

PROVINCIAL

ECONOMIC REVIEW & OUTLOOK 2015/16



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MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA



FOREWORD BY MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM



It is with pleasure and pride that the Mpumalanga Provincial Treasury is releasing its 2015/16 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 such as Statistics South Africa.

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 development, implementation and evaluation of public policies and programmes aimed at increasing economic growth and employment and also improving the quality of life of the 4.3 million Mpumalanga citizens. It should also inform our radical socio-economic transformation agenda in a period where we experience some challenges in our key economic industries.

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), Provincial Vision 2030 and the Industrial Development Plan, can be highlighted in this regard.

I would like to extend my profound gratitude to the Head Official of Provincial Treasury and to the Economic Analysis team, for their individual and collective efforts, which have culminated into the successful completion of the 2015/16 PERO.

A handwritten signature in black ink, appearing to read 'Se Kholwane', written over a horizontal line.

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 2016.

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 followed world growth relatively closely since 1994, however, the forecasted growth rate up to 2017 is expected to lag average world growth prospects as well as that of emerging and developing economies. The inflation rate for January 2016 was measured at 6.2 per cent and the expectation is that national inflation will average 6.8 per cent for 2016.

The deficit on the current account was equivalent to 4.4 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 701 503 jobs in the year since the end of the fourth quarter 2014. The unemployment rate, however, increased from 24.3 per cent at the end of the fourth quarter 2014 to 24.5 per cent at the end of the fourth quarter 2015.

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 7.3 per cent (in constant 2010 prices) to South Africa's economy in 2014, with mining, community services and trade the leading industries in the province. Economic growth is expected to be slightly higher than the national growth with an expected average growth rate of 1.7 per cent per annum between 2014 and 2019. 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 gained 54 032 jobs over the four quarters of 2015. 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 25.7 per cent by the

end of the fourth quarter 2015 from 26.6 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 39.4 per cent at the end of the fourth quarter 2015.

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 share of the population below the lower bound poverty line was still high at 35.9 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 2016 *World Economic Outlook*, global growth is projected at 3.4 per cent in 2016 and 3.6 per cent in 2017. The global demand and economic activity remain subdued, as three key transitions continue to influence the global outlook.

The first key transition is the slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services. A sharper than expected slowdown could take a toll on trading partners and have global financial market repercussions. Secondly, lower prices for oil and other commodities together with the added risk that further price drops will further worsen the growth outlook for commodity producers helps shape the current market uncertainty. The third key transition is the gradual tightening of monetary policy in the USA with the risk that further dollar appreciation/strength will add additional pressure on emerging market economies. Added to the three key transitions is the risk of any new economic or geopolitical shocks that could further delay a pickup in economic activity in countries currently in economic distress.

A continued, modest recovery is expected to continue in the advanced economies. Growth is projected to rise to 2.1 per cent in 2016 and to remain there in 2017. Overall activity remains robust in the USA but the strong dollar weighs manufacturing down and lower oil prices limits investment into new ventures. Lower oil prices and accommodative financial conditions support growth in the euro area and Japan.

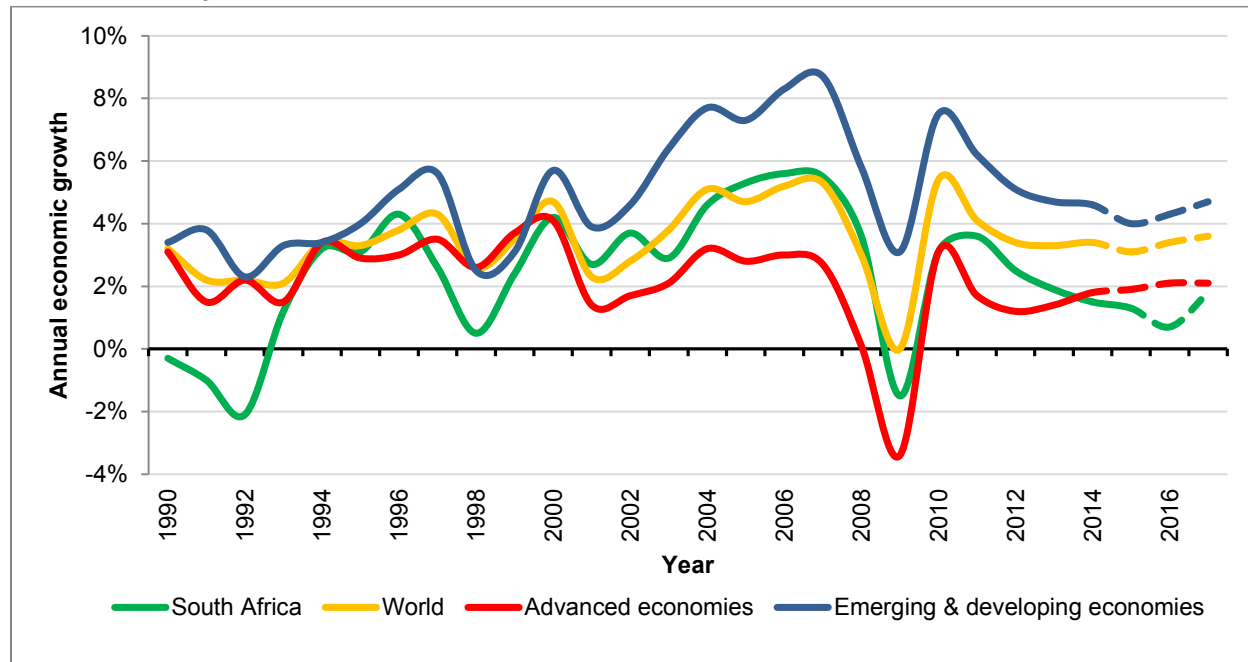
Growth in emerging and developing economies is projected to increase to 4.3 per cent and 4.7 per cent in 2016 and 2017, respectively. Despite China's slowdown and strong headwinds that it produces, India and the rest of emerging Asia are projected to continue growing at a robust pace. The recession in Brazil will drag Latin America's growth to a lower rate than in 2015, whereas the low oil price and geopolitical tension continues to weigh down the outlook for the Middle East. Most sub-Saharan countries should experience a gradual pickup in growth, however, lower commodity prices and higher borrowing costs will put a damper on the region's largest economies.

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 2017 is expected to remain lower than world growth prospects and lagging emerging

and developing economies. The South African economy experienced restrained GDP growth of 1.3 per cent in 2015 – the lowest rate since the recession of 2009.

The outlook for the domestic economy depends critically on whether the threat of a sovereign risk rating downgrade transpires or not as well as the global economic environment and associated risks that will continue to weigh on the domestic mining and manufacturing industries, especially. The expectation by the IMF in January 2016 was overall economic growth in South Africa of only 0.7 per cent in 2016, rising to 1.8 per cent in 2017. The Minister of Finance, in the 2016 National Budget Speech, projected real GDP growth to reach 0.9 per cent in 2016. In January 2016, the South African Reserve Bank (SARB) projected growth of 0.9 per cent for 2016 and 1.6 per cent for 2017.

Figure 1.1: Historic & forecasted real GDP growth for the world and South Africa, 1990-2017



Source: IMF – World Economic Outlook Database, January 2016

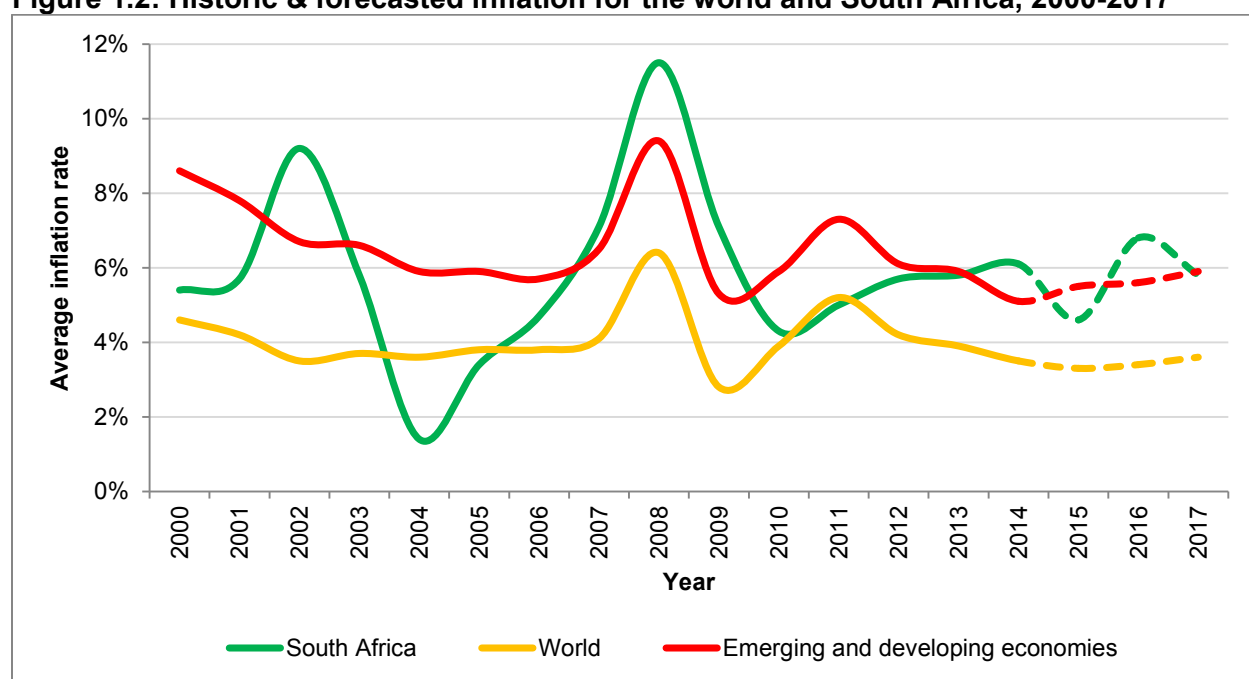
1.2 Inflation

The year-on-year inflation rate as measured by the consumer price index (CPI) for all urban areas was 6.2 per cent in January 2016. According to the Monetary Policy Committee (MPC) of the SARB, inflation is expected to average 6.8 per cent in 2016 and 5.8 per cent in 2017.

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.

Figure 1.2: Historic & forecasted inflation for the world and South Africa, 2000-2017



Source: IMF – World Economic Outlook Database, January 2016

1.3 Balance of payments

South Africa's export of merchandise exports rose marginally in 2015 when compared with 2014. Even though the depreciation of the rand boosted export earnings, the benefits were negated by declining international prices of commodities. A higher average rand price for gold and a 1.5 per cent increase in the physical quantity of gold exports resulted in an increased net gold exports value for 2015. The domestic demand for foreign-produced products remained strong despite a sustained depreciation in the rand. The import bill exceeded total exports by R34 billion in 2015 compared with R69 billion in 2014. Table 1.1 depicts the current account between 2014 and 2015.

The deficit trade balance and a sustained service, income and transfer payments deficit in 2015 resulted in the deterioration of the current account. The deficit balance on the current account narrowed to R174 billion in 2015. The deficit on the current account was equivalent to 4.4 per cent of GDP in 2015, down from 5.4 per cent in 2014.

Table 1.1: South Africa's balance of payments: the current account (R billions), 2014-2015

Components	2014	2015
Merchandise exports	941	974
Net gold exports	63	68
Merchandise imports	-1 072	-1 076
Trade balance	-69	-34
Net service, income and current transfer payments	-138	-140
Balance on current account	-207	-174
- As a % of GDP	-5.4%	-4.4%

Source: SARB – Quarterly Bulletin, March 2016

1.4 Labour market

According to recent data from Statistics South Africa, the domestic economy created 701 503 jobs in the year since the end of the fourth quarter 2014. The data presented in Table 1.2 demonstrates that during 2015, job losses occurred in two of the industries, namely manufacturing (-11 264) and transport (-51 707). Finance (234 177) and community services (123 130) recorded the highest number of new jobs over the last year. In terms of growth rate, utilities (19.1 per cent) registered the highest employment growth over the last year.

The official unemployment rate increased marginally from 24.3 per cent a year ago to 24.5 per cent at the end of the fourth quarter 2015. The labour absorption rate was 44.2 per cent at the end of the fourth quarter 2015, which was higher than the 43.0 per cent registered at the end of the fourth quarter 2014. The labour force participation rate also increased to 58.5 per cent.

Table 1.2: South Africa's employment changes, 2014-2015

Industry	Number of employed Q4 2015 '000	Employment changes Q4 2014 to Q4 2015	
		'000	%
Agriculture	860	118	16.0
Mining	483	56	13.1
Manufacturing	1 738	-11	-0.6
Utilities	123	20	19.1
Construction	1 438	105	7.8
Trade	3 280	33	1.0
Transport	900	-52	-5.4
Finance	2 273	234	11.5
Community services	3 624	123	3.5
Private households	1 294	75	6.2
Total industries	16 014	702	4.6

Source: Statistics South Africa – Quarterly Labour Force Survey (QLFS), 2016

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

CHAPTER 2: PROVINCIAL ECONOMIC PERFORMANCE AND OUTLOOK

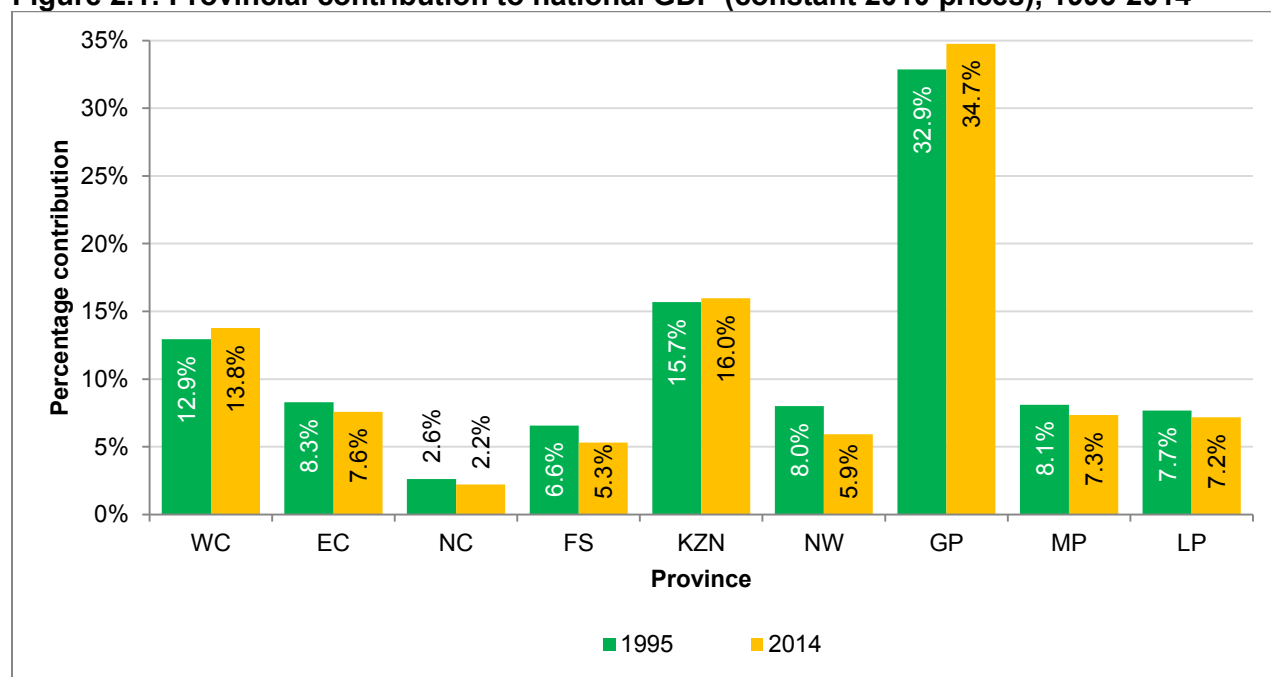
This chapter provides an analysis of the economic performance and outlook of Mpumalanga. The various subdivisions of the chapter focus on the provincial performance over the period 1995 to 2014 and the expected outlook to 2019. Mpumalanga's performance and outlook was compared with the national situation 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 2014, Mpumalanga contributed some R286.3 billion in current prices or some 7.5 per cent to the GDP of South Africa. Converted to constant 2010 prices, Mpumalanga's contribution was R221.6 billion. According to estimates, Mpumalanga's contribution in constant 2010 prices was the fifth largest among the nine provinces, a decrease from an 8.1 per cent contribution in 1995 to 7.3 per cent in 2014 (Figure 2.1). Gauteng (34.7 per cent) and KwaZulu-Natal (16.0 per cent) were the main contributors to the national economy in 2014.

Figure 2.1: Provincial contribution to national GDP (constant 2010 prices), 1995-2014

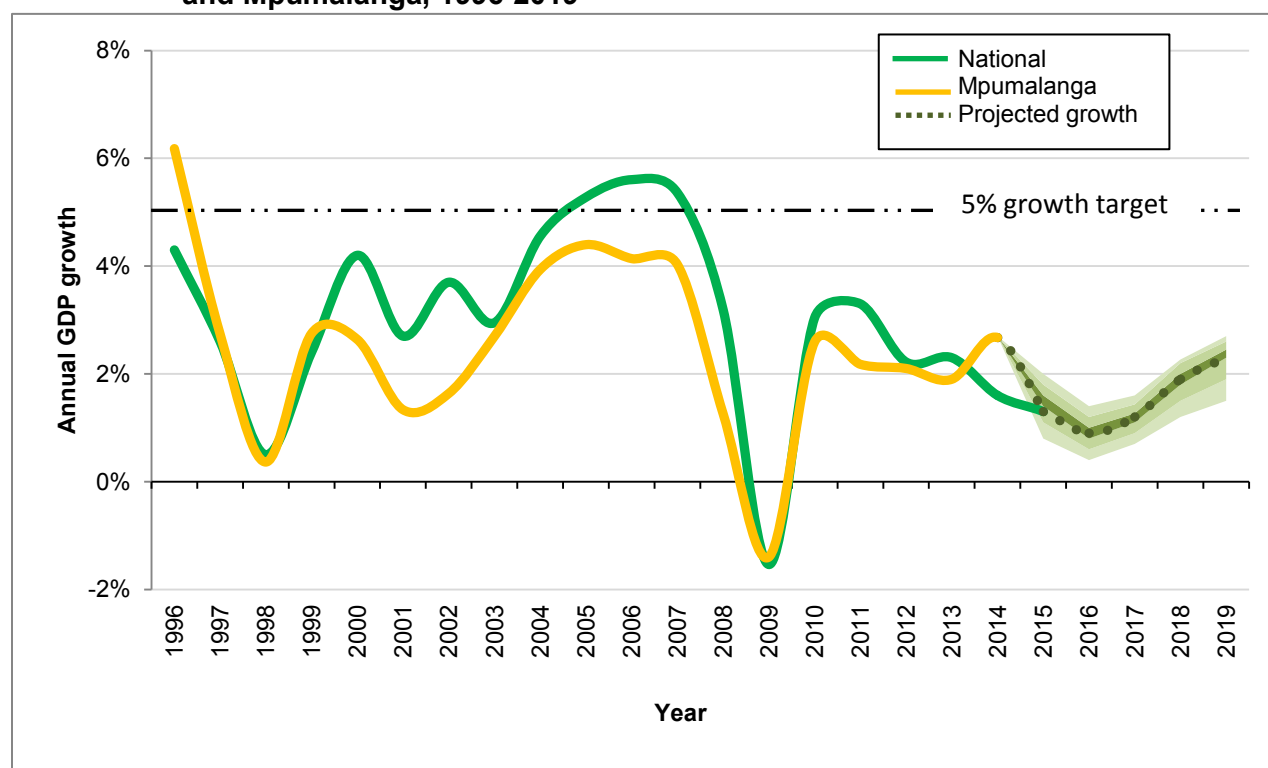


Source: Statistics South Africa - GDP, 2016

Economic growth

At the start of the period under review, particularly 1996, 1997 and 1999, the economic growth of the province, as measured by growth in the GDP, was higher than the national rate. However, since then the provincial economy has outperformed the national economy in terms of GDP growth only in 2009 and 2014 (Figure 2.2). The average annual growth rate for the country and Mpumalanga over the period 1995 to 2014 was 3.0 per cent and 2.5 per cent, respectively. Mpumalanga recorded the sixth highest/fourth lowest annual average GDP growth rate in the 19-year period.

Figure 2.2: GDP at market prices (constant 2010 prices) growth rates for South Africa and Mpumalanga, 1996-2019



Sources: Statistics South Africa – GDP, 2016 (Historic growth)

IHS Global Insight – Regional eXplorer (ReX), December 2015 (Future growth)

The National Development Plan (NDP) and Provincial Vision 2030 targets average national GDP growth above 5 per cent up to 2030. The annual average growth rates for South Africa and Mpumalanga, from 2014 to 2019 are forecasted at 1.6 per cent and 1.7 per cent, respectively (Table 2.1). In such an event, Mpumalanga's growth will be the fourth highest/sixth lowest among the nine provinces.

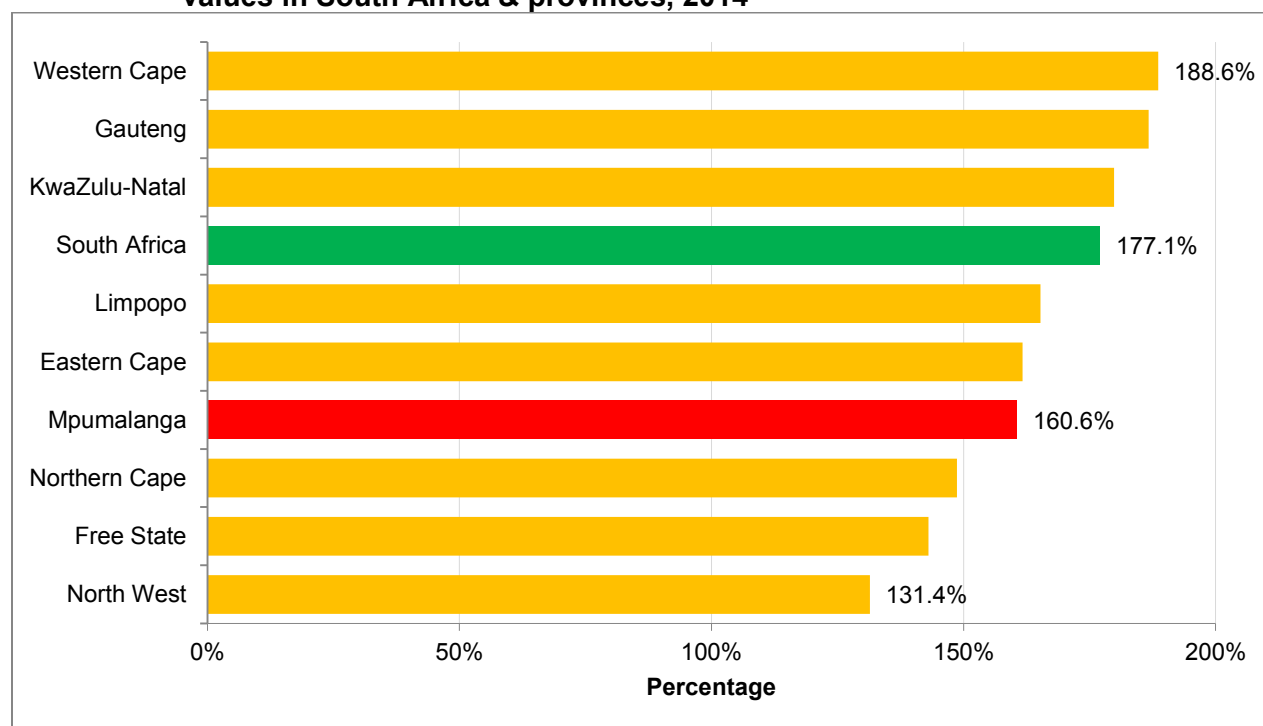
Table 2.1: Historic and forecasted GDP at market prices growth rates for South Africa and provinces, 1995-2019

Province	1995-2014	1995-1999	1999-2004	2004-2009	2009-2014	2014-2019
Western Cape	3.4%	2.3%	4.3%	4.1%	2.7%	1.8%
Eastern Cape	2.6%	1.8%	2.8%	3.5%	2.1%	1.4%
Northern Cape	2.1%	2.9%	1.4%	1.9%	2.5%	1.6%
Free State	1.9%	0.9%	2.0%	2.3%	2.2%	0.9%
KwaZulu-Natal	3.2%	2.0%	3.7%	3.9%	2.9%	1.5%
North West	1.4%	1.3%	2.0%	2.0%	0.5%	1.9%
Gauteng	3.3%	2.1%	4.2%	4.0%	2.9%	1.6%
Mpumalanga	2.5%	3.0%	2.4%	2.5%	2.3%	1.7%
Limpopo	2.7%	3.2%	3.3%	2.5%	1.9%	1.9%
South Africa	3.1%	2.4%	3.6%	3.5%	2.5%	1.6%

Sources: Statistics South Africa – GDP, 2016 (Historic growth)
IHS Global Insight - ReX, December 2015 (Future growth)

Because of the moderate economic growth experienced in South Africa over the last 19 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 was by 2014, double its size of 1995. By 2014, the Western Cape economy, which grew the fastest between 1995 and 2014, was 188.6 per cent of its 1995 size. Mpumalanga's economy was 160.6 per cent of its 1995 size and registered the sixth highest/fourth lowest increase. For an economy to double in size over a 19-year period that economy needs to grow at an annual average growth rate of 3.7 per cent.

Figure 2.3: 2014 GDP (constant prices 2010) expressed as a percentage of 1995 GDP values in South Africa & provinces, 2014



Source: Statistics South Africa – GDP, 2016

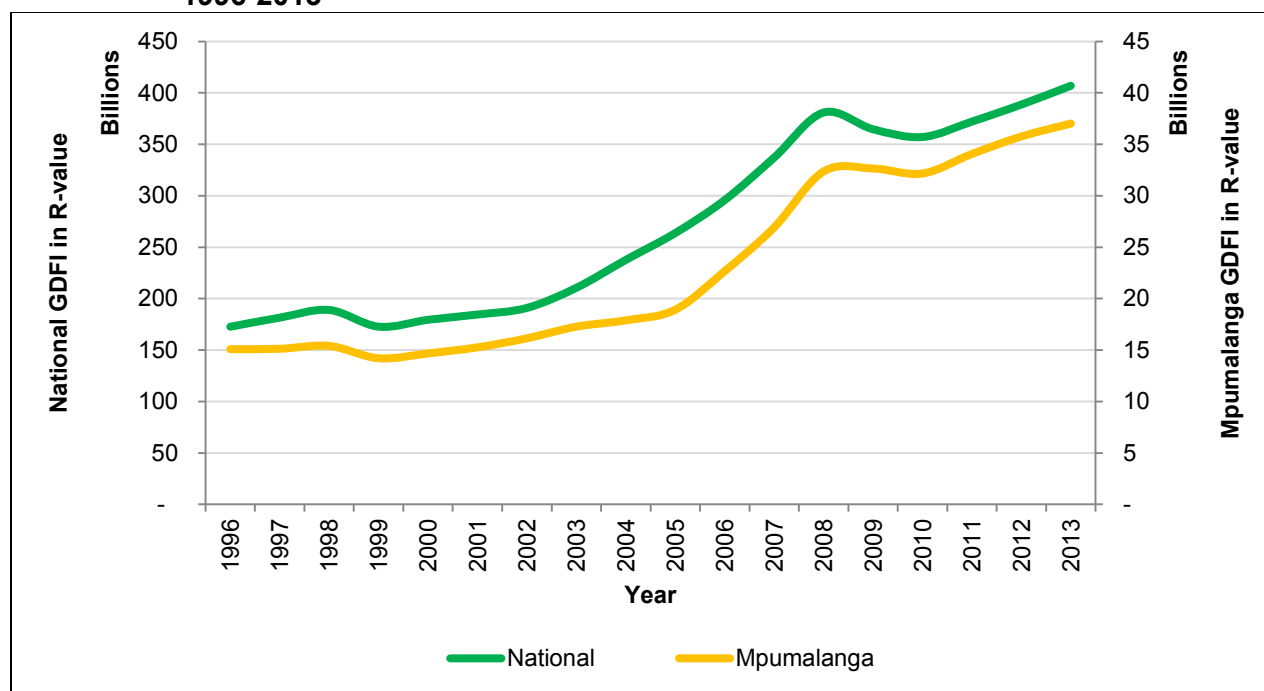
GDP per capita

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 2014, the provincial GDP per capita was equal to an estimated R51 600. Sustained annual average GDP growth above 5 per cent is necessary to achieve this target.

Fixed investment

Accelerated infrastructure development is fundamental to promoting sustained economic growth. Investment in infrastructure builds economic capacity and enhances competitiveness, while contributing to the quality of life of poor people. Historical evidence for the period 1996 to 2013 indicates that gross domestic fixed investment (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



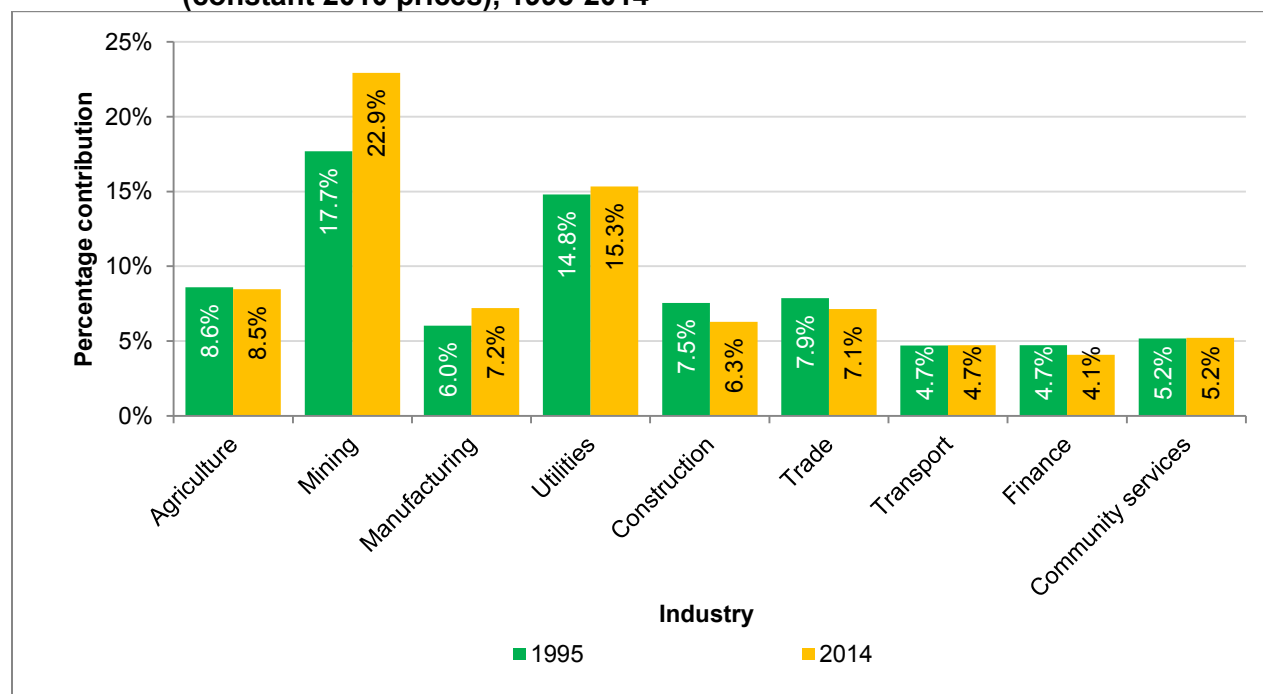
Source: Quantec, 2015

According to the NDP, public infrastructure investment must be equal to 10 per cent of GDP by 2030. In 2014/15, expenditure by the Mpumalanga Provincial Government (MPG) on infrastructure was equal to approximately 1.8 per cent of provincial GDP. If the Municipal Infrastructure Grant (MIG) expenditure by municipalities is added to MPG infrastructure expenditure, then public expenditure on infrastructure was equal to 2.6 per cent. 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 11.6 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: Mpumalanga's contribution to South Africa's industries' GDP at basic prices (constant 2010 prices), 1995-2014



Sources: Statistics South Africa – GDP, 2016

Figure 2.5 depicts the contribution of each of the economic industries in Mpumalanga to the corresponding national industry in 1995 and 2014. It is estimated that in 2014, the province was a substantial role-player in the national mining and utilities (mainly electricity) industries, with respective shares of 22.9 per cent and 15.3 per cent. It is noticeable that the contribution by the

mining, manufacturing and utilities industries increased between 1995 and 2014, whereas the other industries' contribution to the national figure remained either unchanged or declined.

Table 2.2 exhibits the contribution by each of the three districts to the provincial industries in 1996 and 2014. Nkangala was the largest contributor to the provincial gross value added (GVA) with a share of 41.1 per cent in 1996 and 42.4 per cent in 2014. Ehlanzeni with a 27.8 per cent share in was the smallest contributor in 2014. Nkangala made considerable contributions to the province's mining (72.3 per cent) and utilities (57.0 per cent) industries in 2014. In 2014, Gert Sibande was the main contributor to Mpumalanga's manufacturing (52.5 per cent) and agriculture industries (36.8 per cent), whilst Ehlanzeni played a major role in the province's community services (44.9 per cent), finance (42.9 per cent), trade (41.1 per cent) and construction industries (40.7 per cent).

