

THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

PROVINCIAL REVIEW 2022

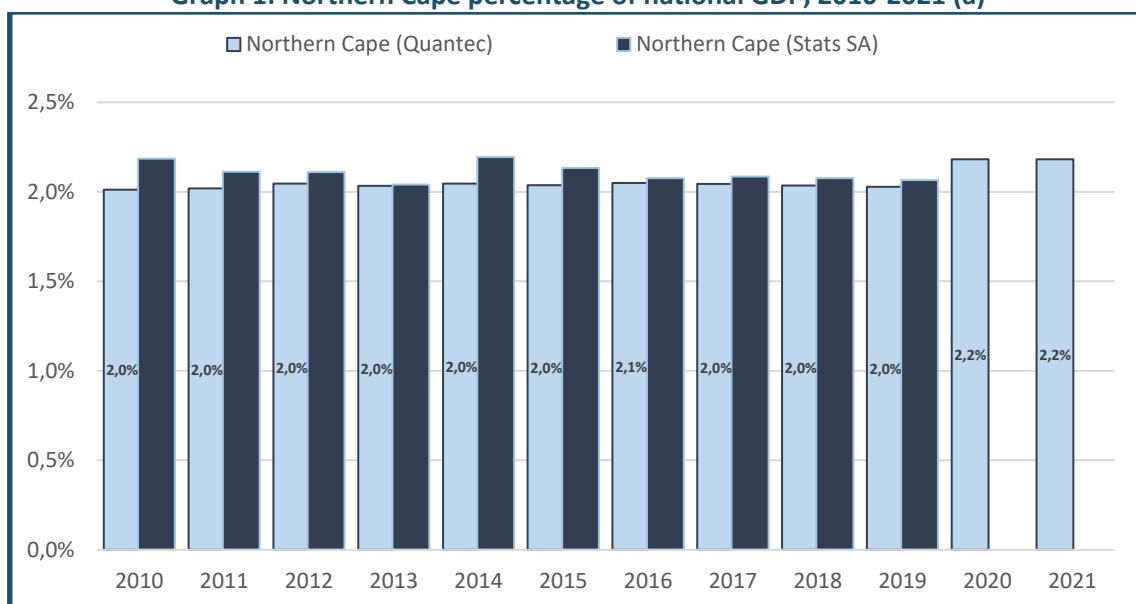
Provincial Review 2022: Northern Cape

The Northern Cape is the least populated province in South Africa and contributes the least to national output, with a growth rate that has consistently declined since 2011. However, during the COVID-19 pandemic, the province experienced a growth rate of 3.3% due to a commodity boom. Among the real economic sector, mining plays a dominant role in the province, accounting for 24.6% of the provincial GDP. Agriculture, manufacturing, and construction also have a significant presence in the province. The mining and manufacturing sectors experienced a decline in growth in 2020 but recovered in 2021, while agriculture had substantial growth. Employment levels are low compared to national standards, with the absorption rate declining from 39.1% in 2010 to 34% in 2021. The province has a relatively small share of non-urban areas within its borders, with 69% of the population living in urban areas. The Northern Cape has seen improvements in infrastructure, with an increase in the share of households with piped water and electricity.

The real economy in the Northern Cape: structure and growth

Northern Cape is the least populated province in the country, with 1.2 million residents, which is about 2% of the national population. The province's population has been increasing at an annual average of 1.1%. Similarly, Northern Cape contributes the least to national output. In 2021, the province contributed 2.2% to the national GDP, up from the consistent 2% contribution in the pre-pandemic period. The increased contribution is primarily because Northern Cape experienced a growth rate of 3.3% during the pandemic while all other provinces experienced a decline in growth.

