

THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

PROVINCIAL REVIEW 2022

Provincial Review 2022: Introduction

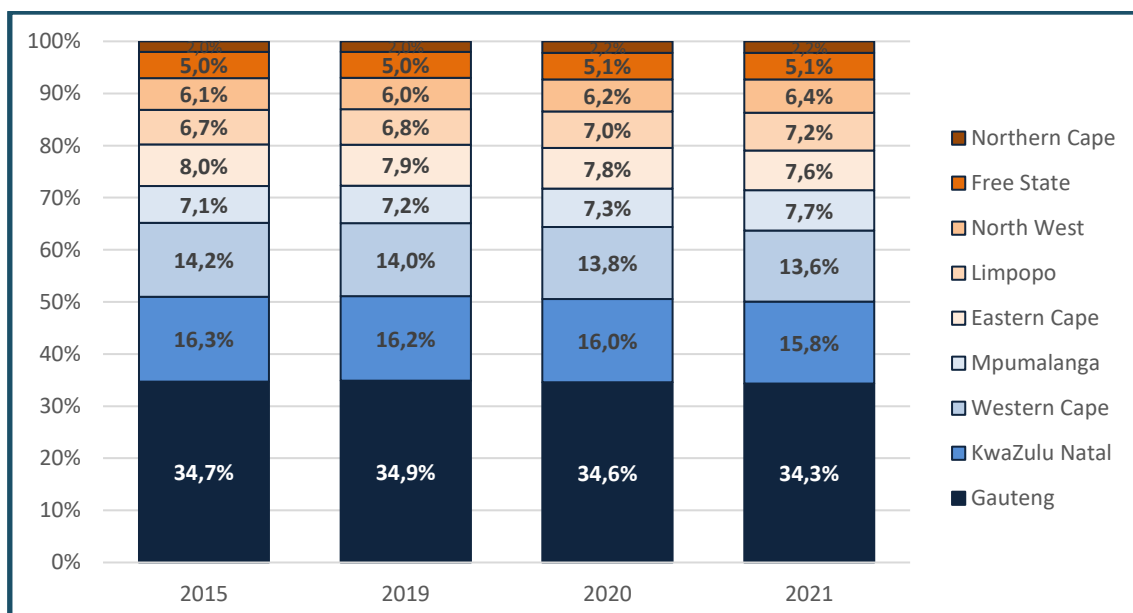
The annual REB Provincial Review analyses developments in the real economy and in development policies and projects at the provincial level. Provincial GDP data are only available up to 2021.

Much like elsewhere, production in South Africa is centred on a few provinces. In 2021, Gauteng remained the largest provincial economy, accounting for a third of the national GDP and over a quarter of the national population. KwaZulu-Natal is the second largest economy, accounting for 16% of the national GDP and 19% of the total population, followed by the Western Cape, which accounted for 14% of the national GDP and 12% of the total population. The Eastern Cape and Northern Cape contribute 8% and 2% respectively to the national GDP (see Graph 1).

Notably, Gauteng experienced the most significant decline in the share of national GDP over the past two years, declining by 0.6%, followed by Kwa Zulu- Natal and the Western Cape, with both 0.4%.

However, Gauteng was also the fastest-growing economy between 2015 and 2019, growing at an annual average of 1.3%, followed by Limpopo at 1.2% and KwaZulu-Natal and the Western Cape at both 1.1%. COVID-19 affected the growth of all provinces in 2020 except for the Northern Cape. Provinces with large mining sectors experienced a sharp recovery from COVID-19. This is attributable to the commodity price surges in 2021.