Table 2.2: Contribution by districts to Mpumalanga's industries' GVA (constant 2010 prices), 1996-2014

Industry	Gert Sibande		Nkangala		Ehlanzeni	
	1996	2014	1996	2014	1996	2014
Agriculture¹	36.9%	36.8%	25.7%	26.9%	37.4%	36.3%
Mining²	40.7%	24.1%	52.9%	72.3%	6.4%	3.6%
Manufacturing³	37.7%	52.5%	36.8%	27.5%	25.5%	19.9%
Utilities⁴	24.1%	26.8%	54.3%	57.0%	21.6%	16.2%
Construction⁵	23.9%	26.0%	34.8%	33.2%	41.3%	40.7%
Trade⁶	26.9%	28.4%	31.5%	30.4%	41.7%	41.1%
Transport⁷	28.9%	30.1%	34.3%	34.5%	36.7%	35.4%
Finance⁸	18.1%	24.1%	37.9%	33.0%	44.1%	42.9%
Community services⁹	23.5%	26.4%	31.0%	28.7%	45.5%	44.9%
Total	31.5%	29.8%	41.1%	42.4%	27.4%	27.8%

Source: IHS Global Insight – ReX, December 2015

2.3 Broad sectoral contribution and performance

Contribution

In 2014, the primary sector in Mpumalanga contributed 29.1 per cent, the secondary sector 22.0 per cent and the tertiary sector 48.9 per cent to the provincial GDP. Although the economy depended less on the primary sector in 2014 than in 1995 (36.1 per cent), it continued to stand

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

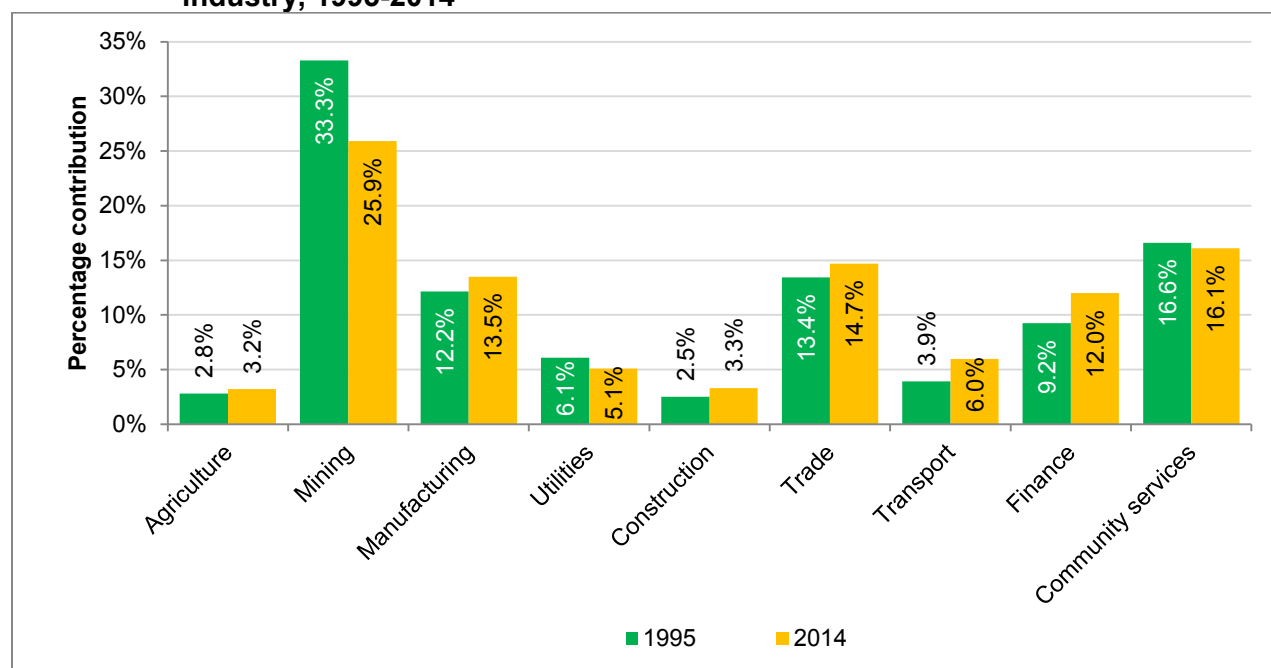
⁸ ISIC detailed description = Finance, insurance, real estate and business services

⁹ ISIC detailed description = Community, health and personal services

in contrast to the national primary sector's small contribution of 11.0 per cent in 2014. Nationally, the secondary sector added 20.2 per cent and the tertiary sector 68.8 per cent in 2014.

It is estimated that in 2014, the three largest contributors to the provincial economy were mining (25.9 per cent), community services (16.1 per cent) and trade (14.7 per cent). The top three's ranking was unchanged from 1995, when mining contributed 33.3 per cent, community services 16.6 per cent and trade 13.4 per cent. Figure 2.6 displays the share of each economic industry in the provincial economy in 1995 and 2014.

Figure 2.6: Contribution to Mpumalanga GDP at basic prices (constant 2010 prices) by industry, 1995-2014



Sources: Statistics South Africa – GDP, 2016

Note: Due to rounding numbers do not necessarily add up to total

Table 2.3 displays the share of each economic industry in the three districts' economies in 1996 and 2014. The manufacturing industry was the largest industry in Gert Sibande in 2014 with a 23.0 per cent share. Mining activities dominated the Nkangala economy as it added 43.4 per cent to the district's economy in 2014. In 2014, the largest contributing industry in Ehlanzeni was community services with a share of 26.7 per cent. The contributions by the primary industries in Gert Sibande and Ehlanzeni declined from 1996 to 2014, whereas it increased in Nkangala. With the exception of manufacturing in Gert Sibande and construction in all three districts, the economic contributions of the secondary industries declined or remained constant. In contrast, the economic contribution by the tertiary industries, with the exception of community services in Ehlanzeni and Nkangala, improved over the 18-year period.

Table 2.3: Contribution to districts' GVA (constant 2010 prices) by industry, 1996-2014

Industry	Gert Sibande		Nkangala		Ehlanzeni	
	1996	2014	1996	2014	1996	2014
Agriculture	4.2%	3.8%	2.2%	2.0%	4.8%	4.0%
Mining	42.5%	20.5%	42.3%	43.4%	7.7%	3.3%
Primary industries	46.7%	24.3%	44.5%	45.3%	12.5%	7.3%
Manufacturing	14.2%	23.0%	10.6%	8.5%	11.1%	9.4%
Utilities	4.8%	4.8%	8.3%	7.2%	5.0%	3.1%
Construction	1.5%	2.9%	1.7%	2.6%	3.1%	4.8%
Secondary industries	20.6%	30.7%	20.7%	18.2%	19.1%	17.3%
Trade	11.2%	14.3%	10.0%	10.8%	20.0%	22.1%
Transport	3.7%	6.1%	3.4%	4.9%	5.4%	7.7%
Finance	5.7%	9.9%	9.2%	9.5%	16.0%	18.9%
Community services	12.1%	14.7%	12.2%	11.2%	27.0%	26.7%
Tertiary industries	32.7%	45.0%	34.8%	36.4%	68.4%	75.4%
Total industries	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: IHS Global Insight – ReX, December 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 1.4 per cent annually over the 19-year period under review. This is in contrast to the secondary and tertiary sectors that achieved average annual growth of 2.8 per cent and 3.2 per cent per annum, respectively.

Historic and forecasted growth for the economic industries of Mpumalanga is presented in Table 2.4. Between 1995 and 2014, the fastest growing industries in terms of economic growth was estimated to be transport (4.9 per cent), construction (4.0 per cent) and finance (4.0 per cent). Over the period 2014-2019, it is expected that construction will record the highest average annual growth of 3.2 per cent per annum.

Table 2.4: Historic and forecasted GDP at basic prices (constant 2010 prices) growth rates for Mpumalanga's economic industries, 1995-2019

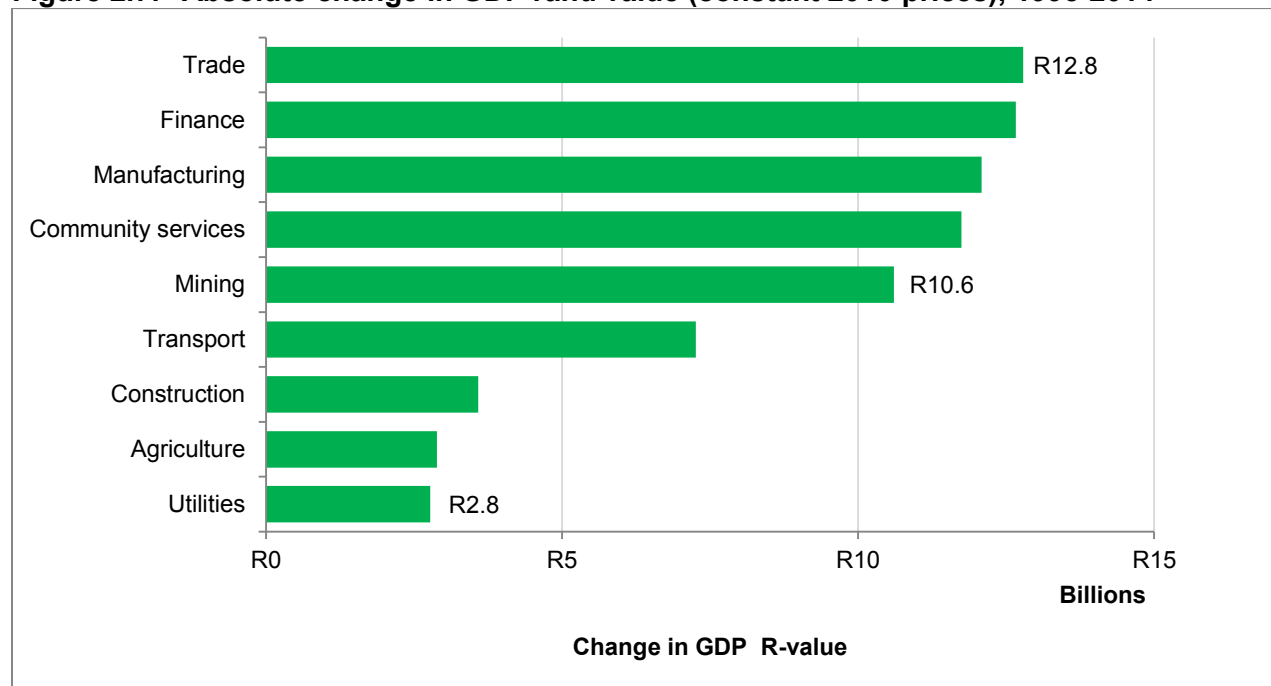
Industry	1995-2014	1995-1999	1999-2004	2004-2009	2009-2014	2014-2019
Agriculture	3.2%	11.0%	1.3%	1.1%	1.3%	-1.2%
Mining	1.2%	2.1%	1.4%	-1.3%	2.8%	0.8%
Manufacturing	3.1%	2.6%	4.2%	2.9%	2.7%	1.3%
Utilities	1.7%	1.3%	3.2%	1.7%	0.3%	1.1%
Construction	4.1%	2.0%	0.7%	11.6%	2.1%	3.2%
Trade	3.0%	3.5%	2.8%	3.8%	2.1%	2.6%
Transport	4.9%	7.7%	6.1%	4.2%	2.2%	2.5%
Finance	4.0%	5.5%	3.4%	5.4%	2.0%	1.7%
Community services	2.4%	1.6%	2.0%	3.4%	2.4%	0.6%

Sources: Statistics South Africa – GDP, 2016 (Historic growth)

IHS Global Insight - ReX, December 2015 (Future growth)

Figure 2.7 illustrate the change in value by industry from 1995 to 2014. The real value of all nine industries increased between 1995 and 2014. The trade industry (R12.8 billion) registered the largest absolute change over the 19-year period and the utilities industry (R2.8 million) the smallest.

Figure 2.7: Absolute change in GDP rand value (constant 2010 prices), 1995-2014



Source: Statistics South Africa – GDP, 2016

According to Table 2.5, trade (28.4 per cent) and mining (15.4 per cent) can be expected to be the main drivers of provincial economic growth between 2014-2019. Finance (15.2 per cent), manufacturing (13.1 per cent) and transport (11.3 per cent) are expected to aid provincial growth to a lesser degree, whereas agriculture (-2.8 per cent) is expected to drag economic growth lower between 2014 and 2019.

Economic performance and employment

Figure 2.8 depicts the real growth per industry over the period 2009 to 2014 in the left-hand diagram and the contribution to changes in employment numbers over the same period in the right-hand diagram. Over the 5-year period mining, community services and manufacturing 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, 2014-2019

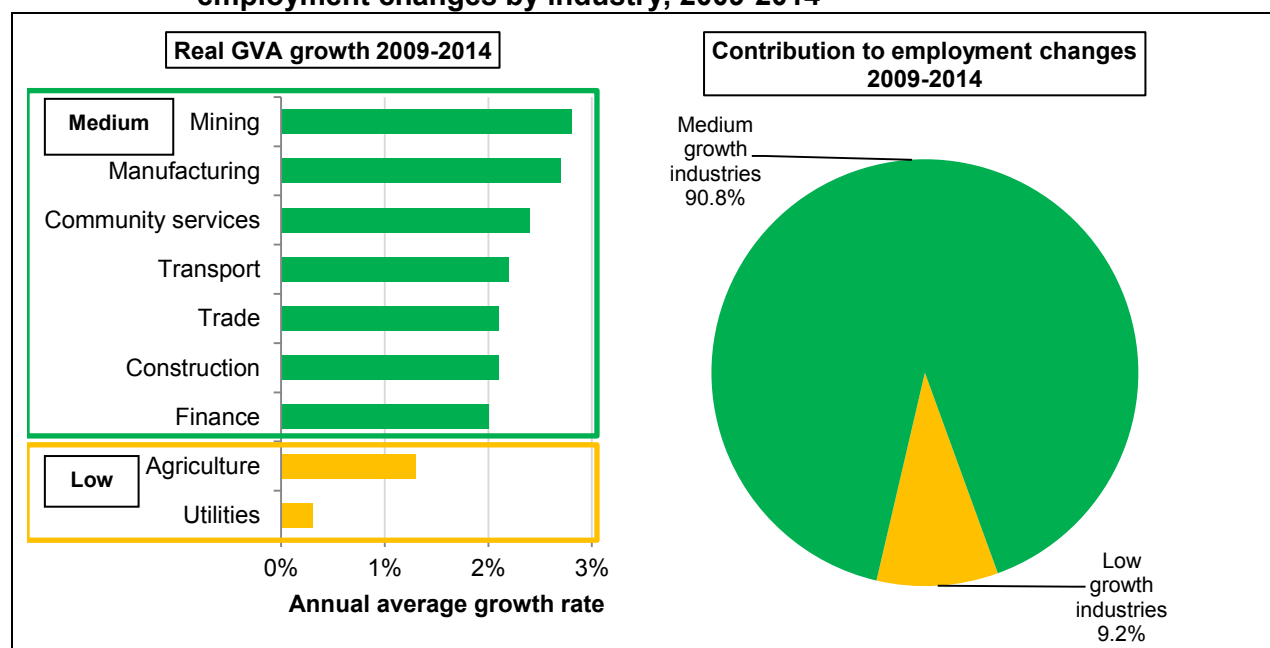
Industry	GDP share 2014	Forecasted industry growth 2014-2019	Estimated contribution to provincial economic growth 2014-2019
Agriculture	3.2%	-1.2%	-2.8%
Mining	25.9%	0.8%	15.4%
Manufacturing	13.5%	1.3%	13.1%
Utilities	5.1%	1.1%	4.2%
Construction	3.3%	3.2%	7.9%
Trade	14.7%	2.6%	28.4%
Transport	6.0%	2.5%	11.3%
Finance	12.0%	1.7%	15.2%
Community services	16.1%	0.6%	7.2%
Total	100.0%	1.7%	100.0%

Sources: *Statistics South Africa – GDP, 2016*

IHS Global Insight – ReX, December 2015

Note: Due to rounding numbers do not necessarily add up to total

Figure 2.8: Real GDP at basic prices (constant 2010 prices) growth and contribution to employment changes by industry, 2009-2014



Sources: *Statistics South Africa – GDP, 2016*

Statistics South Africa – QLFS, 2016

In 2014, some 136 900 more people were employed by the nine industries in Mpumalanga than in 2009. In the right hand diagram, it is observable that the medium growth industries, with growth between 2 and 4 per cent per annum, contributed 90.8 per cent to the increased number of employed. The low growth industries, with growth of less than 2 per cent per annum, contributed 9.2 per cent. Based on the two diagrams, it is evident that an industry makes a larger con-

tribution 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 2014, the economy of Mpumalanga appears to be more diversified than that of South Africa with an index score of 36.7 compared to the national score of 39.5. Among the nine provinces, Mpumalanga ranked jointly with Free State as the most diversified economy.

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 (1.23), mining (2.93), utilities (1.99) and trade (1.06) held a comparative advantage over the same industry in the national economy in 2014.

Table 2.6: Comparative advantage of industries in Mpumalanga and districts, 2014

Industry	Mpumalanga	Gert Sibande	Nkangala	Ehlanzeni
Agriculture	1.23	1.51	0.88	1.47
Mining	2.93	2.49	4.92	0.35
Manufacturing	0.97	1.63	0.62	0.80
Utilities	1.99	1.79	2.72	1.09
Construction	0.83	0.72	0.65	1.22
Trade	1.06	1.01	0.76	1.56
Transport	0.68	0.69	0.55	0.87
Finance	0.51	0.41	0.40	0.80
Community services	0.69	0.61	0.47	1.12
Total	1.00	1.00	1.00	1.00

Source: IHS Global Insight – ReX, December 2015

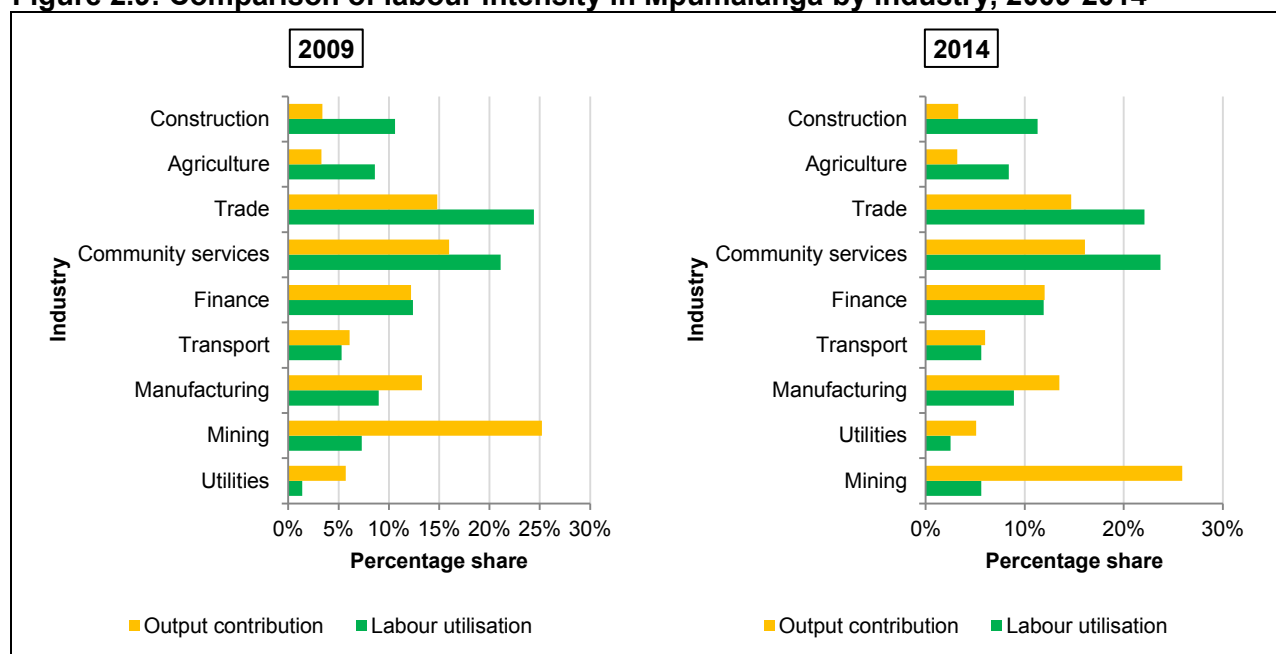
2.6 Labour intensity in the provincial economy

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 2.9 provides a comparison of the utilisation of labour with output at industry level for 2009 and 2014. In 2014, the following four industries in Mpumalanga exhibited higher employment shares relative to their output shares, thereby indicating a high level of labour intensity: construction, agriculture, trade and community services. In 2009, the abovementioned four industries as well as the finance industry registered larger labour utilisation shares than output contribution.

Figure 2.9: Comparison of labour intensity in Mpumalanga by industry, 2009-2014



**Sources: Statistics South Africa – GDP, 2016
Statistics South Africa – QLFS, 2016**

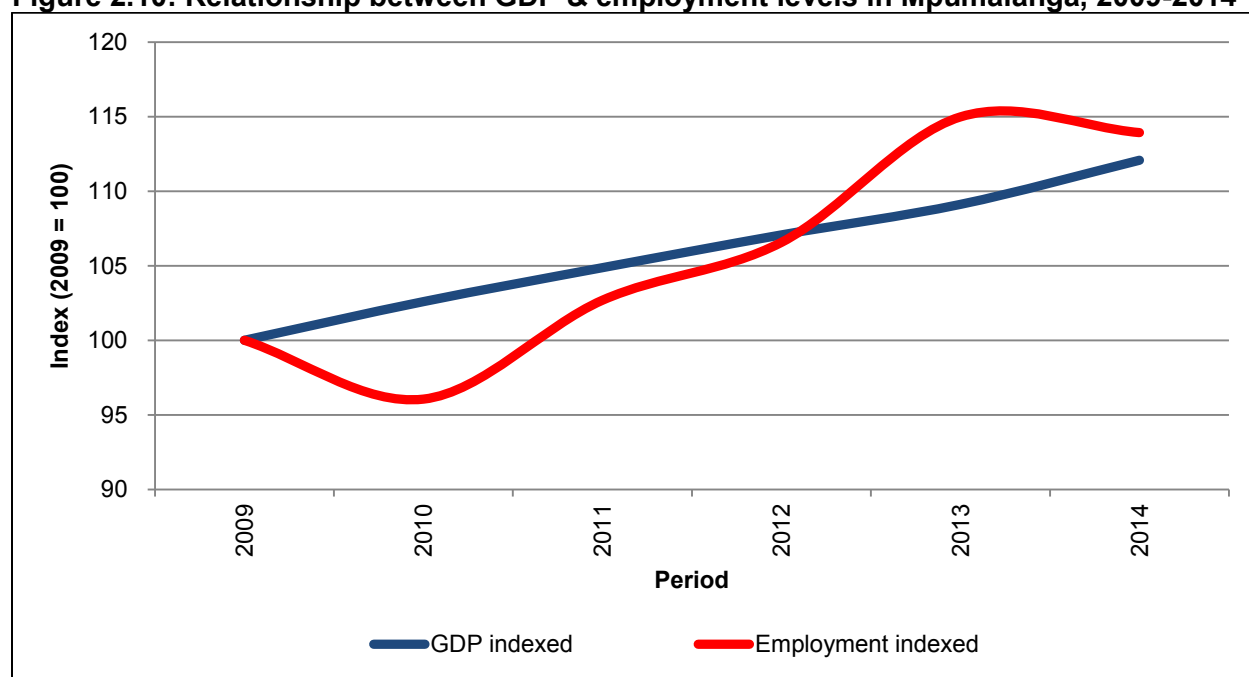
2.7 Employment elasticity

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 2014, provincial economic output has been rising steadily whereas employment levels first declined and then started to rise sharply as indicated in Figure 2.10. Mpuma-

langua's employment elasticity over the period 2009-2014 was 1.18. In other words, on average over the 5-year period, every 1 per cent of real economic growth in the province's economy translated into a 1.18 per cent increase in employment in the economy. The indexed relationship between employment levels and GDP over the period 2009-2014 is portrayed in Figure 2.10.

Figure 2.10: Relationship between GDP & employment levels in Mpumalanga, 2009-2014



Sources: Statistics South Africa – GDP, 2016
Statistics South Africa – QLFS, 2016

Table 2.7: Comparative employment elasticity per industry in Mpumalanga, 2009-2014

Industry	Employment elasticity 2009-2014
Agriculture	3.20
Mining	2.04
Manufacturing	0.56
Utilities	-17.66
Construction	1.77
Trade	0.01
Transport	1.58
Finance	3.16
Community services	1.56
Total	1.70

Sources: Statistics South Africa – GDP, 2016
Statistics South Africa – QLFS, 2016

The employment elasticity of the various industries in Mpumalanga's over the period 2009-2014 is displayed in Table 2.7. The agriculture industry recorded the highest employment elasticity of 3.20 over the period 2009-2014. Therefore, on average over the 5-year period, every 1 per cent

of real economic growth in the agriculture industry translated into a 3.2 per cent increase in employment in the industry. Apart from agriculture, mining, construction, transport, finance and community services also recorded higher employment growth than economic growth over the 5-year period. The employment growth in utilities was negative over the 5-year period and therefore it can be said that utilities registered a negative employment elasticity – or jobless growth.

2.8 Labour productivity in the provincial economy

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

Table 2.8: Comparison of Mpumalanga's labour productivity per industry, 2009-2014

Industry	Labour productivity index	
	2009	2014
Agriculture	0.39	0.36
Mining	3.44	4.63
Manufacturing	1.48	1.50
Utilities	4.14	2.14
Construction	0.32	0.29
Trade	0.61	0.66
Transport	1.16	1.06
Finance	0.98	1.02
Community services	0.76	0.69
Total industries	1.00	1.00

Sources: Statistics South Africa – GDP, 2016
Statistics South Africa – QLFS, 2016

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 2014 (Table 2.8). The mining industry (4.63) recorded the highest labour productivity index score in 2014, followed by utilities (2.14) and manufacturing (1.50). In 2009, four of the abovementioned industries in Mpumalanga achieved a higher labour productivity than the total industries combined. The utilities industry registered the highest labour productivity index score in 2009 of 4.14, followed by the mining and manufacturing industries. Mining, manufacturing, trade and finance experienced increased labour productivity between 2009 and 2014.

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 2.9 per cent to GDP in 2014. Some 680 817 persons were directly engaged in producing goods and services purchased by visitors, which accounted for 4.5 per cent of total employment in 2014.

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 6.1 per cent and 5.9 per cent of South Africa and Mpumalanga's GDP, respectively. By 2014, tourism spend in South Africa increased to 6.2 per cent of GDP, whilst in Mpumalanga it increased to 6.5 per cent of the provincial GDP. Among the nine provinces, Western Cape (10.3 per cent) registered the largest tourism spend to GDP share (Table 2.9).

Table 2.9: Tourism spend in South Africa and provinces, 2014

Province	Total tourism spend R-million	Tourism spend as % of GDP (current prices)
Western Cape	53 933	10.3%
Eastern Cape	12 797	4.3%
Northern Cape	3 343	4.4%
Free State	9 338	4.9%
KwaZulu-Natal	40 949	6.7%
North West	11 776	5.2%
Gauteng	58 627	4.5%
Mpumalanga	19 007	6.5%
Limpopo	23 743	8.7%
Total	233 513	6.2%

Source: IHS Global Insight – ReX, December 2015

According to Tourism South Africa's *Annual Report 2014*, Mpumalanga was the fourth most visited province by foreign visitors in 2014, with a share of 12.0 per cent of total foreign arrivals visiting the province. This was down from 12.6 per cent of total foreign arrivals in 2013. Mpumalanga captured 10.8 per cent of the total bed-nights spent by all foreign tourists in South Africa.

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.

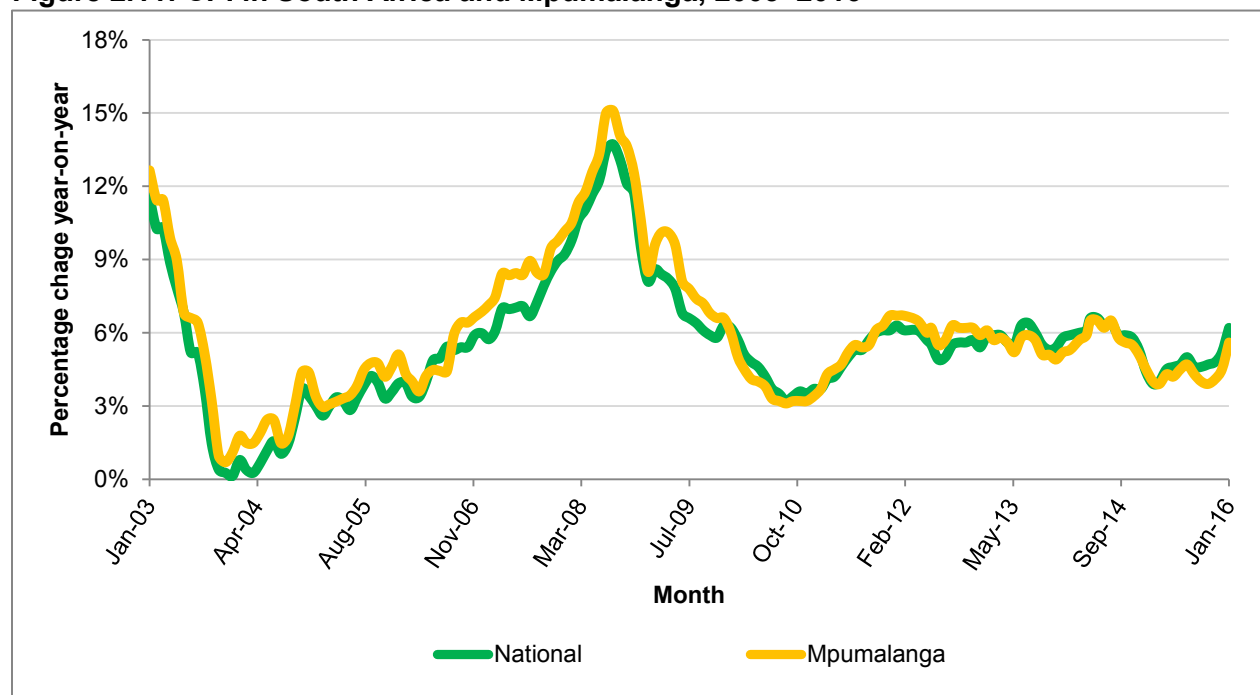
This was higher than the 10.4 per cent in 2013. Mpumalanga attracted 11.8 per cent of domestic tourists in 2014.

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.

In January 2016, Mpumalanga recorded the second lowest inflation measurement of 5.6 per cent among the provinces. Mpumalanga's inflation rate was lower than the national inflation rate for the eleventh consecutive month and below the upper limit of the inflation target zone for the seventeenth consecutive month. The comparative percentage change in the CPI for South Africa and Mpumalanga from January 2003 to January 2016 is displayed in Figure 2.11.

Figure 2.11: CPI in South Africa and Mpumalanga, 2003–2016



Source: Statistics South Africa – CPI, 2003-2016

The 2015 average annual inflation rate in Witbank/Nelspruit¹¹ was 4.4 per cent, which was the joint fourth lowest of the thirteen urban areas. The inflation measurement for Witbank/Nelspruit was 6.0 per cent in January 2016, 1.1 of a percentage point higher than the December 2015 measurement of 4.9 per cent. It was lower than the national inflation rate but higher than the

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

provincial inflation rate for January 2016. It was equal to the upper limit of the inflation target zone and the joint fourth lowest inflation measurement amongst the urban areas.

The main determinants of inflation in Mpumalanga based on their respective weightings, as provided in Table 2.10, 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 2.10, that the FNAB index was accountable for 24.3 per cent of the average price increase in Mpumalanga during January 2016. The housing and utilities as well as the MGS indices were accountable for 16.0 per cent and 14.5 per cent, respectively. The transport index was only responsible for 11.4 per cent of the average price increase. The alcoholic beverages and tobacco as well as the recreation and culture indices made considerable contributions, respectively, of 9.2 per cent and 10.1 per cent when compared with its weighting.

Table 2.10: Mpumalanga's CPI group indices, weights, percentage change & contribution to inflation, January 2016

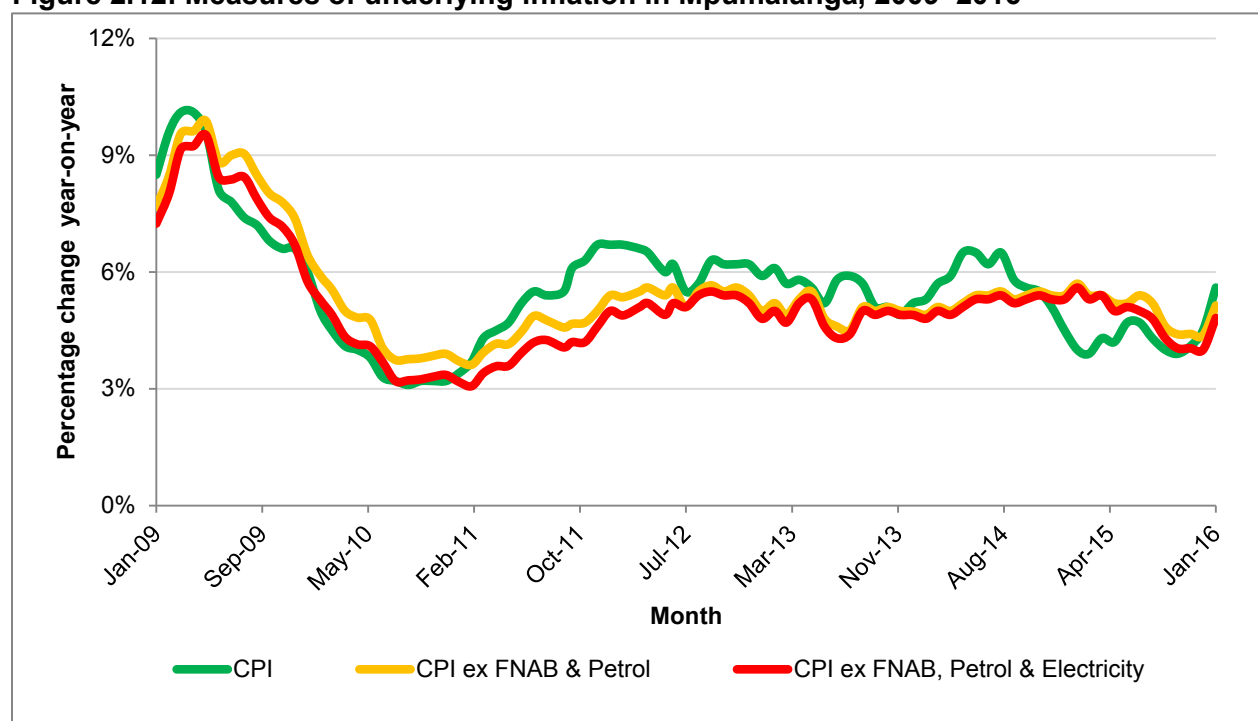
Index description	Weight	Percentage change		Estimated contribution to inflation
		Month-on-month	Year-on-year	
Food & non-alcoholic beverages	20.72	+1.2	+6.6	24.3%
Alcoholic beverages and tobacco	4.81	+1.9	+10.8	9.2%
Clothing and footwear	5.36	+0.4	+6.0	5.7%
Housing and utilities	21.37	+0.0	+4.2	16.0%
Household contents and services	5.75	+0.6	+3.3	3.4%
Health	1.38	-1.0	+5.0	1.2%
Transport	14.88	+0.4	+4.3	11.4%
Communication	2.25	+0.0	-0.3	-0.1%
Recreation and culture	6.20	+8.3	+9.2	10.1%
Education	1.58	+0.0	+8.2	2.3%
Restaurants and hotels	2.56	+0.6	+4.2	1.9%
Miscellaneous goods and services	13.14	+0.7	+6.2	14.5%
All items	100.0	+1.0	+5.6	100.0%

Source: Statistics South Africa – CPI Additional Tables, 2016

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 5.1 per cent in January 2016. If electricity prices are also excluded from the calculation of headline CPI inflation, the resultant core inflation would have been 4.8 per cent in January 2016.