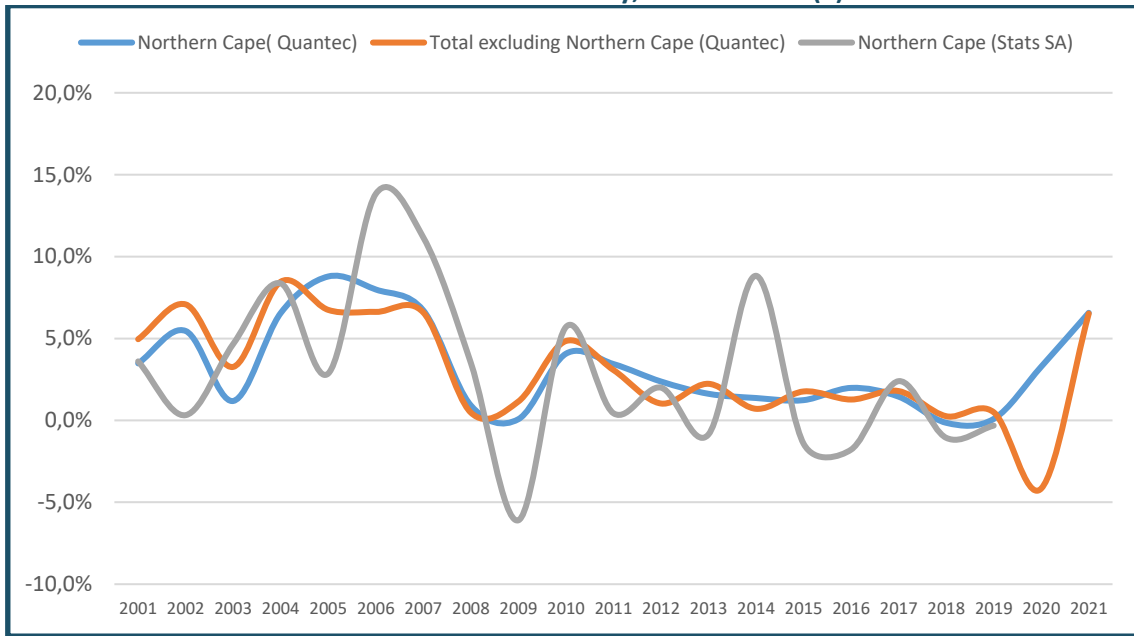
Graph 1: Northern Cape percentage of national GDP, 2010-2021 (a)



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

Similar to other provinces, the Northern Cape growth rate has declined consistently since 2011. In addition, in 2018, it experienced a negative growth rate of 0.1%. As noted, the Northern Cape growth rate was not affected by the national lockdown measures, as it recorded an increase of 3.3% in 2020. In 2021, the provincial growth rate increased by 6.6%.

Graph 2: Northern Cape economic growth compared to the rest of the economy, 2000 to 2021 (a)



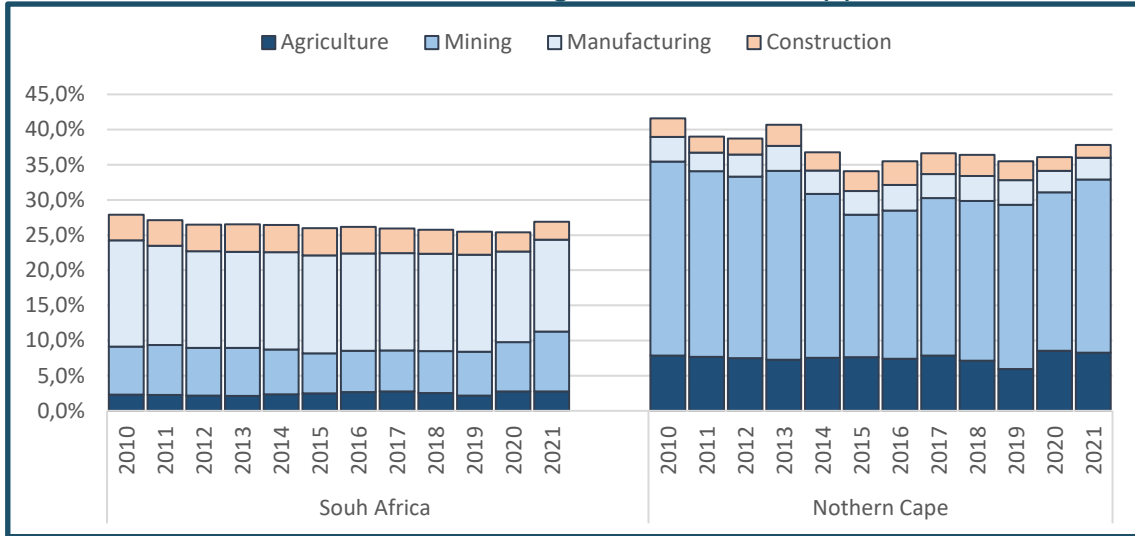
Note: Calculated using Quantec and Stats SA data. Note (a): Growth rates are calculated at GVA basic prices at 2021 constant prices.

