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Department:
Finance
MPUMALANGA PROVINCIAL GOVERNMENT

2013/14

Provincial
Economic
Review &
Outlook
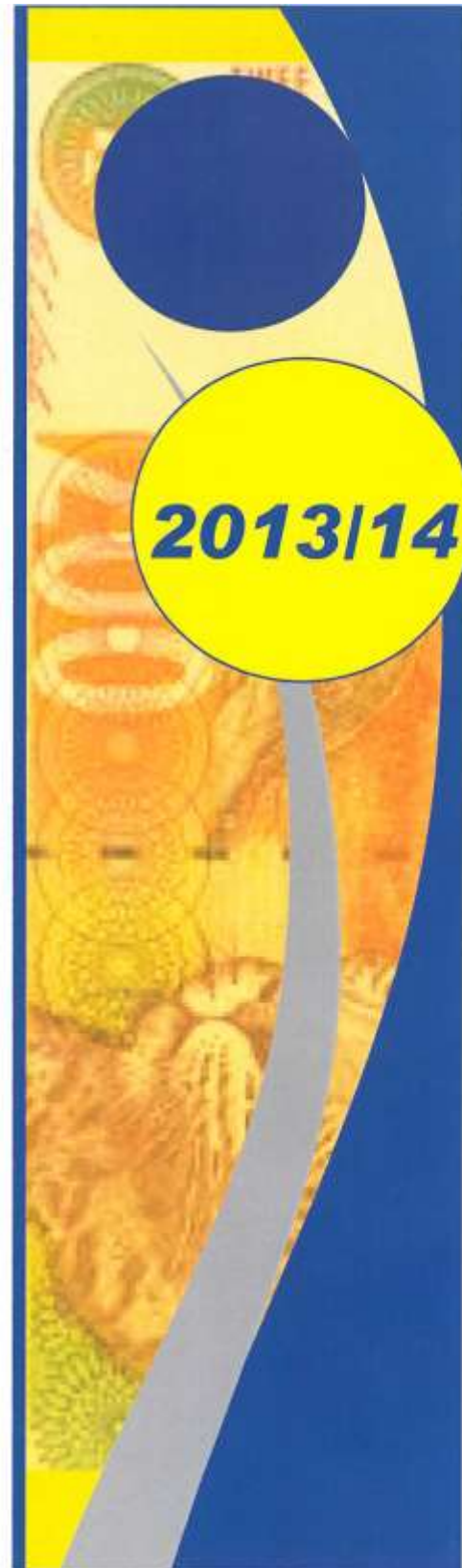
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20 YEARS OF FREEDOM

FOREWORD BY MEC FOR FINANCE

It is with pleasure and pride that the Department of Finance is releasing its 2013/14 Provincial Economic Review and Outlook (PERO) for the benefit of our stakeholders.

The PERO is an annual publication which provides an overview of the Mpumalanga economy. Its compilation is based on the collection and synthesis of vital economic information from credible sources.

The PERO is important in the provincial planning and budget processes to ensure that any measures introduced by Provincial Government, are in line with the ever-changing economic dynamics. It certainly provides an essential reference to policy makers for the formulation, implementation and evaluation of public policies and programmes aimed at improving the quality of life of the more than four million Mpumalanga citizens.

We are of the view that departmental initiatives like the PERO place us in a better position to share with our stakeholders the valuable information that is necessary for taking advantage of potential economic opportunities whilst simultaneously addressing existing challenges. Assistance and guidance to stakeholders with the implementation of the National Development Plan (NDP) and Provincial Vision 2030, Mpumalanga Economic Growth and Development Path (MEGDP), Comprehensive Rural Development Programme (CRDP) and Provincial Human Resource Development Strategy (HRDS), can be highlighted in this regard.

I would like to extend my profound gratitude to the Head of the Department and to the Economic Analysis team, for their individual and collective efforts, which have culminated into the successful completion of the 2013/14 PERO.

MR MB MASUKU (MPL)
MEC FOR FINANCE

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ABBREVIATIONS AND ACRONYMS

AIDS   – Acquired Immune Deficiency Syndrome
BMR   – Bureau for Market Research
CPI   – Consumer Price Index
EAP   – Economically Active Population
EC   – Eastern Cape
EPWP – Expanded Public Works Programme
FNAB - Food and non-alcoholic beverages
FS   – Free State
GDFI - Gross Domestic Fixed Investment
GDP   – Gross Domestic Product
GHS   - General Household Survey
GP   – Gauteng
GVA   – Gross Value Added
HDI   – Human Development Index
HIV   – Human Immunodeficiency Virus
IHS   - Information Handling Services
IMF   – International Monetary Fund
KZN   – KwaZulu–Natal
LFS   - Labour Force Survey
LP   – Limpopo
MP   – Mpumalanga
MPC   - Monetary Policy Committee
MW   – Megawatt
NDP   - National Development Plan
NC   – Northern Cape
NW   – North West
PERO – Provincial Economic Review and Outlook
Q   - Quarter
QLFS – Quarterly Labour Force Survey
R   - Rand
ReX   – Regional eXplorer
RSA   – Republic of South Africa
SARB - South African Reserve Bank
SIC   – Standard Industrial Classification of all Economic Activities
TSA   - Tourism Satellite Account
UN   – United Nations
USA   - United States of America
WC   – Western Cape
%   - Per cent
'000   - Thousand

EXECUTIVE SUMMARY

The Provincial Economic Review and Outlook (PERO) publication consists of four chapters and provides an analysis of the economy and specifically that of the provincial economy. Due to the dynamic nature of data and the regular release of the latest data sets, it is important to note that the cut-off date for data presented in the document was the end of February 2014.

Chapter one analyses the **economic performance and outlook of the South African economy** with particular focus on economic growth, inflation, the balance of payments and labour market aspects. The domestic economy has tracked world growth relatively closely since 1994 and the forecasted growth rate up to 2015 is expected to remain roughly in line with average world growth prospects, yet lagging emerging and developing economies. The inflation rate for January 2014 was measured at 5.8 per cent and the expectation is that national inflation will average 6.3 per cent for 2014.

The deficit on the current account was equivalent to 6.8 per cent of gross domestic product (GDP) and was mainly because of a deficit trade balance and a sustained service, income and transfer payments deficit. According to recent data from Statistics South Africa, the domestic economy created 653 000 jobs in the year since the end of the fourth quarter 2012. The unemployment rate decreased from 24.5 per cent at the end of the fourth quarter 2012 to 24.1 per cent at the end of the fourth quarter 2013.

Chapter two analyses the **economic performance and outlook of the Mpumalanga economy** with particular focus on economic growth and the economic performance of the provincial economic industries. Mpumalanga's economy contributed 6.3 per cent (in constant 2005 prices) to South Africa's economy in 2012, with manufacturing, mining and community services the leading industries in the province. Economic growth is expected to be slightly lower than the national growth with an expected average growth rate of 3.6 per cent per annum between 2012 and 2017. The analysis found that the provincial economy depends too much on the primary sector and should pursue more diversified secondary and tertiary sectors through the attraction of gross domestic fixed investment (GDFI).

Chapter three analysed the **labour market of Mpumalanga** with specific emphasis on the profile of the labour force, employment and unemployment. The Mpumalanga labour market observed an addition of 84 042 jobs over the four quarters of 2013. The provincial labour market

experienced high levels of unemployment and discouraged workers as well as low levels of participation and absorption rates, respectively. The official unemployment rate declined to 27.2 per cent by the end of the fourth quarter 2013 from 29.1 per cent a year earlier. Discouraged workers, and a few smaller variables, are considered in the expanded definition of unemployment where the province had a relatively high unemployment level of 40.2 per cent at the end of the fourth quarter 2013.

Selected **socio-economic indicators of Mpumalanga** was analysed in **chapter four** and it was emphasized that the indicators are inter-related and should not be viewed in isolation. According to the Human Development Index (HDI), the province is developing and this can be ascribed to the improved levels of adult literacy and education but restrained by the high levels of HIV prevalence. Although the poverty rate was still high at 36.9 per cent, it was showing a declining trend. Even though household and per capita income exhibited an increasing trend, the main concern in developmental terms remains the skew distribution of income in the province.

CHAPTER 1: NATIONAL ECONOMIC PERFORMANCE AND OUTLOOK

1.1   Economic growth

According to the International Monetary Fund's (IMF) January 2014 *World Economic Outlook,* global growth is projected to increase during 2014, as the Euro area moves from recession to recovery and export demand grows in emerging markets. *World Economic Outlook* projections indicate that global growth will increase to about 3.7 per cent in 2014, from 3.0 per cent in 2013. Real GDP in the advanced economies is projected to expand at 2.2 per cent in 2014 and 2.3 per cent in 2015. However, downside risks remain significant, including possible deflation in advanced economies, weak domestic demand in emerging economies, stagnation in the Euro area and volatility in the flow of capital to emerging markets.

As can be expected from an open economy such as South Africa, the domestic economy has tracked world growth relatively closely since 1994 (Figure 1.1). The country's forecasted growth rate up to 2015 is expected to remain roughly in line with average world growth prospects, yet lagging emerging and developing economies. The South African economy experienced restrained GDP growth of 1.9 per cent in 2013.

Figure 1.1: Historic & forecasted real GDP growth for the world and South Africa, 1980-2015
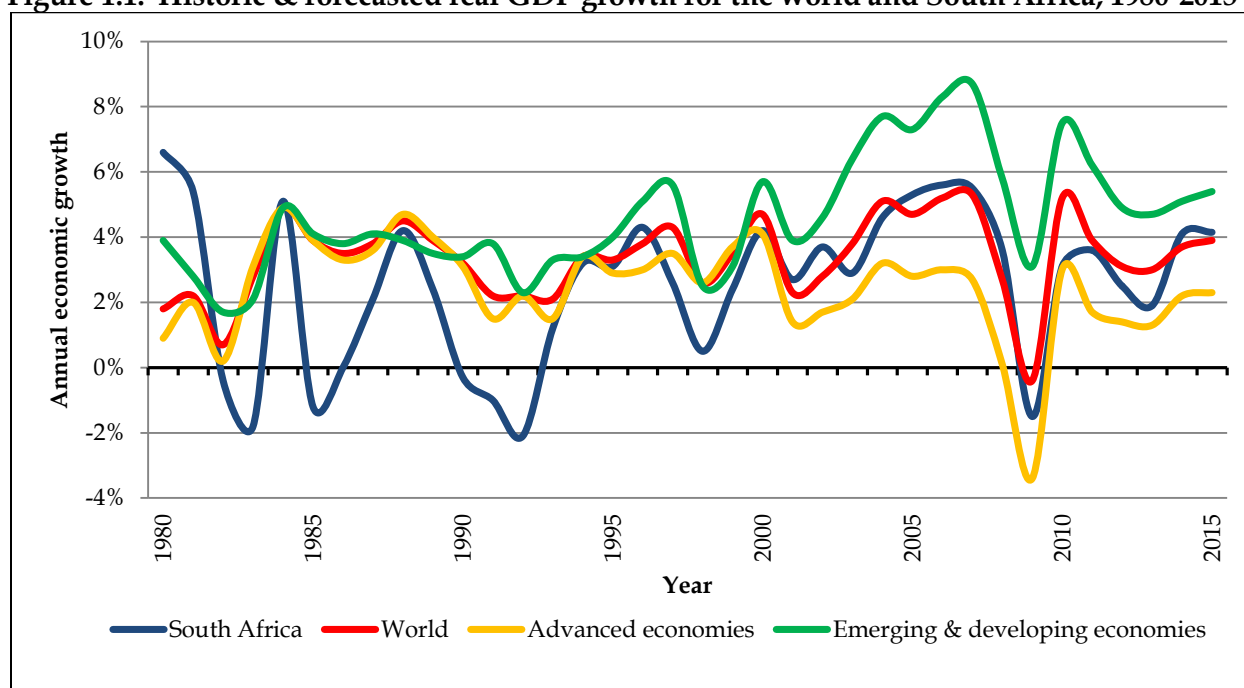
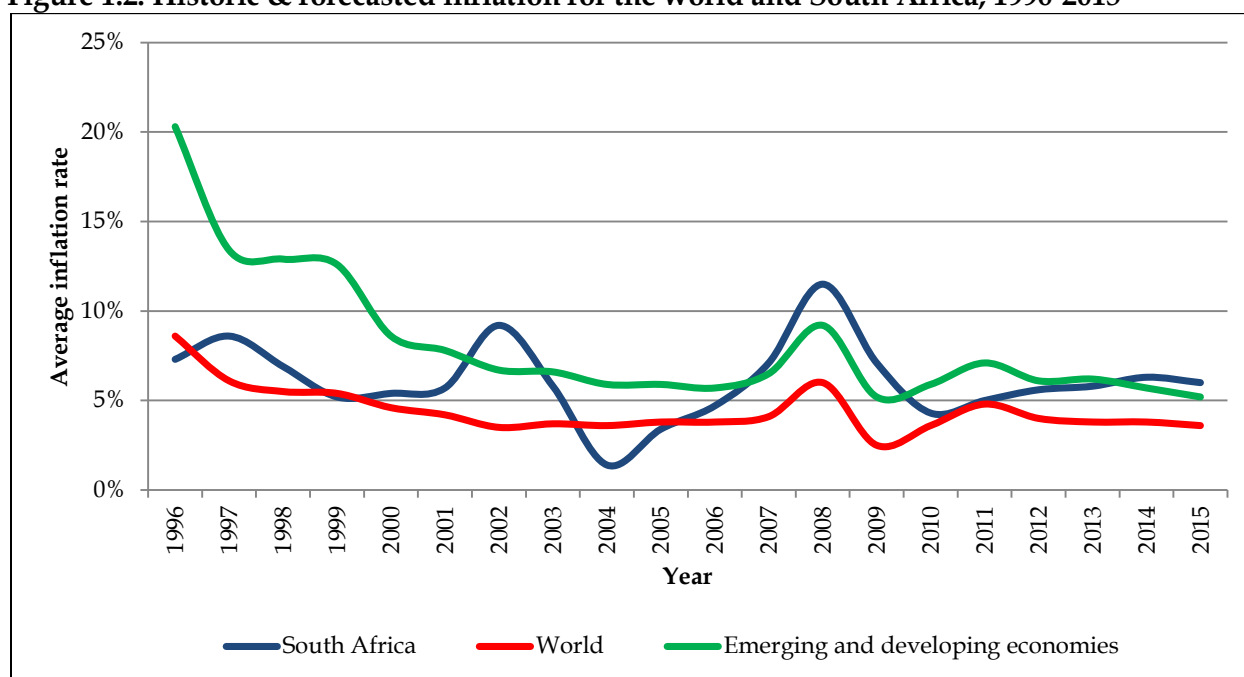*Source: IMF – World Economic Outlook Database, January 2014*

The outlook for the domestic economy depends critically on the global environment and global risks will continue to weigh especially on the domestic manufacturing and mining industries. The expectation by the IMF in January 2014 was overall economic growth in South Africa of 2.8 per cent in 2014, rising to 3.3 per cent in 2015. The Minister of Finance, in the 2014 National Budget Speech, projected real GDP growth to reach 2.7 per cent in 2014 and rising to 3.5 per cent by 2016. In January 2014, the South African Reserve Bank (SARB) projected growth of 2.8 per cent for 2014 and 3.3 per cent for 2015.

1.2   Inflation

The year-on-year inflation rate as measured by the consumer price index (CPI) for all urban are-as was 5.8 per cent in January 2014. According to the Monetary Policy Committee (MPC) of the SARB, inflation is expected to average 6.3 per cent in 2014 and 6.0 per cent in 2015.

Figure 1.2: Historic & forecasted inflation for the world and South Africa, 1996-2015

Source: IMF – World Economic Outlook Database, January 2014

Figure 1.2 illustrates the inflation rate of South Africa, the world as well as emerging and developing economies over the period 1996 to 2015. When compared against the world and emerging economies, it is apparent that South Africa's inflation rate fluctuated sharply over the last 17 years. In 2004, the domestic inflation rate was 3 percentage points lower than the average for the world, just for it to be 6 percentage points higher than the world average in 2008. The infla-

tion rate for emerging economies appears to have tracked the world inflation rate closer than the South African inflation rate, albeit considerably higher than the South African inflation rate at certain times. According to the IMF, South Africa's inflation rate is expected to be higher than both the world and emerging economies from 2014 onwards.

1.3   Balance of payments

South Africa's export volumes rose as economic activity in advanced economies continued rising alongside a recovery in a number of emerging market economies integrated in the international supply chain. However, the domestic demand for foreign-produced products remained strong. The weaker rand increased the rand price of such imports, lifting South Africa's import bill significantly over the period. As a result, the deficit trade balance of 2012 (R39 billion) widened further to R74 billion in 2013. Table 1.1 depicts the current account in 2012 and 2013.

Table 1.1: South Africa's balance of payments: the current account (R billions), 2012-2013

Components	2012	2013
Merchandise exports	744	854
Net gold exports	71	64
Merchandise imports	-854	-991
Trade balance	-39	-74
Net service, income and current transfer payments	-125	-124
Balance on current account	-164	-197
- As a % of GDP	-5.2%	-5.8%

Source: SARB – Quarterly Bulletin, March 2014

The deficit trade balance and a sustained service, income and transfer payments deficit in 2013 resulted in the deterioration of the current account. The deficit balance on the current account widened to R197 billion in 2013 from R164 billion in 2012. The deficit on the current account was equivalent to 5.8 per cent of GDP in 2013 up from 5.2 per cent in 2012.

1.4   Labour market

According to recent data from Statistics South Africa, the domestic economy created 653 000 jobs in the year since the end of the fourth quarter 2012. The data presented in Table 1.2 demonstrates that during 2012, job losses occurred in two of the industries, namely agriculture (-4 000) and manufacturing (-48 000). Community services (219 000), trade (117 000) and finance (88 000) recorded the highest number of new jobs over the last year. In terms of growth rate, utilities (24.1 per cent) and mining (12.0 per cent) registered the highest employment growth over the last year.

Table 1.2: South Africa's employment changes, 2012-2013

Industry	Number of employed Q4 2013	Employment changes Q4 2012 to Q4 2013	
	'000	'000	%
Agriculture	713	-4	-0.6
Mining	426	46	12.0
Manufacturing	1 766	-48	-2.7
Utilities	127	25	24.1
Construction	1 204	72	6.4
Trade	3 224	117	3.7
Transport	961	84	9.6
Finance	2 037	88	4.5
Community services	3 470	219	6.7
Private households	1 244	55	4.6
Total industries	15 177	653	4.5

Source: Statistics South Africa – Quarterly Labour Force Survey (QLFS), 2014
Note: Due to rounding, numbers do not necessarily add up to totals

The official unemployment rate decreased from 24.5 per cent a year ago to 24.1 per cent at the end of the fourth quarter 2013. The labour absorption rate was 43.3 per cent at the end of the fourth quarter 2013, which was marginally higher than the 43.1 per cent registered at the end of the fourth quarter 2012. The labour force participation rate was unchanged at 57.1 per cent.

**CHAPTER 2: PROVINCIAL ECONOMIC PERFORMANCE AND OUTLOOK**

This chapter provides an analysis of the economic performance and outlook of Mpumalanga. The various subdivisions of the chapter focus on the provincial performance over the period 1995 to 2012 and the expected outlook to 2017. Mpumalanga's performance and outlook was compared with the national situation and the other eight provinces. The chapter starts from a broad perspective and systematically delves deeper into the detailed economic industries. Data presented was primarily sourced from Statistics South Africa with certain aspects gathered from credible sources such as IHS Global Insight and Quantec.

2.1 GDP contribution and growth

Economic contribution

It is estimated that in 2012, Mpumalanga contributed some R222.1 billion in current prices or some 7.1 per cent to the GDP of South Africa. Converted to constant 2005 prices, Mpumalanga's contribution was R123.2 billion. According to estimates, Mpumalanga's contribution in constant 2005 prices was the fifth largest among the nine provinces and registered a decrease from a 6.8 per cent contribution in 1995, to 6.3 per cent in 2012 (Figure 2.1). Gauteng (35.4 per cent) and KwaZulu-Natal (16.5 per cent) were the main contributors to the national economy in 2012.

**Figure 2.1: Provincial contribution to national GDP (constant 2005 prices), 1995-2012**
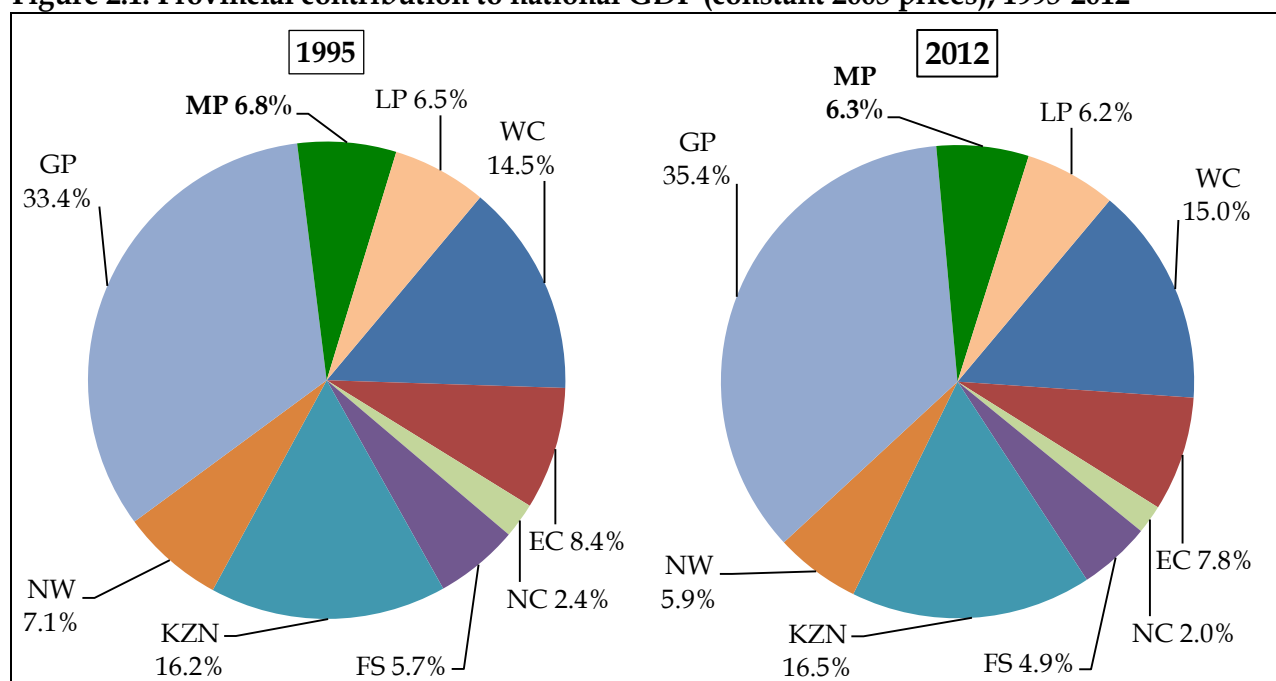
Source: Statistics South Africa - GDP Q3, 2013

Economic growth

At the start of the period under review (1995-1999), the economic growth of the province, as measured by growth in the GDP, was higher than the national rate. However, the provincial economy has not outperformed the national economy in terms of GDP growth since 1999 (Figure 2.2). The average annual growth rate for the country and Mpumalanga over the period 1995 to 2012 was 3.3 per cent and 2.8 per cent, respectively. Mpumalanga recorded the sixth highest/fourth lowest annual average GDP growth rate in the 17-year period. Mpumalanga's GDP growth exceeded the national average in the period 1995 to 1999, when the province also achieved the second highest growth among the nine provinces.

Figure 2.2:   GDP at market prices (constant 2005 prices) growth rates for South Africa and Mpumalanga, 1996-2017
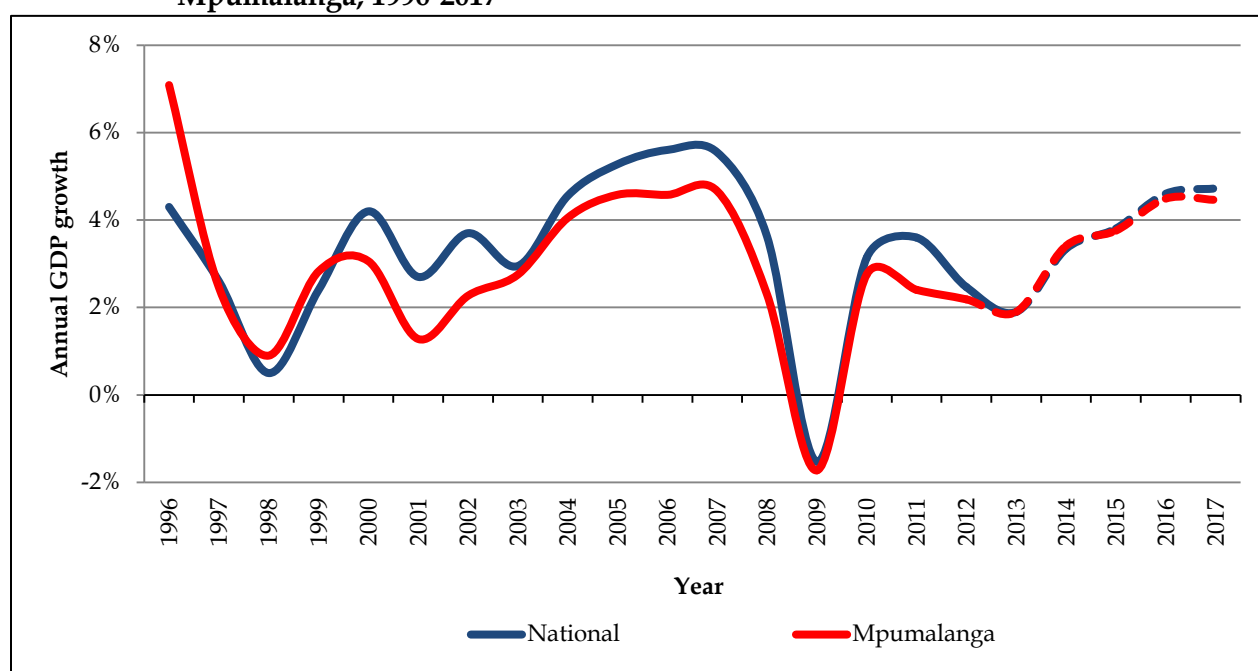
Sources: Statistics South Africa – GDP Q3, 2013 (Historic growth)
         IHS Global Insight – Regional eXplorer (ReX), October 2013 (Future growth)

The National Development Plan (NDP) targets average national GDP growth above 5 per cent up to 2030. The annual average growth rates for South Africa and Mpumalanga, from 2012 to 2017 is forecasted at 3.7 per cent and 3.6 per cent, respectively (Table 2.1). In such an event, Mpumalanga's growth will be the joint seventh highest/third lowest among the nine provinces.

Table 2.1: **Historic and forecasted GDP at market prices growth rates for South Africa and Mpumalanga, 1995-2017**

Province	1995-2012	1995-1999	1999-2004	2004-2009	2009-2012	2012-2017
Western Cape	3.4%	2.5%	3.5%	4.2%	3.3%	3.9%
Eastern Cape	2.9%	1.7%	3.0%	3.6%	2.9%	3.8%
Northern Cape	2.0%	2.8%	1.5%	2.0%	1.9%	3.5%
Free Sate	2.3%	1.8%	2.2%	2.8%	2.4%	3.0%
KwaZulu-Natal	3.4%	2.2%	3.8%	3.9%	3.4%	3.9%
North West	2.1%	1.7%	2.2%	2.6%	1.7%	3.9%
Gauteng	3.6%	2.3%	4.2%	4.1%	3.6%	3.7%
Mpumalanga	**2.8%**	**3.3%**	**2.7%**	**2.8%**	**2.4%**	**3.6%**
Limpopo	3.1%	3.7%	3.3%	2.8%	2.0%	3.6%
South Africa	**3.3%**	**2.4%**	**3.6%**	**3.7%**	**3.1%**	**3.7%**

Sources: Statistics South Africa – GDP Q3, 2013 (Historic growth)
IHS Global Insight - ReX, October 2013 (Future growth)

GDP per capita

GDP per capita is often considered an indicator of a region's standard of living on the rationale that all citizens would benefit from the region's increased economic production. Vision 2030, states that the GDP per capita expressed in constant prices must increase from approximately R47 100 in 2010 to R110 000 by 2030. In 2012, the provincial GDP per capita was equal to approximately R48 000. Sustained annual average GDP growth above 5 per cent is necessary to achieve this target.

Fixed investment

Accelerated infrastructure development is fundamental to promoting sustained economic growth. Investment in infrastructure builds economic capacity and enhances competitiveness, while contributing to the quality of life of poor people. Historical evidence for the period 1996-2011 indicates that GDFI in both South Africa and Mpumalanga peaked respectively in 2008 and 2011 (Figure 2.3). GDFI in Mpumalanga amounted to R34.4 billion in 2011 (latest available figure), which was equal to 9.1 per cent of total GDFI in South Africa. From 1996 to 2011, GDFI in South Africa grew on average by 5.4 per cent per annum and by 5.7 per cent annually in Mpumalanga.

According to the NDP, public infrastructure investment must be equal to 10 per cent of GDP by 2030. In 2012/13, expenditure by the Mpumalanga Provincial Government (MPG) on infrastructure was equal to only 1.3 per cent of provincial GDP, however, it was slightly higher than

the share of 1.2 per cent in 2010/11. In order to reach the stated Vision 2030 goal of 10 per cent of GDP by 2030 in Mpumalanga, MPG expenditure on infrastructure in Mpumalanga has to increase by 16.2 per cent per annum over the 17-year period.

**Figure 2.3: Comparison of GDFI (constant 2005 prices) in South Africa and Mpumalanga, 1996-2011**
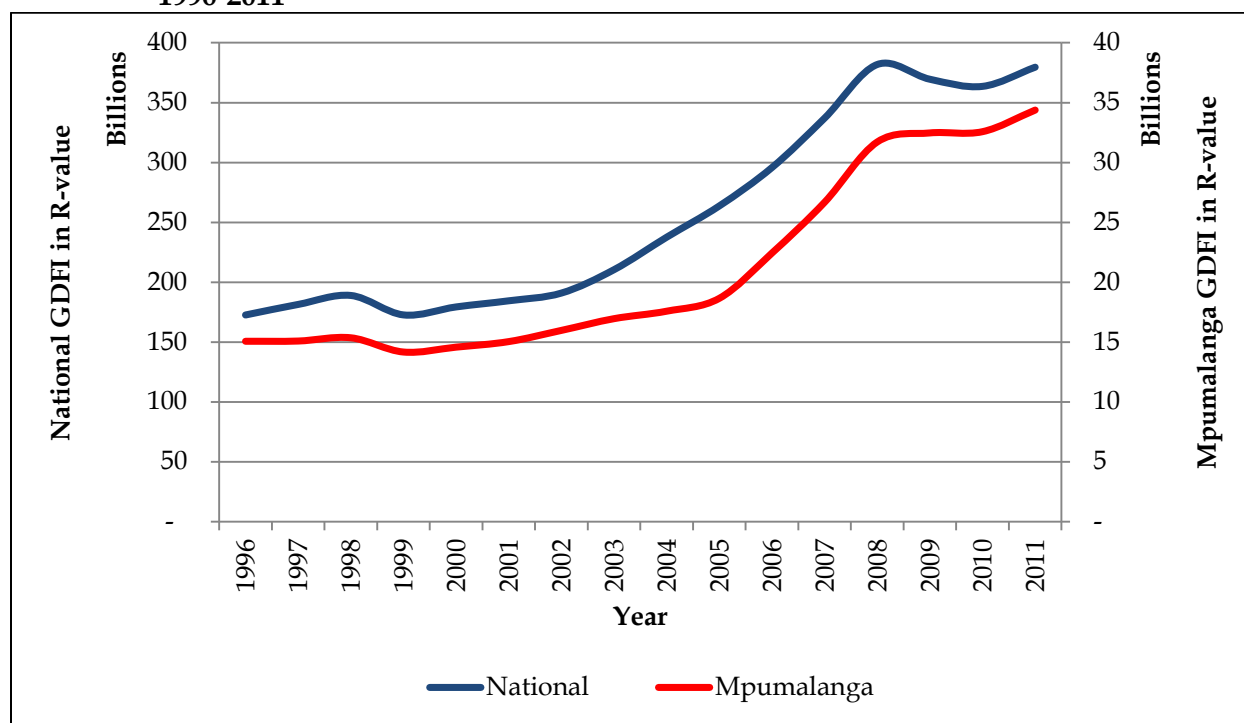
Source: Quantec, 2012

2.2 Broad regional contribution

The economic industries are classified according to the Standard Industrial Classification of all Economic Activities (SIC). This classification system groups together economic activities that are closely related. Statistical information is then collected and classified according to the categories of economic activities, which are as homogenous as possible. Statistics South Africa uses the SIC classification when collecting and reporting its information.

Figure 2.4 depicts the contribution of each of the economic industries in Mpumalanga to the corresponding national industry in 1995 and 2012. It is estimated that in 2012, the province was a substantial role-player in the national mining and utilities (mainly electricity) industries, with respective shares of 21.2 per cent and 14.8 per cent. It is noticeable that the contribution by agriculture, mining, manufacturing, utilities, transport and community services increased between 1995 and 2012, whilst the other three industries' contribution to the national figure declined.

Figure 2.4: Mpumalanga's contribution to South Africa's industries' GDP at basic prices (constant 2005 prices), 1995-2012
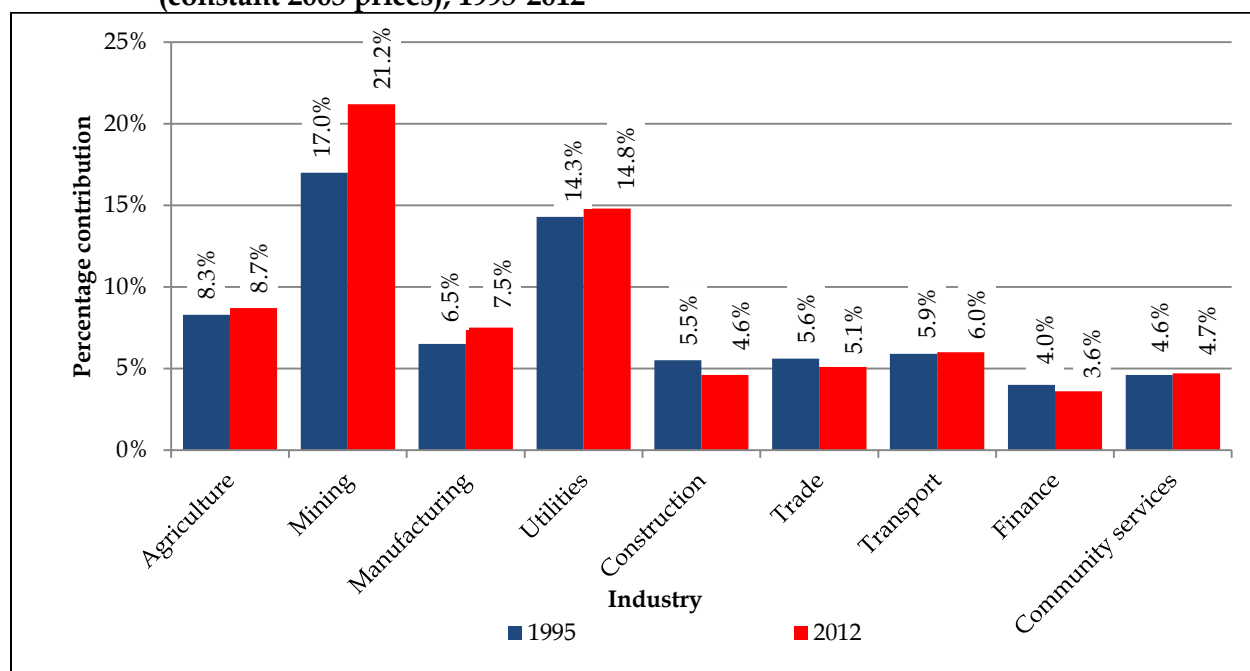
Sources: Statistics South Africa – GDP Q3, 2013

Table 2.2: Regional contribution to Mpumalanga's industries' GVA (constant 2005 prices), 1996-2012

Industry	Gert Sibande		Nkangala		Ehlanzeni	
	1996	2012	1996	2012	1996	2012
Agriculture[1]	41.7%	41.4%	23.9%	22.9%	34.4%	35.7%
Mining[2]	36.1%	23.9%	49.1%	69.4%	14.9%	6.7%
Manufacturing[3]	42.6%	57.4%	31.4%	24.4%	26.0%	18.1%
Utilities[4]	26.2%	25.7%	70.0%	71.4%	3.9%	2.8%
Construction[5]	24.8%	26.8%	30.4%	32.6%	44.8%	40.6%
Trade[6]	26.4%	25.8%	27.4%	30.5%	46.2%	43.7%
Transport[7]	27.2%	24.5%	33.6%	37.8%	39.2%	37.7%
Finance[8]	22.2%	21.2%	34.9%	36.8%	43.0%	42.0%
Community services[9]	22.4%	22.5%	32.2%	32.5%	45.4%	45.0%
Total	31.0%	31.0%	37.7%	39.3%	31.2%	29.7%

Source: IHS Global Insight – ReX, October 2013

Table 2.2 exhibits the contribution by each of the three districts to the provincial industries in 1996 and 2012. Nkangala was the largest contributor to the provincial GVA with a share of

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[1] ISIC detailed description = Agriculture, forestry and fishing
[2] ISIC detailed description = Mining and quarrying
[3] ISIC detailed description = Manufacturing
[4] ISIC detailed description = Electricity, gas and water
[5] ISIC detailed description = Construction
[6] ISIC detailed description = Wholesale and retail trade, catering and accommodation
[7] ISIC detailed description = Transportation, storage and communication
[8] ISIC detailed description = Finance, insurance, real estate and business services
[9] ISIC detailed description = Community, health and personal services

37.7 per cent in 1996 and 39.3 per cent in 2012. Ehlanzeni with a 29.7 per cent share in was the smallest contributor in 2012. Nkangala made considerable contributions to the province's utilities (71.4 per cent), mining (69.4 per cent) and transport industries (37.8 per cent) in 2012. In 2012, Gert Sibande was the main contributor to Mpumalanga's manufacturing (57.4 per cent) and agriculture industries (41.4 per cent), whilst Ehlanzeni played a major role in the province's trade (43.7 per cent), community services (45.4 per cent), construction (40.6 per cent) and finance industries (42.0 per cent).

