Compiled by: NWDC Research and Development Unit

Q3 2014 2015

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1. INTRODUCTION

The purpose of the Research and Development Unit is to gather, analyse and disseminate verified, reliable and relevant data, information and reports for the benefit of users to support informed decision making. The performance indicator of the unit is a quarterly economic data 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 report will include economic data as well as a report on research and development activities followed by a portfolio of evidence (PoE) index where the activities will be listed and the documents added in the PoE file.

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, Trade, The Future of Manufacturing and the State of the Province Address for the North West province (SOPA) as well as the Budget Speech of MEC of the Department of Economic and Enterprise Development and how it impacts on NWDC.

2. MACRO ECONOMIC OVERVIEW

2.1 The Global Economy

Recovery is on track and the stage is set for a modest acceleration of growth in 2014. Developed economies will lead the way (e.g., the United States, United Kingdom, and Germany are growing faster than Brazil and Russia).

Despite setbacks, an uneven global recovery continues. Largely due to weaker-than-expected global activity in the first half of 2014, the growth forecast for the world economy has been revised downward to 3.3 percent for this year, 0.4 percentage point lower than in the April 2014 World Economic Outlook (WEO). The global growth projection for 2015 was lowered to 3.8 percent.

Downside risks have increased since the spring. Short-term risks include a worsening of geopolitical tensions and a reversal of recent risk spread and volatility compression in financial markets. Medium-term risks include stagnation and low potential growth in advanced economies and a decline in potential growth in emerging markets.

Given these increased risks, raising actual and potential growth must remain a priority. In advanced economies, this will require continued support from monetary policy and fiscal adjustment attuned in pace and composition to supporting both the recovery and long-term growth. In a number of economies, an increase in public infrastructure investment can also provide support to demand in the short term and help boost potential output in the medium term. In emerging markets, the scope for macroeconomic policies to support growth if needed varies across countries and regions, but space is limited in countries with external vulnerabilities. And in advanced economies as well as emerging market and developing economies, there is a general, urgent need for structural reforms to strengthen growth potential or make growth more sustainable.

Latest IMF projections

The global recovery remains fragile and uneven.
(percent change)

			Projections		Difference from July 2014 WEO update	
	2012	**2013**	**2014**	**2015**	**2014**	**2015**
World Ouput	3.4	3.3	3.3	3.8	-0.1	-0.2
Advanced Economies	1.2	1.4	1.8	2.3	0.0	-0.1
United States	2.3	2.2	2.2	3.1	0.5	0.0
Euro Area	-0.7	-0.4	0.8	1.3	-0.3	-0.2
Germany	0.9	0.5	1.4	1.5	-0.5	-0.2
France	0.3	0.3	0.4	1.0	-0.4	-0.5
Italy	-2.4	-1.9	-0.2	0.8	-0.5	-0.3
Spain	-1.6	-1.2	1.3	1.7	0.1	0.1
Japan	1.5	1.5	0.9	0.8	-0.7	-0.2
United Kingdom	0.3	1.7	3.2	2.7	0.0	0.0
Canada	1.7	2.0	2.3	2.4	0.1	0.1
Other Advanced Economies[1]	2.0	2.3	2.9	3.1	0.0	-0.1
Emerging Market and Developing Economies	5.1	4.7	4.4	5.0	-0.1	-0.2
Commonwealth of Independent States	3.4	2.2	0.8	1.6	-0.1	-0.5
Russia	3.4	1.3	0.2	0.5	0.0	-0.5
Excluding Russia	3.6	4.2	2.0	4.0	-0.4	-0.4
Emerging and Developing Asia	6.7	6.6	6.5	6.6	0.1	0.0
China	7.7	7.7	7.4	7.1	0.0	0.0
India[2]	4.7	5.0	5.6	6.4	0.2	0.0
ASEAN-5[3]	6.2	5.2	4.7	5.4	0.1	-0.2
Emerging and Developing Europe	1.4	2.8	2.7	2.9	0.0	0.0
Latin America and the Caribbean	2.9	2.7	1.3	2.2	-0.7	-0.4
Brazil	1.0	2.5	0.3	1.4	-1.0	-0.6
Mexico	4.0	1.1	2.4	3.5	0.0	0.1
Middle East, North Africa, Afghanistan, and Pakistan	4.8	2.5	2.7	3.9	-0.4	-0.9
Sub-Saharan Africa	4.4	5.1	5.1	5.8	-0.4	0.0
South Africa	2.5	1.9	1.4	2.3	-0.3	-0.4

Source: IMF, *World Economic Outlook*, October 2014.
[1]Excludes the G7 (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.
[2]For India, data and forecasts are presented on a fiscal year basis and output growth is based on GDP at market prices.
[3]Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

Key Issues

- Inflation is no problem in the developed world.
- Monetary policy will stay accommodative for some time as the consumer is cautious to spend.
- There is sensitivity to traditional macro policies due to the uncertainty in economies.
- Fiscal austerity leaves little room for further stimulus. The countries that were affected by the economic crisis is buying-back bonds = tapering.
- Geopolitical risks abound.
- Emerging regions: Growth has weakened dramatically in some economies, and there are no clear signs of a strong rebound. Emerging economies will not drive the world economy.
- Nevertheless, progress in the developed world on debt reduction creates room for growth – especially in the US, UK and Germany, but China will disappoint
- So, global growth is creeping up… but slowly.

2.1.1 Developed Economies

United States

- Progress towards reducing household, financial sector, and government debt.
- Accommodative monetary policy.
- New energy boom, they have discovered use oil reserves and how that will influence world markets. The boom in domestic oil and gas production is stimulating the US economy.
- Trade account to be boosted by exports and less imports.
- Fiscal shortage is improving through austerity and tax increases. Austerity is being phased out.
- An inventory cycle and bad weather hurt first quarter US growth, but fundamentals remain strong.
- Real GDP increased 4.6 percent in the second quarter of 2014, after decreasing 2.1 percent in the first. This upturn in the percent change in real GDP primarily reflected upturns in exports and in private inventory investment, accelerations in non-residential fixed investment and in PCE, and upturns in state and local government spending and in residential fixed investment that were partly offset by acceleration in imports.
- This might lead to increased interest rates.

Europe

- Seeing some growth and will contribute to global growth this year.
- Accommodative monetary policy.
- Possibility of deflation where prices are going down and people are not spending in anticipation of future lower prices.
- Rising consumer and business confidence.
- Fiscal austerity, still-significant banking sector problems.
- Europe is vulnerable to the Ukraine crises due to the fact that their gas supply from Russia might be affected.

- They are recovering very slowly from the recession and UK is the only growth economy.

Japan

- Japan: The picture is clouded by the April 2014 consumption tax hike.

China

- China growth has stabilized, but major challenges lie ahead.
- Three interrelated problems:
    - a dramatic rise in debt levels;
    - an equally large rise in the role of shadow banks; and
    - wrongful use of credit
- Fiscal stimulus is being implemented.
- Lack of demand for exports goods from China.
- Growth has slowed to 7,5% which will influence their demand for resource imports from South Africa.
- They are also moving the centre of their economy to their domestic market and do not have an outward strategy anymore, which will have an impact on imports and exports.

Macro-Economic Risks

- Secular stagnation in the developed world – especially in Southern Europe.
- Deflation in the Eurozone.
- Poor handling of "exit strategies" by central banks.
- Financial crisis in China.
- Further degradation of growth in the emerging world.
- Geopolitics and the potential for another oil shock.
- Escalation of Ukraine crisis.

