. Training provided is mostly for employment outside agriculture and is delivered through apprenticeships and public formal technical vocational education and training (TVET). Countries where these types of training are most dominant include Ghana, Cote d'Ivoire, Kenya and Uganda. However, improving employment in agriculture should not be dismissed entirely given that there is a growing demand for food. This implies that there is scope for increasing supply to take advantage of the growing market. Agriculture also plays a critical role in reducing poverty. As such, the ILO recommends that governments should come up with policies that will enable the youth to access land, as well as interventions that will raise productivity in the sector. These interventions could include improved livestock production systems, sustainable irrigation and water management.

In the context of South Africa, low levels of youth participation in the labour market continue to remain a significant challenge, with youth accounting for 39 per cent of total employment.⁴⁶ The government has introduced various initiatives to address youth unemployment. These include the Employment Tax Incentive, also known as the youth wage subsidy, which uses tax incentives to encourage employers to employ young people. Sector Employment and Training Authorities were also established in 2000, with the aim of improving skills development in the country.

Infrastructure Deficit Persists Despite Robust Investment

Infrastructure deficits remain a challenge in the region as they lead to higher costs of production, thereby undermining competitiveness. According to the IMF, SSA continues to experience power crises, characterised by inadequate, unreliable and costly electricity supply. Poor road conditions remain a significant issue, with only a quarter of the total SSA road network being paved.⁴⁷ This is a challenge as road transport is the most dominant mode of transport in Africa, accounting for about 80 per cent of freight and 90 per cent of passenger traffic.⁴¹ Another issue regarding infrastructure in the region is funding. It is estimated that countries in the region will need to invest US\$93bn annually to meet their development goals.⁴⁸ According to the UN, currently actual investment is about US\$45bn, implying a funding gap of about US\$50 bn per year. In this context, one of the issues the region will need to address aggressively in order to sustain high economic growth rate is how to boost infrastructure investment.

⁴³ IMF. (2014). *World Economic Outlook*. Retrieved from <http://www.imf.org>

⁴⁴ World Bank. (2014). *Africa's Pulse*. Retrieved from http://www.worldbank.org/content/dam/Worldbank/document/Africa/Report/Africas-Pulse-brochure_Vol9.pdf

⁴⁵ ILO. (2014). *Youth Employment in Sub-Saharan Africa*. Retrieved from <http://www.ilo.org>

⁴⁶ Gauteng Treasury. (2014). *Provincial Economic Review and Outlook*.

⁴⁷ IMF. (2014). *Regional Economic Outlook: Sub-Saharan Africa*. Retrieved from <http://www.imf.org>

⁴⁸ United Nations Conference on Trade and Development (UNCTAD). (2014). *Economic Development in Africa Report*. Retrieved from http://unctad.org/en/PublicationsLibrary/aldcafrica2014_en.pdf

1.6 Concluding Remarks

The strong economic growth in the region has resulted in better living standards and improved socio-economic indicators. However, progress in reducing fertility and death rates has been slow, resulting in an unfavourable population structure, which poses a risk to the region's socio-economic development. Various countries within the region have adopted policy initiatives to enhance the socio-economic development in the context of the rapidly growing population that continues to affect the demand for social services and resources. These include voluntary family planning programmes, social protection initiatives and adherence to achieving the MDGs.

Strides have been made in improving human development in the region, but poverty and inequality remain high. Regional employment has also not followed the strong output growth, and remains more concentrated in least productive sectors, such as agriculture. Many of the regional youth workforce continue to be employed in agricultural activities and this is attributed to low educational achievements and limited skills. Most countries in the region are aware of these challenges and are providing post-school training, mostly for employment outside agriculture. A closer look at employment by economic class shows that middle-class employment is expected to increase substantially between 2014 and 2018. This bodes well for the region's economic prospects.

Many countries in the SSA region have enjoyed robust economic growth in the past three years or so, although growth in some countries, like South Africa, has fallen short of expectations. Growth was particularly strong in resource-rich countries, including Sierra Leone and the DRC, attributed to higher mining production. The outlook, however, suggests that economic growth will be led by Ethiopia that had an annual average forecast rate of 8.3 per cent between 2014 and 2017, followed by Chad and Mozambique. In terms of trade, available data shows that the region's trade performance has improved significantly in recent times, although it has not been immune to international developments. What is more interesting is that the data indicates that the region's trade market composition is changing. Exports to the region's traditional markets, including Europe and America, have declined significantly and been overtaken by markets such as China and the rest of Africa. It is indeed encouraging that trade within the continent is increasing at the back of strong economic performance and improved socio-economic developments.

Robust economic growth and improved socio-economic dynamics have also aired the region as the most attractive investment destination in Africa. This is supported by its rapidly growing consumer market, which is estimated at US\$938 bn by 2020, up from US\$600 bn in 2010. These developments have also bred huge business and economic opportunities in SSA. The region is characterised by growing opportunities in services, consumer orientated and manufacturing sectors that present even greater opportunities for South Africa, given its geographical advantage. The economic potential of the region also provides South Africa with the opportunity to enhance its manufacturing base, promote technology and expand trade and investment within the region. However, success in taking advantage of these opportunities will depend on whether the domestic firms can overcome the barriers and challenges related to trade in the region.

There remain challenges and risks to SSA's growth prospects. There are some who continue to perceive Africa as a politically unstable continent due to past incidents of conflict and political instability. These perceptions pose a risk to the region's investment prospects. Although the ease of doing business in SSA has improved, the region is still ranked poorly compared to its comparator region (South-East Asia). Inadequate infrastructure remains a challenge, mostly in energy supply and logistics. This could also be seen as an opportunity for domestic investors, especially in financing infrastructure assets such as ports, railway lines and power stations.



Socio-Economic Review and Outlook 2015



Chapter 2: Socio-Economic Review of Gauteng

2.1 Introduction

Gauteng is home to about 23.9 per cent of South African's population according to the 2014 Mid-Year Population Estimates.⁴⁹ Although it is the smallest province geographically, Gauteng is the richest province as measured by its contribution to the GDP at over 33 per cent in 2013. Despite these positive factors, the province remains tainted by inequality in the distribution of income, and it has high unemployment rates, with the result that many suffer grinding poverty and lack of resources. These negatives are further exacerbated by the rapid population growth attributed largely to cross border and internal migration. The province has three metropolitan municipalities (metros) and two district municipalities (districts). The metros are the City of Johannesburg (CoJ), the City of Tshwane (CoT), and Ekurhuleni. The metros are discussed extensively in Chapter 3. The districts consist of Sedibeng and West Rand that are analysed in Chapters 4.

Post the 2014 election, the new Provincial Administration introduced the Ten Strategic Pillar Programme. These pillars are grouped under the components of Transformation, Modernisation and Re-industrialisation (TMR) to guide policy direction and implementation for the new term.⁵⁰ The Transformation component is made up of the four pillars of radical economic transformation, decisive spatial transformation, accelerated social transformation and transformation of state and governance. The pillars that make up the Modernisation component are modernisation of the public service, of the economy and of human settlements, and urban development. The elements of the last component are the re-industrialisation of Gauteng province and the taking of the lead in Africa's new industrial revolution. The province's municipalities are at the forefront of the provision of services to the people, and they are therefore better positioned to implement some of these pillars and strategic policies. In this context, the research in this chapter aims to provide information about the economy of the province in terms of what is driving it. It will identify which areas can be improved to maximise the economic growth potential.

Section 2.2 of the chapter looks at the demographic trends of Gauteng, including the population profile, life expectancy and mortality. Section 2.3 focuses on development indicators, particularly poverty, inequality and human development. The developmental challenges that arise from the latter section are discussed in section 2.4. The socio-economic development of Gauteng is not looked at in isolation, but rather in its role as crucial in determining the ability of the entire country to tackle socio-economic challenges. Section 2.5 looks at economic development and outlook, focusing particularly on drivers of economic growth, the labour market and trade developments. The economic strengths and weaknesses of Gauteng are discussed in 2.5 section, 2.6 along with areas of opportunity within the province. This is followed by the conclusion.

2.2 Demographics

The demographic profile of Gauteng over time provides essential data on patterns of population change. Demographic figures are important for policy formulation and decision-making within the province as they give an indication of how many people reside in the province and the characteristics of the provincial population. Demographic figures are important in advancing the economic development of the province. This information is integral to planning and service delivery. This section provides a review of Gauteng's demographic profile.

2.2.1 Population Profile

Population growth has benefits for a region, such as a growing labour force that allows for the expansion of production.⁵¹ However, rapid growth can create difficulties for government as it endeavours to provide basic

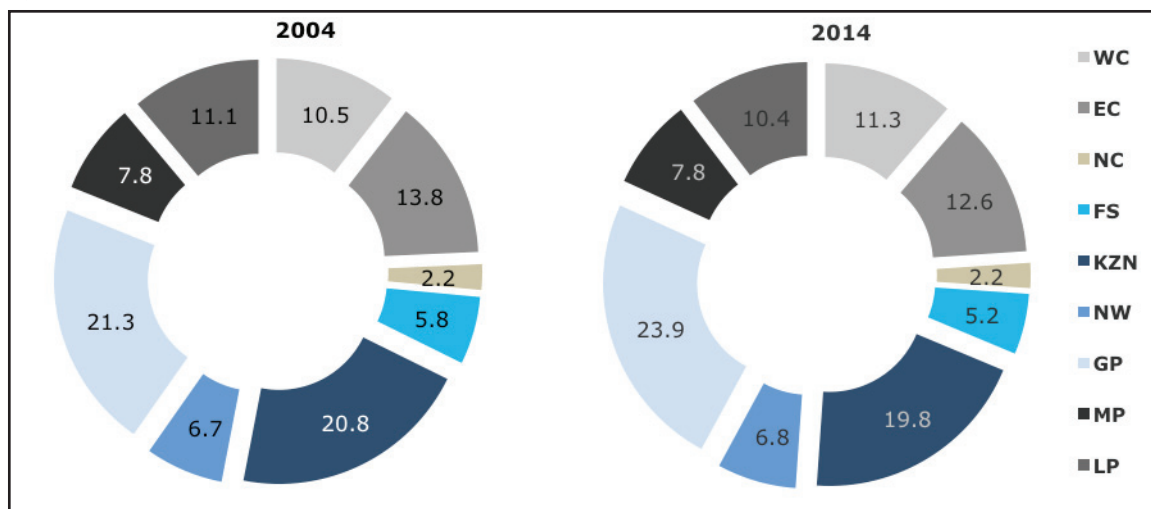
⁴⁹ Statistics SA. (2014). *Mid-Year Population Estimates*.

⁵⁰ Gauteng Provincial Treasury. (2014). *Medium Term Budget Policy Statement*. Gauteng Government.

⁵¹ Population Reference Bureau. (2014). *A Practical Guide to Population and Development*.

services to an ever-increasing number of citizens.

Figure 2.1: Provincial Share of National Population, 2004 & 2014

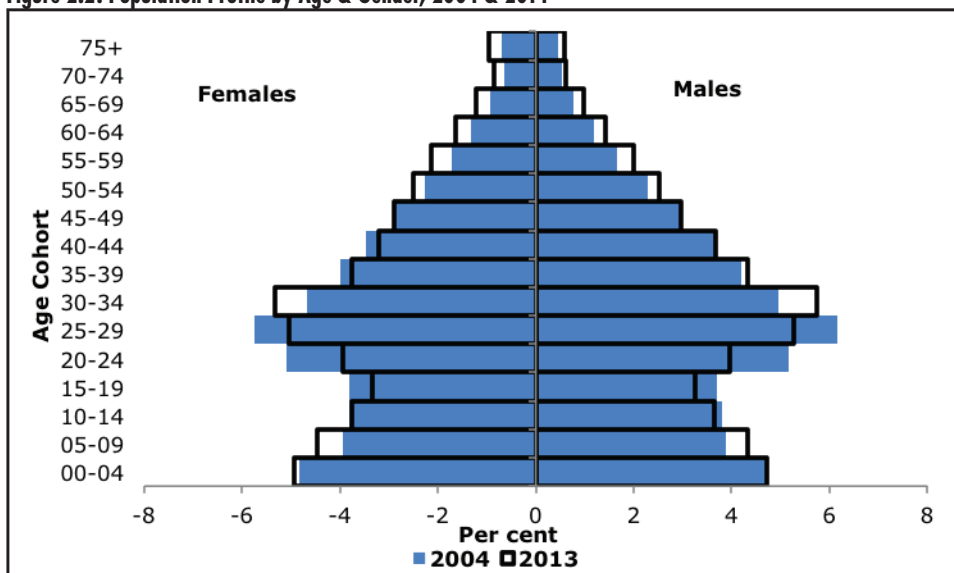


Source: Stats SA, 2015

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

Figure 2.1 illustrates the provincial share of the national population of the nine provinces for 2004 and 2014, according to the Mid-Year Population Estimates of 2014. The Gauteng province has experienced a considerable increase in population. In 2004, the province housed 21.3 per cent of the nation's population. This rose to 23.9 per cent in 2014, an increase of over two million people between these years. The province with lowest single digit population share is Northern Cape at 2.2 per cent for 2014, followed by Free State (5.2 per cent), North West (6.8 per cent) and Mpumalanga (7.8 per cent). KwaZulu-Natal had the second highest population share after Gauteng, although the provincial share of the national population dropped from 20.8 per cent in 2004 to 19.8 per cent in 2014.

Figure 2.2: Population Profile by Age & Gender, 2004 & 2014



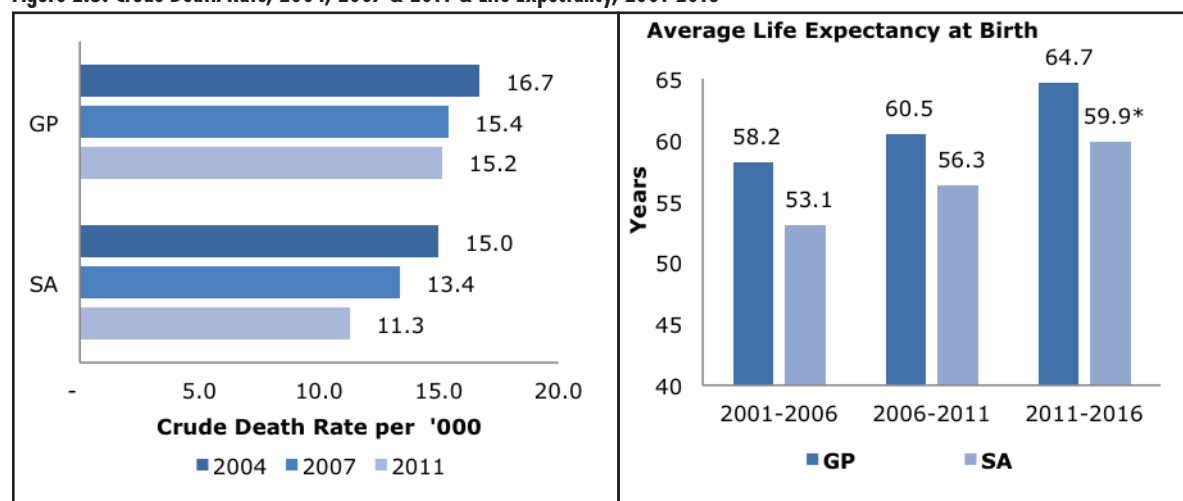
Source: Stats SA, 2015

Figure 2.2 gives a breakdown of the Gauteng population by age group and gender for 2004 and 2013. The population age structure of Gauteng mirrors that of South Africa (as shown in Chapter 1, Section 1.2) in that it has a youthful population. It also has a particular feature, where there is a lower proportion of the population group aged 5 to 14 years and a higher proportion of the age group 15 to 49 years. The fact that Gauteng has the highest proportion of the working age population is not surprising. A report by the Gauteng City Region Observatory (GCRO) shows that the internal and cross border migrants of the province are dominated by people of the working-age category.⁵² This further suggests that this group migrates into the province in search of employment and perceived better living standards. Figure 2.2 also indicates that the province has a youth population bulge just like that of the country. These are people who form part of the potential labour force and yet, in most instances, are unable to find employment in the economy.

2.2.2 Life Expectancy and Mortality

Life expectancy and mortality are key indicators of population health. Life expectancy is an estimate of how long a person born in a specific year is expected to live. A higher rate of life expectancy means the population may contribute for longer in the economic activity of the country or region. Poor health outcomes not only have an implication for the provision of health services, but on economic prosperity as well.⁵³ In terms of mortality, the Crude Death Rate (CDR) is used, as it is the mortality rate from all causes of death for a population per year per thousand persons.⁵⁴ This section looks at how changes in the demographic trends have influenced the socio-economic development of the province.

Figure 2.3: Crude Death Rate, 2004, 2007 & 2011 & Life Expectancy, 2001-2016



Source: Stats SA, 2015

Note: * indicates that the average for South Africa is only calculated until 2014 due to data limitations.

The left panel of Figure 2.3 shows that the CDR for both Gauteng and South Africa has increased between 2004 and 2011. Based on the demographic modelling of Stats SA, the CDR for both Gauteng and the country continued to rise, between 2004, 2007 and 2011. This however contradicts the information that shows that average life expectancy has been increasing. It is worth noting that there are large regional variations in the CDR. Demographic modelling of different sources seems to have different estimates of the CDR.

Life expectancy in the province has increased notably between 2001 and 2011, and is also expected to have increased between 2011 and 2016. Similarly, life expectancy at the national level is also expected to have followed the same trajectory as with the numbers for the province. For the province, life expectancy increased from an average of 58.2 years between 2001 and 2006, to about 60.5 years between 2006 and 2011. It is also expected to have increased to an average of 64.7 years between 2011 and 2016. This is attributed to a number of factors, including improved health care and the overall improvement in the quality of life in the province.

⁵² Gauteng City Region Observatory. (2012). *GCRO Data Brief No. 5 Gauteng: A Province of Migrants*. Retrieved from http://www.gcro.ac.za/sites/default/files/editor_uploads/gcro_data_brief_migration.pdf

⁵³ International Monetary Fund. (2004). *Health and Development: Why Investing in Health is Critical for Achieving Economic Development Goals*. Washington, DC.

⁵⁴ Information from data.worldbank.org/indicator/SP.DYN.CDRT.IN

2.3 Development

High poverty levels and inequality remain in Gauteng, despite improvements that have been made in human development and the general standard of living. Statistics show that in 2011, about 16.5 per cent of Gauteng households were reported as earning no income, whilst 3.4 per cent earned an annual income of up to R4,800.⁵⁵ With a population of over 12 million, this implies that roughly two million of the population of Gauteng live below the food poverty line of R305 per month.

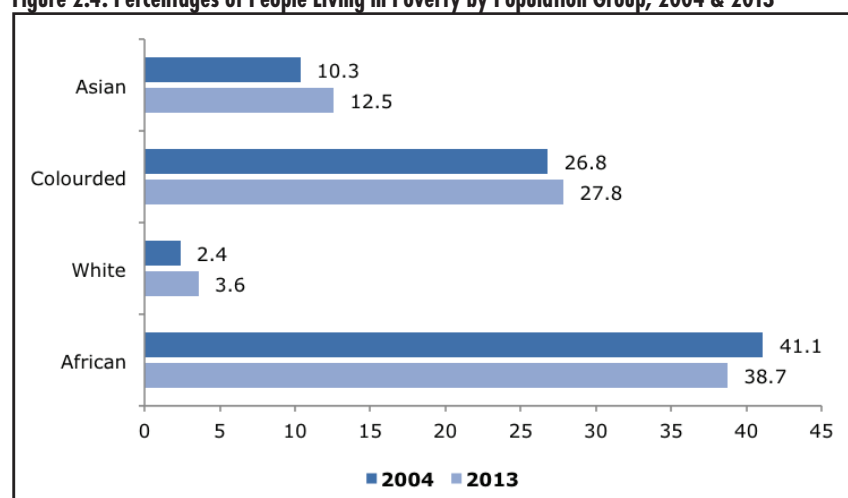
2.3.1 Development Indicators

The responsiveness of poverty and inequality levels to economic growth differs from country to country.⁵⁶ In countries with high inequality, poverty tends to respond more slowly than in countries with low inequality. This sub-section looks at the three development indicators, which are poverty, inequality and the HDI as measures of levels of development in the Gauteng province.

Poverty Levels

Although the percentage of those living under conditions of extreme poverty has declined, poverty remains a great challenge for the domestic economy and its various regions, especially Gauteng. The poverty indicators as provided are based on Stats SA's revised application of the South African poverty line.

Figure 2.4: Percentages of People Living in Poverty by Population Group, 2004 & 2013



Source: IHS Global Insight

Note: The poverty line used is that of those living below US\$1 per day.

Figure 2.4 shows the percentage of people living in poverty by population group for 2004 and 2013. The African population group had the highest percentage of people living in poverty at 41.1 per cent in 2004, but this declined to 38.7 per cent in 2013. It is the only population group that has shown a decline between the two years. In 2004, the Coloured population group was the second highest group of people living in poverty at 26.8 per cent. This increased to 27.8 per cent in 2013. The percentage of people living in poverty remains a concern for policy-makers because it is still relatively high.

Table 2.1 below expands on poverty and focuses on some of the poverty measures as adopted by Stats SA in 2012, and revised in 2014.⁵⁷ This includes the Food Poverty Line (FPL), Lower-Bound Poverty Line (LBPL) and the Upper-Bound Poverty Line (UBPL). The FPL refers to the level where individuals are unable to buy sufficient food. The LBPL include non-food items but requires people to sacrifice other food items to be at UBPL level. Those people who can afford food and non-food items adequately fall under the UBPL.

⁵⁵ Gauteng Provincial Government. (2014). *Gauteng, a Better Place to Live: Review of the 20 Years of Democracy*.

⁵⁶ Institute of Development Studies. (2008). *Economic Growth, Inequality and poverty reduction: Does Pro-Poor Growth Matter?*. Retrieved from <http://www.ids.ac.uk/files/NewNo2-Poverty-web.pdf>

⁵⁷ Statistics South Africa. (2015). *Methodological Report on Rebasing of National Poverty Lines and Development of Pilot Provincial Poverty Lines*. Retrieved from <http://beta2.statssa.gov.za/publications/Report-03-10-11/Report-03-10-11.pdf>

Source: IHS Global Insight, 2015

Issues related to inequality and the distribution of income are linked to the accelerated social transformation pillar of the province. The pillar relates to raising the standard of living of people and improving their quality of life. On the other hand, the HDI highlights how the country uses its resources to raise the standard of living of its citizens by providing health infrastructure (as indicated by life expectancy), and education (shown by educational attainment).

Source: IHS Global Insight, 2014

⁵⁸ Statistics South Africa. (2014). *Poverty Trends in South Africa: An Examination of Absolute Poverty 2006 and 2011*. Retrieved from <http://beta2.statssa.gov.za/publications/Report-03-10-06/Report-03-10-06March2014.pdf>

unacceptably high, particularly in provinces with the highest population rates (as indicated in Figure 2.1). Gauteng still had the highest level of inequality with a Gini of 0.65 in 2013, although it had declined from 0.67 in 2004. KwaZulu-Natal had the second highest Gini of 0.63 in 2013. The Northern Cape and Limpopo experienced the biggest declines in the Gini. That of Northern Cape declined from 0.64 in 2004 to 0.59 in 2013, while that of Limpopo decreased from 0.64 in 2004 to 0.59 in 2013.

The overall decline in the Gini coefficient across all provinces can be attributed partly to the provision of social grants. In fact, according to the World Bank, South Africa has had more success than its peers, e.g. Brazil, in using fiscal policy to reduce inequality and poverty.⁵⁹ The study shows that about 6.7 per cent of the South Africa population (3.6 million people) have been rescued from poverty and inequality through the use of taxes and social grants in the 2010/11 financial year.

