
THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

PROVINCIAL REVIEW 2016

Provincial Review 2016: Gauteng

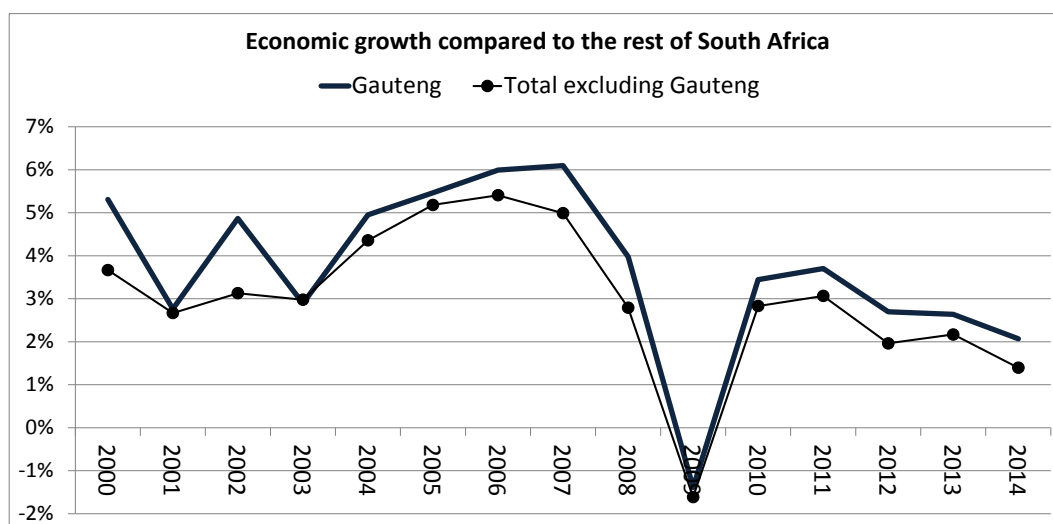
Gauteng dominates manufacturing in South Africa, and especially heavy industry. It has long been the fastest growing and richest province in the country, although its growth is mainly driven by its status as a global financial centre and by high-level services rather than the core sectors of the real economy. It is in some ways an enclave, with borders drawn to exclude former “homeland” and agricultural areas. Still, it has the fastest growing population in South Africa. Nonetheless, it has largely managed to maintain adequate services. Overall, it enjoys higher incomes, employment, education and infrastructure than the other provinces.

The real economy in Gauteng

While Gauteng, with 13,2 million residents, accounted for 24% of South Africa’s population in 2014/5, it contributed some 34% of the GDP. In 2014 – the latest available data – the real economy (represented here by agriculture, mining, manufacturing and construction) made up 20% of Gauteng’s output – a relatively small share by national standards.

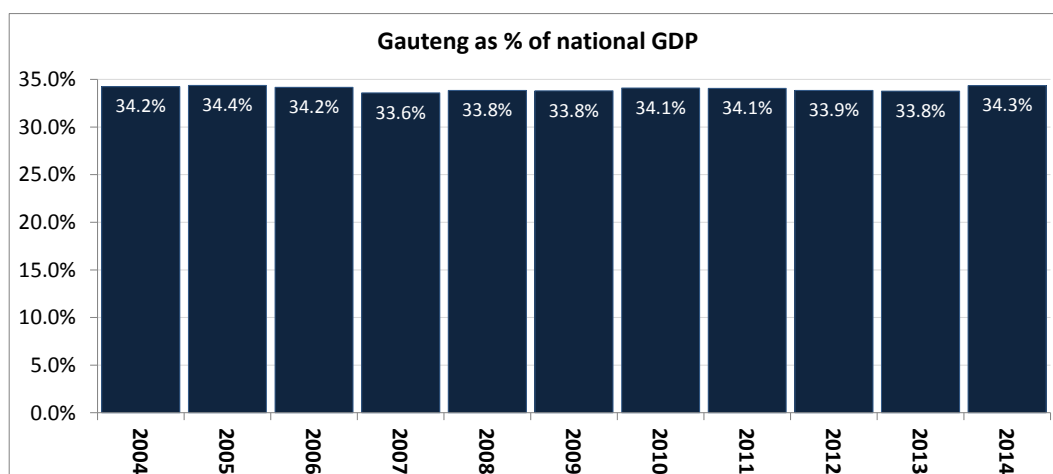
Manufacturing dominated the real economy of the province, providing 14% of total provincial output, followed by construction at 3%, mining at 2%, and agriculture at under 0,5%. Gauteng contributed 40% of national manufacturing and 33% of national construction, but just 11% of national mining and 7% of national agriculture.