Key risks to the global economy and their indicators are summarised in the table below

Risk	**Signposts**
China hard landing	• Loan defaults by developers and local governments trigger a banking crisis and a credit squeeze. • Real estate market bubbles burst. • The government responds with limited fiscal stimulus.
Eurozone setback	• Banking problems intensify, leading to a credit crunch. • Growth stalls and deflation sets in. • High unemployment leads to social unrest.
Energy price shock	• Conflicts in the Middle East and Africa lead to an oil supply disruption. Transportation is temporarily affected. • Oil prices soar initially, until markets adapt. • The Russia-Ukraine conflict cuts gas supplies to Europe.
US recovery stalls	• Businesses and households spend more cautiously. • Recoveries in housing and auto markets relapse.

Implications of global economic megatrends

- Global growth will be more balanced: more upbeat in the developed world and less upbeat in the emerging world.
- The energy boom will help growth in North America.
- Europe and Japan will do better, but not as well as the United States.
- The sharp deceleration in emerging markets is worrisome, and a return to the boom years of the 2000s is unlikely—but another crisis is also unlikely.
- China's locomotive role will diminish.
- Russia is less of an economic threat to the United States than to Europe.
- Emerging markets will not enjoy another boom without stronger productivity growth.

2.1.2 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
- Pressure on current account increases
- Highly unequal society as agricultural sector employment dominate

2.2 South African Realities

2.2.1 Highlights Q3 2014

- *IMF cuts SA's growth forecast*
  The IMF cut its economic growth outlook for South Africa to 1.4% for 2014 and 2.3% for 2015. The current projection for 2014 represents a 1.5 percentage point cut to the IMF's October 2013 forecast of 2.9%. The IMF cited the difficult industrial relations environment and infrastructure backlogs (specifically electricity constraints) as the main reasons for the downward adjustment. The IMF's growth forecast for 2014 is now in line with the BER's expectation for this year. However, at a projected 2.9% the BER remains more optimistic about next year, albeit that risks are clearly on the downside and growth could be closer to the IMF's 2.3%.

- *MTBPS stresses short-term pain for long-term fiscal sustainability*
  Newly appointed Finance Minister, Nhlanhla Nene, delivered his first Medium Term Budget Policy Statement (MTBPS). The minister faced a difficult task – he had to deal with a significantly weaker macroeconomic backdrop than was projected at the time of the February Budget, while at the same time reassuring rating agencies and financial markets. In the event, the minister certainly rose to the occasion; not only did he base his fiscal analysis on reasonably conservative growth projections, but he was also prepared to lower the government's expenditure ceiling and to signal tax increases next year.

- *September CPI inflation surprises on the downside*
  Consumer price inflation remained flat in September. As a result, the annual rate slowed to 5.9% year-on-year, from 6.4% in August. While markets were expecting a moderation in consumer inflation, the actual figure came in lower than the 6.1% predicted. This is the first time since February that headline inflation fell within the South African Reserve Bank's target range of 3 – 6%.

  The downside surprise stemmed mainly from lower-than-expected food price inflation. Food prices rose by 0.1% over the month (from a 0.7% increase in August), resulting in the annual rate falling from 9.5% in August to 8.7% in September. Additional downward pressure emanated from the transport category. A 4.8% month-on-month drop in the price of petrol resulted in annual transport inflation moderating from 6.1% to 4.2%, which shaved 0.3 percentage points off the headline number.

- 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. In Q3 2013, South Africa’s current account deficit worsened to -6.8% of GDP, down from a revised 5.9% of GDP in Q2 2013, and -5.3% of GDP in Q1 2012. This was much worse than market expectations for a deficit of -6.0% of GDP (STANLIB -6.5% of GDP). In value terms, the current-account deficit widened to –R232.7 billion from –R197.0 billion in Q2 2013 (these are annualised numbers). For 2012 as a whole, the current-account deficit was recorded at a revised R164.6bn (5.2% of GDP), much bigger than the 2011 deficit of 2.3% of GDP.

- 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 South African Economic Growth Q3 2014

Economic growth in the 3rd quarter of 2014 increased by 1.4% a slight improvement from the previous quarter’s 0.6% growth. The largest contributers to the growth were:

- Finance, real estate and business services and the wholesale, retail and motor trade; catering and accommodation industry each contributed 0,5 of a percentage point based on increases of 2,4 per cent and 3,4 per cent respectively;
- General government services contributed 0,3 of a percentage point based on growth of 2,2 per cent;
- The agriculture, forestry and fishing industry and the transport, storage and communication industry each contributed 0,2 of a percentage point based on increases of 8,2 per cent and 2,2 per cent respectively.

Key Economic Developments

Mining output advanced 1.6 percent, following a 3.1 percent decrease in the three months to June. Meanwhile, the manufacturing sector contracted for the third consecutive quarter by 3.4 percent due to lower production in the following divisions: basic iron and steel, non-ferrous metal products, metal products and machinery; petroleum, chemical products, rubber and plastic products; and wood and wood products, paper, publishing and printing.

The growth in the agriculture, forestry and fishing industry was due to high production in field crops and animal products; the growth in the wholesale, retail and motor trade; catering and accommodation industry was due to increases in turnover in most trade divisions. The growth in finance, real estate and business services was due to increases in activities in the financial markets.

Source

- **www.tradingeconomics.com/south-africa/gdp-growth**
- **Statistics South Africa – P0441 Gross Domestic Product third quarter 2014**

2.2.3 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.

2.2.4 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

2.2.5 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.

2.2.6 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

2.2.7 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:	5.7% (Dec 2013) STATSSA	5.7% (Dec 2013) 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.

North West Employment Figures Compared to South Africa (Source: STASSA Q2 1014)

Item	**Number July-Sept 2014**		**% Change Qtr-to- Qtr**		**% Change Year on year**	
	SA	NW	SA	NW	SA	NW
Employment increase	39 000	9 000	0,3	1,0	2,7	4,0
Unemployment increase	87 000	-2,000	1,7	-0,3	3,7	-0,7
Unemployment Rate	25,5%	26%	0,3	-1,7	0,2	-0,7
Expanded unemployment rate	35.6%	42,3%	0,5	-0,3	-0,5	-0,9

Although the unemployment rate is high, the employment figures of the North West province compare favourably with those of South Africa and have been increasing over the last few quarters.

