Regional Economic Review

Current realities in the North West Province

Phase 1 – Update of NWP Sectoral Overview and Context

4 June 2015

Prepared for:

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North West Provincial Government

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High level outline

- Background
- Project purpose and objectives
- Context on:
  - economic
  - socio-economic
  - resources landscape
- Summary inputs for strategy development
- Questions

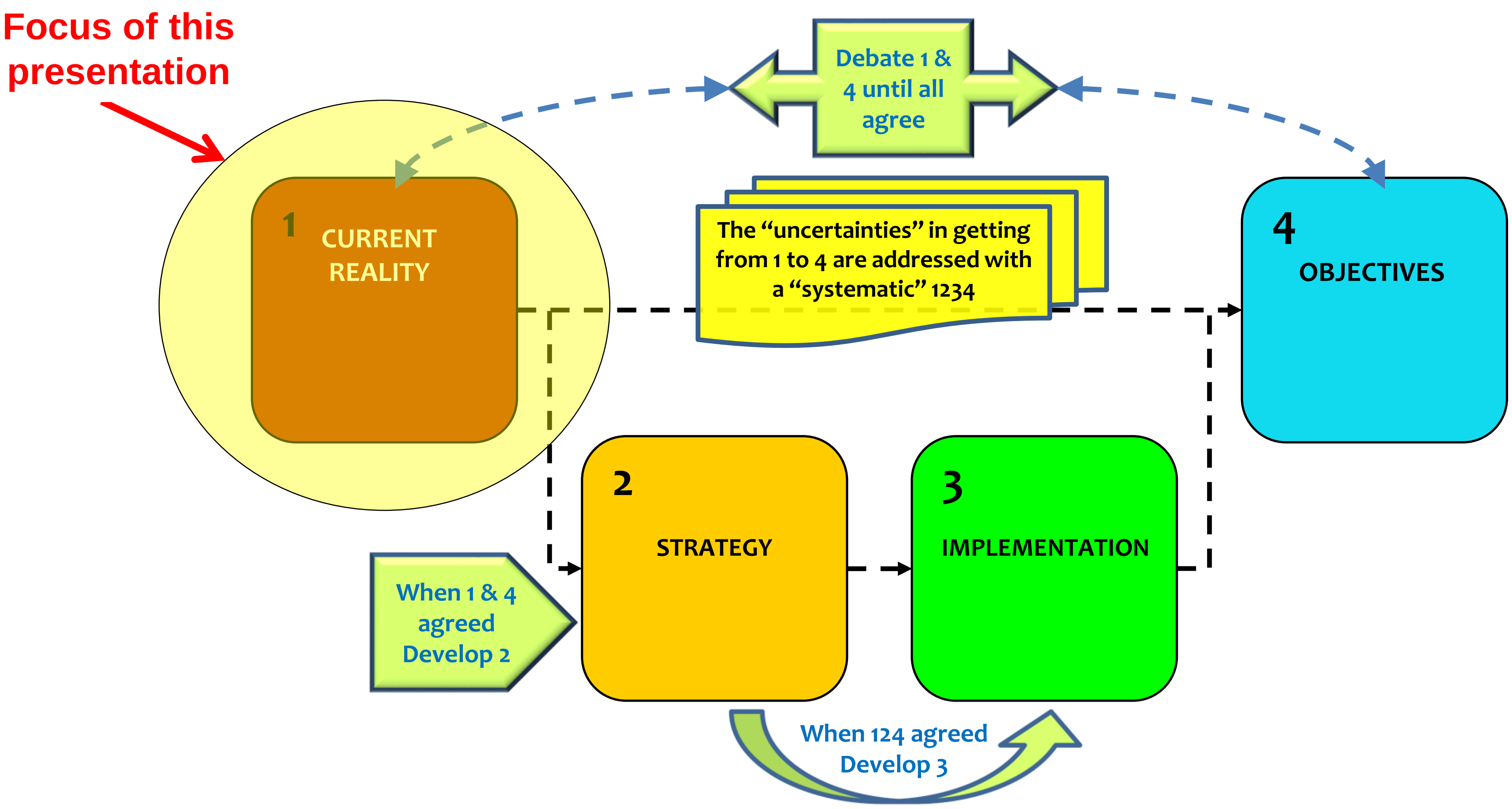
Why this project?

Background

Background

- The FEED is focused towards improving their ways of stimulating economic growth by embarking on more meaningful approaches to meet the world, national and regional economic development challenges.
  - Such a focused approach requires an integrated strategy which should be guided by clear research and approaches.
- Long term strategic planning for growth and development in the province should provide a clear and feasible goal for:
  - Identifying the **gap** between today and future goals
  - Developing a **pathway** and areas of action
  - Clarifying the **business perspective**
  - Quantifying **market potential**
  - Agreeing on **action points** and **next steps**

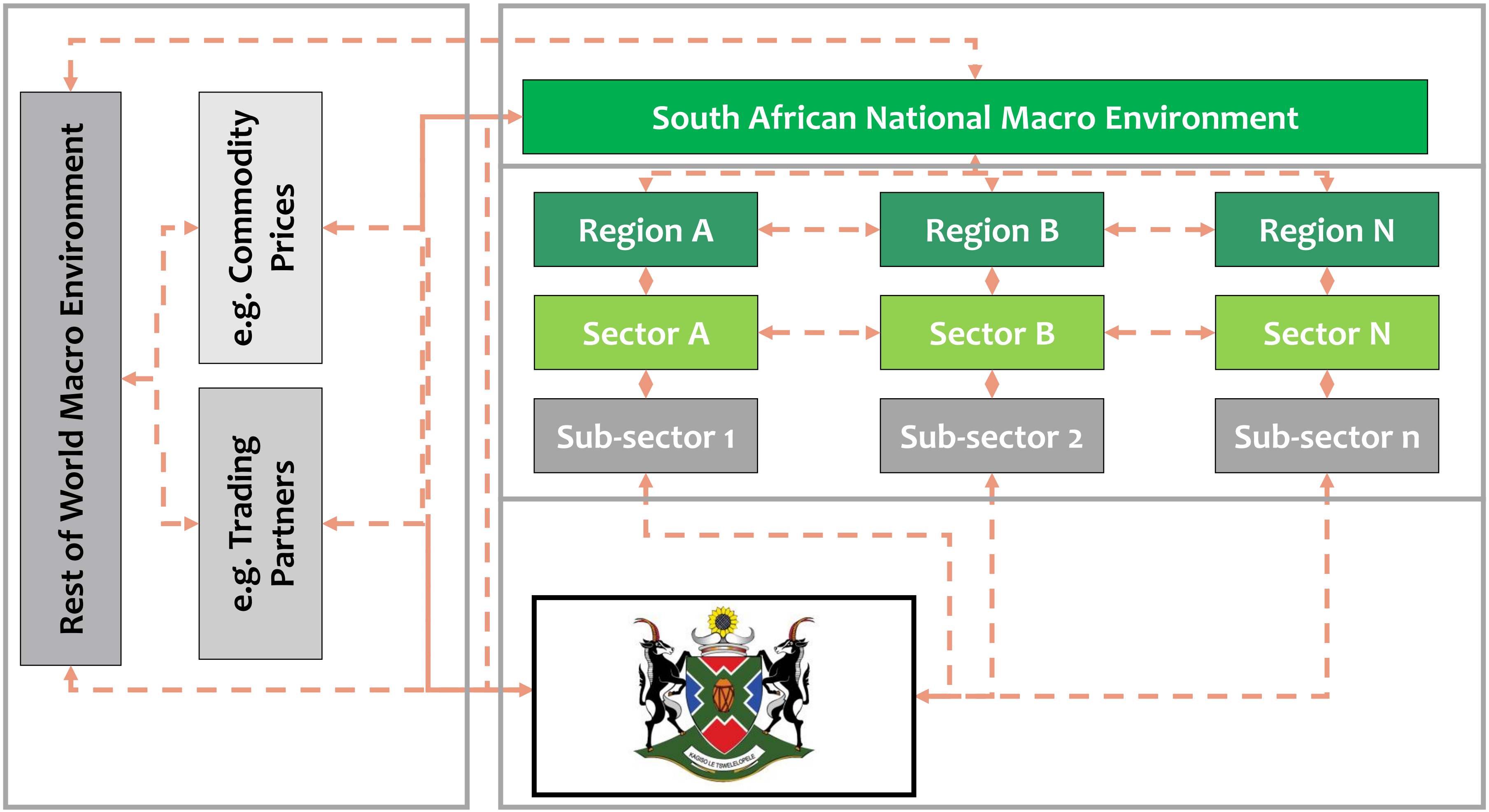
Strategy development – a practical approach



Project purpose and objectives

- **Purpose:** a first step to provide context for future strategy development and decision making.
- **Objectives:** To provide said context by specifically focusing on:
  - Describing the overall and sectoral trends in the NWP economy;
  - Provide insights into sub-regional aspects of the economy and identify key economic drivers; and
  - Describe key relationships between the economy, the natural environment and quality of life factors.

The bigger picture – provide context



Cautionary note on data

- Data presented and analysed regarding the *status quo* report in this presentation were obtained from various sources.
- Due to the fact that updating of the data takes place throughout the year, it is important to highlight that…
  - …information presented in this *updated status quo* presentation **reflects data that were available at the time** of updating the presentation, i.e. during the **second quarter of 2015**.
- Where possible (in this presentation) the most recent data were used.
- Due a lack of firm-level data, the lowest level of disaggregation / detail is at an activity or sectoral level.

Today's discussion…

Part 1:
Demographic and socio-economic

Part 2:
Resource and infrastructure

Part 3:
Economic performance

Part 4:
The way forward

Part 1:

Demographic and socio-economic

Demographic and socio-economic overview

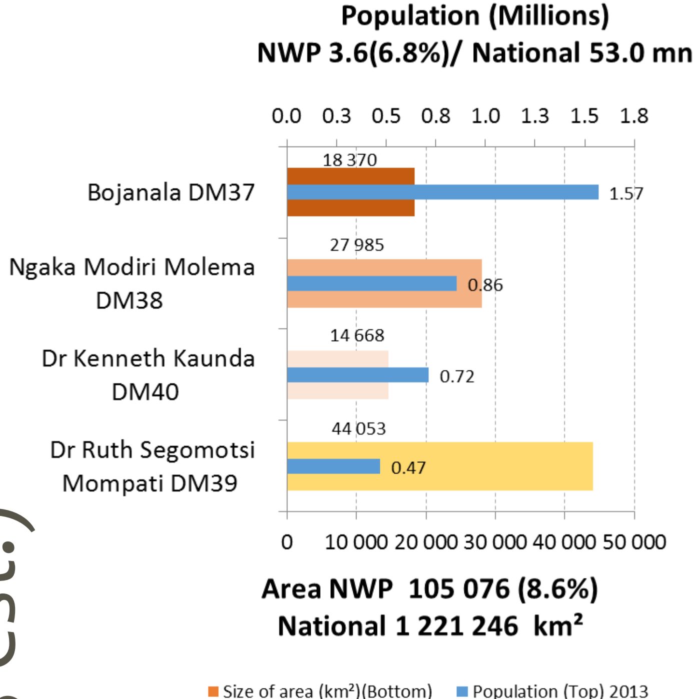
- **Why** a demographic and socio-economic overview?
  - To get a **proper understanding** of **economic performance** and to **flesh out economic opportunities**, need to be familiarised with the production structure of each region
  - One of the **factors driving economic growth** in any region is the level of socio-economic development
  - Similar, the **level of socio-economic development** is **fundamental** for future planning and subsequent growth prospects
  - Important for understanding the **interrelated linkages** between the socio-economic setting in the province and the potential impact thereof…
    - o …not only on current but also future economic performance.

NWP at a glance

Based on the **latest 2015 data:**

- Covers 105 076 km² or 8.6 % of the total surface of South Africa
- The province is divided into four districts and 21 local municipalities
- Population is 3.6 million and population density of 34.4 (national at 43.4 \ Gauteng at 698.0)
- HDI at 0.59 (national at 0.64 \ Gauteng at 0.71)
- Per capita income at R45.9 thousand p/a (national at R55.9 \ Gauteng at R81.9)

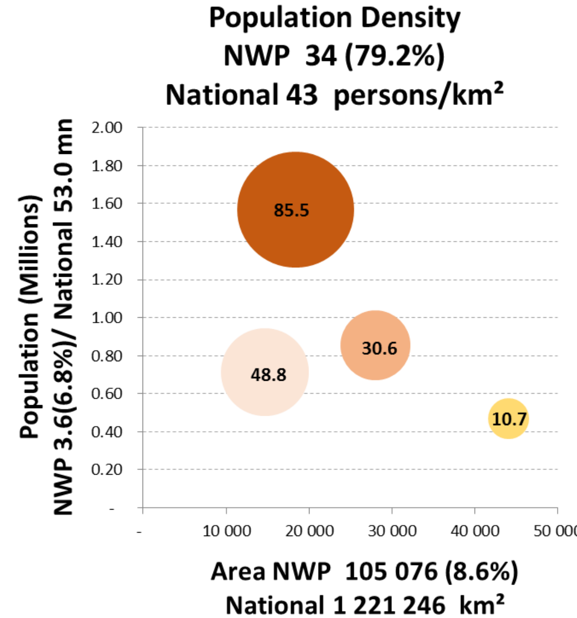
Geographic / Demographic (2013 est.)

