Economic Data Report

NORTH WEST DEVELOPMENT CORPORATION

1st Quarter, 2015 / 16

Compiled by: NWDC Research and Development Unit

Q1 2015 2016

TABLE OF CONTENTS

1. INTRODUCTION

The purpose of the Research and Development Unit is to gather, analyse and disseminate verified, reliable and relevant economic data, intelligence and research for the benefit of users to support informed decision making.

The performance indicators of the unit are:

- A Quarterly Economic Data Report as well as
- A Quarterly Research and Development Activity Report.

Economic data or economic statistics may refer to data (quantitative measures) describing an actual economy, past or present. These are typically found in time-series form, that is, covering more than one time period (say the monthly unemployment rate for the last five years) or in cross-sectional data in one time period (say for consumption and income levels for sample households). Data may also be collected from surveys of for example individuals and firms or aggregated to sectors and industries of a single economy or for the international economy. A collection of such data in table form comprises a data set.

The purpose of this report is to supply an overview of the economic data and information gathered and shared from a global, South African, African and North West provincial perspective in order to ensure that recent, relevant and reliable economic data supports NWDC and other client and stakeholder decisions and activities.

The economic data report will be structured as follows: First a macro-economic overview taking a global perspective in terms of developed and emerging economies moving to South Africa and the North West province. Secondly subjects that have an impact on the economy and relevance to NWDC will be covered including the Global Competitiveness, Foreign Direct Investment and Trade.

2. MACRO ECONOMIC OVERVIEW

2.1 The Global Economy

Global growth remains moderate, with uneven prospects across the main countries and regions. It is projected to be 3.5 percent in 2015, in line with forecasts in the January 2015 World Economic Outlook (WEO) Update. Relative to last year, the outlook for advanced economies is improving, while growth in emerging market and developing economies is projected to be lower, primarily reflecting weaker prospects for some large emerging market economies and oil-exporting countries.

A number of complex forces are shaping the outlook. These include medium- and long-term trends, global shocks, and many country- or region-specific factors:

- In emerging markets, negative growth surprises for the past four years have led to diminished expectations regarding medium-term growth prospects.

- In advanced economies, prospects for potential output are clouded by aging populations, weak investment, and lackluster total factor productivity growth. Expectations of lower potential growth weaken investment today.
- Several advanced economies and some emerging markets are still dealing with crisis legacies, including persistent negative output gaps and high private or public debt or both.
- Inflation and inflation expectations in most advanced economies are below target and are in some cases still declining—a particular concern for countries with crisis legacies of high debt and low growth, and little or no room to ease monetary policy.
- Long-term bond yields have declined further and are at record lows in many advanced economies. To the extent that this decline reflects lower real interest rates, as opposed to lower inflation expectations, it supports the recovery.
- Lower oil prices—which reflect to a significant extent supply factors—provide a boost to growth globally and in many oil importers but will weigh on activity in oil exporters.
- Exchange rates across major currencies have changed substantially in recent months, reflecting variations in country growth rates, monetary policies, and the lower price of oil.

The net effect of these forces can be seen in higher projected growth this year in advanced economies relative to 2014, but slower projected growth in emerging markets.

Emerging markets and developing economies still account for more than 70 percent of global growth in 2015. This growth outlook for emerging markets primarily reflects more subdued prospects for some large emerging market economies as well as weaker activity in some major oil exporters because of the sharp drop in oil prices.

The authorities in **China** are now expected to put greater weight on reducing vulnerabilities from recent rapid credit and investment growth. Hence the forecast assumes a further slowdown in investment, particularly in real estate.

The outlook for **Brazil** is affected by a drought, the tightening of macroeconomic policies, and weak private sector sentiment, related in part to the fallout from the Petrobras investigation. The growth forecasts for Russia reflect the economic impact of sharply lower oil prices and increased geopolitical tensions.

For other emerging market commodity exporters, the impact of lower oil and other commodity prices on the terms of trade and real incomes is projected to take a toll on medium term growth. Growth in emerging markets is expected to pick up in 2016, driving an increase in global growth to 3.8 percent.
In oil importers, however, lower oil prices will reduce inflation pressure and external vulnerabilities, and in economies with oil subsidies, the lower prices may provide some fiscal space or where needed, scope to strengthen fiscal positions. Oil exporters have to absorb a large terms-of-trade shock and face greater fiscal and external vulnerabilities.

Emerging market and developing economies also have an important structural reform agenda, including measures to support capital accumulation (such as removing infrastructure bottlenecks, easing limits on trade and investment, and improving business conditions) and raise labor force participation and productivity (through reforms to education, labor, and product markets). And lower oil prices offer an opportunity to reform energy subsidies but also energy taxation (including in advanced economies). Advanced economies are generally benefiting from lower oil prices.

Growth in the **United States** is projected to exceed 3 percent in 2015–16, with domestic demand supported by lower oil prices, more moderate fiscal adjustment, and continued support from an accommodative monetary policy stance, despite the projected gradual rise in interest rates and some drag on net exports from recent dollar appreciation.

Growth in the **euro area** is showing signs of picking up, supported by lower oil prices, low interest rates, and a weaker euro.

Growth in **Japan** is also projected to pick up, sustained by a weaker yen and lower oil prices.
In an environment of moderate and uneven growth, raising actual and potential output continues to be a policy priority in advanced economies.

Geopolitical tensions could intensify, affecting major economies. Disruptive asset price shifts in financial markets remain a concern. A further sharp dollar appreciation could trigger financial tensions elsewhere, particularly in emerging markets. Risks of stagnation and low inflation in advanced economies are still present, notwithstanding the recent upgrade to the near-term growth forecasts for some of these economies.

The World Economic Outlook Projections as per the World Economic Outlook Update January 2015

Overview of the World Economic Outlook Projections

Update January 2015

	Year over Year						Q4 over Q4		
			Projections		Difference from January 2015 WEO Update Projections		Estimates	Projections	
	2013	2014	2015	2016	2015	2016	2014	2015	2016
World Output (1)	**3.4**	**3.4**	**3.5**	**3.8**	**0.0**	**0.1**	**3.2**	**3.5**	**3.7**
Advanced Economies	**1.4**	**1.8**	**2.4**	**2.4**	**0.0**	**0.0**	**1.7**	**2.5**	**2.3**
United States	2.2	2.4	3.1	3.1	-0.5	-0.2	2.4	3.1	2.8
Euro Area	-0.5	0.9	1.5	1.6	0.3	0.2	0.9	1.7	1.6
Germany	0.2	1.6	1.6	1.7	0.3	0.2	1.5	1.7	1.7
France	0.3	0.4	1.2	1.5	0.3	0.2	0.2	1.6	1.3
Italy	-1.7	-0.4	0.5	1.1	0.1	0.3	-0.5	1.0	1.1
Spain	-1.2	1.4	2.5	2.0	0.5	0.2	2.0	2.4	1.8
Japan	1.6	-0.1	1.0	1.2	0.4	0.4	-0.7	2.4	0.5
United Kingdom	1.7	2.6	2.7	2.3	0.0	-0.1	2.7	2.7	2.2
Canada	2.0	2.5	2.2	2.0	-0.1	-0.1	2.6	1.8	2.0
Other Advanced Economies (2)	2.2	2.8	2.8	3.1	-0.2	-0.1	2.6	3.0	3.1

