

# **Economic Data Report**



**3<sup>rd</sup> Quarter, 2016 / 17**

**Compiled by: NWDC Research and  
Innovation Unit**

Q3 2016 2017

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## **1. INTRODUCTION**

The purpose of the Research and Innovation 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 – Uncertainty in the Aftermath of the U.K. Referendum**

(Source: WORLD ECONOMIC OUTLOOK (WEO) UPDATE; October 2016)

Global growth is projected to slow to 3.1 percent in 2016 before recovering to 3.4 percent in 2017. The forecast, revised down by 0.1 percentage point for 2016 and 2017 relative to April, reflects a more subdued outlook for advanced economies following the June U.K. vote in favor of leaving the European Union (Brexit) and weaker-than-expected growth in the United States. These developments have put further downward pressure on global interest rates, as monetary policy is now expected to remain accommodative for longer.

Although the market reaction to the Brexit shock was reassuringly orderly, the ultimate impact remains very unclear, as the fate of institutional and trade arrangements between the United Kingdom and the European Union is uncertain.

Financial market sentiment toward emerging market economies has improved with expectations of lower interest rates in advanced economies, reduced concern about China's near-term prospects following policy support to growth, and some firming of commodity prices. But prospects differ sharply across countries and regions, with emerging Asia in general and India in particular showing robust growth and sub-Saharan Africa experiencing a sharp slowdown. In advanced economies, a subdued outlook subject to sizable uncertainty and downside risks may fuel further political discontent, with anti integration policy platforms gaining more traction. Several emerging market and developing economies still face daunting policy challenges in adjusting

to weaker commodity prices. These worrisome prospects make the need for a broad-based policy response to raise growth and manage vulnerabilities more urgent than ever.

## The World Economic Outlook Projections as per the World Economic Outlook Update October 2016

**Table 1. Overview of the World Economic Outlook Projections** (Percent change unless noted otherwise)

	2015	Projections		Difference from July 2016 WEO		Difference from April 2016 WEO	
		2016	2017	2016	2017	2016	2017
<b>World Output</b>	3.2	3.1	3.4	0.0	0.0	-0.1	-0.1
<b>Advanced Economies</b>	2.1	1.6	1.8	-0.2	0.0	-0.3	-0.2
United States	2.6	1.6	2.2	-0.6	-0.3	-0.8	-0.3
Euro Area	2.0	1.7	1.5	-0.1	-0.1	0.2	-0.1
Germany	1.5	1.7	1.4	0.1	-0.2	0.2	-0.2
France	1.3	1.3	1.3	-0.2	0.1	0.2	0.0
Italy	0.8	0.8	0.9	-0.1	-0.1	-0.2	-0.2
Spain	3.2	3.1	2.2	0.5	-0.1	0.5	-0.1
Japan	0.5	0.5	0.6	0.2	0.5	0.0	0.7
United Kingdom	2.2	1.8	1.1	-0.1	-0.2	-0.1	-1.1
Canada	1.1	1.2	1.9	-0.2	-0.2	-0.3	0.0
Other Advanced Economies	2.0	2.0	2.3	0.0	0.0	-0.1	-0.1
<b>Emerging Market and Developing Economies</b>	4.0	4.2	4.6	0.1	0.0	0.1	0.0
Commonwealth of Independent States	-2.8	-0.3	1.4	0.3	-0.1	0.8	0.1
Russia	-3.7	-0.8	1.1	0.4	-0.1	1.0	0.3
Excluding Russia	-0.5	0.9	2.3	-0.1	-0.2	0.0	0.0
Emerging and Developing Asia	6.6	6.5	6.3	0.1	0.0	0.1	0.0
China	6.9	6.6	6.2	0.0	0.0	0.1	0.0
India	7.6	7.6	7.6	0.2	0.2	0.1	0.1
ASEAN-5	4.8	4.8	5.1	0.0	0.0	0.0	0.0
Emerging and Developing Europe	3.6	3.3	3.1	-0.2	0.0	-0.1	0.1
Latin America and the Caribbean	0.0	-0.6	1.6	-0.2	0.0	-0.1	0.1
Brazil	-3.8	-3.3	0.5	0.0	0.0	0.5	0.5
Mexico	2.5	2.1	2.3	-0.4	-0.3	-0.3	-0.3
Middle East, North Africa, Afghanistan, and Pakistan	2.3	3.4	3.4	0.0	0.1	0.3	-0.1
Saudi Arabia	3.5	1.2	2.0	0.0	0.0	0.0	0.1
Sub-Saharan Africa	3.4	1.4	2.9	-0.2	-0.4	-1.6	-1.1
<b>Nigeria</b>	2.7	-1.7	0.6	0.1	-0.5	-4.0	-2.9
<b>South Africa</b>	1.3	0.1	0.8	0.0	-0.2	-0.5	-0.4
<b>Memorandum</b>							
European Union	2.3	1.9	1.7	-0.1	-0.2	0.1	-0.2
Low-Income Developing Countries	4.6	3.7	4.9	-0.9	-0.4	-1.0	-0.6
Middle East and North Africa	2.1	3.2	3.2	-0.1	0.1	0.3	-0.1
World Growth Based on Market Exchange Rates	2.6	2.4	2.8	-0.1	0.0	-0.1	-0.1
<b>World Trade Volume (goods and services)</b>	2.6	2.3	3.8	-0.4	-0.1	-0.8	0.0
<b>Imports</b>							
Advanced Economies	4.2	2.4	3.9	-0.4	-0.3	-1.0	-0.2
Emerging Market and Developing Economies	-0.6	2.3	4.1	-0.4	0.0	-0.7	0.4
<b>Exports</b>							
Advanced Economies	3.6	1.8	3.5	-0.5	-0.1	-0.7	0.0
Emerging Market and Developing Economies	1.3	2.9	3.6	-0.2	-0.2	-0.9	-0.3
<b>Commodity Prices (U.S. dollars)</b>							
Oil	47.2	15.4	17.9	0.1	1.5	16.2	0.0
Nonfuel (average based on world commodity export weights)	-17.5	-2.7	0.9	1.1	1.5	6.7	1.6
<b>Consumer Prices</b>							

Advanced Economies	0.3	0.8	1.7	0.1	0.1	0.1	0.2
Emerging Market and Developing Economies 8/	4.7	4.5	4.4	-0.1	0.0	0.0	0.2
<b>London Interbank Offered Rate (percent)</b>							
On U.S. Dollar Deposits (six month)	0.5	1.0	1.3	0.1	0.1	0.1	0.2
On Euro Deposits (three month)	0.0	-0.3	-0.4	0.0	0.0	0.0	0.0
On Japanese Yen Deposits (six month)	0.1	0.0	-0.1	0.0	0.1	0.1	0.2

Source: IMF, World Economic Outlook Update, October 2016

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during July 22–August 19, 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, July 2016 World Economic Outlook Update, and April 2016 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 \$42.96 in 2016 and \$50.64 in 2017.

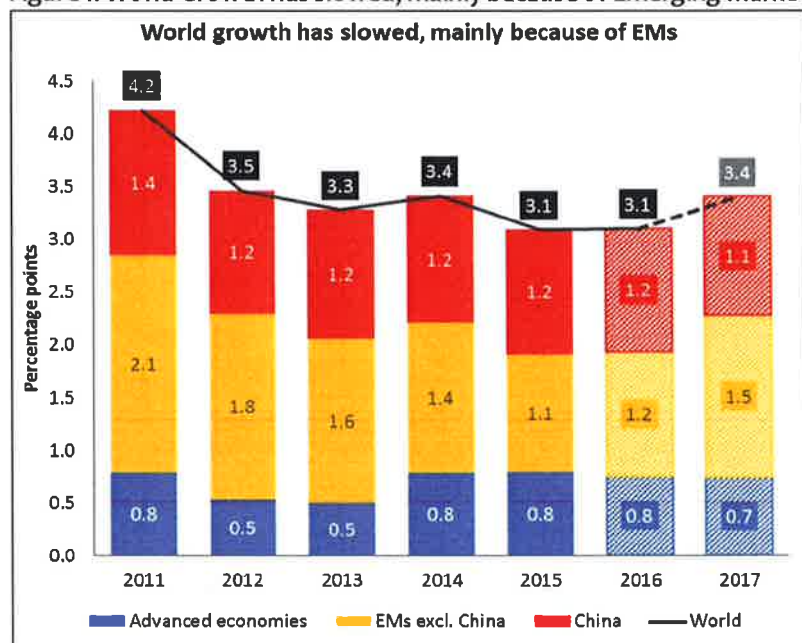
6 Excludes Argentina and Venezuela. See country-specific notes for Argentina in the “Country Notes” section of the Statistical Appendix.

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.

The Reserve Bank at its Monetary Policy forum on 12 October 2016 in Rustenburg indicated that global growth has slowed since the 2009 crisis, mainly because of emerging-market economies as presented in the graph below.

Figure 1: World Growth has slowed, mainly because of Emerging Markets



Sources: International Monetary Fund and Reserve Bank calculation

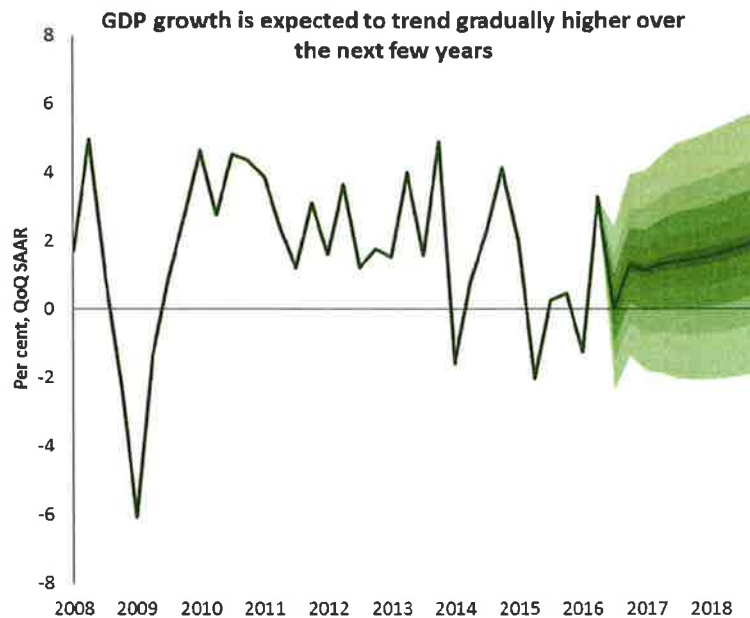
## 2.2 South African Economy

NWDC Economic Data Report. Qtr 3 of 2016.2017 [www.nwdc.co.za](http://www.nwdc.co.za)

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As per the World Economic Outlook of October 2016 the baseline projection for growth for South Africa in 2016 is 0.1 percent. The Reserve Bank indicates that domestic GDP growth is forecast at 0,4% this year, rising to 1,2% in 2017 and 1,6% in 2018.

