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MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

Provincial Economic Review and Outlook 2014/15



WHEN THE SUN RISES
WE WORK HARD TO DELIVER

Together We Move South Africa forward



FOREWORD BY MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM



It is with pleasure and pride that the Mpumalanga Department of Finance is releasing its 2014/15 Provincial Economic Review and Outlook (PERO) for the benefit of our stakeholders.

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

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 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 4.2 million Mpumalanga citizens. It should also inform our radical socio-economic transformation agenda.

We are of the view that departmental initiatives such as the PERO place us in a better position to share with our stakeholders valuable economic data/information that is necessary for taking advantage of potential economic opportunities whilst simultaneously addressing existing economic challenges. Assistance and guidance to stakeholders with the implementation of the National Development Plan (NDP) and Provincial Vision 2030 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 2014/15 PERO.

A stylized, handwritten signature in black ink, appearing to read 'Se Kholwane'.

HON SE KHOLWANE (MPL)

MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM

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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
LBPL	– Lower Bound Poverty Line
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 second week of March 2015.

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 2016 is expected to remain roughly in line with average world growth prospects, yet lagging emerging and developing economies. The inflation rate for January 2015 was measured at 4.4 per cent and the expectation is that national inflation will average 3.8 per cent for 2015.

The deficit on the current account was equivalent to 5.4 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 139 004 jobs in the year since the end of the fourth quarter 2013. The unemployment rate increased from 24.1 per cent at the end of the fourth quarter 2013 to 24.3 per cent at the end of the fourth quarter 2014.

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 7.6 per cent (in constant 2010 prices) to South Africa's economy in 2013, with mining, community services and trade 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 2.2 per cent per annum between 2013 and 2018. 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 shed 16 903 jobs over the four quarters of 2014. 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 26.6 per cent by the end of

the fourth quarter 2014 from 27.2 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 40.5 per cent at the end of the fourth quarter 2014.

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 36.2 per cent, it was showing a declining trend. The main concern in developmental terms remains the skew distribution of income in the province.

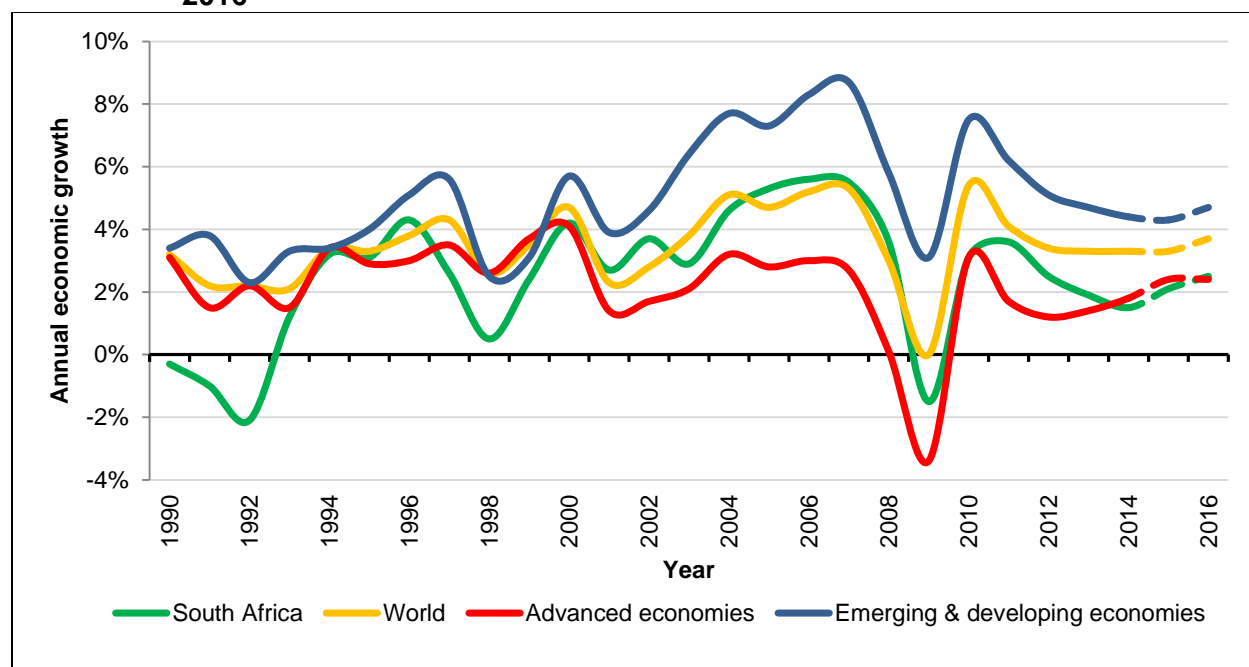
CHAPTER 1: NATIONAL ECONOMIC PERFORMANCE AND OUTLOOK

1.1 Economic growth

According to the International Monetary Fund's (IMF) January 2015 *World Economic Outlook*, global growth will receive a boost from lower oil prices. However, this boost is projected to be more than offset by an adjustment to lower medium-term growth in most major economies other than the United States. Of concern is lower growth expectations in China (and its implications for emerging Asia), a much weaker outlook for Russia and the downward revisions to potential growth in large commodity exporting economies. *World Economic Outlook* projections indicate that global growth will increase only slightly to about 3.5 per cent in 2015, from 3.3 per cent in 2014. Real GDP in the advanced economies is projected to expand at 2.4 per cent in both 2015 and 2016.

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 2016 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 1.5 per cent in 2014.

Figure 1.1: Historic & forecasted real GDP growth for the world and South Africa, 1990-2016



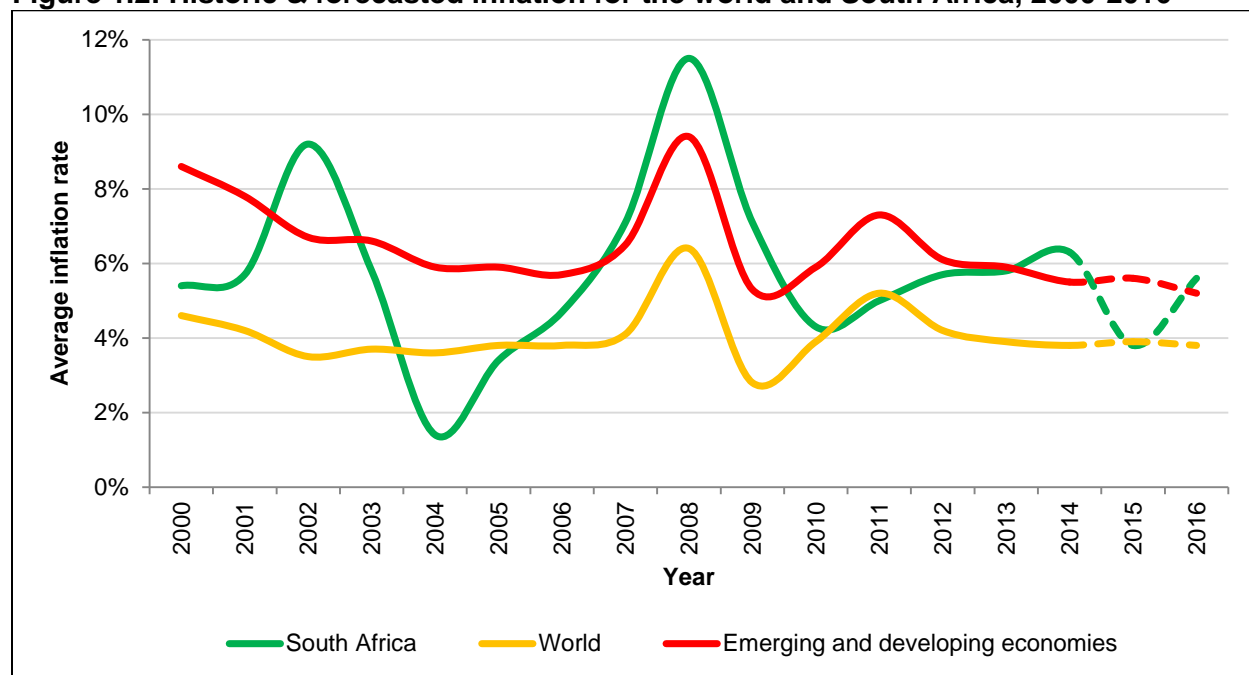
Source: IMF – World Economic Outlook Database, January 2015

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 2015 was overall economic growth in South Africa of 2.1 per cent in 2015, rising to 2.5 per cent in 2016. The Minister of Finance, in the 2015 National Budget Speech, projected real GDP growth to reach 2.0 per cent in 2015 and rising to 2.4 per cent by 2016. In January 2015, the South African Reserve Bank (SARB) projected growth of 2.2 per cent for 2015 and 2.4 per cent for 2016.

1.2 Inflation

The year-on-year inflation rate as measured by the consumer price index (CPI) for all urban areas was 4.4 per cent in January 2015. According to the Monetary Policy Committee (MPC) of the SARB, inflation is expected to average 3.8 per cent in 2015 and 5.4 per cent in 2016.

Figure 1.2: Historic & forecasted inflation for the world and South Africa, 2000-2016



Source: IMF – World Economic Outlook Database, January 2015

Figure 1.2 illustrates the inflation rate of South Africa, the world as well as emerging and developing economies over the period 2000 to 2016. When compared against the world and emerging economies, it is apparent that South Africa's inflation rate fluctuated sharply over the last 14 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 inflation 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.

1.3 Balance of payments

South Africa's export of merchandise exports rose in 2014 when compared with 2013, underpinned primarily by higher exports of manufactured and agricultural products. Consistent with the lower international demand for gold, the value of South Africa's net gold exports shrank slightly over the period. The domestic demand for foreign-produced products (mining, manufacturing and agricultural products) remained strong and the import bill exceeded total exports by R69 billion in 2014 compared with R68 billion in 2013. Table 1.1 depicts the current account between 2013 and 2014.

Table 1.1: South Africa's balance of payments: the current account (R billions), 2013-2014

Components	2013	2014
Merchandise exports	869	941
Net gold exports	64	63
Merchandise imports	-1 001	-1 072
Trade balance	-68	-69
Net service, income and current transfer payments	-135	-138
Balance on current account	-204	-207
- As a % of GDP	-5.8%	-5.4%

Source: SARB – Quarterly Bulletin, March 2015

The deficit trade balance and a sustained service, income and transfer payments deficit in 2014 resulted in the deterioration of the current account. The deficit balance on the current account widened to R207 billion in 2014. The deficit on the current account was equivalent to 5.4 per cent of GDP in 2014, marginally down from 5.8 per cent in 2013.

1.4 Labour market

According to recent data from Statistics South Africa, the domestic economy created 139 004 jobs in the year since the end of the fourth quarter 2013. The data presented in Table 1.2 demonstrates that during 2014, job losses occurred in four of the industries, namely manufacturing (-16 936), utilities (-23 237), transport (-9 692) and private households (-25 609). Construction (129 932), community services (30 880) and agriculture (28 399) recorded the highest number of new jobs over the last year. In terms of growth rate, construction (10.8 per cent) registered the highest employment growth over the last year.

The official unemployment rate increased marginally from 24.1 per cent a year ago to 24.3 per cent at the end of the fourth quarter 2014. The labour absorption rate was 43.0 per cent at the

end of the fourth quarter 2014, which was lower than the 43.3 per cent registered at the end of the fourth quarter 2013. The labour force participation rate declined to 56.8 per cent.

Table 1.2: South Africa's employment changes, 2013-2014

Industry	Number of employed Q4 2014 '000	Employment changes Q4 2013 to Q4 2014	
		'000	%
Agriculture	742	28	4.0
Mining	427	1	0.3
Manufacturing	1 749	-17	-1.0
Utilities	104	-23	-18.3
Construction	1 334	130	10.8
Trade	3 247	22	0.7
Transport	952	-10	-1.0
Finance	2 039	2	0.1
Community services	3 501	31	0.9
Private households	1 219	-26	-2.1
Total industries	15 313	139	0.9

Source: Statistics South Africa – Quarterly Labour Force Survey (QLFS), 2015

Note: Due to rounding, numbers do not necessarily add up to totals

CHAPTER 2: PROVINCIAL ECONOMIC PERFORMANCE AND OUTLOOK

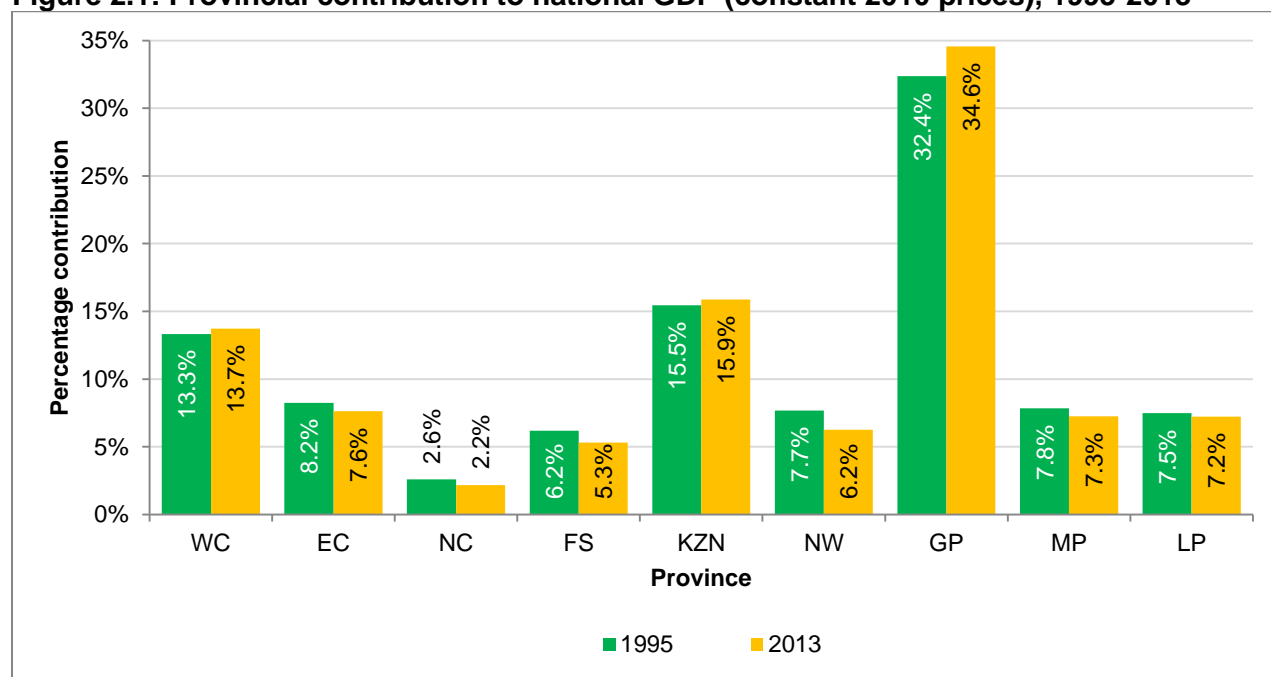
This chapter provides an analysis of the economic performance and outlook of Mpumalanga. The various subdivisions of the chapter focus on the provincial performance over the period 1995 to 2013 and the expected outlook to 2018. Mpumalanga's performance and outlook was compared with the national situation 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 2013, Mpumalanga contributed some R269.9 billion in current prices or some 7.6 per cent to the GDP of South Africa. Converted to constant 2010 prices, Mpumalanga's contribution was R215.1 billion. According to estimates, Mpumalanga's contribution in constant 2010 prices was the fifth largest among the nine provinces, a decrease from a 7.8 per cent contribution in 1995 to 7.3 per cent in 2013 (Figure 2.1). Gauteng (34.6 per cent) and KwaZulu-Natal (15.9 per cent) were the main contributors to the national economy in 2013.

Figure 2.1: Provincial contribution to national GDP (constant 2010 prices), 1995-2013

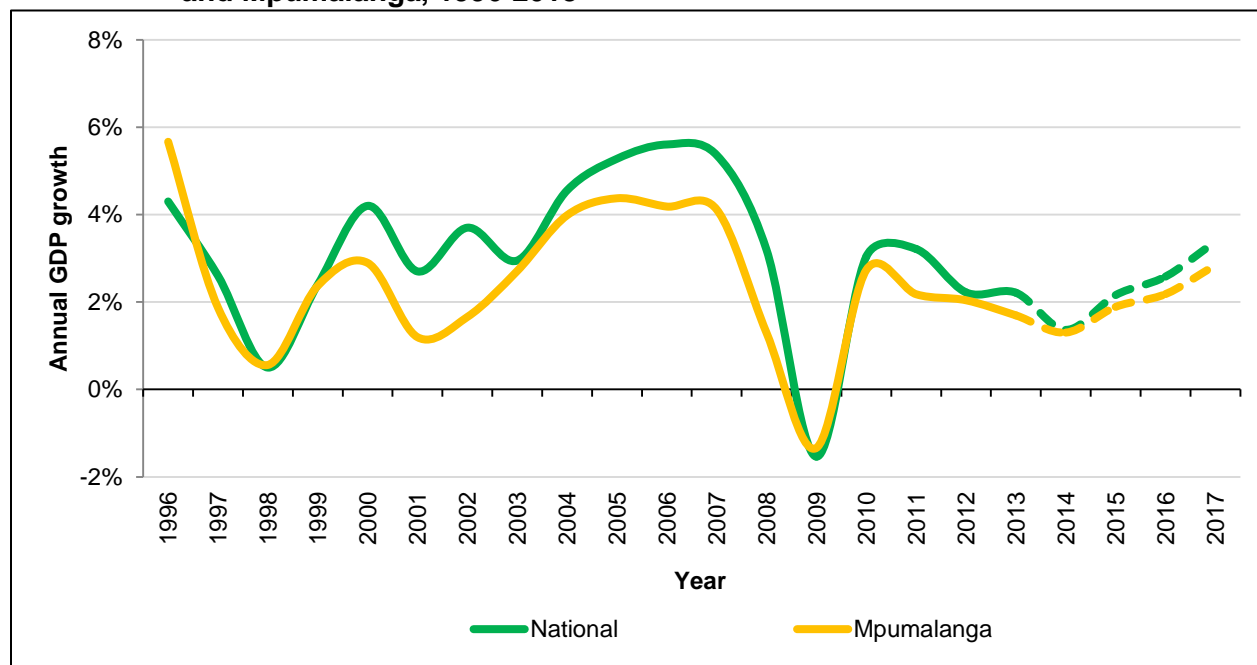


Source: Statistics South Africa - GDP Q3, 2014

Economic growth

At the start of the period under review, 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 1996 (Figure 2.2). The average annual growth rate for the country and Mpumalanga over the period 1995 to 2013 was 3.1 per cent and 2.7 per cent, respectively. Mpumalanga recorded the joint fifth highest/lowest annual average GDP growth rate in the 18-year period. Mpumalanga's GDP growth only exceeded the national average in 1996, when the province also achieved the highest growth among the nine provinces.

Figure 2.2: GDP at market prices (constant 2010 prices) growth rates for South Africa and Mpumalanga, 1996-2018



Sources: Statistics South Africa – GDP Q3, 2014 (Historic growth)
IHS Global Insight – Regional eXplorer (ReX), January 2015 (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 2013 to 2018 are forecasted at 2.6 per cent and 2.2 per cent, respectively (Table 2.1). In such an event, Mpumalanga's growth will be the sixth highest/fourth lowest among the nine provinces.

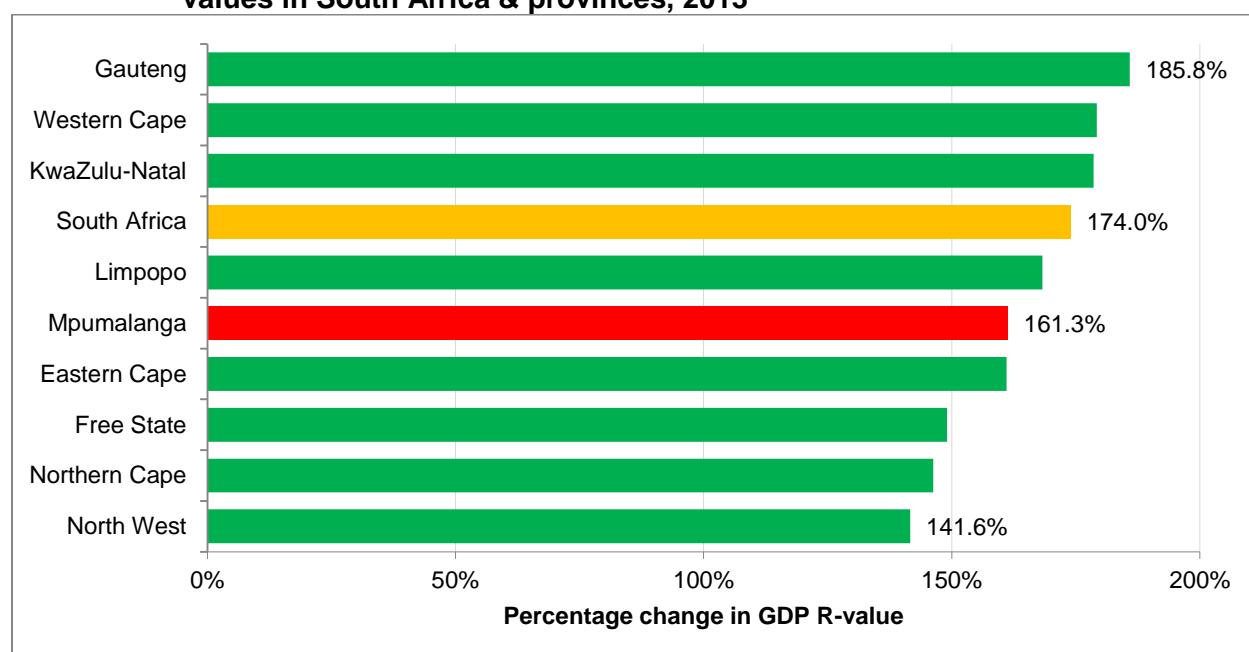
Table 2.1: Historic and forecasted GDP at market prices growth rates for South Africa and provinces, 1995-2018

Province	1995-2013	1995-1999	1999-2004	2004-2009	2009-2013	2013-2018
Western Cape	3.3%	2.0%	3.5%	4.1%	2.8%	2.9%
Eastern Cape	2.7%	1.4%	3.0%	3.5%	2.3%	2.7%
Northern Cape	2.1%	2.3%	1.5%	1.9%	2.4%	2.5%
Free Sate	2.2%	1.4%	2.2%	2.6%	2.3%	1.9%
KwaZulu-Natal	3.3%	1.8%	3.8%	3.9%	2.9%	2.8%
North West	2.0%	1.4%	2.2%	2.3%	1.4%	2.0%
Gauteng	3.5%	1.8%	4.2%	4.1%	3.1%	2.8%
Mpumalanga	2.7%	2.6%	2.7%	2.6%	2.2%	2.2%
Limpopo	2.9%	2.9%	3.3%	2.6%	2.1%	2.1%
South Africa	3.1%	1.9%	3.6%	3.5%	2.7%	2.6%

Sources: Statistics South Africa – GDP Q3, 2014 (Historic growth)
IHS Global Insight - ReX, January 2015 (Future growth)

Because of the moderate economic growth experienced in South Africa over the last 18 years, the South African economy has not doubled in size over this period. From Figure 2.3 it is also evident that no provincial economy by 2013 was double its size of 1995. By 2013, Gauteng's economy, which grew the fastest between 1995 and 2013, was 185.8 per cent of its 1995 size. Mpumalanga's economy was 161.3 per cent of its 1995 size and registered the fifth high-est/lowest increase. For an economy to double in size over an 18-year period that economy needs to grow at an annual average growth rate of 3.9 per cent.

Figure 2.3: 2013 GDP (constant prices 2010) expressed as a percentage of 1995 GDP values in South Africa & provinces, 2013



Source: Statistics South Africa – GDP Q3, 2014

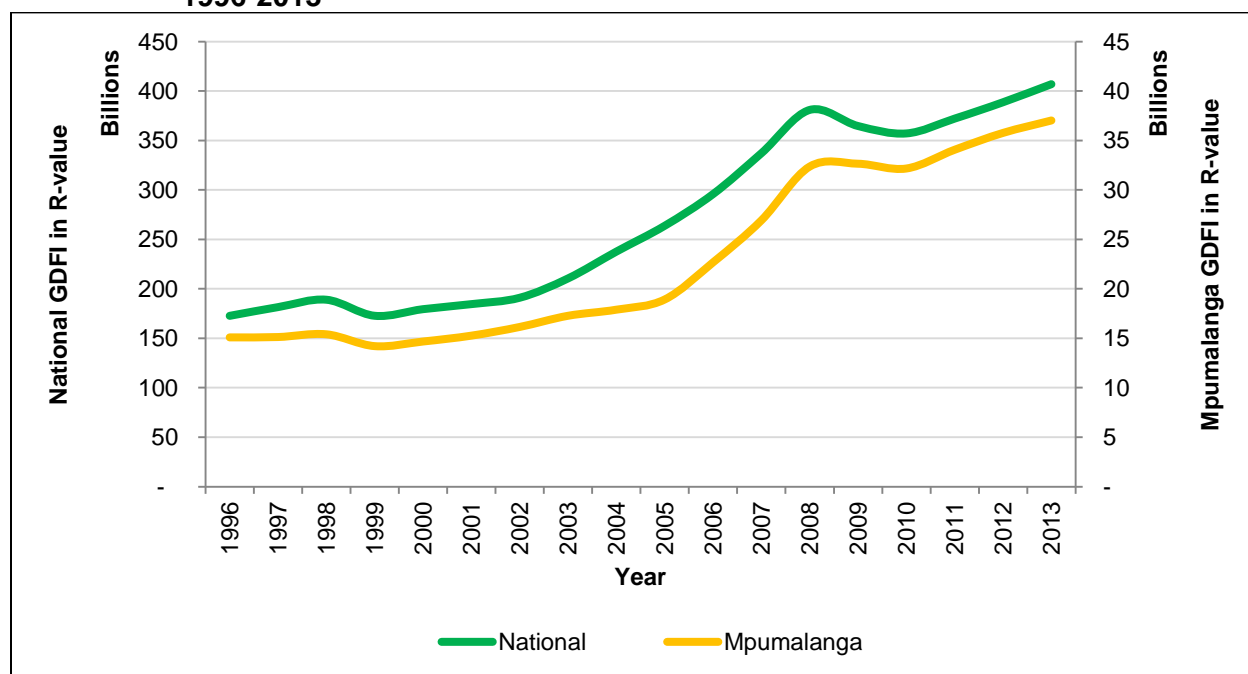
GDP per capita

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 an estimated R51 100 in 2010 to R110 000 by 2030. In 2013, the provincial GDP per capita was equal to an estimated R52 100. Sustained annual average GDP growth of at least 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 to 2013 indicates that GDFI in both South Africa and Mpumalanga achieved its highest level in 2013, respectively (Figure 2.4). GDFI in Mpumalanga amounted to R37.0 billion in 2013, which was equal to 9.1 per cent of total GDFI in South Africa. From 1996 to 2013, GDFI in South Africa grew on average by 5.2 per cent per annum and by 5.4 per cent annually in Mpumalanga.

Figure 2.4: Comparison of GDFI (constant 2005 prices) in South Africa and Mpumalanga, 1996-2013



Source: Quantec, 2014

According to the NDP, public infrastructure investment must be equal to 10 per cent of GDP by 2030. In 2013/14, expenditure by the Mpumalanga Provincial Government (MPG) on infrastruc-

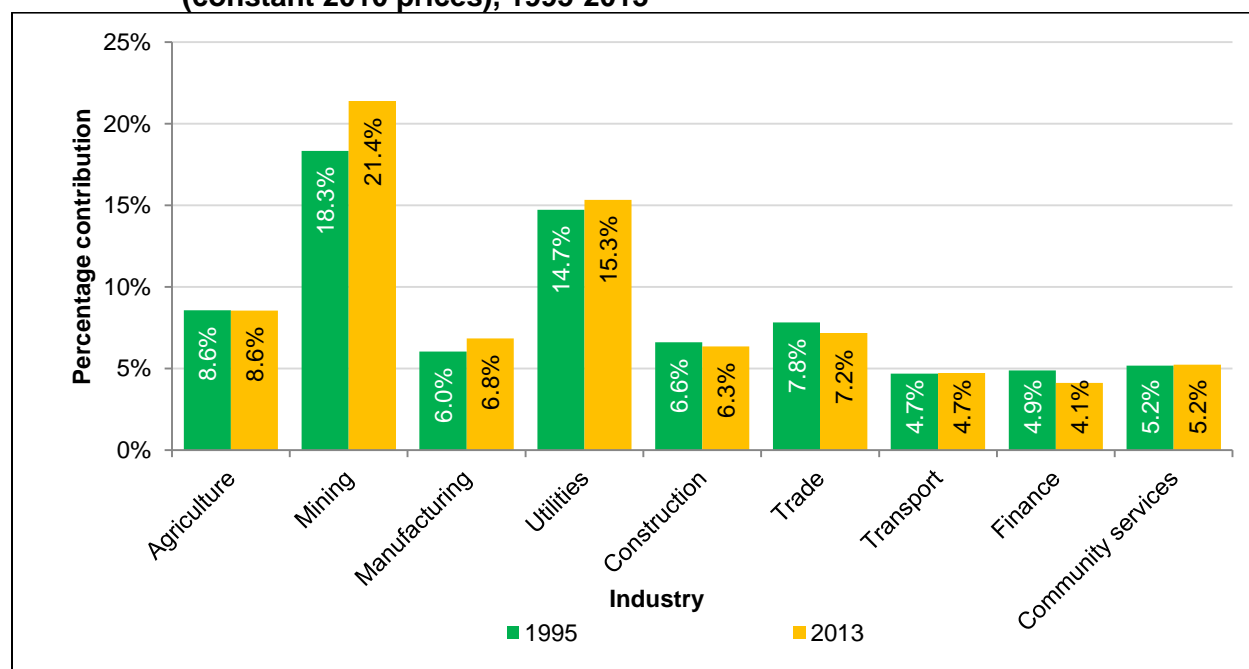
ture was equal to approximately 1.5 per cent of provincial GDP, however, it was slightly higher than the share of 1.3 per cent in 2012/13. In order to reach the stated Vision 2030 goal of 10 per cent of GDP by 2030 in Mpumalanga, MPG expenditure on infrastructure in Mpumalanga has to increase by 15.0 per cent per annum up to 2030.

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 2.5 depicts the contribution of each of the economic industries in Mpumalanga to the corresponding national industry in 1995 and 2013. It is estimated that in 2013, the province was a substantial role-player in the national mining and utilities (mainly electricity) industries, with respective shares of 21.4 per cent and 15.3 per cent. It is noticeable that the contribution by mining, manufacturing and utilities increased between 1995 and 2013, the contribution by agriculture, transport and community services remained unchanged whereas that of construction, trade and finance declined.

Figure 2.5: Mpumalanga's contribution to South Africa's industries' GDP at basic prices (constant 2010 prices), 1995-2013



Sources: Statistics South Africa – GDP Q3, 2014

Table 2.2: Contribution by districts to Mpumalanga's industries' GVA (constant 2010 prices), 1996-2013

Industry	Gert Sibande		Nkangala		Ehlanzeni	
	1996	2013	1996	2013	1996	2013
Agriculture ¹	41.8%	41.6%	23.6%	22.9%	34.6%	35.5%
Mining ²	37.3%	23.8%	50.7%	70.2%	12.1%	6.0%
Manufacturing ³	41.2%	51.9%	33.2%	28.5%	25.6%	19.6%
Utilities ⁴	26.3%	24.7%	69.9%	72.5%	3.8%	2.8%
Construction ⁵	24.9%	24.6%	30.5%	34.4%	44.6%	41.0%
Trade ⁶	26.8%	24.2%	27.3%	31.8%	45.9%	44.0%
Transport ⁷	28.3%	24.2%	32.9%	38.3%	38.8%	37.5%
Finance ⁸	20.4%	20.6%	36.6%	36.3%	43.1%	43.1%
Community services ⁹	22.7%	22.7%	32.5%	32.8%	44.8%	44.5%
Total	31.0%	27.6%	40.2%	44.0%	28.8%	28.4%

Source: IHS Global Insight – ReX, January 2015

Table 2.2 exhibits the contribution by each of the three districts to the provincial industries in 1996 and 2013. Nkangala was the largest contributor to the provincial GVA with a share of 40.2 per cent in 1996 and 44.0 per cent in 2013. Gert Sibande with a 27.6 per cent share in 2013 was the smallest contributor. Nkangala made considerable contributions to the province's utilities (72.5 per cent), mining (70.2 per cent) and transport industries (38.3 per cent) in 2013. In 2013, Gert Sibande was the main contributor to Mpumalanga's manufacturing (51.9 per cent) and agriculture industries (41.6 per cent), whilst Ehlanzeni played a major role in the province's community services (44.5 per cent), trade (44.0 per cent), finance (43.1 per cent) and construction industries (41.0 per cent).

2.3 Broad sectoral contribution and performance

Contribution

In 2013, the primary sector in Mpumalanga contributed 28.4 per cent, the secondary sector 22.0 per cent and the tertiary sector 49.6 per cent to the provincial GDP. Although the economy depended less on the primary sector in 2013 than in 1995 (36.9 per cent), it continued to stand in contrast to the national primary sector's small contribution of 11.1 per cent in 2013. Nationally, the secondary sector added 20.4 per cent and the tertiary sector 68.5 per cent in 2013.