Table 2. 2: HDI & Components, 2004 & 2013

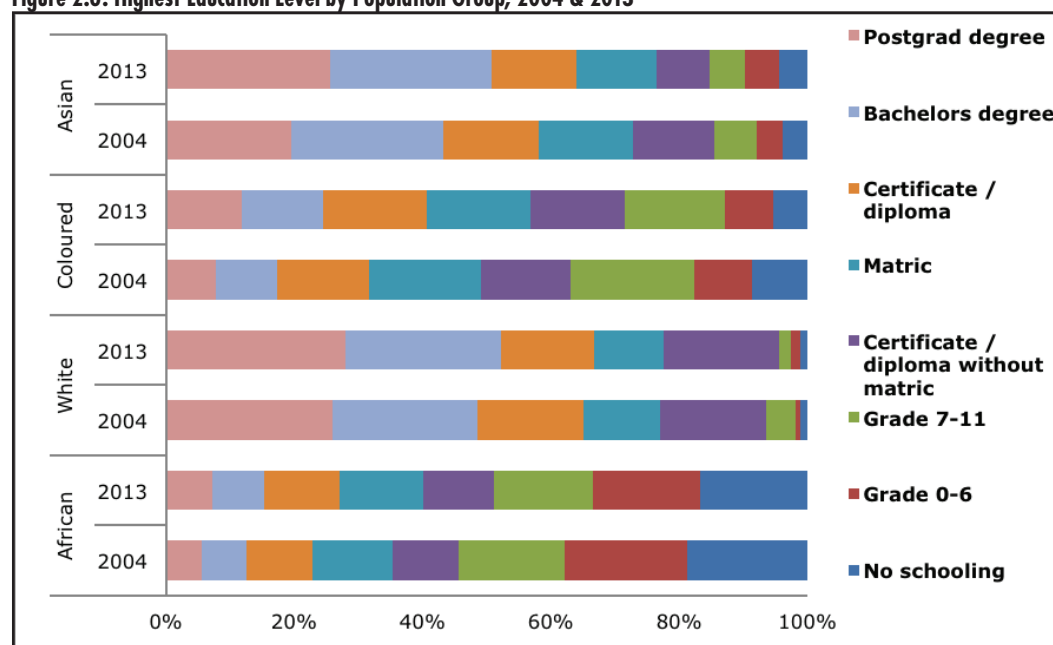
Region	HDI (Index)		Life Expectancy at Birth (Years)		Expected Years of Schooling (Years)	
	2004	2013	2004	2013	2004	2013
South Africa	0.61	0.66	51.6	56.9	13.1	13.1
Gauteng	0.65	0.71	56.8	60.7	n/a	n/a

Source: Stats SA, IHS Global Insight, & World Bank, 2014

Note: Information on the expected years of schooling at a provincial level was not available.

Gauteng has been making progress in human development, despite only a marginal increase in the HDI. This progress is marked by some improvements in education and health outcomes. Life expectancy has been increasing. Education enrolment in the province has also increased as indicated in Figure 2.6. Similar outcomes have also been experienced at the national level. However, in terms of the HDI, Gauteng still remains amongst the highest in the country, after the Western Cape.

Figure 2.6: Highest Education Level by Population Group, 2004 & 2013



Source: IHS Global Insight, 2015

⁵⁹ World Bank. (2014). *South Africa Economic Update: Fiscal Policy and Redistribution in an Uneven Society*. Retrieved from <http://www.worldbank.org/en/country/southafrica/publication/south-africa-economic-update-fiscal-policy-redistribution-unequal-society>

In terms of education attainment, improvements have been recorded across all population groups. In fact, the Gauteng Provincial Government (GPG) 20 Year Review report⁶⁰ shows that basic education enrolment over the years, both in public and independent schools has increased significantly from 1.5 million in 2001 to over 2 million in 2013. What is even more encouraging is that there is an increasing trend in the attainment of higher education by the African population group, whilst the share of the African population with no schooling is decreasing. The White population group continues to be the group with more higher education qualification attainments than other groups, although the share has remained stagnant between the two periods. This is followed by the Asian population group.

2.4 Development Challenges

The province has made notable strides in improving the socio-economic conditions as well as raising the standard of living of the citizens. Despite these improvements, the challenge of poverty and inequality remains. The analyses above show that one of the common key factors amongst provinces with high inequality levels is high population growth. This issue, particularly in Gauteng, is attributed to high levels of internal and cross border migration. The implication of the rapid increase in the population is that resources and infrastructure in the province tend to be stretched to accommodate the population growth. This is particularly evident in the growth of informal settlements and backyard shacks, as well as in the ageing infrastructure. All these factors, including poverty and the uneven distribution of wealth often lead to violent protests in some of the province's communities. It is for these reasons that the GPG has adopted the Ten Pillar Programme to address these challenges through creating an enabling environment for inclusive growth.

2.4.1 Progress on Service Delivery

This sub-section shows how some of the developmental challenges arising from the above affect service delivery. This is measured by the household infrastructure backlogs indicator, which indicates the percentage of people who do not have access to specified household infrastructure.

Table 2.3: Household Infrastructure Backlogs, 2004-2013

Region	Infrastructure	2004	2013	2004 - 2013
South Africa	Formal Dwelling	28.2%	22.9%	
	Sanitation	37.0%	23.8%	
	Water Access	21.8%	19.0%	
	Electricity Access	24.7%	14.7%	
	Refuse Removal	41.5%	36.3%	
Gauteng	Formal Dwelling	27.1%	21.4%	
	Sanitation	12.5%	8.6%	
	Water Access	5.1%	5.8%	
	Electricity Access	16.4%	14.9%	
	Refuse Removal	13.0%	10.0%	

Source: IHS Global Insight, 2014

Nationally, overall, there has been a decrease in the percentage of backlogs in the provision of household infrastructure. The exception is the provision of water access in Gauteng, which remains a major burden in the province. In particular, the provision of water services has decelerated, with backlogs increasing from 5.1 per cent in 2004 to 5.8 per cent in 2013. Backlogs in access to electricity were not significant, but did show an increasing trend in 2013.

⁶⁰ Gauteng Provincial Government. (2014). *Gauteng: A Better Place to Live*.

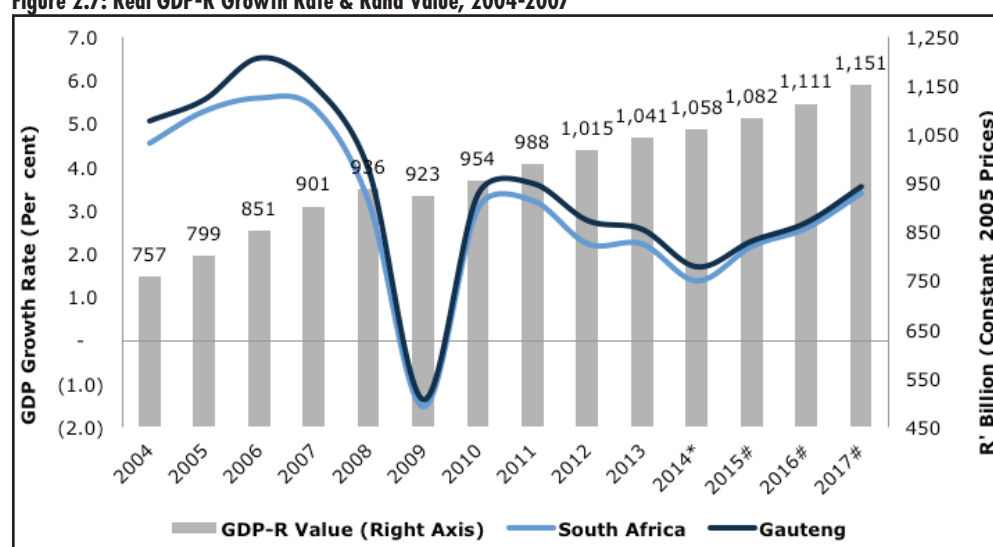
2.5 Economic Development and Outlook

The Gauteng Ten Pillar Programme is linked in this section to the radical transformation of the economy, as it provides a comprehensive review of the region's sector activity. This section further provides an understanding of what is driving the provincial economy and the areas that can be improved to maximise growth potential.

2.5.1 Review of Economic Trends

The Gauteng economy is the driving force behind the South African economy and contributed 33.8 per cent to the GDP in 2013. The economy of the province has diversified significantly since the early 1990s when it was dominated by activities in the mining and manufacturing sectors. Currently, the finance & business services sector continues to be the major contributor to the province GVA. It is followed by wholesale & retail trade, and the government sectors.

Figure 2.7: Real GDP-R Growth Rate & Rand Value, 2004-2007



Source: IHS Global Insight, 2015

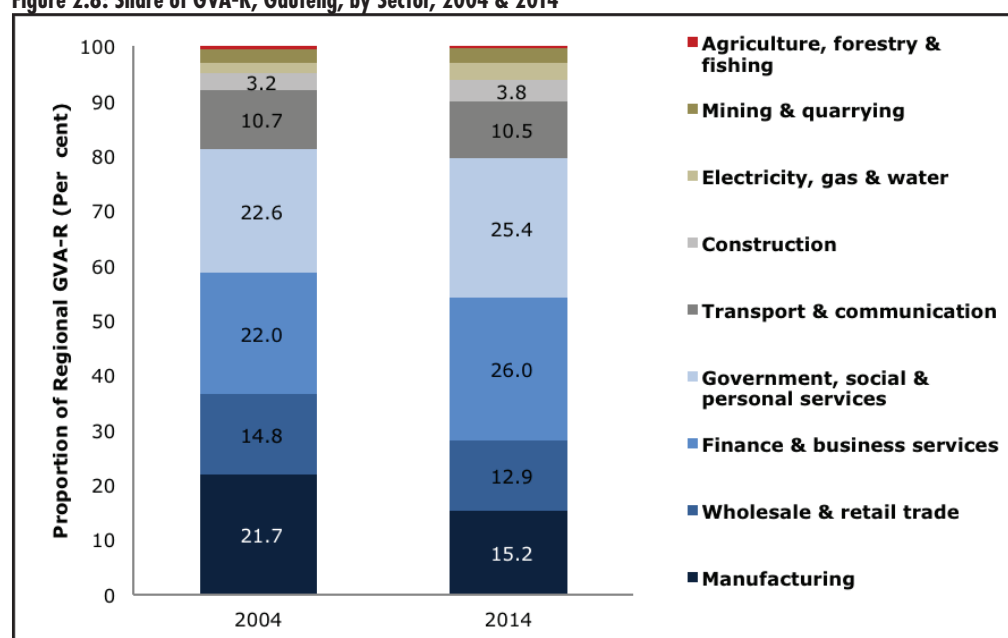
Note: * indicates estimates and # forecasts

Figure 2.7 illustrates GDP in Rand values and growth rates for Gauteng alongside those of South Africa from 2004-2013, with estimates for 2014 and forecasts from 2015 to 2017. The provincial real GDP amounted to R757 billion in 2004, when the growth rate was 5.5 per cent. Provincial growth declined to 1.4 per cent in 2009, when the real value was R923 billion, a R13 billion decline from the previous year. In the same year, the national growth rate had declined to 1.5 per cent. This was attributed to the impact of the 2008/2009 recession. The provincial economic growth is expected to have increased to 1.7 per cent in 2014, lower than what had previously been forecast. This was partly driven by the spill over from the labour unrest and stoppages in the platinum industry. The national growth rate is also expected to have come below expectation in 2014 at 1.4 per cent, reflective of domestic challenges, including tense labour relations, energy supply constraints and the generally low business confidence levels.

Drivers of Economic Growth

To introduce any form of radical economic change or transformation, policy-makers have to understand the current economic structure of the different regions. To achieve this, a comprehensive analysis on the sectors and sub-sectors is conducted in order to identify major sectors and those that have potential for growth.

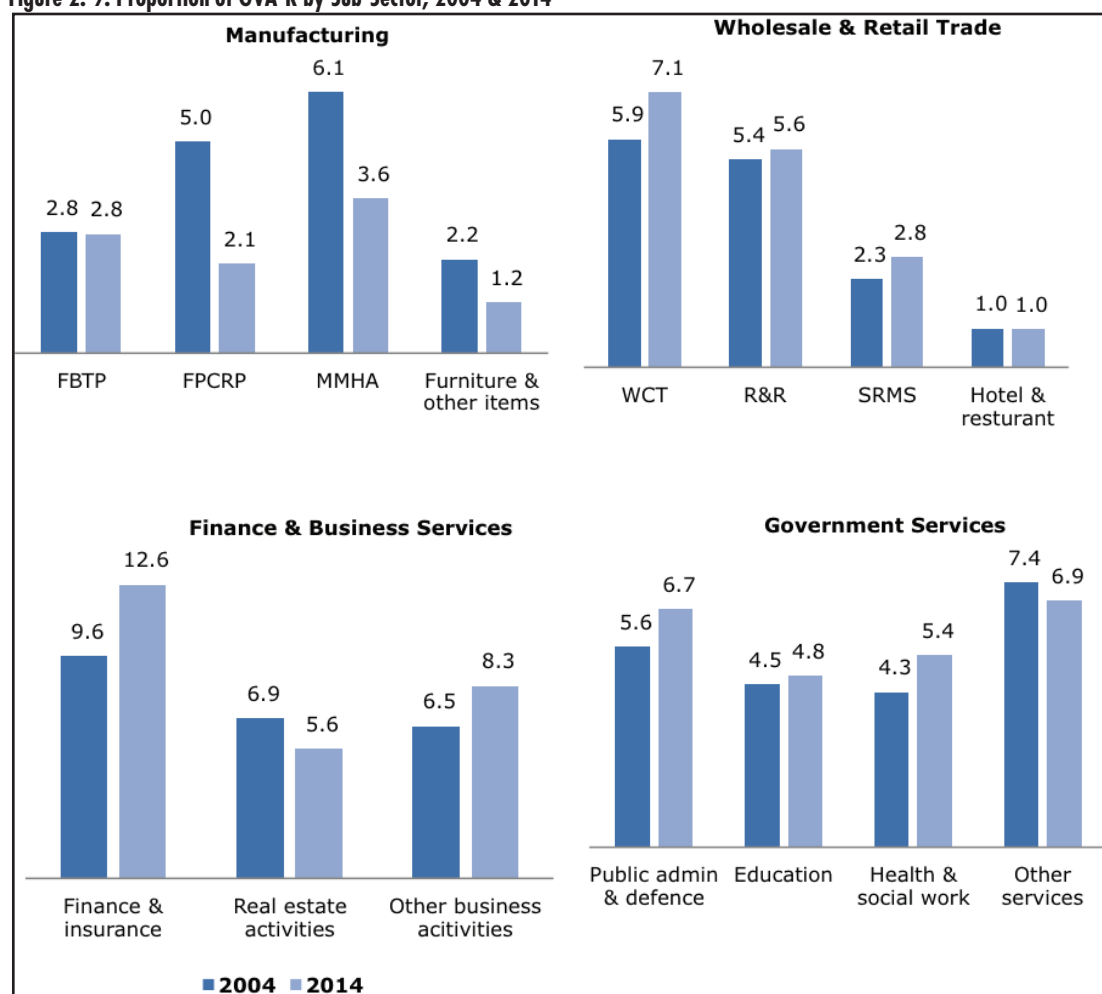
Figure 2.8: Share of GVA-R, Gauteng, by Sector, 2004 & 2014



Source: IHS Global insight, 2015

Figure 2.8 compares the contribution of sectors to the Gauteng economic activity. The finance & business services sector is the largest sector. It contributed 26 per cent to economic activity in the province in 2014. The contribution by this sector is due to the province hosting the headquarters of many financial institutions. The government, social & personal services sector has also increased its contribution, alongside the wholesale & retail trade sector. The higher contribution by the government, social & personal services reflects the fact that the national government departments are based in Pretoria, which is the country's administrative capital. On the other hand, the manufacturing sector continues to account for a smaller proportion of economic activity. The sector was once the prominent contributor to the economy, but currently has almost halved its contribution. It now accounts for only 15.2 per cent of GVA-R. This is due to various challenges, including high electricity costs, energy supply constraints, ageing foundry and tooling industries.

Figure 2. 9: Proportion of GVA-R by Sub-Sector, 2004 & 2014*

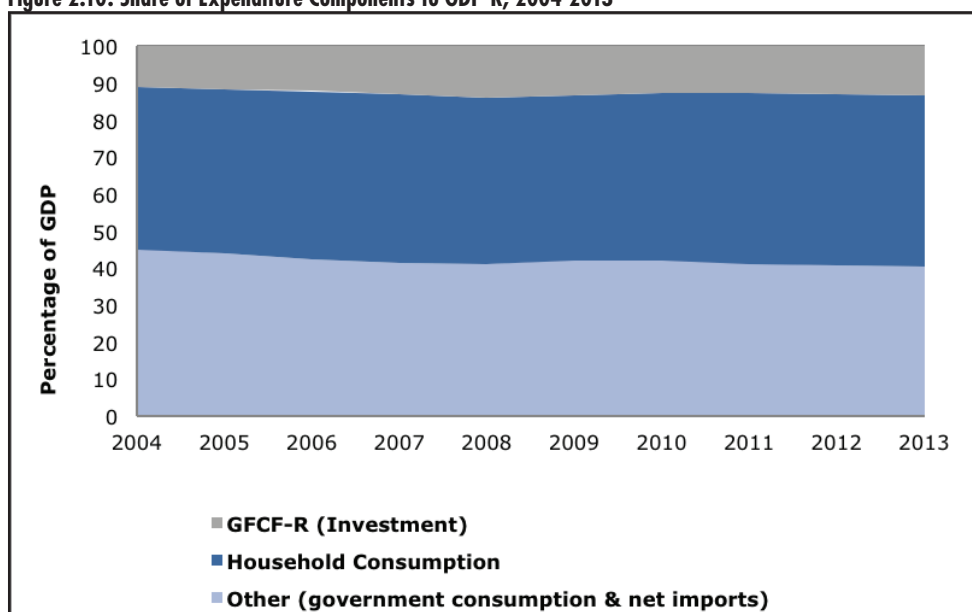


Source: IHS Global Insight, 2014

Note: * indicates estimate. FBTP= Food, beverages & tobacco products, FPCR= Fuel, petroleum, chemical & rubber products, MMHA= Metal products, machinery & household appliances. WCT= Wholesale & commission trade, R&R= Retail trade & repairs, SRMS= Sale, repairs of motor vehicles, sale of fuel.

Figure 2.9 illustrates the proportion of GVA-R by detailed sub-sector, particularly for sectors that contribute the most to the provincial economy. For the manufacturing sector, only the prominent sub-sectors are analysed. The metal products, machinery & household appliance sub-sector accounted for the largest share of manufacturing, although the share has declined somewhat between the two years. In fact, output in all the manufacturing sub-sectors has declined, in line with the overall decline in manufacturing activity. In terms of finance & business services, the finance & insurance sub-sector has remained the largest contributor to this sector. In fact, the share of this sub-sector has increased significantly from 9.6 per cent to 12.6 per cent in 2014. The wholesale & retail trade sector was driven mainly by the wholesale & commission trade, and retail trade & repairs sub-sectors, which have increased their contribution between the two years. In terms of government services sector, the public administration & defence sub-sector accounted for the largest proportion alongside the 'other services' sub-sector.

Figure 2.10: Share of Expenditure Components to GDP-R, 2004-2013



Source: Quantec Easy Data, 2015

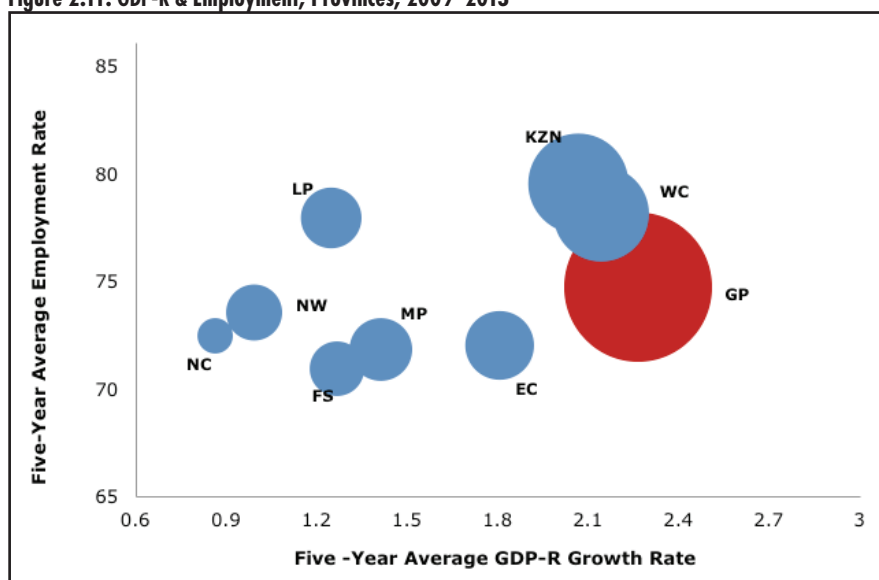
The expenditure components of GDP-R, as illustrated in Figure 2.10, indicate that household expenditure in the province is a key driver of economic growth. Household expenditure alone accounts for about 46 per cent of the GDP-R. The 'other' component that consists of the government expenditure and net imports accounts for just over 40 per cent. Investment also plays a critical role in the provincial economy. Its contribution to GDP-R has increased from about 11 per cent in 2004 to 13.2 per cent in 2013. The expenditure trends are similar at the national levels as shown in Chapter 1.

Employment

The latest Quarterly Labour Force Survey (QLFS) by Stats SA recorded that in the third quarter of 2014, South Africa's unemployment rate was at 25.4 per cent, while that of the Gauteng province was at 25.6 per cent.⁶¹ Empirical research suggests that there is a positive relationship between output and employment, indicating that for every one per cent increase in the employment rate, a country's GDP will increase by two per cent.⁶²

⁶¹ Statistics South Africa. (2014). *Quarterly Labour Force Survey Quarter 3*. Pretoria.

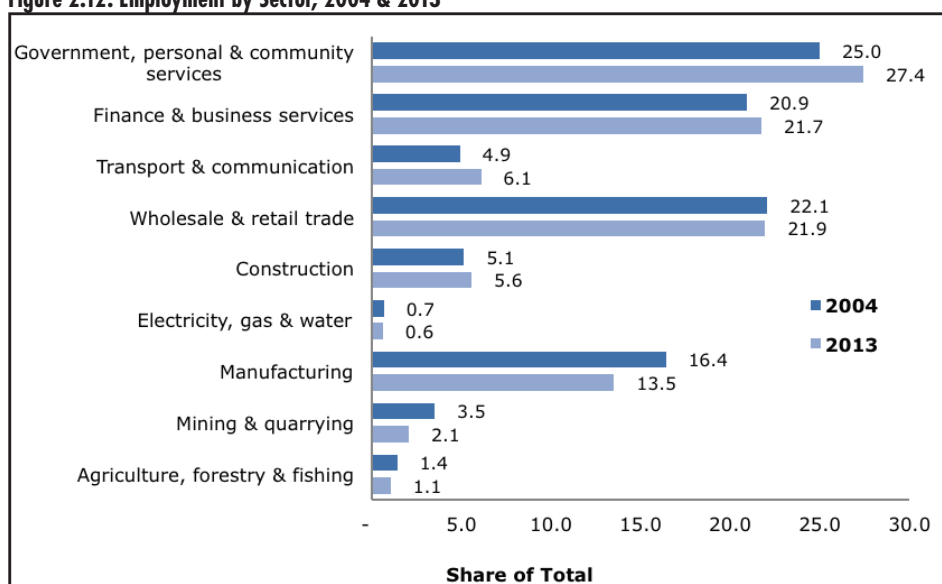
⁶² Ryan Fuhrmann. (1960). *Okun's law: Economic growth and unemployment*. Retrieved from <http://www.investopedia.com/articles/economics/12/okuns-law.asp>

Figure 2.11: GDP-R & Employment, Provinces, 2009–2013

Source: IHS Global insight, 2015

Note: the size of the bubble represents the size of the GDP-R for the year 2013.