Gauteng has grown faster than the national economy for most of the past 20 years. Overall, the GDP expanded at 4% a year from 2003 to 2011, and at 2,5% a year from 2011 to 2014. The province saw a particularly deep downturn during the 2008/2009 global financial crisis, which had a particularly harsh effect on the province’s heavy industry. But it recovered and has since then generally expanded faster than the rest of the economy. Still, it has shared the downward growth trend with the end of the commodity boom, even though it no longer has a significant share of the national mining industry.



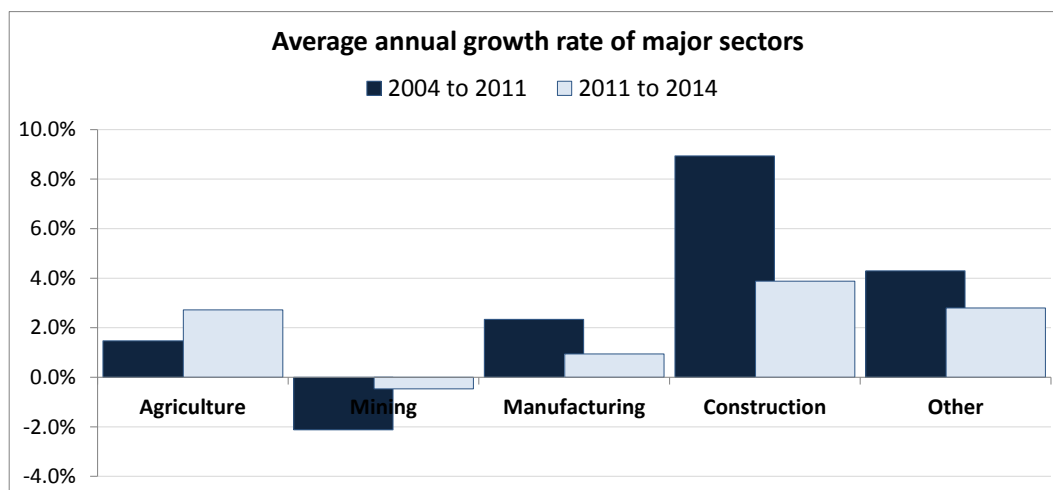
Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

As a result of its relatively rapid growth, Gauteng has contributed a rising share of the national economy at constant prices. In current rand, however, its share was depressed during parts of the commodity boom, when the rapid increase in metals prices lifted the share of mining provinces compared to the total.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

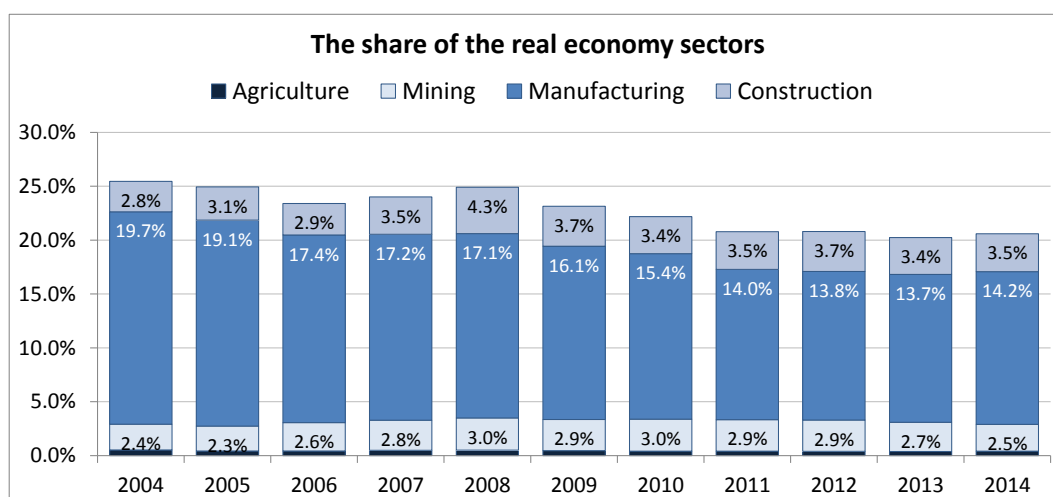
Construction was the fastest growing industry in Gauteng for most of the past decade. In contrast, manufacturing showed relatively slow growth across the period. In the three years from 2011 to 2014, the slowdown in metals with the end of the commodity boom and the global steel glut meant growth in the province's manufacturing sector as a whole dropped to under 1% a year.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

The maturing of the Gauteng gold industry meant it did not benefit substantially from the commodity boom in volume of output and employment. Higher prices for gold and other metals did, however, boost the industry's profitability and prolong its life.