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

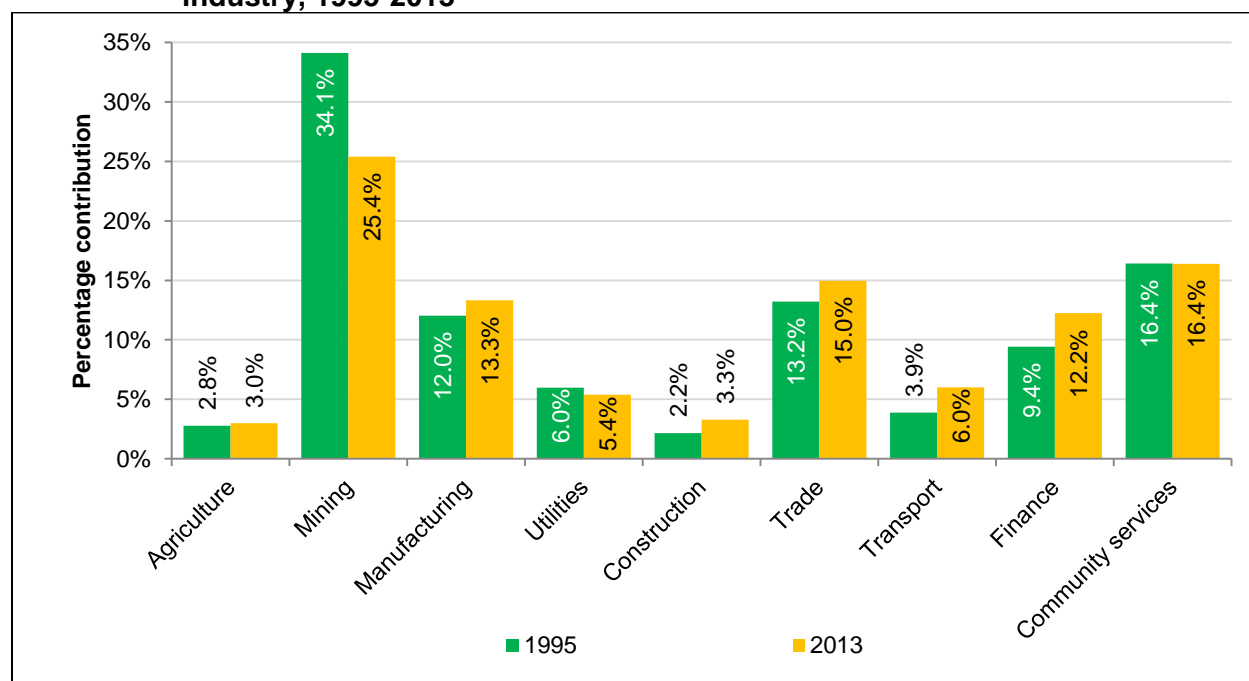
⁷ ISIC detailed description = Transportation, storage and communication

⁸ ISIC detailed description = Finance, insurance, real estate and business services

⁹ ISIC detailed description = Community, health and personal services

It is estimated that in 2013, the three largest contributors to the provincial economy were mining (25.4 per cent), community services (16.4 per cent) and trade (15.0 per cent). The top three's ranking was unchanged from 1995, when mining contributed 34.1 per cent, community services 16.4 per cent and trade 13.2 per cent. Figure 2.6 displays the share of each economic industry in the provincial economy in 1995 and 2013.

Figure 2.6: Contribution to Mpumalanga GDP at basic prices (constant 2010 prices) by industry, 1995-2013



Sources: Statistics South Africa – GDP Q3, 2014

Table 2.3 displays the share of each economic industry in the three districts' economies in 1996 and 2013. The manufacturing industry was the largest industry in Gert Sibande in 2013 with a 24.5 per cent share. Mining activities dominated the Nkangala economy as it added 39.5 per cent to the district's economy in 2013. In 2013, the largest contributing industry in Ehlanzeni was community services with a share of 26.5 per cent. The contributions by the primary industries in all three districts declined from 1996 to 2013. 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 Nkangala's community services, improved over the 17-year period.

Table 2.3: Contribution to individual districts' GVA (constant 2010 prices) by industry, 1996-2013

Industry	Gert Sibande		Nkangala		Ehlanzeni	
	1996	2013	1996	2013	1996	2013
Agriculture	4.7%	4.5%	2.0%	1.5%	4.2%	3.7%
Mining	38.9%	21.3%	40.8%	39.5%	13.6%	5.3%
Primary industries	43.6%	25.8%	42.9%	41.0%	17.8%	8.9%
Manufacturing	15.5%	24.5%	9.6%	8.4%	10.4%	9.0%
Utilities	5.3%	4.9%	10.9%	8.9%	0.8%	0.5%
Construction	1.8%	3.0%	1.7%	2.6%	3.4%	4.8%
Secondary industries	22.5%	32.3%	22.2%	19.9%	14.6%	14.3%
Trade	11.5%	13.5%	9.0%	11.1%	21.2%	23.8%
Transport	3.6%	5.1%	3.2%	5.1%	5.3%	7.7%
Finance	6.6%	9.3%	9.1%	10.2%	15.0%	18.7%
Community services	12.3%	13.9%	13.5%	12.6%	26.1%	26.5%
Tertiary industries	33.9%	41.9%	34.9%	39.0%	67.6%	76.8%
Total industries	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: IHS Global Insight – ReX, January 2015

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 1.0 per cent annually over the 18-year period under review. This is in contrast to the secondary and tertiary sectors that achieved average annual growth of 2.9 per cent and 3.3 per cent per annum, respectively.

Historic and forecasted growth for the economic industries of Mpumalanga is presented in Table 2.4. Between 1995 and 2013, the fastest growing industries in terms of economic growth was estimated to be transport (5.0 per cent) and construction (4.8 per cent). Over the period 2013-2018, it is expected that transport and finance will jointly record the highest average annual growth of 3.3 per cent per annum.

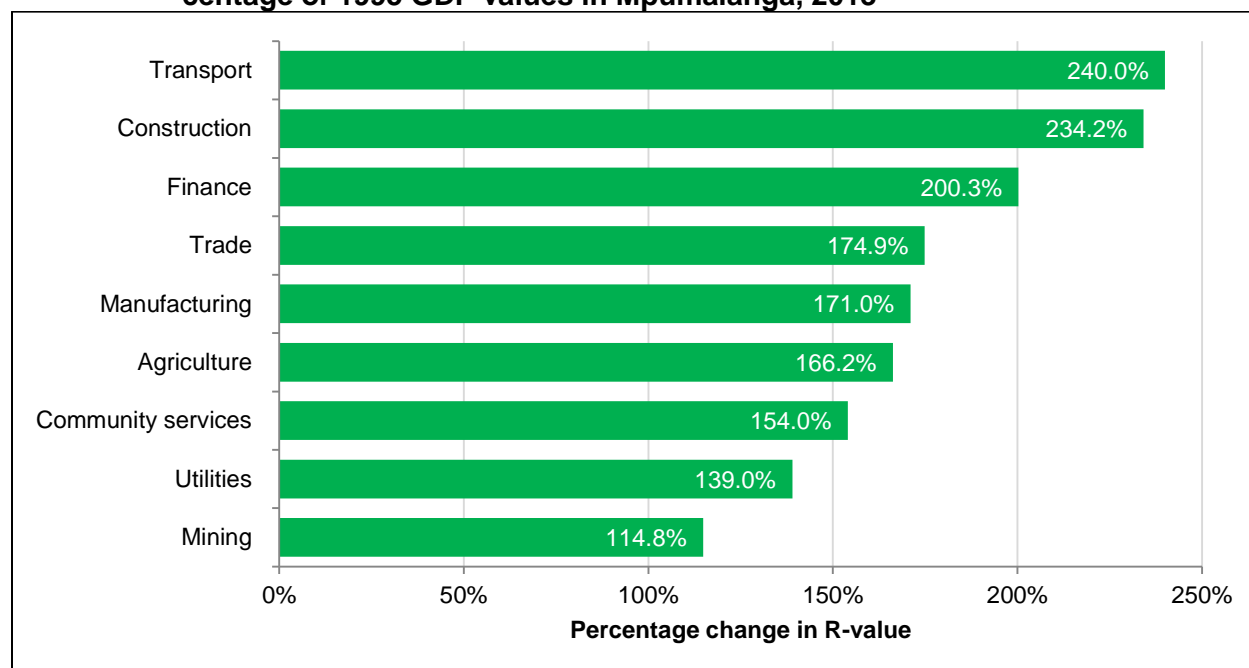
Table 2.4: Historic and forecasted GDP at basic prices (constant 2010 prices) growth rates for Mpumalanga's economic industries, 1995-2018

Industry	1995-2013	1995-1999	1999-2004	2004-2009	2009-2013	2013-2018
Agriculture	2.9%	8.1%	1.4%	1.6%	-0.7%	2.2%
Mining	0.8%	0.6%	1.4%	-1.2%	2.3%	0.5%
Manufacturing	3.0%	2.1%	4.2%	2.9%	2.1%	2.1%
Utilities	1.8%	1.4%	3.2%	1.6%	0.6%	2.6%
Construction	4.8%	1.3%	3.7%	11.7%	1.3%	3.1%
Trade	3.2%	2.8%	2.9%	3.8%	2.2%	2.6%
Transport	5.0%	6.2%	6.1%	4.2%	1.8%	3.3%
Finance	3.9%	4.3%	2.8%	5.4%	2.2%	3.3%
Community services	2.4%	1.3%	2.0%	3.4%	2.6%	2.0%

Sources: Statistics South Africa – GDP Q3, 2014 (Historic growth)
IHS Global Insight - ReX, January 2015 (Future growth)

Figure 2.7 illustrate the change in value by industry from 1995 to 2013. The real value of all nine industries increased between 1995 and 2013. The transport, construction and finance industries were more than double their respective 1995 sizes. By 2013, the transport industry, which grew the fastest between 1995 and 2013, was 240.0 per cent larger than its 1995 size. By 2013, the mining industry increased to only 114.8 per cent of its 1995 size. For an industry to double in size over an 18-year period that industry needs to grow at an annual average growth rate of 3.9 per cent.

Figure 2.7: 2013 GDP (constant prices 2010) values of industries expressed as a percentage of 1995 GDP values in Mpumalanga, 2013



Source: Statistics South Africa – GDP Q3, 2014

According to Table 2.5, finance (19.9 per cent) and trade (19.1 per cent) can be expected to be the main drivers of provincial economic growth between 2013-2018. Community services (16.1 per cent), manufacturing (13.8 per cent) and transport (9.8 per cent) are expected to aid provincial growth to a lesser degree, whereas agriculture (3.2 per cent) and construction (5.0 per cent) are expected to contribute the least to growth between 2013-2018.

Economic performance and employment

Figure 2.7 depicts the real growth per industry over the period 2009 to 2013 in the left-hand diagram and the contribution to changes in employment numbers over the same period in the right-hand diagram. Over the 4-year period community services, mining and trade achieved the

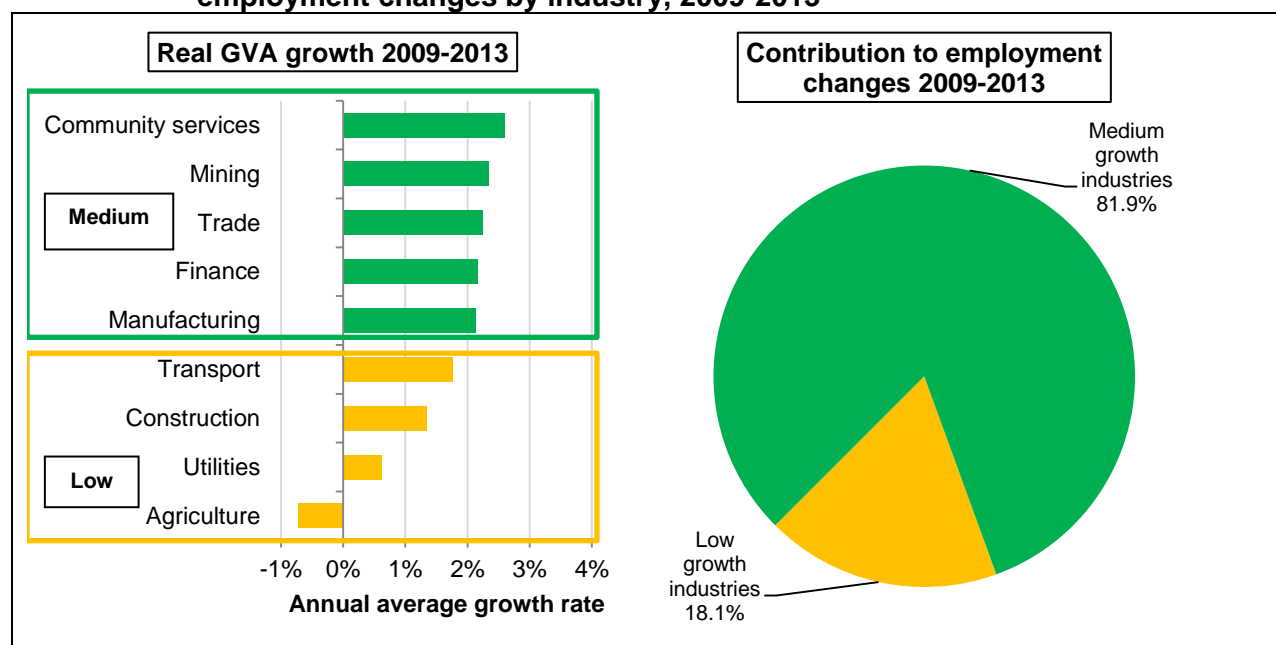
highest annual average growth rates, whereas agriculture and utilities recorded the lowest average annual growth.

Table 2.5: Industry contribution to GDP at basic prices (constant 2010 prices) growth in Mpumalanga, 2013-2018

Industry	GDP share 2013	Forecasted industry growth 2013-2018	Estimated contribution to provincial economic growth 2013-2018
Agriculture	3.0%	2.2%	3.2%
Mining	25.4%	0.5%	6.2%
Manufacturing	13.3%	2.1%	13.8%
Utilities	5.4%	2.6%	6.9%
Construction	3.3%	3.1%	5.0%
Trade	15.0%	2.6%	19.1%
Transport	6.0%	3.3%	9.8%
Finance	12.2%	3.3%	19.9%
Community services	16.4%	2.2%	16.1%
Total	100.0%	2.2%	100.0%

Sources: *Statistics South Africa – GDP Q3, 2014*
IHS Global Insight – ReX, January 2015

Figure 2.7: Real GDP at basic prices (constant 2010 prices) growth and contribution to employment changes by industry, 2009-2013



Sources: *Statistics South Africa – GDP Q3, 2014*
Statistics South Africa – QLFS, 2015

In 2013, some 145 000 more people were employed by the nine industries in Mpumalanga than in 2009. In the right hand diagram, it is observable that the medium high growth industries, with growth between 2 and 4 per cent per annum, contributed 81.9 per cent to the increased number of employed. The low growth industries, with growth of less than 2 per cent per annum, contrib-

uted 18.1 per cent. Based on the two diagrams, it is evident that an industry makes a larger contribution to employment growth when it achieves a medium to high growth rate, than when it grows at a low growth rate.

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.

In 2013, the economy of Mpumalanga appears to be slightly more diversified than that of South Africa with an index score of 37.5 compared to the national score of 39.3. Among the nine provinces, Mpumalanga ranked second in terms of the most diversified economy, behind Free State (36.5) and ahead of KwaZulu-Natal (39.8).

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 (1.19), mining (2.76), utilities (2.02) and trade (1.06) held a comparative advantage over the same industry in the national economy in 2013.

Table 2.6: Comparative advantage of industries in Mpumalanga and districts, 2013

Industry	Mpumalanga	Gert Sibande	Nkangala	Ehlanzeni
Agriculture	1.19	1.83	0.71	1.32
Mining	2.76	2.52	4.29	0.52
Manufacturing	0.95	1.72	0.59	0.77
Utilities	2.02	1.79	3.29	0.19
Construction	0.82	0.73	0.63	1.21
Trade	1.06	0.93	0.75	1.68
Transport	0.66	0.59	0.56	0.89
Finance	0.52	0.39	0.42	0.82
Community services	0.72	0.59	0.53	1.15
Total	1.00	1.00	1.00	1.00

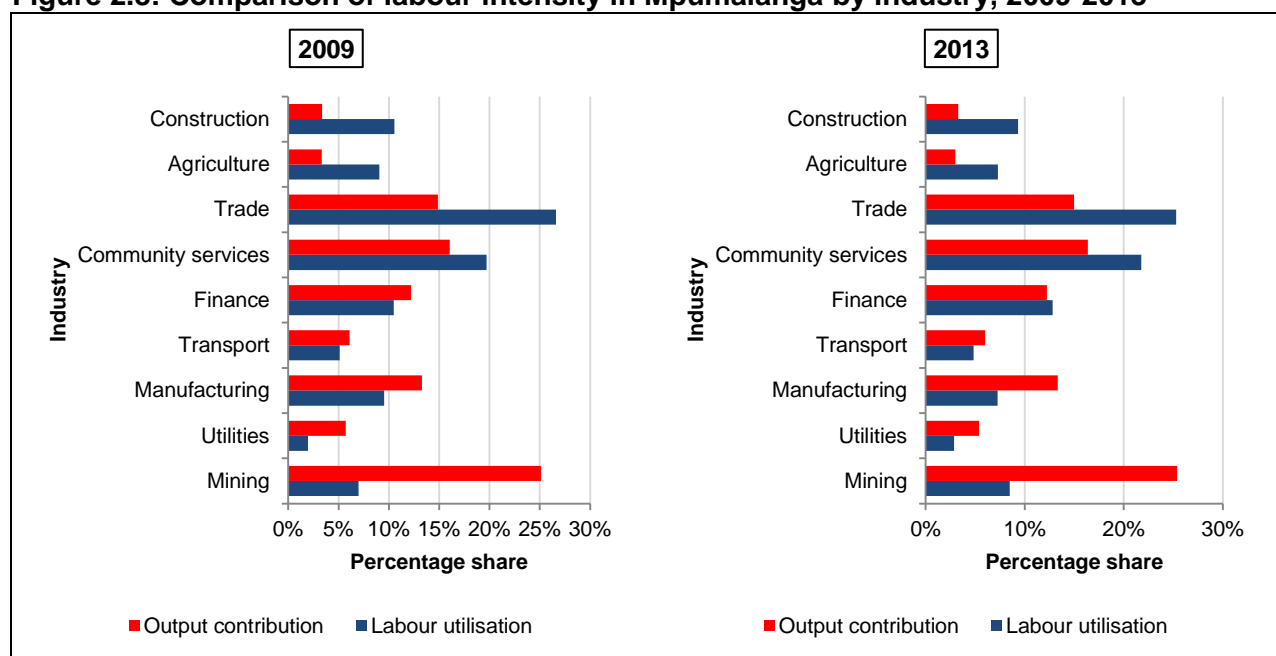
Source: IHS Global Insight – ReX, January 2015

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 2009 and 2013. In 2013, the following five industries in Mpumalanga exhibited higher employment shares relative to their output shares, thereby indicating a high level of labour intensity: construction, agriculture, trade, community services and finance. In 2009, only the first four abovementioned industries registered larger labour utilisation shares than output contribution.

Figure 2.8: Comparison of labour intensity in Mpumalanga by industry, 2009-2013



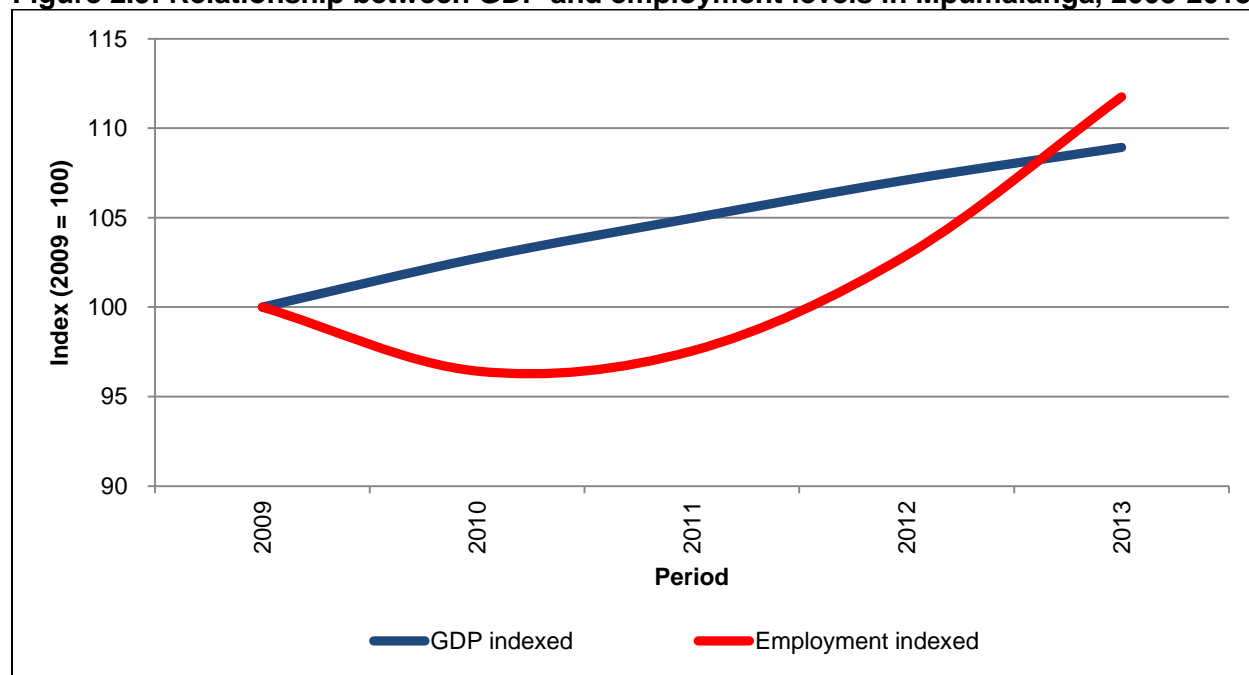
Sources: *Statistics South Africa – GDP Q3, 2014*
Statistics South Africa – QLFS, 2015

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.

Between 2009 and 2013, provincial economic output has been rising steadily whereas employment levels first declined and then started to rise sharply as indicated in Table 2.9. Mpumalanga's employment elasticity over the period 2009-2013 was 1.75. In other words, on average over the 4-year period, every 1 per cent of real GVA growth in the province's economy translated into a 1.75 per cent increase in employment in the economy. The indexed relationship between employment levels and GDP over the period 2009-2013 is portrayed in Figure 2.9. This interrelationship between economic growth and employment levels in Mpumalanga over the 4-year period of 2009 to 2013 was relatively weak – due to the 2008-09 recession period.

Figure 2.9: Relationship between GDP and employment levels in Mpumalanga, 2008-2013



Sources: *Statistics South Africa – GDP Q3, 2014*
Statistics South Africa – QLFS, 2015

The employment elasticity of the various industries in Mpumalanga's over the period 2009-2013 is displayed in Table 2.7. The utilities industry recorded the highest employment elasticity of 21.64 over the period 2009-2013. Therefore, on average over the 4-year period, every 1 per cent of real GVA growth in the province's utilities industry translated into a 21.6 per cent increase in employment in the industry. Apart from utilities, the mining, construction, transport, finance and community services industries also recorded higher employment growth than economic growth over the 4-year period. The employment growth in agriculture and manufacturing were negative over the 4-year period and therefore it can be said that these industries registered negative employment elasticities – or jobless growth.

Table 2.7: Comparative employment elasticity per industry in Mpumalanga, 2009-2013

Industry	Employment elasticity 2009-2013
Agriculture	-1.68
Mining	4.87
Manufacturing	-1.44
Utilities	21.64
Construction	1.15
Trade	0.50
Transport	1.41
Finance	4.31
Community services	2.21
Total	1.75

Sources: Statistics South Africa – GDP Q3, 2014
Statistics South Africa – QLFS, 2015

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.

Table 2.8: Comparison of Mpumalanga's labour productivity per industry, 2009-2013

Industry	Labour productivity index	
	2009	2013
Agriculture	0.37	0.31
Mining	3.59	3.07
Manufacturing	1.40	1.44
Utilities	2.93	2.18
Construction	0.32	0.38
Trade	0.56	0.61
Transport	1.19	1.28
Finance	1.16	1.13
Community services	0.81	0.75
Total industries	1.00	1.00

Sources: Statistics South Africa – GDP Q3, 2014
Statistics South Africa – QLFS, 2015

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 2013 (Table 2.8). The mining industry (3.07) recorded the highest labour productivity index score in 2013, followed by utilities (2.18) and manufacturing (1.44). In 2009, the same five industries in Mpumalanga achieved a higher labour productivity than the total industries combined. The mining industry registered the highest labour productivity index score in

2009 of 3.59, followed by the utilities and manufacturing industries. Manufacturing, construction, trade and transport experienced increased labour productivity between 2009 and 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 Account¹⁰ 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 3.1 per cent to GDP in 2012. Some 617 300 persons were directly engaged in producing goods and services purchased by visitors, which accounted for 4.6 per cent of total employment in 2012.

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. It is, however, possible to express tourism spend as a percentage of regional GDP in order to indicate how large an impact it makes and whether its contribution grows. In terms of this indicator, tourism spend in 2001 was equal to 6.3 per cent and 5.9 per cent of South Africa and Mpumalanga's GDP, respectively. By 2013, tourism spend in South Africa declined to 6.1 per cent of GDP, whilst in Mpumalanga it increased to 7.3 per cent of the provincial GDP. Among the nine provinces, only Western Cape (9.0 per cent) registered a larger tourism spend to GDP share than Mpumalanga.

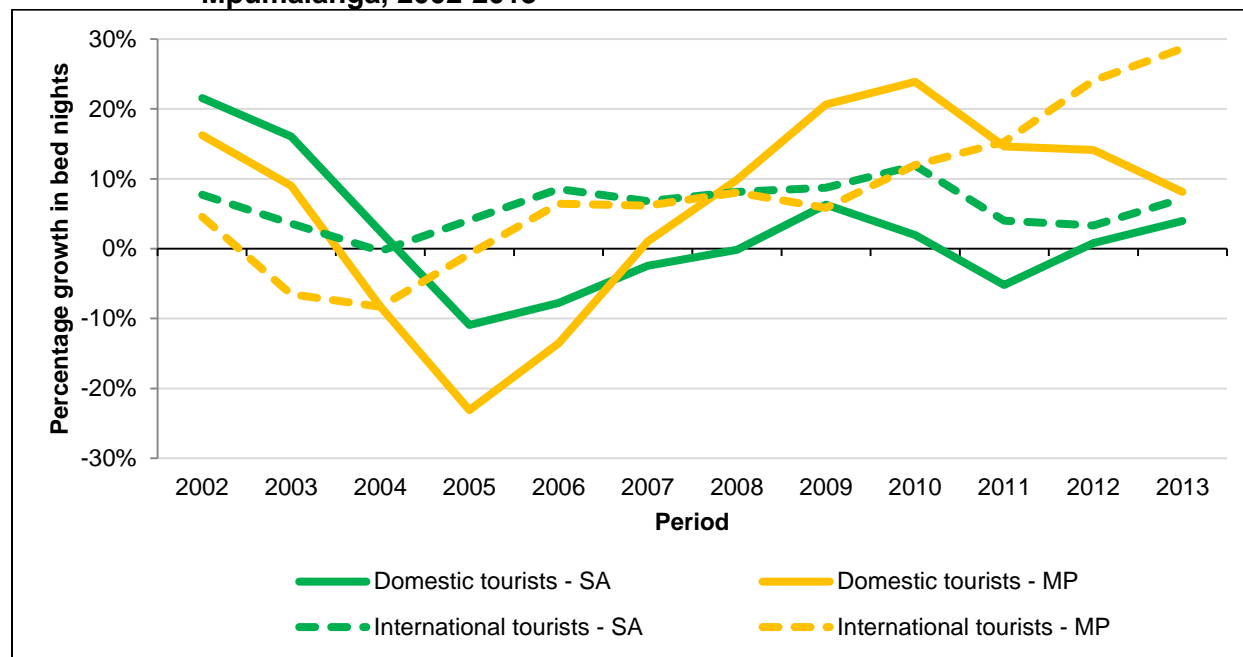
According to Tourism South Africa's *Annual Report 2013*, Mpumalanga was the fourth most visited province by foreign visitors in 2013, with a share of 12.5 per cent of total foreign arrivals visiting the province. This was down from 15.2 per cent of total foreign arrivals in 2012. Mpumalanga captured 10.0 per cent of the total bed-nights spent by all foreign tourists in South Africa. This was higher than the 8.8 per cent in 2012 and the province moved from joint third position to third overall. Mpumalanga attracted 12.0 per cent of domestic tourists in 2013 and remained in fourth position.

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 2013. 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

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.

by international tourists in Mpumalanga recorded higher growth rates than the national standard.

Figure 2.10: Comparison of growth in bed nights by origin of tourist in South Africa and Mpumalanga, 2002-2013



Source: IHS Global Insight – ReX, January 2015

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 2014 was 5.8 per cent, which was lower than the average for South Africa (6.1 per cent) as well as the lowest overall.

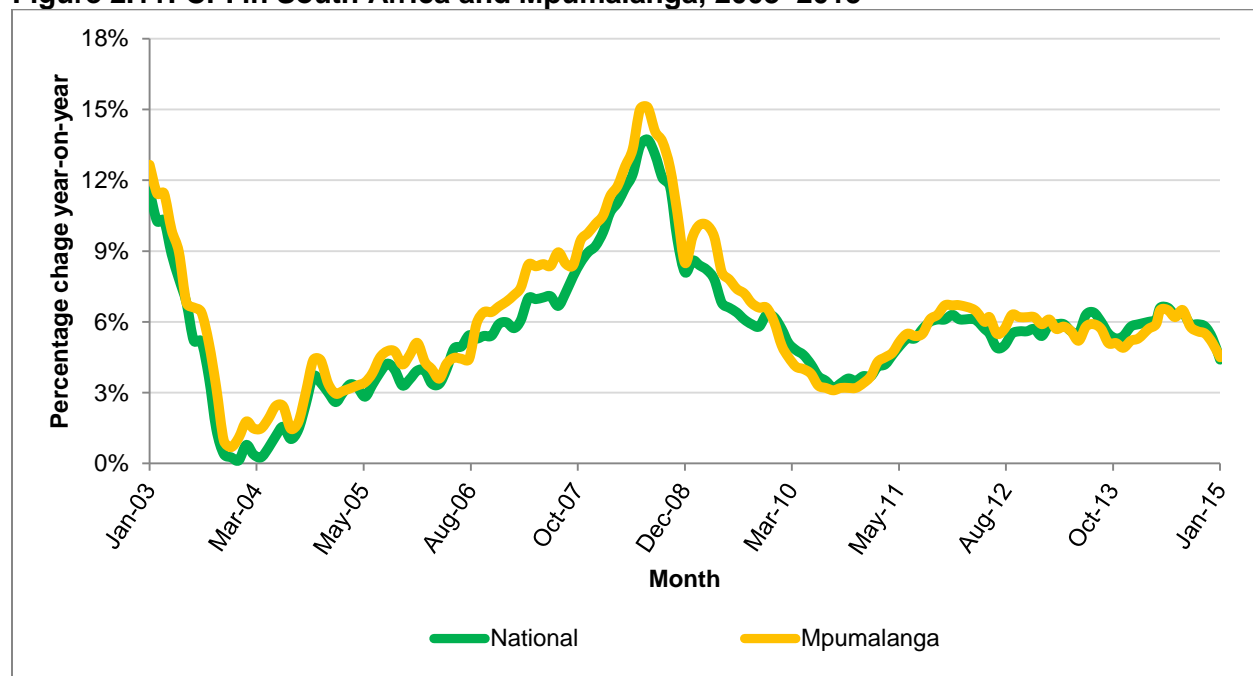
The inflation rate in Mpumalanga decreased between December 2014 (5.1 per cent) and January 2015 (4.5 per cent) by 0.6 of a percentage point. Mpumalanga, jointly with North West, recorded the fifth lowest/highest inflation measurement among the nine provinces in January 2015. In January 2015, Mpumalanga's inflation rate was higher than the national inflation rate for the first time in 5 months. The Mpumalanga inflation rate was below the upper limit of the inflation target zone for the fifth consecutive month. The comparative percentage change in the CPI for South Africa and Mpumalanga from January 2003 to January 2015 is displayed in Figure 2.11.

The 2014 average annual inflation rate in Witbank/Nelspruit¹¹ was 5.4 per cent, which was the

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

lowest of the thirteen urban areas. The inflation measurement for Witbank/Nelspruit was 4.5 per cent in January 2015, considerably lower than the December 2014 measurement of 5.0 per cent. Witbank/Nelspruit recorded the eighth lowest/sixth highest inflation measurement in January 2015. The Witbank/Nelspruit inflation rate was equal to Mpumalanga's inflation rate and also higher than the national inflation rate for January 2015. It was, however, below the upper limit of the inflation target zone.

Figure 2.11: CPI in South Africa and Mpumalanga, 2003–2015



Source: Statistics South Africa – CPI, 2003-2015

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 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.

It appears from Table 2.9, that the FNAB index was accountable for 29.1 per cent of the average price increase in Mpumalanga during January 2015. The housing and utilities as well as the MGS indices were accountable for 25.6 per cent and 21.4 per cent respectively. The transport index's contribution decreased by 5.4 per cent due to a 127c/litre decrease in the price of petrol. The clothing and footwear index made a considerable contribution of 11.9 per cent compared with its weighting of 5.36 per cent.