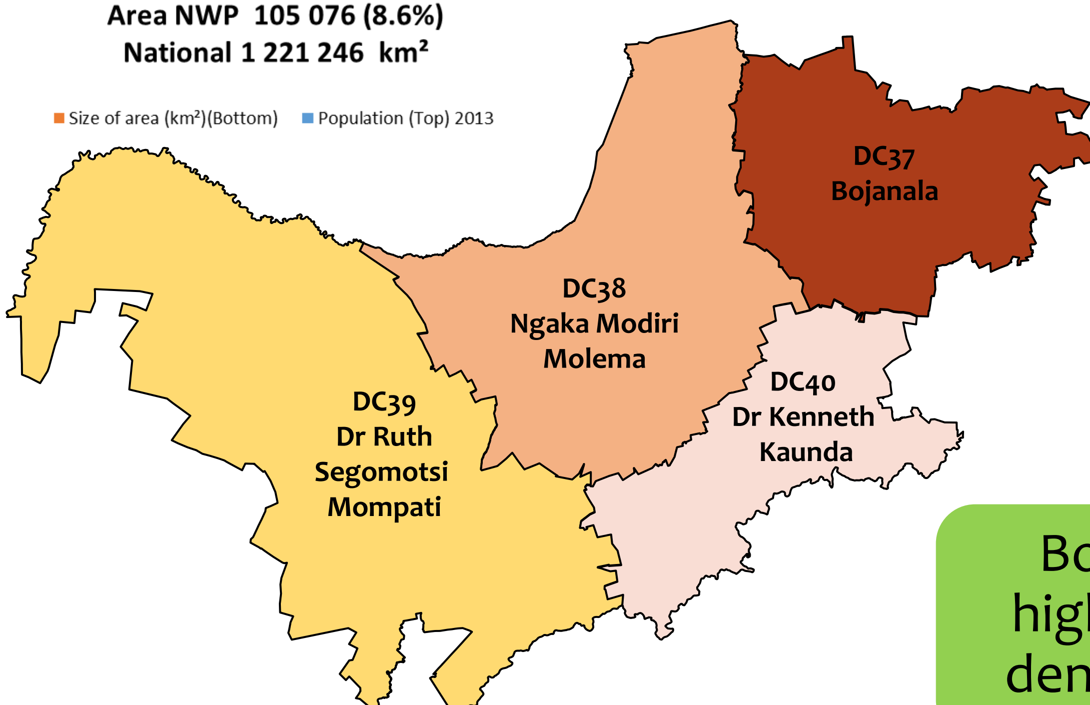


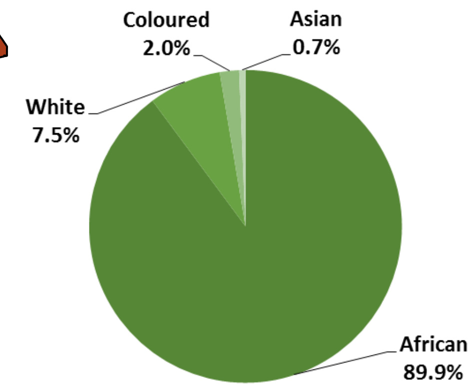
Avg Δ 5 Years (%)

Population (National 1.4%)

2.4%
0.9%
1.5%
0.9%
NWP 1.6%

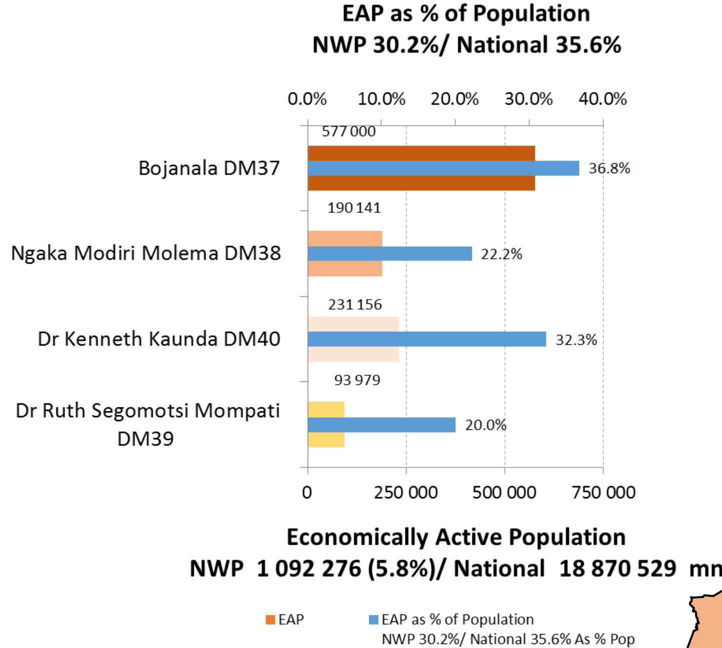






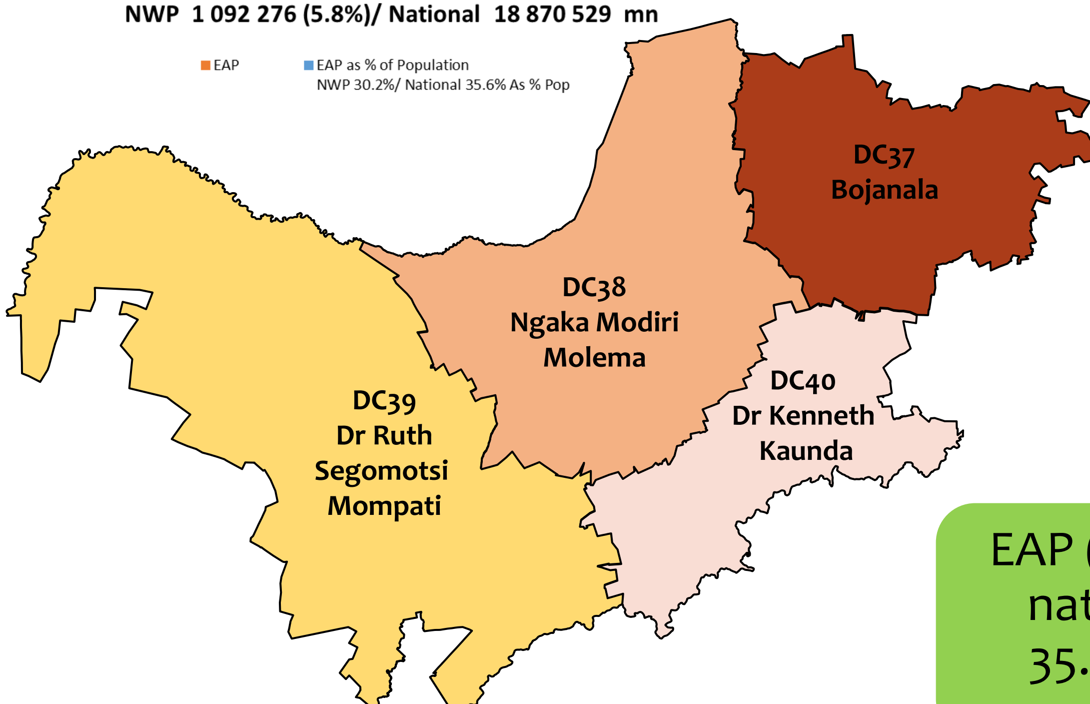
Bojanala (DM37) highest population density and growth

Economically Active Population (EAP 2013 Est.)



Avg Δ 5 Years (%)
EAP
(National 0.7%)

0.2%
-2.4%
-2.0%
-2.0%
NWP -1.0%



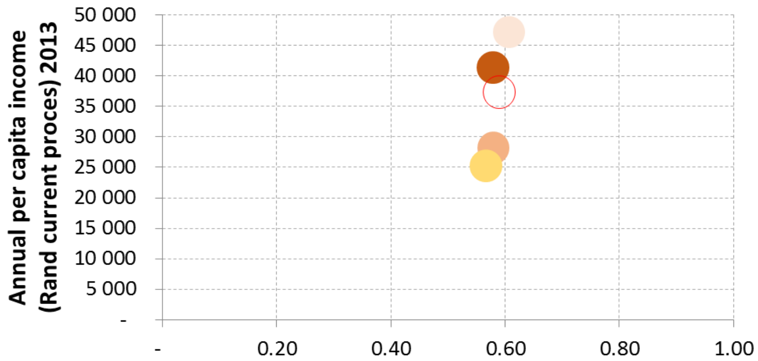
EAP (30.2%) lower than national average of 35.6% and declining

HDI

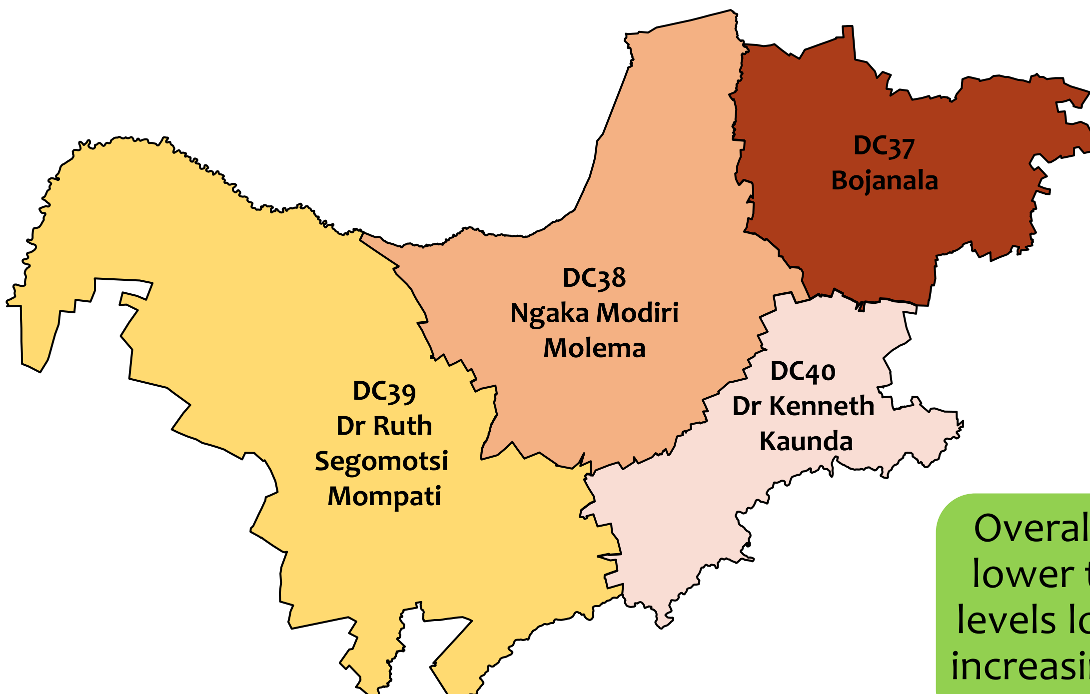
- Based on measures of literacy, income and life expectancy
- Functional literacy – population group older than 20 years of age; at least completed grade 7

Area	Population group	HDI		
		2008	**2013**	**% Δ (2008-2013)**
BPDM	African	50.53%	58.48%	2.96%
	White	85.21%	87.32%	0.49%
	Coloured	59.19%	65.43%	2.03%
	Asian	73.75%	75.98%	0.60%
NMMDM	African	43.38%	51.32%	3.42%
	White	84.75%	86.89%	0.50%
	Coloured	56.19%	62.52%	2.16%
	Asian	74.00%	76.47%	0.66%
RSMDM	African	39.09%	47.92%	4.16%
	White	84.05%	86.45%	0.56%
	Coloured	48.57%	57.73%	3.52%
	Asian	71.99%	75.56%	0.97%
KKDM	African	47.35%	55.33%	3.16%
	White	84.03%	87.16%	0.73%
	Coloured	57.12%	64.23%	2.37%
	Asian	71.79%	75.07%	0.90%

HDI – Income & Income Distribution (2013 Est.)



	Avg Δ 5 Years (%) Annual per capita income (National 7.3%)	Avg Δ 5 Years (%) Gini (National -0.9%)
	8.1%	-1.0%
	7.1%	-1.4%
	8.3%	-0.5%
	8.3%	-1.3%
	NWP 8.1%	NWP -0.9%



Overall NWP Gini coefficient lower than National, income levels lower than National but increasing faster than National

HDI

- Life expectancy is…
- Influenced by various factors i.e. environmental, health and healthcare, etc.
  - HIV/AIDS – provincial estimate 11.9% compared to the 10.4% nationally and 9.5% in Gauteng
  - HIV/AIDS prevalence considering EAP = 19.8%
- Nonetheless, improvement in health and healthcare has contributed towards a higher life expectancy, i.e. 58 compared to the 56 years of age in 2008.

Social grants

- Approximately 16.4 million people in South Africa benefit from social grants.
- 1.15 million or 7.0% reside in the NWP.
- Majority (88%) of benefits are CSG (Child Support Grant – 68%) or OAG (Old Age Grant – 20%).
- Although not easily quantifiable; it can be argued that social grants (SG) make a positive contribution towards an improved socio-economic status of the province.
- On the other hand, automatic reliance on SG could easily send the NWP past the tipping point of endurable dependence, eroding civil society as citizens become dependent on government, instead of the other way around.