These growth trends meant that manufacturing and mining constituted a shrinking share of Gauteng's total economy.



Source: StatsSA, GDP Annual and Regional Tables 2016. Excel spreadsheet downloaded in June 2016.

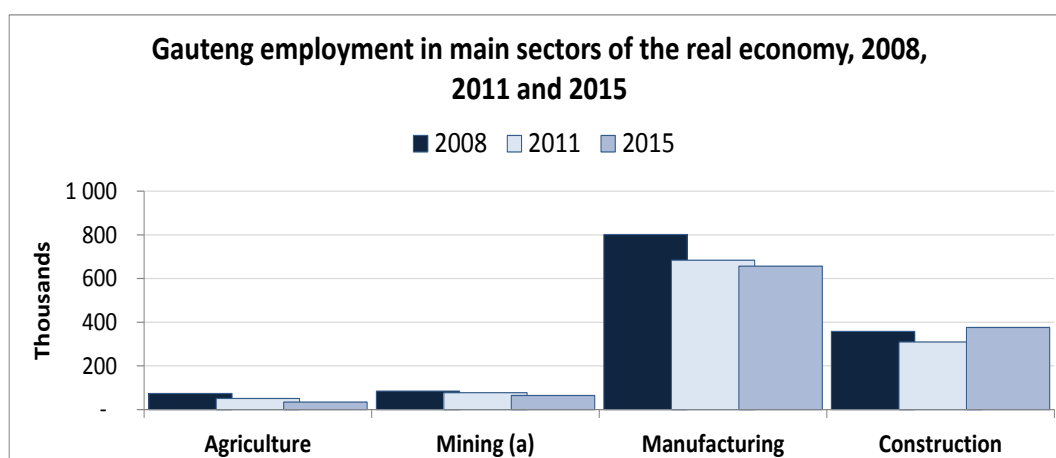
The employment data shed further light on the structure of the economy in Gauteng.

In 2015 (using the average for year of the Quarterly Labour Force survey – QLFS), the province accounted for 32% of total employment in South Africa. Some 1 175 500 people were employed in the real economy sectors, which contributed 23% of total provincial employment.

Of employed people in the real economy in Gauteng in 2015:

- 657 000 were in manufacturing
- 376 000 were in construction
- 64 000 were in mining (in 2014)
- 34 000 were in agriculture

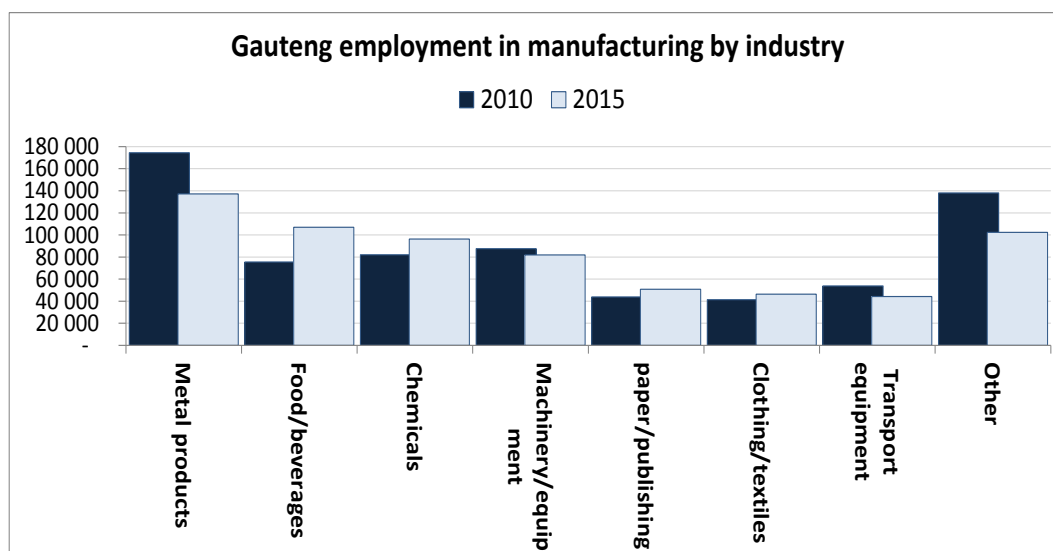
Manufacturing employment remained important for Gauteng, but it did not recover from substantial job losses during the 2008/2009 downturn. The decline in mining employment reflected the maturing of the province's gold mines.