Emerging Market and Developing Economies (3)	**5.0**	**4.6**	**4.3**	**4.7**	**0.0**	**0.0**	**4.6**	**4.4**	**5.0**
Commonwealth of Independent States	2.2	1.0	-2.6	0.3	-1.2	-0.5	-1.2	-4.9	1.7
Russia	1.3	0.6	-3.8	-1.1	-0.8	-0.1	0.1	-6.4	2.0
Excluding Russia	4.2	1.9	0.4	3.2	-2.0	-1.2			
Emerging and Developing Asia	7.0	6.8	6.6	6.4	0.2	0.2	6.7	6.8	6.4
China	7.8	7.4	6.8	6.3	0.0	0.0	7.2	6.8	6.3
India (4)	6.9	7.2	7.5	7.5	1.2	1.0	6.8	7.9	7.5
ASEAN-5 (5)	5.2	4.5	5.2	5.3	0.0	0.0	5.0	5.0	5.5
Emerging and Developing Europe	2.9	2.8	2.9	3.2	0.0	0.	2.7	4.1	2.1
Latin America and the Caribbean	2.9	1.3	0.9	2.0	-0.4	-0.3	1.1	0.5	2.4
Brazil	2.7	0.1	-0.1	1.0	-1.3	-0.5	-0.2	-1.4	2.3
Mexico	1.4	2.1	3.0	3.3	-0.2	-0.2	2.6	3.3	3.2
Middle East, North America, Afghanistan and Pakistan	2.4	2.6	2.9	3.8	-0.4	-0.1			
Saudi Arabia (6)	2.7	3.6	3.0	2.7	0.2	0.0	2.0	2.8	2.7
Sub-Saharan Africa	5.2	5.0	4.5	5.1	-0.4	-0.1			
Nigeria	5.4	6.3	4.8	5.0	0.0	-0.2			
South Africa	2.2	1.5	2.0	2.1	-0.1	-0.4	1.3	1.6	2.4
Memorandum									
Low-Income Developing Countries	6.1	6.0	5.5	6.0	-0.4	-0.1			
World Growth Based on Market Exchange Rates	2.5	2.6	2.9	3.2	-0.1	0.0	2.4	2.9	3.1
World Trade Volume (Goods and Services)	**3.5**	3.4	**3.7**	**4.7**	**-0.1**	**-0.6**			
Imports									
Advanced Economies	2.1	3.3	3.3	4.3	-0.4	-0.5			
Emerging Markets and Developing Economies	5.5	3.7	3.5	5.5	0.3	-0.6			
Commodity Prices (U.S. dollars)									
Oil (7)	-0.9	-7.5	-39.6	12.9	1.5	0.3	-28.6	-16.4	8.0
Nonfuel (average based on World commodity export weights)	-1.2	-4.0	-14.1	-1.0	-4.8	-0.3	-7.6	-10.0	0.1
Consumer Prices									
Advanced Economies	1.4	1.4	0.4	1.4	-0.6	-0.1	1.0	0.6	1.6
Emerging Markets and Developing Economies (3)	5.9	5.1	5.4	4.8	-0.3	-0.6	5.1	5.7	4.5
London Interbank Offered Rate (%)									
On U.S. Dollar Deposits (6 month)	0.4	0.3	0.7	1.9	0.0	0.0			
On Euro Deposit (3 month)	0.2	0.2	0.0	0.0	0.0	-0.1			
On Japanese Yen Deposit (6 month)	0.2	0.2	0.1	0.2	0.0	0.1			

Note: Real effective exchange rates are assumed to remain consistent at the levels prevailing February 6 to March 6, 2015. When economies are not Listed alphabetically, they are ordered on the basis of economic size. In the Jan 2015 WEO Update Lithuania was included in the emerging market and developing economies.
(1) Difference based on rounded figures for both the current and January 2015 WEO Update forecasts.
(2) The quarterly estimates and projections account for 90 percent of the world purchasing-power-parity weights.
(3) Excludes Lithuania, which joined the euro area in January 2015. Data for Lithuania are not included in the euro area aggregates because Eurostat has not fully released the consolidated data for the group.
(4) Excludes the G7 (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries but includes Lithuania.
(5) The quarterly estimates and projections account for approximately 80 percent of the emerging market and developing economies.
(6) Data and forecasts are presented on a fiscal year basis, and GDP from 2011 onward is based on GDP at market prices with FY2011/12 as a base year. Growth rates in the January 2015 WEO Update were based on the GDP at market prices with FY2004/05 as a base year.
(7) Indonesia, Malaysia, Philippines, Thailand, Vietnam.
(8) The projections for Lithuania are included in the January 2015 WEO Update but are excluded in the columns comparing the current forecasts with those in the January 2015 WEO Update.
(9) Simple average of prices of U.K. Brent, Dubai Fateh, and West Texas Intermediate crude oil. The average price of oil in U.S. dollars a barrel was $96.25 in 2014; the assumed price based on futures markets is $58.14 in 2015 and $65.65 in 2016.

2.1.1 IHS Top-10 Economic Predictions for 2015

During the past three years, world growth has been stuck at around 2.5%—to be specific, 2.5% in 2012, 2.6% in 2013, and 2.7% in 2014. During that time, the contribution from the advanced economies (especially the United States and Europe) has increased, while the additions to global growth from emerging markets have decreased. IHS expects a slightly better overall performance for the world economy in 2015, with an expected growth rate of 3% or slightly higher. Solid and improving growth in the United States and a slight pickup in the pace of Eurozone economic activity are among the reasons for this moderately upbeat assessment. In the same vein, much lower oil prices and more monetary stimulus—in particular, from the Bank of Japan (BoJ), the European Central Bank (ECB), and the People's Bank of China (PBoC)—will not only support growth, but could also provide the basis for some upside surprises. Unfortunately, many of the downside risks that have plagued the global economy since the end of the Great Recession remain in place, including high public- and private-sector debt levels, corporate risk aversion, and daunting geopolitical risks.

i. US growth will be solid, in the 2.5–3.0% range.
ii. The Eurozone recovery will proceed at a sluggish pace, but UK growth will be robust.
iii. Japan's economy will regain weak growth momentum.
iv. China's growth rate will decelerate more, but remain stronger than most.
v. A few emerging markets will struggle, while many will see above-average growth.
vi. Commodity prices will slide further.
vii. Inflation will be a distant threat, while deflationary worries persist.
viii. The Federal Reserve, Bank of Canada, and Bank of England will likely start raising interest rates, while most other central banks will be on hold or provide more stimulus.
ix. The US dollar will rise against most currencies, while the euro and yen will fall.
x. Perennial downside risks will be balanced by some upside risks.

2.1.2 Shockwaves and Economic Competitiveness

In the IHS Quarterly Economics of Q1 2015 Zbyszko Tabernacki; Vice President IHS Economics and Country Risk reports that Shockwaves and economic competitiveness are key issues that will influence the economy in 2015.

The recent rapid decline in oil prices is one of the latest shockwaves that hit the economy. The lower oil prices will benefit oil importing countries and have a negative impact on oil exporting countries. This in turn will produce divergent responses from policy makers and central banks as they attempt to stimulate growth and prevent deflation. The resulting violent swings in interest and exchange rates will cause rapid shifts in capital flows as investors seek higher returns at lower risk. Competitiveness will thus be the main issue.

2.1.3 Emerging Economies

Growth has weakened dramatically in some economies, and there are no clear signs of a strong rebound. The growth premium relative to the developed world is the smallest since 2002. Emerging markets currencies have depreciated since 2013 of which South Africa's currency was the most severely affected.

The new realities for emerging markets include:

- Both structural and cyclical forces contributed to the emerging markets' slowdowns.
- There was no decoupling of growth in emerging and advanced economies.
- The era of easy credit is coming to an end.
- The commodity "super-cycle" is over.
- Globalization has slowed.
- While macroeconomic management has generally been sound, there have been too few structural reforms; the state still plays too large a role.
- Cheap credit was used to finance consumption rather than a deepening of the capital stock, thus creating bottlenecks and hurting productivity growth.
- A return to the boom years of the 2000s is unlikely without stronger productivity growth.

African Political Risk

Three key African political risks that will affect economic growth and investment in the five-year outlook are:

- Political change and influence
- Regulatory risk and 'resource nationalism'
- Political violence and security risk

Sub-Saharan African Realities

- Services play a bigger role in the economy

- Structural transformation in the economy has not yet taken place. Most economies are resource based.
- Pressure on current account increases
- Highly unequal society as agricultural sector employment dominate

2.2 South African Realities

2.2.1 Highlights Q1 2015/2016

- *South African Economic Growth Q1 2015/2016*

South Africa's gross domestic product (GDP) growth has slowed from 4.1% in the last quarter of 2014 to 1.3% in the first quarter of this year, weighed down by a contracting manufacturing sector, Statistics South Africa (StatsSA) revealed in its quarterly GDP update on 26 May 2015. The nominal GDP at market prices during the first quarter of the year was R965-billion, representing a R14-billion reduction on that of the fourth quarter of 2014.