The Monetary Policy Committee (MPC) announced at the conclusion of its January 2016 meeting that the SARB's national inflation forecast shows a marked increase. The forecast for 2016 was increased to 6.8 per cent, compared with the previous forecast of 6.0 per cent. The forecast for 2017 was increased from 5.8 per cent to 7.0 per cent.

Figure 2.12: Measures of underlying inflation in Mpumalanga, 2009–2016



Source: Statistics South Africa – CPI, 2009-2016

2.11 International trade

Mpumalanga's contribution to total national trade was 1.2 per cent in 2014, unchanged from the 1.2 per cent contribution in 1996. The two leading provinces, in terms of total trade contribution in 2014, were Gauteng (62.4 per cent) and Western Cape (16.9 per cent). Mpumalanga contributed 1.8 per cent and 0.5 per cent to national exports and national imports, respectively.

Mpumalanga recorded vigorous average annual growth in terms of exports (12.2 per cent) and imports (12.1 per cent) from 1996 to 2014. The province's exports grew marginally faster than the national exports at 12.0 per cent and slightly slower than national imports at 13.0 per cent. Mpumalanga occupied the sixth position in terms of export growth and the fourth position in terms of import growth.

Mpumalanga registered a positive trade balance of R12.9 billion in 2014, 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 2014 with a deficit of R68.6 billion. Mpumalanga was the province with the second highest positive trade balance in 2014 after Limpopo.

Among the three districts, Ehlanzeni (42.7 per cent) was the main contributor to provincial exports in 2014 followed by Nkangala and Gert Sibande with respective contributions of 32.8 per cent and 24.5 per cent (Table 2.11). Exports from Gert Sibande (19.5 per cent) recorded the highest growth since 1996 and those from Nkangala the slowest (9.7 per cent). Nkangala attracted 35.5 per cent of Mpumalanga's imports in 2014, followed by Gert Sibande and Ehlanzeni. Imports flowing to Ehlanzeni recorded the highest growth rate (18.2 per cent) over the 18-year period and those to Gert Sibande the lowest (8.2 per cent).

Among the three districts, Ehlanzeni recorded the largest positive trade balance of R6.1 billion in 2014, followed by Nkangala (R4.1 billion). Gert Sibande recorded a positive trade balance in 2014 of R2.7 million and is the only district in Mpumalanga that, from time to time, records a negative trade balance.

Table 2.11: Mpumalanga districts' contribution to provincial exports and imports, 2014

District	Exports		Imports	
	Share of Mpumalanga 2014	Growth per annum 96-14	Share of Mpumalanga 2014	Growth per annum 96-14
Gert Sibande	24.5%	19.5%	32.4%	8.2%
Nkangala	32.8%	9.7%	35.5%	14.0%
Ehlanzeni	42.7%	12.1%	32.1%	18.2%

Source: IHS Global Insight – ReX, December 2015

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

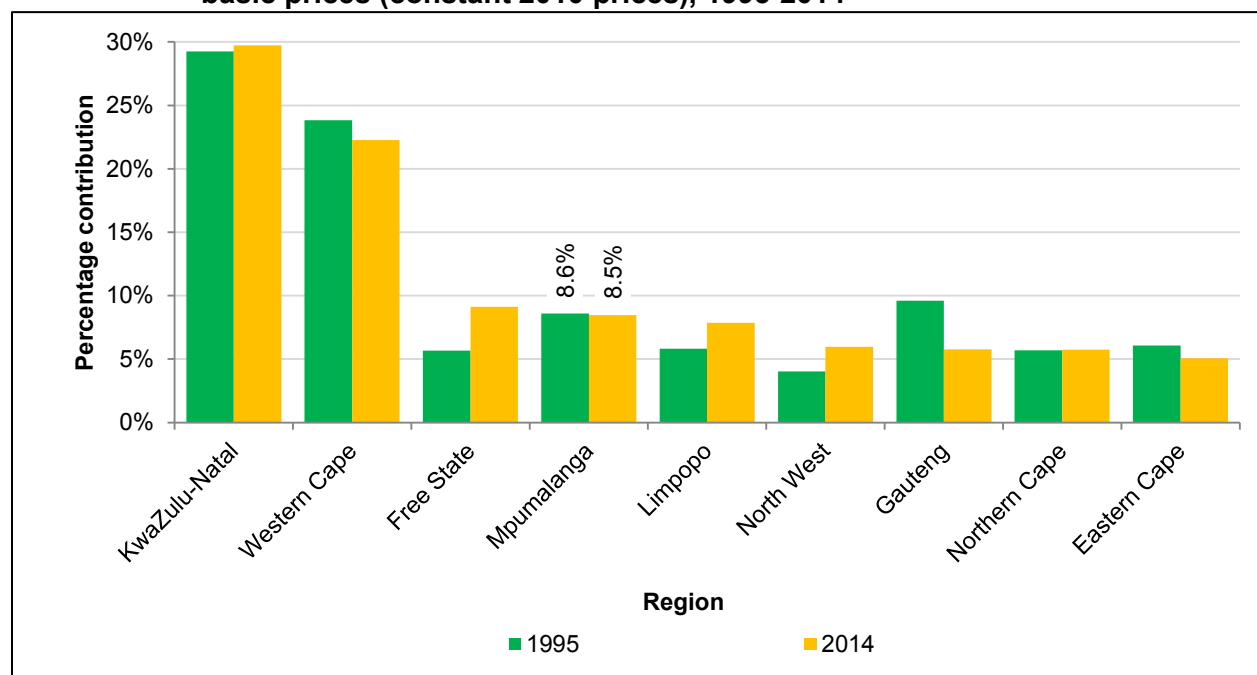
2.12 Primary sector analysis

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 (8.5 per cent) occupied fourth place in 2014 with KwaZulu-Natal (29.7 per cent) in first position. Mpumalanga remained the fourth largest contributor to the national agriculture industry between 1995 and 2014 (Figure 2.13).

Figure 2.13: Comparative contribution to the national agriculture industry's GDP at basic prices (constant 2010 prices), 1995-2014



Source: Statistics South Africa – GDP, 2016

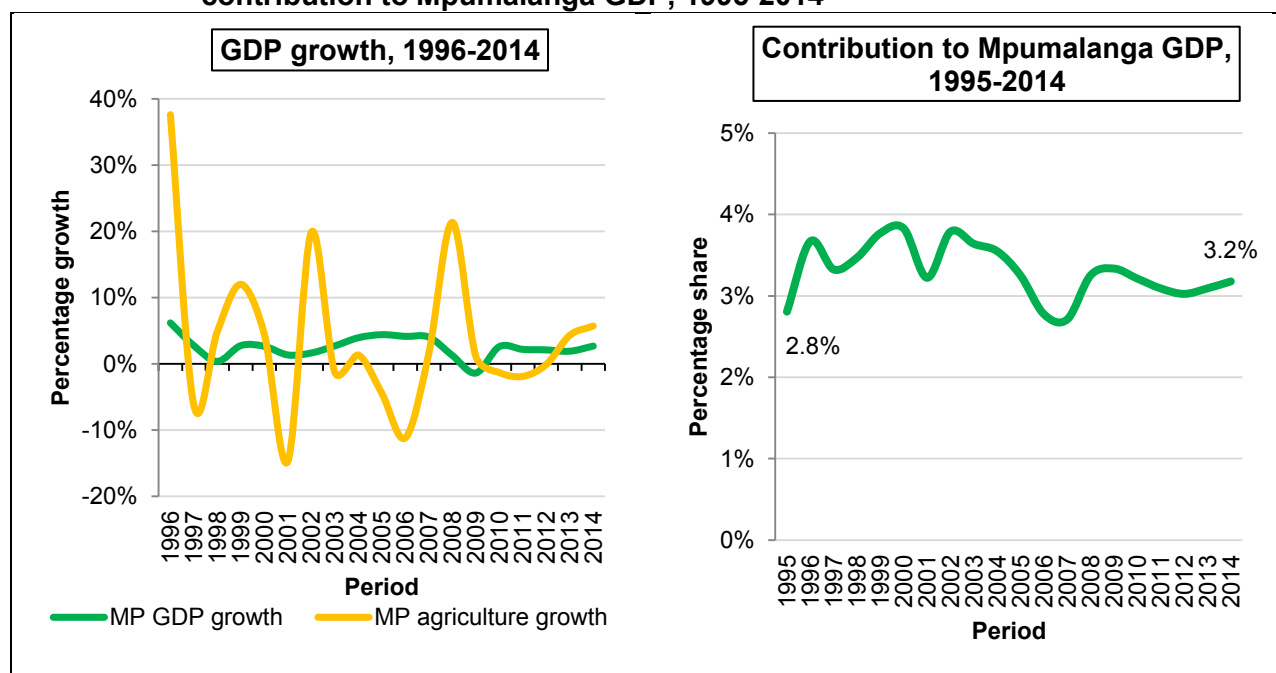
With an average annual growth rate of 3.2 per cent between 1995 and 2014, the industry exceeded the provincial economic growth of 2.5 per cent over the same period. It is, however, evident from Figure 2.14 that the agriculture industry experienced unpredictable and volatile growth with a high of 34.1 per cent in 1996 and a low of -13.9 per cent in 2001. The average annual growth from 2014 to 2019 is expected to be -1.2 per cent, which should be lower than the provincial economy's forecasted 1.7 per cent growth (Table 2.4).

The agriculture industry's contribution to the provincial GDP increased slightly over the period 1995-2014. In 1995, the agriculture industry contributed 2.8 per cent and by 2014, the contribution increased slightly to 3.2 per cent of the total GDP of Mpumalanga (Figure 2.14).

The agriculture industry's employment elasticity between 2009 and 2014 was positive (Table 2.7). According to this figure, for every 1 per cent economic growth experienced in the agriculture industry the number of employed in the industry increased by 3.2 per cent.

The agriculture industry's labour productivity index score was the lowest among the nine industries in Mpumalanga for both 2009 and 2014 (Table 2.8). The agriculture industry exhibited a high level of labour intensity (Figure 2.9) and high employment elasticity, however, given the low labour productivity and destructive drought currently experienced, it is unlikely that the industry, in its current structure, will be an important employment driver.

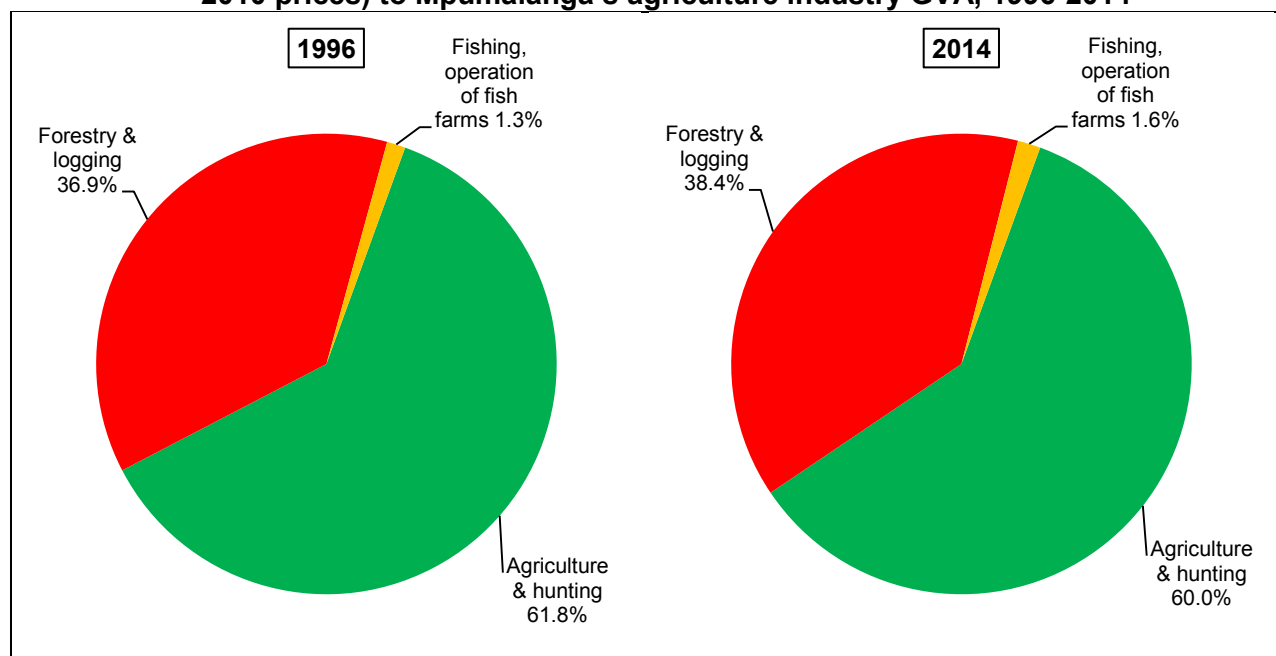
Figure 2.14: Agriculture industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2014



Source: Statistics South Africa – GDP, 2016

Agriculture sub-industries

Figure 2.15: GVA contribution by Mpumalanga's agricultural sub-industries (constant 2010 prices) to Mpumalanga's agriculture industry GVA, 1996-2014



Source: IHS Global Insight – ReX, December 2015

Figure 2.15 displays the relative size of the three agriculture sub-industries. Agriculture and

hunting was the largest agriculture sub-industry in 2014 with a share of 60.0 per cent, while forestry and logging contributed the bulk of the remainder. It is important to note that forestry and logging contributed more in 2014 than in 1996, whereas the GVA share of agriculture and hunting declined.

Over the 18-year period under review, third placed fishing and the operation of fish farms recorded the highest average annual growth of 2.3 per cent followed by forestry and logging (1.7 per cent). It is expected that the three sub-industries will decline over the 5-year period 2014 to 2019. Table 2.12 displays the historic and forecasted growth of the various sub-industries.

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.

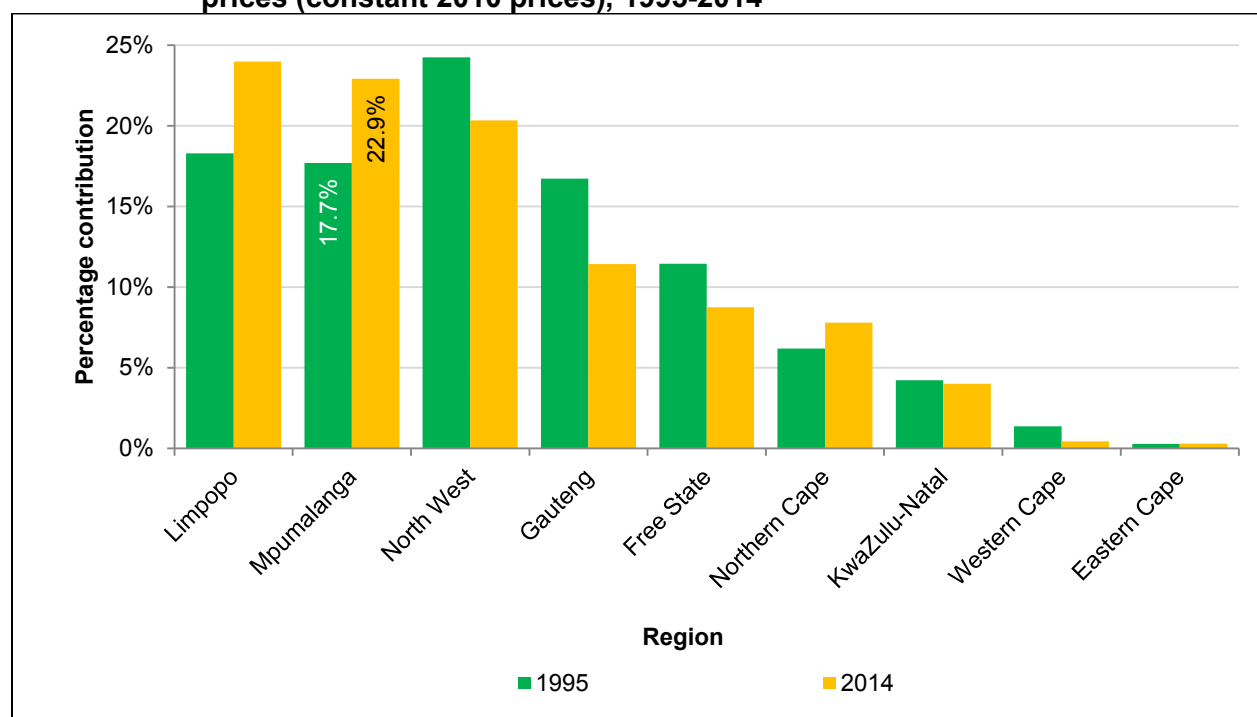
In terms of provincial contribution to the national mining industry, Mpumalanga occupied second place in 2014 behind Limpopo (24.0 per cent). Mpumalanga's substantial share of 22.9 per cent improved from 17.7 per cent in 1995 (Figure 2.16). Mpumalanga, along with Limpopo and Northern Cape, increased its share over the 19-year period as well as its ranking from third to second largest.

Between 1995 and 2014, mining recorded the lowest average annual growth rate among the industries of 1.2 per cent. It is evident from Figure 2.17 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 0.8 per cent per annum, will be lower than the provincial economy's forecasted 1.7 per cent growth from 2014 to 2019 (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 a 25.9 per cent contribution to provincial GDP in 2014 (Figure 2.17). It is, however, evident that the contribution by mining, in constant prices, has declined from 33.1 per cent in 1995 to the current level.

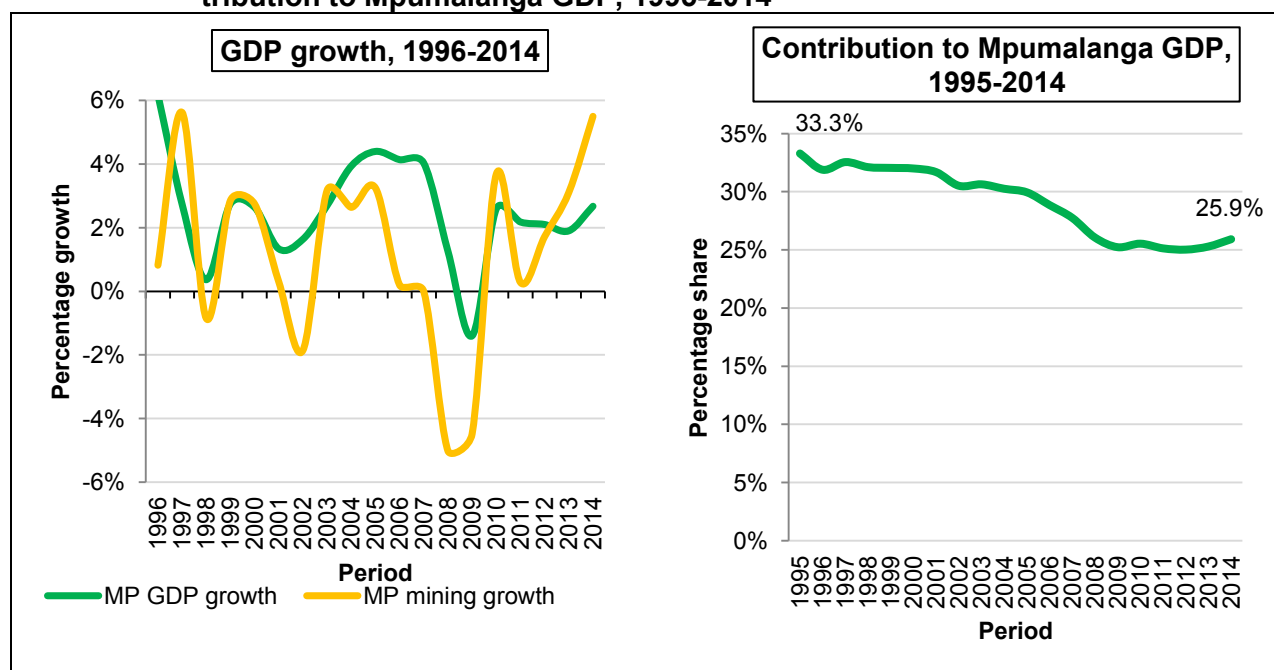
The employment elasticity of mining was 2.04 over the 5-year period from 2009 to 2014 (Table 2.7). Translated into concrete terms, this figure indicates that every 1 per cent economic growth resulted in a 2 per cent increase in the employment numbers of the mining industry in Mpumalanga.

Figure 2.16: Comparative contribution to the national mining industry's GDP at basic prices (constant 2010 prices), 1995-2014



Source: Statistics South Africa – GDP, 2016

Figure 2.17: Mining industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2014



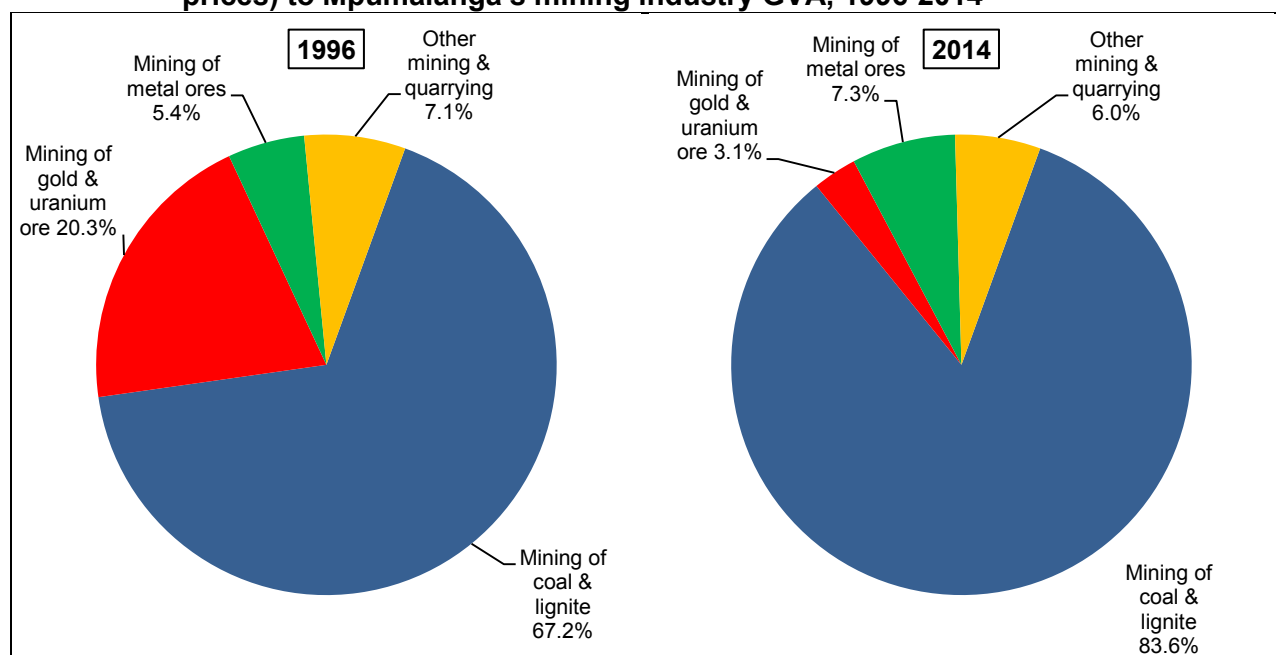
Source: Statistics South Africa – GDP, 2016

In 2014, 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 2014 (Figure 2.9). The mining industry is likely to experience low or negative employment growth given the downswing in the commodity cycle resulting in the low economic growth forecast, the negative employment elasticity and the continued move towards more capital-intensive processes.

Mining sub-industries

Mining of coal and lignite was the largest mining sub-industry in 2014 with a share of 83.6 per cent, while mining of metal ores was the second largest with a share of 7.3 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 2014. Figure 2.18 displays the relative size of the four mining sub-industries.

Figure 2.18: GVA contribution by Mpumalanga's mining sub-industries (constant 2010 prices) to Mpumalanga's mining industry GVA, 1996-2014



Source: IHS Global Insight – ReX, December 2015

Over the 18-year period under review, second placed metal ore mining recorded the highest average annual growth of 2.6 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 3.1 per cent per annum over the 5-year period 2014 to 2019. Coal and lignite mining is expected to make a substantial contribution to provincial economic growth over the period 2014 to 2019. Table 2.12

displays the historic and forecasted growth of the various sub-industries as well as the estimated contribution towards the provincial economic growth between 2014 and 2019.

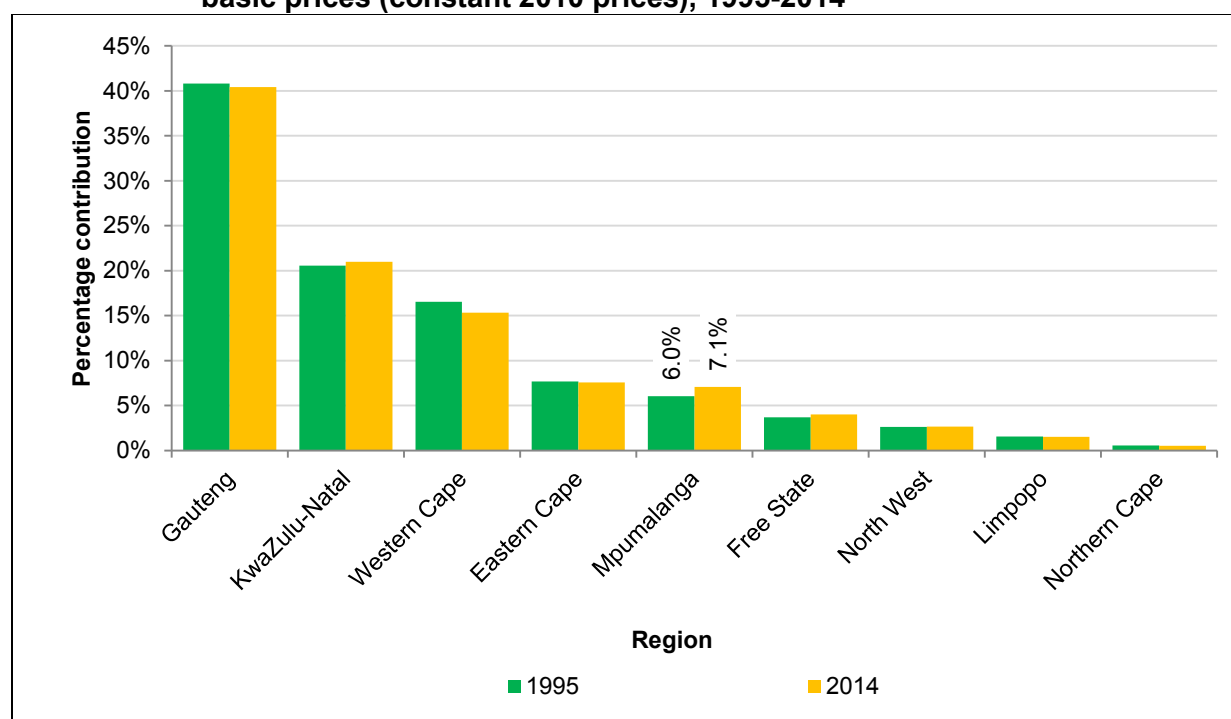
2.13 Secondary sector analysis

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 2014, behind Gauteng in first place with its 40.4 per cent share (Figure 2.19). Mpumalanga's share was 7.1 per cent in 2014, which was higher than the 6.0 per cent share recorded in 1995.

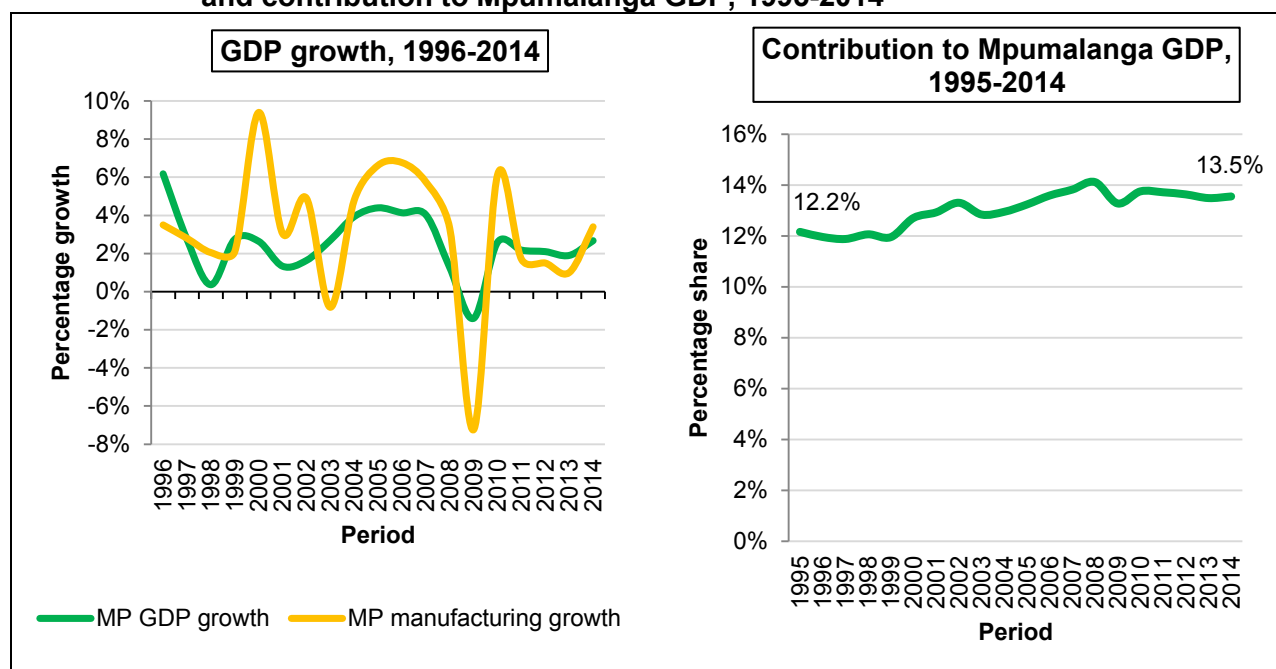
Figure 2.19: Comparative contribution to the national manufacturing industry's GDP at basic prices (constant 2010 prices), 1995-2014



Source: Statistics South Africa – GDP, 2016

Manufacturing (3.1 per cent) documented a growth rate over the 19-year period in excess of the annual average provincial economic growth rate of 2.5 per cent. It is evident from Figure 2.20 that the manufacturing industry's growth rate fluctuated more than the provincial growth rate over the period 1995-2014. The expected future growth of 1.3 per cent per annum from 2014 to 2019 should be lower than the provincial economy's forecasted 1.7 per cent growth.

Figure 2.20: Manufacturing industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2014



Source: Statistics South Africa – GDP, 2016

Manufacturing was the fourth largest contributor to the provincial economy with a 13.5 per cent share of Mpumalanga's GDP in 2014 (Figure 2.20). The contribution by the manufacturing industry increased steadily from 12.2 per cent in 1995.

The employment elasticity of the manufacturing industry was calculated to be 0.56 over the period 2009 to 2014 (Table 2.7). According to this figure, for every 1 per cent growth in output experienced in the manufacturing industry the employment numbers increased by nearly 0.6 per cent.

