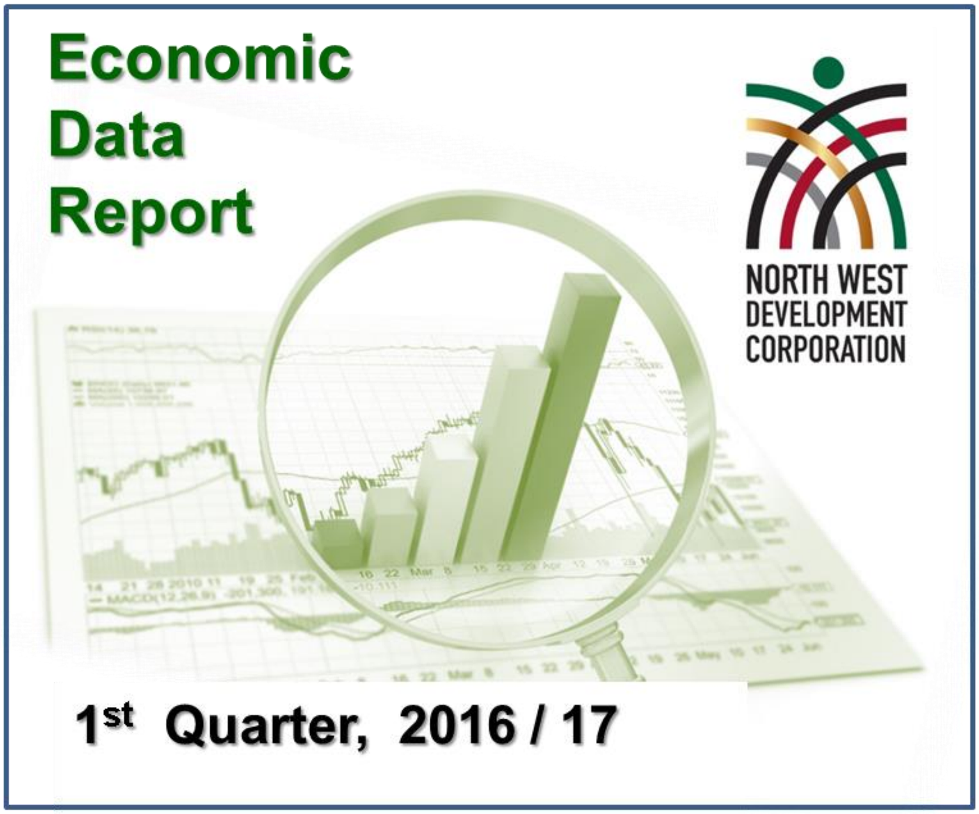

Executive Summary:

The baseline projection for global growth by the IMF in their April 2016 report is a modest 3.2 percent, with the projection for South Africa at 0.6 percent. Globally the world was awaiting the outcome of Brexit that had a definite impact on the projections. The South African economy slides in the first quarter due to a sharp contraction in mining that tipped economic growth into negative territory in the first quarter of 2016. South Africa's economy shrank by 1,2% quarter-on-quarter (seasonally adjusted and annualised), according to the latest gross domestic product (GDP) figures published by Stats SA. Year-on-year growth for the same quarter was -0,2%.The mining industry contributed the most to the 1,2% quarter-on-quarter fall. Lower production in the mining of 'other' metal ores, largely platinum group metals and iron ore, saw the industry contract by 18,1%. It should be noted that there were various factors beyond control that influenced the performance including low commodity prices and low demand as well as the drought.

Compiled by: NWDC Research and Innovation Unit

Q1 2016 2017

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1. INTRODUCTION

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

The performance indicators of the unit are:

- A Quarterly Economic Data Report
- Percentage achievement on the Annual Research and Innovation Activity Plan.

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

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

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

2. MACRO ECONOMIC OVERVIEW

2.1 The Global Economy – Too Slow for too Long

The baseline projection for global growth in 2016 is a modest 3.2 percent, broadly in line with last year, and a 0.2 percentage point downward revision relative to the January 2016 World Economic Outlook Update. The recovery is projected to strengthen in 2017 and beyond, driven primarily by emerging market and developing economies, as conditions in stressed economies start gradually to normalize. But uncertainty has increased, and risks of weaker growth scenarios are becoming more tangible. The fragile conjuncture increases the urgency of a broad-based policy response to raise growth and manage vulnerabilities.

Recent Developments and Prospects
Major macroeconomic realignments are affecting prospects differentially across countries and regions. These include:

- the slowdown and rebalancing in China;
- a further decline in commodity prices, especially for oil, with sizable redistributive consequences across sectors and countries;
- a related slowdown in investment and trade; and
- declining capital flows to emerging market and developing economies.

These realignments—together with a host of noneconomic factors, including geopolitical tensions and political discord—are generating substantial uncertainty. On the whole, they are consistent with a subdued outlook for the world economy—but risks of much weaker global growth have also risen.

Understanding the Slowdown in Capital Flows to Emerging Markets
Net capital flows to emerging market economies have slowed since 2010, affecting all regions, both weaker inflows and stronger outflows have contributed to the slowdown and much of the decline in inflows can be explained by the narrowing differential in growth prospects between emerging market and advanced economies. The incidence of external debt crises in the ongoing episode has so far been much lower, although the slowdown in net capital inflows has been comparable in breadth and size to the major slowdowns of the 1980s and 1990s. Improved policy frameworks have contributed greatly to this difference. Crucially, more flexible exchange rate regimes have facilitated orderly currency depreciations that have mitigated the effects of the global capital flow cycle on many emerging market economies. Higher levels of foreign asset holdings by emerging market economies, in particular higher levels of foreign reserves, as well as lower shares of external liabilities denominated in foreign currency (that is, less of the so-called original sin) have also been instrumental.

Time for a Supply-Side Boost? Macroeconomic Effects of Labor and Product Market Reforms in Advanced Economies
Product and labor market reforms raise output and employment in the medium term, but complementary macroeconomic policies are needed to maximize their short-term payoff given the current economic slack in most advanced economies. Product market reforms deliver gains in the short term, while the impact of labor market reforms varies across types of reforms and depends on overall economic conditions. Reductions in labor tax wedges and increases in public spending on active labor market policies have larger effects during periods of slack, in part because they usually entail some degree of fiscal stimulus. In contrast, reforms to employment protection arrangements and unemployment benefit systems have positive effects in good times, but can become contractionary in periods of slack. These results suggest the need for carefully prioritizing and sequencing reforms.

The World Economic Outlook Projections as per the World Economic Outlook Update April 2016

	Year over Year					
			Projections		Difference from October 2015 WEO (1)	
	2014	2015	2016	2017	2016	2017
World Output (2)	**3.4**	**3.1**	**3.2**	**3.5**	**-0.4**	**-0.3**
Advanced Economies	**1.8**	**1.9**	**2.4**	**2.5**	**-0.3**	**-0.2**
United States	2.4	2.4	2.6	2.6	-0.4	-0.3
Euro Area	0.9	1.6	1.5	1.6	-0.1	-0.1
Germany	1.6	1.5	1.5	1.6	-0.1	0.1
France	0.2	1.1	1.1	1.3	-0.4	-0.3
Italy	-0.3	0.8	1.0	1.1	-0.3	-0.1
Spain	1.4	3.2	2.6	2.3	0.1	0.1
Japan	0.0	0.5	0.5	-0.1	-0.5	-0.5
United Kingdom	2.9	2.2	1.9	2.2	-0.3	0.0
Canada	2.5	1.2	1.5	1.9	-0.2	-0.5
Other Advanced Economies (3)	2.8	2.0	2.1	2.4	-0.6	-0.5
Emerging Market and Developing Economies (4)	**4.6**	**4.0**	**4.1**	**4.6**	**-0.4**	**-0.3**

Commonwealth of Independent States	1.1	-2.8	-1.1	1.3	-1.6	-0.7
Russia	0.7	-3.7	-1.8	0.8	-1.2	-0.2
Excluding Russia	1.9	-0.6	0.9	2.3	-1.9	-1.7
Emerging and Developing Asia	6.8	6.6	6.4	6.3	0.0	0.0
China	7.3	6.9	6.5	6.2	0.2	0.2
India (5)	7.2	7.3	7.5	7.5	0.0	0.0
ASEAN-5 (6)	4.6	4.7	4.8	5.1	-0.1	-0.2
Emerging and Developing Europe	2.8	3.5	3.5	3.3	0.5	-0.1
Latin America and the Caribbean	1.3	-0.1	-0.5	1.5	-1.3	-0.8
Brazil	0.1	-3.8	-3.8	0.0	-2.8	-2.3
Mexico	2.3	2.5	2.4	2.6	-0.4	-0.5
Middle East, North America, Afghanistan and Pakistan	2.8	2.5	3.1	3.5	-0.8	-0.6
Saudi Arabia	3.6	3.4	1.2	1.9	-1.0	-1.0
Sub-Saharan Africa	5.1	3.4	3.0	4.0	-1.3	-0.9
Nigeria	6.3	2.7	2.3	3.5	-2.0	-1.0
South Africa	1.5	1.3	0.6	1.2	-0.7	-0.9
Memorandum						
Euro Union	1.4	2.0	1.8	1.9	-0.1	-0.1
Low-Income Developing Countries	6.1	4.5	4.7	5.5	-1.1	-0.6
Middle East and North America	2.6	2.3	2.9	3.3	-0.9	-0.8
World Growth Based on Market Exchange Rates	2.7	2.4	2.5	2.9	-0.5	-0.3
World Trade Volume (Goods and Services)	3.5	**2.8**	**3.1**	**3.8**	**-1.0**	**-0.8**
Imports						
Advanced Economies	3.5	4.3	3.4	4.1	-0.8	-0.4
Emerging Markets and Developing Economies	3.7	0.5	3.0	3.7	-1.4	-1.7
Exports						
Advanced Economies	3.5	3.4	2.5	3.5	-0.9	-0.4
Emerging Markets and Developing Economies	3.1	1.7	3.8	3.9	-1.0	-1.4
Commodity Prices (U.S. dollars)						
Oil (7)	-7.5	-47.2	-31.6	17.9	-29.2	7.8
Nonfuel (average based on World commodity export weights)	-4.0	-17.5	-9.4	-0.7	-4.3	-1.0
Consumer Prices						
Advanced Economies	1.4	0.3	0.7	1.5	-0.5	-0.2
Emerging Markets and Developing Economies (5)	4.7	4.7	4.5	4.2	0.2	0.0
London Interbank Offered Rate (%)						
On U.S. Dollar Deposits (6 month)	0.3	0.5	0.9	1.5	-0.3	-0.7
On Euro Deposit (3 month)	0.2	0.0	-0.3	-0.4	-0.3	-0.5
On Japanese Yen Deposit (6 month)	0.2	0.1	-0.1	-0.3	-0.2	-0.5