The marginal expansion was chiefly driven by:

- 10.2% growth in the mining and quarrying industry, as a result of higher production in the mining of coal and other metal ores, mining increased by R8-billion to R68-billion
- 3.8% expansion in the finance, real estate and business services and a result of increased activities in banking, which expanded by R6-billion to R186-billion
- 1.2% growth by the wholesale, retail and motor trade, catering and accommodation industry, as a result of increases in turnover in the wholesale and retail trade divisions. The wholesale, retail and motor trade, catering and accommodation sectors, increased by R1,4-billion to R125-billion.

Conversely, economic activity reflected negative growth of

- 16.6% in the agriculture, forestry and fishing sectors, as a result of the draught
- 2.4% in the manufacturing industry, owing to lower production in the petroleum, chemical products, rubber, plastic products, radio, television and communication apparatus, professional equipment, wood and wood products, paper, publishing and printing divisions.
- the transport, storage and communication sectors decreased by R8-billion to R83-billion

GDP figures were consistent with the South African Reserve Bank's general assessment of the economy, reflecting little underlying momentum, with considerable downside risks emanating from the country's electricity woes, other structural constraints and policy uncertainties.

"The Monetary Policy Committee will, therefore, probably try to keep rates on hold at the next two to even three meetings, despite the upside risks to inflation and South African Reserve Bank governor Lesetja Kganyago's increasingly hawkish rhetoric. Much will now depend on cost-push factors, primarily the size of the unscheduled Eskom tariff increase," it stated.

According to StatsSA, the country's largest industries – as measured by their nominal value-add in the first quarter of the year – were:

- finance, real estate and business services, at 21.9%,
- general government services, at 17.3%,
- wholesale, retail and motor trade, catering and accommodation, at 14.7% and
- manufacturing, at 13%.

Nedbank expected the economy to grow by a subdued 2.2% in 2015 as a whole, helped by moderately firmer retail activity and some recovery in mining off last year's low base. “However, the upside will be contained by load-shedding, lower international commodity prices and subdued global demand,” it cautioned. Edited by: Chanel de Bruyn

It is our preference that if you wish to share this article with others you should please use the following link:

http://www.polity.org.za/article/sa-gdp-growth-slows-to-13-in-q1-2015-05-26

The table below reflects Statistics South Africa economic indicators in Q1 2015 2016:

INDICATOR for SA	**MONTH /YEAR**	**%**	**Quarter on Quarter or Year on Year**
Population (Mid-year Estimate)	Mid 2014	54mil	
GDP Growth	2015 Q1	1,3%	QoQ
CPI	May 2015	4,6%	YoY
PPI	April 2015	3%	YoY
Unemployment	2015 Q1	26,4%	

- *Labour Force*

South Africa's unemployment rate rose to 26.4% of the labour force in the first quarter of 2015 from 24.3% in the fourth quarter of last year, data showed on Tuesday. In its quarterly labour force survey, which polls households, Statistics South Africa said this amounted to 5.54-million people without work in the first three months of the year, from 4.91-million in the last quarter of 2014. The expanded definition of unemployment, which includes people who have stopped looking for work, was at 36.1% in the first quarter from 34.6% previously.

It is our preference that if you wish to share this article with others you should please use the following link:

http://www.polity.org.za/article/south-africas-jobless-rate-rises-to-264-in-q1-2015-2015-05-26

Finance Minister, Nhlanhla Nene, South Africans can expect a tough few years of higher taxation as government needs to address the national budget deficit (3.9% in 2014 2015, set to narrow to 2.5% in 2017/2018) while South Africa is hampered by a weak and uncertain economic growth outlook forecast.

Government debt has raised from 21.8% in 2008 2009 to 40.8% in 2014 2015. Interest payments on this debt was R155bn this year and has become the fastest growing item of government expenditure. SA is budgeting to spend R420 bn over the next 3 years to service debt at an interest rate of 9.4%.

In addition to tax increases, curbs on wastage, and the deficit –neutral financing of state-owned enterprises, government still needs to reduce expenditure by R25 bn over the next two years and freeze personnel numbers.

R17bn will be collected from taxpayers through a variety of measures including a 1%increase in the marginal personal income tax rates for all but the lowest earners.(Fiscal Drag is the deflationary effect of a progressive taxation system on a country's economy. As wages rise, a higher proportion of income is paid in tax).

A large part of tax changes will fall on indirect, consumption taxes of which the fuel levy of 80,5 cents is the highest and will raise government income from fuel levies from 27.6% to 41% generating an extra R6,4 bn in the coming fiscal year.

Apart from the weak economic growth, energy supply concerns have further complicated the fiscal consolidation process. The 2% real GDP forecast for 2015 is premised on the assumption that there will be intermittent load shedding. Should there be further deterioration in electricity availability growth could fall to 1% this year.

Exports are currently doing well with the exchange rate in favour of exports, however South African exports are commodity based and if the global economic growth slows down more than anticipated by the IMF, commodity prices will slide by a further 10% and SA growth will decline to 1,5% in 2015 and 2,1% in 2016. (*Source: Financial Mail; Budget 2015/2016 Straining the limits – The budget shows government is serious about returning SA to fiscal health: February 26 to March 4 2015*)

- *CPI*
  Consumer price inflation for 2014 was 6.18%. In January 2015 it was 4.4% and in February 2015 it was 3.9% In April 2015 it was 4,5% and in May 2015 it was 4,6%. This was largely attributed to the drop in fuel prices resulting in a drop in food prices. However the CPI will increase again as hikes in fuel prices of up to R2 per litre are expected. Headline inflation fell within the South African Reserve Bank’s target range of 3 – 6%.

- *General Remarks*
  - Worldwide the consumer is under pressure in South Africa the retail sales over the last year have hovered between 1 and 2 % of GDP where in China it was 10%.
  - In terms of the monetary policy South Africa has a prime rate at 5% where Europe is below 1% and USA 0%. If South Africa increases the interest rate the spending will further

decrease and impact on the growth it will hopefully then increase saving and investment.
- South Africa's Purchasing Managers Index (PMI) has dropped below 45 where the USA is increasing and is at 55.
- South Africa's large current account deficit is a problem.
- Fiscally South Africa does not have much space to move for infrastructure investment and there is no fiscal support to counteract the increased deficit on the current account largely due to the weakening of the Rand against the Dollar.
- South Africa has an external deficit and we need sustainable FDI.
- Investors need certainty with regards to the safety of their investment.
- South Africa needs sustainability
- South Africa's per capita growth is impressive. Nigeria might have a larger GDP but they have 3 x the population and 3,5 times the population growth of South Africa
- South Africa's social spending is 60% and it is not sustainable.
- Poverty and inequality is levelling.
- Consumer spending dominates investment spending
- The tertiary sector (services) growth is bypassing mining- and to a large extent manufacturing growth.

2.2.2 Is South Africa a sustainable investment destination?

- Traditional growth theories and modern day case studies are not enough anymore to determine whether a country's growth will be sustainable to support profitable but also safe investment.
- Investment decisions are progressively being driven not only by the potential to maximise returns but also to improve the company's socio-economic footprint.
- Africa is the fastest growing continent but is also unique in terms of challenges and opportunities
- Therefore, IHS recommends 5 critical criteria to guide investment decisions.
- South Africa's attractiveness as investment destination will depend on structural reforms that lower labour market disruptions, raise productivity and increase capital spending.

