THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA PROVINCIAL REVIEW 2016

Provincial Review 2016: Introduction

The annual REB Provincial Review analyses developments in the real economy and in development policies and projects at the provincial level. Provincial GDP data are only available up to 2014.

The share of provinces in the national GDP and population varies substantially. Gauteng alone accounts for over a third of the GDP and almost a quarter of the population. In contrast, the Eastern Cape accounts for 13% of the population but 8% of the GDP, while the Northern Cape contributes just 2% of both the economy and the population (Graph 1).

The differences are even starker in the provinces' contribution to the real economy. Gauteng, the Western Cape and KwaZulu Natal together account for 77% of national manufacturing production and 74% of manufacturing employment. Gauteng dominates heavy industry, while the Western Cape and KwaZulu Natal have more light industry.

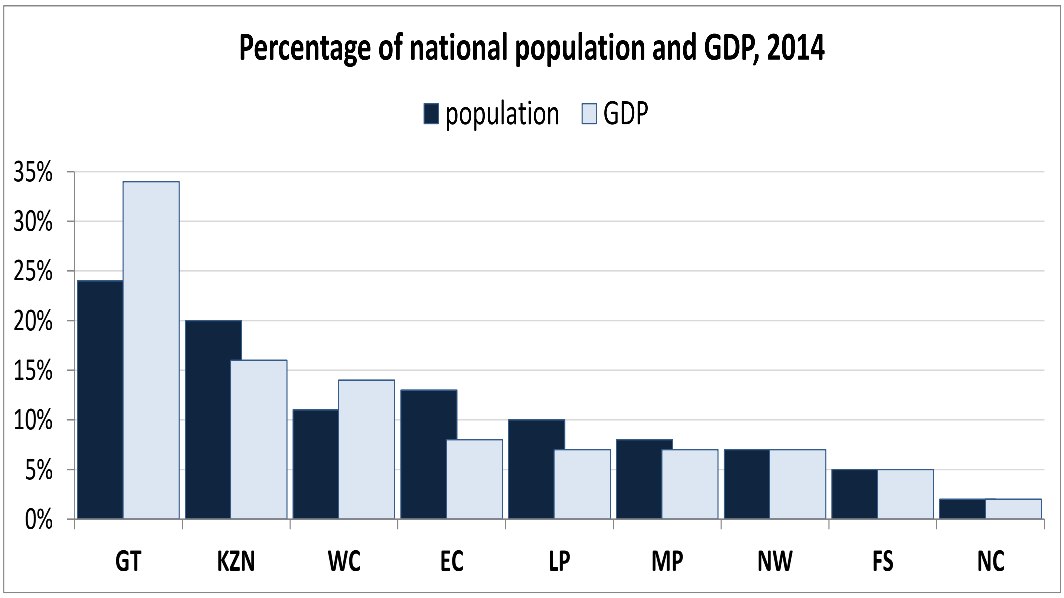
In contrast, mining is concentrated in the North West, Mpumalanga, Limpopo, the Free State and the Northern Cape. In Limpopo, Mpumalanga and the Northern Cape, mining contributes over 20% of the provincial economy, and in the North West it makes up 30% (Graph 2).

During the commodity boom from 2003 to 2011, platinum, coal and iron ore saw particularly strong growth. The provinces with these resources – above all the North West, Limpopo and the Northern Cape – saw relatively rapid growth and in-migration to the new mining centres. In contrast, the Free State has mostly maturing gold mines, which saw relatively limited growth in output and employment. Since 2011, all the mining provinces have been particularly affected by the decline in mining prices.

Each province's economic wellbeing is shaped in large part by how it was affected by apartheid spatial planning.