Figure 2:South African GDP Growth



Sources: Statistics South Africa (actual numbers) and South African Reserve Bank (forecast)

## Brexit

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

Brexit is the term used for the exit of Britain from the EU that was 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.

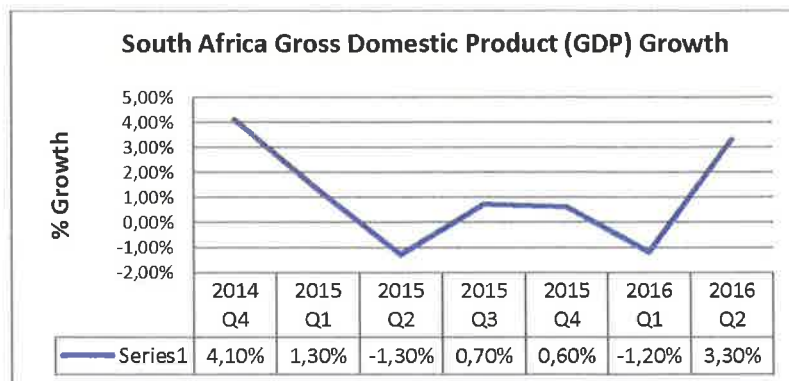
### 2.2.1 Highlights Q3 2016/2017

In this section the key quarterly indicators will be mentioned including economic growth, inflation and employment.

- South African Economic Growth Q2 2016/2017



**Figure 3: South Africa Gross Domestic Product Growth**



(Source: Statssa Q2 2016)

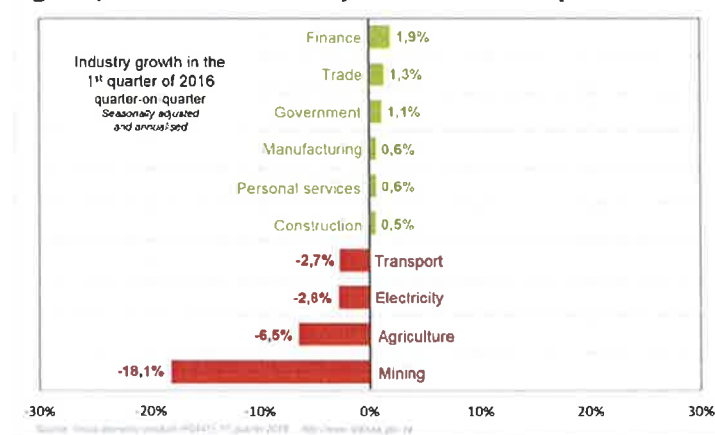
#### Quarter 1 2016 2017

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 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%.

**Figure 4: South Africa Industry Growth in the 1<sup>st</sup> Quarter of 2016 Quarter on Quarter**



(Source: Statssa Q2 2016)

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.

#### Quarter 2 2016 2017

The GDP figure for the (2nd quarter 2016 is 3,3% q/q )

#### *Gross domestic product (measured by production)*

South Africa's gross domestic product (GDP) growth rate was 3,3% in the second quarter of 2016.

The main contributors to the GDP growth rate were the manufacturing industry and the mining and quarrying industry. Manufacturing increased by 8,1%, largely as a result of higher production in petroleum, chemical products, rubber and plastic products; and motor vehicles, parts and accessories and other transport equipment. Mining and quarrying grew by 11,8%, largely as a result of higher production of platinum group metals.

Only two industries contracted in the second quarter, namely agriculture, forestry and fishing (-0,8%); and electricity, gas and water (-1,8%). The agriculture, forestry and fishing industry has been in decline for six consecutive quarters.

#### *Expenditure on GDP*

Expenditure on real gross domestic product grew by 3,4% in the second quarter of 2016.

Household final consumption expenditure increased by 1,0% in the second quarter. The main sources of the increase were miscellaneous goods and services and health services.

Government final consumption expenditure increased by 1,3%.

Gross fixed capital formation decreased by 4,6%. The main contributors to the decline were construction works and machinery and other equipment.

There was a R23 billion drawdown of inventories in the second quarter (following a R1 billion build-up in the first quarter), which contributed -3,2 percentage points to total growth.

Net exports contributed positively to total expenditure on GDP. Exports increased by 18,1%, mainly because of higher exports of precious metals and vehicle and transport equipment. Imports decreased by 5,1%, mainly because of lower imports of machinery and electrical equipment.

The GDP estimates are preliminary, and may routinely be revised on the basis of additional evidence that has become available by the time the subsequent quarter's estimates are released.

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



Figure 5: How did South Africa's economy perform in 2015

### How did South Africa's economy perform in 2015\*



\* Preliminary results Source: Gross Domestic Product, 4<sup>th</sup> quarter 2015 <http://www.statssa.gov.za>

(Source: Statssa Q2 2016)

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%), transport (+1,4%), trade (+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.  
(Source: Statistics SA Q3 2015)

### **Inflation Consumer Price Index (CPI)**

#### Background:

- High and volatile inflation is bad for the economy
- Inflation targeting was adopted by the SA authorities in 2000
- The target is for consumer price inflation to be maintained between 3 and 6 per cent per annum
- This target was adopted by government through a cabinet decision
- The SA Reserve Bank has instrument independence
  - It must use its repurchase rate (interest rate) to keep inflation between 3 and 6 per cent
  - Inflation too high => raise repurchase rate => reduce credit extension and expenditure => lower inflation
  - Inflation too low => reduce repurchase rate => raise credit extension and expenditure => higher inflation
  - It takes time for the interest rate mechanism to work through to inflation: typically 18 to 24 months

#### Headline consumer price index (CPI for all urban areas) October 2016

Annual consumer price inflation was 6,4% in October 2016, up from 6,1% in September 2016. The consumer price index increased by 0,5% month-on-month in October 2016.

In October the CPI for goods increased by 7,1% year-on-year (up from 6,6% in September), and the CPI for services increased by 5,8% year-on-year (up from 5,6% in September).

Provincial annual inflation rates:

- Western Cape 6.2%;
- Eastern Cape 7.5%;
- Northern Cape 5,7% ;
- Free State 7.5%;
- KwaZulu-Natal 7.2%;
- North West 6.7%;
- Gauteng 6.3%;
- Mpumalanga 6.9%; and
- Limpopo 8,2%

Note: Not all items in the CPI are surveyed every month.

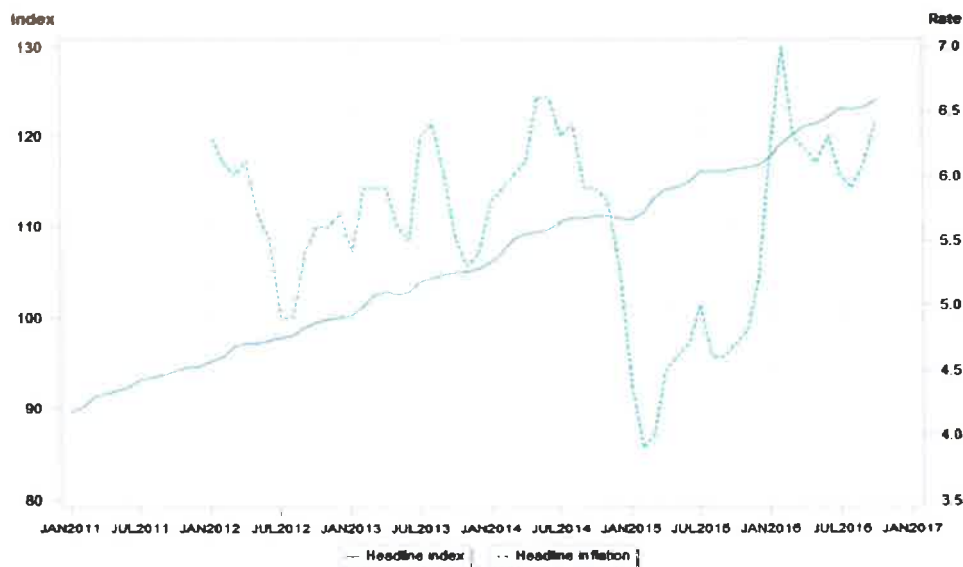
Contributions to headline annual consumer price inflation.

- Food and non-alcoholic beverages increased from 1,7 percentage points in September to 1,8 percentage points in October. The index increased by 11,7% year-on-year.
- Transport increased from 0,6 of a percentage point in September to 0,7 of a percentage point in October. The index increased by 4,3% year-on-year.
- Miscellaneous goods and services increased from 1,1 percentage points in September to 1,2 percentage points in October. The index increased by 7,5% year-on-year.

- Housing and utilities decreased from 1,4 percentage points in September to 1,3 percentage points in October. The index increased by 5,4% year-on-year.

