# PROVINCE OF KWAZULU-NATAL

## Socio-Economic
## Review and Outlook

## 2019/2020

**KwaZulu-Natal Provincial Government**

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**List of Acronyms**

| | |
|---|---|
| AGOA | African Growth and Opportunity Act |
| AIDS | Acquired Immune Deficiency Syndrome |
| ANA | Annual National Assessment |
| ARVs | Anti-Retroviral |
| BBBEE | Broad-Based Black Economic Empowerment |
| BCI | Business Confidence Index |
| BER | Bureau of Economic Research |
| BMW | Bavarian Motor Works |
| BRICS | Brazil, Russia, India, China and South Africa |
| CCI | Consumer Confidence Index |
| CDR | Crude Death Rate |
| CPI | Consumer Price Index |
| DBE | Department of Basic Education |
| DRC | Democratic Republic of Congo |
| EAP | Economically Active Population |
| EC | Easter Cape |
| ECD | Early Childhood Development |
| EMDEs | Emerging Market and Developing Economies |
| FS | Free State |
| GDP | Gross Domestic Product |
| GFCF | Gross Fixed Capital Formation |
| GP | Gauteng Province |
| GST | Goods and Services Tax |
| HDI | Human Development Index |
| HIV | Human Immune Virus |
| HST | Health Systems Trust |
| IMF | International Monetary Fund |
| KZN | KwaZulu-Natal |
| KZNYF | KwaZulu-Natal Youth Fund |
| LAR | Labour Absorption rate |
| LBPL | Living Below the Lower Poverty Line |
| LER | Learner-Education Ratio |
| LFPR | Labour Force Participation Rate |
| LP | Limpopo Province |
| LSR | Learner-to-School Ratio |
| MERS | Middle East Respiratory Syndrome |
| MNCWH | Maternal, Newborn Child and Women's Health |
| MP | Mpumalanga Province |
| MPC | Monetary Policy Committee |
| MTSF | Medium-Term Strategic Framework |
| NAFTA | North American Free Trade Agreement |
| NC | Northern Cape |
| NDP | National Development Plan |
| NDoH | National Department of Health |
| Nersa | National Energy Regulator of South Africa |
| NIAF | National Integrated Assessment Framework |

| | |
|---|---|
| NSC | National Senior Certificate |
| NW | North West |
| OECD | Organisation for Economic Co-operation and Development |
| PGDP | Provincial Growth and Development Plan |
| PMI | Purchasing Manager's Index |
| PRB | Population Reference Bureau |
| PT | Provincial Treasury |
| PTA | Preferential Trade Agreement |
| QLFS | Quarterly Labour Force Survey |
| SA | South Africa |
| SAA | South African Airways |
| SABC | South African Broadcasting Corporation |
| SACU | South African Customs Union |
| SADC | Southern Developing Community |
| SADTU | South African Democratic Teachers Union |
| SARB | South African Reserve Bank |
| SARS | South African Revenue Services |
| SASSA | South African Social Security Agency |
| SDGs | Sustainable Development Goals |
| SERO | Socio-Economic Review and Outlook |
| SEZ | Special Economic Zones |
| SMMEs | Small Medium Micro Enterprises |
| SOPA | State of the Province Address |
| TIKZN | Trade and Investment KwaZulu-Natal |
| TIPS | Trade and Industrial Policy Strategy |
| TVET | Technical and Vocational Education and Training |
| UBPL | Living Below the Upper Poverty Line |
| UK | United Kingdom |
| UN | United Nations |
| UNDP | United Nations Development Plan |
| UNICEF | United Nations International Children's Emergency Fund |
| UNESCO | United Nations Educational, Scientific and Cultural Organisation |
| US | United States |
| USA | United States of America |
| VW | Volkswagen |
| WC | Western Cape |
| WTO | World Trade Organisation |
| WTTC | World Travel and Tourism Council |
| YES | Youth Employment Service |

# Executive Summary

It is with great pleasure that the Provincial Treasury (PT) of KwaZulu-Natal (KZN) presents the Socio-Economic Review and Outlook (SERO) for the financial year 2019/20 to all its relevant stakeholders. The publication provides a detailed analysis of the social and economic factors that influence the environment in which the provincial economy operates. The analysis provided herein is envisaged to facilitate the formulation of effective policies by the provincial administration to promote the efficient allocation of fiscal resources to government departments and public entities. The private sector and members of the general public who might be interested in knowing the state of the economy of KZN also stand to gain useful information out of this publication as it could influence their business and personal decision-making. Municipalities can also utilise the information presented herein for effective planning towards the elimination of service delivery backlogs.

Chapter one of the publication is an introduction which gives a broad overview of the social and economic landscape of South Africa (SA) and KZN.

Chapter two focuses on population dynamics (demographic profile) and its broader effects on the populace. The demographic analysis begins with a global overview, whereby it focusses on the population growth of the world's major countries per continent, inclusive of the percentage share of the world population and deaths per 1000 persons across all continents in 2018, with projections of the same in 2050.The analysis cascades down to SA and its provinces, with particular emphasis on KZN's percentage share of the national population over the years 2006, 2011 and 2018

One of the main issues that decision-makers need to be aware of, are the population dynamics which should inform budgeting and planning for children, youth and elderly persons. Further, population dynamics assist with budgeting and planning for education, health and other basic services. It is against this backdrop that the bulk of the chapter focuses on KZN population dynamics, including population distribution by age, gender and race.  It continues its focus on population dynamics of the province by analysing fertility, mortality, life expectancy, and migration. The document provides a comparison among the nine provinces, including SA as a whole between the period 2011 through 2021 in respect of fertility, mortality and life expectancy. In respect of migration, KZN has a high prevalence of out-migration, which is mainly due to more job opportunities in other provinces, especially Gauteng. This is highlighted in a table which illustrates migration trends in KZN and the other eight provinces over the period 2011 to 2021.

Chapter three focuses on the development indicators in SA and KZN, namely poverty, household income and income inequality, human development, grant beneficiaries, education, health, crime, and access to basic services. Poverty is discussed at national and provincial levels for the year ending 2017, with the focus being on three categories, namely Food poverty line (FPL), the Lower –bound poverty line (LBPL), and the Upper-bound poverty line (UBPL). Household income is explained in detail, under the following categories: lower income, low emerging

middle income, emerging middle class, realised middle class, upper middle class and affluent in the year 2017. In respect of human development, a comparative analysis between the provinces for the years 2007 and 2017 is also included. Human Development Index (HDI) of the province increased from 0.49 in 2007 to 0.61 in 2017, meaning that the standard of living among the populous of KZN has decreased over the ten year period. In respect of grant beneficiaries, the document details the number and proportion of grant beneficiaries among the nine provinces with specific emphasis on KZN.

Aspects of education that have been reviewed include school and educator: learner ratio, literacy rate and matric results, and the school drop-out rate. In respect of the school and educator: learner ratio, the number of learners, educators and schools are compared across the nine provinces as well as SA in 2011 and 2016. The literacy rate focusses on the province for the years 2007 and 2017, whilst the level of education in the province is discussed amongst different racial groups during the same period. Thereafter, a comparison of the national and provincial National Senior Certificate (NSC) achievements for 2016, 2017 and 2018 is shown. This section also analyses the percentage of passes by school (quantile) categories in 2018, as well as the percentage of learners who achieved 30 per cent or more in 2017 and 2018 in the following subjects: Accounting, Economics, Mathematics and Physical Science. The performance by type of qualification among the nine provinces in 2017 and 2018 is also alluded to whereby it reveals that approximately 33.2 per cent of learners achieved a bachelor pass in KZN while 43 per cent are for the combine diploma and higher certificate pass. In respect of school drop-out rate, which is shown across all provinces and SA from Grade 10 to Grade 12 and between 2016 and 2018, it is concerning to note that with the exception of the Western cape at 37 per cent, all other provinces have drop-out rates of more than 50 per cent, with KZN at 53.3 per cent.

This chapter also gives the statistics of the causes of death and burden of diseases, which are TB and HIV in KZN. The document highlights the ten leading underlying natural causes of death in KZN in 2016, whereby TB is considered number one. In respect of crime in KZN, drug related crime is leading, followed by theft and burglary at residential premises. The chapter further provides an analysis of access to electricity where the share of households with electrical connections by provinces in 2007 and 2017. Further analysis of access to water and sanitation is provided for the years 2007 and 2017.

Chapter four discusses the global, national and provincial economies focussing international trade as well as gross fixed capital formation (investment), travel and tourism and inflation. The chapter begins by providing an analysis of the world economic growth estimates and projections for some of the advanced economies, emerging countries, Sub-Saharan Africa and South Africa from 2016 to 2020. SA's. GDP growth and GDP per capita is analysed from 1996 to 2019. Under the SA economy section, macro-economic performance and projections are discussed between 2014 and 2020. Thereafter, there is an analysis on KZN and its economic review and outlook, as well as its risk; the focus being on sector analysis, that is Primary, Secondary and Tertiary industries.

Chapter four also discusses inflation and monetary policy from a global level, cascading down to a national level. At national level (SA), the South African Reserve Bank (SARB) has over years maintained the rate of inflation within the target band of 3 to 6 per cent using the monetary policy instrument which is the repo rate. Currently, the SARB projects average inflation to remain within the upper band of the target at 4.9 per cent and 5.4 per cent in 2019 and 2019, respectively.

Gross Fixed Capital Formation (GFCF) is explained in this chapter. The section shows Quarter-quarter percentage change of GFCF at seasonally adjusted annualised rates for the year 2017 and the first three quarters of 2018, detailing private and government (inclusive of SMME) investment. The section also alludes to some of the major capital projects which are being undertaken in KZN, such projects are: Blythdale Coastal Estate, Dube Trade Port Special Economic Zone (SEZ), Durban Waterfront Project and Finningley Eco Estate, among others.

Tourism is a growing industry worldwide which contributes significantly towards GDP and job creation. In light of this, travel and tourism is discussed at a global, national and provincial level in this document. The discussion includes the number of jobs created worldwide by the industry, as well as its contribution towards the world, national and provincial GDP. The chapter highlights the number of tourists that visited SA from the top ten overseas countries and top ten SADC countries in July 2017 and July 2018. It continues to discuss visitor exports and investment in SA, after which emphasis is placed on KZN where analysis is on the top ten countries visiting KZN.

The country's international trade with the rest of the world is discussed in this publication along with the trade tension between the USA and China, and what impact this may have on SA. This section further discusses the current account of the balance of payments, international commodity prices, real percentage change in selected commodity prices, and KZN imports and exports.

Chapter five reviews the labour market dynamics at a national, provincial (KZN) and district (municipal) level. The chapter starts by providing an outline of the national labour market, focussing on employment and unemployment. It proceeds by analysing unemployment by age and gender. This is followed by provincial labour dynamics, where labour force characteristics, employment by industries, and unemployment are discussed. It further alludes to the labour force participation rate, labour absorption rate, and job scarcity in district municipalities. The chapter concludes by analysing labour remuneration and productivity in the province.

# Chapter 1:    Introduction

The Socio-Economic Review and Outlook (SERO) is published in the fourth quarter of each financial year, when the budget for that specific year (in this case 2019/20) is being tabled. The information in the publication aims to inform budgeting and planning decision.

Geographically, KwaZulu-Natal (KZN) is situated along the east coast of South Africa. It is bounded to the north by Swaziland and Mozambique, to the east by the Indian Ocean, to the south by the Eastern Cape province, to the west by Lesotho and the Free State province, and to the north-west by the Mpumalanga province. In addition, KZN is home to the country's two busiest ports, these being Durban and Richard's Bay; the latter of which is the largest port by way of volume.

KZN is the second largest contributor to the economy of the country, generating a percentage share of national GDP of 16 per cent after Gauteng with a percentage share of GDP of 35.2 per cent; this proves that the province plays a significant role in SA's economy. It is against this backdrop that the publication discusses the major role players that have a direct effect on the growth of the economy of the province.

KZN has a diverse economic and social culture, as a result its economy depends on various activities that boost its economic performance. It performs in all economic spheres, most notably in agriculture, tourism, manufacturing, mining, trade, construction, finance and community services.

Owing to its strategic location along the east coast, the province has been provided with a competitive advantage in so far as tourism is concerned. The province has nine "blue flag"[1] beaches which allow for safe water sports to take place, it is home to the Drakensburg Mountains, the iSmangaliso World Heritage Site, private and public game reserves where one can "spot" the "Big Five", the battlefields, and Oribi Gorge.

Over the period 2015 through 2016, KZN, along with the rest of the country, suffered a severe drought which resulted in the loss of livestock and a reduction in crop production. This negatively affected the economy such that the country was forced to increase agricultural imports, thus increasing its current account deficit. Although rain fell in 2017, thus relieving the severity of the drought to some extent, the aftermath is still felt in the agricultural sector.

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[1] In order for a beach to be awarded Blue Flag status, it must meet a set of stringent criteria set by the Wildlife and Environment Society of South Africa and Blue Flag such as water quality, environmental, management, safety and security, environmental education and information (https://www.iol.co.za/dailynews/nine-beaches-in-kzn-awarded-blue-flag-status-17540020).

Despite the fact that the province is the second largest contributor towards the country's GDP, it is of concern that KZN still faces challenges of social ills. It is on this basis that this publications alludes to a number of social issues that arise from a differing factors, such as education, unemployment, poverty and health.

The publication comprises of five chapters, whereby Chapter one is the Introduction, Chapter two focuses on the demographic profile, Chapter three provides information of the demographic indicators including poverty, income inequality, education and health, among others. Chapter four provides an overview of the economic review and outlook at a global national and provincial level, as well as sector analysis, Gross Fixed Capital Formation, international trade and inflation. The document concludes with Chapter five which discusses labour markets in detail.

# Chapter 2:   Demographic Profile

**2.1     Introduction**

In current times, the major population trends which are being witnessed both on a global and national scale include rapid population growth, population ageing, urbanisation and migration and these pose important developmental challenges and opportunities. A country that has an increasing number of inhabitants could face two situations. Firstly, if the country has adequate resources, an increasing population may increase the overall production provided if the majority of the active population possess the skills needed in the labour force. Secondly, if the country lacks adequate resources and investments, an increasing population may affect the overall development of the country, thus making the majority of the population to rely on the transfers from government. It does not mean that a decline in the population using policies to control it will yield positive results, instead it will cause major social and economic risks in the long term. In the short term it will reduce the number of dependent children on government transfers, however in the long term it will increase the number of the ageing population who may not participate actively in the economy.

The change in the population should be in congruent with increase in the production and the economic growth of a country. This will have spill-over effects over the aspects of economic development which include among others; standard of living, levels of literacy and education standards as well as the levels of healthcare. Recognising and planning for a demographic transition is an essential prerequisite for the welfare of the society. This will ensure efficient allocation of the available resources for the benefits of both the current and the future generation.