Figure 2.11 illustrates the average employment rate from 2009 to 2013 for the nine provinces against their average GDP-R growth rates. The size of the bubble indicates the size of the GDP for 2013. Gauteng Province has the largest GDP value of R7.2 billion with the highest GDP-R growth rate of 2.3 per cent. It had an average employment rate of 74.7 per cent. This is partly because Gauteng has the largest population rate in the country. KwaZulu-Natal had the highest average employment rate at 79.5, with its GDP-R growth rate at 2.1 per cent, and the GDP size of R3.2 billion. The Western Cape is the second highest province with an average employment rate of 78.1 per cent and an average GDP-R growth rate of 2.1 per cent between 2009 and 2013. It had a GDP size of R2.9 billion.

Figure 2.12: Employment by Sector, 2004 & 2013

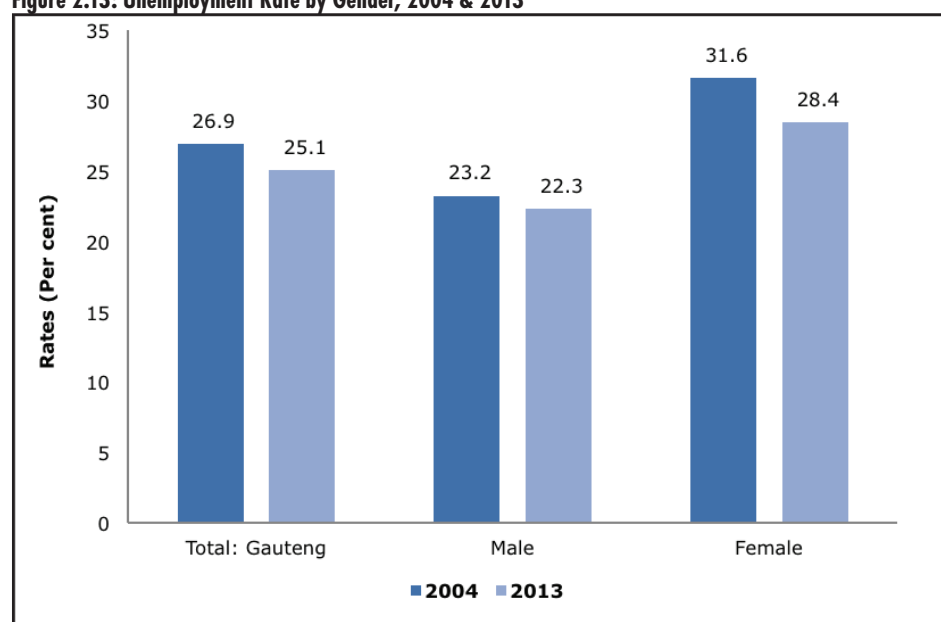
Source: IHS Global insight, 2015

Figure 2.12 illustrates employment by sector for 2004 and 2013. The employment trend by sectoral share follows that of sectoral contributions to GVA-R. This suggests that the sector that contributes more to the GVA-R is likely to employ the largest percentage of people. The government, personal & community services sector employed the largest percentage of labour, followed by the wholesale & retail trade. The finance & business services sector accounted for the third largest share of total employment, although employment has only increased marginally between the two years (by 0.8 percentage point). This reflects the sector's inability to absorb large numbers of employees given its highly skilled labour requirements. During the period under review, manufacturing made up the fourth largest share, at 16.4 per cent in 2004, down to 13.5 per cent in 2013. The manufacturing sector continues to be a concern for policy-makers as this sector is shedding jobs. The contribution to the GVA-R by this sector is also decreasing.

Unemployment

Although South Africa has made some strides in addressing inequality and poverty, the subdued growth since 2012, has exacerbated the challenge of unemployment.⁶³ The most vulnerable remain the youth and females who constitute the larger share of the unemployed.

Figure 2.13: Unemployment Rate by Gender, 2004 & 2013



Source: Stats SA, 2015

Figure 2.13 shows the unemployment rate by gender for 2004 and 2013. As previously mentioned, the unemployment rate in Gauteng remained high, at 25.1 per cent in 2013. This rate remained relatively unchanged in the fourth quarter of 2014, according to the latest QLFS.⁶⁴ The unemployment rate was particularly high for females, in fact, higher than the overall Gauteng rate, at 28.4 per cent in 2013. The male unemployment rate remained largely flat, around 22 per cent between the two years.

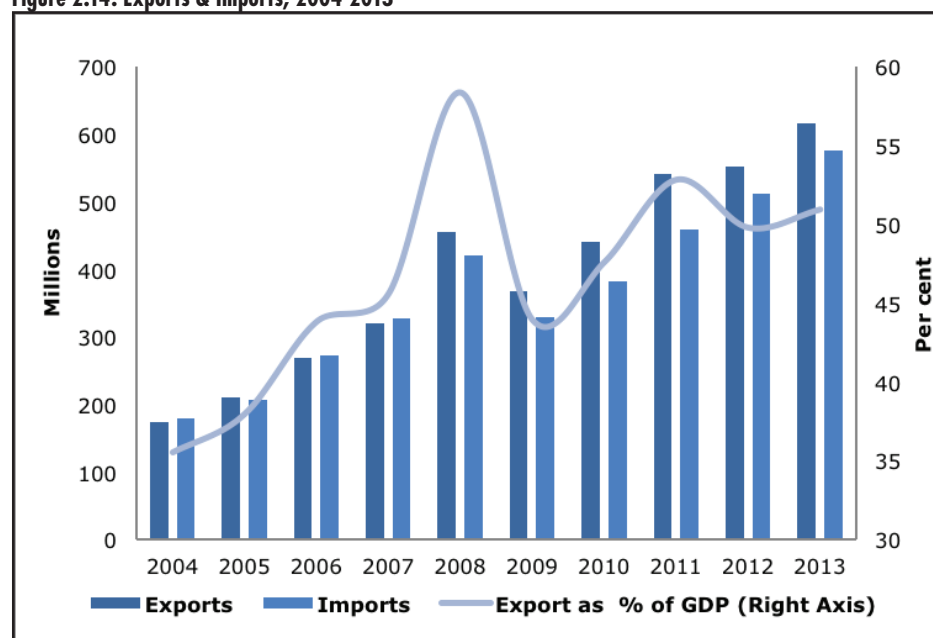
Trade Developments

South Africa's exports and imports depend on the nation's natural resources and the government trade incentives. The primary export commodities of the province include gold, diamonds, other metals and minerals. This sub-section provides an analysis of trade in the province. Exports are emphasised, given their potential for employment creation.

⁶³ International Monetary Fund. (2013). *South Africa Article VI consultation*.

⁶⁴ Statistics South Africa. (2015). *Quarterly Labour Force Survey Quarter 4*. Pretoria.

Figure 2.14: Exports & Imports, 2004-2013



Source: IHS Global Insight, 2014

A noticeable trend is that imports into Gauteng were more than exports for the first four years, 2004 to 2007. The values of exports and imports amounted to R173 million and R179.5 million in 2004 respectively. Thereafter, exports started increasing more than imports, thus indicating a trade surplus. Exports contributed 35.5 per cent to Gauteng GDP in 2004, and had increased to 58.4 per cent in 2009. However, they declined to 44 per cent in 2010 and picked up by 8.9 percentage points from 2011 to 2013.

Table 2.4: Exports by SA & GP, 2004 & 2013

	Exports	2004	2013	2004-2013
RSA	Mineral products	12%	26%	
	Natural stones & imitation jewellery	27%	21%	
	Base metals & articles	20%	13%	
	Vehicles, aircraft & transport equipment	9%	9%	
	Machinery & electrical equipment	8%	8%	
	Other Exports	24%	22%	
	Exports	2004	2013	2004-2013
GP	Mineral products	13%	31%	
	Natural stones & imitation jewellery	40%	29%	
	Base metals & articles	17%	11%	
	Vehicles, aircraft & transport equipment	6%	8%	
	Machinery & electrical equipment	8%	8%	
	Other Exports	16%	14%	

Source: Quantec Research Easy Data, 2014

The export dimension of Gauteng is similar to that of South Africa. The export proportion of mineral products for both South Africa and Gauteng has increased significantly between 2004 and 2013. The share of mineral products exports increased to 31 per cent in 2013 for Gauteng, from just 13 per cent in 2004, whilst in South Africa, the increase was from 12 per cent in 2004 to 26 per cent in 2013. The export of the mineral products category was dominated by iron & steel, mineral fuels and iron ores products, particularly from Gauteng. The share of total Gauteng exports of vehicles, aircraft & transport equipment has also increased. .

2.5.2 Economic Strengths and Weaknesses

This section identifies the general economic strengths and weaknesses that emerge from the analyses in the previous section. The key strengths of the provincial economy lie in its dominance of certain sectors. The province is recognised as the financial capital of Africa, with more than 70 foreign banks having their head offices in the province.⁶⁵ It is therefore not surprising that the finance & business services sector is one of the key sector strengths of the economy, contributing more to the province's economic activity. Furthermore, this sector's strength is also reflected in future estimates, which indicate that Gauteng is the only province that is anticipated to reflect an increase in the finance & business services sector's contribution to the national economy. According to the EY's Attractiveness Survey of 2014, Gauteng has been the most popular foreign investment destination for projects in Africa, mostly in service-related sectors including finance & business services, and the technology, media & telecommunication sector.⁶⁶

Although beset by various challenges, the manufacturing sector can also be seen as a key role player in the province's economy, particularly given its strong linkages with both upstream (e.g. the wholesale & retail trade sector) and downstream (e.g. the mining and agriculture sectors) industries. Currently, the automotive industry is the key strength of this sector with the CoT being the main hub of the industry countrywide. The automotive industry has high multipliers throughout the economy, drawing in metals like steel, aluminium, platinum, and plastics, leather and textiles. The relatively established transport infrastructure, particularly railway and road infrastructure, is also a strong point of the Gauteng economy. For example, the various Bus Rapid Transit systems are affordable and link large volumes of passengers from all walks of life. These systems are potentially reducing the cost of doing business. The EY's Survey also shows that the Gautrain infrastructure project has been a key enabler in the economic development of Gauteng.

Weaknesses, or areas that need to be developed, are those that place the province at a disadvantage relative to others. The unemployment rate is high amongst the youth, who make up the bulk of the working age population, thus, these individuals are dependent on the adult population. This is further worsened by the fact that the employment contribution of the manufacturing sector continues to decrease. The manufacturing sector has experienced a decline in output, from contributing 21.7 per cent to the Gauteng economy in 2004 to only 15.2 per cent in 2014. Manufacturing capacity continues to experience various challenges, including energy security, skills shortages, high input costs and underinvestment in capital equipment. However, the GPG has embarked on interventions that are aimed at reviving the manufacturing sector. The province has earmarked 11 sub-sectors including ICT, agro-processing and pharmaceuticals, and is expected to host an Economic Infrastructure Investment Conference in March 2015 to coordinate public and private sector projects in ICT, energy and logistics, amongst others.

2.5.3 Unlocking Economic Potential

The GVA is a reflection of economic growth activity; the province has achieved a fairly high real GVA-R of R961.8 billion in 2014, from R944.7 billion in 2013.⁶⁷ There are opportunities in Gauteng, especially in those areas where the province has endowments and comparative advantage, such as finance & business services, transport and, to some extent, tourism. Gauteng is also seen as a gateway to Africa, which means that it has more potential to attract foreign investment. As mentioned in Chapter 1, the SSA region has some of the fastest growing consumer markets, with an estimated regional consumer spending of US\$938bn in 2020, from US\$600bn in 2010. Services, consumer-oriented and manufacturing sectors are expected to be the beneficiaries of the expected increase in consumer spending. These present a great opportunity for the Gauteng province, as these sectors are some of its key strengths. The economic potential for the province is in exporting these services,

⁶⁵ Gauteng Economic Development Agency. (2011). *Gauteng Economic Opportunities Atlas*.

⁶⁶ EY. (2014). *Investment Attractiveness Survey Africa. Executive Growth*.

⁶⁷ City of Johannesburg. (2012). *Integrated Development Plan 2011/12 to 2015/16*.

and also in providing an enabling environment for foreign investors who want to venture into Africa.

The GPG is also working to ensure that the province attracts private and foreign investment. It has recently launched the Gauteng Investment Centre (GIC) and the Ekurhuleni Business Facilitation Network (EBFN). These are one-stop business services facilities that aim to attract investment in the province. The GIC offers domestic and foreign investors access to investment services and support from various tiers and agencies of government, whilst the EBFN provides services including business registration, mentorship services, access to finance and business linkages. The provincial government is also in the processes of finalising the Township Revitalisation Strategy that is aimed at bringing Gauteng township economies and Small Medium & Micro Enterprises (SMMEs) into the mainstream economy. Currently, institutions like the Gauteng Enterprise Propeller (GEP), an agency of the Gauteng Department of Economic Development, take the lead in supporting SMMEs and ensuring that adequate financial and non-financial assistance is provided to the sector. Reducing barriers to entry, such as start-up costs, including registration and licence fees, and the processing time, remain important in promoting the development of SMMEs.⁶⁸

2.6 Concluding Remarks

The population influx from other provinces continues to increase as Gauteng is seen as the better destination for job prospects. This is also shown by the fact that the majority of the population who migrate into the province are youth of working age. This is a concern, especially as the unemployment statistics show that Gauteng has the highest share of youth unemployment in the country. Furthermore, the increased population growth has a direct effect on the ability of the province to provide social services and infrastructure resources. Another impact of population growth can be seen in the context of the stubbornly high inequality levels in the province. In fact, the analyses show that the key common factor amongst provinces with high inequality levels is high population growth.

In terms of human development, the province has made some improvements, particularly in health and education attainment. The enrolment for basic education between 2001 and 2013 has increased by over 500 thousands pupils. The attainment of higher education has also increased, mostly for the African population group. However, the province continues to struggle with some developmental challenges. These include backlogs in access to water, high poverty levels and uneven distribution of wealth. Often, these lead to violent protests in the province. However, the GPG has adopted the Ten Pillar Programme to address these challenges through creating an enabling environment for inclusive growth.

The objective of the economic review in this chapter was to provide information about the Gauteng economy, and to focus on the drivers of economic growth as well as economic strengths and weaknesses. The finance & business services sector remains the major contributor to the provincial economy, followed by wholesale & retail trade, and the government services sectors. Manufacturing on the other hand, continues to decline, thus contributing less to economic activity. This is a concern for policy-makers, as this sector is a key strategic sector for the alleviation of poverty and unemployment. On the expenditure side, consumption expenditure, both by household and government, continues to drive the economy, accounting for over 50 per cent (combined) of Gauteng output. Investment also plays a critical role in economic activity and accounts for about 13 per cent of GDP-R.

It is not surprising that the economic potential of the province lies in its key sectors (those that contribute more to growth). Gauteng has been the most popular foreign investment destination for projects in Africa, mainly in finance & business services, and technology & telecommunication sectors. This attraction has also been fuelled by the strong railway and road infrastructure in the province, including the Gautrain and the BRT system, all of which continue to be key enablers of economic development. In addition, the provincial government has undertaken various initiatives that will continue to position Gauteng as the best destination for investment. These include the establishment of various one-stop business centres for investors, as well as strategies that will bring township businesses into the mainstream economy.

⁶⁸ Africa Growth Institute. (2014). *South African SMME Business Confidence Indices*. Retrieved from http://www.africagrowth.com/smme_data.htm

Chapter 3: Socio-Economic Review of the Metropolitan Municipalities

3.1 Introduction

In South Africa, large cities and towns are the backbone of the national economy, with over 80 per cent of South Africa's GDP generated in urban centres.⁶⁹ Gauteng is the mainstay of the country's economy, and is the fourth largest economy in SSA, and sixth in Africa. Nigeria is first with US\$502 billion; South Africa is at US\$354 billion, Egypt at US\$262, Algeria at US\$216, and Angola at US\$124 followed by Gauteng.⁷⁰ However, many people in the province are excluded from the mainstream economy. They remain trapped in poverty, inequality and unemployment. For these reasons, the GPG has pledged to make the province "an integrated city-region characterised by social cohesion and economic inclusion" through the newly adopted Ten Pillar Programme.⁷¹ In his 2015 State of Province Address (SoPA) speech, the Premier of Gauteng, the Honourable Mr David Makhura, reminded Gauteng citizens that the province "occupies a special pride of place in our country's economy". He emphasised that this status has to be exploited in order to beat "the triple challenges of poverty, inequality and unemployment".

This chapter makes an assessment of how the provincial government priorities envisioned to be driven by the Ten Pillar Programme (TMR) could enhance some of the socio-economic trends developing within the metros. The metros, as economic hubs in the province, could potentially play a critical role in ensuring that the objectives of the TMR programme are effectively achieved. Therefore, the main focus of the chapter is to analyse the state of the metros' economies by providing an insight of what drives each economy and which areas can be improved to maximise their growth potential.

Section 3.2 examines the demographic profile of the province's population. Section 3.3 provides the reader with development indicators for the region by population group, such as poverty, income inequality, and human development. Section 3.4 highlights challenges and policy implications related to the demographic profile of the metros. Section 3.5 looks at the economic development of the metros.

3.2 Demographics

Demographics provide useful information for policy-makers to give insight into the living standards of the people and an indication of which policy options should be undertaken according to the structure of the economy. This section highlights information on the problems and positives of the metros and serves as a starting point to tackle issues. The demographic profile provides an outline of the population by age, and illustrates youth dependency. The section identifies the population patterns and how changes in population numbers affect economic performance

3.2.1 Population Profile

According to Stats SA,⁷² the province was comprised of 12.9 million people in 2014, making it the most populous province in South Africa, with a population growth rate of roughly 2 per cent. Although other factors, such as the high fertility rate contribute to this rapid population growth, the internal migration patterns are the main driver. Being one of the most economically advanced provinces, Gauteng is the largest net-gainer of inter-provincial

⁶⁹ South African Cities. (2012). Governance Cities and HIV. Retrieved from <http://www.cadre.org.za/files/governancecitiesandhiv.pdf>

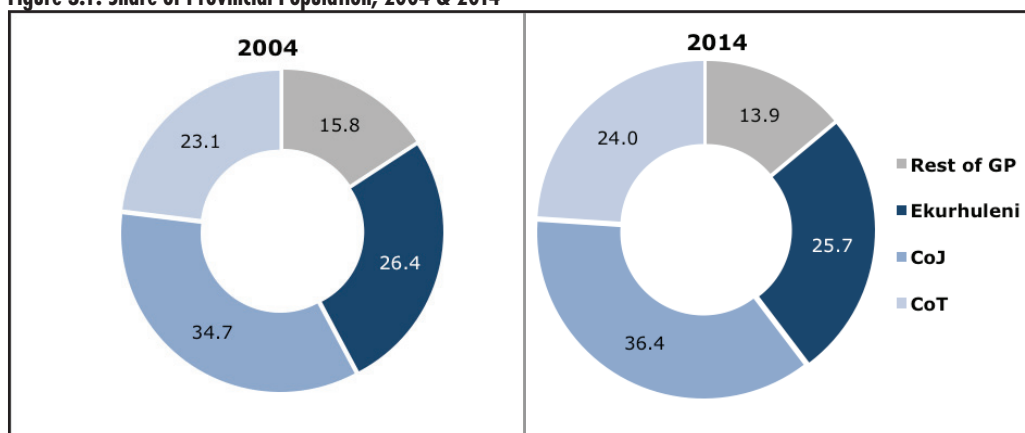
⁷⁰ Gauteng GDP share to SSA and Africa was calculated from IMF database of GDP of African countries, compared to IHS Global Insight GP data for 2014 converted to US dollars. Then compared to other African countries. With an average exchange rate conversion.

⁷¹ Gauteng Provincial Government. (2014). State of the Province Address. Retrieved from <http://www.finance.gpg.gov.za/Speeches/SOPA%202014%20speech%20by%20Gauteng%20Premier%20David%20Makhura.pdf>

⁷² Statistics South Africa. (2014). Mid-year Population Estimates. Retrieved from <http://beta2.statssa.gov.za/publications/P0302/P03022014.pdf>

migrants. For example, there was an average positive migration of 481 thousand people overall between 2011 and 2014.⁷³ The Western Cape is expected to have an in-migration of around 150 thousand, and the North West of a mere 65 thousand. The Eastern Cape and Limpopo are set to have negative net migrations of 65 thousand and 62 thousand, respectively.

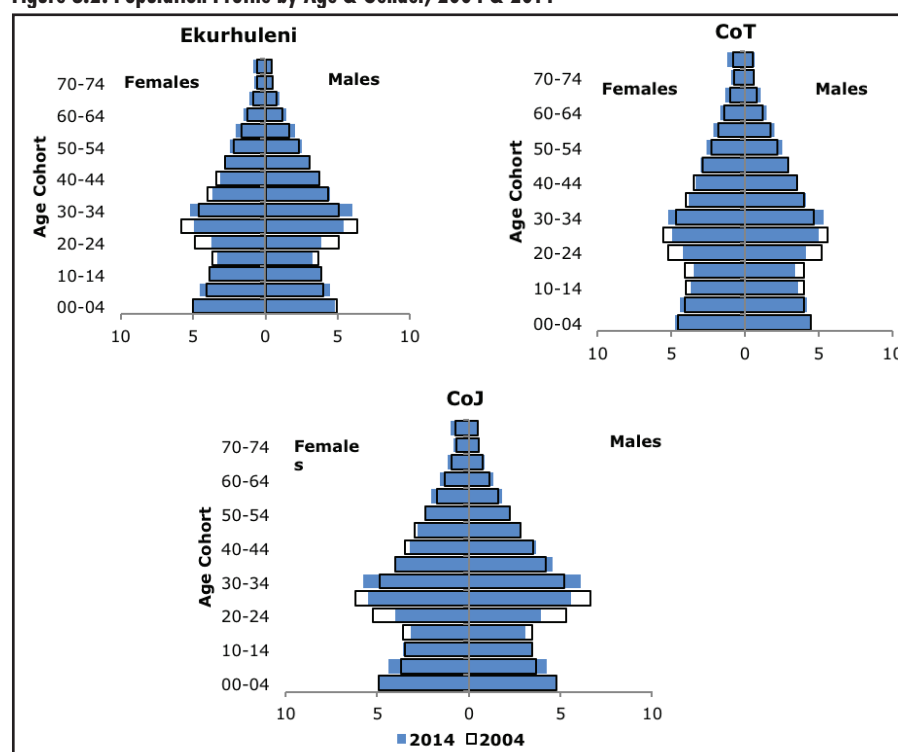
Figure 3.1: Share of Provincial Population, 2004 & 2014



Source: IHS Global Insight, 2015

The Gauteng province has around 12.9 million people within its boundaries with an annual population growth rate of over 2 per cent. The population is distributed unevenly across the province's metros, with the CoJ accounting for the largest share of the provincial population at around 36 per cent in 2014. The CoJ continues to attract people who are looking for economic opportunities, both from other provinces and internationally. The increase in the number of people living in Johannesburg stretches the ability of the metro to deliver in terms of services and infrastructure. Both the CoT and Ekurhuleni account for roughly the same share (26 per cent) of the population.

⁷³ Statistics South Africa. (2014). Tourism and Migration. Retrieved from [http://beta2.statssa.gov.za/publications/tourism and migration](http://beta2.statssa.gov.za/publications/tourism%20and%20migration)

Figure 3.2: Population Profile by Age & Gender, 2004 & 2014

Source: IHS Global Insight, 2015

The population pyramids of all the metros indicate that the population is predominantly young, mostly characterised by the youthful working-age population group (aged between 15 and 34). When a larger share of the population falls within the working-age group, this is especially beneficial, if the group is productively employed. The CoJ has the largest share of the young working-age population, accounting for around 37 per cent of the metro's total population. This can be attributed to migration from other parts of the country as young people look for jobs as Johannesburg is a popular destination for work-seekers. The CoT shows lower population numbers than Ekurhuleni metro, particularly between the age group of 10-34 years.