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during February 2–March 1, 2016. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted.
1 Difference based on rounded figures for the current, January 2016 World Economic Outlook Update, and October 2015 World Economic Outlook forecasts.
2 Excludes the G7 (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.
3 For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onward is based on GDP at market prices with fiscal year 2011/12 as a base year.
4 Indonesia, Malaysia, Philippines, Thailand, Vietnam.
5 Simple average of prices of U.K. Brent, Dubai Fateh, and West Texas Intermediate crude oil. The average price of oil in U.S. dollars a barrel was $50.79 in 2015; the assumed price based on futures markets is $34.75 in 2016 and $40.99 in 2017.
6 Excludes Argentina and Venezuela. See country-specific notes for Argentina in the "Country Notes" section of the Statistical Appendix.
7 For World Output, the quarterly estimates and projections account for approximately 90 percent of annual world output at purchasing-power-parity weights.
For Emerging Market and Developing Economies, the quarterly estimates and projections account for approximately 80 percent of annual emerging market and developing economies' output at purchasing-power-parity weights.

2.2 South African Realities

Brexit
(Source: South African Institute of International Affairs; June 2016)

Brexit is the term used for the possible exit if Britain from the EU that will be determined by the outcome of a referendum in Britain on 23 June 2016. It is an international event that will have profound consequences for the UK's status as a financial centre and gateway to the European Union (EU), for its trading relations with the world, and for its global influence.

This will have an impact on South Africa as the UK comprises 3.7% of South Africa's global trade. UK remains both an important source and destination for South African investment, representing 45.6% of direct investment in South Africa and 10.9% of SA's global direct investments.

We have no control over the outcome of the referendum, and there is little we can do to limit the impact on our economy. However, our vulnerability to such external risks should make us even more aware of the importance of creating predictability in our broader policy frameworks, sticking to our belt-tightening, and enabling the private sector to create jobs.

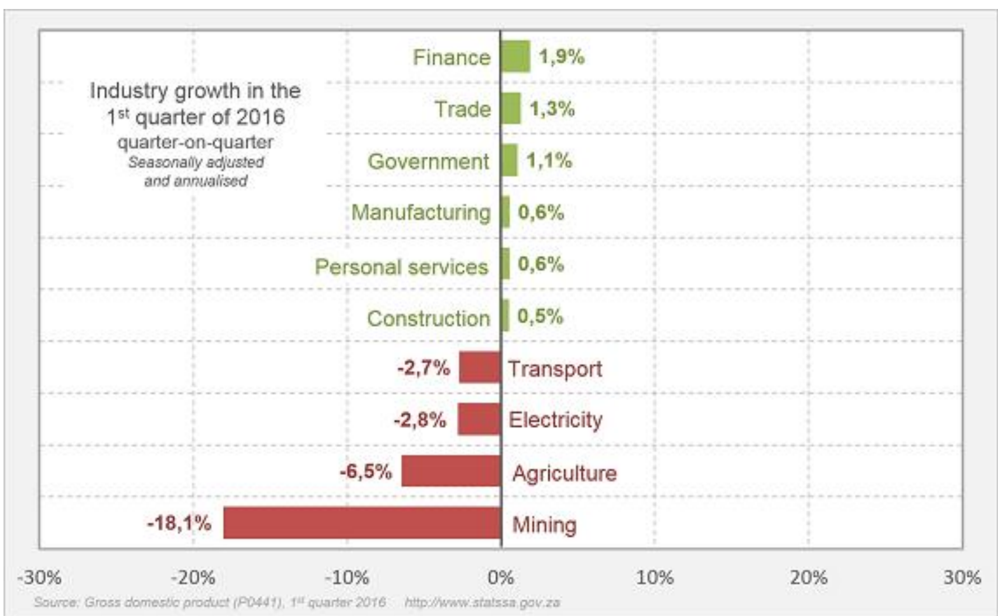
2.2.1 *Highlights Q1 2016/2017*

- *South African Economic Growth Q1 2016/2017*

The South African economy slides in the first quarter due to a sharp contraction in mining that tipped economic growth into negative territory in the first quarter of 2016. South Africa's economy shrank by 1,2% quarter-on-quarter (seasonally adjusted and annualised), according to the latest gross domestic product (GDP) figures published by Stats SA. Year-on-year growth for the same quarter was -0,2%.

The supply side of the economy: transport joins agriculture in recession

The mining industry contributed the most to the 1,2% quarter-on-quarter fall. Lower production in the mining of 'other' metal ores, largely platinum group metals and iron ore, saw the industry contract by 18,1%.



If mining is excluded from the picture and non-mining growth is measured, the economy would have experienced growth of 0,5% instead of -1,2%.

The impact of adverse weather continued to plague agriculture as the industry recorded its fifth consecutive quarter of negative growth. Agricultural production has fallen by 14% since the fourth quarter of 2014.

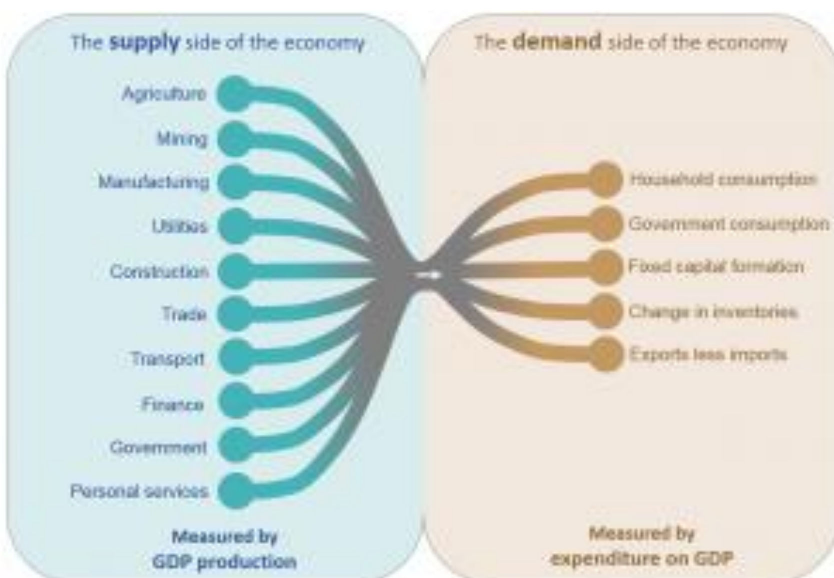
The slowdown in mining and agriculture has had a knock-on effect on industries further along the production chain. Lower demand for energy, especially from mining, saw the electricity industry contract by 2,8%.

The transport industry recorded its second consecutive quarter-on-quarter fall in activity, now joining beleaguered agriculture in recession territory. A fall in demand for freight and passenger land transportation contributed to the decline.

Introducing a more nuanced picture of the economy

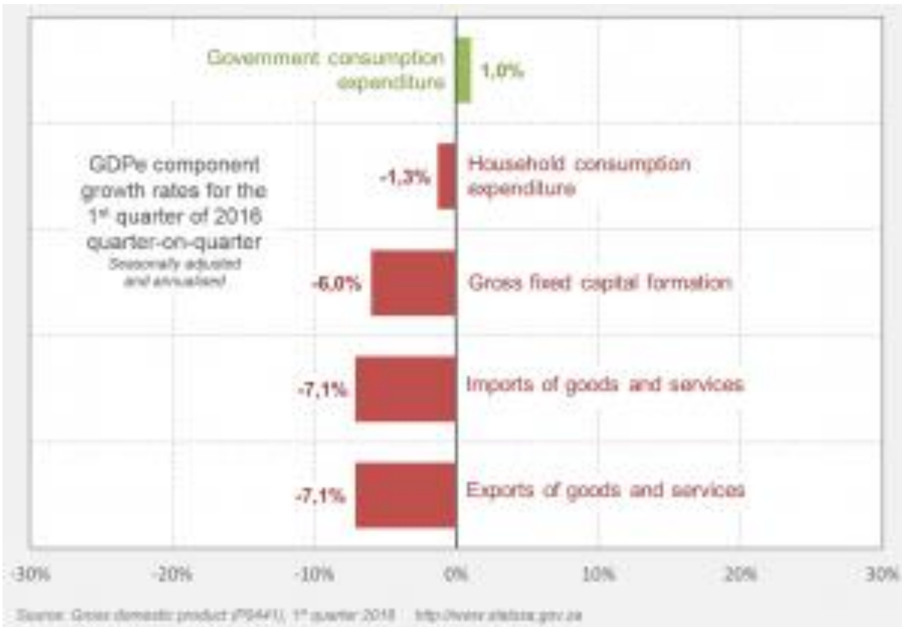
Stats SA has, for the first time, introduced expenditure on gross domestic product (GDPe) in the GDP statistical release. Historically Stats SA has published GDP production (GDPp) figures only, measuring the supply side of the economy (the extent to which industries drive economic output by producing goods and services). The growth figures outlined above fall under GDPp. The overall figure of -1,2%, reflecting the change in GDPp, continues to be the headline growth rate.