When the impact of the more volatile FNAB and petrol prices are excluded from the consumer price index as in Figure 2.12, the underlying annual inflation amounted to 5.4 per cent in Janu-

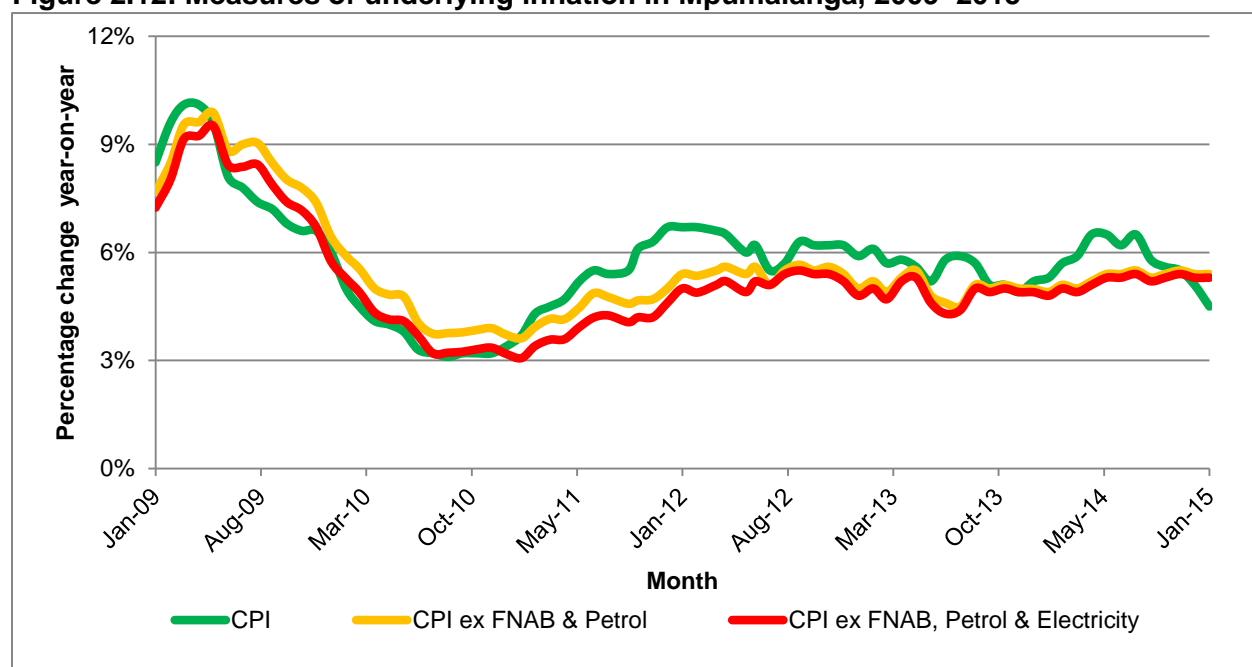
ary 2015. If electricity prices are also excluded from the calculation of headline CPI inflation, core inflation would have been at 5.3 per cent in January 2015.

Table 2.9: Mpumalanga's CPI group indices, weights, percentage change & contribution to inflation, January 2015

Index description	Weight	Percentage change		Estimated contribution to inflation
		Month-on-month	Year-on-year	
Food & non-alcoholic beverages	20.72	+1.0	+6.2	29.1%
Alcoholic beverages and tobacco	4.81	+0.5	+7.6	8.3%
Clothing and footwear	5.36	+0.3	+9.8	11.9%
Housing and utilities	21.37	+0.1	+5.3	25.6%
Household contents and services	5.75	+0.1	+1.7	2.2%
Health	1.38	+0.6	+7.1	2.2%
Transport	14.88	-2.5	-1.6	-5.4%
Communication	2.25	+0.1	-2.4	-1.2%
Recreation and culture	6.20	-0.1	+0.3	0.4%
Education	1.58	+0.0	+6.2	2.2%
Restaurants and hotels	2.56	+0.0	+5.6	3.2%
Miscellaneous goods and services	13.14	+0.6	+7.2	21.4%
All items	100.0	+0.0	+4.5	100.0%

Source: Statistics South Africa – CPI Additional Tables, 2015

Figure 2.12: Measures of underlying inflation in Mpumalanga, 2009–2015



Source: Statistics South Africa – CPI, 2009-2015

The Monetary Policy Committee (MPC) announced at the conclusion of its January meeting that the SARB's national inflation forecast have been revised lower, mainly as a result of the lower oil price. The forecast for 2015 was decreased to 3.8 per cent, compared with the previous forecast of 5.3 per cent. The steep decline in 2015, however, produces a strong base effect in

2016, and, when combined with a slightly higher oil price assumption and a depreciated exchange rate of the rand, results in an average inflation forecast of 5.4 per cent for the year.

2.11 International trade

Mpumalanga's contribution to total national trade was 1.0 per cent in 2013, down from 1.2 per cent in 1996. The two leading provinces, in terms of total trade contribution in 2013, were Gauteng with a share of 62.2 per cent and Western Cape (15.3 per cent). Mpumalanga contributed 1.4 per cent and 0.6 per cent to national exports and national imports, respectively.

Mpumalanga recorded vigorous average annual growth in terms of exports (10.5 per cent) and imports (13.7 per cent) from 1996 to 2013. The province, however, did not grow exports and imports as fast as the respective national averages of 12.2 per cent and 13.3 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 R6.6 billion in 2013, 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 2013 with a deficit of R74 billion. Mpumalanga was the province with the fourth highest positive trade balance in 2013 after North West, Limpopo and Gauteng.

Among the three districts, Ehlanzeni (50.9 per cent) was the main contributor to provincial exports in 2013 followed by Nkangala and Gert Sibande with respective contributions of 37.9 per cent and 11.2 per cent (Table 30). Exports from Gert Sibande (12.9 per cent) recorded the highest growth since 1996 and those from Nkangala the slowest (8.9 per cent). Gert Sibande attracted 37.7 per cent of Mpumalanga's imports in 2013, followed by Ehlanzeni and Nkangala. Imports flowing to Ehlanzeni recorded the highest growth rate (20.3 per cent) over the 17-year period and those to Gert Sibande the lowest (10.5 per cent).

Among the three districts, Ehlanzeni recorded the largest positive trade balance of R4.5 billion in 2013, followed by Nkangala (R3.0 billion). Gert Sibande recorded a negative trade balance in 2013 of R907 million and is the only district in Mpumalanga that, from time to time, recorded negative trade balances.

Table 2.10: Mpumalanga districts' contribution to provincial exports and imports, 2013

District	Exports		Imports	
	Share of Mpumalanga 2013	Growth per annum 96-13	Share of Mpumalanga 2013	Growth per annum 96-13
Gert Sibande	11.2%	12.9%	37.7%	10.5%
Nkangala	37.9%	8.9%	29.5%	14.4%
Ehlanzeni	50.9%	11.6%	32.7%	20.3%

Source: IHS Global Insight – ReX, January 2015

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 (8.6 per cent) occupied fourth place in 2013 with KwaZulu-Natal (29.3 per cent) in first position. Mpumalanga remained the fourth largest contributor to the national agriculture industry between 1995 and 2013 (Figure 2.14).

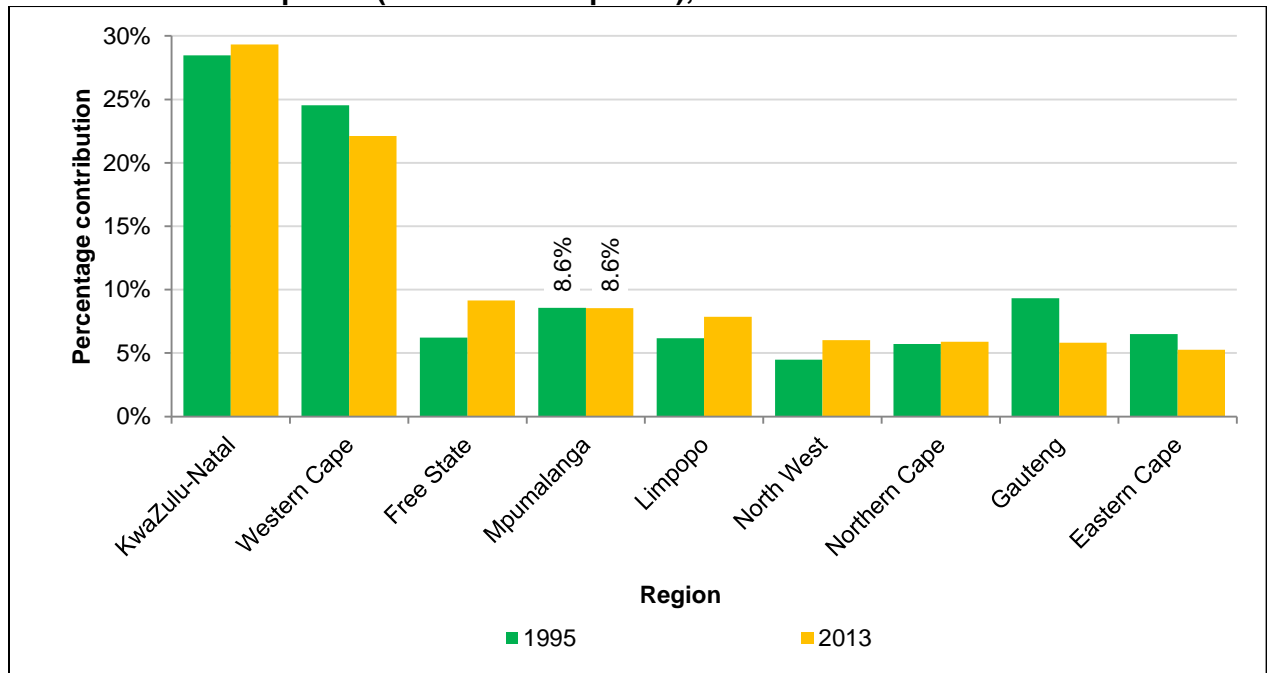
With an average annual growth rate of 2.9 per cent between 1995 and 2013, the industry exceeded the provincial economic growth of 2.7 per cent over the same period. It is, however, evident from Figure 2.15 that the agriculture industry experienced unpredictable and volatile growth with a high of 34.1 per cent in 1996 and a low of -13.9 per cent in 2001. The average annual growth from 2013 to 2018 is expected to be around 2.2 per cent, which should be equal to the provincial economy's forecasted 2.2 per cent growth (Table 2.4).

The agriculture industry's contribution to the provincial GDP has increased slightly over the period 1995-2013. In 1995, the agriculture industry contributed 2.8 per cent and by 2013, the contribution increased slightly to 3.0 per cent of the total GDP of Mpumalanga (Figure 2.15).

The agriculture industry's employment elasticity between 2009 and 2013 was negative (Table 2.7). According to this figure, for every 1 per cent economic growth experienced in the agricul-

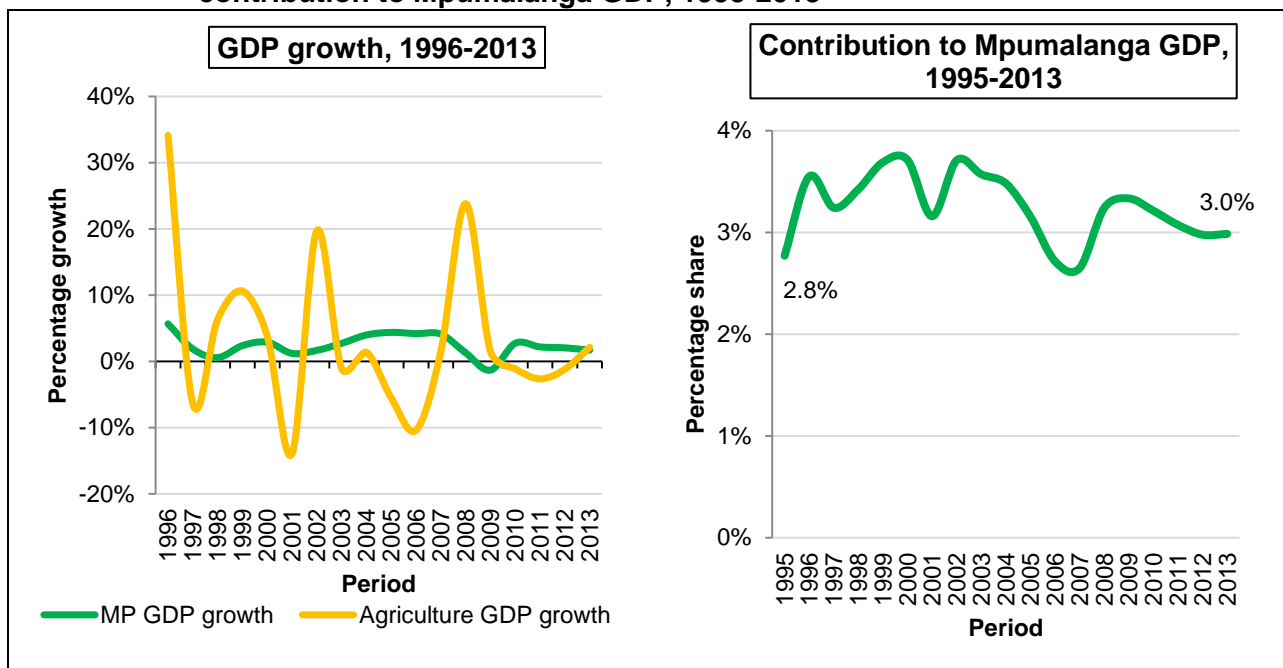
ture industry the number of employed in the industry decreased by 1.7 per cent.

Figure 2.14: Comparative contribution to the national agriculture industry's GDP at basic prices (constant 2010 prices), 1995-2013



Source: Statistics South Africa – GDP Q3, 2014

Figure 2.15: Agriculture industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2013



Source: Statistics South Africa – GDP Q3, 2014

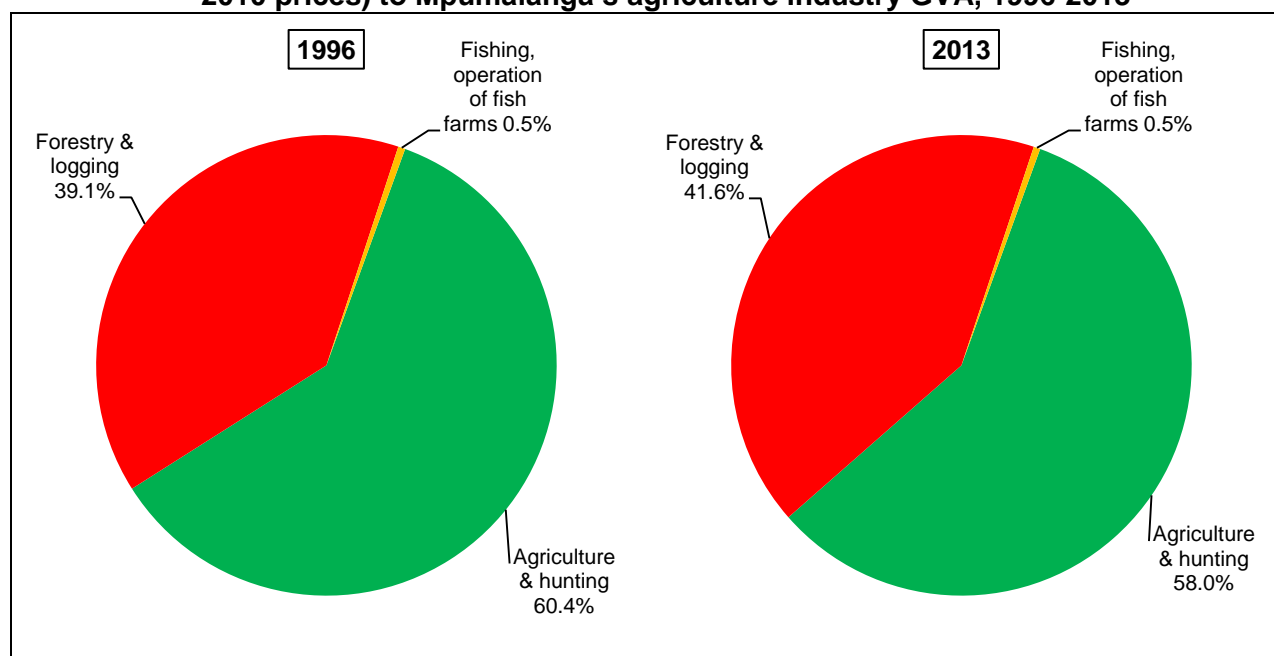
The agriculture industry's labour productivity index score was the lowest among the nine industries in Mpumalanga for both 2009 and 2013 (Table 2.8). The agriculture industry exhibited a high level of labour intensity (Figure 2.8), but given the low labour productivity and negative employment elasticity, it is unlikely that the industry, in its current structure, will be an important employment driver.

Agriculture sub-industries

Agriculture and hunting was the largest agriculture sub-industry in 2013 with a share of 58.0 per cent, while forestry and logging contributed the bulk of the remainder. It is important to note that forestry and logging contributed more in 2013 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 17-year period under review, second placed forestry and logging recorded the highest average annual growth of 1.9 per cent followed by agriculture and hunting (1.2 per cent). It is expected that agriculture and hunting (1.8 per cent) will expand the fastest of the three sub-industries over the 5-year period 2013 to 2018. 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 2010 prices) to Mpumalanga's agriculture industry GVA, 1996-2013



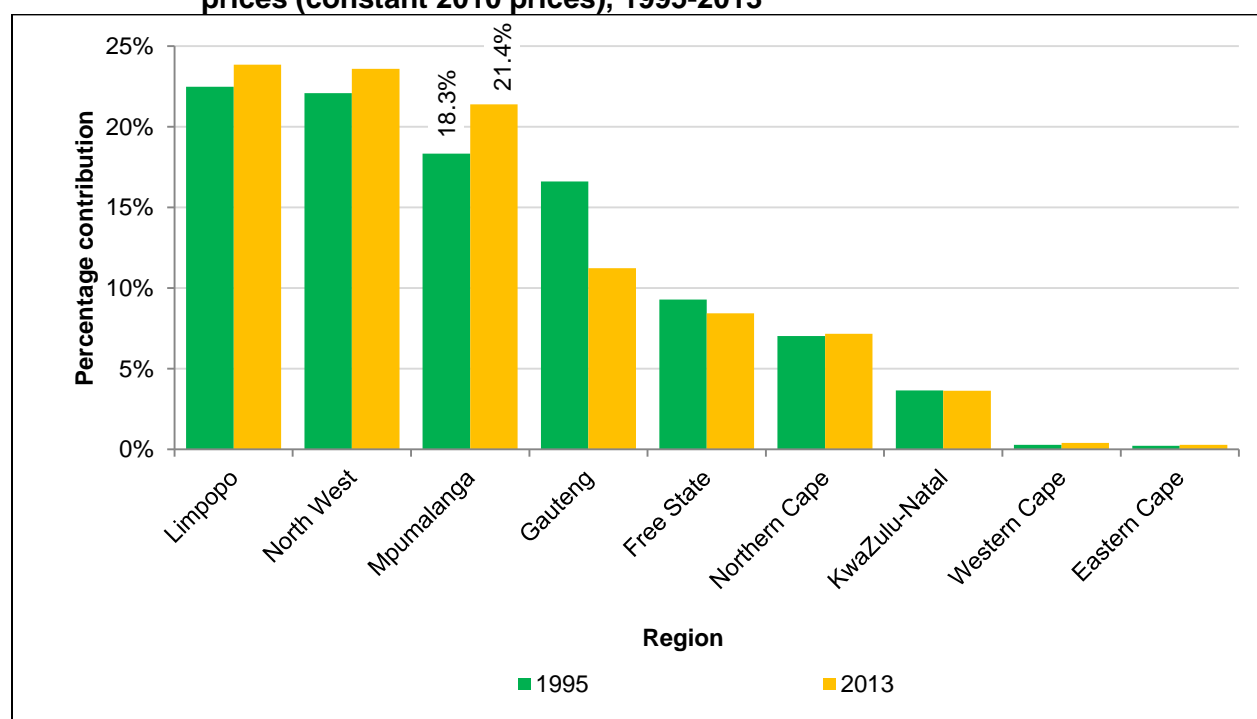
Source: IHS Global Insight – ReX, January 2015

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 2013 behind Limpopo (23.8 per cent) and North West (23.6 per cent). Mpumalanga's substantial share of 21.4 per cent improved from 18.3 per cent in 1995 (Figure 2.17). Mpumalanga, along with Limpopo, North West and Northern Cape, increased its share over the 18-year period whereas the other provinces declined.

Figure 2.17: Comparative contribution to the national mining industry's GDP at basic prices (constant 2010 prices), 1995-2013

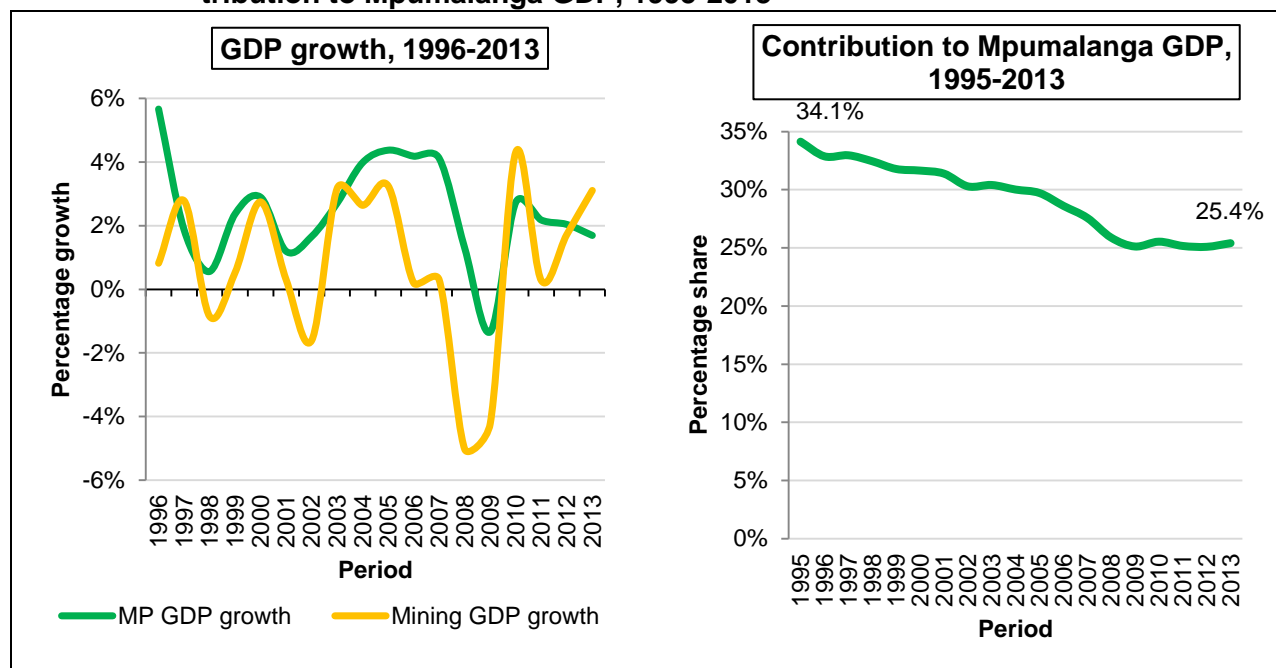


Source: Statistics South Africa – GDP Q3, 2014

Between 1995 and 2013, mining recorded the lowest average annual growth rate among the industries of 0.8 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 0.5 per cent per annum, will be lower than the provincial economy's forecasted 2.2 per cent growth from 2013 to 2018 (Table 2.4).

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 25.4 per cent contribution to provincial GDP in 2013 (Figure 2.18). It is, however, evident that the contribution, in constant prices, by mining has declined from 34.1 per cent in 1995 to the current level.

Figure 2.18: Mining industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2013



Source: Statistics South Africa – GDP Q3, 2014

The employment elasticity of mining was positive over the 4-year period from 2009 to 2013 (Table 2.7). Translated into concrete terms, this figure indicates that every 1 per cent economic growth resulted in a 4.9 per cent increase in the employment numbers of the mining industry in Mpumalanga.

In 2009 and 2013, 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 2009 and 2013 (Figure 2.8). The mining industry is likely to experience modest employment growth given the relatively high employment elasticity and despite the low economic growth forecasts and the continued move towards more capital-intensive processes.

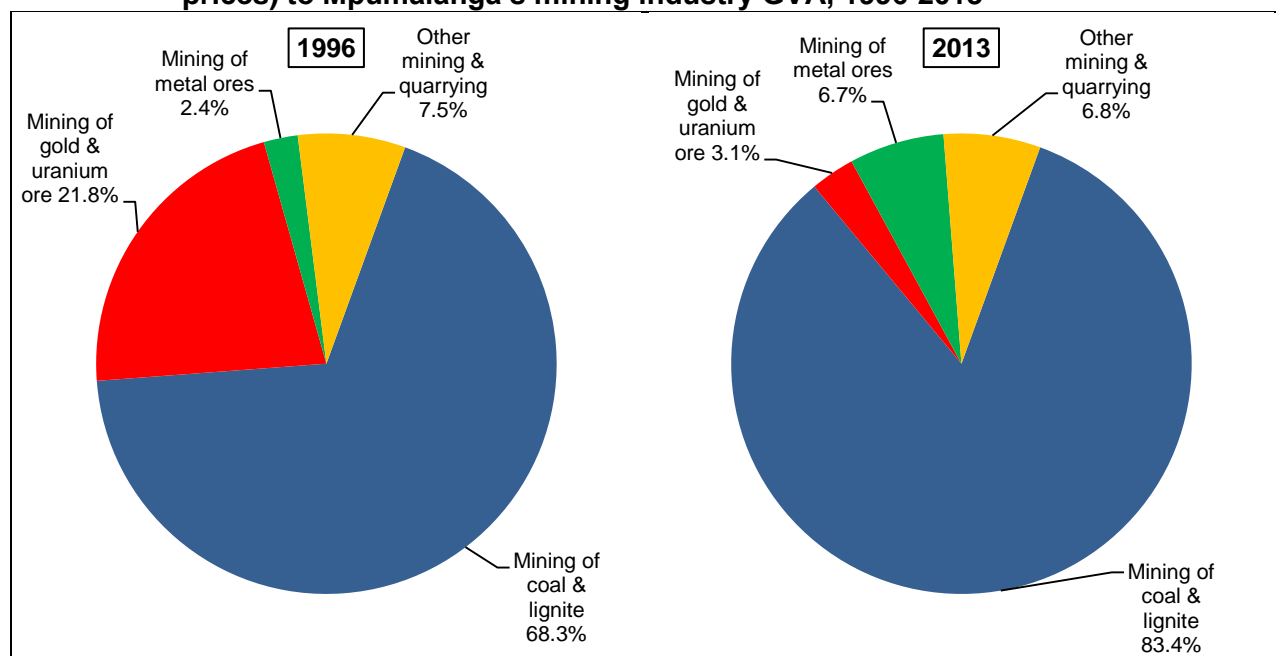
Mining sub-industries

Mining of coal and lignite was the largest mining sub-industry in 2013 with a share of 83.4 per cent, while other mining and quarrying was the second largest with a share of 6.8 per cent. It is

important to note that the shares of metal ore mining as well as coal and lignite mining increased, whereas the shares of the other two sub-industries declined between 1996 and 2013. Figure 2.19 displays the relative size of the four mining sub-industries.

Over the 17-year period under review, third placed metal ore mining recorded the highest average annual growth of 7.2 per cent followed by coal and lignite mining (2.1 per cent). It is expected that mining of metal ores will record the fastest average growth of 1.3 per cent per annum over the 5-year period 2013 to 2018. Coal and lignite mining is also expected to make a substantial contribution to provincial economic growth over the period 2013 to 2018. 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 2013 and 2018.

Figure 2.19: GVA contribution by Mpumalanga's mining sub-industries (constant 2010 prices) to Mpumalanga's mining industry GVA, 1996-2013



Source: IHS Global Insight – ReX, January 2015

2.13 Secondary sector analysis

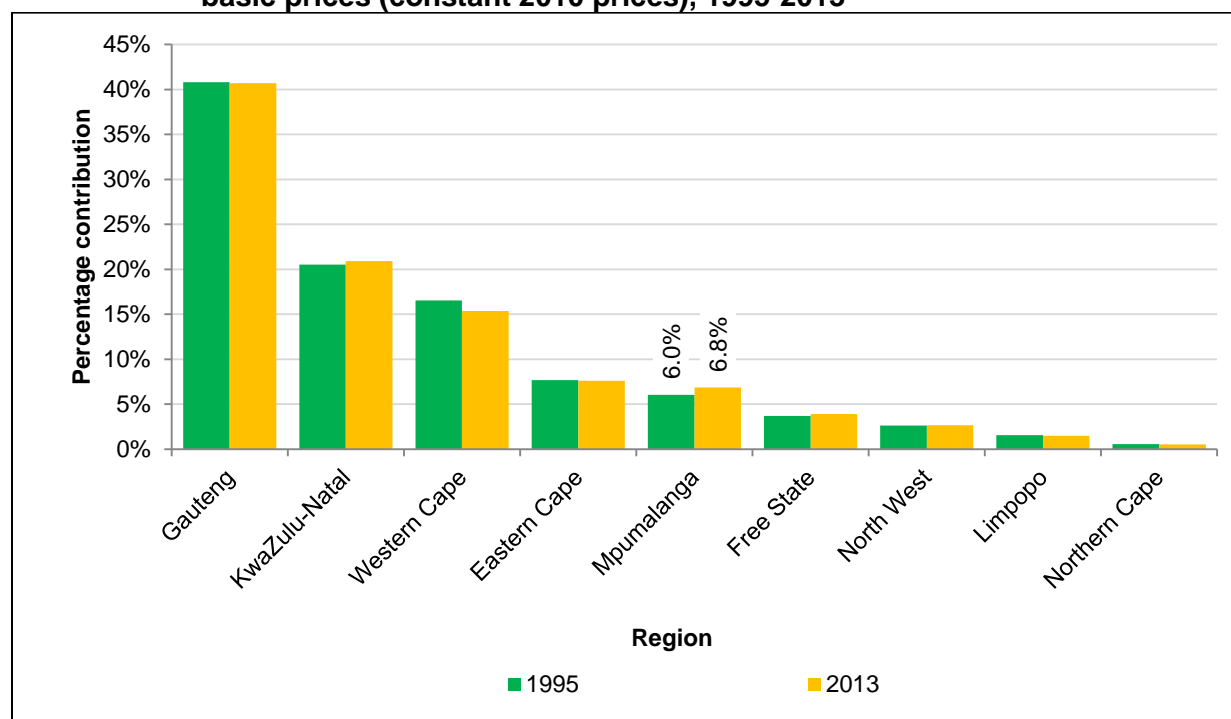
2.13.1 Manufacturing industry

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 2013, behind Gauteng in first place with its 41.0 per cent share (Figure 2.20). Mpumalanga's share was 6.8 per cent in 2013, which was higher than the 6.0 per cent share recorded in 1995.

Figure 2.20: Comparative contribution to the national manufacturing industry's GDP at basic prices (constant 2010 prices), 1995-2013



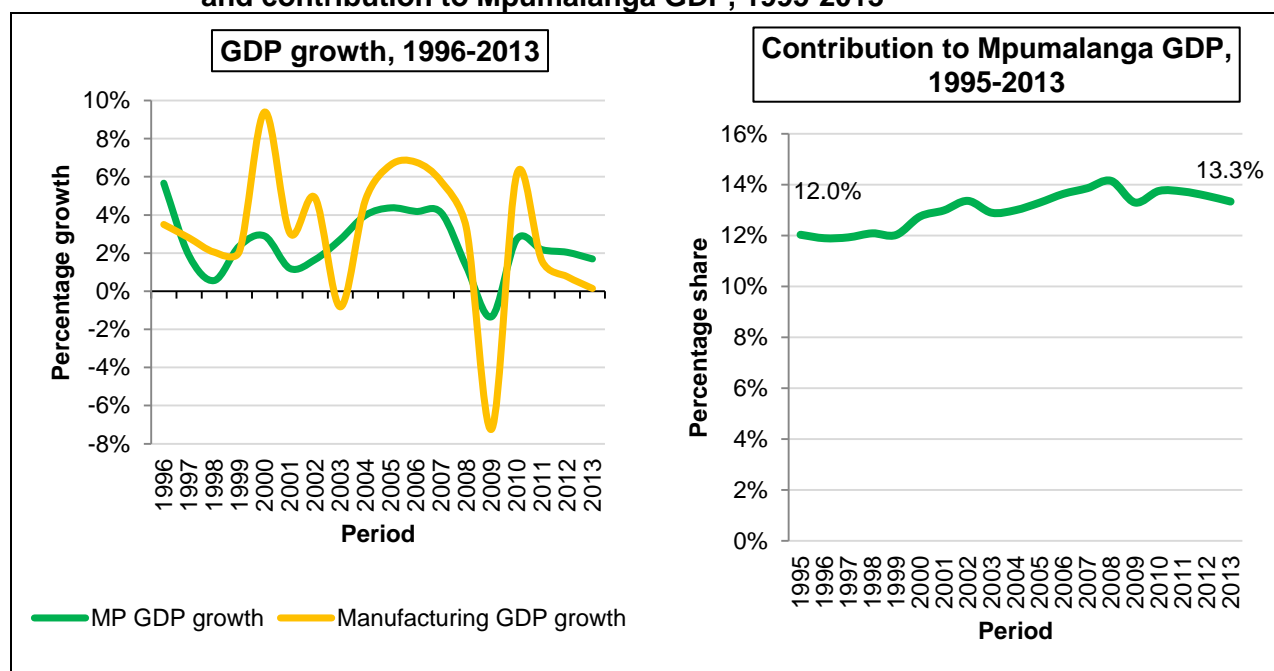
Source: Statistics South Africa – GDP Q3, 2014

Manufacturing (3.0 per cent) documented a growth rate over the 18-year period in excess of the annual average provincial economic growth rate of 2.7 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 1995-2013. The expected future growth of 2.1 per cent per annum from 2013 to 2018 should be slightly lower than the provincial economy's forecasted 2.2 per cent growth.

Manufacturing was the fourth largest contributor to the provincial economy with a 13.3 per cent share of Mpumalanga's GDP in 2013 (Figure 2.21). The contribution by the manufacturing industry increased steadily from 12.0 per cent in 1995.

The employment elasticity of the manufacturing industry was calculated to be -1.44 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 1.4 per cent.