Upon analysing the population dynamics, it is essential to focus on factors such as urbanisation and migration patterns, fertility and mortality rates, life expectancy, infant and child mortality rates as well as the gender and age structure of the population. These factors have an influence on the economy of the country in terms of changes in the labour market structure, dependency ratio and government fiscus. Hence, the analysis of the demographic structure has an important role in the efficient allocation of resources in all spheres of government.

This chapter therefore provides an analysis of population dynamics on a global, national and provincial level. It begins with global and national population sizes, followed by the national population growth rate. Provincial population dynamics ranging from population size, population distribution by age and gender as well as population distribution by race are discussed in this chapter. It further analyses the fertility rate, mortality rate, and life expectancy, and concludes with migration, all identified as factors which determine the population structure in the province.

## 2.2    Global population growth

The global population growth has been driven largely by increasing numbers of people reaching reproductive age, and has been accompanied by major changes in fertility rates, increasing urbanisation and accelerating migration. Overpopulation is an undesirable condition where the number of existing human population exceeds the carrying capacity of earth. Among the factors that cause overpopulation are the decline in the death rate, better medical facilities, technological advancement in fertility treatment, immigration and lack of family planning. The world population increased from 7.5 billion people in 2017 to approximately 7.6 billion in 2018. It is however expected to increase by 29 per cent to 9.9 billion by 2050 (Population Reference Bureau, 2018). Less developed countries constitute approximately 83.4 per cent of the world population where Asia and Africa are the most populous regions. Approximately 60 per cent of the world's population reside in Asia, with both China and India comprising 36.3 per cent. 16.8 per cent of the population reside in Africa, followed by America and Europe which have the lowest population among the regions at 13.3 per cent and 9.8 per cent, respectively.

The Population Reference Bureau (2018) expects the world population to grow steadily towards the year 2050; where population growth is projected to advance at a faster rate in less developed nations. It can be seen from table 2.1 that Africa is expected to record more than double of its population size. However, this is not surprising since the number of births and deaths per 1 000 people are at 35 and 9, respectively. This unprecedented growth is largely due to a significant decline in the infant mortality rates and improvement in life expectancy. Birth rates remain high at about five children per woman.This trend differs from that of developed countries where the number of births and deaths per 1 000 persons is 10 for both.

The Population Reference Bureau (PRB) (2018) reveals that by mid-century, projections indicate that 16 per cent of the world's population will be ages 65 and older, up from 9 per cent currently. The percentage of people in this age bracket in the world's more developed countries is projected to reach 27 per cent, up from 18 per cent now; while the percentage of this age group in the less developed countries is projected to double to 14 per cent. A high proportion of population growth anticipated in developed countries will be immigrants from less developed countries, as indicated by the number of births and deaths per 1000 reported at 10 and 10 respectively. This is far below that of the world population which is estimated at 19 and 7, respectively. According to the World Migration Report (2018), the total estimated 244 million people who were living in a country other than their country of birth in 2015 was almost 100 million more than it was in 1990. The report further reveals that almost two thirds of international migrants in 2015 were of working age population. In 2015, approximately 62 per cent of the total international migrants were hosted both in Europe and Asia combined and Africa only hosting 9 per cent. The international migrants maintain strong ties with their home countries as the income generated in the host nations is repatriated to their home countries to support their families staying behind.

**Table 2.1: World population and selected countries in 2018 and 2050**

| | Mid 2018 | | | | Population in Mid 2050 (million) |
|---|---|---|---|---|---|
| | Population (million) | % Share of world population | Births per 1000 population | Deaths per 1000 population | |
| **World** | **7621** | **100** | **19** | **7** | **9852** |
| More Developed | 1266 | 16.6 | 10 | 10 | 1312 |
| Less Developed | 6355 | 83.4 | 21 | 7 | 8540 |
| Less Developed (Excl. China) | 4953 | 65.0 | 23 | 7 | 7187 |
| **Africa** | **1284** | **16.8** | **35** | **9** | **2586** |
| Sub-Saharan Africa | 1049 | 13.8 | 37 | 9 | 2200 |
| Nigeria | 195.9 | 2.6 | 39 | 12 | 410.6 |
| **South Africa** | **57.7** | **0.8** | **21** | **9** | **81.8** |
| Northern Africa | 235 | 3.1 | 26 | 6 | 385 |
| **America** | **1014** | **13.3** | **15** | **7** | **1220** |
| Northern America | 365 | 4.8 | 12 | 9 | 437 |
| Latin America and the Caribbean | 649 | 8.5 | 17 | 6 | 783 |
| **Asia** | **4536** | **59.5** | **17** | **7** | **5253** |
| China | 1393.8 | 18.3 | 12 | 7 | 1343.9 |
| Japan | 126.5 | 1.7 | 8 | 11 | 101.8 |
| India | 1371.3 | 18.0 | 20 | 6 | 1680.1 |
| **Europe** | **746** | **9.8** | **10** | **10** | **730** |
| European Union | 512 | 6.7 | 10 | 9 | 512 |
| United Kingdom | 66.4 | 0.9 | 12 | 9 | 74.7 |
| Russia | 147.3 | 1.9 | 12 | 12 | 137.9 |
| **Oceania** | **41** | **0.5** | **17** | **7** | **64** |
| Australia | 24 | 0.3 | 13 | 7 | 37.6 |

Source: Population Reference Bureau, 2018

One of the challenges facing developed nations is the problem of an ageing population. According to the United Nations (2015) in many developed countries, the number of older persons is growing faster than the number of people in the traditional working ages, giving rise to concerns about the fiscal sustainability of pension systems that rely upon contributions from current workers to pay benefits to retirees. Moreover, population ageing puts pressure on health systems which must adapt to meet the growing demand for care, services and technologies to prevent and treat non-communicable diseases and chronic conditions associated with old age.

China is among the countries that are currently experiencing a high rate of an ageing population in Asia, with one in every three persons forecast China to change the one child per couple policy which was cited as the main cause of the problem. This threatens an economic boom that has been built on a vast labour supply over the years. The

one child policy contributed to a dramatic decline on the fertility rate, as couples were restricted to having only one child, which in turn reduced the number of young people relative to older people. Hence, the country resorted to review the policy and introduced a two child policy in an attempt to rebalance the gap between older and younger people. The policy was a major liberalisation of the country's family planning restrictions. This measure was taken with caution because of the fear of creating a new baby boom.

On the contrary, the gradual implementation of the new policy in 2014 over various parts of the country did not have a major impact on fertility levels. Surprisingly, among the estimated more than 11 million people who were eligible to have a second child under the new rule, only 1.69 million had applied as of August 2015, accounting for 15.4 per cent of what was expected. Many couples who were allowed to have another child under the 2013 rules decided not to, especially in the cities, citing the cost of bringing up children in an increasingly expensive country.

The lukewarm response from these eligible individuals triggered off another policy debate as to whether or not the government should allow all families to have two children, and even touched upon the removal of official birth control altogether. In October 2015, the government decided that all couples would be allowed to have two children. The announcement of the new policy declares the official ending of the 35 year long one child policy in China (Gu, 2016). The reason for the abolishment pertained to too many men, too many old people, and too few young people which will eventually diminish the Chinese workforce to support a huge ageing population. However, many couples were not convinced that two children were better than one due to high living costs, long working hours and surging child care expenses, rising housing and educational costs as well as postponing childbirth as they pursue their careers. Due to the amendment in the policy not achieving expected results, China is planning to completely abandon the birth control policy in order to encourage people to have more children. The cost and benefits of the change in the child's policy to address the ageing population should be applied with caution given the fiscal pressure on expenses for child welfare such as early education, maternal and child health.

As it has been indicated in the previous section that an ageing population increases the burden on the working population which is responsible for providing support to the older people, it is however argued by Acemoglu and Restrepo (2017) that a nation with ageing population tends to adopt technology which performs tasks previously undertaken by labour. Companies in these nations have resorted to using robots in the production process which assist in neutralising the negative effects of ageing population on economic growth. As a result, firms pay higher wages due to improvement in labour productivity emanating from the use of the combination of skilled labour and technology.

However, Bengtsson and Scott (2010) argue that productivity improvements cannot be the only solution to the challenge of ageing population since improvements in labour productivity tends to increase consumption more rapidly than production. The study suggests that the focus should be on improving the tax base by increasing the total number of hours worked which also increases average income. Siegel (2007) holds a different view concerning the impact of an ageing population on the global economy. He states that developed nations should

not make the parochial mistake of establishing trade barriers, as growth in the developing world will offset the slowing of economies in the developed world due to the ageing population of developed nations in the future.

## 2.3    South African population

The South African total population comprises of four different racial groups, which contribute massively to a wide variation in terms of cultural identities, languages and religious beliefs within the country. The population is domiciled across the nine provinces, namely the Eastern Cape (EC), Free State (FS), Gauteng (GP), KwaZulu-Natal (KZN), Limpopo (LP), Mpumalanga (MP), Northern Cape (NC), North West (NW) and the Western Cape (WC). The country is dominated by the African population group which constitutes approximately 80 per cent of the total population.

Despite the differences with regards to ethnic people migrate freely to all corners of the country in accordance to their preferences. The total population has been increasing steadily over the years.  According to Statistics South Africa (Stats SA) (2018), the national population increased from 47.4 million in 2006 to 57.7 million in 2018; this translates to an annual average growth rate of 1.7 per cent. The Population Reference Bureau (2016) expects the population of SA to increase by approximately 41.8 per cent from 2018 to 2050, which is substantially lower than the percentage increase projected for Nigeria and the continent of Africa in particular. This is further confirmed by the lowest number of births and deaths per 1 000 people in SA when compared with those of Africa as a continent, and that of Nigeria as another African country (Table 2.1).

**Table 2.2: South African population by province in 2006, 2011 and 2018**

|  | 2006 | | 2011 | | 2018 | |
|---|---|---|---|---|---|---|
|  | Population | % Share of national population | Population | % Share of national population | Population | % Share of national population |
| **South Africa** | **47 390 900** | **100** | **50 586 757** | **100** | **57 725 606** | **100** |
| Eastern Cape | 6 894 300 | 14.5 | 6 829 958 | 13.5 | 6 522 734 | 11.3 |
| Free State | 2 958 800 | 6.2 | 2 759 644 | 5.5 | 2 954 348 | 5.1 |
| Gauteng | 9 526 200 | 20.1 | 11 328 203 | 22.4 | 14 717 040 | 25.5 |
| **KwaZulu Natal** | **9 924 000** | **20.9** | **10 819 130** | **21.4** | **11 384 722** | **19.7** |
| Limpopo | 5 365 400 | 11.3 | 5 554 657 | 11.0 | 5 797 275 | 10.0 |
| Mpumalanga | 3 508 000 | 7.4 | 3 657 181 | 7.2 | 4 523 874 | 7.8 |
| North West | 3 374 200 | 7.1 | 3 253 390 | 6.4 | 3 978 955 | 6.9 |
| Northern Cape | 1 094 500 | 2.3 | 1 096 731 | 2.2 | 1 225 555 | 2.1 |
| Western Cape | 4 745 500 | 10.0 | 5 287 863 | 10.5 | 6 621 103 | 11.5 |

Source: Stats SA, 2006, 2011 and 2018

Gauteng remains the most populous province in the country with 14.7 million people in 2018; hence the province constitutes 25.5 per cent of the national total population, an increase of 3.1 percentage points from 2011. This is marginally higher than 11.3 million people in 2011, which translated to 22.4 per cent of the national population. Further, a large proportion of GP residents were born in another provinces and migrated to GP due to high economic activity taking place there. It is followed by KZN province which reveal a diminishing trend in terms of the provincial share of the national total population from 21.4 per cent to 19.7 per cent over the period 2011 to

2018. In absolute term, the growth rate in the population of KZN between 2011 and 2018 was 5.2 per cent. The Eastern Cape is the only province that realised a declining population both in absolute term and as percentage share of the national population between 2011 and 2018.

The major contributors to the declining population growth are the migration rate, a high mortality rate coupled with a low fertility rate and a high morbidity rate. The implication of a high migration rate in KZN is a decline in the proportion of the provincial equitable share allocation.

## 2.4 Population growth rate

Table 2.3 shows the South African population growth rate from 2009 to 2018. The table shows that it has increased at an average of 1.6 per cent per annum over the previously mentioned period. Further, the children and the elderly population has been increasing at an average of 1.4 per cent and 3.4 per cent over the same period, respectively. Conversely, the youth population has been showing negative growth at an average of -0.8 per cent for the period under review. This could be due to the fact that young people, especially males, tend to engage in harmful activities such as drug and alcohol abuse, crime and irresponsible sexual activities which to large extent cause a high mortality rate among the youth.

**Table 2.3: National annual population growth rate (percentage), 2009 to 2018**

| Period | Children (0 to 14 years | Youth (15 to 34 years) | Elderly (60 + years) | Total |
|---|---|---|---|---|
| 2009-2010 | 0.96 | 0.21 | 2.75 | 1.58 |
| 2010-2011 | 1.15 | -0.35 | 2.83 | 1.62 |
| 2011-2012 | 1.48 | -0.88 | 3.04 | 1.65 |
| 2012-2013 | 1.58 | -1.17 | 3.13 | 1.65 |
| 2013-2014 | 1.52 | -1.08 | 3.22 | 1.65 |
| 2014-2015 | 1.47 | -0.96 | 3.18 | 1.63 |
| 2015-2016 | 1.42 | -0.82 | 3.14 | 1.61 |
| 2016-2017 | 1.65 | -0.99 | 3.32 | 1.58 |
| 2017-2018 | 1.41 | -0.74 | 3.21 | 1.55 |

Source: Stats SA, 2018

### 2.4.1 Population distribution by age and gender

Figure 2.1 shows population distribution of KZN by age and gender in 2018. An estimated 31.5 per cent of the population are children between 00 and 14 years of age, and about 36.6 per cent are the youth between the ages 15 to 34 and that are economically active. Collectively, children and youth account for an estimated 68.1 per cent of the total provincial population. The total provincial dependent population is estimated at 4 209 229, while the economically active population is estimated at 7 175 492. The implication of these estimates is a high dependency

ratio of 58.7[2] per cent. A high dependency ratio is burdening the working age population as it bears the greater responsibility of paying for public services.

If the government is unable to reduce the high dependency ratio or formulate and implement policies that empower young people while enabling older persons to be self-sufficient, there could be pressures placed on the fiscus. This can lead to higher borrowing or an increase in taxes which in turn crowds out private sector investment and reduces consumers' disposable income.