GDPe, on the other hand, is a measure of the demand side of the economy, the amount of money that is used to buy the goods and services that are produced. GDPe includes data on household and government spending, capital investment, and exports (minus imports). Stats SA has taken over the responsibility for calculating GDPe from the South African Reserve Bank.

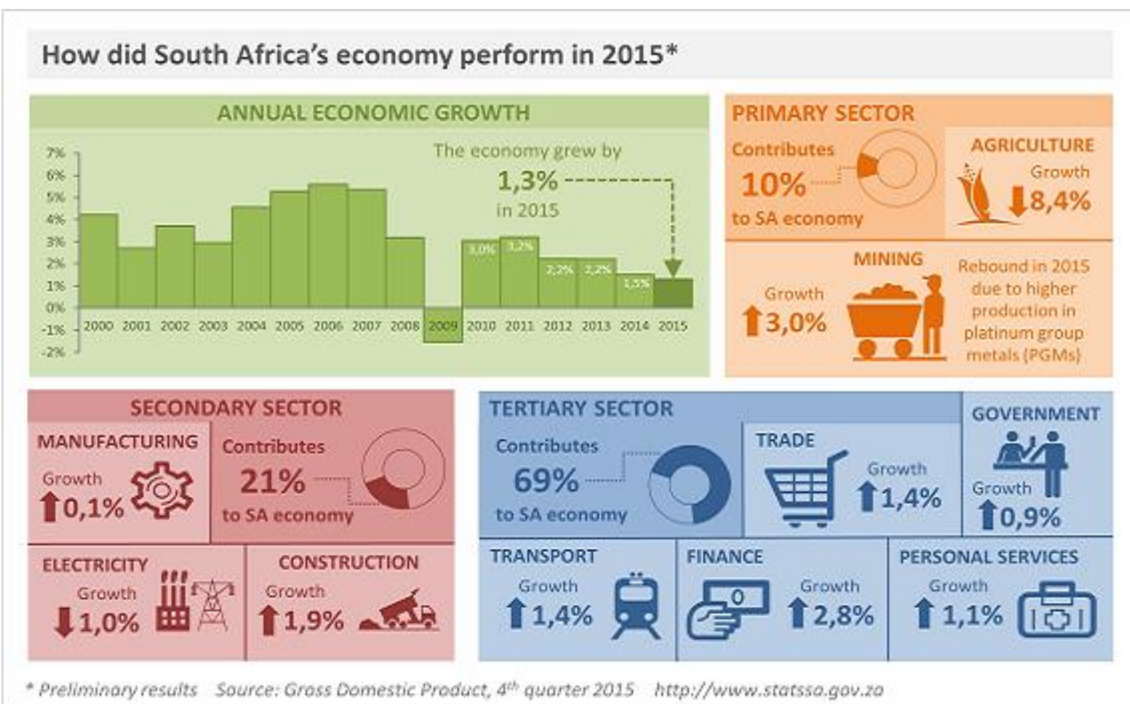


The demand side of the economy: falling exports drive down overall expenditure

So what are the results for GDPe? GDPe fell by 0,7% quarter-on-quarter, joining GDPp growth in negative territory. Demand for goods and services declined for all components of GDPe with the exception of government, which experienced 1% quarter-on-quarter increase in expenditure. Exports of goods and services declined 7,1% and contributed most (-2,2 percentage points) to the overall decline.



Considering the current situation against the previous year's GDP performance puts the performance into context.



South Africa's economy grew by 1,3% in 2015, down from 1,5% in 2014 and 2,2% in 2013, according to preliminary estimates of real gross domestic product (GDP) published by Stats SA. Overall economic growth in 2015 was characterised by two of the main industry groups shrinking in size, while the other eight experienced some growth.

The main contributor to the slowdown in 2015 was agriculture. Severe drought conditions saw the industry contracting by 8,4%, the largest annual fall in agriculture production since 1995. The decrease in 2015 was mainly due to a sharp drop in the production of field crops.

The electricity, gas and water supply industry also shrank in size, contracting by 1,0%.
Growth in manufacturing was almost flat in 2015, with the industry expanding marginally by 0,1%.
Growth figures of less than 2% were recorded for government (+0,9%), personal services (+1,1%), transport2 (+1,4%), trade3 (+1,4%) and construction (+1,9%).

The finance industry expanded by 2,8%. As this is the largest industry, comprising 21% of the entire economy, its increase in activity was the main positive contributor to the 1,3% annual rise in GDP.

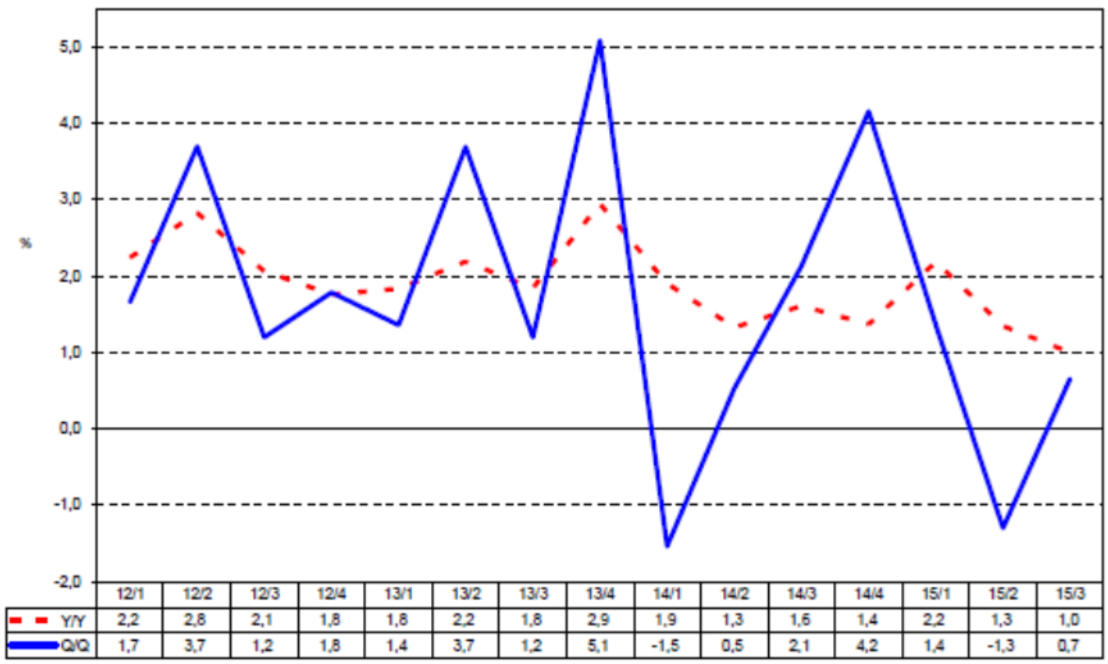
The mining industry recorded the highest growth of all ten industries, expanding by 3,0%. The increase was mainly a result of increased platinum group metal (PGM) production. The low base created in 2014 by the PGM miners' strike saw PGM production rising by 46,2% in 2015 compared with 2014. Of the four major minerals (i.e. PGMs, iron ore, gold and coal), the PGM group was the only one to record a production increase in 2015.

GDP is widely used to measure the size of an economy and its performance over time. In 2015 South Africa's GDP was almost R4 trillion (that's 12 zeros).

Other quick facts for the fourth quarter of 2015 are:

- Real GDP increased by 0,6% quarter-on-quarter, seasonally adjusted and annualised.
- The unadjusted real GDP increased by 0,6% year-on-year.

Figure 1 – Growth in gross domestic product year-on-year (Y/Y) and quarter-on-quarter seasonally adjusted and annualised (Q/Q)



(Source: Statistics SA Q3 2015)

Key findings: P0141 - Consumer Price Index (CPI), February 2016

- The headline CPI (for all urban areas) annual inflation rate in February 2016 was 7,0%.
- This rate was 0,8 of a percentage point higher than the corresponding annual rate of 6,2% in January 2016.
- On average, prices increased by 1,4% between January 2016 and February 2016.

South Africa's CPI reveals how volatile inflation hurts the poorest
Patrick Kelly, Executive Manager for Price Statistics, provides some insights into how inflation affects the most vulnerable.

The combined effect of the severe drought and the depreciation of the rand drove annual food inflation to 9,8% in March, its highest level in four years. Periods of high food inflation often spark an outpouring of concern over its impact on the poor.

Usually the intention of such analysis is to advocate for increased welfare benefits for the poor. These concerns are not without foundation, as food makes up more than 40% of the poor's overall expenses – a greater proportion than any other income group. Other large components which make up a poor family's expenses are housing, alcohol and tobacco and transport. Price changes in these categories also affect their living standards.

The Consumer Price Index (CPI) is sometimes incorrectly cited to illustrate how official statistics fail to capture the experience of the poor. South Africa's national inflation rate, in line with most equivalent measures around the world, is based on the total expenditure of all South African consumers. Because higher earners spend more, they implicitly exert greater influence on the overall CPI basket. With the knowledge that the CPI better reflects the working or middle class, rather than the poor, Stats SA publishes numerous additional price indices to analyse changes in the cost of living of specific income and geographic groups.

The CPI is based on scientifically representative surveys of households and prices and therefore provides a trustworthy basis for measured analysis. While the products in the CPI basket are standardised, the importance (weight) attached to each of these varies according to the particular index being constructed. Additional indices are compiled for specific income groups, provinces, small and large urban areas as well as rural areas. The prices for each geographic area, including the rural CPI, are collected in the area in which each particular product is usually purchased.

