

ECONOMY

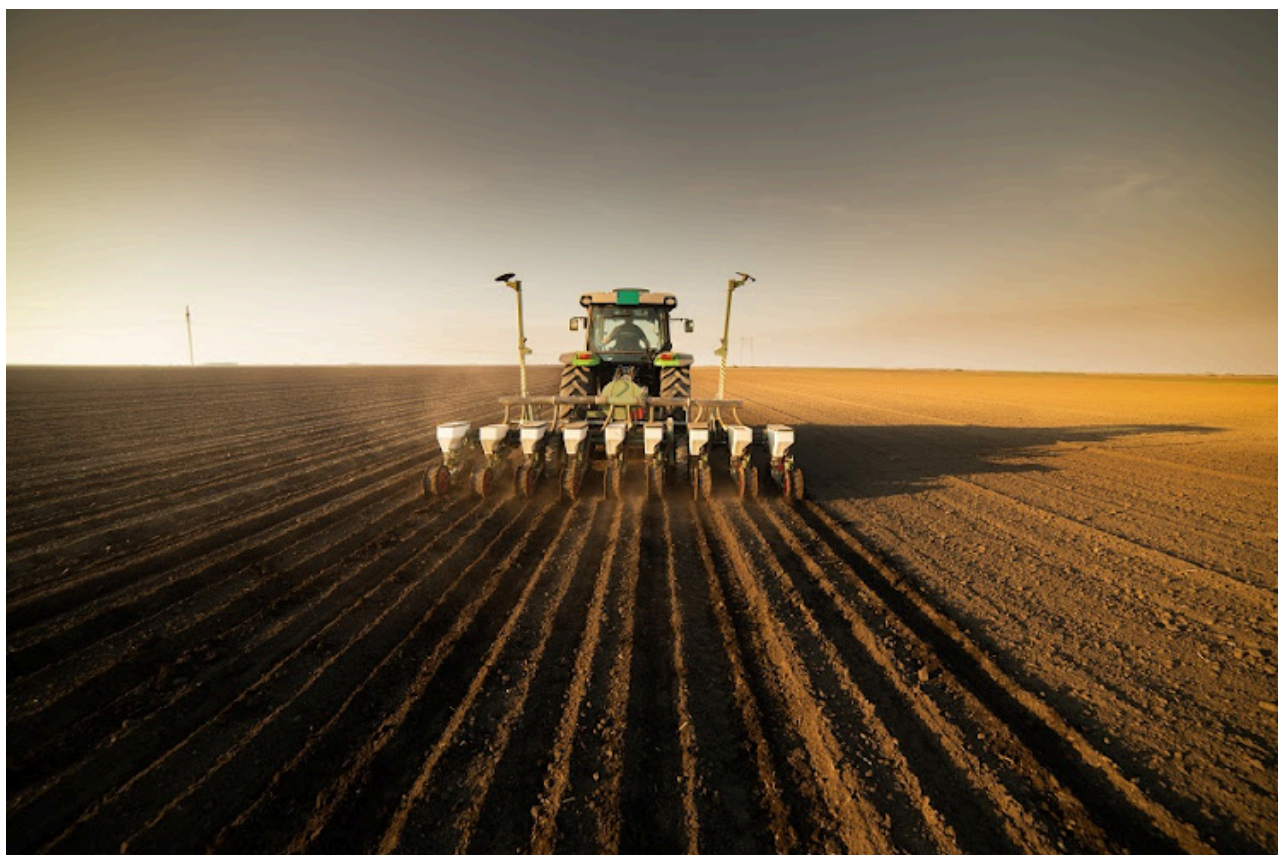
Manufacturing, mining and agriculture drive provinces' real economic growth

Gauteng, the Western Cape and KZN account for 73% of national employment in manufacturing, study finds

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The contribution of SA's provinces to the real economy varied substantially, with

manufacturing still the dominant driver of growth followed by manufacturing and agriculture, a study shows.

The Trade & Industrial Policy Strategies (TIPS), an independent economic research institution, released its annual real economy bulletin provincial review on Monday, giving a contextual overview of the real economy of SA's provinces.

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“Manufacturing is dominant in the three largest provinces [Gauteng, KwaZulu-Natal and the Western Cape]. Together, these provinces account for 76% of national manufacturing,” TIPS senior economist Neva Makgetla said.

The study measures provinces based on their structure and growth of the real economy, which includes large public and private real-economy projects; the employment rate; economic policy initiatives in each province; as well as individual provinces' spatial economy statistics.