Labour market

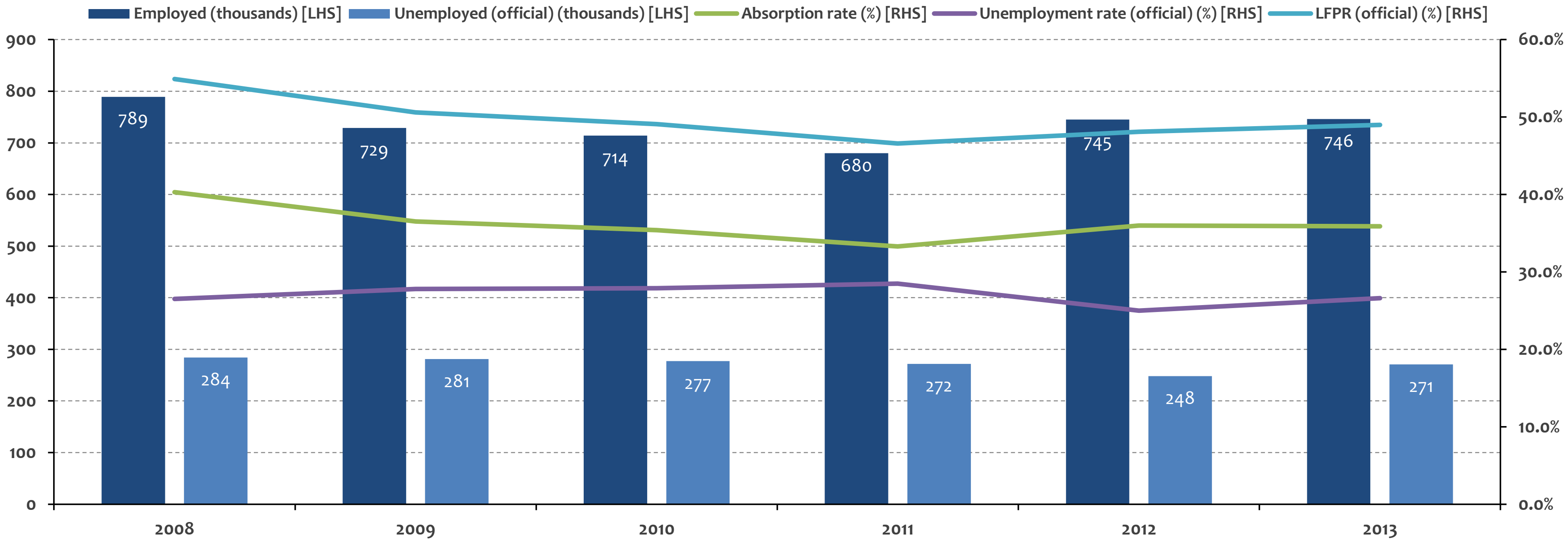
- The NWP **employed 741 899 people in 2013**, of whom **13.6% or 101 057** people were **employed in the informal sector**. Economic sectors with the **largest employment numbers** were **government / community services, mining**, and **wholesale and retail trade**.
- **Since 2008 (and since the post-crisis period)**, the **mining sector** has experienced **diminishing employment growth.**
  - This is a **concern** particularly given the fact that it is the **largest economic sector in the NWP** that also **supports 20.6%** of the **provincial employment**.
- While the **production output** in the **mining sector declined** in the past few years, the **number of jobs created by it has been increasing**.
  - Moreover, the **expansion of the agricultural GDPR** coincided with the **contraction of its employment numbers**.

Labour market

- The NWP's **unemployment rate** was **26.2% in 2013,** which was the **5th highest unemployment rate in the country**. While the unemployment rate has remained fairly stable since 2008, the actual number of unemployed in NWP has decreased.
- **Employment in the agricultural and mining sector has shrunk** in both the **NMMDM** and **RSMDM**.
- The **lowest unemployment rate** among the districts in the NWP was in **BPDM (24.5%)**, while the **highest unemployment rate** was in **NMMDM (29.7%)**.
- All but one (i.e. KKDM) of the districts' unemployment rates have decreased since 2008, as well as the **actual number of unemployed population**.

Labour market dynamics

- Over the 5-year period, the number of employed people peaked at 789 000 in 2008 and remained above 780 000 until the onset of the global recession when it declined to 729 000 in 2009.
- **Employment** levels **declined** in both 2010 and 2011 before **recovering** to 745 000 and 746 000 in **2012 and 2013 respectively**.
- **Unemployment** was at its highest level in 2011 at 28.5%. **In 2012 the lowest rate over the 5-year period**.
- **Absorption rate** was highest in 2008 at 40.3%. The **expansion of employment in 2012** resulted in an **increase in the absorption rate** to 36.0% that year.
- **LFPR** declined from a peak of 54.9% in 2008 to a low of 46.6% in 2011. It **rose for two successive years thereafter – reaching 49.0% in 2013**.



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Growth in potential labour supply

- The growth rate in the potential labour force for NWP is close to 1.9%, with the growth rate in RSMDM being higher than the other areas.

Area	Participation rate (%)		Growth rate (%)	
	2008	2013	2008 - 2013 Labour	15 - 64 Years
BPDM	89.58%	81.72%	0.12%	1.85%
NMMDM	54.22%	53.60%	-1.81%	0.23%
RSMDM	46.76%	46.27%	-1.19%	0.21%
KKDM	79.94%	77.18%	-2.33%	0.70%
NWP	73.28%	69.69%	-0.88%	1.01%

Openness of NWP economy

- The **openness of the NWP's economy** has been **shrinking** over time with the **share of trade in GVA** having **decreased** from **19.2% in 2008** to **12.2% by 2013.**
- **NMMDM, RSMDM** and **KKDM economies opened up over this period** as opposed to **BPDM** and **NWP.**

Area	2008	2013
BPDM	26.6%	14.1%
NMMDM	2.3%	3.1%
RSMDM	1.3%	5.1%
KKDM	9.0%	14.5%
NWP	19.2%	12.2%

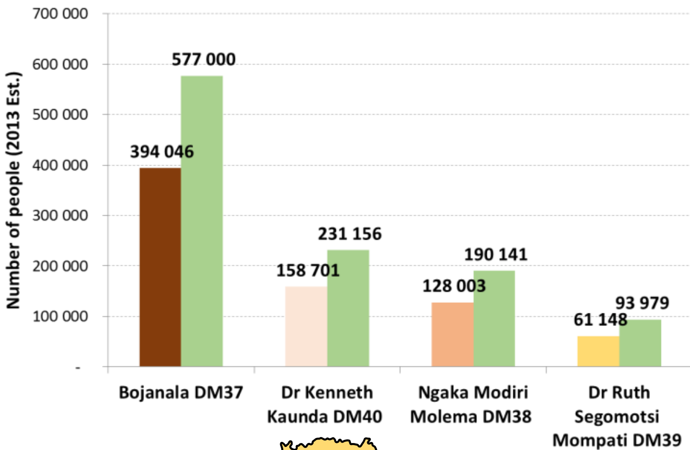
Employment in formal and informal sector, 2013

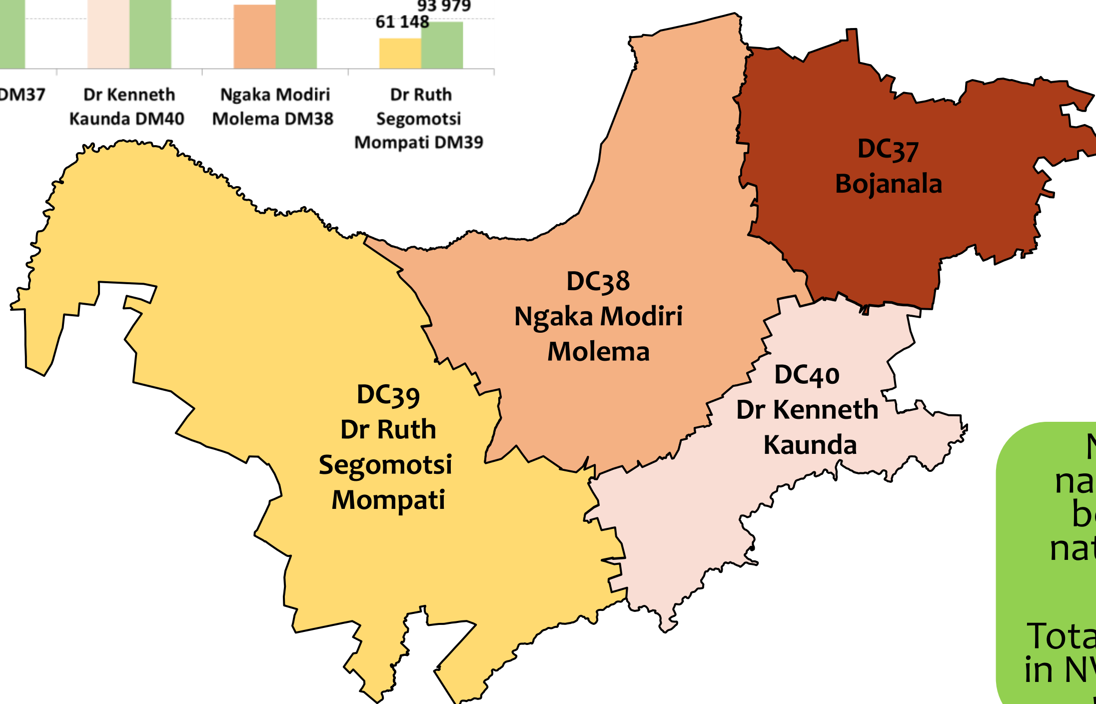
NWP		BPDM		NMMDM		RSMDM		KKDM	
Formal	*Informal*	*Formal*	*Informal*	*Formal*	*Informal*	*Formal*	*Informal*	*Formal*	*Informal*
640 842	101 057	342 032	52 015	109 656	18 347	51 764	9 384	137 389	21 312
86.38%	13.62%	86.80%	13.20%	85.67%	14.33%	84.65%	15.35%	86.57%	13.43%
Total: 741 899		**Total: 394 046**		**Total: 128 003**		**Total: 61 148**		**Total: 158 701**	
Labour Absorption:		*Labour Absorption:*		*Labour Absorption:*		*Labour Absorption:*		*Labour Absorption:*	
69.7%		81.7%		53.6%		46.3%		77.2%	

Employed people (formal and informal), 2008-2013

Economic Sector	Employment 2008-2013						2008-2013 Change*	2013 vs. 2008	Employment 2008-2013
	2008	2009	2010	2011	2012	2013			2008
Agriculture	36 931	34 835	31 616	29 247	28 533	30 430	-6 501	↙	36 931
Mining	163 105	146 310	146 086	155 968	165 205	153 160	-9 945	↙	163 105
Manufacturing	67 245	66 938	63 740	57 753	54 200	56 432	-10 813	↙	67 245
Electricity	2 987	2 726	2 366	2 754	3 610	3 938	951	↗	2 987
Construction	39 639	39 020	37 620	36 063	35 813	37 587	-2 052	↙	39 639
Trade	152 046	152 966	147 349	142 716	142 200	145 975	-6 071	↙	152 046
Transport	20 867	19 724	19 669	21 089	22 811	23 866	2 999	↗	20 867
Finance	75 667	74 364	69 815	65 394	63 142	65 961	-9 705	↙	75 667
Com. services	137 801	143 827	147 253	148 028	150 658	163 691	25 890	↗	137 801
Households	79 184	73 963	67 780	62 057	59 420	60 857	-18 327	↙	79 184
Total	775 471	754 673	733 293	721 068	725 591	741 899	-33 572	↙	775 471

Employed People (Formal & Informal)
NWP 741 899 (5.3%) / National 14 054 677





Avg Δ 5 Years (%)

Employed (Formal & Informal) (National 0.5%)

0.1%
-2.3%
-1.8%
-1.2%
NWP -0.9%

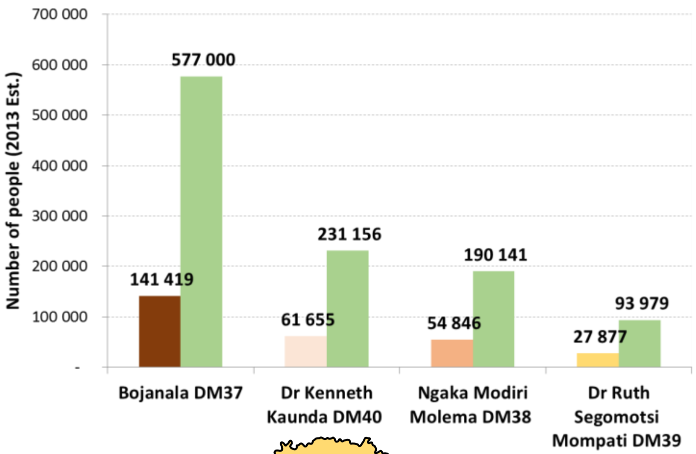
NWP contributes 5.3% of national employment, while being the home of 5.8% of national Economically Active Population

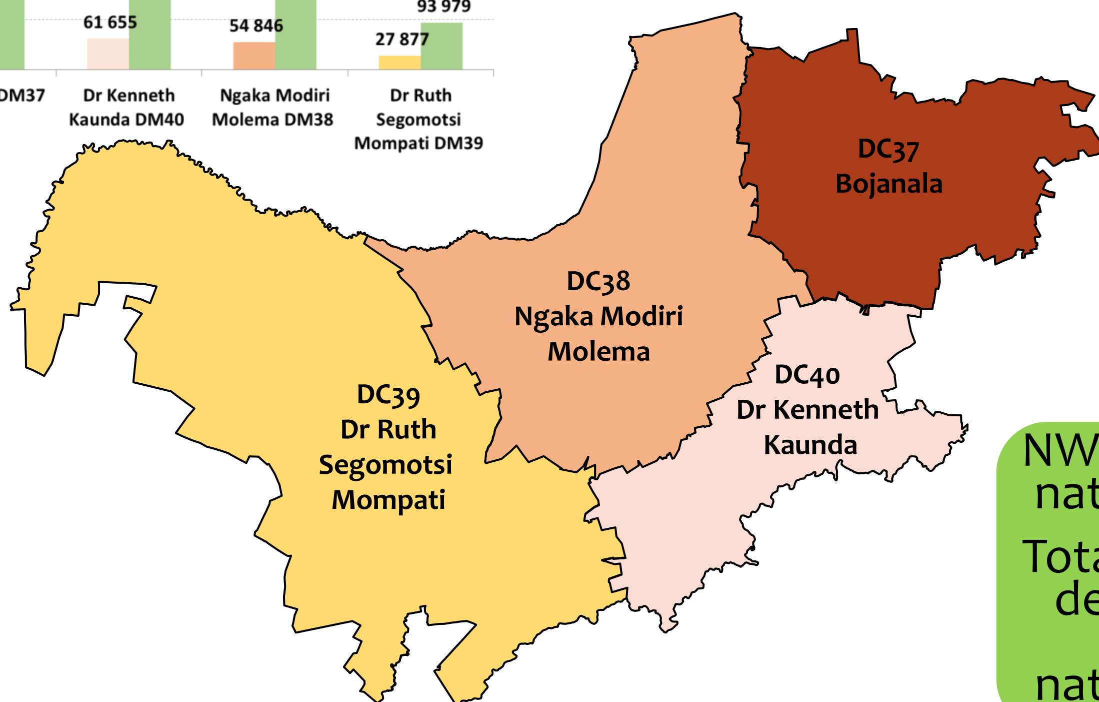
Total employment has declined in NWP (0.9% p.a.) compared to national of 0.5% growth

Unemployment – Official Definition (2013 Est.)