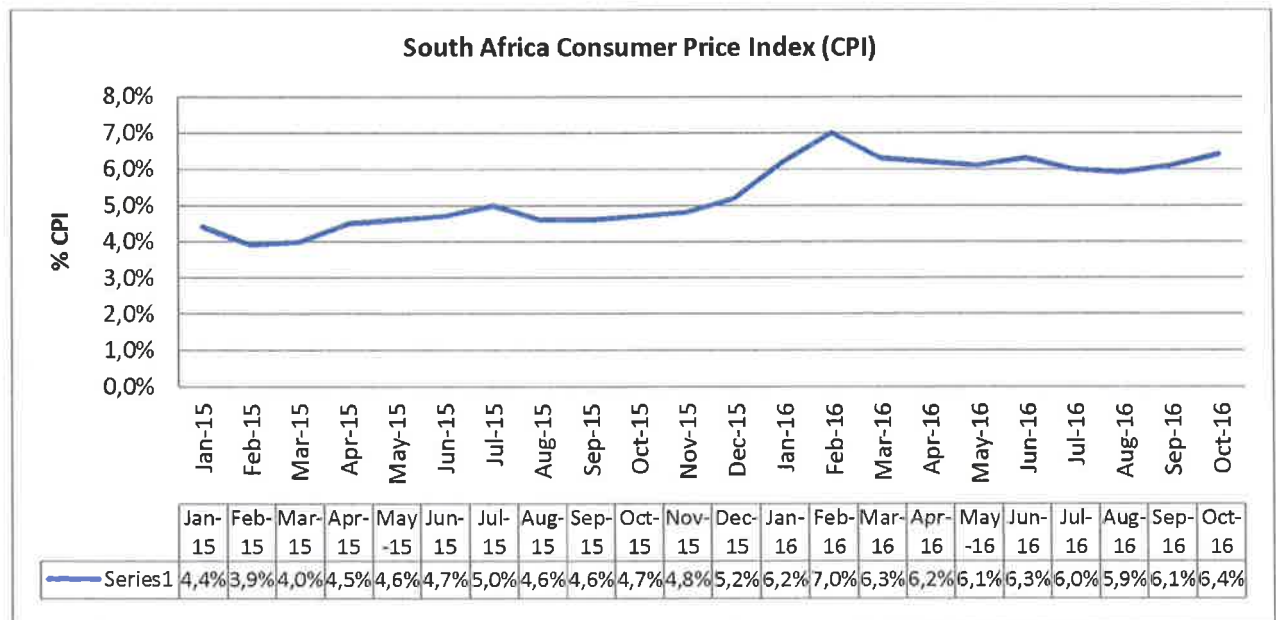
PJ Lehohla  
Statistician-General

Figure 6: CPI Headline Index numbers and year-on-year rates



(Source: Statssa CPI October 2016)

Figure 7: South Africa's Consumer Price Index (CPI) Jan 2015 to Oct 2016



(Source: Statssa Q3 2016)

Average CPI for 2012 was 5,6%

Average CPI for 2013 was 4,7%

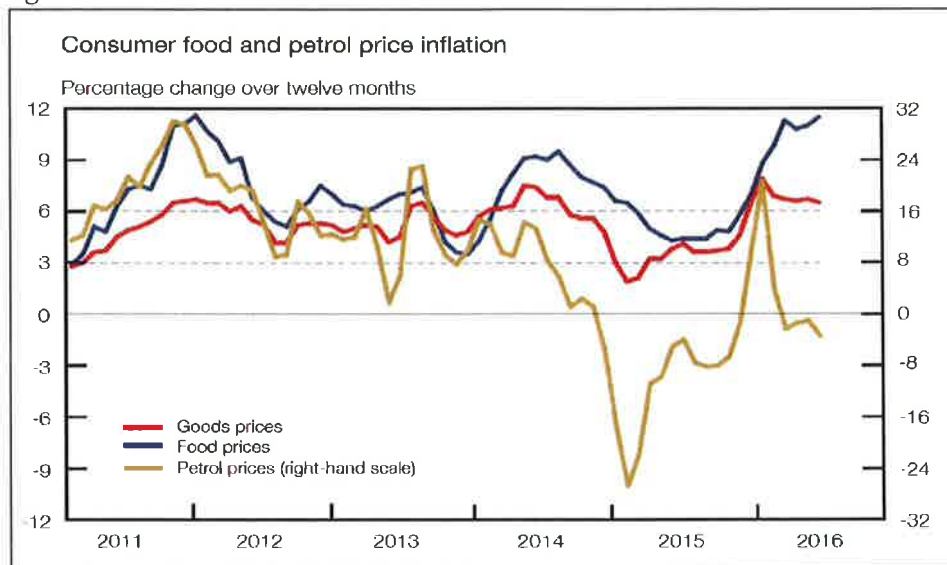
Average CPI for 2014 was 6,1%

Average CPI for 2015 was 4,6%

**Average CPI to date (Oct) for 2016 was 6,3%**

In recent months the petrol price has assisted in pulling the inflation rate down as indicated in the graph below:

Figure 8: Consumer Food and Petrol Price Inflation



### 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)

### **Production Price Index (PPI)**

Another important price index is the production price index (PPI). Whereas the consumer price index (CPI) measures the cost of a representative basket of goods and services to the consumer, the PPI measures prices at the level of the first significant commercial transaction. For example, the prices of imported goods are

measured at the point where they enter the country and not where they are sold to consumers. Likewise, manufactured goods are priced when they leave the factory, not when they are sold to consumers.

Another important feature of the PPI is that it includes capital and intermediate goods (excluded from the CPI), excludes VAT (included in the CPI) and excludes services (which account for 45% of the CPI basket). The PPI is therefore based on a completely different basket of items than the CPI.

The PPI, which is also estimated and published on a monthly basis by Statistics South Africa, measures the cost of production rather than the cost of living. Unlike the CPI, the PPI therefore cannot be related directly to consumers' living standards. The PPI is nevertheless very useful in the analysis of inflation. Because it measures the cost of production, a significant change in the rate of increase in the PPI is usually an indication that the rate of increase in the CPI will also change a few months later.

The methods used for calculating the rate of increase in the PPI are the same as the methods used for calculating an inflation rate based on the CPI.

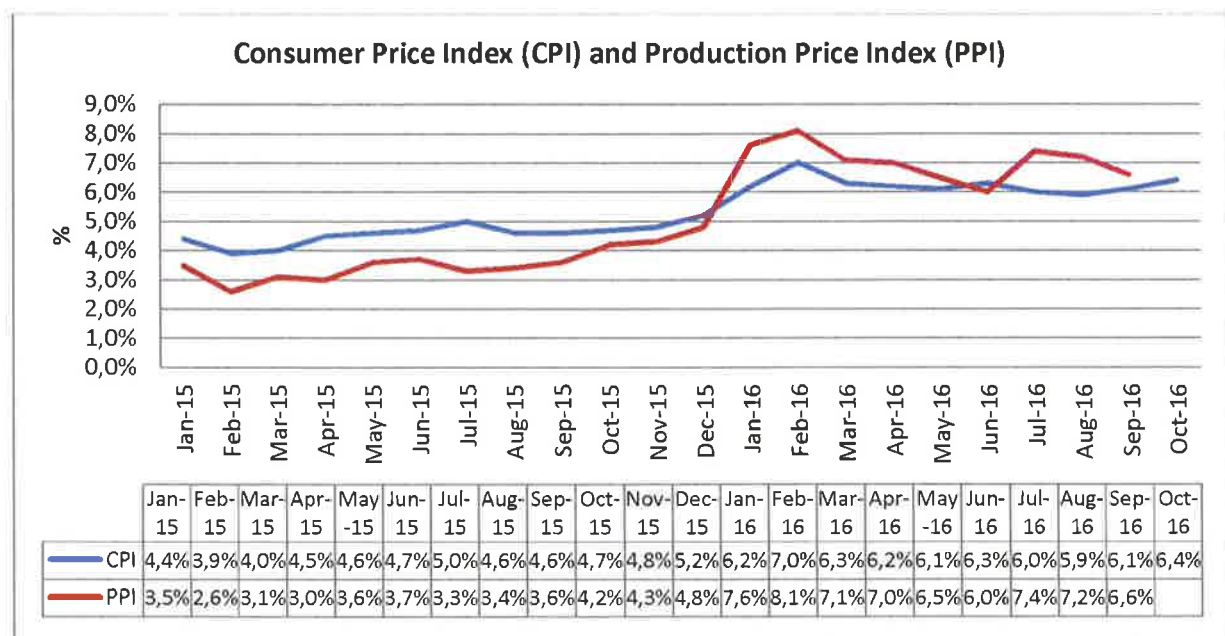
Average PPI for 2013 was 6,0%

Average PPI for 2014 was 7,5%

Average PPI for 2015 was 3,6%

Average PPI for to date (Sept) for 2016 is 6,3%

**Figure 9: South Africa's Consumer Price Index (CPI) and Production Price index (PPI) Jan 2015 to Oct2016**



(Source: Statssa Q3 2016)

## Population

The Population of South Africa was estimated at 54.00 mil at Mid 2014, 54.95mil at Mid 2015 and 55.91 Mid 2016. (Source: Statssa)



## Employment

The working age population grew by 159 000 or 0,4 percent in Q3:2016 while the number of employed increased by 288 000. However, the growth in employment was offset by an increase in unemployment of 239 000 resulting in a rise of 0,5 of a percentage point in the unemployment rate to 27,1% in Q3: 2016. On a quarterly basis employment increased in the formal and informal sectors as well as in Agriculture. A quarterly decrease of 15 000 was observed in the number of persons employed in Private households. Discouraged work-seekers accounted for two thirds of the decrease among the not economically active population (235 000 quarter-on-quarter).

In Q3: 2016 the growth in employment resulted in an increase of 0,6 of a percentage point in the absorption rate to 43,1%. More people joined the labour force in Q3: 2016 as the inactive population declined by 368 000 and this led to an increase of 1,2 percentage points in the labour force participation rate to 59,1%. Compared to Q3: 2015, employment remained virtually unchanged (up by 5 000 or 0,0%) while unemployment grew by 455 000 or 8,4 percent, this led to an increase in unemployment rate by 1,6 percentage points to 27,1%. The annual growth of 99 000 in the formal sector employment was offset by the decline in the informal sector and Agriculture by 80 000 and 16 000 respectively leading to a net change of only 5 000. Despite the quarterly decline, the inactive population in Q3: 2016 is still 176 000 (or 1,2 percent) higher compared to Q3: 2015.