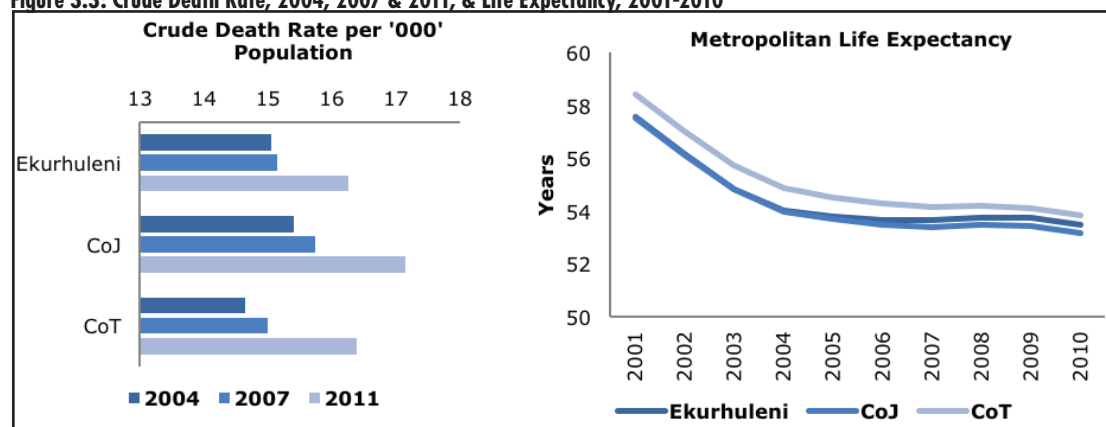
The working age group of 15-64 years of age accounts for a significant share of the population in all of the metros, giving the province a favourable dependency ratio. On the other hand, the youth population from the ages of 15 to 29 years of age has been on a decline across all the metros. Human development of the youth is affected by social ills, like HIV/AIDS,⁷⁴ substance abuse, unemployment and poverty, to mention just a few.⁷⁵ The elderly population group, of 50-75+ years of age, is expected to have increased in 2014.

3.2.2 Life Expectancy and Mortality

This sub-section will look at life expectancy in the metros, as well as mortality trends as measured by the crude death rate. These indicators are important dimensions of population dynamics.

⁷⁴ Statistics South Africa. (2014). Mid-year Population Estimates. Retrieved from <http://beta2.statssa.gov.za/publications/P0302/P03022014.pdf>

⁷⁵ City of Joburg. (2004). Corporate Planning, Youth. Retrieve from http://www.joburg-archive.co.za/corporate_planning/youth.pdf

Figure 3.3: Crude Death Rate, 2004, 2007 & 2011, & Life Expectancy, 2001-2010

Source: Quantec Research & IHS Global Insight, 2015

Life expectancy is generally higher in the CoT; however, all metros have experienced declines from 2001. Life expectancy in 2001 was 58.4 years in the CoT, while in the CoJ it was 57.5 years. These numbers declined to 53.8 years and 53.2 years in 2010, respectively. Ekurhuleni on the other hand, has on average been the “middle class”.⁷⁶ In terms of living, it is suggested that the best place to live or retire in is Pretoria,⁷⁷ followed by Ekurhuleni. In terms of crude death rate, the rate has increased marginally from 2007, in all the metros. The death rate may be seen as a challenge depending on the age of the people that are dying, as some impact is felt in the economy if the working-age population die at an early age.

Overall, the advantage of the current demographic profile of the province’s metros is that the province has the most favourable dependency ratios in the country. However, considering that the province is the smallest in geographic size and it accounts for the largest share of the national population, the rapid increase in population is not sustainable. Generally, Gauteng has experienced the lowest fertility levels in the country, with an average provincial estimate of 2 children per woman between 2001 and 2011, compared to an average estimate of roughly 3 children in other provinces.⁷⁸ Further, increases in the population size will result in more congestion in the province and increased pressure on resources to support the growing population.

3.3 Development

Development indicators are used to compile and disseminate data on human development, often with a particular focus on specific regions.⁷⁹ Focus areas are poverty, education, environment, health, and inequality. These issues are central to the economic performance and sustainability of the metros. Raising the standard of living through reducing poverty levels, increasing incomes and ensuring that education and health outcomes are improved for all within the region would uplift growth. Job creation in the metros has been positive with more people being employed over the years from the start of the review period and the gap in the distribution of income being narrowed.⁸⁰ It is emphasised that raising the standard of living and the quality of life of communities is an important enabler to creating self-sufficient economies.

3.3.1 Development Indicators

This section analyses HDI, poverty and inequality (measured by Gini coefficient) as measures of development in the province’s metros.

⁷⁶ The middle class is the broad group of people in contemporary society who fall socio-economically between the working class and upper class. The common measures of what constitutes middle class vary significantly amongst cultures. Information from: <http://www.businessdictionary.com/definition/middle-class.html>

⁷⁷ Eye witness. (2014). The best place to live in is Pretoria. Retrieved from <http://www.enca.com/pretoria-voted-best-place-live-gauteng>

⁷⁸ Statistics SA. (2014). Mid-Year Population Estimates. Please note that fertility data at municipal level is not available.

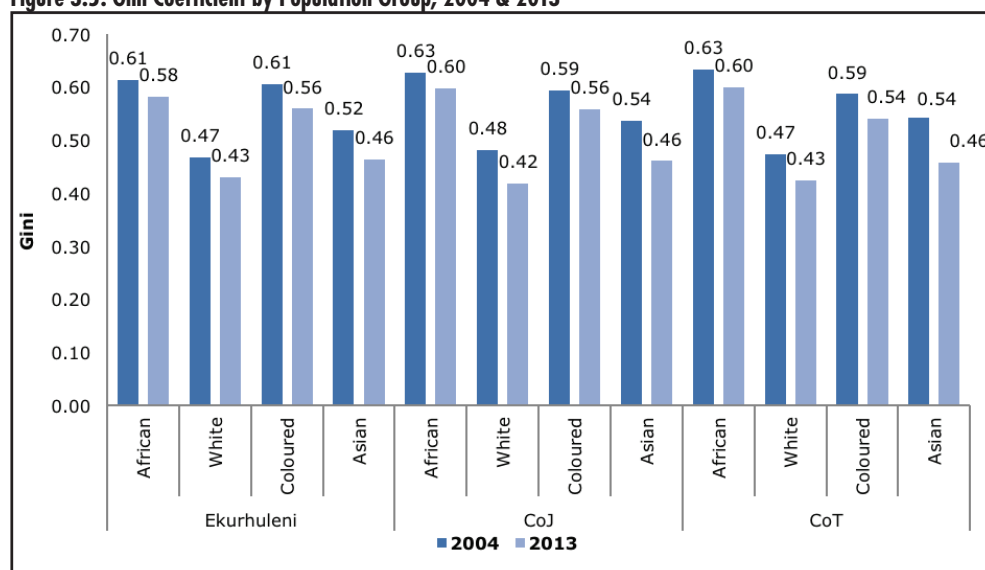
⁷⁹ United Nations. (2014). Practical Guide to Population and Development. Retrieved from <http://www.prb.org>

⁸⁰ My Joburg. (2014). Overview of Joburg. Retrieved from <http://joburg.org.za/>

Inequality and Human Development

Income inequality is also a significant challenge in the country and primarily originates from past policies of segregation and discrimination during the apartheid era.⁸¹ The link between poverty and inequality is intractable. Poverty in essence widens the concept of inequality. This is because the gap grows beyond inequality of income to growth opportunity inequality as well.⁸²

Figure 3.5: Gini Coefficient by Population Group, 2004 & 2013



Source: IHS Global Insight, 2015

Figure 3.5 illustrates the Gini coefficient, a measure of inequality by population group. Inequality levels declined across all metros and all population groups between 2004 and 2013. This means that, overall, the proportional distribution of income is improving. However, the inequality levels still remained high amongst the African population group at roughly 0.60 across all metros in 2013. This is followed by the Coloured population group at roughly 0.56 in 2013. The White population group had the lowest Gini coefficient.

Table 3.2: HDI & Components, 2004 & 2013

Metropolitan	HDI (Index)		Life Expectancy (Years)	
	2004	2013	2004	2010
CoJ	0.67	0.72	54.0	53.2
CoT	0.67	0.72	54.8	53.8
Ekurhuleni	0.64	0.7	54.0	53.5

Source: IHS Global Insight, 2015

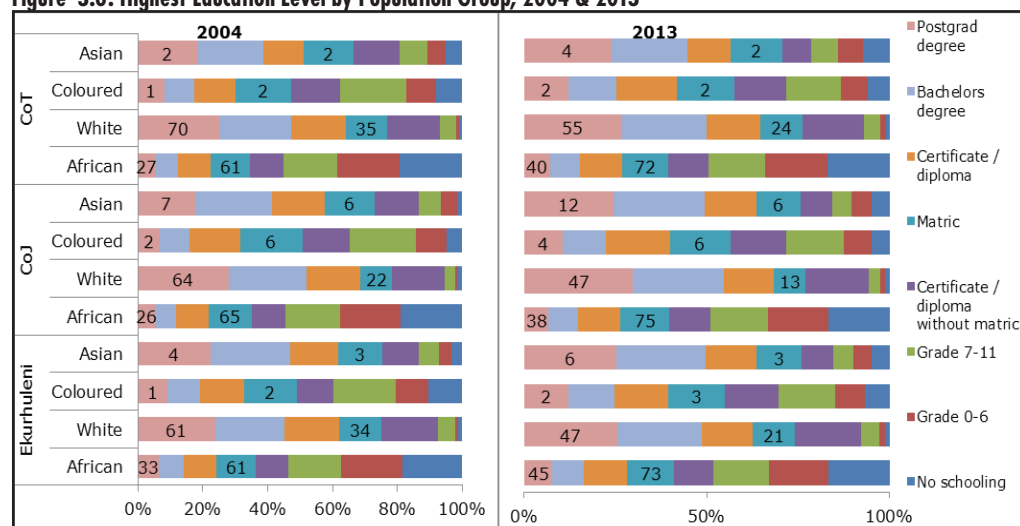
Note: Data for expected years of schooling is not available at the municipality level.

Taking into account key factors like life expectancy, years of schooling and income per person, the HDI is an important measure of the quality of life of people.⁸³ Table 3.2 shows that since 2004, the level of human development has increased across all the metros, with the HDI hovering around the same level of 0.7. However, the latest data available shows that life expectancy has declined in all the metros, which contradicts the gains that have been made in improving human development.

⁸¹ SA History. (2010). The Fruits of Freedom. Retrieved from: <http://www.sahistory.org.za/archive/chapter-4-fruits-freedom>

⁸² Woolard. I. (2002). An Overview of Poverty and Inequality in South Africa. Retrieved from <http://www.oecd.org/>

⁸³ In this case, data for years of schooling was not available for the metropolitan municipalities.

Figure 3.6: Highest Education Level by Population Group, 2004 & 2013

Source: IHS Global Insight, 2015

Figure 3.6 shows highest education level by population group in all the three metros. Education attainment is improving across all the metros and population groups. The share of the number of people with no schooling improved between 2004 and 2013, although marginally for some population groups such as the African group. The proportion of people with Matric education also increased, more significantly so for the African group, whereas it remained unchanged for the Coloured and the Asian population groups. The most increases in the share of the African population with Matric were in the CoJ, where it increased from 65 per cent in 2004 to 75 per cent in 2013. This was followed by Ekurhuleni and the CoT. What is concerning is that the proportion of people with Matric qualification is declining amongst the White population group in all the metros, especially in the CoJ and Ekurhuleni. Overall, the attainment of higher education is also increasing amongst all population groups in the three metros, especially the attainment of postgraduate degrees.

3.4 Development Challenges

The positive socio-economic outlook is overshadowed by a sequence of risks and challenges associated with a few indicators expressed above. One of the major challenges in the province is the increasing population numbers because the vast majority of the population live in these areas.

The implications for the province concerning rapid population growth are huge in that service provision and infrastructure resources tend to be stretched to accommodate the increasing population. Poverty remains the most stubbornly enduring developmental challenge in the metros. Although inequality, as measured by the Gini coefficient, has declined somewhat, it still remains high. The population profile shows a decreasing number in the age group of 15–29 years in all the metros. This group plays a significant role in education and future employment levels. The life expectancy has been on a decline in the three metros, while crude death rates have been on the rise.

3.4.1 Progress on Service Delivery

Service delivery is affected by the influx, or in-migration, of people from other provinces and countries. This leads to an increase in informal settlements, where the lack of basic services inevitably leads to service delivery protests.

Table 3.3: Household Infrastructure Backlogs, 2004-2013

Metros	Infrastructure	2004	2013	2004 - 2013
Ekurhuleni	Formal Dwelling	30.1%	23.2%	
	Sanitation	12.6%	8.4%	
	Water Access	5.3%	6.1%	
	Electricity Access	21.2%	20.8%	
	Refuse Removal	10.0%	10.5%	
CoJ	Formal Dwelling	23.9%	20.1%	
	Sanitation	7.2%	4.0%	
	Water Access	3.8%	4.2%	
	Electricity Access	11.9%	10.9%	
	Refuse Removal	5.4%	3.2%	
CoT	Formal Dwelling	27.5%	20.5%	
	Sanitation	19.9%	15.7%	
	Water Access	6.9%	7.4%	
	Electricity Access	18.1%	14.2%	
	Refuse Removal	18.6%	16.8%	

Source: IHS Global Insight, 2015

As shown in Table 3.3, significant strides have been made in providing service delivery and reducing backlogs in the province's metros. The Municipal Infrastructure Investment Framework (MIIF) defines a 'backlog' as a "number of dwellings which do not have access to basic service level".⁸⁴

Backlogs in service infrastructure delivery declined significantly across all the metros between 2004 and 2013. The reduction in service delivery backlogs was more prominent in the provision of formal dwellings (provision of housing) and sanitation in all the metros. A critical aspect in all the metros in terms of backlogs is access to water. Water shortages have occurred recently and the problem remains evident.⁸⁵ Pure, clean tap water remains a shortage in the province overall. Expectations are that this problem will persist, with water demand exceeding availability by 2025.⁸⁶

Access to electricity is another challenging aspect of service delivery, particularly in Ekurhuleni and the CoJ. Both municipalities have seen marginal increases in electricity provision backlogs, indicating that these municipalities are hugely burdened with problems in the provision of electricity services. Refuse removal has remained an important aspect in all metros, however it is improving throughout. This is partly related to the increase in informal settlements and the dumping problem in those areas. Overall, as the population increases, access to services will be affected. This is one of the critical challenges with which the provincial metropolitan cities are faced.

3.5 Economic Development and Outlook

Economic growth potential in the province is mainly driven by the three metros, namely CoJ, Ekurhuleni and CoT. Premier Makhura declared several macro interventions in the province in collaboration with metros and district municipalities, as well as the private sector. These interventions will mainly focus on spatial reconfiguration, township economy revitalisation and infrastructure investments, and be aimed at addressing unemployment, poverty and inequality. The outcome of these interventions are intended to change the spatial configuration and structure of the provincial economy, referred to as 'Emerging City Region'.

⁸⁴ COGTA. 2010. Municipal Infrastructure. Retrieved from <http://www.cogta.gov.za/>

⁸⁵ Rand Water. 2014. Gauteng Water Shortages. Retrieved from <http://www.randwater.co.za/>

⁸⁶ Department of Water Affairs. 2013. Overview of South African Water Sector. Retrieved from www.dwa.gov.za

The reconfiguration of the Gauteng City Region's space will be done along the following five development corridors that have distinct industries and different comparative advantages:

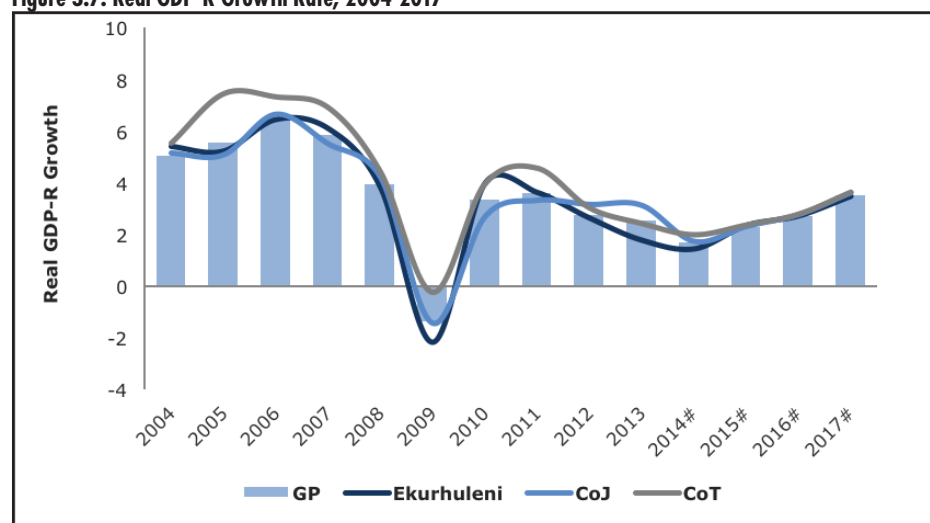
- The Central Development Corridor in the CoJ,
- The Eastern Development Corridor in Ekurhuleni,
- The Northern Development Corridor in CoT,
- The Western Corridor in the West Rand district municipality, and
- The Southern Corridor in Sedibeng District

Each of these development corridors will be discussed under the appropriate metros in this chapter and in the Chapter 4 for the districts. This section also focuses on key drivers of economic growth in the metros and highlights industry growth rates and employment opportunities in these industries.

3.5.1 Review of Economic Trends

The aim of this section is to provide an overview of the economic growth trends within the metros. The section will analyse proportions of Gross Value Added by Region (GVA-R), drivers of growth according to sub-sector and international trade in Gauteng.

Figure 3.7: Real GDP-R Growth Rate, 2004-2017

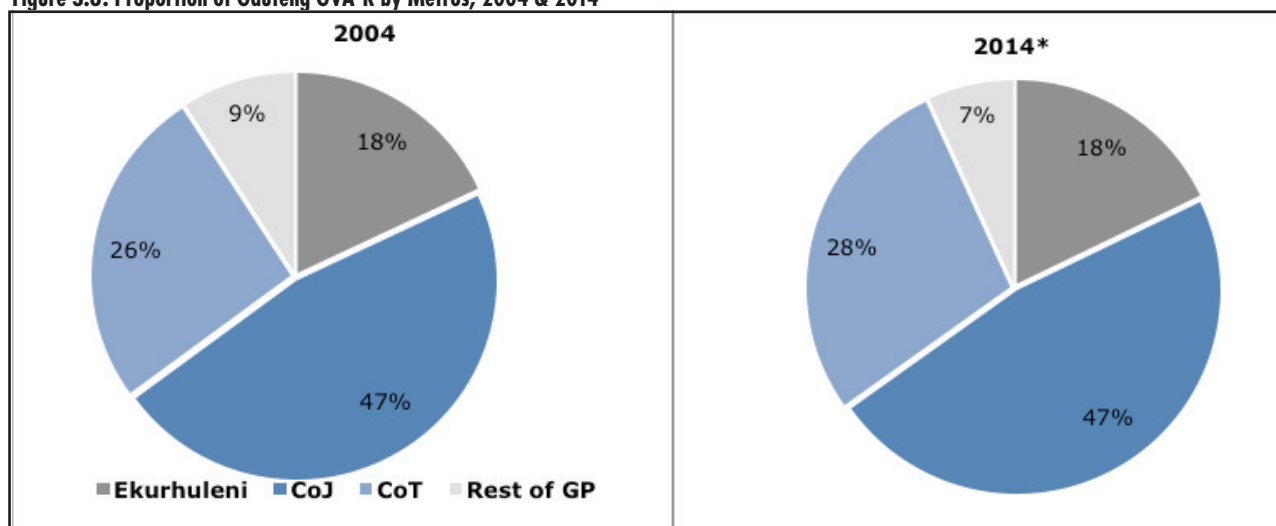


Source: IHS Global Insight, 2015

Note: # indicates forecasts.

The GDP-R growth of the three metros generally follows the same trend as the provincial trend, as depicted in Figure 3.7. However, in the mid-2000s, growth in the CoT was leading that of all the metros. In 2009, GDP growth in the region declined for all three metros, but picked up strongly between 2010 and 2011. Economic activity in general has been low in the region, partly due to the general constraints on the domestic economy, including electricity supply, labour strikes and infrastructure limitations. In 2014, the GPG launched the Gauteng Investment Centre (GIC), which aims to make it easier for investors to do business in Gauteng, through provision of one-stop business service centres.⁸⁷ This venture is aimed at exposing investors to appropriate technology and information and to enable them to register their businesses and give advice about how to acquire support and government assistance in funding options. Overall, growth prospects within the region look positive. The GDP-R has been forecast to be 2.7 per cent in 2016 for Ekurhuleni, while both the CoJ's and the CoT's growth is expected to be 2.8 for the same year.

⁸⁷ Gauteng Economic Development. (2014). Gauteng Investment Centre Launched. Retrieved from <http://www.ecodev.gpg.gov.za/MediaDesk/News/Pages/GIC-LAUNCH.aspx>

Figure 3.8: Proportion of Gauteng GVA-R by Metros, 2004 & 2014*

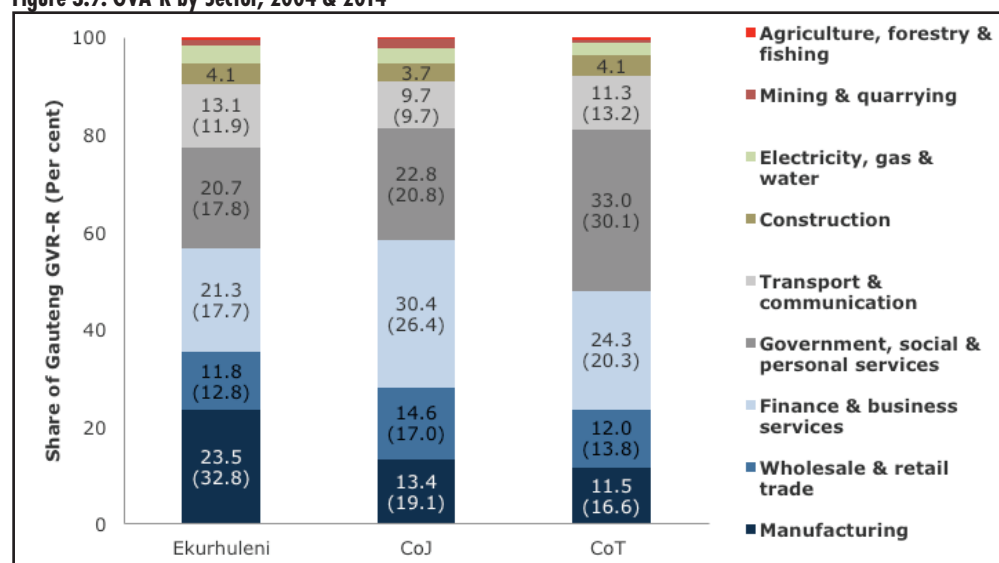
Source: IHS Global Insight, 2015

Note: * indicates estimate

The CoJ, has a population of roughly 4 million people and is the province's largest metropolitan economy, contributing over 40 per cent to the economic activity of Gauteng. The CoT, being the second largest metro in the province, contributes nearly 30 per cent to the province's economic activity. Ekurhuleni accounts for roughly 18 per cent of economic activity in the province.

Drivers of Economic Growth

Gauteng has continuously remained the economic core of South Africa, generating an estimated one third of the country's GDP. It is also recognised that the majority of this growth is generated by the three metros of the province. As such, it is important to understand what has been driving this growth in the metros, and which areas of economic activity are the mainstays of the provincial economy.