The real sectors in Northern Cape accounted for 38% of the provincial GDP compared to 27% at the national level. Mining plays a dominant role in Northern Cape’s economy. In 2021, the mining sector accounted for 24.6% of the provincial GDP. Precious metals dominates the mining activities in the Northern Cape as it accounted for 89% of the mining output in 2021. Other mining and quarrying account for 11% of the mining sector output. The presence of such a strong mining industry in the province has provided it with a buffer from the COVID-19 shock as mining prices soared during the pandemic.

Other real economic sectors with a significant presence in the province include agriculture, which accounts for 8.3% of the GDP, manufacturing, with 3.1%, and construction with 1.8%. Notably, in the past 10 years, mining output has declined in the province, with the sector’s share of the provincial GDP declining from 27.6% in 2010 to 24.6% in 2021.

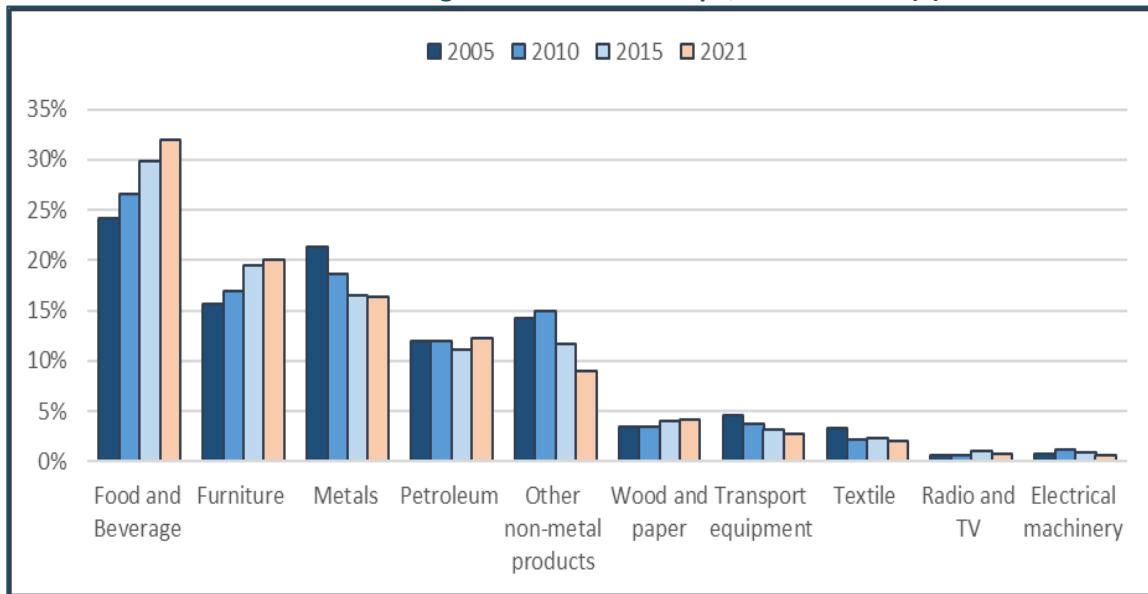
Although manufacturing is relatively small in the Northern Cape, the sector is mainly dominated by the food and beverage industry, which has risen significantly over the years. Furniture also makes up a significant proportion of manufacturing output in the province, accounting for 20% in 2021, followed by metal industry with 16%.

Graph 3: Real sectors as a percentage of Northern Cape GDP compared to the national average from 2010 to 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.