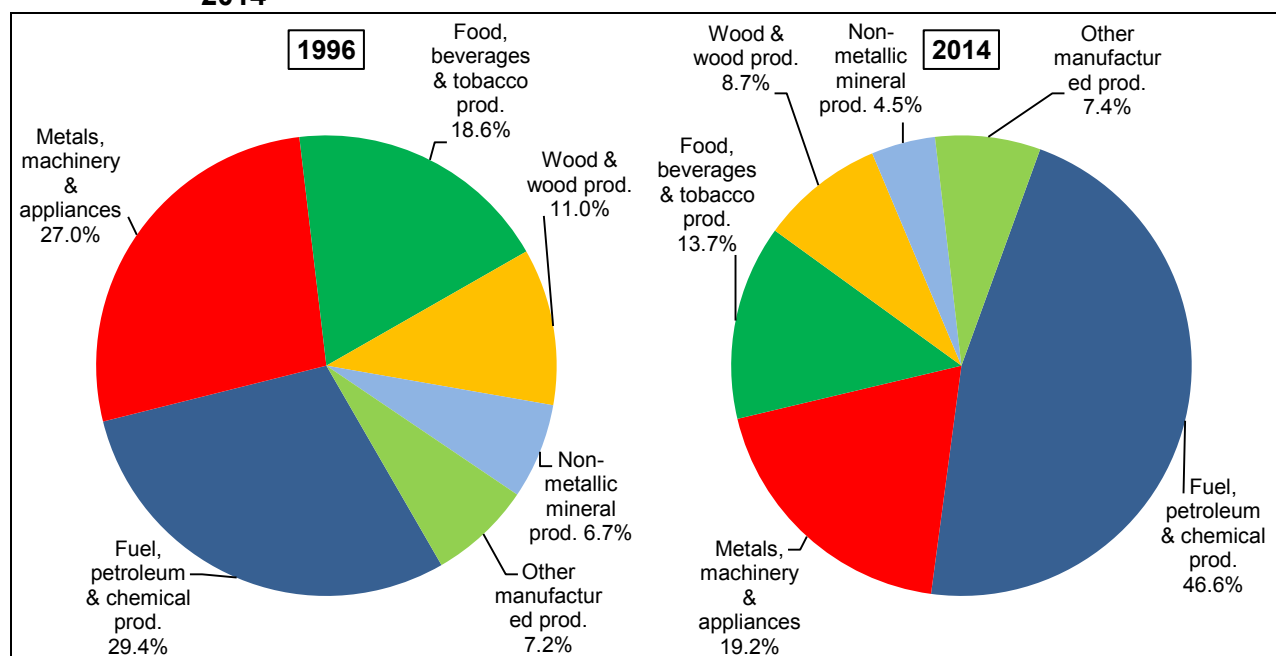
In 2014, the manufacturing industry in Mpumalanga recorded the third highest labour productivity among the nine industries (Table 2.8). The manufacturing industry exhibited a low level of labour intensity (Figure 2.9) as the industry is characterised by progressively more capital-intensive processes. Despite the drive to expand the province's manufacturing industry through

the Industrial Development Plan, it is not expected to contribute as much to employment growth as it will to economic growth because of the low employment elasticity and labour intensity.

Manufacturing sub-industries

Fuel, petroleum and chemical products was the largest manufacturing sub-industry (predominantly Sasol) in 2014 with a share of 46.6 per cent, while metals, machinery and appliances was the second largest with a share of 19.2 per cent. Between 1996 and 2014, the shares of fuel, petroleum, chemical and rubber products as well as other manufactured products increased whilst that of the other sub-industries declined. Figure 2.21 displays the relative size of the manufacturing sub-industries. The other manufactured products group combines the five smallest manufacturing sub-industries, including electronic equipment and transport equipment.

Figure 2.21: GVA contribution by Mpumalanga's manufacturing sub-industries (constant 2010 prices) to Mpumalanga's manufacturing industry GVA, 1996-2014



Source: IHS Global Insight – ReX, December 2015

Over the 18-year period under review, first placed fuel, petroleum, chemical and rubber products recorded the highest average annual growth of 5.5 per cent followed by electronic equipment (4.7 per cent). It is expected that the transport equipment sub-industry will record the fastest average growth of 3.9 per cent per annum over the 5-year period 2014 to 2019. According to Table 2.12, the largest sub-industry, fuel, petroleum, chemical and rubber products, is expected to make a substantial contribution to provincial economic growth between 2014 and 2019. Table 2.12 displays the historic and forecasted growth of the various sub-industries as

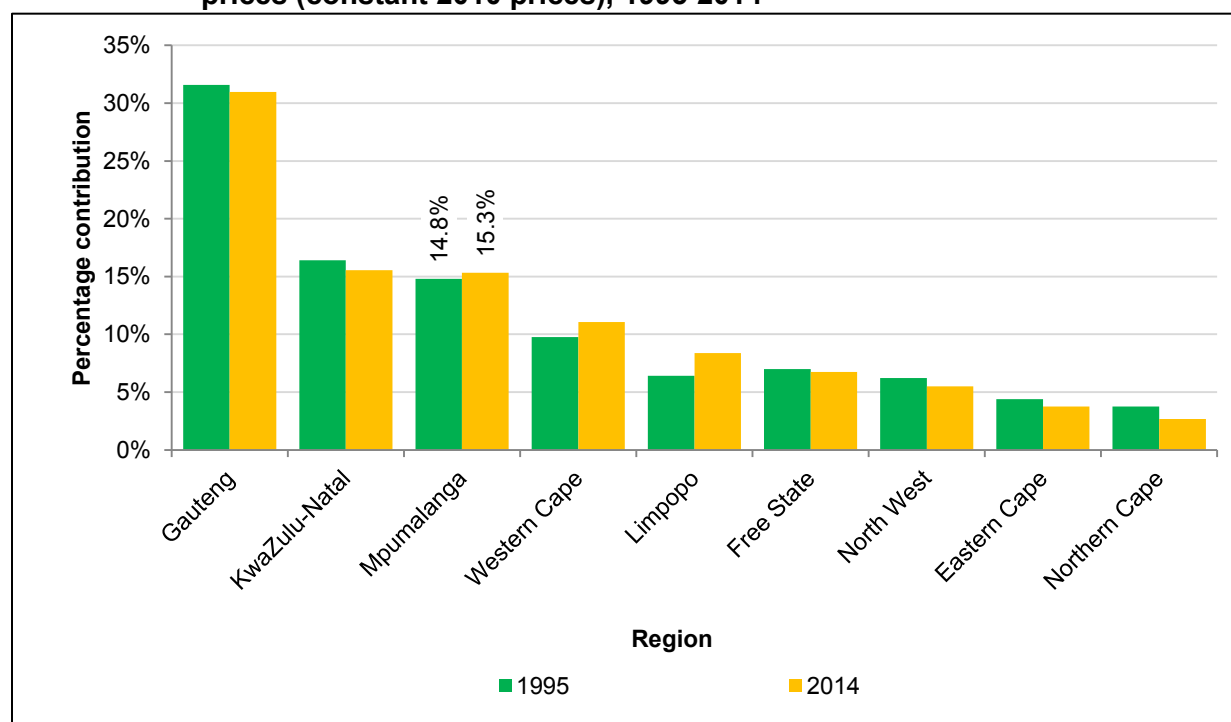
well as the estimated contribution towards the provincial economic growth between 2014 and 2019.

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 2014 (Figure 2.22). Gauteng and KwaZulu-Natal were ahead of Mpumalanga with shares of 31.0 per cent and 15.6 per cent, respectively. Mpumalanga's share increased by 0.5 percentage points between 1995 and 2014.

Figure 2.22: Comparative contribution to the national utilities industry's GDP at basic prices (constant 2010 prices), 1995-2014



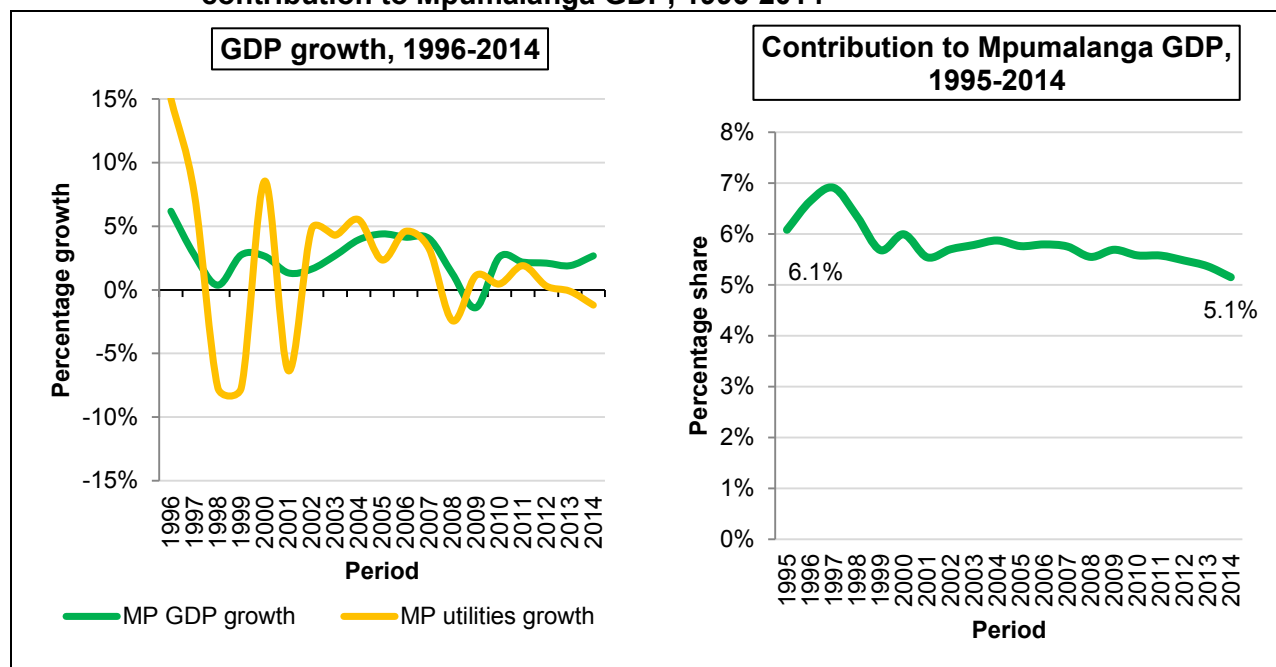
Source: Statistics South Africa – GDP, 2016

The utilities industry recorded the second lowest annual average growth rate in the province of 1.7 per cent between 1995 and 2014, and lower than the provincial growth of 2.5 per cent. It is evident from Figure 2.23 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 1.1 per

cent per annum, lower than the provincial economy's forecasted 1.7 per cent growth from 2014 to 2019 (Table 2.4).

The utilities industry held a comparative advantage over the national utilities industry in 2014. The utilities industry contributed 5.1 per cent to the total GDP of Mpumalanga in 2014 (Figure 2.23). The contribution decreased from 6.1 per cent in 1995 to the current level.

Figure 2.23: Utilities industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2014



Source: Statistics South Africa – GDP, 2016

The employment elasticity of utilities was negative over the 5-year period from 2009 to 2014 (Table 2.7). Translated into concrete terms, this figure indicates that every 1 per cent economic growth in the industry resulted in a 17.7 per cent decrease in the employment numbers of the utilities industry in Mpumalanga.

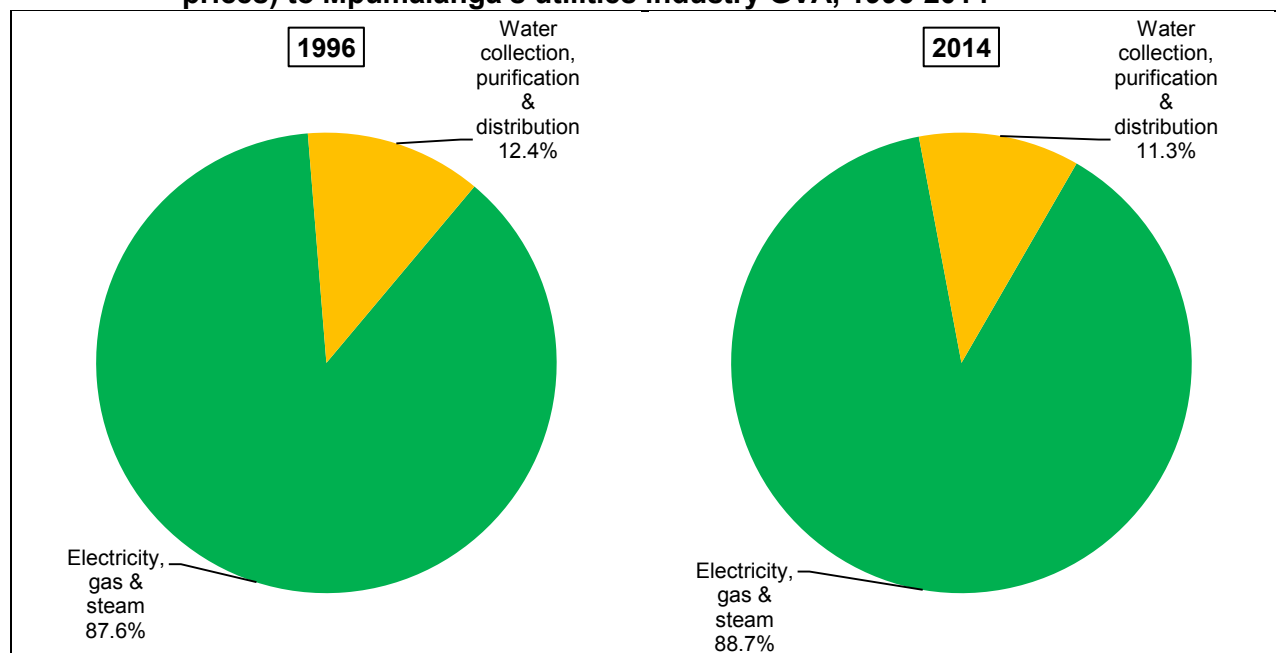
In 2009 and 2014, the utilities industry in Mpumalanga recorded the highest and second highest labour productivity index score, respectively, among the nine industries (Table 2.8). The industry exhibited a very low level of labour intensity both in 2009 and 2014 (Figure 2.9) due to the capital-intensive nature of the processes. This fact alone should result in only marginal employment contribution by the utilities industry despite the high employment elasticity.

Utilities sub-industries

Figure 2.24 displays the relative size of the utilities sub-industries. The supply of electricity, gas and steam was the dominant utilities sub-industry in 2014 with a share of 88.7 per cent. Be-

tween 1996 and 2014, the shares of electricity supply increased marginally, whilst that of water collection, purification and distribution decreased correspondingly.

Figure 2.24: GVA contribution by Mpumalanga's utilities sub-industries (constant 2010 prices) to Mpumalanga's utilities industry GVA, 1996-2014



Source: IHS Global Insight – ReX, December 2015

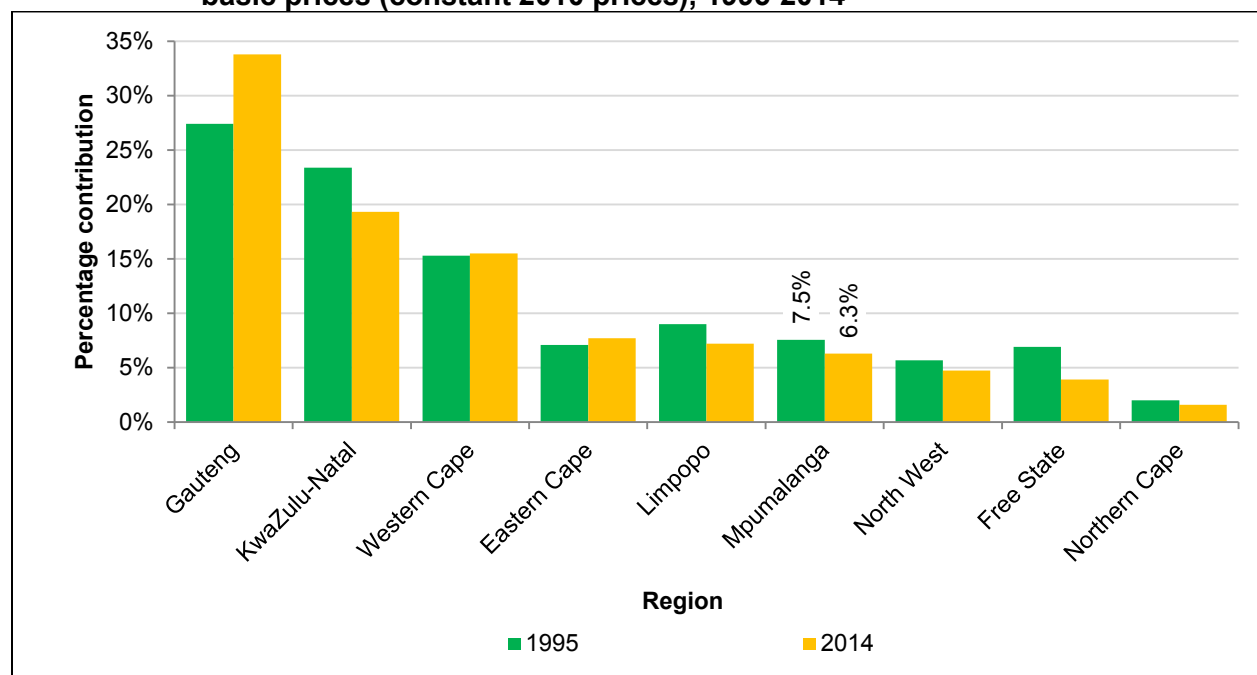
Over the 18-year period under review, electricity supply recorded positive average annual growth of 1.4 per cent and water collection, purification and distribution annual growth of 0.8 per cent. It is expected that the water sub-industry (1.5 per cent) will record faster average growth per annum over the 5-year period 2014 to 2019 than the electricity sub-industry (1.0 per cent) (Table 2.12).

2.13.3 Construction industry

Gauteng was the largest contributor to the national construction industry in 2014 with a share of 33.8 per cent. Mpumalanga, with a 6.3 per cent share, occupied sixth place in 2014, the same position as in 1995 (Figure 2.25). Over the 19-year period, the province's share declined from 7.5 per cent in 1995 to the current share.

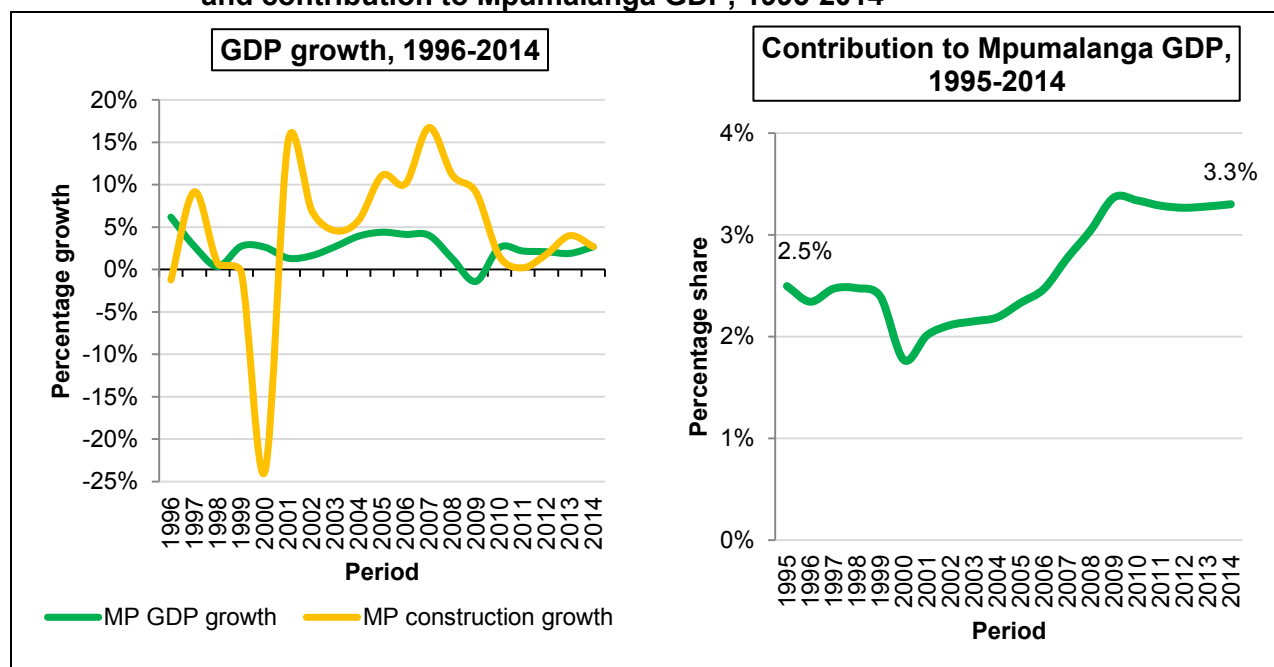
The construction industry registered the second highest annual average growth rate of 4.1 per cent among the provincial industries over the 19-year period (Figure 2.26). This is despite the massive slump of -23.9 per cent experienced in 2000. From 2014 to 2019, the average annual expected future growth of 3.2 per cent will be higher than the provincial economy's forecasted growth of 1.7 per cent.

Figure 2.25: Comparative contribution to the national construction industry's GDP at basic prices (constant 2010 prices), 1995-2014



Source: Statistics South Africa – GDP, 2016

Figure 2.26: Construction industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2014



Source: Statistics South Africa – GDP, 2016

The construction industry was the second smallest contributor to the provincial economy with a 3.3 per cent share of Mpumalanga's GDP in 2014. It is evident from Figure 2.26 that the con-

struction industry's share increased since the severe slump of 2000.

The employment elasticity of construction was calculated to be 1.77 over the period 2009 to 2014 (Table 2.7). According to this figure, for every 1 per cent growth experienced in the construction industry the employment growth was approximately 1.8 per cent.

In 2009 and 2014, the construction industry in Mpumalanga recorded the lowest labour productivity index score among the nine industries (Table 2.8). The industry exhibited the highest level of labour intensity in both 2009 and 2014 (Figure 2.9). 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/Mbombela 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.

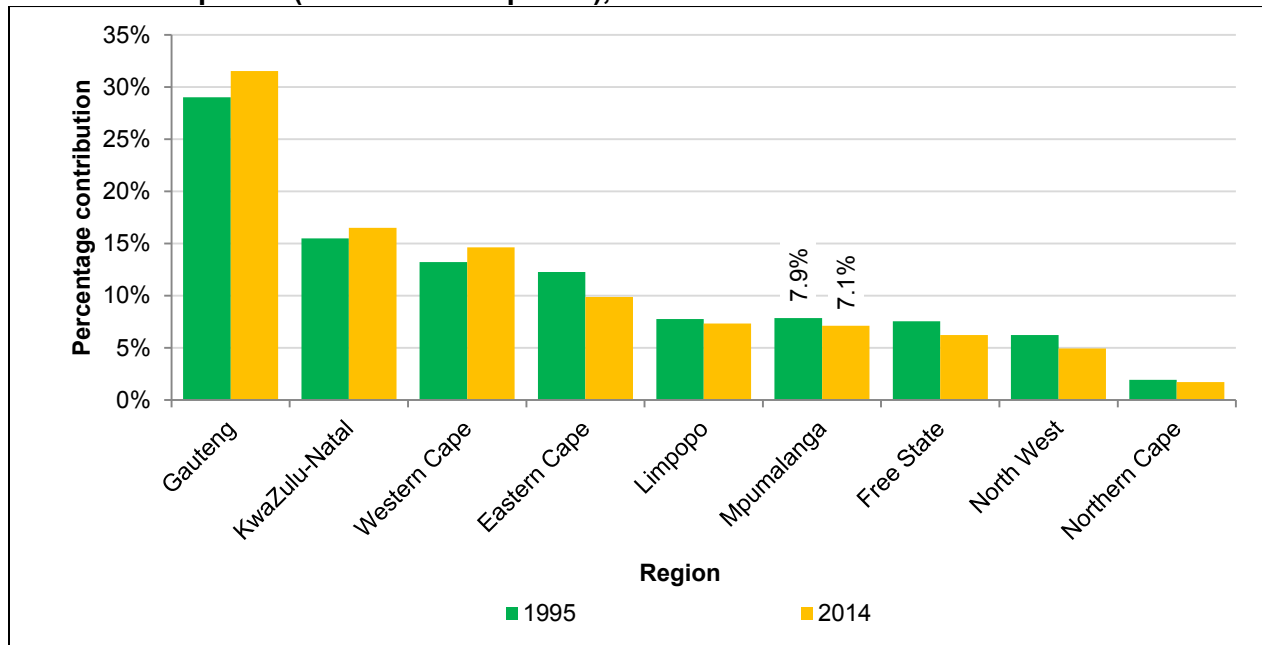
Gauteng dominated the contribution to the national trade industry in 2014 with a share of 31.5 per cent (Figure 2.27). Mpumalanga, with a 7.1 per cent share, occupied sixth place in 2014, one position lower than in 1995, and down from the 7.9 per cent contribution registered back then.

The industry's growth rate of 3.0 per cent per annum between 1995 and 2014 was higher than the provincial growth rate (2.5 per cent) and the joint fourth highest among the industries. Figure 2.28 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 2014 and 2019 is expected to be higher than the provincial economy's forecasted growth of 1.7 per cent (Table 2.4).

The industry contributed 14.7 per cent to the total GDP of Mpumalanga in 2014 – the third largest industry in the province (Figure 2.28). The contribution in 2014 was higher than the 13.4 per

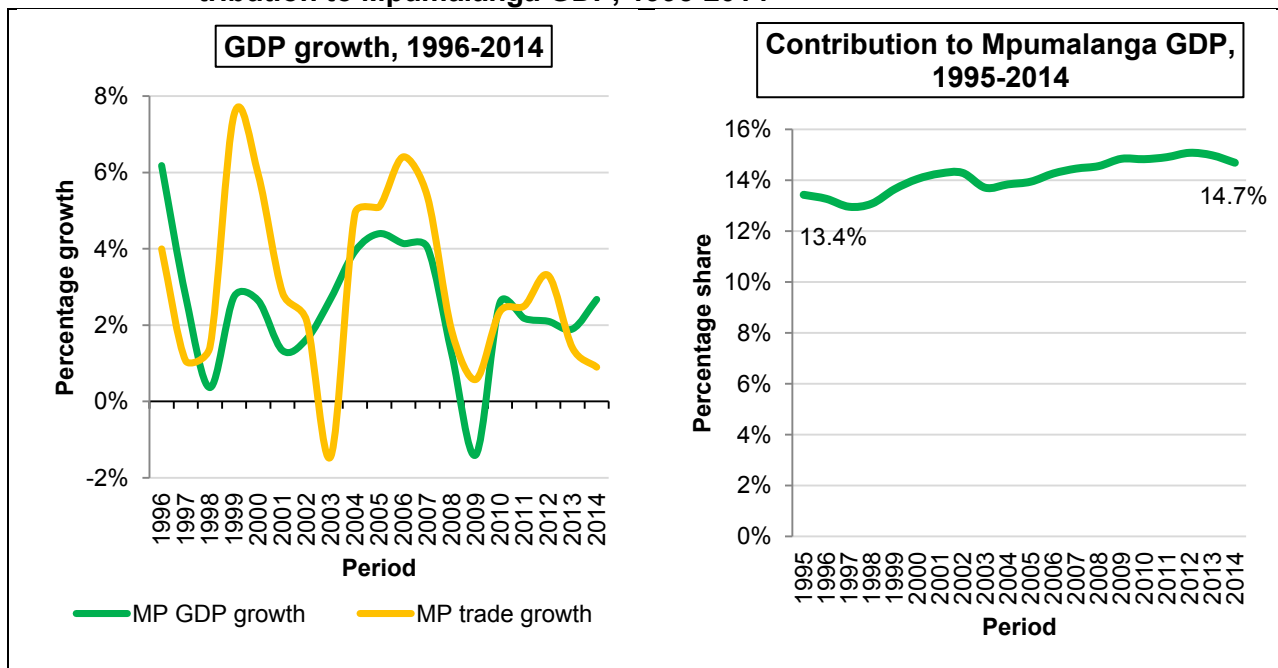
cent contribution recorded in 1995.

Figure 2.27: Comparative contribution to the national trade industry's GDP at basic prices (constant 2010 prices), 1995-2014



Source: Statistics South Africa – GDP, 2016

Figure 2.28: Trade industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2014



Source: Statistics South Africa – GDP, 2016

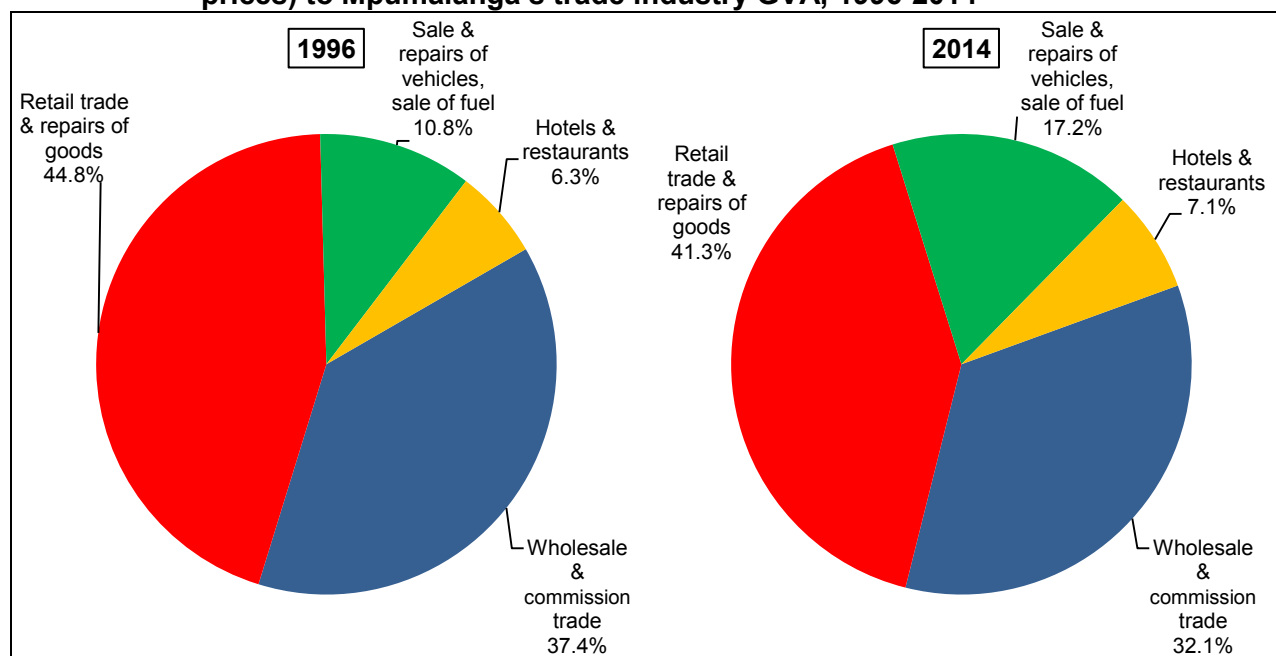
The trade industry (0.01) recorded a marginally positive employment elasticity over the period 2009-2014 (Table 2.7). According to this figure, for every 1 per cent economic growth experienced in the trade industry the employment growth increased by 0.01 per cent.

The labour productivity index score for Mpumalanga's trade industry was the third lowest among the industries, in both 2009 and 2014 (Table 2.8). The trade industry exhibited a high level of labour intensity (Figure 2.9) because of the labour intensive nature of business enterprises in the industry. As a result of the industry's relatively low labour productivity and negative employment elasticity, it is unlikely that the industry will be even a modest employment creator despite its size, moderate economic growth prospects and labour absorption nature.

Trade sub-industries

Retail trade was the largest trade sub-industry in 2014 with a share of 41.3 per cent, while wholesale trade was the second largest with a share of 32.1 per cent. Between 1996 and 2014, the shares of retail trade as well as wholesale trade declined whilst that of the other two sub-industries increased. Figure 2.29 displays the relative size of the trade sub-industries.

Figure 2.29: GVA contribution by Mpumalanga's trade sub-industries (constant 2010 prices) to Mpumalanga's trade industry GVA, 1996-2014



Source: IHS Global Insight – ReX, December 2015

Over the 18-year period under review, the vehicle and fuel sales sub-industry recorded the highest average annual growth of 5.7 per cent followed by hotels and restaurants (3.7 per cent). It is expected that wholesale trade will record the fastest average growth of 3.1 per cent per an-

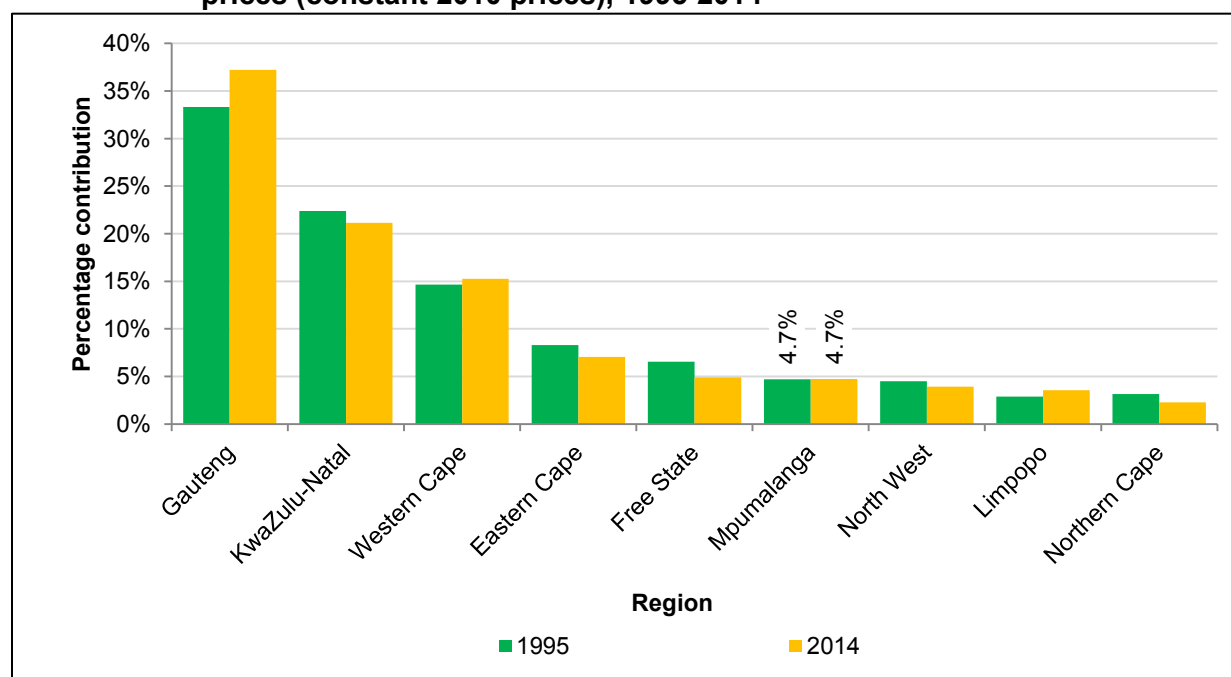
num over the 5-year period 2014 to 2019. The retail trade as well as the wholesale trade sub-industries are expected to contribute significantly to provincial growth between 2014 and 2019. Table 2.12 displays the historic and forecasted growth of the various sub-industries as well as the estimated contribution towards the provincial economic growth between 2014 and 2019.