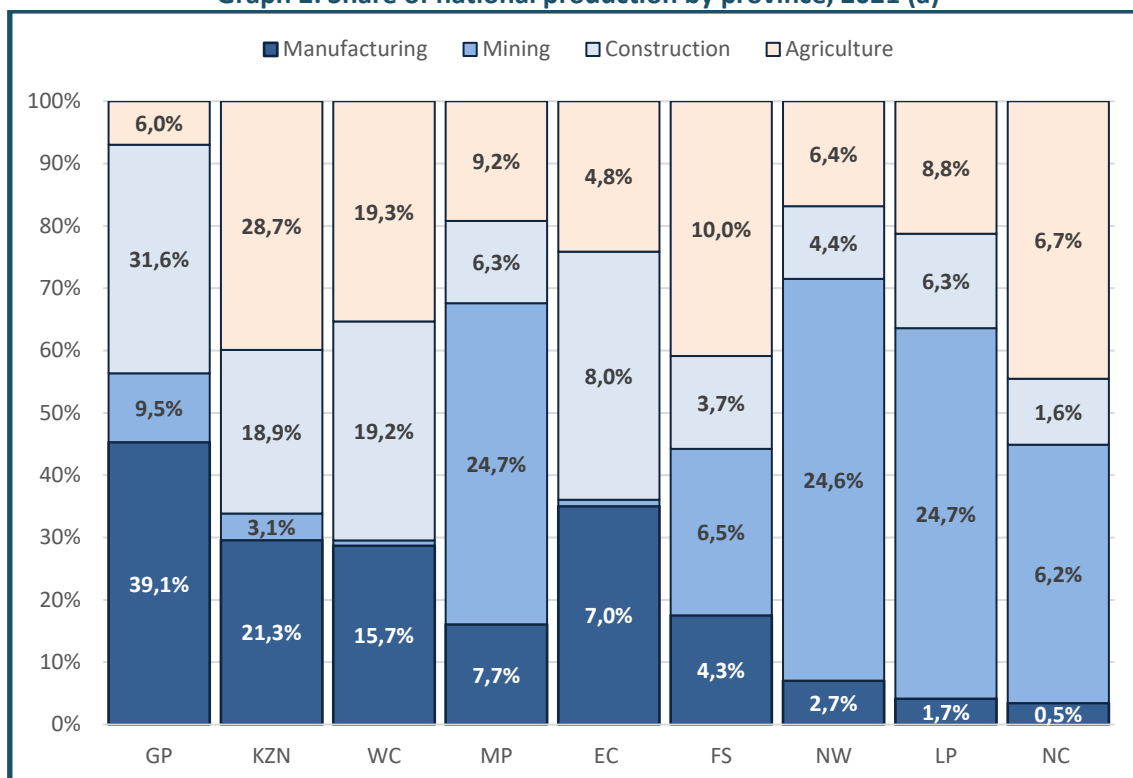
Graph 1: The provincial share of national GDP, 2015-2021 (a)



Source: Statistics South Africa and Quantec. Note (a): % of national GDP is calculated at Gross Value Added (GVA) basic prices at constant 2021 prices.

The contribution to the real economy by provinces varies substantially. Manufacturing is dominant in the three largest provinces: Gauteng, KwaZulu-Natal and the Western Cape. Together, these provinces account for 76% of national manufacturing (see, Graph 2).

Graph 2: Share of national production by province, 2021 (a)



Source: Calculated using Quantec estimates and Stats SA data. Downloaded from www.easydata.co.za.