## 2.3   Broad sectoral contribution and performance

Contribution

It is estimated that in 2012, the primary sector in Mpumalanga contributed 21.9 per cent, secondary sector 27.4 per cent and tertiary sector 50.7 per cent to the provincial GDP. Although the economy depended less on the primary sector in 2012 than in 1995 (28.6 per cent), it continued to stand in contrast to the national primary sector's small contribution of 8.0 per cent in 2012. Nationally, the secondary sector added 22.4 per cent and the tertiary sector 69.6 per cent in 2012.

It is estimated that in 2012, the three largest contributors to the provincial economy were manufacturing (20.2 per cent), mining (18.5 per cent) and community services (16.2 per cent). This was slightly different from 1995, when mining (25.3 per cent) was the leading industry followed by manufacturing (19.0 per cent) and community services (17.5 per cent). Figure 2.5 displays the share of each economic industry in the provincial economy in 1995 and 2012.

Figure 2.6 illustrate the change in value by industry from 1995 to 2012. The real value of all nine industries increased between 1995 and 2012. The manufacturing industry (R9.4 billion) registered the largest absolute change over the 17-year period and the construction industry (R1.3 million) the smallest.

Table 2.3 displays the share of each economic industry in the three districts' economies in 1996 and 2012. The manufacturing industry dominated the district economy of Gert Sibande in 2012 with a 37.3 per cent share. Mining activities dominated the Nkangala economy as it added 29.5 per cent to the district's economy in 2012. The largest contributing industry in Ehlanzeni in 2012 was community services with a share of 24.9 per cent.

Figure 2.5: Contribution to Mpumalanga GDP at basic prices (constant 2005 prices) by industry, 1995-2012
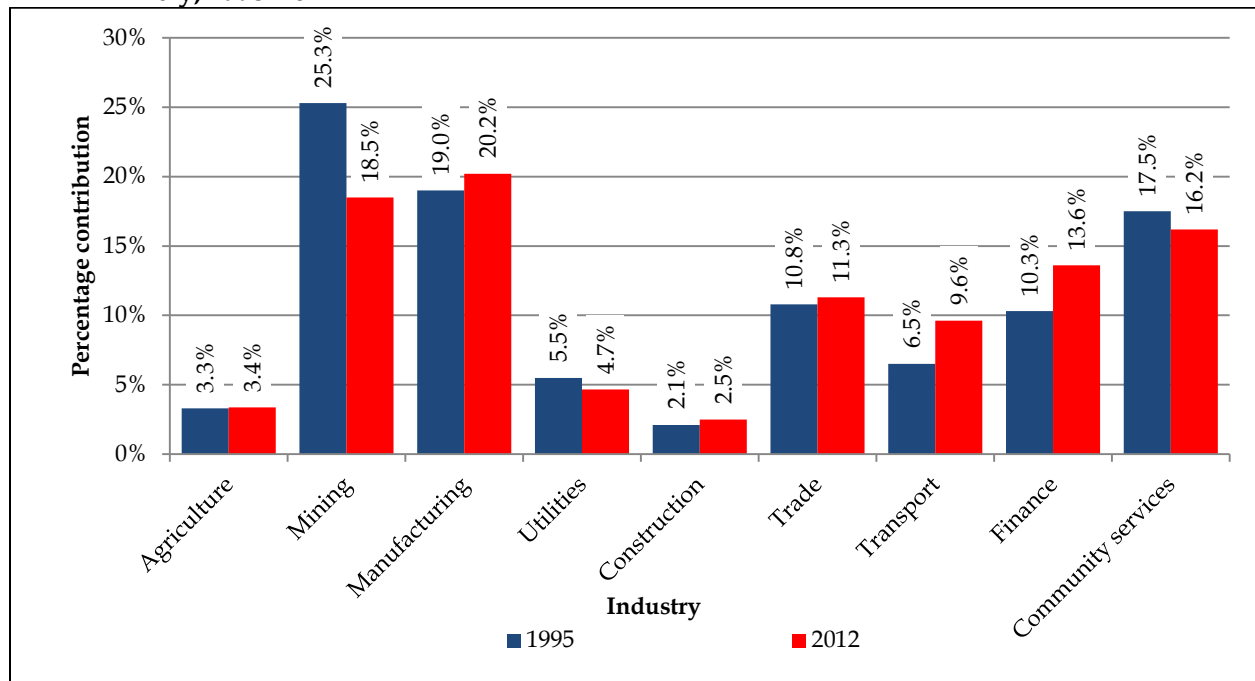
Sources: Statistics South Africa – GDP Q3, 2013

Figure 2.6: Absolute change in GDP at basic prices (constant 2005 prices), 1995-2012
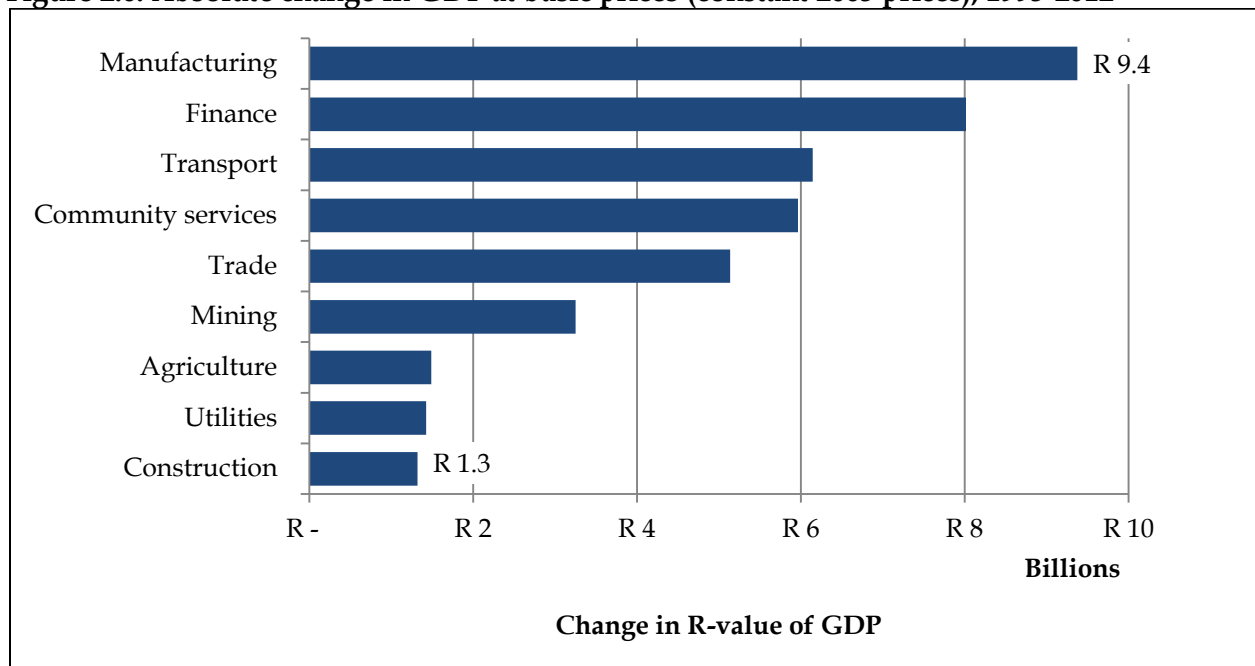
Source: Statistics South Africa – GDP Q3, 2013

The contributions by the primary industries in all three districts declined from 1996 to 2012. With the exception of manufacturing in Gert Sibande and construction in all three districts, the

economic contributions of the secondary industries also declined. In contrast, the economic contribution by the tertiary industries, with the exception of community services, improved over the 15-year period.

Table 2.3: Contribution to individual districts' GVA (constant 2005 prices) by industry, 1996-2012

Industry	Gert Sibande		Nkangala		Ehlanzeni	
	1996	2012	1996	2012	1996	2012
Agriculture	5.5%	4.3%	2.6%	1.9%	4.5%	3.9%
Mining	27.3%	12.9%	30.5%	29.5%	11.2%	3.8%
Primary industries	*32.8%*	*17.2%*	*33.1%*	*31.4%*	*15.7%*	*7.7%*
Manufacturing	24.8%	37.3%	15.0%	12.5%	15.0%	12.3%
Utilities	4.9%	3.5%	10.8%	7.7%	0.7%	0.4%
Construction	1.6%	2.2%	1.6%	2.1%	2.9%	3.5%
Secondary industries	*31.3%*	*43.0%*	*27.5%*	*22.4%*	*18.6%*	*16.2%*
Trade	9.1%	9.8%	7.8%	9.1%	15.9%	17.3%
Transport	5.7%	7.5%	5.8%	9.2%	8.2%	12.1%
Finance	8.4%	10.5%	10.9%	14.4%	16.2%	21.8%
Community services	12.6%	11.9%	14.9%	13.6%	25.4%	24.9%
Tertiary industries	*35.9%*	*39.7%*	*39.4%*	*46.2%*	*65.7%*	*76.1%*
Total industries	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: IHS Global Insight – ReX, October 2013

Economic performance

This structural difference between the provincial and national economy explains partly why the province achieves lower growth than the country as a whole. Provincially, the primary sector, on which the province depends for more than one-fifth of economic contribution, grew only by a modest 1.3 per cent annually over the 17-year period under review. This is in contrast to the secondary and tertiary sectors that achieved average annual growth of 3.1 per cent and 3.6 per cent per annum, respectively.

Historic and forecasted growth for the economic industries of Mpumalanga is presented in Table 2.4. Between 1995 and 2012, the fastest growing industries in terms of economic growth was estimated to be transport (5.3 per cent) and finance (4.6 per cent). Over the period 2012-2017, it is expected that transport and finance will jointly record the highest average annual growth of 4.7 per cent per annum.

According to Table 2.5, manufacturing (18.6 per cent) and finance (18.1 per cent) can be expected to be the main drivers of provincial economic growth between 2012-2017. Mining

(16.5 per cent), community services (14.4 per cent), transport (12.8 per cent) and trade (10.9 per cent) are expected to aid provincial growth to a lesser degree, whereas agriculture (1.8 per cent), construction (2.4 per cent) and utilities (4.6 per cent) are expected to contribute the least to growth between 2012-2017.

Table 2.4: **Historic and forecasted GDP at basic prices (constant 2005 prices) growth rates for Mpumalanga's economic industries, 1995-2017**

Industry	1995-2012	1995-1999	1999-2004	2004-2009	2009-2012	2012-2017
Agriculture	3.1%	11.0%	1.3%	0.8%	-0.1%	1.9%
Mining	1.0%	2.1%	1.4%	-1.1%	2.6%	3.2%
Manufacturing	3.3%	2.6%	4.2%	2.9%	3.1%	3.3%
Utilities	1.9%	1.3%	3.2%	1.8%	0.9%	3.5%
Construction	4.0%	2.0%	0.7%	10.9%	1.0%	3.4%
Trade	3.2%	3.5%	2.8%	3.6%	2.7%	3.4%
Transport	5.3%	7.7%	6.1%	4.5%	2.0%	4.7%
Finance	4.6%	5.6%	2.8%	6.5%	3.0%	4.7%
Community services	2.4%	1.9%	2.2%	3.1%	2.4%	3.2%

Sources: Statistics South Africa – GDP Q3, 2013 (Historic growth)
       IHS Global Insight - ReX, October 2013 (Future growth)

Table 2.5: **Industry contribution to GDP at basic prices (constant 2005 prices) growth in Mpumalanga, 2012-2017**

Industry	GDP share 2012	Forecasted industry growth 2012-2017	Estimated contribution to provincial economic growth 2012-2017
Agriculture	3.4%	1.9%	1.8%
Mining	18.5%	3.2%	16.5%
Manufacturing	20.2%	3.3%	18.6%
Utilities	4.7%	3.5%	4.6%
Construction	2.5%	3.4%	2.4%
Trade	11.3%	3.4%	10.9%
Transport	9.6%	4.7%	12.8%
Finance	13.6%	4.7%	18.1%
Community services	16.2%	3.2%	14.4%
Total	100.0%	3.6%	100.0%

Sources: Statistics South Africa – GDP Q3, 2013
       IHS Global Insight – ReX, October 2013

Economic performance and employment

Figure 2.7 depicts the real growth per industry over the period 2001 to 2012 in the left-hand diagram and the contribution to changes in employment numbers over the same period in the right-hand diagram. Over the 11-year period construction, finance and transport achieved the highest annual average growth rates, whereas agriculture and mining recorded the lowest average annual growth.

In 2012, some 121 200 more people were employed by the nine industries in Mpumalanga than in 2001. In the right hand diagram, it is observable that the three high growth industries, with growth in excess of 4 per cent per annum, contributed 63.2 per cent to the increased number of employed. The low growth industries, with growth of less than 2 per cent per annum, contributed 9.5 per cent. Based on the two diagrams, it is evident that the high growth industries historically contributed more to higher employment numbers than the medium (between 2 and 4 per cent average annual growth) and low growth industries combined.

Figure 2.7: Real GDP at basic prices (constant 2005 prices) growth and contribution to employment changes by industry, 2001-2012
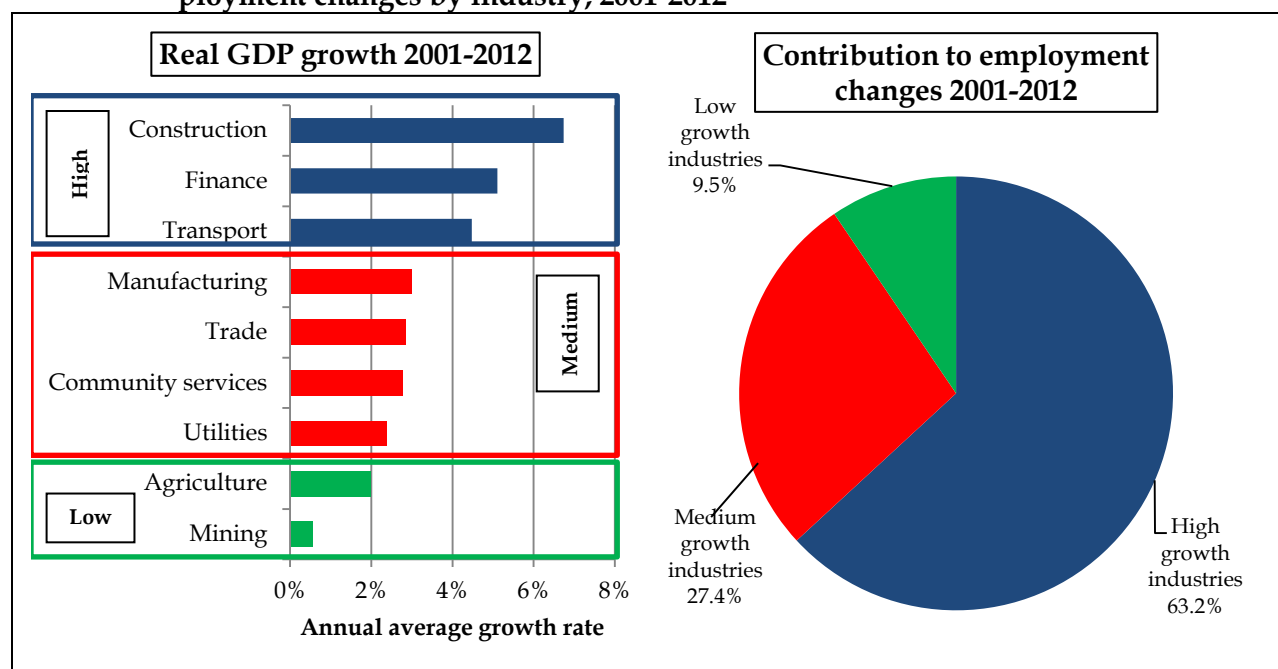
Sources: Statistics South Africa – GDP Q3, 2013
Statistics South Africa – LFS Historical Revision, 2009
Statistics South Africa – QLFS, 2013

2.4 Diversification of the economy

The Tress Index measures the level of concentration or diversification in an economy. An index score of zero represents a much diversified economy, while a number closer to 100 indicates a high level of concentration.

The economy of Mpumalanga appears to be slightly more diversified than that of South Africa with an index score of 37.6 compared to 40.8 in 2012. Among the nine provinces, Mpumalanga ranked first in terms of the most diversified economy, followed by KwaZulu-Natal (41.5) and Free State (41.6).

2.5 Comparative advantage of the provincial economy

The location quotient is an indication of the comparative advantage of an economy. When the share of an industry in a regional economy is greater (less) than the share of the same industry in the national economy that regional economy has a location quotient larger (smaller) than one, or a comparative advantage (disadvantage) in that particular industry.

Table 2.6 provides the location quotients of the various industries in Mpumalanga and the three districts, indicating their respective comparative advantages. In Mpumalanga, agriculture (1.27), mining (2.77), utilities (2.08) and construction (1.03) held a comparative advantage over the same industry in the national economy in 2012.

Table 2.6: Comparative advantage of industries in Mpumalanga and districts, 2012

| Industry	Mpumalanga	Gert Sibande	Nkangala	Ehlanzeni
Agriculture	1.27	1.81	0.60	1.76
Mining	2.77	2.42	4.45	0.52
Manufacturing	0.99	1.92	0.55	0.71
Utilities	2.08	1.87	3.42	0.21
Construction	1.03	0.97	0.78	1.50
Trade	0.77	0.70	0.54	1.21
Transport	0.65	0.59	0.55	0.88
Finance	0.64	0.47	0.53	0.97
Community services	0.76	0.60	0.57	1.21
Total	1.00	1.00	1.00	1.00

Source: IHS Global Insight – ReX, October 2013

2.6 Labour intensity in the provincial economy

Labour intensive industries are identified by comparing the output generation capacity with the utilisation of labour by each of the industries. When an industry utilises a larger share of the provincial employed than what its share towards the provincial output is, that industry is regarded as a labour intensive industry.

Figure 2.8 provides a comparison of the utilisation of labour with output at industry level for 2001 and 2012. In 2012, the following four industries in Mpumalanga exhibited higher employment shares relative to their output shares, thereby indicating a high level of labour intensity: agriculture, construction, trade and community services. Nationally the same four industries revealed a high labour intensity. In 2001, only three industries, namely agriculture, construction and trade, registered larger labour utilisation shares than output contribution. The highest labour intensity in both 2001 and 2012 was recorded in the construction industry with the mining industry recording the lowest labour intensity in both 2001 and 2012. The labour in-

tensity of the all industries, with the exception of manufacturing, trade and construction, increased between 2001 and 2012.

Figure 2.8: Comparison of labour intensity in Mpumalanga by industry, 2001-2012
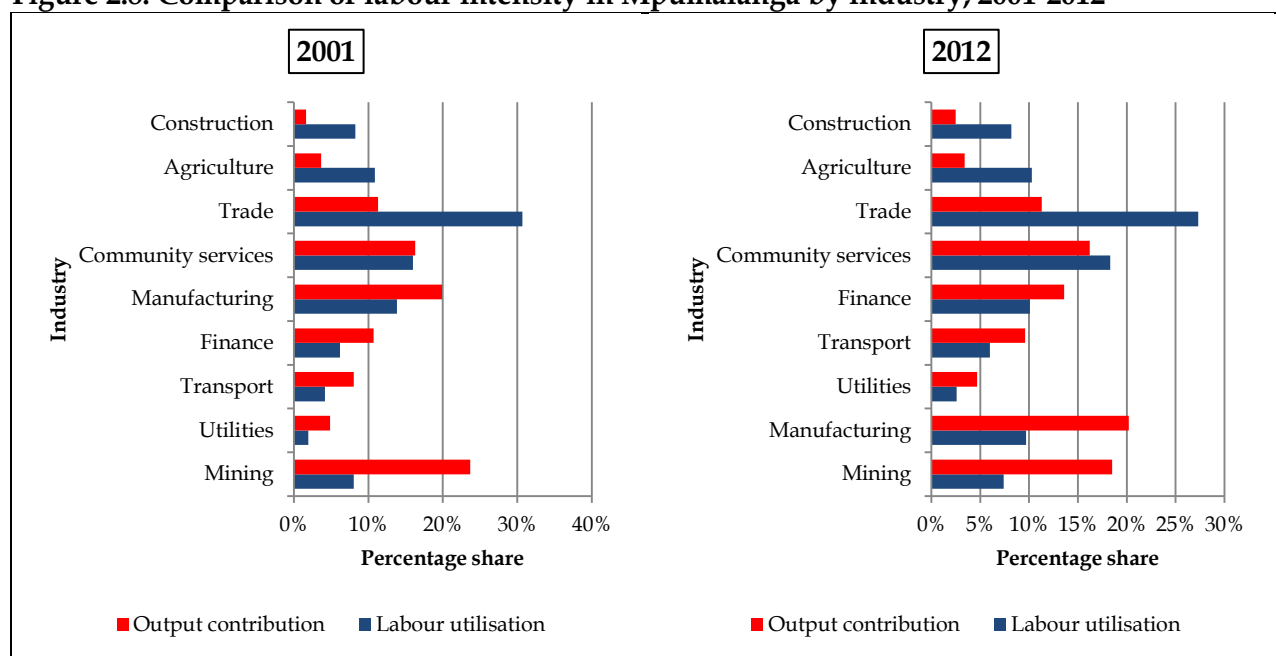
Sources: Statistics South Africa – GDP Q3, 2013
Statistics South Africa – LFS Historical Revision, 2009
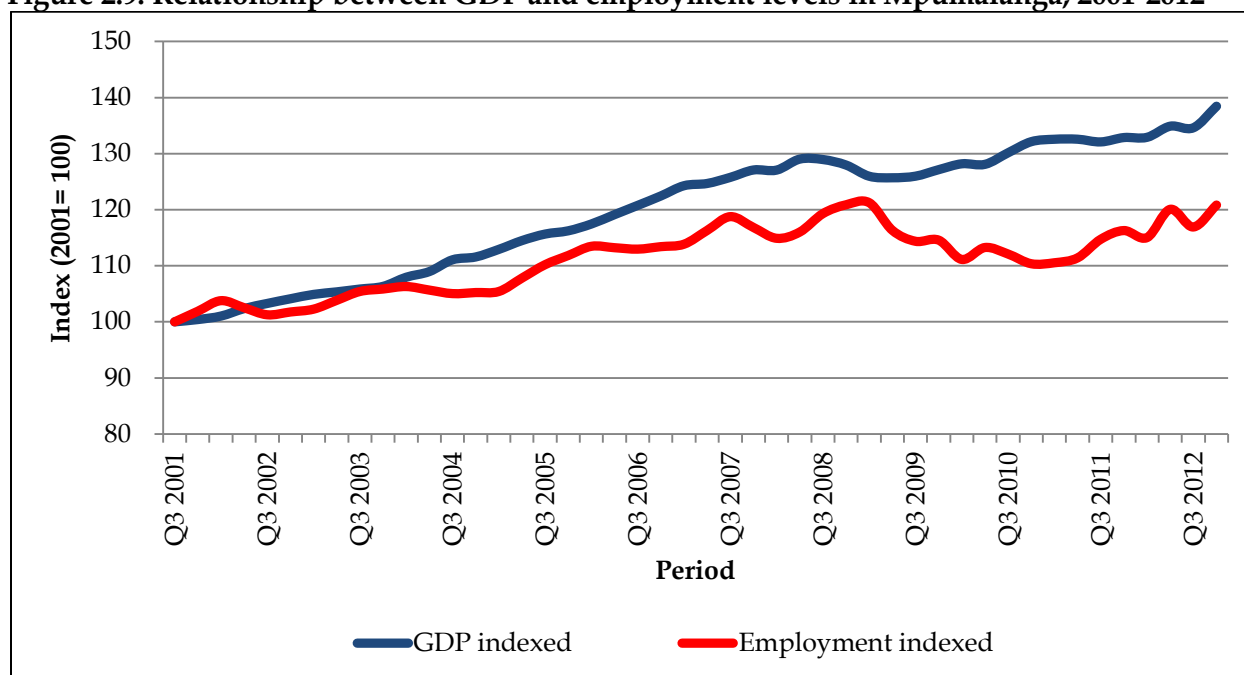*Statistics South Africa – QLFS, 2013*

2.7   Employment elasticity

The rate of employment growth in an economy, or in any industry of it, is determined by many factors operating simultaneously, one of which is how fast the economy grows. An employment elasticity provides an indication of the historic rate of employment growth as determined by the historic economic growth. Such an employment elasticity of an industry can be calculated by dividing the observed growth rate of employment during any past period by the observed growth rate of GDP during the same past period.

Provincial economic output has been rising faster than employment levels as indicated in Table 2.9. Mpumalanga's employment elasticity over the period 2001-2012 was 0.51. In other words, on average over the 11-year period, every 1 per cent of real GVA growth in the province's economy translated into a 0.5 per cent increase in employment in the economy. The indexed relationship between employment levels and GDP over the period 2001-2012 is portrayed in Figure 2.9. This interrelationship between economic growth and employment levels in Mpumalanga

over the 11-year period of 2001 to 2012 was relatively weak – especially since the 2008-09 recession period.

Figure 2.9: Relationship between GDP and employment levels in Mpumalanga, 2001-2012

Sources: Statistics South Africa – GDP Q3, 2013
Statistics South Africa – LFS Historical Revision, 2009
Statistics South Africa – QLFS, 2013

Table 2.7: Comparative employment elasticity per industry in Mpumalanga, 2001-2012

Industry	Employment elasticity 2001-2012
Agriculture	0.50
Mining	0.68
Manufacturing	-0.77
Utilities	1.76
Construction	0.15
Trade	0.06
Transport	0.94
Finance	1.44
Community services	1.07
Total	**0.51**

Sources: Statistics South Africa – GDP Q3, 2013
Statistics South Africa – LFS Historical Revision, 2009
Statistics South Africa – QLFS, 2013

The employment elasticity of the various industries in Mpumalanga's over the period 2001-2012 is displayed in Table 2.7. The utilities industry recorded the highest employment elasticity of 1.76 over the period 2001-2012. Therefore, on average over the 11-year period, every 1 per cent

of real GVA growth in the province's utilities industry translated into a 1.76 per cent increase in employment in the industry. Apart from utilities, finance and community services also recorded higher employment growth than economic growth over the 11-year period. The employment growth in manufacturing was negative over the 11-year period and therefore it can be said that this industry registered negative employment elasticities – or jobless growth.

2.8   Labour productivity in the provincial economy

Productivity can be measured by relating changes in output to changes in one or more input to production. The most common measure is labour productivity that calculates the GDP per hour worked. In the absence of data on hours worked per employee, the number of employees (formal and informal) per industry was used as the proxy. Should an industry achieve a score of more than unity (1) then that industry is regarded as experiencing higher labour productivity than the total industries.

When comparing Mpumalanga's industry specific labour productivity with that of the province's total industries, it is evident that five industries achieved higher labour productivity than the total industries combined in 2012 (Table 2.8). The mining industry (2.59) recorded the highest labour productivity index score in 2012, followed by manufacturing (2.20) and transport (1.71). In 2001, six industries in Mpumalanga achieved a higher labour productivity than the total industries combined. The mining industry registered the highest labour productivity index score in 2001 of 3.26, followed by the utilities and transport industries. Manufacturing, construction and trade experienced increased labour productivity between 2001 and 2012.

Table 2.8: Comparison of Mpumalanga's labour productivity per industry, 2001-2012

Industry	Labour productivity index	
	2001	**2012**
Agriculture	0.37	0.32
Mining	3.26	2.59
Manufacturing	1.59	2.20
Utilities	2.76	1.77
Construction	0.22	0.31
Trade	0.41	0.42
Transport	2.13	1.71
Finance	1.91	1.18
Community services	1.13	0.86
Total industries	**1.00**	**1.00**

Sources: Statistics South Africa – GDP Q3, 2013
         Statistics South Africa – LFS Historical Revision, 2009
         Statistics South Africa – QLFS, 2013

2.9   Tourism

Because tourism is not a clearly defined industry in the SIC, it was therefore the first economic activity to use Satellite Account[10] standards to measure its impact on national economies – as approved by the United Nations (UN) in March 2000. According to Statistics South Africa's Tourism Satellite Account (TSA), the national tourism sector was simulated to have contributed some 3.0 per cent to GDP in 2011. Some 598 400 persons were directly engaged in producing goods and services purchased by visitors, which accounted for 4.5 per cent of total employment in 2011.

The current lack of sufficient baseline data of tourism supply on a provincial level makes an assessment of the supply side, and therefore a similar exercise such as the TSA for South Africa on a provincial basis, impossible. Therefore, the only official tourism data, on a provincial level, are of tourist arrivals, bed-nights spend and tourism expenditure.

According to Tourism South Africa's *Annual Report 2012*, Mpumalanga was the second most visited province by foreign visitors in 2012, with a share of 15.2 per cent of total foreign arrivals visiting the province. This was down from 15.8 per cent of total foreign arrivals in 2011. Mpumalanga captured only 8.8 per cent of the total bed-nights spent by all foreign tourists in South Africa. This was higher than the 6.7 per cent in 2011 and the province moved from fourth position overall to joint third with KwaZulu-Natal. Mpumalanga attracted 11.0 per cent of domestic tourists in 2012 and improved from sixth position in 2011 to fourth position in 2012.

Figure 2.10 compares the growth in bed nights by tourists in South Africa and Mpumalanga according to their origin. Annual growth in bed nights spent by domestic tourists in South Africa has fluctuated significantly between 2002 and 2012. Growth in bed nights by domestic tourist in Mpumalanga tracked the South African scenario closely up to 2009, however, since 2010 Mpumalanga experienced distinctly higher growth than South Africa. Since 2007, bed nights spent by international tourists in Mpumalanga recorded higher growth rates than the national standard.

In 2012, total tourism expenditure in Mpumalanga amounted to approximately R11.3 billion, which equated to some 6.6 per cent of total tourism expenditure in South Africa. Total tourism

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[10] A Satellite Account is a term developed by the UN to measure the size of economic sectors that are not defined as industries in national accounts.

expenditure in Mpumalanga during 2012, expressed as a share of economic activity in Mpumalanga was close to 5.3 per cent.

Figure 2.10: Comparison of growth in bed nights by origin of tourist in South Africa and Mpumalanga, 2002-2012
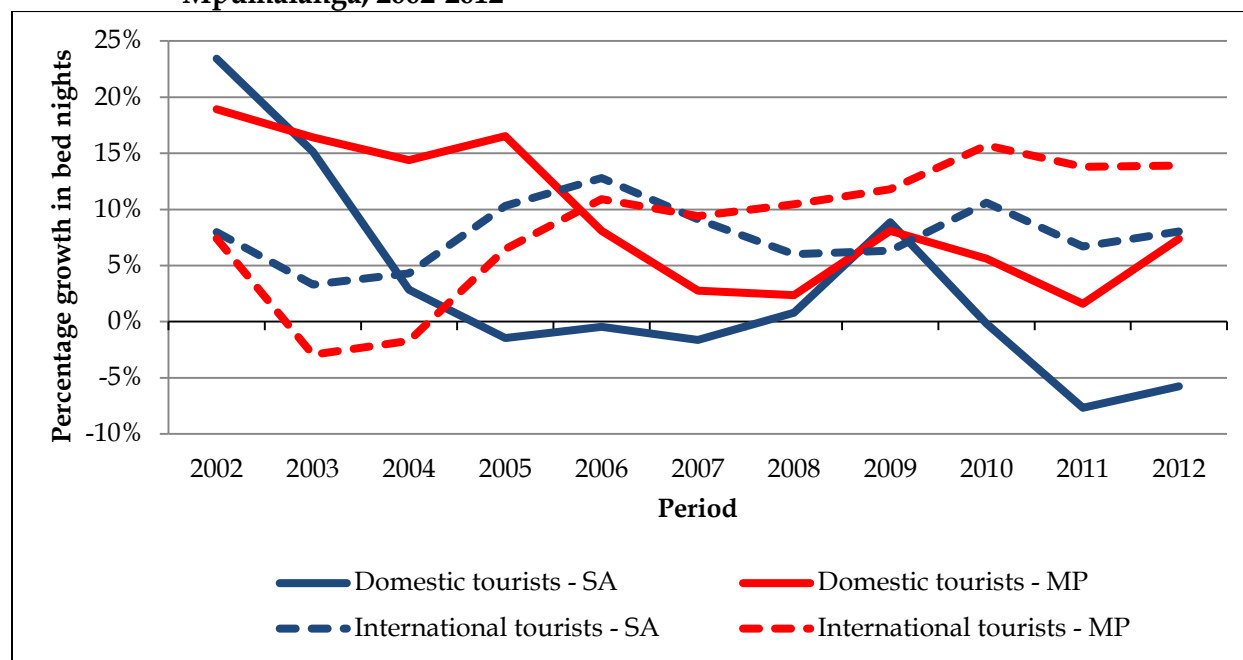
*Source: IHS Global Insight – ReX, October 2013*

2.10   Inflation

The most common way to measure inflation is by reference to a CPI, which measures the changes in prices of a basket of goods and services purchased by a representative set of households. Mpumalanga's average annual inflation rate for 2013 was 5.6 per cent, which was lower than the average for South Africa (5.7 per cent) as well as the joint fourth lowest overall.

The January 2014 inflation measurement in Mpumalanga of 5.2 per cent was the joint second lowest among the nine provinces. Mpumalanga's inflation rate increased by 0.3 of a percentage point between December 2013 (4.9 per cent) and January 2014 (5.2 per cent). In January 2014, Mpumalanga's inflation rate was lower than the national inflation rate for the eighth consecutive month and below the upper limit of the inflation target zone for the eleventh consecutive month. The comparative percentage change in the CPI for South Africa and Mpumalanga from January 2003 to January 2014 is displayed in Figure 2.11.

The 2013 average annual inflation rate in Witbank/Nelspruit[11] was 4.8 per cent, which was the lowest of the thirteen urban areas. In January 2014, the inflation measurement for Witbank/Nelspruit[1] of 4.8 per cent showed an increase from the December 2013 measurement of 4.5 per cent. It was the lowest inflation measurement among the thirteen urban areas for the twelfth consecutive month and lower than the respective rates for Mpumalanga and South Africa.

Figure 2.11: CPI in South Africa and Mpumalanga, 2003–2014
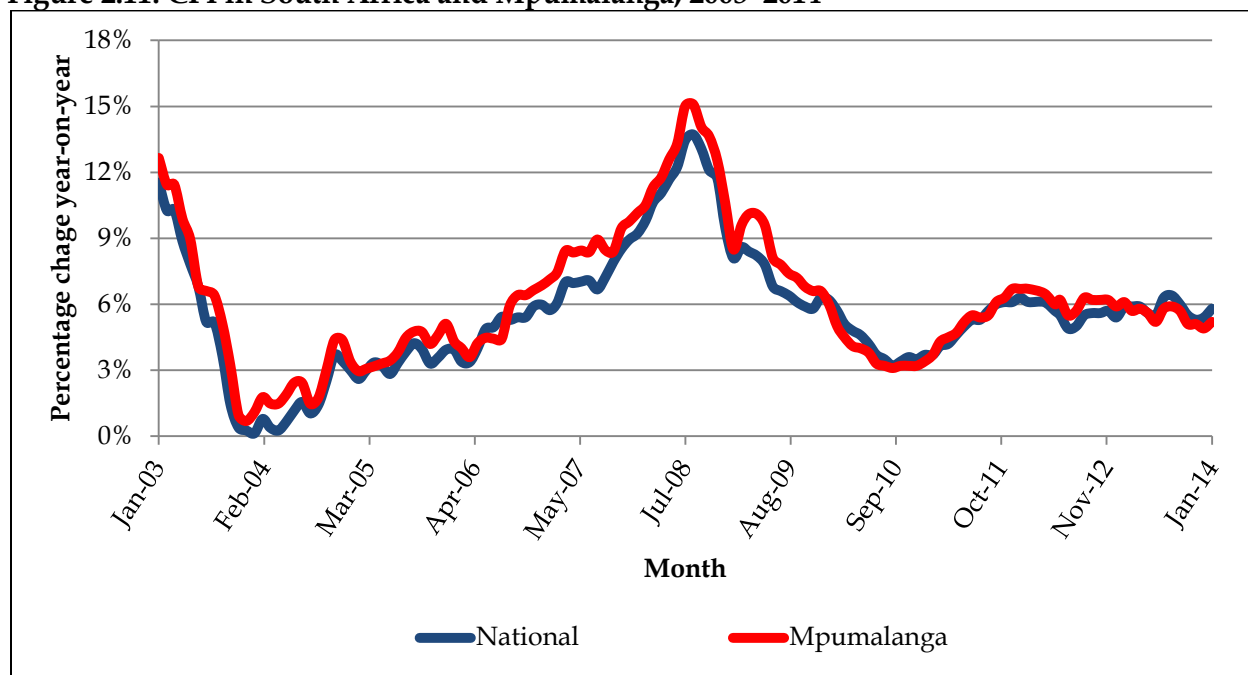
Source: Statistics South Africa – CPI, 2003-2014

Statistics South Africa introduced the new basket and weights for the CPI in the January 2013 publication. The new basket and weights are based on the *2010/11 Income and Expenditure Survey*. The new basket has higher weights for alcoholic beverages and tobacco, clothing and footwear, housing and utilities, health, recreation and culture as well as restaurants and hotels. The weights for food and non-alcoholic beverages (FNAB), household contents and services, transport, communication, education as well as miscellaneous goods and services (MGS) are lower in the new basket.

The main determinants of inflation in Mpumalanga based on their respective weightings, as provided in Table 2.9, are price changes in FNAB, housing and utilities, transport as well as

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[11] Official description by Statistics South Africa for the combined urban areas of Emalahleni and Mbombela

miscellaneous goods and services. These four broad determinants, in terms of the weighting, contribute more than 70 per cent to the level of inflation and inflation movements in Mpumalanga.