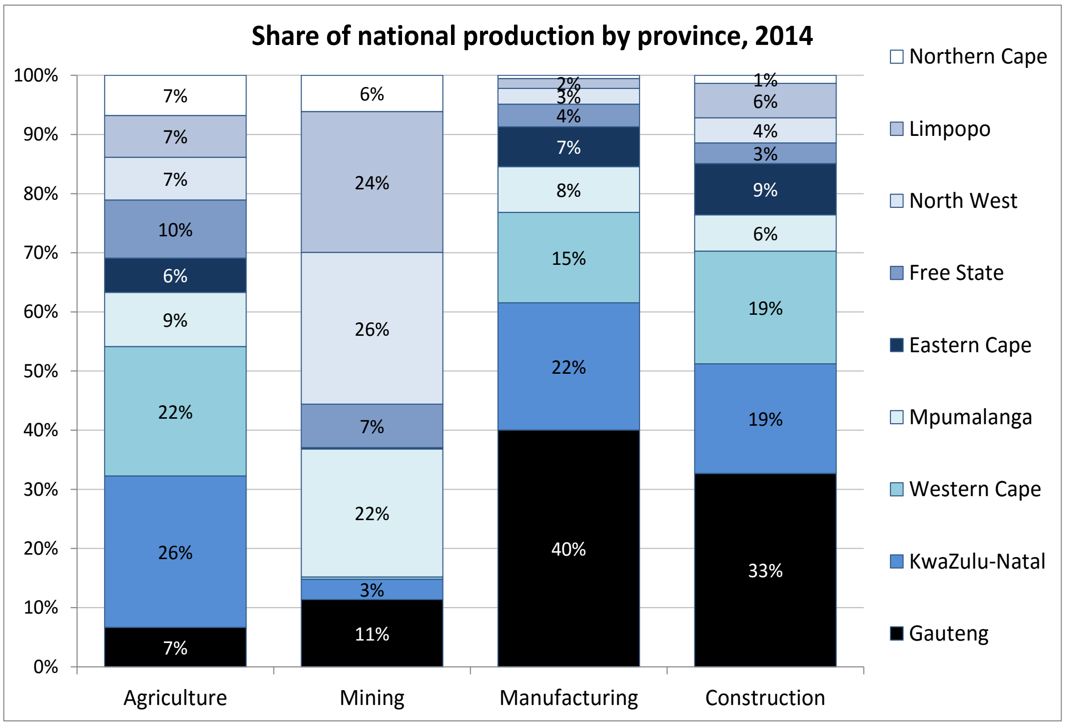
The former so-called “homelands” were set up effectively as sources of cheap labour. As such, they were designated mainly in areas without substantial natural resources and starved of public investment and social services. Even today, provinces where a large share of the population lives in former “homeland” regions typically have lower household incomes and worse infrastructure. In contrast, Gauteng was established essentially as an enclave around a few metropoles, while the Western Cape historically excluded Africans all together (Graph 3).

Graph 1



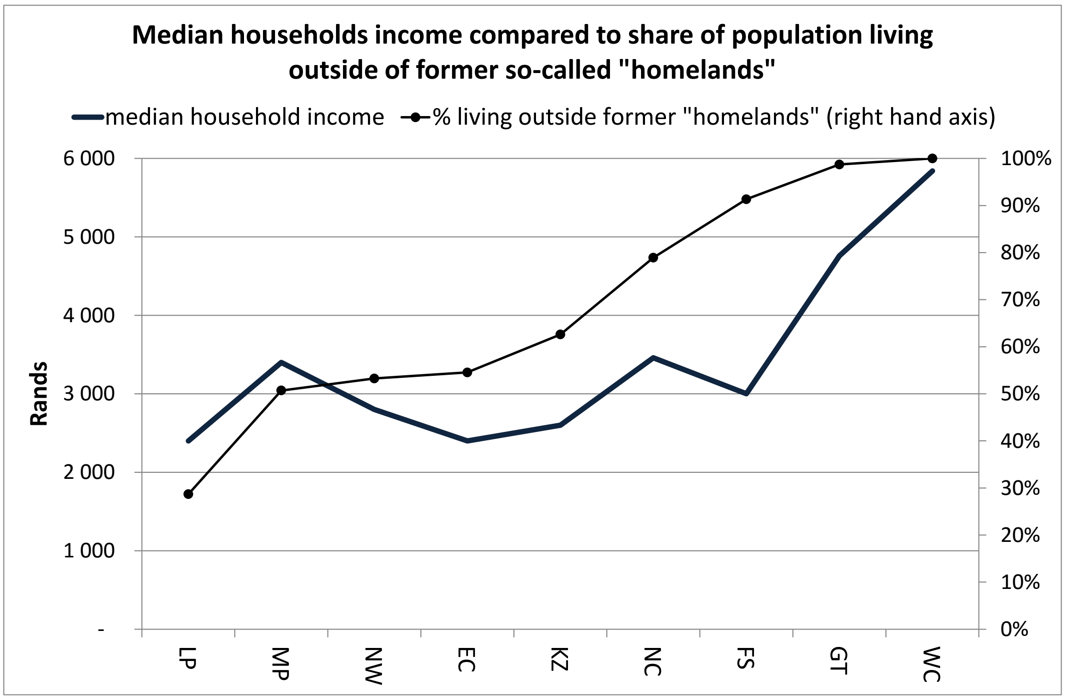
Source: Statistics South Africa. GDP and mid-year population statistics by province.