**Figure 2.1 KZN population distribution by age and gender in 2018**
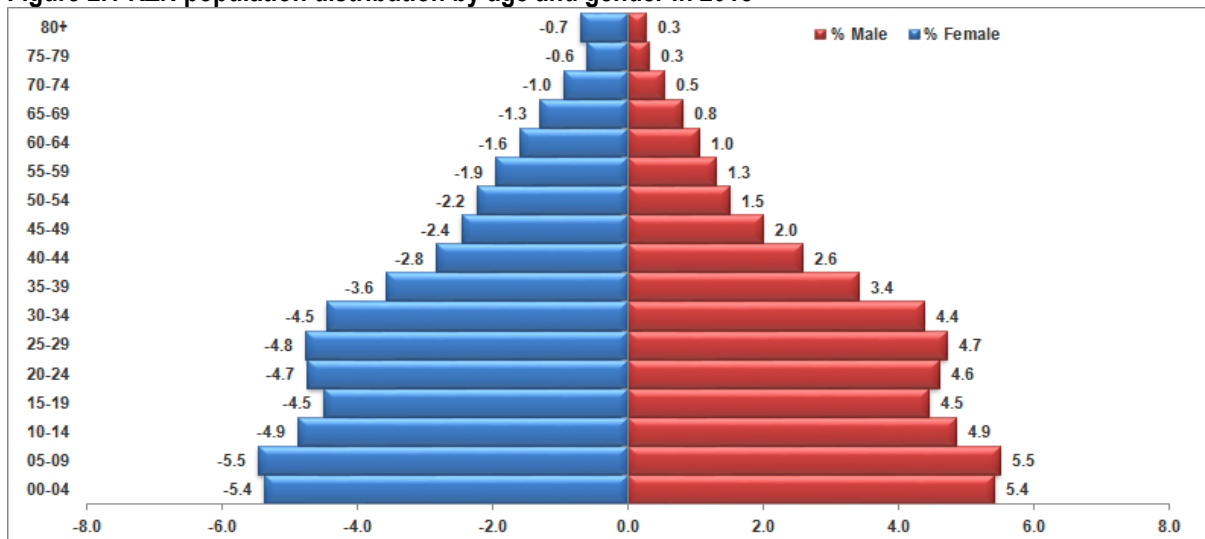


Source: Stats SA, 2018

### 2.4.2   Population by race

Similar to national population distribution by racial groups as indicated in the preceding sections, KZN's population is divided into four racial groups namely, Africans, Coloureds, Indians and Whites. Figure 2.1 illustrates KZN's population distribution by race in 2018. The province is largely dominated by Africans, constituting 87.6 per cent of the total KZN population in 2018, followed by Indians at 7 per cent, Whites at 4.1 per cent and Coloureds at 1.4 per cent. The African population group constitutes approximately 80 per cent of the total population of SA.

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[2] Dependency Ratio = *[(Number of people under 15 years) + (Number of people aged 65 and over) ÷ (Number of people between 15 and 64)] × 100 = (4 209 229 ÷ 7 175 492) × 100 = 58.7 per cent.* The dependency ratio is an age population ratio of those not in the labour force.

**Figure 2.2: KZN's population by race in 2018**
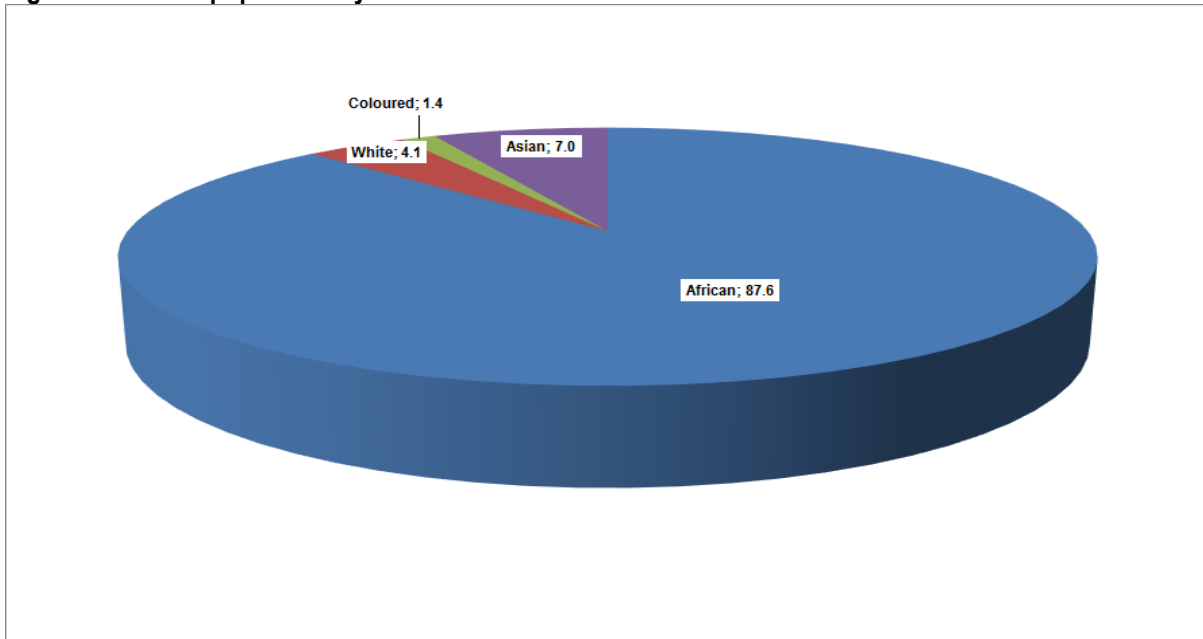


Source: IHS Markit, 2019

## 2.5    Fertility, mortality, life expectancy and migration

Goal 3 of the SDGs (Sustainable Development Goals) is centered on ensuring healthy lives and promoting the well-being of the global population at all ages. Among the UN's (United Nations) universal targets for achievement by 2030 are:

- The reduction of the maternal mortality ratio to less than 70 per 100 000 live births,
- Putting an end to the preventable deaths of newborns and children under 5 years of age, with all countries aiming to reduce neonatal mortality to at least as low as 12 per 1 000 live births and under 5 mortality to at least as low as 25 per 1 000 live births, and
- Ensuring universal access to sexual and reproductive health-care services, including for family planning, information and education, and the integration of reproductive health into national strategies and programmes.

In order to achieve sustainable development, – particularly within the prevailing environment of financial austerity- the propensity of the South African population to consume and to grow needs to be kept at moderate levels. This necessitates the formulation and seamless (but speedy) implementation of policies that promote the productivity of the working age population at large, and females in particular; as they are the bearers of new life.

The country's and province's performance against the aforementioned SDG targets and indicators is discussed hereunder.

**Table 2.4: Fertility, mortality and life expectancy in KZN, 2011 to 2021**

| | SA | EC | FS | GP | KZN | LP | MP | NC | NW | WC |
|---|---|---|---|---|---|---|---|---|---|---|
| **Average total fertility rate** | | | | | | | | | | |
| 2011 - 2016 | 2.8 | 3.2 | 2.7 | 2.1 | 2.7 | 3.1 | 2.9 | 2.9 | 3.1 | 2.4 |
| 2016 - 2021 | 2.6 | 2.9 | 2.4 | 2.0 | 2.5 | 2.9 | 2.6 | 2.7 | 2.8 | 2.2 |
| **Delivery in 10 to 19 years in facility rate (%)** | | | | | | | | | | |
| 2017/18 DHIS | 12.7 | 15.4 | 10.5 | 8.1 | 17.6 | 13.5 | 12.9 | 17.1 | 10.7 | 10.9 |
| **Stillbirth in facility rate (per 1 000 births)** | | | | | | | | | | |
| 2017/18 DHIS | 21.1 | 19.6 | 26.2 | 19.3 | 23.3 | 21.4 | 21.4 | 21.6 | 22.1 | 18.7 |
| **Inpatient early neonatal death rate (deaths per 1 000 live births)** | | | | | | | | | | |
| 2016/17 DHIS | 9.9 | 10.8 | 11.4 | 10.0 | 9.7 | 10.6 | 9.5 | 13.4 | 10.0 | 7.1 |
| 2017/18 DHIS | 10.2 | 11.8 | 12.0 | 10.2 | 10.3 | 11.0 | 10.4 | 10.0 | 7.9 | 7.2 |
| **Under 5 diarrhoea case fatality rate (%)** | | | | | | | | | | |
| 2016/17 DHIS | 2.0 | 3.7 | 2.8 | 1.7 | 2.0 | 2.1 | 1.5 | 3.8 | 3.2 | 0.3 |
| 2017/18 DHIS | 2.0 | 3.6 | 2.5 | 2.3 | 2.0 | 2.6 | 1.9 | 1.7 | 3.1 | 0.4 |
| **Under 5 pneumonia case fatality rate (%)** | | | | | | | | | | |
| 2016/17 DHIS | 2.0 | 3.0 | 3.2 | 1.5 | 1.8 | 2.9 | 3.4 | 1.6 | 2.5 | 0.4 |
| 2017/18 DHIS | 2.5 | 3.7 | 2.9 | 2.6 | 2.5 | 3.0 | 2.3 | 1.9 | 6.4 | 0.7 |
| **Under 5 severe acute malnutrition case fatality rate (%)** | | | | | | | | | | |
| 2016/17 DHIS | 8.0 | 10.2 | 9.6 | 6.5 | 7.4 | 8.3 | 8.4 | 5.1 | 10.6 | 0.6 |
| 2017/18 DHIS | 7.4 | 11.8 | 7.5 | 6.2 | 7.7 | 5.0 | 9.1 | 6.1 | 8.0 | 2.2 |
| **Infant exclusively breastfed at Dtap-IPV-Hib-HBV 3rd dose rate (%)** | | | | | | | | | | |
| 2016/17 DHIS | 41.6 | 32.8 | 46.2 | 44.0 | 53.9 | 28.9 | 35.3 | 55.0 | 45.5 | 31.8 |
| 2017/18 DHIS | 47.8 | 46.7 | 53.8 | 47.4 | 56.0 | 39.2 | 48.5 | 56.0 | 56.9 | 34.4 |
| **Institutional maternal mortality ratio (deaths per 100 000 live births)** | | | | | | | | | | |
| 2016/17 DHIS | 111.5 | 127.6 | 148.4 | 114.7 | 100.2 | 125.9 | 123.0 | 87.5 | 130.1 | 57.7 |
| 2017/18 DHIS | 105.7 | 128.3 | 132.9 | 108.5 | 108.5 | 109.2 | 120.0 | 65.9 | 117.5 | 55.1 |
| **Average life expectancy at birth** | | | | | | | | | | |
| 2016-2021 Female | 66.2 | 65.9 | 61.5 | 69.8 | 64.1 | 65.4 | 66.1 | 66.3 | 64.4 | 72.1 |
| 2016-2021 Male | 59.9 | 58.5 | 55.0 | 64.0 | 57.7 | 58.6 | 60.6 | 60.0 | 58.4 | 66.2 |

Source: Health Systems Trust and Stats SA, 2019

## 2.5.1    Fertility[3]

Fertility analysis is of central importance in demographic analysis as births are a vital component of population growth. The subject of population growth, in turn, is one that is integral to the realisation of sustainable development. The relationship between women's empowerment and social development has been a major theme in studies of development - gender development in particular. The United Nations (UN) claims that improving a women's status is not only beneficial for themselves but also for the overall economic development: "Investing in women's capabilities and empowering them to exercise their choices is not only valuable in itself, but is also the surest way to contribute to economic growth and overall development" (United Nations, 1995).

Sustainable development represents a commitment to advance people's well-being, with the added constraint that this development needs to take place within the ecological limits of the biosphere (Moran, Wackernagel et al.

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[3] The Total Fertility Rate represents the number of children that would be born to a woman if she were to live to the end of her childbearing years and bear children in accordance with current age-specific fertility rates (www.worldbank.org).

2008). Sustainable development therefore hinges on two factors: consumption and population growth. High fertility rates (which lead to high population growth) burden the economy in terms of consumption. The fertility rate can therefore be considered to be an indicator of the general health status of a population, and a specific indicator of maternal health, as it encompasses health initiatives such as family planning.

There is evidence that suggests a causal relationship between women's empowerment and fertility. In particular, studies have shown that fertility is negatively associated with women's education and employment (Axinn & Barber, 2001; Mason, 1987). Improvement in women's education exposes them to modern values and ideas that promote individualism and egalitarianism. Moreover, independence gives women the freedom to make decisions that affect their own lives, including the use of contraception and the number of children they wish to have. In fact, at least four major aspects of empowerment that can be identified and are closely related to fertility include, women's education, participation in the labour force, women's participation in household decision-making and lastly, women's use of contraception (Phan, 2013).

The World Population Review (2019) asserts Africa as the continent containing the vast majority of countries with the highest fertility rates, with Niger topping the list at 7.1 children per woman, followed by Somalia at 6.1 children per woman. The Democratic Republic of Congo, Mali and Chad follow at 5.9, 5.9 and 5.7 children per woman, respectively. The North African country of Tunisia has the lowest fertility rate on the continent at 2.1 children per woman – a figure that puts it roughly in the middle of the two hundred countries listed. Two of the most densely populated countries in the world, China and India, have fertility rates on the lower end of the scale. At 2.3 children per woman, India ranks at number 94 on the list, while China is much lower at 1.6 children per woman. However, both of these figures are likely to be affected by government policies and cultural expectations around reproduction in these countries.

According to Stats SA (2018), the fertility rate in KZN between 2016 and 2021 is projected to stand at 2.5 children. This estimate sits slightly below the national average of 2.6 children, and is the fourth lowest after Gauteng (2.0 children), the Western Cape (2.2 children), and the Free State (2.4 children). The Eastern Cape and Limpopo were projected to have the highest rate at 2.9 children followed by the North West (2.8 children) and the Northern Cape (2.7 children).

Of every 1 000 deliveries of babies in KZN public health facilities over 2017/18, 17.6 were to adolescent mothers between the ages of 10 and 19 years. The province had the highest prevalence of adolescent births in the country, followed by the NC (17.1 per 1 000 live births), the EC (15.4 per 1 000 live births), and LP (13.5 per 1 000 live births) - all of which were higher than the national average of 12.7 per 1 000 live births.

There is a clear and negative relationship between levels of development and fertility rates as provinces which are characterised by higher development levels in the country such as Gauteng and the Western Cape have the lowest fertility levels and those that are predominantly rural and underdeveloped such as the Eastern Cape and Limpopo

have the highest fertility rates. Evidently, the better-developed provinces also had a lower prevalence of adolescent births. KZN therefore needs to intensify its efforts to improve access to quality education particularly to the female segment of its population if the province intends to improve its development levels.

## 2.5.2 Mortality[4]

According to the Connecticut Department of Health, the importance of mortality statistics is derived from both the significance of death in an individual's life, as well as their potential to improve the public's health when used to systematically assess and monitor the health status of the whole community. Mortality statistics are a mirror of the situation of health prevalent in a population. Within the possible damages in health, death is obviously the most severe that can result. Therefore the panorama of mortality, if not the whole sanitary scenario, depicts the array of health problems that could be leading to death, i.e., what could presumably be considered the most relevant problems for that society. Consequently, within the realm of public health, mortality statistics are often used as a cornerstone in formulating health plans and policies to prevent, or reduce premature mortality and improve quality of life[5].

Global changes which have been witnessed over past centuries in mortality and morbidity patterns have given rise to what Omran (1982) termed the epidemiologic transition. The main features of the transition include a decline in mortality, an increase in life expectancy, and a shift in the leading causes of morbidity and mortality from infectious and parasitic diseases to non-communicable, chronic and degenerative diseases such as heart disease, cancer and diabetes mellitus.