2.3.2 Economic Sectors

The composition of the North West Economy is:
Primary Sector: 44%
Secondary Sector: 7% with Manufacturing contributing 3% and Electricity 1%
Tertiary Sector: 49:

Structural changes

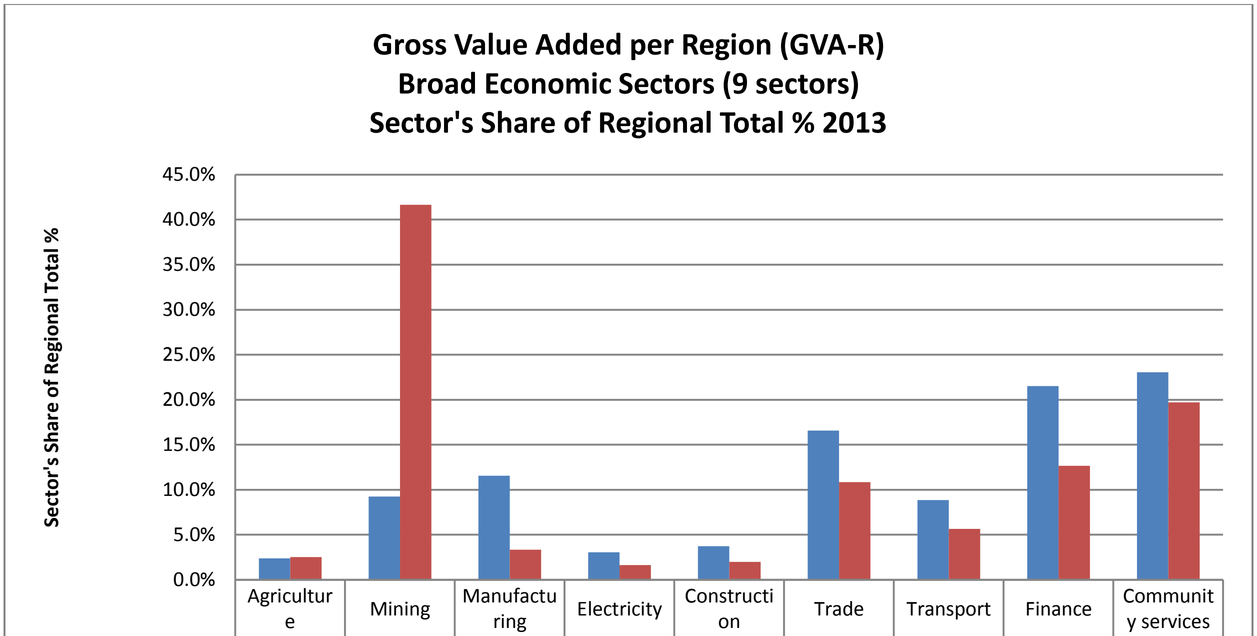
- There were some significant changes to the structure of the economy of the NWP compared to that of the national structure between 1996 and 2012. The most pronounced changes were in the decline of the agricultural, manufacturing, trade and transport sectors and an increase in the share of the mining sector.
- The primary and government services sectors make vast contributions to the economy of the NWP and its various district municipalities, save for government services in BPDM and mining in NMMDM and RSMDM.
- The four district municipalities in the NWP are marked by particularly high concentration
- All the district municipalities of the NWP have a comparative disadvantage for the primary and government services sectors when compared to the national picture, with the exception of the NMMDM and RSMDM for mining and BPDM for Agriculture.

(***Source: Regional Economic Review:*** *Current realities in the North West Province*
A report from the TRADE (Trade and Development) research niche area, ***North-West University, Potchefstroom Campus (March 2014)***

When considering the two graphs below, the first graph compares the Gross Value Added per Region (GVA-R) Broad Economic Sectors (9 sectors), Sector's Share of Regional Total in percentage for 2013 between South Africa and the North West province. It is clear that the North West province is structurally concentrated in mining.

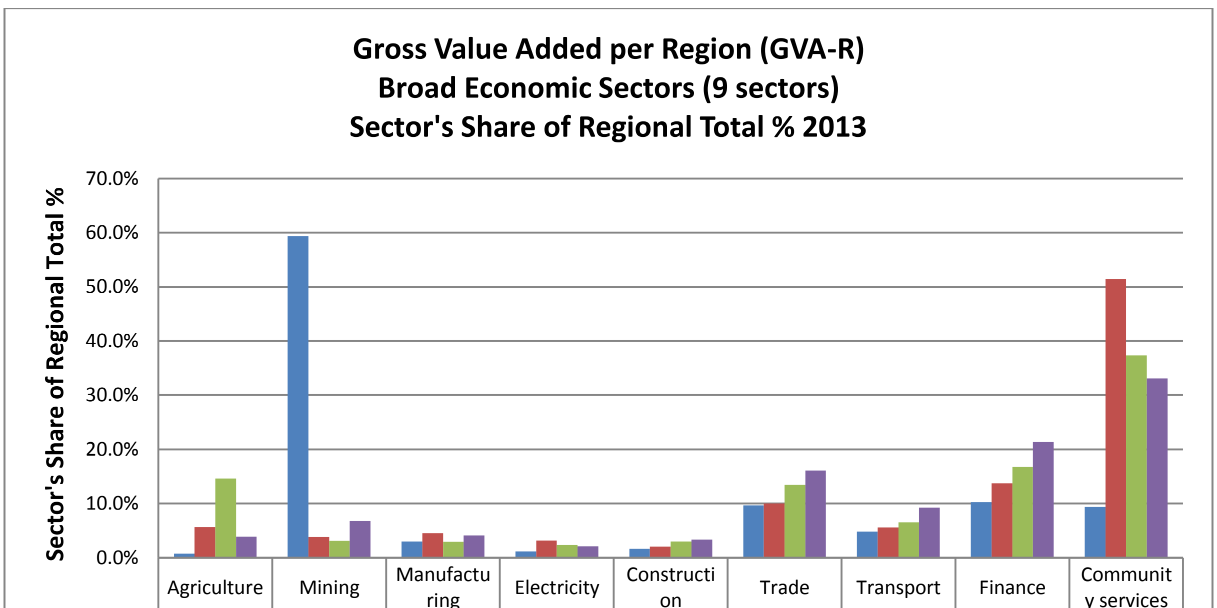
The second graph compares the Gross Value Added per Region (GVA-R) Broad Economic Sectors (9 sectors), Sector's Share of Regional Total in percentage for 2013 between the four district municipalities of the North West province being: Bojanala Platinum District Municipality (BPDM), Dr Ngaka Modiri Molema District Municipality (NMMDM), Dr Kenneth Kaunda District Municipality (DKKDM) and Dr Ruth Segomotsi Mompati District Municipality (DRSMDM).

BPDM is even more structurally concentrated in mining contributing 59.4 % to the GVA-R and having the lowest contribution of all the district municipalities in the other eight economic sectors. In NMMDM, DRSMDM and DKKDM the economy is dominated by community services contributing 51.5%, 37.3% and 33.1% to the GVA-R each. DKKDM is the most diversified of the four district municipalities and dominates the remaining sectors in terms of GVA-R contributions except for Agriculture where DRSMDM dominates and electricity where NMMDM dominates.



	Agriculture	Mining	Manufacturing	Electricity	Construction	Trade	Transport	Finance	Community services
2013 South Africa	2.4%	9.2%	11.6%	3.0%	3.7%	16.6%	8.9%	21.5%	23.1%
2013 North West	2.5%	41.7%	3.3%	1.6%	2.0%	10.8%	5.7%	12.7%	19.7%

(Source: IHS Global Insight)



	Agriculture	Mining	Manufacturing	Electricity	Construction	Trade	Transport	Finance	Community services
BPDM	0.8%	59.4%	3.0%	1.2%	1.6%	9.7%	4.8%	10.3%	9.3%
NMNDM	5.6%	3.8%	4.5%	3.2%	2.0%	10.0%	5.6%	13.7%	51.5%
DRSDM	14.6%	3.1%	2.9%	2.4%	3.0%	13.4%	6.5%	16.7%	37.3%
DKKDM	3.9%	6.8%	4.1%	2.1%	3.4%	16.1%	9.3%	21.4%	33.1%

(Source: IHS Global Insight)

When considering employment by sector a different picture emerges where community and social services employ the most people followed by trade, finance and other business services, manufacturing, and then private households and construction.

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.

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%.