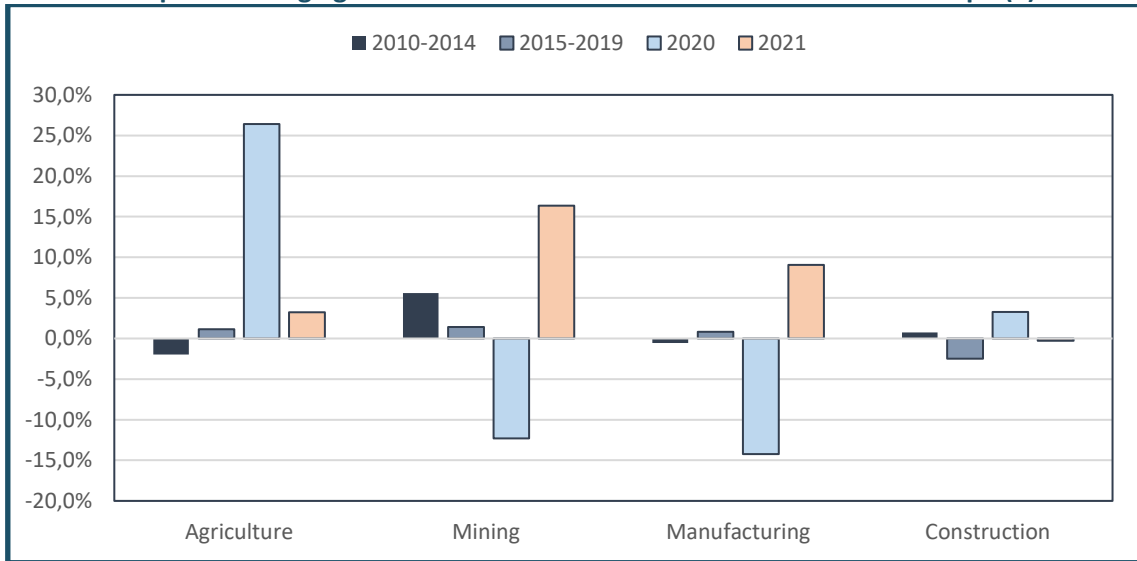
Graph 4: Manufacturing subsectors as a percentage share of total manufacturing GVA in Northern Cape, 2005 to 2021 (a)



Source: Calculated using Quantec estimates. Downloaded from www.easydata.co.za.
 Note (a): Calculation based on GVA at basic prices in constant 2021 prices.

Furthermore, the mining sector was the fastest-growing sector in the province between 2010 and 2014, growing at an annual average of 5.6%. However, the sector’s growth rate slowed down between 2015 and 2019, growing by 1.4%. In addition, all other real economic sectors experienced a modest growth rate, except construction, which was declining by 2.5% on an annual average. In 2020, manufacturing and mining growth declined by 14.2% and 12.3%, respectively. In contrast, agriculture experienced a substantial growth rate of 26.4%, followed by construction with 3.3%. In 2021, manufacturing and mining recovered from the pandemic effects, with manufacturing recording a growth rate of 9.1% and mining with 16.4%.

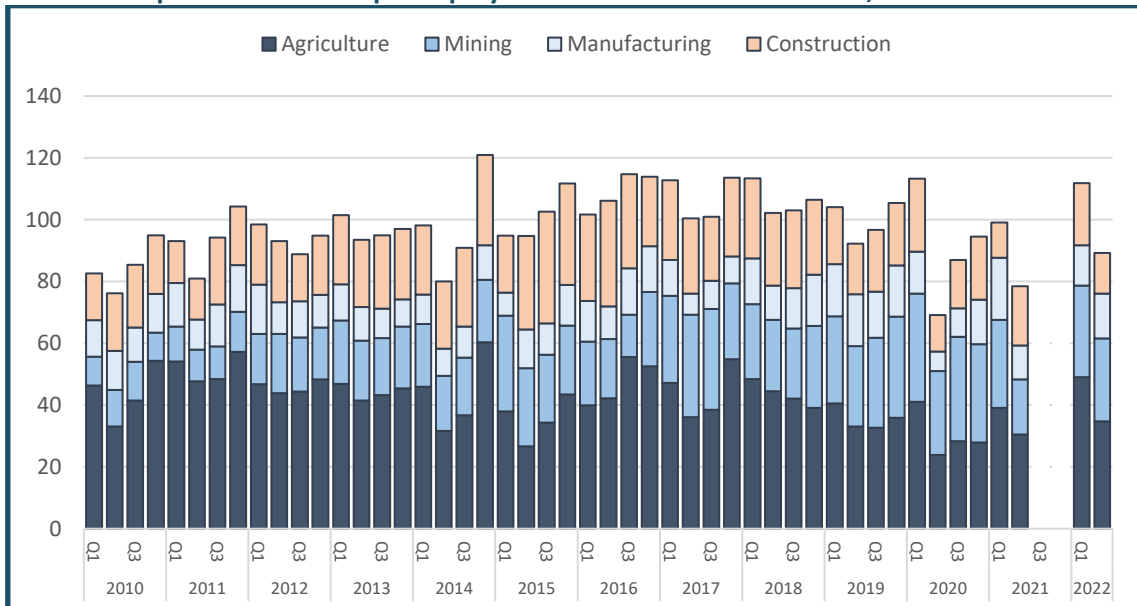
Graph 5: Average growth rate in real economic sectors of Northern Cape (a)