District Municipalities	Unemployment 2008-2013						2008-2013 Change	Unemployment rate (%)
	2008	2009	2010	2011	2012	2013		2013
BPDM	142 177	146 656	145 890	141 788	135 007	141 419	-758	24.5%
NMMDM	63 011	61 507	57 848	53 359	53 567	54 846	-8 165	28.8%
RSMDM	31 539	31 190	29 664	27 676	27 268	27 877	-3 662	29.7%
KKDM	61 360	61 794	59 995	56 933	60 943	61 655	295	26.7%
NWP	298 088	301 147	293 397	279 758	276 786	285 797	-12 291	26.2%

Unemployed People (Official Definition)
NWP 285 797 (6.1%) / National 4 722 615





Avg Δ 5 Years (%)

Unemployed People (Official Definition) (National 1.7%)

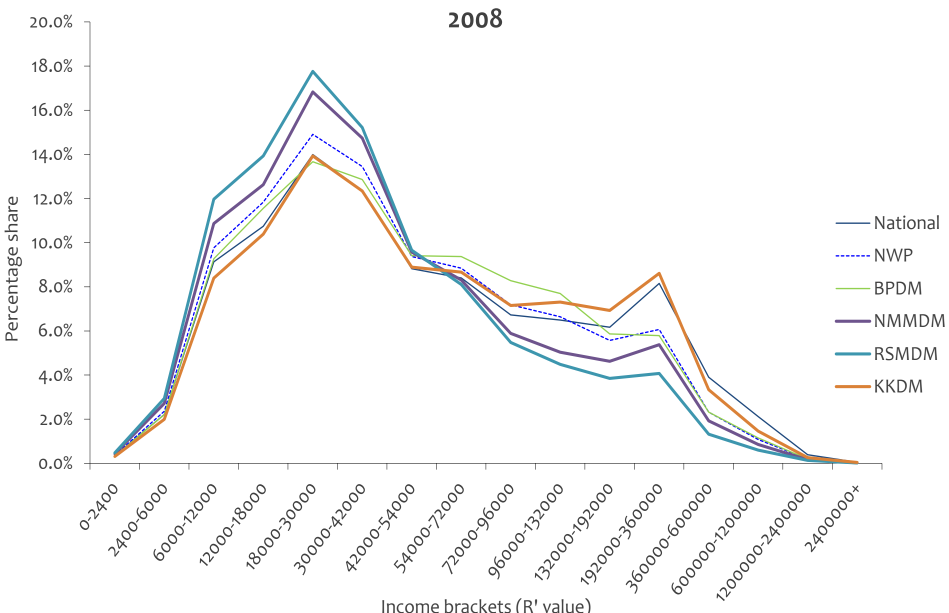
-0.1%
0.1%
-2.7%
-2.4%
NWP -0.8%

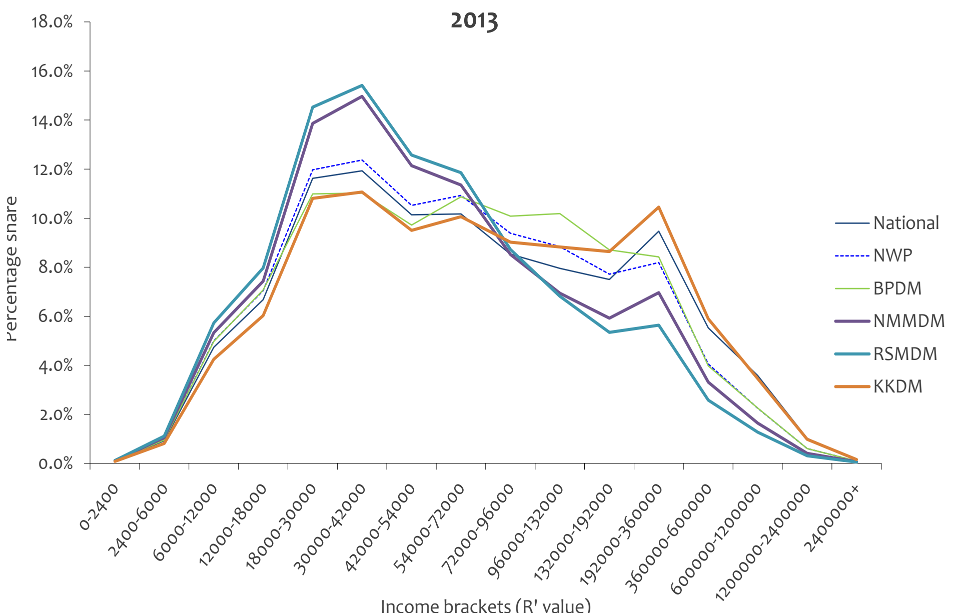
NWP accounts for 6.1% of national unemployment

Total Unemployment has declined in NWP (0.8% p.a.) compared to national increase of 1.7%

Households per income brackets

- Households hold a more equitable share in each income bracket in 2013 as opposed to 2008
- General shift towards middle income group (driven mainly by African and Coloured developing middle class)

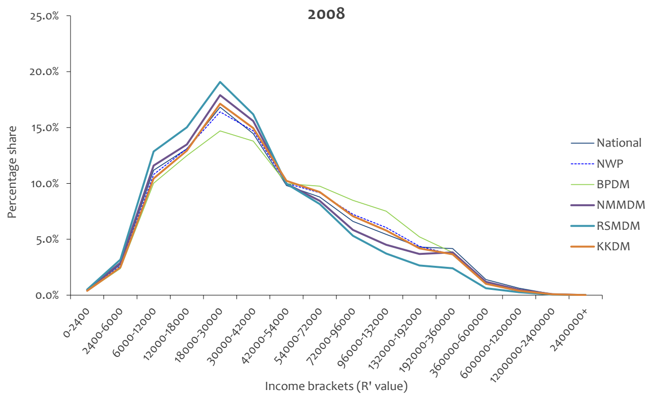


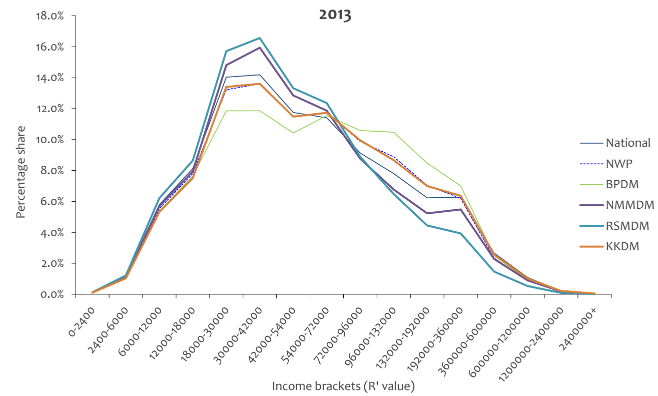


Households per income brackets

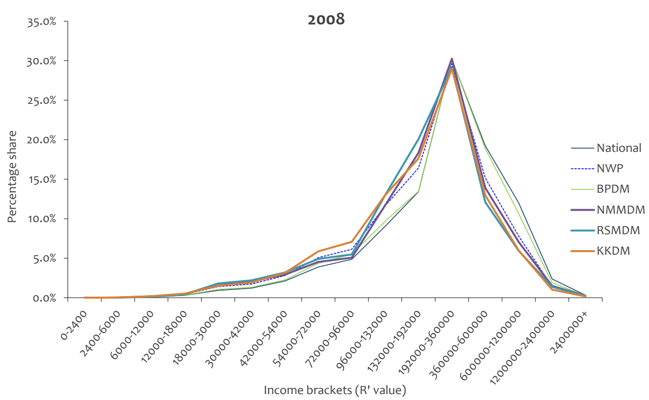
- A **noticeable change** is evident in the figures of distribution of **African** and **White** households in each income bracket between 2008 and 2013.

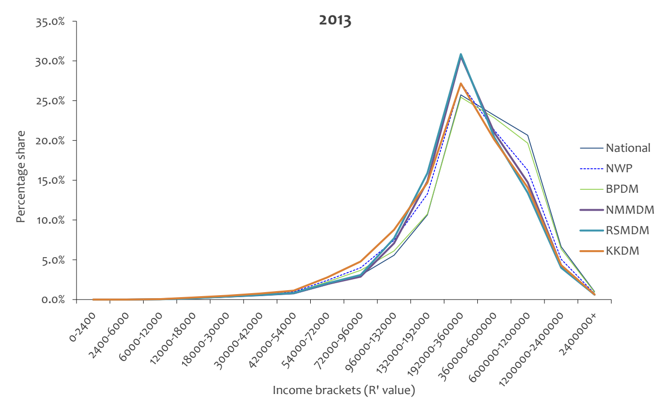
African





White

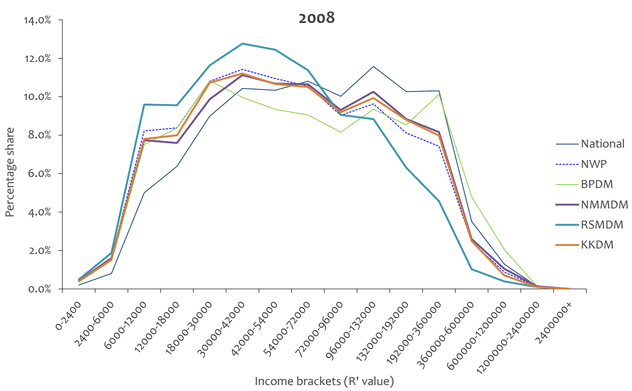


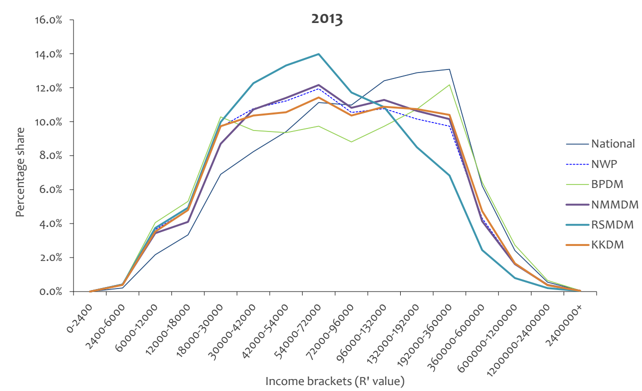


Households per income brackets

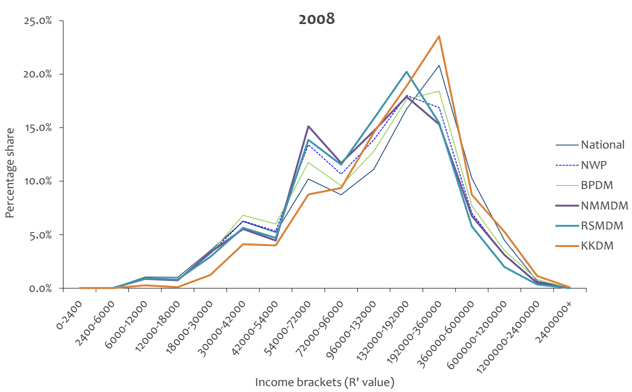
- **Coloured** household income figures also exhibited a tendency to **move towards a more equal distribution** in the different income brackets between 2008 and 2013.
- **Asian** households have shifted more into the **higher income** brackets.