The epidemiologic transition consists of three stages. The first or pre-transitional stage, the age of pestilence and famine, is characterized by fluctuating mortality in response to epidemics, famines and war. The Crude Death Rate (CDR) is high and ranges from 30 to over 50 deaths per 1 000 population. Life expectancy at birth is low, between 20 and 40 years, and the leading causes of death are infectious and parasitic diseases such as influenza, diarrhoea and tuberculosis. The second stage, the age of receding pandemics, is a transitional phase. During this stage, mortality starts to decline, CDR reaches a level of less than 30 deaths per 1 000 population, and life expectancy at birth increases to about 55 years. Improved sanitation, hygiene and nutrition, and later also advances in medicine, and public health programmes, help control epidemics and pandemics of infectious and parasitic diseases. As a result, an increasing number of people no longer die from infections at young ages, but from chronic, degenerative illnesses at middle and older ages. During the third stage, the age of degenerative and man-made diseases, mortality continues to decline until it stabilizes at a level below 20 deaths per 1 000 population. Furthermore, life expectancy at birth increases to over 70 years by the end of this stage. The major causes of death are lifestyle diseases such as cardiovascular diseases, diabetes mellitus and cancer. The term "man-made"

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[4] The mortality rate represents the average number of deaths in a particular area over a specified period of time.
[5] http://www.ct.gov/dph/cwp/view.asp?a=3132&q=388138

hereby includes diseases related to radiation, accidents, food additives, occupational hazards, and environmental pollution. Studies conducted in South Africa, however, have revealed that the epidemiological transition is occurring at different paces among the various population groups in the country, making it difficult to state unequivocally which epidemiological stage the country is in (Nojilana et al., 2016).

There are several indicators of mortality which are widely used to measure premature mortality at various stages of life. This section will look specifically into infant, children under five and maternal mortality.

According to Lancet (2011), stillbirth is a common adverse pregnancy outcome, with nearly 3 million third-trimester stillbirths occurring worldwide each year. Approximately 98 per cent occur in low-income and middle-income countries, and more than 1 million stillbirths occur in the intrapartum period, despite many being preventable. Worldwide most stillbirths occur in late preterm and term fetuses. More than 1 million stillbirths occur during labour – i.e., in babies who would have had an excellent chance of survival if born alive and safely. In some studies in low-income and middle-income countries, up to 70 per cent of stillbirths were reported to occur in the intrapartum period and were frequently associated with obstetric emergencies. In high-income countries, half of all stillbirths occurred in babies without anomalies who were born at more than 28 weeks' gestation, nearly all of whom would be expected to survive if born alive because of the availability of neonatal intensive care.

Among the major causes of stillbirth worldwide are asphyxia owing to obstructed labour, placental abruption, pre-eclampsia or eclampsia, infections (especially chorioamnionitis, syphilis, and malaria) and umbilical cord complications. In high-income countries, congenital anomalies, infections associated with preterm birth, diabetes, and post-term pregnancy are additional important causes, as many of the other major preventable causes of stillbirth have reduced rates or have been eliminated. Contributing to the risk in high-income countries are high or increasing levels of maternal smoking, obesity, and advanced maternal age.

Within populations, high rates of stillbirth rarely occur in isolation from high rates of other adverse maternal and neonatal outcomes, especially in low-income countries. For instance, high rates of maternal mortality, as well as neonatal deaths and long-term childhood morbidity, are generally seen in the same populations, and at times in the same women (Lancet, 2011).

Globally, each year, an estimated 13 million infants are born before 37 completed weeks of gestation. Complications from these preterm births are the leading cause of neonatal mortality[6]. Preterm birth is directly responsible for an estimated one million neonatal deaths annually, and is also an important contributor to child and adult morbidities. Low and middle-income countries are disproportionately affected by preterm birth and carry a

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[6] A neonatal death is defined as a death during the first 28 days of life (0-27 days).

greater burden of disease attributed to this. Causes of preterm birth are multifactorial, vary by gestational age, and likely vary by geographic and ethnic contexts[7].

The early neonatal death in facility rate[8] provides an indication of the quality of antenatal, intrapartum and postnatal care received by the expectant mother, and is a key indicator to monitor in order to end the preventable deaths of neonates and children under 5 years of age.

The HST (2018) asserts that despite the availability of cost-effective measures to prevent diarrhoeal diseases they remain the leading cause of child mortality outside the neonatal period in South Africa, and in 2015 accounted for 10.1 per cent of all under-5 deaths. Diarrhoeal diseases and pneumonia are sentinel conditions for the assessment of health services for children and the reduction of the facility case fatality rates for these two conditions is a key indicator in the National Department of Health's (NDoH) 2012 - 2016 Strategic Plan for Maternal, Newborn, Child and Women's Health (MNCWH) and Nutrition.

For every 1 000 live births in KZN facilities in 2017/18, 23.3 were stillborn. The province occupied the second highest ranking in the country in terms of this indicator, with the FS experiencing the highest prevalence of this calamity within its facilities. KZN had an early neonatal rate of 10.3 per 1 000 live births. This was marginally higher than the national average of 10.3 per 1 000 live births, and afforded the province a ranking of fifth place out of the nine provinces, with the WC (7.2 per 1 000 live births), NW (7.9 per 1 000 live births), and NC (10 per 1 000 live births) outshining the rest of the provinces as the best performers. This can be viewed as a slump in the province's performance in terms of achievement and ranking when compared with how it fared in 2016/17 when it achieved an early neonatal death rate of 9.7 per 1 000 live births, which was below the national average of 9.9 in that year. It had exceeded the national target of 10, and the province was surpassed only by the WC at 7.1 deaths per 1 000 live births and MP at 9.5 deaths per 1 000 live births.

A brief look at the health status of children within the province between 2016/17 and 2017/18 reveals that Under-5 mortality as a result of diarrhoeal disease had remained unchanged at 2 per cent, on par with the national average. The province ranked fourth in the country in this regard, surpassed by the WC (0.4 per cent), Northern Cape (1.7 per cent), and Mpumalanga (1.9 per cent).

The Under-5 pneumonia case fatality rate increased from 1.8 per cent in 2016/17 to 2.5 per cent in 2017/18, placing the province on par with the national average, and the Under-5 acute malnutrition case fatality rate increased marginally from 7.4 per cent in 2016/17 to 7.7 per cent in 2017/18, pushing the provincial score above the national

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[7] http://www.seminperinat.com/article/S0146-0005(10)00109-6/abstract

[8] The early neonatal death in facility rate or inpatient death 0–7 days measures the number of deaths among live-born babies that occur within seven days of birth and is expressed per 1 000 live births. The numerator is the number of death in facility 0–7 days, while the denominator includes the number of live births in facility.

average of 7.4 per cent. According to Schlaudecker (2011), new studies parallel earlier reports that diarrhoea and pneumonia impair children's growth and that underlying malnutrition is a major risk factor for these conditions.

Episodes of diarrhoea may predispose the child to pneumonia in cases of undernourished children. Malnutrition may partially account for the reduced efficacy of oral rotavirus vaccines in low-income countries. Additional studies support breastfeeding and micronutrient supplementation for the prevention and control of diarrhoea and pneumonia.

According to the Health Systems Trust's District Health Barometer (2018), 56 per cent of infants were exclusively breastfed at the time of receiving their 14 week vaccination in KZN. This figure was above the national average of 47.8 per cent, but the province fell short of improving its performance from 2016/17 when it achieved a rate of 53.9 per cent for the same indicator.

According to UNICEF (2008), the health risks associated with pregnancy and childbirth are far greater in developing countries than in developed countries. They are especially prevalent in the least developed and lowest-income countries, and among less affluent and marginalised families, and communities everywhere. Globally, efforts to reduce deaths among women from complications related to pregnancy and childbirth have been less successful than in other areas of human development – with the result that having a child remains among the most serious health risks to women. KZN had a maternal mortality ratio of 101.9 per 100 000 live births in 2017/18; a meagre improvement from the 106.7 deaths per 100 000 live births seen in 2016/17. This was below the national average of 105.7 deaths per 100 000 live births, but is a far cry from the SDG target of 70 deaths per 100 000 live births which must be realized by 2030.

### 2.5.3    Life expectancy

"Life expectancy is the most widely used measure of health, although it only takes into account the length of people's lives and not their quality of life. There have been remarkable gains in life expectancy over the past 50 years in the Organisation for Economic Co-operation and Development (OECD) countries. On average, life expectancy at birth reaches 80 years across OECD countries, a gain of more than 10 years since 1960. Women live almost six years longer than men, averaging 83 years versus 77 years for men" (OECD, 2014).The United Nations Development Plan (UNDP), defines life expectancy at birth as the number of years a newly born infant could expect to live, if prevailing patterns of age-specific mortality rates at the time of birth stay the same throughout the infant's life[9].

The indicator is an important yardstick for any economy as it gives an indication of its health status. The implications of low life expectancy include loss of a productive workforce, loss of tax revenue and a high dependency ratio. Being able to predict how a population will age has implications for the planning and provision of services.

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[9] http://hdr.undp.org/en/69206

Increases in life expectancy could translate into large increases in the population. KZN is projected to have a slightly lower life expectancy (57.7 for males and 64.1 for females) than the national average (59.9 for males and 66.2 for females).

### 2.5.4 Migration

An analysis of migration trends indicate the emergence of a new global migration age. Since the end of the colonial period, international migration has become a truly global phenomenon. Migration has seen a considerable increase in magnitude. The globalisation of migration means that all parts of the world are now affected to a greater or lesser degree by international migration. There is hardly a village, town or city, much less a country, that is untouched by international migration, either as a sender or recipient of migrants or, in many cases, both (Crush and Frayne, 2007). According to the United Nations Population Fund (2013), population growth, population ageing and decline, as well as migration and urbanisation, affect virtually all development objectives that are on top of national and global development agendas. They affect consumption, production, employment, income distribution, poverty and social protections, including pensions; they also complicate efforts to ensure universal access to health, education, housing, sanitation, water, food and energy[10].

**Table 2.5: Migration trends in KZN, 2011 to 2021**

| Provinces | 2011-2016 | | | 2016-2021 | | |
|---|---|---|---|---|---|---|
| | Out-migrants | In-migrants | Net-migration | Out-migrants | In-migrants | Net-migration |
| Eastern Cape | 492 983 | 172 917 | -320 066 | 516 264 | 192 412 | -323 851 |
| Free State | 157 714 | 132 917 | -24 797 | 163 408 | 147 666 | -15 742 |
| Gauteng | 479 461 | 1 459 549 | 980 088 | 548 456 | 1 596 896 | 1 048 440 |
| **KwaZulu-Natal** | **344 302** | **275 920** | **-68 382** | **366 150** | **307 547** | **-58 602** |
| Limpopo | 389 290 | 248 413 | -140 878 | 412 269 | 279 755 | -132 513 |
| Mpumalanga | 193 479 | 258 374 | 64 895 | 212 116 | 286 154 | 74 038 |
| Northern Cape | 71 678 | 75 606 | 3 929 | 76 512 | 83 000 | 6 489 |
| North West | 191 729 | 288 204 | 96 475 | 210 096 | 317 830 | 107 733 |
| Western Cape | 157 210 | 449 308 | 292 099 | 175 613 | 486 617 | 311 004 |

Source: Stats SA, 2018

Table 2.5 shows that between 2016 and 2021, GP is expected to continue to absorb the highest number of migrants (1 596 896) out of all other South African provinces. In contrast, KZN is projected to have a net outflow of people (58 603). Net out-migration has also been projected in the EC, FS and LP. In contrast, NC, MP and NW are projected to have a net inflow over the period. Migration is cited as one of the main factors contributing to the decline in KZN's share of the national population, and consequently its share of the equitable share grant.

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[10] See more at: http://www.unfpa.org/news/sustainable-development-and-population-dynamics-placing-people-centre#sthash.4fB31O2i.dpuf

## 2.6 Conclusion

Collectively, children and young people account for approximately two third of the total provincial population. Hence the dependency ratio is highly skewed towards the children at approximately 50 per cent as compared to the older people at around 9 per cent. The domination of young people can yield a demographic dividend[11] in the long-run. This can be done by implementing quality early childhood development (ECD), basic education, technical and vocational education and training, as well as higher education. The long-term result of quality education system is an increase in productive citizens which is anticipated to improve the average income per capita in the country.

If government is unable to reduce the high dependency ratio or formulate and implement policies that empower young people while making older persons self-supporting, there could be pressures on the fiscus. This can lead to higher borrowing or an increase in taxes which, in turn, crowds out private sector investment and reduces consumers' disposable income.

The interventions that reduce stillbirths frequently reduce maternal and neonatal mortality. Improvements in quality of and access to key life-saving interventions, through the facilitating of access to transportation to medical facilities, training of health-care personnel, including obstetric drills and audits, and the use of maternity waiting homes where high-risk women can await birth near medical facilities, are likely to prevent multiple obstetric disorders, augment treatment, and lower rates of adverse outcomes. On the basis of the article by Lancet (2011), several evidence-based interventions can reduce stillbirths. Among the most important for low-income and middle-income countries are basic and comprehensive emergency obstetric care, and the screening for and treatment of syphilis.  Reductions in the numbers of stillbirths can be accomplished not only by lessening the medical risks for pregnant women, but also by increasing the availability of family planning services to lower the overall numbers of pregnancies. This intervention was probably partly responsible for the reduction of stillbirths in China.

To meet the World Health Organization/UNICEF 2025 target of a mortality rate for diarrhoeal diseases of less than 1 per 1 000 live births, ongoing improvements in prevention and treatment activities in the community, PHC facilities and hospitals are required. Improved access to water and sanitation, and increased support to mothers to achieve increased uptake of exclusive breastfeeding is are also imperative. A reduction in the rate of malnutrition requires improved breastfeeding rates and greater household food security. A higher infant exclusively breastfed at DTaP-IPV-Hib-HBV 3rd dose rate is required in order to improve child survival in the country and province. Achieving this requires consistent practices and messages promoting breastfeeding including enhancing postnatal support for breastfeeding mothers in their communities.

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[11]  Demographic dividend refers to the growth in an economy that is the resultant effect of a change in the age structure of a country's population. The change in age structure is typically brought on by a decline in fertility and mortality rates.

KZN's performance against most of the highlighted mortality indicators has dwindled when compared to the previous year and to its ranking against other provinces, yet the province has a relatively higher disease and population burden. This is a worrying outcome as the health sector receives donor funding for some of its programmes. Should this negative situation persist, the province could be faced with a withdrawal of financial support from donor organisations, leaving it in a state of virtual collapse.

# Chapter 3:    Development Indicators

## 3.1    Introduction

The progress of nations and their relative standing have most often been assessed using per capita measures of gross income and output as crude measures of wealth. This 'income or wealth approach' has been criticised as emphasising means over ends and for being too narrow. As many have noted, particularly in Africa, the income measure fails to adequately reflect development. Per capita income, in terms of its levels or changes to it, does not sufficiently correlate with measures of human development, such as life expectancy, poverty, and literacy (Fosu 2007).