It is true that in times of high food inflation, the poor experience higher overall inflation than the average consumer and that inflation of the poor's food basket increases more rapidly than that of all other groups. However, the inverse is true during times of low food inflation. In these periods, food baskets of rural residents and the poorest quintile show markedly slower inflation than all other groups. This relationship is found in 90% of the months from January 2008 to March 2016, with accumulated inflation of the poor since 2013 (when the CPI was last rebased) currently being only fractionally higher than headline inflation.

As an illustration of this pattern, while headline annual food inflation was 9,8% in March this year, it was 13,6% for rural residents and 11,8% for the poorest households. However, in May 2015 when the headline food inflation figure was 4,6%, rural residents paid 2,8% more for food and the poor 3,8% more. The poor therefore experience greater variability in inflation, with high inflation periods – leading to more financial stress – but low inflation periods providing a relative measure of relief. In the long run, both the food and total inflation experienced by the poor and rural residents is approximately equivalent to the country as a whole. This would suggest that short term, targeted, relief measures during high inflation periods are more needed than additional permanent welfare interventions.

Households change their spending patterns over time in response to a variety of factors, including changes in prices, product availability, technology, income and tastes. In particular, buying down to cheaper varieties and smaller package sizes is common during high inflation periods to manage overall spend. This substitution mitigates the impact of price rises. Because Stats SA only updates the CPI weights every three to five years, short-term substitution is not captured and will result in the CPI being higher than the actual inflation experienced by households. This is in contrast to the perception held by many that the CPI typically underestimates inflation.

Updating the CPI basket and weights as often as possible is therefore critical to arrive at an accurate inflation rate. The weights of the CPI currently reflect spending patterns from 2012. Spending patterns of households across the country were surveyed last year and these results will lead to a new basket and also new weights from the beginning of 2017. This survey is expensive to conduct because it must account for expenditure covering a whole year and is more complex than other household surveys. Its value is not only in updated weights for the CPI, it also provides insights into the living conditions and poverty levels of South Africans – a robust measure of the impact of changing prices and economic conditions.

Published in Daily Maverick on 28 April 2016.

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

INDICATOR for SA	**MONTH /YEAR**	**%**	**Quarter on Quarter or Year on Year**
Population (Mid-year Estimate)	Mid 2014	54.00 mil	
	Mid 2015	54.95mil	

Gross Domestic Product (GDP) Growth	2016 Q1	-1.2%	QoQ
	2015 Q4	0.6%	
	2015 Q3	0.7%	
	2015 Q2	-1.3%	
	2015 Q1	1.3%	
	2014 Q4	4.1%	
Consumer Price Index (CPI)	May 2016	6.1%	YoY
	April 2016	6.2%	
	March 2016	6.3%	
	February 2016	7.0%	
	January 2016	6.2%	
	Average 2015	4.6%	
	December 2015	5.2%	
	November 2015	4.8%	
	October 2015	4.7%	
	September 2015	4.6%	
	August 2015	4.6%	
	July 2015	5.0%	
	June 2015	4.7%	
	May 2015	4.6%	
Producer Price Index (PPI)	April 2016	7.0%	YoY
	March 2016	7.1%	
	February 2016	8.1%	
	January 2016	7.6%	
	Average 2015	3.6%	
	December 2015	4.8%	
	November 2015	4.3%	
	October 2015	4.2%	
	September 2015	3.6%	
	August 2015	3.4%	
	July 2015	3.3%	
	June 2015	3.7%	
	May 2015	3.6%	
	April 2015	3.0%	
Unemployment	2016 Q1	26.7%	
	2015 Q4	24.5%	
	2015 Q3	25.5%	
	2015 Q2	25.0%	
	2015 Q1	26.4%	

2.2.2 ***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

2.2.3 *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*

The table below summarises the *key demographic and socio-economic characteristics* for the NWP and its four district municipalities' in context of the South African picture with regards to demographics, development, household infrastructure, labour, income and expenditure, economy, tourism and international trade as per the 2014 IHS Global Insight Indicators.

The NW region covers approximately 105 076 square kilometres, comprising 8.6% of the national area. The NWP is not densely populated when compared to the national population density. The NWP houses approximately 7% of the country's total population.

***Key indicators South Africa, North West province and* District Municipalities (2014)**

	South Africa	North-West	Bojanala DM	Ngaka Modiri Molema DM	Dr Ruth Segomotsi Mompati DM	Dr Kenneth Kaunda DM
Region area (km²)	1 221 246	105 076	18 370	27 985	44 053	14 668

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	South Africa	North-West	Bojanala DM	Ngaka Modiri Molema DM	Dr Ruth Segomotsi Mompati DM	Dr Kenneth Kaunda DM
Total population	53 781 908	3 670 889	1 602 614	866 535	474 823	726 916
Population density (number of people per km²)	44,04	34.94	87.24	30.96	10.78	49.56
Economically Active Population (EAP) as % of total population, official definition	35,986%	31,310%	38,483%	22,786%	20,684%	32,600%
Number of households	15 341 533	1 098 814	526 384	231 248	127 189	213 993
Annual per household income (Rand, current prices)	168 920	135 990	141 920	116 877	101 838	162 355
Annual per capita income (Rand, current prices)	48 187	40 707	46 615	31 191	27 279	47 796
Gini coefficient	0,64	0,61	0,61	0,61	0,59	0,62
Formal Sector Employment	12 109 001	674 221	371 715	111 955	53 451	137 100
Informal Sector Employment	2 305 887	104 566	58 087	18 268	9 107	19 104
Unemployment rate, official definition (%)	25,007%	26,196%	22,953%	30,229%	30,942%	29,308%
Share below the upper poverty line (StatsSA defined)	46,475%	47,403%	39,831%	56,652%	59,106%	45,427%
Poverty gap rate (from upper poverty line)	28,378%	28,208%	27,466%	28,796%	28,892%	28,191%
Human Development Index (HDI)	0.626	5.578	0.608	0.531	0.500	0.603
Index of buying power	1,000	0,056	0,0272	0,011	0,005	0,0124
Economic Output (R million in current prices)	3 404 494 638	198 968 011	111 514 503	33 302 311	13 011 912	41 139 285
Share of economic output (GVA % of SA in current prices)	100,00	5,84	3,28	0,98	0,38	1,21
Economic Output (R million in constant 2010 prices (R 1000)	2 729 203 315	153 664 276	88 037 300	25 586 875	9 920 398	30 119 703
Share of economic output (GVA % of SA in constant 2010 prices (R 1000))	100,00	5,63	3,23	0,94	0,36	1,10
Average annual growth (Constant 2010 Prices) 2014	1,6%	-0,5%	-1,4%	1,2%	2,3%	-0,2%
Average annual growth (Constant 2010 Prices) 2014 to 2019	2,7%	2,8%	3,4%	2,3%	2,5%	1,8%
Growth in Tourism (using bednights) by origin 2013	5,0%	9,0%	9,1%	7,7%	10,3%	9,3%
Growth in Tourism Spend 2013	5,8%	3,0%	2,7%	3,1%	4,7%	3,1%
International Trade						

	South Africa	North-West	Bojanala DM	Ngaka Modiri Molema DM	Dr Ruth Segomotsi Mompati DM	Dr Kenneth Kaunda DM
Exports (R 1000)	1 003 825 998	18 300 516	14 718 510	1 086 254	364 150	2 131 602
Imports (R 1000)	1 072 463 997	5 553 622	2 131 904	441 338	120 572	2 859 808
Total Trade (R 1000)	2 076 289 995	23 854 138	16 850 414	1 527 592	484 722	4 991 410
Trade Balance (R 1000)	-68 637 999	12 746 893	12 586 606	644 916	243 578	-728 206
Exports as % of GDP	26,4%	8,1%	11,7%	2,8%	2,4%	4,5%
Total trade as % of GDP	54,7%	10,6%	13,4%	4,0%	3,2%	10,6%
Regional share - Exports	100,0%	1,8%	1,5%	0,1%	0,0%	0,2%
Regional share - Imports	100,0%	0,5%	0,2%	0,0%	0,0%	0,3%
Regional share - Total Trade	100,0%	1,1%	0,8%	0,1%	0,0%	0,2%
(Source: Regional eXplorer 832 (2.5q)						

The NW shows improvement in most of the *developmental indicators* (2009 used as baseline). Most notable is the improvement in the Human Development Index (HDI) currently at 0.58 from 0.52 in 2009. Similar improvements are seen in both the number and percentage of people living in poverty below the upper poverty line (StatsSA defined), currently measured at 47.4% (59.1% in 2009) respectively. Improvements in all measures relating to schooling and education are also reported.

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

The 2014 *Gini coefficient* indicates that the level of equality is decreasing from 0,602 in 2009 to 0.614 in 2014 for the North West province. This is a trend for South Africa and the District Municipalities as well.