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 2014 (Figure 2.30). Gauteng and KwaZulu-Natal were the largest provincial contributors with shares of 37.2 per cent and 21.1 per cent, respectively.

Figure 2.30: Comparative contribution to the national transport industry's GDP at basic prices (constant 2010 prices), 1995-2014

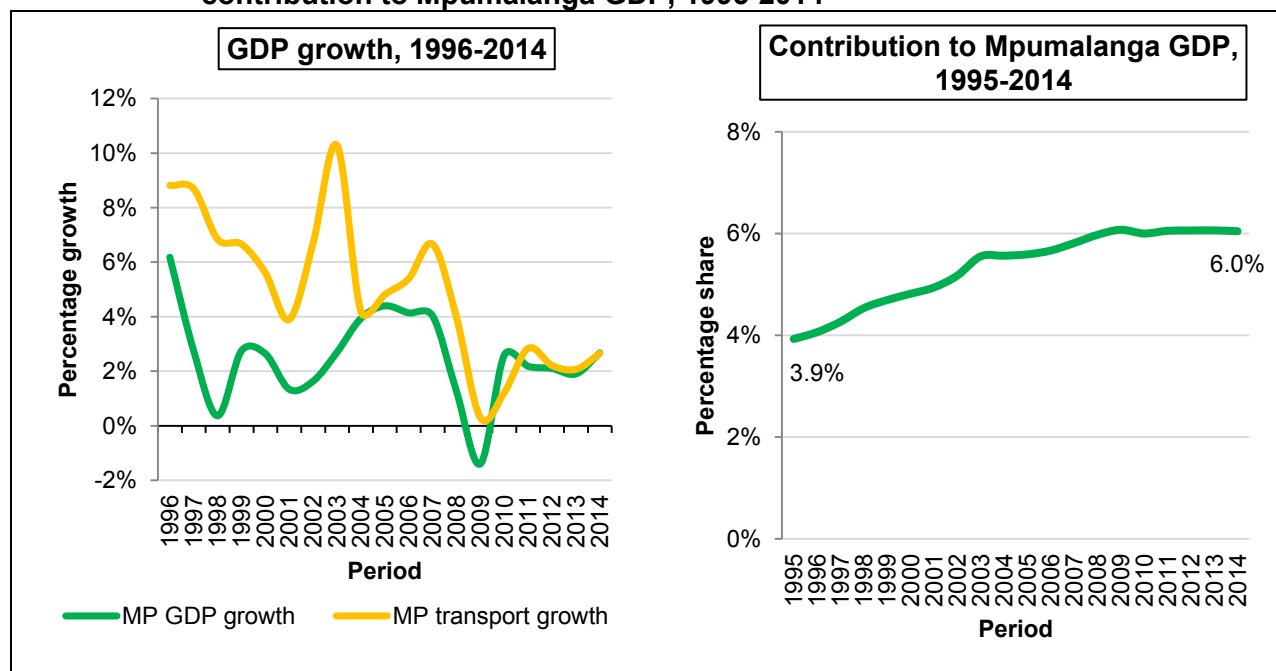


Source: Statistics South Africa – GDP, 2016

From 1995 to 2014, the transport industry grew the fastest off all provincial industries and at 4.9 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 2.31. The expected future annual average growth of 2.5 per cent from 2014 to 2019 should be the third highest among the nine industries and higher than the provincial economy's forecasted 1.7 per cent growth (Table 2.4).

The transport industry contributed 6.0 per cent to the provincial economy in terms of GDP in 2014 (Figure 2.31) 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.

Figure 2.31: Transport industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2014



Source: Statistics South Africa – GDP, 2016

The employment elasticity of the transport industry was calculated to be 1.58 over the period 2009 to 2014 (Table 2.7). According to this figure, for every 1 per cent GVA growth experienced in the transport industry the employment growth was approximately 1.6 per cent.

In both 2009 and 2014, the transport industry in Mpumalanga recorded the fifth highest labour productivity index score among the nine industries (Table 2.8). The transport industry exhibited a low level of labour intensity (Figure 2.9) 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.

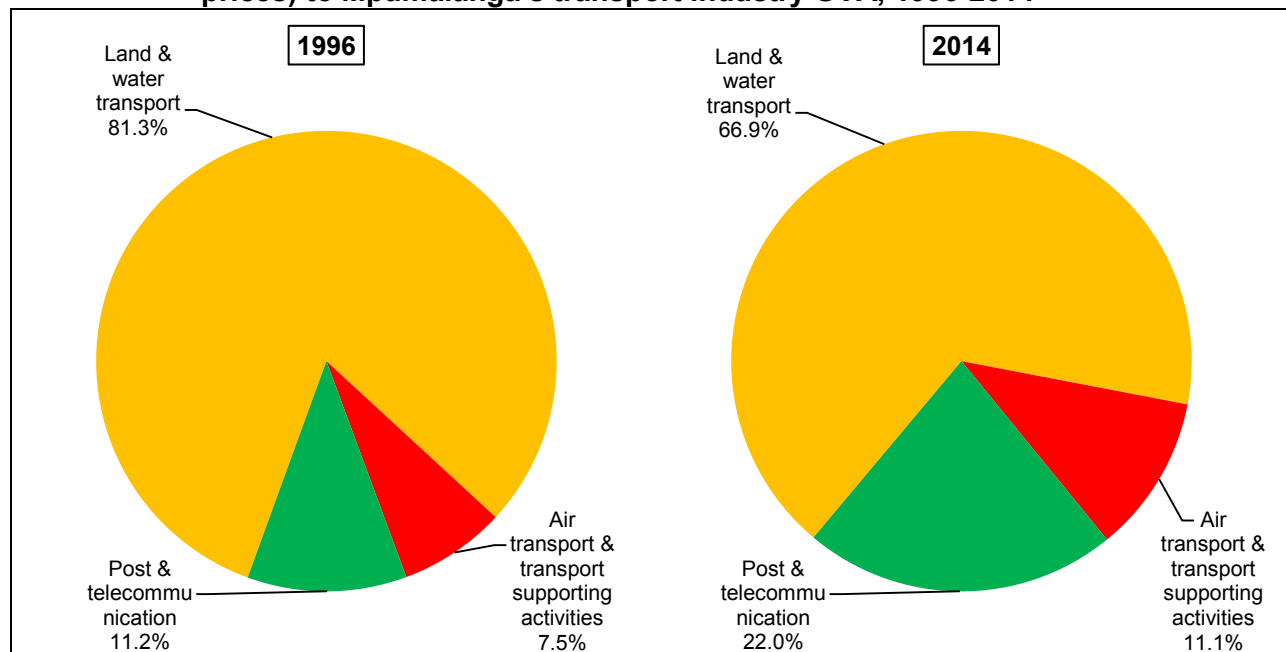
Transport sub-industries

Figure 2.32 displays the relative size of the transport sub-industries. The land transport sub-industry was the largest transport sub-industry in 2014 with a share of 66.9 per cent, while post and telecommunications was the second largest with a share of 22.0 per cent. Between 1996 and 2014, the share of land transport decreased whilst that of post and telecommunications

doubled.

Over the 18-year period under review, post and telecommunication recorded the highest average annual growth of 8.6 per cent followed by air transport (6.9 per cent). It is expected that the air transport sub-industry will record the fastest average growth of 2.8 per cent per annum over the 5-year period 2014 to 2019. According to Table 2.12, the land transport sub-industry is expected to make a substantial contribution to provincial economic growth between 2014 and 2019. Table 2.12 displays the historic and forecasted growth of the various sub-industries as well as the estimated contribution towards the provincial economic growth between 2014 and 2019.

Figure 2.32: GVA contribution by Mpumalanga's transport sub-industries (constant 2010 prices) to Mpumalanga's transport industry GVA, 1996-2014



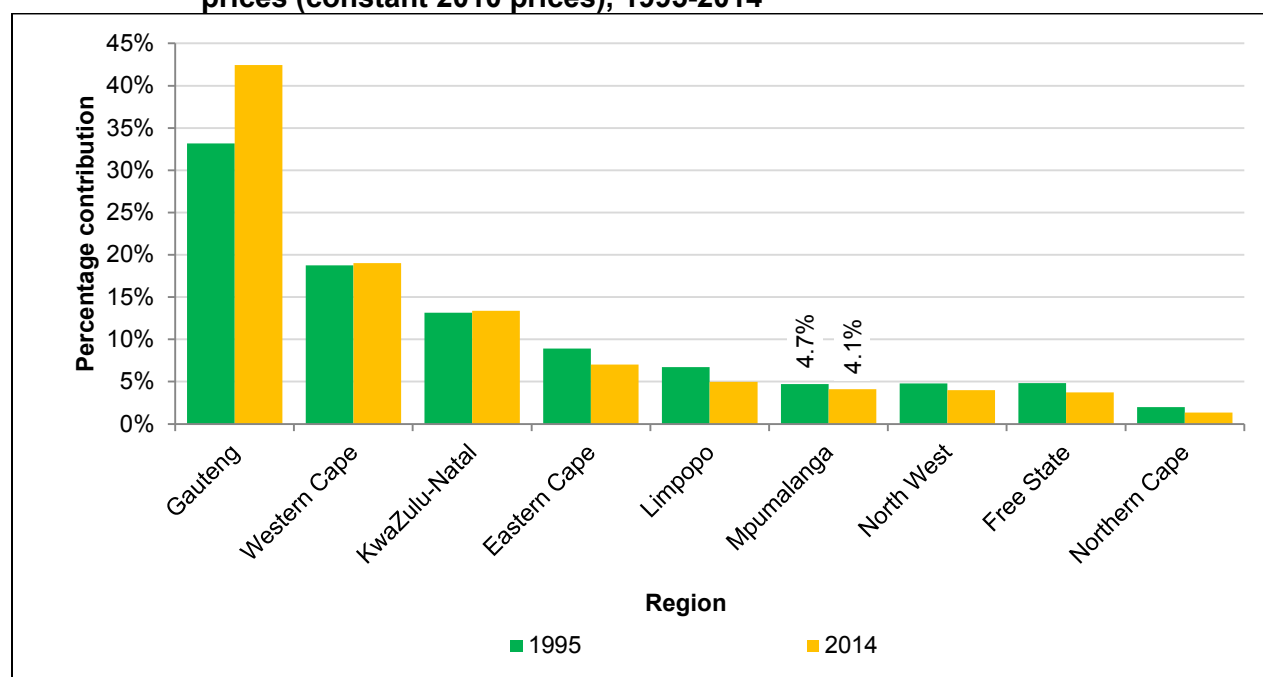
Source: IHS Global Insight – ReX, December 2015

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.

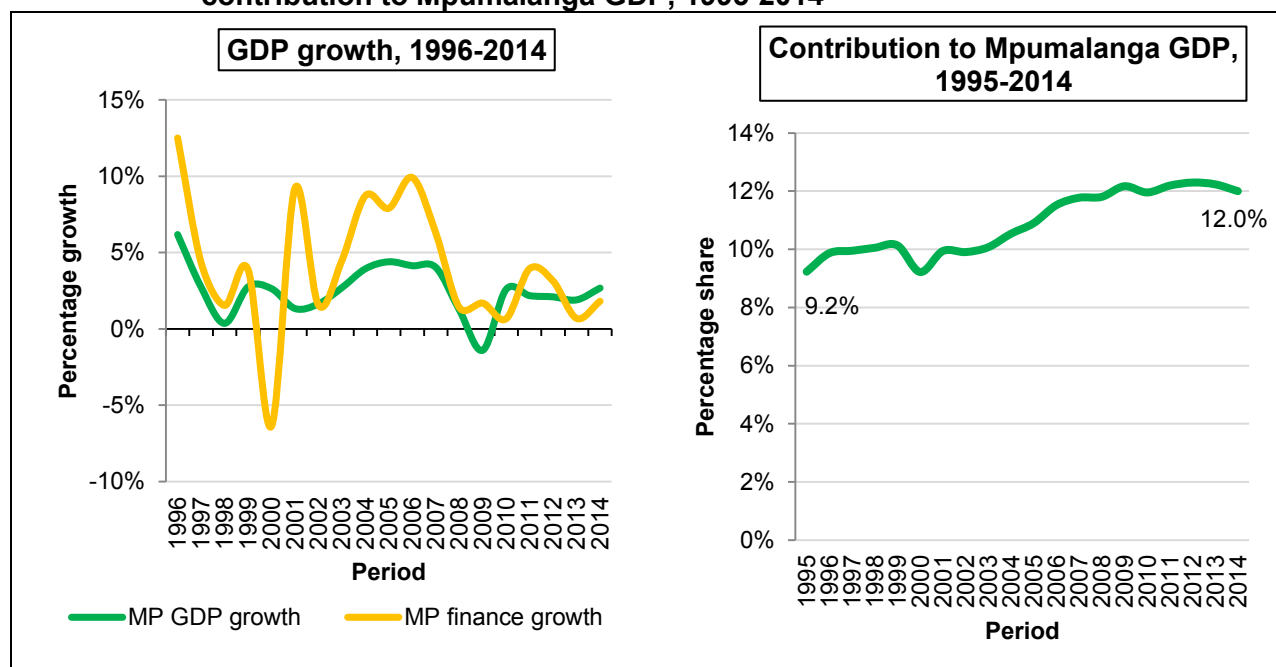
Mpumalanga made the sixth largest contribution to the national finance industry with a share in 2014 of 4.1 per cent (Figure 2.33). Gauteng, with a 42.4 per cent share, occupied first place in 2014, followed by Western Cape with a 19.0 per cent contribution.

Figure 2.33: Comparative contribution to the national finance industry's GDP at basic prices (constant 2010 prices), 1995-2014



Source: Statistics South Africa – GDP, 2016

Figure 2.34: Finance industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2014



Source: Statistics South Africa – GDP, 2016

Between 1995 and 2014, the finance industry in Mpumalanga recorded the third highest average annual growth rate among the industries of 4.0 per cent (Figure 2.34). This was despite a

severe slow-down experienced in 2000 of -6.4 per cent. The future growth of 1.7 per cent per annum is expected to be equal to the provincial economy's forecasted 1.7 per cent per annum from 2014 to 2019 (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 12.0 per cent contribution to provincial GDP (Figure 2.34). It is evident that the contribution of the finance industry increased steadily between 1995 and 2014.

The employment elasticity of the finance industry was 3.16 over the 5-year period under review (Table 2.7). Translated into actual terms, this figure indicates that every 1 per cent economic growth was accompanied by nearly 3.2 per cent employment growth in the finance industry.

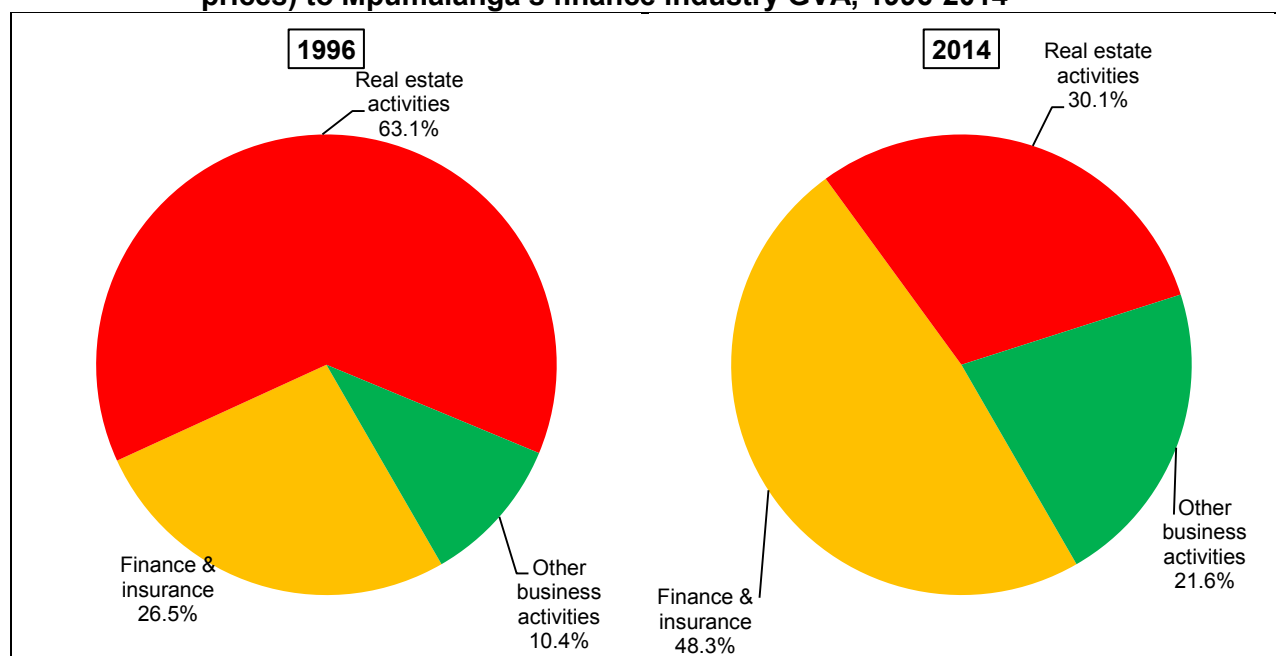
In 2009 and 2014, the finance industry in Mpumalanga recorded the fifth highest labour productivity index score among the industries (Table 2.8). The finance industry exhibited a low level of labour intensity in 2014 (Figure 2.9). It is expected that the anticipated economic growth will not translate into employment growth because of the low employment elasticity.

Finance sub-industries

Figure 2.35 displays the relative size of the finance sub-industries. The finance and insurance sub-industry was the largest finance sub-industry in 2014 with a share of 48.3 per cent, while the real estate activities sub-industry was the second largest with a share of 30.1 per cent. Between 1996 and 2014, the share of finance and insurance as well as other business activities increased, whilst that of real estate activities declined.

Over the 18-year period under review, other business activities recorded the highest average annual growth of 7.7 per cent followed by finance and insurance (7.0 per cent). It is expected that the finance and insurance sub-industry will record the fastest average growth of 2.0 per cent per annum over the 5-year period 2014 to 2019. According to Table 2.12, the real estate activities as well as finance and insurance sub-industry will make substantial contributions to provincial economic growth between 2014 and 2019. Table 2.12 displays the historic and forecasted growth of the various sub-industries as well as the estimated contribution towards the provincial economic growth between 2014 and 2019.

Figure 2.35: GVA contribution by Mpumalanga's finance sub-industries (constant 2010 prices) to Mpumalanga's finance industry GVA, 1996-2014



Source: IHS Global Insight – ReX, December 2015

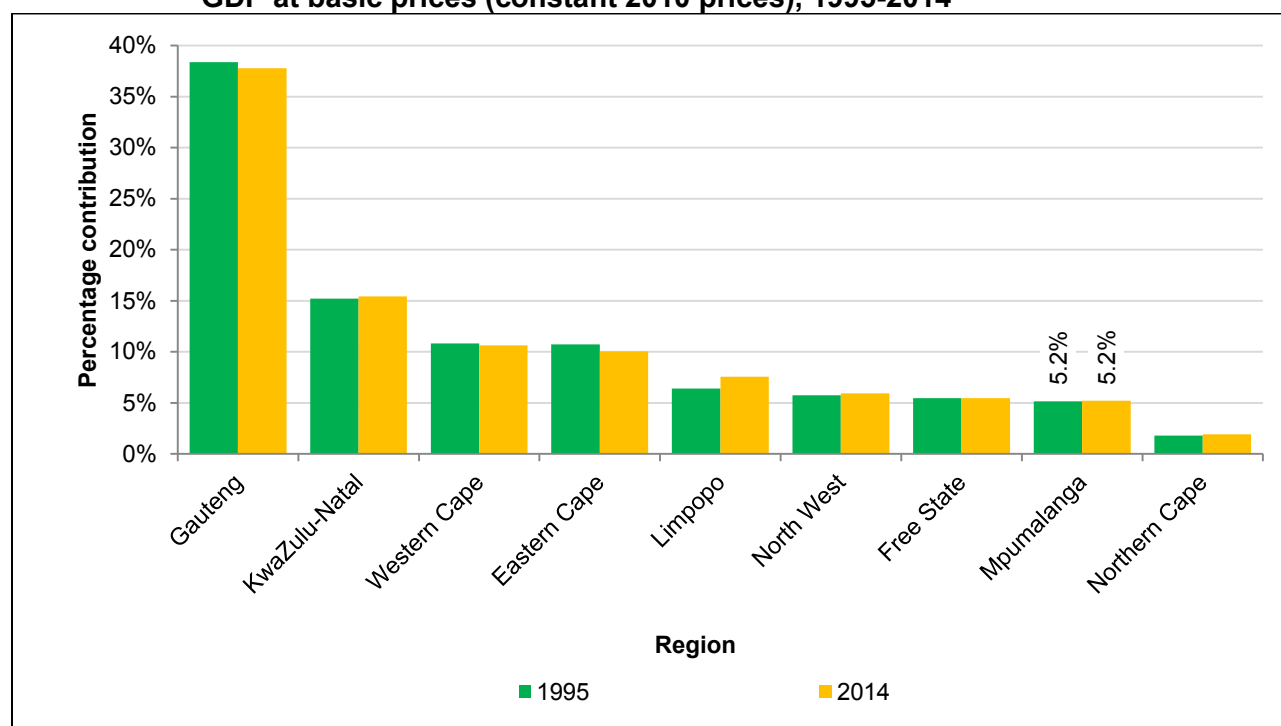
2.14.4 Community services industry

Macro-economic stability in South Africa and Mpumalanga creates opportunities for real increases in expenditure on community services. Community services (personal and general government 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 last in 2014, with Gauteng (37.8 per cent) and KwaZulu-Natal (15.4 per cent) the largest contributing provinces (Figure 2.36). 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.

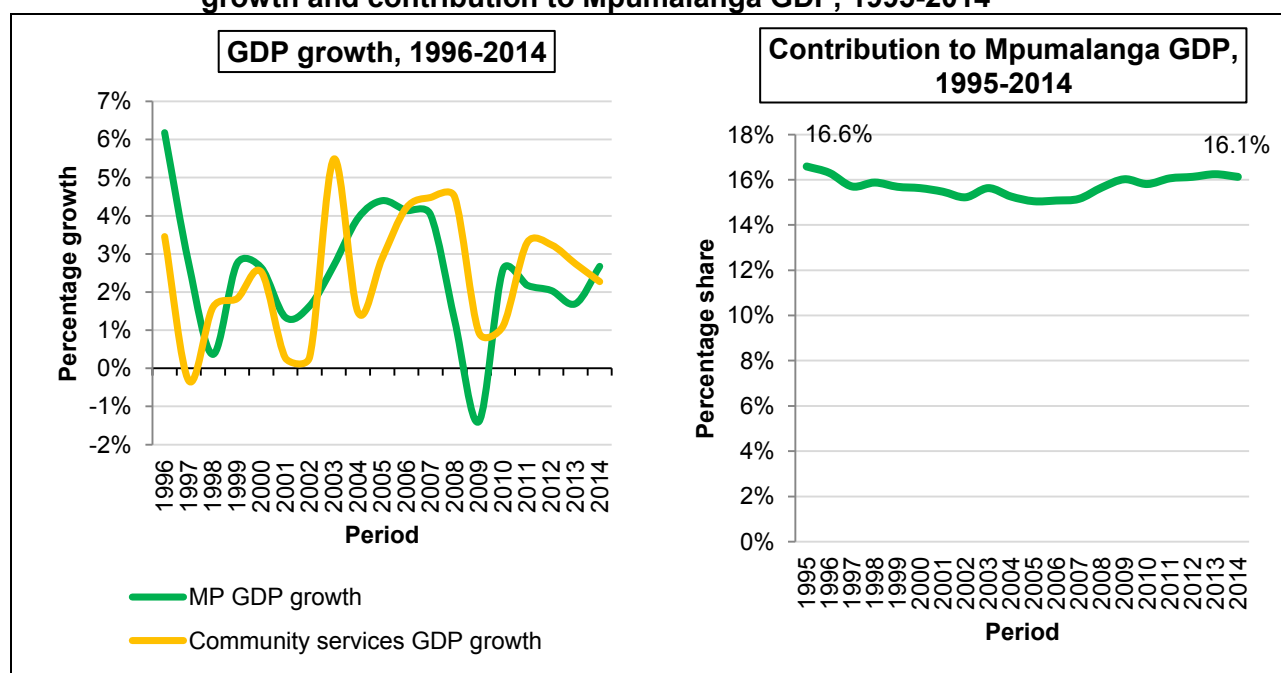
With an average annual growth rate of 2.4 per cent between 1995 and 2014, the industry recorded marginally lower economic growth than the province (2.5 per cent) over the period. Except for 1997, the community services industry recorded positive growth in all of the 18 years from 1996 to 2014 (Figure 2.37). Future growth, that is expected to be around 0.6 per cent per annum, should be lower than the provincial economy's forecasted annual average 1.7 per cent growth from 2014 to 2019 (Table 2.4).

Figure 2.36: Comparative contribution to the national community services industry's GDP at basic prices (constant 2010 prices), 1995-2014



Source: Statistics South Africa – GDP, 2016

Figure 2.37: Community services industry (constant 2010 prices) – comparative GDP growth and contribution to Mpumalanga GDP, 1995-2014



Source: Statistics South Africa – GDP, 2016

Despite the small national contribution, the industry was the second largest in the province with

a 16.1 per cent contribution to the total GDP of Mpumalanga in 2014 (Figure 2.37). As a result of the relatively low growth rate over the period 1995 to 2014, the contribution of the community services industry declined slightly from 16.6 per cent in 1995.

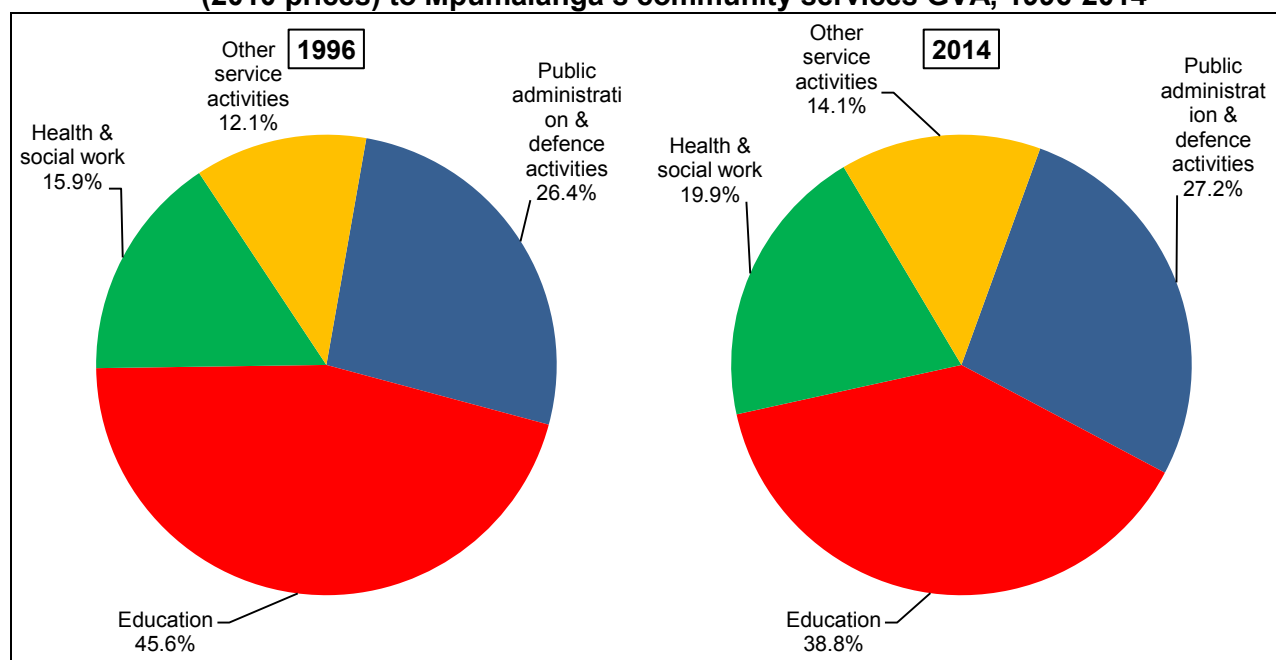
The employment elasticity of community services (1.56) was the sixth highest of all nine industries (Table 2.7). According to this figure, for every 1 per cent economic growth experienced in the community services industry the employment growth was nearly 1.6 per cent.

In the province, the community services industry recorded the sixth highest/fourth lowest labour productivity index score in 2014 (Table 2.8). The community services industry exhibited a high level of labour intensity in 2014 (Figure 2.9). The high labour absorption potential as well as the relatively high employment elasticity points towards the industry as a future employment driver, despite the low labour productivity registered.

Community services sub-industries

The education sub-industry was the largest sub-industry in 2014 with a share of 38.8 per cent, while public administration and defence activities was the second largest with a share of 27.2 per cent. Between 1996 and 2014, the shares of public administration, health and social work as well as other service activities increased, whilst that of education declined. Figure 2.38 displays the relative size of the community services sub-industries.

Figure 2.38: GVA contribution by Mpumalanga's community services sub-industries (2010 prices) to Mpumalanga's community services GVA, 1996-2014



Source: IHS Global Insight – ReX, December 2015

Over the 18-year period under review, the health and social work sub-industry recorded the highest average annual growth of 3.7 per cent. It is expected that the other service activities' sub-industry will record the fastest average growth of 2.0 per cent per annum between 2014 and 2019. According to Table 2.12, the education sub-industry is expected to make a substantial contribution to provincial economic growth between 2014 and 2019. Table 2.12 displays the historic and forecasted growth of the various sub-industries and the estimated contribution towards the future provincial economic growth.

Table 2.12: Economic growth rates and contribution to economic growth (constant 2010 prices) in Mpumalanga, 1996-2019

Sub-industry	Historic growth	Forecasted growth	Estimated contribution to provincial economic growth
	1996-2014	2014-2019	2014-2019
Agriculture & hunting	1.3%	-1.1%	-1.5%
Forestry & logging	1.7%	-1.3%	-1.1%
Fishing, operation of fish farms	2.3%	-1.3%	0.0%
Mining of coal & lignite	2.1%	0.6%	9.5%
Mining of gold & uranium ore	-9.1%	-2.5%	-1.5%
Mining of metal ores	2.6%	3.1%	4.3%
Other mining & quarrying	-0.2%	2.4%	2.7%
Food, beverages & tobacco products	1.1%	2.6%	3.5%
Textiles, clothing & leather goods	2.3%	0.3%	0.0%
Wood & wood products	1.5%	1.1%	0.9%
Fuel, petroleum, chemical & rubber products	5.5%	1.2%	5.4%
Other non-metallic mineral products	0.5%	0.9%	0.4%
Metal products, machinery & appliances	0.9%	0.6%	1.1%
Electrical machinery & apparatus	4.5%	3.0%	0.4%
Electronic, medical & other appliances	4.7%	1.2%	0.1%
Transport equipment	3.5%	3.9%	0.5%
Furniture & other items NEC & recycling	2.2%	-0.3%	-0.1%
Electricity, gas, steam & hot water supply	1.4%	1.0%	3.5%
Water collection, purification & distribution	0.8%	1.5%	0.7%
Construction	5.1%	3.2%	7.9%
Wholesale & commission trade	2.5%	3.1%	11.9%
Retail trade & repairs of goods	2.5%	2.7%	12.4%
Sale & repairs of motor vehicles, sale of fuel	5.7%	1.7%	3.2%
Hotels & restaurants	3.7%	2.1%	1.6%
Land & water transport	3.5%	2.3%	6.9%
Air transport & transport supporting activities	6.9%	2.8%	1.4%
Post & telecommunication	8.6%	2.7%	2.7%
Finance & insurance	7.0%	2.0%	8.8%
Real estate activities	-0.7%	1.9%	5.2%
Other business activities	7.7%	0.7%	1.4%
Public administration & defence activities	2.6%	-0.1%	-0.3%
Education	1.5%	1.0%	4.8%
Health & social work	3.7%	0.0%	0.0%
Other service activities	3.3%	2.0%	3.5%
Total	2.3%	1.7%	100.0%

Source: IHS Global Insight – ReX, December 2015

2.15 Conclusion

Mpumalanga's economy accounted for 7.3 per cent of South Africa's economy, measured by GDP (constant 2010 prices), in 2014. Structural differences between Mpumalanga's economy and that of the rest of South Africa resulted in the provincial economy lagging the national economic growth, with a few exceptions, over the last 19 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. The appropriate industry development strategies must be incorporated in the Industrial Development Plan and investment to build infrastructure and stimulate growth in the province must be sourced. 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, mining and trade recorded jobless growth between 2009 and 2014. Four industries improved its labour productivity between 2009 and 2014 and four industries were regarded as labour intensive industries in 2014. 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 2015¹² 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 as 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 698 457 and 284 200, respectively between the fourth quarter 2014 and the fourth quarter 2015. The resultant strict unemployment rate increased (deteriorated) from 24.3 per cent in the fourth quarter 2014 to 24.5 per cent in the fourth quarter 2015. At the end of the fourth quarter 2015, 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 44.2 per cent at the end of the fourth quarter 2015, which was higher/better than the 43.0 per cent registered at the end of the fourth quarter 2014. 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 2015 (58.5 per cent) was higher/better than the rate recorded a year earlier at the end of the fourth quarter 2014 (56.8 per cent) and even further below the NDP target of 65 per cent by 2030.

The provincial labour force of around 1.6 million individuals was 54 032 more than at the end of the fourth quarter 2015 than at the end of the fourth quarter 2014. The number of employed at 1 191 252 at the end of the fourth quarter 2015 was 53 220 more than at the end of the fourth quarter 2014. Over a 7-year period from the end of the fourth quarter 2008 to the end of the fourth quarter 2015, the number of employed increased by 139 929.