The number of employed persons increased in seven of the nine provinces between Q2: 2016 and Q3: 2016. The largest employment gains were observed in Gauteng (126 000), Eastern Cape (93 000) and Western Cape (49 000). While Free State and North West recorded employment declines of 16 000 and 15 000 respectively over this period.

For the year ended September 2016, employment losses were recorded in six of the nine provinces. KwaZulu-Natal, North West and Free State recorded the largest declines (77 000, 22 000 and 14 000 respectively). Employment gains were recorded in Eastern Cape (71 000), Gauteng (57 000) and Northern Cape (6 000).

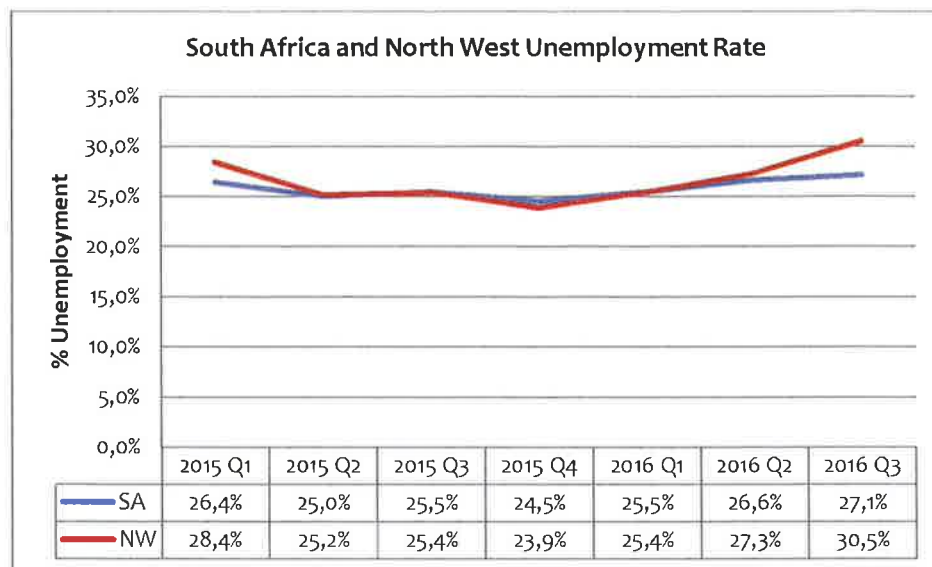
Table 2: Employment by Province

Province	Jul-Sep 2015	Apr-Jun 2016	Jul-Sep 2016	Qtr-to-qtr change	Year-on- year change	Qtr-to-qtr change	Year-on- year change
	Thousand					Per cent	
<b>South Africa</b>	<b>15 828</b>	<b>15 545</b>	<b>15 833</b>	<b>288</b>	<b>5</b>	<b>1,9</b>	<b>0,0</b>
Western Cape	2 317	2 266	2 315	49	- 2	2,2	- 0,1
Eastern Cape	1 372	1 350	1 443	93	71	6,9	5,2
Northern Cape	302	303	308	5	6	1,8	1,8
Free State	796	797	781	- 16	- 14	- 2,1	- 1,8
KwaZulu-Natal	2 573	2 479	2 498	17	- 77	0,7	- 3,0
North West	921	915	900	- 15	- 22	- 1,6	- 2,4
Gauteng	5 011	4 942	5 088	126	57	2,6	1,1
Mpumalanga	1 184	1 171	1 174	3	- 10	0,3	- 0,8
Limpopo	1 353	1 324	1 349	25	- 3	1,9	- 0,3

*Due to rounding, numbers do not necessarily add up to totals.*



Figure 10: South Africa and North West Unemployment Rate



(Source: Statssa Q3 2016)

#### 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 2015 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.

**Table 3: KEY INDICATORS: South Africa, North West Province and NW District Municipalities (2015)**

KEY INDICATORS: South Africa, North West Province and NW District Municipalities (2015)							
Source: IHS Global Insight: Regional eXplorer 993 (2.5v)							
		South Africa	North-West	Bojanala DM	Ngaka Modiri Molema DM	Dr Ruth Segomotsi Mompoti DM	Dr Kenneth Kaunda DM
Region area km <sup>2</sup>		1 221 246	105 076	18 370	27 985	44 053	14 668
	% Share of SA	100,0%	8,6%	1,5%	2,3%	3,6%	1,2%
Demographic	Total population	54 897 094	3 729 479	1 640 863	875 231	478 224	735 161
Development	Human Development Index (HDI)	0,65	0,62	0,65	0,57	0,54	0,64
	Gini coefficient	0,63	0,61	0,60	0,60	0,58	0,61
	Poverty indicators						
	Share below the upper poverty line (StatsSA defined)	44,6%	44,5%	36,8%	53,7%	56,1%	43,2%
	Poverty gap rate (from upper poverty line)	27,6%	27,3%	26,6%	27,9%	28,0%	27,3%
	Highest level of education: age 20+ (Grade 10-11)	7 991 717	505 966	258 772	93 437	48 684	105 073

	Population density (number of people per km²)	44,95	35,49	89,32	31,27	10,86	50,12
Household Infrastructure	Formal Housing	15 331 038	1 100 447	531 675	228 729	125 794	214 249
Labour	EAP as % of total population, official definition	37,5%	32,5%	39,8%	23,9%	21,5%	33,7%
	Unemployment rate, official definition (%)	25,3%	28,0%	23,9%	32,6%	34,5%	32,2%
	Number of formally employed people	12 869 576	703 077	399 074	115 273	52 296	136 434
	Informal Sector Employment	2 505 498	115 133	59 155	21 300	11 896	22 781
Income & Expenditure	Personal Income						
	Annual per capita income (Rand, current prices)	50 709	44 731	52 352	33 957	29 593	50 396
	Annual per household income (Rand, current prices)	181 579	151 596	161 568	129 937	112 503	172 926
	Index of buying power	1,0000	0,0549	0,0276	0,0102	0,0053	0,0118
Economic	Gross Value Added by Region (GVA-R)						
	Current prices (R 1000)						
	2014	3 420 316 450	201 549 721	113 916 151	32 519 603	12 403 423	42 710 544
	2015	3 589 811 961	210 019 063	118 012 032	34 350 489	13 082 205	44 574 336
	2016	3 704 192 713	218 365 562	123 082 111	35 588 522	13 497 864	46 197 065
	% Share of SA						
	2014	100,00%	5,89%	3,33%	0,95%	0,36%	1,25%
	2015	100,00%	5,85%	3,29%	0,96%	0,36%	1,24%
	2016	100,00%	5,90%	3,32%	0,96%	0,36%	1,25%
	Constant 2010 prices (R 1000)						
	2014	2 741 963 881	147 437 429	82 636 851	24 949 496	9 398 620	30 452 462
	2015	2 773 484 327	151 790 114	86 948 233	25 093 199	9 404 018	30 344 664
	2016	2 780 473 145	151 615 687	86 829 363	25 071 510	9 333 028	30 381 785
	% Share of SA						
	2014	100,00%	5,38%	3,01%	0,91%	0,34%	1,11%
	2015	100,00%	5,47%	3,13%	0,90%	0,34%	1,09%
	2016	100,00%	5,45%	3,12%	0,90%	0,34%	1,09%
	Gross Domestic Product by Region (GDP-R)						

	<b>Current prices (R 1000)</b>						
	2014	3 812 606 850	227 018 302	127 003 757	37 422 046	14 320 076	48 272 422
	2015	4 013 591 961	237 654 103	132 290 027	39 657 877	15 169 929	50 536 271
	2016	4 235 832 697	253 061 012	141 034 703	42 235 242	16 115 920	53 675 147
	% Share of SA						
	2014	100,00%	5,95%	3,33%	0,98%	0,38%	1,27%
	2015	100,00%	5,92%	3,30%	0,99%	0,38%	1,26%
	2016	100,00%	5,97%	3,33%	1,00%	0,38%	1,27%
	<b>Constant 2010 prices (R 1000)</b>						
	2014	3 017 036 880	164 022 623	91 109 500	28 266 711	10 679 232	33 967 180
	2015	3 052 773 327	168 705 770	95 634 123	28 469 132	10 715 273	33 887 243
	2016	3 058 912 065	168 492 530	95 506 962	28 431 729	10 639 888	33 913 952
	% Share of SA						
	2014	100,00%	5,44%	3,02%	0,94%	0,35%	1,13%
	2015	100,00%	5,53%	3,13%	0,93%	0,35%	1,11%
	2016	100,00%	5,51%	3,12%	0,93%	0,35%	1,11%
	<b>Average annual growth (Constant 2010 Prices)</b>						
	2014	1,6%	-3,2%	-3,8%	-2,8%	-3,1%	-2,1%
	2015	1,2%	2,9%	5,0%	0,7%	0,3%	-0,2%
	2016	0,2%	-0,1%	-0,1%	-0,1%	-0,7%	0,1%
	2015-2020	1,6%	1,4%	1,6%	1,1%	1,1%	0,8%
	<b>Tress index</b>	39,99	50,12	62,68	50,30	45,33	43,52
	<b>Location quotient</b>						
	1 Agriculture	1,00	1,21	0,52	2,18	3,91	1,47
	2 Mining	1,00	4,03	6,32	0,34	0,43	1,86
	3 Manufacturing	1,00	0,42	0,42	0,51	0,30	0,39
	4 Electricity	1,00	0,86	0,64	1,41	1,28	0,92
	5 Construction	1,00	0,65	0,48	0,82	0,98	0,88
	6 Trade	1,00	0,81	0,67	0,91	1,08	1,03
	7 Transport	1,00	0,66	0,50	0,85	0,94	0,84
	8 Finance	1,00	0,64	0,50	0,80	0,85	0,85
	9 Community services	1,00	0,94	0,58	1,66	1,37	1,23
	Total Industries	1,00	1,00	1,00	1,00	1,00	1,00
Tourism	<b>Total Tourism Spend (R 1000, Current prices)</b>	230 733 118	11 015 130	7 130 732	2 041 645	536 874	1 305 879
	<b>Growth in Tourism (using bednights) by origin</b>						
	2014	-1,1%	-1,3%	-0,1%	-2,8%	-3,9%	-2,4%
	2015	1,2%	3,5%	2,7%	4,9%	6,8%	2,7%
International Trade	Exports (R 1000)	1 041 437 998	23 716 878	20 335 113	1 112 529	564 055	1 705 181
	Imports (R 1000)	1 075 891 997	5 652 685	2 442 159	306 278	282 885	2 621 364
	Total Trade (R	2 117 329 995	29 369 564	22 777 272	1 418 807	846 940	4 326 545