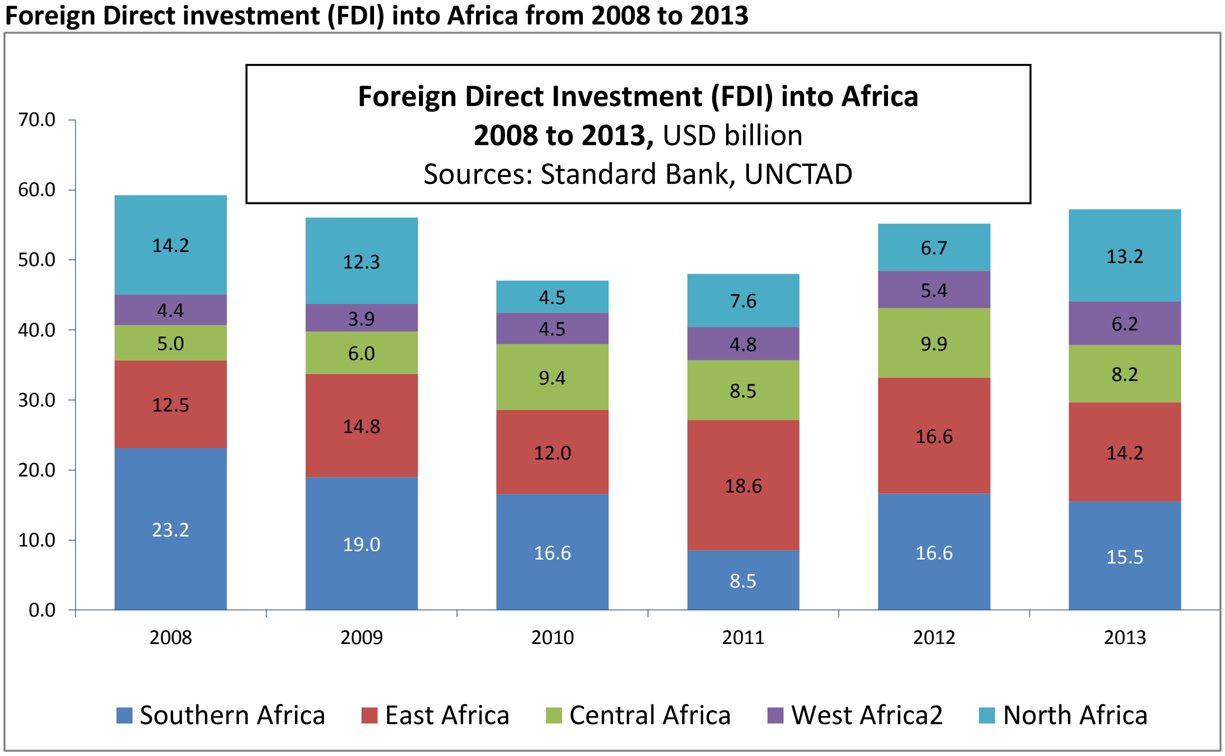
- Mega regional groupings shape global FDI; Asia-Pacific Economic Cooperation (APEC) remains largest with 54% inflows.
- Poorest countries are less dependent on extractive industry investment; manufacturing and services now make up 90%of value of announced projects both in Africa and Least Developed 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 Created	Companies
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 PLATINUM_OVERVIEW

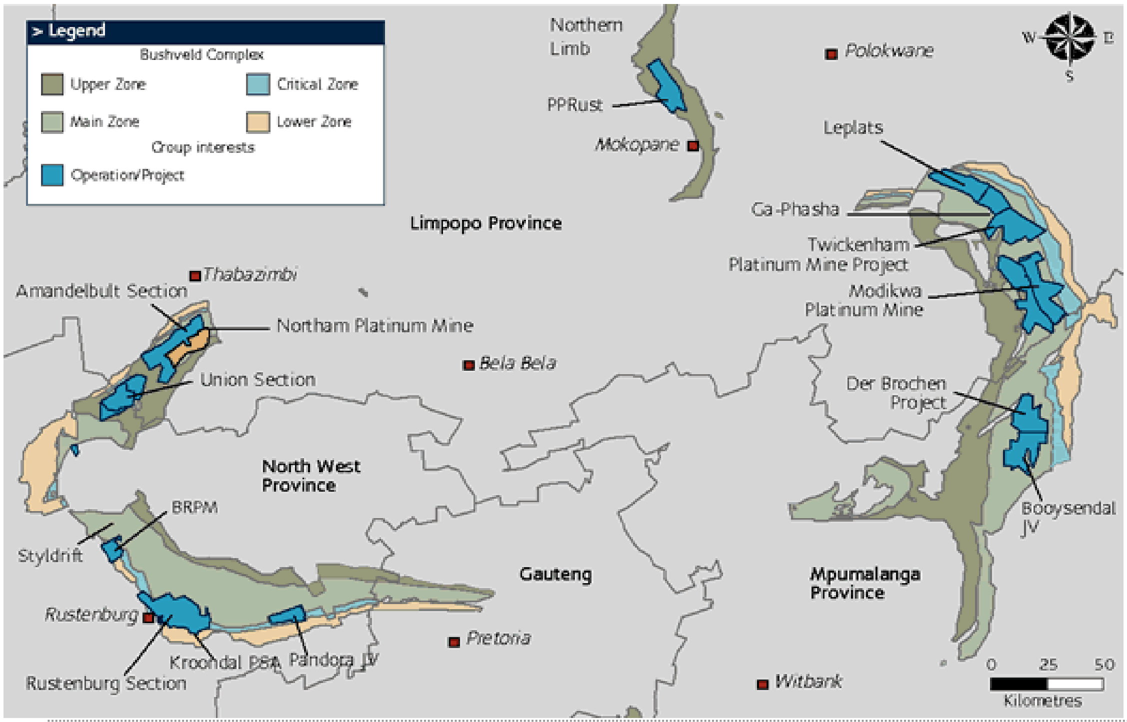
The major issue with regards to the mining of platinum is to be able to produce platinum below the cost of platinum, which is currently very low at $1,223, despite the favorable exchange rate. In the North West province it is becoming difficult to produce platinum below the market price due to the mines being very deep and labor intensive. To be able to reduce production costs mining houses are focusing on mechanization and cheaper production cost mining operation. This can result in retrenchments and closing of mines.

The usual demand and supply model is not yielding results and it is believed that above surface stocks are very high.

6.1 Platinum and Palladium Reserves

The PGM deposits are hosted by two distinct but unique ultramafic layered intrusions: the Bushveld Complex in South Africa and the Great Dyke in Zimbabwe.
Total PGM Resources present within these two geological features account for approximately 85% of the world's known platinum and 55% of the world's known palladium.

MAP OF THE BUSHVELD COMPLEX



According to Prof R. Grant Cawthorn; School of Geosciences, University of the Witwatersrand 2010, there are enough platinum group element deposits in the Bushveld Complex in South Africa to supply world demands for many decades or even a century using current mining techniques. Demonstrated reserves and resources published by mining companies make detailed calculations up to a maximum of about twenty years ahead, but there is abundant and adequate geological evidence that these deposits continue far beyond where mining companies have proven according to rigorous international reporting codes.

For each 1 km of depth into the Earth in the Bushveld Complex there is in the order of 350 million oz of platinum. For comparison, annual production of platinum from the Bushveld Complex currently is only around 5 million oz.

The distinction between ‘reserves’, ‘resources’ and ‘deposits’ needs to be explained.