With regards to the economy, the *Tress index* provides insight into the level of concentration (or diversification) within an economic region. A Tress index value of 0 means that all economic sectors in the region contribute *equally* to GVA, whereas a Tress index of 1 means that only one economic sector makes up the whole GVA of the region. In the table below it is clear that the NW province has become more diversified in its economy from 2009 where it was the 2nd most concentrated economy and in 2014 the 4th most concentrated. This is an indication that the efforts to diversify the economy are paying off and can be contributed to the weaker performance of the mining sector. *The NWP is a large and significant local economy in the South African economic context*. The area contributes approximately 5.7% to national production with mining,

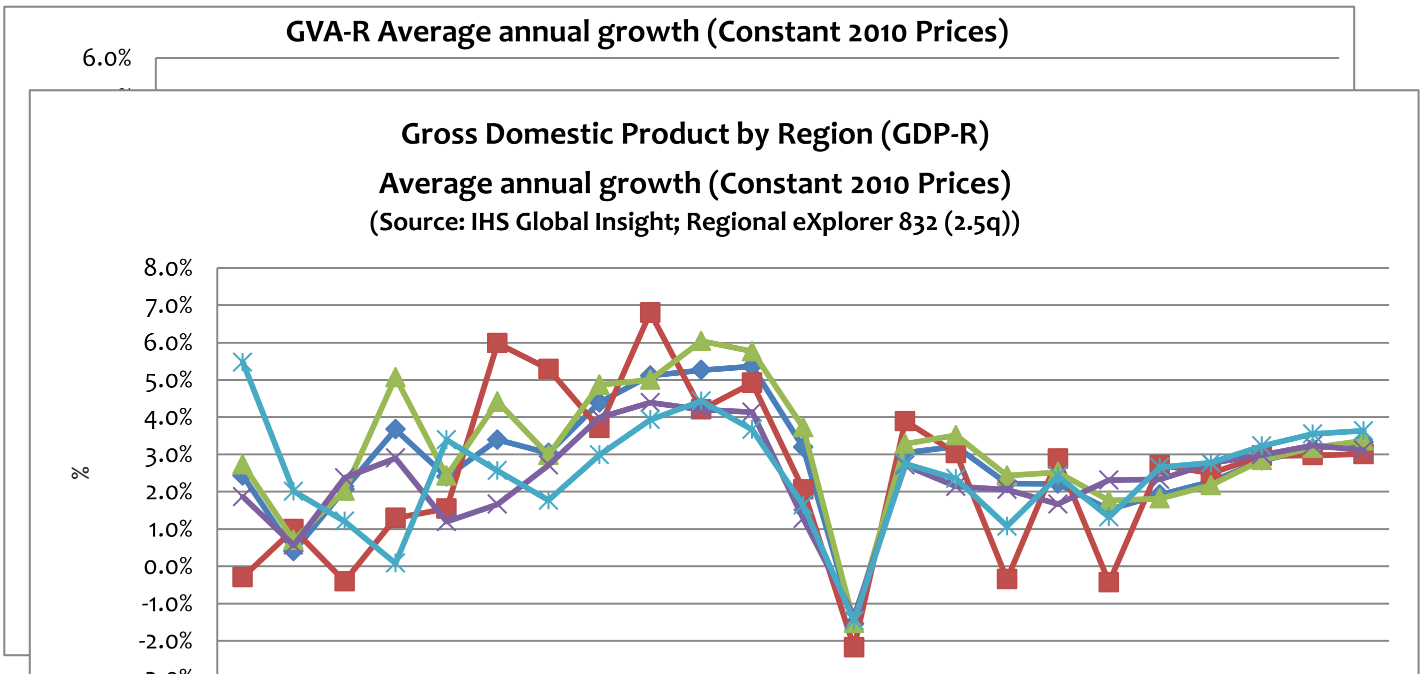
Table: Comparison of the Tress indices of SA, provinces and the NW district Municipalities between 2009 and 2014:

	2009	2014
South Africa	39,67	39,44
Western Cape	47,55	46,76
Eastern Cape	54,16	53,67
Northern Cape	41,19	42,68
Free State	34,13	36,65
KwaZulu-Natal	40,98	39,34
Gauteng	49,97	49,68

Mpumalanga	36,57	36,35
Limpopo	49,55	50,03
North-West	51,08	49,29
Bojanala DM	66,03	62,38
Ngaka Modiri Molema DM	47,56	48,93
Dr Ruth Segomotsi Mompati DM	45,88	46,86
Dr Kenneth Kaunda DM	43,42	43,77

The *Average Annual growth* rate for the North West province has clearly been negatively affected by the labour unrest in the mining sector in 2014 and declined to -0,5 from 3% in 2013. The DRSDM on the contrary has experienced increased growth from 0,8% in 2013 to 2,3% in 2014.

In the graph below the average annual growth of the North West province is compared with the national



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
SA	2.4%	0.4%	2.1%	3.7%	2.4%	3.4%	3.0%	4.4%	5.1%	5.3%	5.4%	3.2%	-1.5%	3.0%	3.2%	2.2%	2.2%	1.5%	1.9%	2.3%	2.8%	3.2%	3.3%
NW	-0.3%	1.0%	-0.4%	1.3%	1.5%	6.0%	5.3%	3.7%	6.8%	4.2%	4.9%	2.1%	-2.2%	3.9%	3.0%	-0.4%	2.9%	-0.4%	2.7%	2.5%	3.0%	3.0%	3.0%
Gauteng	2.7%	0.7%	2.0%	5.1%	2.4%	4.4%	3.0%	4.9%	5.0%	6.0%	5.8%	3.7%	-1.5%	3.3%	3.5%	2.4%	2.5%	1.8%	1.8%	2.2%	2.8%	3.2%	3.4%
Mpu	1.9%	0.6%	2.4%	2.9%	1.2%	1.7%	2.7%	4.0%	4.4%	4.2%	4.1%	1.3%	-1.3%	2.7%	2.1%	2.1%	1.7%	2.3%	2.3%	2.8%	3.0%	3.2%	3.1%
Limpopo	5.5%	2.0%	1.2%	0.1%	3.4%	2.6%	1.8%	3.0%	3.9%	4.4%	3.7%	1.6%	-1.5%	2.8%	2.3%	1.1%	2.4%	1.3%	2.7%	2.8%	3.2%	3.5%	3.6%

growth figures as well as with Gauteng, Limpopo and Mpumalanga and it is clear that the North West province growth is more volatile which can be attributed to the heavy reliance on mining.

According to the <u>*Regional Economic Review: Current realities in the North West Province, A report from the TRADE (Trade and Development) research niche area of the North West University; March 2014*</u>, the provincial economy is *structurally unbalanced with the primary and tertiary sectors contributing more towards GDP-R* and growing faster than the secondary sector. The situation is further exacerbated by;

- limited water and electricity supply,

- the poor state of infrastructure,
- shortage of skilled labourers and
- rigid regulatory and legislative policies.

A provincial input-output analysis points to a situation of high economic leakages and a dislocation of supply and demand across a number of industries. This has resulted in input and output activities between industries not operating in tandem, minimising the competitiveness of the province.

Employment

North West Employment Figures Compared to South Africa (Source: STASSA Q1 2016)

	SOUTH AFRICA						
	Jan–Mar 2015	Apr-June 2015	Jul-Sept 2015	Oct-Dec 2015	Jan–Mar 2016	% Change Q on Q	% Change Y on Y
	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands
Population 15-64 yrs	**35 799**	**35 955**	**36 114**	**36 272**	**36 431**	**0,4%**	**1,8%**
Labour Force	20 994	20 887	21 246	**21 211**	**21 377**	**0,8%**	**1,8%**
Employed	15 459	15 657	15 828	**16 018**	**15 663**	-2,2%	1,3%
Unemployed	5 535	5 230	5 418	**5 193**	**5 714**	10,0%	3,2%
Not economically active	14 805	15 068	14 867	**15 061**	**15 054**	0,0%	1,7%
Discouraged work-seekers	2 397	2 434	2 226	**2 279**	**2 449**	7,5%	2,2%
Other	12 408	12 633	12 641	**12 782**	**12 605**	-1,4%	1,6%
Rates (%)							
Unemployment rate	26,4	25,0	25,5	24,5	26,7	2,2	0,3
Employed / population ratio (Absorption)	43,2	43,5	43,8	44,2	43,0	-1,2	-0,2
Labour force participation rate	58,6	58,1	58,8	58,5	58,7	0,2	0,1

	NORTH WEST						
	Jan–Mar 2015	Apr-June 2015	Jul-Sept 2015	Oct-Dec 2015	Jan–Mar 2016	% Change Q on Q	% Change Y on Y
	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands
Population 15-64 yrs	**2 411**	**2 422**	**2 434**	**2 445**	**2 453**	**0,4%**	**1,8%**
Labour Force	1 274	1 256	**1 235**	**1 273**	**1 284**	**0,9%**	**0,8%**
Employed	912	940	921	969	**924**	-4,7%	1,3%
Unemployed	361	316	314	304	**360**	18,6%	-0,3%
Not economically active	1 138	1 166	1 198	1 172	**1 169**	-0,2%	2,8%
Discouraged work-seekers	264	231	243	241	**251**	4,3%	-4,7%
Other	874	935	956	931	**918**	-1,4%	5,1%
Rates (%)							
Unemployment rate	28,4	25,2	25,4	23,9	28,1	4,2	-0,3
Employed / population ratio (Absorption)	37,8	38,8	37,9	39,6	37,7	-1,9	-0,1
Labour force participation rate	52,8	51,9	50,8	52,1	52,3	0,2	-0,5

North West Employment by Industry Figures Compared to South Africa (Source: STASSA Q4 2015)

	SA Jan-Mar 2015	SA Jan-Mar 2016	SA % Share Contribution	NW Jan-Mar 2015	NW Jan-Mar 2016	NW% Share Contribution	NW as % of SA

	Thousands	Thousands	Jan-Mar 2106	Thousands	Thousands	Jan-Mar 2016	
Agriculture	891	876	5,59%	54	54	5,74%	6,16%
Mining	443	473	3,02%	140	157	16,70%	33,19%
Manufacturing	1 779	1 638	10,46%	68	64	6,81%	3,91%
Utilities	143	111	0,71%	8	2	0,21%	1,80%
Construction	1 322	1 362	8,70%	61	59	6,28%	4,33%
Trade	3 046	3 161	20,18%	151	163	17,34%	5,16%
Transport	899	895	5,71%	30	44	4,68%	4,92%
Finance	2 195	2 218	14,16%	105	99	10,53%	4,46%
Community and Social Services	3 450	3 675	23,46%	214	207	22,02%	5,63%
Private House Holds	1 288	1 251	7,99%	82	75	7,98%	6,00%
Other	4	4	0,03%			0,00%	0,00%
TOTAL	**15459**	**15 663**	**100,00%**	**912**	**940**	**100,00%**	**6,00%**

2.3.2 North West Location and Infrastructure

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

Water is considered one of the key limiting factors to development in the NWP. The province is not only depleting its precious water reserves, but suffers from an additional problem – that of pollution of groundwater caused by both natural and human-induced factors including mining and industrial activities, agriculture and domestic use. With regards to electricity, the NWP has a well-developed electricity distribution network due to mining activities. The current electricity crisis can also be seen as an opportunity to develop other energy technologies and to invest in renewable energy.