	1000)						
	Trade Balance (R 1000)	-34 453 999	18 064 193	17 892 954	806 251	281 171	-916 183
	Exports as % of GDP	25,9%	10,0%	15,4%	2,8%	3,7%	3,4%
	Total trade as % of GDP	52,8%	12,4%	17,2%	3,6%	5,6%	8,6%
	Regional share - Exports	100,0%	2,3%	2,0%	0,1%	0,1%	0,2%
	Regional share - Imports	100,0%	0,5%	0,2%	0,0%	0,0%	0,2%
	Regional share - Total Trade	100,0%	1,4%	1,1%	0,1%	0,0%	0,2%

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 0.62 up from 0.58 in 2014 and 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 44.5% from 47.4% in 2014 (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 2015 *Gini coefficient* indicates that the level of equality is decreasing from 0.602 in 2009 to 0.614 in 2014 and 0.62 in 2015 or 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 2<sup>nd</sup> most concentrated economy and in 2014 the 4<sup>th</sup> 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 4: Comparison of the Tress indices of SA, provinces and the NW district Municipalities between 2009 and 2015:**

	2009	2015
<b>South Africa</b>	39,67	39,99
Western Cape	47,55	46,81
Eastern Cape	54,16	54,17
Northern Cape	41,19	40,80
Free State	34,13	36,71
KwaZulu-Natal	40,98	40,36
North-West	51,77	50,12
Gauteng	50,11	49,86
Mpumalanga	36,57	35,40

Limpopo	49,55	49,37
<b>Bojanala DM</b>	66,51	62,68
<b>Ngaka Modiri Molema DM</b>	47,69	50,30
<b>Dr Ruth Segomotsi Mompati DM</b>	44,34	45,33
<b>Dr Kenneth Kaunda DM</b>	43,07	43,52

Source: IHS Global Insight: Regional eXplorer 993 (2.5v)

**Table 5: Areas with location quotients  $\geq 1.1$  (highlighted in yellow) by broad economic sector in the NWP (2015)**

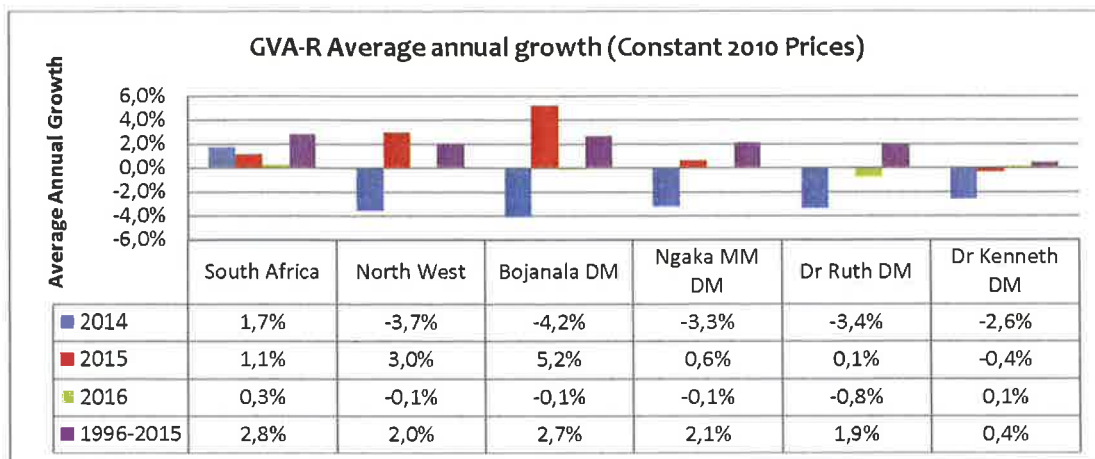
Area	Economic Sector								
	Agriculture	Mining	Manufacturing	Electricity	Construction	Trade	Transport	Finance	Community services
North-West	1,21	4,03	0,42	0,86	0,65	0,81	0,66	0,64	0,94
<b>District Municipalities</b>									
BPDM	0,52	6,32	0,42	0,64	0,48	0,67	0,50	0,50	0,58
NMMDM	2,18	0,34	0,51	1,41	0,82	0,91	0,85	0,80	1,66
DRSMDM	3,91	0,43	0,30	1,28	0,98	1,08	0,94	0,85	1,37
DKKDM	1,47	1,86	0,39	0,92	0,88	1,03	0,84	0,85	1,23
<b>Local Municipality</b>									
Moretele	0,40	0,08	0,81	1,92	0,88	1,24	0,94	1,16	1,09
Madibeng	0,95	2,87	0,84	0,82	0,75	0,91	0,81	0,76	0,87
Rustenburg	0,25	9,33	0,18	0,27	0,26	0,36	0,27	0,29	0,28
Kgetlengrivier	0,99	6,82	0,32	0,37	0,52	0,61	0,57	0,39	0,55
Moses Kotane	0,54	3,94	0,26	1,40	0,62	1,23	0,57	0,51	0,94
Ratlou	3,12	0,24	0,27	0,68	0,83	0,82	0,76	0,86	1,89
Tswaing	6,79	0,45	0,43	0,55	0,81	0,85	0,81	0,64	1,53
Mafikeng	1,06	0,15	0,30	1,50	0,77	0,94	0,82	0,90	1,87
Ditsobotla	3,26	0,57	1,04	0,56	0,98	0,87	1,10	0,70	1,28
Ramotshere Moiloa	1,62	0,56	0,50	3,29	0,69	1,00	0,63	0,71	1,50
Naledi	4,16	0,11	0,30	0,94	0,82	1,32	1,18	1,10	1,05
Mamusa	5,43	0,61	0,24	1,05	1,42	1,13	0,82	0,95	1,08
Greater Taung	1,54	0,67	0,18	2,12	0,87	0,98	0,80	0,79	1,68
Lekwa-Teemane	4,91	0,56	0,72	0,62	1,19	1,09	1,00	0,68	1,18
Kagisano/Molopo	5,47	0,33	0,18	1,30	0,98	0,80	0,78	0,59	1,80
Ventersdorp	8,99	0,46	0,42	0,69	1,01	0,86	0,97	0,60	1,21
Tlokwe City Council	1,61	0,74	0,53	1,20	0,89	0,97	0,72	0,88	1,53
City of Matlosana	0,63	2,51	0,33	0,84	0,84	1,07	0,89	0,86	1,09
Maquassi Hills	6,30	1,03	0,40	0,63	1,17	0,97	0,79	0,69	1,21

Source: IHS Global Insight: Regional eXplorer 993 (2.5v)

The Average Annual growth rate for the Bokone Bophirima Province has clearly improved from the 2014 figures.



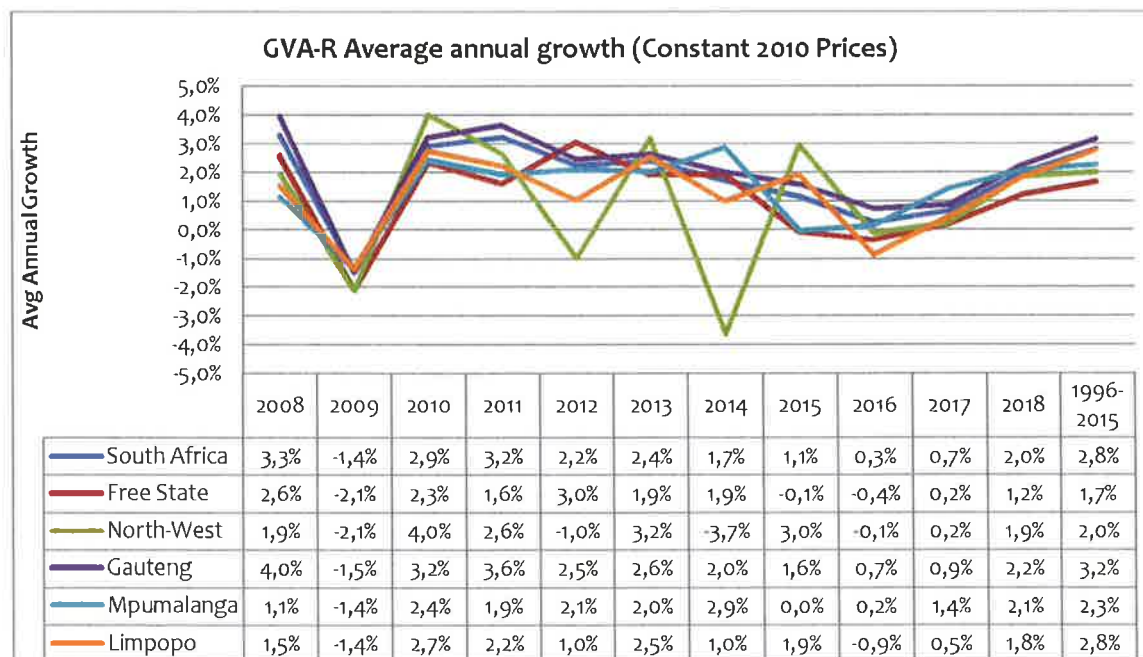
Figure 11: GVA-R Average annual growth (Constant 2010 Prices)



Source: IHS Global Insight: Regional eXplorer 993 (2.5v)

In the graph below the average annual growth of the Bokone Bophirima Province is compared with the national growth figures as well as with Gauteng, Limpopo and Mpumalanga and it is clear that the Bokone Bophirima Province growth is more volatile which can be attributed to the heavy reliance on mining.