2.2.3 IHS Global Insight Identifies 5 Critical Factors to Watch

FACTOR	COMPONENTS
Source of growth (IHS)	• Demand composition • Supply side (production)
Exports (IHS and (WTO)	• Intensity • Diversity • Markets
Fiscal and external balances(IHS)	• Economic stability
Level of transformation of economy	• Productivity • Technological upgrading
Socio-economic development	• Employment • Equality • Education • Health • Environment

	• Governance

2.2.4 South Africa's Export intensity

- South Africa is not so exposed and can increase exports.
- South Africa has markets but the diversity and composition of exports is the problem as mining and manufacturing is the major sectors but our production sectors are not showing any growth of employment and investment as productivity is decreasing and costs are increasing and it is not sustainable.

2.2.5 The following structural transformation in the economy is needed

Rise in agricultural sector productivity

Stronger links with manufacturing sector

Skills development

Labour shift from low-productive agricultural sector to higher productive manufacturing sector

Worker income increases

Poverty levels drop, income distribution improves

Country production base broadens

Economic diversification into high tech manufacturing and services

2.2.6 South Africa's sustainability "hope": National Development Plan (NDP)

The NDP is South Africa's long term plan to 2030 and might be the sustainability 'hope" of the country. It seeks amongst other things to reduce unemployment by improving manufacturing. The NDP will also result in a change in the risk for labour unrest by reducing it.

The New Growth Path, which is a short term plan drawing from the NDP goes into detail with the work that has to be done and sets a target of creating 5 million jobs in 10 years. It identifies inter alia: The mining value chain, with a particular emphasis on mineral beneficiation as well as on increasing the rate of mineral resource extraction as key activities to stimulate growth

The following issues must be addressed as per the NDP:

- Boost educational levels.
- Promote industries that are labour-absorbing, such as mining, agriculture, construction, hospitality and small businesses.

- Grow the more advanced sectors of the economy, such as manufacturing, parts of financial services, telecommunications and businesses services.
- Provide a social wage to enable the poorest of South Africa's people to have a decent standard of living and to build their capabilities to get better jobs, higher incomes and a broader range of benefits.
- The NDP seeks to place the economy on a production-led trajectory.

2.3 North West Province Economic Overview

2.3.1 North West Key Economic Indicators Compared to South Africa

	SOUTH AFRICA	**NORTH WEST**	**NW as % of SA**
TOTAL GDP-R: Constant 2005 prices (R 1000)	R 1 993 432 664 (2013) IHS Global Insight	R 102 693 066 (2013) IHS Global Insight	5.15%
GDP GROWTH: Constant 2005 prices	1.9% (2013) IHS Global Insight	1.6% (2013) IHS Global Insight	
GDP PER CAPITA:	R37 632 (2013) IHS Global Insight	R28 437 (2013) IHS Global Insight	75.5%
INFLATION (CPI) annual average:	6.1% (Average for 2014) STATSSA	6.1% (Average for 2014) STATSSA	
EXPORTS VALUE:	R 924,5 Billion (2013) IHS Global Insight	R 20,2 Billion (2013) IHS Global Insight	2.18%
IMPORTS VALUE:	R 991,2 Billion (2013) IHS Global Insight	R 6 Billion (2013) IHS Global Insight	0.6%

From the above it is clear that the North West province has lower export and import figures compared to South Africa, however the trade balance is positive with more exports than imports. It must also be noted that companies with operations in the North West province office have head offices in Gauteng or other provinces and that imports and exports are often recorded in those provinces although the production takes place in the North West.

2.3.2 Current realities in the North West province

The NWP and its four district municipalities' *key demographic and socio-economic characteristics* are summarised in the table below and placed in context to the South African picture. The region covers approximately 105 076 square kilometres, forming 8.6% national area. The NWP is not densely populated when compared to the national population density. The NWP houses approximately 7% of the country's total population.

The 2013 IHS Global Insight Indicators show an improvement in most of the *developmental indicators* in 2013 (2008 used as baseline). Most notable is the improvement in the Human Development Index (HDI) currently at 0.59 from 0.52 in 2008. Similar improvements are seen in both the number and percentage of people living in poverty, currently measured at 1,695,269 (1,932,918 in 2008) and 46.9% (58% in 2008) respectively. Improvements in all measures relating to schooling and education are also reported.

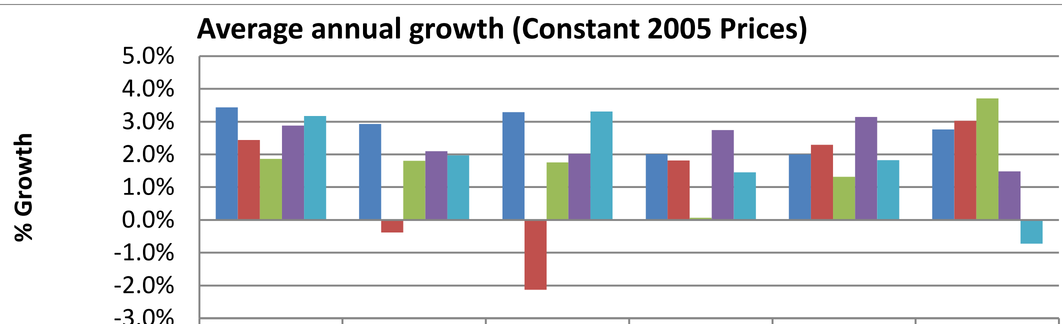
IHS Global Insight's Index of Buying Power (IBP) indicates that only 5% of the country's spending power is located in the NWP. Income levels in the NWP are below the national average (which is to be expected for the more rural areas in South Africa). The unemployment rate is slightly lower than that of the national average, while the percentage of people in poverty is marginally higher than the national average. The NWP has a share of approximately 10.8% of national employment.

National, NWP and NWP district municipalities' key comparative statistics (2013)

Key Statistics	NWP	BJDM	NMMDM	RSMDM	KKDM	National
Region area (km^2)	105 076	18 370	27 985	44 053	14 668	**1 221 246**
Population	3 611 176	1 569 891	855 894	469 624	715 766	52 970 625
Population density (number of people per km^2)	34	85	31	11	49	43
Economically active population (as % of total pop.)	30.2%	36.7%	22.2%	20.0%	32.3%	35.6%
Number of households	1 235 372	588 505	260 465	143 657	242 745	15 139 198
Average household income (Rand, current prices)	122 786	124 676	104 618	92 209	155 794	156 757
Annual per capita income (Rand, current prices)	37 005	41 174	28 048	24 849	46 547	44 802
Gini coefficient	0.607	0.596	0.600	0.584	0.621	0.638
Formal sector employment estimates	640 962	341 539	109 372	51 773	138 278	11 794 712
Informal sector employment estimates	101 092	51 994	18 338	9 442	21 317	2 259 965
Unemployment rate (Official definition)	26.2%	24.6%	28.9%	29.6%	26.3%	25.0%
Percentage of persons in poverty	46.9%	39.7%	56.6%	59.1%	43.2%	45.8%
Poverty gap (R Million)	27.9%	27.2%	28.6%	28.7%	27.8%	28.1%
Human Development Index (HDI)	0.590	0.616	0.544	0.516	0.619	0.637
Index of buying power (IBP)	0.0538	0.0256	0.0090	0.0044	0.0148	1.0000
Economic output (R Million current prices)	171 421 565	115 520 400	22 603 501	8 387 462	24 910 201	3 030 262 863
Share of economic output (GVA % of SA in current prices)	5.66%	3.81%	0.75%	0.28%	0.82%	100.00%
Economic output (R Million constant 2005 prices)	92 228 431	55 727 727	14 491 624	5 320 765	16 688 314	1 777 953 664
Share of Economic output (GVA % of SA in constant 2005 prices)	5.19%	3.13%	0.82%	0.30%	0.94%	100.00%