Source: Calculated using Quantec data. Downloaded from www.easydata.co.za. Note (a): Calculation based on GVA at basic prices in constant 2021 prices.

As of Q2 2022, the real economy in the Northern Cape had 89 000 people employed, accounting for 28% of employment in the province. Agriculture is the largest sector for employment, with 35 000 workers in Q2 2022. It is followed by mining with 27 000, manufacturing with 14 000, and construction with 13 000 people employed. The mining sector in the Northern Cape has shed most jobs since two years ago, declining by 15.2%. Construction also experienced large job losses, with a 14.7% reduction in employment since Q1 2020. Employment in manufacturing declined by 4%. Agriculture, however, experienced an increase of 19.4% from Q1 2020 and Q1 2022.

Graph 6: Northern Cape employment in real economic sectors, 2010 to 2021



Source: Stats SA Quarterly Labour Force Survey. Downloaded from www.statssa.gov.za.

Table 1 shows large public and private real-economy projects in the Northern Cape between 2010 and 2021.

Table 1: Large public and private real economy projects in the Northern Cape 2010-2021

PROJECT NAME	COMPANY	VALUE	SECTOR
ACWA Power Sola Africa Bokpoort Concentrated Solar Power Project	ACWA Power	R5 billion	Utilities
Khobab and Loeriesfontein	The wind farms are owned by a consortium led by Lekela Power, a joint venture between Actis and Mainstream Renewable Power. Other members include Thebe Investment Corporation; the IDEAS Managed Fund; Futuregrowth Asset Management; Genesis Eco0Energy, in partnership with Lereko Metier Sustainable Capital; and the Khobab and Loeriesfontein Community Trusts.	R7 billion	Utilities
Xina Solar One	Abengoa (40%), with the balance of the project being held by the Industrial Development Corporation, the Public Investment Corporation and the KaXu Community Trust.	R9.4 billion	Utilities
Kangnas Wind Farm	Mainstream Renewable Power; Lekela Power and others	R6.6 billion	Utilities
Redstone Concentrated Solar thermal power plant (CSP) ACWA Power CSP Plant Project	ACWA Power and others	R11.7 billion	Utilities
Gamsberg Mine Project-Zinc Refinery	Vedanta Zinc International	R11.2 billion	Mining
Roggeveld Wind Farm	Building Energy	R4.4 billion	Utilities
Gamsberg Mine Project	Vedanta Zinc International	R21.4 billion	Mining
Kathu Solar Park	Engie	R12 billion	Utilities
Garob wind farm project	Enel Green Power RSA	R3.2 billion	Utilities
AMG-WEGO Conference Project	AMG-WEGO	R2.79 billion	Mining
Tshipi Borwa manganese mine expansion project	Jupiter Mines/Tshipi é Ntle Manganese Mining	R1 billion	Mining
Dyason's Klip 1, Dyason's Klip 2 and Sirius solar photovoltaic (PV) complex project	Scatec Solar	R4.76 billion	Utilities