Figure 12: Average Annual Growth South Africa, Bokone Bophirima, Free State, Gauteng, Limpopo and Mpumalanga



Source: IHS Global Insight: Regional eXplorer 993 (2.5v)



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

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

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

## Employment

### North West Employment Figures Compared to South Africa (Source: STASSA Q2 2016)

Table 6: South Africa's Employment Figures Jan 2015 to June 2016

	SOUTH AFRICA							
	Jan-Mar 2015	Apr-June 2015	Jul-Sept 2015	Oct-Dec 2015	Jan-Mar 2016	Apr-June 2016	Jul-Sept 2016	% 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	36 591	36 750	1,80%
Labour Force	20 994	20 887	21 246	21 211	21 398	21 179	21 706	2,20%
Employed	15 459	15 657	15 828	16 018	15 675	15 545	15 833	0,00%
Unemployed	5 535	5 230	5 418	5 193	5 723	5 634	5 873	8,40%
Not economically active	14 805	15 068	14 867	15 061	15 033	15 412	15 044	1,20%
Discouraged work-seekers	2 397	2 434	2 226	2 279	2 434	2 526	2 291	2,90%
Other	12 408	12 633	12 641	12 782	12 599	12 886	12 753	0,90%
<b>Rates (%)</b>								
Unemployment rate	26,4	25	25,5	24,5	26,7	26,6	27,1	1,6
Employed / population ratio (Absorption)	43,2	43,5	43,8	44,2	43	42,5	43,1	-0,7

Table 7: North West's Employment Figures Jan 2015 to Sept 2016

	NORTH WEST							
	Jan-Mar 2015	Apr-June 2015	Jul-Sept 2015	Oct-Dec 2015	Jan-Mar 2016	Apr-June 2016	Jul-Sept 2016	% Change Y on Y
	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands	%
Population 15-64 yrs	2 411	2 422	2 434	2 445	2 456	2 468	2 479	1,9
Labour Force	1 274	1 256	1 235	1 273	1 284	1 259	1 294	4,8
Employed	912	940	921	969	924	915	900	-2,4
Unemployed	361	316	314	304	360	344	395	25,7
Not economically active	1 138	1 166	1 198	1 172	1 172	1 209	1 185	-1,1
Discouraged work-seekers	264	231	243	241	251	259	229	-5,7
Other	874	935	956	931	920	950	956	0
<b>Rates (%)</b>								
Unemployment rate	28,4	25,2	25,4	23,9	28,1	27,3	30,5	5,1
Employed / population ratio	37,8	38,8	37,9	39,6	37,6	37,1	36,3	-1,6

(Absorption)								
Labour force participation rate	52,8	51,9	50,8	52,1	52,3	51	52,2	1,4

**Table 8: North West Employment by Industry Figures Compared to South Africa**  
(Source: STASSA Q3 2016)

	SA Apr-Jun 2015 Thousands	SA Apr-Jun 2016 Thousands	SA Jul-Sept 2016 Thousands	SA % Share Contribution Jul-Sept 2016	NW Apr-Jun 2015 Thousands	NW Apr-Jun 2016 Thousands	NW Jul-Sept 2016 Thousands	NW % Share Contribution Jul-Sept 2016	NW as % of SA
Agriculture	869	825	881	5,56%	54	37	48	5,33%	5,45%
Mining	446	447	438	2,77%	154	140	141	15,67%	32,19%
Manufacturing	1 756	1 712	1 683	10,63%	64	70	72	8,00%	4,28%
Utilities	136	111	118	0,75%	5	4	11	1,22%	9,32%
Construction	1 401	1 388	1 491	9,42%	62	77	79	8,78%	5,30%
Trade	3 119	3 136	3 198	20,20%	171	193	147	16,33%	4,60%
Transport	922	862	915	5,78%	25	33	27	3,00%	2,95%
Finance	2 164	2 220	2 323	14,67%	110	83	85	9,44%	3,66%
Community and Social Services	3 548	3 544	3 499	22,10%	212	201	209	23,22%	5,97%
Private House Holds	1 292	1 296	1 281	8,09%	83	77	80	8,89%	6,25%
Other	4	4	5	0,03%				0,00%	0,00%
<b>TOTAL</b>	<b>15 657</b>	<b>15 545</b>	<b>15 833</b>	<b>100,00%</b>	<b>940</b>	<b>915</b>	<b>900</b>	<b>100,00%</b>	<b>5,68%</b>

### 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 5<sup>th</sup> 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.

**Table 9: ACT Sectors contribution to provincial GVA and Employment 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%

Source: IHS Global Insight: Regional eXplorer

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

**Table 10: Places identified as key focus areas**

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. Mompoti DM
Schweizer-Reneke / Itelegeng (Mamusa)	Mamusa LM	Dr. Ruth S. Mompoti DM
Hartbeesfontein(Dorpie) and Tigane (Township)	City of Matlosana	Kenneth Kaunda DM
Wolmaransstad / Tsweleng - 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.

**Table 11: (FEED) mapped the following priorities in their 2015 2016 strategic plan to grow the economy of the NWP.**

Heading	Content
<b>1 Low Agricultural Outputs</b>	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
<b>2 Infrastructure Development</b>	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
<b>3 Diversification of Industries</b>	The Bokone Bophirima Province has to move with global trends. This calls for a thrust towards diversified local economies to include Arts and Crafts, Culture, Film industry, Green Economy industries (e.g. solar energy, waste management, and recycling projects)
<b>4 Manufacturing vs Export Oriented Market</b>	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
<b>5 Aggressive Enterprise Development</b>	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
<b>6 Foreign Direct Investment</b>	The Bokone Bophirima Province has the potential to attract foreign investment to support the local economies. The potential exists to attract local and foreign private investors to the province by providing a competitive set of incentives that could include both administrative (reducing the time required for development approval, information 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:

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- 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 2016 – 2017 by the World Economic Forum's (WEF) assesses the competitiveness of 138 economies, providing insight into the drivers of their productivity and prosperity by measures over 100 indicators. South Africa ranked no 56 in 2014, and improved 9 positions to 47 in 2016 :

Positive rankings include:

- Strength of auditing and reporting standards (1st )
- Protection of minority shareholders interest (1st ),
- Efficacy of corporate boards (3rd ),
- Financing through local equity market (1st ),
- Financial services meeting business needs (2nd )
- Soundness of Banks (2nd)
- Regulation of securities exchange (3rd),
- Effectiveness of anti-monopoly policy (7th),
- Efficiency of legal framework in settling disputes (9th)
- Quality of air infrastructure transport (10th)
- Ease of access to loans (12th)
- Judicial independence (16th)
- Extent of Marketing (16th)
- Quality of management schools (21st)
- Internet bandwidth (21st).

Challenges include:

- Cooperation in labor-employer relationships (138th )
- Quality of maths and science education (138th )
- Tuberculosis incidence (137th )
- HIV prevalence (135th )
- Flexibility of wage determination (135th )
- Hiring and firing practices (135th )
- Quality of Education system (134th )
- Business cost of crime (133rd )

"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.

### THE IMD WORLD COMPETITIVENESS SCOREBOARD

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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)**

**Definition: What is a 'Foreign Direct Investment - FDI'**

Foreign direct investment (FDI) is an investment made by a company or individual in one country in business interests in another country, in the form of either establishing business operations or acquiring business assets in the other country, such as ownership or controlling interest in a foreign company. Foreign direct investments are distinguished from portfolio investments in which an investor merely purchases equities of foreign-based companies. The key feature of foreign direct investment is that it is an investment made that establishes either effective control of, or at least substantial influence over, the decision making of a foreign business. (Source: <http://www.investopedia.com/terms/f/fdi.asp#ixzz4l3cOUDNW>)

There are various institutions that do research on FDI and publish reports including: the annual World Investment Report by UNCTAD (Free Report), the annual fDi Report on Greenfield Investment 2016 by fDi Intelligence a subsidiary of the Financial Times Ltd, the Annual Africa Investment Report by fDi Intelligence and The Foreign Direct Investment Confidence Index®. Information on FDI to the North West province can be obtained through subscription to fDi Intelligence at a cost of £20,000 British pounds per annum. NWDC research has agreed with Dti that they will supply the information to NWDC.