2.3.3 North West Policy Guidelines

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

With the Focus of the 5th Administration on rebranding, repositioning and renewing (RRR) the VTSDs' economies as a strategic drive and to further focus on Agriculture, Culture and Tourism (ACT) as key sectors in the province. As the implementing arm of the NW province this approach will be promoted by the NWDC.

It is important to indicate the relative importance of agriculture, culture and tourism in the NWP. Agriculture (both narrow [2.8%] and broad [4.4%]) plays a smaller role than in most of the other provinces (with the exception of Gauteng and Limpopo). Along with most other provinces, except Gauteng, the cultural sector makes up a small part of GVA (2.7%). Culture and Tourism is difficult to isolate as it is spread across various sectors in the economy. The tourism sector contributes more (19%) to provincial GVA than agriculture and culture put together. In the total NWP economy ACT contributed approximately 23% of all value added in 2014.

Detailed sectors	Share of provincial GVA	Share of provincial employment
Narrow agriculture	2.77%	4.85%
Broad agriculture	4.40%	6.78%
Culture	2.71%	3.60%
Tourism	19.01%	18.82%

In terms of the VTSD focus, the areas / places identified as key role players are indicated in the table below.

Category (VTSD)	Local Municipality (LM)	District Municipality (DM)
Zeerust	Ramotshere Moiloa LM	Ngaka Modiri Molema DM
Coligny	Ditsobotla LM	Ngaka Modiri Molema DM
Delareyville	Tswaing LM	Ngaka Modiri Molema DM
Ottosdal	Tswaing LM	Ngaka Modiri Molema DM
Sannieshof	Tswaing LM	Ngaka Modiri Molema DM
Koster	Kgetlengrivier LM	Bojanala Platinum DM
Derby	Kgetlengrivier LM	Bojanala Platinum DM
Swartruggens	Kgetlengrivier LM	Bojanala Platinum DM
Vryburg (Dorpie) & Huhudi (Township)	Naledi LM	Dr. Ruth S. Mompati DM
Schweizer-Reneke / Itelegeng (Mamusa)	Mamusa LM	Dr. Ruth S. Mompati DM
Hartbeesfontein(Dorpie) and Tigane (Township)	City of Matlosana	Kenneth Kaunda DM
Wolmaransstad / Tsweleleng – Maquassi Hills	Maquassi Hills LM	Kenneth Kaunda DM
Ventersdorp & Tshing	Ventersdorp LM	Kenneth Kaunda DM

Source: The FEED (2015).ACT

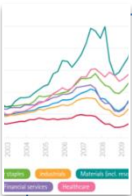
The Department of Finance, Economy and Enterprise Development (FEED) mapped the following priorities in their 2015 2016 strategic plan to grow the economy of the NWP.

Low Agricultural Outputs

Whilst the employment numbers in the sector have increased with accompanying increased output, there's a need for further upward development for purposes of production, employment figures and agro-processing

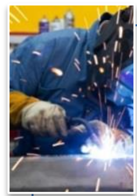
Infrastructure Development

The Province needs to provide and maintain a solid economic infrastructure, including a reliable energy consumption grid, transport networks (road, rail, and aviation), and telecommunications



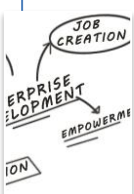
Diversification of Industries

The North West Province has to move with global trends. This calls for a thrust towards diversified local economies to include Arts and Crafts, Film industry, Green Economy industries (e.g. solar energy, waste management, and recycling projects)



Manufacturing vs Export Oriented Market

There is a need to investigate the potential of local beneficiation opportunities (based on the local outputs) and actively promote closer linkages between the local primary sector and manufacturing industries



Aggressive Enterprise Development

SMMEs are regarded as the back bone of many economies in developed and developing countries yet South Africa remains at the bottom of the rankings when it comes to countries that support small businesses to buttress the performance of their economies. To the extent that RSA has poor records on SMME support the implications are that provinces are not doing any better. The SMME strategy covers most of the challenges and plans to overcome them and therefore it suffices to mention Small Business Support as a challenge in this document

Foreign Direct Investment

The North West Province has the potential to ttract foreign investment to support the local conomies. The potential exists to attract local nd foreign private investors to the province by roviding a competitive set of incentives that ould include both administrative (reducing the me required for development approval, nformation provision, etc.) and financial incentives disaggregated in terms of economic sectors and the value of investment particularly prioritising beneficiating activities. This can also be done through the formation of Public Private Partnerships (PPPs) to reduce private sectors' risks and acquire necessary funds for investment

The North West Development Corporation (NWDC) has identified the following key and cross-cutting sectors, based on the renewed focus in the NWP

Key economic sectors include:

- Agriculture and agro-processing
- Culture
- Tourism
- Mining and mineral beneficiation
- Manufacturing
- Green economy
- ICT

Cross-cutting sectors include:

- Small and medium enterprise (SME)
- International trade
- Innovation and R&D
- Business process outsourcing (BPO)

Based on the information above NWDC will close the gap by focusing on smart specialization. Smart specialization is about placing greater emphasis on innovation and having an innovation-driven development strategy in place that focuses on each area's strength and competitive advantage. It aims at identifying factors of competitiveness and concentrating resources on key priorities. It also aims to harness area diversity by avoiding uniformity and duplication in investment goals. It combines goal-setting with a dynamic and entrepreneurial discovery process involving key stakeholders from government, business, academia and other knowledge-creating institutions.

3. SOUTH AFRICA'S GLOBAL COMPETITIVENESS

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

Positive rankings include:

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

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

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

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

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

- Cost-of-living index (1)
- Office rent (7);
- Effective personal income-tax rate (2)

- Employer's social security contribution (3)
- Total public expenditure on education (3)
- Secondary school enrolment (7)
- Stock market capitalisation (3) and
- Finance and banking regulation (9).

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

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

Ease of Doing Business Ranking of South Africa

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

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

4. FOREIGN DIRECT INVESTMENT (FDI)

Global business leaders are pursuing FDI growth strategies grounded in informed optimism.
The Foreign Direct Investment Confidence Index®, established in 1998, examines the overarching trends in FDI. The top 25 ranking is a forward-looking analysis of how political, economic, and regulatory changes will likely affect countries' FDI inflows in the coming years. Over its 17-year history, there has been a strong correlation between the rankings and global FDI flows. Since its inception, countries ranked in the Index have consistently received at least half of global FDI inflows roughly one year after the survey.

As in past editions, this year's Index offers valuable insights into how business leaders regard the medium-term economic outlook. Several major trends emerge from the findings:

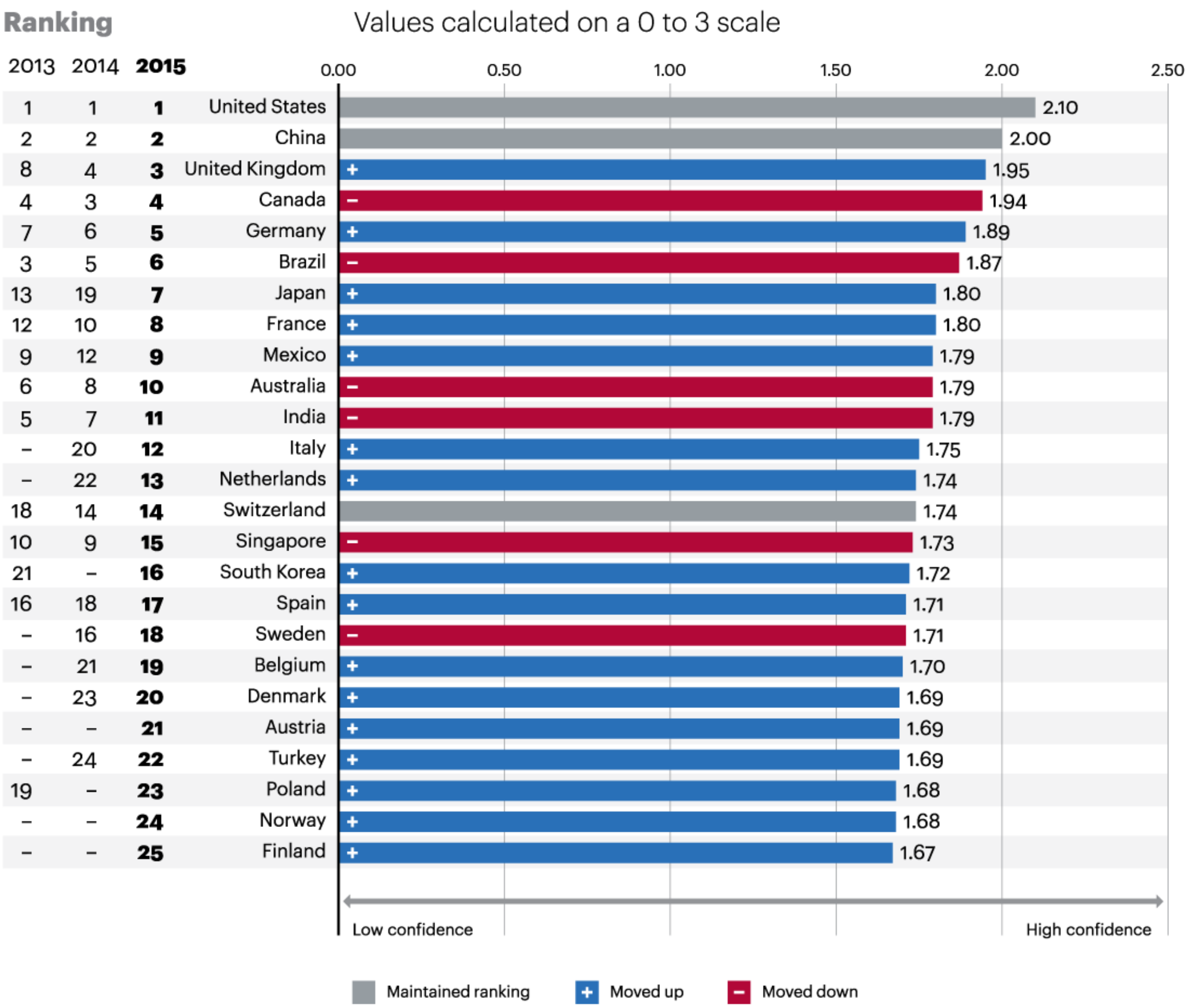
- Developed markets reign in the Index. Seven of the top 10 countries on the Index and nearly three-fourths of all countries ranked in the top 25 are developed markets, highlighting how investors are seeking safer ground for new opportunities. Interest in frontier (newly emerging) markets varies drastically by region. American investors are least interested in frontier markets, with 42 percent not invested or seeking to divest.
- Europe sets an all-time record with 15 countries in the top 25. No region has ever dominated the top 25 of the Index like Europe in 2015. The continent's 60 percent share of the rankings is a sharp rise from its 40 percent last year and roughly 30 percent in 2013. Third-ranked United Kingdom leads the way,