Source: IHS Global Insight's Regional eXplorer

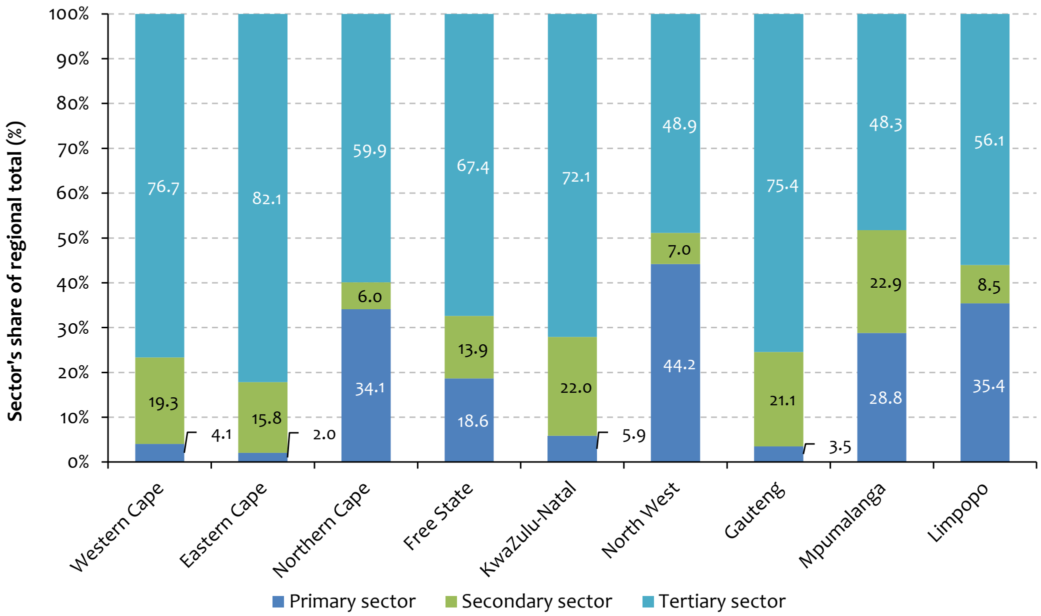
With regards to the *growth rate* it can be reported as follows: The Average Annual growth rate has recovered from the 2012 figure of -0.4% for the North West Province to 1.8% for 2013



	National	NW	BPDM	NMMDM	DRSMDM	DKKDM
2011	3.4%	2.9%	3.3%	2.0%	2.0%	2.8%
2012	2.4%	-0.4%	-2.1%	1.8%	2.3%	3.0%
2013	1.9%	1.8%	1.8%	0.1%	1.3%	3.7%
2006-2011	2.9%	2.1%	2.0%	2.7%	3.1%	1.5%
1996-2013	3.2%	2.0%	3.3%	1.5%	1.8%	-0.7%

The NWP is a large and significant local economy in the South African economic context. The area contributes approximately 5.7% to national production with mining, agriculture and manufacturing contributing the largest portion of provincial output.

According to the *Regional Economic Review: Current realities in the North West Province, A report from the TRADE (Trade and Development) research niche area of the North West University; March 2014*, the provincial economy is structurally unbalanced with the primary and tertiary sectors contributing more towards GDP-R and growing faster than the secondary sector. The situation is further exacerbated by limited water and electricity supply, the poor state of infrastructure, shortage of skilled labourers and rigid regulatory and legislative policies. A provincial input-output analysis points to a situation of high economic leakages and a dislocation of supply and demand across a number of industries. This has resulted in input and output activities between industries not operating in tandem, minimising the competitiveness of the province.



GVA sector share of provincial total, 2013

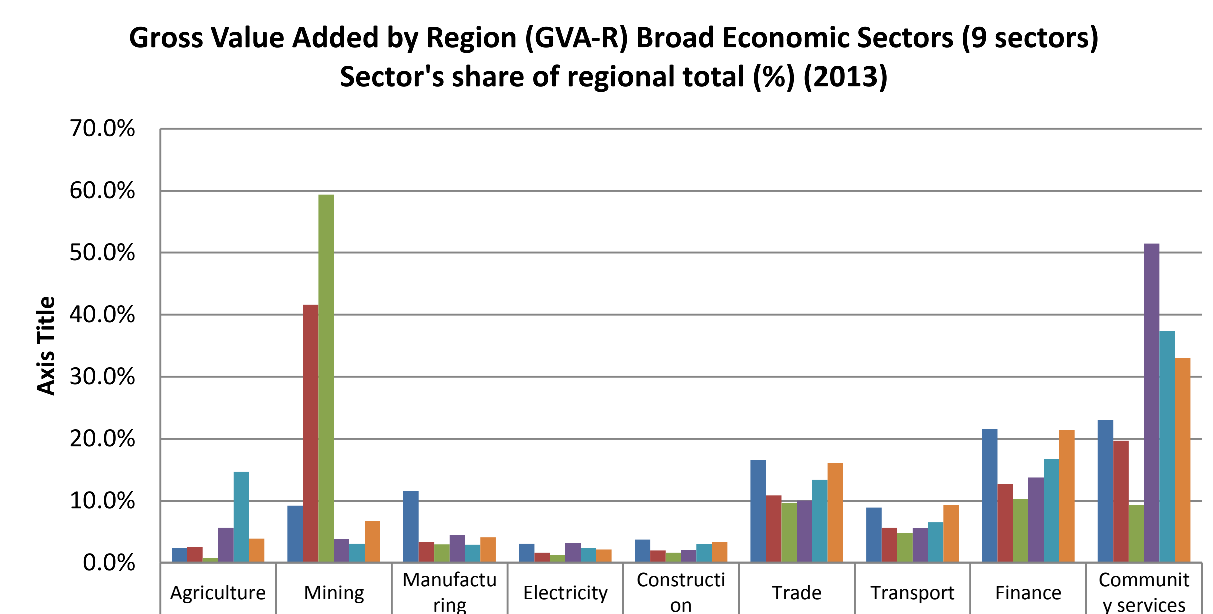
Source: IHS Global Insight's Regional eXplorer

Economic and structural realities in the North West province include;

- 65% of the province is rural with a low economic base,
- the province has poor and deteriorating economic infrastructure,
- mining contributes 36.6% of gross domestic product by region (GDPR) and 21.6% of provincial employment,
- the North West Province is the largest producer of platinum group metals in South Africa, accounting for some 64.7% of the nation's output,
- the province is also home to gold, uranium, diamonds, fluorspar, copper, vanadium, limestone, slate, phosphate, coal, manganese, dimension stone, cement and nickel.
- the economy has a strong local Small and Medium Enterprise (SME) base, with many becoming involved in high-value activities such as exporting and investment in Research & Development (R&D) and Innovation. As a result, the province has the opportunity to further develop these areas and work towards an economy based on innovative firms competing in export markets.
- tourism is the 4th most important economic sector in this predominantly rural, and scenic, province. The NWP has a total of 14 provincial parks within its borders. The most well-known are the Pilanesberg and Madikwe National Parks and the province boasts a wide array of species, ecosystem and habitats – including the Big Five in a malaria-free environment.
- the province accounts for a small share of South Africa's overall international trade and contributed 4.4% to trade output in 2013. Close proximity to Gauteng provides access to markets making trade an important sector in the NWP. Mining was the most profitable sector in the NWP with a high concentration of profits accruing to mining firms in the BJDM.
- the NWP is a net exporter of goods. However, the NWP has a very concentrated export basket – not only in terms of products, but also in terms of the countries or regions traded with. In addition, the exported goods are largely commodity-based, implying a greater threat of price

volatility and hence fluctuating export earnings. Exports from the NWP are concentrated within ten broad sectors, i.e.

- SIC 71 – Pearls, precious or semi-precious stones, precious metals;
- SIC 72 – Iron and steel;
- SIC 99 – Other unclassified goods;
- SIC 26 – Ores, slag and ash;
- SIC 28 – Inorganic chemicals;
- SIC 25 – Salt, sulphur, earths and stone, plastering materials, lime and cement;
- SIC 10 – Cereals;
- SIC 84 – Nuclear reactors, boilers, machinery and mechanical appliances;
- SIC 31 – Fertilizers; and
- SIC 74 – Copper and articles thereof.