- Mining companies may only publish ‘reserves’ and ‘resources’ of platinum as it indicates what has been rigorously quantified in the short- to medium-term mining plans of companies.
- A mineral ‘**reserve**’ is an ore body for which adequate information exists to permit confident extraction.
- A mineral ‘**resource**’ is an ore body for which there are reasonable and realistic prospects for eventual extraction.
- To determine deposits demands an in-depth (and expensive) evaluation and is not justified. In the case of deposits in the Bushveld Complex there is simply no need to rigorously quantify them at this point in time, because there are adequate proven reserves already identified.

6.2 Future Mining Projects in the North West Province

An article by M. Creamer (Mining Weekly, 2011) reported that there are currently six major platinum projects, collectively worth more than R46-billion on the western limb of the Bushveld Complex, in the Rustenburg area. Three of the shafts are owned by Impala Platinum projects and the other three by Anglo Platinum (Thembelani project, Royal Bafokeng Platinum's Styldrift project and Wesizwe's Bakubung Platinum mine). Wesizwe have since been taken over by a Chinese / South African partnership. In some cases, UG-2 was originally mined; however plants are being redesigned and optimized to accommodate higher platinum-content Merensky ore to be mined as well. The Western Limb also has a Tailings Retreatment Project (near Brakspruit Shaft) in place which is ahead of schedule. This project will yield additional refined platinum and palladium.

6.3 Applications of Platinum Group Metals

The following quotes were taken from various articles that support beneficiation of platinum:

A 2012 paper in scientific journal Ore Geology Reviews notes that: "Platinum group elements (PGEs) are increasingly finding important uses in a variety of environmentally related technologies, such as chemical process catalysts (especially oil refineries), catalytic converters for vehicle exhaust control, hydrogen fuel cells, electronic components, speciality medical uses, jewellery, or investment.

South Africa is well placed to meet future fuel cell demand by virtue of its geographic location (it houses 75% of known global reserves) and relatively strong research institutions. (Source: SA sitting pretty on potential platinum powerhouse; by Ross Harvey, August 11 2014)

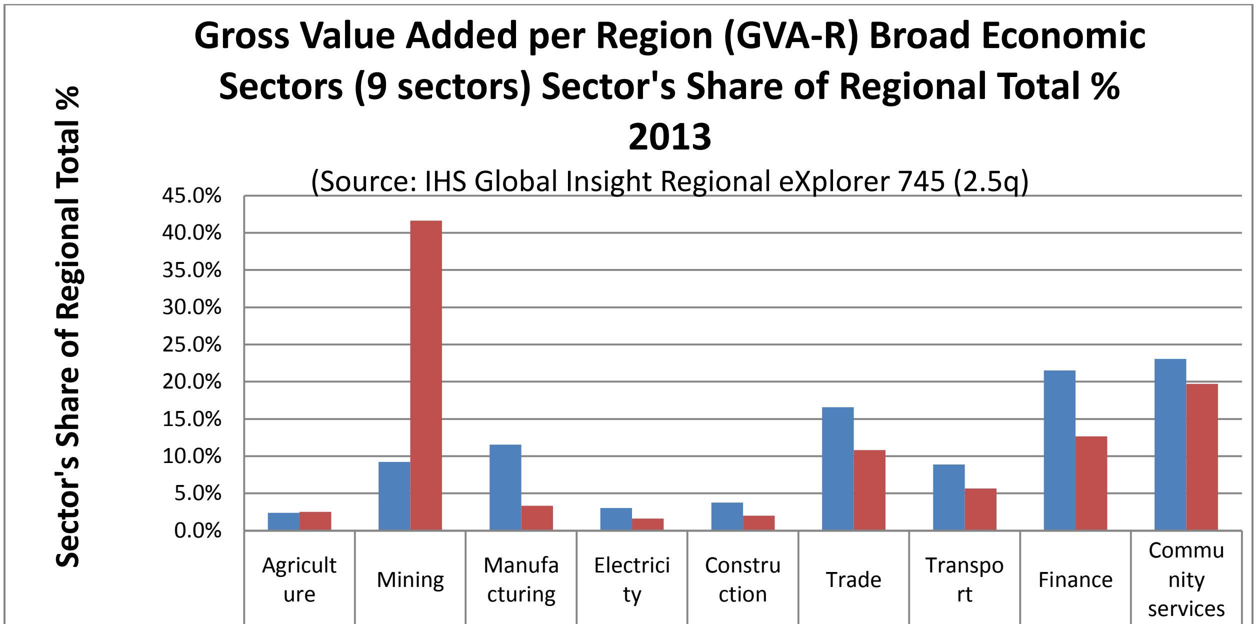
The only real competitive advantage the local automotive industry has over international competitors is the availability of natural resources in the country. "We have to ask ourselves, why would anyone want to come here to produce cars? What makes us better?"
"The beneficiation of our mineral resources is key."

Van Zyl also questions why South African manufacturers should pay dollar-based prices for commodities, such as steel, produced at a rand cost base.Also, with South Africa having 80% of the world's platinum reserves, why "do we only have 15% of the world's catalytic converter market, and not 40%?"

He notes that the manufacturing industry in South Africa is declining, with the motor industry now contributing 30% to domestic manufacturing, which he regards as "scary".
(Source: Dr Johan Van Zyl; National Association of Automobile Manufacturers of South Africa president and CEO Toyota South Africa Motors – 16 October 2014)

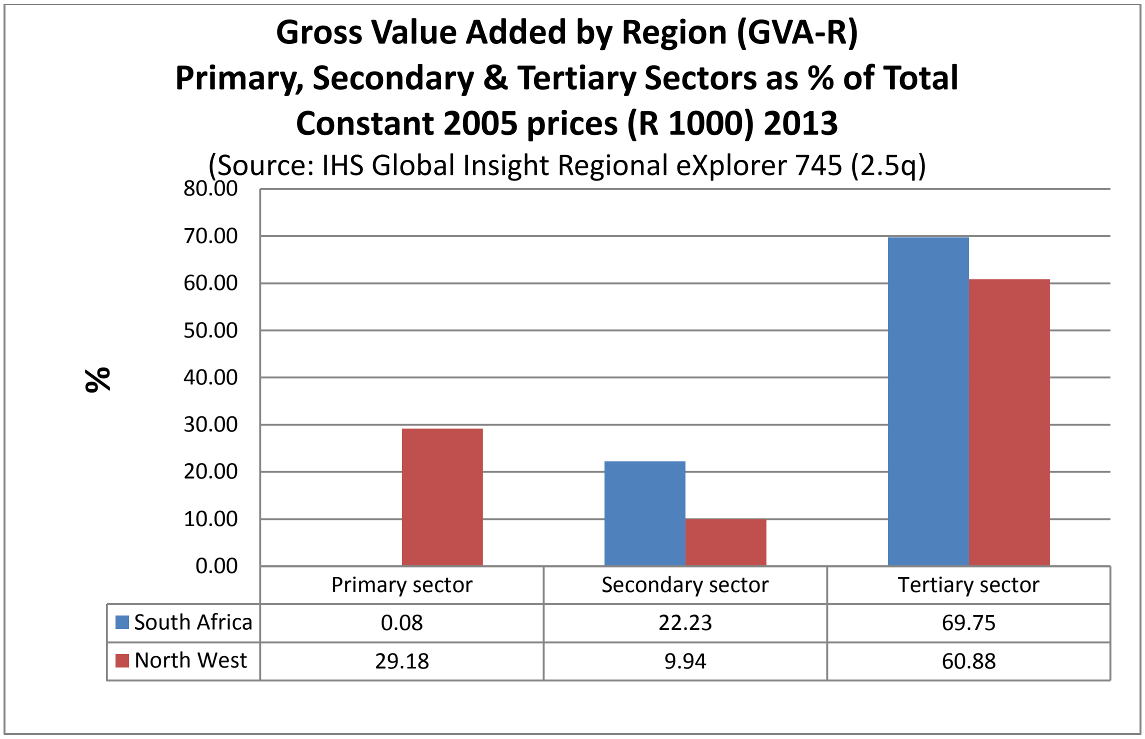
6.4 Statistical Mining Information

The statistical information below indicates that the mining sector dominates the North West economy which indicates that the economy must be diversified and also suggests that beneficiation of the minerals is a natural value addition activity.