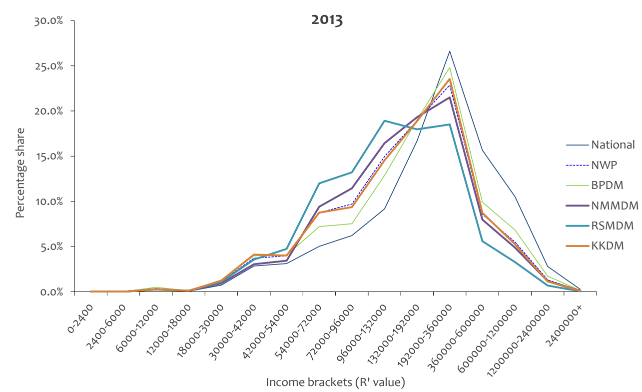
Coloured





Asian



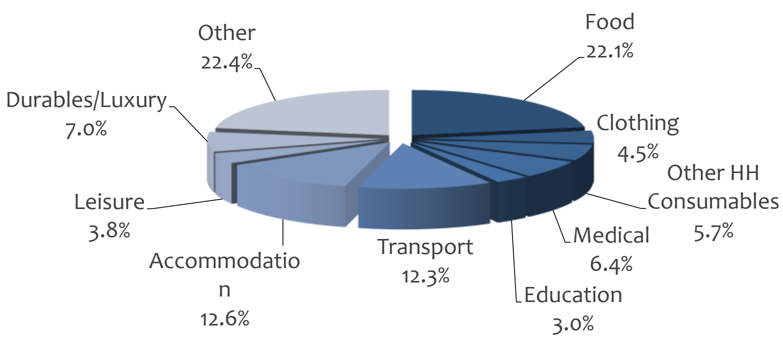


Spending patterns of disposable income

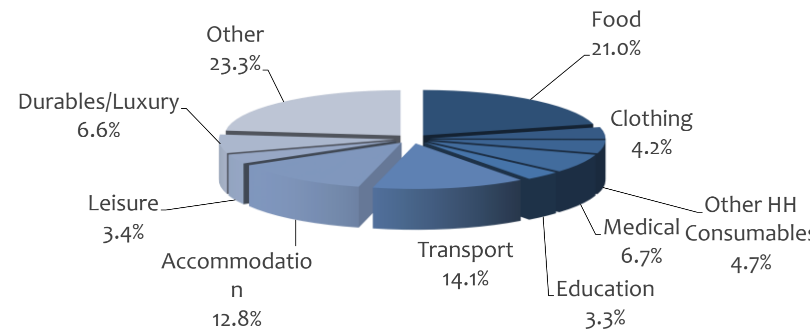
- Population changes per area 2008-2013

National

2008

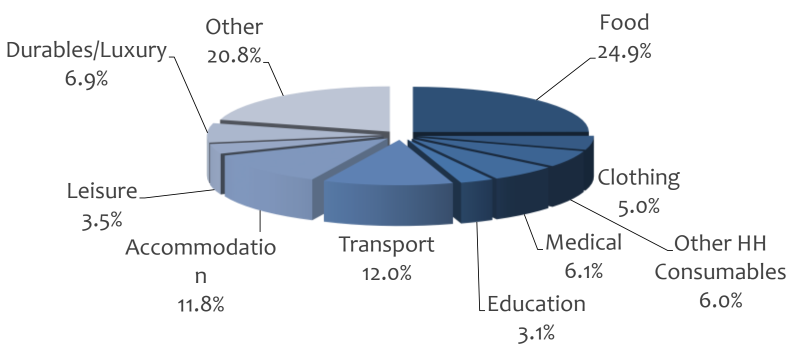


2013

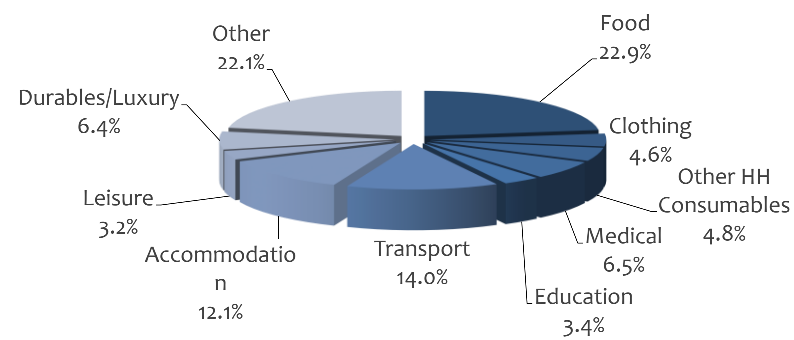


NWP

2008



2013

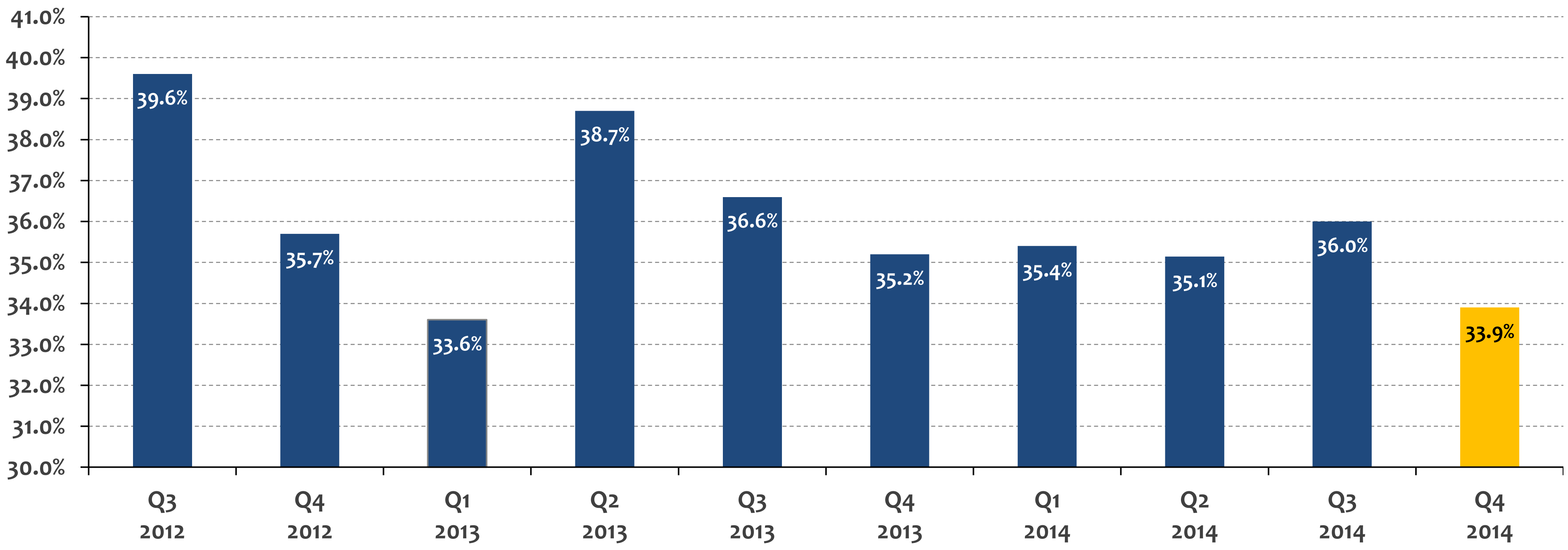


Spending patterns of disposable income

- In the various areas of the NWP one finds that a **large percentage of disposable income** is still **used to satisfy basic needs**.
- In addition, **spending patterns have remained fairly stagnant** over the course of the period under review.
- This probably indicates that **very few people** have actually reached a state in their lives where they can **live life at its optimum**.

Youth (NEET) in the NWP labour market

- Approximately 106 598 (33.9%) of the 314 448 provincial youth aged 15-24 years were not in employment, education or training in Q4: 2014. This indicates the vulnerability of this group.
- In the NWP (2.7 percentage points) the share of youth in long-term unemployment is lower than their share in unemployment.



Part 2:

Resource and infrastructure

Resource and infrastructure review

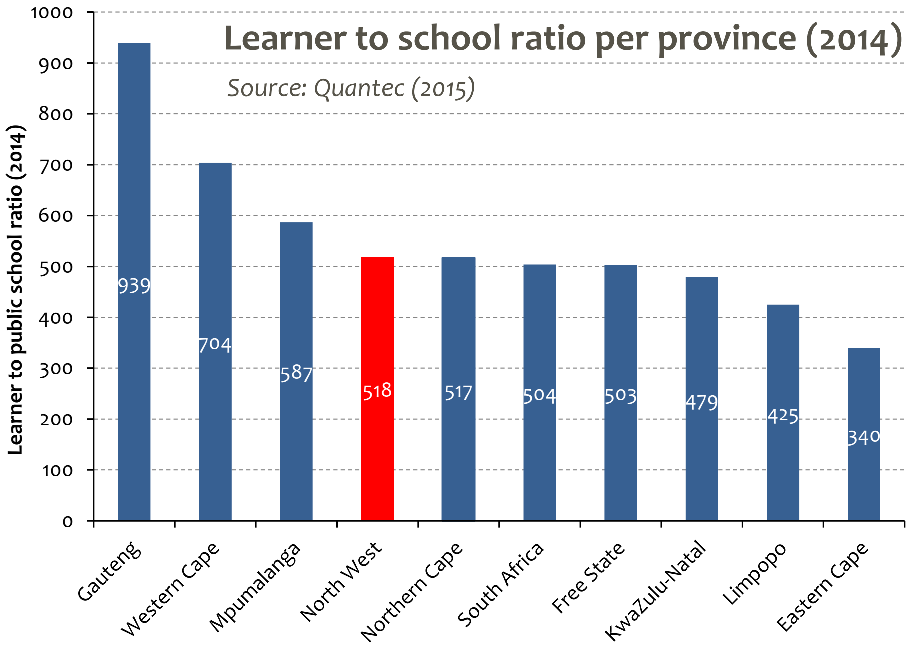
- Natural resources → inputs for production
- Physical infrastructure → linkages between economic activities
- Social infrastructure → development and welfare of human capital

Resource and infrastructure review

- Natural resources
  - High reliance on underground water resources
  - Severe pressure on water quality due to mining and industrial activities as well as from human settlements
  - Limited potential for the expansion of water intensive economic activities…
    - Besides through efficiency gains
  - Shifts in province’s biomes as a result of climate change will impact on land use
  - The vast mineral deposits open opportunities for the development of upstream activities

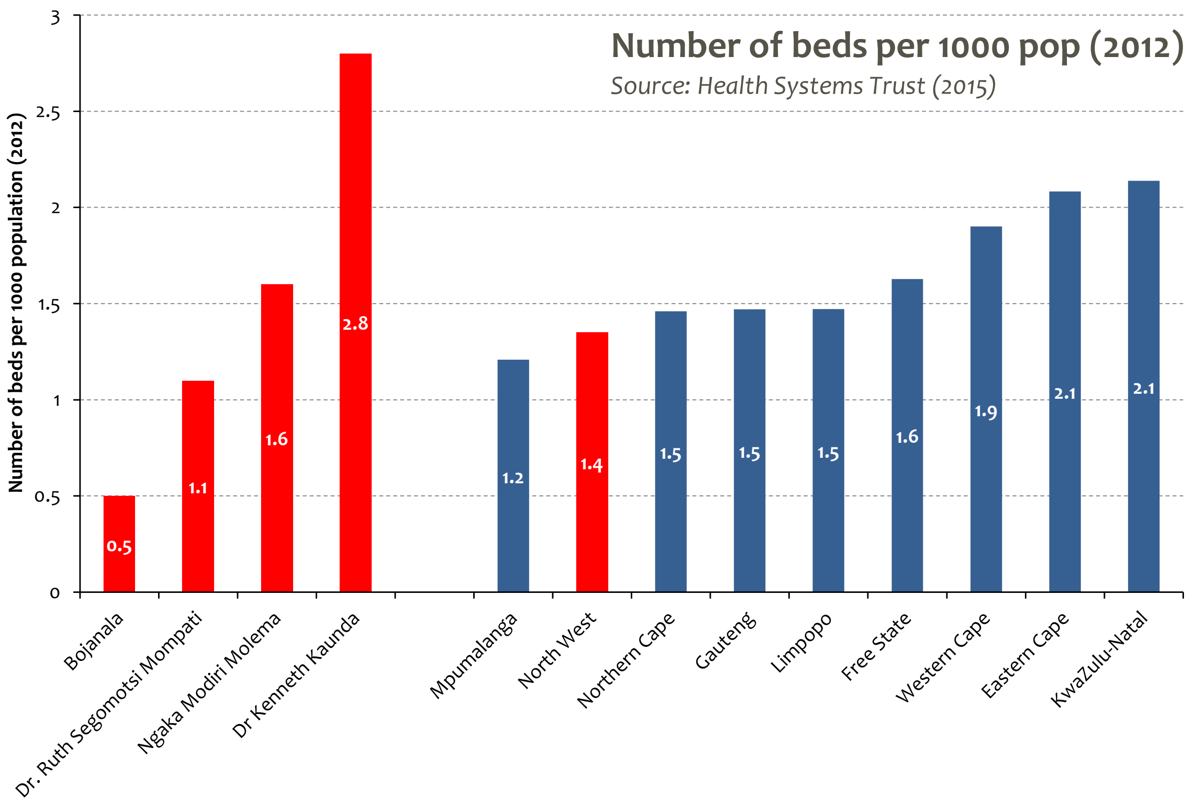
Resource and infrastructure review

- Social infrastructure
  - The province hosts the second largest tertiary institution (i.e. the NWU) of the country, which is a crucial hub for knowledge and human capital development
  - Number of FET and ABET facilities in the province are relatively low
  - Number of primary and secondary schools are relatively adequate



Resource and infrastructure review

- Social infrastructure
  - The relatively low adequacy of health facilities puts pressure on the wellbeing of the labour force and the population at large.



Resource and infrastructure review

- Physical infrastructure
  - The province's adequate railroad infrastructure coupled with low levels of efficiency puts pressure on the physical linkages between economic sectors
  - The backlog of road maintenance and the poor state of rural roads puts pressure on the physical linkages between economic sectors
  - The share of households with an electricity connection is relatively low
  - Mobile broadband coverage is sufficient in the Eastern and Central parts of the province, but is lagging behind in the Western parts

Part 3:

Economic performance

Sector base analysis – Output per sector and sub-sector

- Detailed analysis of all the sectors and sub-sectors
- Micro-regional analysis – determine the geographic spread of economic activity across the province
- "Spatial economy" refers to the contributions of the various local and district municipalities to overall economic output and growth

Output per sector and per sub-sector

- The province contributed a small proportion of national **agricultural** output between 2008 and 2013 (6% in 2013).
- The NWP agricultural sector's share of regional total was 2.5% with RSDM contributing 14.3%.
- **Mining** output was highly concentrated in the BPDM.
- The sectors 39.1% of regional output and 26.3% of national output.

Output per sector and sub-sector

- The NWP's presence in the **manufacturing** sector is very weak.
- The province contributed 2.3% to national manufacturing output in 2013.
- Manufacturing output is mainly concentrated in the BPDM with Madibeng is the most important centre of manufacturing in the NWP at a local municipal level.

Output per sector and sub-sector

- **Electricity** output in the NWP amounted to R3.5 million in comparison to the national total of R68.4 million.
- The NWP is rated as the fourth largest electricity consuming province consuming approximately 12% of the available electricity.
- Due to the high demand of the electrical energy-intensive mining and related industrial sector.
- Approximately 63% of the electricity supplied to the NWP is consumed in its mining sector (Invest North West, 2014).

Output per sector and sub-sector

- The national output in the **construction** sector increased between 2008 and 2013.
- Demand post 2010 has been driven by the housing and infrastructure industries.
- **Trade** in South Africa declined in 2009 in response to the global financial crisis which saw a decline in global demand.
- In 2013 the NWP contributed 4.7% to national wholesale and retail trade output.
- Close proximity to Gauteng provides access to markets.