Table 2.9: **Mpumalanga's CPI group indices, weights, percentage change & contribution to inflation, January 2014**

| Index description	Weight	Percentage change		Estimated contribution to inflation
		Month-on-month	Year-on-year	
Food & non-alcoholic beverages	20.72	+1.5	+3.8	15.1%
Alcoholic beverages and tobacco	4.81	+0.5	+7.2	6.6%
Clothing and footwear	5.36	+0.4	+5.5	5.7%
Housing and utilities	21.37	+0.0	+5.8	23.7%
Household contents and services	5.75	+0.1	+4.4	4.8%
Health	1.38	+0.0	+4.1	1.1%
Transport	14.88	+1.1	+7.5	21.3%
Communication	2.25	+0.0	+0.4	0.2%
Recreation and culture	6.20	+0.3	+0.7	0.8%
Education	1.58	+0.0	+6.6	2.0%
Restaurants and hotels	2.56	+2.4	+4.6	2.3%
Miscellaneous goods and services	13.14	+0.3	+6.5	16.3%
All items	**100.0**	**+0.7**	**+5.2**	**100.0%**

Source: Statistics South Africa – CPI Additional Tables, 2014

It appears from Table 2.9, that the housing and utilities index was accountable for 23.7 per cent of the average price increase in Mpumalanga during January 2014, followed by the transport index with a 21.3 per cent share. The MGS and FNAB indices were accountable for 16.3 per cent and 15.1 per cent of price increases, respectively. Within the housing and utilities index, price increases in water and electricity provided strong upward momentum. Petrol and insurance costs respectively powered transport and MGS average price levels higher.

When the impact of the more volatile FNAB and petrol prices are excluded from the consumer price index as in Figure 2.12, underlying annual inflation amounted to 5.0 per cent in January 2014. If electricity prices are also excluded from the calculation of headline CPI inflation, the rate of increase would have been at 4.9 per cent in January 2014.

The national inflation forecast of the SARB was revised at the MPC meeting in January 2014. The forecast for 2014 and 2015 was increased to 6.3 per cent and 6.0 per cent, respectively. Inflation is expected to breach the upper end of the target range in the second quarter of 2014, and to reach a peak of 6.6 per cent in the final quarter of the year. The biggest threat to inflation remains a weakening rand exchange rate that will put pressure on food and fuel prices

Figure 2.12: Measures of underlying inflation in Mpumalanga, 2009–2014
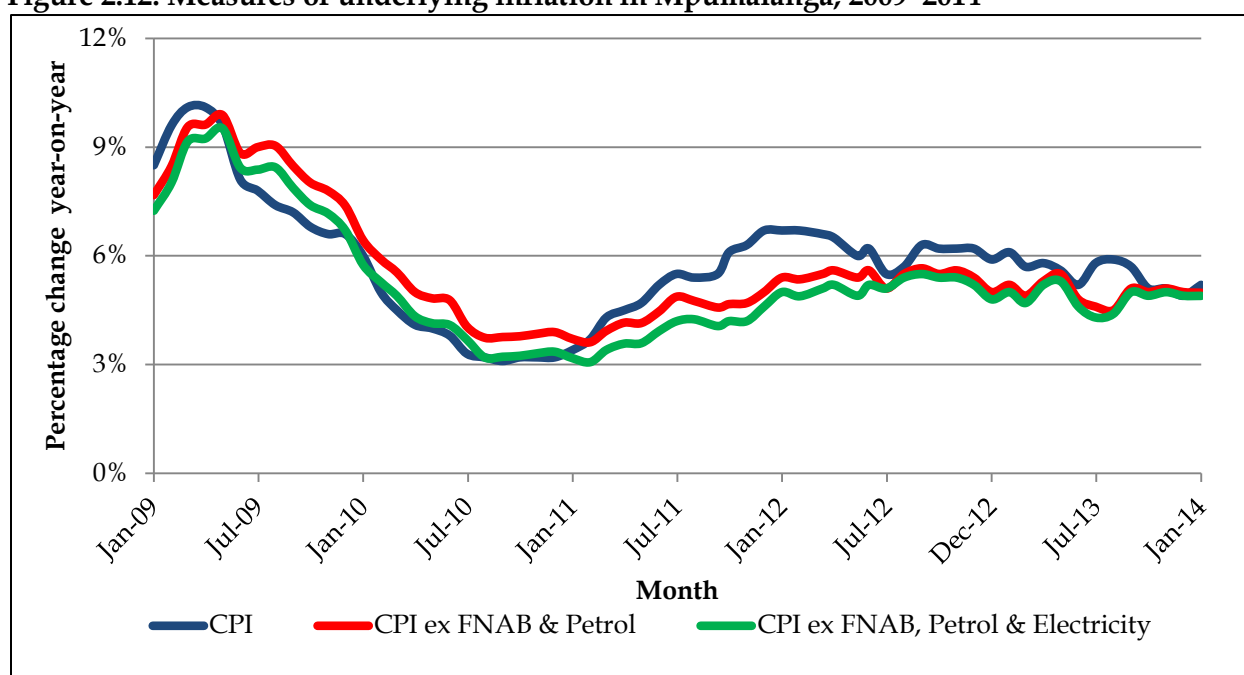
Source: Statistics South Africa – CPI, 2009-2014

2.11   International trade

Mpumalanga's contribution to total national trade was 1.0 per cent in 2012, down from 1.2 per cent in 1996. The two leading provinces, in terms of total trade contribution in 2012, were Gauteng with a share of 64.1 per cent and Western Cape (15.4 per cent). Mpumalanga contributed 1.7 per cent and 0.4 per cent to national exports and national imports, respectively.

Mpumalanga recorded vigorous average annual growth in terms of exports (11.2 per cent) and imports (10.9 per cent) from 1996 to 2012. The province, however, did not grow exports and imports as fast as the respective national averages of 11.7 per cent and 13.0 per cent. Mpumalanga occupied the sixth position in terms of export growth and the fifth position in terms of import growth.

Mpumalanga registered a positive trade balance of R9.0 billion in 2012, continuing the trend of exports exceeding imports since the start of the period under review in 1996. During the same period, the trade balance of South Africa fluctuated between positive and negative territory, finishing 2012 with a deficit of R64.5 billion. Mpumalanga was the province with the fourth highest positive trade balance in 2012 after North West, Limpopo and Gauteng.

Among the three districts, Nkangala (40.3 per cent) was the main contributor to provincial exports in 2012 followed by Ehlanzeni and Gert Sibande with respective contributions of 37.1 per cent and 22.5 per cent (Table 2.10). Exports from Gert Sibande (18.8 per cent) recorded the highest growth since 1996 and those from Nkangala the slowest (9.8 per cent). Gert Sibande attracted 50.0 per cent of Mpumalanga's imports in 2012, followed by Nkangala and Ehlanzeni. Imports flowing to Ehlanzeni recorded the highest growth rate (13.1 per cent) over the 16-year period and those to Gert Sibande the lowest (9.6 per cent).

Among the three districts, Ehlanzeni recorded the largest positive trade balance of R4.1 billion in 2012, followed by Nkangala (R3.9 billion). Gert Sibande recorded the smallest trade balance in 2012 of R1.0 billion and is the only district in Mpumalanga that, from time to time (1996, 1997, 2004, 2005 and 2009), recorded negative trade balances.

Table 2.10: Mpumalanga districts' contribution to provincial exports and imports, 2012

District	Exports		Imports	
	Share of Mpumalanga 2012	Growth per annum 96-12	Share of Mpumalanga 2012	Growth per annum 96-12
Gert Sibande	22.5%	18.8%	50.0%	9.6%
Nkangala	40.3%	9.8%	33.1%	12.5%
Ehlanzeni	37.1%	10.1%	16.8%	13.1%

Source: IHS Global Insight – ReX, October 2013
*Note: Due to rounding, numbers do not necessarily add up to totals*

2.12 Primary sector analysis

2.12.1 Agriculture industry

The agricultural industry in Mpumalanga is based on a wide variety of crops, animal products as well as forestry activities. The variety relates to the diverse climatic conditions found across Mpumalanga. Field crops such as maize, grain sorghum, wheat barley, soybeans, sugar cane and groundnuts are mainly produced in the Highveld region. Fruit and nut farming, mainly in the Lowveld region, includes an abundance of citrus, subtropical fruits as well as nuts. The Lowveld escarpment is the primary commercial forest area in South Africa and accounts for just over 40 per cent of forestry plantations in South Africa. Natural grazing covers approximately 14 per cent of Mpumalanga and animal products are the second-largest generator of gross income from agriculture in the province.

In terms of provincial contribution to the national agriculture industry, Mpumalanga (8.7 per cent) occupied third place in 2012 behind KwaZulu-Natal (29.4 per cent) and Western Cape (23.4 per cent). Mpumalanga improved from joint fourth largest to third largest contributor to the national agriculture industry between 1995 and 2012 (Figure 2.14).

Figure 2.14: Comparative contribution to the national agriculture industry's GDP at basic prices (constant 2005 prices), 1995-2012
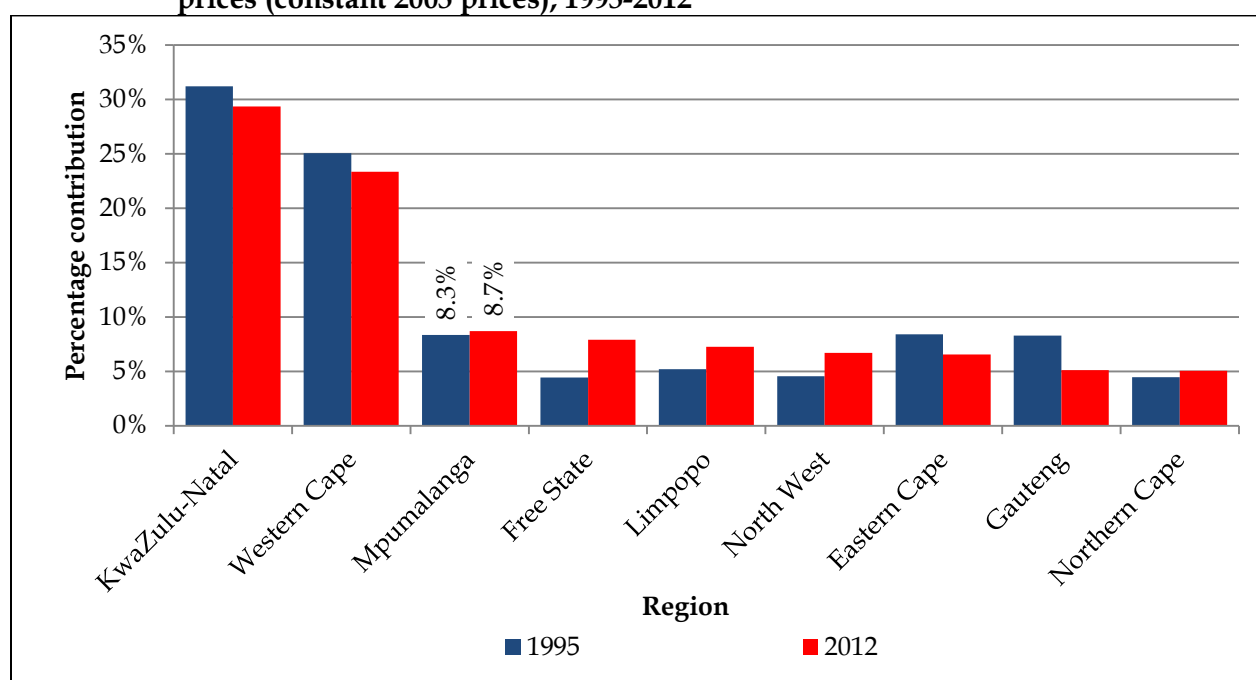
Source: Statistics South Africa – GDP Q3, 2013

With an average annual growth rate of 3.1 per cent between 1995 and 2012, the industry exceeded the provincial economic growth of 2.8 per cent over the same period. It is, however, evident from Figure 2.15 that the agriculture industry experienced unpredictable and volatile growth with a high of 37.6 per cent in 1996 and a low of -14.7 per cent in 2001. The average annual growth from 2012 to 2017 is expected to be around 1.9 per cent, which should be much lower than the provincial economy's forecasted 3.6 per cent growth (Table 2.4).

The agriculture industry's contribution to the provincial GDP has increased slightly over the period 1995-2012. In 1995, the agriculture industry contributed 3.3 per cent and by 2012, the contribution increased slightly to 3.4 per cent of the total GDP of Mpumalanga (Figure 2.15).

The agriculture industry's employment elasticity between 2001 and 2012 was slightly lower than the provincial average for the same period (Table 2.7). According to this figure, for every 1

per cent economic growth experienced in the agriculture industry the number of employed in the industry increased by 0.5 per cent.

The agriculture industry's labour productivity index score was the second lowest among the nine industries in Mpumalanga for both 2001 and 2012 (Table 2.8). The agriculture industry exhibited a high level of labour intensity (Figure 2.8), but given the low labour productivity and employment elasticity, it is unlikely that the industry, in its current structure, will be an important employment driver.

Figure 2.15: Agriculture industry (constant 2005 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2012
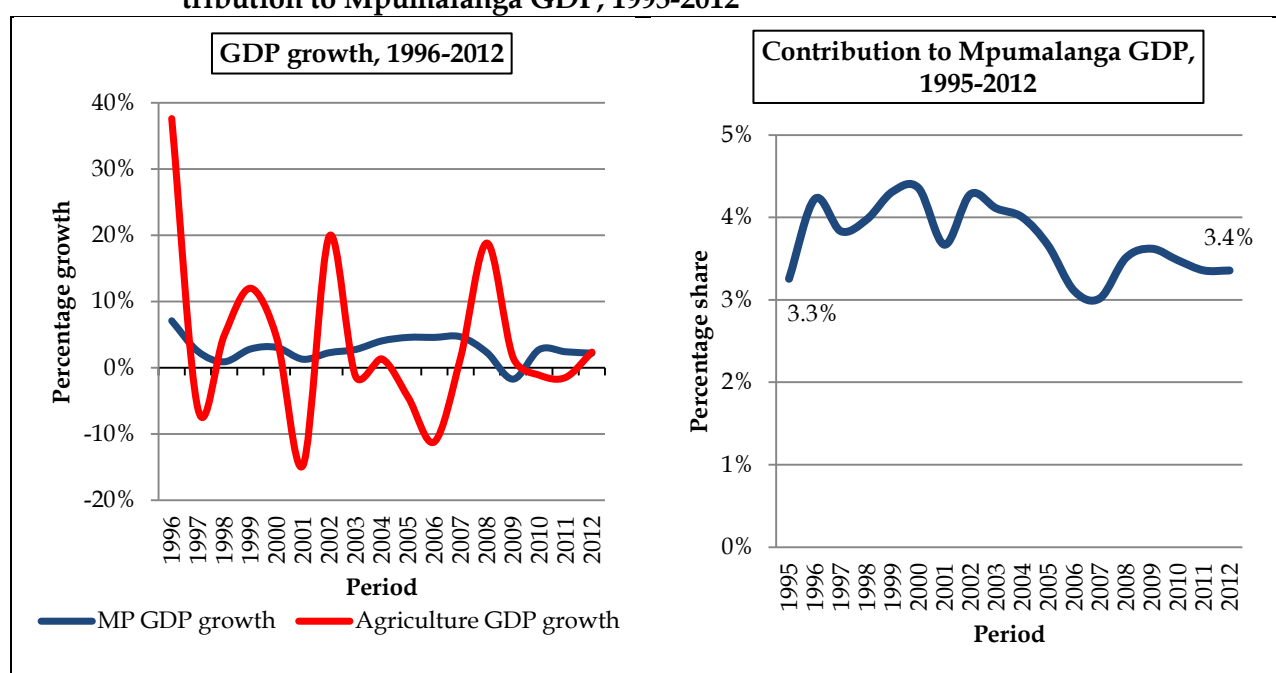
*Source: Statistics South Africa – GDP Q3, 2013*

Agriculture sub-industries

Agriculture and hunting was the largest agriculture sub-industry in 2012 with a share of 58.4 per cent, while forestry and logging contributed the bulk of the remainder. It is important to note that forestry and logging contributed more in 2012 than in 1996, whereas the GVA share of agriculture and hunting declined. Figure 2.16 displays the relative size of the three agriculture sub-industries.

Over the 16-year period under review, second placed forestry and logging recorded the highest average annual growth of 1.8 per cent followed by fishing operations (1.0 per cent). It is expected that the three sub-industries will expand at an average 1.9 per cent per annum over the

5-year period 2012 to 2017. Table 2.11 displays the historic and forecasted growth of the various sub-industries.

Figure 2.16: GVA contribution by Mpumalanga's agricultural sub-industries (constant 2005 prices) to Mpumalanga's agriculture industry GVA, 1996-2012
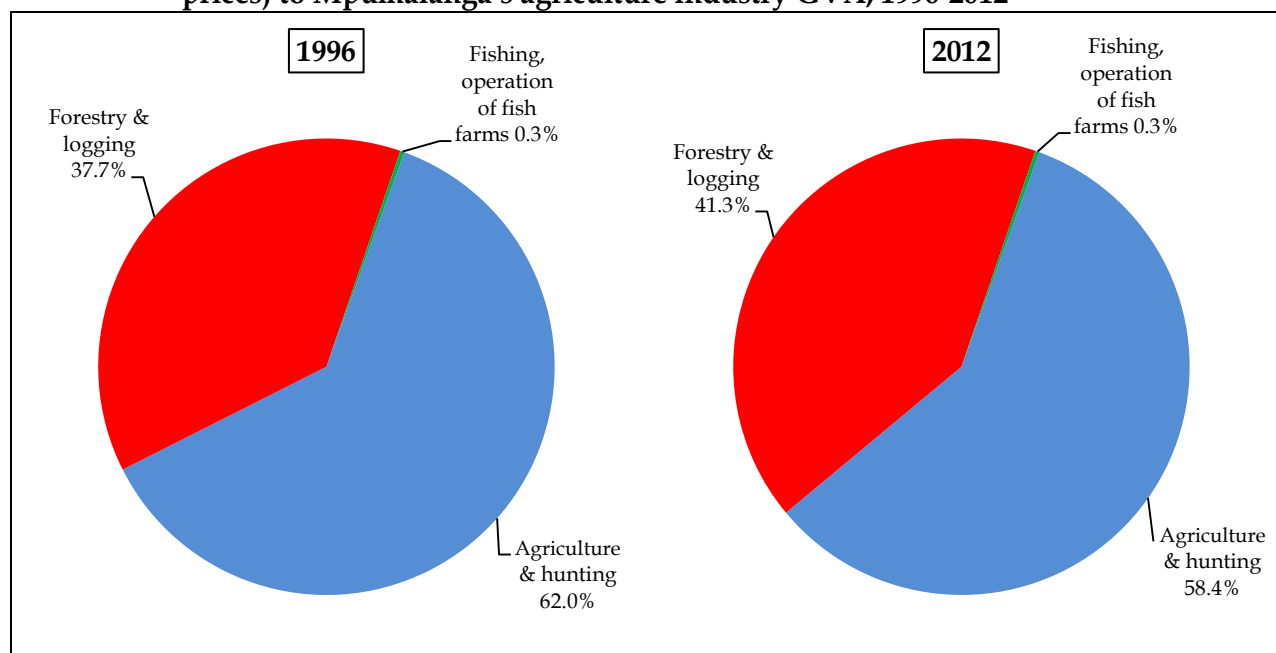
Source: IHS Global Insight – ReX, October 2013
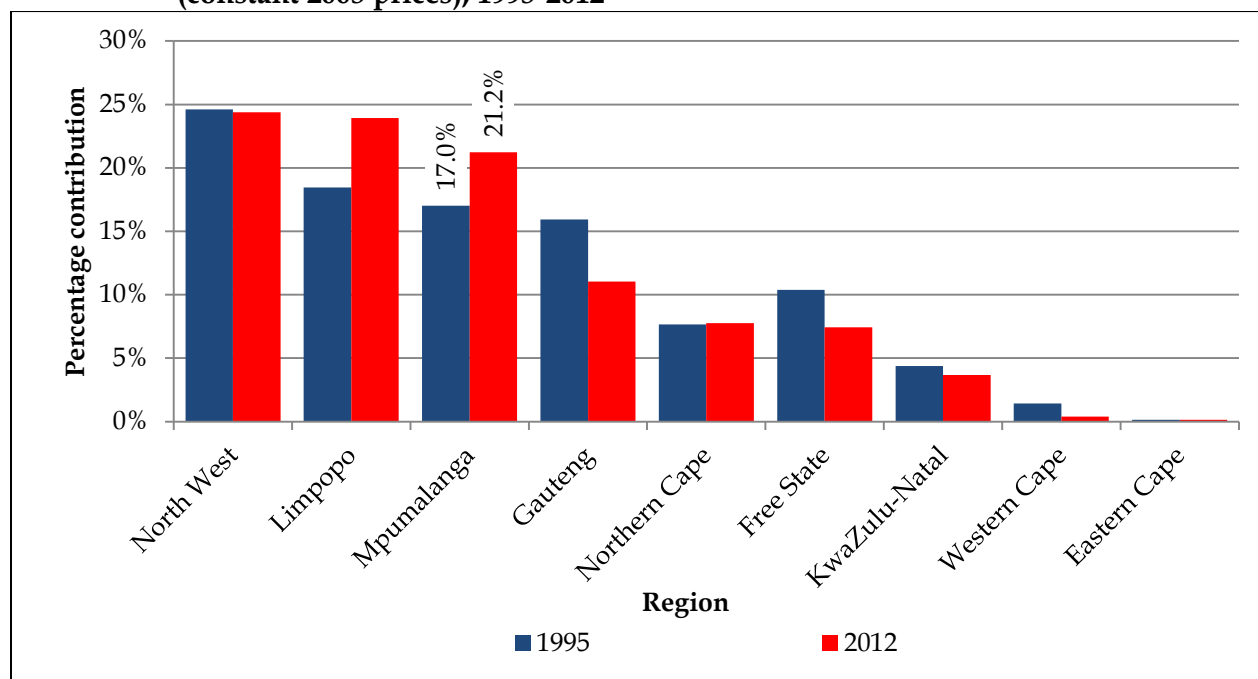
2.12.2 Mining industry

Mpumalanga is a significant coal exporting region in the world and the Witbank coalfield is the biggest coal producing region in Africa. Extensive deposits of chromite, magnetite and vanadium in the Bushveld Igneous Complex form the basis for a large ferro-alloy industry situated mainly in Nkangala.

In terms of provincial contribution to the national mining industry, Mpumalanga occupied third place in 2012 behind North West (24.4 per cent) and Limpopo (23.9 per cent). Mpumalanga's substantial share of 21.2 per cent improved from 17.0 per cent in 1995 (Figure 2.17). Mpumalanga, along with Limpopo and Northern Cape, increased its share over the 17-year period whereas the other provinces declined.

Between 1995 and 2012, mining recorded the lowest average annual growth rate among the industries of 1.0 per cent. It is evident from Figure 2.18 that growth in the mining industry fluctuated more than provincial GDP growth and mostly lagged the provincial average. The future

growth, that is expected to be around 3.2 per cent per annum, will be lower than the provincial economy's forecasted 3.6 per cent growth from 2012 to 2017 (Table 2.4).

Figure 2.17: Comparative contribution to the national mining industry's GDP at basic prices (constant 2005 prices), 1995-2012
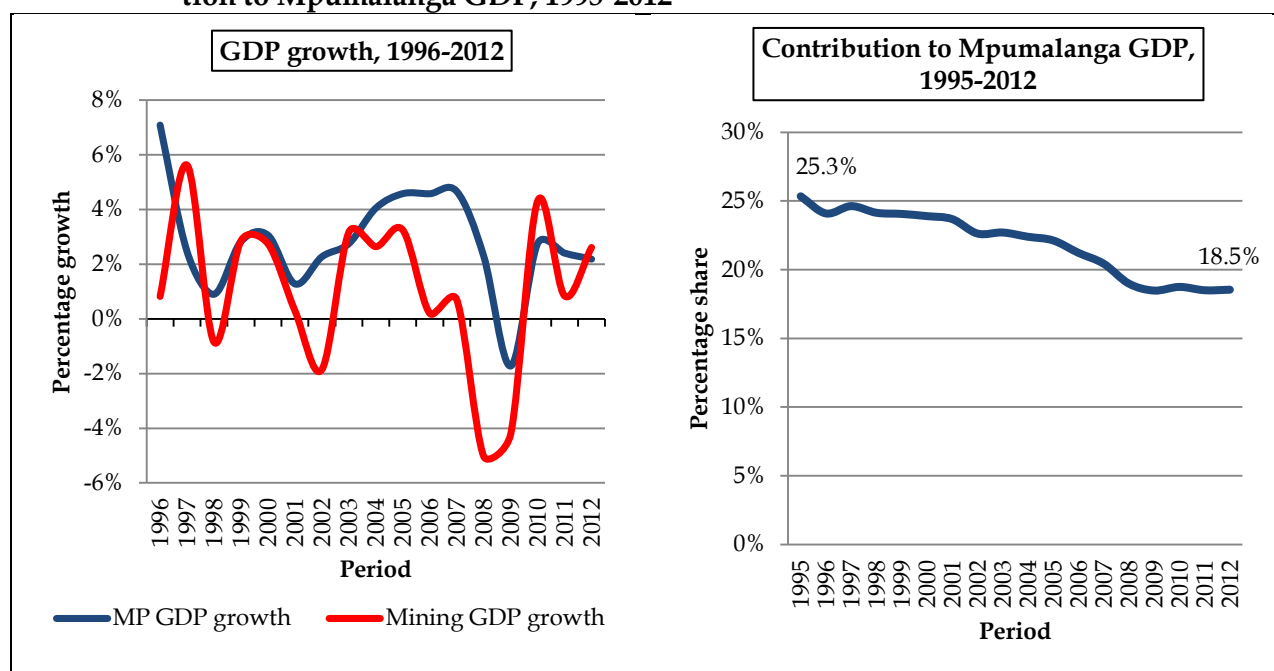

Source: Statistics South Africa – GDP Q3, 2013

Not only does mining in Mpumalanga hold a comparative advantage over the national mining industry but it also played an important role in the provincial economy with an 18.5 per cent contribution to provincial GDP in 2012 (Figure 2.18). It is, however, evident that the contribution, in constant prices, by mining has declined from 25.3 per cent in 1995 to the current level.

The employment elasticity of mining was positive over the 11-year period from 2001 to 2012 (Table 2.7). Translated into concrete terms, this figure indicates that every 1 per cent economic growth resulted in a 0.68 per cent increase in the employment numbers of the mining industry in Mpumalanga.

In 2001 and 2012, the mining industry in Mpumalanga recorded the highest labour productivity index score among the nine industries (Table 2.8). The mining industry exhibited the lowest level of labour intensity in both 2001 and 2011 (Figure 2.8). Given the anticipated strong demand for, especially, coal and the modest economic growth forecasts, the mining industry is likely to experience growth in employment given the relatively high employment elasticity despite the continued move towards more capital intensive processes.

Figure 2.18: Mining industry (constant 2005 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2012


Source: Statistics South Africa – GDP Q3, 2013

Mining sub-industries

Mining of coal and lignite was the largest mining sub-industry in 2012 with a share of 84.7 per cent, while mining of metal ores was the second largest with a share of 6.4 per cent. It is important to note that the shares of metal ore mining as well as coal and lignite mining increased, whereas the share of gold and uranium mining declined sharply between 1996 and 2012. Figure 2.19 displays the relative size of the four mining sub-industries.

Over the 16-year period under review, second placed metal ore mining recorded the highest average annual growth of 3.6 per cent followed by coal and lignite mining (2.3 per cent). It is expected that metal ore mining will record the fastest average growth of 4.1 per cent per annum over the 5-year period 2012 to 2017. Coal and lignite mining is also expected to make a substantial contribution to provincial economic growth over the period 2012 to 2017. Table 2.11 displays the historic and forecasted growth of the various sub-industries as well as the estimated contribution towards the provincial economic growth between 2012 and 2017.

Figure 2.19: GVA contribution by Mpumalanga's mining sub-industries (constant 2005 prices) to Mpumalanga's mining industry GVA, 1996-2012
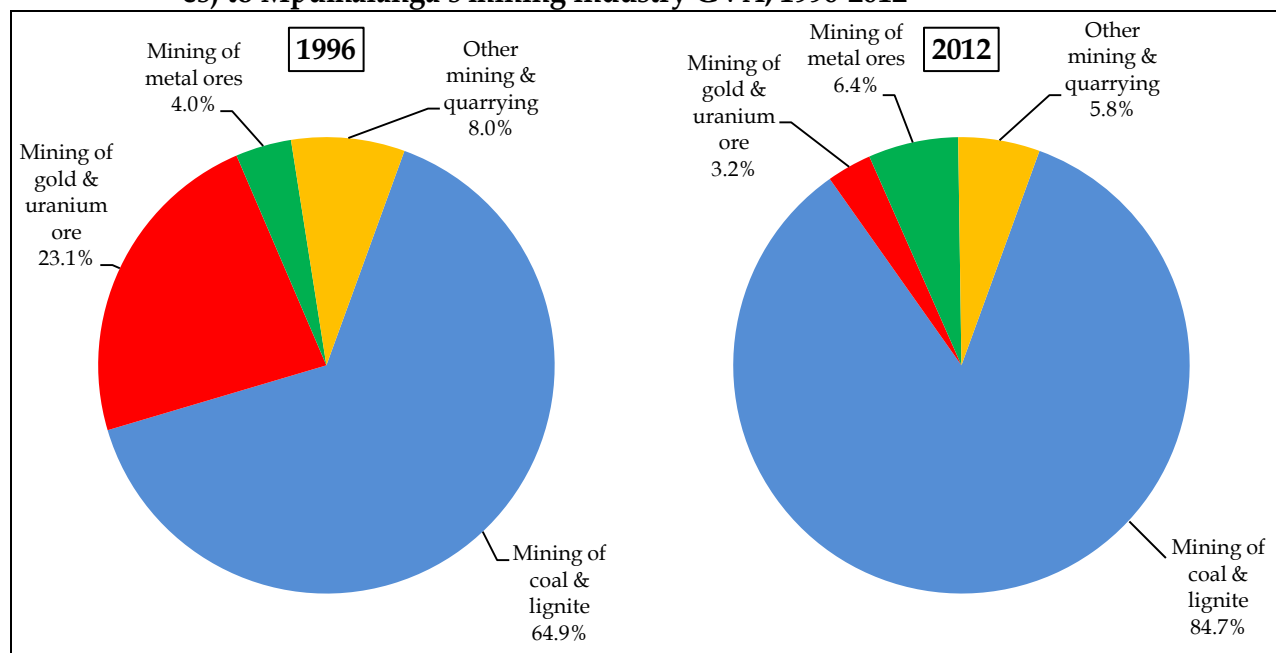
Source: IHS Global Insight – ReX, October 2013

2.13   Secondary sector analysis
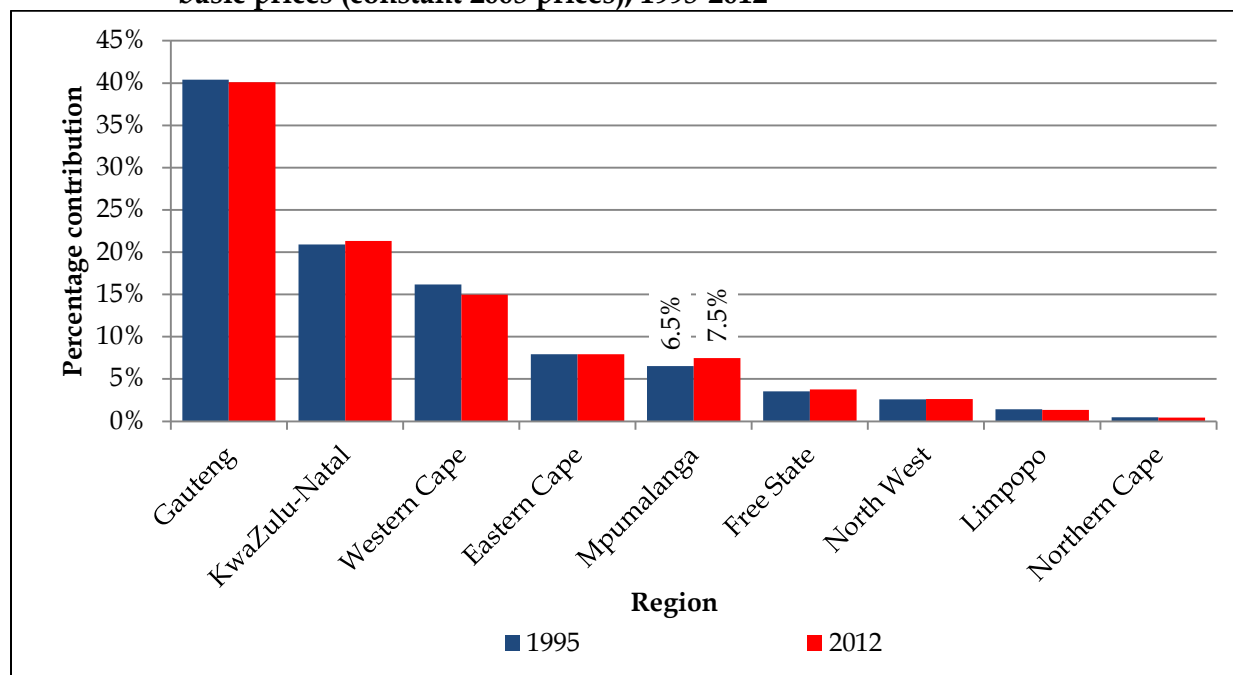
2.13.1 Manufacturing industry

An abundance of raw materials from the agricultural, forestry and mining industries as well as adequate infrastructure facilities benefit the provincial manufacturing industry. Manufacturing activities are naturally clustered in proximity to the main concentrations of natural resources. Large scale manufacturing activities generated in the Highveld region include petro-chemical, stainless steel and plastics production, based on chrome, steel, vanadium and coal as the major energy source. In the Lowveld region manufacturing is dominated by food, beverages and wood products, based on the occurrence of citrus, other sub-tropical fruits nuts and forestry raw materials.

In terms of provincial contribution to the national manufacturing industry, Mpumalanga occupied fifth place in 2012, behind Gauteng in first place with its 40.1 per cent share (Figure 2.20). Mpumalanga's share was 7.5 per cent in 2012, which was higher than the 6.5 per cent share recorded in 1995.

Manufacturing (3.3 per cent) documented a growth rate over the 17-year period in excess of the annual average provincial economic growth rate of 2.8 per cent. It is evident from Figure 2.21

that the manufacturing industry's growth rate fluctuated more than the provincial growth rate over the period 1995-2012. The expected future growth of 3.3 per cent per annum from 2012 to 2017 should be slightly lower than the provincial economy's forecasted 3.6 per cent growth.

Figure 2.20: Comparative contribution to the national manufacturing industry's GDP at basic prices (constant 2005 prices), 1995-2012
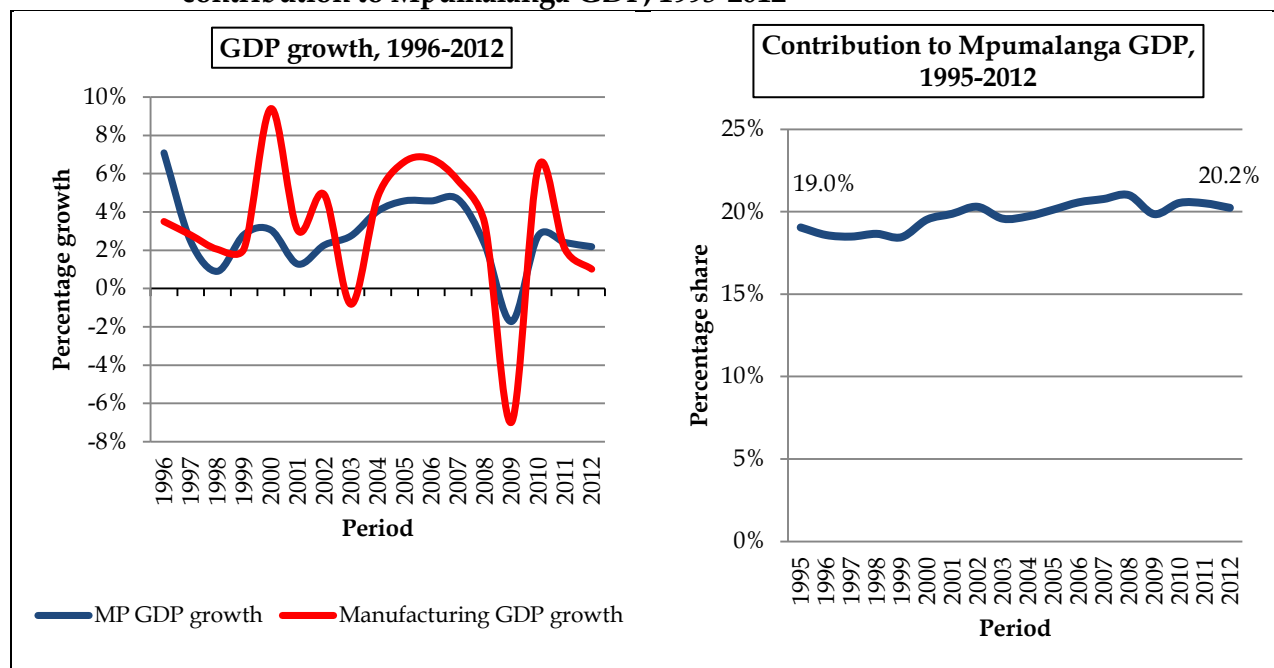

Source: Statistics South Africa – GDP Q3, 2013

Manufacturing was the largest contributor to the provincial economy with a 20.2 per cent share of Mpumalanga's GDP in 2012 (Figure 2.21). The contribution by the manufacturing industry increased steadily from 19.0 per cent in 1995.