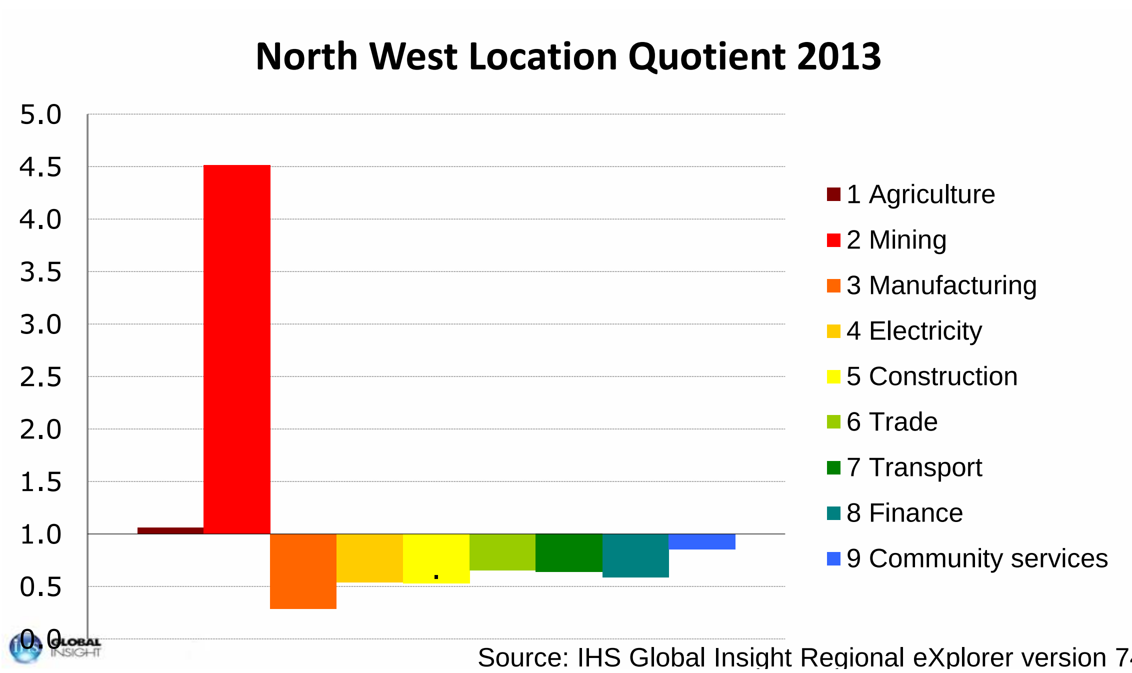


	Agriculture	Mining	Manufacturing	Electricity	Construction	Trade	Transport	Finance	Community services
2013 South Africa	2.4%	9.2%	11.6%	3.0%	3.7%	16.6%	8.9%	21.5%	23.1%
2013 North West	2.5%	41.7%	3.3%	1.6%	2.0%	10.8%	5.7%	12.7%	19.7%

- Contribution from the primary sector is equivalent to 18.87% of SA's primary sector GVA-R, which is the largest contribution of all nine provinces.
- Contribution from the tertiary sector is equivalent to only 4.52% of SA's tertiary sector GVA-R.
- Contribution from the secondary sector is equivalent to only 2.32% of SA's secondary sector GVA-R. Given the developments in Africa's economic powerhouse, Gauteng, **A STRATEGIC OPPORTUNITY** exists for the expansion of the secondary sector in North West



	Primary sector	Secondary sector	Tertiary sector
South Africa	0.08	22.23	69.75
North West	29.18	9.94	60.88



6.5 The Mineral Beneficiation Action Plan

The Mineral Beneficiation Action Plan (MBAP), which is currently in draft form, should be finalised by the end of March 2015, the Department of Trade and Industry (DTI) has confirmed. The department is leading the drafting process, which also involves the National Treasury, the Economic Development Department, the Department of Mineral Resources (DMR) and the Department of Science and Technology. Trade and Industry Minister Rob Davies says his department will this year work on the Minerals Beneficiation Action Plan, which will be a component of the Industrial Policy Action Plan (IPAP). The Economic Sectors, Employment and Infrastructure Development Cluster announced that the MBAP would seek to advance "local value-addition across five mineral value-chains, namely, iron-ore and steel, platinum-group metals, polymers, titanium and mining inputs".

The main objective of the MBAP was to break down the objectives of the 'Beneficiation Strategy' into incremental and achievable targets. It would also seek to identify specific policies and projects to enable South Africa to leverage its "comparative resource advantage to build a dynamic industrial economy".

Some elements of the plan would be incorporated into the mineral beneficiation section of the 2015/16 version of the rolling Industrial Policy Action Plan (IPAP), which is overseen by the DTI. But the other departments would also play a role in implementation, with the IPAP mainly focusing on the project components.

He confirmed, however, that the MBAP did not specifically define what government termed "developmental prices" for inputs such as steel and polymers. However, it would address access to and pricing of inputs into the selected value chains. "This will not be limited to mineral inputs only but the others as well," Strachan explained, referring specifically to skills, electricity and logistics.

Minister Rob Davies has stated "We do not have the luxury of debating whether to beneficiate our mineral wealth. We must harness the collective industrial capabilities of SA firms to map how to beneficiate and what enabling policies or support measures are required to ensure this happens successfully and for the benefit of all South Africans." The DTI remains convinced that there are real opportunities to be realised in the beneficiation space and invites all stakeholders to participate.

The Role the North West Can Play

2 of the 5 prioritized mineral value chains are the backbone of the North West Province's economy, thus it is important that we interrogate the forthcoming IPAP and see how best the SEZ will maximize the potential and diversify our provincial economy with R&D as well as mineral beneficiation.

Source

- **http://www.sanews.gov.za/south-africa/dti-gears-minerals-beneficiation-plan**
- **http://www.polity.org.za/article/five-mineral-value-chains-prioritised-in-south-africas-draft-beneficiation-plan-2014-11-21**

6.6 World Platinum Investment Council

Six of the world's biggest platinum producers have launched a dedicated body, the World Platinum Investment Council, to promote the precious metal as an investment vehicle.

Anglo American Platinum, Aquarius Platinum, Impala Platinum, Lonmin, Northam Platinum and Royal Bafokeng Platinum will fund WPIC to develop an active investment market for platinum, it said.

Between them, the six companies produced nearly 70 percent of world supply of mined platinum last year.

Industry and banking sources said last week that the WPIC was being set up to try to boost sales in the face of falling prices. Spot platinum has slid 12 percent this year.

Paul Wilson, a former advisory partner at management consultants Bain & Company, has been named as the WPIC's chief executive. It will produce data and analysis on the market researched by SFA Oxford

7. ENERGY PROFILE OF AFRICA

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

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.