	Agriculture	Mining	Manufacturing	Electricity	Construction	Trade	Transport	Finance	Community services
SA	2.4%	9.2%	11.6%	3.0%	3.7%	16.6%	8.9%	21.5%	23.1%
NW	2.5%	41.6%	3.3%	1.6%	2.0%	10.8%	5.7%	12.7%	19.7%
BPDM	0.8%	59.3%	3.0%	1.2%	1.6%	9.7%	4.8%	10.3%	9.3%
NMMDM	5.6%	3.8%	4.5%	3.2%	2.0%	10.0%	5.6%	13.8%	51.4%
DRSMDM	14.7%	3.1%	2.9%	2.4%	3.0%	13.4%	6.5%	16.7%	37.4%
DKKDM	3.9%	6.8%	4.1%	2.1%	3.4%	16.1%	9.3%	21.4%	33.0%

North West Location and Infrastructure

Location is one of the NWP's greatest natural advantages. The main Cape Town to Zimbabwe railway line runs through the provincial capital of Mahikeng, linking the NWP to several southern African countries, including Angola, Zambia and Botswana. An extensive road network connects the major commercial centres of the province to the rest of the country via a network of 1 785 km of national roads. The vital east-west corridor links the east Africa seaboard at Maputo to the western African seaboard at Walvis Bay, running through the NWP en-route. Its strategic positioning has been further improved with the completion of the Trans Kalahari Corridor through Botswana and Namibia – and these developments bode well for a thriving business and tourism economy. In terms of airports, Mahikeng has an established airport with one of the longest runways in the world and Pilanesberg (near Sun City) also has an international airport, servicing primarily the tourism industry.

Water is considered one of the key limiting factors to development in the NWP. The province is not only depleting its precious water reserves, but suffers from an additional problem – that of pollution of groundwater caused by both natural and human-induced factors including mining and industrial activities, agriculture and domestic use.

With regards to electricity, the NWP has a well-developed electricity distribution network due to mining activities. The current electricity crisis can also be seen as an opportunity to develop other energy technologies and to invest in renewable energy.

Given the economic growth forecasts, key demographic and socio-economic characteristics and the current economic and structural realities in the North West the NWPG has an important role to play in setting the framework for growth and outlining the necessary actions to stimulate growth in areas such as innovation, research and development, skills, education, exports, FDI and entrepreneurship. This also means identifying and supporting business growth in areas where there is the greatest potential, whilst ensuring that the necessary economic infrastructure

Employment

North West Employment Figures Compared to South Africa (Source: STASSA Q1 2015)

Item	**Number Jan – March 2015**		**% Change Qtr-to- Qtr**		**% Change Year on year**	
	SA	NW	SA	NW	SA	NW
Employment increase	140 000	-36 000	0,9	-3,8	2,7	4,9
Unemployment increase	626 000	42 000	12,8	13,0	9,2	8,6
Unemployment Rate	26,4%	28,4%	2,1	3,2	1,2	0,7
Expanded unemployment rate	35.1%	42,6%	1,5	3,2	1,0	0,6

In Q1: 2015 **employment gains** were recorded in six of the nine provinces. The largest quarterly employment gains were observed in Western Cape (91 000), Gauteng (31 000), and Free State (30 000). While employment decreases were recorded in North West (36 000), Limpopo (27 000) and Northern Cape (13 000).

For the year ended March 2015, **employment increased** in all provinces except Northern Cape where it remained virtually unchanged. The largest gains in employment were recorded in Gauteng (117 000), Free State (79 000) and Limpopo (72 000).

Between Q4: 2014 and Q1: 2015, the **official unemployment rate** increased by 2,1 percentage points. Increases in the unemployment rate were observed in seven of the nine provinces. The largest increases were recorded in Northern Cape (5,4 percentage points), Limpopo (4,2 percentage points), Gauteng (3,8 percentage points) and North West (3,2 percentage points).

In comparison to the same period last year, Northern Cape, KwaZulu-Natal and Gauteng recorded the largest rise in the official unemployment rate. The largest annual decrease in the official unemployment rate was recorded in Free State (4,3 percentage points).

Compared to Q4: 2014, the **expanded unemployment rate** increased by 1,5 percentage points to 36,1% in Q1: 2015. During this period, seven of the nine provinces recorded increases in the expanded unemployment rate. The largest increase was recorded in Northern Cape (4,2 percentage points), Limpopo (3,6 percentage points), Gauteng (3,2 percentage points) and North West (3,2 percentage points).

North West Employment by Industry Figures Compared to South Africa (Source: STASSA Q1 2015)

Item	**Number**				**% Change Qtr-to- Qtr**		**% Change Year on year**	
Employment by Industry	SA Jan – Mar 2015	NW Jan-Mar 2014	NW Jan-Mar 2015	NW % of Total	SA	NW	SA	NW
Total	15 459 000	870 000	912 000		0.9	-3.8	2.7	4.9
Agriculture	891 000	43 000	54 000	6%	20.2	29.0	25.8	26.7
Mining	443 000	153 000	140 000	15%	3.7	-6.5	4.4	-8.3
Manufacturing	1 779 000	65 000	68 000	7%	1.7	-10.9	-1.4	3.5
Utilities	143 000	4 000	8 000	1%	38.2	220.9	10.4	110.7
Construction	1 322 000	56 000	61 000	7%	-0.9	9.4	10.2	9.6
Trade	3 046 000	172 000	151 000	17%	-6.2	-14.8	-4.4	-12.4
Transport	899 000	30 000	30 000	3%	-5.6	-16.3	0.4	-0.6
Finance and other business services	2 195 000	60 000	105 000	12%	7.7	34.1	7.3	76.1
Community and social services	3 450 000	216 000	214 000	23%	-1.5	-10.2	0.6	-0.8
Private households	1 288 000	72 000	82 000	9%	5.7	-11.6	4.7	13.8

3. SOUTH AFRICA'S GLOBAL COMPETITIVENESS

The Global Competitiveness Report 2014 – 2015 by the World Economic Forum's (WEF) assesses the competitiveness landscape of 144 economies, providing insight into the drivers of their productivity and prosperity and measures over 100 indicators. South Africa ranked no 56 in 2014 down from 53 in 2013.
Positive rankings include:

- Quality of its institutions (36th),
- Including intellectual property protection (22nd),
- Property rights (20th),
- Efficiency of its legal framework in challenging and settling disputes (ninth and 15th, respectively),
- Accountability of private institutions (2nd)
- Financial market development remained impressive at seventh place, although their data pointed to "more difficulties" in all channels of obtaining finance
- Efficient market for goods and services, business sophistication and innovation, benefiting from good scientific research institutions, and strong collaboration between universities and the business sector in innovation were also identified as points supporting competitiveness.

Challenges include:
"South Africa's strong ties to advanced economies, notably the euro area, have made it more vulnerable to the economic slowdown of those economies," the WEF said.
These ties were identified as likely contributors to the deterioration of fiscal indicators in South Africa, including macroeconomic environment performance which dropped sharply in this year's index.

- Diversion of public funds,
- Perceived wastefulness of government spending,
- General lack of public trust in politicians
- Health of the workforce — at 132nd as a result of high rates of communicable diseases
- Higher education and training,
- Labour market efficiency
- Labour-employer relations (144th)

"Raising education standards and making its labour market more efficient will thus be critical in view of the country's high unemployment especially youth.

THE IMD WORLD COMPETITIVENESS SCOREBOARD
The IMD World Competitiveness Scoreboard 2015 by the Institute for Management Development in Zurich (IMD) assesses the competitiveness landscape of 61 economies, providing insight into the drivers of their productivity and prosperity. South Africa ranked no 53 in 2015:
Positive rankings include:

- Cost-of-living index (1)
- Office rent (7);
- Effective personal income-tax rate (2)
- Employer's social security contribution (3)
- Total public expenditure on education (3)
- Secondary school enrolment (7)
- Stock market capitalisation (3) and
- Finance and banking regulation (9).

EASE OF DOING BUSINESS (Business Environment/Climate)
(COMPARING BUSINESS REGULATIONS FOR DOMESTIC FIRMS IN 189 ECONOMIES World Bank Group Flagship Report 2015 for (2013/2014))

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the Doing Business sample. While this ranking tells much about the business environment in an economy, it does not tell the whole story. A high ranking does mean that the government has created a regulatory environment conducive to operating a business.