Figure 2.21: Manufacturing industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2013



Source: Statistics South Africa – GDP Q3, 2014

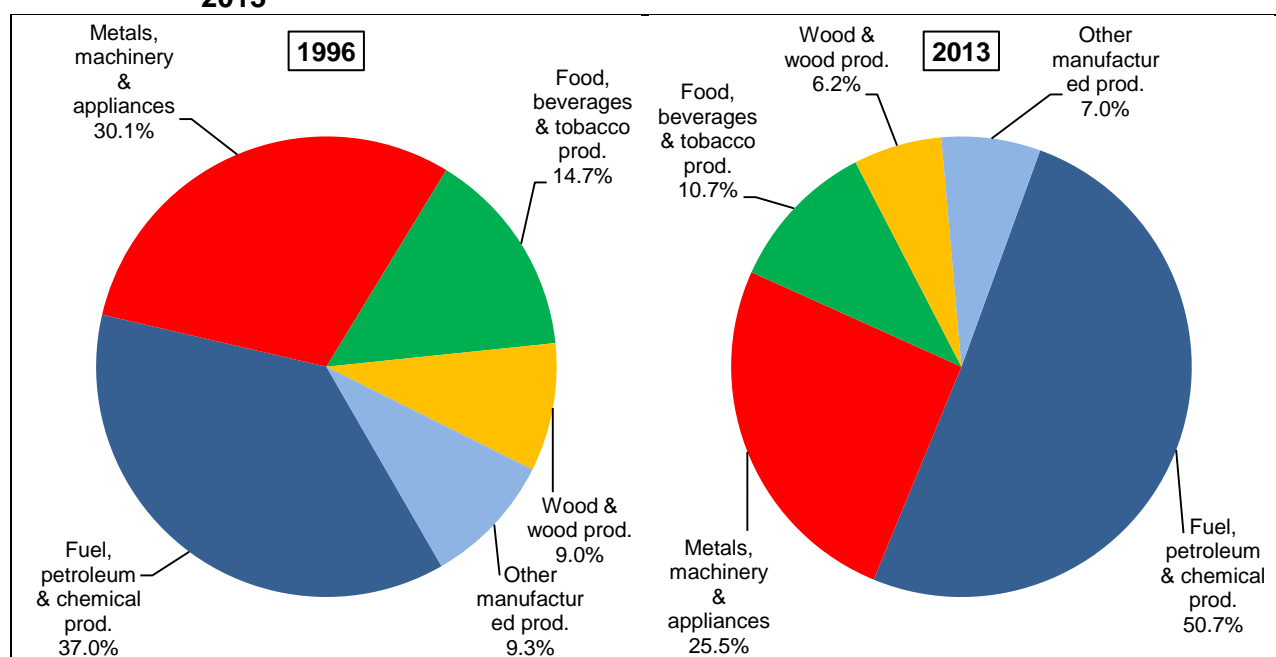
In 2013, the manufacturing industry in Mpumalanga recorded the third highest labour productivity among the nine industries (Table 2.8). The manufacturing industry exhibited a low level of labour intensity (Figure 2.8) as the industry is characterised by progressively more capital-intensive processes. 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.

Manufacturing sub-industries

Fuel, petroleum and chemical products was the largest manufacturing sub-industry (predominantly Sasol) in 2013 with a share of 50.7 per cent, while metals, machinery and appliances was the second largest with a share of 25.5 per cent. Between 1996 and 2013, 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 17-year period under review, first placed fuel, petroleum, chemical and rubber products recorded the highest average annual growth of 5.1 per cent followed by electrical machinery (3.9 per cent). It is expected that the electronic and medical appliances sub-industry will also record the fastest average growth of 4.9 per cent per annum over the 5-year period 2013 to 2018. 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 2013 and 2018. 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 2013 and 2018.

Figure 2.22: GVA contribution by Mpumalanga's manufacturing sub-industries (constant 2010 prices) to Mpumalanga's manufacturing industry GVA, 1996-2013



Source: IHS Global Insight – ReX, January 2015

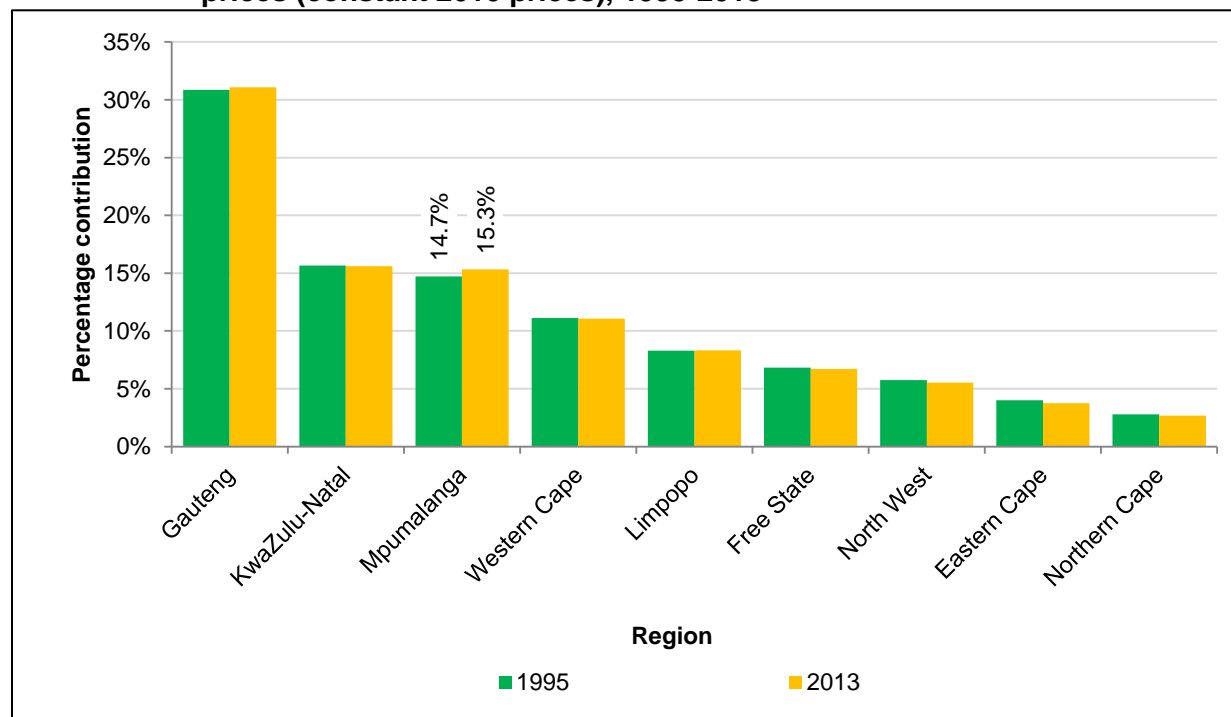
2.13.2 Utilities industry

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.

In terms of provincial contribution to the national utilities industry, Mpumalanga with a 15.3 per cent share occupied third place in 2013 (Figure 2.23). Gauteng and KwaZulu-Natal were ahead

of Mpumalanga with shares of 31.1 per cent and 15.6 per cent, respectively. Mpumalanga's share increased by 0.6 percentage points between 1995 and 2013 – the largest increase.

Figure 2.23: Comparative contribution to the national utilities industry's GDP at basic prices (constant 2010 prices), 1995-2013



Source: Statistics South Africa – GDP Q3, 2014

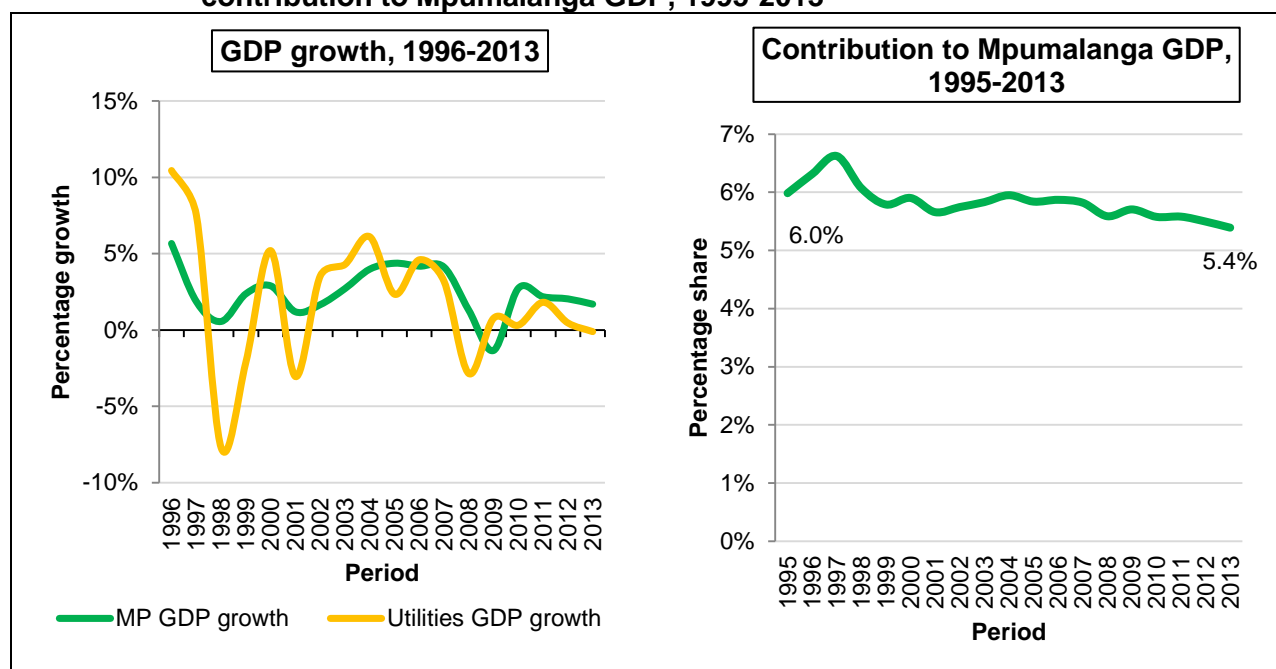
The utilities industry recorded the second lowest annual average growth rate in the province of 1.8 per cent between 1995 and 2013, and lower than the provincial growth of 2.7 per cent. It is evident from Figure 2.24 that growth in the utilities industry fluctuated sharply and on average was below the provincial GDP growth rate. The future growth is expected to be around 2.6 per cent per annum, marginally higher than the provincial economy's forecasted 2.2 per cent growth from 2013 to 2018 (Table 2.4).

The utilities industry held a comparative advantage over the national utilities industry in 2013. The utilities industry contributed 5.5 per cent to the total GDP of Mpumalanga in 2013 (Figure 2.24). The contribution decreased from 6.0 per cent in 1995 to the current level.

The employment elasticity of utilities was positive over the 4-year period from 2009 to 2013 (Table 2.7). Translated into concrete terms, this figure indicates that every 1 per cent economic growth in the industry resulted in a 21.6 per cent increase in the employment numbers of the utilities industry in Mpumalanga.

In 2009 and 2013, the utilities industry in Mpumalanga recorded the second highest labour productivity index score among the nine industries (Table 2.8). The industry exhibited a very low level of labour intensity both in 2009 and 2013 (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 despite the high employment elasticity.

Figure 2.24: Utilities industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2013



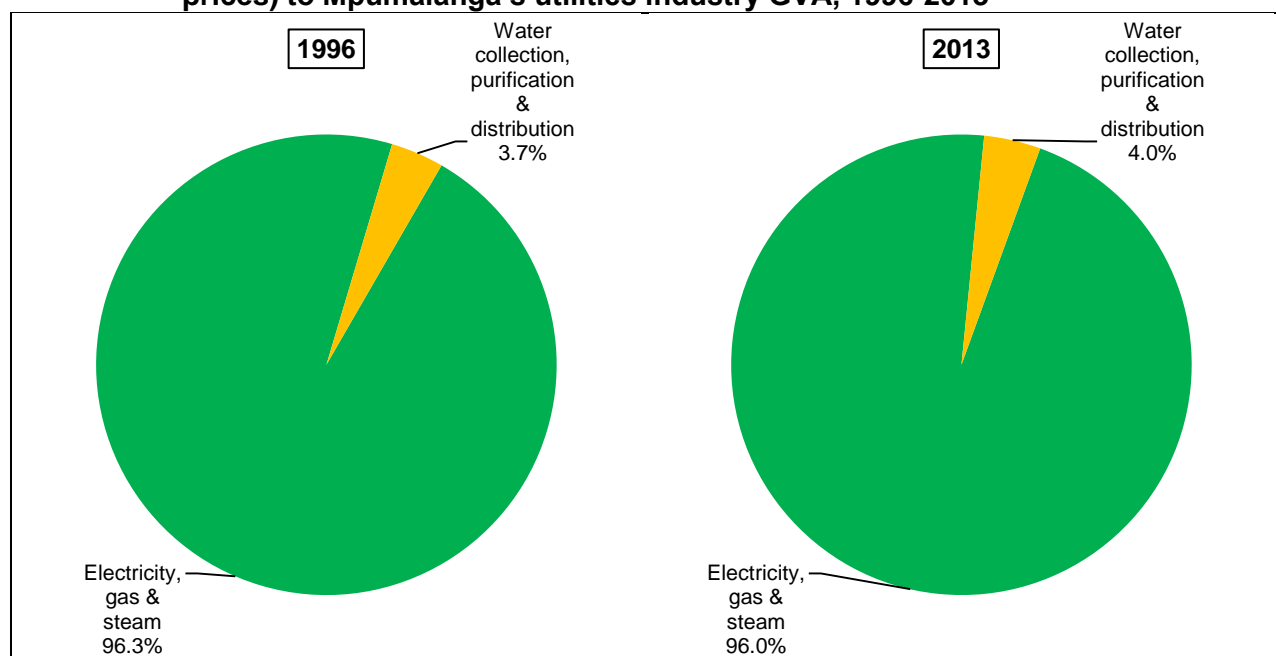
Source: Statistics South Africa – GDP Q3, 2014

Utilities sub-industries

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 2013 with a share of 96.0 per cent. Between 1996 and 2013, the shares of electricity supply decreased marginally, whilst that of water collection, purification and distribution increased correspondingly.

Over the 17-year period under review, electricity supply recorded positive average annual growth of 1.6 per cent and water collection, purification and distribution annual growth of 2.0 per cent. It is expected that both sub-industries will record average growth of 2.6 per cent per annum over the 5-year period 2013 to 2018 (Table 2.11).

Figure 2.25: GVA contribution by Mpumalanga's utilities sub-industries (constant 2010 prices) to Mpumalanga's utilities industry GVA, 1996-2013



Source: IHS Global Insight – ReX, January 2015

2.13.3 Construction industry

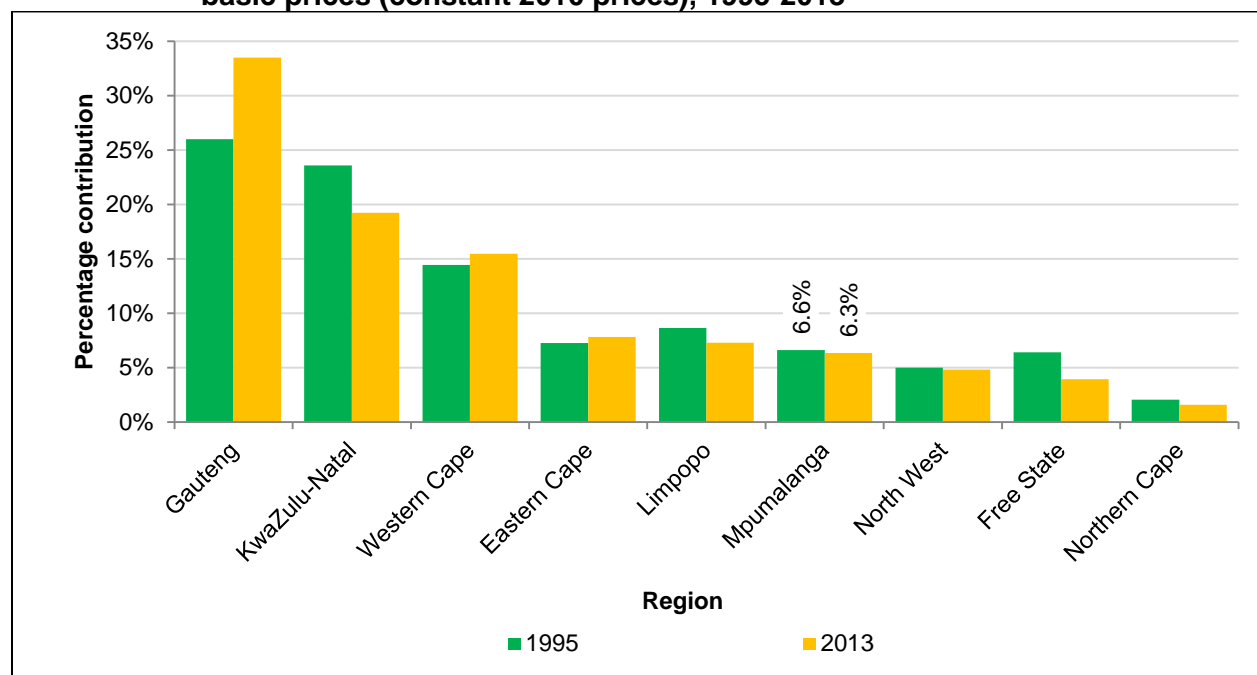
Gauteng was the largest contributor to the national construction industry in 2013 with a share of 33.5 per cent. Mpumalanga, with a 6.3 per cent share, occupied sixth place in 2013, the same position as in 1995 (Figure 2.26). Over the 18-year period, the province's share declined from 6.6 per cent in 1995 to the current share.

The construction industry registered the second highest annual average growth rate of 4.8 per cent among the provincial industries over the 18-year period (Figure 2.27). This is despite the massive slump of -13.5 per cent experienced in 2000. From 2013 to 2018, the average annual expected future growth of 3.1 per cent will be higher than the provincial economy's forecasted growth of 2.2 per cent.

The construction industry was the second smallest contributor to the provincial economy with a 3.3 per cent share of Mpumalanga's GDP in 2013. It is evident from Figure 2.27 that the construction industry's share increased since the severe slump of 2000.

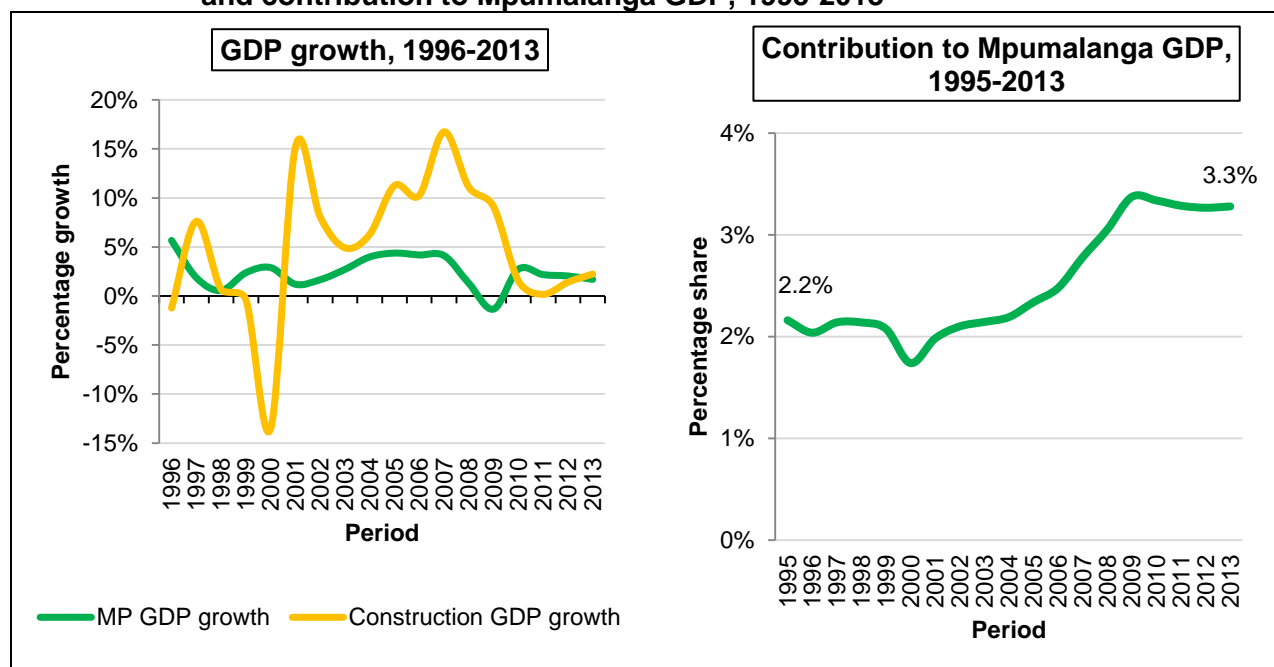
The employment elasticity of construction was calculated to be 1.15 over the period 2009 to 2013 (Table 2.7). According to this figure, for every 1 per cent growth experienced in the construction industry the employment growth was 1.2 per cent.

Figure 2.26: Comparative contribution to the national construction industry's GDP at basic prices (constant 2010 prices), 1995-2013



Source: Statistics South Africa – GDP Q3, 2014

Figure 2.27: Construction industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2013



Source: Statistics South Africa – GDP Q3, 2014

In 2009, the construction industry in Mpumalanga recorded the lowest labour productivity index score among the nine industries (Table 2.8) and the second lowest in 2013. The industry exhib-

ited the highest level of labour intensity in both 2009 and 2013 (Figure 2.8). Despite the low labour productivity, the labour intensive character and employment elasticity 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.

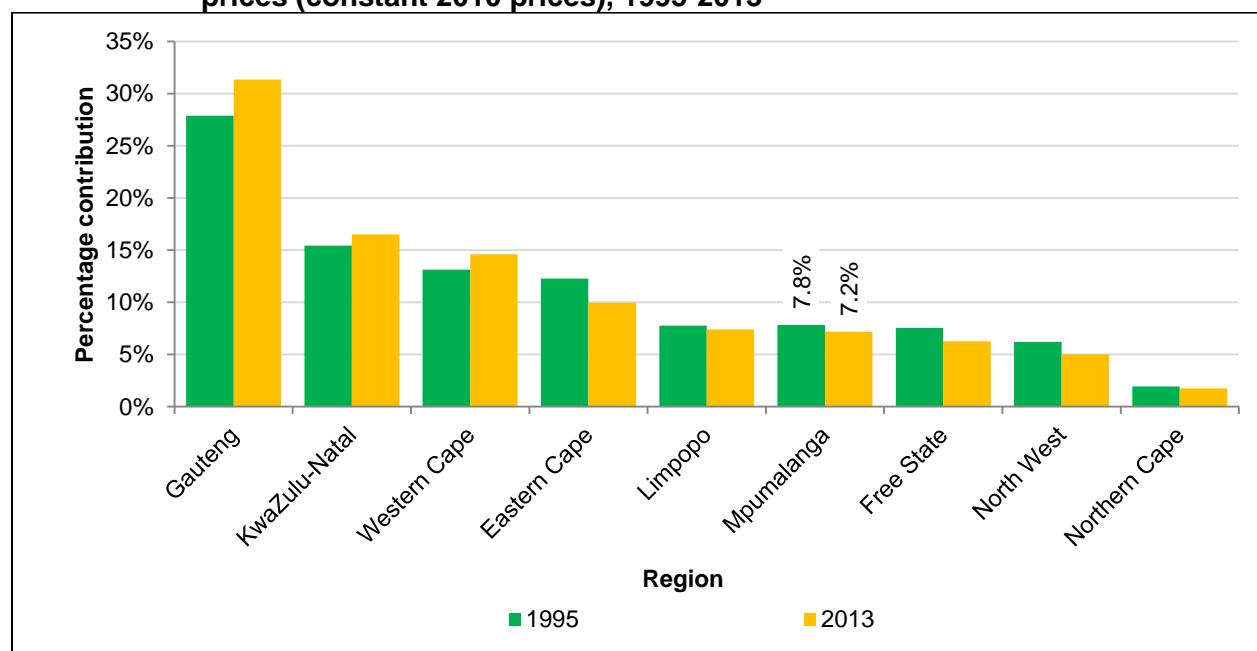
2.14 Tertiary sector analysis

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 2013 with a share of 31.4 per cent (Figure 2.28). Mpumalanga, with a 7.2 per cent share, occupied sixth place in 2013, the same position as in 1995, although its share was lower than the 7.8 per cent registered back then.

Figure 2.28: Comparative contribution to the national trade industry's GDP at basic prices (constant 2010 prices), 1995-2013

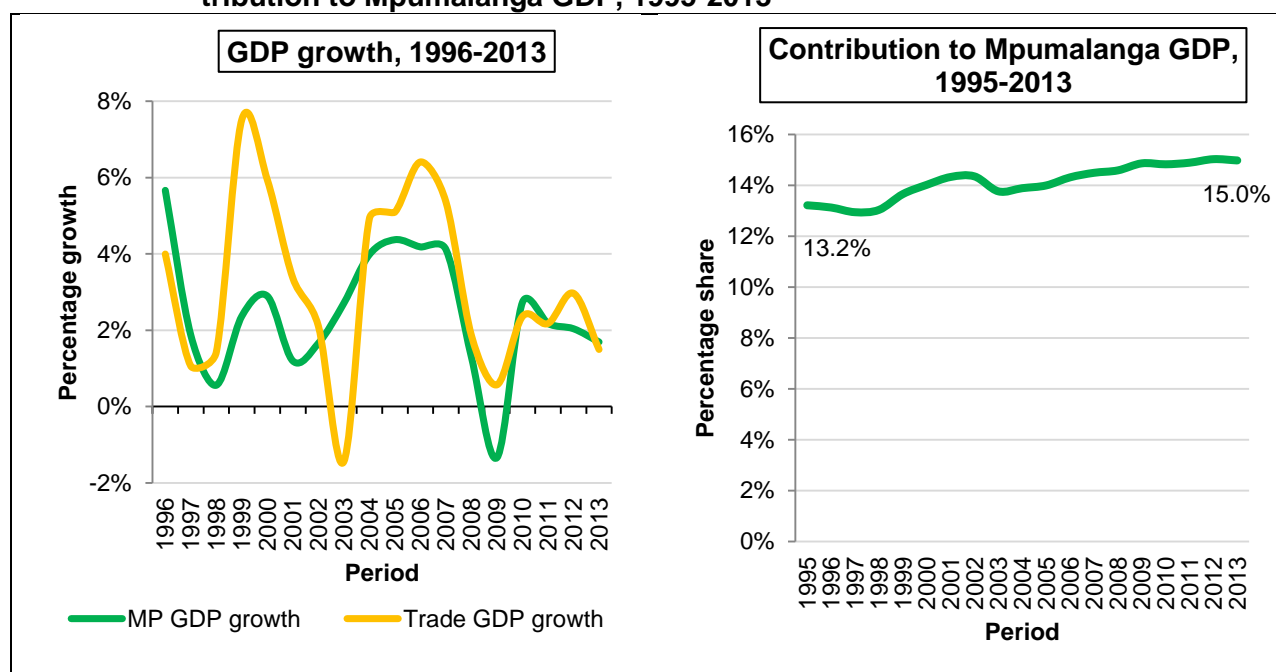


Source: Statistics South Africa – GDP Q3, 2014

The industry's growth rate of 3.2 per cent per annum between 1995 and 2013 was higher than the provincial growth rate (2.7 per cent) and the fourth 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 2.6 per cent per annum between 2013 and 2018 is expected to be higher than the provincial economy's forecasted growth of 2.2 per cent (Table 2.4).

The industry contributed 11.3 per cent to the total GDP of Mpumalanga in 2013 – the third largest industry in the province (Figure 2.29). The contribution in 2013 was somewhat higher than the 13.2 per cent contribution recorded in 1995.

Figure 2.29: Trade industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2013



Source: Statistics South Africa – GDP Q3, 2014

The trade industry (0.50) recorded the lowest positive employment elasticity over the period 2009-2013 (Table 2.7). According to this figure, for every 1 per cent economic growth experienced in the trade industry the employment growth increased by 0.5 per cent.

The labour productivity index score for Mpumalanga's trade industry was the third lowest among the industries, in both 2009 and 2013 (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,

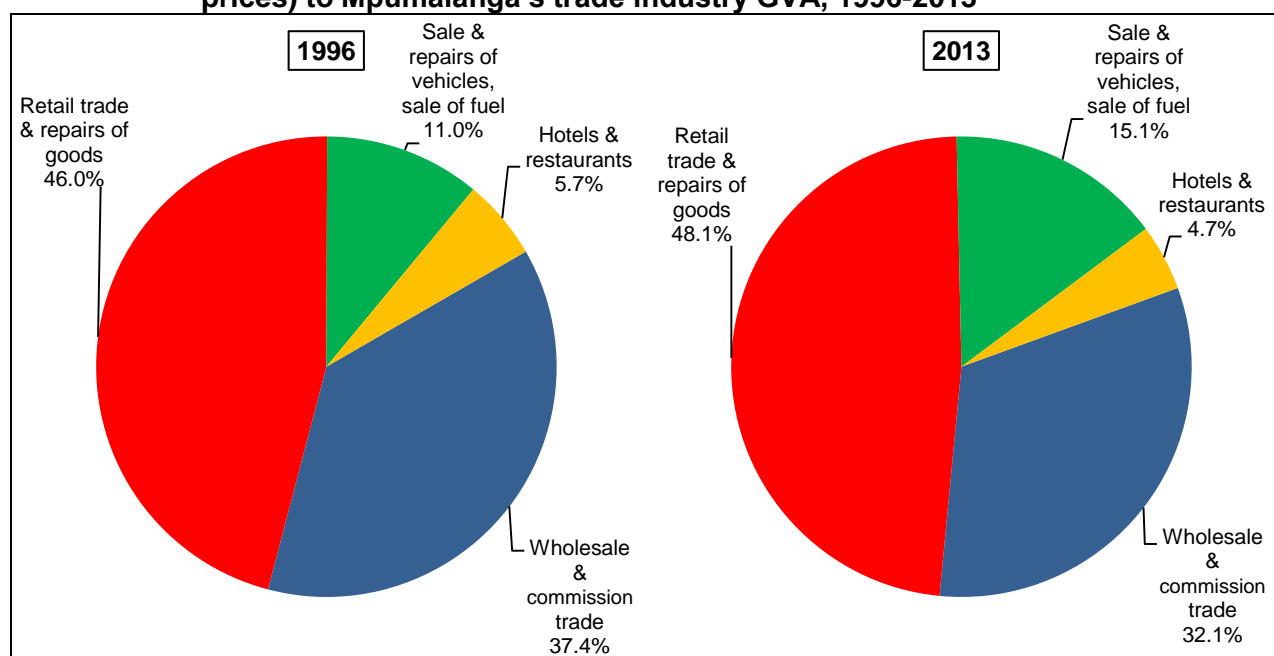
it is likely that the industry will remain a modest employment creator due to its size, moderate economic growth prospects and labour absorption nature.

Trade sub-industries

Retail trade was the largest trade sub-industry in 2012 with a share of 48.1 per cent, while wholesale trade was the second largest with a share of 32.1 per cent. Between 1996 and 2013, 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 17-year period under review, the vehicle and fuel sales sub-industry recorded the highest average annual growth of 5.3 per cent followed by retail trade (3.6 per cent). It is expected that retail trade will record the fastest average growth of 2.8 per cent per annum over the 5-year period 2013 to 2018. 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 2013 and 2018.

Figure 2.30: GVA contribution by Mpumalanga's trade sub-industries (constant 2010 prices) to Mpumalanga's trade industry GVA, 1996-2013



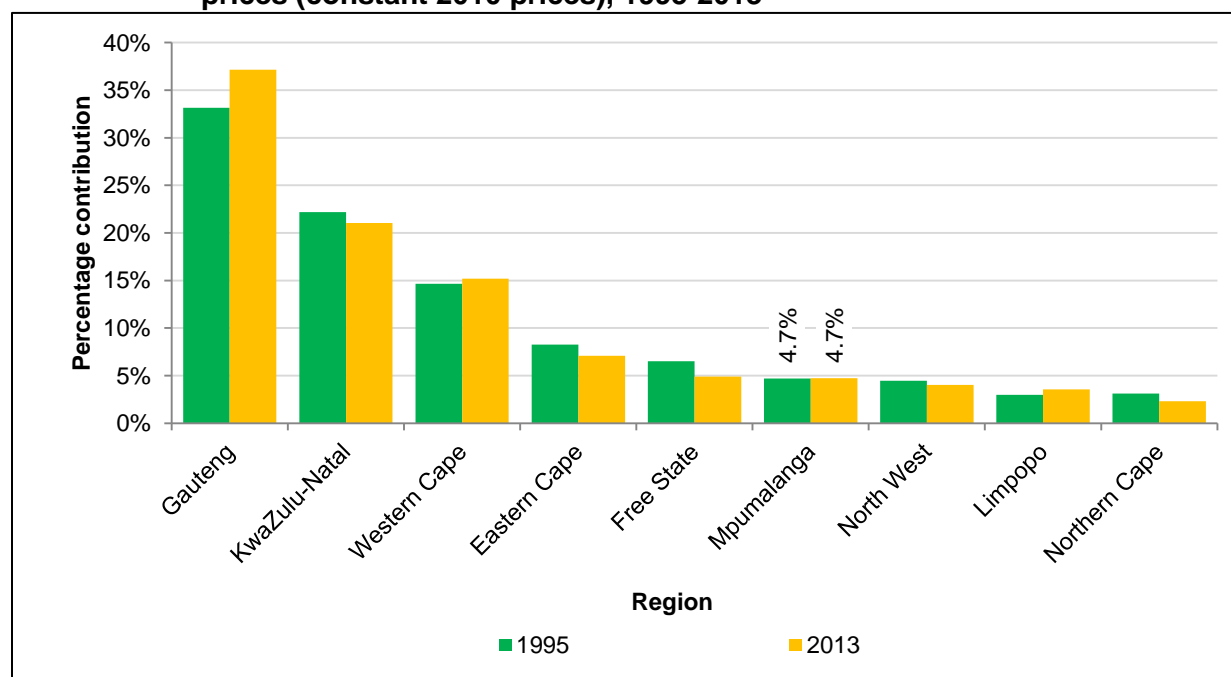
Source: IHS Global Insight – ReX, January 2015

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 4.7 per cent share occupied sixth place in 2013 (Figure 2.31). Gauteng and KwaZulu-Natal were the largest provincial contributors with shares of 37.1 per cent and 21.1 per cent, respectively.