The employment elasticity of the manufacturing industry was calculated to be -0.77 over the period 2001 to 2012 (Table 2.7). According to this figure, for every 1 per cent growth in output experienced in the manufacturing industry the employment numbers declined by 0.77 per cent.

In 2012, the manufacturing industry in Mpumalanga recorded the second highest labour productivity among the nine industries. This was four positions higher than its fifth position in 2001 (Table 2.8). The manufacturing industry exhibited a low level of labour intensity (Figure 2.8) as the industry is characterised by progressively more capital intensive processes. Despite the drive to expand the province's manufacturing industry, it is not expected to contribute as much to employment growth as it will to economic growth because of the negative employment elasticity and low labour intensity.

Figure 2.21: Manufacturing industry (constant 2005 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2012

*Source: Statistics South Africa – GDP Q3, 2013*

Manufacturing sub-industries

Fuel, petroleum and chemical products was the largest manufacturing sub-industry (predominantly Sasol) in 2012 with a share of 57.5 per cent, while metals, machinery and appliances was the second largest with a share of 22.1 per cent. Between 1996 and 2012, the share of fuel, petroleum, chemical and rubber products increased whilst that of the other sub-industries declined. Figure 2.22 displays the relative size of the manufacturing sub-industries. The other manufactured products group combines the six smallest manufacturing sub-industries, including electronic equipment and transport equipment.

Over the 16-year period under review, first placed fuel, petroleum, chemical and rubber products recorded the highest average annual growth of 5.7 per cent followed by transport equipment (3.5 per cent). It is expected that the transport equipment sub-industry will also record the fastest average growth of 5.8 per cent per annum over the 5-year period 2012 to 2017. According to Table 2.11, the largest sub-industry, fuel, petroleum, chemical and rubber products, is expected to make a substantial contribution to provincial economic growth between 2012 and 2017. Table 2.11 displays the historic and forecasted growth of the various sub-industries as

well as the estimated contribution towards the provincial economic growth between 2012 and 2017.

Figure 2.22: **GVA contribution by Mpumalanga's manufacturing sub-industries (constant 2005 prices) to Mpumalanga's manufacturing industry GVA, 1996-2012**
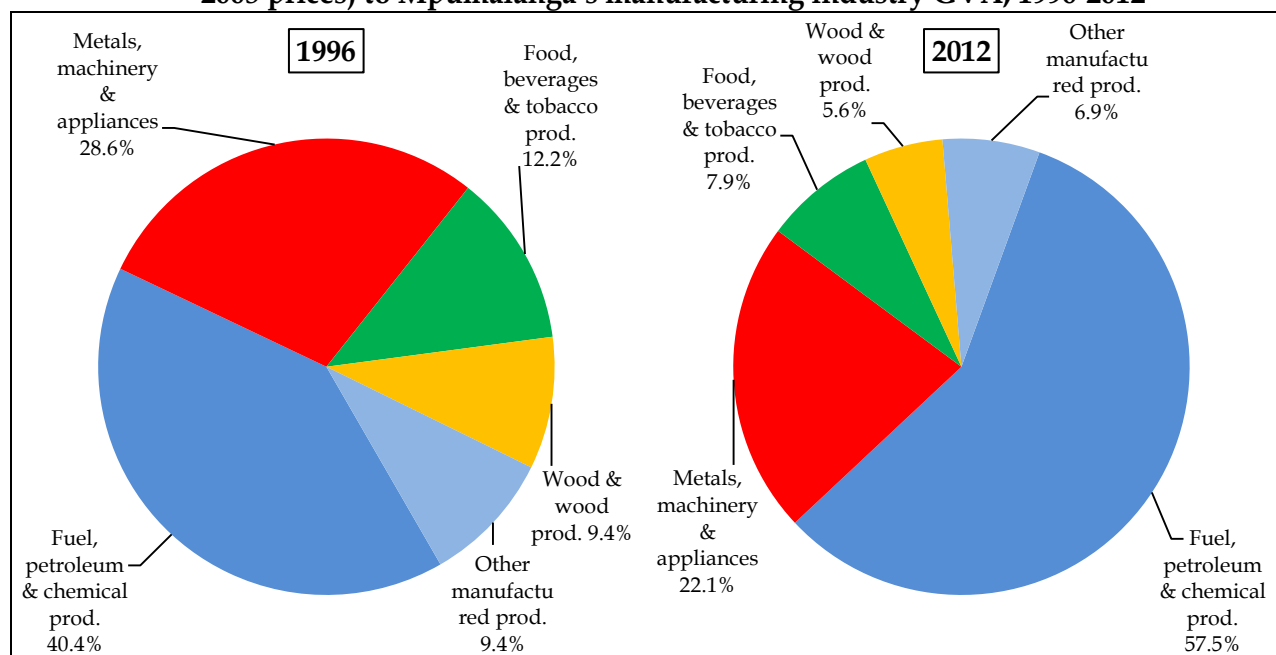
Source: IHS Global Insight – ReX, October 2013

2.13.2 Utilities industry

Eleven of Eskom's thirteen operational coal-fired power stations are situated in Mpumalanga. Electricity generation from the coal-fired power stations contribute roughly 70 per cent of the total electricity available during peak demand periods in South Africa. The construction of Eskom's new 4 800 MW Kusile coal-fired power station is currently underway near Emalahleni and expected to be fully operational by 2018.

In terms of provincial contribution to the national utilities industry, Mpumalanga with a 14.8 per cent share occupied third place in 2012 (Figure 2.23). Gauteng and KwaZulu-Natal were ahead of Mpumalanga with shares of 34.5 per cent and 16.1 per cent, respectively.

The utilities industry recorded the second lowest annual average growth rate in the province of 1.9 per cent between 1995 and 2012, and lower than the provincial growth of 2.8 per cent. It is evident from Figure 2.24 that growth in the utilities industry fluctuated sharply and on average was below the provincial GDP growth rate. The future growth is expected to be around 3.5 per

cent per annum, marginally lower than the provincial economy's forecasted 3.6 per cent growth from 2012 to 2017 (Table 2.4).

Figure 2.23: Comparative contribution to the national utilities industry's GDP at basic prices (constant 2005 prices), 1995-2012
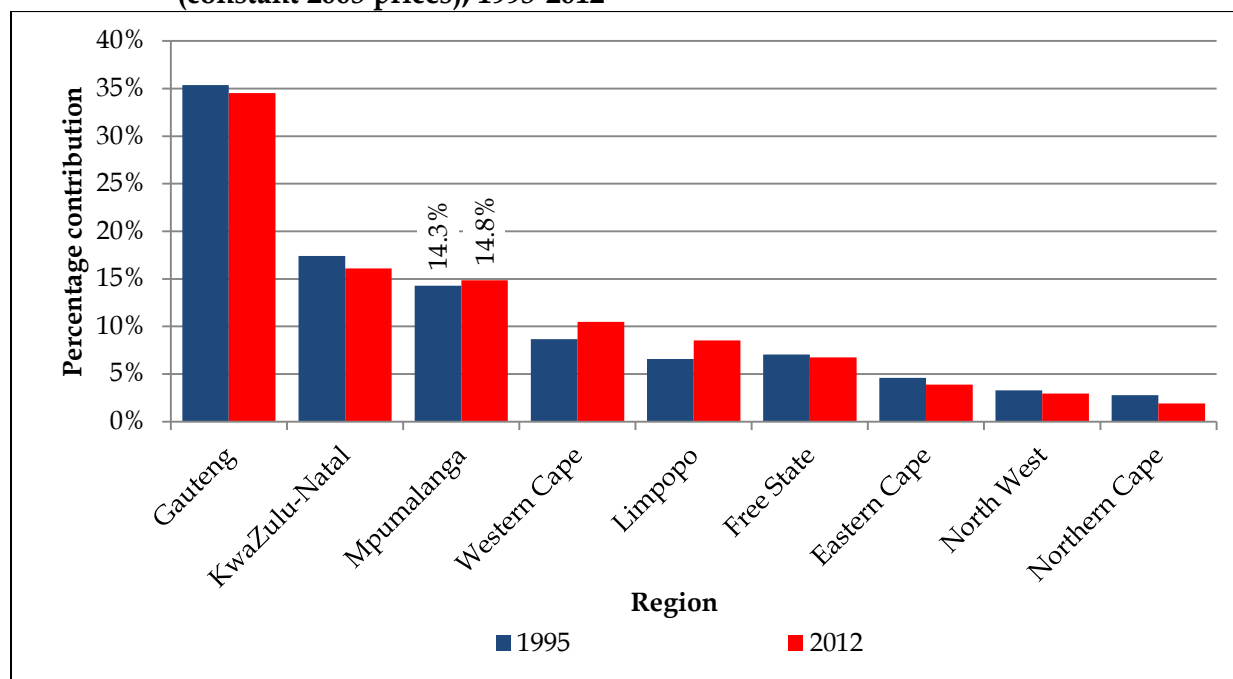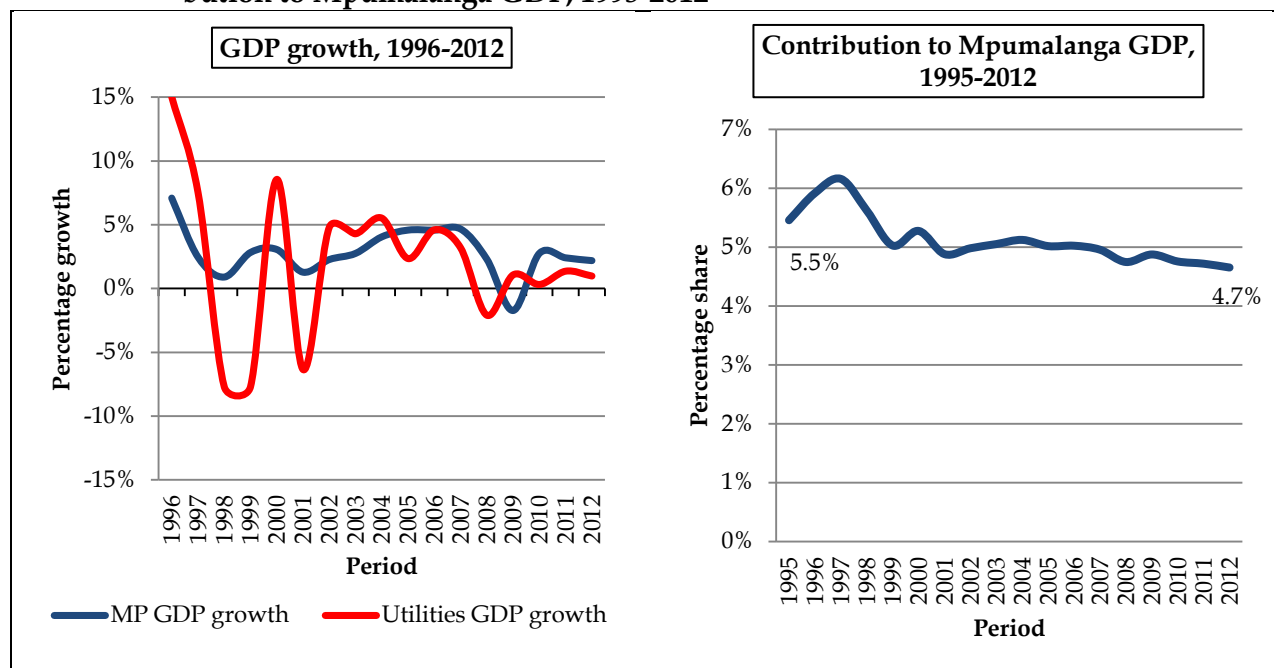

Source: Statistics South Africa – GDP Q3, 2013

The utilities industry held a comparative advantage over the national utilities industry in 2012. The utilities industry contributed 4.7 per cent to the total GDP of Mpumalanga in 2012 (Figure 2.24). The contribution decreased from 5.5 per cent in 1995 to the current level.

The employment elasticity of utilities was positive over the 11-year period from 2001 to 2012 (Table 2.7). Translated into concrete terms, this figure indicates that every 1 per cent economic growth in the industry resulted in a 1.76 per cent increase in the employment numbers of the utilities industry in Mpumalanga.

In 2001, the utilities industry in Mpumalanga recorded the second highest labour productivity index score among the nine industries (Table 2.8) and the third highest in 2012. The industry exhibited a low level of labour intensity both in 2001 and 2012 (Figure 2.8) due to the capital intensive nature of the processes. This fact alone should result in only marginal employment contribution by the utilities industry.

Figure 2.24: Utilities industry (constant 2005 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2012

Source: Statistics South Africa – GDP Q3, 2013

Utilities sub-industries

Figure 2.25: GVA contribution by Mpumalanga's utilities sub-industries (constant 2005 prices) to Mpumalanga's utilities industry GVA, 1996-2012
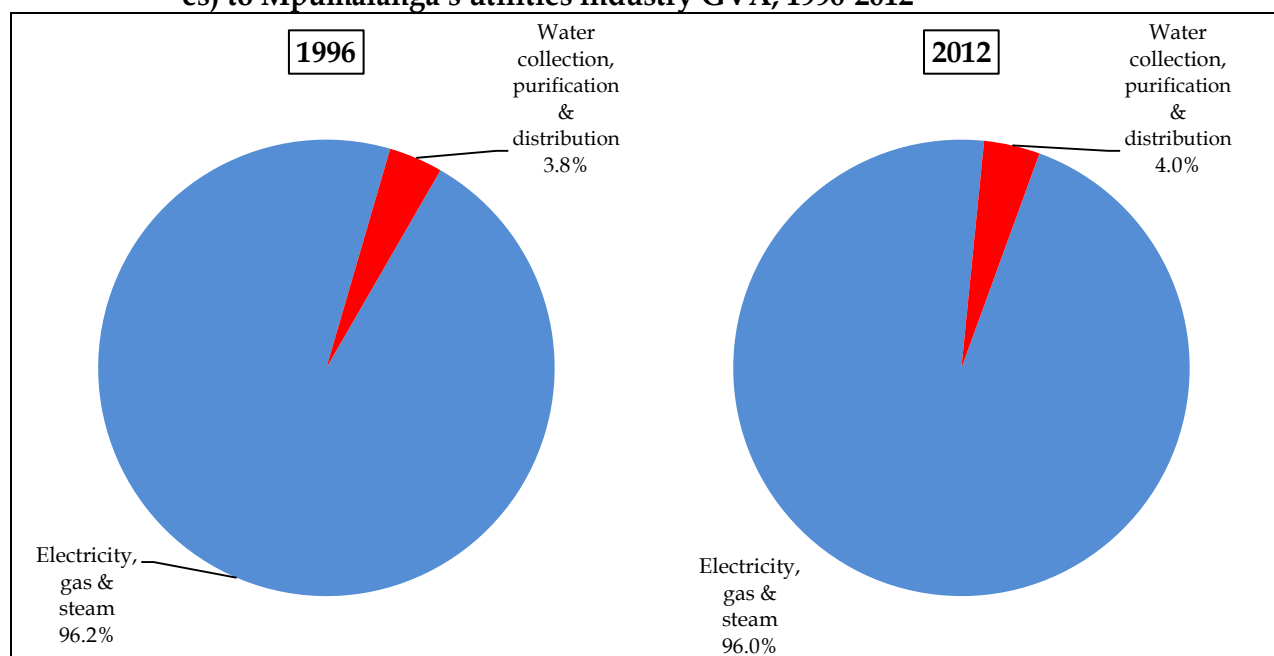
Source: IHS Global Insight – ReX, January 2013

Figure 2.25 displays the relative size of the utilities sub-industries. The supply of electricity, gas

and steam was the dominant utilities sub-industry in 2012 with a share of 96.0 per cent. Between 1996 and 2012, the shares of electricity supply decreased marginally, whilst that of water collection, purification and distribution increased correspondingly.

Over the 16-year period under review, electricity supply recorded positive average annual growth of 0.7 per cent and water collection, purification and distribution annual growth of 1.0 per cent. It is expected that the electricity supply sub-industry will record the fastest average growth of 3.6 per cent per annum over the 5-year period 2012 to 2017 (Table 2.11).

2.13.3   Construction industry

Gauteng was the largest contributor to the national construction industry in 2012 with a share of 42.8 per cent. Mpumalanga, with a 4.6 per cent share, occupied fifth place in 2012, a step down from joint fourth place in 1995 (Figure 2.26). Over the 17-year period, the province's share also declined from 5.5 per cent in 1995 to the current share.

Figure 2.26: Comparative contribution to the national construction industry's GDP at basic prices (constant 2005 prices), 1995-2012

Source: Statistics South Africa – GDP Q3, 2013

The construction industry registered the third highest annual average growth rate of 4.0 per cent among the provincial industries over the 17-year period (Figure 2.27). This is despite the massive slump of -23.9 per cent experienced in 2000. From 2012 to 2017, the average annual ex-

pected future growth of 3.4 per cent will be marginally lower than the provincial economy's forecasted growth of 3.6 per cent.
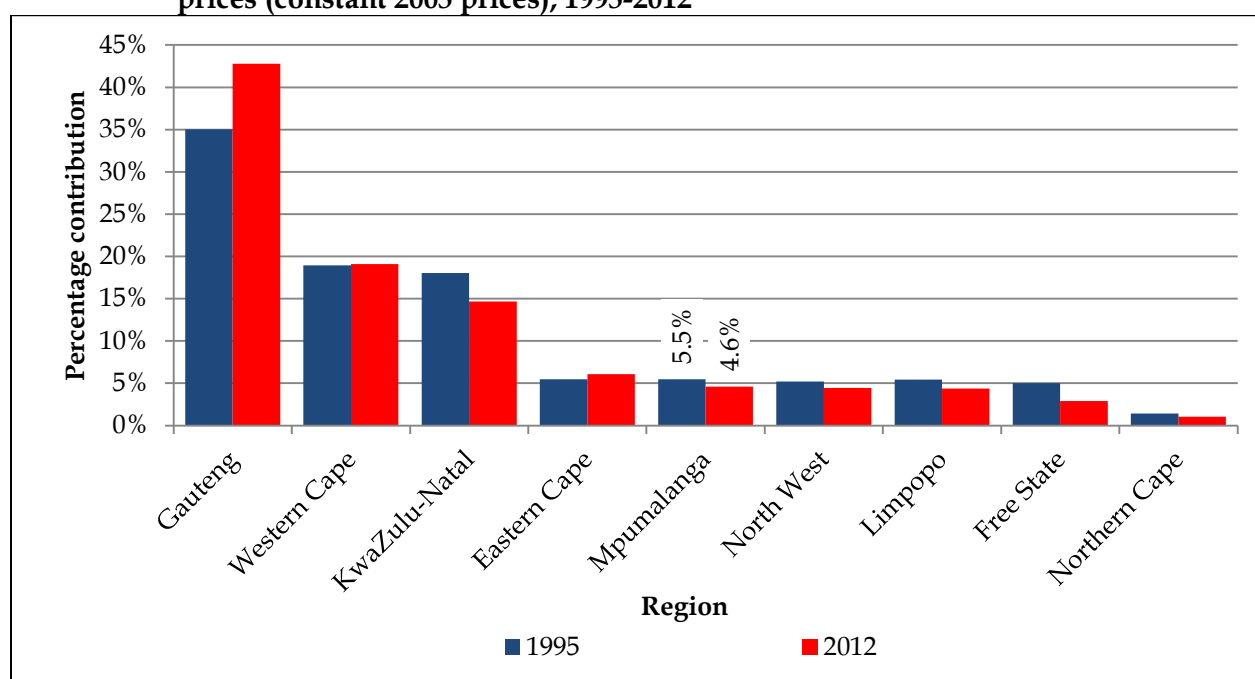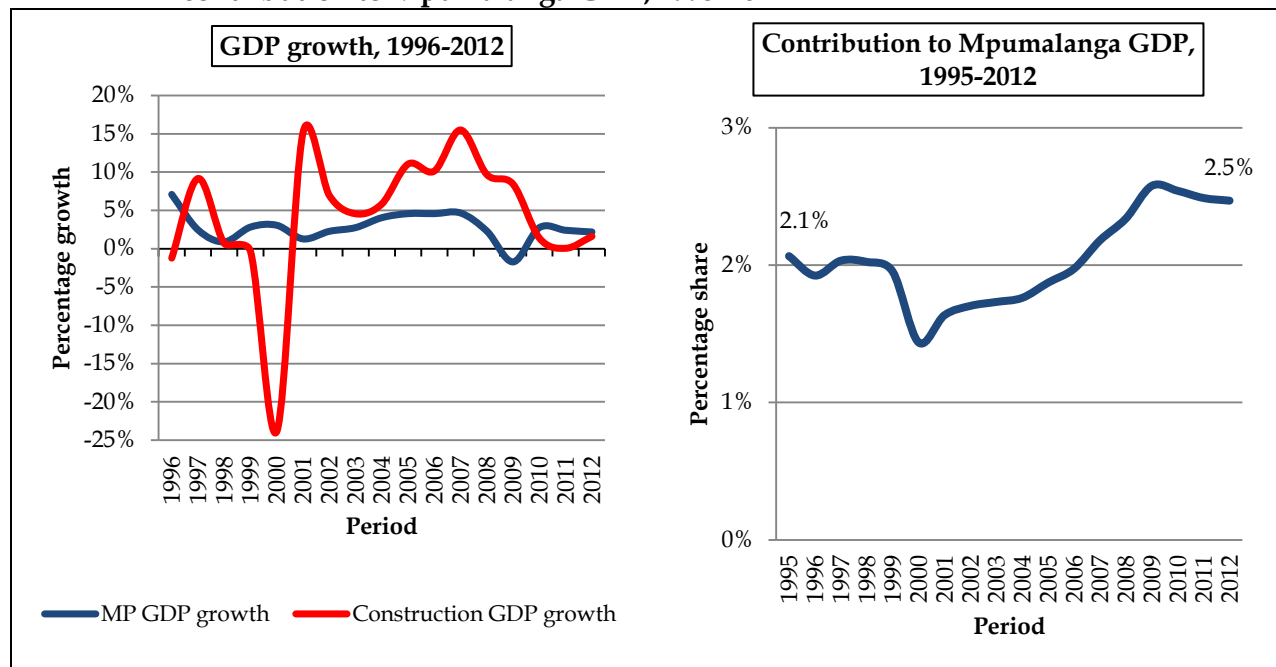
Figure 2.27: Construction industry (constant 2005 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2012

Source: Statistics South Africa – GDP Q3, 2013

The construction industry was the smallest contributor to the provincial economy with a 2.5 per cent share of Mpumalanga's GDP in 2012. It is, however, evident from Figure 2.27 that the construction industry's share increased since the severe slump of 2000.

The employment elasticity of construction was calculated to be 0.15 over the period 2001 to 2012 (Table 2.7). According to this figure, for every 1 per cent growth experienced in the construction industry the employment growth was only 0.15 per cent.

In 2001 and 2012, the construction industry in Mpumalanga recorded the lowest labour productivity index score among the nine industries (Table 2.8). The industry exhibited a high level of labour intensity in both 2001 and 2011 (Figure 2.8). Despite the low productivity and employment elasticity levels, the labour intensive character of the industry should contribute to marginal employment growth by the industry.

Construction is not easily broken down into sub-industries and therefore a detailed analysis, as with the other industries, of its sub-industries was not possible.

2.14   Tertiary sector analysis

2.14.1   Trade industry

In the major towns such as Emalahleni, Middelburg and Nelspruit the well developed and sophisticated retail industries sell everything from the most basic items to luxury and capital goods with representation of major shopping chains. Even in many of the smaller towns, there are numerous developments in the retail and wholesale industry. The province provides the ideal shopping destination for citizens from Mozambique and Swaziland due to the close proximity to the borders of these countries, which is an additional stimulus to the local economy.

Gauteng dominated the contribution to the national trade industry in 2012 with a share of 36.6 per cent (Figure 2.28). Mpumalanga, with a 5.1 per cent share, occupied sixth place in 2012, one position higher than in 1995, although its share was lower than the 5.6 per cent registered then.

Figure 2.28:   Comparative contribution to the national trade industry's GDP at basic prices (constant 2005 prices), 1995-2012
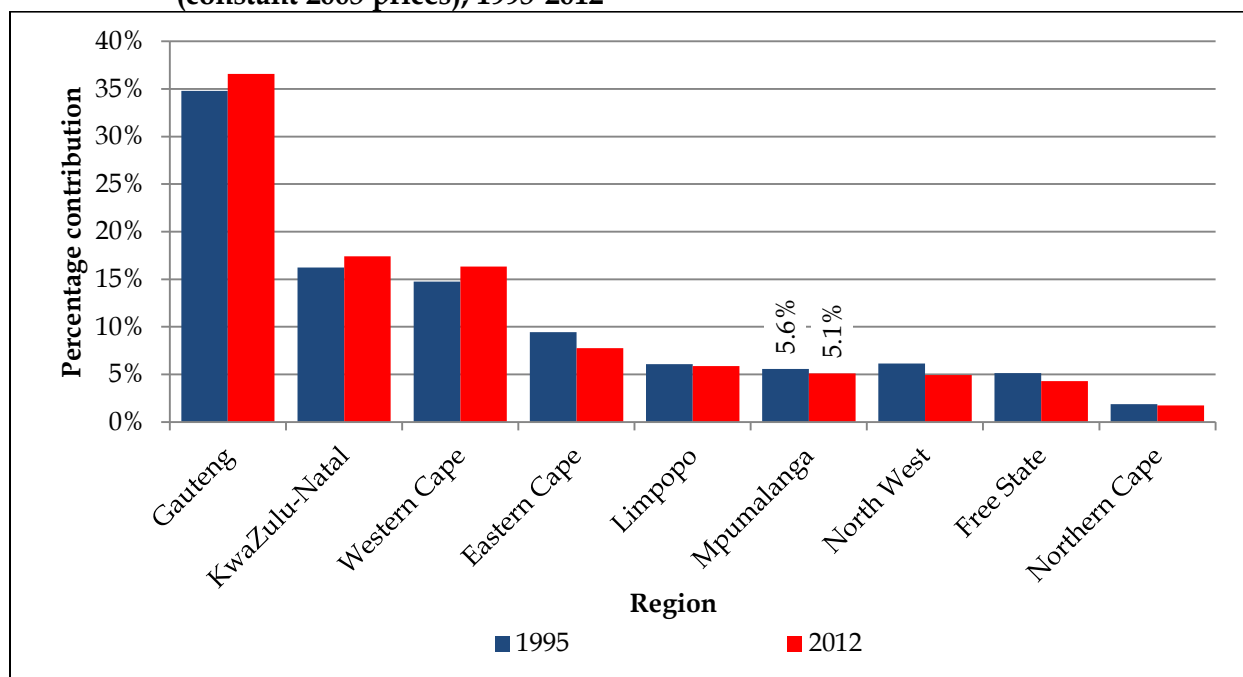
Source: Statistics South Africa – GDP Q3, 2013

The industry's growth rate of 3.2 per cent per annum between 1995 and 2012 was higher than the provincial growth rate (2.8 per cent) and the fifth highest among the industries. Figure 2.29 depicts the fluctuating growth rate of the trade industry compared to the more stable provincial

growth rate. The forecasted growth of 3.4 per cent per annum between 2012 and 2017 is expected to be the marginally lower than the provincial economy's forecasted growth of 3.6 per cent (Table 2.4).

The industry contributed 11.3 per cent to the total GDP of Mpumalanga in 2012 – the fifth largest industry in the province (Figure 2.29). The contribution in 2012 was slightly higher than the 10.8 per cent contribution recorded in 1995.

The trade industry (0.06) recorded the lowest positive employment elasticity over the period 2001-2012 (Table 2.7). According to this figure, for every 1 per cent economic growth experienced in the trade industry the employment growth increased by a mere 0.06 per cent.

The labour productivity index score for Mpumalanga's trade industry was the third lowest among the industries, in both 2001 and 2012 (Table 2.8). The trade industry exhibited a high level of labour intensity (Figure 2.8) because of the labour intensive nature of business enterprises in the industry. Despite the industry's relatively low labour productivity and employment elasticity, it is likely that the industry will remain an modest employment creator due to its size, moderate economic growth prospects and labour absorption nature.

Figure 2.29: Trade industry (constant 2005 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2012
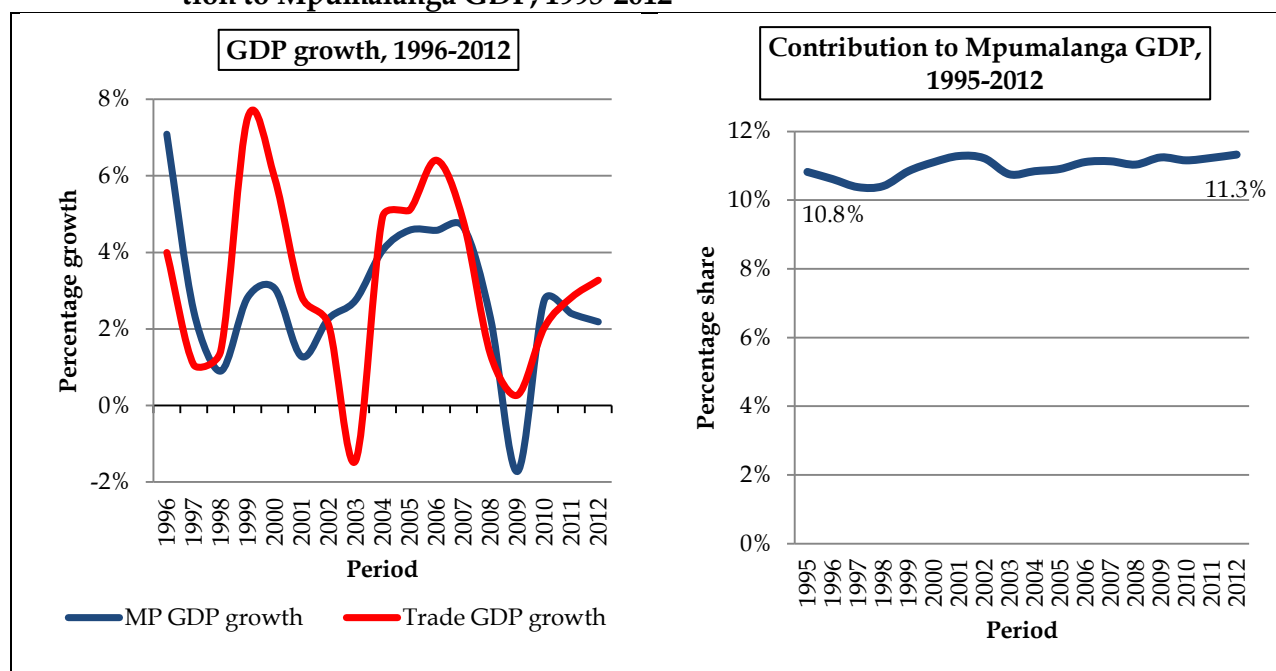
Source: Statistics South Africa – GDP Q3, 2013

Trade sub-industries

Retail trade was the largest trade sub-industry in 2012 with a share of 49.7 per cent, while wholesale trade was the second largest with a share of 29.0 per cent. Between 1996 and 2012, the shares of retail trade as well as vehicle and fuel sales increased whilst that of the other two sub-industries declined. Figure 2.30 displays the relative size of the trade sub-industries.

Over the 16-year period under review, the vehicle and fuel sales sub-industry recorded the highest average annual growth of 5.6 per cent followed by retail trade (3.6 per cent). It is expected that wholesale and commission trade will record the fastest average growth of 3.8 per cent per annum over the 5-year period 2012 to 2017. Table 2.11 displays the historic and forecasted growth of the various sub-industries as well as the estimated contribution towards the provincial economic growth between 2012 and 2017.

Figure 2.30: GVA contribution by Mpumalanga's trade sub-industries (constant 2005 prices) to Mpumalanga's trade industry GVA, 1996-2012
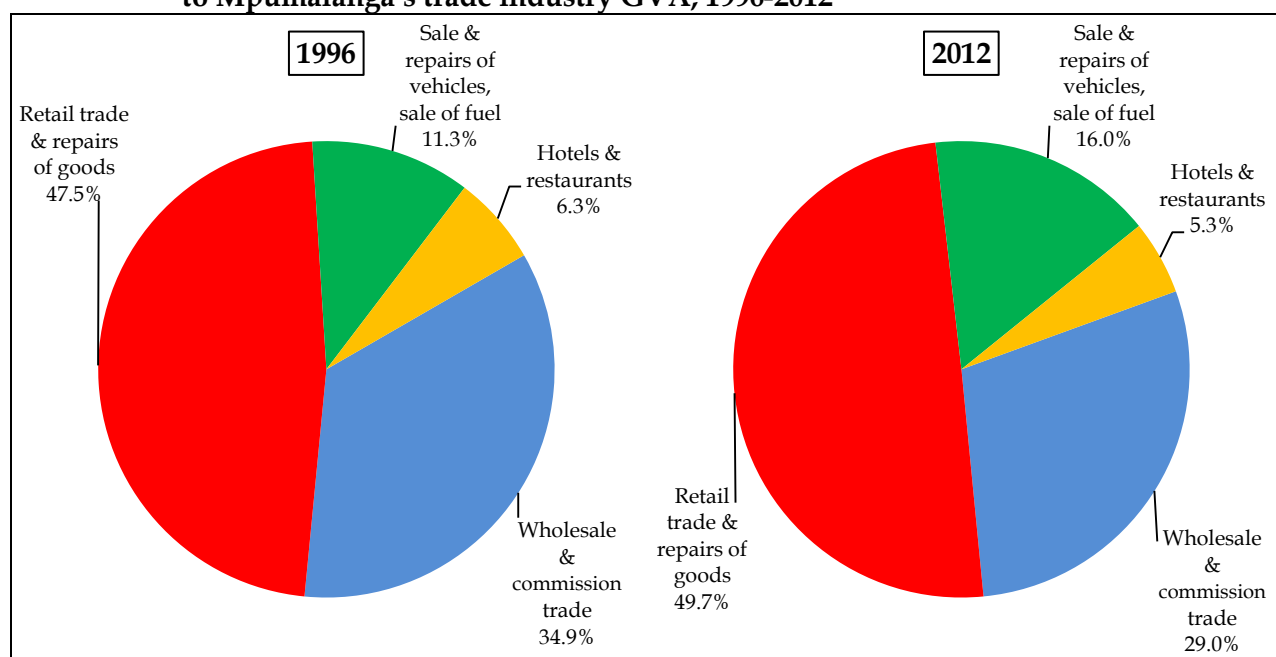
Source: IHS Global Insight – ReX, October 2013

2.14.2 Transport industry

Hauliers and transport contractors as well as mobile operators helped to shape Mpumalanga's developing economy over the past decade. There is room for this industry to grow and improve, especially through improved internet connectivity and transport linkages.

In terms of provincial contribution to the national transport industry, Mpumalanga with a 6.0 per cent share occupied sixth place in 2012 (Figure 2.31). Gauteng and KwaZulu-Natal were the largest provincial contributors with shares of 32.7 per cent and 21.9 per cent, respectively.

From 1995 to 2012, the transport industry grew the fastest off all provincial industries and at 5.3 per cent per annum recorded a growth rate nearly twice as high as that of the provincial economy. The industry and provincial growth rates are displayed in Figure 2.32. The expected future annual average growth of 4.7 per cent from 2012 to 2017 should be the highest among the nine industries and higher than the provincial economy's forecasted 3.6 per cent growth (Table 2.4).

Figure 2.31: Comparative contribution to the national transport industry's GDP at basic prices (constant 2005 prices), 1995-2012
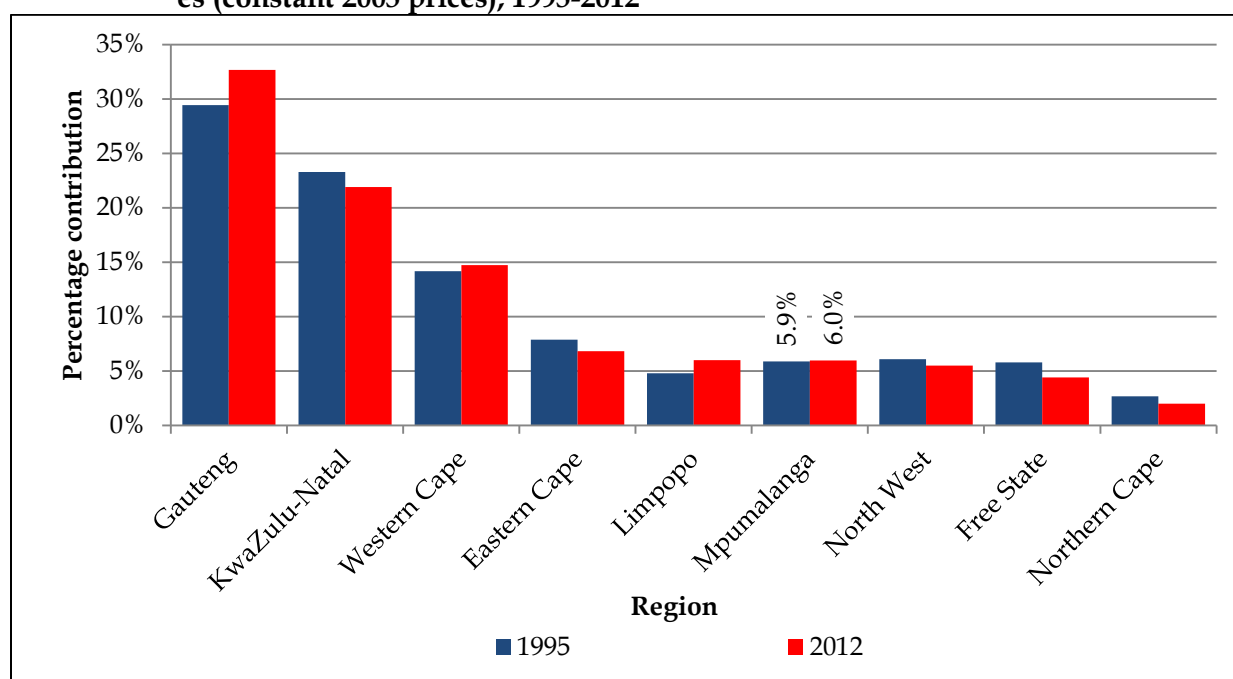
Source: Statistics South Africa – GDP Q3, 2013

The transport industry contributed 9.6 per cent to the provincial economy in terms of GDP in 2012 (Figure 2.32) and was the sixth largest industry in the province. It is evident that transport's contribution increased steadily from 6.5 per cent in 1995 to the current level.