In contrast to economic growth, which is a positive concept, economic development is a normative study which encapsulates people's sense of right and wrong pertaining to topics such as poverty, income inequality and social security. Building on the work of Amartya Sen and co-authors, a number of academics and policy analysts have championed the 'human development approach.' This alternative approach sees development as the expansion of peoples' capabilities 'to live better and richer lives, through more freedom and opportunity' (Anand and Sen 2000b, 84). The level of economic development of a region can be measured using indicators which include, among others, the human development index (HDI), the Gini coefficient, literacy rate, and poverty rate.

Sustainable development is underpinned by five main principles, namely: natural, human, social, manufactured and financial capital. These are the five types of sustainable capital from which human beings derive the goods and services that they need to improve their quality of life.

This chapter covers some of the topics that are integral to the attainment of sustainable development in KZN. These are namely poverty, income inequality, human development, grant beneficiaries, education, health, access to basic services and crime.

## 3.2    Poverty

The counter-revolution against development economics (Toye 1987), enabling the ascendance of the Washington Consensus in the 1980s (Williamson 1989), significantly transformed the discourse on poverty. Washington Consensus reforms - involving macroeconomic stabilisation, defined as low single-digit inflation, as well as microeconomic market liberalisation associated with structural adjustment - were all supposed to accelerate poverty reduction. In this new framework, poverty reduction was seen an almost automatic consequence of economic growth. Little attention has been given to structural causes of poverty, including inequality of opportunities and initial conditions (such as assets), and the distributional consequences of growth. While the

reforms were supposed to unleash rapid growth, social policy was reduced to social safety nets for those falling between the cracks. However, the reforms slowed growth and exacerbated inequality (United Nations, 2005; Jomo with Baudot, 2007).

Washington Consensus policy prescriptions, often imposed through aid conditionalities, have significantly constrained policy space for national development strategies. Failure to sustain growth and reduced government revenues have also reduced developing countries' fiscal space. Such reduction of policy and fiscal space has greatly undermined sustainable and equitable development, with dire consequences for many developing countries, including SA. Government capacity was reduced in many countries, which were also being coerced to liberalise and globalise on unequal and debilitating terms. The World Bank has since emphasised the need for economic policies and policy advice to be more country specific and institution-sensitive.

Countries where the level of poverty is relatively high tend to also exhibit low levels of human development (Fosu, 2007). Some people are born into poverty and have difficulty escaping from it, as they do not enjoy the education, health or nutrition required to accumulate crucial physical stature and cognitive capacity early in life (Barrett, 2005).

Poverty is often defined by unidimensional measures, such as income or expenditure. While this provides us with a very useful way of measuring absolute poverty[12], it does not capture the multiple aspects that constitute poverty. Multidimensional poverty consists of several factors that amount to poor people's experience of deprivation. These, among others, include poor health, lack of education, inadequate living standards, lack of income, lack of decent work and threat from violence. Moreover, multidimensional measure seeks to integrate a range of indicators to capture the difficulty of poverty, and thus provides a more robust tool to better inform programmes and policies designed to fight it. The indicators that can used for this measure can vary across regions, ultimately, they should be chosen to able to eliminate poverty and hunger in South Africa.

South Africa is an upper-middle-income country with a per capita income of R55 258. Regardless of this perceived wealth, the reality of the majority of the country's households is either one of absolute poverty, or of continued vulnerability to poverty. Although significant progress was made prior to the economic crisis in addressing poverty, many South African households have fallen back or still remain in the trap of poverty through inadequate access to clean water, proper health care facilities and household infrastructure.

In 2012, Statistics South Africa published a suite of three important national poverty lines for measuring poverty. These are namely the food poverty line (FPL), the lower-bound poverty line (LBPL), and the upper-bound poverty

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[12] An absolute poverty line is an estimate of the minimum level of resources that individuals should have access to in order to meet their basic needs.

line (UBPL). The FPL[13] indicates the level of consumption at which individuals are able to purchase food that is efficient for the necessary balanced diet. Households who are struggling to meet this consumption level are said to be living in poverty. The LBPL[14] denotes food and non-food items required by households, however, those living below this line must sacrifice some food in order to get these non-food items such as transport and airtime. Lastly, households living below the UBPL[15] are those ones that can able to consume both food and non-food items, but are unable to meet other basic needs such as shelter, education, security and better health care services (Stats SA, 2014).

**Figure 3.1: Share of poverty lines across all the provinces in SA, 2017**
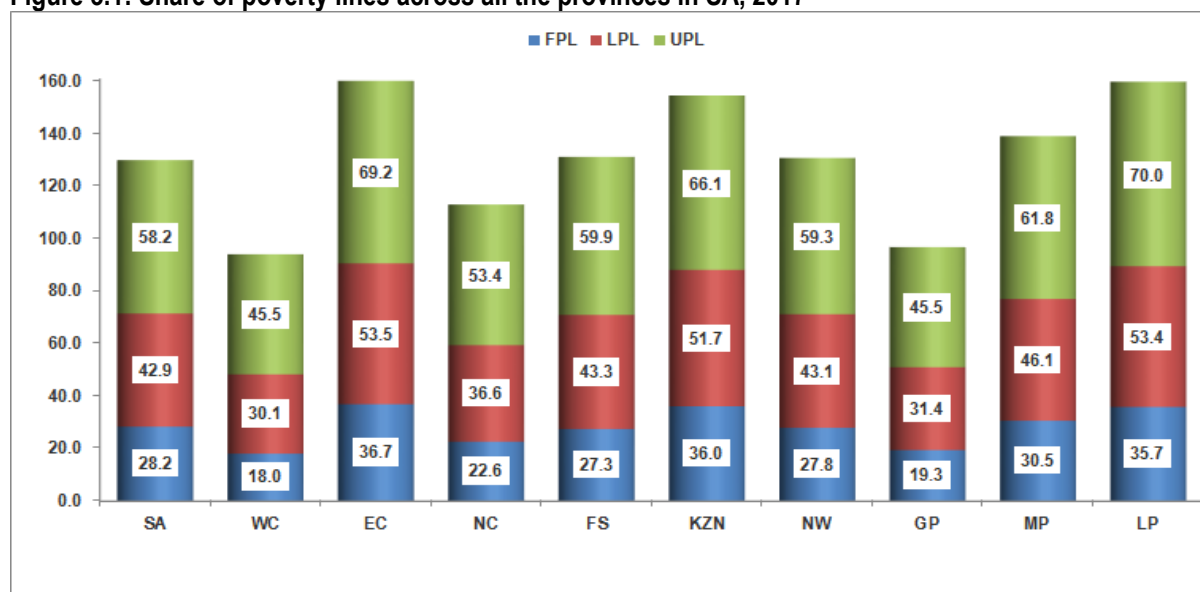


Source: IHS Markit, 2019

Figure 3.1 shows the share of people living below the food poverty line, the lower-bound poverty and the upper-bound poverty lines by province in 2017. The WC (18.0 per cent) had the lowest share of people living below the FPL, followed by GP (19.3 per cent), NC (22.6 per cent) and FS (27.3 per cent). Approximately 36 per cent of the KZN population was still living below the FPL in 2017. This figure was the second highest in the country and had increased slightly (1.1 per cent) from 34.9 per cent in 2016. In terms of the share of people living below the LBPL, KZN had 51.7 per cent of its population living within this classification of poverty. This was the third highest rate in the country, and had also increased marginally from 50.6 per cent in the previous year. The share of KZN

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[13] Food poverty line – R547 (in April 2018 prices) per person per month. This refers to the amount of money that an individual will need to afford the minimum required daily energy intake. This is also commonly referred to as the extreme poverty line.

[14] Lower-bound poverty line – R785 (in April 2018 prices) per person per month. This refers to the food poverty line plus the average amount derived from non-food items of households whose total expenditure is equal to the food poverty line.

[15] Upper-bound poverty line – R1 183 (in April 2018 prices) per person per month. This refers to the food poverty line plus the average amount derived from non-food items of households whose food expenditure is equal to the food poverty line.

people living below the UBPL in 2017 stood at 66.1 per cent; 1 per cent up from the level it was at in 2016, and third highest in the country.

## 3.3    Household income and inequality

Inequality, alongside poverty, has for decades been the bane of South Africa's existence. Both local and international literature have firmly established that the levels of inequality in South Africa are among the highest in the world (Tregenna and Tsela, 2012 & World Bank, 2012). Not only have inequality levels remained high, but they continue to increase thereby posing an intractable challenge confronting the government. Hence addressing inequality is one of the key policy objectives of the South African government.

High Inequality, in particular, impedes government efforts towards reducing poverty, and its persistence is a threat to social cohesion and social justice (Tregenna, 2011). Reducing inequality is therefore a legitimate goal of government and a key step towards achieving the ultimate goals of social justice and social cohesion (Salardi, 2005). More importantly, in order for government to deal decisively with poverty, it needs to first tackle inequality. High levels of inequality prohibit the poor from fully participating in the growth process. By restricting the expansion of the domestic market, inequality may create institutions that trap the poor into poverty in particular where inequality is associated with class, race and gender. Further, the persistence of inequality potentially results in unprecedented societal problems such as crime, corruption, social exclusion and instability.

**Table 3.1: Income distribution by proportion of households in KZN, 2017**

| Income category | Income level (R'000) | African | White | Coloured | Asian | Grand total |
|---|---|---|---|---|---|---|
| Lower income | 0 - 54 | 47.0% | 2.6% | 17.8% | 4.9% | 40.2% |
| Low emerging middle income | 54 - 96 | 22.7% | 3.2% | 15.5% | 11.1% | 20.4% |
| Emerging middle class | 96 - 360 | 23.9% | 34.4% | 40.7% | 51.2% | 27.1% |
| Realised middle class | 360 - 600 | 3.8% | 25.0% | 13.1% | 17.1% | 6.4% |
| Upper middle class | 600 - 1 200 | 2.2% | 23.4% | 10.4% | 11.3% | 4.4% |
| Affluent | 1 200 + | 0.5% | 11.5% | 3% | 4.4% | 1.5% |
| Grand total | | 100.0% | 100.0% | 100% | 100.0% | 100.0% |

Source: IHS Markit, 2019

In 2017, the bulk (40.2 per cent) of KZN households were categorized as being lower income earners (between R0 and 54 000 per annum), approximately 20.4 per cent were categorised as low emerging middle income earners (between R54 000 and R96 000 per annum), 27.1 per cent were emerging middle class (earning between R96 000 and R360 000 per annum). Approximately 6.5 per cent of households in the province were categorised as realised middle-class earners (R360 000 - R600 000), 4.4 per cent were upper middle class (R600 000 - R1 200 000) and only 1.7 per cent of KZN households were considered as affluent, earning in excess of R1.2 million per annum.

About 47.0 per cent of African households earned less than R54 000 per annum, and a further 46.6 per cent earned between R54 000 and R360 000 per annum. In contrast, the majority of White, Coloured and Asian households

fell within the emerging middle class at 34.4 per cent, 40.7 per cent and 51.2 per cent respectively. The White segment of the population enjoyed dominance over realised middle class, upper middle class and affluent income categories. It is clearly evident that significant income disparities still exist among the four population groups in the country, and the African segment of the population still remains least favoured by the current conditions.

## 3.4    Human development

Education along with health are often perceived to have greater potential to eradicate poverty than they, in fact, possess. Without economic prospects, in particular, higher level of education and better health will not put an end to poverty or inequality. However, the services provided by these sectors can make a contribution to the alleviation of poverty by increasing poor people's well-being. Further, even where the poor do not escape poverty through access to these services, equity demands that they have greater access to education, training, health care, and protection.

According to (Barbier 2010), many rural people in developing countries rely directly on natural resources and the environment for agriculture, livestock farming, fishing, basic materials, and fuel - to meet their own subsistence requirements and to sell in markets for cash income. The lack of clean water, sanitation, and other infrastructure services suggests that increased public provision of such basic services is highly valued by many households.

The continuing concentration of the rural poor in the less favoured areas of developing regions has roots in the long-run trends of post-war global economic development (Barbier, 2010). This is clearly a phenomenon with a long history. Since 1950, the estimated population in developing economies on 'fragile lands' had doubled by 2003. These fragile environments are prone to land degradation, and consist of upland areas, forest systems and dry lands that suffer from low agricultural productivity, and which are areas that often present significant constraints for intensive agriculture. In addition, the steep terrain and vast distances between the village clusters often pose service delivery challenges for government.

African countries have increased their levels of investment in education, health and nutrition; increased their participation in decision-making; and reduced military spending. However, the outcomes have been mixed, and there have been large variations in their poverty performance (Arimah 2004). Despite the fact that measures have been introduced to counter poverty in SA, and the province of KZN, the high poverty figures indicate a high level of deprivation, and this in turn impacts negatively on the level of human development within the province as more people are unable to access quality services in the health and education sectors for a better quality of life.

**Figure 3.2: Human Development Index (HDI) in KZN, 2007 and 2017**
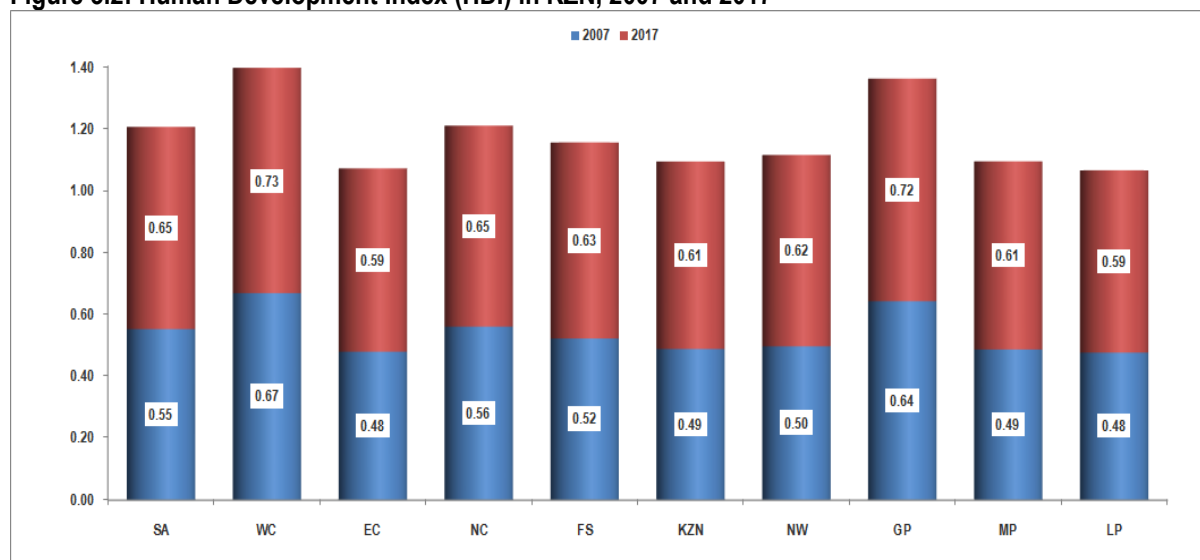


Source: IHS Markit, 2019

Human development entails enlarging people's freedom and opportunities and improving their well-being. This is achieved through ensuring that individuals are able to enjoy basic rights such as good health, access to knowledge, and a decent material standard of living (SSRC, 2017). Globally, countries have increased their level of investment in education, health, and in the empowerment of women and girls. In South Africa, this stance is evidenced by the government's investment being the highest in education, health, defence and public safety, and social protection (National Treasury, 2017). KZN had an estimated HDI of 0.61 in 2017, which is considered as medium human development according to the Human Development Report (2016). Although there was a significant improvement in the HDI of 2006 which was 0.49, the province's HDI in that year was below the national average of 0.65 (Figure 3.2).