continuing a three-year upward trend. Germany moves up to 5th, Italy jumps eight positions to 12th, and the Netherlands moves up nine positions to 13th. Austria (21st) makes its first appearance in the Index since 2002. Norway (24th) and Finland (25th) join the list for the first time ever, rounding out a strong Nordic showing, with Sweden 18th and Denmark 20th. Switzerland remains steady at 14th, while Spain (17th) and Belgium (19th) move up the list. Turkey moves up to 22nd and Poland (23rd) rejoins the list after a one-year absence.

- The United States tops the Index for the third straight year. The United States' lead over second-place China shrank from last year's record-setting margin, but it still leads all countries when it comes to investors' positive macroeconomic outlook. Forty-six percent of business executives say they are more optimistic about the U.S. economy's outlook than they were a year ago, and only 10 percent say they are more pessimistic. Asia-headquartered companies are the most optimistic about the U.S. economy, with 44 percent predicting GDP growth above 3.6 percent over the next three years. International business executives even say that they are willing to overlook continued political gridlock in Washington, D.C.
- China is second for the third straight year. Business executives are carefully watching China for economic growth of around 7 percent, and for signs of a successful transition to a consumption-led economy. If those indicators emerge, most executives say their companies would increase investment activity into China. Overall, countries in Asia Pacific have a mixed showing in the Index, with Japan rising to 7th (from 19th last year), and South Korea reentering the Index at 16th after going unranked last year. Australia (10th), India (11th), and Singapore (15th) fall in the rankings but maintain top 20 positions.
- Business executives are optimistic about the Americas. Investors are more optimistic about the Americas than any other region, led by the United States but also including Canada (4th), Brazil (6th), and Mexico (9th). Fifty-one percent of respondents are more optimistic about economies in the Americas than last year and only 8 percent are more pessimistic. In contrast, investors are more pessimistic about the economies of both the Middle East and North Africa (MENA) and Sub-Saharan Africa, where no countries make this year's rankings.
- Global FDI flows hold steady, but still lag their pre-2009 peak. By next year, two-thirds of companies plan to return.

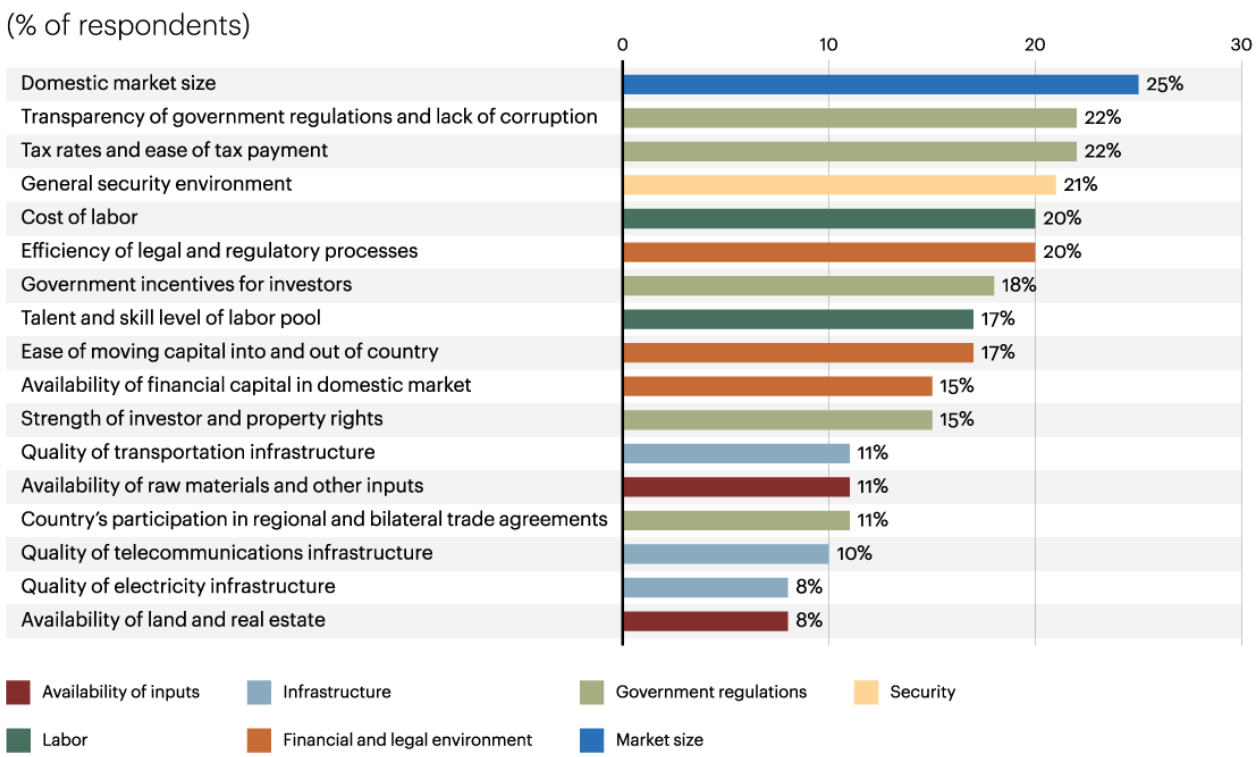
Figure 1

2015 FDI Confidence Index® ranking and scores



Source: A.T. Kearney Foreign Direct Investment Confidence Index®, 2015

Figure 11
What are the most important factors to your company when choosing where to make foreign investments?



Note: Respondents selected three factors.
Source: A.T. Kearney Foreign Direct Investment Confidence Index®, 2015

(Source: The 2015 A.T. Kearney Foreign Direct Investment Confidence Index®)

4.1 Global Investment Trends

- In 2015, greenfield FDI continued to show signs of recovery, with capital investment increasing by nearly 9% to $713bn, alongside an increase in job creation by 1% to 1.89 million. However, the number of FDI projects declined 7% to 11,930.
- India was the highest ranked country by capital investment in 2015, with $63bn-worth of FDI projects announced. Major companies such as Foxconn and SunEdison have agreed to invest in projects valued at $5bn and $4bn, respectively, in India.
- The US was the highest ranked destination by FDI projects, recording 1517 FDI projects in 2015.
- Asia-Pacific remained the leading destination for FDI in 2015, with 3883 announced FDI projects bringing in an estimated capital investment of $320.5bn. The region attracted 45% of all capital investment globally in 2015.
- Western Europe was the leading source region for FDI in 2015. Despite a decline of 9% in project numbers to 5047, the region announced capital investments of $234.4bn. In total, 42% of FDI projects were sourced from Western Europe.

Key trends in 2015 include:

- The number of FDI projects into Africa in 2015 increased by 6%
- Inward investment into the region consisting of Russia, the Commonwealth of Independent States, and central, eastern and south-eastern Europe was the only region to witness an increase in FDI across project numbers (6%), capital investment (12%) and job creation (13%)
- India replaced China as the top destination for FDI by capital investment following a year of high-value project announcements, specifically across the coal, oil and natural gas and renewable energy sectors (Source: fDi Markets)

Unctad, in its January 2016 Investment Monitor, estimates that global FDI flows increased by 36% in 2015 to $1700bn. This compares with The fDi Report 2016, which estimates that greenfield capital investment by foreign investors was $700bn in 2015, an 8.6% increase over the previous year.

However there are different ways of measuring FDI. Unctad FDI flows data records all types of FDI, based in most countries on the official OECD definition of FDI, while the fDi Markets data published in this report is based on the announcement of greenfield FDI projects only.

The year-on-year changes in greenfield FDI, published yearly in The fDi Report, has closely tracked that of the official FDI flows data published by Unctad. This changed in 2015 due to record levels of M&A, leading to the highest crossborder M&A flows since 2007.

As a result, official FDI flows grew substantially in 2015 by more than one-third. Developed economies, and the US in particular, attracted most of the growth in FDI flows in 2015 largely due to inbound M&As. FDI flows to the US in 2015 reached $384bn – nearly three times more than FDI flows to China.

While FDI flows emanating from M&As can provide a valuable source of foreign exchange and long-term capital to finance the balance of payments, the economic impact of M&As on the host economy is generally regarded as neutral in terms of the impact on job creation and capital investment; the impact is very much deal specific and depends on what the plans of the foreign investor are for the acquired company – to re-invest and expand or to rationalise or even close down – and if the M&A deal is a successful organisational merger.