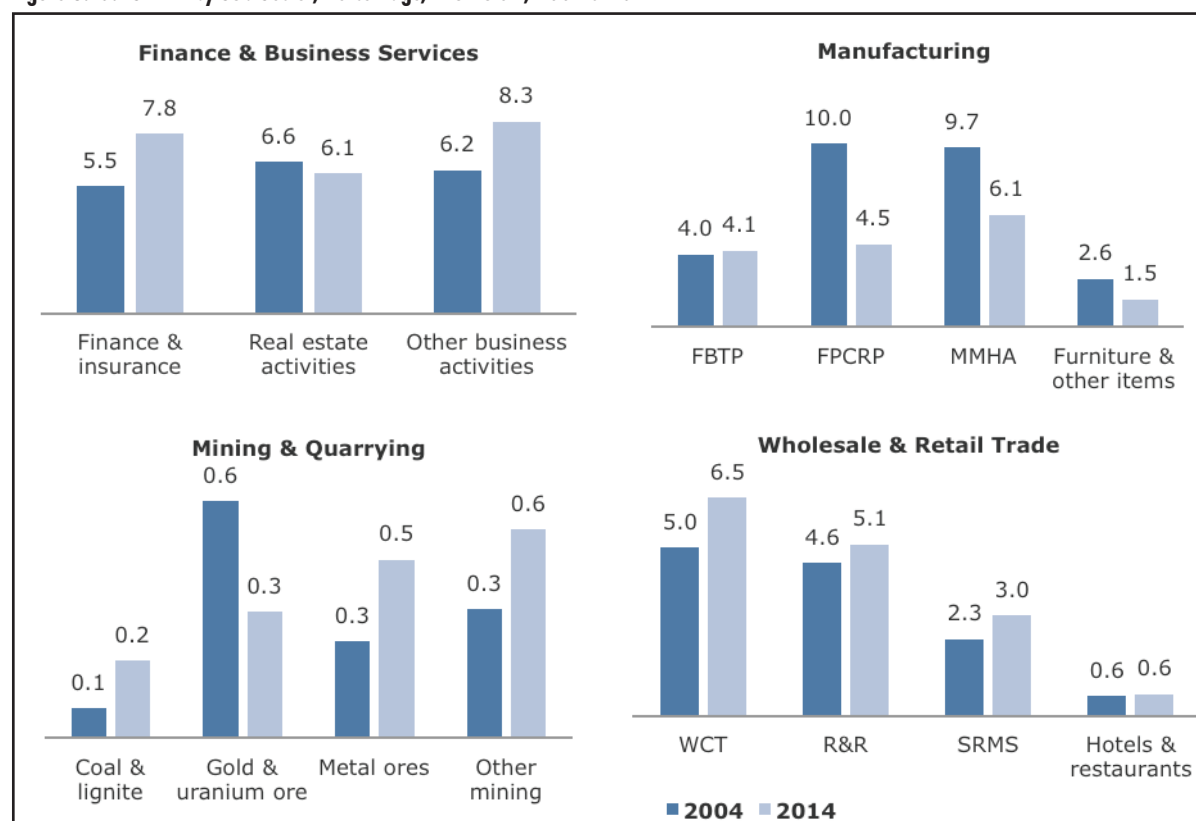
Figure 3.9: GVA-R by Sector, 2004 & 2014*

Source: IHS Global Insight, 2015

Note: Brackets indicate share of GVA-R in 2004. * indicates estimate.

Figure 3.9 shows that the manufacturing contribution has declined and may be seen as an area of concern. Reasons for the decline are the shrinking manufacturing base, supply chain challenges, labour issues, electricity shortages and the threat of cheap labour and inputs from other emerging economies. The decline in the manufacturing activity contribution was more significant in Ekurhuleni, where the sector shrank by 9.3 percentage points between 2004 and 2014. Meanwhile, sectors that increased their contribution to the provincial GVA-R between 2004 and 2014 were wholesale & retail trade, finance & business services and government, social & personal services. The finance & business services sector is a major player in the economy of the CoJ. The sector contributes over 30 per cent to the economy of the metro. Despite a significant decline, the manufacturing sector still plays a significant role in Ekurhuleni's economy, while the economy of the CoT is mostly driven by the government, social & personal services sector. The next section pays closer attention to these sectors.

Figure 3.10: GVA-R by Sub-Sector, Percentage, Ekurhuleni, 2004 & 2014*

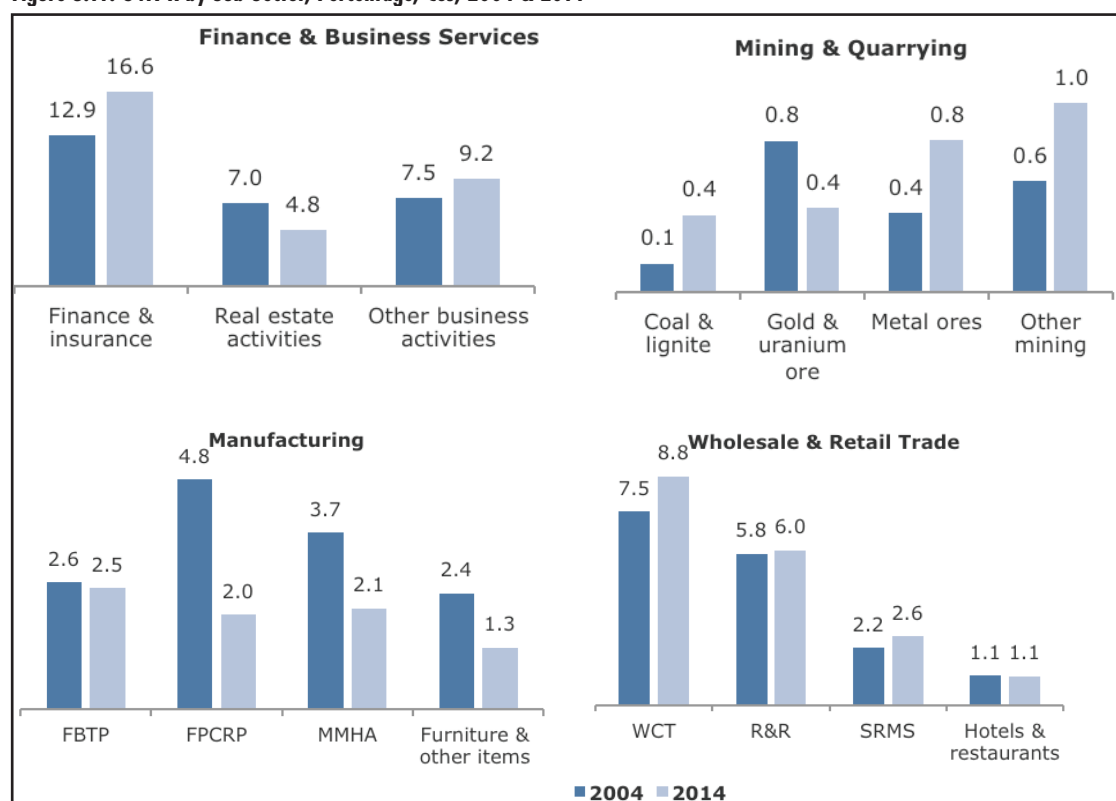


Source: IHS Global Insight, 2015

Note: * indicates estimate. FBTP=Food, beverages & tobacco products, FPCR=Fuel, petroleum, chemical & rubber products, MMHA=Metal products, machinery and household appliances, SRMS=Sale, repairs of motor vehicles, sale of fuel, WCT=Wholesale & commission trade, R&R=Retail trade & repairs

A closer examination of the sector's GVA-R in Ekurhuleni shows that the decline in manufacturing between 2004 and 2014 was driven by shrinkages in the majority of the manufacturing sub-sectors. The fuel, petroleum, chemical & rubber products sub-sector recorded the most declines. The contribution of the metal products, machinery & household appliances sub-sector also declined notably between 2004 and 2014. However, this sub-sector was the main driver of manufacturing output in Ekurhuleni. The mining sector remains an integral part of the Gauteng economy. The gold sub-sector, in particular, has been the most important generator of export revenue in the province. The GVA-R shares in the mining & quarrying sector show that mining in gold & uranium ore has declined in Ekurhuleni. What is noticeable is that coal & lignite has been increasing its output share, while gold output has declined. Coal is important in terms of electricity generation for the country.

The finance & business services sector has emerged as one of the largest contributors to Ekurhuleni's economy. This has been particularly driven by the finance & insurance and other business activities sub-sectors. The wholesale & retail trade sector has also increased its contribution to the economy of Ekurhuleni, mainly driven by the wholesale & commission trade sub-sector. This sub-sector contributed 5 per cent in 2004, and latterly has increased its contribution to 6.5 per cent.

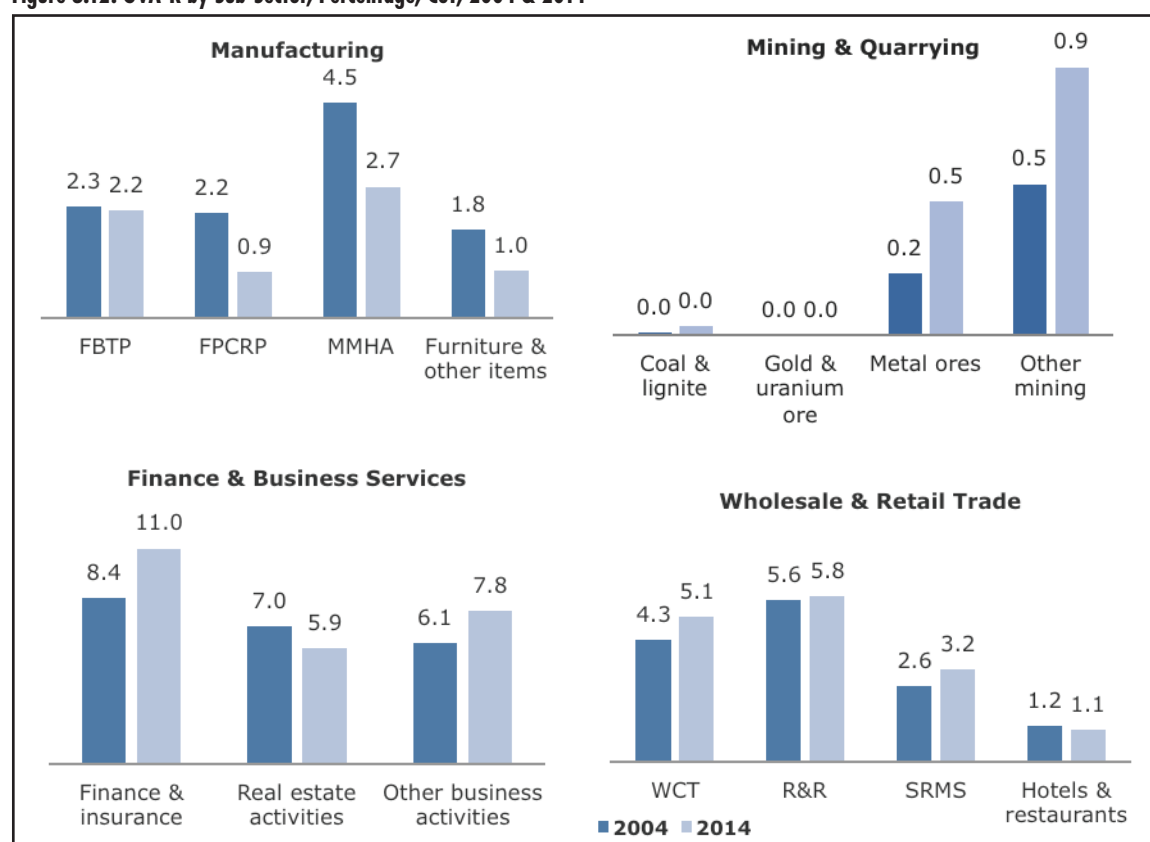
Figure 3.11: GVA-R by Sub-Sector, Percentage, CoJ, 2004 & 2014*

Source: IHS Global Insight, 2015

Note: * indicates estimate FBTP=Food, beverages & tobacco products, FPCRP=Fuel, petroleum, chemical & rubber products, MMHA=Metal products, machinery and household appliances, SRMS=Sale, repairs of motor vehicles, sale of fuel, WCT=Wholesale & commission trade, R&R=Retail trade & repairs

The decline in the manufacturing sub-sector in the CoJ was also due to the fuel, petroleum, chemical & rubber products sub-sector declining from 4.8 per cent to 2 per cent in 2014. The metal products, machinery & household appliances sub-sector and furniture & other items sub-sectors also shed growth. Meanwhile, the food, beverages & tobacco products sub-sector became the largest contributor to manufacturing output, though it experienced a decline between the two years. Gold has been the makeshift and important export to boost the province's economy, especially in the CoJ. The GVA-R share in the mining & quarrying sector shows that mining of gold & uranium ore has been on a decline from 0.8 per cent in 2004 to 0.4 per cent in 2014, while the mining of coal & lignite has been on an upward trend. The finance & insurance sub-sector has become the largest contributor in the CoJ's finance & business services sector. In terms of the wholesale & retail trade sector, output is largely driven by the wholesale & commission trade and retail trade & repairs sub-sectors.

Figure 3.12: GVA-R by Sub-Sector, Percentage, CoT, 2004 & 2014*



Source: IHS Global Insight, 2015

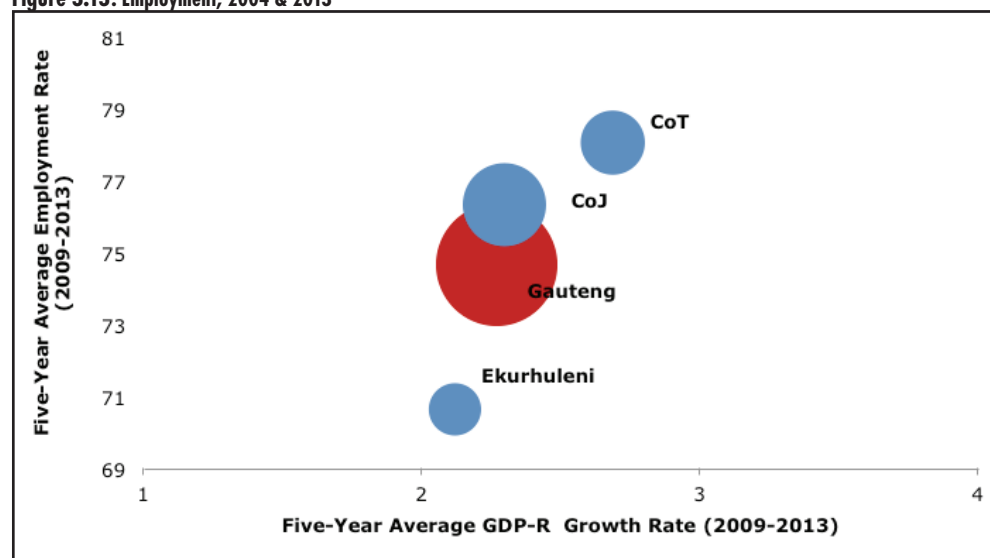
Note: * indicates estimate. FBTP=Food, beverages & tobacco products, FPCRP=Fuel, petroleum, chemical & rubber products, MMHA=Metal products, machinery and household appliances, SRMS=Sale, repairs of motor vehicles, sale of fuel, WCT=Wholesale & commission trade, R&R=Retail trade & repairs

The CoT experienced a decrease in manufacturing as shown by the sub-sectors in Figure 3.12. Manufacturing activity in the metal products, machinery and household appliances sub-sector declined to 2.7 per cent from 4.5 per cent of the manufacturing GVA-R in the region in 2014. The contribution of the finance & insurance sub-sector went up from 8.4 percent in 2004 to 11 per cent in 2014. Other business activities rose from 6.2 in 2004 to 8.2 per cent in 2014. In terms of wholesale & retail trade, the majority of the sub-sectors in this sector increased their contribution to the metro's economic activity.

Employment

It is essential to provide an analysis on the sectoral composition of the economy so as to identify the main drivers and potential role players for policy-makers. It is imperative to know which sectors are the largest employers and the ones that have the potential to employ more people. Highlighting the rate of employment per metropolitan municipality will give direction as to where other metros may be lacking in employment. A focus on gender employment will highlight how females fare against males in employment. Employment by skills level will also be examined closely.

Figure 3.13: Employment, 2004 & 2013



Source: IHS Global Insight, 2015

Figure 3.13 shows the average employment rate from 2009 to 2013 in the metros and the province against their average GDP-R growth rates. The size of the bubble represents the size of the GDP for the year 2013. The CoJ has the largest GDP size of the metros, with R335 million. It had an average employment rate of 76.4 per cent, with a growth rate of 2.3 per cent. The CoT has the highest average employment rate at 78.1 per cent. Its average GDP-R growth was also the highest at 2.7 per cent. The Ekurhuleni metropolitan municipality had the lowest average employment rate of 70.7 per cent.

Employment by Skills levels

Table 3.4: Formal Employment by Skills Levels, 2004 - 2013

		2004	2013	2004-2013
CoJ	Highly Skilled	16.4%	18.7%	2.3%
	Skilled	48.0%	47.7%	-0.3%
	Semi & Unskilled	35.6%	33.6%	-2.0%
CoT	Highly Skilled	18.8%	21.2%	2.4%
	Skilled	46.8%	47.1%	0.3%
	Semi & Unskilled	34.4%	31.8%	-2.6%
Ekurhuleni	Highly Skilled	15.3%	17.9%	2.6%
	Skilled	44.6%	45.6%	1.0%
	Semi & Unskilled	40.1%	36.5%	-3.6%

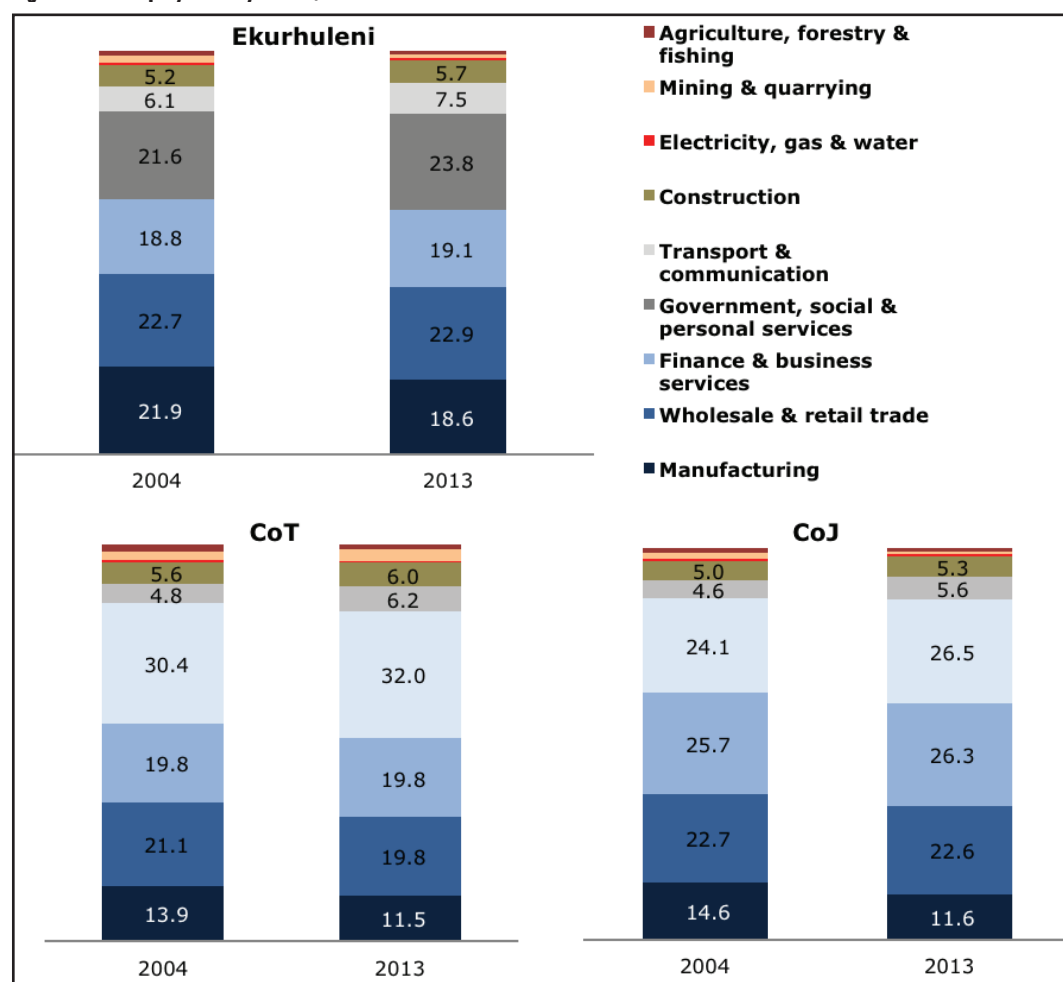
Source: Quantec Easy Data, 2014

A closer examination of employment by skills levels indicates that all the metros have experienced an increase in highly-skilled employment between 2004 and 2013. In terms of skilled workers, the CoJ and Ekurhuleni have experienced some increases under this employment category, while the CoT has experienced a decline. These trends are fairly encouraging, as employment in the formal sector is regarded as the most important factor for sustainable improvement in the standard of living, given the benefits associated with a formal job.⁸⁸ The trends also suggest that increases in highly-skilled and skilled employment categories may have also been driven by

⁸⁸ The City of Johannesburg. Employment and Wealth Creation. Retrieved from http://joburg.org.za/index.php?option=com_content&task=view&id=92&Itemid=58&limitstart=3

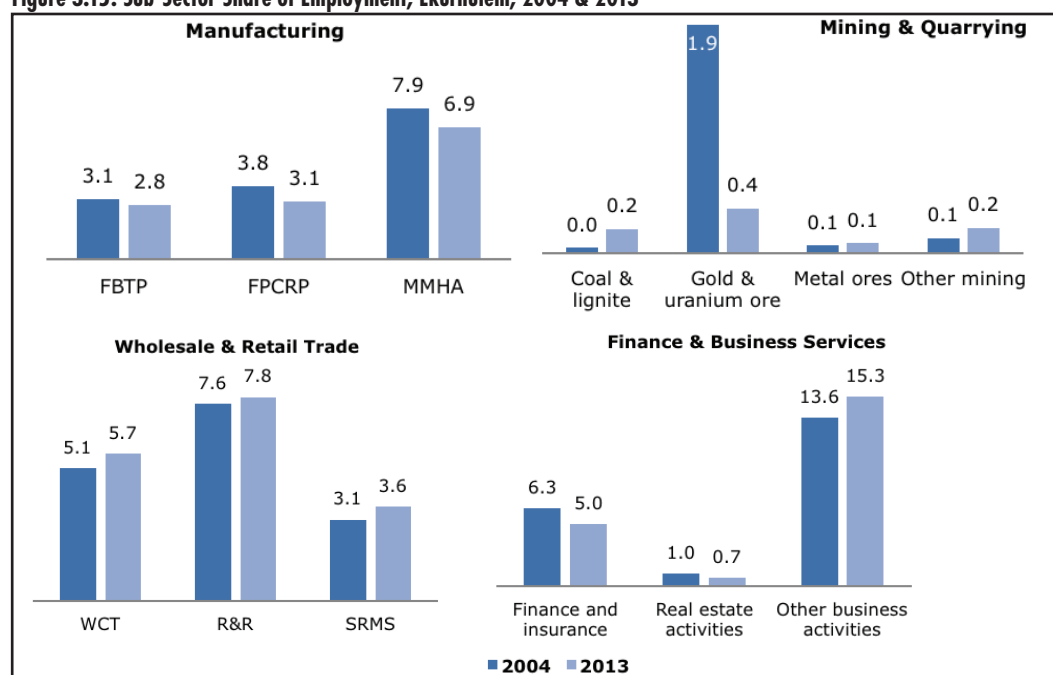
people moving out of semi- & unskilled categories into more skilled work, as employment in these categories has declined.