The employment elasticity of transport was calculated to be 0.94 over the period 2001 to 2012 (Table 2.7). According to this figure, for every 1 per cent GVA growth experienced in the transport industry the employment growth was 0.94 per cent.

In 2012, the transport industry in Mpumalanga recorded the fourth highest labour productivity index score among the nine industries (Table 2.8). This was one position lower than in 2001. The transport industry exhibited a low level of labour intensity (Figure 2.8) because of the high capital outlay that is required of business. Despite the low level of labour absorption, the transport industry is expected to be a modest driver of employment growth due to the relatively high employment elasticity and labour productivity.

Figure 2.32: Transport industry (constant 2005 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2012
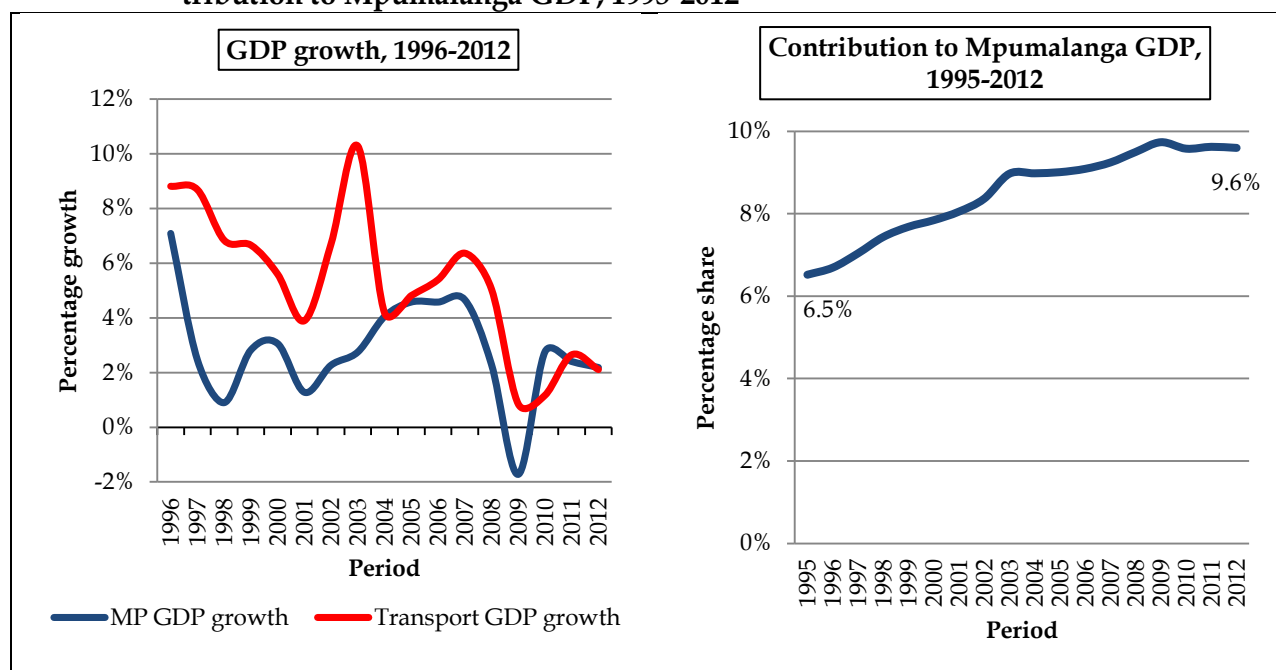
Source: Statistics South Africa – GDP Q3, 2013

Transport sub-industries

The land transport sub-industry was the largest transport sub-industry in 2012 with a share of 48.2 per cent, while post and telecommunications was the second largest with a share of 41.2 per cent. Between 1996 and 2012, the share of land transport decreased whilst that of post and telecommunications nearly doubled. Figure 2.33 displays the relative size of the transport sub-industries.

Over the 16-year period under review, post and telecommunication recorded the highest average annual growth of 9.3 per cent followed by air transport (7.0 per cent). It is expected that the post and telecommunication sub-industry will record the fastest average growth of 5.3 per cent per annum over the 5-year period 2012 to 2017. According to Table 2.11, the post and telecom-

munication as well as land transport sub-industries are expected to make substantial contributions to provincial economic growth between 2012 and 2017. Table 2.11 displays the historic and forecasted growth of the various sub-industries as well as the estimated contribution towards the provincial economic growth between 2012 and 2017.

Figure 2.33: GVA contribution by Mpumalanga's transport sub-industries (constant 2005 prices) to Mpumalanga's transport industry GVA, 1996-2012
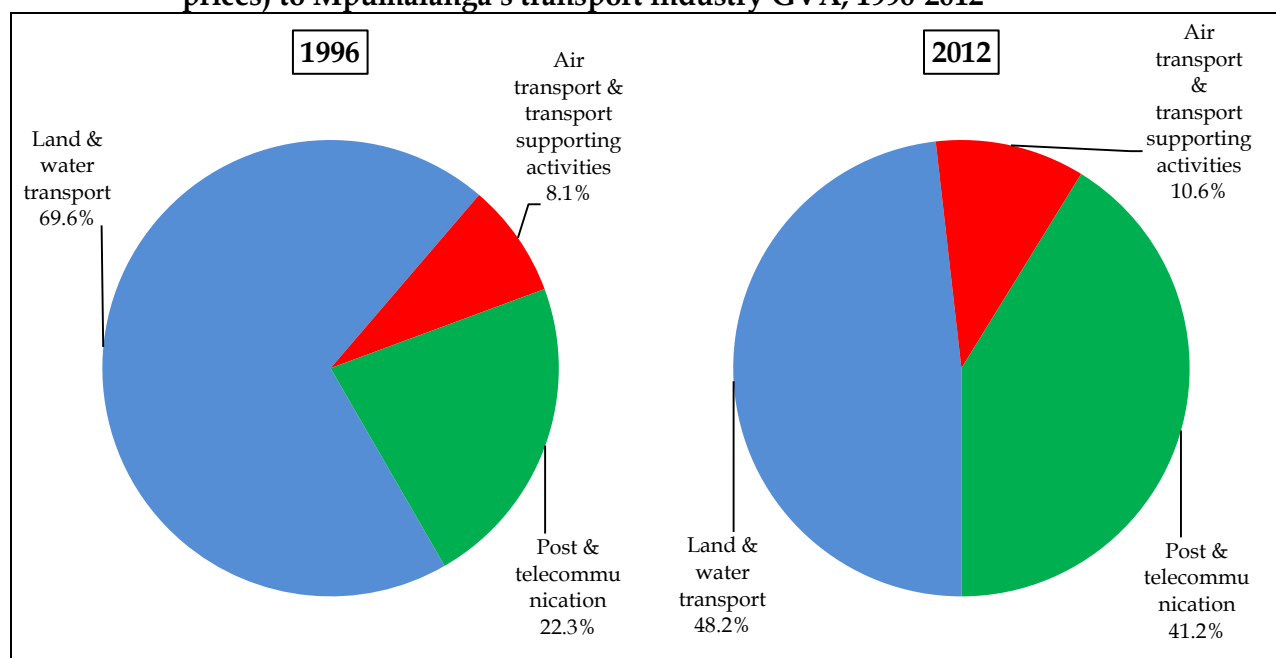
Source: IHS Global Insight – ReX, October 2013

2.14.3 Finance industry

Mpumalanga's financial services' industry is supported by South Africa's sound regulatory and legal framework. A choice of domestic and foreign institutions, provide assorted services - banking, mortgage lending, insurance, investment, legal and business services..

With the exception of Northern Cape, Mpumalanga made the smallest contribution to the national finance industry with a share in 2012 of only 3.6 per cent (Figure 2.34). Gauteng, with a 39.8 per cent share, occupied first place in 2012, followed by Western Cape with a 20.4 per cent contribution.

Between 1995 and 2012, the finance industry in Mpumalanga recorded the second highest average annual growth rate among the industries of 4.6 per cent. This was despite a severe slowdown experienced in 2000 of -5.9 per cent (Figure 2.35). The future growth of 4.7 per cent per

annum is expected to be higher than the provincial economy's forecasted 3.6 per cent per annum from 2012 to 2017 (Table 2.4).

Although the Mpumalanga finance industry was not a large role-player nationally, it played an important role in the provincial economy with a 13.6 per cent contribution to provincial GDP (Figure 2.35). It is evident that the contribution of the finance industry increased steadily between 1995 and 2012.

Figure 2.34: Comparative contribution to the national finance industry's GDP at basic prices (constant 2005 prices), 1995-2012
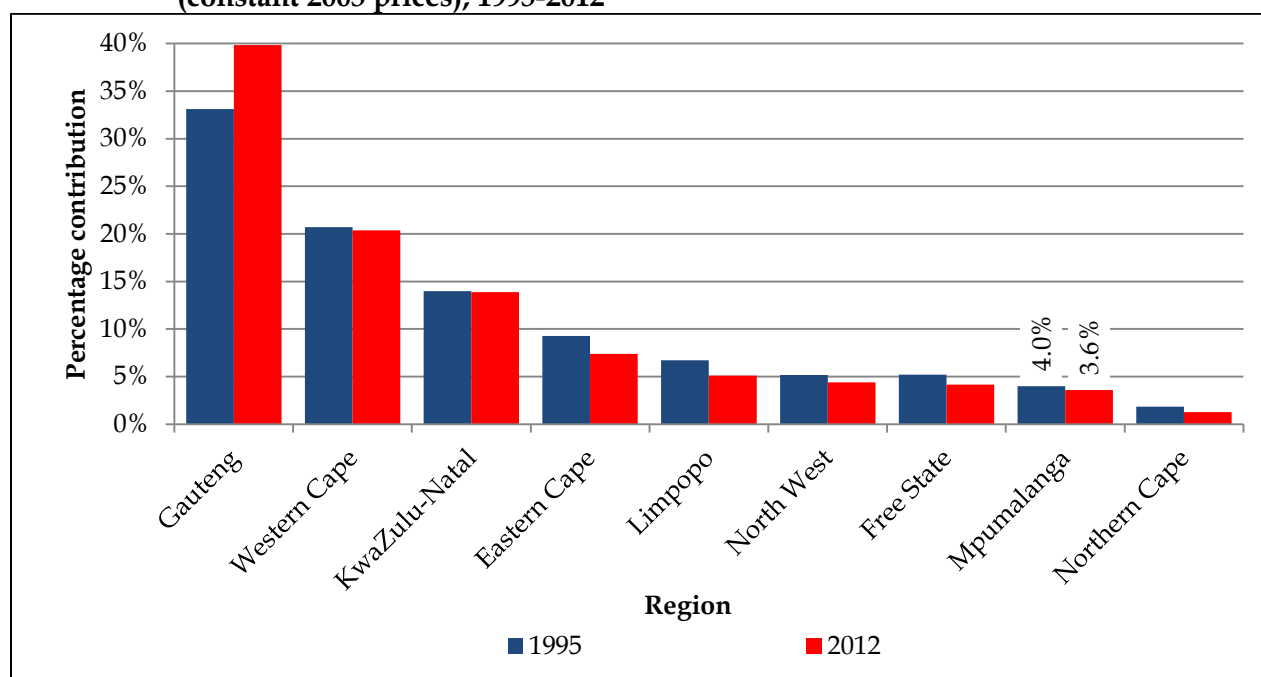
Source: Statistics South Africa – GDP Q3, 2013

The employment elasticity of the finance industry was 1.44 over the 11-year period under review (Table 2.7). Translated into actual terms, this figure indicates that every 1 per cent economic growth was accompanied by 1.44 per cent employment growth in the finance industry. This was the second highest employment elasticity recorded among the nine industries in Mpumalanga.

In 2012, the finance industry in Mpumalanga recorded the fifth highest labour productivity index score among the industries (Table 2.8). This was a deterioration of one position from fourth highest in 2001. The finance industry exhibited a relatively low level of labour intensity (Figure 2.8) in both 2001 and 2012. The anticipated economic growth should, however, stimulate strong employment growth through the healthy employment elasticity.

Figure 2.35: Finance industry (constant 2005 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2012

Source: Statistics South Africa – GDP Q3, 2013

Finance sub-industries

Figure 2.36: GVA contribution by Mpumalanga's finance sub-industries (constant 2005 prices) to Mpumalanga's finance industry GVA, 1996-2012
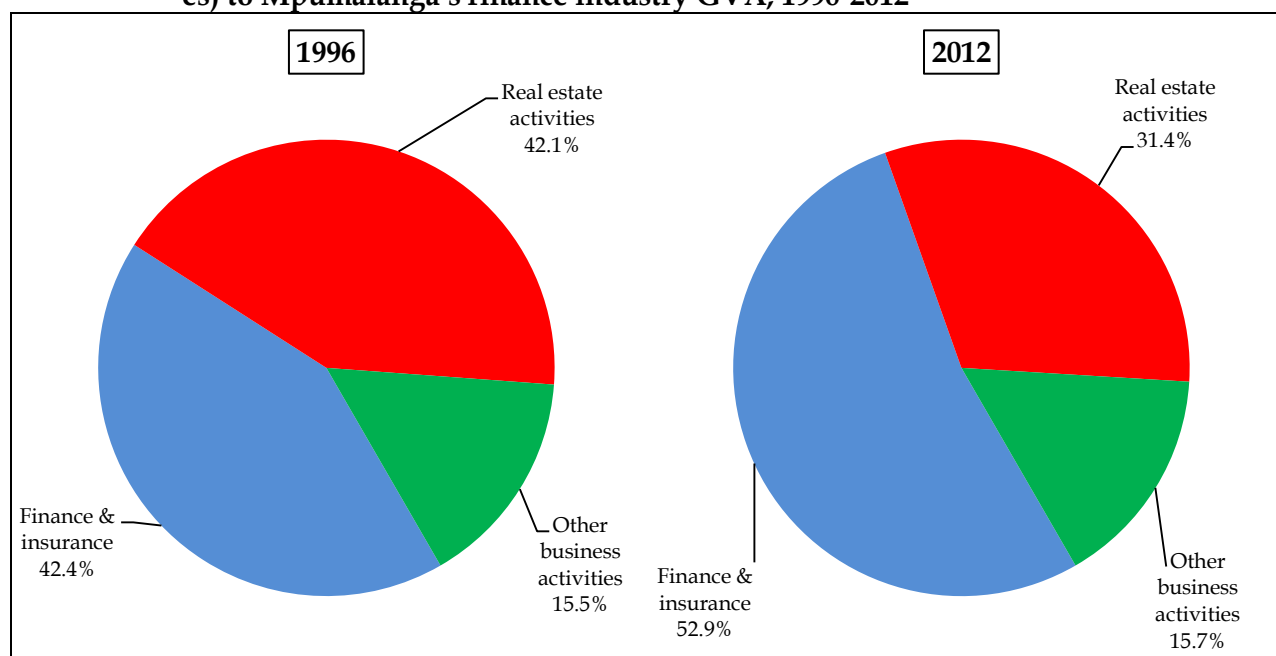
Source: IHS Global Insight – ReX, October 2013

Figure 2.36 displays the relative size of the finance sub-industries. The finance and insurance

sub-industry was the largest finance sub-industry in 2012 with a share of 52.9 per cent, while the real estate activities sub-industry was the second largest with a share of 31.4 per cent. Between 1996 and 2012, the share of finance and insurance as well as other business activities increased, whilst that of real estate activities declined.

Over the 16-year period under review, finance and insurance recorded the highest average annual growth of 5.9 per cent followed by other business activities (4.5 per cent). It is expected that the real estate activities sub-industry will record the fastest average growth of 5.9 per cent per annum over the 5-year period 2012 to 2017. According to Table 2.11, all three sub-industries are expected to make substantial contributions to provincial economic growth between 2012 and 2017. Table 2.11 displays the historic and forecasted growth of the various sub-industries as well as the estimated contribution towards the provincial economic growth between 2012 and 2017.

2.14.4 Community services industry

Community services encompass personal and general government services. Macro-economic stability in South Africa and Mpumalanga creates opportunities for real increases in expenditure on community services. Community services lay the foundation for increased investment and growth as it reduces the costs and risks for all investors.

In terms of provincial contribution to the national community services industry, Mpumalanga was placed second from last in 2012, with Gauteng (36.4 per cent) and KwaZulu-Natal (14.5 per cent) the largest contributing provinces (Figure 2.37). Mpumalanga's undersized share of 4.7 per cent was slightly larger than the 4.6 per cent contribution of 1995.

With an average annual growth rate of 2.4 per cent between 1995 and 2012, the industry recorded lower economic growth than the province (2.8 per cent) over the period. Except for 1997, the community services industry recorded positive growth in all of the 16 years from 1996 to 2012 (Figure 2.38). Future growth, that is expected to be around 3.2 per cent per annum, should be slightly lower than the provincial economy's forecasted annual average 3.6 per cent growth from 2012 to 2017 (Table 2.4).

Despite the small national contribution, the industry was the third largest in the province with a 16.2 per cent contribution to the total GDP of Mpumalanga in 2012 (Figure 2.38). As a result of

the relatively low growth rate over the period 1995 to 2012, the contribution of the community services industry declined slightly from 17.5 per cent to the current level.

Figure 2.37: Comparative contribution to the national community services industry's GDP at basic prices (constant 2005 prices), 1995-2012
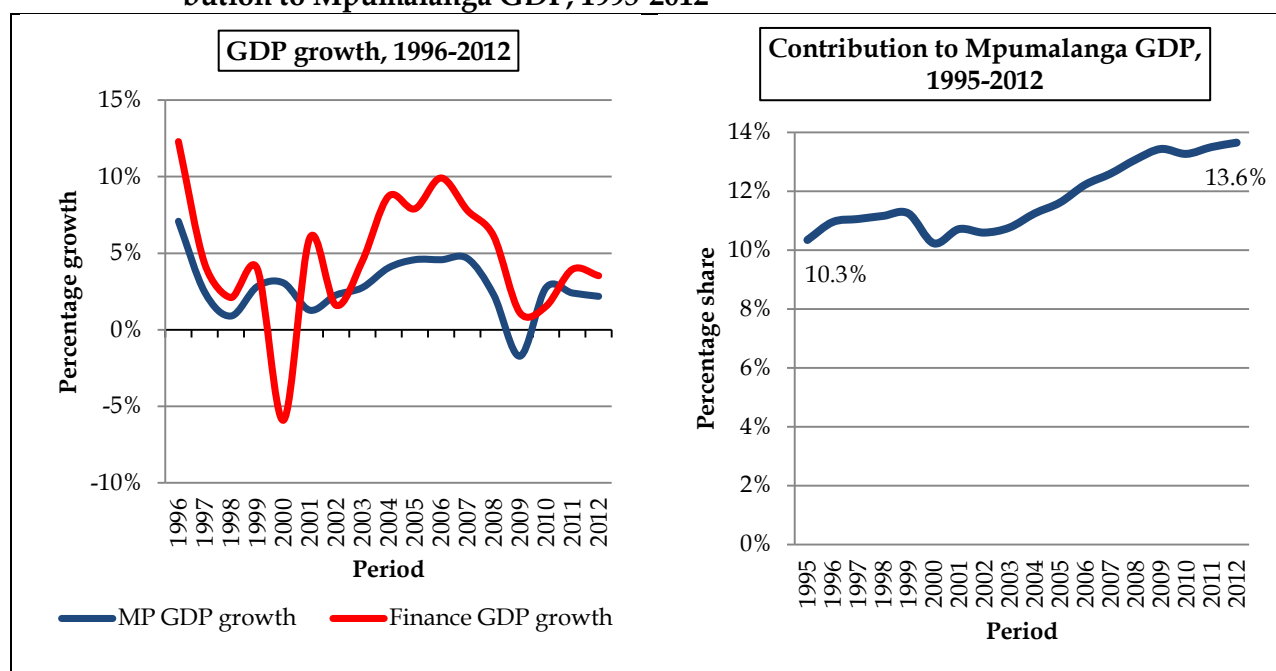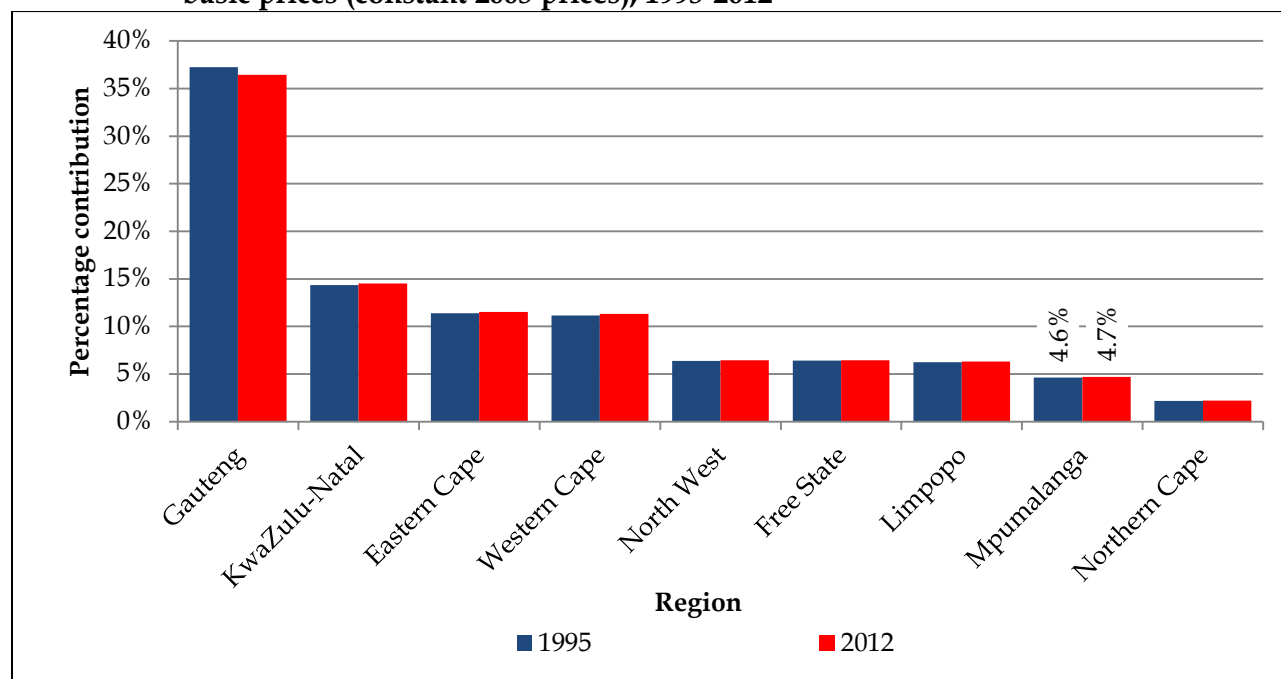

Source: Statistics South Africa – GDP Q3, 2013

Figure 2.38: Community services industry (constant 2005 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2012
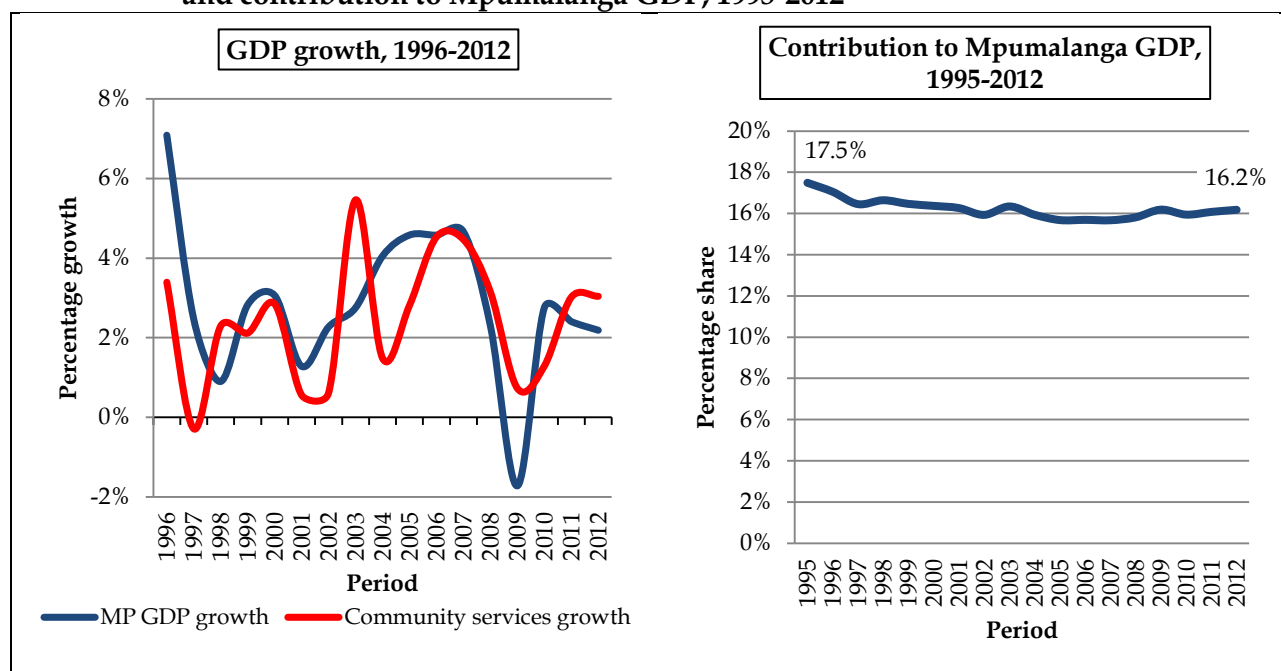
Source: Statistics South Africa – GDP Q3, 2013

The employment elasticity of community services (1.07) was the third highest of all nine industries (Table 2.7). According to this figure, for every 1 per cent economic growth experienced in the community services industry the employment growth was 1.07 per cent.

In the province, the community services industry recorded the sixth highest labour productivity index score in 2012 (Table 2.8). The community services industry exhibited a high level of labour intensity in 2012 (Figure 2.8). The high labour absorption potential as well as the relatively high employment elasticity points towards the industry as an important future employment driver, despite the low labour productivity registered.

Community services sub-industries

The education sub-industry was the largest sub-industry in 2012 with a share of 41.3 per cent, while public administration and defence activities was the second largest with a share of 27.7 per cent. Between 1996 and 2012, the shares of public administration as well as health and social work increased, whilst that of education and other service activities declined. Figure 2.39 displays the relative size of the community services sub-industries.

Figure 2.39: GVA contribution by Mpumalanga's community services sub-industries (constant 2005 prices) to Mpumalanga's community services industry GVA, 1996-2012
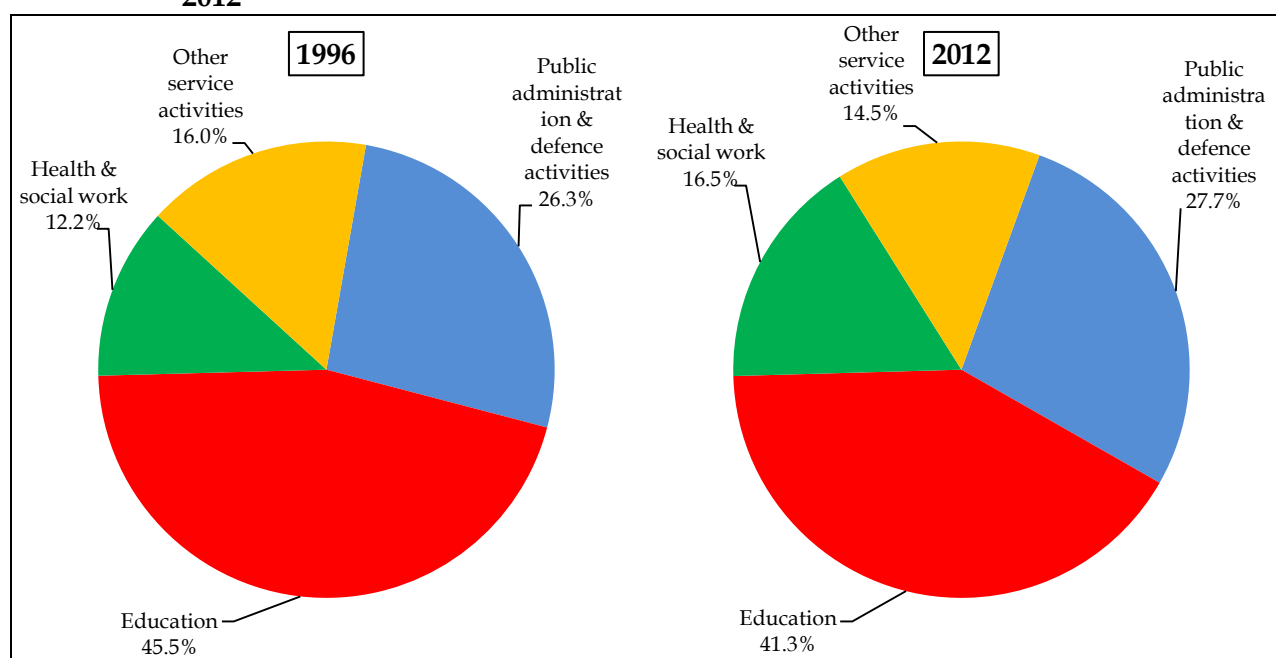
Source: IHS Global Insight – ReX, October 2013

Over the 16-year period under review, the health and social work sub-industry recorded the

highest average annual growth of 4.3 per cent followed by public administration and defence activities at 2.7 per cent. It is expected that both the public administration sub-industry will record the fastest average growth of 3.8 per cent per annum over the 5-year period 2012 to 2017. According to Table 2.11, all four sub-industries are expected to make a substantial contribution to provincial economic growth between 2012 and 2017. Table 2.11 displays the historic and forecasted growth of the various sub-industries as well as the estimated contribution towards the provincial economic growth between 2012 and 2017.

Table 2.11: Economic growth rates and contribution to economic growth (constant 2005 prices) in Mpumalanga, 1996-2017

Sub-industry	Historic growth 1996-2012	Forecasted growth 2012-2017	Estimated contribution to provincial economic growth 2012-2017
Agriculture & hunting	0.9%	1.9%	1.0%
Forestry & logging	1.8%	1.9%	0.7%
Fishing, operation of fish farms	1.0%	1.9%	0.0%
Mining of coal & lignite	2.3%	3.4%	13.5%
Mining of gold & uranium ore	-11.2%	-5.6%	-0.8%
Mining of metal ores	3.6%	4.1%	1.2%
Other mining & quarrying	-1.5%	2.3%	0.6%
Food, beverages & tobacco products	0.7%	3.3%	1.5%
Textiles, clothing & leather goods	1.3%	2.6%	0.1%
Wood & wood products	0.2%	2.2%	0.7%
Fuel, petroleum, chemical & rubber products	5.7%	3.9%	12.7%
Other non-metallic mineral products	-0.9%	3.0%	0.2%
Metal products, machinery & appliances	1.8%	1.7%	2.2%
Electrical machinery & apparatus	2.9%	4.0%	0.1%
Electronic, medical & other appliances	2.8%	4.8%	0.1%
Transport equipment	3.5%	5.8%	0.3%
Furniture & other items NEC & recycling	1.4%	2.0%	0.3%
Electricity, gas, steam & hot water supply	0.7%	3.6%	4.0%
Water collection, purification & distribution	1.0%	2.7%	0.1%
Construction	4.3%	3.4%	2.4%
Wholesale & commission trade	2.1%	3.8%	3.6%
Retail trade & repairs of goods	3.6%	3.3%	5.3%
Sale & repairs of motor vehicles, sale of fuel	5.6%	3.3%	1.7%
Hotels & restaurants	2.1%	3.0%	0.5%
Land & water transport	2.8%	4.2%	5.4%
Air transport & transport supporting activities	7.0%	4.7%	1.3%
Post & telecommunication	9.3%	5.3%	5.8%
Finance & insurance	5.9%	4.2%	9.5%
Real estate activities	2.6%	5.9%	8.0%
Other business activities	4.5%	3.9%	2.6%
Public administration & defence activities	2.7%	3.8%	4.8%
Education	1.7%	2.9%	5.6%
Health & social work	4.3%	3.1%	2.3%
Other service activities	1.7%	2.8%	1.8%
Total	**2.8%**	**3.6%**	**100.0%**

Source: IHS Global Insight – ReX, October 2013

2.15   Conclusion

Mpumalanga's economy accounted for 6.3 per cent of South Africa's economy, measured by GDP, in 2012. Structural differences between Mpumalanga's economy and that of the rest of South Africa resulted in the provincial economy lagging the national economic growth over the last 17 years. The provincial economy's value addition should continue a step behind the national economy until such a time as the Mpumalanga economy evolve from its reliance on the primary sector to a more diversified secondary sector offering and expand its tertiary sector substantially.

Therefore, there needs to be a focus on speeding up the transition of the economy to a knowledge-based and service-orientated economy, adopting the appropriate industry development strategies and attracting investment to build infrastructure and stimulate growth in the province. Public infrastructure investment can play a leading role and must be equal to 10 per cent of provincial GDP by 2030.

It is evident from the analysis that, in general, economic growth was higher than employment growth in Mpumalanga. Despite this, manufacturing recorded jobless growth between 2001 and 2012. Three industries improved its labour productivity between 2001 and 2012 and four industries were regarded as labour intensive industries. In order for Mpumalanga to improve its employment elasticity and labour productivity, the province will need to attract more GDFI to build on the comparative advantage it holds in three industries and improve its comparative advantage in other industries.

CHAPTER 3:   PROVINCIAL LABOUR MARKET

Mpumalanga's labour market characteristics spanning mainly the period from the fourth quarter 2008 to the fourth quarter 2013 are analysed in this chapter. The profile of Mpumalanga's labour force, employment, unemployment and the occupational profile of the province are discussed in detail. Mpumalanga's performance was compared with the national situation as well the other eight provinces. The main data source was Statistics South Africa's Quarterly Labour Force Survey (QLFS)[12].

3.1   Labour force profile

The labour force comprises of all the employed and the unemployed population in a region. The national number of employed and unemployed increased by 653 000 and 121 000, respectively between the fourth quarter 2012 and the fourth quarter 2013. The resultant strict unemployment rate decreased (improved) from 24.5 per cent in the fourth quarter 2012 to 24.1 per cent in the fourth quarter 2013. At the end of the fourth quarter 2013, 1 in every 4 members of the national labour force was unemployed. The NDP targets a decline in the unemployment rate to 14.0 per cent by 2020 and 6.0 per cent by 2030.

Nationally, the labour absorption rate was 43.3 per cent at the end of the fourth quarter 2013, which was higher (better) than the 42.2 per cent registered at the end of the fourth quarter 2012. According to the NDP, the South African economy must become more labour absorbing and a level of 61 per cent is envisaged by 2030. The labour force participation rate at the end of the fourth quarter 2013 (57.1 per cent) was higher than the rate recorded a year earlier at the end of the fourth quarter 2012 (55.9 per cent), but still below the NDP target of 65 per cent by 2030.

The provincial labour force of around 1.58 million individuals was 76 640 higher at the end of the fourth quarter 2013 than at the end of the fourth quarter 2012. The number of employed at 1 148 557 at the end of the fourth quarter 2013 was 84 042 higher than at the end of the fourth quarter 2012. Over a 5-year period from the end of the fourth quarter 2008 to the end of the fourth quarter 2013, the number of employed increased by 97 234.

The number of unemployed decreased by 7 402 to 428 805 between the end of the fourth quarter 2013 and the end of the fourth quarter 2012. The number of discouraged workers also de-

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[12] Stats SA has updated the QLFS results (2008-2013), to reflect the new population benchmarks from Census 2011.

creased by 37 689 over the last 12 months. Over a 5-year period from the end of the fourth quarter 2008 to the end of the fourth quarter 2013, the number of unemployed and discouraged, however, increased by 122 724 and 101 536, respectively. Table 3.1 depicts the labour force profile of the province.

The unemployment rate (strict definition) was lower at the end of the fourth quarter 2013 (27.2 per cent) than at the end of the fourth quarter 2012 (29.1 per cent), however, it was higher than five years earlier at the end of the fourth quarter 2008 (22.5 per cent). The unemployment rate according to the expanded definition also increased to 40.2 per cent at the end of the fourth quarter 2013 from 33.7 per cent at the end of the fourth quarter 2008. In 2013, the labour absorption rate improved from 40.7 per cent at the end of the fourth quarter 2012 to 43.0 per cent and the labour force participation rate improved by 1.7 percentage points to 59.1 per cent.

Table 3.1: Labour force profile of Mpumalanga, 2008-2013

Indicator	Q4 2008 '000	Q4 2012 '000	Q4 2013 '000	1-year change '000	5-year change '000
- **Population 15-64 years**	2 411	2 616	2 669	54	258
- **Labour Force/EAP**	1 357	1 501	1 577	76	220
- **Employed**	1 051	1 065	1 149	84	98
- **Unemployed**	306	436	429	-7	123
- **Not economically active**	1 053	1 115	1 092	-23	39
- **Discouraged work-seekers**	112	252	214	-38	102
Rates	%	%	%	%	%
- **Unemployment rate (strict definition)**	22.5	29.1	27.2	-1.9	4.7
- **Employed/population ratio (absorption rate)**	43.6	40.7	43.0	2.3	-0.6
- **Labour force participation rate**	56.3	57.4	59.1	1.7	2.8
- **Unemployment rate (expanded definition)**	33.7	43.4	40.2	-3.2	6.5

Source: Statistics South Africa – QLFS, 2014

3.2   Economically active population

The economically active population (EAP) comprises of two components (1) employed individuals and (2) unemployed individuals. EAP is defined as the number of persons between the ages of 15 and 64 that are able and willing to work. The EAP is also referred to as the labour force.