Power to shape the future

A severe shortage of essential electricity infrastructure is undermining efforts to achieve more rapid social and economic development. For the minority that has a grid connection today, supply is often unreliable, necessitating widespread and costly private use of back-up generators running on diesel or gasoline. Electricity tariffs are, in many cases, among the highest in the world and, outside South Africa, losses in poorly maintained transmission and distribution networks are double the world average. Reform programmes are starting to improve efficiency and to bring in new capital, including from private investors, and grid-based generation capacity quadruples in our main scenario to 2040, albeit from a very low base of 90 GW today (half of which is in South Africa). Urban areas experience the largest improvement in the coverage and reliability of centralised electricity supply. Elsewhere, mini-grid and off-grid systems provide electricity to 70% of those gaining access in rural areas. Building on successful examples of electrification programmes, such as those in Ghana and Rwanda, the total number without access starts to decline in the 2020s and 950 million people gain access to electricity by 2040 – a major step forward, but not enough. More than half a billion people, mainly in rural areas, remain without electricity in 2040.

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. Hydropower accounts for one-fifth of today's power supply, but less than 10% of the estimated technical potential has been utilised. The Democratic Republic of Congo, where only 9% of the population has access to electricity, is an example of the co-existence of huge hydropower potential with extreme energy poverty. Political instability, limited access to finance, small market size and weak transmission connections with neighbouring countries have all held back exploitation of hydro resources. These constraints are gradually being lifted, not least because of greater regional co-operation and the emergence of China, alongside the traditional lenders, as a major funder of large infrastructure projects. New hydropower capacity in the Democratic Republic of Congo, Ethiopia, Mozambique and Guinea, among others, plays a major role in bringing down the region's average costs of power supply, reducing the share of oil-fired power. **Other renewables, led by solar technologies**, make a growing contribution to supply, with a successful auction-based procurement programme in South Africa showing how this can be achieved cost effectively. **Geothermal** becomes the second-largest source of power supply in East Africa, mainly in Kenya and Ethiopia. Two-thirds of the mini-grid and off-grid systems in rural areas in 2040 are powered by solar photovoltaics, small hydropower or wind. As technology costs come down, the attraction of renewable systems versus diesel generators grows (although they are often used in combination), especially where financing is available to cover the higher upfront expense.

Bioenergy is at the heart of the energy mix

Bioenergy use – mainly fuelwood and charcoal – outweighs demand for all other forms of energy combined, a picture that changes only gradually even as incomes rise. Four out of five people in sub-Saharan Africa rely on the traditional use of solid biomass, mainly fuelwood, for cooking. A 40% rise in demand for bioenergy to 2040 exacerbates strains on the forestry stock, with efforts to promote more sustainable wood production hindered by the operation of much of the fuelwood and charcoal supply chain outside the formal economy. Scarcity, along with efforts to make alternative fuels like liquefied petroleum gas available, results in some switching away from wood use, especially in towns. Promotion of more efficient **biomass cookstoves** reduces the health effects of pollution from indoor smoke. Nonetheless, 650 million people – more than one-third of an expanding population – still cook with biomass in an inefficient and hazardous way in 2040.

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. Nigeria is the richest resource centre of the oil sector, but regulatory uncertainty, militant activity and oil theft in the Niger Delta are deterring investment and production, so much so that Angola is set to overtake Nigeria as the region's largest producer of crude oil at least until the early 2020s. The value of the estimated 150 thousand barrels lost to oil theft each day – amounting to more than $5 billion per year – would be sufficient to fund universal access to electricity for all Nigerians by 2030.

A host of smaller producers such as South Sudan, Niger,Ghana, Uganda and Kenya see rising output; but, by the late 2020s, production in most countries – with the exception of Nigeria – is in decline. Additions and upgrades to refining capacity mean that more of the region's crude supply is processed locally. With regional production falling back from above 6 million barrels per day (mb/d) in 2020 to 5.3 mb/d in 2040, but demand for oil products doubling to 4 mb/d – an upward trend amplified in some countries by subsidised prices – the result is to squeeze the region's net contribution to the global oil balance.

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. The incentives to use gas within sub-Saharan Africa are expected to grow as power sector reforms and gas infrastructure projects move ahead but, for the moment, as much gas is flared as is consumed within the region. More than 1 trillion cubic metres of gas has been wasted through flaring over the years, a volume that – if used to provide power – would be enough to meet current sub-Saharan electricity needs for more than a decade. In the main scenario, natural gas nearly triples its share in the energy mix to 11% by 2040. Nigeria remains the region's largest gas consumer and producer, but the focus for new gas projects also shifts to the east coast and to the huge offshore discoveries in Mozambique and Tanzania. The size of these developments and remoteness of their location raises questions about how quickly production can begin, but they provide a 75 billion cubic metre (bcm) boost to annual regional output (which reaches 230 bcm in total) by 2040, with projects in Mozambique larger in scale and earlier in realisation. East coast LNG export is helped by relative proximity to the importing markets of Asia, but – alongside the benefits from an estimated $150 billion in fiscal revenue to 2040 – both countries are determined to promote domestic markets for gas, which will need to be built from a very low base.

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. Development of new coal resources is hindered in many cases by their remoteness and the lack of suitable railway and port infrastructure, considerations that also affect the outlook for South Africa as the existing mining areas close to Johannesburg start to deplete. Much of the 50% increase in regional output is used locally, often for power generation, with coking coal from Mozambique the only major new international export flow. Prospects for coal are also limited by policy: South Africa, the dominant player in African coal, is seeking to diversify its power mix with renewables, regional hydropower projects, gas and eventually additional nuclear capacity all playing a role in bringing the share of coal in power output down from more than 90% today to less than two-thirds by 2040. But coal's relatively low cost remains an asset in societies concerned about the affordability of electricity.

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. An oil price above $100 per barrel produces a continued windfall for resource-rich countries – the cumulative $3.5 trillion in fiscal revenue is higher than the $3 trillion that is invested in all parts of the region's energy supply to 2040 – but few guarantees that this revenue will be re-invested efficiently, while the region's oil product import bills grow, along with vulnerability to supply interruptions. Sub-Saharan Africa is also in the front line when it comes to the impacts of a changing climate, even though it continues to make only a small contribution to global energy-related CO_2 emissions; its share of global emissions rises to 3% in 2040. But the main challenges arise within the region, including not only the needs of a fast-growing population but also the impact of weak institutions, a difficult climate for investment, and technical and political barriers to regional trade. Overall, our main scenario outlines an energy system that expands rapidly, but one that still struggles to keep pace with the demands placed on it. And, for the poorest, while access to modern energy services grows, hundreds of millions – particularly in rural communities – are left without.

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. Although still not achieving universal access to electricity for all of the region's citizens by 2040, the outcome is an energy system in which uninterrupted energy supply becomes the expectation, rather than the exception. Unreliable power supply has been identified by African enterprises as the most pressing obstacle to the growth of their businesses, ahead of access to finance, red tape or corruption. Relieving this uncertainty helps every dollar of additional power sector investment in the African Century Case to boost GDP by an estimated $15.

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.

A reduction in the risks facing investors, as assumed in the African Century Case, makes oil and gas projects more competitive with production in other parts of the world, allowing more of them to go ahead; and a higher share of the resulting fiscal revenue is used productively to reverse deficiencies in essential infrastructure. Electricity trade more than triples as more regional projects advance: 30% of the extra investment in the power sector goes to Central Africa, helping to unlock more of the huge remaining hydropower capacity and connect it to the rest of the continent. The addition of relatively low-cost electricity keeps the average costs of supply down, even as power demand rises by almost one-third.