Graph 2



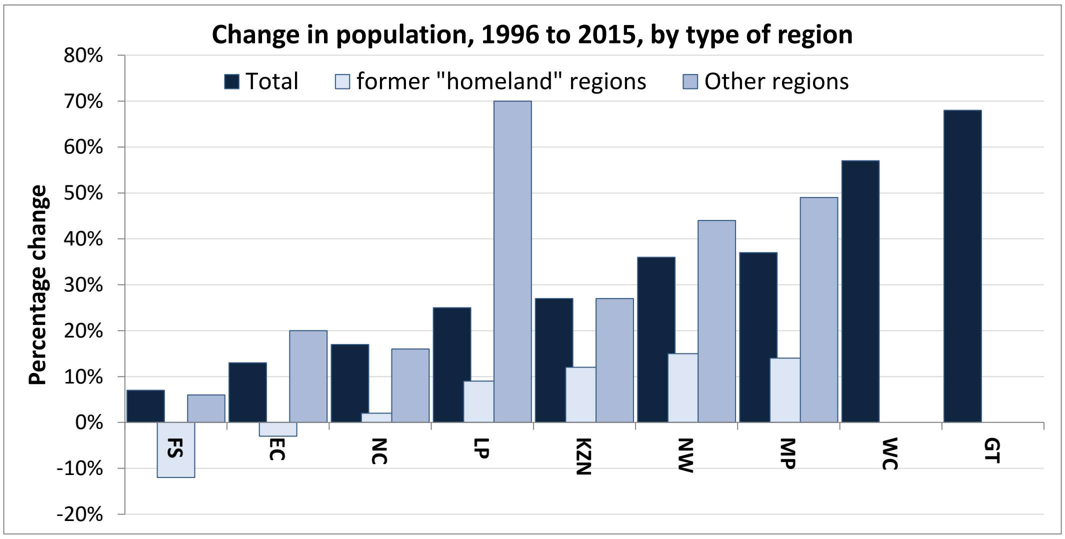
Source: Statistics South Africa. GDP Annual and Regional Tables 2016. Excel spreadsheet. Series on provincial share in sectors in current rand.

Graph 3



Source: Calculated from, Statistics South Africa. General Household Survey 2015. Electronic database. Series on median household income and geography by province.

The dissolution of apartheid residential planning since 1994 underpins unusually large-scale migration between provinces. Gauteng's population grew by 68%, or over five million, from 1996 to 2015; the Western Cape grew by 57%, or 2,2 million. In contrast, the population of the Free State and the Eastern Cape climbed by under 15%, or under a million in both provinces combined.



Source: For 1996, Census data for population by type of region. For 2015, Statistics South Africa, Quarterly Labour Force Survey, population by geography and province; average of all four quarters.

The following table summarises some of the major public and private projects announced over the recent past. The table draws on public sources and may not be complete, and some of the projects may not have been initiated as planned.