The number of unemployed increased by 812 to 412 715 between the end of the fourth quarter 2014 and the end of the fourth quarter 2015. The number of discouraged workers increased by 4 179 over the last 12 months. Over a 7-year period from the end of the fourth quarter 2008 to

¹² Following the 2011 Census, Stats SA introduced a new master sample from the first quarter of 2015 to account for the changes in the structure of the underlying population. Data reported in the 2015 QLFS releases is not entirely comparable to data reported in QLFS releases of 2008-2014.

the end of the fourth quarter 2015, the number of unemployed and discouraged increased by 106 633 and 154 122, respectively. Table 3.1 depicts the labour force profile of the province.

The unemployment rate (strict definition) was lower/better at the end of the fourth quarter 2015 (25.7 per cent) than at the end of the fourth quarter 2014 (26.6 per cent), however, it was higher than seven 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 39.4 per cent at the end of the fourth quarter 2015, from 33.7 per cent at the end of the fourth quarter 2008. In 2015, the labour absorption rate increased/improved from 41.8 per cent at the end of the fourth quarter 2014 to 42.9 per cent and the labour force participation rate improved by 0.9 percentage points to 57.8 per cent.

Table 3.1: Labour force profile of Mpumalanga, 2008-2015

Indicator	Q4 2008	Q4 2014	Q4 2015	1-year change	7-year change
	'000	'000	'000	'000	'000
- Population 15-64 years	2 411	2 723	2 776	53	365
- Not economically active	1 053	1 173	1 172	-1	119
- Labour Force/EAP	1 357	1 550	1 604	54	247
- Employed	1 051	1 138	1 191	53	140
- Unemployed	306	412	413	1	107
- Discouraged work-seekers	112	262	266	4	154
Rates	%	%	%	%	%
- Unemployment rate (strict definition)	22.5	26.6	25.7	-0.9	3.2
- Unemployment rate (expanded definition)	33.7	40.5	39.4	-1.1	5.7
- Employed/population ratio (absorption rate)	43.6	41.8	42.9	1.1	-0.7
- Labour force participation rate	56.3	56.9	57.8	0.9	1.5

Source: Statistics South Africa – QLFS, 2016

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 21.2 million by the end of the fourth quarter 2015 (Table 3.2), an increase of 2.4 million over the fourth quarter 2008. Mpumalanga's EAP increased by 246 562 over the seven year period to 1.6 million. The Mpumalanga's figure represented 7.6 per cent of the national EAP at the end of the fourth quarter 2015. Gauteng recorded the highest EAP number in the fourth quarter of 2015 with approximately 7.0 million (33.1 per cent). Kwa-Zulu-Natal recorded a lower EAP number at the end of the fourth quarter 2015 than seven years earlier.

Table 3.2: EAP of South Africa and provinces, Q4 2008-Q4 2015

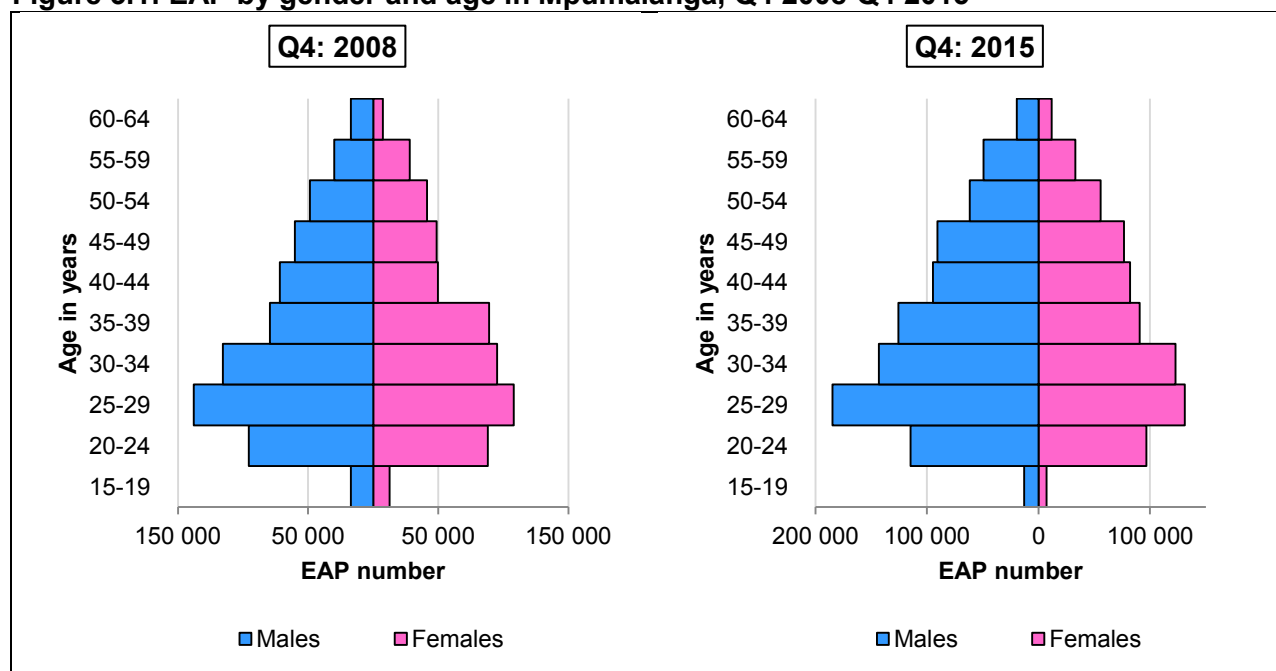
Region	Q4 2008		Q4 2015		7-year change	
	'000	% of National	'000	% of National	'000	Average annual %
Western Cape	2 479	13.2	2 951	13.9	472	2.5
Eastern Cape	1 797	9.5	1 945	9.2	148	1.1
Northern Cape	410	2.2	420	2.0	10	0.4
Free State	1 055	5.6	1 176	5.5	121	1.6
KwaZulu-Natal	3 249	17.3	3 181	15.0	-68	-0.3
North West	1 227	6.5	1 273	6.0	46	0.5
Gauteng	5 966	31.7	7 026	33.1	1 060	2.4
Mpumalanga	1 357	7.2	1 604	7.6	247	2.4
Limpopo	1 276	6.8	1 635	7.7	359	3.6
South Africa	18 817	100.0	21 211	100.0	2394	1.7

Source: Statistics South Africa – QLFS, 2016

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 2015 was males with some 898 256 individuals or 55.9 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 2015, the remainder (44.1 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 2015.

Figure 3.1: EAP by gender and age in Mpumalanga, Q4 2008-Q4 2015



Source: Statistics South Africa – QLFS, 2016

The youth of working age (15-34 years¹³) made up 50.7 per cent of the total number of the labour force at the end of the fourth quarter 2015. This was lower than 7 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 315 830 individuals or some 19.7 per cent of the provincial EAP at the end of the fourth quarter 2015. 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/Blacks formed the majority of both South Africa and Mpumalanga's EAP. At the end of the fourth quarter 2015, 91.2 per cent of the provincial EAP were Africans/Blacks compared with 77.2 per cent nationally. Whites contributed some 6.9 per cent followed by Indians/Asians (1.5 per cent) and Coloureds (0.3 per cent). Africans/Blacks' 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 White and Coloured population groups declined.

Table 3.3: EAP according to population group in South Africa and Mpumalanga, Q4 2008-Q4 2015

Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2015	Q4 2008	Q4 2015
African/Black	77.0%	77.2%	90.0%	91.2%
Coloured	10.6%	10.0%	0.8%	0.3%
Indian/Asian	3.0%	2.8%	0.6%	1.5%
White	12.5%	10.0%	8.6%	6.9%
Total	100.0%	100.0%	100.0%	100.0%

Source: Statistics South Africa – QLFS, 2016

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 2015, South Africa's working age population numbered 36.3 million, with a labour force, or in other words EAP, of nearly 21.2 million, which resulted in a labour force participation rate of 58.5 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 57.8 per cent at the end of the fourth quarter 2015 was higher than the comparative national rate and showed improvement from 56.3 per cent at the start of the period under review. At the end of the fourth quarter 2015, Gauteng (72.9 per cent) registered the highest participation rate followed closely by Western Cape with 68.4 per cent. Limpopo (45.6 per cent) finished the period under review with the lowest participation rate.

¹³ 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.

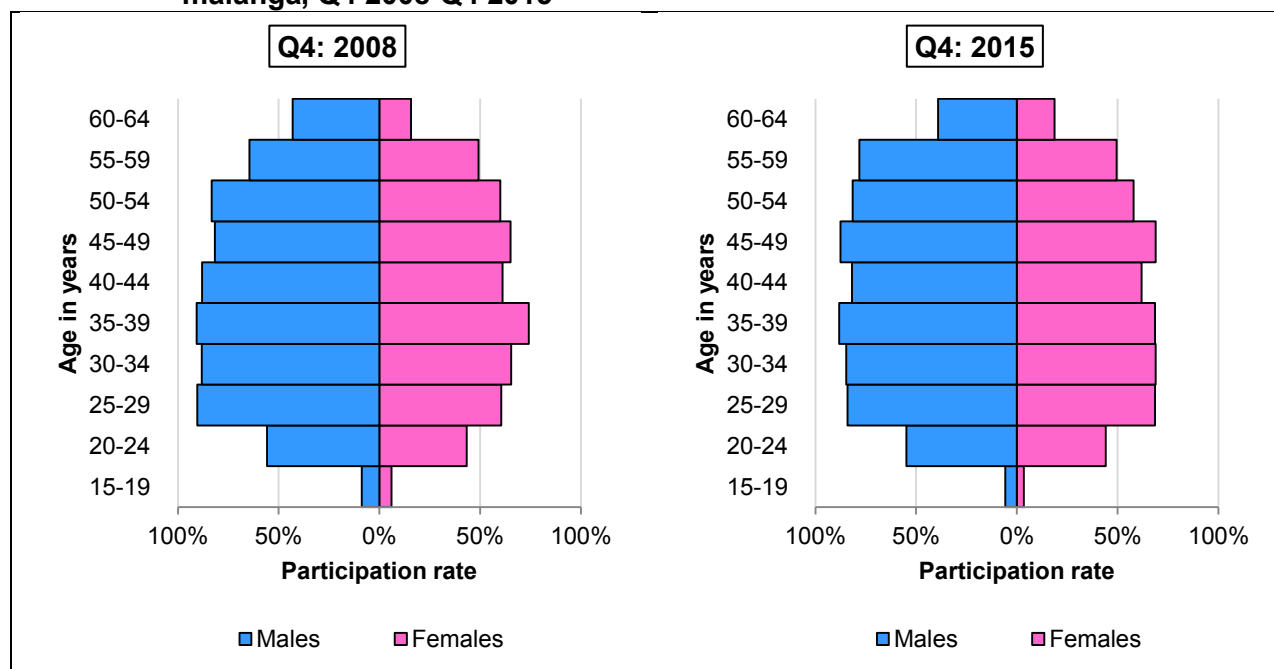
Table 3.4: Labour force participation rate in South Africa and provinces, Q4 2008-Q4 2015

Region	Q4 2008 %	Q4 2015 %
Western Cape	67.0	68.4
Eastern Cape	46.8	47.2
Northern Cape	58.2	54.5
Free State	58.9	62.7
KwaZulu-Natal	53.6	47.2
North West	56.9	52.1
Gauteng	72.7	72.9
Mpumalanga	56.3	57.8
Limpopo	40.9	45.6
South Africa	58.8	58.5

Source: Statistics South Africa – QLFS, 2016

At the end of the fourth quarter 2015, males in Mpumalanga recorded a labour force participation rate of 65.4 per cent, a rate some 15.0 percentage points higher than that of females (50.4 per cent). The male participation rate was higher than the 64.8 per cent recorded at the end of the fourth quarter 2008. Figure 3.2 compares the labour force participation rate by gender and age in Mpumalanga between the end of the fourth quarter 2008 and the end of the fourth quarter 2015.

Figure 3.2: Labour force participation rate according to gender and age group in Mpumalanga, Q4 2008-Q4 2015



Source: Statistics South Africa – QLFS, 2016

The youth cohort (15-34 years) registered a labour force participation rate of 50.1 per cent at the end of the fourth quarter 2015. This was marginally higher than 7 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 2015 with the highest labour force participation rate of 78.7 per cent. The age group recorded the lowest participation rate of only 4.6 per cent.

According to Table 3.5, Coloureds (100.0 per cent¹⁴) registered the highest participation rate in Mpumalanga at the end of the fourth quarter 2015. The participation rate of African/Blacks, Coloureds and Indian/Asians in Mpumalanga increased from the end of the fourth quarter 2008 to the end of the fourth quarter 2015, whereas that of Whites declined.

Table 3.5: Labour force participation rate according to population group in South Africa and Mpumalanga, Q4 2008-Q4 2015

Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2015	Q4 2008	Q4 2015
African/Black	55.1%	56.7%	54.7%	56.5%
Coloured	64.9%	63.6%	66.3%	100.0%
Indian/Asian	60.2%	59.9%	58.2%	73.0%
White	68.9%	68.9%	68.2%	57.8%

Source: Statistics South Africa – QLFS, 2016

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 44.2 per cent at the end of the fourth quarter 2015, a decrease from 46.2 per cent at the end of the fourth quarter 2008. Mpumalanga's labour absorption rate was 42.9 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 Western Cape (55.1 per cent) leading. Eastern Cape recorded the lowest labour absorption rate of 34.2 per cent at the end of the fourth quarter 2015, followed by Limpopo with 36.5 per cent.

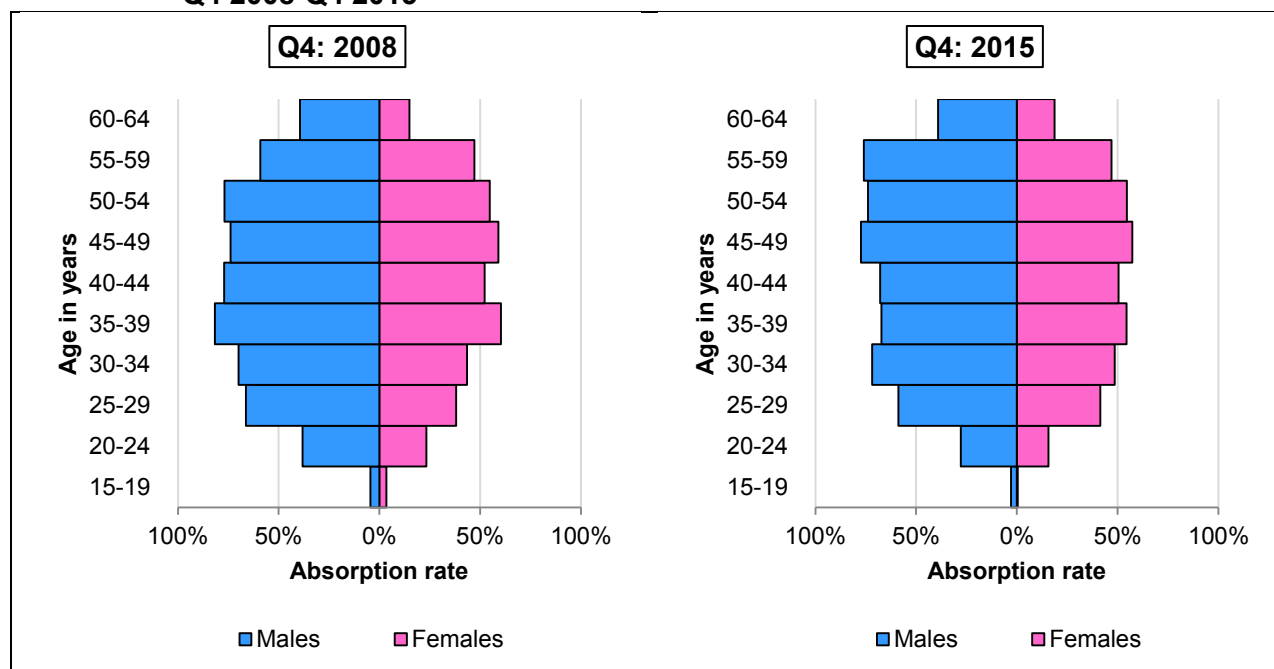
At the end of the fourth quarter 2015, males in Mpumalanga recorded a labour absorption rate of 50.5 per cent, higher than that of females at 35.5 per cent. The male absorption rate was, however, lower than the 52.4 per cent recorded at the end of the fourth quarter 2008. Figure 3.3 compares the labour absorption rate by gender and age in Mpumalanga between the end of the fourth quarter 2008 and the end of the fourth quarter 2015.

¹⁴ The size of the sample may be too small to provide accurate estimates.

Table 3.6: Labour absorption rate in South Africa and provinces, Q4 2008-Q4 2015

Province	Q4 2008 %	Q4 2015 %
Western Cape	56.0	55.1
Eastern Cape	35.0	34.2
Northern Cape	45.9	40.4
Free State	45.9	44.0
KwaZulu-Natal	42.6	37.5
North West	42.3	39.6
Gauteng	57.8	52.8
Mpumalanga	43.6	42.9
Limpopo	29.3	36.5
South Africa	46.2	44.2

Source: Statistics South Africa – QLFS, 2016

Figure 3.3: Labour absorption rate according to gender and age group in Mpumalanga, Q4 2008-Q4 2015

Source: Statistics South Africa – QLFS, 2016

The youth cohort (15-34 years) registered a relatively low labour force absorption rate of 31.8 per cent at the end of the fourth quarter 2015. This was lower than 7 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 2015 with the highest labour force absorption rate of 66.9 per cent. The 15-19 age group recorded the lowest absorption rate of only 1.6 per cent.

According to Table 3.7, Coloureds (81.6 per cent) registered the highest absorption rate in Mpumalanga at the end of the fourth quarter 2015. The absorption rate of the African/Black population group decreased from the end of the fourth quarter 2008 to the end of the fourth quarter 2015, whereas the absorption rate of the other three population groups increased.

Table 3.7: Labour absorption rate according to population group in South Africa and Mpumalanga, Q4 2008-Q4 2015

Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2015	Q4 2008	Q4 2015
African/Black	40.8%	41.1%	41.0%	40.8%
Coloured	53.2%	49.9%	61.9%	81.6%
Indian/Asian	53.2%	53.4%	58.2%	73.0%
White	66.9%	64.1%	67.5%	71.6%

Source: Statistics South Africa – QLFS, 2016

3.3 Employment

The national labour market gained 1 249 369 jobs over the last 7 years. In total over the last 7 years, Mpumalanga recorded 139 929 more jobs and was one of seven provinces with higher employment numbers over the 7-year period (Table 3.8). Over the 7-year period, the province that lost the most jobs were KwaZulu-Natal (-54 251), whereas Limpopo (396 275) gained the most. Total employment in Mpumalanga constituted 7.4 per cent of employment in the country at the end of the fourth quarter 2015, which was slightly higher than 7 years earlier.

Table 3.8: Changes in employment in South Africa and provinces, 2008-2015

Region	Q4 2008 '000	Q4 2014 '000	Q4 2015 '000	1-year change '000	7-year change '000
Western Cape	2 072	2 170	2 380	210	308
Eastern Cape	1 344	1 336	1 411	76	67
Northern Cape	323	320	312	-9	-11
Free State	823	772	825	53	2
KwaZulu-Natal	2 584	2 520	2 529	10	-54
North West	912	948	969	21	58
Gauteng	4 746	4 881	5 090	209	343
Mpumalanga	1 051	1 138	1 191	53	140
Limpopo	915	1 235	1 311	76	396
South Africa	14 769	15 320	16 018	698	1 249

Source: Statistics South Africa – QLFS, 2016

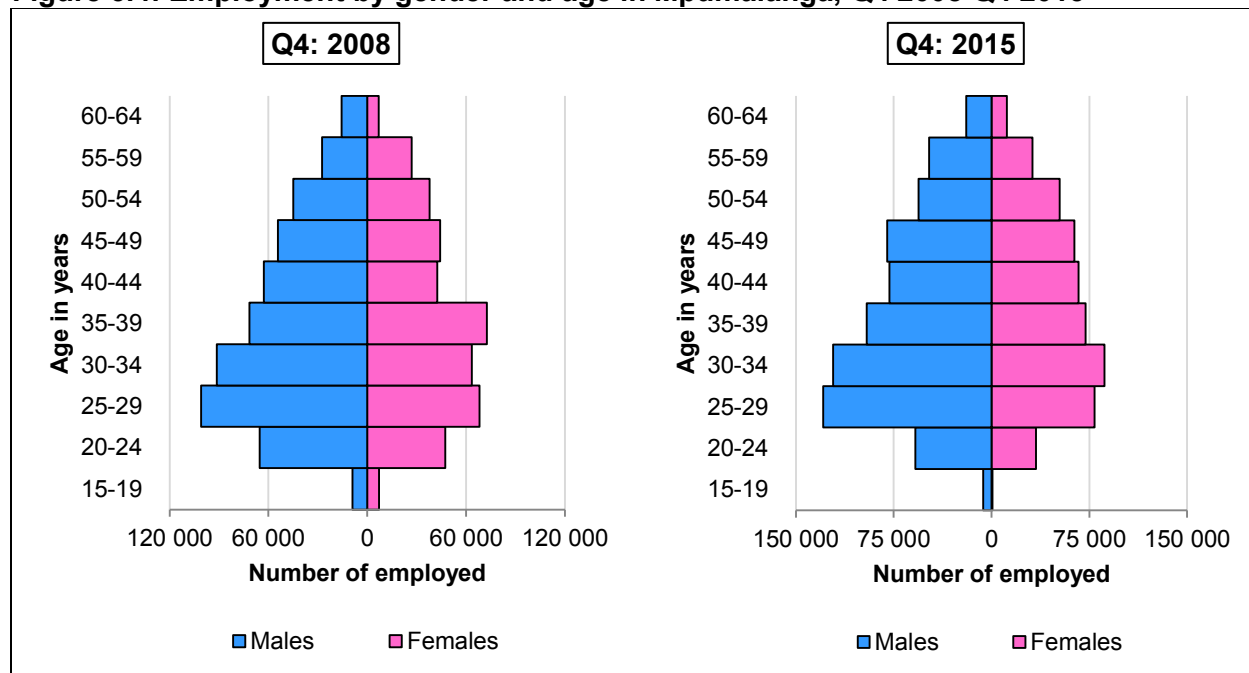
Note: Due to rounding, numbers do not necessarily add up to totals

At the end of the fourth quarter 2015, the majority of Mpumalanga's employed was males with 692 412 individuals or 58.1 per cent of the provincial total number of employees. This was higher than the 56.6 per cent recorded at the end of the fourth quarter 2008. The remainder (41.9 per cent) of the employed at the end of the fourth quarter 2015 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 2015.

The youth of working age (15-34 years) made up 43.3 per cent of the total number of employed at the end of the fourth quarter 2015. This was lower than 7 years earlier when the youth of working age contributed 47.1 per cent. The age cohort of 25-29 years represented the most

populous age cohort with 208 240 individuals or some 17.5 per cent of the provincial employed at the end of the fourth quarter 2015. The 25-29 years age cohort was also 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 2015



Source: Statistics South Africa – QLFS, 2016

At the end of the fourth quarter 2015, Africans/Blacks dominated employment in Mpumalanga with a share of 88.6 per cent of the provincial employment numbers. This was considerably higher than the share of Africans/Blacks (74.0 per cent) nationally. Whites contributed some 9.0 per cent, whilst Indians/Asians (2.1 per cent) and Coloureds (0.4 per cent) contributed the remainder of the provincial employment numbers. African's/Black'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 and Coloureds declined. Employment according to population group is displayed in Table 3.9.

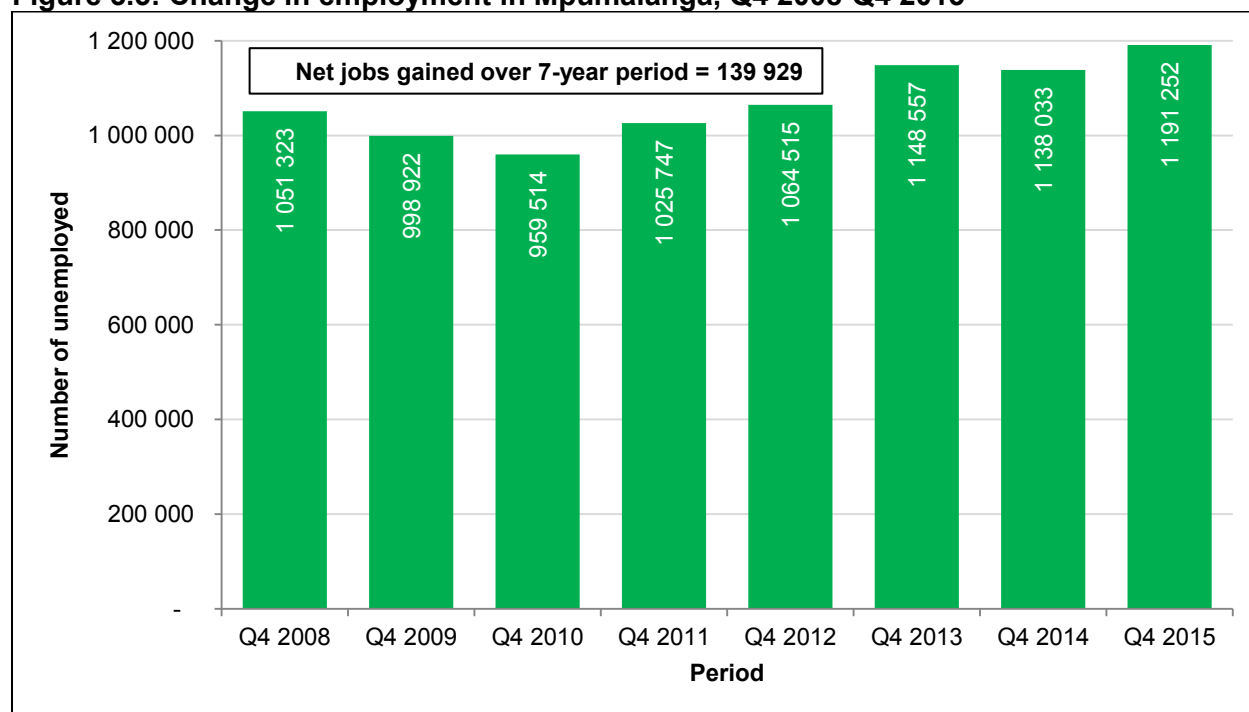
Table 3.9: Employment according to population group in South Africa and Mpumalanga, Q4 2008-Q4 2015

Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2015	Q4 2008	Q4 2015
African/Black	70.4%	74.0%	87.3%	88.6%
Coloured	11.1%	10.4%	1.0%	0.4%
Indian/Asian	3.4%	3.3%	0.8%	2.1%
White	15.1%	12.3%	10.9%	9.0%
Total	100.0%	100.0%	100.0%	100.0%

Source: Statistics South Africa – QLFS, 2015

Over the last seven 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 2015, of 1 191 252 was 139 929 more than 7 years earlier. Not only was it higher than 7 years earlier, but it was also 231 739 higher than the lowest number recorded at the end of the fourth quarter 2010. Between the end of the fourth quarter 2014 and the end of the fourth quarter 2015, Mpumalanga gained 53 220 jobs. The change in total employment from the end of the fourth quarter 2008 to the fourth quarter 2015 is displayed in Figure 3.5.

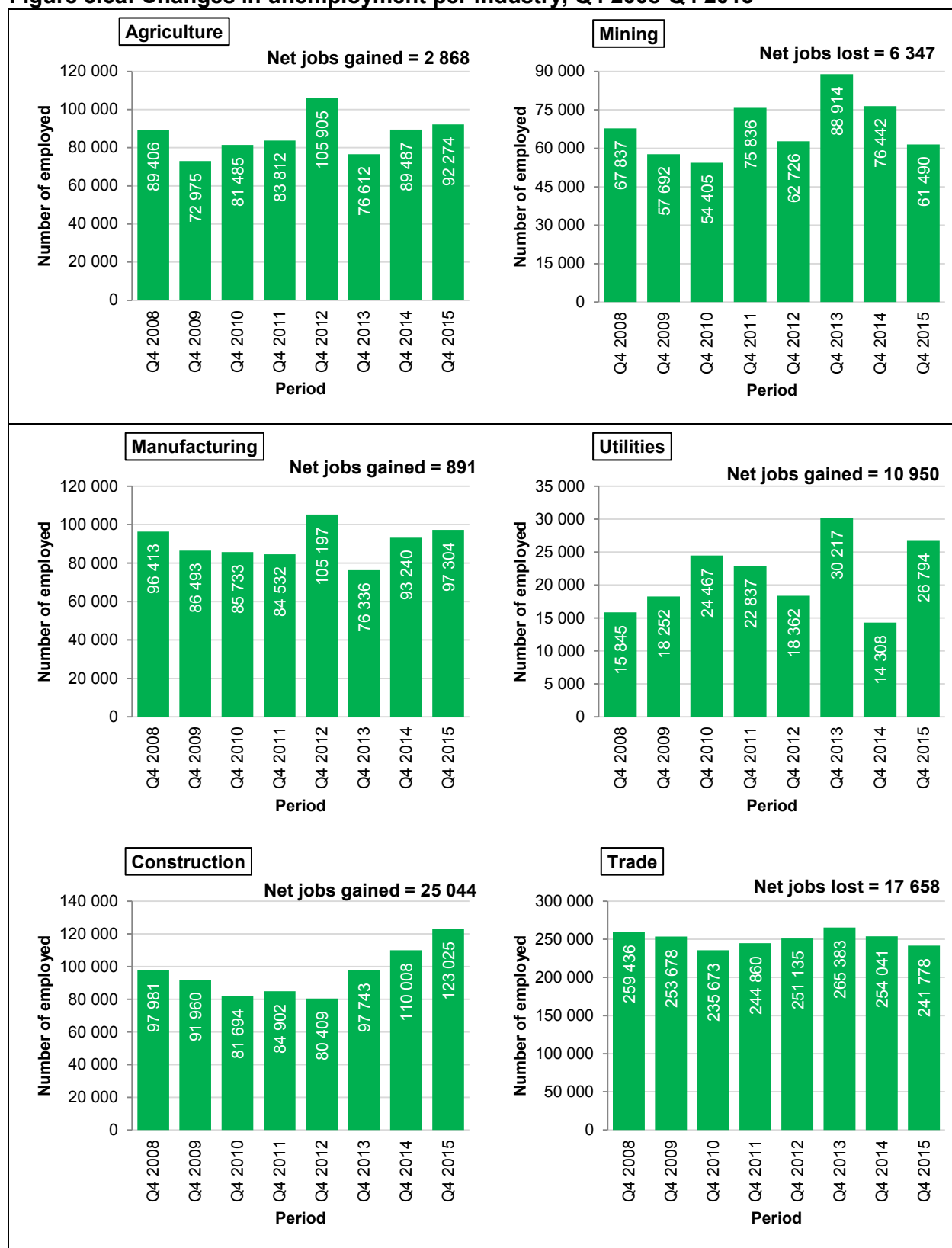
Figure 3.5: Change in employment in Mpumalanga, Q4 2008-Q4 2015



Source: Statistics South Africa – QLFS, 2016

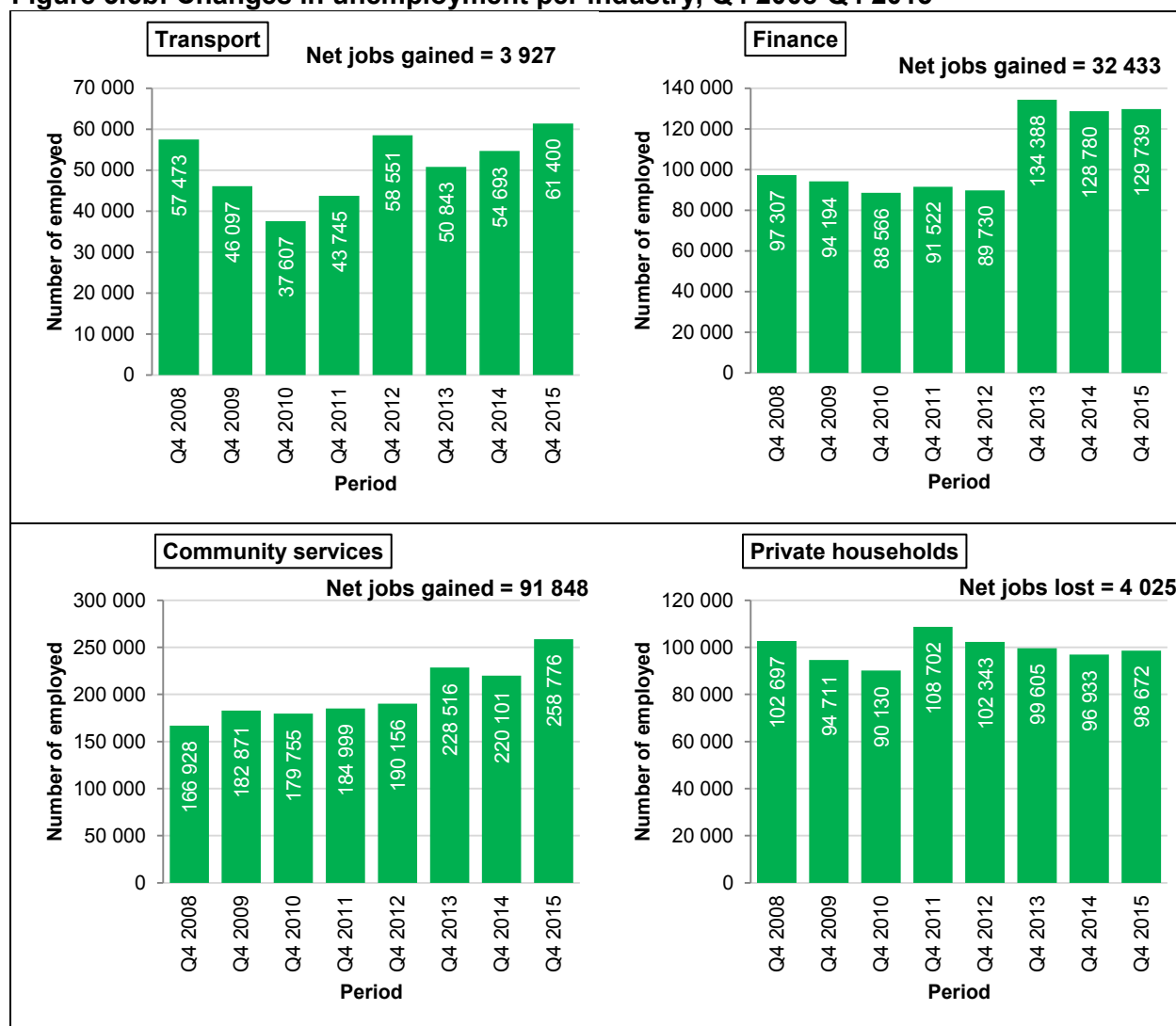
It is evident from Figures 3.6a and 3.6b that seven industries registered higher employment levels at the end of the fourth quarter 2015 than at the end of the fourth quarter 2008. Trade (-17 658), mining (-6 347) and private households (-4 025) recorded lower employment levels than 7 years earlier. Community services (91 848) recorded the highest gain in job numbers followed by finance (32 433). Utilities (7.8 per cent) registered the fastest average annual growth over the 7-year period, whereas job numbers in mining (-1.4 per cent) declined the fastest on an average annual basis.