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

8. 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.

9. RESEARCH AND DEVELOPMENT ACTIVITY REPORT

9.1 Research and Development Annual Unit Plan

The Annual Research and Development Unit Plan for 2014 2015 was submitted to the CEO in Quarter 2.

9.2 Subscriptions

No subscriptions were procured this quarter.

9.3 Studies Outsourced/Purchased

Information that is not available through subscriptions or desktop research needs to be purchased or commissioned.

It is important to avoid duplication and therefore the NWDC Research and Development Unit liaises with the mother department, the Department of Economic and Enterprise Development (DEED), The North West Planning Commission (NWPC) as well as the North West University (NWU) to support them with the studies that fall within their mandates. The intention is that the NWDC amongst others also identify their needs and commission studies that build on existing research.

The Office of the Premier has signed a MoU with the NWU on Research that will be utilized to commission studies to the NWU.

9.3.1 Support to DEED

After NWDC supported DEED with a Regional Economic Review: Current Realities in the North West; A Report on the Trade and Development research niche areas study commissioned to NWU with the purpose to identify unique opportunities for each district municipality based on their locational advantages, delivered to DEED by 28 March 2014, a new study proposal as phase two is being conducted ***Towards an Integrated Manufacturing Strategy for the North West province.***

9.3.2 Support NWPC

NWDC Research and Development Unit is a member of the Inter Departmental Research Forum (IDPRF) convened by the by North West Planning Commission.

9.3.3 NWDC

A proposal was submitted to the CEO for NWDC Incentive Research and the questionnaire has been compiled.

9.3 4 Geographical Information Systems (GIS)

NWDC is also exploring Geographical Information Systems (GIS) to assist in supplying information to be able to create interactive maps with relevant provincial information especially with regards to NWDC and investment opportunities.

9.4 Desktop Studies/ Intelligence

9.4.1 Intelligence

Desktop studies were conducted and intelligence gathered and distributed on request and as general information distribution on the following and are included in the portfolio of evidence:

- Medium Term Strategic Framework 2014 to 2019
- Coal Fired Power Stations IPP Equipment

- Ebola in Graphics
- Reserve Bank Quarterly Reports
- Johnson Matthey Technology Report
- Information on SADC Energy Supply
- Opportunity to supply to leading American OEM
- NWDC Updated Generic Presentation
- Toyota Hydrogen Car
- Platinum Game Changer 10 Nov 2014
- Platinum Investment Promotion Body Launch 21 Nov 2014
- Platinum Reserves Oct 2014
- SA GDP Better in Q3 25 Nov 2014
- State Owned Companies and Enterprises
- Summaries of Platinum Reserves
- Labour Force Survey Q3 2014
- Bodirelo Property Analyses
- SA property report Nov 2013
- SA GDP Q3 2014
- BER Economic Snapshot – Nov 2013
- Mineral Beneficiation Action Plan
- North West Detailed Mining Sector figure

9.4.2 International Reports including FDI and Global Competitiveness

See points 3 and 4 of this report.

9.5 Engagement and/or participation in events with Economic Community, Research related meetings, Conferences, Workshops, IPA's, World Economic Forum, WAIPA

- Meeting with British Companies at JCCI 7 Oct 2014
- Attend NW provincial Government and NWU Research Showcase and chair session on Trade and Investment 21-23 Oct 2014
- Meet with EU Ambassador on NWDC cooperation 3 Nov 2014
- Attend Electricity Grid Infrastructure Strategic Environmental Assessment Workshop EGI SEA Workshop and submit Platinum SEZ documentation to be recorded 17 Nov 2014
- Attend the IDPRF meeting 27 and 28 November 2014
- Assist South African Reserve Bank with the Presentation of the Exporters Round Table and the Monetary Policy Forum 2 December 2014
- Meet with NWU on NWDC and NWU Innovation Initiative 3 December 2014
- Meet with EU Economic Counsellors 8 December 2014

10. CHALLENGES

Knowledge Management function without a Knowledge Management Specialist.

11. RECOMMENDATIONS AND POSSIBLE SOLUTIONS TO CHALLENGES

Appointment of Knowledge Management Specialist
Unit plans need to be approved and integrated based on the directives of the new leadership.

RESEARCH AND DEVELOPMENT UNIT
Economic Data Report Q2 2014 2015

PORTFOLIO OF EVIDENCE INDEX
(Any of the documents below can be made available on request)

	INDICATOR: ACTIVITY (REPORTING CYCLE)	**DOCUMENTS**
1	**Economic Data Report (**Quarterly)	
2	**Research Activities**	
2.1	Research and Development Annual Unit Plan	Q2
2.2	Subscriptions	
2.3	Studies Outsourced/ Purchased	1. Attend Task Team Meeting with NWU, FEED and NWDC on the study commissioned to NWU by DEED on ***Towards an Integrated Manufacturing Strategy for the NW – Innovation through Diversity 28 November 2014***
2.4	Desktop Studies/ Intelligence	
2.4.1	*Intelligence*	1. Medium Term Strategic Framework 2014 to 2019 2. Coal Fired Power Stations IPP Equipment 3. Ebola in Graphics 4. Reserve Bank Quarterly Reports 5. Johnson Matthey Technology Report 6. Information on SADC Energy Supply 7. Opportunity to supply to leading American OEM 8. NWDC Updated Generic Presentation 9. Toyota Hydrogen Car 10. Platinum Game Changer 10 Nov 2014 11. Platinum Investment Promotion Body Launch 21 Nov 2014 12. Platinum Reserves Oct 2014 13. SA GDP Better in Q3 25 Nov 2014 14. State Owned Companies and Enterprises 15. Summaries of Platinum Reserves 16. Labour Force Survey Q3 2014 17. Bodirelo Property Analyses 18. SA property report Nov 2013 19. SA GDP Q3 2014 20. BER Economic Snapshot – Nov 2013 21. Mineral Beneficiation Action Plan 22. North West Detailed Mining Sector figure
2.4.2	*International Reports including FDI and Global Competitiveness*	Contained in Economic Data Report
2.4.3	*Country Briefs*	
2.4.4	*Bilateral Agreements signed between the North West Province/South Africa and other Countries*	
2.4.5	*SOPA and DEED Budget Speeches Summarised*	1. Q2

2.5	Engagement and/or participation in events with Economic Community, Research related meetings, Conferences, Workshops, IPA's, World Economic Forum, WAIPA	1. Meeting with British Companies at JCCI 7 Oct 2014 2. Attend NW provincial Government and NWU Research Showcase and chair session on Trade and Investment 21-23 Oct 2014 3. Meet with EU Ambassador on NWDC cooperation 3 Nov 2014 4. Attend Electricity Grid Infrastructure Strategic Environmental Assessment Workshop EGI SEA Workshop and submit Platinum SEZ documentation to be recorded 17 Nov 2014 5. Attend the IDPRF meeting 27 and 28 November 2014 6. Assist South African Reserve Bank with the Presentation of the Exporters Round Table and the Monetary Policy Forum 2 December 2014 7. Meet with NWU on NWDC and NWU Innovation Initiative 3 December 2014 8. Meet with EU Economic Counsellors 8 December 2014

Report Submitted By **Date: 12 December 2014**

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