## 3.5    Grant beneficiaries

According to the Health Systems Trust (2015), SA is regarded as being food secure; however, hidden hunger[16] still affects many South Africans. The Trust further highlighted that poor communities do not have easy access to healthy food. Instead, they are more reliant on low-grade food resulting in both childhood stunting and adult obesity. Although the grant payment system was implemented to try and alleviate nutritional problems, sadly it is proving inadequate.

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[16] Hidden hunger is a lack of vitamins and minerals. Hidden hunger occurs when the quality of food people eat does not meet their nutrient requirements, so the food is deficient in micronutrients such as the vitamins and minerals that they need for their growth and development. (https://www.who.int/).

**Table 3.2: Number and proportion of grant beneficiaries as at the end of December 2018**

| | Old Age | | War Veterans' | | Disability | | Grant-in-aid | | Care Dependency | | Foster Child | | Child Support | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| Eastern Cape | 578 477 | 16.4 | 15 | 14.3 | 182 522 | 17.2 | 24 653 | 11.5 | 22 798 | 15.2 | 78 405 | 22.7 | 1 909 553 | 15.3 | 2 796 423 | 15.8 |
| Free State | 205 066 | 5.8 | 1 | 1.0 | 74 693 | 7.1 | 6 402 | 3.0 | 8 369 | 5.6 | 24 490 | 7.1 | 692 585 | 5.6 | 1 011 606 | 5.7 |
| Gauteng | 610 509 | 17.3 | 38 | 36.2 | 115 500 | 10.9 | 6 970 | 3.2 | 19 684 | 13.1 | 43 027 | 12.5 | 1 862 846 | 15.0 | 2 658 574 | 15.0 |
| **KwaZulu-Natal** | **699 159** | **19.9** | **11** | **10.5** | **232 674** | **22.0** | **63 131** | **29.3** | **39 744** | **26.5** | **70 966** | **20.5** | **2 833 288** | **22.8** | **3 938 973** | **22.2** |
| Limpopo | 471 322 | 13.4 | 3 | 2.9 | 96 969 | 9.2 | 48 878 | 22.7 | 15 925 | 10.6 | 36 730 | 10.6 | 1 843 859 | 14.8 | 2 513 686 | 14.2 |
| Mpumalanga | 255 711 | 7.3 | 3 | 2.9 | 79 060 | 7.5 | 19 244 | 8.9 | 11 543 | 7.7 | 24 600 | 7.1 | 1 102 236 | 8.9 | 1 492 397 | 8.4 |
| Northern Cape | 88 428 | 2.5 | 3 | 2.9 | 48 696 | 4.6 | 12 240 | 5.7 | 5 957 | 4.0 | 10 515 | 3.0 | 313 865 | 2.5 | 479 704 | 2.7 |
| North- West | 262 701 | 7.5 | | 0.0 | 70 167 | 6.6 | 12 574 | 5.8 | 10 050 | 6.7 | 26 513 | 7.7 | 858 039 | 6.9 | 1 240 044 | 7.0 |
| Western Cape | 350 360 | 9.9 | 31 | 29.5 | 157 982 | 14.9 | 21 176 | 9.8 | 15 675 | 10.5 | 30 314 | 8.8 | 1 024 457 | 8.2 | 1 599 995 | 9.0 |
| South Africa | 3 521 733 | 100.0 | 105 | 100.0 | 1 058 263 | 100.0 | 215 268 | 100.0 | 149 745 | 100.0 | 345 560 | 100.0 | 12 440 728 | 100.0 | 17 731 402 | 100.0 |

Source: South African Social Security Agency (SASSA), 2019

KZN had the highest number of social grants beneficiaries as at the end of December 2018 on a national scale, with a total number of 3 938 973 recipients (22.2 per cent). This was 2.1 per cent higher than the 3 857 958 beneficiaries recorded at 31 December 2017. The province had the highest share of recipients of the Old Age Grant (699 159 beneficiaries, 19.9 per cent), Disability Grant (232 674 beneficiaries, 22 per cent), Grant-in-Aid (63 131 beneficiaries, 29.3 per cent), Care Dependency Grant (39 744 beneficiaries, 26.5 per cent), Foster Child Grant (70 966 beneficiaries, 20.5 per cent) and the Child Support Grant (2 833 288 beneficiaries, 22.8 per cent) (Table 3.2).

**Figure 3.3: KZN social grant beneficiaries by grant type as at 30 December 2018**
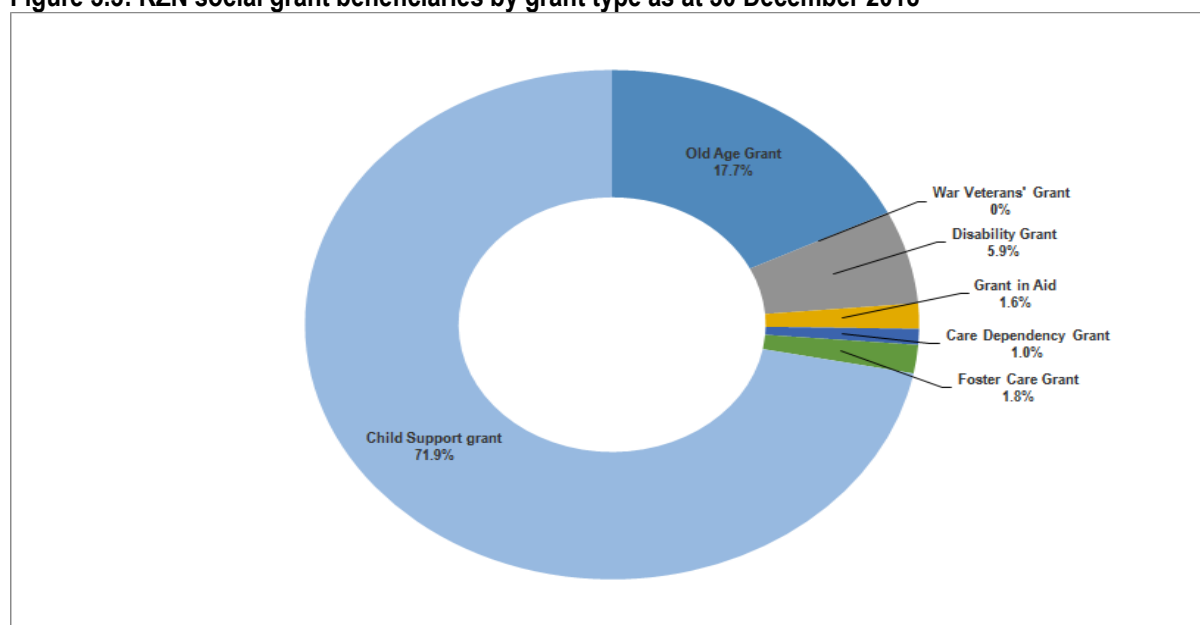


Source: South African Social Security Agency (SASSA), 2019

Of the 3 938 973 grant recipients within the province, 71.9 per cent were in lieu of child support, 17.7 per cent for old age, 5.9 per cent for disability, 1.8 per cent for foster care, 1.6 per cent as a grant-in-aid, 1 per cent for care dependency and 0 per cent for war veterans (11 beneficiaries) (Figure 3.3).

**Figure 3.4: KZN's share of grant beneficiaries by grant type as at 30 December 2018 and growth from 30 December 2017**
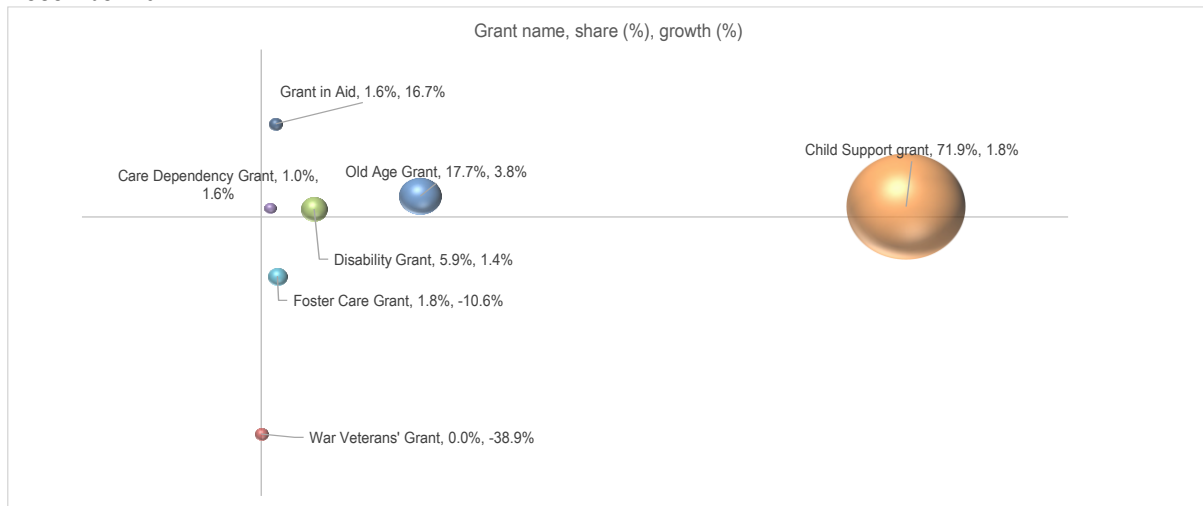


Source: South African Social Security Agency (SASSA), 2019

In terms of growth in beneficiary numbers as at the end of December 2017 up to December 2018, there was an increase in the number of Grant-in-aid beneficiaries (16.7 per cent), Old Age Grant beneficiaries (3.8 per cent), Child Support Grant beneficiaries (1.8 per cent), Care Dependency Grant beneficiaries (1.6 per cent), and Disability Grant beneficiaries (1.4 per cent). There was a decline in the number of Foster Care Grant beneficiaries (-10.6 per cent) and War Veteran's Grant beneficiaries (-38.9 per cent) over the 12 month period.

## 3.6 Education

Education is an investment in human capital that has both direct effects on the educated person and benefits for society as a whole. According to Luis (2000) education alone does not cause observable differences among people, since there are many factors such as innate ability and family background which interact with formal schooling in the development of the preferences that guide people's economic behaviour. However, other things being equal, evidence reveal that better educated people generally have better jobs and higher incomes than those with less schooling. The lesser the dependency on subsidies from government in educated communities, the greater the benefits in terms of reduction in costs to the tax payers. This makes education one of the investment decisions in addition to investing in fixed capital that can generate return on investment in the long run through quality early childhood education which builds an employable and educated workforce which can improve productivity.

It is from this backdrop that one of the objectives for the National Development Plan of SA is to make early childhood development (ECD) a priority among the measures to improve the quality of education and long-term prospects of future generations. It is a critical foundation for children to reach their full potential and be able to develop holistically (physical, socio-emotional, language and cognitive) thus shaping their subsequent school attainment, performance, health, and future earning as well as assisting in discouraging antisocial behavior (Heckman, Pinto and Savelyev, 2013). This is further supported by Georgieff (2007); Grantham et al, (2007); and Walker et al, (2007) who argue that critical brain development occurs during the early years and nutritional deficiencies during this time are associated with delayed cognitive ability and hence negatively affect school progress. These studies provide evidence that early childhood development gives a good basic education foundation. It is from this backdrop that quality basic education is one of the fourteen national outcomes as indicated in the Medium Term Strategic Framework (MTSF) of SA.

It is therefore not surprising that education is receiving the largest allocation of the national budget. According to the National Treasury (2017) the national priorities for government in the years ahead include, expanding access to education and quality early childhood development. The focus is to improve the quality of education by strengthening educator qualifications, and providing appropriate learner and teacher support materials.

### 3.6.1    School and educator: learner ratio

Educators are a basic part of the educational system as they have an important and decisive role in the quality of education and how well learners can learn. The effectiveness of educators in providing education to the learners is a very important factor which has an impact in improving the learners' performance. It is therefore essential to examine the factors which impact the quality of educators and their effectiveness in imparting knowledge to the learners and how the learners' academic achievements are affected. The problem of learner educator ratio is one of the challenges affecting the effectiveness of educators and academic performance for learners. This was confirmed by Cortes, Moussa and Winstein (2012) who found that class size affects learners' performance due to misbehavior and other disciplinary problems in large classes. They further state that learners in smaller classes learn more as they do not experience disruptions during lessons.

This is further supported by Betts and Shkolnik, (1999); Glass and Smith, (1979); and OECD, (2014) who found  a positive relationship between smaller classes and more innovative practices since educators react more strongly to class size changes. The more crowded the classrooms, the more difficult it is for educators to give personal attention to learners to help them along in the learning process. Learners in overcrowded classrooms may find it difficult to follow the lesson, or ask questions when they do not understand the material being taught. Furthermore, Monyatsi (2016) found that factors that contribute to the academic performance of the learner are parental involvement, medium of instruction, teaching and learning materials, infrastructure, the learner-educator ratio, school libraries, motivation of teachers, qualification of teachers and learners' discipline.

Although 30 learners per class may be regarded as ideal LER, it however, depends on the age of learners, academic needs of learners, experience, skills, as well as the effectiveness of educators in imparting knowledge. Educators and classroom assistants are a key resource requirement that aid in the learning process. The number of children per educator in a classroom setting is an important indicator of the individual attention a child receives from the educator.

Table 3.3 shows the number of learners, educators and schools across the various provinces for the years 2011 and 2016. A comparison of the years under review indicates that there was a marginal increase of 1.1 per cent in the KZN's number of learners from 2 847 378 in 2011 to 2 877 544 in 2016. However, this is in contrast to the drop in the number of educators and schools by 3.7 per cent and 0.6 per cent, respectively. This resulted in an increase in both the LER and the learner-to-school ratio (LSR) from 31 to 32 and 461 to 469 respectively. It appears that all the provinces recorded increasing LSRs and LERs except for GP which maintained 28 of LER for both years under consideration.