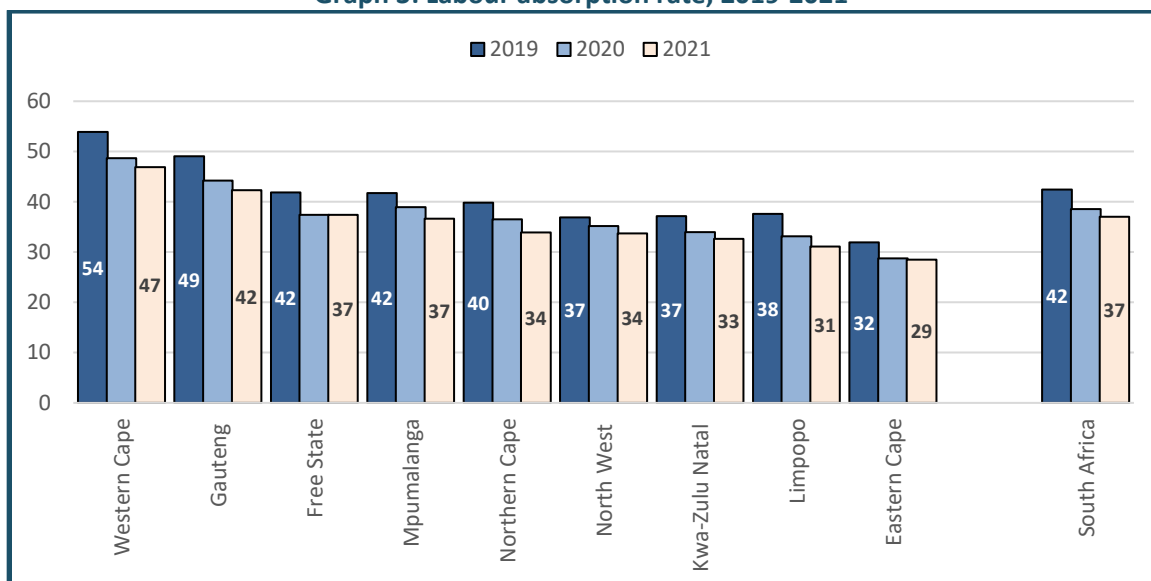
Note (a): Calculation based on GVA at basic prices in constant 2021 prices.

Gauteng makes up the largest share of manufacturing output. Mining is largely concentrated in North West, Limpopo, Mpumalanga and the Northern Cape, which together account for 74% of national mining output. Mining alone in the 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.

Employment data sheds further light on the structure of the provincial economies. Notably, Gauteng, the Western Cape, and KwaZulu-Natal account for 73% of national employment in manufacturing. Mining employment is more concentrated in North West, Limpopo and Mpumalanga. North West alone accounts for 34% of total employment in mining. In addition, employment in services is more concentrated in Gauteng, KwaZulu-Natal and the Western Cape.

With overall employment, Gauteng and 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, Eastern Cape has high levels of joblessness, with 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.

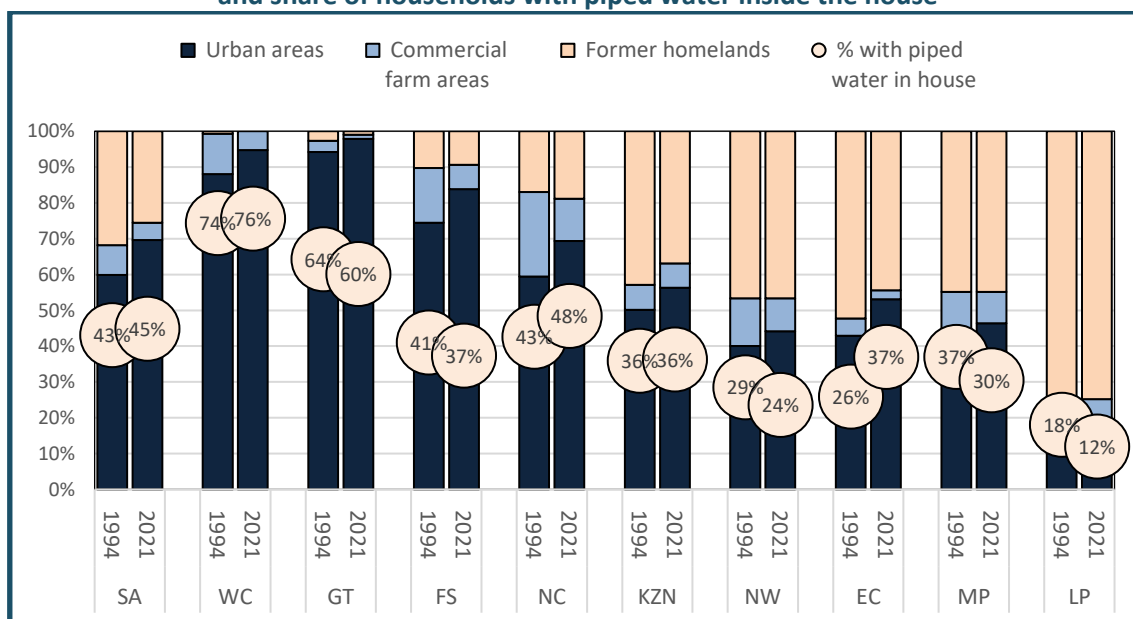
Graph 3: Labour absorption rate, 2019-2021



Source: Stats SA, Quarterly Labour Force Survey (QLFS). Downloaded from www.statssa.gov.za.