Figure 3.6a: Changes in unemployment per industry, Q4 2008-Q4 2015



Source: Statistics South Africa – QLFS, 2016

Figure 3.6b: Changes in unemployment per industry, Q4 2008-Q4 2015



Source: Statistics South Africa – QLFS, 2016

Over the last year, from the end of the fourth quarter 2014 to the end of the fourth quarter 2015, employment numbers in all industries increased, with the exception of mining and trade. The largest increase in employment numbers over the last year, was experienced in the community services industry (38 675). The largest decrease in job numbers on an annual basis was recorded in mining (-14 953).

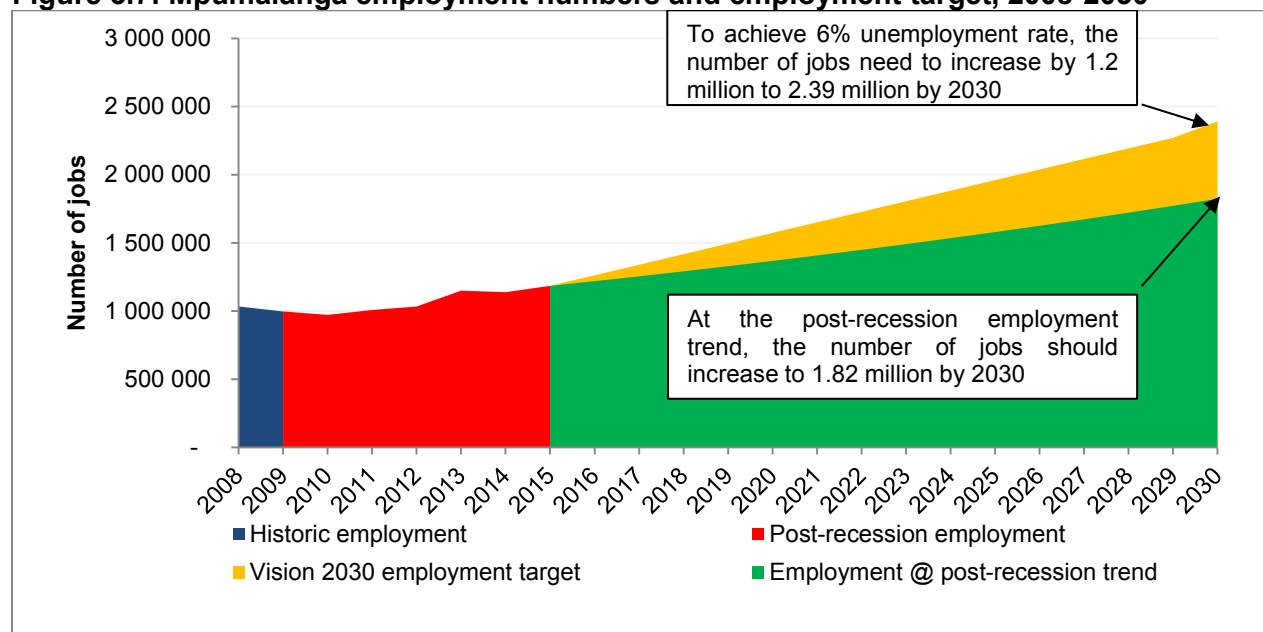
Employment target

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 1.2 million new, sustainable jobs must be created in

the period up to 2030.

The 1.2 million jobs equates to more or less 77 800 jobs per annum or an annual average employment growth of 4.7 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 2.9 per cent per annum – the employment growth post-recession – will not be sufficient to reach the employment target of 2.39 million jobs by 2030.

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



Source: Statistics South Africa – QLFS, 2016

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 63.6 per cent at the end of the fourth quarter 2015. The formal sector in Mpumalanga recorded a smaller share of total employment than was the case nationally (69.8 per cent). The informal sector's¹⁵ share decreased from 22.0 per cent to 20.3 per cent over the same period. Private households' share decreased to 8.3 per cent from 9.8 per cent 7 years earlier, whilst agriculture's share decreased from 8.5 per cent to 7.7 per cent. The informal sector, agriculture and private households in Mpumalanga registered larger shares of total employment in the fourth quarter of 2015, than was the case nationally. Table 3.10 shows the aggregated employment composition of employment in South Africa and the

¹⁵ 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.

province from the end of the fourth quarter 2008 to the end of the fourth quarter 2015.

Table 3.10: Aggregate employment in South Africa & Mpumalanga, 2008-2015

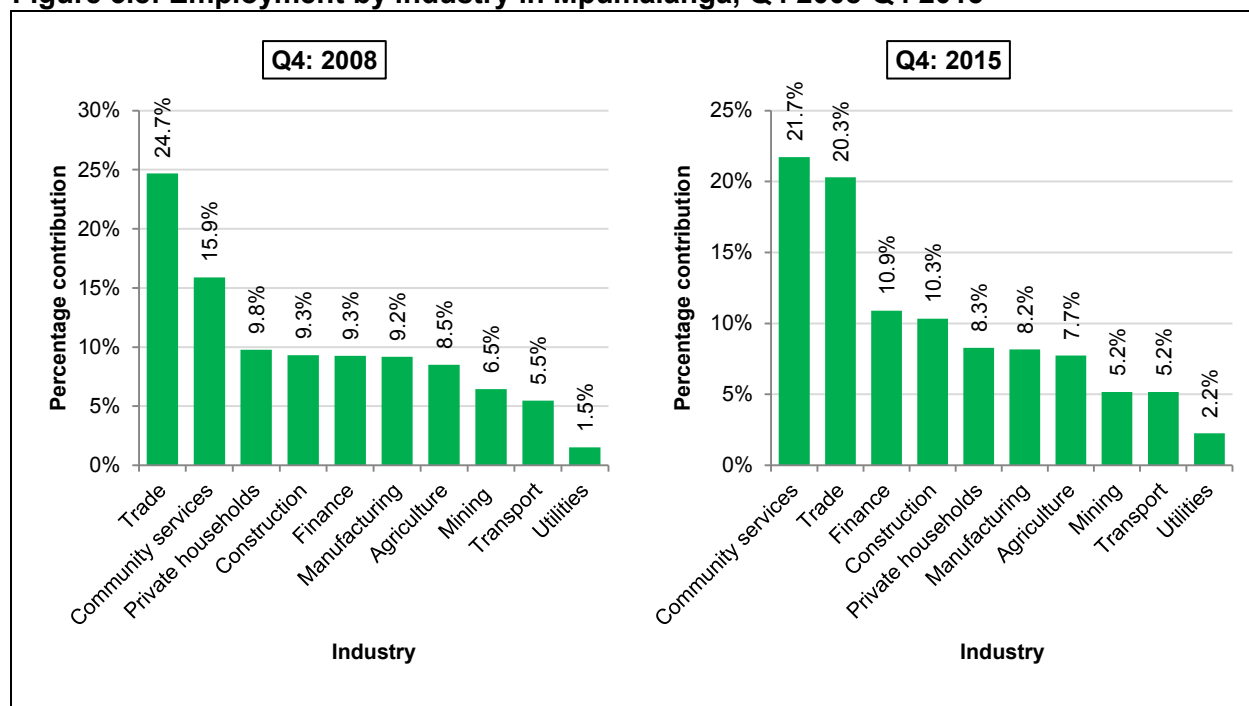
Sector	Q4 2008		Q4 2014		Q4 2015	
	SA	MP	SA	MP	SA	MP
Formal sector	69.2%	59.7%	71.2%	62.8%	69.8%	63.6%
Informal sector	16.0%	22.0%	16.0%	20.8%	16.8%	20.3%
Agriculture ¹⁶	5.5%	8.5%	4.8%	7.9%	5.4%	7.7%
Private households	9.3%	9.8%	8.0%	8.5%	8.1%	8.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Statistics South Africa – QLFS, 2016

3.3.2 Employment by industry in Mpumalanga

Figure 3.8 depicts employment by industry in Mpumalanga in the fourth quarters of 2008 and 2015, respectively. The community services industry employed the largest share of individuals in the province at 21.7 per cent at the end of the fourth quarter 2015. This was larger than the 15.9 per cent share registered 7 years earlier. Trade (20.3 per cent) was the second largest employer with a smaller share than at the end of the fourth quarter 2008 (24.7 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.

Figure 3.8: Employment by industry in Mpumalanga, Q4 2008-Q4 2015



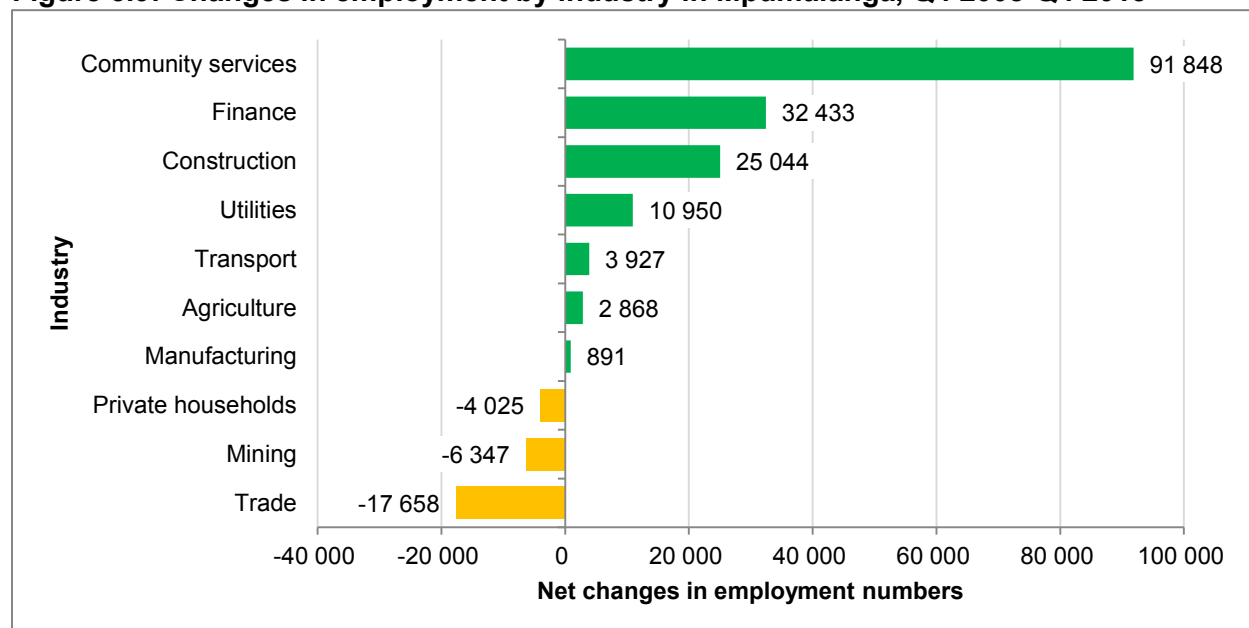
Source: Statistics South Africa – QLFS, 2016

According to Figure 3.9, community services (91 848), finance (32 433) and community services

¹⁶ An additional 141 556 citizens were involved in subsistence farming (non-market activities) in the province.

(25 044) were the three industries in Mpumalanga that recorded the highest employment increase from the fourth quarter 2008 to the end of the fourth quarter 2015. Trade (-17 658) recorded the highest number of job losses over the same period followed by mining (-6 347).

Figure 3.9: Changes in employment by industry in Mpumalanga, Q4 2008-Q4 2015



Source: Statistics South Africa – QLFS, 2016

3.3.3 Occupational profile of employed

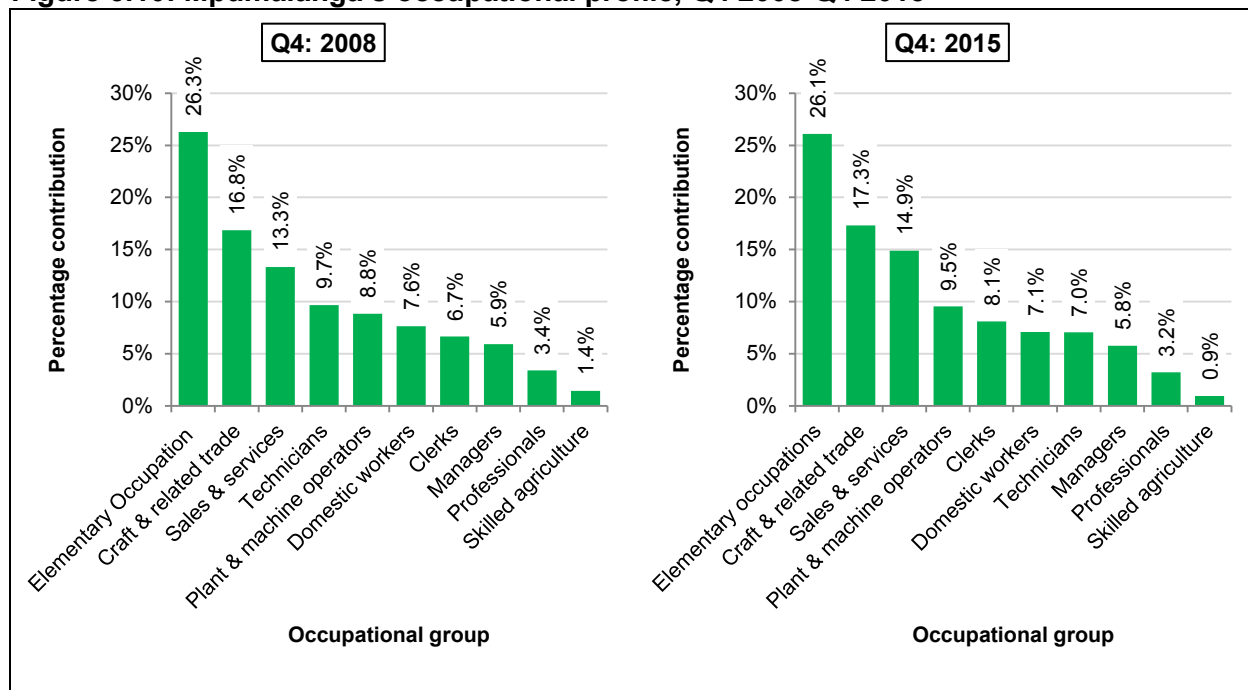
The occupational profile is an indicator of the quality of the labour force. It provides information on the employability of workers and their proficiency levels and assists in identifying the shortage of skills in the economy, by matching the demand for labour with its relative supply.

Figure 3.10 illustrates the occupational profile of Mpumalanga in the respective fourth quarters of 2008 and 2015. It was heavily skewed towards semi- and unskilled occupations. The share of highly educated or skilled occupations (managers, professionals and technicians) was 16.0 per cent at the end of the fourth quarter 2015. 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 2015, slightly lower than the 33.9 per cent share seven years earlier. The majority of these people are normally unskilled or semi-skilled workers.

Figure 3.11 depicts the occupational profile of the province by gender at the end of the fourth quarter 2015. Males registered significantly higher employment numbers in elementary occupations as well as craft and related trade occupations, whereas females dominated clerical occu-

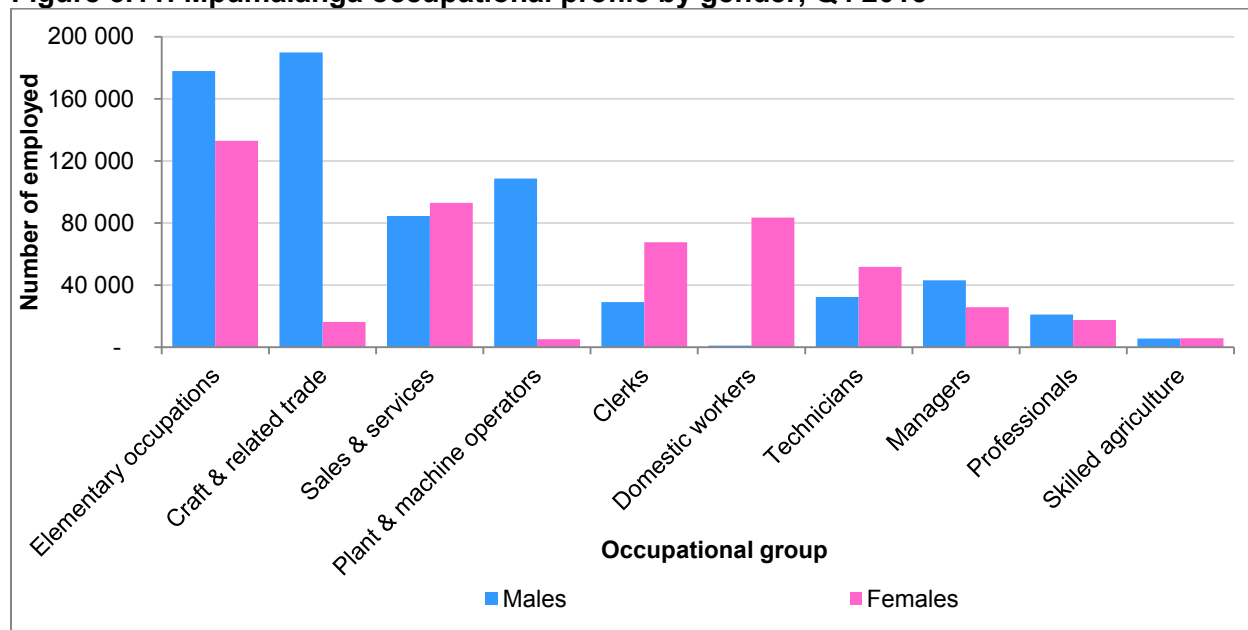
pations and domestic work occupations.

Figure 3.10: Mpumalanga's occupational profile, Q4 2008-Q4 2015



Source: Statistics South Africa – QLFS, 2016

Figure 3.11: Mpumalanga occupational profile by gender, Q4 2015



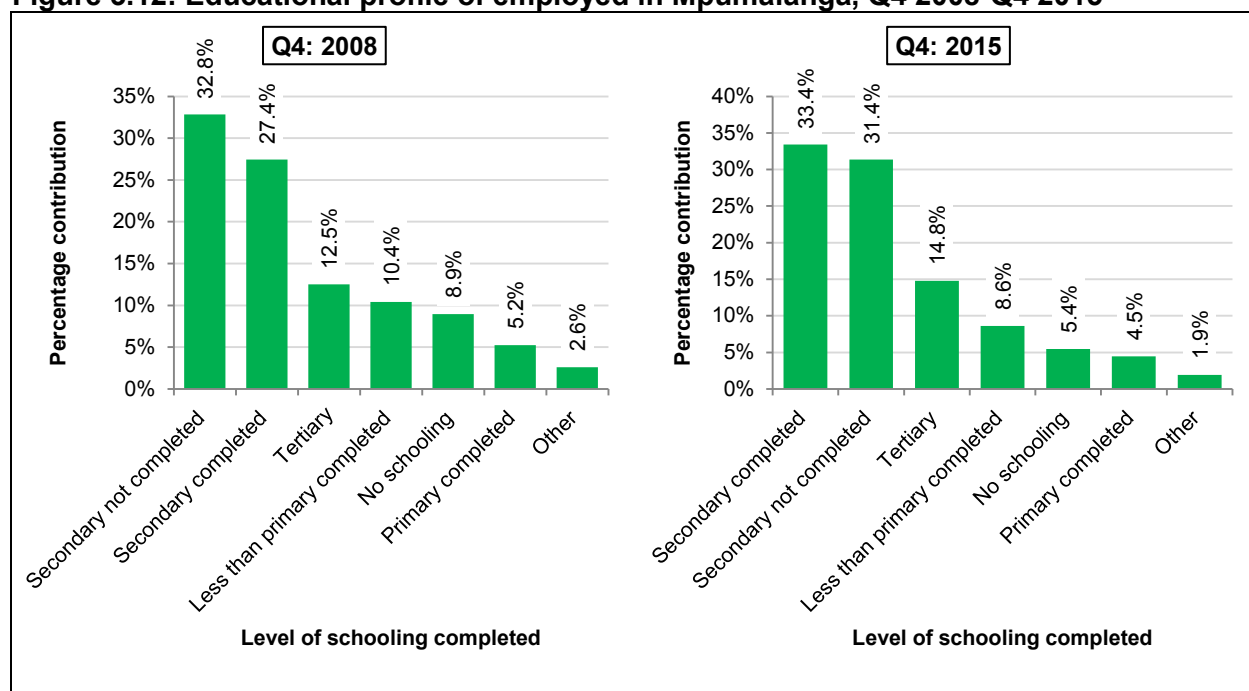
Source: Statistics South Africa – QLFS, 2016

3.3.4 Educational profile of employed

At the end of the fourth quarter of 2015, some 33.4 per cent of the employed in Mpumalanga in-

indicated that they have completed their secondary education. At the end of the fourth quarter 2008, this figure was lower at 27.4 per cent. Those that have not completed their secondary education made up 31.4 per cent, whereas 14.8 per cent of the employed completed some post matric education at the end of the fourth quarter 2015. Seven years earlier, the employed were slightly less educated with fewer 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, 20.4 per cent of the employed have not completed any level of schooling higher than primary at the end of the fourth quarter 2015.

Figure 3.12: Educational profile of employed in Mpumalanga, Q4 2008-Q4 2015



Source: Statistics South Africa – QLFS, 2016

In the fourth quarter of 2015, the employment rate among individuals with completed tertiary education was the highest in South Africa with 88.7 per cent. The lowest employment rate (highest unemployment rate) at the end of the fourth quarter 2015 was recorded among individuals with incomplete secondary education (69.3 per cent). The employment rate by the level of education is summarised in Table 3.11.

In Mpumalanga, individuals with no-schooling (83.4 per cent) registered the highest employment rate at the end of the fourth quarter 2015. The lowest employment rate was recorded among individuals with incomplete secondary education (67.3 per cent). Between 2008 and 2015, only the employment rate of individuals with incomplete primary education in Mpumalanga increased/improved.

Table 3.11: Comparative employment rate by level of education in South Africa and Mpumalanga, Q4 2008-Q4 2015

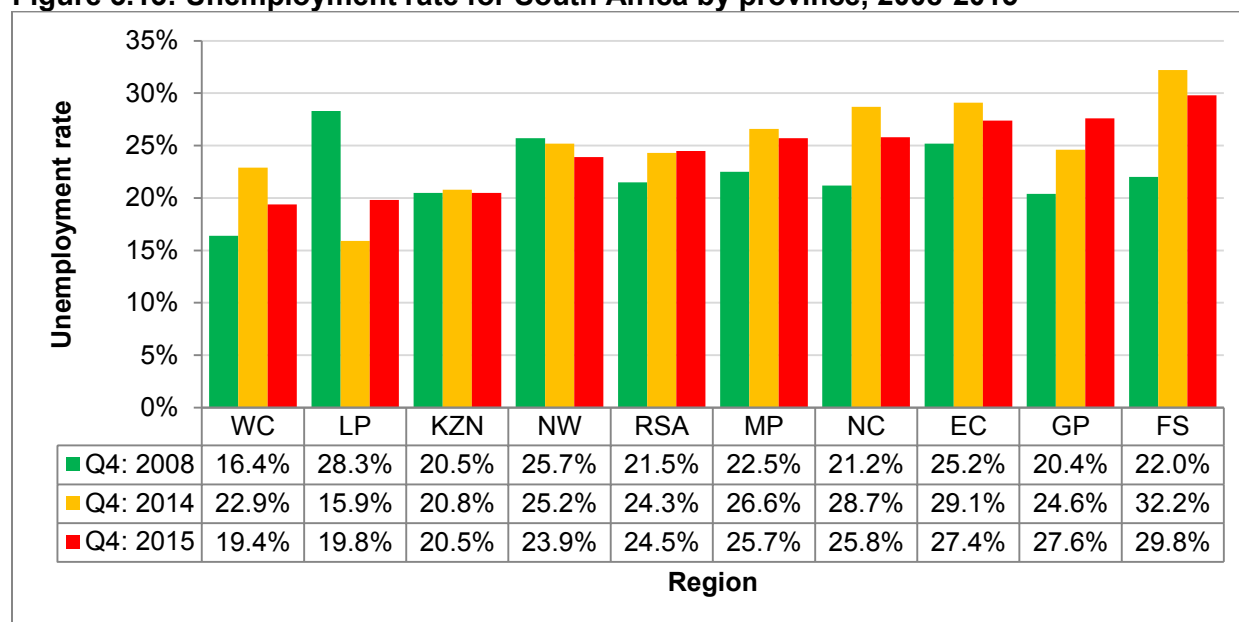
Level of education	South Africa		Mpumalanga	
	Q4 2008	Q4 2015	Q4 2008	Q4 2015
No schooling	87.4%	85.7%	90.1%	83.4%
Incomplete primary	79.1%	76.8%	77.0%	82.6%
Primary completed	76.1%	74.9%	83.0%	76.4%
Incomplete secondary	72.2%	69.3%	71.7%	67.3%
Secondary completed	76.5%	74.5%	75.6%	73.9%
Tertiary completed	93.5%	88.7%	87.1%	83.1%

Source: Statistics South Africa – QLFS, 2016

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 25.7 per cent at the end of the fourth quarter 2015 (Figure 3.13). This was higher than the national average, which was recorded at 24.5 per cent at the end of the fourth quarter 2015. Mpumalanga, recorded the fifth lowest/highest unemployment rate among the nine provinces with Free State (29.8 per cent) recording the highest unemployment rate. With the exception of Limpopo, KwaZulu-Natal and North West, the unemployment rates of all regions were higher at the end of the fourth quarter 2015 than at the start of the 7-year period.

Figure 3.13: Unemployment rate for South Africa by province, 2008-2015



Source: Statistics South Africa – QLFS, 2016

At the end of the fourth quarter 2015, the youth cohort (15-34 years of age) constituted 65.7 per cent and 72.1 per cent of the number of unemployed in South Africa and Mpumalanga, respec-

tively. The unemployment rate of the youth cohort was 34.9 per cent in South Africa and 36.6 per cent in Mpumalanga (Table 3.12). In Mpumalanga, the unemployment rate of the age group 15-19 years was the highest at 64.6 per cent.

Table 3.12: Unemployment rate according to age in South Africa & Mpumalanga, Q4 2015

Age group	Unemployment rate	
	South Africa	Mpumalanga
15-19 years	64.1%	64.4%
20-24 years	48.8%	56.3%
25-29 years	33.9%	34.1%
30-34 years	24.3%	21.8%
35-39 years	21.0%	22.4%
40-44 years	16.7%	17.8%
45-49 years	14.2%	14.0%
50-54 years	11.7%	7.6%
55-59 years	10.1%	3.7%
60-64 years	2.7%	0.0%

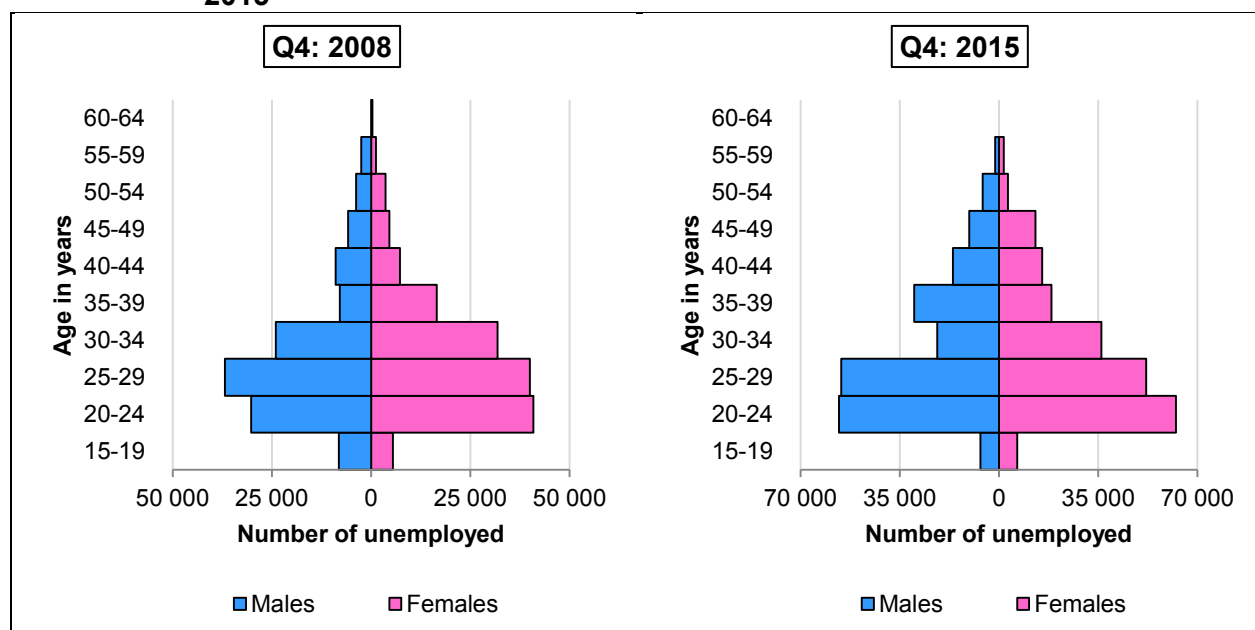
Source: Statistics South Africa – QLFS, 2016

The majority of Mpumalanga's unemployed at the end of the fourth quarter 2015 was female with 208 872 individuals or 50.6 per cent of the provincial total number of unemployed. This was lower than the 54.0 per cent recorded at the end of the fourth quarter 2008. The balance (49.4 per cent) of the unemployed at the end of the fourth quarter 2015 was males, which was lower than the 46.0 per cent recorded at the end of the fourth quarter 2008. Figure 3.14 compares the unemployed by gender and age in Mpumalanga between the end of the fourth quarter 2008 and the end of the fourth quarter 2015.

The youth of working age (15-34 years) made up 72.1 per cent of the total number of unemployed at the end of the fourth quarter 2015. This was lower than 7 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 118 882 individuals or some 28.8 per cent of the provincial unemployed at the end of the fourth quarter 2015. 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 2015, Africans/Blacks recorded an unemployment rate of 27.9 per cent - the highest in Mpumalanga. This was marginally higher than the unemployment rate of Africans/Blacks nationally (27.6 per cent) and higher than at the start of the 7-year period. The provincial unemployment rate of Whites was only 3.8 per cent, whilst that of Coloureds was 18.4 per cent at the end of the fourth quarter 2015.

Figure 3.14: Unemployment numbers by gender and age in Mpumalanga, Q4 2008-Q4 2015



Source: Statistics South Africa – QLFS, 2016

Table 3.13: Unemployment rate according to population group in Mpumalanga, Q4 2008-Q4 2015

Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2015	Q4 2008	Q4 2015
African/Black	25.7%	27.6%	24.9%	27.9%
Coloured	17.9%	21.6%	17.9%	18.4%
Indian/Asian	11.6%	10.9%	- ¹⁷	-
White	2.8%	6.9%	1.1%	3.8%
Total	21.6%	24.5%	22.6%	25.7%

Source: Statistics South Africa – QLFS, 2016

Target unemployment rate

The Vision 2030 target unemployment rate for Mpumalanga is 6 per cent by 2030. If 1.2 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 2.9 per cent per annum, the unemployment rate could possibly decline to 18 per cent by 2030.

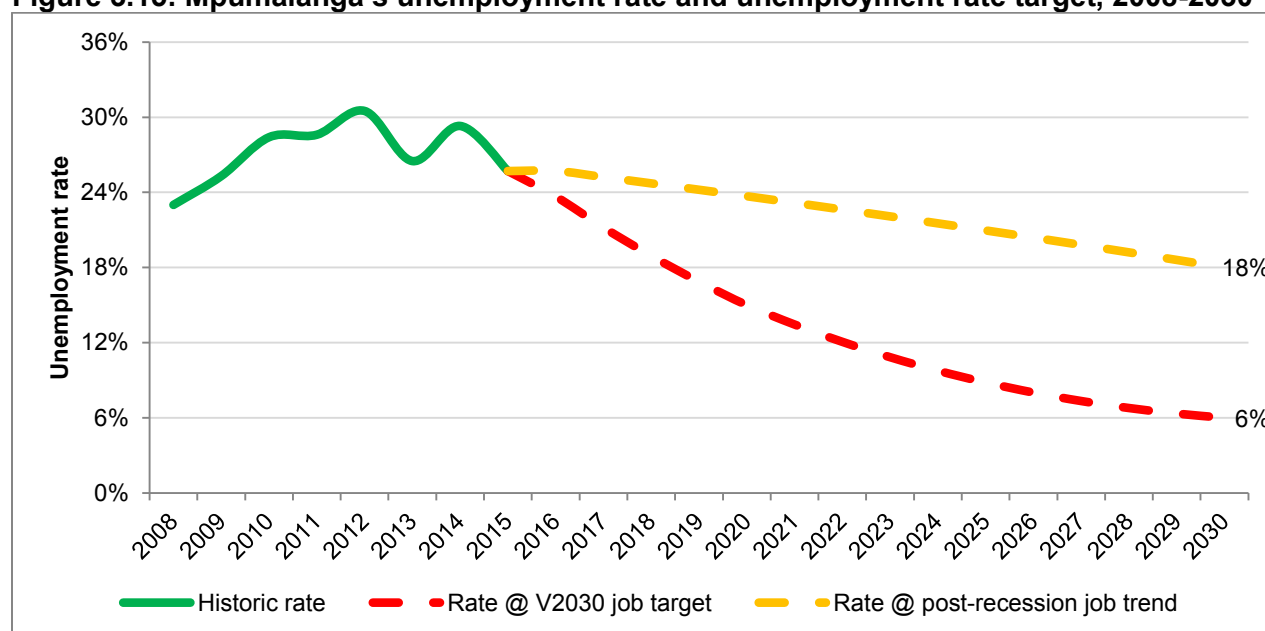
Duration of unemployment

The incidence of long-term unemployment (1 year and longer) in Mpumalanga deteriorated noticeably between the end of the fourth quarter 2008 and the end of the fourth quarter 2015. The share of the unemployed in Mpumalanga that indicated they were unemployed in excess of 12

¹⁷The size of the survey sample may be too small to provide accurate estimates.

months, increased from 56.9 per cent to 70.9 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 2015. The youth cohort contributed 75.5 per cent and 72.4 per cent to the number of unemployed that has been struggling to secure employment for more than 12 months in 2008 and 2015, respectively.