Figure 2.31: Comparative contribution to the national transport industry's GDP at basic prices (constant 2010 prices), 1995-2013



Source: Statistics South Africa – GDP Q3, 2014

From 1995 to 2013, the transport industry grew the fastest off all provincial industries and at 5.0 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 3.3 per cent from 2013 to 2018 should be the joint highest among the nine industries and higher than the provincial economy's forecasted 2.2 per cent growth (Table 2.4).

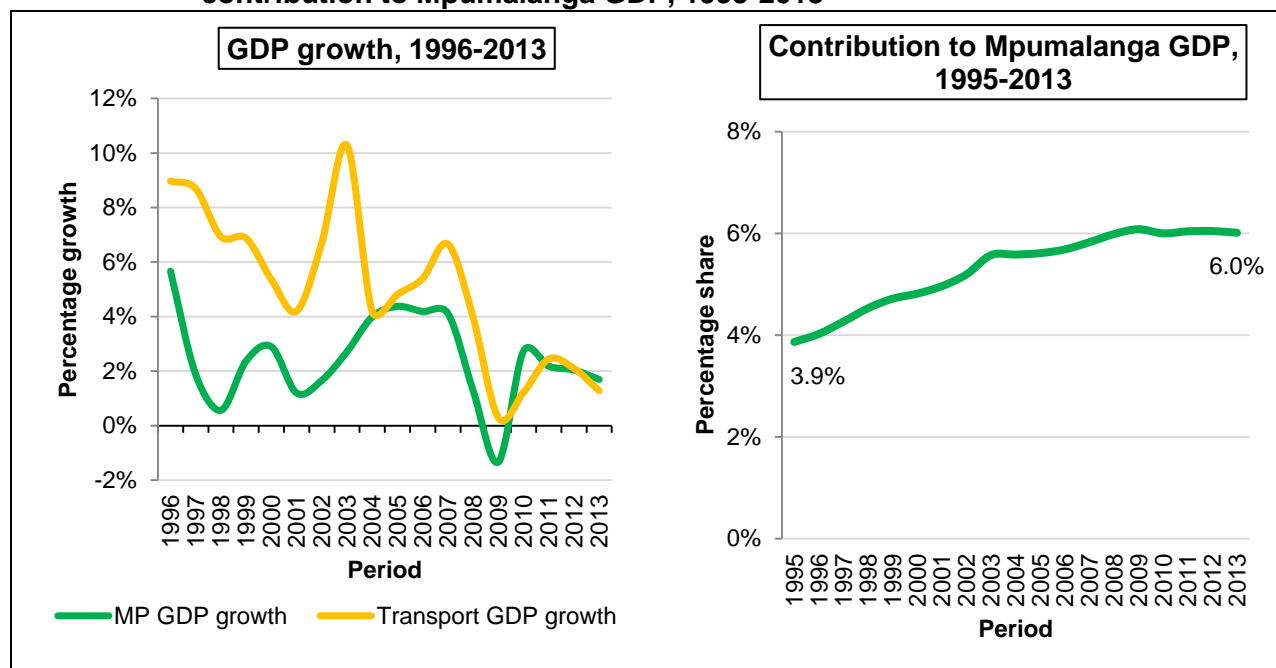
The transport industry contributed 6.0 per cent to the provincial economy in terms of GDP in 2013 (Figure 2.32) and was the sixth largest industry in the province. It is evident that transport's contribution increased steadily from 3.9 per cent in 1995 to the current level.

The employment elasticity of the transport industry was calculated to be 1.41 over the period 2009 to 2013 (Table 2.7). According to this figure, for every 1 per cent GVA growth experienced in the transport industry the employment growth was 1.4 per cent.

In 2009 and 2013, the transport industry in Mpumalanga recorded the fourth highest labour productivity index score among the nine industries (Table 2.8). 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 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2013



Source: Statistics South Africa – GDP Q3, 2014

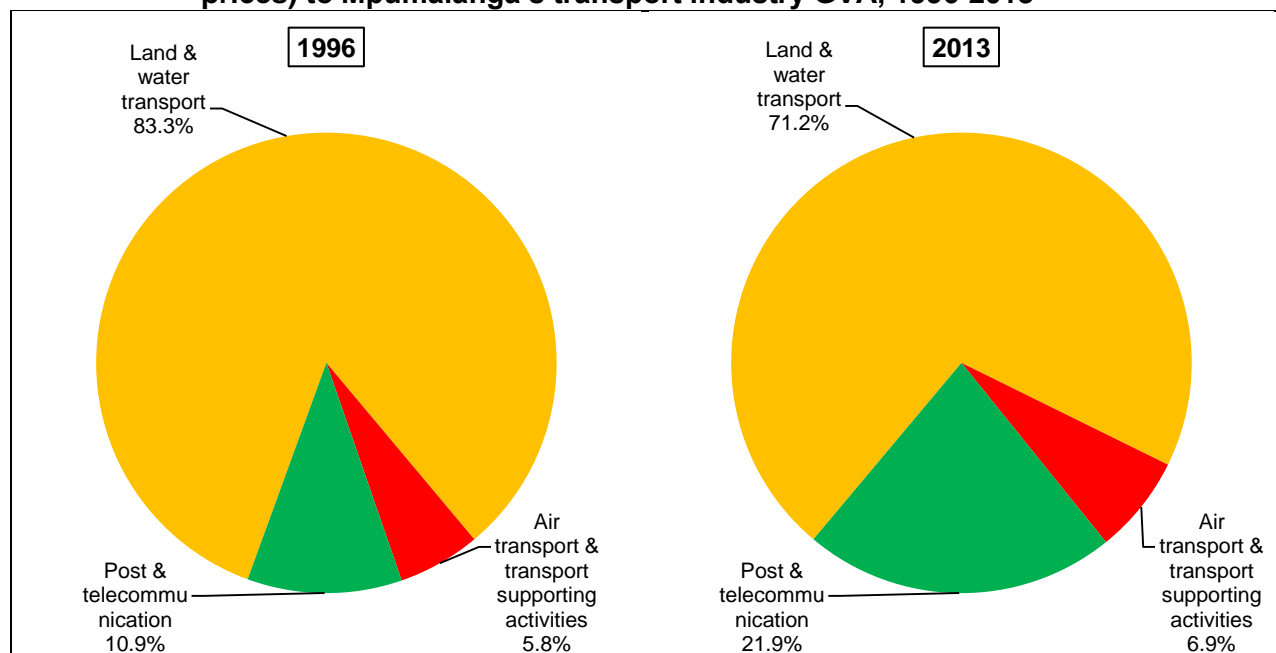
Transport sub-industries

Figure 2.33 displays the relative size of the transport sub-industries. The land transport sub-industry was the largest transport sub-industry in 2013 with a share of 71.2 per cent, while post and telecommunications was the second largest with a share of 21.9 per cent. Between 1996 and 2013, the share of land transport decreased whilst that of post and telecommunications doubled.

Over the 17-year period under review, post and telecommunication recorded the highest average annual growth of 9.3 per cent followed by air transport (6.0 per cent). It is expected that the post and telecommunication sub-industry will record the fastest average growth of 3.6 per cent per annum over the 5-year period 2013 to 2018. According to Table 2.11, the land transport sub-industry is expected to make a substantial contribution to provincial economic growth between 2013 and 2018. 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 2013 and 2018.

Figure 2.33: GVA contribution by Mpumalanga's transport sub-industries (constant 2010 prices) to Mpumalanga's transport industry GVA, 1996-2013



Source: IHS Global Insight – ReX, January 2015

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.

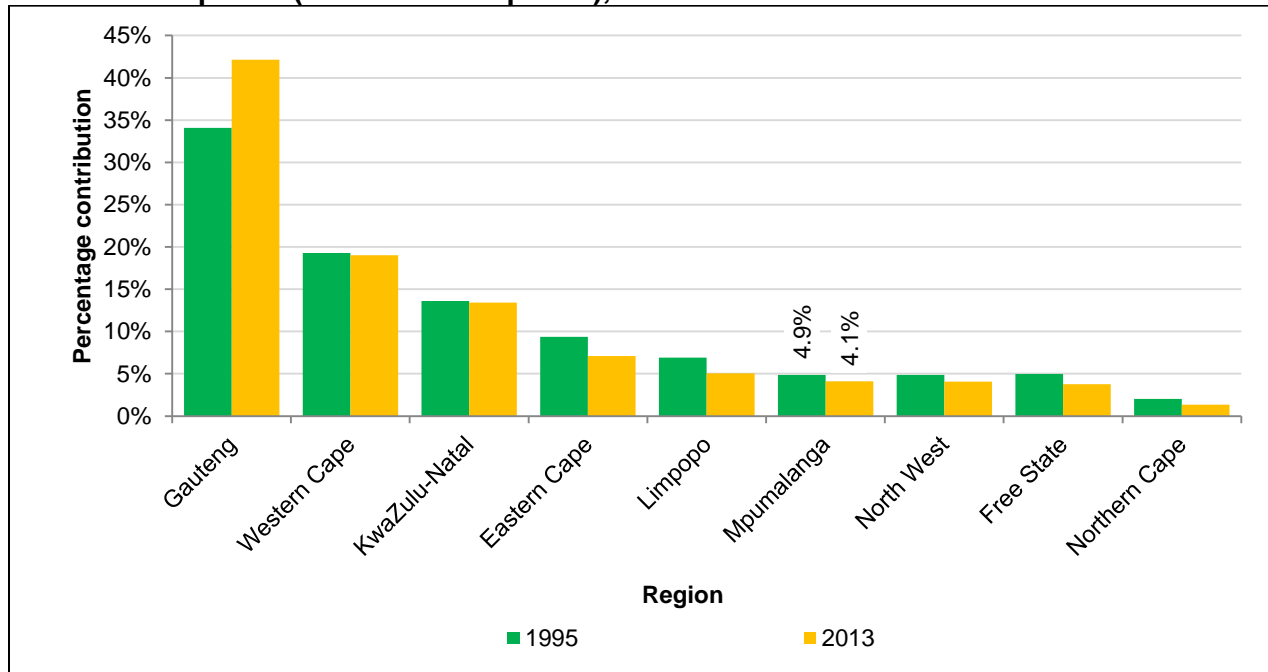
Mpumalanga made the sixth largest contribution to the national finance industry with a share in 2013 of 4.1 per cent (Figure 2.34). Gauteng, with a 42.1 per cent share, occupied first place in 2013, followed by Western Cape with a 19.0 per cent contribution.

Between 1995 and 2013, the finance industry in Mpumalanga recorded the third highest average annual growth rate among the industries of 3.9 per cent. This was despite a severe slowdown experienced in 2000 of -4.1 per cent (Figure 2.35). The future growth of 3.3 per cent per annum is expected to be higher than the provincial economy's forecasted 2.2 per cent per annum from 2013 to 2018 (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 12.2 per cent contribution to provincial GDP

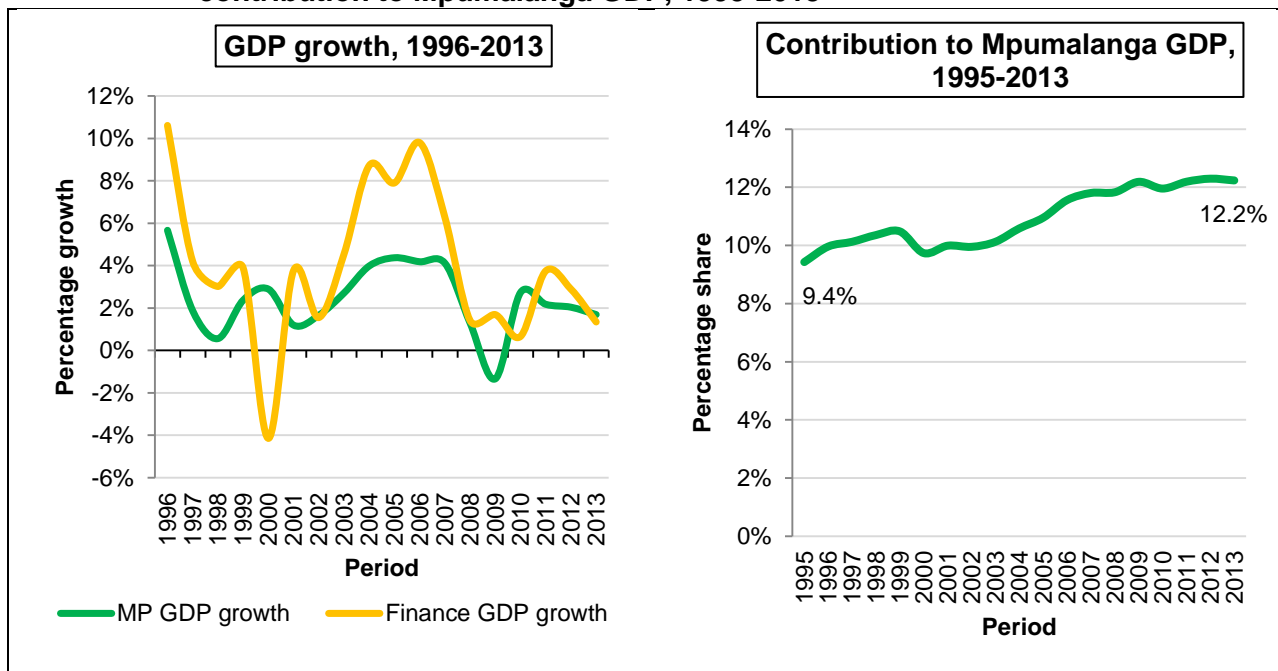
(Figure 2.35). It is evident that the contribution of the finance industry increased steadily between 1995 and 2013.

Figure 2.34: Comparative contribution to the national finance industry's GDP at basic prices (constant 2010 prices), 1995-2013



Source: Statistics South Africa – GDP Q3, 2014

Figure 2.35: Finance industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2013



Source: Statistics South Africa – GDP Q3, 2014

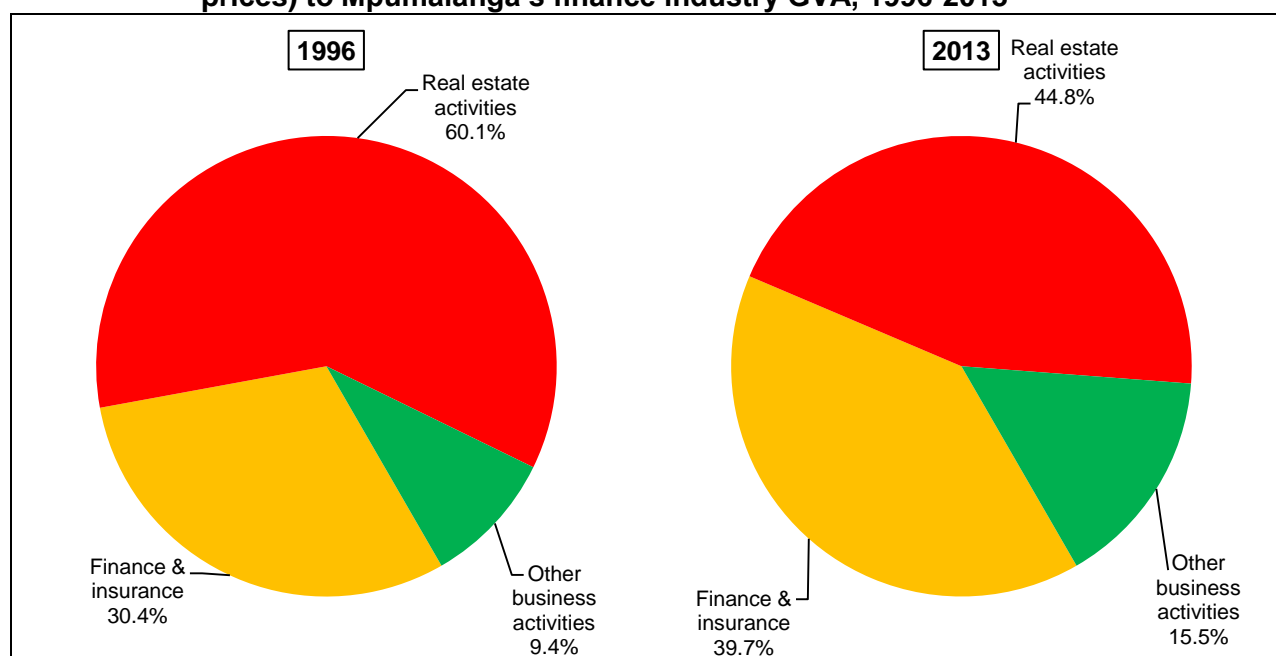
The employment elasticity of the finance industry was 4.31 over the 4-year period under review (Table 2.7). Translated into actual terms, this figure indicates that every 1 per cent economic growth was accompanied by a 4.3 per cent employment growth in the finance industry. This was the third highest employment elasticity recorded among the nine industries in Mpumalanga.

In 2009 and 2013, the finance industry in Mpumalanga recorded the fifth highest labour productivity index score among the industries (Table 2.8). The finance industry exhibited a high level of labour intensity in 2013 (Figure 2.8). The anticipated economic growth should stimulate strong employment growth through the healthy employment elasticity.

Finance sub-industries

Figure 2.36 displays the relative size of the finance sub-industries. The real estate activities sub-industry was the largest finance sub-industry in 2013 with a share of 44.8 per cent, while the finance and insurance sub-industry was the second largest with a share of 39.7 per cent. Between 1996 and 2013, the share of finance and insurance as well as other business activities increased, whilst that of real estate activities declined.

Figure 2.36: GVA contribution by Mpumalanga's finance sub-industries (constant 2010 prices) to Mpumalanga's finance industry GVA, 1996-2013



Source: IHS Global Insight – ReX, January 2015

Over the 17-year period under review, other business activities recorded the highest average annual growth of 6.8 per cent followed by finance and insurance (5.4 per cent). It is expected that the real estate activities sub-industry will record the fastest average growth of 4.0 per cent

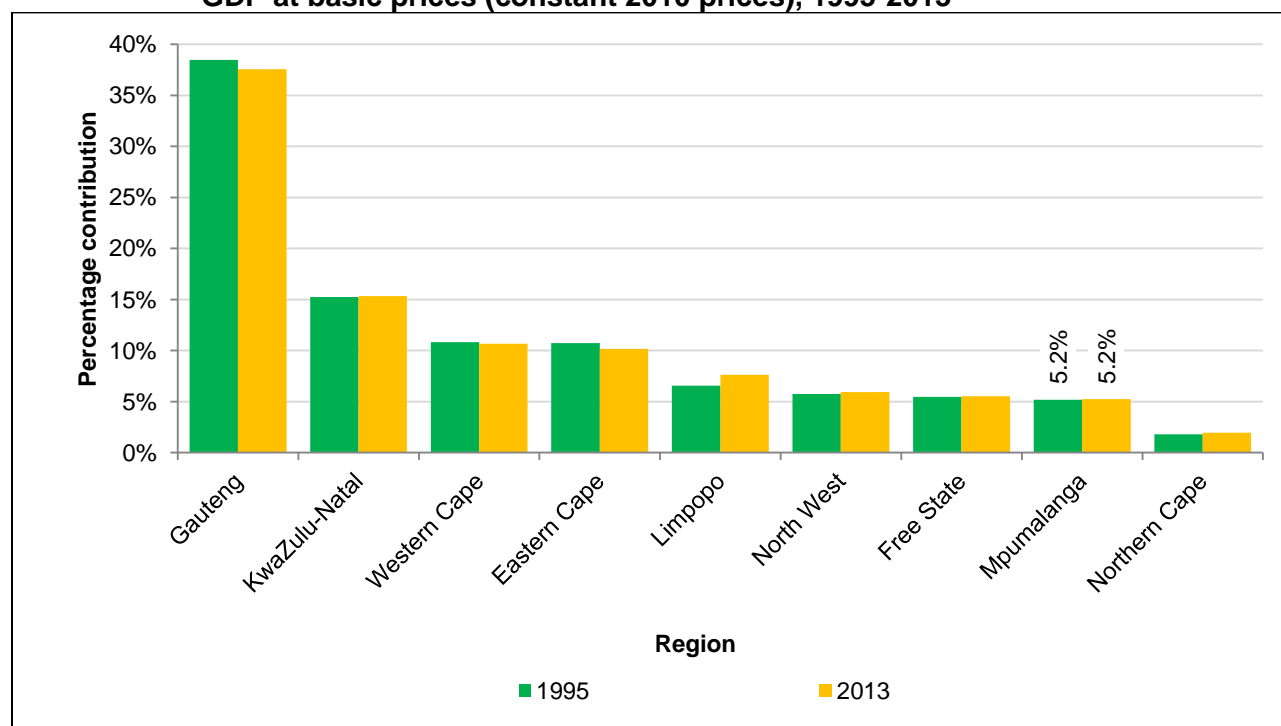
per annum over the 5-year period 2013 to 2018. According to Table 2.11, the real estate activities as well as finance and insurance sub-industry will make substantial contributions to provincial economic growth between 2013 and 2018. Table 2.11 displays the historic and forecasted growth of the various sub-industries as well as the estimated contribution towards the provincial economic growth between 2013 and 2018.

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 2013, with Gauteng (37.6 per cent) and KwaZulu-Natal (15.3 per cent) the largest contributing provinces (Figure 2.37). Mpumalanga's comparatively small share of 5.2 per cent was unchanged from its contribution in 1995. The provincial share, however, did not decline as was the case with Gauteng, Western Cape and Eastern Cape.

Figure 2.37: Comparative contribution to the national community services industry's GDP at basic prices (constant 2010 prices), 1995-2013

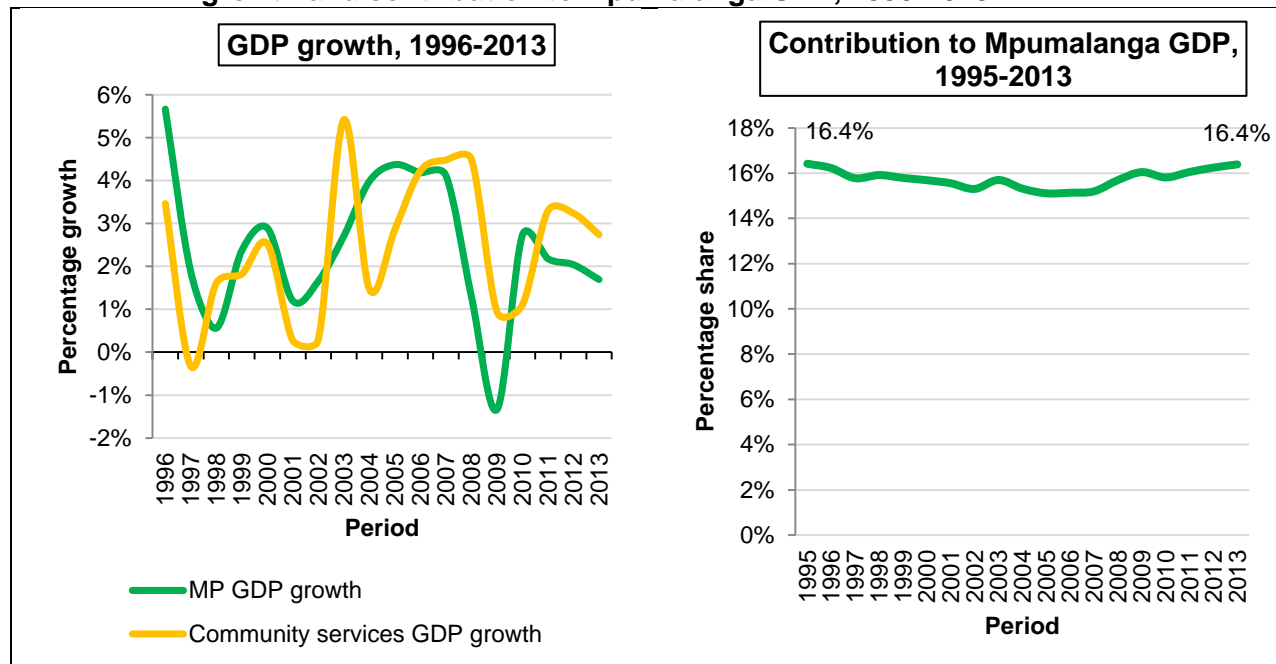


Source: Statistics South Africa – GDP Q3, 2014

With an average annual growth rate of 2.4 per cent between 1995 and 2013, the industry recorded lower economic growth than the province (2.7 per cent) over the period. Except for 1997, the community services industry recorded positive growth in all of the 17 years from 1996 to 2013 (Figure 2.38). Future growth, that is expected to be around 2.0 per cent per annum, should be slightly lower than the provincial economy's forecasted annual average 2.2 per cent growth from 2013 to 2018 (Table 2.4).

Despite the small national contribution, the industry was the second largest in the province with a 16.4 per cent contribution to the total GDP of Mpumalanga in 2013 (Figure 2.38). As a result of the relatively low growth rate over the period 1995 to 2013, the contribution of the community services industry remained unchanged at 16.4 per cent.

Figure 2.38: Community services industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2013



Source: Statistics South Africa – GDP Q3, 2014

The employment elasticity of community services (2.21) was the fourth highest of all nine industries (Table 2.7) in 2013. According to this figure, for every 1 per cent economic growth experienced in the community services industry the employment growth was 2.2 per cent.

In the province, the community services industry recorded the sixth highest labour productivity index score in 2013 (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

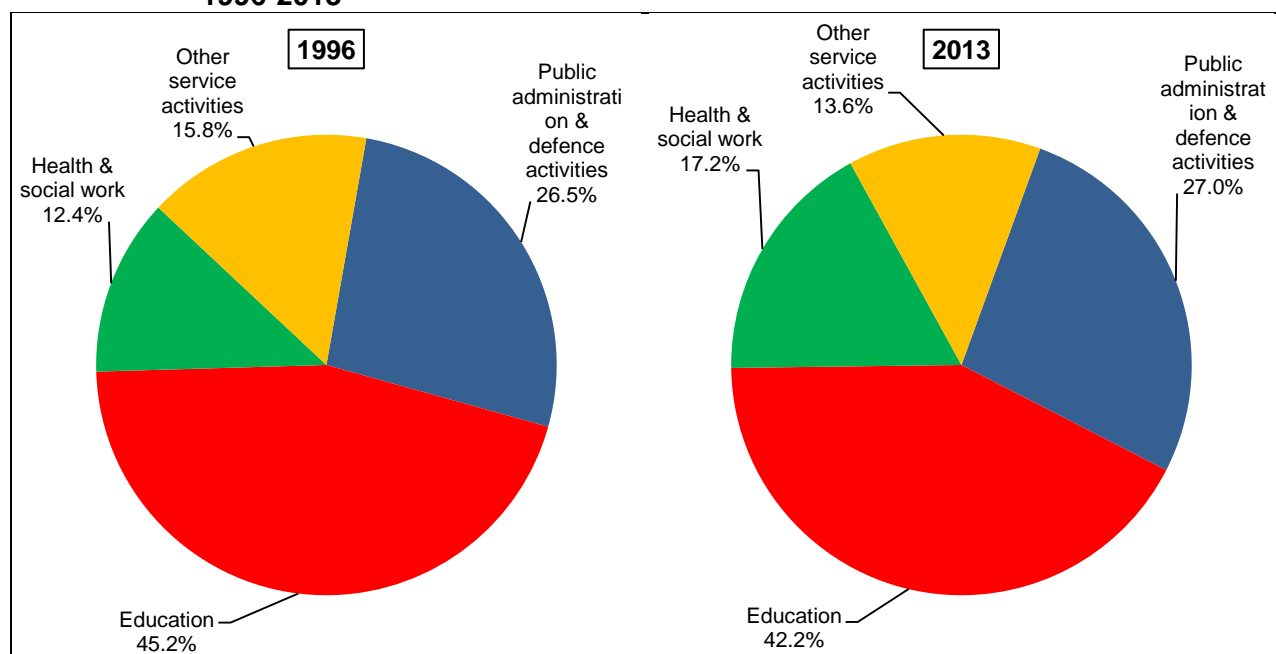
high employment elasticity points towards the industry as an future employment driver, despite the low labour productivity registered.

Community services sub-industries

The education sub-industry was the largest sub-industry in 2013 with a share of 42.2 per cent, while public administration and defence activities was the second largest with a share of 27.0 per cent. Between 1996 and 2013, 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.

Over the 17-year period under review, the health and social work sub-industry recorded the highest average annual growth of 4.5 per cent followed by public administration and defence activities at 2.6 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 2013 to 2018. According to Table 2.11, all education as well as public administration are expected to make substantial contributions to provincial economic growth between 2013 and 2018. 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 2013 and 2018.

Figure 2.39: GVA contribution by Mpumalanga's community services sub-industries (constant 2010 prices) to Mpumalanga's community services industry GVA, 1996-2013



Source: IHS Global Insight – ReX, January 2015

Table 2.11: Economic growth rates and contribution to economic growth (constant 2010 prices) in Mpumalanga, 1996-2018

Sub-industry	Historic growth	Forecasted growth	Estimated contribution to provincial economic growth
	1996-2013	2013-2018	2013-2018
Agriculture & hunting	1.2%	2.2%	1.8%
Forestry & logging	1.9%	2.2%	1.3%
Fishing, operation of fish farms	1.1%	2.2%	0.0%
Mining of coal & lignite	2.1%	0.7%	7.4%
Mining of gold & uranium ore	-10.1%	-5.6%	-2.1%
Mining of metal ores	7.2%	1.3%	1.1%
Other mining & quarrying	0.2%	-0.6%	-0.5%
Food, beverages & tobacco products	1.2%	3.8%	2.6%
Textiles, clothing & leather goods	1.9%	2.5%	0.1%
Wood & wood products	0.9%	3.4%	1.3%
Fuel, petroleum, chemical & rubber products	5.1%	1.5%	4.7%
Other non-metallic mineral products	-0.2%	2.1%	0.3%
Metal products, machinery & appliances	2.1%	2.1%	3.4%
Electrical machinery & apparatus	3.9%	4.1%	0.2%
Electronic, medical & other appliances	2.6%	4.9%	0.1%
Transport equipment	3.4%	4.0%	0.2%
Furniture & other items NEC & recycling	1.4%	4.1%	0.7%
Electricity, gas, steam & hot water supply	1.6%	2.6%	6.7%
Water collection, purification & distribution	2.0%	2.6%	0.3%
Construction	5.0%	3.1%	5.0%
Wholesale & commission trade	2.4%	2.3%	5.6%
Retail trade & repairs of goods	3.6%	2.8%	10.1%
Sale & repairs of motor vehicles, sale of fuel	5.3%	2.7%	3.0%
Hotels & restaurants	2.2%	1.9%	0.7%
Land & water transport	3.9%	3.2%	6.5%
Air transport & transport supporting activities	6.0%	3.6%	0.7%
Post & telecommunication	9.3%	3.6%	2.3%
Finance & insurance	5.4%	2.9%	6.9%
Real estate activities	2.0%	4.0%	10.8%
Other business activities	6.8%	2.5%	2.4%
Public administration & defence activities	2.6%	2.8%	6.2%
Education	2.1%	1.6%	5.6%
Health & social work	4.5%	1.4%	2.0%
Other service activities	1.6%	2.4%	2.7%
Total	2.7%	2.2%	100.0%

Source: IHS Global Insight – ReX, January 2015

2.15 Conclusion

Mpumalanga's economy accounted for 7.6 per cent of South Africa's economy, measured by GDP, in 2013. 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 18 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, employment growth was higher than economic growth in Mpumalanga. Despite this, agriculture and manufacturing recorded jobless growth between 2009 and 2013. Four industries improved its labour productivity between 2001 and 2012 and five industries were regarded as labour intensive industries. In order for Mpumalanga to sustain its employment elasticity and improve its labour productivity, the province will need to attract more GDFI to build on the comparative advantage it holds in four 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 2014 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).

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 142 856 and 78 558, respectively between the fourth quarter 2013 and the fourth quarter 2014. The resultant strict unemployment rate increased (deteriorated) from 24.1 per cent in the fourth quarter 2013 to 24.3 per cent in the fourth quarter 2014. At the end of the fourth quarter 2014, 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 43.0 per cent at the end of the fourth quarter 2014, which was lower (worse) than the 43.3 per cent registered at the end of the fourth quarter 2013. 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 2014 (56.8 per cent) was lower than the rate recorded a year earlier at the end of the fourth quarter 2013 (57.1 per cent) and even further below the NDP target of 65 per cent by 2030.

The provincial labour force of around 1.55 million individuals was 27 427 fewer at the end of the fourth quarter 2014 than at the end of the fourth quarter 2013. The number of employed at 1 138 033 at the end of the fourth quarter 2014 was 10 524 less than at the end of the fourth quarter 2013. Over a 6-year period from the end of the fourth quarter 2008 to the end of the fourth quarter 2014, the number of employed increased by 86 709.

The number of unemployed decreased by 16 903 to 411 903 between the end of the fourth quarter 2014 and the end of the fourth quarter 2013. The number of discouraged workers increased by 48 407 over the last 12 months. Over a 6-year period from the end of the fourth quarter 2008 to the end of the fourth quarter 2014, the number of unemployed and discouraged, however, increased by 119 657 and 149 943, 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 2014 (26.6 per cent) than at the end of the fourth quarter 2013 (27.2 per cent), however, it was higher than six 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 40.5 per cent at the end of the fourth quarter 2014 from 33.7 per cent at the end of the fourth quarter 2008. In 2014, the labour absorption rate deteriorated from 43.0 per cent at the end of the fourth quarter 2013 to 41.8 per cent and the labour force participation rate declined by 2.2 percentage points to 59.1 per cent.

Table 3.1: Labour force profile of Mpumalanga, 2008-2014

Indicator	Q4 2008	Q4 2013	Q4 2014	1-year change	6-year change
	'000	'000	'000	'000	'000
- Population 15-64 years	2 411	2 669	2 723	54	312
- Not economically active	1 053	1 092	1 173	81	120
- Labour Force/EAP	1 357	1 577	1 550	-27	193
- Employed	1 051	1 149	1 138	-11	87
- Unemployed	306	429	412	-17	106
- Discouraged work-seekers	112	214	262	48	150
Rates	%	%	%	%	%
- Unemployment rate (strict definition)	22.5	27.2	26.6	-0.6	4.1
- Unemployment rate (expanded definition)	33.7	40.2	40.5	0.3	6.8
- Employed/population ratio (absorption rate)	43.6	43.0	41.8	-1.2	-1.8
- Labour force participation rate	56.3	59.1	56.9	-2.2	0.6

Source: Statistics South Africa – QLFS, 2015

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 2014 (Table 3.2), an increase of 1.4 million over the fourth quarter 2008. Mpumalanga's EAP increased by 192 531 over the six year period to 1.55 million. The Mpumalanga's figure represented 7.7 per cent of the national EAP at the end of the fourth quarter 2014. Gauteng recorded the highest EAP number in the fourth quarter of 2014 with nearly 6.5 million (32.0 per cent). Kwa-Zulu-Natal recorded a lower EAP number at the end of the fourth quarter 2014 than six years earlier.