Notes: (a) 2014. Source: Except for mining, Statistics South Africa, QLFS Trends 2008-2016. Excel spreadsheet. Average of four quarters for the year. For mining, Department of Mineral Resources. B1 Statistical Tables. Excel spreadsheet.

Gauteng accounted for 37% of South African manufacturing employment.

The top five manufacturing industries in the province, in terms of employment, were basic iron and steel plus metal products; food and beverages; chemicals and plastic; machinery and equipment; and a residual sector composed mostly of furniture, recycling and other smaller industries. The province accounted for 48% of national employment in basic iron and steel and metal products, its largest manufacturing industry.



Source: For 2010, Statistics South Africa, Labour Market Dynamics 2010. Electronic database. For 2015, average of four quarters, Statistics South Africa, QLFS for relevant quarters. Electronic database.

Gauteng dominated most manufacturing subsectors, although its historic strength was heavy industry. That said, at least with jobs, over the past decade the province saw growth in light industry – notably agro-processing, chemicals, paper and publishing – while heavy industry declined.

Gold dominated mining employment in Gauteng. Generally, gold mining saw job losses during the commodity boom, while platinum mining, coal and iron ore created employment. According to Department of Mineral Resources data, which is more reliable for mining, total mining employment in Gauteng fell from 98 500 in 2003 to 77 000 in 2011, while sales dropped from 13% of the national total to 10%. From 2011 to 2014, the number of Gauteng miners declined to 64 000, while sales stabilised at 10% of the national total.

Major public and private projects announced for the real economy of Gauteng over the past three years included the following.

Large recent public and private real-economy projects in Gauteng

Project Name	Company	Value	Sector	Industry
Tambo Springs Inland Port and Logistics Gateway Project	Tambo Springs Development Co. and SA Government	R7,5 billion	Public	Construction
Rosslyn Plant Investment Programme	BMW SA	R6 billion	Private	Construction/ Manufacturing
Ford Silverton Assembly Plant Expansion Project	Ford Motor Company SA	R2,5 billion	Private	Manufacturing
Khanyisa Production Facility Development	Unilever	R1,4 billion	Private	Construction/ Manufacturing
Beverage Can Plant Project	Gayatri GZI Beverage cans	R1 billion	Private	Construction
Dunnottar Train Manufacture Complex	Gibela Rail Transport Consortium	R1 billion	Private	Construction
Gosforth Industrial and Business Park	Atterbury Property Holdings	R850 million	Private	Construction
OR Tambo Industrial Development Zone	Gauteng IDZ Company	R267 million	Public	Construction

Employment and unemployment

Gauteng has low levels of joblessness by South African standards. Just 52% of the working-age population was employed in 2015, compared to a national average of around 40%. The international norm is around 60%. The share of working-age people with employment had risen from 51% in 2010, when employment hit a low point following the 2008/2009 global financial crisis.

Gauteng also had relatively high wage levels. In 2014, the median formal wage was R5 000 and the median wage for domestic, informal and agricultural workers was R2 000. That compared to R4 000 nationally for formal workers, and R1 500 for other employees. In Gauteng, 72% of total employment was in the formal sector, compared to the national average of 69%.

Relatively low joblessness and good pay explain high migration into Gauteng. Its population grew 68% from 1996 to 2015, compared to a national average of 35%. Gauteng had by far the fastest population growth of any province in South Africa.

The Gauteng economy and the national spatial economy

Apartheid geography has a significant impact on economic structures, and especially on access to economic opportunities for ordinary South Africans. Gauteng province was drawn to exclude virtually all rural and former labour-sending regions, which has made it effectively an industrial enclave for the inland regions. It has:

- Almost none of the former so-called “homeland” areas within its borders. In 2015, 1% of the population lived in former “homeland” regions, compared to 27% for the country as a whole.
- Three metro areas and two secondary cities, out of a total of 12 municipalities. Metros and secondary cities account for 93% of the province’s population. That compared to 40% of the national population living in metro areas and secondary cities.
- Just over the average share of non-Africans in the total population, at 22% compared to 20% nationally. The share of Africans had risen from around 70% in 1996.