Output per sector and sub-sector

- The NWP contributed 3.7% of national output in the **transport** sector
- The main centres of transport output at the district municipal level were BPDM and KKDM
- The NWP contributed 3.5% to national **finance** output in 2013
- The finance sector accounts for 20.3% of national output whilst the sector contributes to 11.9% of regional output
- Output in the **community services** sector was concentrated in the NMMDM and RSMDM
- The community services sector contributes to the second largest proportion, that is, 18.3% of regional output in the NWP after the mining sector

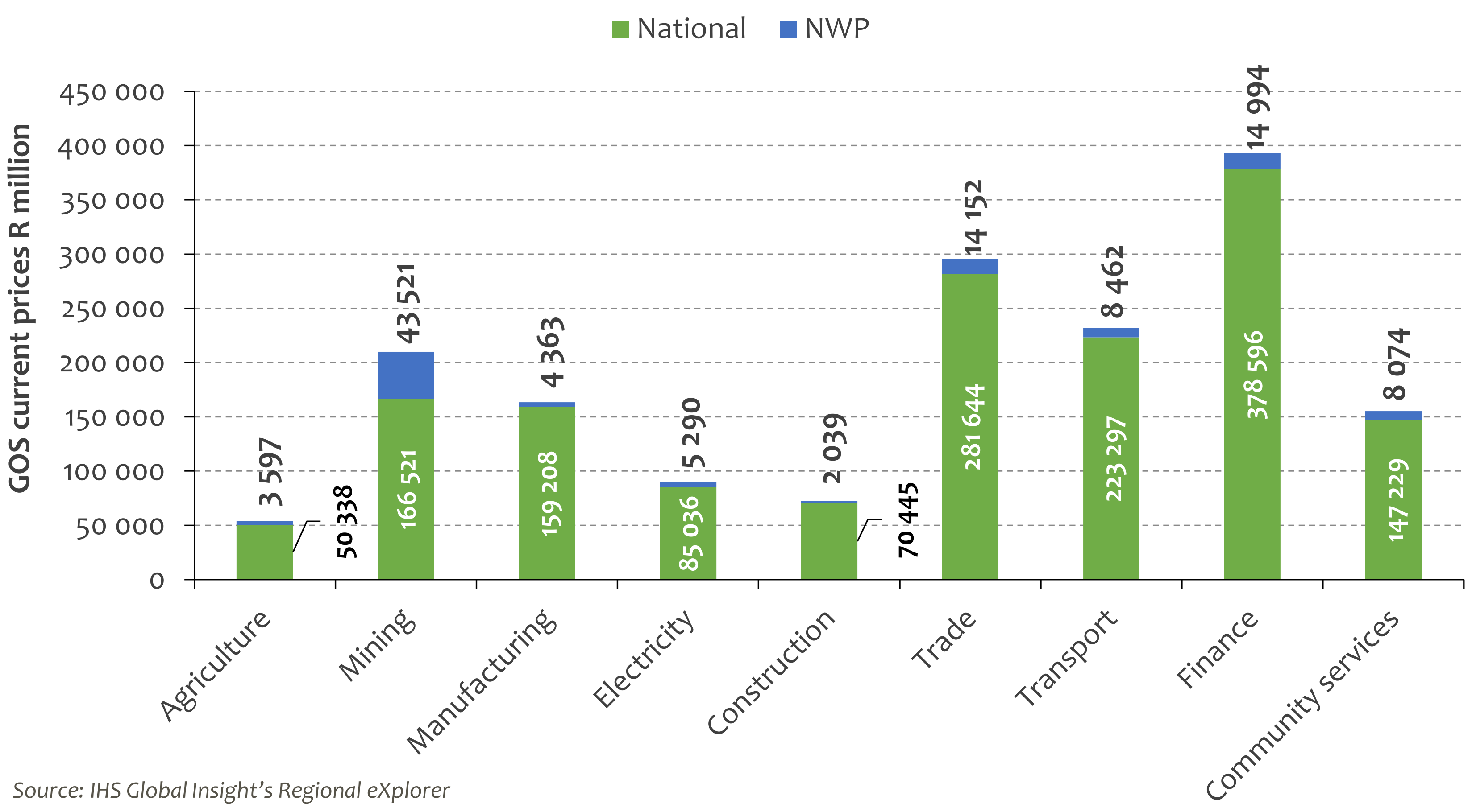
Profit per sub-sector

- The least profitable sectors in 2013 were the construction and agriculture sectors respectively.
- At the provincial level mining was the most profitable sector for the NWP.
- Mining profits amounted to R43.5 million in 2013 which was more than double the profits of any other sector.
- The second most profitable sector for the NWP was financial services.

Profits per sector

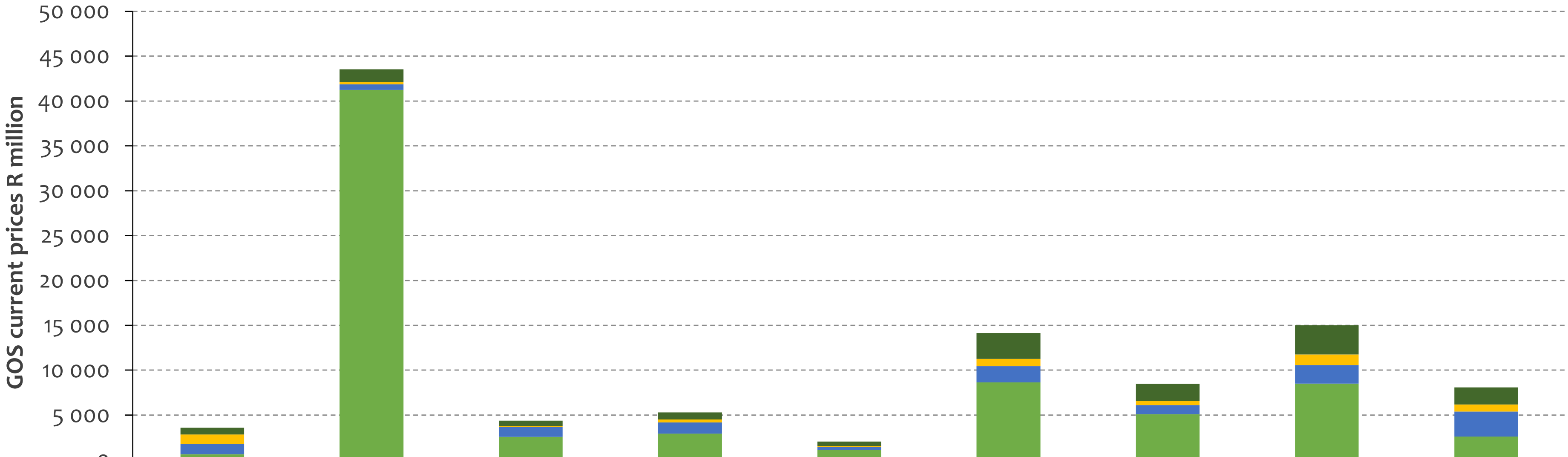
- Following the trends in output, the mining sector was by far the most profitable sector in the NWP in 2013.
- R41.2 million of the R43.5 million profits earned in the NWP mining sector accrued to mining firms in the BPDM.
- This indicates that mining profit are highly concentrated (95%) in the BPDM.
- BPDM also accrued a high proportion of profits relative to the other district municipalities in trade, finance, transport and manufacturing.
- The KKDM accrued the second largest share of profits in finance and retail & wholesale trade.

Profits per sector, 2013



Source: IHS Global Insight's Regional eXplorer

Profits per sector per DC, 2013



	Agriculture	Mining	Manufacturing	Electricity	Construction	Trade	Transport	Finance	Community services
KKDM	772	1 408	568	772	476	2 893	1 880	3 242	1 909
RSMDM	1 087	238	149	334	142	817	459	1 171	774
NMMDM	1 115	653	1 062	1 239	279	1 818	1 022	2 090	2 798
BPDM	621	41 222	2 584	2 945	1 141	8 625	5 101	8 491	2 594

Source: IHS Global Insight's Regional eXplorer

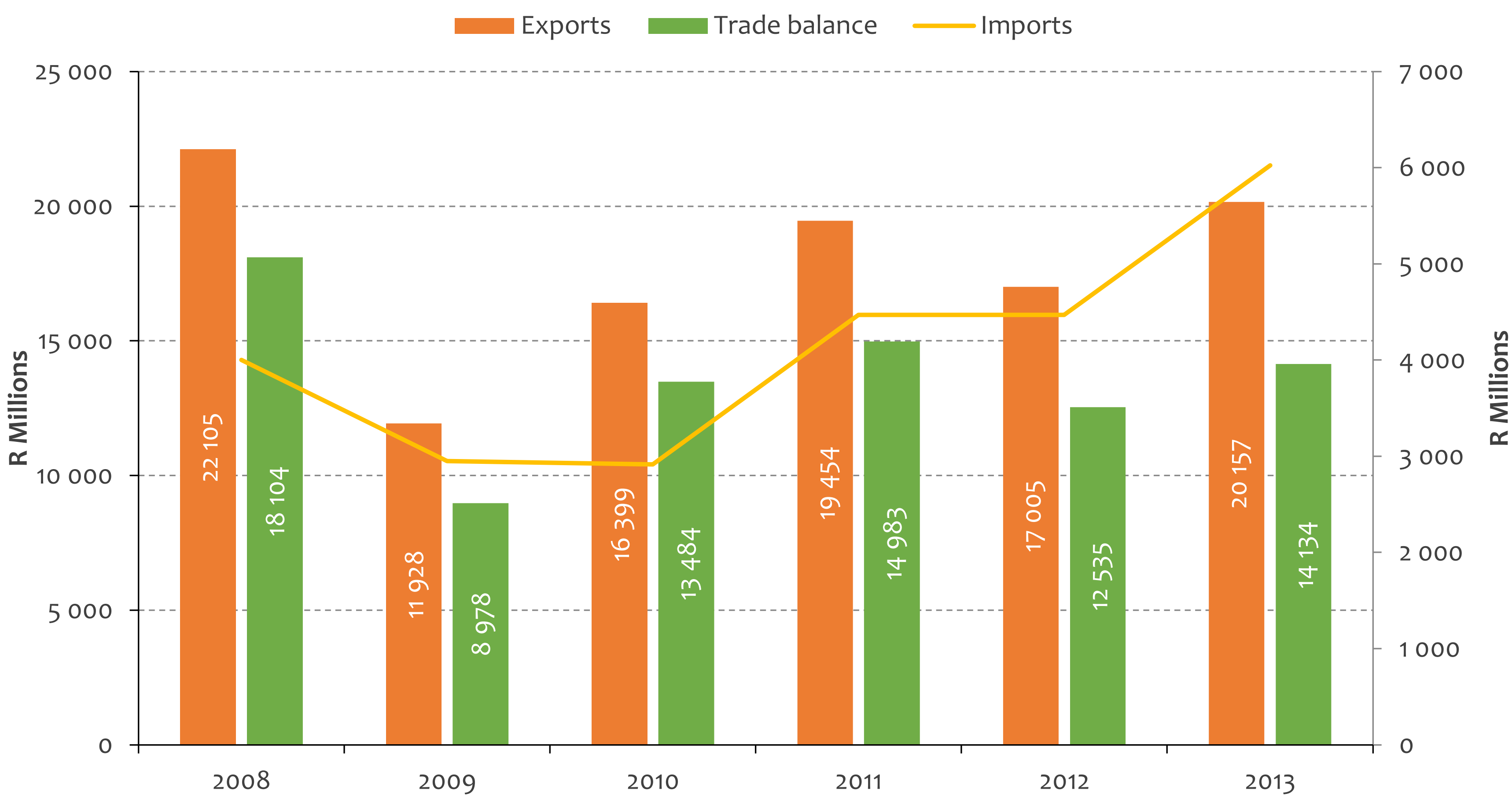
Growth trends in output

- Growth in agriculture in the NWP and across its district municipalities, was slightly lower than the national average at 1.0% and 1.5% respectively.
- The national mining output increased slightly by 0.1% whilst the NWP experienced a decline of 6.5% in the period 2008 to 2013.
- Growth in the manufacturing sector averaged 0.5% in national economy and 1.6% in the NWP economy.
- The growth rates in the construction sector can in part be attributed to the 2010 World Cup infrastructure upgrade and recent SIPs activities and projects.

International trade – focus on exports Recent trade trends

- The NWP is predominantly an exporter of goods.
- Resultantly the NWP recorded trade surpluses for each of the years under review (2008 – 2013).
- Exports declined between 2008 and 2009 resulting in a decline of the trade surplus from R 181 billion in 2008 to R90 billion in 2009 in the NWP.
- This may in part be attributed to the strengthening of the exchange rate during this period.