South Africa's EAP was slightly more than 20 million by the end of the fourth quarter 2013 (Table 3.2), an increase of nearly 1.2 million over the fourth quarter 2008. Mpumalanga's EAP increased by 220 000 over the five year period to nearly 1.58 million. The Mpumalanga's figure represented 7.9 per cent of the national EAP at the end of the fourth quarter 2013. Gauteng rec-

orded the highest EAP number in the fourth quarter of 2013 with 6.5 million (32.2 per cent). KwaZulu-Natal and North West recorded lower EAP numbers at the end of the fourth quarter 2013 than five years earlier.

Table 3.2: EAP of South Africa and provinces, Q4 2008-Q4 2013

Region	Q4 2008		Q4 2013		5-year change	
	'000	% of National	'000	% of National	'000	Average annual %
Western Cape	2 479	13.2	2 829	14.1	350	2.7
Eastern Cape	1 797	9.5	1 844	9.2	47	0.5
Northern Cape	410	2.2	439	2.2	29	1.4
Free State	1 055	5.6	1 112	5.6	57	1.1
KwaZulu-Natal	3 249	17.3	3 154	15.8	-95	-0.6
North West	1 227	6.5	1 194	6.0	-33	-0.5
Gauteng	5 966	31.7	6 452	32.2	486	1.6
Mpumalanga	1 357	7.2	1 577	7.9	220	3.1
Limpopo	1 276	6.8	1 406	7.0	130	2.0
South Africa	18 817	100.0	20 007	100.0	1 190	1.2

Source: Statistics South Africa – QLFS, 2014
*Note: Due to rounding, numbers do not necessarily add up to totals*

The majority of Mpumalanga's labour force at the end of the fourth quarter 2013 was males with some 862 700 individuals or 54.7 per cent of the provincial total EAP. This was slightly higher than the 54.2 per cent recorded at the end of the fourth quarter 2008. The remainder (45.3 per cent) of the EAP was females at the end of the fourth quarter 2013, which was lower than the 45.8 per cent recorded at the end of the fourth quarter 2008. Figure 3.1 compares the EAP by gender and age in Mpumalanga between the end of the fourth quarter 2008 and the end of the fourth quarter 2013.

The youth of working age (15-34 years) made up 52.6 per cent of the total number of the labour force at the end of the fourth quarter 2013. This was lower than 5 years earlier when the youth of working age contributed 54.0 per cent. The age cohort of 25-29 years represented the most populous age cohort with 296 200 individuals or some 18.8 per cent of the provincial EAP at the end of the fourth quarter 2013. The same age cohort was the most populous at the end of the fourth quarter 2008 with a share of 19.8 per cent.

According to Table 3.3, Africans form the majority of both South Africa and Mpumalanga's EAP. At the end of the fourth quarter 2013, 91.8 per cent of the provincial EAP were Africans compared with 76.0 per cent nationally. Whites contributed some 5.7 per cent followed by

Asians (1.8 per cent) and Coloureds (0.7 per cent). Africans' share in the provincial EAP increased from 90.0 per cent at the end of the fourth quarter 2008 to the current level, whereas the shares of Coloureds and Whites declined.

Figure 3.1: EAP by gender and age in Mpumalanga, Q4 2008-Q4 2013
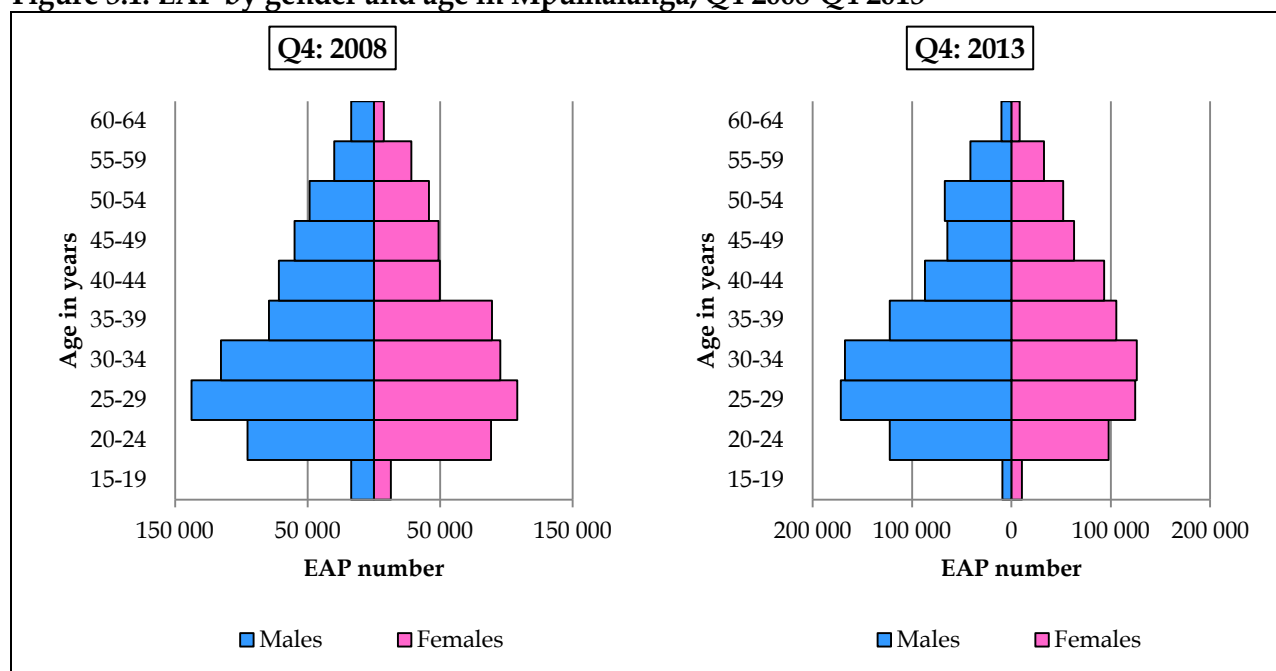
Source: Statistics South Africa – QLFS, 2014

Table 3.3: EAP according to population group in South Africa and Mpumalanga, Q4 2008-Q4 2014

Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2013	Q4 2008	Q4 2013
African	77.0%	76.0%	90.0%	91.8%
Coloured	10.6%	10.5%	0.8%	0.7%
Asian	3.0%	2.8%	0.6%	1.8%
White	12.5%	10.6%	8.6%	5.7%
Total	100.0%	100.0%	100.0%	100.0%

Source: Statistics South Africa – QLFS, 2014

3.2.1 Labour force participation rate

The labour force participation rate (EAP/population) is the proportion of the working population (employed or unemployed) out of the total population of working age (15 to 64). At the end of the fourth quarter 2013, South Africa's working age population numbered 35.0 million, with a labour force, or in other words EAP, of nearly 20.0 million, which resulted in a labour

force participation rate of 57.1 per cent. The national labour force participation rate therefore decreased from 58.8 per cent at the end of the fourth quarter 2008 as shown in Table 3.4.

Mpumalanga's participation rate of 59.1 per cent at the end of the fourth quarter 2013 was higher than the comparative national rate and showed improvement from 56.3 per cent at the start of the period under review. At the end of the fourth quarter 2013, Gauteng (70.2 per cent) registered the highest participation rate followed closely by Western Cape with 68.5 per cent. Limpopo (40.6 per cent) finished the period under review with the lowest participation rate, followed by Eastern Cape (45.5 per cent).

Table 3.4: Labour force participation rate in South Africa and provinces, Q4 2008-Q4 2013

Region	Q4 2008 %	Q4 2013 %
Western Cape	67.0	68.5
Eastern Cape	46.8	45.5
Northern Cape	58.2	58.4
Free State	58.9	60.2
KwaZulu-Natal	53.6	48.2
North West	56.9	50.7
Gauteng	72.7	70.2
Mpumalanga	**56.3**	**59.1**
Limpopo	40.9	40.6
South Africa	**58.8**	**57.1**

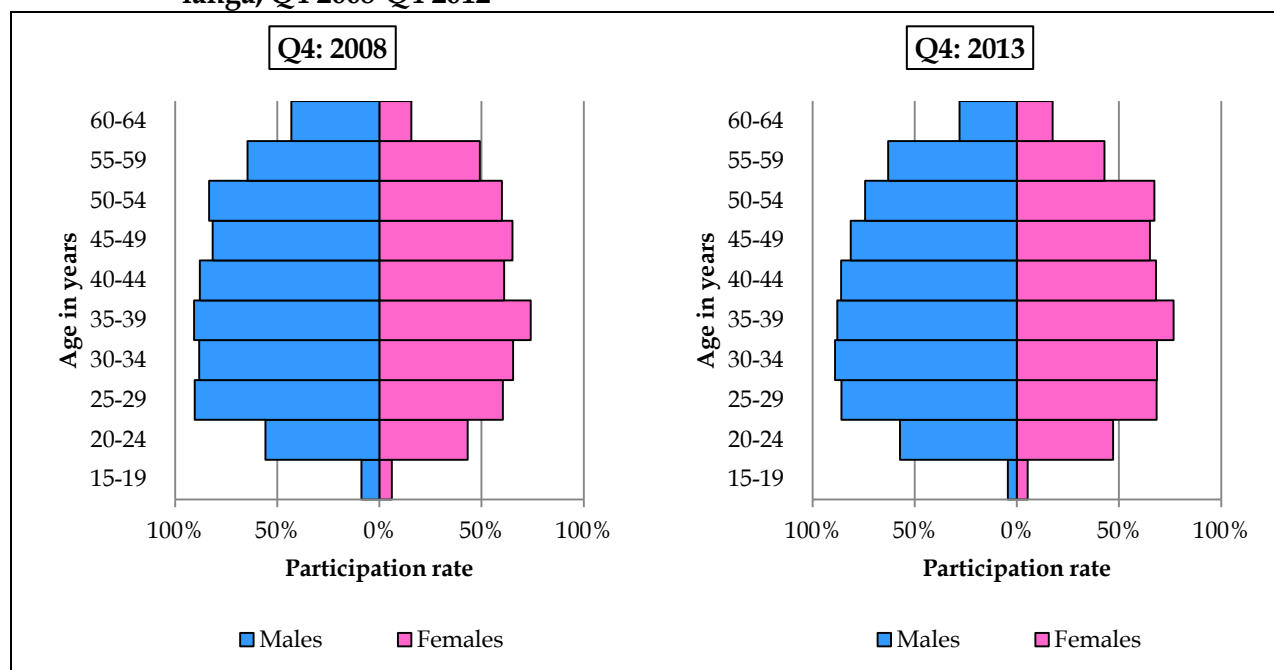*Source: Statistics South Africa – QLFS, 2014*

At the end of the fourth quarter 2013, males in Mpumalanga recorded a labour force participation rate of 65.4 per cent, a rate some 12.5 percentage points higher than that of females (52.9 per cent). The male participation rate was higher than the 64.8 per cent recorded at the end of the fourth quarter 2008. Figure 3.2 compares the labour force participation rate by gender and age in Mpumalanga between the end of the fourth quarter 2008 and the end of the fourth quarter 2013.

The youth cohort (15-34 years) registered a labour force participation rate of 52.4 per cent at the end of the fourth quarter 2013. This was higher than 5 years earlier when the youth of working age recorded a participation rate of 48.2 per cent. The 35-39 age group ended the fourth quarter of 2013 with the highest labour force participation rate of 82.4 per cent. The 15-19 age group recorded the lowest participation rate of only 4.8 per cent.

According to Table 3.5, Asians (85.3 per cent) registered the highest participation rate in Mpumalanga at the end of the fourth quarter 2013. The participation rate of Africans and Asians in

Mpumalanga increased from the end of the fourth quarter 2008 to the end of the fourth quarter 2013, whereas that of Coloureds and Whites declined.

Figure 3.2: Labour force participation rate according to gender and age group in Mpumalanga, Q4 2008-Q4 2012

Source: Statistics South Africa – QLFS, 2014

Table 3.5: Labour force participation rate according to population group in South Africa and Mpumalanga, Q4 2008-Q4 2013

Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2013	Q4 2008	Q4 2013
African	55.1%	55.0%	54.7%	58.4%
Coloured	64.9%	64.5%	66.3%	58.9%
Asian	60.2%	58.9%	58.2%	85.3%
White	68.9%	68.0%	68.2%	66.4%

Source: Statistics South Africa – QLFS, 2014

3.2.2 Labour absorption rate

Labour absorption is the proportion of the population of working age that is employed. The percentage of new entrants to the population of working age that find jobs in the formal sector of the economy is referred to as the labour absorption capacity of the economy. There exists an inverse relationship between labour absorption and unemployment that holds that the higher the absorption rate the lower the unemployment rate.

Table 3.6 indicates that South Africa recorded an average labour absorption rate of 43.3 per cent at the end of the fourth quarter 2013, a decrease from 46.2 per cent at the end of the fourth quarter 2008. Mpumalanga's labour absorption rate was 43.0 per cent at the end of the period under review, slightly lower (worse) than at the start of the period under review. Mpumalanga held the highest labour absorption rate with Western Cape (54.1 per cent) leading. Eastern Cape recorded the lowest labour absorption rate of 32.8 per cent at the end of the fourth quarter 2013, followed by Limpopo with 33.7 per cent.

Table 3.6: Labour absorption rate in South Africa and provinces, Q4 2008-Q4 2013

Province	Q4 2008 %	Q4 2013 %
Western Cape	56.0	54.1
Eastern Cape	35.0	32.8
Northern Cape	45.9	43.8
Free State	45.9	40.3
KwaZulu-Natal	42.6	38.6
North West	42.3	36.9
Gauteng	57.8	52.5
Mpumalanga	43.6	43.0
Limpopo	29.3	33.7
South Africa	46.2	43.3

Source: Statistics South Africa – QLFS, 2014

At the end of the fourth quarter 2013, males in Mpumalanga recorded a labour force absorption rate of 50.7 per cent, higher than that of females at 35.6 per cent. The male absorption rate was, however, lower than the 52.4 per cent recorded at the end of the fourth quarter 2008. Figure 3.3 compares the labour force absorption rate by gender and age in Mpumalanga between the end of the fourth quarter 2008 and the end of the fourth quarter 2013.

The youth cohort (15-34 years) registered a relatively low labour force absorption rate of 32.5 per cent at the end of the fourth quarter 2013. This was marginally lower than 5 years earlier when the youth of working age recorded an absorption rate of 32.6 per cent. The 50-54 age group ended the fourth quarter of 2013 with the highest labour force absorption rate of 64.6 per cent. The 15-19 age group recorded the lowest absorption rate of only 3.4 per cent.

According to Table 3.7, Asians (70.9 per cent) registered the highest absorption rate in Mpumalanga at the end of the fourth quarter 2013. The absorption rate of Africans and Asians in

Mpumalanga increased from the end of the fourth quarter 2008 to the end of the fourth quarter 2013, whereas that of Coloureds and Whites declined.

Figure 3.3: Labour absorption rate according to gender and age group in Mpumalanga, Q4 2008-Q4 2013
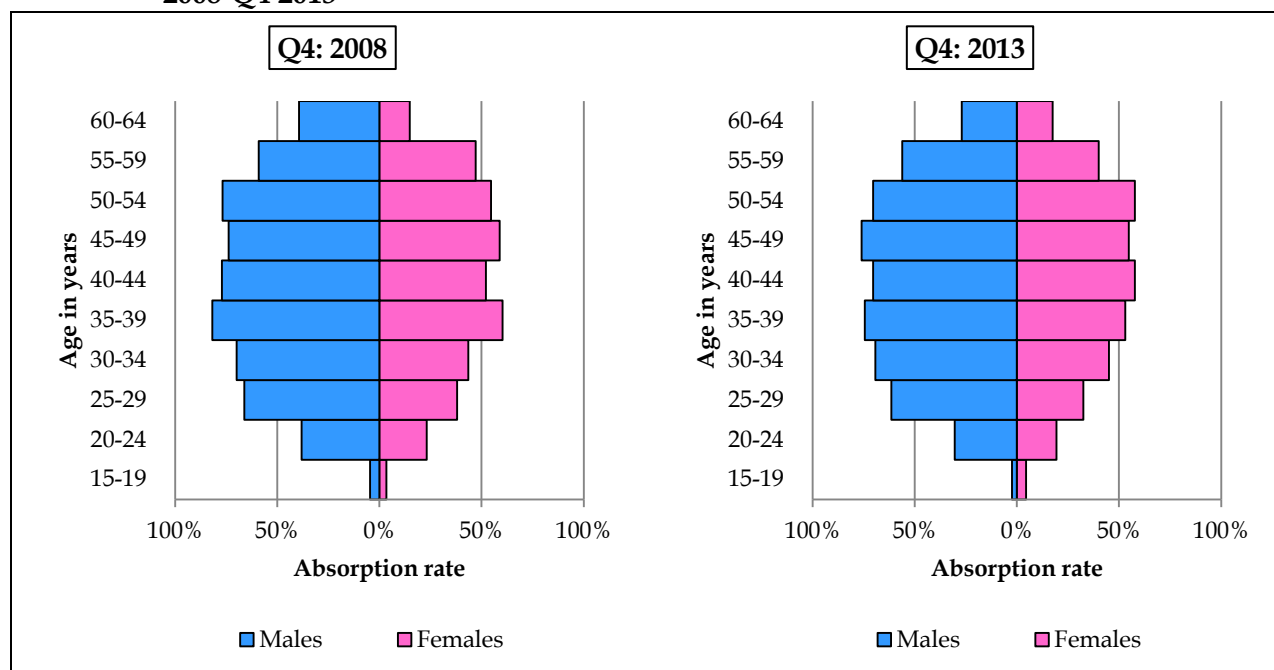
Source: Statistics South Africa – QLFS, 2014

Table 3.7: Labour absorption rate according to population group in South Africa and Mpumalanga, Q4 2008-Q4 2013

Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2013	Q4 2008	Q4 2013
African	40.8%	40.1%	41.0%	41.4%
Coloured	53.2%	49.7%	61.9%	49.3%
Asian	53.2%	51.5%	58.2%	70.9%
White	66.9%	63.1%	67.5%	65.4%

Source: Statistics South Africa – QLFS, 2014

3.3   Employment

The national labour market gained 408 000 jobs over the last 5 years. In total over the last 5 years, Mpumalanga recorded 98 000 more jobs and was only one of five provinces with higher employment numbers over the 5-year period (Table 3.8). Over the 5-year period, Free State (-77 000) lost the most jobs, whereas Limpopo (253 000) gained the most. Total employment in the province constituted 7.6 per cent of employment in the country at the end of the fourth quarter 2013, which was higher than 5 years earlier.

At the end of the fourth quarter 2013, the majority of Mpumalanga's employed was males with some 668 300 individuals or 58.2 per cent of the provincial total number of employees. This was higher than the 56.6 per cent recorded at the end of the fourth quarter 2008. The remainder (41.8 per cent) of the employed at the end of the fourth quarter 2013 was females, which was lower than the 43.4 per cent recorded at the end of the fourth quarter 2008. Figure 3.4 compares employment by gender and age in Mpumalanga between the end of the fourth quarter 2008 and the end of the fourth quarter 2013.

Table 3.8: Changes in employment in South Africa and provinces, 2008-2013

| Region	Q4 2008 '000	Q4 2012 '000	Q4 2013 '000	1-year change '000	5-year change '000
Western Cape	2 072	2 103	2 235	132	163
Eastern Cape	1 344	1 225	1 332	107	-12
Northern Cape	323	301	329	28	6
Free State	823	729	746	17	-77
KwaZulu-Natal	2 584	2 399	2 527	128	-57
North West	912	847	869	22	-43
Gauteng	4 746	4 724	4 823	99	77
Mpumalanga	1 051	1 065	1 149	84	98
Limpopo	915	1 130	1 168	38	253
South Africa	14 769	14 524	15 177	653	408

Source: Statistics South Africa – QLFS, 2014
Note: Due to rounding, numbers do not necessarily add up to totals

The youth of working age (15-34 years) made up 44.8 per cent of the total number of employed at the end of the fourth quarter 2013. This was lower than 5 years earlier when the youth of working age contributed 47.1 per cent. The age cohort of 30-34 years represented the most populous age cohort with 213 000 individuals or some 18.5 per cent of the provincial employed at the end of the fourth quarter 2013. The 25-29 years age cohort was the most populous at the end of the fourth quarter 2008 with a share of 17.6 per cent.

At the end of the fourth quarter 2013, Africans dominated employment in Mpumalanga with a share of 89.3 per cent of the provincial employment numbers. This was considerably higher than the share of Africans (71.1 per cent) nationally. Whites contributed some 9.2 per cent, whilst Asians (0.9 per cent) and Coloureds (0.7 per cent) contributed the remainder of the provincial employment numbers. African's share in the provincial employment numbers increased from 87.6 per cent at the end of the fourth quarter 2011 to the current level, whereas the shares of Whites declined. Employment according to population group is displayed in Table 3.9.

Figure 3.4: Employment by gender and age in Mpumalanga, Q4 2008-Q4 2013
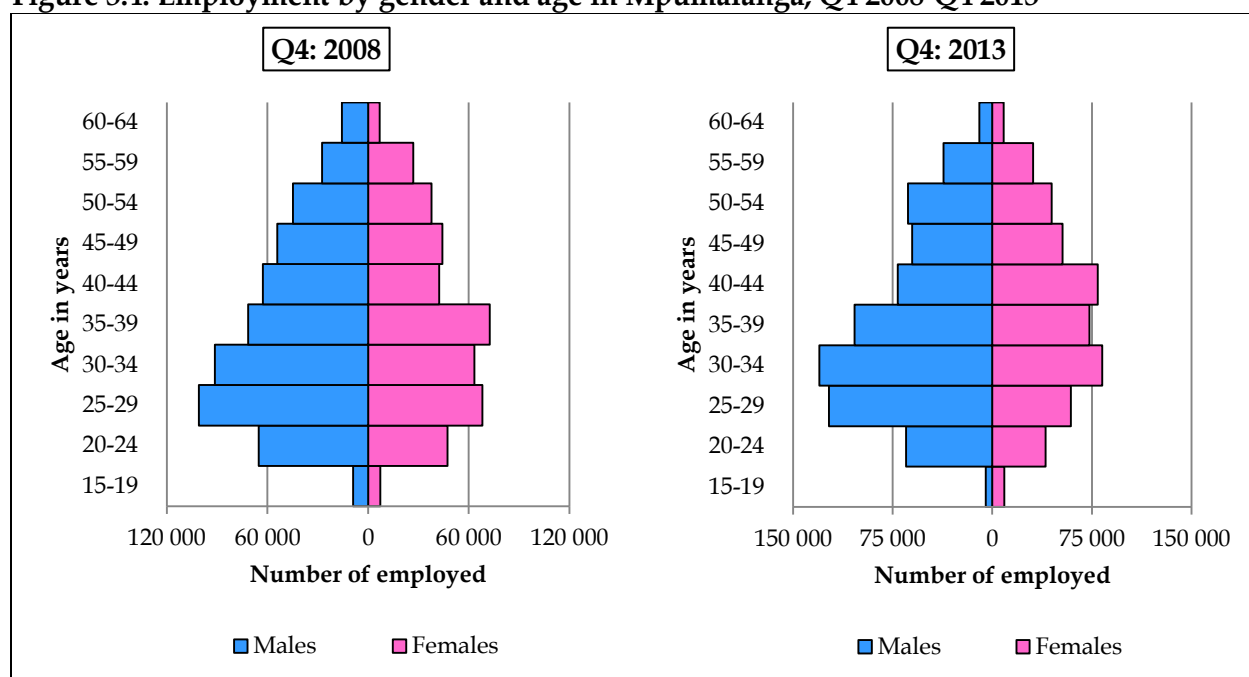
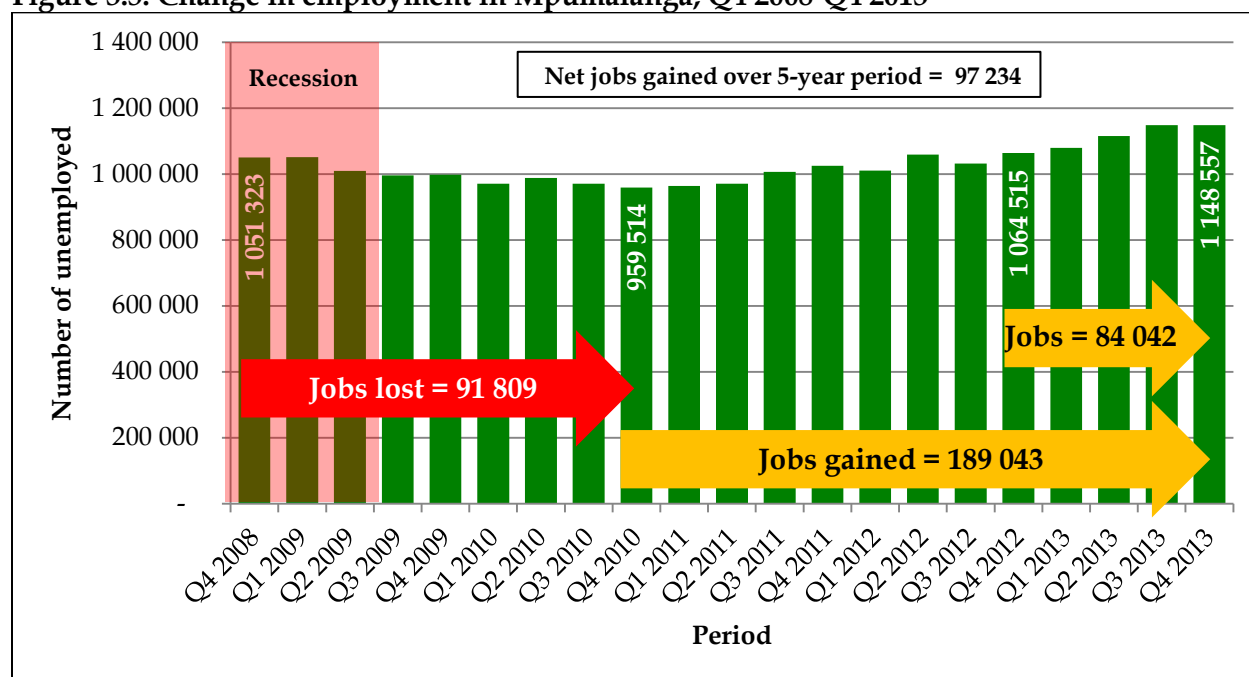*Source: Statistics South Africa – QLFS, 2014*

Table 3.9: Employment according to population group in South Africa and Mpumalanga, Q4 2008-Q4 2013

Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2013	Q4 2008	Q4 2013
African	70.4%	73.1%	87.3%	89.5%
Coloured	11.1%	10.7%	1.0%	0.8%
Asian	3.4%	3.2%	0.8%	2.0%
White	15.1%	13.0%	10.9%	7.7%
Total	100.0%	100.0%	100.0%	100.0%

Source: Statistics South Africa – QLFS, 2014

Over the last five years (including the recession), the lowest number of employed in the province was measured at the end of the fourth quarter 2010 at 959 514. This was 91 809 lower than the level recorded at the end of the fourth quarter 2008. The latest reading, at the end of the fourth quarter 2013, of 1 148 557 was 97 234 more than 5 years earlier. Not only was it higher than 5 years earlier, but it was also 189 043 higher than the lowest number recorded at the end of the fourth quarter 2010. Between the end of the fourth quarter 2012 and the end of the fourth quarter 2013, 84 042 jobs were created in Mpumalanga. The change in total employment from the end of the fourth quarter 2008 to the fourth quarter 2013 is displayed in Figure 3.5.

**Figure 3.5: Change in employment in Mpumalanga, Q4 2008-Q4 2013**

Source: Statistics South Africa – QLFS, 2008-2014

It is evident from Figures 3.6a and 3.6b that five industries registered higher employment levels at the end of the fourth quarter 2013 than at the end of the fourth quarter 2008. The five industries were mining, utilities, trade, finance and community services. Community services (61 588) recorded the highest gain in job numbers and the largest decline in job numbers was observed in manufacturing (-20 077). Utilities (13.8 per cent) registered the fastest average annual growth over the 5-year period, whereas job numbers in manufacturing (-4.6 per cent) declined the fastest on an average annual basis.

Over the last year from the end of the fourth quarter 2012 to the end of the fourth quarter 2013, employment numbers in the mining, utilities, construction, trade, finance and community services industries increased. Employment numbers in the finance industry increased by 44 658, the largest increase in the last year. The utilities industry registered the fastest annual growth in the year since the fourth quarter 2012 of 64.6 per cent. Employment numbers in agriculture, manufacturing, transport and private households declined during the last year. The largest decrease in job numbers on an annual basis was recorded in the agriculture industry (-29 293) followed by manufacturing (-28 861).

Figure 3.6a: Changes in unemployment per industry, Q4 2008-Q4 2013
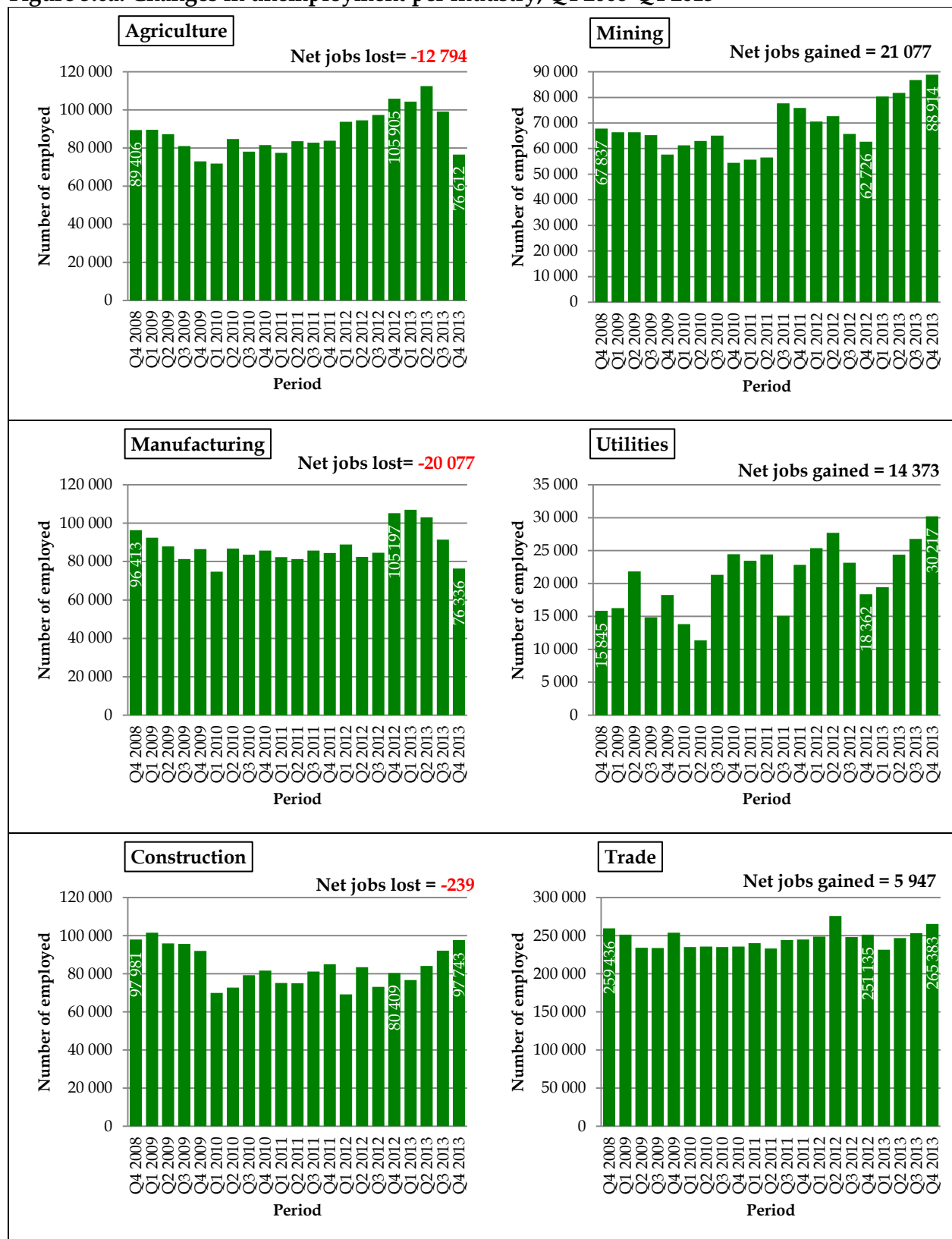
Source: Statistics South Africa – QLFS, 2014

Figure 3.6b: Changes in unemployment per industry, Q4 2008-Q4 2013
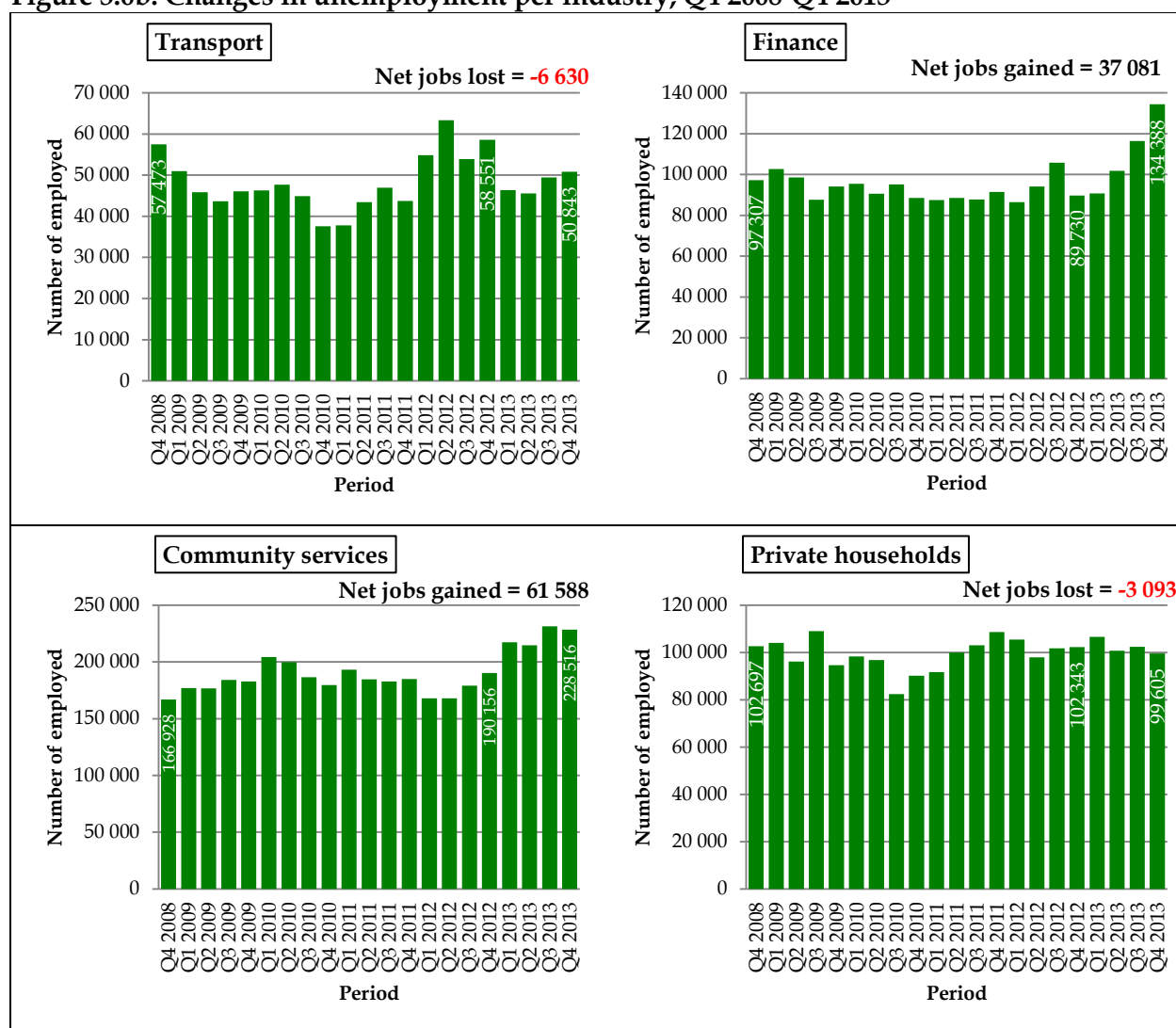
Source: Statistics South Africa – QLFS, 2014

Employment target

The NDP targets a decline in the national unemployment rate to 14.0 per cent by 2020 and 6.0 per cent by 2030. Similarly, the Provincial Vision 2030 targets a decline in the provincial unemployment rate to 15.0 per cent by 2020 and 6.0 per cent by 2030. In order to reach the unemployment rate target by 2030, some 1.3 million new, sustainable jobs must be created in the period up to 2030.

The 1.3 million jobs equates to more or less 77 000 jobs per annum or an annual average employment growth of 4.6 per cent per annum up to 2030. Figure 3.7 depicts historical employment numbers and required employment growth in Mpumalanga. It is evident from the illus-

tration that employment growth of 3.6 per cent per annum – the employment growth post-recession – will not be sufficient to reach the employment target of 2.47 million jobs by 2030.