Figure 3.14: Employment by Sector, 2004 & 2013



Source: IHS Global Insight, 2015

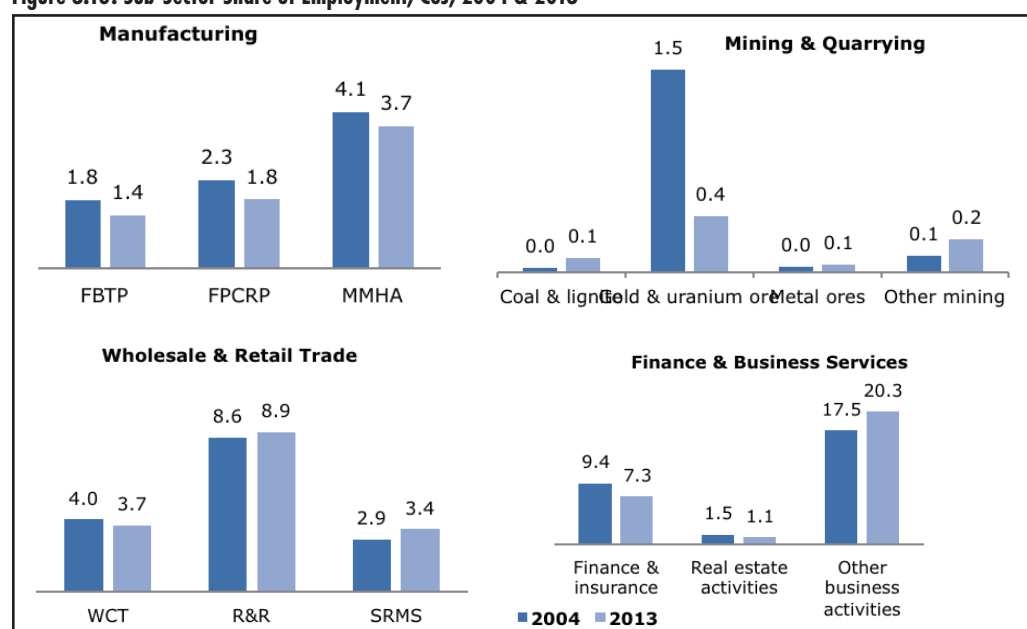
Figure 3.14 provides an overview of the sectoral share of employment. The manufacturing sector has been shedding jobs heavily, consistent with the continuous decline in the sector's output. Currently, most jobs are concentrated in government & social services, finance & business services and wholesale & retail trade sectors. The sectors mentioned above will be broken down further into sub-sectors to highlight the employment opportunities that are within each metropolitan municipality.

Figure 3.15: Sub-Sector Share of Employment, Ekurhuleni, 2004 & 2013

Source: IHS Global Insight, 2015

Note: FBTP=Food, beverages & tobacco products, FPCR=Fuel, petroleum, chemical & rubber products, MMHA=Metal products, machinery and household appliances, SRMS=Sale, repairs of motor vehicles, sale of fuel, WCT=Wholesale & commission trade, R&R=Retail trade & repairs

Figure 3.15 above breaks down the employment structure in Ekurhuleni by sub-sector. Employment share in the gold & uranium ore mining has gone down sharply, from 1.9 per cent of the region's mining employment to 0.4 per cent. The share of employment in coal mining has picked up slightly, which, in turn highlights that there may still be employment opportunities in Ekurhuleni in the mining & quarrying sector. In the manufacturing sector, employment has declined across all the sub-sectors, consistent with the decreasing output. The wholesale & retail trade sub-sector improved its employment levels in 2013. An increasing number of shopping malls continue to be built. This in turn gives opportunities for employment in the wholesale & retail trade sector. The retail trade & repairs of goods remains the highest employer in this sector.

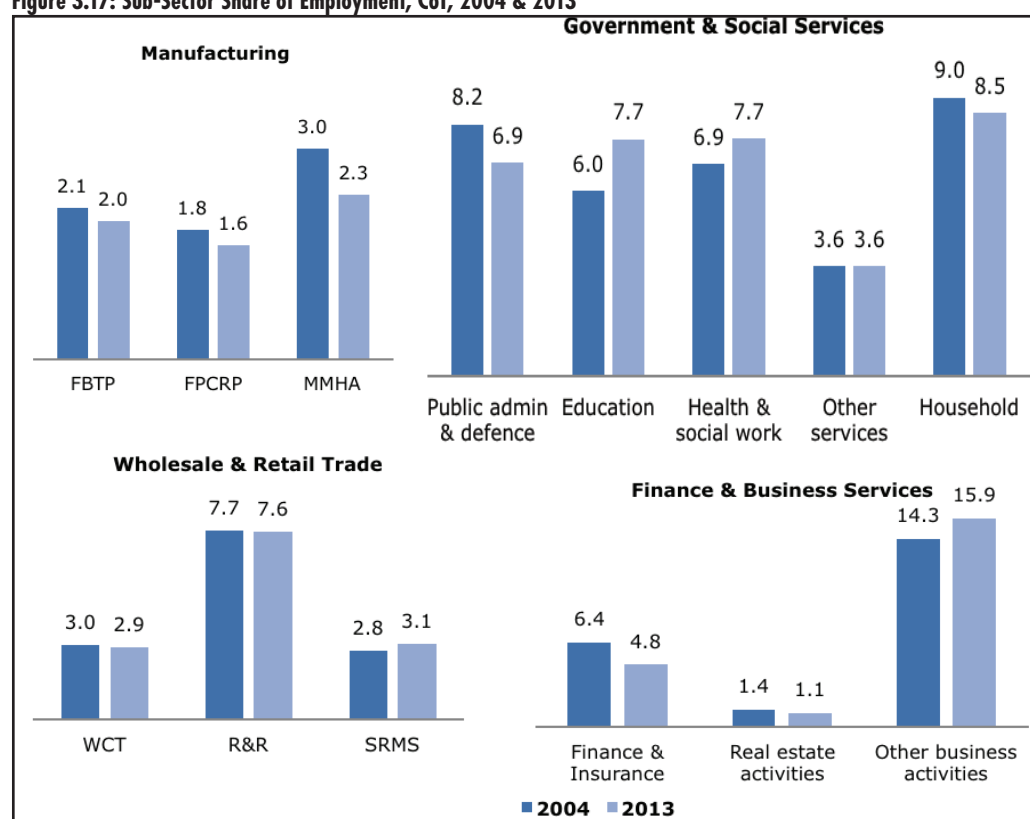
Figure 3.16: Sub-Sector Share of Employment, CoJ, 2004 & 2013

Source: IHS Global Insight, 2015

Note: FBTP=Food, beverages & tobacco products, FPCR=Fuel, petroleum, chemical & rubber products, MMHA=Metal products, machinery and household appliances, SRMS=Sale, repairs of motor vehicles, sale of fuel, WCT=Wholesale & commission trade, R&R=Retail trade & repairs

In the manufacturing sub-sector, food, beverages & tobacco products employment declined from 1.8 per cent to 1.4 per cent, while metal products, machinery & household appliances employment has gone down from 4.1 per cent to 3.7 per cent. The employment share of the wholesale & commission trade sub-sector has been decreasing, whereas the retail trade & repairs sub-sector share has been increasing. The sale, repairs of motor vehicles, sale of fuel sub-sector employment has also been on the rise, highlighting that consumers are still involved in spending on new and used vehicles. The employment share of the mining & quarrying sub-sectors (particularly in gold & uranium) has declined significantly. Employment share of coal & lignite, metal ores and other mining sub-sectors picked up between 2004 and 2013, somewhat marginally.

Figure 3.17: Sub-Sector Share of Employment, CoT, 2004 & 2013



Source: IHS Global Insight, 2015

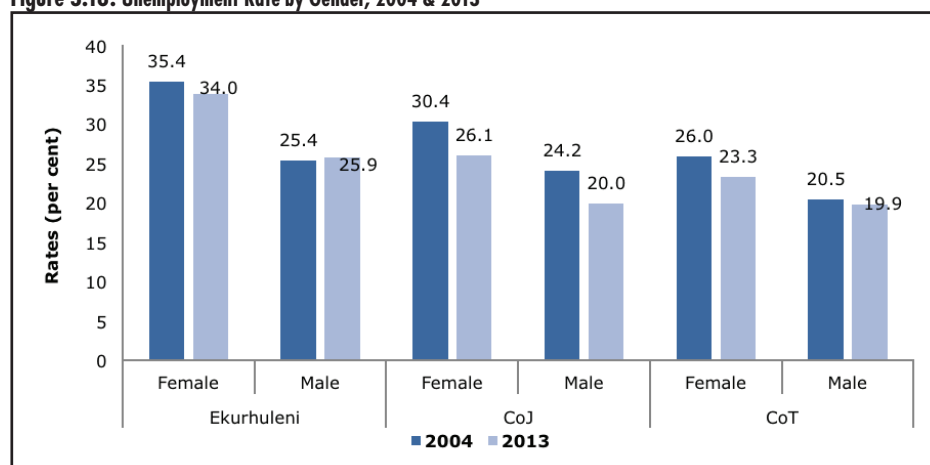
Note: FBTP=Food, beverages & tobacco products, FPCR=Fuel, petroleum, chemical & rubber products, MMHA=Metal products, machinery and household appliances, SRMS=Sale, repairs of motor vehicles, sale of fuel, WCT=Wholesale & commission trade, R&R=Retail trade & repairs

The government & social services sector is the main employer in the CoT and most of this employment is largely concentrated in education, health & social work, and household sub-sectors. In the manufacturing sector, employment in the food, beverages & tobacco products sub-sector has declined from 2.1 per cent to 2 per cent, while metal products, machinery & household appliances employment has declined from 3 per cent to 2.3 per cent. The data suggests that employment opportunities in the CoT exist in other business activities sub-sectors as well as in the retail trade & repairs and sales, repairs of motor vehicles, sales of fuel sub-sectors. The wholesale & retail trade sector has potential to absorb semi-skilled and unskilled labour, while finance & business sector may present a challenge in absorbing these categories of workers given that it is a highly-skilled sector.

Unemployment

Unemployment in Gauteng metros is the highest among all the metros in the country. This is possibly due to high unemployment in the townships and informal settlements. The continuous decline in the mining & quarrying and manufacturing sectors has worsened the situation further, resulting in very weak job creation prospects. Available data suggests that unemployment is not equally distributed across race and gender in the province.

Figure 3.18: Unemployment Rate by Gender, 2004 & 2013



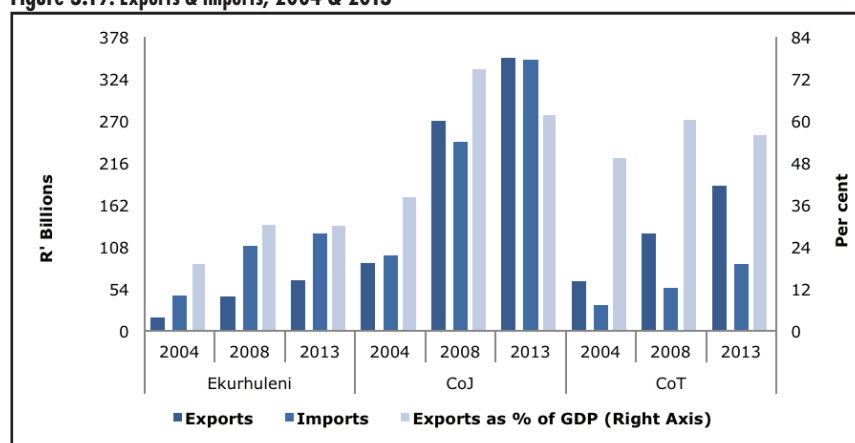
Source: IHS Global Insight, 2015

Decreasing the levels of unemployment is particularly important because of its direct impact on the reduction of poverty levels. The rate of unemployment tends to be higher for females than it is for males. Overall, unemployment rates for both males and females grew slightly (0.6 percentage points) between 2004 and 2013 for the province. Ekurhuleni experienced the highest unemployment rate, as a result of the declining contribution of the manufacturing sector in its economic activity.

Trade Developments

Trade, particularly from the export side, is critical in improving economic growth and creating economies that are sustainable in the end. Strong export sectors drive job creation, and stimulate regional economic competitiveness. This section will highlight exports for each metro against their imports. The section will then focus on exports as a percentage of the province's trade.

Figure 3.19: Exports & Imports, 2004 & 2013



Source: IHS Global Insight, 2015

Figure 3.19 presents both exports and imports and also exports as a proportion of GDP-R for the metros. Ekurhuleni exports were R17.5 billion, while imports were more than double. This indicates a trade deficit for the

Ekurhuleni metro. The CoJ had more exports than imports, which in general, is ideal for the balance of trade. In 2008, exports accounted for a 74.8 per cent of GDP-R in the CoJ. In 2013, imports were similar to exports with exports slightly higher. The CoT had a higher value of exports than imports over the three-year review period. In 2004, exports amounted to R63.2 billion, while imports were R33.5 billion. The CoT has a favourable balance of trade. Overall, the three metros have strong potential to export more goods.

Table 3.5: Top Export Products, 2004 & 2013

Exports		2004	2013	2004-2013
Ekurhuleni	Machinery & electrical equipment	21.2%	27.3%	
	Natural stones & imitation jewellery	30.3%	19.3%	
	Base metals & articles	18.8%	15.7%	
	Products of the chemical/allied industries	8.9%	11.8%	
	Vehicles, aircraft & transport equipment	5.3%	8.4%	
	Other Exports	15.6%	17.6%	
Exports		2004	2013	2004-2013
CoJ	Mineral products	17%	41%	
	Base metals & articles	12%	19%	
	Products of allied industries	6%	11%	
	Machinery & electrical equipment	4%	8%	
	Natural stones & imitation jewellery	52%	5%	
	Other Exports	9%	17%	
Exports		2004	2013	2004-2013
CoT	Mineral products	2%	69%	
	Vehicles, aircraft & transport equipment	11%	18%	
	Machinery & electrical equipment	6%	7%	
	Miscellaneous manufactured articles	1%	1%	
	Optical, photographic, measuring & acces	3%	1%	
	Other Exports	76%	3%	

Source: Quantec Research, 2014

Ekurhuleni remains the highest exporter of machinery and electrical equipment of the three metros. In contrast to this, output in the manufacturing of machinery & electrical equipment has been declining, indicating that an increase in exports may be due to price increases. Ekurhuleni's exports of machinery & electrical equipment increased from 21.2 per cent to 27.3 per cent in 2013. The highest share of exports as a percentage of Gauteng's trade came from the CoT. The highest decline in exports came from the CoT when other exports were 76 per cent in 2004 and decreased to 3 per cent (however, this could be attributed to the reclassification of certain products from one category into another).

Table 3.6: The Share of Imports per Metro, 2004 & 2013

Top 5 Import Products in Gauteng	Ekurhuleni		CoJ		CoT		Rest of GP	
	2004	2013	2004	2013	2004	2013	2004	2013
Mineral products	4.3%	1.0%	92.2%	93.3%	2.0%	0.0%	1.6%	5.7%
Products of the chemical or allied industries	32.0%	22.7%	61.1%	67.1%	3.9%	4.3%	3.1%	5.9%
Machinery & electrical equipment	27.5%	23.7%	62.2%	64.0%	3.1%	3.9%	7.2%	8.5%
Vehicles, aircraft & transport equipment	28.4%	34.5%	18.1%	22.7%	8.6%	20.3%	44.9%	22.5%
Special parts for motor vehicles	17.2%	5.7%	7.7%	7.9%	22.6%	43.4%	52.4%	43.0%

Source: Quantec Research, 2014

Table 3.6 shows the share of the top five import commodities in Gauteng as a proportion of the total by metros. Machinery & electrical equipment overall was the largest import category into the province for both 2004 and 2013, with 35 per cent⁸⁹ of total imports share in 2013. This could be attributed to increased public infrastructure investment. The CoJ imported 62 per cent of the total in 2004, it increased by a mere 2 percentage points in 2013, but remained the largest by far. Mineral products play a big part in the functionality of the metros. Oils and diesel are essential commodities needed by power sub-stations for electrical supply and for vehicle usage. The CoT has an assembly car depot in its region and has the highest import percentage of the three metros to import special parts for motor vehicles. This makes it easier and quicker for other businesses within the province to receive replacement parts. This has also led to the creation of more employment opportunities in the automotive industry.

3.6 Competitive Advantages-Metropolitan Municipalities

The declining manufacturing output presents a challenge to the economies of the metros. Amongst other things, electricity supply constraints continue to be a challenge for the manufacturing industry. In addition, high transport costs also cause serious constraints, similar to those in the mining sector. Despite these challenges, the metros exhibit some competitive advantages, as outlined below.

The wholesale & retail trade sector is one of the few strong sectors in the CoJ, a Central Corridor of the province, as referred to in Premier David Makhura's recent SoPA. It is expected that consumer expenditure will improve somewhat in the first half of the year, driven by the improved inflation outlook and falling fuel prices. This sector has the ability to absorb unskilled and semi-skilled workers. The strong finance & business services sector, which continues to grow, is also good for attracting foreign direct investment to the Central Corridor.

In terms of manufacturing, the CoT referred to as the Northern Corridor remains the main hub for South Africa's automotive industry, contributing roughly 40 per cent of national automotive production.⁹⁰ Investment in the Automotive Supplier Park provides growth potential in this area. The developments of the Original Equipment Manufacturing initiatives in Rosslyn are being implemented by BMW SA, Nissan SA, Tata Trucks and UD Trucks. There are also local component suppliers, housed in the Automotive Supplier Park. The Innovation Hub is also situated in CoT. It is an incubation hub for entrepreneurship, an entity of one of the subsidiaries of the Department of Economic Development. Revitalisation of the inner city to enhance Corporate accommodation for foreign missions, as well as a rollout of free WI-FI and the Bus Rapid Transport system, are already operational.

The transport and logistics hub is mainly concentrated in Ekurhuleni, referred to in Premier David Makhura's recent SoPA as the "Eastern Corridor". In addition to improved investment by ACSA at O R Tambo International Airport, the Ekurhuleni also boasts major investments by State Owned Enterprises such as PRASA for the building of rolling stock units for refurbishment and modernisation of rail commuter coaches. Private sector investment in aviation and warehouses is also booming in the area, which also supports investments in transportation logistics.

3.6.1 Unlocking Economic Potential

Despite the mentioned challenges faced by the provincial metros, there is scope for stimulating economic activity through other avenues of growth. The most important question is how the provincial metros can take advantage of the above-mentioned opportunities, particularly those which arise from the metros' strongest economic sectors. As the economic hubs of the province, the metros can take advantage of the rapidly increasing opportunities outside the country's borders, particularly in the SSA region. With 5.1 per cent growth estimated for 2015, SSA is expected to be a region that will lead global growth.

The SSA region has some of the fastest growing consumer markets, with an estimated regional consumer spending of US\$938bn in 2020, from US\$600bn in 2010. Furthermore, SSA is characterised by growing opportunities in services, consumer-orientated and manufacturing sectors. For the Gauteng metros, this presents a great economic opportunity given its geographical advantage. The finance & business services sector is one of the key emerging sectors in the region, drawing a large proportion of foreign direct investment. This sector is one of the strengths of the provincial economy.

⁸⁹ Total percentage value to overall import value, own calculation done.

⁹⁰ Gauteng Department of Economic Development. (2014). Township Revitalization Strategy (Draft). Retrieved from <http://www.ecodev.gpg.gov.za/Documents/Draft%20GTER%20Strat.pdf>

The economic potential of the region also provides the province with the opportunity to enhance its manufacturing base, promote technology sharing and expand trade and investment. A more detailed analysis of these opportunities was outlined in Chapter 1. A closer examination of economic opportunities and enablers of growth at each metro level follows, with an emphasis of the Development Corridors as announced by the Premier in his 2015 SoPA speech.

CoT-Northern Corridor

The manufacturing sector in the metro has the opportunity to grow as it has a major export component in automobile output. It currently produces 40 per cent of South Africa's automobiles. The recent investment in transportation and communication networks are being leveraged in the City with a rollout of the Bus Rapid Transit (BRT) system, "Areyeng" in addition to the Gautrain buslink network and free WI-FI zones rolled out in partnership with the private sector, respectively. These investments in infrastructure could provide job opportunities for job seekers as well as opportunities for the SMMEs to thrive in the metro, who are presently excluded from the mainstream economy. The Automotive Industry Development Centre (AIDC), a provincial agency, in partnership with the Small Enterprise Development Agency (Seda), a national agency, has vast experience in Enterprise and Supplier Development programmes, and has worked closely with various tertiary and training institutions.

The mandate of AIDC is to provide support for the local automotive industry's global competitiveness as well as attracting foreign investment into the province's automotive sector. The manufacturing plants of BMW SA and Nissan SA in Rosslyn are typical investment projects that bear testimony to foreign direct investment in the sector.

The development of the biggest Convention Centre and a massive hotel, amongst other things in Centurion, as emphasized in the 2015 SoPA, is envisaged to be an African Gateway. Another investment commitment by the City includes R525 million to establish a Business Process Outsourcing Park that will offer on-site training, technical support and incubators for SMMEs. The outcome of this project is to be the creation of over 1,000 direct job opportunities and a further 1,000 more indirect ones.

Ekurhuleni-Eastern Corridor

The Maputo Corridor Development is South Africa's most advanced spatial development initiative. It connects Ekurhuleni with the capital of Mozambique, Maputo, the largest Indian Ocean port on the continent. As such, this metro thrives as the transport hub of the province. Ekurhuleni has other opportunities in its industrial activity belt, which serve as the core of its economy, as well as residential property developments and agricultural farming with vast land available and good weather.

The Eastern Development Corridor will be anchored as the hub of manufacturing, logistics and transportation logistics. The development of the Aerotropolis, is envisaged to have a footprint in the City Region concept and transform the aviation platform, by linking the three airports - OR Tambo International Airport, Lanseria and the Wonderboom Airport in the CoT. The aim is to have an interconnected transportation and logistics hub to enable effective mobility of goods and passengers in and out of the province to serve as Africa's Gateway. Currently, PRASA is rolling out about 7,224 new rolling stock units with a projected investment of R123 billion over a period of 20 years, thereby ensuring increased production of train coaches in Ekurhuleni, with a potential to export some of these units to the SSA as a destination.

The first phase of the BRT system planned to be rolled out in Ekurhuleni, will be operational by March 2016. It was acknowledged by Premier David Makhura in his 2015 SoPA, that public transport infrastructure has the ability to transform the Ekurhuleni spatial landscape.

CoJ-Central Corridor

Around 40 per cent of all cargo exported via the main port of Durban's harbour originates from City Deep. The Gauteng Department of Economic Development (GDED), through its agency GGDA (formerly GEDA) is investing R60-million towards the development of an industrial development zone in City Deep. This will bring together companies involved in manufacturing, transport, storage, chemicals and plastics, food, metal and machinery as well as businesses in professional services.⁹¹

⁹¹ City of Johannesburg. 2012. Investing in Joburg. Retrieved from <http://www.joburg.org.za>

Investments in the transportation network include the Rea-Vaya BRT system. The BRT system's Phase 1C expansion from central Johannesburg through to Sandton and Alexandra is set to have a revitalising effect on older suburbs such as Orange Grove.⁹² It also links the people of Yeoville and its neighbouring suburbs with the inner city of Johannesburg. One of the objectives of the BRT system is to turn Louis Botha Avenue into a key economic corridor. About 5700 jobs will be created during the construction phase of this corridor. A total of 488 jobs have been created to date at stations and, on average, 1000 more jobs will be created.

The finance & business services sector employs the majority of the formal workforce in Johannesburg, followed by wholesale & retail trade, government, social & personal services and manufacturing. This sector also continues to attract vast amounts of foreign investment into the province. To maximise the potential of this sector, there is a need to ease the cost of doing business so as to make it easier for foreign firms to operate in the province. To take a competitive advantage, the Central Development Corridor will be anchored as the hub of finance, services, ICT and pharmaceutical industries.

To make this a reality, the Premier in his 2015 SoPA committed the GPG to work collaboratively with the CoJ, national government and the private sector to consolidate Johannesburg as the financial capital and hub of the services industry of the African continent.