NWP trade balance, 2008-2013



Source: IHS Global Insight's Regional eXplorer

NWP's top 10 export products, 2013

- Accounts for a small share of South Africa's overall international trade, 0.6% of national imports between 2008 and 2013 and for 2.2% of national exports over the same period
- Exports dominated by mining products, some agricultural products

Products	National (R Million)	Rank	NWP (R Million)	NWP's share of national exports (%)
71 Pearls, precious or semi-precious stones, precious metals	177 940	1	12 608	7.09
72 Iron and steel	61 923	6	3 186	5.14
26 Ores, slag and ash	132 029	2	1 002	0.76
10 Cereals	9 057	14	470	5.19
84 Nuclear reactors, boilers, machinery and mechanical appliances	64 302	5	355	0.55
73 Articles of iron or steel	14 736	10	323	2.19
87 Vehicles and parts and accessories thereof	80 191	4	306	0.38
31 Fertilizers	4 590	27	274	5.98
23 Residues and waste from the food industries	1 919	47	181	9.44
08 Edible fruit and nuts; peel of citrus fruit or melons	25 220	7	174	0.69

NWP's top 20 export markets, 2013

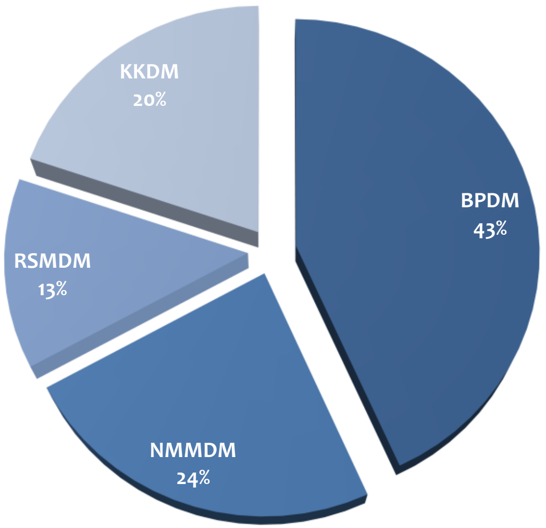
Country	National (R Million)	Share of total exports (%)	Rank	NWP (R Million)	NWP share of total exports (%)
Japan	53 775	5.82	4	4 436	0.48
Switzerland	23 477	2.54	11	4 202	0.45
United States of America	66 999	7.25	3	2 833	0.31
United Kingdom	32 116	3.48	6	1 988	0.22
Unclassified	183 503	19.86	1	1 691	0.18
China	115 860	12.54	2	1 006	0.11
Germany	41 554	4.50	5	671	0.07
Belgium	18 972	2.05	13	377	0.04
Taiwan / Chinese Taipei	11 030	1.19	18	336	0.04
Zambia	25 684	2.78	10	317	0.03
Netherlands	29 419	3.18	7	282	0.03
Zimbabwe	22 677	2.45	12	278	0.03
Spain	7 883	0.85	23	221	0.02
Italy	10 470	1.13	19	170	0.02
DRC	13 131	1.42	15	169	0.02
South Korea	12 211	1.32	16	119	0.01
Mozambique	26 541	2.87	9	104	0.01
India	28 933	3.13	8	104	0.01
Ghana	3 789	0.41	37	93	0.01

Source: IHS Global Insight's Regional eXplorer

Human capital– Population-urbanisation

- Sparsely populated (34 people per km²), low urbanisation (43%)
- BPDM (43%) and NMMDM (24%) account for more than 68% of population

Place	Population (2013)	Population growth (%) 2008-2013	Urbanisation (%) 2013	Population density (population per km²) 2013
National Total	52 970 625	1.4%	63.3%	43
Western Cape	5 922 163	1.7%	93.6%	46
Eastern Cape	6 684 470	0.6%	44.2%	40
Northern Cape	1 144 695	1.7%	79.9%	3
Free State	2 792 020	0.4%	83.6%	21
KwaZulu-Natal	10 428 213	0.8%	46.6%	112
Gauteng	12 712 810	2.6%	96.0%	698
Mpumalanga	4 184 812	1.7%	49.7%	55
Limpopo	5 490 266	0.5%	19.4%	44
North West	**3 611 176**	**1.6%**	**43.0%**	**34**
BPDM	**1 569 891**	**2.1%**	**35.3%**	**85**
NMMDM	**855 894**	**1.1%**	**25.2%**	**31**
RSMDM	**469 624**	**1.0%**	**35.2%**	**11**
KKDM	**715 766**	**1.5%**	**86.4%**	**49**



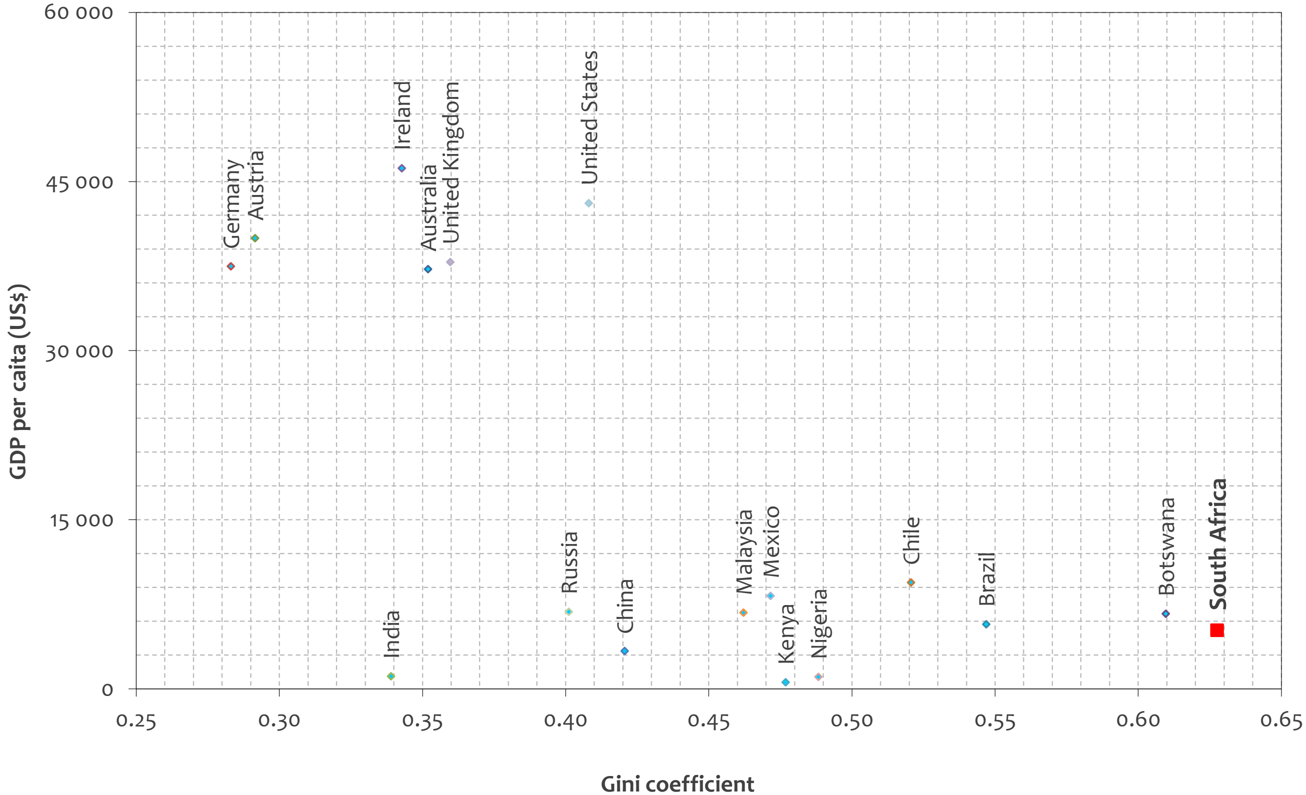
Human capital– Poverty and inequality, 2013

- Gini and poverty better than National average, HDI worse
- Immense problems of poverty and inequality across SA

Place	Poverty gap rate (from upper poverty line)	Share below the lower poverty line		Inequality (Gini coefficient)	Human Development Index (%)	
		African	Total		African	Total
National Total	28.1%	40.6%	34.1%	0.64	57.3%	63.7%
Western Cape	25.7%	36.7%	21.1%	0.61	62.1%	71.5%
Eastern Cape	28.8%	47.9%	43.3%	0.62	53.2%	57.6%
Northern Cape	26.6%	40.8%	28.9%	0.59	56.3%	61.9%
Free State	27.4%	38.2%	34.0%	0.61	56.1%	61.3%
KwaZulu-Natal	29.0%	47.9%	42.1%	0.63	51.3%	57.3%
Gauteng	27.5%	30.0%	24.2%	0.65	64.0%	70.8%
Mpumalanga	28.3%	40.1%	36.2%	0.62	55.4%	59.8%
Limpopo	28.5%	45.5%	44.1%	0.60	59.0%	60.7%
North West	**27.8%**	**37.1%**	**33.8%**	**0.61**	**55.0%**	**59.3%**
BPDM	**27.1%**	**29.6%**	**27.2%**	**0.60**	**58.5%**	**62.0%**
NMMDM	**28.5%**	**44.9%**	**42.5%**	**0.60**	**51.3%**	**54.6%**
RSMDM	**28.6%**	**47.5%**	**44.4%**	**0.59**	**47.9%**	**51.9%**
KKDM	**27.7%**	**37.3%**	**30.8%**	**0.62**	**55.3%**	**62.3%**

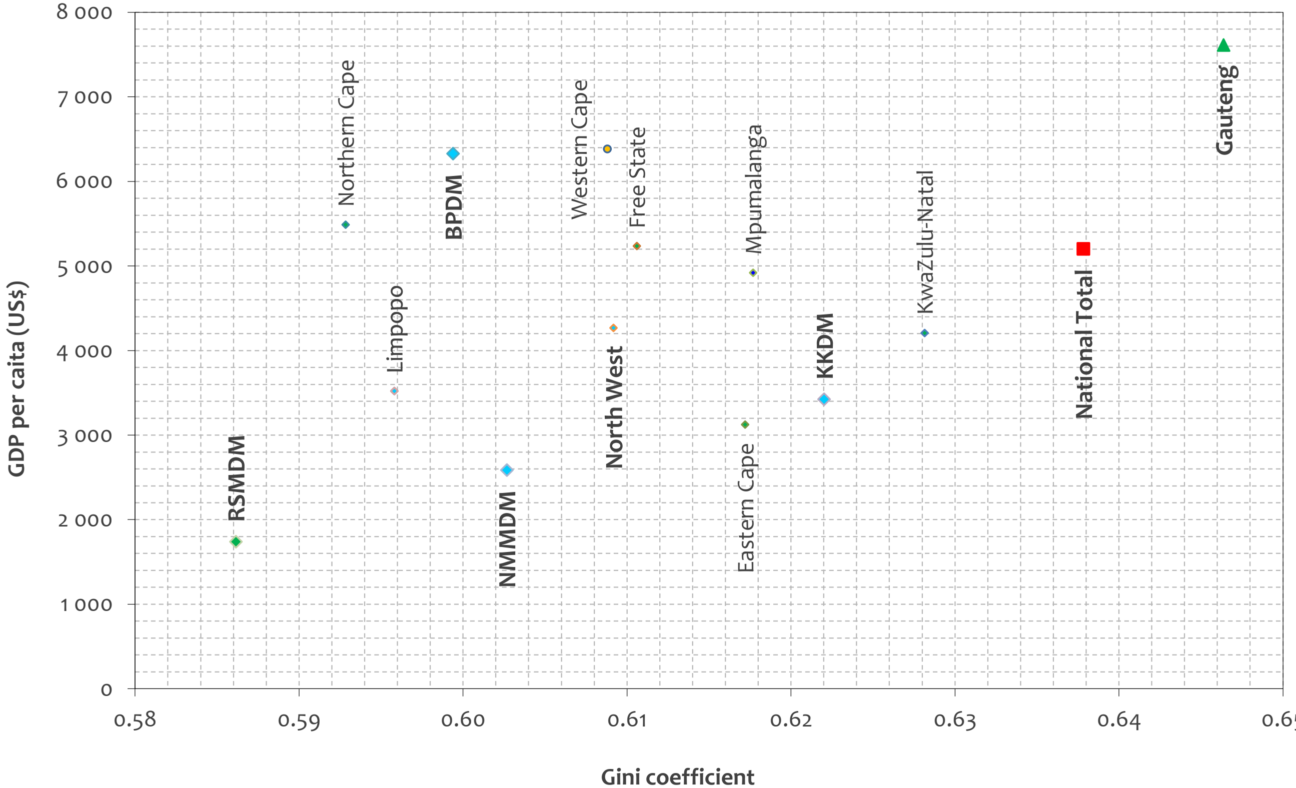
Income & inequality: Int. comparisons, 2013

- SA very unequal income distribution along with Chile, Brazil and Botswana.



Income & inequality: NWP & SA, 2013

- NWP less inequality, but lower per capita income than SA average
- BPDM stands out with high per capita income & lower inequality



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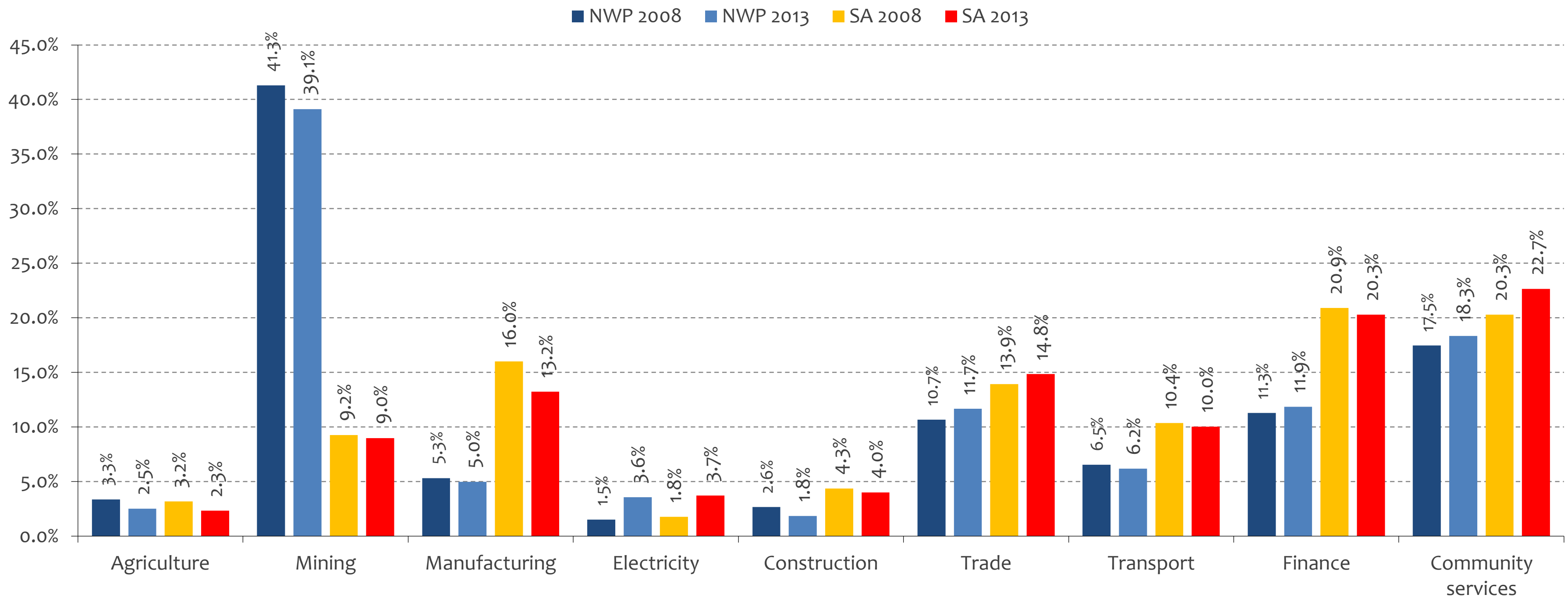
(the FEED) - North West Provincial Government