Table 3.2: EAP of South Africa and provinces, Q4 2008-Q4 2014

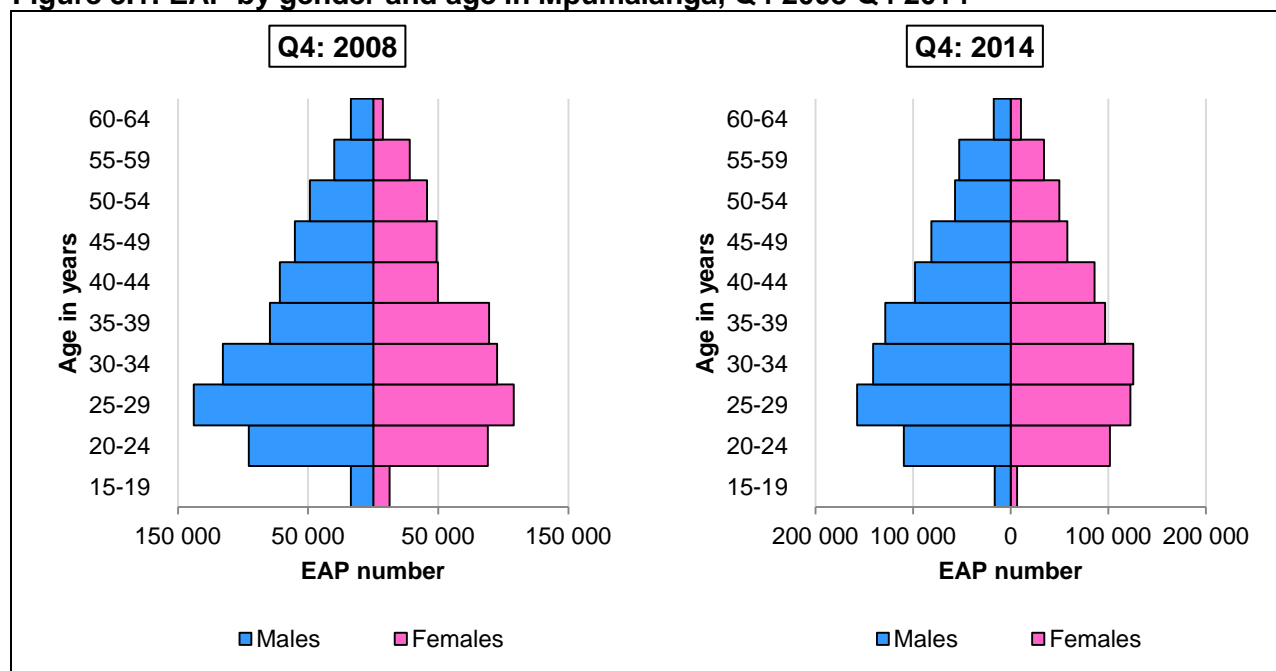
Region	Q4 2008		Q4 2014		6-year change	
	'000	% of National	'000	% of National	'000	Average annual %
Western Cape	2 479	13.2	2 813	13.9	334	2.1
Eastern Cape	1 797	9.5	1 884	9.3	87	0.8
Northern Cape	410	2.2	450	2.2	40	1.6
Free State	1 055	5.6	1 138	5.6	84	1.3
KwaZulu-Natal	3 249	17.3	3 183	15.7	-67	-0.3
North West	1 227	6.5	1 268	6.3	41	0.5
Gauteng	5 966	31.7	6 473	32.0	507	1.4
Mpumalanga	1 357	7.2	1 550	7.7	193	2.2
Limpopo	1 276	6.8	1 469	7.3	193	2.4
South Africa	18 817	100.0	20 228	100.0	1 412	1.2

Source: Statistics South Africa – QLFS, 2015

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 2014 was males with some 857 582 individuals or 55.3 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. At the end of the fourth quarter 2014, the remainder (44.7 per cent) of the EAP was females, 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 2014.

Figure 3.1: EAP by gender and age in Mpumalanga, Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

The youth of working age (15-34 years¹²) made up 50.3 per cent of the total number of the labour force at the end of the fourth quarter 2014. This was lower than 6 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 280 231 individuals or some 18.1 per cent of the provincial EAP at the end of the fourth quarter 2014. 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 2014, 91.4 per cent of the provincial EAP were Africans compared with 76.3 per cent nationally. Whites contributed some 7.5 per cent followed by Coloureds (0.7 per cent) and Asians (0.4 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 the other three population groups declined.

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 2014	Q4 2008	Q4 2014
African	77.0%	76.3%	90.0%	91.4%
Coloured	10.6%	10.5%	0.8%	0.7%
Asian	3.0%	2.8%	0.6%	0.4%
White	12.5%	10.4%	8.6%	7.5%
Total	100.0%	100.0%	100.0%	100.0%

Source: Statistics South Africa – QLFS, 2015

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 2014, South Africa's working age population numbered 35.6 million, with a labour force, or in other words EAP, of nearly 20.2 million, which resulted in a labour force participation rate of 56.8 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 56.9 per cent at the end of the fourth quarter 2014 was slightly 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 2014, Gauteng (68.8 per cent) registered the highest participation rate followed closely by Western Cape with 66.6 per

¹² The International Labour Organization defines youth as individuals between the ages of 15 to 24 years, with 15 being the minimum school-leaving age and legal employment age. It is important to note, however, that South Africa utilizes a broader definition, covering individuals between the ages of 15 and 34 years.

cent. Limpopo (41.6 per cent) finished the period under review with the lowest participation rate, followed by Eastern Cape (46.1 per cent).

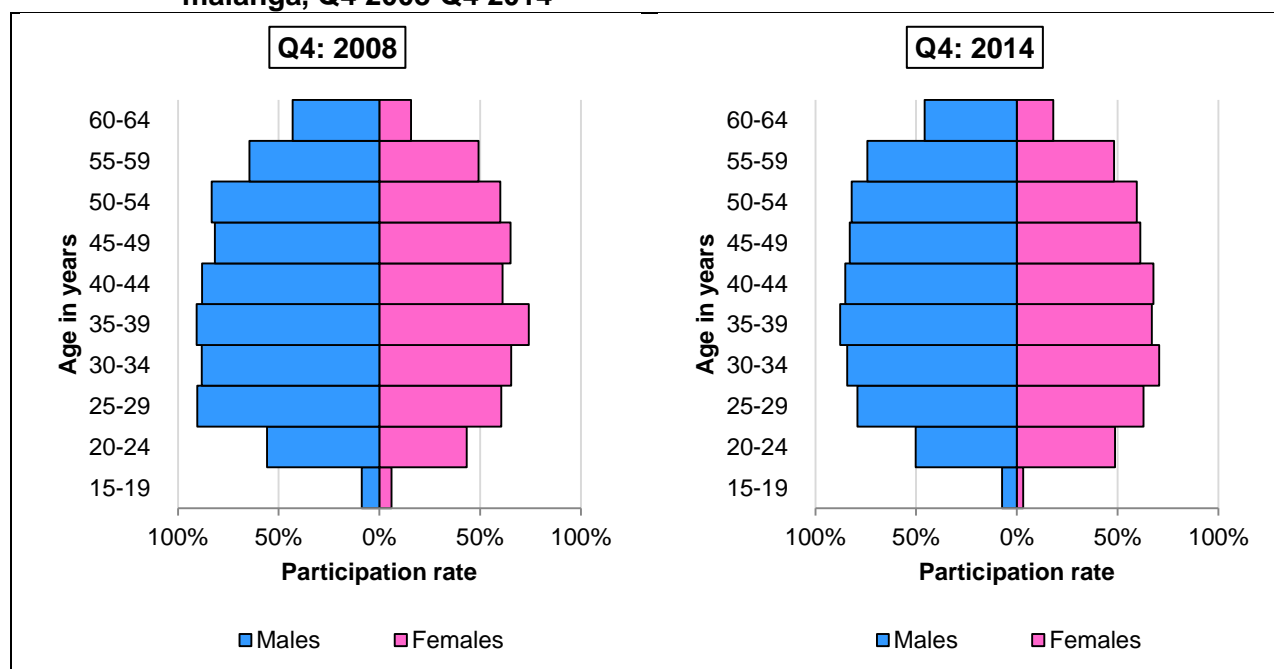
Table 3.4: Labour force participation rate in South Africa and provinces, Q4 2008-Q4 2014

Region	Q4 2008 %	Q4 2013 %
Western Cape	67.0	66.6
Eastern Cape	46.8	46.1
Northern Cape	58.2	59.1
Free State	58.9	61.1
KwaZulu-Natal	53.6	47.9
North West	56.9	52.8
Gauteng	72.7	68.8
Mpumalanga	56.3	56.9
Limpopo	40.9	41.6
South Africa	58.8	56.8

Source: Statistics South Africa – QLFS, 2015

At the end of the fourth quarter 2014, males in Mpumalanga recorded a labour force participation rate of 63.9 per cent, a rate some 13.8 percentage points higher than that of females (50.1 per cent). The male participation rate was lower 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 2014.

Figure 3.2: Labour force participation rate according to gender and age group in Mpumalanga, Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

The youth cohort (15-34 years) registered a labour force participation rate of 48.6 per cent at the end of the fourth quarter 2014. This was marginally higher than 6 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 2014 with the highest labour force participation rate of 77.4 per cent. The 15-19 age group recorded the lowest participation rate of only 5.2 per cent.

According to Table 3.5, Whites (70.1 per cent) registered the highest participation rate in Mpumalanga at the end of the fourth quarter 2014. The participation rate of Africans and Whites in Mpumalanga increased from the end of the fourth quarter 2008 to the end of the fourth quarter 2014, whereas that of Coloureds and Asians declined.

Table 3.5: Labour force participation rate according to population group in South Africa and Mpumalanga, Q4 2008-Q4 2014

Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2014	Q4 2008	Q4 2014
African	55.1%	54.6%	54.7%	56.1%
Coloured	64.9%	64.1%	66.3%	48.3%
Asian	60.2%	59.3%	58.2%	55.1%
White	68.9%	67.7%	68.2%	70.1%

Source: Statistics South Africa – QLFS, 2015

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, which 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 43.0 per cent at the end of the fourth quarter 2014, a decrease from 46.2 per cent at the end of the fourth quarter 2008. Mpumalanga's labour absorption rate was 41.8 per cent at the end of the period under review, lower (worse) than at the start of the period under review. Mpumalanga held the 4th highest labour absorption rate with Gauteng (51.8 per cent) leading. Eastern Cape recorded the lowest labour absorption rate of 32.7 per cent at the end of the fourth quarter 2014, followed by Limpopo with 35.0 per cent.

At the end of the fourth quarter 2014, males in Mpumalanga recorded a labour force absorption rate of 48.3 per cent, higher than that of females at 35.5 per cent. The male absorption rate was, however, lower than the 52.4 per cent recorded at the end of the fourth quarter 2008. Fig-

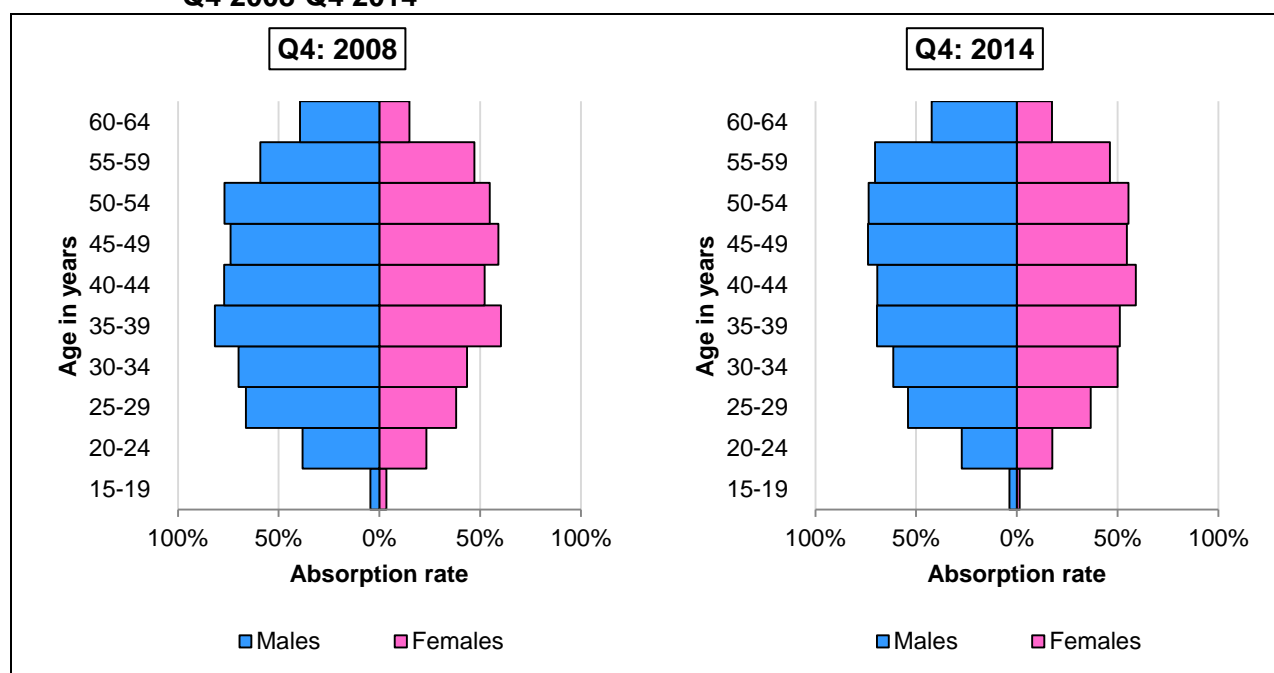
ure 3.3 compares the labour force absorption rate by gender and age in Mpumalanga between the end of the fourth quarter 2008 and the end of the fourth quarter 2014.

Table 3.6: Labour absorption rate in South Africa and provinces, Q4 2008-Q4 2014

Province	Q4 2008 %	Q4 2014 %
Western Cape	56.0	51.4
Eastern Cape	35.0	32.7
Northern Cape	45.9	42.1
Free State	45.9	41.5
KwaZulu-Natal	42.6	37.9
North West	42.3	39.5
Gauteng	57.8	51.8
Mpumalanga	43.6	41.8
Limpopo	29.3	35.0
South Africa	46.2	43.0

Source: Statistics South Africa – QLFS, 2015

Figure 3.3: Labour absorption rate according to gender and age group in Mpumalanga, Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

The youth cohort (15-34 years) registered a relatively low labour force absorption rate of 29.8 per cent at the end of the fourth quarter 2013. This was lower than 6 years earlier when the youth of working age recorded an absorption rate of 32.6 per cent. The 45-49 age group ended the fourth quarter of 2014 with the highest labour force absorption rate of 64.4 per cent. The 15-19 age group recorded the lowest absorption rate of only 2.5 per cent.

According to Table 3.7, Whites (66.7 per cent) registered the highest absorption rate in Mpumalanga at the end of the fourth quarter 2014. The absorption rate of all population groups decreased from the end of the fourth quarter 2008 to the end of the fourth quarter 2014.

Table 3.7: Labour absorption rate according to population group in South Africa and Mpumalanga, Q4 2008-Q4 2014

Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2014	Q4 2008	Q4 2014
African	40.8%	39.8%	41.0%	40.1%
Coloured	53.2%	49.4%	61.9%	44.4%
Asian	53.2%	52.5%	58.2%	48.8%
White	66.9%	62.4%	67.5%	66.7%

Source: Statistics South Africa – QLFS, 2015

3.3 Employment

The national labour market gained 550 912 jobs over the last 6 years. In total over the last 6 years, Mpumalanga recorded 86 709 more jobs and was only one of five provinces with higher employment numbers over the 6-year period (Table 3.8). Over the 6-year period, KwaZulu-Natal (-64 057) lost the most jobs, whereas Limpopo (320 608) gained the most. Total employment in Mpumalanga constituted 7.4 per cent of employment in the country at the end of the fourth quarter 2014, which was slightly higher than 6 years earlier.

At the end of the fourth quarter 2014, the majority of Mpumalanga's employed was males with 648 148 individuals or 57.0 per cent of the provincial total number of employees. This was marginally higher than the 56.6 per cent recorded at the end of the fourth quarter 2008. The remainder (43.0 per cent) of the employed at the end of the fourth quarter 2014 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 2014.

Table 3.8: Changes in employment in South Africa and provinces, 2008-2014

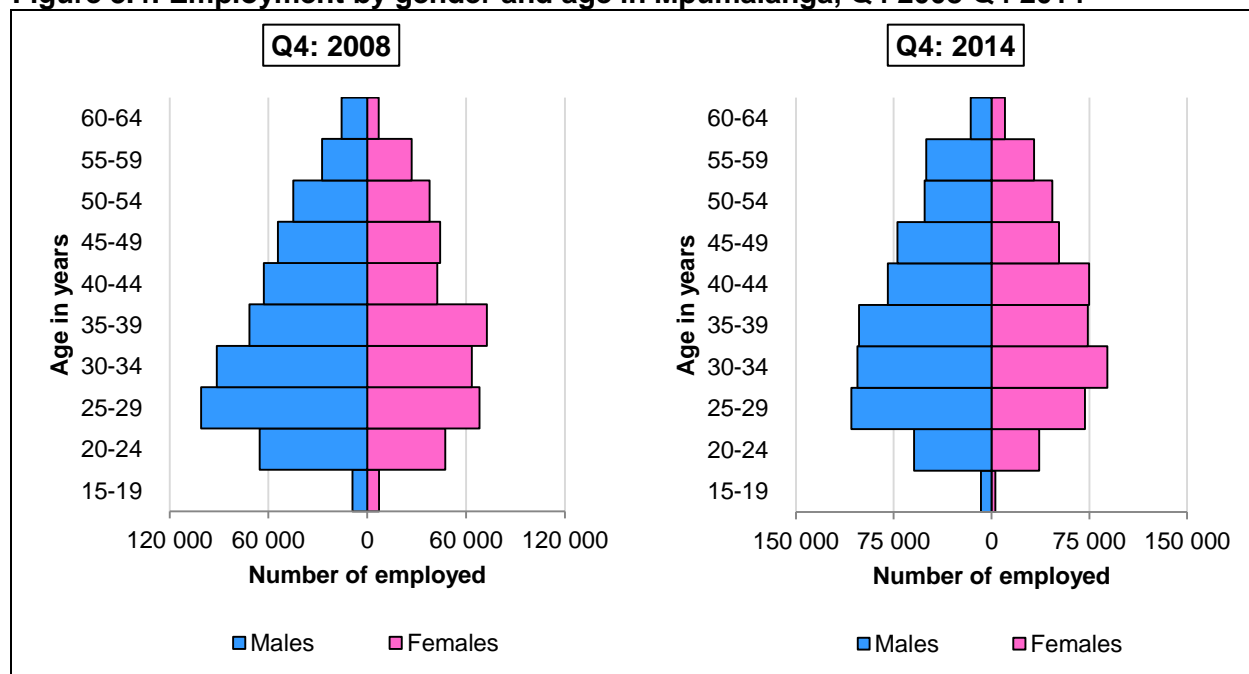
Region	Q4 2008 '000	Q4 2013 '000	Q4 2014 '000	1-year change '000	6-year change '000
Western Cape	2 072	2 235	2 170	-65	98
Eastern Cape	1 344	1 332	1 336	4	-9
Northern Cape	323	329	320	-9	-3
Free State	823	746	772	26	-51
KwaZulu-Natal	2 584	2 527	2 520	-7	-64
North West	912	869	948	80	37
Gauteng	4 746	4 823	4 881	58	134
Mpumalanga	1 051	1 149	1 138	-11	87
Limpopo	915	1 168	1 235	67	321
South Africa	14 769	15 177	15 320	143	551

Source: Statistics South Africa – QLFS, 2015

Note: Due to rounding, numbers do not necessarily add up to totals

The youth of working age (15-34 years) made up 42.0 per cent of the total number of employed at the end of the fourth quarter 2014. This was lower than 6 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 191 425 individuals or some 16.8 per cent of the provincial employed at the end of the fourth quarter 2014. 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.

Figure 3.4: Employment by gender and age in Mpumalanga, Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

At the end of the fourth quarter 2014, Africans dominated employment in Mpumalanga with a share of 88.9 per cent of the provincial employment numbers. This was considerably higher than the share of Africans (73.4 per cent) nationally. Whites contributed some 9.7 per cent, whilst Coloureds (0.9 per cent) and Asians (0.5 per cent) contributed the remainder of the provincial employment numbers. African's share in the provincial employment numbers increased from 87.3 per cent at the end of the fourth quarter 2008 to the current level, whereas the shares of Whites declined. Employment according to population group is displayed in Table 3.9.

Over the last six 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 2014, of 1 138 033 was 86 709 more than 6 years earlier. Not only was it higher than 6 years earlier, but it was also 178 519 higher than the lowest number recorded at the end of the

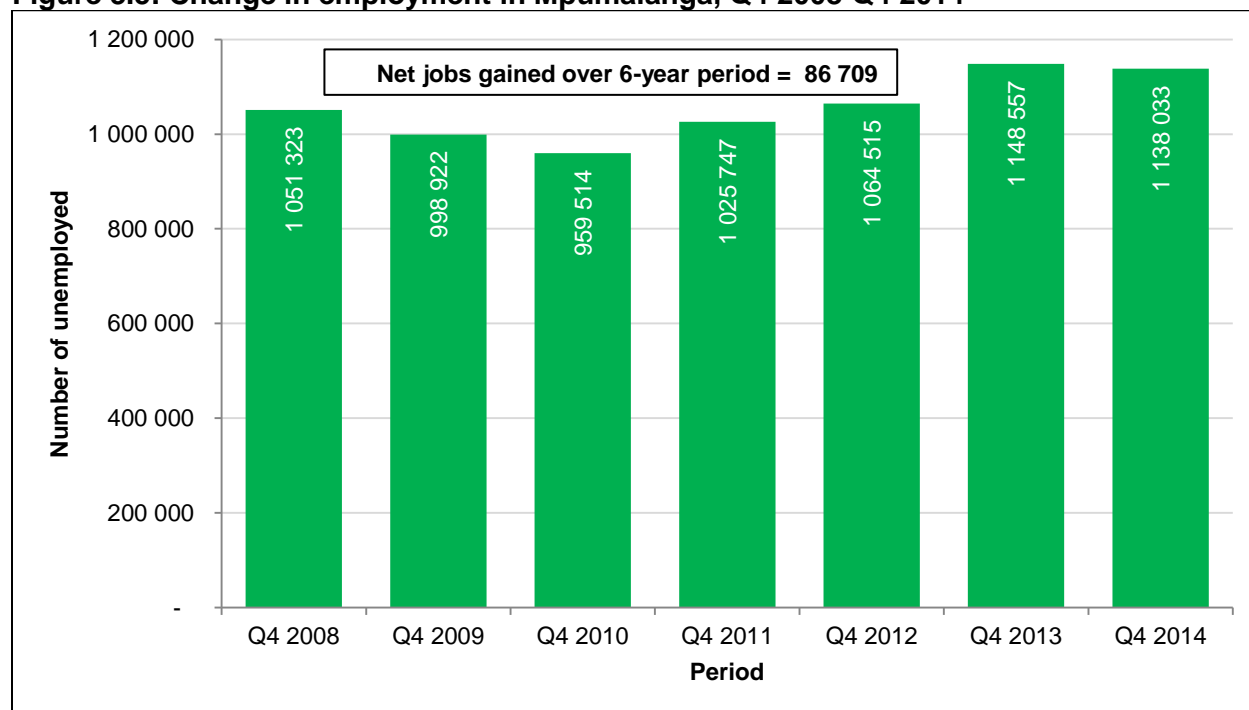
fourth quarter 2010. Between the end of the fourth quarter 2013 and the end of the fourth quarter 2014, 10 524 jobs were lost in Mpumalanga. The change in total employment from the end of the fourth quarter 2008 to the fourth quarter 2014 is displayed in Figure 3.5.

Table 3.9: Employment according to population group in South Africa and Mpumalanga, Q4 2008-Q4 2014

Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2014	Q4 2008	Q4 2014
African	70.4%	73.4%	87.3%	88.9%
Coloured	11.1%	10.7%	1.0%	0.9%
Asian	3.4%	3.3%	0.8%	0.5%
White	15.1%	12.6%	10.9%	9.7%
Total	100.0%	100.0%	100.0%	100.0%

Source: Statistics South Africa – QLFS, 2015

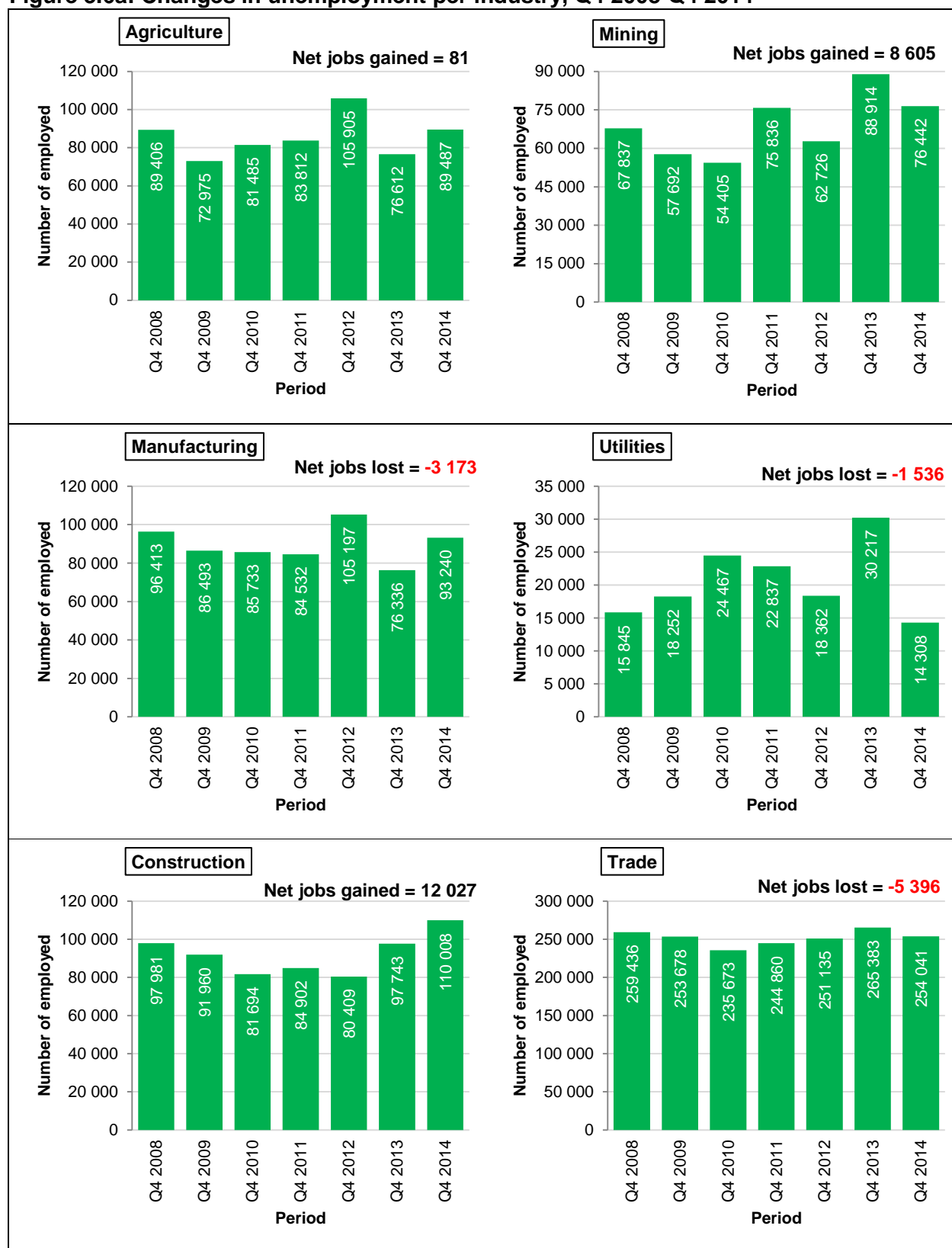
Figure 3.5: Change in employment in Mpumalanga, Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

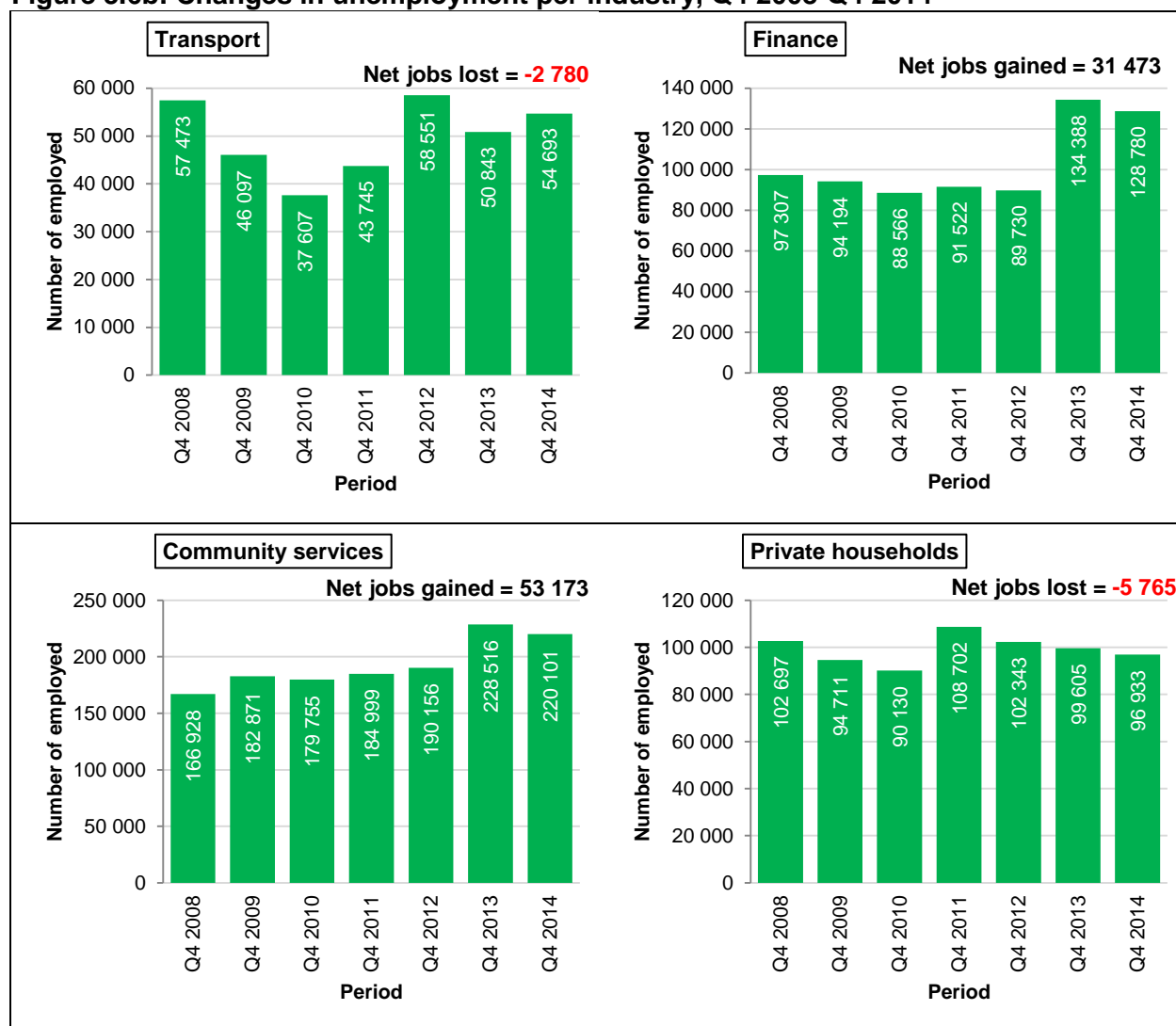
It is evident from Figures 3.6a and 3.6b that five industries registered higher employment levels at the end of the fourth quarter 2014 than at the end of the fourth quarter 2008. The five industries were agriculture, mining, construction, finance and community services. Community services (53 173) recorded the highest gain in job numbers and the largest decline in job numbers was observed in private households (-5 765). Finance (4.8 per cent) registered the fastest average annual growth over the 6-year period, whereas job numbers in utilities (-1.7 per cent) declined the fastest on an average annual basis.

