

Population

The world population increased from 7.5 billion people in 2017 to approximately 7.6 billion in 2018 and is expected to increase by 29% to 9.9 billion by 2050 (Population Reference Bureau, 2018)¹. KZN is home to an estimated 11.4 million people, which translates to 19.7% of the total 57.7 million South African population. Collectively, children and young people account for approximately two thirds of the total provincial population. Hence the dependency ratio is highly skewed towards children at approximately 50% as compared to the older people at around 9%.

The domination of young people can yield a demographic dividend² in the long-run. This can be achieved by intensifying the implementation of quality early childhood development, basic education, technical and vocational education and training, as well as higher education. The long-term result of quality education is an increase in productive citizens, which is anticipated to improve the average income per capita in the country.

Global and national economic outlook

The global and national economic outlook plays a crucial part in the economy of the province. It is against this backdrop that the national and global outlook is included. The global economic outlook for 2019 has deteriorated and is therefore expected to grow by 3.5%, down from 3.7% estimated in 2018. However, it is projected to expand marginally to 3.6% in 2020 according to the International Monetary Fund (IMF) (2019)³ and the World Bank (2019)⁴.

On the contrary, the South African economic growth is expected to remain sluggish and thus averaged at 0.7% in 2018 (National Treasury, 2019; SARB, 2019)⁵. It is further anticipated to gain momentum during the forecast period, thereby recovering back to 1.4% in 2019 and 1.7% in 2020.

KwaZulu-Natal economic review and outlook

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

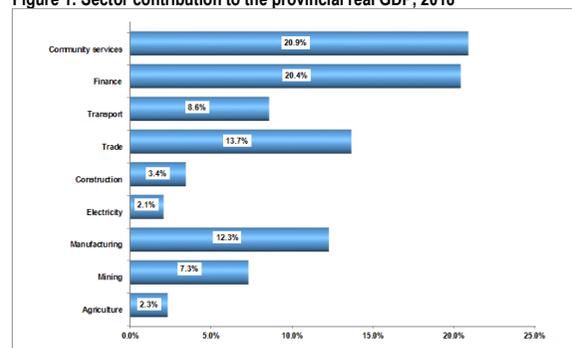
Similar to the national output growth, the economy of KZN grew unexpectedly by 1.4% in 2017, up from 0.6% recorded in 2016. The

moderate growth rate in 2017 was primarily due to the favourable weather conditions, which resulted in higher agricultural production and thus a significant contribution to R-GDP.⁶ It is estimated that output growth averaged at 0.7% in 2018, but is expected to increase modestly to 1.4% and 1.6% in 2019 and 2020, respectively.

Sector performance analysis

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

Figure 1: Sector contribution to the provincial real GDP, 2018



Source: IHS Markit, 2019

The tourism industry (which is included in the trade sector) is one of the major contributors to the GDP in SA with its estimated total contribution of R412.5 billion to GDP in 2017. In terms of employment, nationally, the sector created 1.531 million jobs in 2017 and this figure is projected to rise to 2.082 million in 2028 (WTTC, 2018)⁷. In KZN, the industry's total contribution to employment was estimated at 162 044 in 2017. Tourism's total contribution to KZN's GDP in 2017 was estimated at R18.8 billion (Zulu Kingdom, 2018)⁸.

Unemployment in South Africa and KZN

The national unemployment rate (narrow definition) in SA was estimated at 27.1% in 2018. The prevalence was higher among young people aged between 15 and 24 at 54.7% and those aged between 25 and 34 years at 33%. In KZN, the unemployment rate was estimated at 23% in the last quarter of 2018⁹. Unemployment is higher among females at 29.5% compared to that of their male counterparts at 25.1%.

Inflation

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

Poverty

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

Development indicators (2017)

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

Grant beneficiaries

KZN had the highest number of social grant beneficiaries as at the end of December 2018 on a national scale, with a total number of 3 938 973 recipients (22.2%). This was 2.1% higher than the 3 857 958 beneficiaries recorded on 31 December 2017. KZN had the highest share of recipients of the Old Age Grant (699 159 beneficiaries, 19.9%), Disability Grant (232 674 beneficiaries, 22%), Grant-in-Aid (63 131 beneficiaries, 29.3%), Care Dependency Grant (39 744 beneficiaries, 26.5%), Foster Child Grant (70 966 beneficiaries, 20.5%) and the Child Support Grant (2 833 288 beneficiaries, 22.8%).

Policy priorities driving KZN's 2019/20 MTEF Budget

Education

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

Health

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

¹ Population Reference Bureau (2018): *World Population Data Sheet, 2018*.

² Demographic dividend refers to the growth in an economy that is the resultant effect of a change in the age structure of a country's population.

³ IMF (January 2019): *World Economic Outlook Update*, an update of the key WEO projections, A Weakening Global Expansion.

⁴ World Bank (2019): *Global Economic Prospects, Darkening Skies*.

⁵ National Treasury (2019): *Budget Review, 2019* and SARB (2019) Statement of the Monetary Policy Committee, Press statement delivered by the Governor of the SARB.