Announced major projects in the real economy by province, 2013 to 2016

	Sector	**Company**	**Project Name**	**Projected investment**
EC	Manufacturing	VWSA	WVSA Investment Plan	R4,5 billion
FS	Manufacturing	Sasol Performance Chemicals	Sasol Fischer Tropsch Wax Expansion Project	R13,6 billion
GT	Manufacturing	Ford Motor Company SA	Ford Silverton Assembly Plant Expansion Project	R2,5 billion
	Construction	Gayatri GZI Beverage cans	Beverage Can Plant Project	R1 billion
	Construction/ Manufacturing	Unilever	Khanyisa Production Facility Development	R1,4 billion
	Construction	Gibela Rail Transport Consortium	Dunnottar Train Manufacture Complex	R1 billion
	Construction	Atterbury Property Holdings	Gosforth Industrial and Business Park	R850 million
	Manufacturing	BMW SA	Rosslyn Plant Investment Programme	R6 billion
	Construction	Tambo Springs Development Company and SA Government	Tambo Springs Inland Port and Logistics Gateway Project	R7,5 billion
KZN	Construction	Tongaat Hulett Developments and eThekwini Municipality	Cornubia Mixed Use Development	R20 billion
	Manufacturing	Sumitomo Rubber South Africa	Tyre manufacturing plant upgrade and expansion	R2,01 billion
	Construction	Fortress Income Fund	Clairwood Logistics Park and Distribution Centre	R3,5 billion
	Infrastructure	Eskom	Ingula pumped-storage scheme	R29,6 billion
	Infrastructure	Umgeni Water Board	Umgeni Water Board: Lower Thukela	R1 billion
LP	Mining	Boabab Mining and Exploration, subsidiary of Coal of Africa Limited	Makhado cocoking coal project	R3,96 billion
	Mining	Ivanhoe Mines and Partners	Ivan Plaatreef Project	$1,2 billion
	Mining	De Beers Consolidated Mines (DBCM)	De Beers Venetia Underground Project	R20 billion
	Infrastructure	TCTA	Bulk water projects	R8,6 billion
MP	Forestry	York Timbers	York Timbers Biomass Plant Project	R1,4 billion
	Mining	Sasol Mining	Tweedraai Coal Project	R1,4 billion
	Mining	Sasol Mining	Shondoni Coal Project	R3,09 billion
	Mining	Sasol	Impumelelo Replacement Coal Project	R4,6 billion
	Mining	Exxaro	Belfast Coal Project	R3,8 billion
	Infrastructure	Eskom	Kusile power plant	R161 billion
	Infrastructure	Transnet	Coal line	R9 billion
NW	Construction	Sun International	Sun City Refurbishment Project	R1,1 billion
	Mining	Maseve Investments 11	Maseve Platinum Mine	$514 million

	Sector	Company	Project Name	Projected investment
	Manufacturing/ Mining	Sephaku Cement	Sephaku Cement Holdings	R3,3 billion
	Mining	Royal Bafokeng Platinum	Styldrift 1 Expansion Project	R11,01 billion
NC	Mining	Frontier Rare Earths and Korea resources Corporation	Zandkopsdrift Rare-Earth Element project	$809 million
	Infrastructure	National Research Foundation	Square Kilometre Array (radio telescope)	R16 billion
	Infrastructure	Transnet	Sishen-Saldanha iron ore line expansion (with the WC)	R9 billion
WC	Construction	Sanral	N1/N2 Winelands Toll Highway Project	R10 billion
	Infrastructure	Transnet	Sishen-Saldanha iron ore line expansion (with the NC)	R9 billion

As the following chart shows, the establishment of Special Economic Zones was expected to affect every province, in contrast to the more limited scope of the earlier Industrial Development Zones. The new zones were expected to cover a highly divergent set of sectors, ranging from solar energy in the Northern Cape to platinum in both the North West and Limpopo, and electronics in Gauteng.

Industrial Development and proposed Special Economic Zones by province as of late 2015

	IDZ/SEZs	Focus	Designation date
EC	Coega	Automotive; agro-processing; chemicals; general manufacturing; business process outsourcing; and energy	2001
	East London	Automotive; renewable energy; ICT; and agro-processing sectors	2002
	Mthata	Agro-processing	Proposed
FS	Harrismith	Automotive logistics; agro-processing; and pharmaceutical	Proposed
GT	OR Tambo	Specialised jewellery manufacturing	2002
	JHB	ICT and electronics	Proposed
KZN	Richards Bay	Aluminium; titanium; dry dock (ship and repair); and furniture	2002
	Dube Trade Port	Value niche aquaculture and horticulture; automotive; electronics; and fashion garments	2013
	DTP	Agro-processing; and electronics	Proposed
LP	Tubatse	PGMs	Proposed
	Musina	Logistics, petrochemicals; and trade hub	Proposed
MP	Nkomazi	General logistics	Proposed
NW	Bojanala	PGMs	Proposed
NC	Upington	Solar corridor	Proposed
WC	Saldanha Bay	Oil and gas services complex	2014
	Atlantis	Renewable energy	Proposed