Figure 3.7: Mpumalanga employment numbers and employment target, 2008-2030
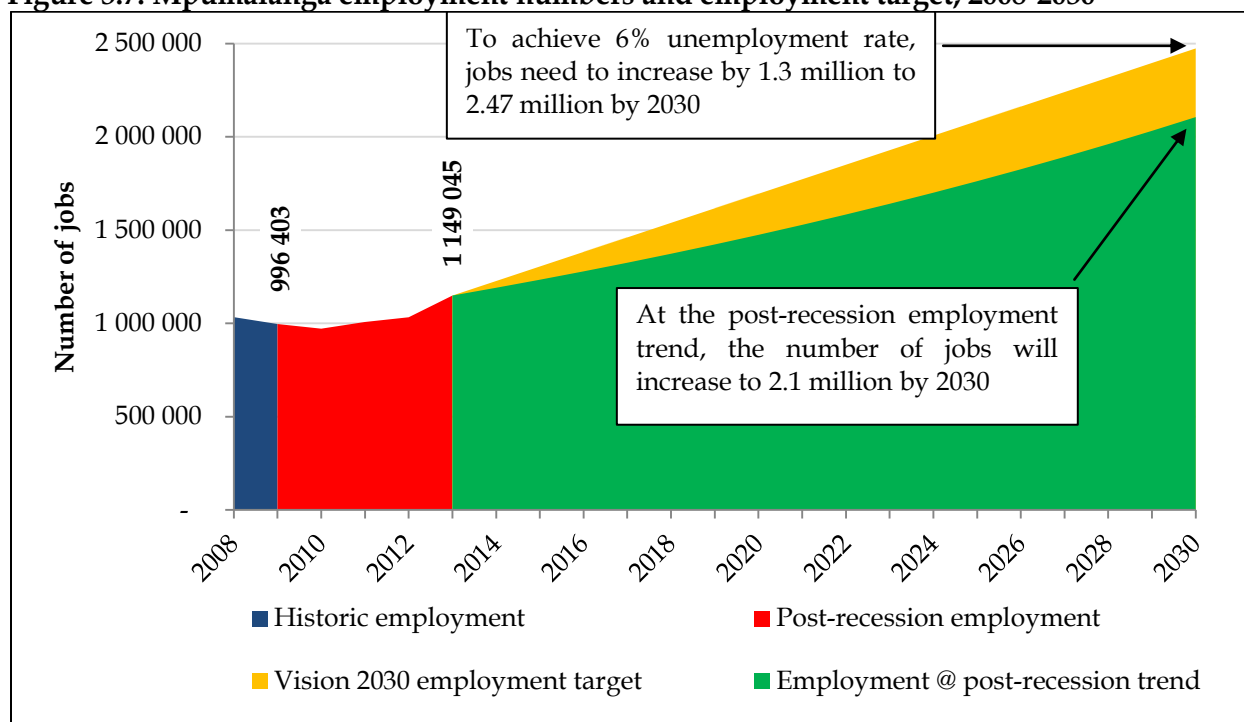
Source: Statistics South Africa – QLFS, 2014

3.3.1   Aggregate employment

In Mpumalanga, the formal employees' share of total employment declined from 59.7 per cent at the end of the fourth quarter 2008 to 61.7 per cent at the end of the fourth quarter 2013. The formal sector in Mpumalanga recorded a smaller share of total employment than was the case nationally (71.0 per cent). The informal sector's[13] share increased from 22.0 per cent to 23.0 per cent over the same period. Private households' share decreased to 8.7 per cent from 9.8 per cent 5 years earlier, whilst agriculture's share decreased from 8.5 per cent to 6.7 per cent. The informal sector, agriculture and private households in Mpumalanga registered larger shares of total employment in the fourth quarter of 2013, than was the case nationally. Table 3.10 shows the aggregated employment composition of employment in South Africa and the province from the end of the fourth quarter 2008 to the end of the fourth quarter 2013.

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[13] The informal sector comprises the following two components: i) Employees working in establishments that employ less than 5 employees, who do not deduct income tax from their salaries & ii) Employers, own-account workers and persons helping unpaid in their household business who are not registered for either income tax or value-added tax.

**Table 3.10: Aggregate employment in South Africa & Mpumalanga, 2008-2013**

Sector	Q4 2008		Q4 2012		Q4 2013	
	SA	MP	SA	MP	SA	MP
Formal sector	69.2%	59.7%	70.7%	56.5%	71.0%	61.7%
Informal sector	16.0%	22.0%	16.2%	24.0%	16.1%	23.0%
Agriculture[14]	5.5%	8.5%	4.9%	9.9%	4.7%	6.7%
Private households	9.3%	9.8%	8.2%	9.6%	8.2%	8.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Statistics South Africa – QLFS, 2014

3.3.2 Employment by industry in Mpumalanga

Figure 3.8 depicts employment by industry in Mpumalanga in the fourth quarters of 2008 and 2013, respectively. The trade industry (wholesale and retail trade) employed the largest share of individuals in the province at 23.1 per cent at the end of the fourth quarter 2013. This was smaller than the 24.7 per cent share registered 5 years earlier. Community services (19.9 per cent) was the second biggest employer with a larger share than at the end of the fourth quarter 2008 (15.9 per cent). The finance and mining industries improved their rankings significantly to third and sixth largest from fifth and eighth, respectively. The utilities industry increased its share but was the smallest in both quarters.

**Figure 3.8: Employment by industry in Mpumalanga, Q4 2008-Q4 2013**
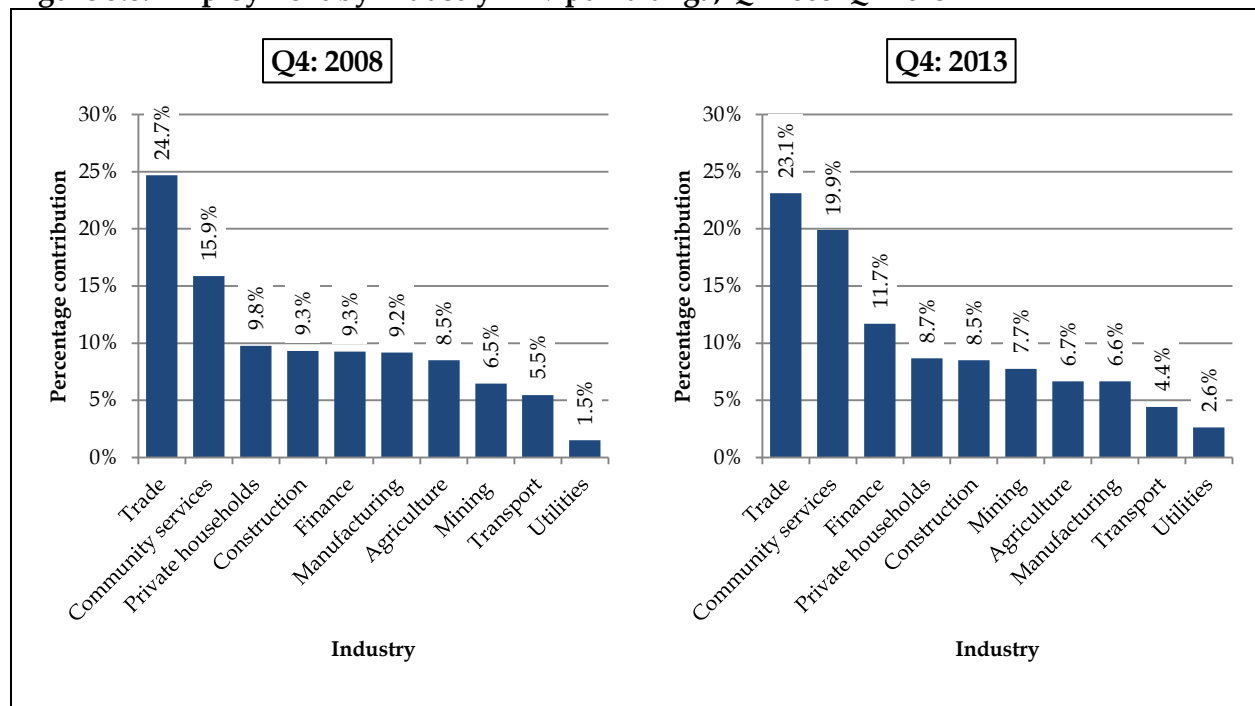
Source: Statistics South Africa – QLFS, 2014

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[14] An additional 152 000 citizens were involved in subsistence farming (non-market activities) in the province.

According to Figure 3.9, community services (61 588), finance (37 081) and mining (21 077) were the three industries in Mpumalanga that recorded the highest employment increase from the fourth quarter 2008 to the end of the fourth quarter 2013. Utilities and trade also registered increases over the 5-year period. Manufacturing (-20 077) recorded the highest number of job losses over the same period followed by agriculture (-12 794).

Figure 3.9: Changes in employment by industry in Mpumalanga, Q4 2008-Q4 2013
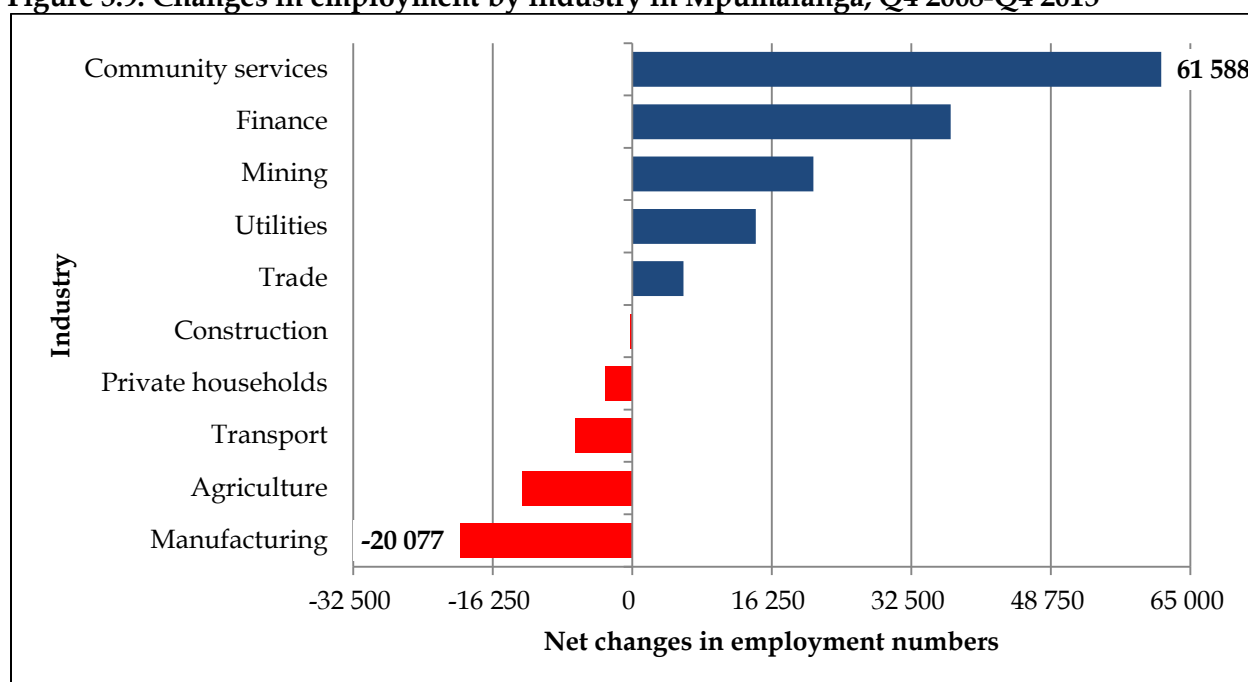
Source: Statistics South Africa – QLFS, 2014

3.3.3 Occupational profile of employed

The occupational profile is an indicator of the quality of the labour force. It provides information on the employability of workers and their proficiency levels and assists in identifying the shortage of skills in the economy, by matching the demand for labour with it relative supply.

Figure 3.10 illustrates the occupational profile of Mpumalanga in the respective fourth quarters of 2008 and 2013. It was heavily skewed towards semi- and unskilled occupations. The share of highly educated or skilled occupations (managers and professionals) was 8.9 per cent at the end of the fourth quarter 2013. This was slightly lower than the 9.3 per cent share at the end of the fourth quarter 2008. The combined share of elementary occupations and domestic workers was

35.2 per cent at the end of the fourth quarter 2013, higher than the 33.9 per cent share one year earlier. The majority of these people are normally unskilled or semi-skilled workers.

Figure 3.10: Mpumalanga's occupational profile, Q4 2008-Q4 2013
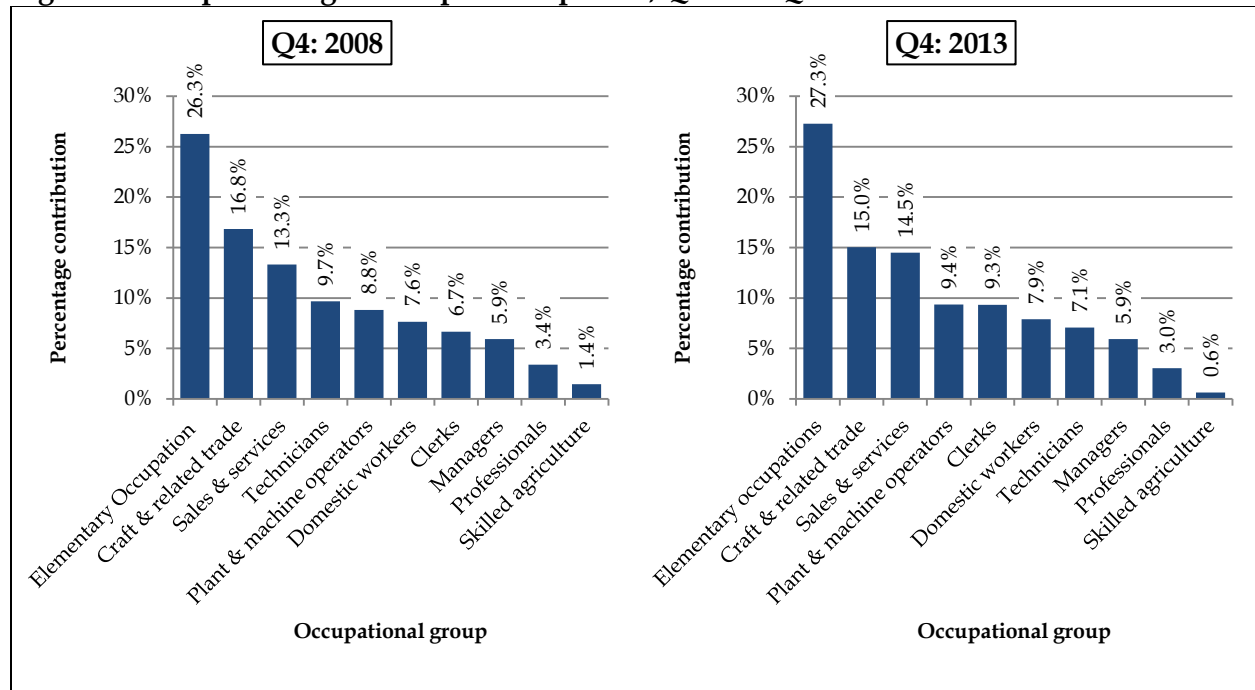
Source: Statistics South Africa – QLFS, 2014

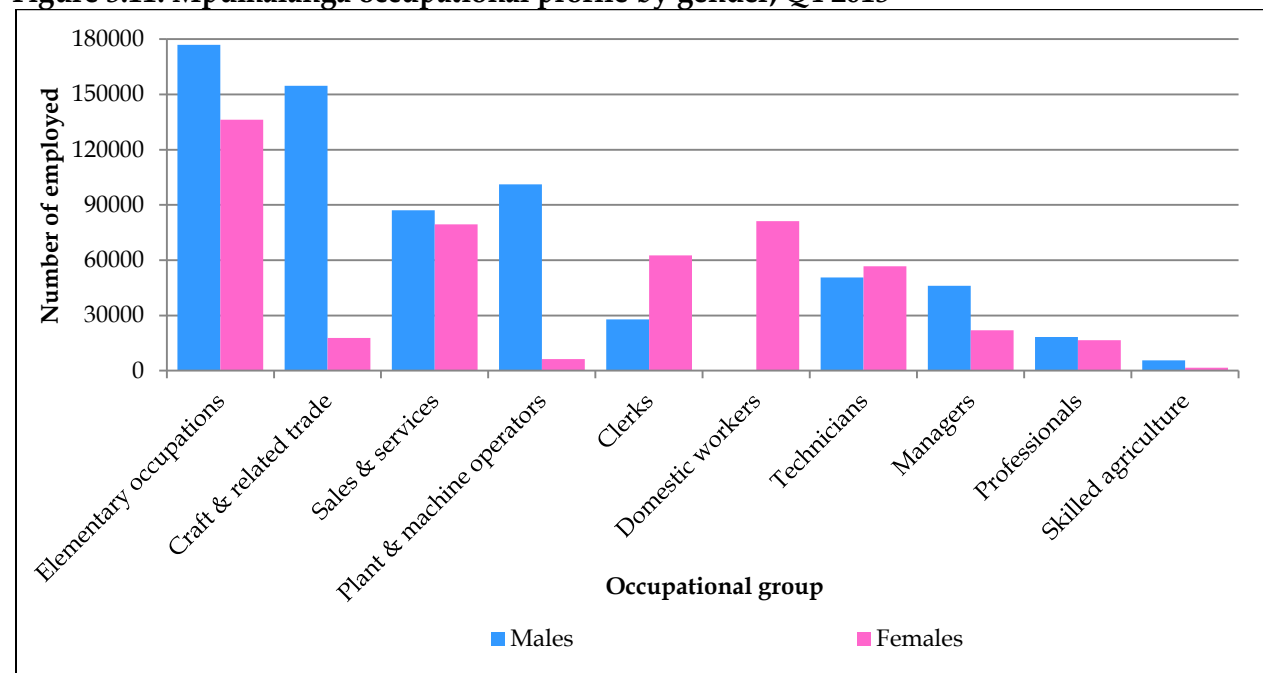**Figure 3.11: Mpumalanga occupational profile by gender, Q4 2013**

Source: Statistics South Africa – QLFS, 2014

Figure 3.11 depicts the occupational profile of the province by gender at the end of the fourth quarter 2013. Males registered higher employment numbers in seven of the ten occupational categories, whereas females took the lead in four occupational categories, namely clerks, domestic workers as well as technicians.

3.3.4   Educational profile of employed

At the end of the fourth quarter of 2013, some 33.1 per cent of the employed in Mpumalanga indicated that, although currently employed, they have not completed their secondary education. At the end of the fourth quarter 2008, this figure was marginally lower at 32.8 per cent. Those that have completed their secondary education made up 27.9 per cent, whereas 15.0 per cent of the employed completed some post matric education at the end of the fourth quarter 2013. Five years earlier, the employed were more or less similarly educated with some 27.4 per cent that completed matric and 12.5 per cent that obtained a qualification higher than matric. It is apparent from Figure 3.12 that in total, 24.0 per cent of the employed have not completed any level of schooling higher than primary at the end of the fourth quarter 2013.

Figure 3.12: Educational profile of employed in Mpumalanga, Q4 2008-Q4 2013
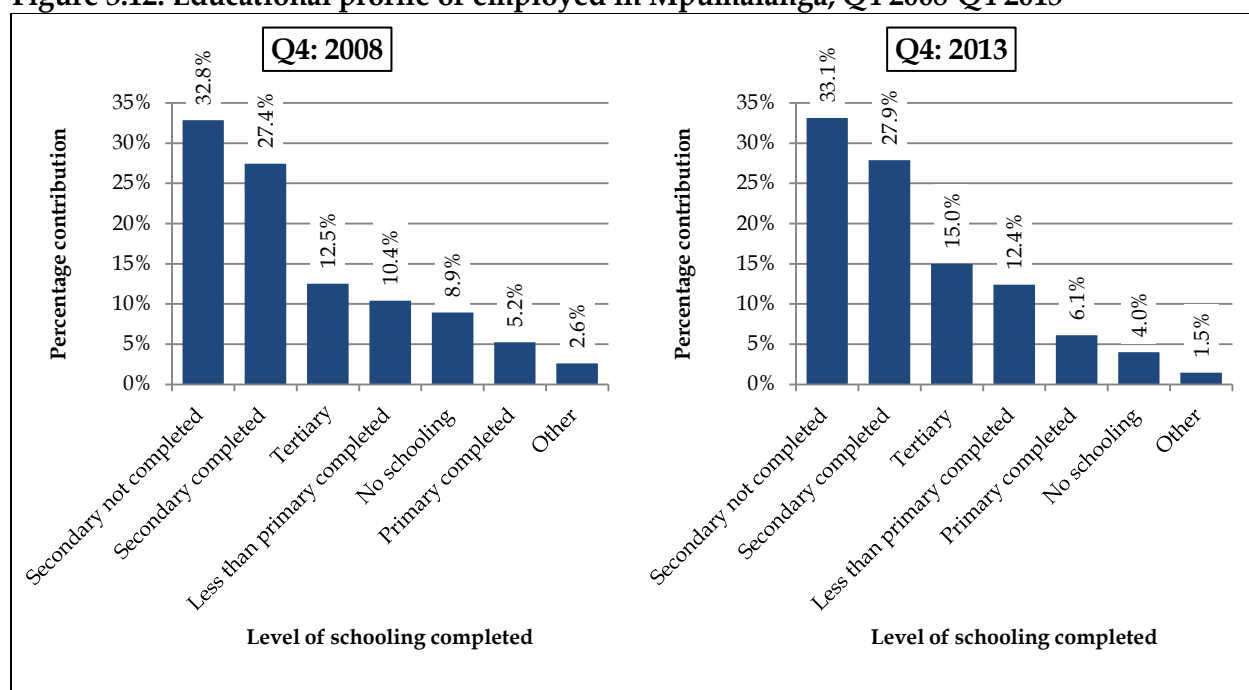
Source: Statistics South Africa – QLFS, 2014

In the fourth quarter of 2013, the employment rate among individuals with completed tertiary education was the highest in South Africa with 89.8 per cent. The lowest employment rate

(highest unemployment rate) at the end of the fourth quarter 2013 was recorded among individuals with incomplete secondary education (68.8 per cent) followed by those with completed secondary (74.4 per cent). The employment rate of individuals by their level of education is summarized in Table 3.11.

Similar results were obtained in Mpumalanga where individuals with completed tertiary education (85.6 per cent) registered the highest employment rate at the end of the fourth quarter 2013. The lowest employment rate was recorded among individuals with incomplete secondary education (66.1 per cent). With the exception of incomplete primary, the employment rates of all levels of education in Mpumalanga declined between 2008 and 2013. The results of Table 3.11 demonstrate that the probability of unemployment among the labour force in Mpumalanga was only reduced when tertiary education was achieved. Below tertiary level, higher levels of education appeared to correlate negatively with employment and did not display any improvement.

Table 3.11: Comparative employment rate by level of education in South Africa and Mpumalanga, Q4 2008-Q4 2013

Level of education	South Africa		Mpumalanga	
	Q4 2008	Q4 2013	Q4 2008	Q4 2013
No schooling	87.4%	81.8%	90.1%	80.2%
Incomplete primary	79.1%	81.4%	77.0%	82.9%
Primary completed	76.1%	78.1%	83.0%	82.0%
Incomplete secondary	72.2%	68.8%	71.7%	66.1%
Secondary completed	76.5%	74.4%	75.6%	68.5%
Tertiary completed	93.5%	89.8%	87.1%	85.6%

Source: Statistics South Africa – QLFS, 2014

3.4   Unemployment

According to Statistics South Africa's QLFS, the unemployment rate in Mpumalanga was 22.5 per cent at the end of the fourth quarter 2008 and increased to 27.2 per cent at the end of the fourth quarter 2013 (Figure 3.13). This was higher than the national average, which was recorded at 24.1 per cent at the end of the fourth quarter 2013. Mpumalanga, recorded the fourth highest unemployment rate among the nine provinces with Free State (33.0 per cent) recording the highest unemployment rate. With the exception of Limpopo and KwaZulu-Natal, the unemployment rates of all regions were higher at the end of the fourth quarter 2013 than at the start of the 5-year period.

At the end of the fourth quarter 2013, the youth cohort (15-34 years of age) constituted 66.2 per

cent and 73.6 per cent of the number of unemployed in South Africa and Mpumalanga, respectively. The unemployment rate of the youth cohort was 34.0 per cent in South Africa and 38.0 per cent in Mpumalanga (Table 3.12). In Mpumalanga, the unemployment rate of the age group 20-24 was the highest at 52.3 per cent.

Figure 3.13: Unemployment rate for South Africa by province, 2008-2013

	LP	KZN	WC	RSA	NC	GP	MP	NW	EC	FS
Q4: 2008	28.3%	20.5%	16.4%	21.5%	21.2%	20.4%	22.5%	25.7%	25.2%	22.0%
Q4: 2012	19.1%	21.9%	23.4%	24.5%	28.3%	23.5%	29.1%	23.2%	29.5%	32.7%
Q4: 2013	16.9%	19.9%	21.0%	24.1%	24.9%	25.2%	27.2%	27.3%	27.8%	33.0%
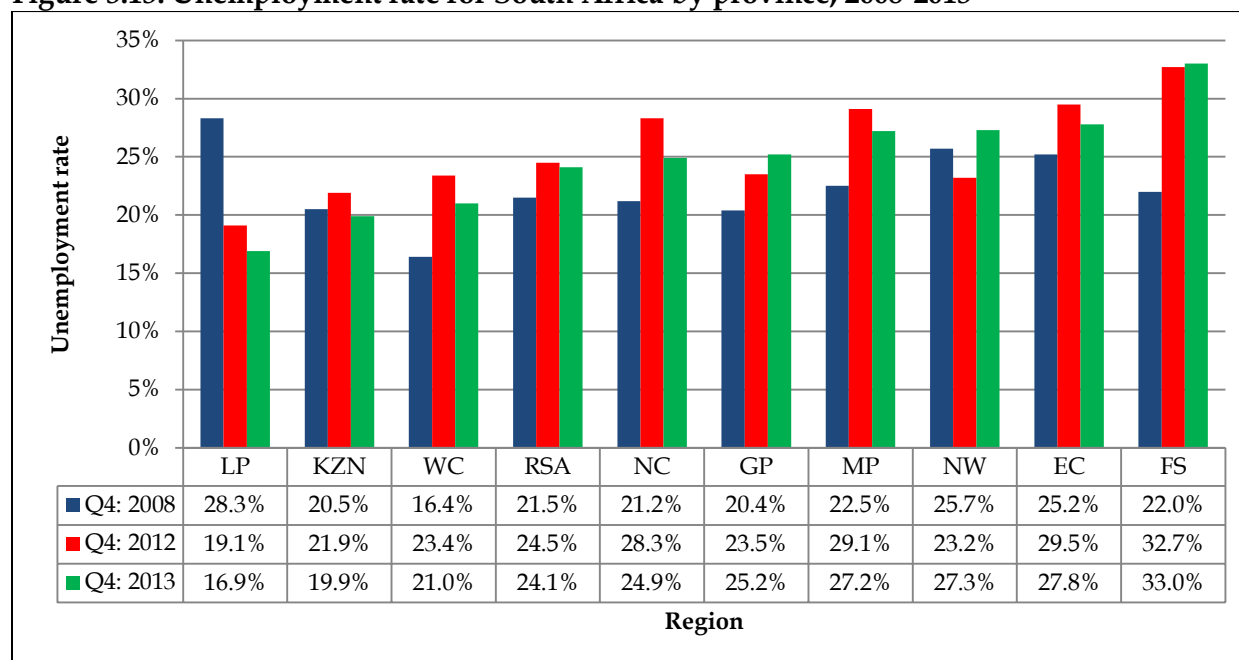
Source: Statistics South Africa – QLFS, 2014

Table 3.12: Unemployment rate according to age in South Africa & Mpumalanga, Q4 2013

Age group	Unemployment rate	
	South Africa	**Mpumalanga**
15-19 years	54.2%	29.8%
20-24 years	48.3%	52.3%
25-29 years	32.5%	38.5%
30-34 years	23.9%	27.4%
35-39 years	21.2%	22.5%
40-44 years	15.8%	16.6%
45-49 years	14.2%	11.3%
50-54 years	11.4%	9.1%
55-59 years	10.6%	8.9%
60-64 years	2.9%	2.0%

Source: Statistics South Africa – QLFS, 2014

The majority of Mpumalanga's unemployed at the end of the fourth quarter 2013 was female with some 234 400 individuals or 54.7 per cent of the provincial total number of unemployed. This was higher than the 54.0 per cent recorded at the end of the fourth quarter 2008. The balance (45.3 per cent) of the unemployed at the end of the fourth quarter 2013 was males, which

was lower than the 46.0 per cent recorded at the end of the fourth quarter 2008. Figure 3.14 compares the unemployed by gender and age in Mpumalanga between the end of the fourth quarter 2008 and the end of the fourth quarter 2013.

Figure 3.14: Unemployment numbers by gender and age in Mpumalanga, Q4 2008-Q4 2013
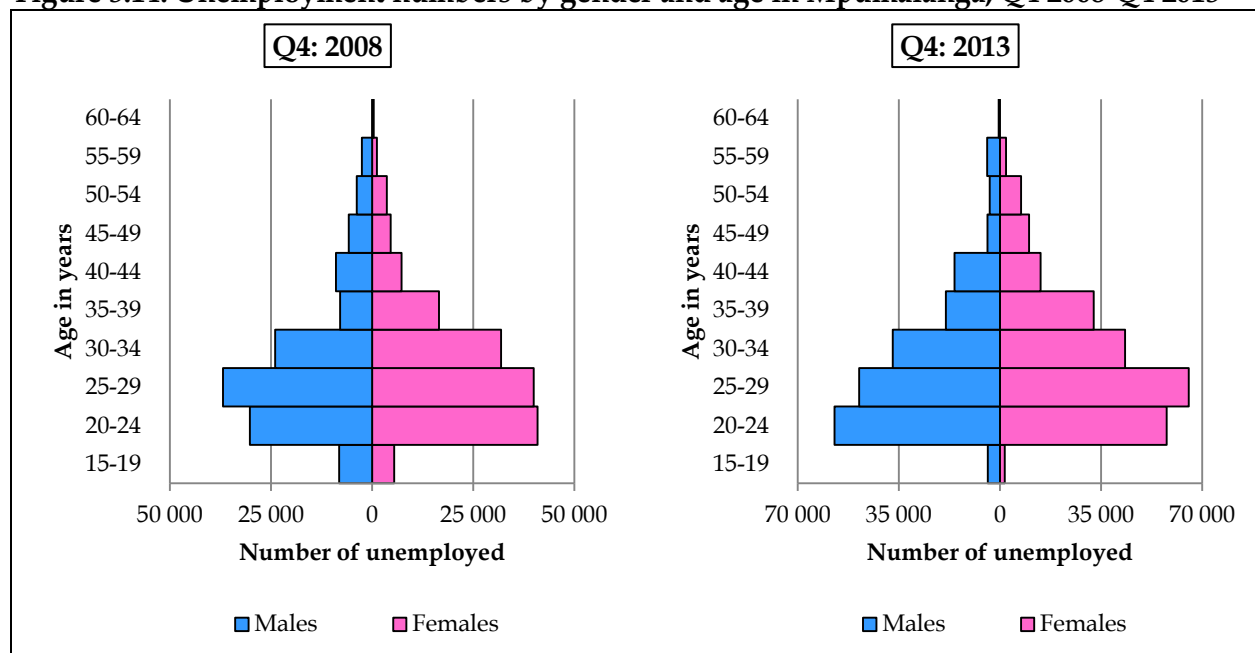
Source: Statistics South Africa – QLFS, 2014

The youth of working age (15-34 years) made up 73.6 per cent of the total number of unemployed at the end of the fourth quarter 2013. This was lower than 5 years earlier when the youth of working age contributed 77.2 per cent. The age cohort of 20-24 years represented the most populous age cohort with 115 000 individuals or some 26.8 per cent of the provincial unemployed at the end of the fourth quarter 2013. The same age cohort was also the most populous at the end of the fourth quarter 2008 with a share of 26.9 per cent.

Table 3.13:   Unemployment rate according to population group in Mpumalanga, Q4 2008-Q4 2013

Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2013	Q4 2008	Q4 2013
African	25.7%	27.1%	24.9%	29.1%
Coloured	17.9%	23.0%	17.9%	16.2%
Asian	11.6%	12.5%	–[15]	16.9%
White	2.8%	7.2%	1.1%	1.5%
Total	**21.6%**	**24.1%**	**22.6%**	**27.2%**

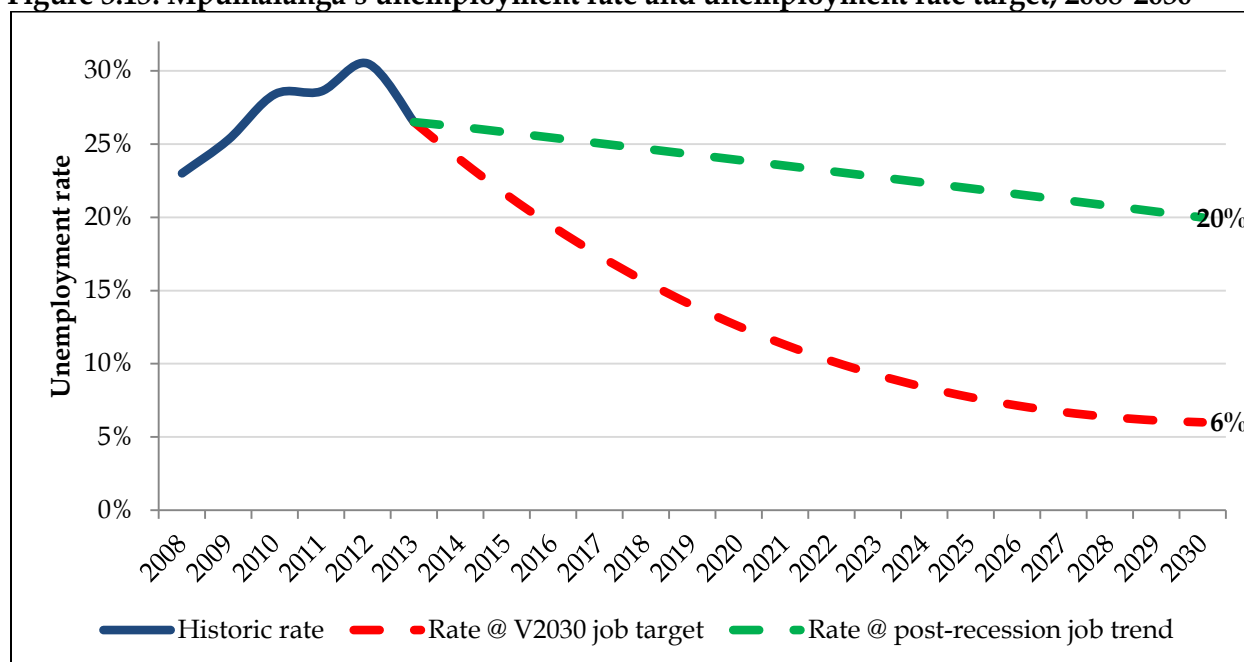*Source: Statistics South Africa – QLFS, 2014*

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[15] It appears from the data that Asians recorded no unemployment, however, the size of the survey sample may be too small to provide accurate estimates.

Unemployment rates in South Africa and Mpumalanga according to population group are displayed in Table 3.13. At the end of the fourth quarter 2013, Africans recorded an unemployment rate of 29.1 per cent - the highest in Mpumalanga. This was higher than the unemployment rate of Africans nationally (27.1 per cent) and higher than at the start of the 5-year period. The provincial unemployment rate of Whites was only 1.5 per cent, whilst that of Coloureds and Asians were 16.2 per cent and 16.9 per cent, respectively, at the end of the fourth quarter 2013.

Target unemployment rate

The Vision 2030 target unemployment rate for Mpumalanga is 6 per cent by 2030. If 1.3 million jobs can be created up to 2030, the unemployment rate should, in all probability, drop to 6 per cent as is displayed in Figure 3.15. If jobs, however, are to be created at the post-recession trend of 3.6 per cent per annum, the unemployment rate should most probably decline to only 20.0 per cent by 2030.

Figure 3.15: Mpumalanga's unemployment rate and unemployment rate target, 2008-2030

Source: Statistics South Africa – QLFS, 2014
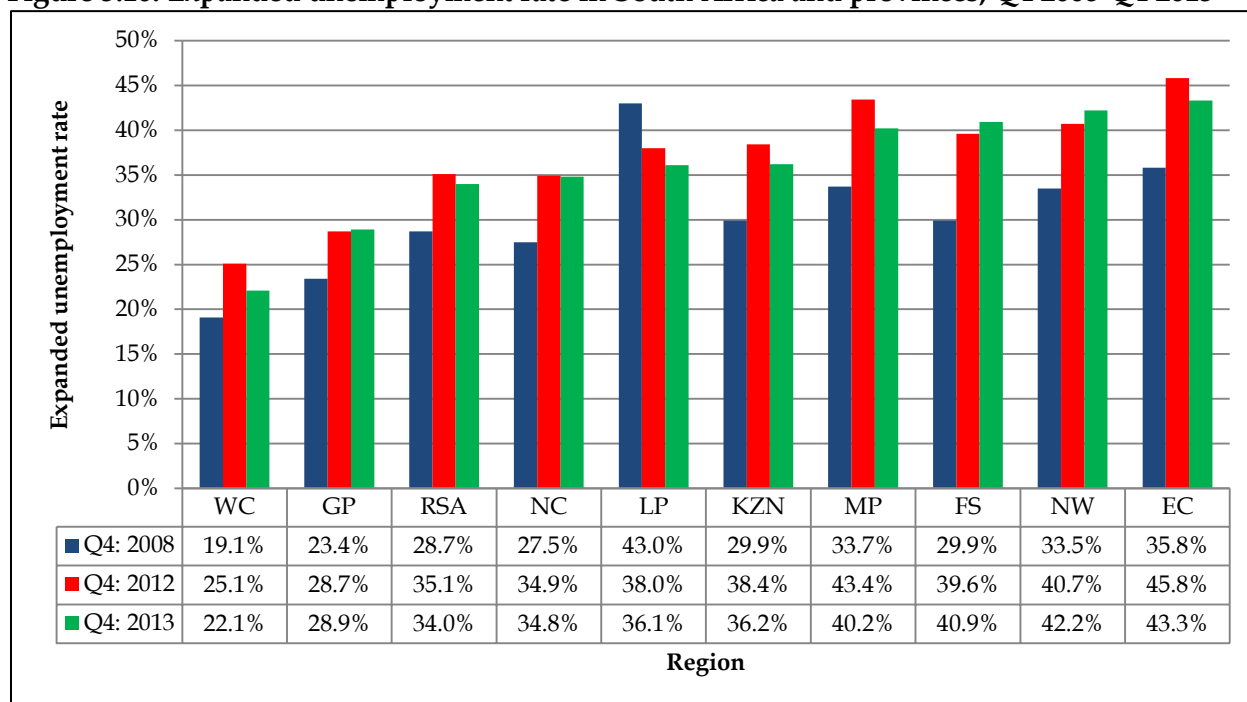
3.4.1 Expanded definition of unemployment

The expanded unemployment rate takes into account everybody who was available for work even if they did not search for work. In essence, it includes all persons who are unemployed ac-

cording to the official definition plus part of the inactive population (according to official definition) who indicated that they were available, regardless of the reason they gave for not looking for work.