Figure 3.6a: Changes in unemployment per industry, Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

Figure 3.6b: Changes in unemployment per industry, Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

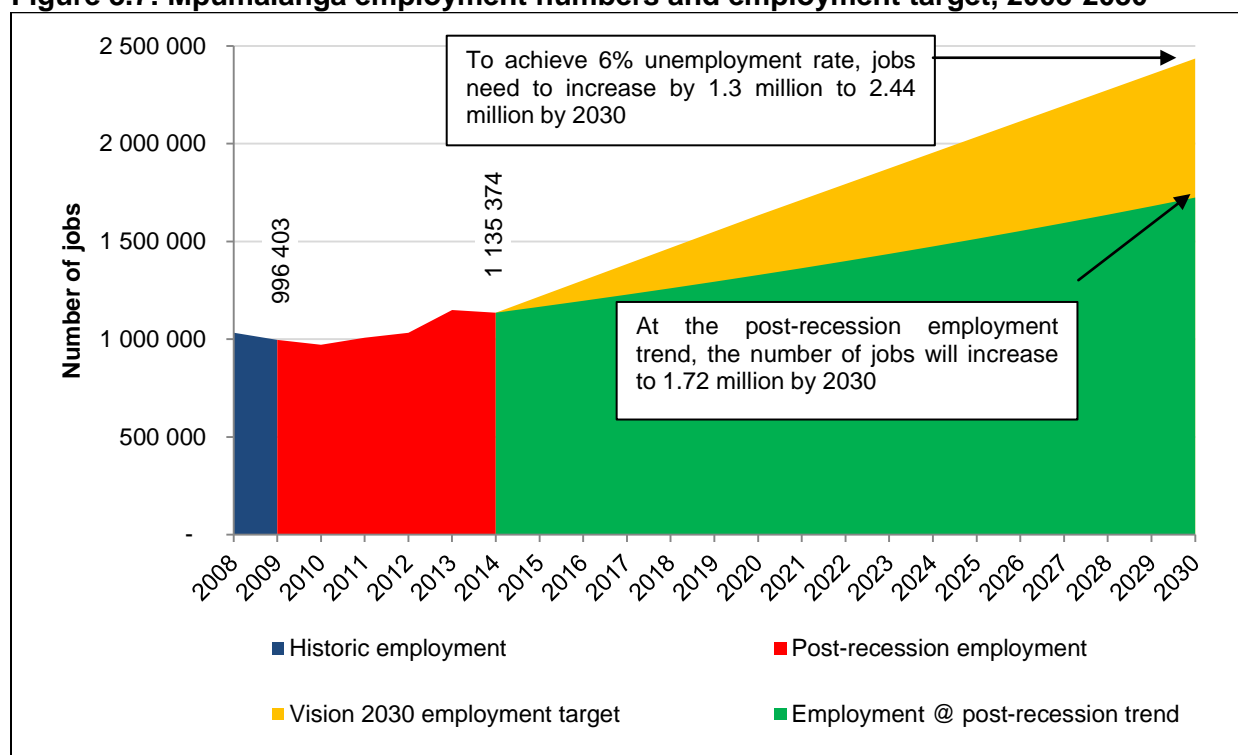
Over the last year, from the end of the fourth quarter 2013 to the end of the fourth quarter 2014, employment numbers in the agriculture, manufacturing, construction and transport industries increased. The largest increase in employment numbers over the last year, was experienced in the manufacturing industry (16 904). The manufacturing industry also registered the fastest annual growth in the year since the fourth quarter 2013 of 22.1 per cent. Employment numbers in mining, utilities, trade, finance, community services and private households declined during the last year. The largest decrease in job numbers on an annual basis was recorded in the utilities industry (-15 909) followed by mining (-12 471).

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 81 000 jobs per annum or an annual average employment growth of 4.9 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 illustration that employment growth of 1.6 per cent per annum – the employment growth post-recession – will not be sufficient to reach the employment target of 2.44 million jobs by 2030.

Figure 3.7: Mpumalanga employment numbers and employment target, 2008-2030



Source: Statistics South Africa – QLFS, 2015

3.3.1 Aggregate employment

In Mpumalanga, the formal employees' share of total employment increased from 59.7 per cent at the end of the fourth quarter 2008 to 62.8 per cent at the end of the fourth quarter 2014. The formal sector in Mpumalanga recorded a smaller share of total employment than was the case

nationally (71.2 per cent). The informal sector's¹³ share decreased from 22.0 per cent to 20.8 per cent over the same period. Private households' share decreased to 8.5 per cent from 9.8 per cent 6 years earlier, whilst agriculture's share decreased from 8.5 per cent to 7.9 per cent. The informal sector, agriculture and private households in Mpumalanga registered larger shares of total employment in the fourth quarter of 2014, 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 2014.

Table 3.10: Aggregate employment in South Africa & Mpumalanga, 2008-2014

Sector	Q4 2008		Q4 2013		Q4 2014	
	SA	MP	SA	MP	SA	MP
Formal sector	69.2%	59.7%	71.0%	61.7%	71.2%	62.8%
Informal sector	16.0%	22.0%	16.1%	23.0%	16.0%	20.8%
Agriculture¹⁴	5.5%	8.5%	4.7%	6.7%	4.8%	7.9%
Private households	9.3%	9.8%	8.2%	8.7%	8.0%	8.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Statistics South Africa – QLFS, 2015

3.3.2 Employment by industry in Mpumalanga

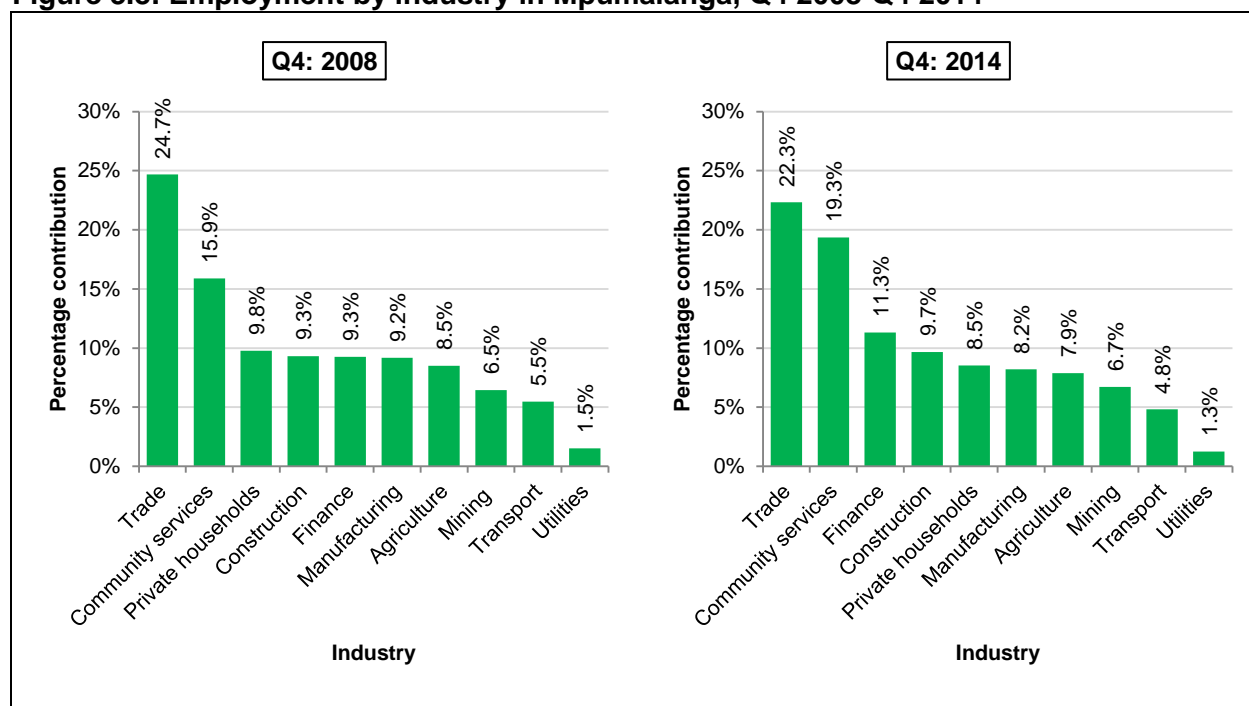
Figure 3.8 depicts employment by industry in Mpumalanga in the fourth quarters of 2008 and 2014, respectively. The trade industry (wholesale and retail trade) employed the largest share of individuals in the province at 22.3 per cent at the end of the fourth quarter 2014. This was smaller than the 24.7 per cent share registered 6 years earlier. Community services (19.3 per cent) was the second largest employer with a larger share than at the end of the fourth quarter 2008 (15.9 per cent). The finance industry improved its ranking significantly to third largest from fifth largest. The utilities industry was the smallest in both time periods.

According to Figure 3.9, community services (53 173), finance (31 473) and construction (12 027) were the three industries in Mpumalanga that recorded the highest employment increase from the fourth quarter 2008 to the end of the fourth quarter 2014. Mining and agriculture also registered increases over the 6-year period. Private households (-5 765) recorded the highest number of job losses over the same period followed by trade (-5 396).

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.

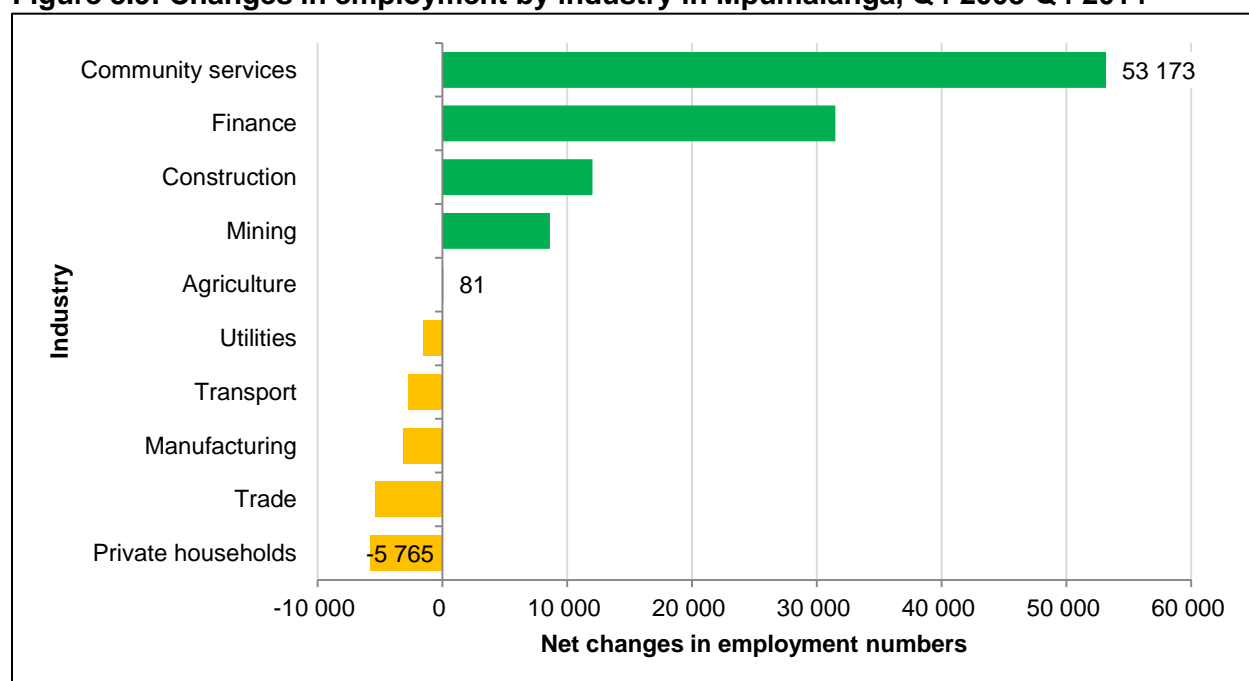
¹⁴ An additional 70 804 citizens were involved in subsistence farming (non-market activities) in the province.

Figure 3.8: Employment by industry in Mpumalanga, Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

Figure 3.9: Changes in employment by industry in Mpumalanga, Q4 2008-Q4 2014



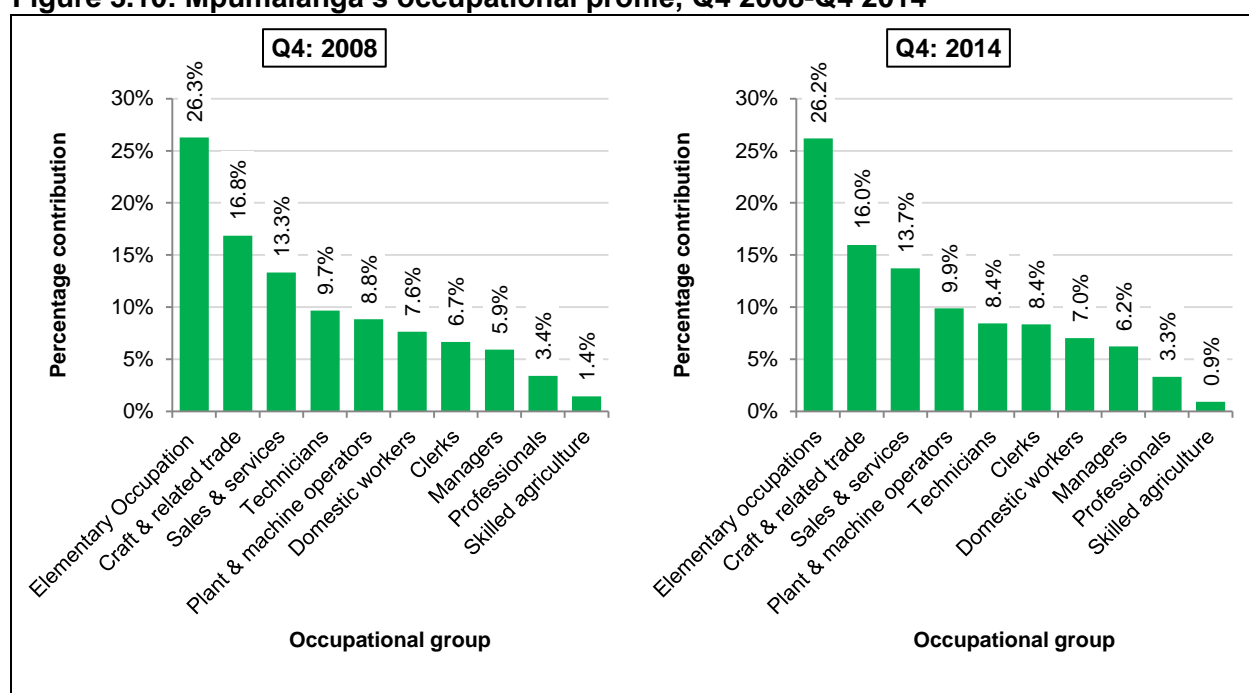
Source: Statistics South Africa – QLFS, 2015

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 its relative supply.

Figure 3.10 illustrates the occupational profile of Mpumalanga in the respective fourth quarters of 2008 and 2014. It was heavily skewed towards semi- and unskilled occupations. The share of highly educated or skilled occupations (managers, professionals and technicians) was 17.9 per cent at the end of the fourth quarter 2014. This was lower than the 19.0 per cent share at the end of the fourth quarter 2008. The combined share of elementary occupations and domestic workers was 33.2 per cent at the end of the fourth quarter 2014, slightly higher than the 33.9 per cent share six years earlier. The majority of these people are normally unskilled or semi-skilled workers.

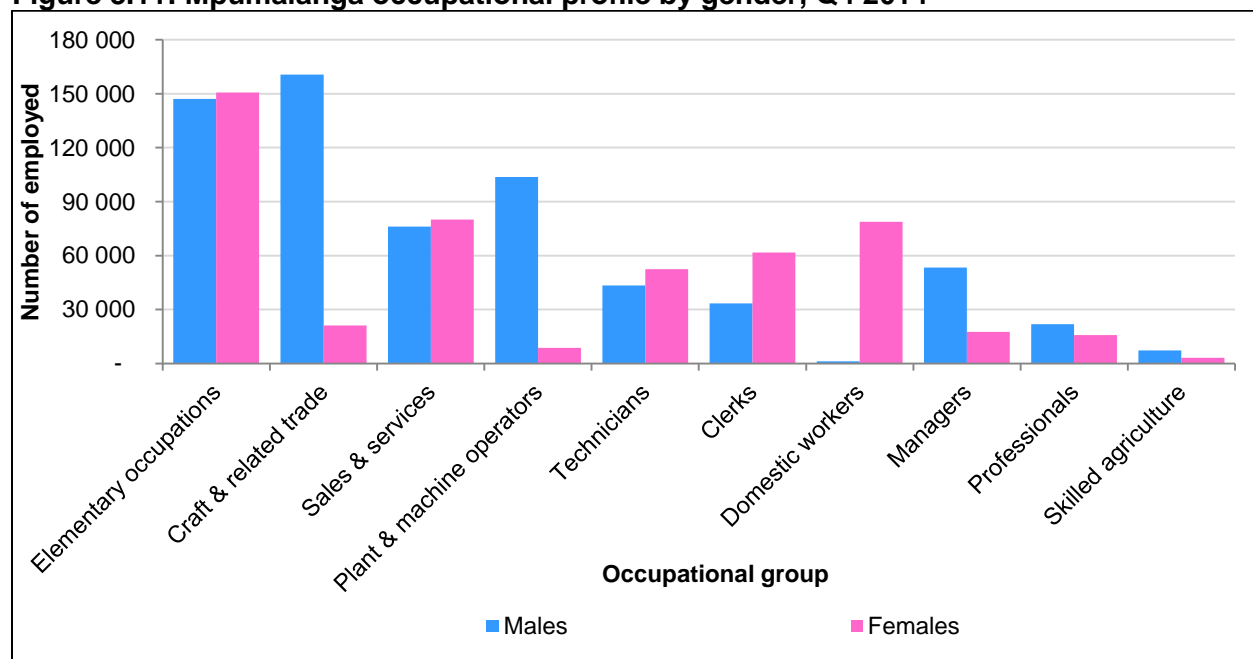
Figure 3.10: Mpumalanga's occupational profile, Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

Figure 3.11 depicts the occupational profile of the province by gender at the end of the fourth quarter 2014. Males registered significantly higher employment numbers in craft and related trade occupations, whereas females dominated domestic work occupations.

Figure 3.11: Mpumalanga occupational profile by gender, Q4 2014



Source: Statistics South Africa – QLFS, 2015

3.3.4 Educational profile of employed

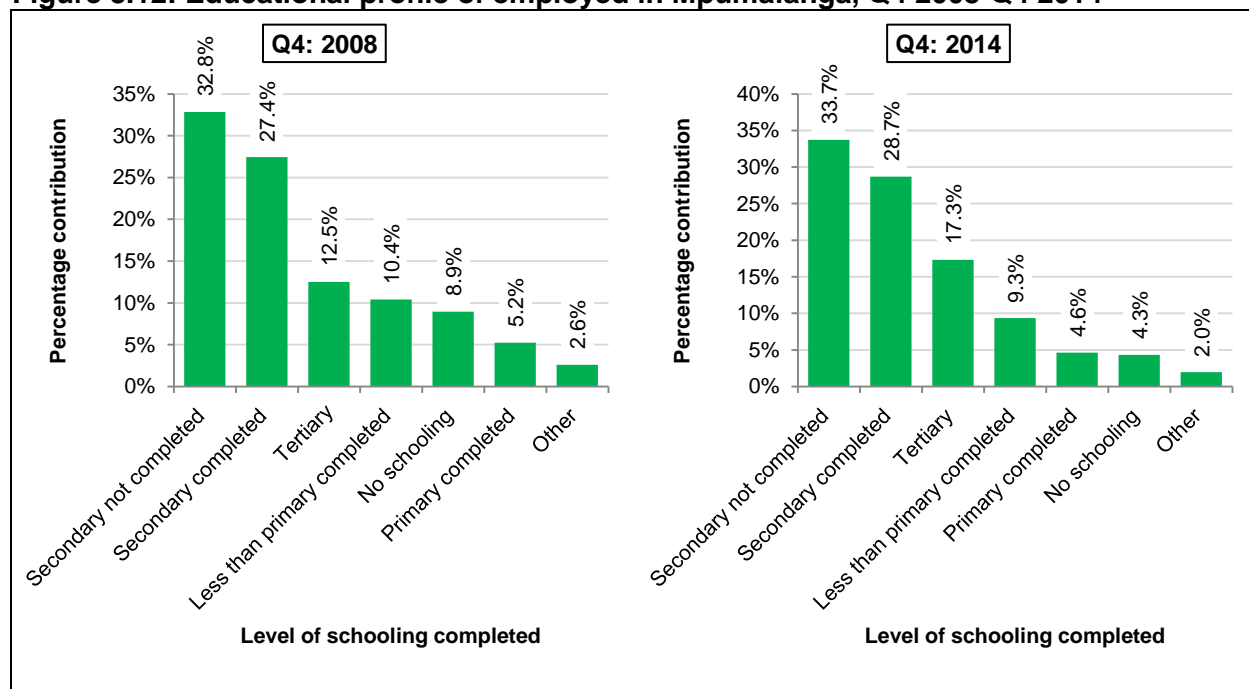
At the end of the fourth quarter of 2014, some 33.7 per cent of the employed in Mpumalanga indicated that, although currently employed, they have not completed their secondary education. At the end of the fourth quarter 2008, this figure was lower at 32.8 per cent. Those that have completed their secondary education made up 28.7 per cent, whereas 17.3 per cent of the employed completed some post matric education at the end of the fourth quarter 2014. Six years earlier, the employed were slightly less 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, 20.2 per cent of the employed have not completed any level of schooling higher than primary at the end of the fourth quarter 2014.

In the fourth quarter of 2014, the employment rate among individuals with completed tertiary education was the highest in South Africa with 90.1 per cent. The lowest employment rate (highest unemployment rate) at the end of the fourth quarter 2014 was recorded among individuals with incomplete secondary education (69.0 per cent) followed by those with completed primary (71.7 per cent). The employment rate by the level of education is summarised in Table 3.11.

In Mpumalanga, individuals with no-schooling (90.9 per cent) registered the highest employment rate at the end of the fourth quarter 2014. The lowest employment rate was recorded among

individuals with incomplete secondary education (67.0 per cent). The employment rates of individuals with no schooling, incomplete primary and tertiary levels of education in Mpumalanga increased between 2008 and 2014. 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.

Figure 3.12: Educational profile of employed in Mpumalanga, Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

Table 3.11: Comparative employment rate by level of education in South Africa and Mpumalanga, Q4 2008-Q4 2014

Level of education	South Africa		Mpumalanga	
	Q4 2008	Q4 2014	Q4 2008	Q4 2014
No schooling	87.4%	85.8%	90.1%	90.9%
Incomplete primary	79.1%	77.2%	77.0%	79.8%
Primary completed	76.1%	71.7%	83.0%	76.3%
Incomplete secondary	72.2%	69.0%	71.7%	67.0%
Secondary completed	76.5%	75.2%	75.6%	69.6%
Tertiary completed	93.5%	90.1%	87.1%	88.0%

Source: Statistics South Africa – QLFS, 2015

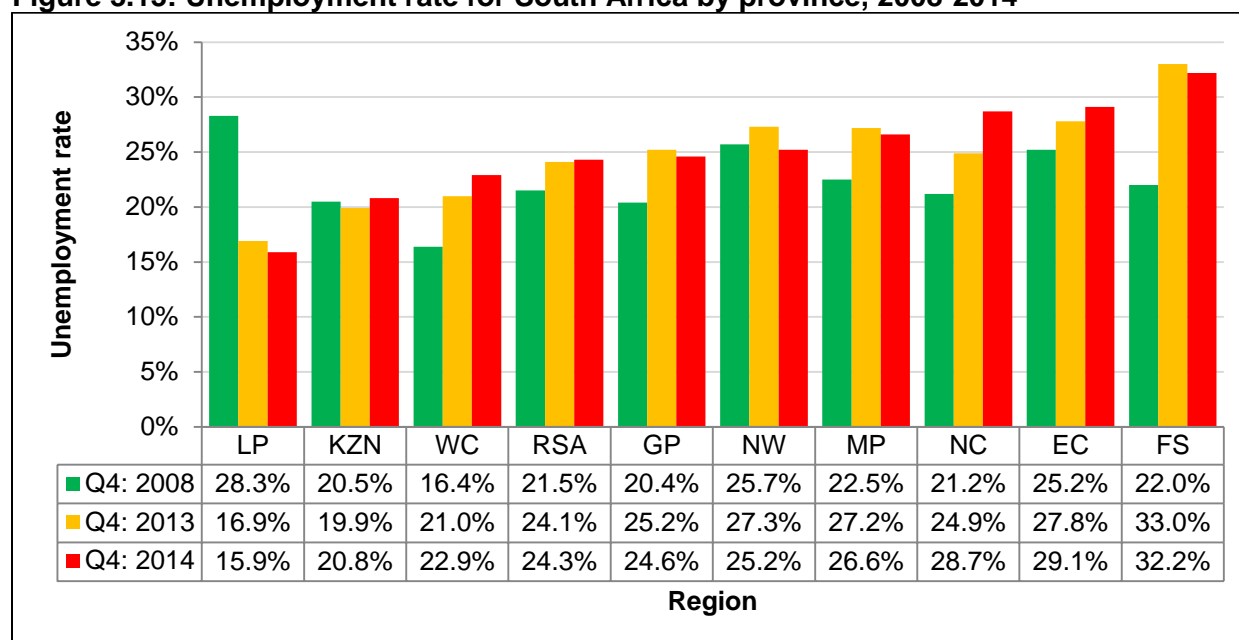
3.4 Unemployment

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 26.6 per cent at the end of the fourth quarter 2014 (Figure 3.13). This was higher than the national average, which was

recorded at 24.3 per cent at the end of the fourth quarter 2014. Mpumalanga, recorded the fourth highest unemployment rate among the nine provinces with Free State (32.2 per cent) recording the highest unemployment rate. With the exception of Limpopo and North West, the unemployment rates of all regions were higher at the end of the fourth quarter 2014 than at the start of the 6-year period.

At the end of the fourth quarter 2014, the youth cohort (15-34 years of age) constituted 66.2 per cent and 73.5 per cent of the number of unemployed in South Africa and Mpumalanga, respectively. The unemployment rate of the youth cohort was 34.8 per cent in South Africa and 38.8 per cent in Mpumalanga (Table 3.12). In Mpumalanga, the unemployment rate of the age group 20-24 was the highest at 54.4 per cent.

Figure 3.13: Unemployment rate for South Africa by province, 2008-2014



Source: Statistics South Africa – QLFS, 2015

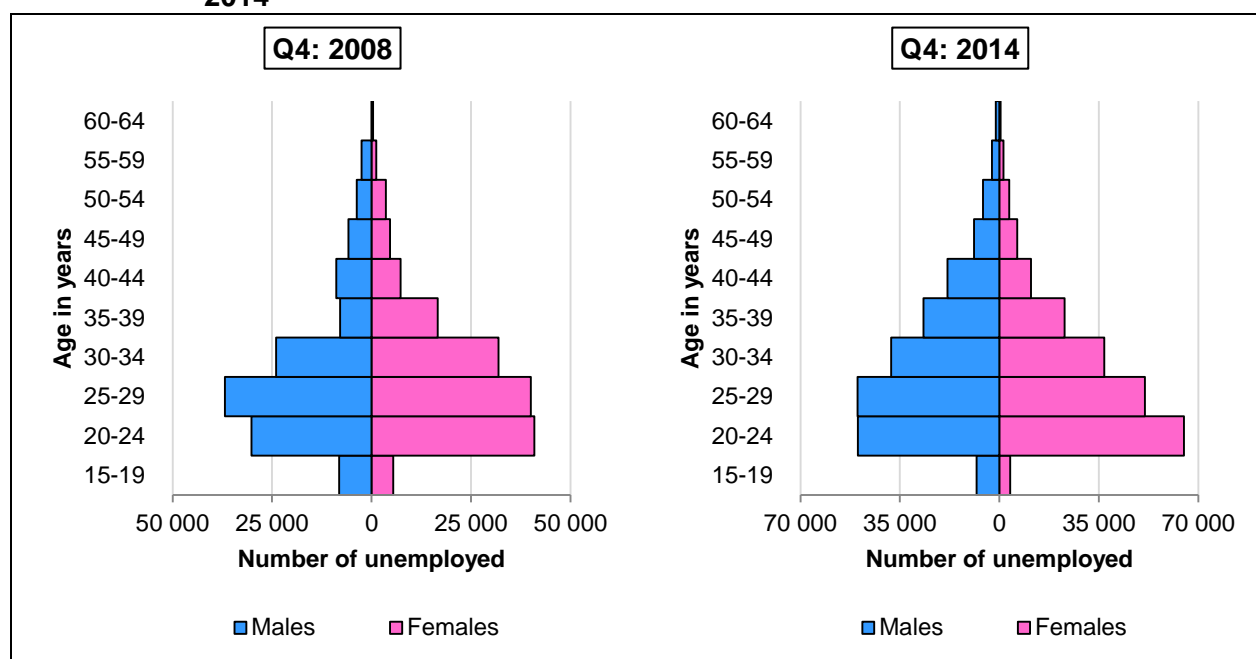
Table 3.12: Unemployment rate according to age in South Africa & Mpumalanga, Q4 2014

Age group	Unemployment rate	
	South Africa	Mpumalanga
15-19 years	58.7%	51.6%
20-24 years	47.7%	54.4%
25-29 years	33.2%	36.1%
30-34 years	26.0%	28.1%
35-39 years	20.9%	22.1%
40-44 years	17.0%	15.9%
45-49 years	13.2%	10.9%
50-54 years	11.1%	8.6%
55-59 years	8.6%	4.7%
60-64 years	3.0%	6.3%

Source: Statistics South Africa – QLFS, 2015

The majority of Mpumalanga's unemployed at the end of the fourth quarter 2014 was male with 209 435 individuals or 50.8 per cent of the provincial total number of unemployed. This was higher than the 46.0 per cent recorded at the end of the fourth quarter 2008. The balance (49.2 per cent) of the unemployed at the end of the fourth quarter 2014 was females, which was lower than the 54.0 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 2014.

Figure 3.14: Unemployment numbers by gender and age in Mpumalanga, Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

The youth of working age (15-34 years) made up 73.5 per cent of the total number of unemployed at the end of the fourth quarter 2014. This was lower than 6 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 114 741 individuals or some 27.9 per cent of the provincial unemployed at the end of the fourth quarter 2014. 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.

Unemployment rates in South Africa and Mpumalanga according to population group are displayed in Table 3.13. At the end of the fourth quarter 2014, Africans recorded an unemployment rate of 28.6 per cent - the highest in Mpumalanga. This was higher than the unemployment rate of Africans nationally (27.2 per cent) and higher than at the start of the 6-year period. The provincial unemployment rate of Whites was only 4.9 per cent, whilst that of Coloureds and

Asians were 8.0 per cent and 11.5 per cent, respectively, at the end of the fourth quarter 2014.

Table 3.13: Unemployment rate according to population group in Mpumalanga, Q4 2008-Q4 2014

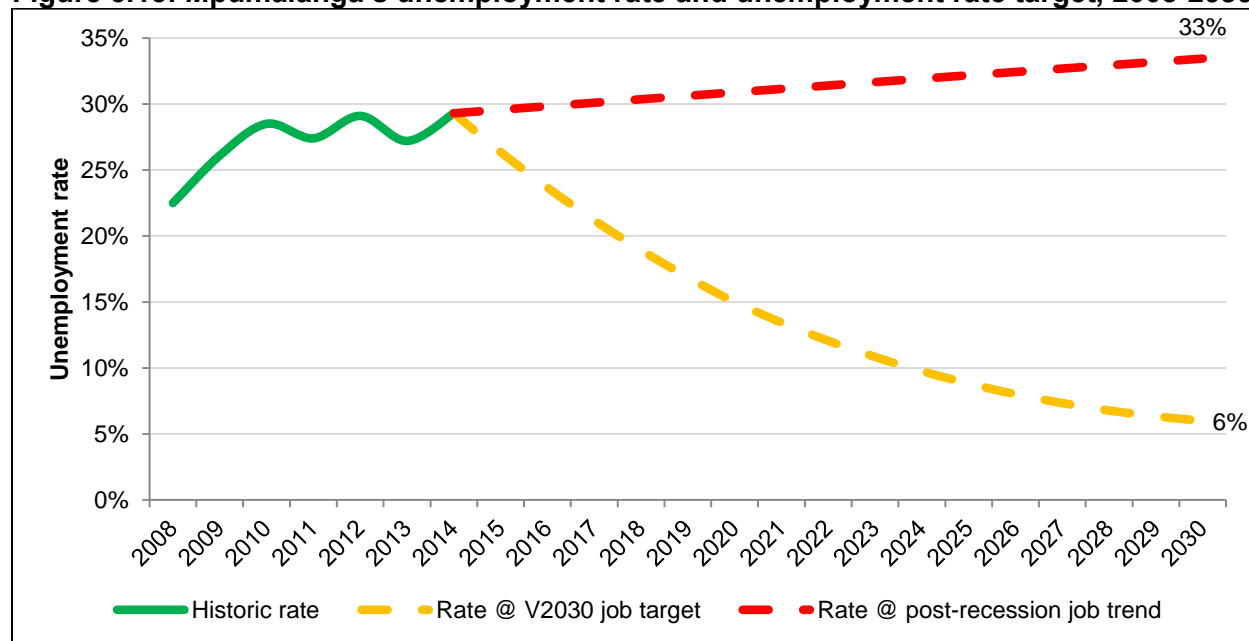
Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2014	Q4 2008	Q4 2014
African	25.7%	27.2%	24.9%	28.6%
Coloured	17.9%	22.9%	17.9%	8.0%
Asian	11.6%	11.9%	- ¹⁵	11.5%
White	2.8%	7.7%	1.1%	4.9%
Total	21.6%	24.3%	22.6%	26.6%

Source: Statistics South Africa – QLFS, 2015

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 1.6 per cent per annum, the unemployment rate could possibly increase to 33 per cent by 2030.

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



Source: Statistics South Africa – QLFS, 2015

Duration of unemployment

The incidence of long-term unemployment (1 year and longer) in Mpumalanga deteriorated no-

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.

ticeably between the end of the fourth quarter 2008 and the end of the fourth quarter 2014. The share of the unemployed in Mpumalanga that indicated they were unemployed in excess of 12 months, increased from 56.9 per cent to 69.5 per cent (Table 3.14). The number of both males and females in long-term unemployment increased over the period under review. The incidence of long-term unemployment was highest among females in 2008 and in 2014. The youth cohort contributed 75.5 per cent and 75.9 per cent to the number of unemployed that has been struggling to secure employment for more than 12 months in 2008 and 2014, respectively.

Table 3.14: Duration of unemployment in Mpumalanga, 2008-2014

Duration	Q4 2008			Q4 2014		
	Males	Females	Share of unemployed	Males	Females	Share of unemployed
1 year and longer	64 954	109 069	56.9%	132 844	153 344	69.5%
Less than 1 year	76 966	55 094	43.1%	76 590	49 124	30.5%
Total	141 919	164 162	100.0%	209 435	202 468	100.0%

Source: Statistics South Africa – QLFS, 2015

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. It includes all persons who are unemployed according 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.