#### **4.1 The 2015 A.T. Kearney Foreign Direct Investment Confidence Index®**

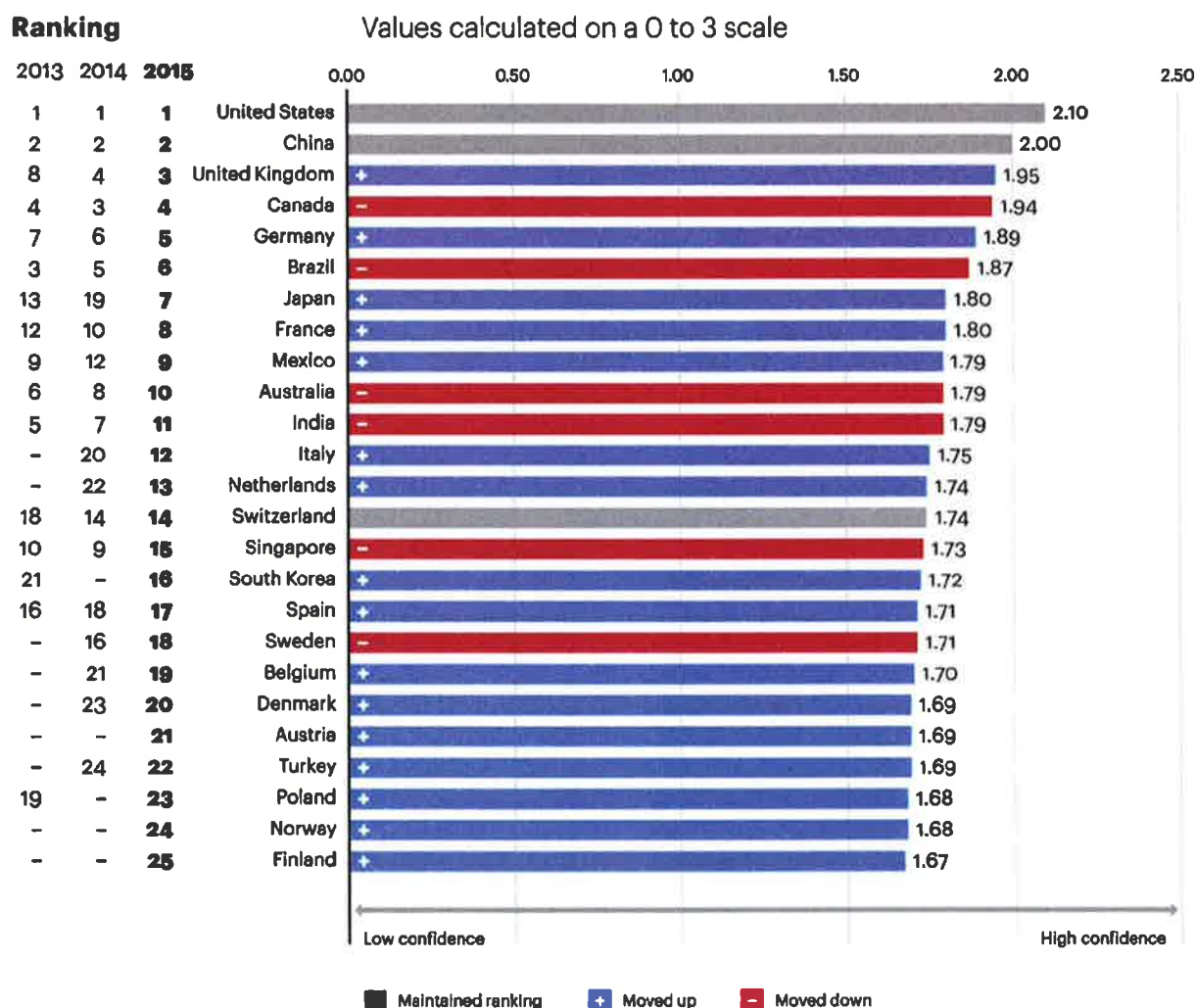
The Foreign Direct Investment Confidence Index®, established in 1998, examines the overarching trends in FDI. The top 25 ranking is a forward-looking analysis of how political, economic, and regulatory changes will likely affect countries' FDI inflows in the coming years and there has been a strong correlation between the rankings and global FDI flows. Countries ranked in the Index have consistently received at least half of global FDI inflows roughly one year after the survey. The latest report indicates that global business leaders are pursuing FDI growth strategies grounded in informed optimism of 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 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. 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.
- 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.
- 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.
- 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 13: 2015 FDI Confidence Index ranking and scores

Figure 1  
2015 FDI Confidence Index® ranking and scores



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

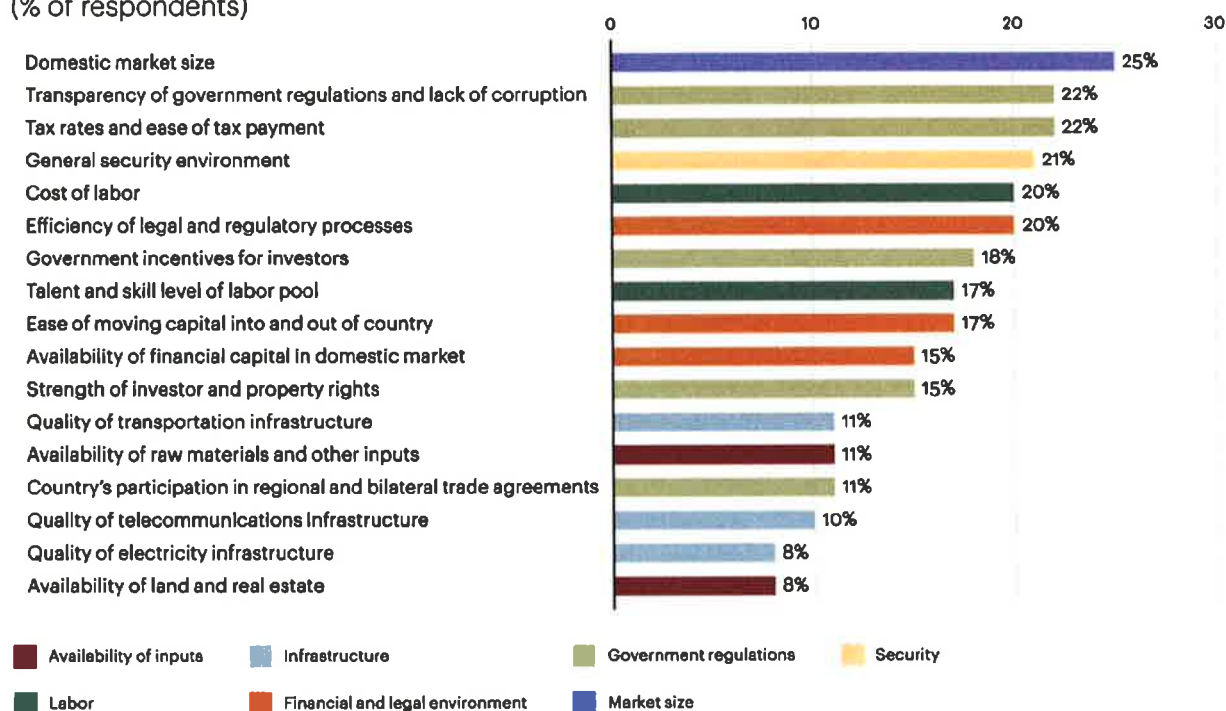
The chart below indicates the most important factors to consider when determining a new destination for investment.

Figure 14: What are the most important factors to your company when choosing where to make foreign investment?

Figure 11

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

(% of respondents)



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®)

#### 4.2 Global Investment Trends

The fDi Report on Greenfield Investment 2016 by fDi Intelligence indicates

- In 2015, greenfield FDI continued to show signs of recovery, with capital investment increasing by nearly 8.6% 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.

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- 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)

World Investment Report by UNCTAD 2016

Key trends in 2015 include

- Recovery in FDI was strong in 2015. Global foreign direct investment (FDI) flows jumped by 38 per cent to \$1.76 trillion, their highest level since the global economic and financial crisis of 2008–2009.
- Part of the growth in FDI was due to corporate reconfigurations. These transactions often involve large movements in the balance of payments but little change in actual operations.
- Looking ahead, FDI flows are expected to decline by 10-15 per cent in 2016, reflecting the fragility of the global economy, persistent weakness of aggregate demand, sluggish growth in some commodity exporting countries, effective policy measures to curb tax inversion deals and a slump in MNE profits.
- Inward FDI flows to developed economies almost doubled to \$962 billion. As a result, developed economies tipped the balance back in their favour with 55 per cent of global FDI, up from 41 per cent in 2014.
- Developing economies saw their FDI inflows reach a new high of \$765 billion, 9 per cent higher than in 2014.
- Outward FDI flows from developed economies jumped by 33 per cent to \$1.1 trillion.
- Primary sector FDI activity decreased, manufacturing increased. A flurry of deals raised the share of manufacturing in cross-border M&As above 50 per cent in 2015.
- Looking ahead, FDI flows are expected to decline by 10-15 per cent in 2016, reflecting the fragility of the global economy, persistent weakness of aggregate demand, sluggish growth in some commodity exporting countries, effective policy measures to curb tax inversion deals and a slump in MNE profits. (Source: UNCTAD World Investment Report 2016)

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 \$713bn 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.

## 4.3 Africa

### Regional Investment Trends in the Middle East and Africa

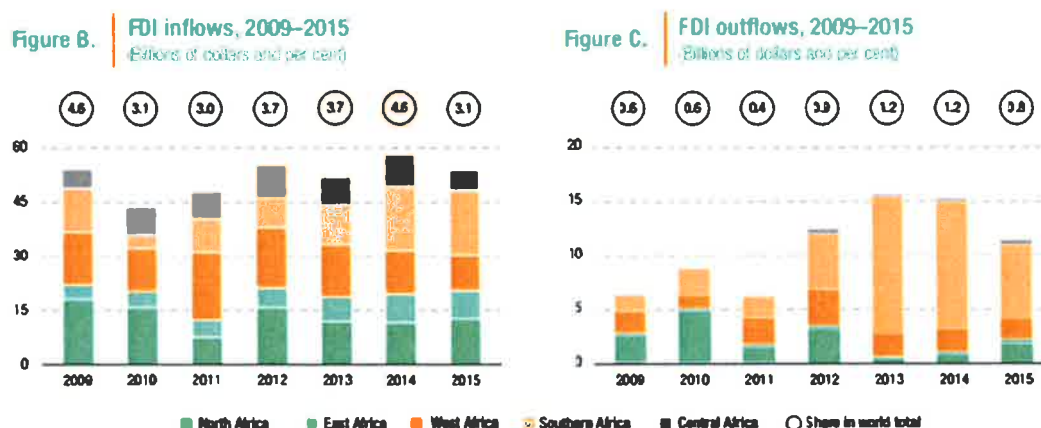
- FDI into the Middle East and Africa by project numbers increased by 0.6% in 2015
- The United Arab Emirates retained its position as the top FDI destination by project numbers, accounting for 24% of projects
- Bahrain recorded strong inward FDI growth during 2015, entering the top 10 by project numbers for the first time since 2012. It also saw a 143% increase in outbound projects
- Capital investment in Uganda rose to \$4.6bn following a joint investment in the coal, oil and natural gas sector by a Russia based investor

- Africa recorded 156 more FDI projects than the Middle East in 2015, a figure that has widened by 98% compared with 2014. It also continued to dominate job creation with 95,387 more jobs created than in the Middle East
- South Africa was the top African destination for inward FDI by project numbers, continuing a long-term trend
- Saudi Arabia was the top country by capital investment in the Middle East, with \$9.8bn recorded in 2015
- The Middle East and Africa region was responsible for \$59.8bn

#### Africa Regional Investment Trends

- FDI flows to Africa fell to \$54 billion in 2015, a decrease of 7 per cent over the previous year.
- An upturn in FDI into North Africa was more than offset by decreasing flows into SubSaharan Africa, especially to West and Central Africa.
- Low commodity prices depressed FDI inflows in natural-resource-based economies. FDI inflows to Africa are expected to increase moderately in 2016 due to liberalization measures and planned privatizations of state-owned enterprises.
- Prospects are that FDI inflows to Africa could return to a growth path in 2016, increasing by an average of 6 per cent to \$55–60 billion.