**Table 3.3: Learner-educator ratio (LER) and learner-school ratio (LSR) by provinces, 2011 and 2016**

|  | 2011 | | | | | 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
|  | Number of Learners | Number of Educators | Number of Schools | LER | LSR | Number of Learners | Number of Educators | Number of Schools | LER | LSR |
| **South Africa** | **12 287 994** | **420 608** | **25 851** | **29.2** | **475** | **12 932 565** | **418 613** | **25 574** | **30.9** | **506** |
| Eastern Cape | 1 963 578 | 68 499 | 5 755 | 28.7 | 341 | 961 547 | 61 629 | 5 676 | 31.8 | 346 |
| Free State | 658 010 | 24 057 | 1 437 | 27.4 | 458 | 688 349 | 23 523 | 1 282 | 29.3 | 537 |
| Gauteng | 2 022 050 | 71 532 | 2 559 | 28.3 | 790 | 2 326 584 | 82 078 | 2 813 | 28.3 | 827 |
| **KwaZulu-Natal** | **2 847 378** | **93 266** | **6 180** | **30.5** | **461** | **2 877 544** | **89 799** | **6 142** | **32** | **469** |
| Limpopo | 1 695 524 | 58 016 | 4 073 | 29.2 | 416 | 1 765 555 | 54 418 | 4 018 | 32.4 | 439 |
| Mpumalanga | 1 046 551 | 34 623 | 1 931 | 30.2 | 542 | 1 074 352 | 34 404 | 1 847 | 31.2 | 582 |
| Northern Cape | 274 745 | 8 899 | 611 | 30.9 | 450 | 292 595 | 9 136 | 574 | 32 | 509 |
| North West | 765 120 | 25 897 | 1 669 | 29.5 | 458 | 829 467 | 26 108 | 1 534 | 31.8 | 541 |
| Western Cape | 1 015 038 | 35 819 | 1 636 | 28.3 | 620 | 1 116 572 | 37 518 | 1 687 | 29.8 | 662 |

Source: Department of Basic Education, 2016

### 3.6.2 Literacy rate and matric results

The rationale for recognising literacy is that it confers human development benefits on individuals, families, communities and nations such as improved self-confidence, self-esteem and a feeling of greater self-empowerment, irrespective of whether it was acquired through schooling or adult literacy programmes. These literacy skills are fundamental to informed decision making, personal empowerment as well as active participation in the society. Literacy also has an influence on human capital and the ability of individuals, social institutions and nations to adapt and change along with technological and other developments in the global market. People that are literate tend to have a high social status (since they can obtain employment and earn income) and economic status (since they can be more productive as they are less costly to train and gain economic skills).

Figure 3.5 shows the functional literacy rate in SA by provinces in 2007 and 2017. In KZN, the literacy rate increased from 73.9 per cent in 2007 to 81.9 per cent in 2017. However, it was still 2.2 percentage points below the national level of 84.1 per cent in 2017. In 2017, functional literacy was the highest in the GP (91.1 per cent) followed by the WC (90 per cent). However, the provinces that fell below the literacy level of 80 per cent included the EC, LP, NC and NW.

**Figure 3.5: Provincial functional literacy rates, 2007 and 2017**
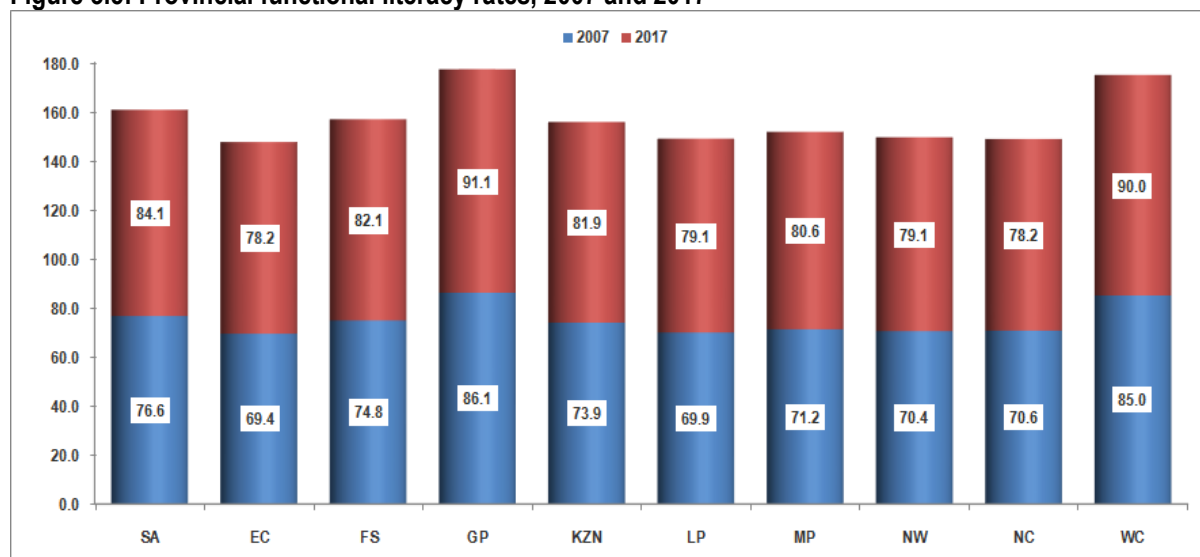


Source: IHS Markit, 2019

Table 3.4 represents the level of education in KZN in 2007 and 2017. It is evident that the situation regarding the level of education in KZN improved over the 10-year period. In 2017, 7 per cent of the people who were 20 years and older had not received any schooling. This is an improvement from 11.5 per cent recorded in 2007. The percentage of the population aged 20 years and above that completed secondary education (matric only) in KZN increased from 21.6 per cent in 2007 to 27.5 per cent in 2017. This is impressive since it is reflective of more people in the Economically Active Population (EAP) having received a basic education and as such can be more productive members of society. It is encouraging to see that there has been an increase; although not significant in the proportion of people who attained higher qualifications in 2017 (8.6 per cent) than in 2007 (7 per cent) (Table 3.4).

**Table 3.4: KZN's levels of education for individuals at age 20+, 2007 and 2017**

| | 2007 | | | | | 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | African | White | Coloured | Asian | Total | African | White | Coloured | Asian | Total |
| **No schooling** | 15.9 | 1.9 | 2.4 | 3.5 | 11.5 | 7.9 | 0.5 | 1.0 | 2.1 | 7.0 |
| **Grade 0-6** | 18.1 | 2.6 | 5.5 | 6.6 | 13.5 | 11.8 | 0.9 | 3.8 | 5.6 | 10.6 |
| **Grade 7-11** | 37.9 | 44.8 | 38.3 | 30.3 | 31.3 | 35.1 | 17.2 | 34.6 | 26.7 | 33.5 |
| **Cert/ diploma without matric** | 0.6 | 14.1 | 18.3 | 15.5 | 15.1 | 13.4 | 3.8 | 14.1 | 11.9 | 12.8 |
| **Matric only** | 22.3 | 30.7 | 26.6 | 32.9 | 21.6 | 25.3 | 41.5 | 35.1 | 39.8 | 27.5 |
| **Higher** | 5.2 | 5.9 | 9.0 | 11.2 | 7.0 | 6.4 | 36.1 | 11.5 | 13.9 | 8.6 |
| **Total** | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: IHS Markit, 2019

It is worrying that the African population lag behind all other racial groups with regard to the level of education. However, this is anticipated to change in a few years' time due to lag effects of the government's announcement of free higher education for the low income households. It will give rise to opportunities for those who could not previously attend due to lack of funds.

**Figure 3.6: Comparison of national and provincial NSC achievements, 2016, 2017 and 2018**
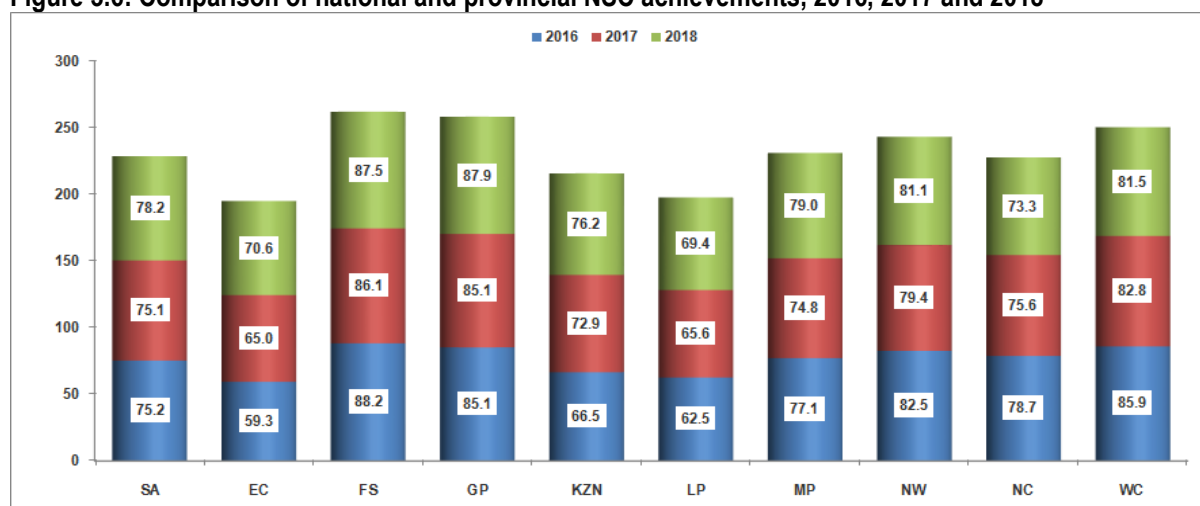


Source: Department of Basic Education, NSC Examination, 2019

Figure 3.6 compares the national senior certificate (NSC) achievements in SA and among provinces from 2016 to 2018. Learner achievement rates in KZN improved by 9.8 percentage points from 66.4 per cent in 2016 to 76.2 per cent in 2018. This is in contrast to a 5.7 percentage point improvement from 72.5 per cent to 78.2 per cent in SA. In comparison with other provinces, KZN was fourth from the bottom after the EC, NC and LP.

**Table 3.5: Number of learners wrote and achieved NSC, 2017 and 2018**

| | 2017 | | | | 2018 | | | | % Difference (Progressed Learners) | % Difference (Progressed Learners Excluded) |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of Learners wrote | Number of Progressed Learners wrote | % Achieved | % Achieved - Progressed Learners excluded | Number of Learners wrote | Number of Progressed Learners wrote | % Achieved | % Achieved - Progressed Learners excluded | | |
| **South Africa** | **534 484** | **34 011** | **55.1** | **78.5** | **512 735** | **33 412** | **60.2** | **78.2** | **5.1** | **-0.3** |
| Eastern Cape | 67 648 | 2 853 | 48.1 | 65.8 | 65 733 | 3 775 | 56.5 | 70.6 | 8.4 | 4.8 |
| Free State | 25 130 | 3 502 | 63.2 | 89.8 | 24 914 | 3 466 | 65.2 | 87.5 | 2 | -2.3 |
| Gauteng | 97 284 | 4 901 | 68.7 | 86.0 | 94 870 | 5 594 | 70.3 | 87.9 | 1.6 | 1.9 |
| **KwaZulu Natal** | **124 317** | **5 356** | **56.5** | **73.6** | **116 152** | **5 097** | **63.4** | **76.2** | **6.9** | **2.6** |
| Limpopo | 83 228 | 7 681 | 47.8 | 67.4 | 76 730 | 6 279 | 55.9 | 69.4 | 8.1 | 2 |
| Mpumalanga | 48 483 | 4 315 | 56.4 | 76.6 | 44 612 | 4 074 | 64.7 | 79 | 8.3 | 2.4 |
| North West | 30 792 | 2 850 | 53.2 | 82.1 | 29 061 | 2 870 | 56.9 | 81.1 | 3.7 | -1 |
| Northern Cape | 9 735 | 691 | 52.8 | 77.6 | 9 909 | 532 | 40.2 | 73.3 | -12.6 | -4.3 |
| Western Cape | 48 867 | 1 862 | 42.3 | 84.4 | 50 754 | 1 725 | 33.6 | 81.5 | -8.7 | -2.9 |

Source: Department of Basic Education, NSC examination, 2019

After much consideration and having considered the international practice in countries like Finland, Sweden, Denmark, Japan, Korea, Kenya and the United Kingdom; in 2013 the Minister of Education approved a policy that allows learners that have failed a grade for the second time to be promoted to the next grade; provided he or she

meets the specified criteria which indicate that she or he has a potential of coping in the next grade if provided with the necessary support. When considering the progressed learners, KZN had the third highest number of progressed learners after the LP and GP. The province of KZN achieved the fourth highest pass rate after FS (65.2 per cent), GP (70.3 per cent) and MP (64.7 per cent). This is an improvement of 6.9 per cent from 56.5 per cent recorded in 2017 (Table 3.5).

Public education is funded by government through a pro-poor funding model. This means previously black schools receive more funding from the government than former white schools. The funding model creates five categories of schools referred to as quintiles. These quintiles determine how much government funding each school will be allocated. The schools in the lower quintiles (1 to 3) are declared no-fee schools, and do not charge school fees. These schools get the majority of the government's funding. Schools in quintiles 4 and 5 receive a small amount of funding from the government relative to the latter and are therefore allowed to charge school fees. The five categories (quintiles) are based on the socio-economic status of the community in which the school is situated.

**Table 3.6: Percentage of passes by school (quantile) categories, 2018**

| Quantiles | 0 - 19.9% | 20 - 39.9% | 40 - 59.9% | 60 - 79.9% | 80 - 100% |
|---|---|---|---|---|---|
| Quantile 1 | 2.0 | 6.1 | 20.9 | 33.5 | 37.4 |
| Quantile 2 | 1.6 | 6.1 | 18.7 | 32.3 | 41.3 |
| Quantile 3 | 1.1 | 6.1 | 17.3 | 35.5 | 39.9 |
| Quantile 4 | 0.3 | 1.0 | 5.8 | 32.1 | 60.8 |
| Quantile 5 | 0.0 | 0.6 | 2.2 | 14.5 | 82.7 |

Source: Department of Basic Education, NSC examination, 2019

Table 3.6 shows that the socioeconomic status of the community affects the percentage of passes in different categories (quintiles) of schools. This in line with the performance of these schools with lower quintiles (1 to 3) achieving much lower percentages of pass rates than quintiles 4 and 5. Approximately 39.5 per cent of schools in the lower quintiles achieved more than 80 per cent pass rate as compared to some schools in the quintiles 4 and 5 which achieved 60.8 per cent and 82.7 per cent respectively. It is commendable that the lower quintiles schools showed an improvement of around 10 per cent from the pass rate realised in 2017. Efforts used to assist these schools should be expanded further in order to continue to address the inequality in the provision of education needs. This can be done by providing more funding while ensuring that physical, material, human knowledge resources are made available in order to enhance quality education irrespective of geographical area.