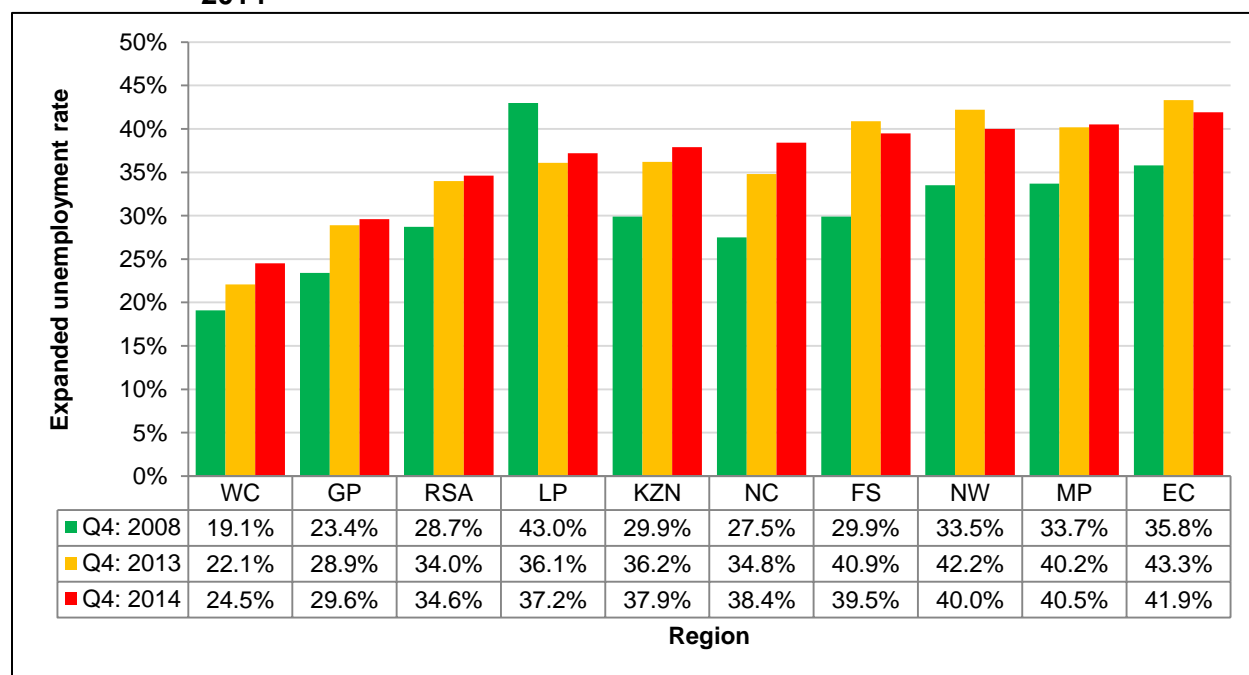
Figure 3.16 shows that South Africa's expanded unemployment rate was recorded at 28.7 per cent at the end of the fourth quarter 2008 and subsequently increased to 34.6 per cent at the end of the fourth quarter 2014. Mpumalanga's expanded unemployment rate was 33.7 per cent at the end of the fourth quarter 2008, which was substantially higher than the national average. It increased to 40.5 per cent at the end of the fourth quarter 2014.

The expanded unemployment rate of the youth cohort was 46.9 per cent in South Africa and 53.3 per cent in Mpumalanga at the end of the fourth quarter 2014. The expanded unemployment rate of the 15-19 year age group was the highest in Mpumalanga at 74.5 per cent, whereas that of the 60-64 year age group was the lowest at 11.8 per cent. It is evident from Table 3.15 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 fourth quarter 2014 was female with some 426 936 individuals or 55.2 per cent of the total number of unemployed. This was lower than the 61.1 per cent recorded at the end of the fourth quarter 2008. The balance (44.8 per cent) of the unemployed at the end of the fourth quarter 2014 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 2014.

Figure 3.16: Expanded unemployment rate in South Africa and provinces, Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

Table 3.15: Expanded unemployment rate according to age in South Africa & Mpumalanga, Q4 2014

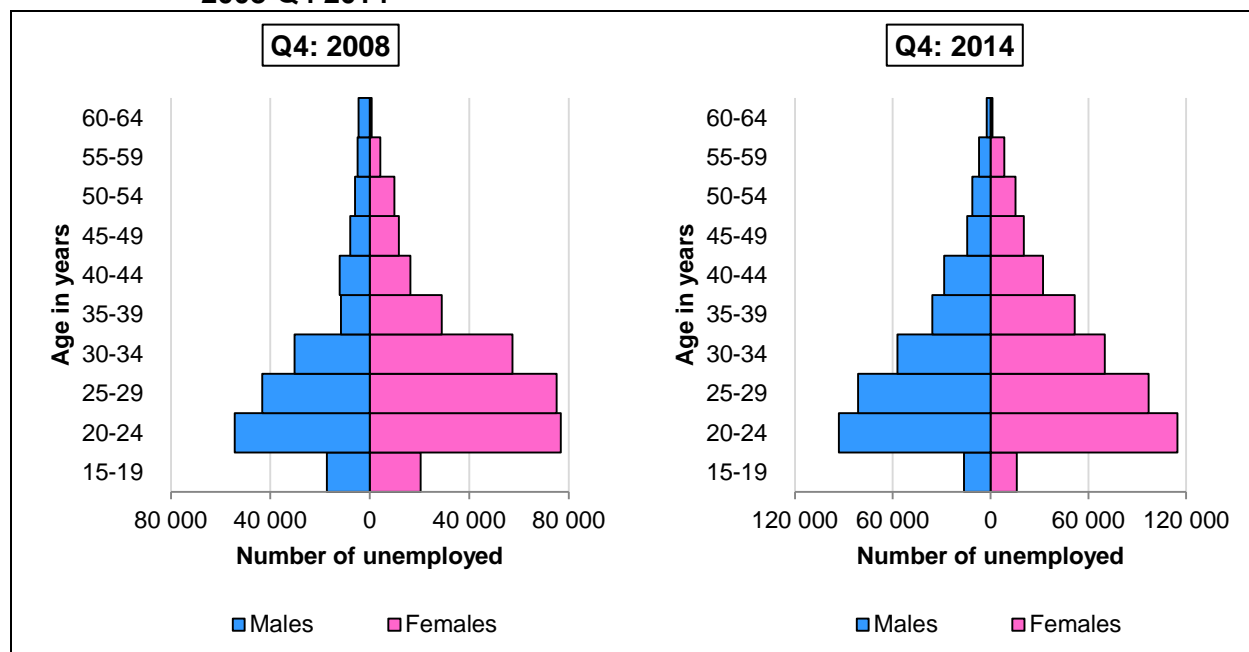
Age group	Unemployment rate	
	South Africa	Mpumalanga
15-19 years	79.2%	74.5%
20-24 years	61.0%	68.4%
25-29 years	43.4%	49.9%
30-34 years	35.3%	39.9%
35-39 years	28.3%	33.2%
40-44 years	24.3%	28.2%
45-49 years	20.4%	21.9%
50-54 years	19.1%	21.3%
55-59 years	17.5%	15.7%
60-64 years	7.5%	11.8%
Total	34.6%	40.5%

Source: Statistics South Africa – QLFS, 2015

The youth of working age (15-34 years) made up 70.5 per cent of the total number of unemployed (expanded definition) in Mpumalanga at the end of the fourth quarter 2014. This was lower than 6 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 207 754 individuals or

some 26.9 per cent of the provincial unemployed (expanded definition) at the end of the fourth quarter 2008 and 2014, respectively.

Figure 3.17: Expanded unemployment numbers by gender and age in Mpumalanga, Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

Table 3.16 depicts South Africa and Mpumalanga's expanded unemployment rate according to population group. It is evident that the expanded unemployment rate for Africans (43.0 per cent) was higher than the provincial average of 40.5 per cent. This was higher than 6 years earlier (36.9 per cent) and higher than the national expanded unemployment rate of Africans (39.0 per cent). At the end of the fourth quarter 2014, the expanded unemployment rate of Whites was 7.4 per cent, Coloureds 8.0 per cent and Asians 11.5 per cent.

Table 3.16: Expanded unemployment rate according to population group in South Africa and Mpumalanga, Q4 2008-Q4 2014

Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2014	Q4 2008	Q4 2014
African	34.6%	39.0%	36.9%	43.0%
Coloured	20.7%	26.8%	6.6%	8.0%
Asian	14.7%	16.8%	- ¹⁶	11.5%
White	3.9%	9.4%	1.4%	7.4%
Total	29.2%	34.6%	35.2%	40.5%

Source: Statistics South Africa – QLFS, 2015

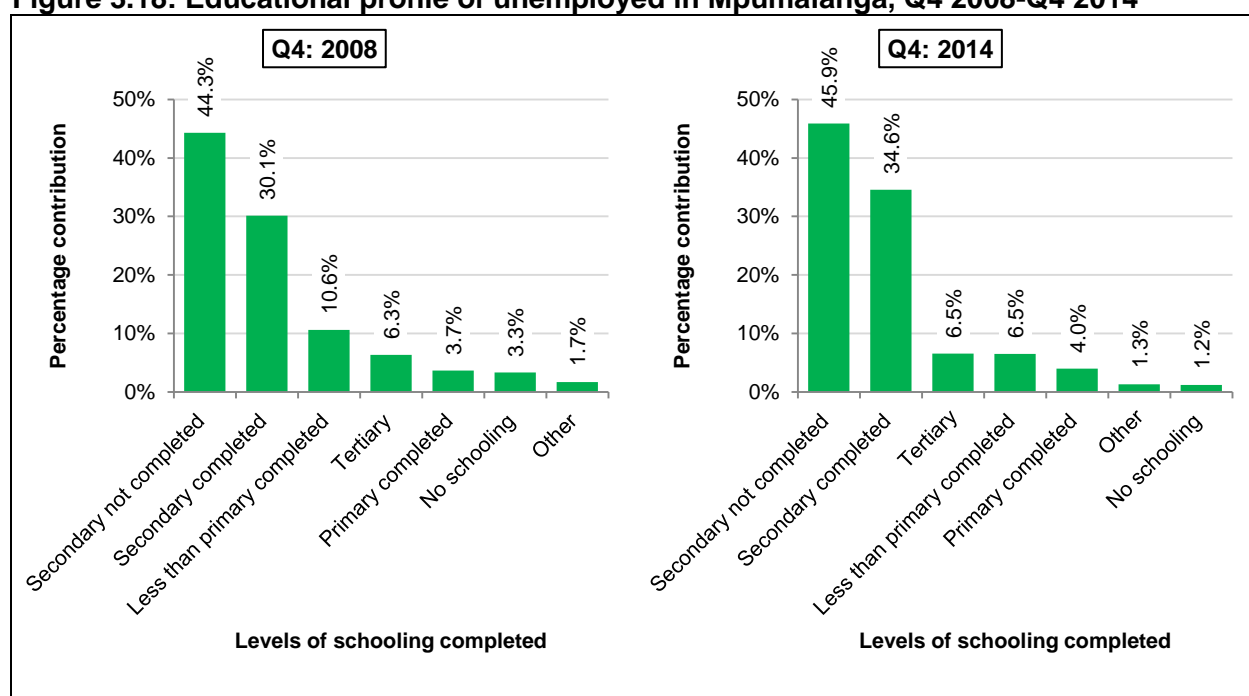
¹⁶ It appears from the data that Asians recorded no unemployment, however, the size of the survey sample may be too small to provide accurate estimates.

3.4.2 Educational profile of unemployed

At the end of the fourth quarter 2014, some 45.9 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 9.0 per cent of the unemployed has not completed any level higher than primary education at the end of the fourth quarter 2014.

Particularly worrying is the fact that 34.6 per cent of the unemployed completed their secondary education and 6.5 per cent a qualification higher than matric. The two shares are both higher than 6 years earlier at the end of the fourth quarter 2008.

Figure 3.18: Educational profile of unemployed in Mpumalanga, Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

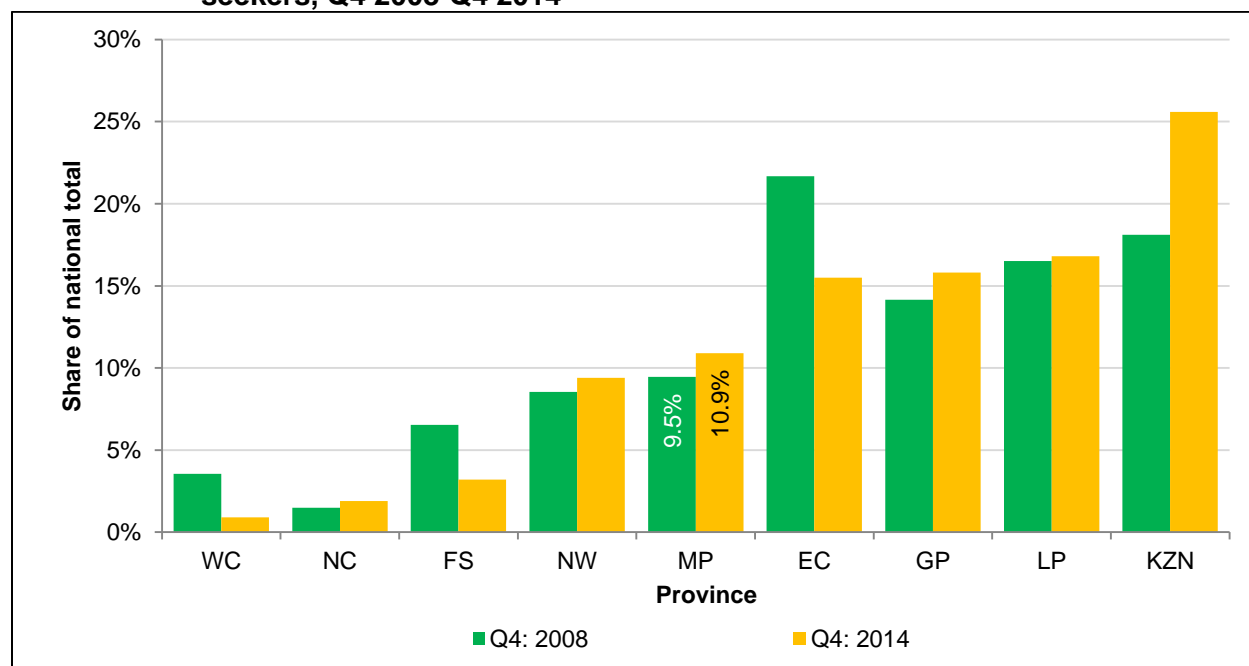
3.5 Discouraged work-seekers

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 2.4 million discouraged work-seekers by the end of the fourth quarter 2014. This represents an increase of 202 561 over the end of the fourth quarter 2013, and 1.2 million more than at the end of the fourth quarter 2008.

Figure 3.19 indicates that Mpumalanga's share was 10.9 per cent of South Africa's discouraged work-seekers at the end of the fourth quarter 2014, 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 149 943 from the end of the fourth quarter 2008 to the end of the fourth quarter 2014. When compared with other provinces, Mpumalanga registered the fifth lowest share of the national total of discouraged work-seekers.

Figure 3.19: Contribution by provinces to the national number of discouraged work-seekers, Q4 2008-Q4 2014

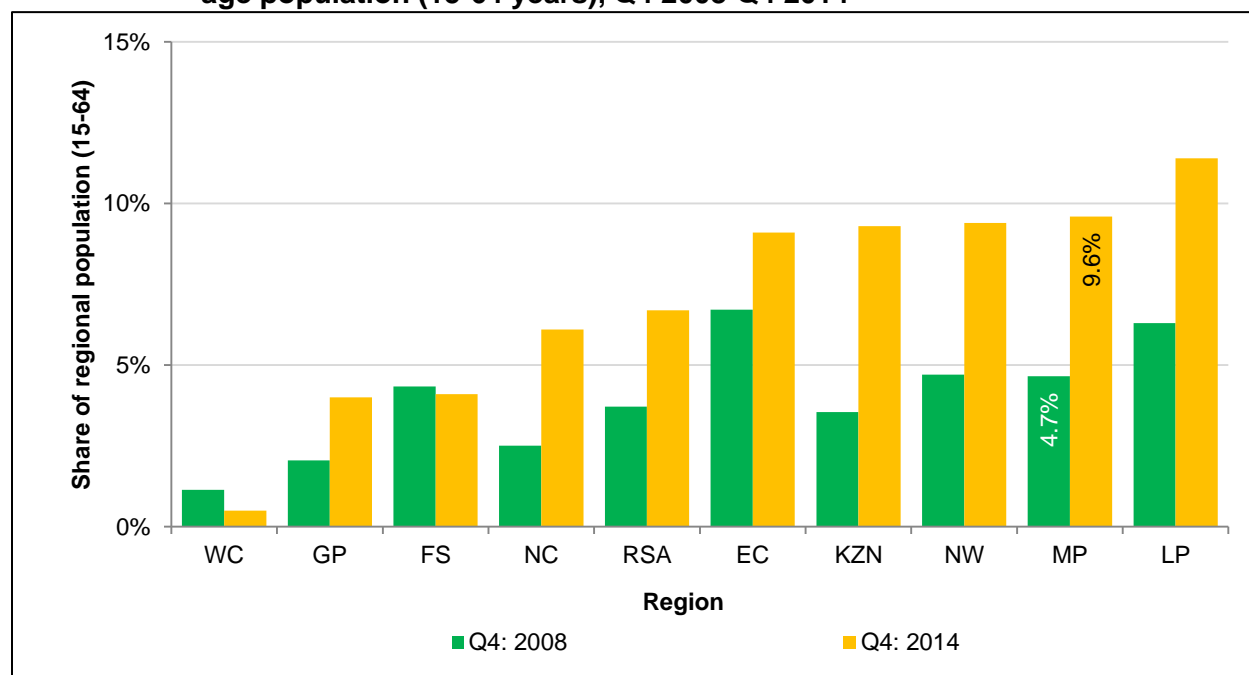


Source: Statistics South Africa – QLFS, 2015

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 2014 (9.6 per cent). Only Limpopo had a larger share of discouraged work-seekers than Mpumalanga at the end of the fourth quarter 2014. Discouraged work-seekers' share of working age population in Mpumalanga was also larger than the national share (6.3 per cent) at the end of the fourth quarter 2014.

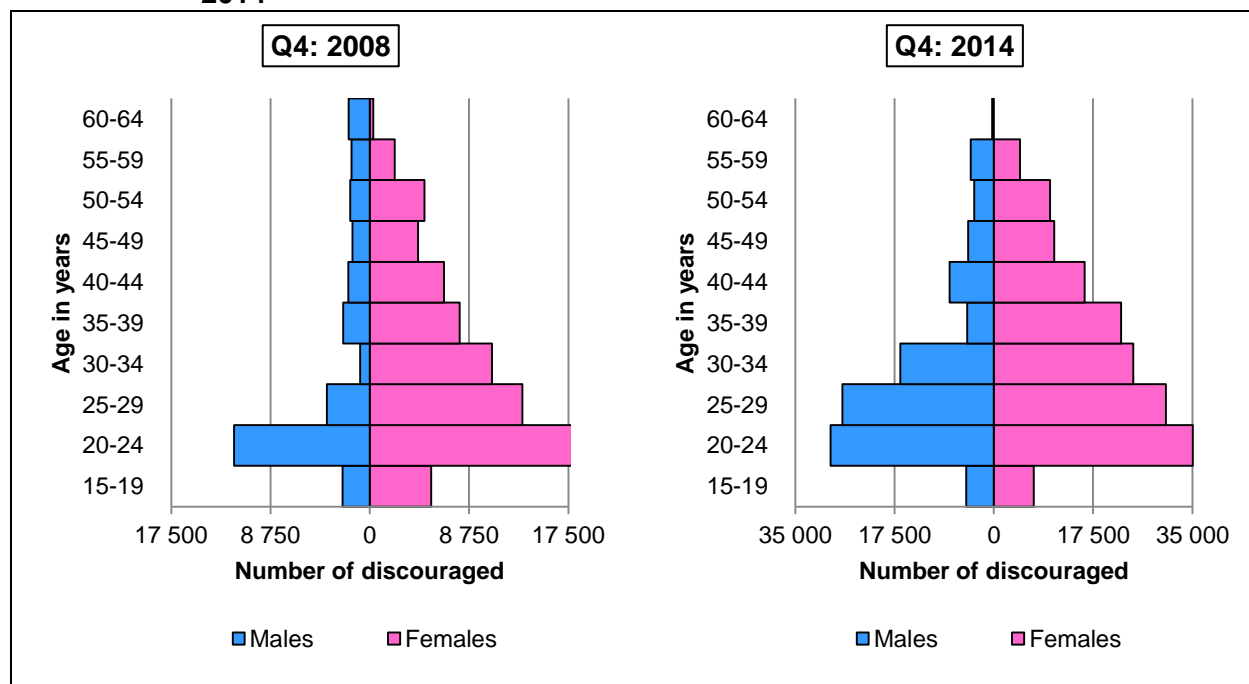
Figure 3.21 compares the discouraged work-seekers by gender and age in Mpumalanga between the end of the fourth quarter 2008 and the end of the fourth quarter 2014. At the end of the fourth quarter 2014, the majority of Mpumalanga's discouraged work-seekers was females with some 160 753 individuals or 61.3 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 (38.7 per cent) of the discouraged work-seekers in Mpumalanga at the end of the fourth quarter 2014 was males, which was higher than the 28.9 per cent recorded at the end of the fourth quarter 2008.

Figure 3.20: Comparison of discouraged work-seekers as a ratio of regional working age population (15-64 years), Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

Figure 3.21: Discouraged work-seekers by gender and age in Mpumalanga, Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

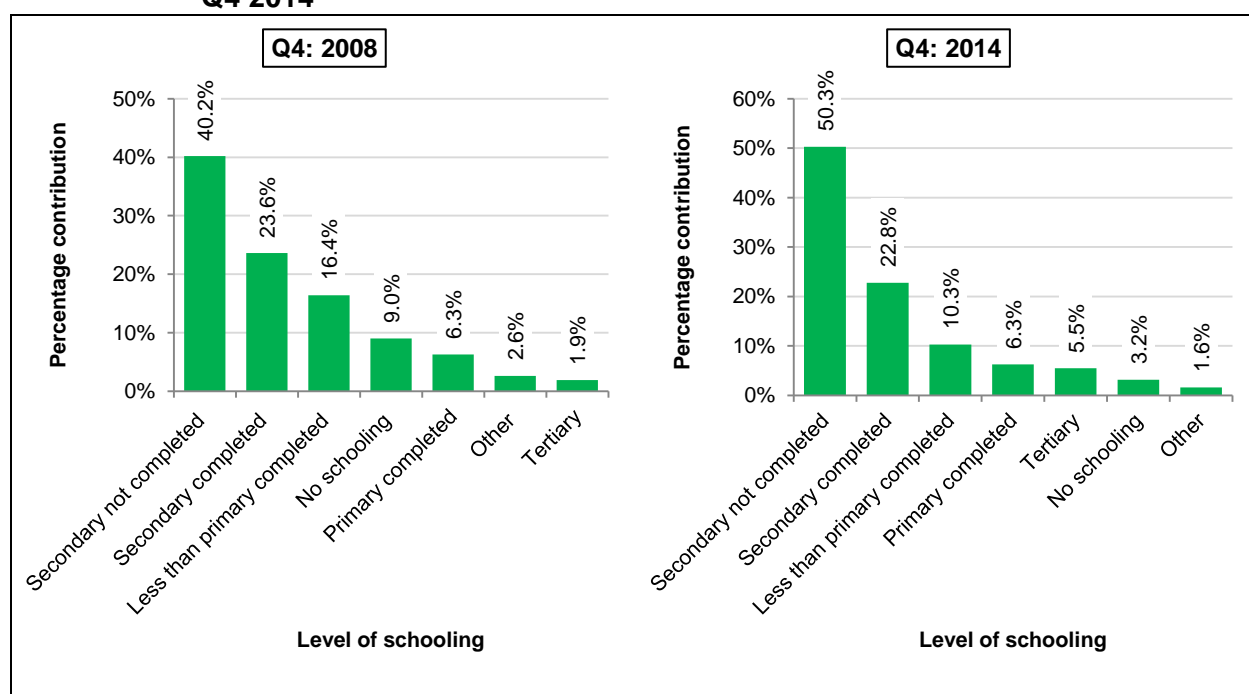
The youth of working age (15-34 years) made up 66.3 per cent of the total number of discouraged work-seekers at the end of the fourth quarter 2014. This was higher than 6 years earlier

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 63 850 individuals or some 24.3 per cent of the provincial discouraged work-seekers at the end of the fourth quarter 2014. 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 15.1 per cent of the discouraged work-seekers have not completed any level higher than primary education at the end of the fourth quarter 2014. At the end of the fourth quarter 2014, 50.3 per cent of the discouraged work-seekers in Mpumalanga indicated that they have not completed their secondary education. Another 22.8 per cent of the discouraged work-seekers completed their secondary education and 5.5 per cent a qualification higher than matric.

Figure 3.22: Educational profile of discouraged work-seekers in Mpumalanga, Q4 2008-Q4 2014



Source: Statistics South Africa – QLFS, 2015

3.6 Conclusion

The provincial economy recorded an addition of 86 709 jobs over the last six 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 26.6 per cent by the end of the fourth quarter 2014. Discouraged workers, and a few smaller variables, are con-

sidered in the expanded definition of unemployment where the province had a relatively high unemployment rate of 40.5 per cent at the end of the fourth quarter 2014.

In order to reduce 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 latest population estimates (*2014 Mid-year Population Estimates*), Mpumalanga's share of the national population of 54 million was 7.8 per cent or 4.2 million. Mpumalanga registered the sixth largest share among the provinces. Females constituted 2.12 million or 50.9 per cent of the provincial population distribution and males 2.08 million (49.1 per cent). The youth cohort (0-34 years) made up 69.9 per cent of the total population in the province and the age group 60 years and older, only 7.1 per cent.

Mpumalanga's median age of 23 was lower than South Africa's median age of 25 in 2014. 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, 2014

Indicator	Mpumalanga		South Africa
		Ranking among provinces High (1) to Low (9)	
Population number	4 229 323	6	54 002 000
Youth cohort share (0-34 years)	69.9%	3	66.1%
Elderly cohort share (60 years +)	7.1%	8	8.4%
Median age	23	6	25
Population growth rate (2011-2014)	1.5% pa	4	1.4% pa

Source: Statistics South Africa – 2014 Mid-year Population Estimates

Over the 3-year period 2011 to 2014, the population of South Africa increased by 1.4 per cent per annum. The population of Mpumalanga increased by 1.5 per cent per annum over the same period. This was in excess of South Africa's population increase and the fourth largest annual population increase behind Gauteng (1.7 per cent) and Western Cape (1.7 per cent) and

North West (1.6 per cent) over the period under review. When expressed in absolute growth, the population of Mpumalanga increased by 4.7 per cent.

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 2013, the situation improved with the ratio having declined to 10.8 per cent. The level was, however, still higher (worse) than the national level of 5.6 per cent in 2011 and the highest overall 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 26.6 per cent in 2013. Mpumalanga recorded the fourth highest share of people 20 years and older with matric among the nine provinces, slightly lower than the national share of 27.9 per cent. The percentage of the population that obtained a qualification higher than matric increased from 5.5 per cent in 1996 to 10.1 per cent in 2013.

The adult literacy rate is defined as the proportion of persons aged 20 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 87.6 per cent in 2011 to 88.0 per cent in 2013. However, it was still 4.9 percentage points below the national level of 92.9 per cent in 2013.

The national pass rate of matriculants decreased from 78.2 per cent in 2013 to 75.8 per cent in 2014. Mpumalanga's pass rate increased by 1.4 percentage points from 77.6 per cent in 2013 to 79.0 per cent in 2014. Mpumalanga showed the second largest improvement between 2013 and 2014 and it was the province with the fifth highest pass rate in 2014.

In the Annual National Assessments (ANA) of 2014, Mpumalanga's results in Mathematics ranked in 6th position for Grade 3 and 5th position for Grade 6 and Grade 9. In terms of acceptable achievement (≥ 50 per cent), Mpumalanga ranked in 5th position for Grade 3, 6th position for Grade 6 and 7th position for Grade 9 in terms of acceptable achievements.

Mpumalanga's results in Home Language ranked in 5th position for Grade 3 and Grade 6 and 1st position for Grade 9. In terms of acceptable achievement (≥ 50 per cent), Mpumalanga ranked in 5th position for Grade 3, 4th position for Grade 6 and 1st position for Grade 9. 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, 2013 & 2014

Indicator	Mpumalanga		South Africa
		Ranking among provinces Best (1) to Worst (9)	
No schooling portion (2013)	10.8%	9	5.6%
Matric portion (2013)	26.6%	4	27.9%
Adult literacy rate (2013)	88.0%	7	92.9%
Matric pass rate (2014)	79.0%	5	75.8%
Grade 3 Mathematics score (2014)	52.5%	6	55.5%
Grade 3 Languages score (2014)	54.2%	5	56.2%
Grade 6 Mathematics score (2014)	39.9%	5	43.1%
Grade 6 Languages score (2014)	62.0%	5	62.7%
Grade 9 Mathematics score (2014)	11.3%	5	10.8%
Grade 9 Languages score (2014)	53.3%	1	48.3%

Sources: Statistics South Africa – General Household Survey 2013

Mpumalanga Department of Education, 2015

Department of Basic Education – Report on the Annual National Assessments of 2014

4.3 Health indicators

The immunisation coverage (<1 year) in Mpumalanga of 71.1 per cent was considerably lower (worse) than the national level of 84.4 per cent and the second lowest overall in 2013. Mpumalanga's 2013 measles 1st dose dropout rate was the second highest (worst) in the country at 8.9 per cent. The TB cure rate of 76.8 per cent in 2012 was better than the national average and the fourth highest (best) in the country (Table 4.3).

Table 4.3: Selected health indicators in Mpumalanga and South Africa, 2012-2013

Indicator	Mpumalanga		South Africa
		Ranking among provinces Best (1) to Worst (9)	
Immunisation coverage (2013)	71.1%	8	84.4%
Measles 1 st dose drop-out rate (2013)	8.9%	8	6.3%
TB cure rate (2012)	76.8%	6	75.8%
Maternal mortality rate per 1 000 live births (2013)	149.1	6	133.3
Stillbirth rate per 1 000 live births (2013)	21.3	5	21.5
Inpatient neonatal death rate per 1000 live births (2013)	8.6	2	10.1
Female 15-49 year HIV prevalence (2012)	36.7%	8	29.5%

Sources: Health Systems Trust – District Health Barometer 2013/14

National Department of Health – 2012 National Antenatal Sentinel HIV & Herpes Simplex Type-2 Prevalence Survey in South Africa

Mpumalanga's maternal mortality rate of 149.1 per 1 000 live births was higher (worse) than the national rate of 133.3 and the fourth highest (worst) among the provinces. In 2013, the province's stillbirth rate was recorded at 21.3 per 1 000 births, which was slightly lower (better) than the national rate. The inpatient early neonatal death rate in facility of 8.6 per 1 000 live births

was lower (better) than the national rate and the second lowest (best) among the provinces.

In 2012, 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 2012 prevalence rate in Mpumalanga was the second highest after KwaZulu-Natal (37.5 per cent) and decreased between 2011 and 2012.

4.4 Access to basic service indicators

A relatively small percentage of households in Mpumalanga (8.2 per cent) occupied informal houses in 2013 compared to the national figure of 13.6 per cent. The provincial figure was 2.7 percentage points lower (better) than in 2011. The percentage of households in Mpumalanga without toilets and still using the bucket system decreased (improved) from 14.7 per cent in 2001 to 6.3 per cent in 2013, however, the national figure was still lower/better. 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, 2013

Percentage of households:	Mpumalanga		South Africa
		Ranking among provinces Best (1) - Worst (9)	
In informal dwellings	8.2%	3	13.6%
With no toilets or bucket system	6.3%	5	5.1%
With access to piped water in dwelling, on-site or off-site	86.8%	6	89.9%
With electricity connections to mains	89.3%	5	85.4%
With municipal refuse removal	38.2%	7	63.5%

Source: Statistics South Africa – General Household Survey, 2013

In 2013, the percentage of households with access to all types of piped water was recorded at 86.8 per cent in Mpumalanga and was lower than the national figure. The percentage of households with electricity connections to the mains increased from 87.6 per cent in 2011 to 89.3 per cent in 2011. The proportion of Mpumalanga's households with municipal refuse removal (38.2 per cent) was considerably lower than the national figure of 63.5 per cent in 2013.

4.5 Development and income indicators

4.5.1 Human development index¹⁷

In 2013, Mpumalanga recorded a HDI score of 0.60, a respectable improvement from the level it achieved in 1996 (0.52). The province's HDI level was consistently lower than the national figure over the 17-year period.

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.

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 7.5 per cent of income in 2013. This was higher than the national figure of 6.7 per cent for 2013, but still lower than the 8.9 per cent share achieved in 1996.

4.5.3 Poverty

The NDP refers to the lower bound poverty line (LBPL)¹⁸ when it states that the proportion of citizens in poverty must reduce from 39 per cent to zero by 2030. Mpumalanga's population below the LBPL was estimated at 36.2 per cent in 2013. Mpumalanga's share was the fourth highest among the provinces and higher than the national share of 34.1 per cent. Table 4.5 compares some selected development indicators in Mpumalanga with that of South Africa.

Table 4.5: Selected development indicators in Mpumalanga and South Africa, 2013

Indicator	Mpumalanga		South Africa
		Ranking among provinces Best (1) to Worst (9)	
HDI (2013)	0.60	6	0.64
Share of income by poorest 40% (2013)	7.5%	6	6.7%
Share of population below LBPL (2013)	36.2%	6	34.1%

Source: IHS Global Insight – ReX, January 2015

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 36.2 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.

¹⁸ Lower bound poverty line includes expenditure on food and non-food items, but requires that individuals sacrifice food in order to obtain non-food items and amounted to R548 per capita per month in 2013.

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.

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