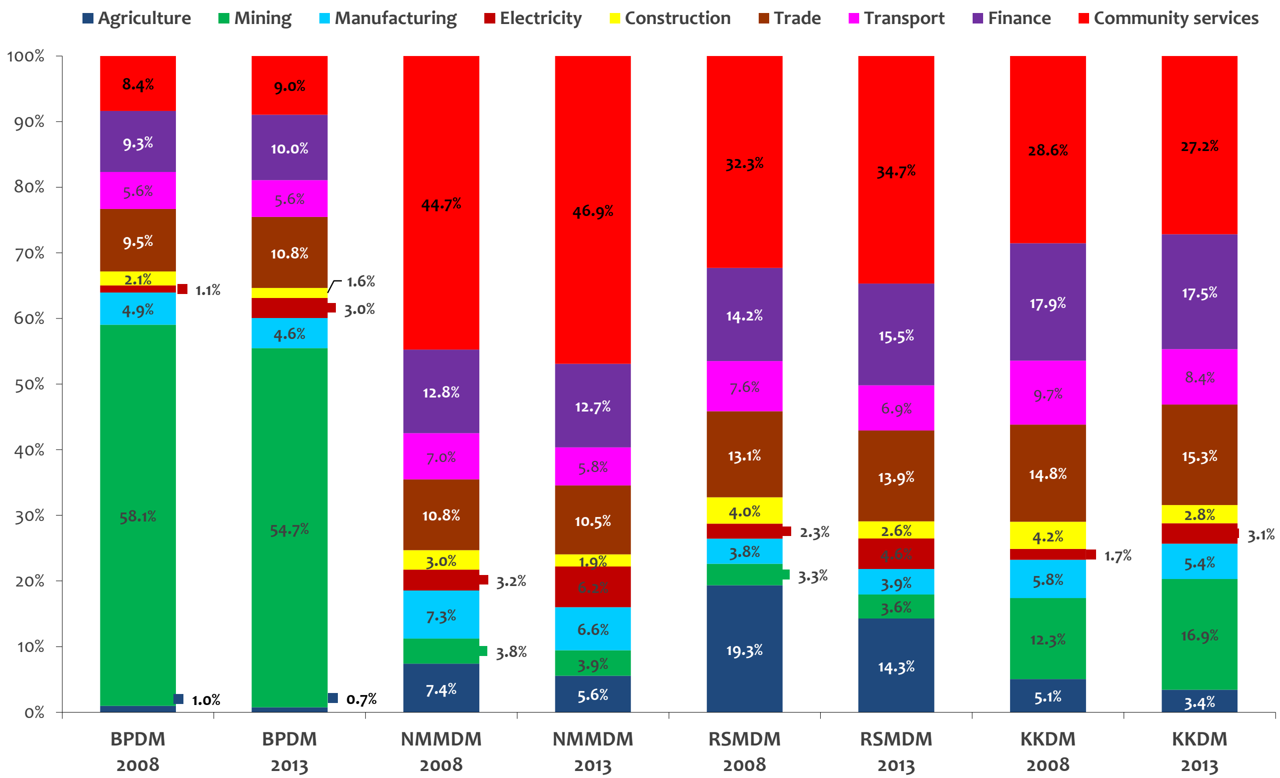
Structural changes – NWP & SA

- Few significant changes to structure of NWP economy between 2008 and 2013. Most **pronounced changes** in **increase** in share of the **mining sector** and **decline** in **manufacturing** and **agricultural** sector shares.
- Changes in NWP **in line with broader** national trends, with the **exception** of the **construction** and **trade** sectors.



Structural changes – Sectoral contributions

- **Primary** and **government/community services** sectors make vast contributions to NWP and its DCs, **save** for **government services** in **BPDM** and **mining** in **NMMDM** and **RSMDM.**
- **Trade** (i.e. wholesale and retail trade) makes important contributions to the economies of **RSMDM** and **KKDM**. The **financial services** sector also makes a significant contribution to GVA in **KKDM.**
- Over time this **structure has not changed much, except** for the contribution of the **primary** and **government services** sectors across all of the DCs.



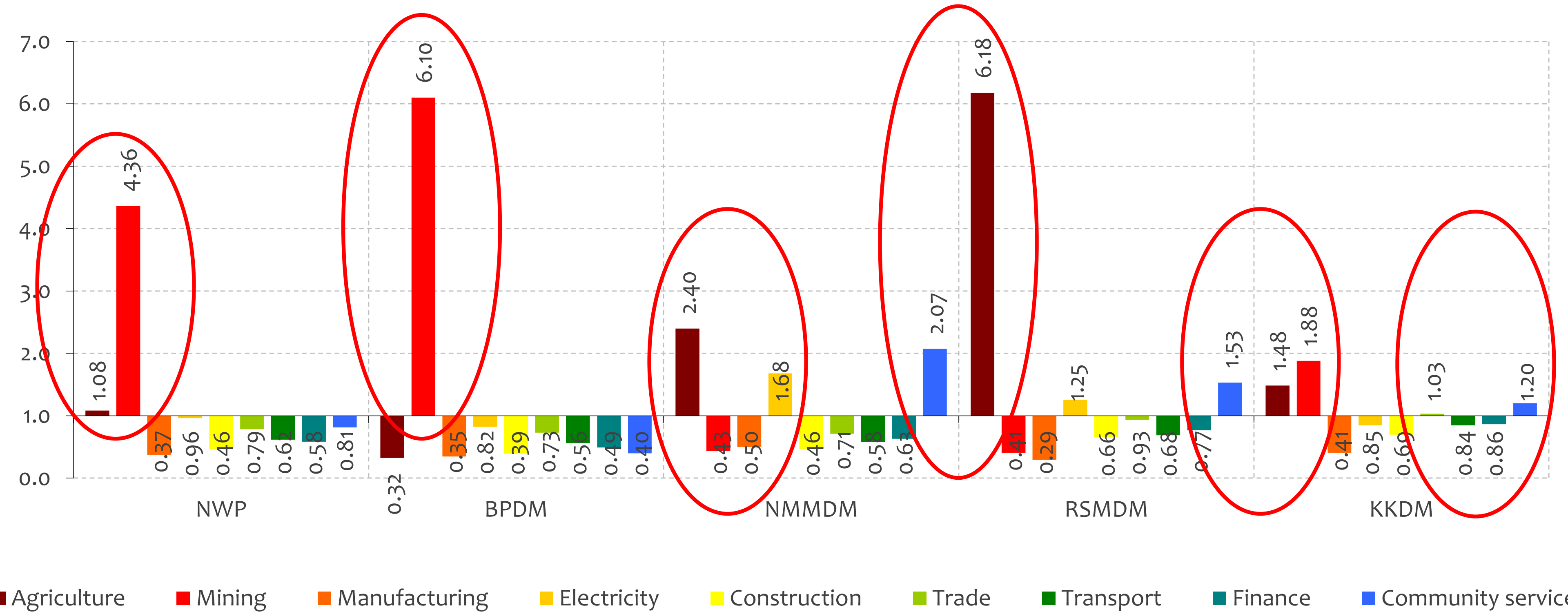
Economic concentration risks by area – Tress Index

- The **NWP** is marked by **particularly high concentration.**
- **RSMDM** that had the **most highly concentrated** economy in 1996 also **became slightly more diversified**.
- **NWP's position** has **changed** significantly, **from** being the **2nd most diversified** economy in 1996 to the **6th least diversified** provincial economy, thus becoming **more specialised** over the period.
- **BPDM** and **NMMDM** are **relatively more specialised** when **compared to** those of **RSMDM** and **KKDM**.

Area	2008	2013
National Total	38.96	39.26
Western Cape	48.41	46.92
Eastern Cape	52.88	53.84
Northern Cape	43.01	42.13
Free State	33.97	36.54
KwaZulu-Natal	40.88	39.76
Gauteng	49.87	50.32
Mpumalanga	37.47	37.53
Limpopo	51.65	51.22
North West	**56.18**	**54.98**
BPDM	**67.87**	**65.50**
NMMDM	**52.50**	**54.37**
RSMDM	**49.52**	**48.47**
KKDM	**43.70**	**44.39**

Sectoral comparative advantages by area – Location Quotient, 2013

- All have a **comparative advantage** for **primary, government/community services** and **electricity and water services** for **NMMDM**, with the **exception** of **NMMDM** and **RSMDM** for **mining** and **BPDM** for **agriculture**.
- In all other sectors all the DCs, as well as the NWP as a whole, have a comparative disadvantage.



Part 4:

The way forward

Concluding remarks

- This *status quo overview* of the NWP and its district municipalities serves to inform decision makers regarding the characteristics of the provincial economy.
- Some key observations:
  - The **NWP** is **not performing well** compared (or relative) to the **national average** for **many of the economic and socio-economic development indicators** (with the exception of the Gini).
  - Also evident is the **sensitivity** of the **provincial economy** to **trends** in the **World economy** due to **high concentration of activity** in the **mining sector**.
  - With cognisance of vulnerabilities and strengths of the local economy, by effecting the right policies and strategies the wealth and welfare of the NWP can be improved and revived.

Thank you

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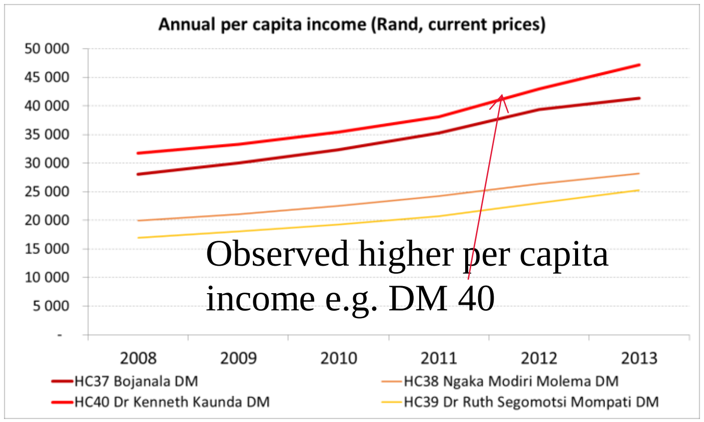
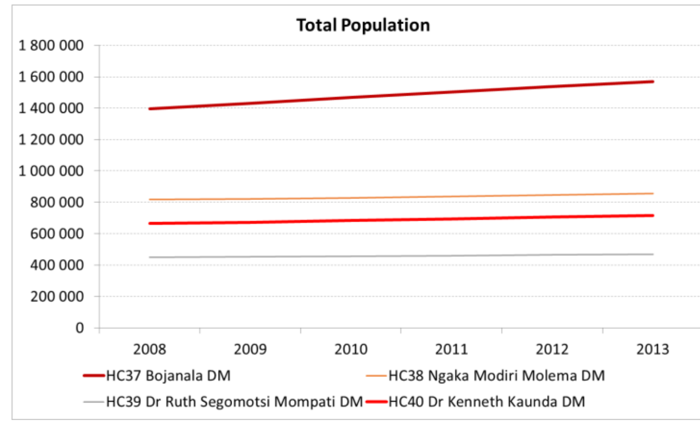
Interpretation note – composite indicators

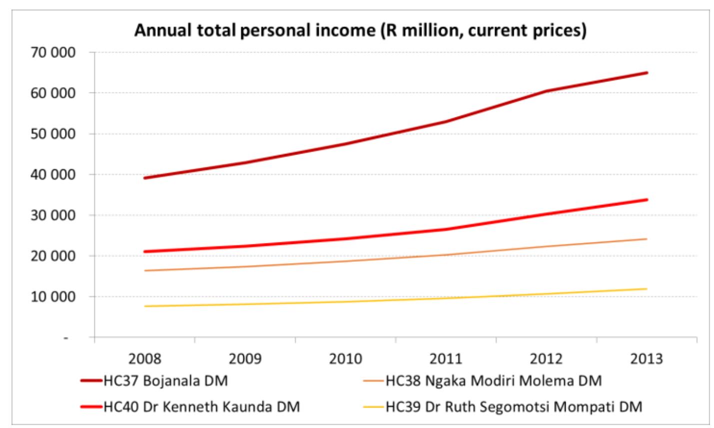
Example = Annual per capita income





Example 2012:

	Personal Income		Total Population		Annual per Capita Income	Gini
DM 40	30 324	divided	705 329	=	42 993	0.603
DM 37	60 529	divided	1 537 604	=	39 366	0.585



Although in the example DM 40 has higher per capita income levels than e.g. DM 37, the larger population base in DM 37 causes the calculation to yield a lower per capita income. The absolute income in DM 40 is 50% of that of DM 37, while the population is only 45%.

Therefore the Gini coefficient is also more skew for DM 40 (0.603) as opposed to DM 37 (0.585) – as in DM 40 less people have higher incomes compared to DM 37.

This example serves to demonstrate that one must be careful to simply interpret a single composite indicator without considering the components and related indicators.