Township Economy Revitalisation

In his first SoPA, Premier Makhura committed the Provincial Government to place the township economy at the centre of radical transformation of the economy. This programme aims to ensure that the money generated from the township economy, circulates within that economy, in order to benefit its residents. The GPG has already committed R160 million to the township economy. The municipalities have also made substantial investments in the township economy for the purposes of enterprise hubs. The CoJ has set aside R3 billion, CoT, R22 million and Ekurhuleni, R150 million for this purpose.

3.7 Concluding Remarks

Overall, the metropolitans have a healthy population group. The CoJ continues to constitute a larger share of the population of Gauteng, followed by the Ekurhuleni and then the CoT metropolitan areas. The population proportions illustrate that there is a problem within the youth numbers that have been diminishing. In all the metros, the population aged 15 to 30 has been decreasing and the proportion only increasing after 30 years of age. Life expectancy has also been decreasing across the metros. Poverty levels continue to diminish within all metros and all population groups, except within the White population group where the percentage of people living in poverty increased in 2013.

The African population group, however, remains the group with the highest share of people living in poverty. Overall, human development has improved, particularly on the education front. Education attainment is improving, especially the attainment of higher education, whereas the proportion of people with less than Matric is declining. As people develop, their standard of living continues to improve and demands for an even better life increase. This has placed a strain on some service delivery infrastructure. Water delivery has become a major issue for all the metropolitan municipalities.

Overall, the municipalities have made some progress in providing these services. Gauteng has one of the highest percentages of households with access to water and sanitation in the country. Access to sanitation has improved in all the municipalities, reducing the health risks associated with poor sanitation. The GPG aims to provide a better life for all by implementing basic service provision to the province's communities. The provision of formal housing as one of the service deliverables provides a glimmer of hope in poor communities. While the percentage of people living in poverty in Gauteng is in decline, stubborn income inequality remains. Each metropolitan municipality needs to focus on a number of aspects to accelerate growth and employment. A focus on sustainable service delivery is necessary and local government needs to get the community involved in projects within their vicinity. Promoting a safe and healthy environment will improve overall life expectancy.

⁹² Rea Vaya. 2014. Connecting Joburg and its Pan-African Communities. Retrieved from <http://www.reavaya.org.za/news-archive/dec-2014/1126-connecting-joburg-and-its-pan-african-communities>



While various challenges face the metros, there exist even more opportunities in these economies that could stimulate growth. Many of these opportunities lie in the strongest economic sectors of the metros. It is important that policy-makers find other non-traditional avenues that could maximise growth in these sectors. One example will be tapping into the emerging opportunities in the SSA region. With an estimated growth rate of over 5 per cent in the next few years, SSA is one of the fastest growing regions in the world. The region is characterised by growing opportunities in services, and consumer orientated and manufacturing sectors, which present even greater opportunities for Gauteng given its geographical advantage. The economic potential of the region also provides the province with the opportunity to enhance its manufacturing base, promote technology sharing and expand trade and investment within the region.

The Premier has promised that the GPG will be involved in macro interventions that will lead to spatial reconfiguration, township economy revitalisation and infrastructure investments. These interventions are aimed at addressing unemployment, poverty and inequality.

In terms of manufacturing, the Northern Corridor, CoT, remains the main hub for South Africa's automotive industry, contributing roughly 40 per cent of national automotive production. Plans are envisaged to further develop the Northern Corridor to be the African Gateway.

The transport and logistics hub will mainly be concentrated in the Eastern Corridor, Ekurhuleni. The development of the Aerotropolis in this corridor is envisaged to have a footprint in the City Region concept and transform the aviation platform.

The finance & business services sector employs the majority of the formal workforce in the CoJ, the Central Corridor. This strong sector, which continues to grow, is also good for attracting foreign direct investment to the corridor. The Premier has promised to work in collaboration with national government and the private sector to consolidate Johannesburg as the financial capital and hub of the services industry of the African continent.



Socio-Economic Review and Outlook 2015



Chapter 4: Socio-Economic Review of the Sedibeng and West Rand District Municipalities

4.1 Introduction

Sedibeng and West Rand are the two district municipalities within the Gauteng province. Sedibeng was the second least populous district amongst the metros and district municipalities of the province in 2014. It had about 957 thousand people and this number is expected to increase to just over one million in 2017. Sedibeng had a GDP-R of R36.6 billion in 2014, about 3.6 per cent of the Gauteng total. The dominating sector in the region's economy is manufacturing. In the West Rand a large portion of the production consists of mining & quarrying. The district contributed 3.8 per cent, or R36.2 billion, to the provincial GVA-R in 2014.⁹³ In the same year, the West Rand economy was driven mainly by the sectors of mining & quarrying, government, social & personal services and manufacturing.

An assessment of socio-economic review of the districts illustrating the linkages between the demographic, development and economic variables would be made. A detailed analysis of the major contributing sectors to the economic activity of the district municipalities would be outlined in line with the five corridors as committed in the 2015 SoPA, recently tabled.

The chapter begins with an overview of the population profiles of both districts. It highlights the population pyramids, and then looks at life expectancy and the CDR. Later, it examines aspects of development as measured by, human development. It also provides an analysis of the labour profile of the districts. It later focuses on possible sectors and sub-sectors to help unlock the economies of the two districts in the context of the five corridors outlined in the recent Premier's speech, 2015 SoPA. Other aspects looked at, include an analysis of the economic outlook of the Sedibeng and West Rand, referred to respectively as Southern and Western Corridors; outlined in the 2015 SoPA.

4.2 Demographics

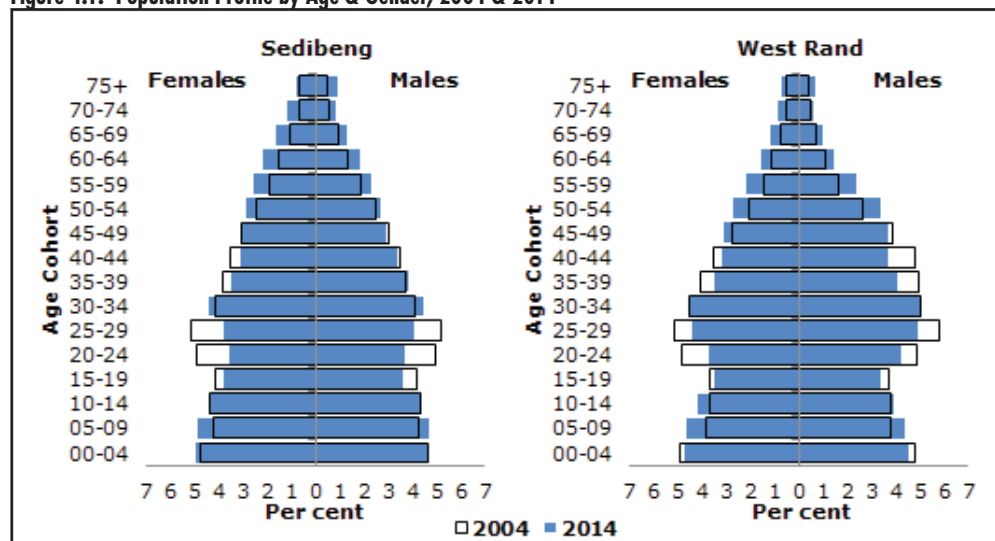
It is imperative for policy-makers to understand the structure of the demographics of a country or region because this has a bearing on the economic and developmental outlook of the specific area. It is also essential for regional and local economies to monitor population data, as a rapidly growing population may need to be followed by faster investment in household, health and other essential infrastructure to ensure that a favourable socio-economic environment is maintained.⁹⁴ In addition, investigating the dynamics of a population is vital in attaining the precise viewpoint of those who are likely to be affected by any prospective policy, project or development.

⁹³ IHS Global Insight. (2015). Regional eXplorer Version 2.5q. Rex Database.

⁹⁴ Graff, M. and Bremner, J. (2014). A Practical Guide to Population and Development. Population Reference Bureau, United Nations.

4.2.1 Population Profile

Figure 4.1: Population Profile by Age & Gender, 2004 & 2014



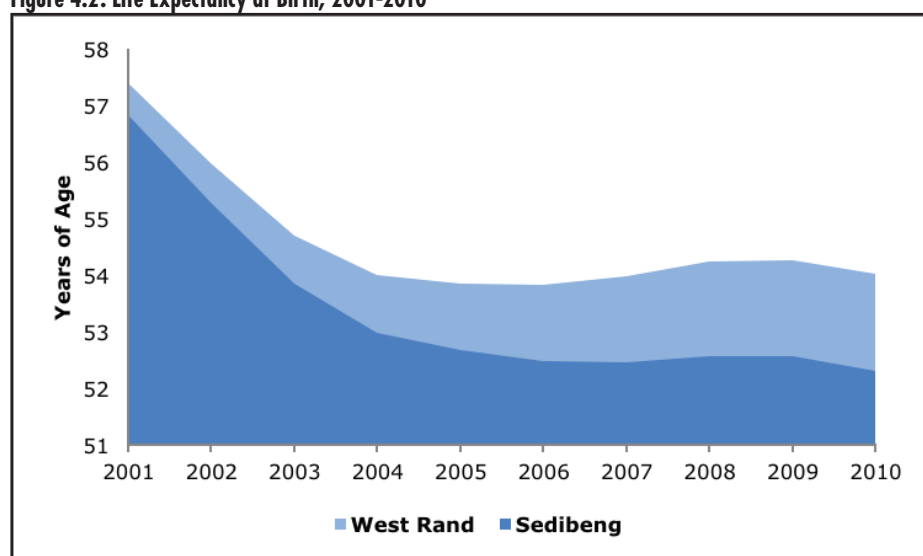
Source: IHS Global Insight, 2015

Figure 4.1 shows the population pyramids, by gender, for the Sedibeng and West Rand districts for 2004 and 2014. The pyramids show that both districts have a high concentration of youth. Those between the ages of 25 and 29 years accounted for the largest share of the populations. Youth population is generally important for economic development, especially when they are able to find employment. This also means that they are less dependent on the older population. About 50.5 per cent of the total population in Sedibeng were females in 2014. In the West Rand, the population of males was greater than that of females, at 52.4 per cent in 2004 and 51.5 per cent in 2013.

4.2.2 Life Expectancy and Mortality

This section analyses the life expectancy at birth and the crude death rates in the districts. These variables highlight the growth and development of the populations. A higher rate of life expectancy means the population may contribute to economic activity for longer periods.

Figure 4.2: Life Expectancy at Birth, 2001-2010

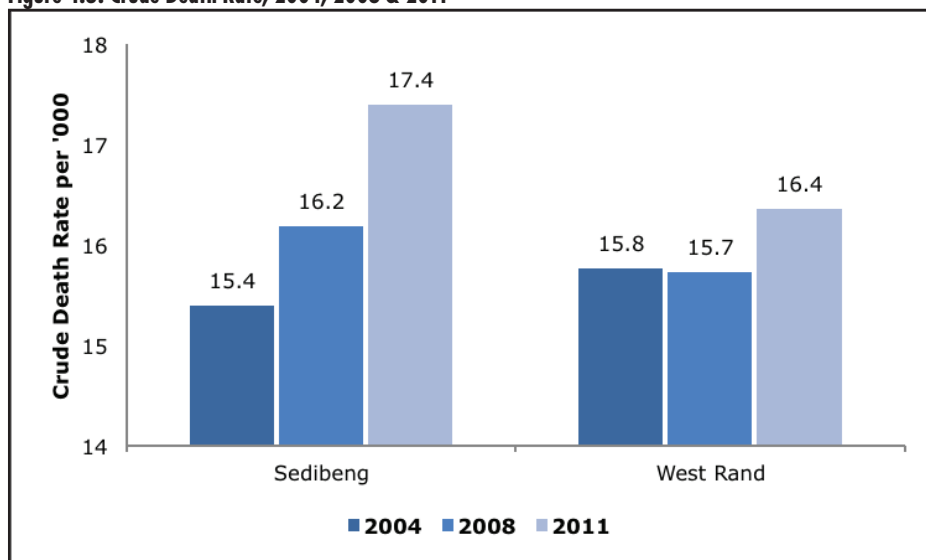


Source: Quantec Research, 2015

Note: Data was only available until 2010.

The life expectancy of the districts is shown in Figure 4.2. The figure shows that life expectancy at birth has declined over the review years. Declines in life expectancy could be partly related health-related issues in the districts, such as the HIV prevalence.⁹⁵ In 2001, Sedibeng had a life expectancy of 56.8 years. This decreased to 52.5 years in 2007 before increasing to 52.6 years in 2009. It then decreased slightly to 52.3 years in 2010. The West Rand's life expectancy was 57.4 years of age in 2001. This decreased to 53.8 years in 2006, increasing slightly to 54.3 years in 2009 and decreasing again to 54 years in 2010.

Figure 4.3: Crude Death Rate, 2004, 2008 & 2011



Source: Quantec Research, 2015

Note: Latest available Crude Death Rate data is 2011.

The CDR for the districts for 2004, 2008 and 2011 are illustrated in Figure 4.3. The CDR is the mortality rate from all causes of death for a population per year per thousand persons.⁹⁶ In 2004, Sedibeng had a CDR of 15.4. This increased over the reviewed years to 16.2 and 17.4 in 2008 and 2011, respectively. In 2004, the West Rand had a CDR of 15.8. This decreased to 15.7 in 2008 but increased in 2011 to 16.4.

4.3 Development

According to the United Nation's (UN) Commission on Sustainable Development, development indicators can help measure progress towards the goal of sustainable global development.⁹⁷ They can also be seen as providing early warning signals to help prevent economic, social and environmental challenges from escalating. This section provides analysis of the three major development indicators of poverty, income inequality and the HDI.

4.3.1 Development Indicators

The section analyses the following as measures of the level of development in the districts: the percentage of people living in poverty, the Gini coefficient, which is the measure of inequality, and the HDI. The MDG goal of halving poverty has also been met in the district municipalities. Despite this, the country and its regions still have a considerably high number of persons living in poverty.⁹⁸

⁹⁵ Business Tech. (2014). SA Life Expectancy Declines. Retrieved from <https://businesstech.co.za/news/general/76322/sa-life-expectancy-declines>

⁹⁶ Information from data.worldbank.org/indicator/SP.DYN.CDRT.IN

⁹⁷ United Nations. (2007). Indicators of Sustainable Development: Guidelines and Methodologies. United Nations Press, New York.

⁹⁸ Extreme poverty refers to those living on less than one US\$ per day.

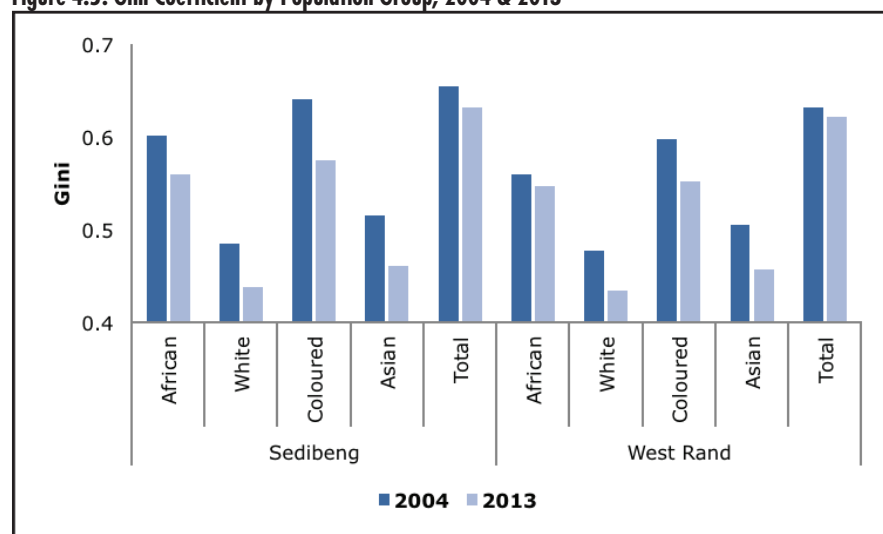
32.1 per cent in 2004 to 28 per cent in 2013. In 2004, the West Rand's share of persons below the food poverty line was 20.9 per cent. This decreased to 15.3 per cent in 2013. The poverty gap rate follows the same trend as that of the share of persons below the food poverty line in the West Rand with a rate of 29.9 and 26.9 per cent in 2004 and 2013, respectively.

Inequality and Human Development

Human development and income inequality remain a concern for the country and its provinces. Issues related to the distribution of income are linked to the pillar of accelerated social transformation as introduced in Chapter 2. This section provides an analysis of both the HDI and the Gini coefficient for the districts.

A major reason for relatively high levels of poverty in the districts is due to income poverty, rather than inequality. Income poverty is defined as a situation when a family's income does not meet a nationally established threshold. Typically, it is measured with respect to families and not the individual, and is adjusted for the number of persons in a family. Economists often seek to identify the families whose economic position, defined as command over resources, falls below some minimally acceptable level.

Figure 4.5: Gini Coefficient by Population Group, 2004 & 2013

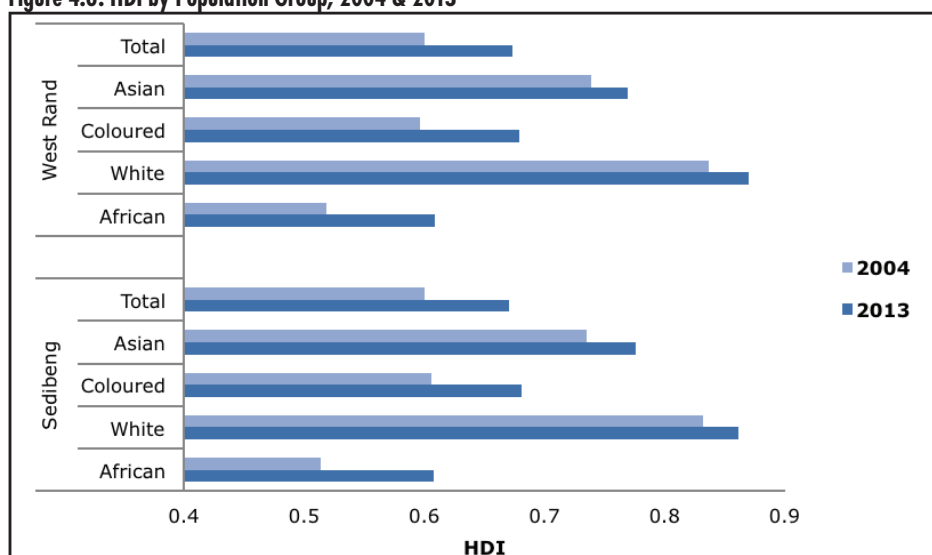


Source: IHS Global Insight, 2015

Figure 4.5 shows the measure of inequality by population group in the districts for 2004 and 2013. Although the level of inequality remains high, it has declined over the years. In Sedibeng, the Coloured population group had the highest Gini coefficient, which declined from 0.64 in 2004 to 0.57 by 2013. The Gini coefficient of the African population group also declined from 0.60 in 2004 to 0.56 in 2013. It is found that the level of inequality has an effect on the responsiveness of poverty to growth in economic activity of different regions. In other words, poverty in regions with high levels of inequality tends to have a low response rate to economic growth.¹⁰⁰ This illustrates the absence of the trickle-down effect of growth to low-income households.

Similarly in the West Rand, there was a decrease in the Gini coefficient for all population groups. The African population group had a Gini of 0.56 in 2004 which slightly decreased to 0.55 in 2013. In general, the White population group had the lowest Gini coefficients, followed by the Asian population group for both districts. The African and Coloured population groups had the highest Gini coefficients throughout the review period.

¹⁰⁰ Fosu, A.K. (2010). Does Inequality Constrain Poverty Reduction Programmes? Evidence from Africa. UN University World Institute for Development Economics Research, Finland.

Figure 4.6: HDI by Population Group, 2004 & 2013

Source: IHS Global Insight, 2015

Development, as measured by the HDI, shows an increasing trend for the districts over the reviewed years. Figure 4.6 indicates that the White population group tends to have a higher HDI, while Africans tend to have the lowest development level. However, it is important to note that the African population group has the fastest rising HDI as shown in the figure above. If South Africa and its regions are able to address education and health-related challenges, it could rank high in terms of human development. Low development means low skills, which means low productivity and higher inequality.

Overall, the population groups experienced increases in HDI for the selected years. Throughout the review period, the African population group had the lowest HDI levels of 0.52 and 0.61 in 2004 and 2013, respectively. The White population group had the highest levels of HDI throughout the review period, ranging between 0.84 and 0.87, followed by the Asian population group at between 0.74 and 0.77, for both districts. The Coloured population group had HDI levels of 0.60 and 0.68 in 2004 and 2013, respectively.

In order to understand what has been driving the HDI it is important to identify the causal factors by analysing the various components separately. From 2004 to 2013, with regard to the components of the HDI, there has been a decrease in life expectancy at birth; the per capita GDP-R has had an average growth rate of a mere 0.3 per cent from 2004 to 2013. It is evident that all population groups have experienced increased levels of HDI over time. Whereas the White and Asian population groups have seen larger numbers of persons entering tertiary education, the African and Coloured population groups have seen larger proportions of persons attaining matric certificates. Government has implemented policies to increase social capitals and reduce inequality among population groups. These are Broad-Based Black Economic Empowerment (BBBEE) and the Land Reform Strategy.

Figure 1: Highest educational level of population aged 15 and over, 2004 and 2013

Region	Year	No schooling	Grade 0-6	Grade 7-11	Certificate/Diploma without Matric	Matric	Certificate/Diploma	Bachelors Degree	Postgrad Degree
Sedibeng	2004	7.4	13.3	43.6	1.2	25.9	5.3	2.3	1.0
	2013	3.8	9.3	42.0	0.8	31.8	7.1	3.6	1.6
West Rand	2004	8.5	15.6	43.8	0.9	23.7	4.7	1.9	0.8
	2013	4.2	10.3	44.0	0.7	30.1	6.2	3.2	1.4

Figure 4.7 plots the highest educational level for the districts for 2004 and 2013. The figure indicates that there has been an improvement in the educational levels between the review years. It also indicates that the number of those with no form of schooling declined between 2004 and 2013. In 2013, for the Sedibeng district as a whole, over 31.8 per cent had Matric only, compared to the 25.9 per cent for 2004. The figure illustrates that both districts have experienced increased levels of education between 2004 and 2013. In total, there has been a progress shift in the proportions of persons who have higher levels of education with just over 40 per cent of persons in the districts having a matric or higher education qualification.

Significant strides have been made in improving service delivery across the districts. Nevertheless, the districts are still burdened with backlogs in the provision of services such as water and electricity. The following section highlights the backlogs in household service delivery.

Region	Infrastructure	2004	2013	2004 - 2013
Sedibeng	Formal Dwelling	19.2%	17.8%	
	Sanitation	11.3%	7.5%	
	Water Access	3.7%	3.6%	
	Electricity Access	12.0%	12.0%	
	Refuse Removal	32.2%	10.7%	
West Rand	Formal Dwelling	36.6%	28.2%	
	Sanitation	16.0%	10.5%	
	Water Access	6.7%	9.7%	
	Electricity Access	19.6%	20.0%	
	Refuse Removal	22.2%	19.8%	

Table 4.2 illustrates the proportion of household infrastructure backlogs in the districts from 2004 to 2013. These backlogs indicate the percentage of people who do not have access to the specified household infrastructure. In Sedibeng, formal housing backlogs declined from 19.2 per cent in 2004 to 17.8 per cent in 2013. The biggest decline in backlogs was in refuse removal, from 32.2 per cent in 2004 to 10.7 per cent. The West Rand has seen a marked decrease in backlogs of formal dwellings from 36.6 per cent in 2004 to 28.2 per cent in 2013, as well as backlogs in access to sanitation from 16 to 10.5 per cent in the respective years. However, there has been an increase of backlogs in access to water of 3 percentage points from 6.7 per cent in 2004 to 9.7 per cent

in 2013. This should be of particular concern to policy-makers as access to water is a fundamental human right and South Africa is a semi-arid, water scarce country.¹⁰¹

Another concern is lack of water quality due to pollution caused by acid mine drainage into the river systems.¹⁰² There has also been a slight increase in backlogs to electricity access from 19.6 per cent to 20 per cent in 2004 and 2013, respectively. However, the West Rand has had a decrease in backlogs of access to refuse removal from 22.2 per cent in 2004 to 19.8 per cent in 2013.