Ease of Doing Business Ranking of South Africa

- Ease of Doing Business Ranking 43 (Overall)
- Protecting Minority Investors 17
- Paying Taxes 19
- Dealing with Construction Permits 32
- Resolving Insolvencies 39
- Enforcing Contracts 46
- Getting Credit 52
- Starting a Business 61
- Registering Property 97
- Trading Across Borders 100
- Getting Electricity 158

(Source: http://www.doingbusiness.org/rankings)

4. FOREIGN DIRECT INVESTMENT (FDI)

4.1 Global Investment Trends

- Cautious optimism returns to FDI; after 2012 slump a 9% increase in 2013, to $1.45 trillion.
- Developing economies maintain their lead in 2013 reaching a new high of $778 billion, or 54% of total FDI.
- FDI outflows from developing countries also reached a record level: Developing and transition economies together invested $553 billion, or 39%.
- Mega regional groupings shape global FDI; Asia-Pacific Economic Cooperation (APEC) remains largest with 54% inflows.
- Poorest countries are less dependent on extractive industry investment; manufacturing and services now make up 90%of value of announced projects both in Africa and Least Developed Countries (LDCs).
- Private equity FDI is keeping its funds, thus there is potential for increased private equity FDI.

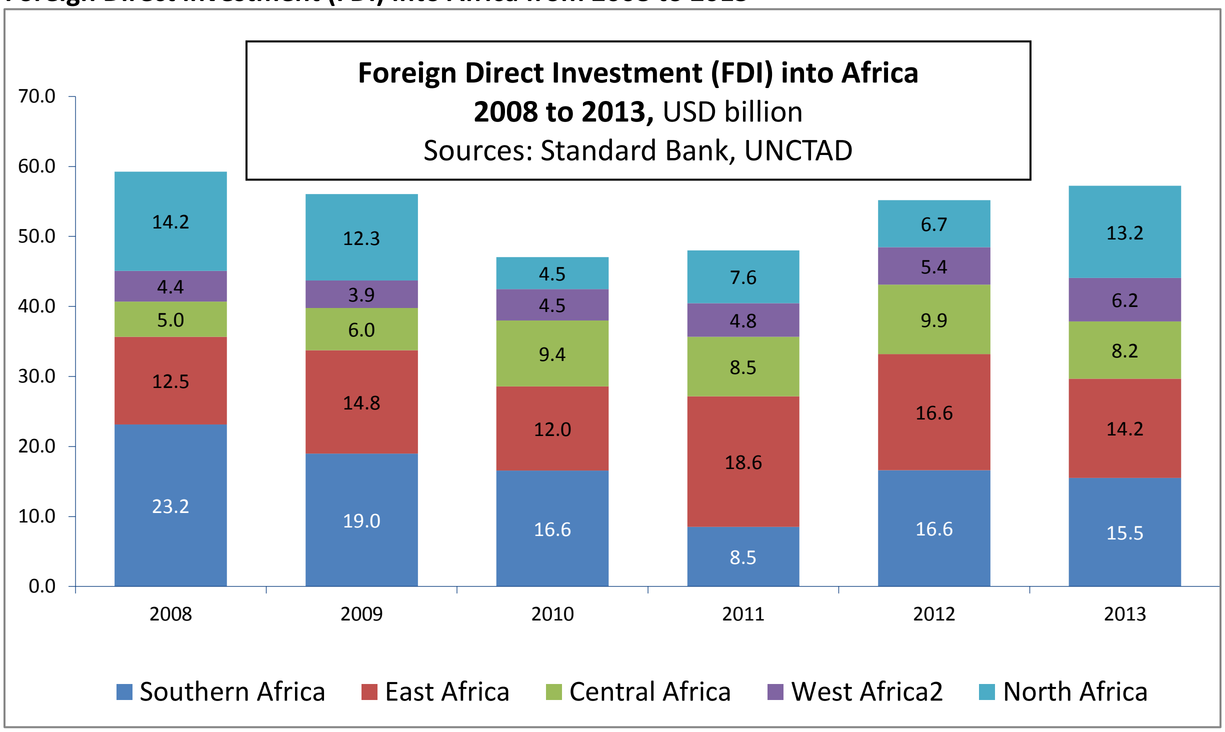
- State-owned TNCs are FDI heavyweights; although their number constitutes less than 1% of TNCs they contribute over 11% of global FDI flows.
  (Source: UNTAD World Investment Report 2014)

4.2 Africa

Regional Investment Trends:

- FDI flows to all major developing regions increased; Africa saw increased flows of 4%, sustained by growing intra-Africa flows.
- Southern and East Africa received more than 50% of FDI inflows into Africa.
- There is a focus shift towards Sustainable Development Goals (SDGs) and an Action Plan for promoting private sector contributions.
- SDGs are being formulated by the United Nations.

Foreign Direct investment (FDI) into Africa from 2008 to 2013



4.3 South Africa

(Source: Prepared by Trade and Investment South Africa (TISA) a division in **the dti)**
Between January 2008 and June 2014 a total of 563 FDI projects were recorded in South Africa. These projects represent a total capital investment of **ZAR291.04 b** which is an average investment of **ZAR517.25 m** per project. During the period, a total of 110,370 jobs were created.

Destination State	Projects	CAPEX	Avg. CAPEX	Jobs Created	Avg. Jobs	Companies

					Created	
Gauteng	247	77370.9	312.9	33665	136	225
Western Cape	89	25686.9	288.3	9626	108	84
Eastern Cape	39	26841.0	688.1	10613	272	29
KwaZulu-Natal	37	22086.0	597.2	9671	261	29
Northern Cape	23	27751.8	1206.7	4149	180	14
Mpumalanga	13	8981.2	690.8	4502	346	12
North West	8	6031.4	753.7	5078	634	8
Limpopo	7	7719.8	1102.8	3318	474	5
Free State	7	11203.9	1600.3	2880	411	7
Not Specified	93	77366.1	831.6	26868	288	91
Total	563	291038.8	517.2	110370	196	442

Notes:

1) ©fDi Intelligence, from the Financial Times Ltd 2014. Data subject to terms and conditions of use.
2) All Capex Figures shown in the table are in ZAR - South African Rand millions.
3) Capex data includes estimated values Financial Times Ltd takes no responsibility for the accuracy or otherwise of this data.
4) Jobs data includes estimated values Financial Times Ltd takes no responsibility for the accuracy or otherwise of this data.

4.4 North West Province

The North West Province received 1.42% (8) of all project (563) in South Africa between 2008 and 2014. This represents 2.07% (R 6 billion) of the capital investment and 4.6% (5 078 jobs).

North West FDI Projects Detail

#	Project Date	Investing Company	Industry Sector	Capital R mil	Jobs
1	Apr 2014	Syngenta	Food & Tobacco	63.545	57
2	Dec 2011	IGE Resources (International Gold Exploration)	Minerals	379.908	383
3	Apr 2011	Monsanto	Food & Tobacco	153.740	127
4	Aug 2010	Xstrata-Merafe	Metals	934.739	1218
5	Aug 2009	Platinum Australia	Metals	1950.107	1398
6	Nov 2008	Anglo Platinum	Metals	1950.107	1398
7	Jun 2008	Primus Special Projects (Pty)	Minerals	379.908	383
8	Jun 2008	Guangzhou Pharmaceuticals	Food & Tobacco	219.335	114

It must be noted that the information above was sourced from ©fDi Intelligence, from the Financial Times Ltd 2014 and that the projects above might not represent all the projects and expansions in the North West province as some projects are reported in other provinces as the head office of the investing companies are located there.

5. TRADE

Presenting the contents of the report in Johannesburg, Unctad economist Alex Izurieta said that international trade had slowed as a result of weak global demand. He also argued that demand was unlikely to strengthen materially in the near term, owing to a still weak global recovery. Unctad expects global growth of between 2.5% and 3% in 2014.

The way to expand trade at global level is through a "robust domestic-demand-led output recovery at national level", rather than through the current emphasis on the cost of trade.