Figure 15: FDI Inflows and Outflows 2009- 2015



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.

#### 4.4 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 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.

### ***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)**

According to the Reserve Bank capital formation growth has slowed sharply, especially in the private sector as indicated in the graphs below, however private sector electricity investment has increased post the crisis.

Figure 16: Investment Growth has Subdued

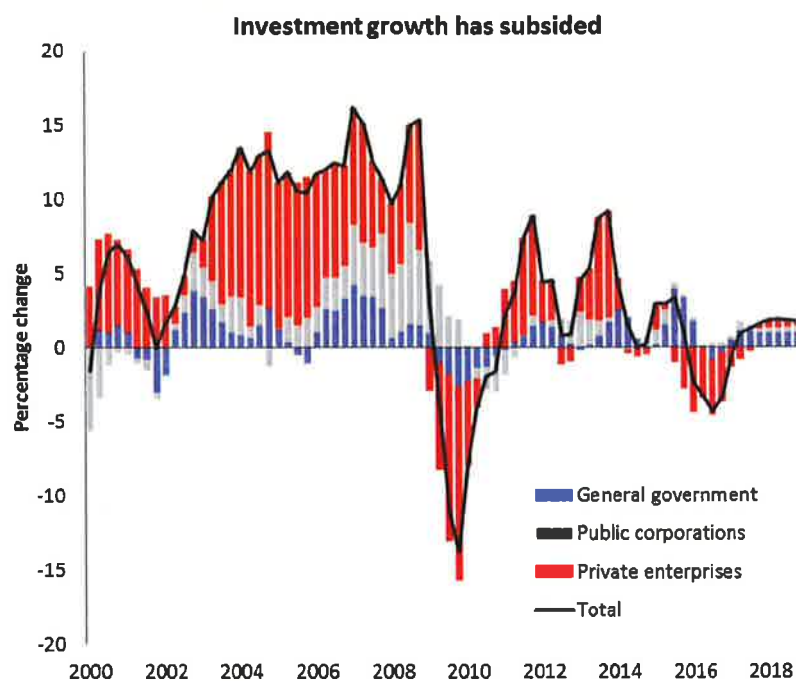
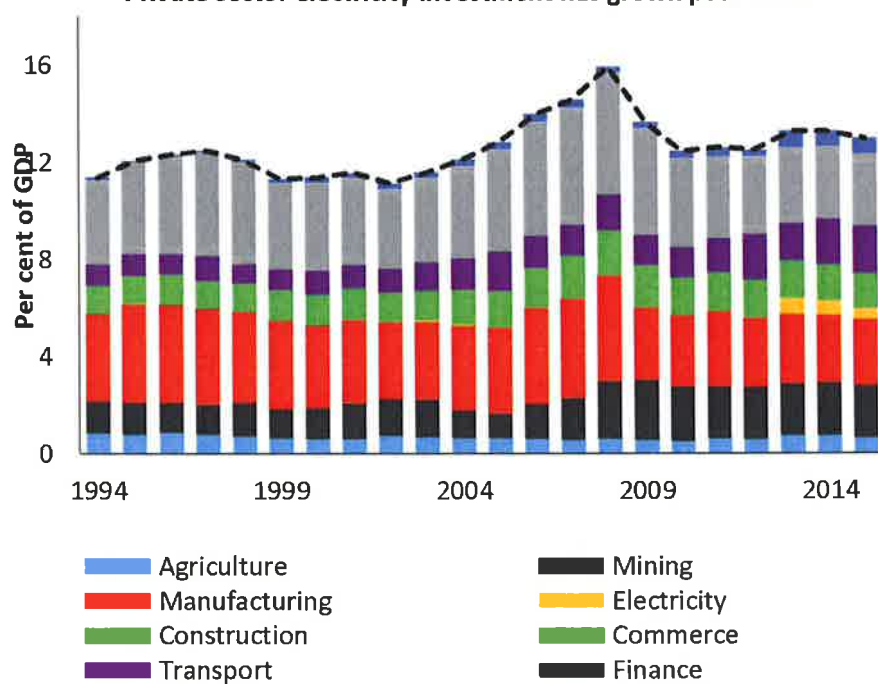


Figure 17: Private Sector Electricity Growth has grown post-crisis  
Private sector electricity investment has grown post-Crisis





Between January 2011 and May 2016 a total of 494 FDI projects were recorded. These projects represent a total capital investment of **ZAR372.39 bn** which is an average investment of **ZAR753.41 m** per project. During the period, a total of **74,098 jobs** were created.

**Table 12: FDI Projects recorded for South Africa between January 2011 and May 2016**

Destination State	Projects	CAPEX	Avg. CAPEX	Jobs Created	Avg. Jobs Created	Companies
Gauteng	200	115530.2	577.7	29391	146	193
Western Cape	86	26092.7	303.5	7154	83	84
Eastern Cape	28	28097.5	1003.0	7043	251	25
KwaZulu-Natal	50	32361.3	646.8	9694	193	40
Northern Cape	27	80077.9	2965.6	4314	159	17
Mpumalanga	9	5586.7	621.0	1471	163	9
<b>North West</b>	<b>4</b>	<b>1160.0</b>	<b>290.6</b>	<b>569</b>	<b>142</b>	<b>4</b>
Limpopo	6	7938.3	1322.9	499	83	4
Free State	6	19375.3	3229.2	2825	470	6
Not Specified	78	56176.2	720.6	11138	142	74
<b>Total</b>	<b>494</b>	<b>372395.0</b>	<b>753.4</b>	<b>74098</b>	<b>149</b>	<b>403</b>

**Notes:**

- 1) FDI Intelligence, from the Financial Times Ltd 2016. 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.
- (Source: FDI Intelligence Markets database, prepared by Investment South Africa (ISA) a division in the dti)

**When comparing the figures in the table above with the figures in the table below it is clear that the investments became more capital intensive and less job creating in South Africa.**

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 bn** which is an average investment of **ZAR517.25 m** per project. During the period, a total of **110,370 jobs** were created. (Source: Prepared by Trade and Investment South Africa (TISA) a division in the dti)

**Table 13: FDI Projects recorded for South Africa between January 2008 and June 2014**

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
<b>North West</b>	<b>8</b>	<b>6031.4</b>	<b>753.7</b>	<b>5078</b>	<b>634</b>	<b>8</b>
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
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**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.

#### 4.5 North West Province

The North West Province received 0.80% (4) of all projects (494) in South Africa between 2011 and May 2016. This represents 0.31% (R 1.1 billion) of the capital investment and 0.76% (569 jobs).

#### North West FDI Projects Detail

**Table 14: FDI Projects recorded for the North West Province between January 2011 and May 2016**

#	Project Date	Investing Company		Industry Sector	Capital R mil	Jobs
1	June 2015	Anglo American Platinum	South East (UK)	Alternative/Renewable Energy	130.6451622	2
2	April 2015	Syngenta	Switzerland	Food & Tobacco	114.8271381	55
3	Dec 2011	IGE Resources (International Gold Exploration)	Sweden	Minerals	651.468253	383
4	April 2011	Monsanto	Missouri	Food & Tobacco	263.6337355	129

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  - 4) Jobs data includes estimated values Financial Times Ltd takes no responsibility for the accuracy or otherwise of this data.
- (Source: FDI Intelligence Markets database, prepared by Investment South Africa (ISA) a division in the dti)

**When comparing the figures in the table above with the figures in the table below it is clear that the North West province has experienced a significant decline in FDI. It is therefore recommended that concerted efforts be made to increase the focus on destination marketing and investment promotion.**

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

**Table 15: FDI Projects recorded for the North West province between January 2008 and June 2014**

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

8	Jun 2008	Guangzhou Pharmaceuticals	China	Food & Tobacco	219.335	114
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  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.
- (Source: FDI Intelligence Markets database, prepared by Investment South Africa (ISA) a division in the dti)

It must be noted that the information above was sourced from ©fDi Intelligence, from the Financial Times Ltd 2014 and 2016 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.

**Table 16: International Trade Figures for 2015**

International Trade (2015)						
	South Africa	North-West	Bojanala DM	Ngaka Modiri Molema DM	Dr Ruth Segomotsi Mompoti DM	Dr Kenneth Kaunda DM
Exports (R 1000)	1 041 437 998	23 716 878	20 335 113	1 112 529	564 055	1 705 181
Imports (R 1000)	1 075 891 997	5 652 685	2 442 159	306 278	282 885	2 621 364
Total Trade (R 1000)	2 117 329 995	29 369 564	22 777 272	1 418 807	846 940	4 326 545
Trade Balance (R 1000)	-34 453 999	18 064 193	17 892 954	806 251	281 171	-916 183
Exports as % of GDP	25,9%	10,0%	15,4%	2,8%	3,7%	3,4%
Total trade as % of GDP	52,8%	12,4%	17,2%	3,6%	5,6%	8,6%
Regional share - Exports	100,0%	2,3%	2,0%	0,1%	0,1%	0,2%
Regional share - Imports	100,0%	0,5%	0,2%	0,0%	0,0%	0,2%
Regional share - Total Trade	100,0%	1,4%	1,1%	0,1%	0,0%	0,2%

Source: IHS Global Insight: Regional eXplorer 993 (2.5v)

**Table 17: International Trade Figures for 2013 and 2014**

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 Dorpiés (VTSD)

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- 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

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