⁶ It must be remembered that SA suffered a severe drought in 2015 and 2016, which severely impacted negatively to the economy of the country, and KZN was not immune.

⁷ World Travel & Tourism Council (2017): *Economic Impact 2017 South Africa*.

⁸ Zulu Kingdom (2017): *Statistics of Our Tourism Sector*.

⁹ Stats SA (2019): *Quarterly Labour Force Survey, Quarter four 2018*, Statistical release P0211.

¹⁰ National Treasury (2019) Budget Review 2019

performance against maternal, neonatal and child (under 5) mortality indicators dwindled when compared to the previous year and to its ranking against other provinces, yet the province is in a relatively more dire situation considering that it has a higher disease and population burden.

Infrastructure

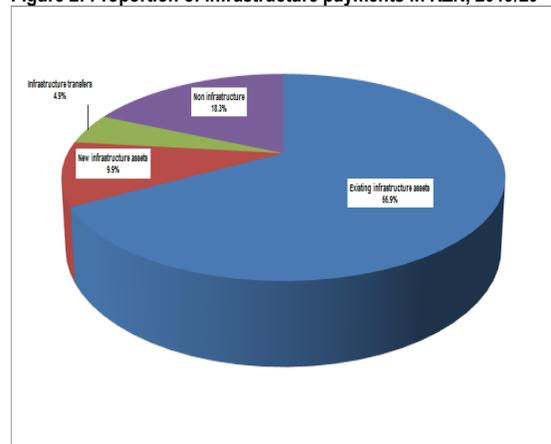
Table 1: Summary of infrastructure payments and estimates

R thousand	Medium-term Estimates		
	2019/20	2020/21	2021/22
Existing infrastructure assets	9 016 711	9 791 508	10 284 283
Maintenance and repair: Current	3 558 254	3 886 032	3 415 127
Upgrades and additions: Capital	3 131 043	3 541 154	3 946 536
Refurbishment and rehabilitation: Capital	2 327 414	2 364 322	2 922 619
New infrastructure assets: Capital	1 339 392	909 560	1 105 104
Infrastructure transfers	655 354	729 314	748 019
Infrastructure transfers: Current	450	450	450
Infrastructure transfers: Capital	654 904	728 864	747 569
Infr: Payments for financial assets	-	-	-
Infrastructure: Leases	162 939	166 491	168 086
Non infrastructure	2 469 018	1 969 279	2 055 269
Total	13 643 415	13 566 152	14 360 761
Capital infrastructure	7 452 753	7 543 900	8 721 829
Current infrastructure	6 190 661	6 022 252	5 638 932

Source: KZN Treasury, 2019

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

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



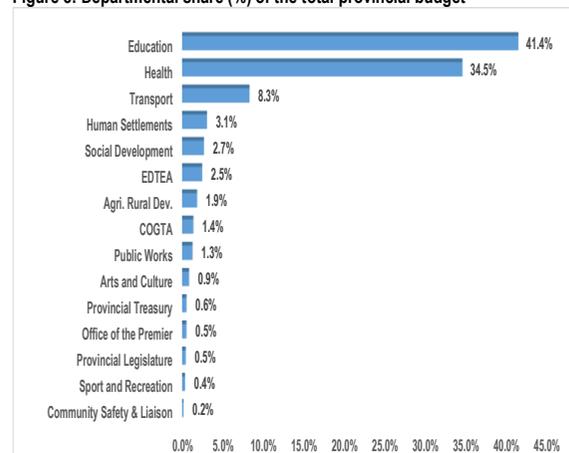
Source: KZN Treasury, 2019

2019/20 KZN budget summary: Allocation by departments

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

- ❖ R54 billion for the Department of Education (41.4% of the total budget)
- ❖ R45 billion for the Department of Health (34.5% of the total budget)
- ❖ R10.8 billion for the Department of Transport (8.3% of the total budget)
- ❖ R4 billion for the Department of Human Settlements (3.1% of the total budget)
- ❖ R3.5 billion for the Department of Social Development (2.7% of the total budget)
- ❖ R3.2 billion for the Department of Economic Development, Tourism and Environmental Affairs (2.5% of the total budget)
- ❖ R2.4 billion for the Department of Agriculture and Rural Development (1.9% of the total budget)
- ❖ R1.8 billion for the Department of Co-operative Governance and Traditional Affairs (1.4% of the total budget)
- ❖ R1.7 billion for the Department of Public Works (1.3% of the total budget)
- ❖ R1.1 billion for the Department of Arts and Culture (0.9% of the total budget)
- ❖ R721.6 million for the Provincial Treasury (0.6% of the total budget)
- ❖ R714 million for the Office of the Premier (0.5% of the total budget)
- ❖ R598.8 million for the Provincial Legislature (0.5% of the total budget)
- ❖ R 478.9 million for the Department of Sport and Recreation (0.4% of the total budget)
- ❖ R 235.1 million for the Department of Community Safety and Liaison (0.2% of the total budget).

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



Source: KZN Treasury, 2019

Province of KwaZulu-Natal PROVINCIAL BUDGET – 2019/20



Spending your money wisely

KZN Provincial Treasury's Vision:

"Be the centre of excellence in financial and fiscal management in the country"

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