In the report, Unctad outlines a "balanced-growth scenario" premised on: income policies that support growth of demand; growth- enhancing fiscal policies; industrial policies to promote private investment and structural transformation; regulation of finance and capital controls to stabilise global financial markets; and development- orientated trade agreements.

Such policy prescriptions mesh with South Africa's current deliberations on the introduction of a national minimum wage, as well as using public infrastructure investment programmes to stimulate demand for locally made manufacturing inputs.

However, there is less alignment in the area of trade policy, where South Africa aims to bolster the competitiveness of its tradeables sectors in a bid to materially increase exports, particularly the export of manufactured products.

"It is possible to achieve higher levels of global growth of above 6% to 7% continuously over the next ten years through a coordinated effort to press the accelerator on fiscal support," Izurieta, who co-authored the report, argues.

Such support would be in the form of higher government spending on infrastructure, raising private-sector investments in productive activities and income policies that help bolster wages and, in so doing, create new demand.

To support such an outcome, Unctad says developing countries should be allowed sufficient "policy space" to pursue proactive trade and industrial policies as part of the Post-2015 Development Agenda, currently under consideration.

It also cautions developing countries not to enter into multilateral and bilateral agreements that will further erode their policy space to protect domestic industries, or to limit government's ability to maximise the rents they are able to extract from the resources sector.
Edited by: Terence Creamer

The following trade statistics were sourced from IHS Global Insight Regional Explorer with regards to trade of South Africa and the North West province.

International Trade Totals 2013	South Africa	North West
Exports (R 1000)	924 055 893	20 156 967
Imports (R 1000)	991 185 991	6 022 629
Total Trade (R 1000)	1 915 241 883	26 179 596
Trade Balance (R 1000)	-67 130 098	14 134 338
Exports as % of GDP	27.3%	10.5%

Total trade as % of GDP	56.6%	13.7%
Regional share - Exports	100.0%	2.2%
Regional share - Imports	100.0%	0.6%
Regional share - Total Trade	100.0%	1.4%

6. ENERGY PROFILE OF AFRICA

Source: OECD/IEA, 2014:14 World Energy Outlook | Special Report

As energy is currently a serious factor that will have a huge impact on the economy of South Africa, the following report is added.

Sub-Saharan Africa is rich in energy resources, but very poor in energy supply. Making reliable and affordable energy widely available is critical to the development of a region that accounts for 13% of the world's population, but only 4% of its energy demand. Since 2000, sub-Saharan Africa has seen rapid economic growth and energy use has risen by 45%. Many governments are now intensifying their efforts to tackle the numerous regulatory and political barriers that are holding back investment in domestic energy supply, but inadequate energy infrastructure risks putting a brake on urgently needed improvements in living standards. The data gathered for this World Energy Outlook Special Report – the first of its kind to provide a comprehensive picture of today's sub-Saharan energy sector and its future prospects in a global context – underlines the acute scarcity of modern energy services in many countries. The picture varies widely across the region, but, in sub-Saharan Africa as a whole, only 290 million out of 915 million people have access to electricity and the total number without access is rising. Efforts to promote electrification are gaining momentum, but are outpaced by population growth. Although investment in new energy supply is on the rise, two out of every three dollars put into the sub-Saharan energy sector since 2000 have been committed to the development of resources for export.

Key Issues include:

- **Power to shape the future**
    - A severe shortage of essential electricity infrastructure is undermining efforts to achieve more rapid social and economic development.
    - Sub-Saharan Africa starts to unlock its vast renewable energy resources, with almost half of the growth in electricity generation to 2040 coming from renewables.
- **Bioenergy is at the heart of the energy mix**
- **The rise of the African energy consumer brings a new balance to oil and gas**
- Almost 30% of global oil and gas discoveries made over the last five years have been in sub-Saharan Africa, reflecting growing global appetite for African resources.
    - Natural gas resource-holders can power domestic economic development and boost export revenues, but only if the right regulation, prices and infrastructure are in place.
    - Coal production and use gradually spreads beyond South Africa, but coal is overtaken by oil as the second-largest fuel in the sub-Saharan energy mix.
- **Releasing the energy brake on development**
    - In our main scenario, the sub-Saharan economy quadruples in size and energy demand grows by 80%, but energy could do much more to act as an engine of inclusive economic and social growth. The international arena brings capital and technology, but mixed blessings in other areas.

- **Accelerating towards an African Century?**
  Three actions in the energy sector, if accompanied by more general governance reforms, could boost the sub-Saharan economy by 30% in 2040, an extra decade's worth of growth in per-capita incomes:
    - An additional $450 billion in power sector investment, reducing power outages by half and achieving universal electricity access in urban areas.
    - Deeper regional co-operation and integration, facilitating new large-scale generation and transmission projects and enabling a further expansion in cross-border trade.
    - Better management of resources and revenues, adopting robust and transparent processes that allow for more effective use of oil and gas revenues.
      Broad improvements in governance, both inside and outside the energy sector, underpin the achievements of an African Century Case, involving, among many other things, heavy investment in the capacity to formulate and implement sound energy policies, as well as the consultation and accountability that is essential to win public consent.
    - A modernising and more integrated energy system allows for more efficient use of resources and brings energy to a greater share of the poorest parts of sub-Saharan Africa.

Of the extra 230 million people that gain access to electricity in this Case by 2040, 70% are in rural areas, the supply coming primarily from mini-grid and off-grid systems. This investment is instrumental in helping to close the gap in energy provision and economic opportunity between sub-Saharan Africa's rural communities and the people in its cities.
Concerted action to improve the functioning of the sub-Saharan energy sector is essential if the 21 st is to become an African century.

Primary Energy Demand in Africa and South Africa in the New Policy Scenarios 2012 and 2040 (Mtoe)

2012	OIL	GAS	COAL	NUCLEAR	BIO-ENERGY	HYDRO	OTHER	TOTAL	SA as % of Africa
Africa	168	100	105	3	352	10	2	739	
South Africa	21	4	97	3	15	0.2	<0.1	141	19%
2040									
Africa	278	243	164	12	496	38	91	1322	
South Africa	27	9	101	12	26	0.4	10	186	14%

Other includes geothermal, wind, solar PV, concentrating solar power and marine.

Each year, the International Energy Agency's (IEA) World Energy Outlook (WEO) conducts a detailed study of the energy sector of a particular country or region. This year – as a Special Report within its WEO-2014 series – the IEA presents its most comprehensive analytical study to date of the energy outlook for Africa, specifically sub-Saharan Africa. Modern economies are built upon modern energy systems, but the sub-Saharan energy sector has not yet achieved this status. This report draws on extensive new data to shine light on the existing energy system in sub-Saharan Africa, but also to illuminate the future energy outlook, showing what actions can release the energy brake on

development. The Africa Energy Outlook of 2014
http://www.iea.org/publications/freepublications/publication/WEO2014_AfricaEnergyOutlook.pdf

7. RECOMMENDATIONS

When considering the above it is recommended that attention should be given to the following:

- Diversify the economy of the NW province
- Develop SMMEs
- Adhere to the ACTION strategic direction of the Premier being Agriculture, Culture and Tourism through Investment through Organizes Networking
- Develop and diversify the manufacturing sector.
- Identify leakages in the current manufacturing value chains to attract investment as well as investigate global value chains as the new trend.
- Utilise localisation strategies and products identified for local procurement by Eskom and Transnet to link to local suppliers and SMMEs that can benefit from the infrastructure development programmes.
- Increase agricultural activity and agro-processing.
- Contribute to rural development programmes.
- Utilise co-operatives to stimulate these economies.
- Utilise ICT for communication and training purposes
- Include designated groups, youth, women and disabled as beneficiaries of projects.
- The unemployed graduates database and other databases can be consulted for possible beneficiaries.
- Skilling in line with provincial plans is very important and closer co-operation should be encouraged between tertiary institutions and project drivers to be able to develop appropriate skills.

Report Submitted By **Date: 1 July 2015**

JA Hoogkamer
Manager Research and Development, North West Development Corporation
+27 14 594 2570