The economic impact of greenfield FDI is generally regarded as positive – it is new net capital investment and job creation for the host economy. As published in this report, nearly 2 million jobs were directly created by foreign investors in their new or expanded operations in 2015 based on estimates from fDi Markets. Increased domestic capital investment and job creation through the supply chain and the wealth effect further increases the direct and indirect impact of greenfield FDI.

Greenfield FDI data is critical for economic development, as it will have a direct impact on employment and GDP.

The growth in greenfield FDI by 8.6% in 2015 was therefore very positive for economic development, although nearly all the growth in capital investment and related job creation was in Asia-Pacific, where greenfield FDI increased by more than $70bn.

The biggest change in greenfield FDI in 2015 was the near tripling of greenfield FDI into India, with an estimated $63bn. In 2015, India was for the first time the leading country in the world for FDI, overtaking the US (which had $59.6bn of greenfield FDI) and China ($56.6bn).

The rapid growth of greenfield FDI in India shows that while economic development organisations try to attract FDI for the contribution greenfield FDI can make to employment and GDP, FDI is strongly attracted to high-growth economies. Success breeds success and to attract high volumes of FDI, locations need to create the conditions for strong economic growth and development to take place.

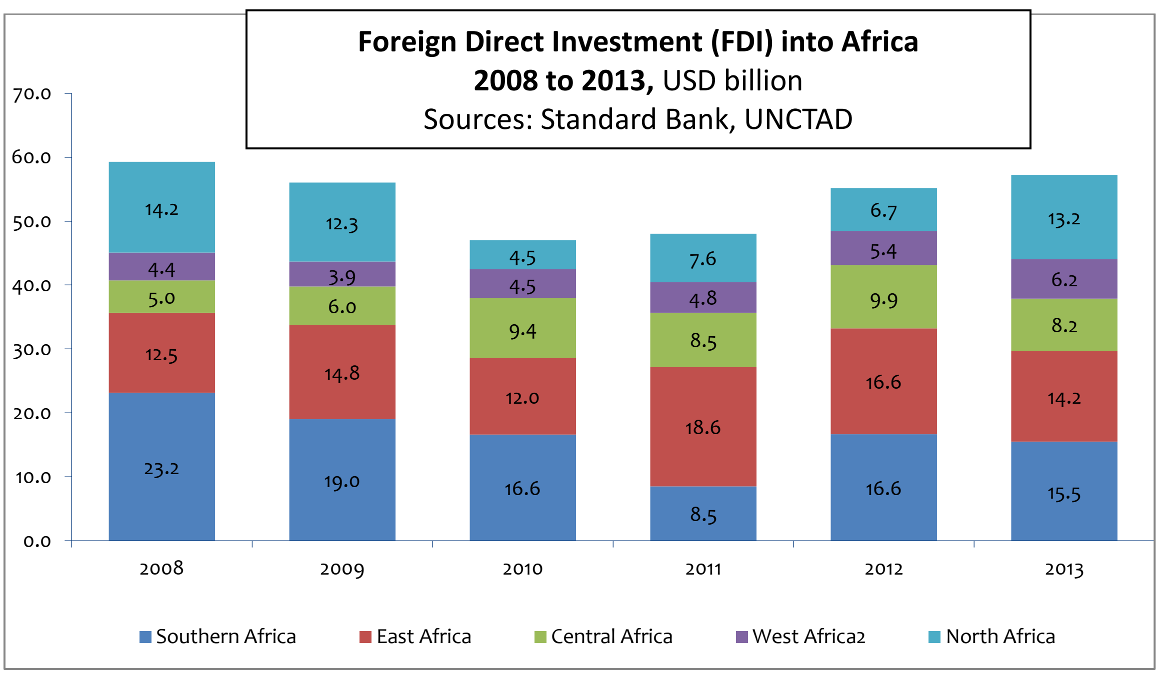
4.2 Africa

Regional Investment Trends:

The declines in the rest of the Southern African subregion were at a more muted 2%. Flows into West Africa shrank by 10% to $12.8-billion, as a result of the Ebola virus outbreak, regional conflicts and falling commodity prices affected several countries. Flows to East and Central Africa increased by 11% to $6.8-billion and 33% to $12.1-billion respectively

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

South Africa's absence – for the second year running – from the top 25 countries listed in AT Kearney's annual foreign direct investment (FDI) confidence index is suggestive of heightened investor concern about perceived political, policy and regulatory instability. (Source: The 2015 A.T. Kearney Foreign Direct Investment Confidence Index®)

Africa region head Wim Plaizier describes the position as “disturbing” given that three-fourths of the executives surveyed for the latest index, published in early May, report that their companies plan to increase their FDI in the coming three years.

The 500 respondents are drawn from companies with yearly revenues of more than $500-million and from the 27 source countries for more than 90% of global FDI flows and the index offers a forward-looking perspective of FDI trends.

The US tops the 2016 index, followed by China, Canada and Germany, with only Russia and South Africa, which last appeared on the list in 2014, among the Brics grouping of Brazil, Russia, India, China and South Africa, not featuring in the top 25.

Although Brazil slumped to twelfth position, from sixth in 2015. The decline in South Africa and Africa’s ranking, Plaizier asserts, cannot be attributed merely to the plunge in commodities, which he admits is “not helpful”. Instead, investors appear unconvinced about the stability of Africa’s political, legal and regulatory frameworks, which is lowering the continent’s attractiveness, despite supportive macroeconomic and population growth dynamics. “The main reason is that there is a perception of an insecurity of investments,” Plaizier tells Engineering News Online.

However, the absence of Africa and South Africa is also seen as part of a broader trend of investors turning to the perceived safety of developed markets. This stands in stark contrast to 2010, when developing countries comprised around 70% of the index.

To recover, African governments will need to rebuild trust with international investors and convince them that the continent provides not only growth prospects, but also stability. Serious efforts will also need to be made to combat corruption, which continues to be a priority concern for investors, particularly in light of tightening legislation in countries such as the US, the UK and Norway.

For South Africa, the current efforts by business, government and labour to cooperate on plans to reignite growth and stave of a ratings downgrade to junk would need to be sustained. “It is about building trust with foreign investors – making sure that South Africa is creating, again, that picture of a trustworthy investment destination.”

The Promotion and Protection of Investment Bill

The department of trade and industry (DTI) is in the process of cancelling a number of bilateral investment treaties, with the aim of replacing this investment regime with the Promotion and Protection of Investment Bill. DTI has come under a great deal of fire for cancelling a number of investment treaties with trade partners such as Germany. But the UNCTAD report revealed that South Africa is just one of a host of nations that is in the process of reviewing its international investment agreements regime and that there was “growing unease with the current functioning of the global international investment agreement regime”. A number of unforeseen outcomes as a result of international investment agreements had been identified. Experience had shown that these agreements “bite” – namely that their protection provisions “can and have been enforced by arbitral tribunals at sometimes huge costs to the state”, according to the report. International investment agreements can also have implications for numerous other areas at all levels of policymaking in countries, limiting the regulatory space of the contracting parties. Concerns have been raised that these limits on regulatory space “go too far, were not properly understood at the point of entry into or are inadequately balanced by safeguards for governments or by obligations on [multinational enterprises]”. (Source: 2015 World Investment Report by the United Nations Conference on Trade and Development (UNCTAD))

(Source: UNTAD World Investment Report 2015)

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. **(Source: Pre**pared by Trade and Investment South Africa (TISA) a division in **the dti)**

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	South Africa		North West	
	2013	2014	2013	2014
Exports (R 1000)	924 055 893	1 003 825 998	20 156 967	18 300 516
Imports (R 1000)	991 185 991	1 072 463 997	6 022 629	5 553 622
Total Trade (R 1000)	1 915 241 883	2 076 289 995	26 179 596	23 854 138
Trade Balance (R 1000)	-67 130 098	-68 637 999	14 134 338	12 746 893
Exports as % of GDP	27.3%	26,4%	10.5%	8,1%

Total trade as % of GDP	56.6%	54,7%	13.7%	10,6%
Regional share - Exports	100.0%	100,0%	2.2%	1,8%
Regional share - Imports	100.0%	100,0%	0.6%	0,5%
Regional share - Total Trade	100.0%	100,0%	1.4%	1,1%
(Source: Regional eXplorer 832 (2.5q))				

6. 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 Five Provincial Concretes as determined by the existing Administration for the period 2015-2020. The five concretes are based on Repositioning Rebranding and Renewal (RRR) of the Bokone Bophirima Province
    - Agriculture, Culture & Tourism (ACT)
    - Villages, Townships, Small Dorpies (VTSD)
    - Reconciliation, Healing and Renewal (RHR)
    - "Saamwerk Saamtrek" Philosophy
    - Setsokotsane Programme
- Contribute to making the nine items of the "Basic Poverty Relief Package" or the essential food basket available within the NWDC mandate. The items include:
    - Bread (Projects like bakeries for communities to be more self reliant when it comes to poverty relief)
    - Oil (Growing or buying sun flowers and making oil locally)
    - Milk (cows and milking facilities)
    - Maize meal
    - Meat
    - Vegetables
    - Fruit
    - Water
    - Electricity
- Actively seek for opportunities to benefit from the BRICS Fund.
- Develop and diversify the manufacturing sector.
- Identify leakages in the current manufacturing value chains to attract investment as well as investigate global value chains as the new trend.
- Utilise localisation strategies and products identified for local procurement by Eskom and Transnet to link to local suppliers and SMMEs that can benefit from the infrastructure development programmes.
- Increase agricultural activity and agro-processing.
- Contribute to rural development programmes.
- Utilise co-operatives to stimulate these economies.
- Utilise ICT for communication and training purposes
- Include designated groups, youth, women and disabled as beneficiaries of projects.
- The unemployed graduates database and other databases can be consulted for possible beneficiaries.
- Skilling in line with provincial plans is very important and closer co-operation should be encouraged between tertiary institutions and project drivers to be able to develop appropriate skills.

Report Submitted By **Date: 24 June 2016**

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