BioTherm Renewable Projects: Aggeneys solar photovoltaic power plant	BioTherm/Actis	R283 million	Utilities
BioTherm Renewable Projects: Konkoonsies II solar photovoltaic power plant	BioTherm/Actis	R529 million	Utilities
East Manganese mine project	Menar (Sitatunga Resources)	R250 million	Mining
SKA MeerKAT telescope expansion – German investment	German and South African governments	R400 million	Research and Development
RMIPPPP: Acwa Power Project DAO	Acwa Power	R3.7 billion	Utilities
RMIPPPP: Mulilo Total Hydra Storage	Total Gaz/Mulilo	R1.8 billion	Utilities
Sishen Ultrahigh dense media separation Project	Kumba Iron Ore	R3.6 billion	Mining
RMIPPPP: Scatec Kenhardt (1-3)	Scatec Solar	R14.8 billion	Utilities
Orion Minerals Okiep Copper Project	Orion Minerals	R656 million	Mining

Source: Compiled by Kelello Mashiane, using FDI data. TIPS FDI Tracker available at <https://www.tips.org.za/manufacturing-data/fdi-tracker>.

Employment

Northern Cape employment levels are low compared to South African standards. Northern Cape's absorption rate was 34% while the national average was 37%. Unemployment in the Northern Cape has increased in the past decade, with the absorption rate declining from 39.1% in 2010 to 34% in 2021.

Economic policy initiatives

A number of national industrial policy and development initiatives over the past decade in the Northern Cape include the following:

- In 2019/20, the dtic approved projects worth R11.9 million. This is a decline from R26.7 million invested by the dtic in 2016/17.
- For MCEP, Northern Cape received an annual Investment of R4.5 million, which created 150 jobs.
- In terms of the Black Industrialists Scheme, IDC directed R5 billion in investments towards the Northern Cape's black industrialist initiative. Likewise, the NEF contributed R92 million towards the Northern Cape Province's black industrialist initiatives.
- The Northern Cape has one proposed SEZ (see box below).

	FOCUS	DESIGNATION DATE
Namakwa SEZ	<ul style="list-style-type: none"> - Construction - Transport - Localisation and supplier development - Pharmaceuticals and food - Agriculture - Engineering and supplies - Manufacturing - Mining - Mineral processing - Petro-chemical 	Proposed

Table 2: Major existing or planned national infrastructure projects in the Northern Cape 2016- 2022

PROJECT NAME	IMPLEMENTING AGENT	PROJECT COST	PROJECT DESCRIPTION
Boegoebaai Port and Rail Infrastructure Project	Transnet National Ports Authority	R13.8 billion	The project involves the development of a deep water port that has two berths that will be supported by a 550 km railway line, bulk services and associated social infrastructure
Rehabilitation of the Vaalharts-Taung irrigation scheme	Agrifusion (Pty) Ltd	R4 billion	The project aims to enhance water security for food production and domestic supply in Magareng
Vaal Gamagara Water Project	Department of Water and Sanitation	R10 billion	To ensure water security that will support various sectors such as mining and agriculture
Hull Street Social Housing Project Phase 1	Department of Human Settlements	R144 million	The development aims to deliver 600 social housing.

The Northern Cape's national spatial economy

The Northern Cape has a relatively small share of non-urban areas within its borders. In 2021, 19% of the population lived in non-urban areas and 12% in farms, while 69% lived in urban areas. In addition, the 25% of the adult population in the province had matric in 2021, up from 11% in 1996. Only 9% of the provinces adult population had a degree, compared to 13% nationally.

In terms of infrastructure, 73% of households in the Northern Cape had running water in their houses or yard in 2021, compared to 73% in 1996. However, the share of households with running water has declined from 78% in 2011. Excluding water inside the yard, the share of households with running water inside the house in the Northern Cape was 48% in 2021. In terms of electricity, 91% of households had electricity including generators in the Northern Cape compared to 93% nationally.

Trade & industrial policy Strategies (TIPS) supports policy development through research and dialogue. Its areas of focus are industrial policy, trade and regional integration, sustainable growth, and a just transition to a sustainable inclusive economy.

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