Figure 3.16 shows that South Africa's expanded unemployment rate was recorded at 28.7 per cent at the end of the fourth quarter 2008 and subsequently increased to 34.0 per cent at the end of the fourth quarter 2013. Mpumalanga's expanded unemployment rate was 33.7 per cent at the end of the fourth quarter 2008, which was substantially higher than the national average. It increased to 40.2 per cent at the end of the fourth quarter 2013, whilst remaining higher than the national figure and second highest overall.

Figure 3.16: Expanded unemployment rate in South Africa and provinces, Q4 2008-Q4 2013

	WC	GP	RSA	NC	LP	KZN	MP	FS	NW	EC
Q4: 2008	19.1%	23.4%	28.7%	27.5%	43.0%	29.9%	33.7%	29.9%	33.5%	35.8%
Q4: 2012	25.1%	28.7%	35.1%	34.9%	38.0%	38.4%	43.4%	39.6%	40.7%	45.8%
Q4: 2013	22.1%	28.9%	34.0%	34.8%	36.1%	36.2%	40.2%	40.9%	42.2%	43.3%

Source: Statistics South Africa – QLFS, 2014

The expanded unemployment rate of the youth cohort was 45.5 per cent in South Africa and 51.7 per cent in Mpumalanga at the end of the fourth quarter 2013. The expanded unemployment rate of the 15-19 year age group was the highest in Mpumalanga at 74.0 per cent, whereas that of the 60-64 year age group was the lowest at 8.2 per cent. It is evident from Table 3.14 that virtually all of Mpumalanga's age related expanded unemployment rates were higher than that of South Africa.

The majority of Mpumalanga's unemployed (expanded definition) at the end of the third quar-

ter 2013 was female with some 447 700 individuals or 57.9 per cent of the provincial total number of unemployed. This was lower than the 61.1 per cent recorded at the end of the fourth quarter 2008. The balance (42.1 per cent) of the unemployed at the end of the fourth quarter 2013 was males, which was higher than the 38.9 per cent recorded at the end of the fourth quarter 2008. Figure 3.17 compares the expanded unemployment numbers by gender and age in Mpumalanga between the end of the respective fourth quarters of 2008 and 2013.

Table 3.14: Expanded unemployment rate according to age in South Africa & Mpumalanga, Q4 2013

Age group	Unemployment rate	
	South Africa	Mpumalanga
15-19 years	74.1%	74.0%
20-24 years	60.7%	66.4%
25-29 years	42.1%	48.1%
30-34 years	33.0%	38.5%
35-39 years	28.7%	30.2%
40-44 years	22.8%	28.9%
45-49 years	22.0%	26.0%
50-54 years	18.5%	19.9%
55-59 years	17.9%	21.1%
60-64 years	6.8%	8.2%
Total	**34.0%**	**40.2%**

Source: Statistics South Africa – QLFS, 2014

Figure 3.17: Expanded unemployment numbers by gender and age in Mpumalanga, Q4 2008-Q4 2013
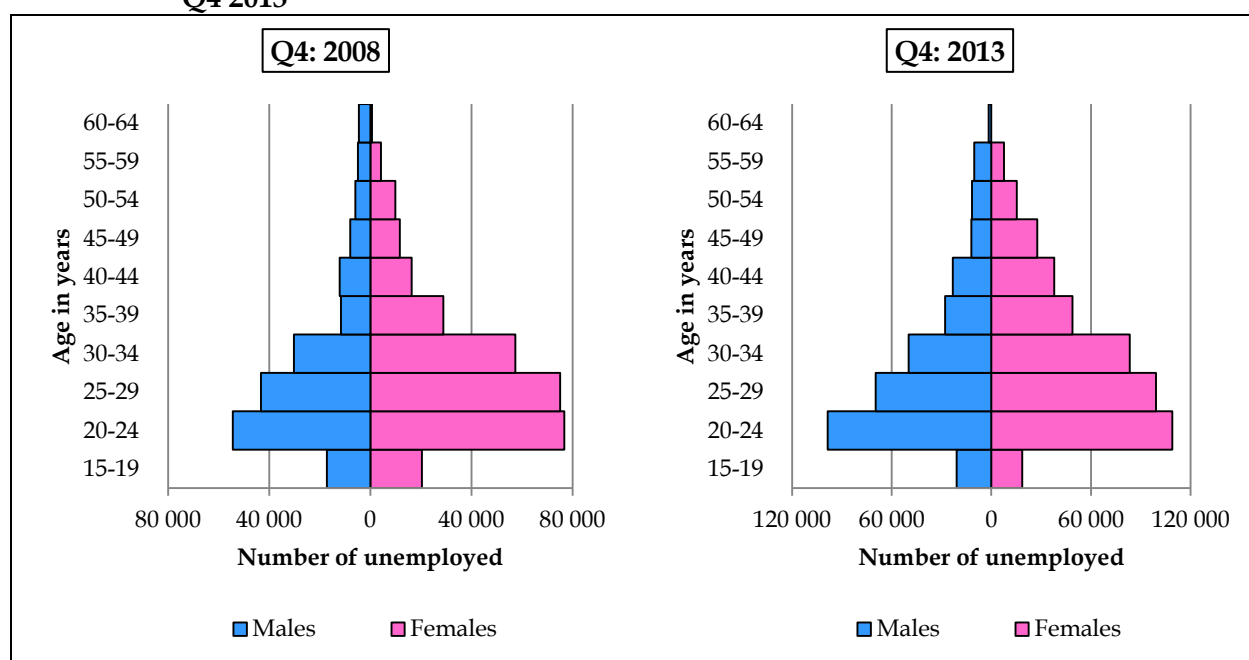
Source: Statistics South Africa – QLFS, 2014

The youth of working age (15-34 years) made up 71.0 per cent of the total number of unemployed (expanded definition) in Mpumalanga at the end of the fourth quarter 2013. This was lower than 5 years earlier when the youth of working age contributed 76.0 per cent. The age cohort of 20-24 years represented the most populous age cohort with 207 600 individuals or some 26.8 per cent of the provincial unemployed (expanded definition) at the end of the fourth quarter 2013. The same age cohort was also the most populous at the end of the fourth quarter 2008 with a lower share of 25.5per cent.

Table 3.15 depicts South Africa and Mpumalanga's expanded unemployment rate according to population group at the end of the fourth quarter 2013. It is evident that the expanded unemployment rate for Africans (42.6 per cent) was higher than the provincial average of 40.2 per cent. This was higher than the expanded unemployment rate of Africans nationally (38.5 per cent), as well as higher than 5 years earlier (36.9 per cent). The expanded unemployment rate of Whites in Mpumalanga was 3.3 per cent, whilst that of Coloureds and Asians were, respectively, 26.3 per cent and 19.4 per cent at the end of the fourth quarter 2013.

Table 3.15: Expanded unemployment rate according to population group in South Africa and Mpumalanga, Q4 2008-Q4 2013

Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2013	Q4 2008	Q4 2013
African	34.6%	38.5%	36.9%	42.6%
Coloured	20.7%	26.8%	6.6%	26.3%
Asian	14.7%	17.1%	-[16]	19.4%
White	3.9%	8.4%	1.4%	3.3%
Total	**29.2%**	**34.0%**	**35.2%**	**40.2%**

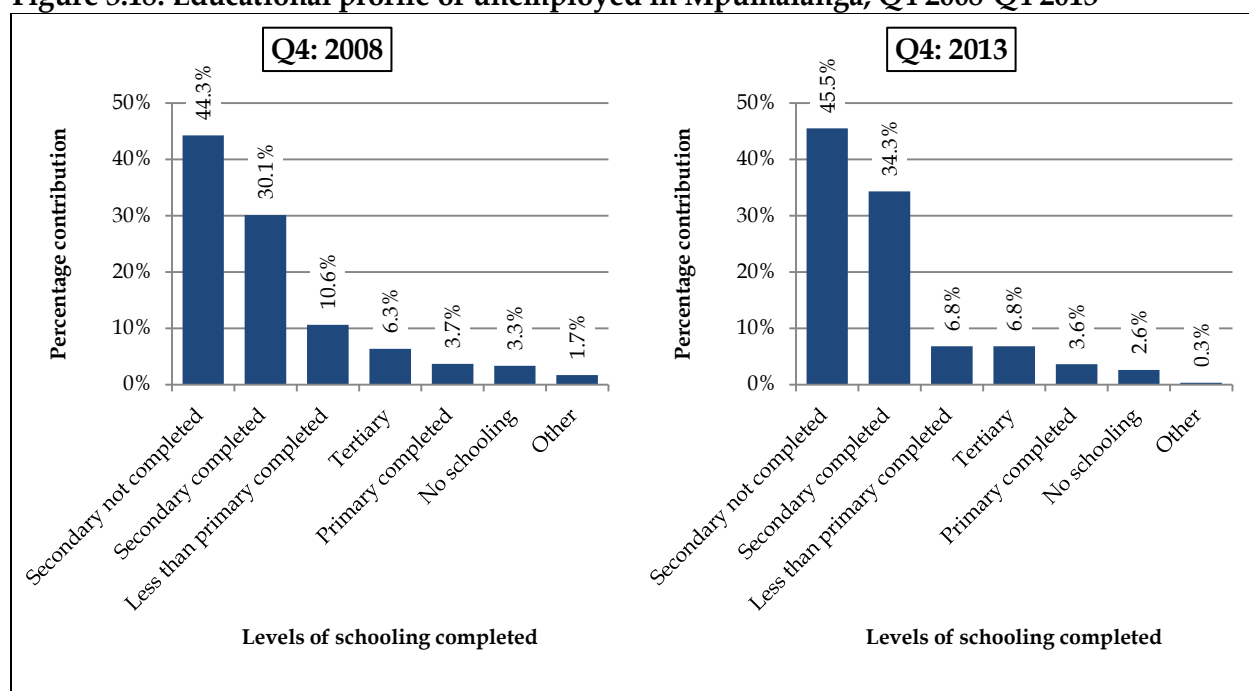*Source: Statistics South Africa – QLFS, 2014*

3.4.2   Educational profile of unemployed

At the end of the fourth quarter 2013, some 45.5 per cent of the unemployed in Mpumalanga indicated that they have not completed their secondary education. It is apparent from Figure 3.18 that only 13.3 per cent of the unemployed has not completed any level higher than primary education at the end of the fourth quarter 2013.

Particularly worrying is the fact that 34.3 per cent of the unemployed completed their secondary education and 6.8 per cent a qualification higher than matric. The two shares are both higher than 5 years earlier at the end of the fourth quarter 2008.

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[16] It appears from the data that Asians recorded no unemployment, however, the size of the survey sample may be too small to provide accurate estimates.

Figure 3.18: Educational profile of unemployed in Mpumalanga, Q4 2008-Q4 2013

Source: Statistics South Africa – QLFS, 2014
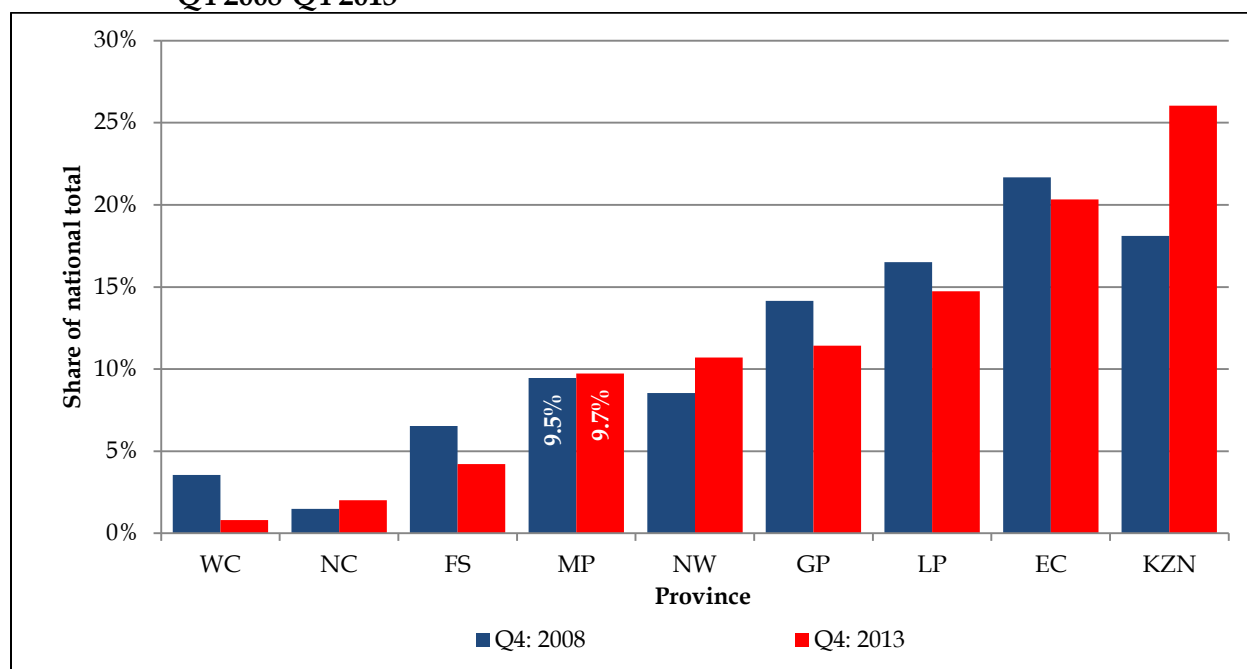
3.5   Discouraged work-seekers

Statistics South Africa defines a discouraged work-seeker as a person, who was not employed during the reference period, wanted to work, was available to work or start a business but did not take active steps to find work during the four week that preceded the reference period. South Africa had approximately 2.2 million discouraged work-seekers by the end of the fourth quarter 2013. This represents a decrease of 101 000 over the end of the fourth quarter 2012, however, it was 1.0 million more than at the end of the fourth quarter 2008.

Figure 3.19 indicates that Mpumalanga's share was 9.7 per cent of South Africa's discouraged work-seekers at the end of the fourth quarter 2013, slightly higher than the 9.5 per cent share at the end of the fourth quarter 2008. The number of discouraged work-seekers in Mpumalanga increased by 101 500 from the end of the fourth quarter 2008 to the end of the fourth quarter 2013. When compared with other provinces, Mpumalanga registered the fourth lowest share of the national total of discouraged work-seekers.

It is evident from Figure 3.20 that Mpumalanga's discouraged work-seekers increased as a percentage of the provincial working age population (15-64 years) from the end of the fourth quarter 2008 (4.7 per cent) to the end of the fourth quarter 2013 (8.0 per cent). Four provinces had

larger shares of discouraged work-seekers than Mpumalanga at the end of the fourth quarter 2013. However, discouraged work-seekers' share of working age population in Mpumalanga was larger than the national share (6.3 per cent) at the end of the fourth quarter 2013.

Figure 3.19: Contribution by provinces to the national number of discouraged work-seekers, Q4 2008-Q4 2013

Source: Statistics South Africa – QLFS, 2014

Figure 3.20: Comparison of discouraged work-seekers as a ratio of regional working age population (15-64 years), Q4 2008-Q4 2013
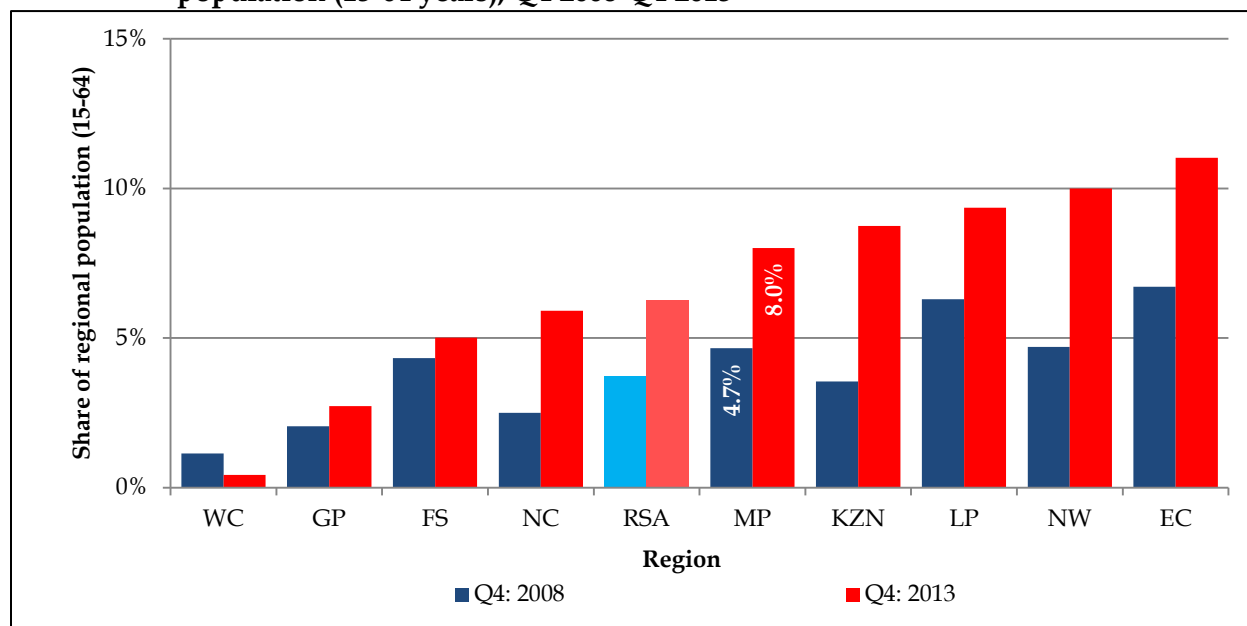
Source: Statistics South Africa – QLFS, 2014

Figure 3.21 compares the discouraged work-seekers by gender and age in Mpumalanga between the end of the fourth quarter 2008 and the end of the fourth quarter 2013. At the end of the fourth quarter 2013, the majority of Mpumalanga's discouraged work-seekers was females with some 128 000 individuals or 59.9 per cent of the provincial total number of discouraged work-seekers. This was substantially lower than the 71.1 per cent recorded at the end of the fourth quarter 2008. The rest (40.1 per cent) of the discouraged work-seekers in Mpumalanga at the end of the fourth quarter 2013 was males, which was higher than the 28.9 per cent recorded at the end of the fourth quarter 2008.

Figure 3.21: Discouraged work-seekers by gender and age in Mpumalanga, Q4 2008-Q4 2013
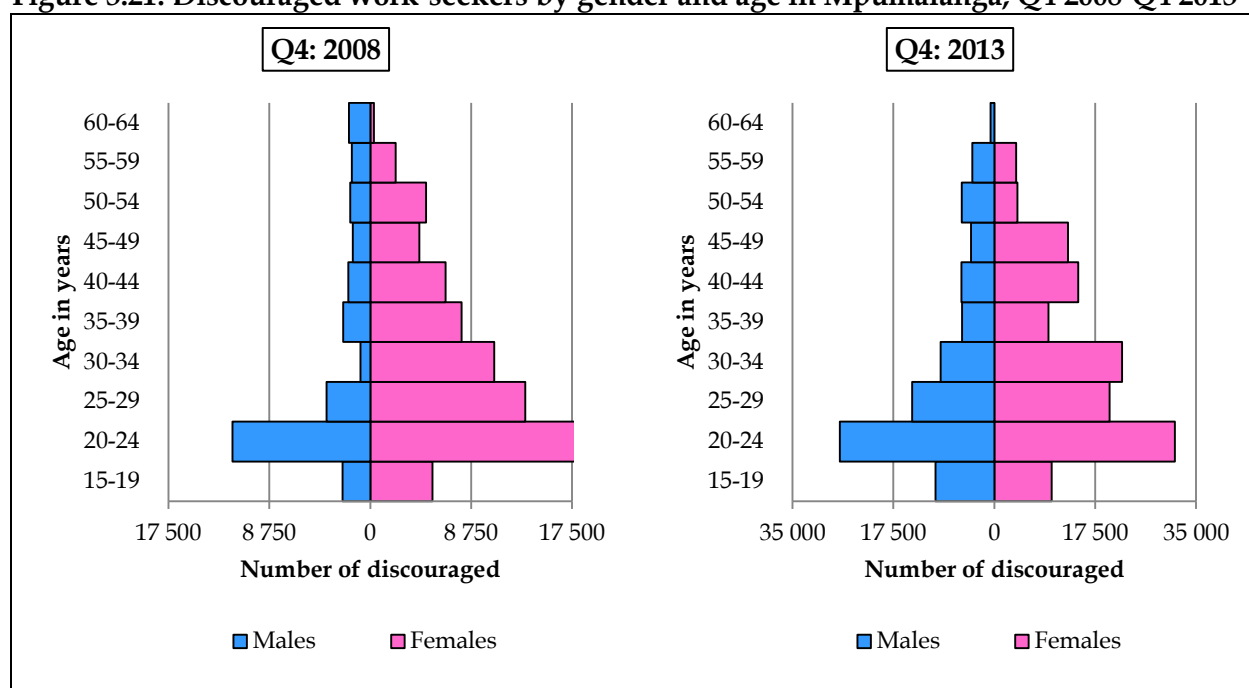
Source: Statistics South Africa – QLFS, 2014

The youth of working age (15-34 years) made up 67.3 per cent of the total number of discouraged work-seekers at the end of the fourth quarter 2013. This was higher than 5 years earlier when the youth of working age contributed 64.3 per cent. The age cohort of 20-24 years represented the most populous age cohort with 58 100 individuals or some 27.2 per cent of the provincial discouraged work-seekers at the end of the fourth quarter 2013. The same age cohort was also the most populous at the end of the fourth quarter 2008 with a share of 24.4 per cent.

3.5.1   Educational profile of discouraged work-seekers

It is apparent from Figure 3.22 that 19.4 per cent of the discouraged work-seekers have not

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completed any level higher than primary education at the end of the fourth quarter 2013. At the end of the fourth quarter 2013, 48.6 per cent of the discouraged work-seekers in Mpumalanga indicated that they have not completed their secondary education. Another 25.6 per cent of the discouraged work-seekers completed their secondary education and 1.6 per cent a qualification higher than matric.

Figure 3.22: Educational profile of discouraged work-seekers in Mpumalanga, Q4 2008-Q4 2013
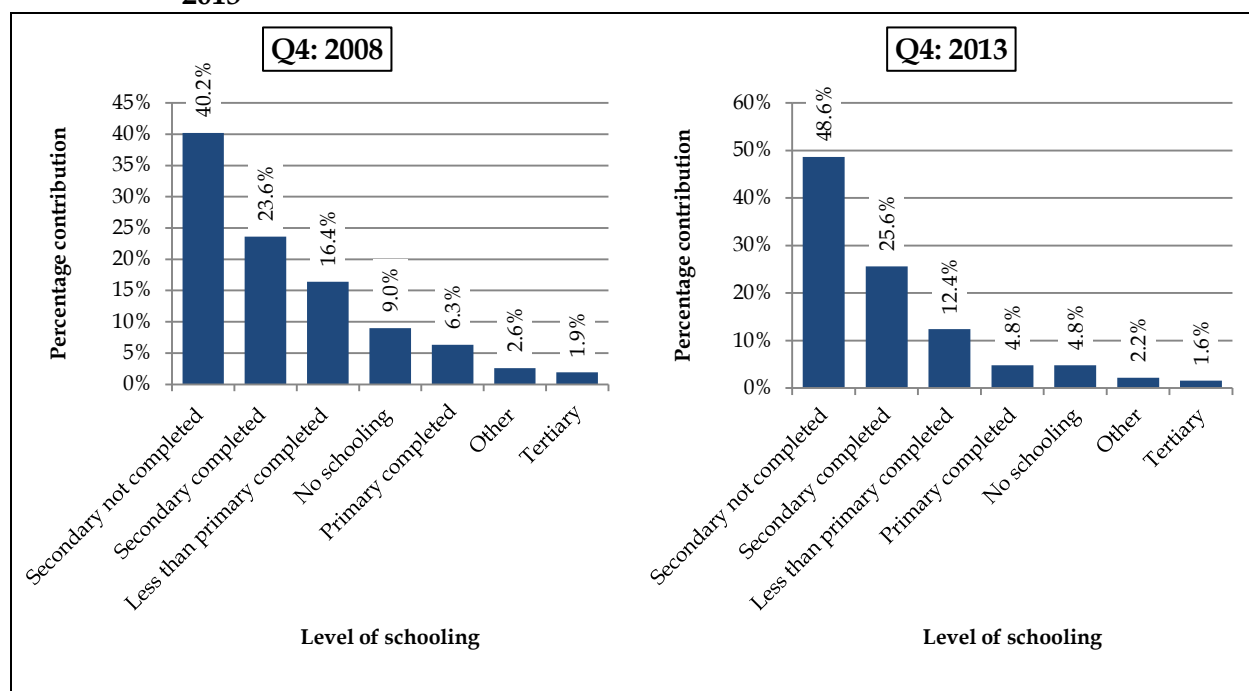
Source: Statistics South Africa – QLFS, 2014

3.6   Conclusion

The provincial economy recorded an addition of 97 234 jobs over the last five years. The provincial labour market, however, struggle with high unemployment and relatively low levels of participation and absorption rates, respectively. The official unemployment rate was 27.2 per cent by the end of the fourth quarter 2013. Discouraged workers, and a few smaller variables, are considered in the expanded definition of unemployment where the province had a relatively high unemployment rate of 40.2 per cent at the end of the fourth quarter 2013.

To lower unemployment substantially, the province needs to develop the capabilities of the workforce on a broad scale. Improved education outcomes should create more investment opportunities, which in turn should increase employment and lower unemployment.

CHAPTER 4:   SELECTED SOCIO-ECONOMIC INDICATORS

This chapter highlights selected indicators that portrays Mpumalanga's socio-economic development. The indicators are inter-related, must therefore be contextualised, and should not be viewed in isolation. The various subdivisions of the chapter focus on the provincial performance compared with the national situation as well the other eight provinces. More detailed information on the subdivisions is presented in the Socio-Economic Review and Outlook (SERO) publications as well as the Estimates of Provincial Revenue and Expenditure (EPRE). Data presented was sourced from Statistics South Africa, Department of Basic Education, National Department of Health, Health Systems Trust and IHS Global Insight.

4.1   Demographic indicators

According to Statistics South Africa's *2011 Census*, Mpumalanga's share of the national population of 51.8 million was 7.8 per cent or 4.04 million. Mpumalanga registered the sixth largest share among the provinces. Females constituted 2.07 million or 51.1 per cent of the provincial population distribution and males 1.97 million (48.9 per cent). The youth cohort (0-34 years) made up 69.4 per cent of the total population in the province and the age group 60 years and older, only 7.0 per cent. According to the latest population estimates by Statistics South Africa (*2013 Mid-year Population Estimates*), Mpumalanga's population increased by some 88 000 to 4.13 million in 2013, whilst the share of the national total remained constant at 7.8 per cent.

Mpumalanga's median age of 23 was lower than South Africa's median age of 25 in 2011. Generally, median ages between 20 and 29 are referred to as populations of intermediate age. Mpumalanga's median age was the sixth highest among the provinces. Table 4.1 compares some selected demographic indicators in Mpumalanga with that of South Africa.

Table 4.1: Selected demographic indicators in Mpumalanga and South Africa, 2011

Indicator	Mpumalanga	Ranking among provinces High (1) to Low (9)	South Africa
Population number	4 039 939	6	51 770 560
Youth cohort share (0-34 years)	69.4%	3	66.8%
Elderly cohort share (60 years +)	7.0%	8	8.0%
Median age	23	6	25
Household number	1 075 488	6	14 450 161
Population growth rate (2001-2011)	20.0%	3	15.5%

Source: Statistics South Africa – Census 2011

Over the 10-year period 2001 to 2011, the population of South Africa increased by 15.5 per cent. When expressed in absolute terms, the population of Mpumalanga increased by 20.0 per cent between 2001 and 2011. This was in excess of South Africa's population increase and the third largest population increase behind Gauteng (30.7 per cent) and Western Cape (28.7 per cent) over the period under review. When expressed in annual average growth, the population of Mpumalanga increased by 1.8 per cent per annum.

4.2   Education indicators

Quality school education is widely regarded as the most important medium for transforming South Africa and its provinces into a more equitable society. The level of education among Mpumalanga's population is improving. For example in 1996, an unacceptably high ratio of the population 20 years and older still had not received any schooling – 30.3 per cent. By 2011, the situation improved with the ratio having declined to 14.0 per cent. Although the level was still higher (worse) than the national level of 8.6 per cent in 2011, the 16.3 percentage point improvement over the 15-year period was the second best performance among the nine provinces.

The percentage of the population 20 years and older that completed secondary education (matric) in Mpumalanga increased from 14.9 per cent in 1996 to 29.5 per cent in 2011. The improvement of 14.6 percentage points was the second highest among the nine provinces and higher than the national improvement of 12.6 per cent. The percentage of the population that obtained a qualification higher than matric increased only from 5.5 per cent in 1996 to 9.2 per cent in 2011. The 3.7 percentage point improvement was lower than the national improvement (4.7 percentage points) but the second highest improvement among the nine provinces.

The adult literacy rate is defined as the proportion of persons aged 15 and above that indicated they are able to read articles and write a letter in at least one language. In Mpumalanga, this rate increased from 86.7 per cent in 2010 to 87.3 per cent in 2012. However, it was still 5.6 percentage points below the national level of 92.9 per cent in 2012.

The national pass rate of matriculants increased from 73.9 per cent in 2012 to 78.2 per cent in 2013. Mpumalanga's pass rate increased by 7.6 percentage points from 70.0 per cent in 2012 to 77.6 per cent in 2013. Mpumalanga showed the second largest improvement between 2012 and 2013, however, the provincial matric pass rate was still the fifth lowest of the nine provinces in 2013.

With the exception of Grade 5 and 9 Home Language, Mpumalanga recorded lower average percentage marks across all grades when compared to South Africa in the Annual National Assessments (ANA) of 2013. When compared with other provinces, Mpumalanga ranked in 5th position for Grade 3 Mathematics, 7th position for Grade 6 Mathematics and 6th position for Grade 9 Mathematics. Mpumalanga ranked in 8th position for Grade 3 Home Language, 5th position for Grade 6 Home Language and 2nd position for Grade 9 Home Language. Table 4.2 compares selected education indicators in Mpumalanga with that of South Africa.

Table 4.2: Selected education indicators in Mpumalanga and South Africa, 2011-2013

Indicator	Mpumalanga		South Africa
		Ranking among provinces Best (1) to Worst (9)	
No schooling portion (2011)	14.0%	8	8.6%
Higher than matric portion (2011)	9.2%	4	12.1%
Adult literacy rate (2012)	87.3%	7	92.9%
Matric pass rate (2013)	77.6%	5	78.2%
Grade 3 Mathematics score (2013)	47.8%	5	53.1%
Grade 3 Languages score (2013)	47.0%	8	50.8%
Grade 6 Mathematics score (2013)	33.6%	7	39.0%
Grade 6 Languages score (2013)	57.5%	5	58.8%
Grade 9 Mathematics score (2013)	13.7%	6	13.9%
Grade 9 Languages score (2013)	52.4%	2	43.1%

Sources: Statistics South Africa – Census 2011
Department of Basic Education – School Subject Report on the 2013 National Senior Certificate Examination
Department of Basic Education – Report on the 2013 Annual National Assessments

4.3   Health indicators

Mpumalanga's immunisation coverage (<1 year) of 83.0 per cent in 2012 was lower than the national coverage of 94.0 per cent and the second lowest among the provinces. The measles 1st dose coverage for the province was the lowest in the country at 94.9 per cent in 2012 and lower than the national average of 99.7 per cent. The tuberculosis (TB) cure rate of 69.9 per cent in 2011 was the third lowest among the provinces and lower than the national cure rate of 74.2 per cent. In 2012, the province's neonatal (<28 days) and perinatal (<8 days) mortality rates were recorded at 10.3 and 33.6 deaths per 1 000 live births, respectively.

In 2011, the HIV prevalence of the female population distribution for the 15–49 age group was 29.5 per cent for South Africa and 36.7 per cent for Mpumalanga. The 2011 prevalence rate in

Mpumalanga was the second highest after KwaZulu-Natal (37.5 per cent) and increased between 2010 and 2011.

Table 4.3: Selected health indicators in Mpumalanga and South Africa, 2011-2012

Indicator	Mpumalanga	Ranking among provinces Best (1) to Worst (9)	South Africa
Immunisation coverage (2012)	83.0%	8	94.0%
Measles 1st dose coverage (2012)	94.9%	9	99.7%
TB cure rate (2011)	69.9%	7	74.2%
Neonatal mortality rate per 1 000 live births (2012)	10.3	2	12.1
Perinatal mortality rate per 1 000 live births (2012)	33.6	5	31.8
Female 15-49 year HIV prevalence (2011)	36.7%	8	29.5%

Sources: National Department of Health - District Health Information System Database, 2014
National Department of Health – 2011 National Antenatal Sentinel HIV & Syphilis
Prevalence Survey in South Africa

4.4   Access to basic service indicators

A relatively small percentage of households in Mpumalanga (10.9 per cent) occupied informal houses in 2011 compared to the national figure of 13.6 per cent. The provincial figure was 3.6 percentage points lower (better) than in 2001. The percentage of households in Mpumalanga without toilets and still using the bucket system decreased (improved) from 14.7 per cent in 2001 to 7.2 per cent in 2011, however, the improvement was slower than the 10.4 percentage point national progress. Table 4.4 compares some selected basic service indicators in Mpumalanga with that of South Africa.

Table 4.4: Selected basic service indicators in Mpumalanga and South Africa, 2011

Percentage of households:	Mpumalanga	Ranking among provinces Best (1) - Worst (9)	South Africa
In informal dwellings	10.9%	6	13.6%
With no toilets or bucket system	7.2%	6	7.3%
With access to piped water in dwelling, on-site or off-site	87.4%	6	91.2%
With electricity connections to mains	86.4%	5	84.7%
With municipal refuse removal	42.4%	7	62.1%

Source: Statistics South Africa – Census 2011

In 2011, the percentage of households with access to all types of piped water was recorded at 87.4 per cent in Mpumalanga. The provincial figure improved from 85.7 per cent in 2001, however, it was lower than the national figure. The percentage of households that used electricity as main source of lighting increased from 69.7 per cent in 2001 to 86.4 per cent in 2011. The proportion of Mpumalanga's households with municipal refuse removal (42.4 per cent) was

considerably lower than the national figure of 62.1 per cent in 2011.

4.5   Development and income indicators

4.5.1   Human development index[17]

In 2012, Mpumalanga recorded a HDI score of 0.64, a respectable improvement from the level it achieved in 1996 (0.51). The province's HDI level was consistently lower than the national figure over the 16-year period.

4.5.2   Income inequality

The NDP targets that the poorest 40 per cent of households in South Africa must earn at least 10 per cent of total income by 2030. In practise, one is able to calculate that the poorest 40 per cent of households in Mpumalanga earned 8.3 per cent of income in 2012. This was higher than the national figure of 7.0 per cent for 2012, but still lower than the 9.2 per cent share achieved in 1996.

4.5.3   Poverty[18]

Over the 16-year period from 1996 to 2012, the poverty rate in Mpumalanga declined (improved) from 43.8 per cent in 1996 to 36.9 per cent in 2012. Mpumalanga's poverty rate was higher than the national rate of 35.9 per cent. Mpumalanga's poverty rate was the fifth lowest among the nine provinces. It was estimated that 1.52 million of Mpumalanga's citizens lived in households with an income less than the poverty income.

4.5.4   Income

According to *Census 2011*, the average annual household income for all households in South Africa increased from R48 385 per annum in 2001 to R103 204 per annum (R8 600 per month) in 2011. Average household income in Mpumalanga increased from R31 186 per annum in 2001 to R77 609 per annum (R6 467 per month) in 2011. This represents an absolute increase of 148.9 per cent in nominal terms over the 10-year period, which was higher than the national increase and the highest among the nine provinces. Table 4.5 compares some selected development indicators in Mpumalanga with that of South Africa.

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[17] HDI is based on measures of life expectancy, literacy and income. According to the UN, HDI is considered high when higher than 0.8, medium when ranging between 0.5-0.8 and low when below 0.5.

[18] Poverty income is defined by the BMR as the minimum income needed to sustain a household and varies according to size of the household. For example, the monthly poverty income in 2012 for a household of four was R2 795. The poverty rate then is the percentage of people living in households with income less than the poverty income.

Table 4.5: Selected development indicators in Mpumalanga and South Africa, 2011-2012

Indicator	Mpumalanga		South Africa
		Ranking among provinces Best (1) to Worst (9)	
HDI (2012)	0.64	6	0.68
Share of income by poorest 40% (2012)	8.3%	2	7.0%
Poverty rate (2012)	36.9%	5	35.9%
Annual household income (2011)	R77 609	5	R103 204

Source: IHS Global Insight – ReX, October 2013
Statistics South Africa – Census 2011

4.6 Conclusion

This chapter covered certain socio-economic aspects of the province. According to the HDI, the province is developing and this can be ascribed to the improved levels of adult literacy and education but restrained by the high levels of HIV prevalence. Although the poverty rate was still high at 36.9 per cent, it was showing a declining trend. Even though household income exhibited an increasing trend, the main concern in developmental terms remains the skew distribution of income in the province.

Despite the positive impact of social grants on the alleviation of poverty in Mpumalanga, job creation is the most important factor to impact positively on poverty. The accelerated reduction of poverty can therefore be attained most economically through a better educated and skilled workforce.

Another benefit of improved education outcomes will be that the skills constraints, which push up the premium for skilled labour, will be reduced and even removed completely. The removal of the dominant factor that induces the large difference in the salaries of skilled and unskilled workers should result in lower levels of income inequality.