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



Source: Statistics South Africa – QLFS, 2016

Table 3.14: Duration of unemployment in Mpumalanga, 2008-2015

Duration	Q4 2008			Q4 2015		
	Males	Females	Share of un-employed	Males	Females	Share of un-employed
1 year and longer	64 954	109 069	56.9%	133 666	158 926	70.9%
Less than 1 year	76 966	55 094	43.1%	70 178	49 945	29.1%
Total	141 919	164 162	100.0%	203 844	208 871	100.0%

Source: Statistics South Africa – QLFS, 2016

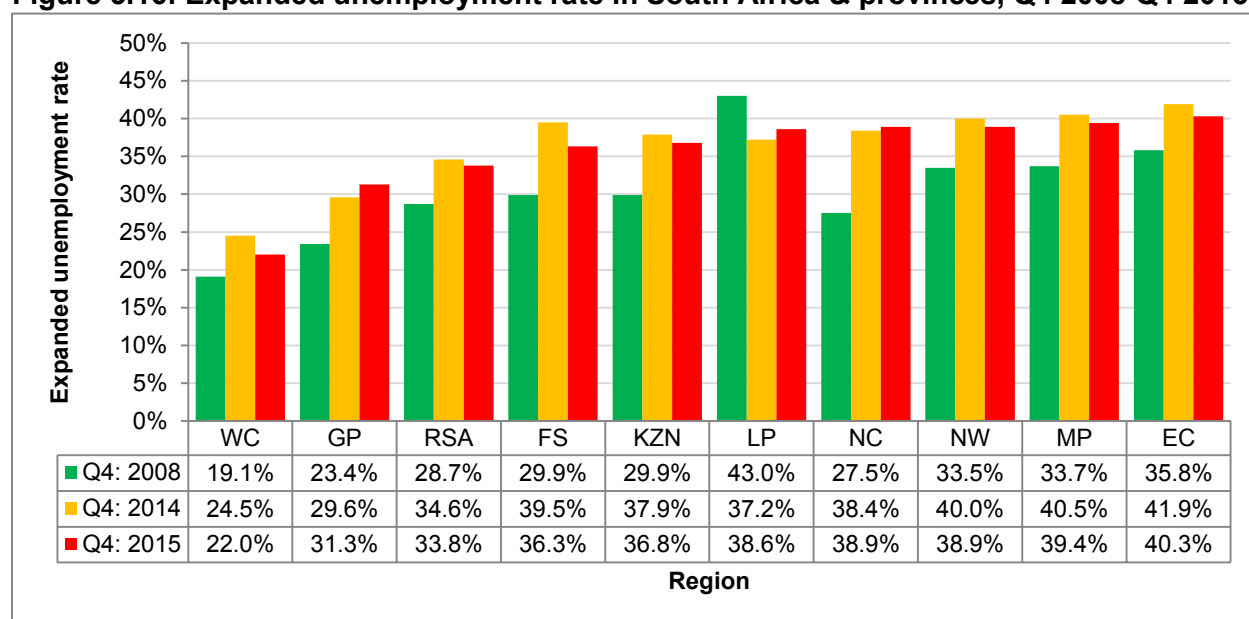
3.4.1 Expanded definition of unemployment

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 33.8 per cent at the end of the fourth quarter 2015. 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 39.4 per cent at the end of the fourth quarter 2015.

Figure 3.16: Expanded unemployment rate in South Africa & provinces, Q4 2008-Q4 2015



Source: Statistics South Africa – QLFS, 2016

The expanded unemployment rate of the youth cohort was 45.9 per cent in South Africa and 49.6 per cent in Mpumalanga at the end of the fourth quarter 2015. The expanded unemployment rate of the 15-19 year age group was the highest in Mpumalanga at 84.0 per cent, whereas that of the 60-64 year age group was the lowest at 3.5 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 2015 was female with some 434 525 individuals or 56.1 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 (43.9 per cent) of the unemployed at the end of the fourth quarter 2015 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 2015.

The youth of working age (15-34 years) made up 67.8 per cent of the total number of unemployed (expanded definition) in Mpumalanga at the end of the fourth quarter 2015. This was lower than 7 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 201 399 individuals or

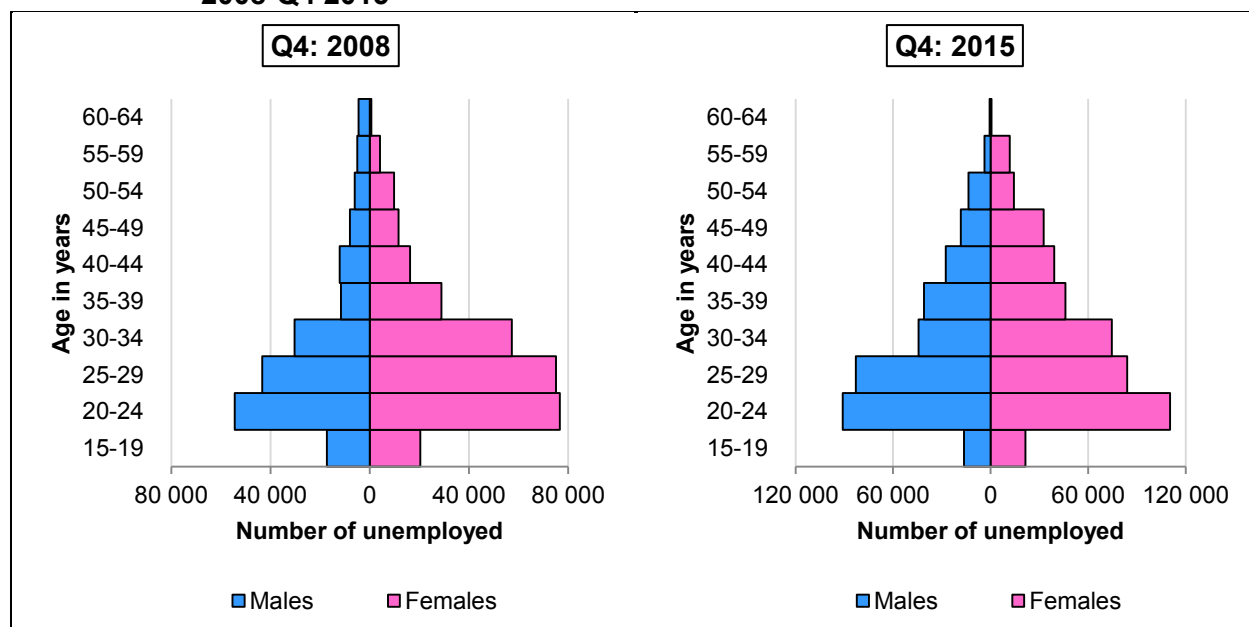
some 26.0 per cent of the provincial unemployed (expanded definition) at the end of the fourth quarter 2008 and 2015, respectively.

Table 3.15: Expanded unemployment rate according to age in South Africa & Mpumalanga, Q4 2015

Age group	Unemployment rate	
	South Africa	Mpumalanga
15-19 years	80.3%	84.0%
20-24 years	60.3%	68.5%
25-29 years	43.4%	44.5%
30-34 years	33.3%	36.4%
35-39 years	28.0%	34.2%
40-44 years	24.0%	31.5%
45-49 years	20.2%	26.2%
50-54 years	18.5%	20.5%
55-59 years	17.3%	16.4%
60-64 years	6.5%	3.5%
Total	33.8%	39.4%

Source: Statistics South Africa – QLFS, 2016

Figure 3.17: Expanded unemployment numbers by gender and age in Mpumalanga, Q4 2008-Q4 2015



Source: Statistics South Africa – QLFS, 2016

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/Blacks (42.1 per cent) was higher than the provincial average of 39.4 per cent. This was higher than 7 years earlier (36.9 per cent) and higher than the national expanded unemployment rate of Africans/Blacks (38.2 per cent). At the end of the fourth quarter 2015, the expanded unemployment rate of Whites was 4.9 per cent and Coloureds 18.4 per cent.

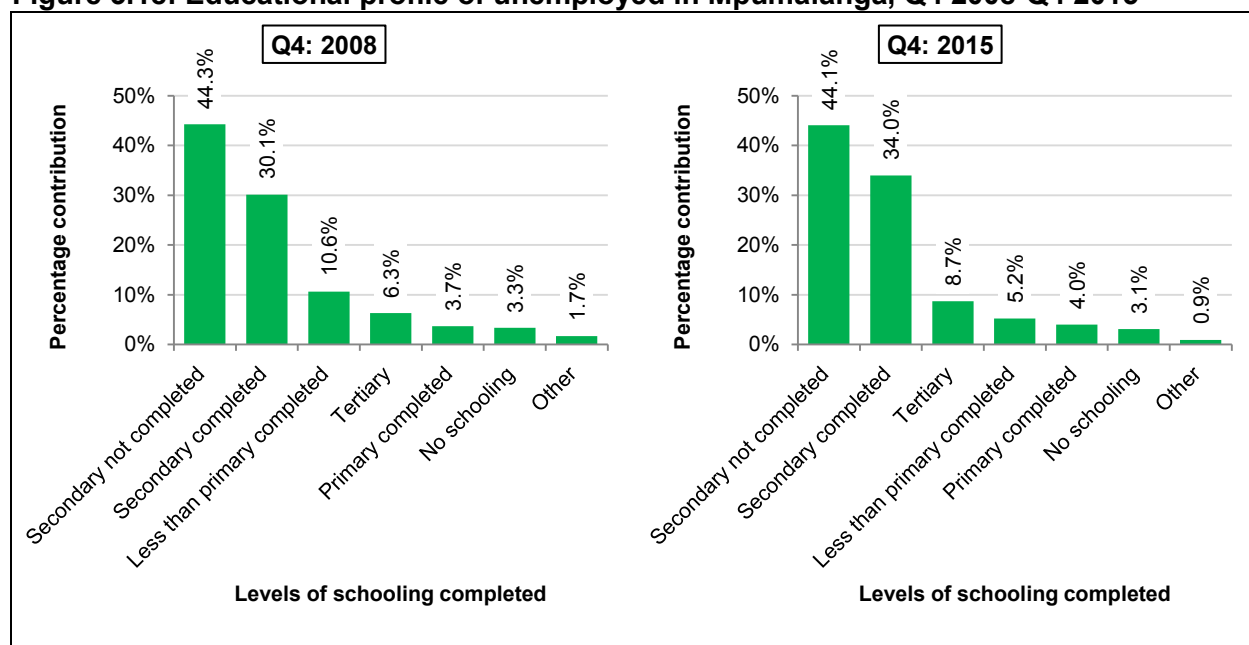
Table 3.16: Expanded unemployment rate according to population group in South Africa and Mpumalanga, Q4 2008-Q4 2015

Population group	South Africa		Mpumalanga	
	Q4 2008	Q4 2015	Q4 2008	Q4 2015
African/Black	34.6%	38.2%	36.9%	42.1%
Coloured	20.7%	26.4%	6.6%	18.4%
Indian/Asian	14.7%	14.5%	- ¹⁸	-
White	3.9%	8.4%	1.4%	4.9%
Total	29.2%	33.8%	35.2%	39.4%

Source: Statistics South Africa – QLFS, 2016

3.4.2 Educational profile of unemployed

Figure 3.18: Educational profile of unemployed in Mpumalanga, Q4 2008-Q4 2015



Source: Statistics South Africa – QLFS, 2016

At the end of the fourth quarter 2015, some 44.1 per cent of the unemployed in Mpumalanga indicated that they have not completed their secondary education. It is apparent from Figure 3.18 that only 13.2 per cent of the unemployed has not completed any level higher than primary education at the end of the fourth quarter 2015.

Particularly worrying is the fact that 34.0 per cent of the unemployed completed their secondary education and only 8.7 per cent a qualification higher than matric. The share of secondary completed is higher than 7 years earlier at the end of the fourth quarter 2008.

3.5 Discouraged work-seekers

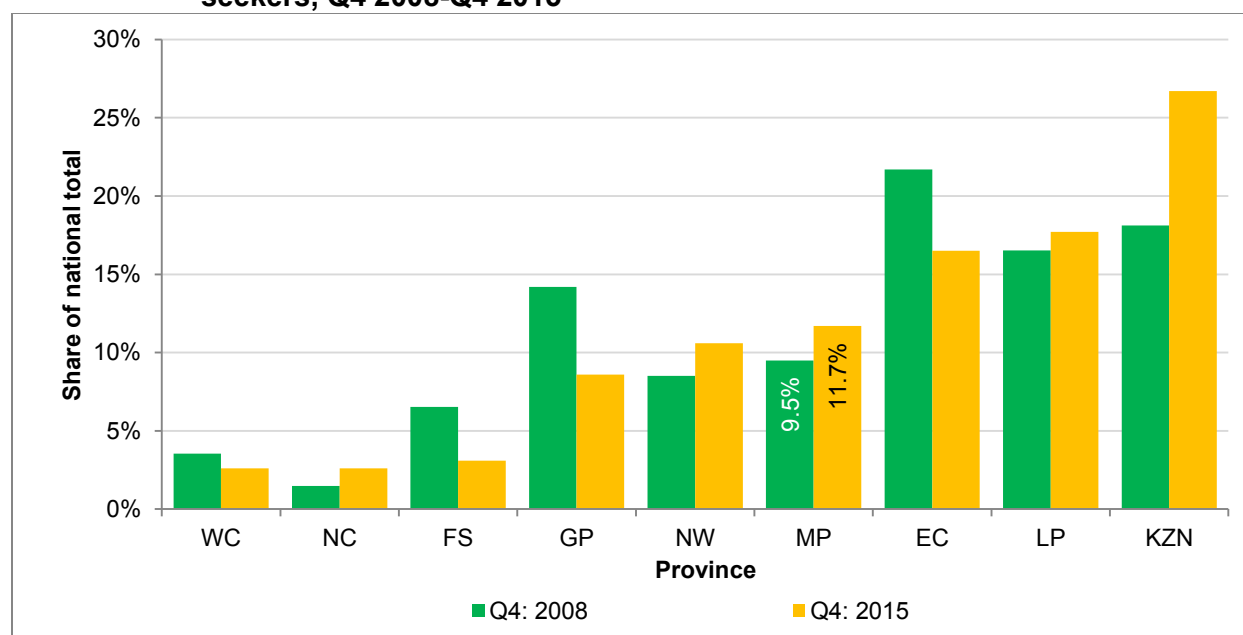
Statistics South Africa defines a discouraged work-seeker as a person, who was not employed

¹⁸The size of the survey sample may be too small to provide accurate estimates.

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 2.3 million discouraged work-seekers by the end of the fourth quarter 2015. This represents a decrease of 124 171 over the end of the fourth quarter 2014, and a 1.1 million more than at the end of the fourth quarter 2008.

Figure 3.19 indicates that Mpumalanga's share was 11.7 per cent of South Africa's discouraged work-seekers at the end of the fourth quarter 2015, 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 154 122 from the end of the fourth quarter 2008 to the end of the fourth quarter 2015. When compared with other provinces, Mpumalanga registered the fifth lowest share of the national total of discouraged work-seekers.

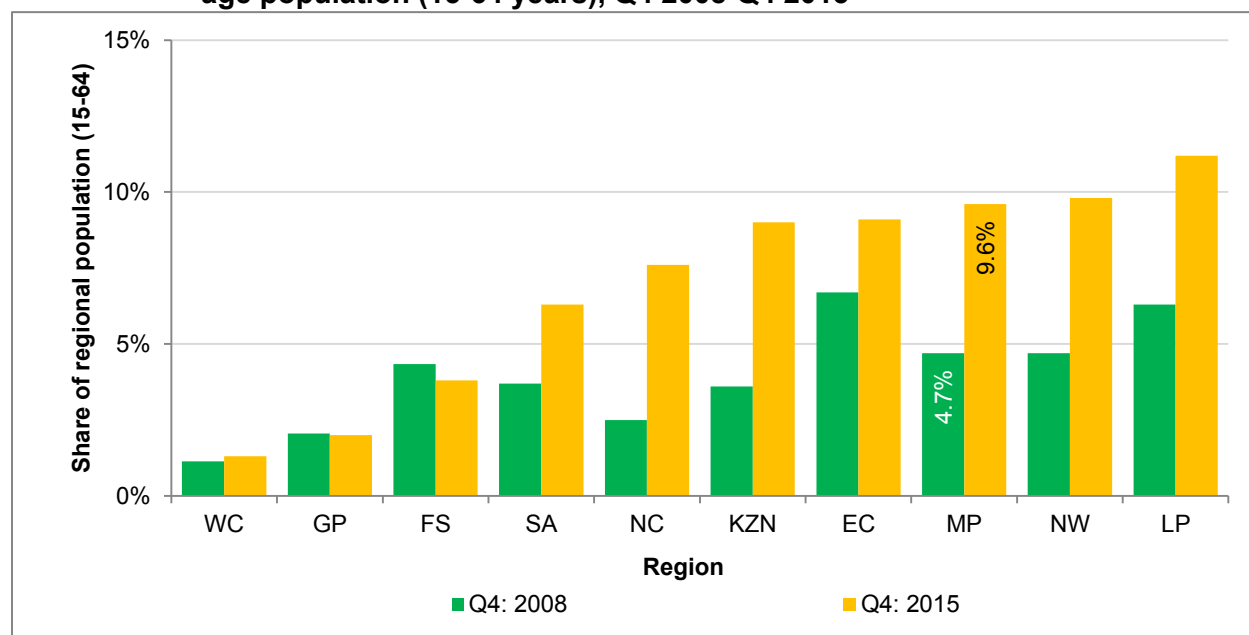
Figure 3.19: Contribution by provinces to the national number of discouraged work-seekers, Q4 2008-Q4 2015



Source: Statistics South Africa – QLFS, 2016

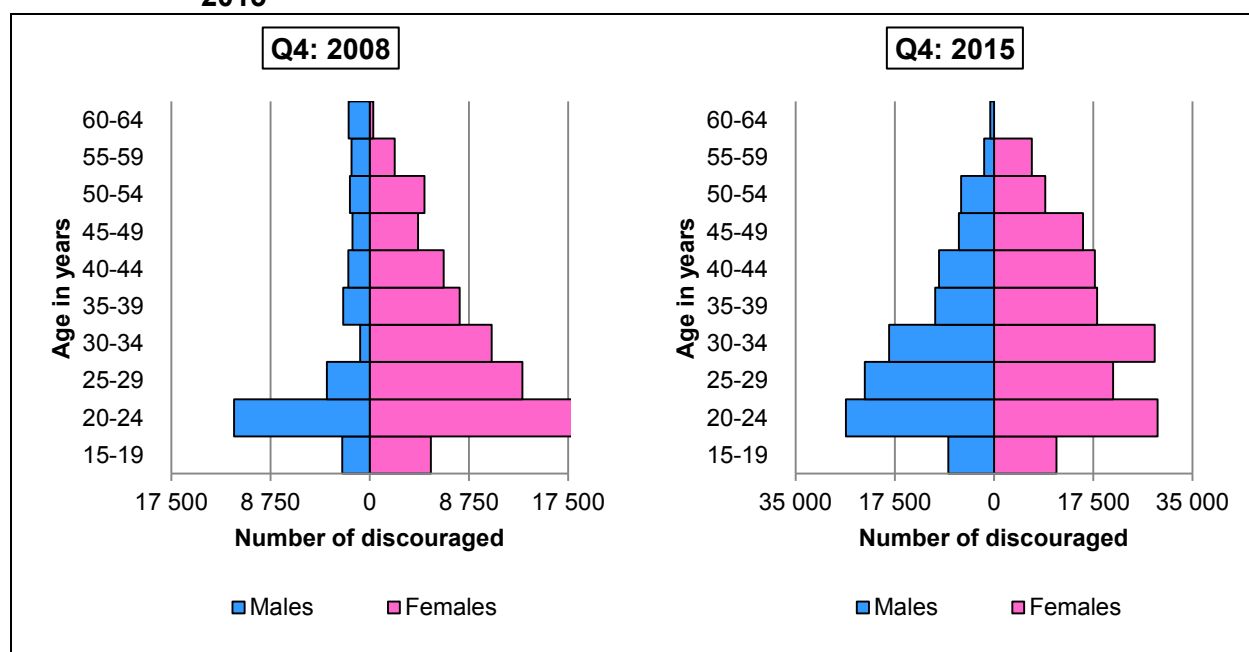
It is evident from Figure 3.20 that Mpumalanga's discouraged work-seekers increased as a percentage of the provincial working age population (15-64 years) from the end of the fourth quarter 2008 (4.7 per cent) to the end of the fourth quarter 2015 (9.6 per cent). Limpopo and North West had larger shares of discouraged work-seekers than Mpumalanga at the end of the fourth quarter 2015. 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 2015.

Figure 3.20: Comparison of discouraged work-seekers as a ratio of regional working age population (15-64 years), Q4 2008-Q4 2015



Source: Statistics South Africa – QLFS, 2016

Figure 3.21: Discouraged work-seekers by gender and age in Mpumalanga, Q4 2008-Q4 2015



Source: Statistics South Africa – QLFS, 2016

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 2015. At the end of the fourth quarter 2015, the majority of Mpumalanga's discouraged work-seekers was females

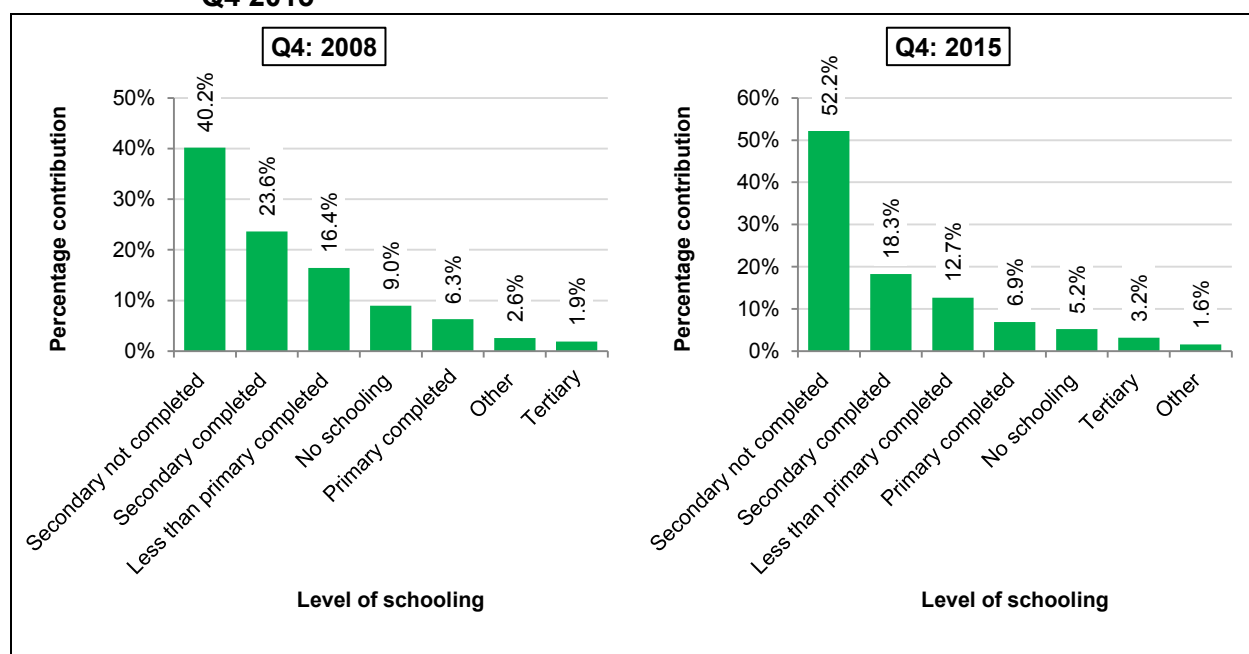
with some 156 604 individuals or 58.8 per cent of the provincial total number of discouraged work-seekers. This was substantially lower than the 71.1 per cent recorded at the end of the fourth quarter 2008. The rest (41.2 per cent) of the discouraged work-seekers in Mpumalanga at the end of the fourth quarter 2015 was males, which was higher than the 28.9 per cent recorded at the end of the fourth quarter 2008.

The youth of working age (15-34 years) made up 61.8 per cent of the total number of discouraged work-seekers at the end of the fourth quarter 2015. This was lower than 7 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 54 925 individuals or some 20.6 per cent of the provincial discouraged work-seekers at the end of the fourth quarter 2015. 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 26.4 per cent of the discouraged work-seekers have not completed any level higher than primary education at the end of the fourth quarter 2015. At the end of the fourth quarter 2015, 52.2 per cent of the discouraged work-seekers in Mpumalanga indicated that they have not completed their secondary education. Another 18.3 per cent of the discouraged work-seekers completed their secondary education and 3.2 per cent a qualification higher than matric.

Figure 3.22: Educational profile of discouraged work-seekers in Mpumalanga, Q4 2008-Q4 2015



Source: Statistics South Africa – QLFS, 2016

3.6 Conclusion

The provincial economy recorded an addition of 139 929 jobs over the last 7 years. The provincial labour market, however, struggle with high unemployment and relatively low levels of participation and absorption rates, respectively. In addition, the nature of unemployment is changing with growing numbers of unemployed indicating that they have not been employed for at least a year or more. The official unemployment rate was 25.7 per cent by the end of the fourth quarter 2015. Discouraged workers, and a few smaller variables, are considered in the expanded definition of unemployment where the province had a relatively high unemployment rate of 39.4 per cent at the end of the fourth quarter 2015.

Within this bleak situation the problem of youth unemployment is even more acute with 36.6 per cent of 15 to 34 year olds in Mpumalanga being unemployed. The prospects of finding a job are lower than for the adult unemployed, because without experience, young people have little chance of becoming employed. This is an economic problem and a waste of potentially productive resources.

In order to reduce unemployment substantially, the province needs to develop the capabilities of the workforce on a broad scale. The implementation of effective policies to accelerate transformation in skills development is one of the great challenges that Mpumalanga faces. The demand for skilled workers is growing in order to reach and sustain the economic growth targets of the NDP and Vision 2030. Therefore, the implementation of effective skills development programmes across the entire educational spectrum, with a specific focus on youth cannot be delayed.

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 (*2015 Mid-year Population Estimates*), Mpumalanga's share of the national population of 54.96 million was 7.8 per cent or 4.28 million. Mpumalanga registered the sixth largest share among the provinces. Females constituted 2.17 million or 50.7 per cent of the provincial population distribution and males 2.11 million (49.3 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 6.6 per cent.

Over the 4-year period 2011 to 2015, the population of South Africa increased by 1.5 per cent per annum. The population of Mpumalanga also increased by 1.5 per cent per annum over the same period. This was the fourth fastest annual population increase behind Gauteng (1.8 per cent) over the period under review. When expressed in absolute growth, the population of Mpumalanga increased by 6.0 per cent. 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, 2015

Indicator	Mpumalanga		South Africa
		Ranking among provinces High (1) to Low (9)	
Population number	4 283 900	6	54 956 900
Youth cohort share (0-34 years)	69.9%	4	66.6%
Elderly cohort share (60 years +)	6.6%	9	8.0%
Population growth rate (2011-2015)	1.5% pa	4	1.5% pa

Source: Statistics South Africa – 2015 Mid-year Population Estimates

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 2014, the situation improved with the ratio having declined to 9.4 per cent. The level was, however, still higher (worse) than the national level of 5.3 per cent in 2014 and the second 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 27.2 per cent in 2014. 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 28.7 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 2014.

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 89.2 per cent in 2014. However, it was still 4.2 percentage points below the national level of 93.4 per cent in 2014.

Mpumalanga improved from the province with the lowest pass rate in 2009 to the province with the fifth highest pass rate in 2015. The national pass rate of matriculants decreased from 75.8 per cent in 2014 to 70.7 per cent in 2015. Mpumalanga's pass rate decreased by 0.4 percentage points from 79.0 per cent in 2014 to 78.6 per cent in 2015.

Table 4.2: Selected education indicators in Mpumalanga and South Africa, 2014 & 2015

Indicator	Mpumalanga		South Africa
		Ranking among provinces Best (1) to Worst (9)	
Share of population age 20+ with no schooling (2014)	9.4%	8	5.3%
Share of population age 20+ with matric (2014)	27.2%	4	28.7%
Adult literacy rate age 20+ (2014)	89.2%	7	93.4%
Matric pass rate (2015)	78.6%	5	70.7%

**Sources: Statistics South Africa – General Household Survey (GHS) 2014
Mpumalanga Department of Education, 2016**

4.3 Health indicators

The immunisation coverage (<1 year) in Mpumalanga of 80.1 per cent was considerably lower (worse) than the national level of 89.8 per cent and the lowest overall in 2014/15. Mpumalanga's 2014/15 measles 2nd dose coverage was the second lowest (worst) in the country at 74.6 per cent. The TB cure rate of 73.3 per cent in 2013 was worse than the national average

and the fifth highest/lowest in the country. Mpumalanga's maternal mortality rate of 115 was lower (better) than the national rate of 133 and the third lowest among the provinces. In 2014/15, the province's stillbirth rate was recorded at 21.1 per 1 000 births, which was slightly higher (worse) than the national rate (20.7). The inpatient early neonatal¹⁹ death rate in facility of 7.9 per 1 000 live births was lower (better) than the national rate and the second lowest (best) among the provinces (Table 4.3).

Table 4.3: Selected health indicators in Mpumalanga and South Africa, 2013-2014/15

Indicator	Mpumalanga		South Africa
		Ranking among provinces Best (1) to Worst (9)	
Immunisation coverage (2014/15)	80.1%	9	89.8%
Measles 2 nd dose coverage (2014/15)	74.6%	8	82.8%
TB cure rate (2013)	73.3%	5	76.8%
Facility maternal mortality rate per 100 000 live births (2014/15)	115.0	3	133.0
Facility stillbirth rate per 1 000 live births (2014/15)	21.1	4	20.7
Facility inpatient neonatal death rate per 1 000 live births (2014/15)	7.9	2	10.1
Female 15-49 year HIV prevalence (2013)	37.3%	8*	29.5*

Sources: Health Systems Trust – District Health Barometer 2014/15

Provincial Department of Health – Mpumalanga Province HIV Prevalence 2014

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

Note: * 2012 ranking and national figure as 2013 & 2014 national reports embargoed

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. There is an embargo on the 2013 and 2014 National Antenatal Sentinel HIV reports and therefore only the prevalence rate of Mpumalanga can be reported for 2013. Mpumalanga's prevalence rate increased (deteriorated) to 37.3 per cent in 2013.

4.4 Access to basic service indicators

A relatively small percentage of households in Mpumalanga (7.6 per cent) occupied informal houses in 2014 compared to the national figure of 12.9 per cent. The provincial figure was 3.3 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 7.1 per cent in 2014, however, the national figure was still lower/better. Table 4.4

¹⁹ This rate measures the number of deaths of live born babies that occur within 7 completed days after birth per 1 000 live births. It includes only neonatal deaths when the foetus is of 26 or more weeks' gestational age and/or weighs 500g or more.

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, 2014

Percentage of households:	Mpumalanga		South Africa
		Ranking among provinces Best (1) - Worst (9)	
In informal dwellings	7.6%	2	12.9%
With no toilets or bucket system	7.1%	6	4.9%
With access to piped water in dwelling, on-site or off-site	87.1%	6	90.0%
With electricity connections to mains	91.9%	4	89.4%
With municipal refuse removal	37.4%	6	63.8%

Source: Statistics South Africa – GHS 2014

In 2014, the percentage of households with access to all types of piped water was recorded at 87.1 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 91.9 per cent in 2014. The proportion of Mpumalanga's households with municipal refuse removal (37.4 per cent) was considerably lower than the national figure of 63.8 per cent in 2014.

4.5 Development and income indicators

4.5.1 Human development index²⁰

In 2014, Mpumalanga recorded a HDI score of 0.59, 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 18-year period.

4.5.2 Income inequality

The NDP targets that the poorest 40 per cent of households in South Africa must earn at least 10 per cent of total income by 2030. In practise, one is able to calculate that the poorest 40 per cent of households in Mpumalanga earned 7.6 per cent of income in 2014. This was higher/better than the national figure of 6.6 per cent for 2014, 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)²¹ 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 35.9 per cent in 2014. Mpumalanga's share was the fourth

²⁰ 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.

²¹ 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 2014.

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, 2014

Indicator	Mpumalanga		South Africa
		Ranking among provinces Best (1) to Worst (9)	
HDI	0.59	6	0.63
Share of income by poorest 40%	7.6%	6	6.6%
Share of population below LBPL	35.9%	6	33.7%

Source: IHS Global Insight – ReX, December 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 35.9 per cent, it was showing a declining trend. Even though household income exhibited an increasing trend, the main concern in developmental terms remains the skew distribution of income in the province.

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

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



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