These factors help explain the province's economic dynamism as well as its core challenges. Under apartheid, African areas and especially the former “homeland” regions typically excluded natural resources, and for decades were largely deprived of infrastructure and government services. In contrast, Gauteng was demarcated essentially as an enclave around the main industrial metros. These areas had historically enjoyed strong infrastructure, incomes and education levels.

In this context, the province has dealt relatively well with the influx of new residents while maintaining core economic strengths.

The following indicators underscore the socio-economic implications of Gauteng’s position in South Africa’s historically distorted spatial economy.

- In 2015, the General Household Survey found that the median household income was R4 760, compared to R3 260 nationally. The high household income in large part resulted from relatively high employment levels.
- In 2015, matric degrees were held by 35% of the province's working-age population aged over 20. For the country as a whole, the figure was 29%. The share of adults in Gauteng with matric had climbed from 21% in 1996 – already well above the national average of around 15%. Some 19% of Gauteng’s adult population had a degree, compared to 13% nationally.
- Where other provinces had to address backlogs left by apartheid, in Gauteng the challenge for municipal services and housing was to keep up with in-migration from poorer regions, which meant its population grew almost twice as fast as the rest of the country. Still, according to the 2015 General Household Survey, 90% of

households in Gauteng had running water in their houses or yards, compared to 83% in 1996. Furthermore, 83% had electricity, up from 79% in 1996. Nationally, 73% of households had running water and 85% electricity.

- Municipal expenditure per person in Gauteng came to R9 000 in 2015/2016, compared to R5 900 nationally. It was funded mostly by locally raised revenue rather than national grants and subsidies, which targeted poorer regions. As discussed below, relatively high municipal spending was offset by low provincial budgets per person.

Economic policy initiatives

The main national industrial policy and development initiatives that affected Gauteng included the following.

- In terms of Department of Trade and Industry (the dti) support, from 2013/2014 to 2014/2015, a total of 260 projects were approved under the Manufacturing Competitiveness Enhancement Programme (MCEP) in Gauteng, for a total value of R2,3 billion. A further 146 projects were approved under the Manufacturing Investment Programme (MIP), with a value of R630 million. Because of its dominant position in manufacturing, Gauteng benefited from most Industrial Policy Action Plan (IPAP) sectoral programmes, ranging from film to fuel cells.
- From 2002, Gauteng had an Industrial Development Zone focused on jewellery manufacturing near O.R. Tambo international airport. It is planning to extend this zone to produce fuel cells. It is also establishing a new Special Economic Zone near Nasrec in Johannesburg, which will focus on information and communications technology and electronics.
- The Industrial Development Corporation (IDC) invested 30% of its total spending in Gauteng in 2015.
- Gauteng's economy depended on many of the major infrastructure programmes outside its own borders, including the major transport corridors from the coast as well as increased electricity generation. These projects also provided a market for Gauteng's heavy industry, both for transport equipment and for structural steel.

The Gauteng budget totalled R74 billion in 2015/2016. Per person, the province spent R5 600, compared to an average for all the provincial budgets of R7 000. Low provincial spending was, however, partially offset by unusually high municipal expenditure. In constant 2015 rand (deflated by CPI), the provincial budget had climbed 5% from 2014/2015. From 2011/2012, however, it had fallen by around the same amount.

Some 95% of Gauteng's budget went for education and health. That compared to 90% for provincial budgets as a whole.

Gauteng spent a relatively small share of its budget on infrastructure, but a larger than usual percentage on housing. In 2015/2016, the provincial budget set aside R5 billion, or 6.8% of the total, for investment in buildings and public works. As a group, the provinces budgeted R35 billion, or 8% of their total expenditure, for these purposes. Transfers to households for housing came to R5.8 billion, or 7.2% of Gauteng's

2015/2016 budget. The provinces as a whole expected to provide R18 billion in housing subsidies, or 5% of their spending.

The economic departments in the provincial government in 2015 were the Department of Economic Development and the Department of Agriculture and Rural Development. The departments' budget totalled R2 billion, or 3% of the total for the province. As a group, the provinces spent 5% of their budgets on these functions.