In addition, South Africa's provinces still largely reflect apartheid geography. That is, there is a disproportionate distribution of service in the former homelands. Graph 4 underscores 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.¹

Graph 4: Share of households by historic geography within provinces and share of households with piped water inside the house



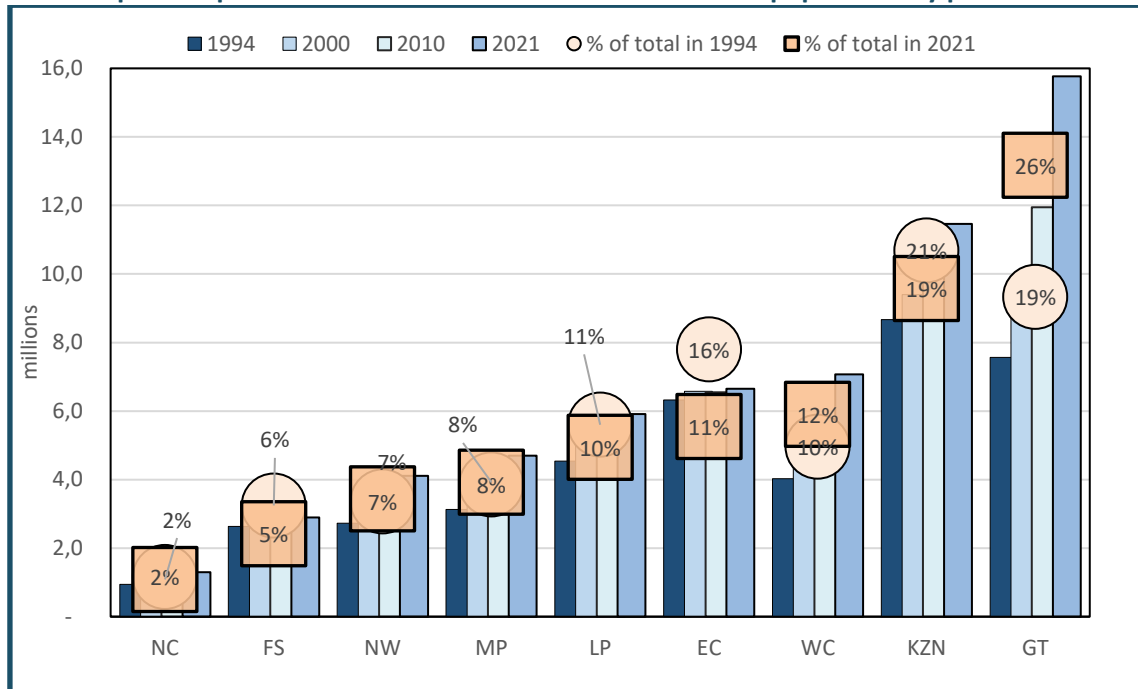
Source: Household Current Income Deciles by 2011 municipality/ward-based metro region. Downloaded from www.easydata.co.za

Consequently, infrastructure backlogs have resulted in a massive migration to major cities, especially around Gauteng. Graph 5 indicates that Gauteng has seen the most rapid increase in

¹ The calculation of the share of households with piped water in the house excludes water in the yard.

population, with its share of the national population increasing from 19% in 1994 to 26% in 2021. In contrast, Eastern Cape has seen the slowest growth, with its share of the national population declining from 16% in 1994 to 11% in 2021.

Graph 5: Population in millions and share of the national population by province



Data from Stats SA. 2021. Mid-year population estimates. Available from www.statssa.gov.za.

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info@tips.org.za | +27 12 433 9340 | www.tips.org.za