4.5 Economic Development and Outlook

There are strong linkages between the population structure of a region, its economic activity and its development indicators. The Sedibeng district municipality accounted for about 3.8 per cent of Gauteng's GDP-R in 2004, but this had declined to 3.6 per cent by 2014. This may be partly as a result of the declining contribution of the manufacturing sector. The sector contributed the most to the economic activities in the region, at 31.6 per cent in 2014. West Rand accounted for 5.3 per cent of the province's economic output in 2004 and this declined to 3.8 per cent in 2014. Economic activity in the region is led by the mining & quarrying sector with its contribution declining in recent years.

Sedibeng and West Rand, referred to as the Southern and Western development corridors, respectively, by Premier Makhura during his 2015 SoPA, are also two of the five nodal points, to be developed along their respective growth potential they possess.¹⁰³

Overall, this section provides a review of Sedibeng and West Rand's economic activity. The economic performances of the districts are analysed. It includes a sectoral analysis and makes reference to the manufacturing and mining & quarrying sectors as major contributors to the economic activity of these districts. The latter part of this section also provides analysis of employment by different sectors.

4.5.1 Review of Economic Trends

The economic performance of the country's major trading partners such as the Euro area and China, amongst others, has an influence on South Africa, Gauteng and its regions. Slow economic performance in these regions has led to a drop in demand for South African produced goods and services. The economic performance of Gauteng and its municipalities tends to follow that of the country, which is driven mainly by consumption-based activities.

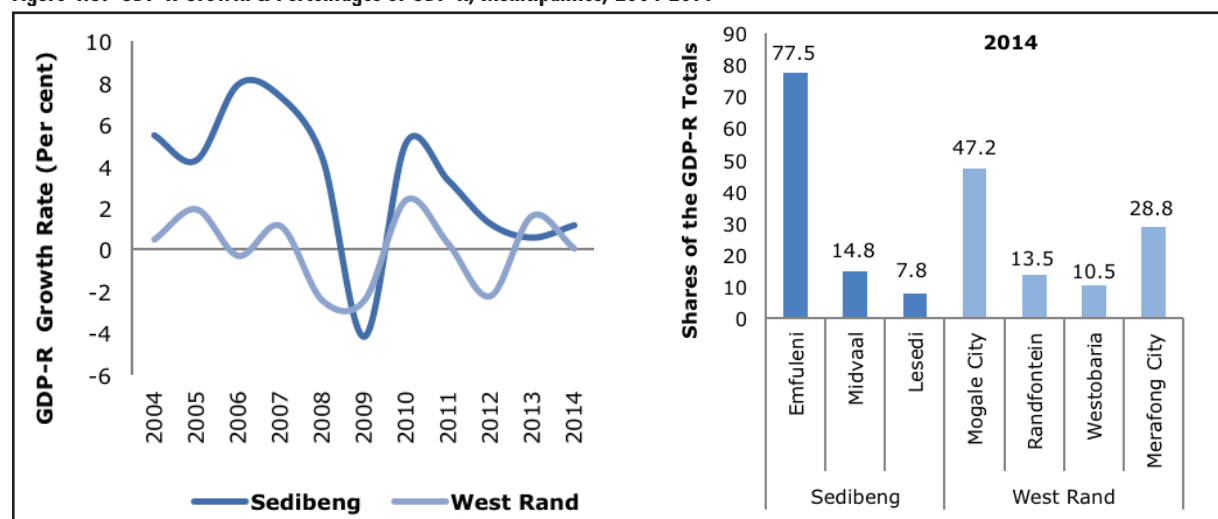
GDP-R Growth

Growth in economic activities of a region is important for development and employment creation. However, just as the country's growth has not managed to create enough employment for the labour force, the sectors dominating in the two districts are not the ones that provide employment (see the labour analysis sub-section below). This section provides an analysis of GDP-R growth and the municipal share of the districts total, before looking at the drivers of growth in the regions. It also provides a brief review of the regions' labour market and trade.

¹⁰¹ National Treasury. (2011). Local Government Budgets and Expenditure Review. Chapter 8: Water and Sanitation.

¹⁰² Department of Water Affairs. (2010). Mine Water Management in the Witwatersrand Gold Fields With Special Emphasis on Acid Mine Drainage. Prepared by the Expert Team of the Inter-Ministerial Committee under the Coordination of the Council for Geoscience.

¹⁰³ Gauteng Provincial Government. (2015). State of the Province Address (SoPA). Retrieved from <http://www.gautengonline.gov.za/Speeches/Documents/SOPA%202015%20speech%20by%20Premier%20David%20Makhura.pdf>

Figure 4.8: GDP-R Growth & Percentages of GDP-R, Municipalities, 2004-2014

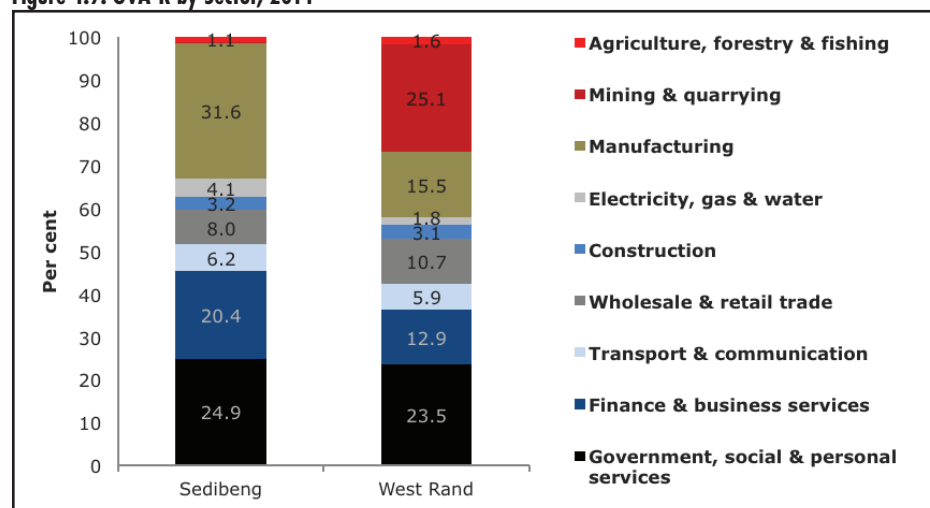
Source: IHS Global Insight, 2015

Figure 4.8 shows the GDP-R growth and shares for the Sedibeng and West Rand district municipalities from 2004 to 2013. The shares of the GDP-R by the local municipalities of the two districts are also included. The figure indicates that Sedibeng had the highest GDP-R growth in the review period. GDP-R growth for both districts reached negative territory in 2009 due to the global financial crisis. Despite the recovery in 2010, economic growth remained volatile from 2011 to 2013. This follows the economic performance of the country as the global recovery remains somewhat slow.

The figure also shows that Emfuleni accounted for the largest proportion of the Sedibeng economic activity at 77.5 per cent. It is followed by the Midvaal at 14.8 per cent. In the West Rand district, Mogale City accounted for the largest share of the economic activity at 47.2 per cent. It was followed by the Merafong City with a share of 28.8 per cent.

Drivers of Economic Growth

In order to introduce any form of radical economic change or transformation, policy-makers need to understand the current economic structure of Sedibeng and the West Rand district municipalities. This section provides sectoral analysis of the two districts and identifies the sectors that account for the largest shares of economic activity in the regions.

Figure 4.9: GVA-R by Sector, 2014

Source: IHS Global Insight, 2015

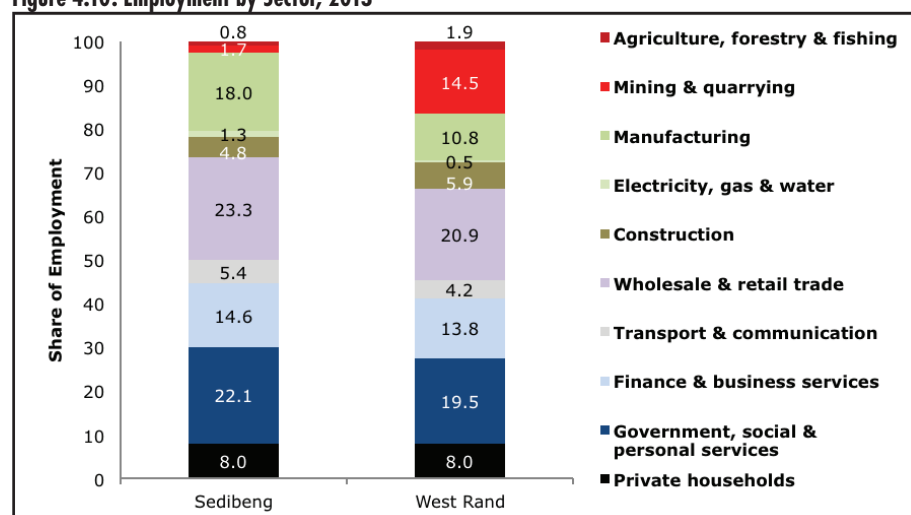
Three major sectors contribute to the economic activity of Sedibeng district. These are manufacturing, government, social & personal services and the finance & business services sectors. In 2014, manufacturing accounted for 31.6 per cent of economic activity in Sedibeng, while government, social & personal services contributed 24.9 per cent and the finance & business services sector 20.4 per cent in the same year.

The major contributing sectors in the West Rand district were mining & quarrying at 25.1 per cent, while government, social & personal services contributed 23.5 per cent and manufacturing, 15.5 per cent. According to information from IHS Global Insight, the contribution of mining & quarrying sector has been declining over the years from R17.9 billion in 2004 to R9.8 billion in 2013.¹⁰⁴

Employment

The Sedibeng and West Rand's Growth Development Strategy (GDS) cites that the eradication of poverty depends on sustained inclusive growth in economic activity. This growth should also be accompanied by the creation of decent work and other economic opportunities for the population. The GPG's strategic pillar of reindustrialisation aims at promoting sectors such as manufacturing to employ the region's low and unskilled workforce. This section covers employment by sector and the unemployment rates for the two district municipalities.

Figure 4.10: Employment by Sector, 2013



Source: IHS Global Insight, 2015

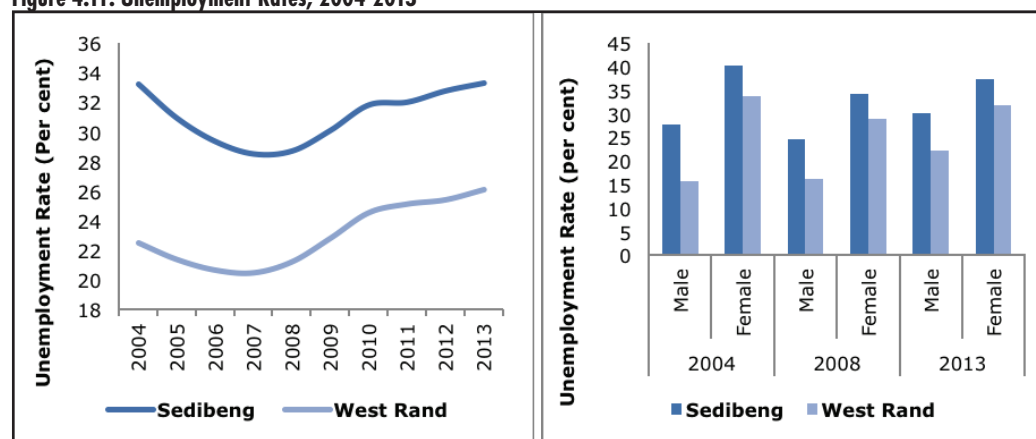
Figure 4.10 indicates that the wholesale & retail trade and government, social & personal services sectors were the major employers in both the Sedibeng and West Rand districts. The latter sector accounted for 22.1 per cent of total employment in Sedibeng, while the wholesale & retail trade sector accounted for 23.3 per cent. In the West Rand, the wholesale & retail trade sector employment accounted for 20.9 per cent of total employment, whilst the government, social & personal services contributed 19.5 per cent to total employment for the same year. It is worth noting that the largest contributors to economic activity for both districts were not the major employing sectors.

Unemployment

Sedibeng and West Rand districts municipalities have one of the highest unemployment rates. This is because the sectors that contribute the most to economic activity are not the largest employers. This section analyses the unemployment rates of the district municipalities.

¹⁰⁴ IHS Global Insight. (2015). Regional eXplorer Version 2.5q. Rex Database

Figure 4.11: Unemployment Rates, 2004-2013



Source: IHS Global Insight, 2015

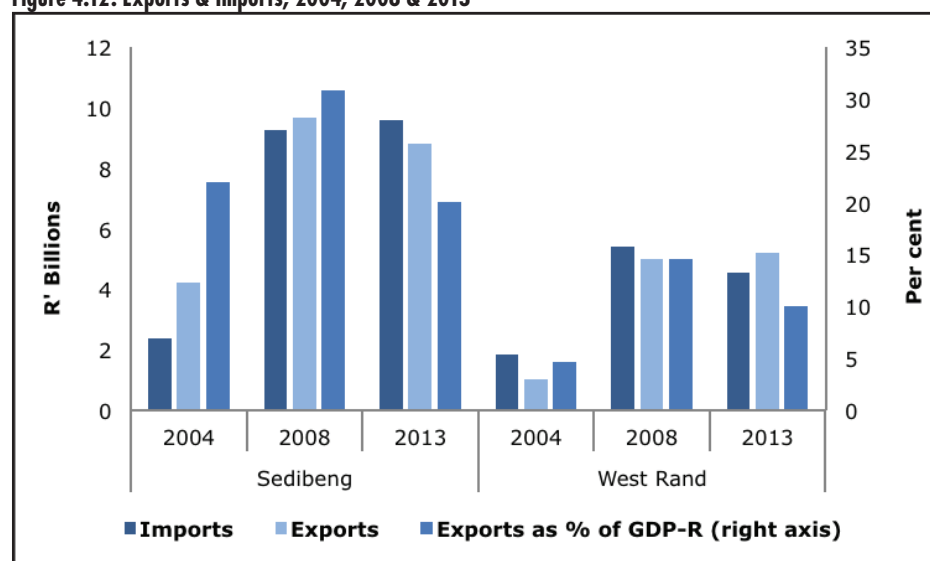
Note: The unemployment used in the above is the official unemployment rate which excludes discouraged work-seekers.

Figure 4.11 shows the unemployment rates of the Sedibeng and West Rand district municipalities for 2004 to 2013. The figure indicates that Sedibeng had a relatively high unemployment rate for the review period. Its unemployment rate was at 33.3 per cent and declined to 28.6 per cent in 2007 before returning to 33.3 in 2013. That of the West Rand followed a similar trend and started the review period at 22.6 per cent in 2004, before declining to 20.5 per cent in 2007. By the end of the review period, it reached 26.2 per cent. In terms of gender, the unemployment rates for females were 37.4 and 31.8 per cent for both Sedibeng and the West Rand respectively. With the youth population concentration present in these districts, the rates of unemployment mean that there is an under-utilisation of the labour force.

Trade Developments

It is important for regions to have a favourable trade balance at all times. For policy-makers, it is imperative to know which goods and services regions can produce in abundance, and the ease with which the regions are able to export these goods and services. This section looks at both imports and exports for the two districts.

Figure 4.12: Exports & Imports, 2004, 2008 & 2013



Source: IHS Global Insight, 2015

Figure 4.12 shows imports and exports for Sedibeng and West Rand in 2004, 2008 and 2013. The figure indicates that exports decreased between 2008 and 2013 for Sedibeng, while imports rose. The decrease in exports may have been driven by a decline in manufacturing activities, with the steel company ArcelorMittal

operating in the municipality. Exports as a percentage of GDP-R declined between 2008 and 2013. In the West Rand, exports increased between 2008 and 2013, while imports declined. Exports as a percentage of GDP-R decreased between the two years.

Table 4.3: Exports & Imports by Product, 2004-2013

Sedibeng			
Imports	2004	2013	2004-2013
Mineral products	7.1%	16.3%	
Products of the chemical or allied industries	8.6%	4.1%	
Plastics & rubber	5.7%	3.7%	
Articles of stone & glassware	4.4%	1.7%	
Base metals	15.1%	13.7%	
Machinery & mechanical appliances	29.8%	26.1%	
Vehicles, aircraft, vessels & associated transport equipment	17.7%	10.7%	
Optical, photographic & apparatus	2.7%	5.4%	
Exports	2004	2013	2004-2013
Mineral products	14.9%	20.6%	
Products of the chemical or allied industries	2.5%	0.3%	
Precious stones & precious metals	8.9%	66.6%	
Base metals	60.9%	8.8%	
Machinery & mechanical appliances	7.8%	1.6%	
Vehicles, aircraft, vessels & associated transport equipment	1.1%	0.8%	
West Rand			
Imports	2004	2013	2004-2013
Equipment, components & parts for motor vehicles	22.7%	29.8%	
Vehicles, aircraft, vessels & associated transport equipment	51.7%	27.2%	
Machinery & mechanical appliances	16.5%	20.6%	
Products of the chemical or allied industries	1.1%	3.9%	
Optical, measuring, medical & apparatus	1.5%	3.3%	
Other Imports	6.6%	15.2%	
Exports	2004	2013	2004-2013
Vehicles, aircraft, vessels & associated transport equipment	43.5%	49.3%	
Mineral products	1.9%	19.4%	
Machinery & mechanical appliances	30.9%	15.8%	
Base metals	2.5%	5.3%	
Products of the chemical or allied industries	1.8%	3.2%	
Other Exports	19.5%	7.0%	

Quantec Research, 2015

Table 4.3 shows the Sedibeng and West Rand break down of exports and imports by product from 2004 to 2013. The table shows the products with greater proportions of trade. Base metals accounted for the largest share of exports in 2004, while precious stones & precious metals had the largest share in 2013 in Sedibeng. This may be as result of classification of products rather than the decline in their shares of exports. Mineral products had the second largest share of exports at 14.9 per cent in 2004 and rose to 20.6 per cent in 2013. The largest share of imports was accounted for by machinery & mechanical appliances at 29.8 per cent in 2004. This had decline by 3.7 percentage points to reach 26.1 per cent in 2013. The import shares of the vehicles, aircraft, vessels & associated transport equipment category was at 17.7 per cent in 2004 and decreased to 10.7 per cent in 2013.

For West Rand, the category of vehicles, aircraft, vessels & associated transport equipment was the largest component of exports throughout the review period at 43.5 per cent in 2004 and 49.3 per cent in 2013. This was followed by the mineral products category, which increased from 1.9 per cent in 2004 to 19.4 per cent in 2013. Machinery & mechanical appliances was the third largest export in 2013, but decreased during the review period from 30.9 per cent in 2004 to 15.8 per cent in 2013. The largest category of imports was the equipment, components & parts for motor vehicles. This was 22.7 per cent in 2004 and 29.8 per cent in 2013. It was followed by the category of vehicles, aircraft, vessels & associated transport equipment at 51.7 per cent and 27.2 per cent in 2004 and 2013, respectively. The third largest category was machinery & mechanical appliances.

4.5.2 Unlocking Economic Potential

Opportunities in the two districts include property development due to the availability of vast amounts of vacant land, as well as development of sustainable environmental opportunities such as agriculture and tourism. For the West Rand in particular, the geographical location and close proximity to Lanseria International Airport, Johannesburg CBD and major access routes, allows for the opportunity of economic diversification within the district.¹⁰⁵

In his 2015 SoPA, Premier Makhura highlighted various growth stimulating initiatives within the Southern Corridor, which represents the Sedibeng district and the Vaal triangle. In collaboration with the private sector, the provincial government has earmarked the development of the new Vaal River City, referred to as hydropolis, which will unlock the potential of the waterfront developments in Emfuleni and Midvaal local municipalities. Another area of focus in Sedibeng is agriculture, which has the potential of placing Sedibeng “as the food basket of the Gauteng City Region”.

The Premier highlighted that the province is working with the private sector to support 32 black farmers in the plantation of barley and maize, which will be supplied to the nearby Heineken Brewery. The project is expected to annually create 1,000 permanent jobs over three years. Another sector worth unlocking in Sedibeng is tourism, as people come to the Vaal Dam for cruises and fishing. More tourism opportunities include gaming, wedding venues, spas and golf. Overall, the province’s goal in the Southern Corridor is to shift away from heavily relying on the steel industry, and diversify to other industries, as previously mentioned.

For the West Rand district there are opportunities for property development due to the availability of vast amounts of vacant land, as well as development of sustainable environmental opportunities in terms of agriculture potential. Moreover, the geographical location and close proximity to Lanseria International Airport, Johannesburg CBD and major access routes, allows for the opportunity of economic diversification within the district.¹⁰⁶ The Western Corridor, which encompasses the economy of West Rand, is set to focus on the green and blue economy initiatives, tourism, agro-processing and logistics amongst other sectors to modernise and diversify the region’s economy. The West Rand region has also been earmarked as a renewable energy industrial development region with a focus on solar technologies and solar farm.

Premier Makhura has highlighted further various initiatives that will unlock growth potential of this economy. The province has invested in the Randfontein milling facility, as one of the initiative to position this Corridor as the hub of the province’s agri-business and agro-processing industry. Furthermore, the province is partnering with the private sector to increase the aquaculture potential of Western Corridor, particularly in the breeding of prawns. Other supported growth enhancing initiatives in the West Rand include those of the West Rand Development Agency (WRDA)¹⁰⁷. The WRDA supports economic diversification in the West Rand, such as increased tourism opportunities, which includes tourist sites such as the Cradle of Humankind, Magaliesburg Protected Nature Reserve and Muldersdrift.¹⁰⁸

4.6 Concluding Remarks

In 2014, the Sedibeng and West Rand district municipalities made up 3.6 and 6.5 per cent of the Gauteng population, respectively. Both districts are characterised by a large youth bulge and many people of working age. HIV and AIDS have had an adverse effect on the structure of the districts’ populations, particularly on the young working-age population. There has also been a clear decline in the life expectancy, as well as an increase in the crude death rate. Despite the regions meeting the MDGs targets, a great number of people continue to live in conditions of extreme poverty, inequality and low levels of human development.

It is important to note that most of the challenges that continue to face Gauteng and its regions are interlinked. The rate at which economic growth can reduce poverty is related to the region’s level of inequality. The social

¹⁰⁵ West Rand District Municipality. (2012). Integrated Development Plan 2011/12 to 2015/16.

¹⁰⁶ West Rand District Municipality. (2012). Integrated Development Plan 2011/12 to 2015/16.

¹⁰⁷ The WRDA seeks to regenerate, diversify and build the economy of the West Rand to promote the economic and social well-being of all its residents. The primary focus is job creation and direct investment opportunities. Information from <http://www.wrda.co.za/>

¹⁰⁸ Information from <http://www.westrandtourism.co.za/>



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challenges in the region are a result of the economy not creating employment opportunities for the youth population concentration, and the lack of necessary relevant skills in the regions.

In 2014, the GPG made a commitment to a Ten Pillar Programme that forms the basis for strategic policy direction for the next few years. Under the pillar of radical economic transformation, the economic outlook section took note of the role of the manufacturing sector in the economy of Sedibeng. In order for the economy of Sedibeng to grow and create work for the population, there is a need to focus on other sectors besides the steel and manufacturing industries as identified in the Southern Development Corridor. For the West Rand district municipality, the Lanseria Airport and Maropeng World Heritage Site will continue to be the main anchors of the new city and new economy of the Western Development Corridor. Overall, the main aim of the Western Corridor is to reboot the economy of the West Rand, which has experienced significant de-industrialisation due to the decline in the mining sector, whilst focusing on other sectors that have growth potential.



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