It shows that Gauteng makes up the largest share of manufacturing output while mining – largely concentrated in North West, Limpopo, Mpumalanga and the Northern Cape – accounts for 74% of national mining output from those provinces.

“Mining alone in North West accounts for a third of the provincial output while in Limpopo mining contributes 30% of provincial output. Agriculture is more

concentrated in KwaZulu-Natal, the Western Cape and Free State,” Makgetla said.

TIPS’ review states that provincial GDP data are only available up to 2021. The years 2020 and 2021 were when the Covid pandemic forced the rapid shutdown of economies.

Spending patterns in those years were shifted from services to goods, and governments embarked on massive fiscal stimulus, while the monetary policy authorities applied near-zero interest rates.

The SA government instituted one of the strictest lockdowns in the developing world without having the fiscal space to provide sufficient relief to businesses and households. Stats SA said about 1.6-million formal jobs were lost between the first quarter of 2020 and the third quarter of 2021.

Data shows that the fastest-growing economies between 2015 and 2019 were Gauteng and Limpopo, growing at 1.3% and 1.2% respectively, while KwaZulu-Natal and the Western Cape both grew at 1.1%.

However, the pandemic affected the growth of all provinces in 2020 except the Northern Cape. Provinces with large mining sectors experienced a sharp recovery from the pandemic, mainly attributable to the commodity price surges in 2021.

Employment data is also used to shed further light on the structure of the provincial economies.

The review shows that Gauteng, the Western Cape and KwaZulu-Natal account for 73% of national employment in manufacturing while employment in mining is more concentrated in North West, Limpopo and Mpumalanga.

North West alone accounts for 34% of total employment in mining.

Employment in services is more concentrated in Gauteng, KwaZulu-Natal and the Western Cape.

The data shows that Gauteng and the Western Cape have high employment levels compared to the national average.

In 2021, 47% of the working-age population in the Western Cape was employed while in Gauteng the absorption rate was 42%.

In contrast, the Eastern Cape has high levels of joblessness with just 29% of the working-age population employed compared to the national average of 37%.

“Furthermore, the pandemic has reduced employment across all provinces except in the Free State,” Makgetla said.

Another issue noted in the report is how infrastructure backlogs affect migration.

These resulted in a massive migration to major cities, especially around Gauteng, which saw the most rapid increase in population, increasing from 19% in 1994 to 26% in 2021.

In contrast, the Eastern Cape has seen the slowest growth, with its share of the national population declining from 16% in 1994 to 11% in 2021.

Makgetla said this is because SA's provinces still largely reflect apartheid geography.

“There is a disproportionate distribution of service in the former homelands. There is a massive infrastructure backlog in historic labour-sending regions, former homelands. In fact, the share of households with piped water inside the house has declined in Free State, North West, Mpumalanga and Limpopo since 1994, reflecting waning service delivery in these provinces,” she said.

According to the study, the Eastern Cape's contribution to national GDP has been declining since 2011. From 2021, the real economic sectors in the Eastern Cape accounted for 17% of the provincial GDP compared to 27% at the national level.

Manufacturing is the largest real economic sector, accounting for 12% of the provincial GDP, followed by construction, with relatively small mining activities.

The province has the highest level of unemployment in the country and its absorption rate has declined over the past decade.


Between 2010 and 2014, mining was the fastest-growing sector in the Eastern Cape, recording an average growth of 5.8%.


On the other hand, manufacturing was the worst performer among the real sectors over the same period as it recorded a negative average growth rate of 0.8%.

zwanet@businesslive.co.za

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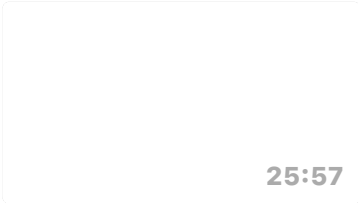
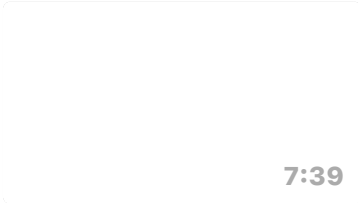
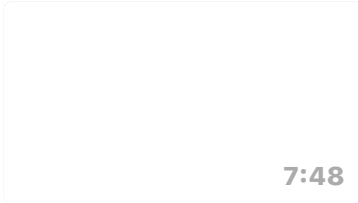
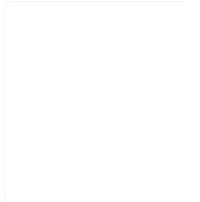








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