**Table 3.7: Percentage of learners who achieved 30 per cent and above in selected subjects, 2017 and 2018**

| | 2017 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Accounting | Economics | Mathematics | Physical Science | Accounting | Economics | Mathematics | Physical Science |
| **South Africa** | **66.1** | **71.0** | **51.9** | **65.1** | 72.5 | 73.3 | 58.0 | 74.2 |
| Eastern Cape | 61.7 | 60.1 | 42.3 | 57.3 | 72.8 | 69.6 | 45.5 | 66.5 |
| Free State | 76.7 | 74.7 | 70.6 | 77.0 | 82.3 | 78.4 | 74.3 | 81.7 |
| Gauteng | 76.0 | 83.5 | 67.7 | 70.4 | 83.2 | 83.7 | 74.7 | 83.5 |
| **KwaZulu Natal** | **62.4** | **71.5** | **41.6** | **65.1** | 69.1 | 75.4 | 50.6 | 73.6 |
| Limpopo | 56.6 | 60.0 | 50.1 | 63.2 | 62.3 | 60.2 | 54.9 | 71.8 |
| Mpumalanga | 69.6 | 71.1 | 47.8 | 61.6 | 71.9 | 72.9 | 54.2 | 70.2 |
| North West | 64.0 | 77.4 | 61.2 | 64.3 | 70.5 | 79.3 | 68.9 | 78.6 |
| Northern Cape | 63.6 | 77.0 | 57.4 | 56.8 | 69.6 | 68.4 | 59.0 | 66.9 |
| Western Cape | 72.4 | 78.9 | 73.9 | 74.0 | 75.0 | 74.5 | 76.0 | 79.5 |

Source: Department of Basic Education, NSC examination, 2019

Table 3.7 compares the percentage of learners who achieved 30 per cent and above in selected subjects from 2017 to 2018. In respect of the learners' performance in the gateway subjects, there has been an improvement in all subjects. These subjects showed a moderate increase in the province of KZN from 41.6 per cent to 50.6 per cent (Mathematics), from 65.1 per cent to 73.6 per cent (Physical Science), from 62.4 per cent to 69.1 per cent (Accounting) and from 71.5 per cent to 75.4 per cent for Economics between 2017 and 2018. Nationally, there was also an increase in the performance of learners in all the subjects listed above.

In order to improve the quality of basic education, the Annual National Assessment (ANA) was introduced by the Department of Basic Education (DBE) in 2011 to enable a systemic evaluation of education performance and thereby enhance learners' achievements. ANA was a pilot study with the objective of assessing learners in grades 1 to 6 and grade 9 in order to enhance their numeracy and literacy skills. However, arguments against ANA were raised by the teacher unions, more especially the South African Democratic Teachers' Union (SADTU) with regard to time consuming which hampers the smooth running of teaching and learning. They further argued that the assessment practices of teachers are dominated by the recording and reporting of learners' scores, with limited focus on the use of assessment for addressing learning needs. Hence, ANA was phased out and will be replaced by the National Integrated Assessment Framework (NAIF) which constitutes of three separate yet complimentary assessment programmes that is administered among learners in Grades 3 to 6 and 9.

The NIAF is structured to offer elements that integrate diagnostic assessment tools, summative examinations and independently administer systemic evaluations. According to the DBE (2003), the term systemic evaluation refers to the determination of the extent to which the education system achieves set social, economic and transformational goals through the measurement of learner performance as well as the context in which learners experience learning and teaching.

The new model will be sample-based and administered in Grades 3, 6 and 9 once every three years providing the basic education sector personnel involved in planning and evaluation, with valuable data on the health of the system and trends in learner performance. Furthermore, the NIAF would pay particular attention to the diagnostic assessment, which will be administered in the classroom to identify learning gaps and to plan remedial measures early in the learning process, so as to avoid learning deficits arising (DBE, 2017).

Table 3.8 shows the NSC performance in relation to the type of qualification achieved by grade 12 learners for the period 2017 and 2018. Approximately, 33.2 per cent of learners achieved a bachelor pass in KZN while 43 per cent are for the combined diploma and higher certificate pass. The majority of school leavers either enter into vocationally oriented certificate and diploma programmes at public and private colleges or universities of technology (formerly technikons), or they enter the labour market as the unemployed.

**Table 3.8: NSC performance by type of qualification, 2017 and 2018**

| | 2017 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of Learners wrote | Bachelor | Diploma | Higher Certificate | Number of Learners wrote | Bachelor | Diploma | Higher Certificate |
| **South Africa** | **534 484** | **28.7** | **30.2** | **16.1** | **512 735** | **33.6** | **27.6** | **16.9** |
| Eastern Cape | 67 648 | 22.7 | 26.5 | 15.8 | 65 733 | 27.4 | 26.1 | 17 |
| Free State | 25 130 | 35.1 | 36.1 | 14.8 | 24 914 | 37.5 | 33.2 | 16.8 |
| Gauteng | 97 284 | 36 | 35.4 | 13.7 | 94 870 | 43.6 | 30.3 | 13.9 |
| **KwaZulu Natal** | **124 317** | **28.7** | **29.3** | **14.8** | **116 152** | **33.2** | **26.9** | **16.1** |
| Limpopo | 83 228 | 21.4 | 24 | 20.2 | 76 730 | 23.5 | 24.6 | 21.3 |
| Mpumalanga | 48 483 | 23.4 | 32.2 | 19.2 | 44 612 | 29.6 | 29.7 | 19.6 |
| North West | 30 792 | 26.9 | 32.4 | 20.2 | 29 061 | 32.5 | 29.3 | 19.3 |
| Northern Cape | 8 735 | 25.2 | 32.2 | 18.2 | 9 909 | 26.1 | 27.1 | 20.1 |
| Western Cape | 48 867 | 39.1 | 30.8 | 12.9 | 50 754 | 42.3 | 25.4 | 13.6 |

Source: Department of Basic Education, NSC examination, 2019

Learners who complete matric and do not achieve a bachelor's pass can be absorbed by the Technical and Vocational Education and Training (TVET) colleges, whereby they will gain technical skills which will enable them to qualify as artisans in various fields. This, in turn, will enable them to work in a skilled position, thereby aiding the economy.

### 3.6.3 The school drop-out rate

The South African Schools Act 84 of 1996, section 3(1) states that all children in South Africa (SA) must attend school from the first school day of the year in which such learner reaches the age of seven years until the last day of the year in which such learner reaches the age of fifteen years or the ninth grade whichever comes first.

According to Branson et al. (2013); Fleisch et al. (2009); Sabates et al. (2010) with this band of compulsory learning from grade 1 to grade 9 SA has a very high rate of participation which is over 95 per cent. The problem of high school drop-out rate (leaving school without obtaining a minimal credential) in SA takes place in grades 10 and 11

(Spaull, 2015). This is evident in table 3.3 and 3.6 whereby the number of learners who wrote matric in 2018 were 512 735 whereas in 2016 the number of learners in grade 10 were 1 104 749. This shows a significant decline of 53.6 per cent. All the provinces had a drop-out rate of more than 50 per cent except the WC province which realised 37 per cent. Often the learners that drop out of the system do so after repeated failure among other factors. Fleisch et al (2010) noted that poverty alone did not explain why children were not in school and identified other factors such as disability and family structure which include not living with biological parents or grandparents, orphan-hood, being eligible for, but not accessing social welfare and living in isolated communities which, combined with poverty, make children more vulnerable to dropping out of schools.

A high drop-out rate implies that there are large number of people who disappear in the education system. These numbers add to the already high unemployment rate in the country. Given the high unemployment rate, the drop-out rate is exacerbating the problem due to the fact that those who drop-out add to the already high number of people unemployed. Yet, the majority of them do not possess the skills required in the labour market.

According to De Witte et al. (2013), interventions to improve literacy and numeracy must start early and find ways of getting parents to become more engaged in the early childhood development and education of their children. There is consensus among scholars that quality of education offered to marginalised learners must improve radically (Branson et al., 2013; Dieltiens and Meny-Gilbert, 2009; Moses et al., 2017). It is also important to strengthen academic performance of learners still in school, particularly those who are struggling. De Witte et al (2013) suggested intervention programmes such as one-on-one and small group tutoring, after school programmes and homework support and catch up programme for learners who are falling behind.

**Table 3.9: Number of school drop-outs from grade 10 to grade 12 between 2016 and 2018**

|  | Number of Grade 10 Learners (2016) | Number of Grade 12 Learners (2018) | Number of school drop-outs | Drop-out rate (2016 to 2018) |
|---|---|---|---|---|
| **South Africa** | **1 104 749** | **512 735** | **592 014** | **53.6** |
| Eastern Cape | 151 448 | 65 733 | 85 715 | 56.6 |
| Free State | 62 283 | 24 914 | 37 369 | 60.0 |
| Gauteng | 190 998 | 94 870 | 96 128 | 50.3 |
| **KwaZulu Natal** | **248 760** | **116 152** | **132 608** | **53.3** |
| Limpopo | 187 881 | 76 730 | 111 151 | 59.2 |
| Mpumalanga | 91 805 | 44 612 | 47 193 | 51.4 |
| North West | 67 825 | 29 061 | 38 764 | 57.2 |
| Northern Cape | 23 132 | 9 909 | 13 223 | 57.2 |
| Western Cape | 80 617 | 50 754 | 29 863 | 37.0 |

Source: Department of Basic Education, NSC examination, 2017 and 2019

### 3.7    Health

In many ways, the concept of health is synonymous with infection control. Today, the importance of clean water, simple sanitation, and access to basic health care remains essential; lapses in these practices result in

modern-day infectious diseases catastrophes, including outbreaks of diarrheal diseases, hepatitis, human immunodeficiency virus (HIV) infection, and resistant tuberculosis, among others (Malani, xa et al. 2007).

South Africa, as is the case with many other African countries, did not achieve the set targets for the Millennium Development Goals. The reasons are multifaceted but relate fundamentally to poorly functioning health systems in sub-Saharan Africa, and in southern Africa, the more recent epidemics of HIV/AIDS, and tuberculosis (TB). Many institutions have responded to the problem of resource-constrained health systems over the years including United Nations agencies through bilateral development investments, and donor aid. This has resulted in significant investments in TB, maternal health, reproductive health, childhood illnesses, and HIV-related services (Fonn 2011).

### 3.7.1    Causes of death and the Burden of disease

According to Stats SA, tuberculosis remained the leading underlying natural cause of death in KZN in 2016 at 7.6 per cent, followed by other forms of heart disease (7.4 per cent), diabetes mellitus (5.5 per cent) and HIV (5 per cent) (Figure 3.7). This disease, however, is a national pandemic, not isolated to KZN.

**Figure 3.7: Ten leading underlying natural causes of death in KZN (%), 2016**
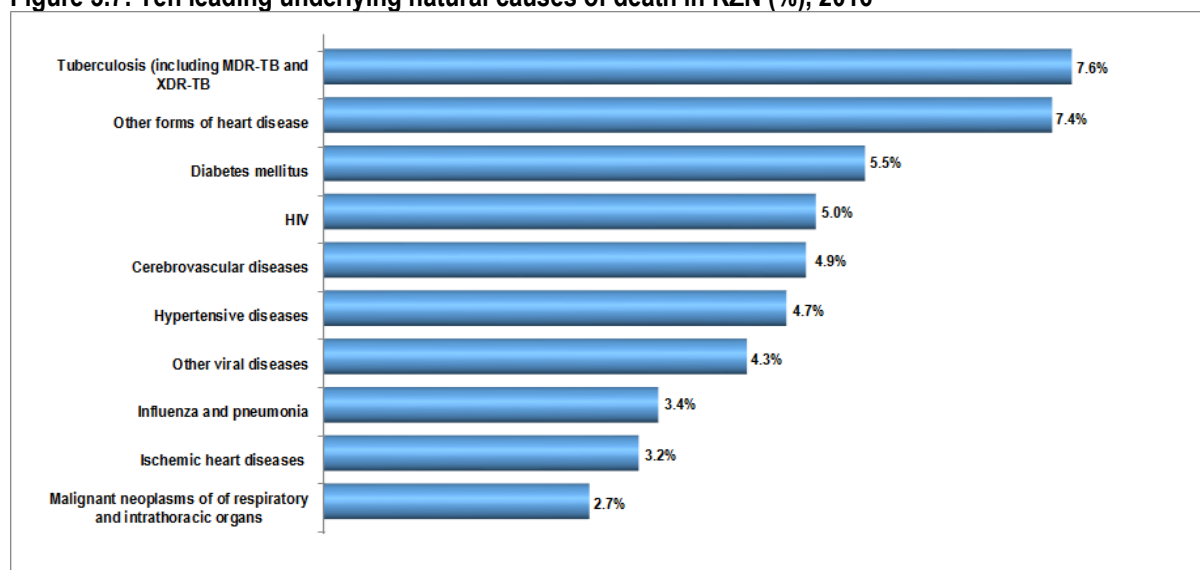


Source: Stats SA, 2018

In 2010, South Africa was the country with the fifth highest rate of TB infection in the world, with high rates of both adult and children (ages 0-15 years) TB notifications. The total number of TB notifications in Cape Town, with a population of 3.2 million people, reached 27 000 in 2006. However, the distribution of TB cases within the city was unequal, with unprecedented high burdens in the crowded African townships, where housing consists largely of informal shack dwellings, in which the annual TB notification rates exceeded 1 500 per 100 000 persons (Wood, Johnstone-Robertson et al. 2010).

Food insecurity is a household-level economic and social condition brought about by limited or uncertain access to adequate food. In 2012, approximately 49 million people lived in U.S. households experiencing food insecurity

(United States Department of Agriculture, 2017). Being food insecure is more common among those in racial ethnic minority groups and low-income individuals, as well as individuals with functional limitations or disabilities that could prevent them from gaining access to, preparing, and even consuming foods. It is an independent risk factor for poor intermediate health outcomes, including worse glycaemic control in adults with diabetes, higher viral loads in adults with HIV, and worse depressive symptoms. Food insecurity may impact on chronic disease self-management through varied mechanisms, including: reliance on inexpensive foods that are generally poor for glycaemic control, competing demands between food and health-care expenditures, and decreased adherence to medications that should be taken with food.

Hypertension is a leading risk factor for cardiovascular disease and a significant cause of morbidity and mortality. Uncontrolled hypertension among adults is associated with increased mortality, although adequate hypertension treatment and control can reduce the incidence of first and recurrent heart attacks and strokes, heart failure, and chronic kidney disease.

Diabetes is an important public health problem worldwide because of its high lifetime prevalence, its contribution to mortality, a diminished quality of life, and high healthcare expenses. Four out of five people with diabetes live in low or middle income countries, where diabetes is often undiagnosed and untreated (Lee and Smith 2012). Coexistent type 2 diabetes and obesity- often termed "diabesity"- is an emerging epidemic that poses a challenge to the treatment of both conditions. More than 90 per cent of the world's 285 million people with diabetes have type 2 diabetes, and this number is projected to grow to 438 million by 2030 (Bailey 2011). In principle, lifestyle measures such as diet and exercise could prevent the onset, and greatly help the treatment of type 2 diabetes and obesity. In practice, this is seldom feasible.

### 3.7.1.1 Tuberculosis (TB)

**Table 3.10: TB health indicators, 2017/18**

| | SA | EC | FS | GP | KZN | LP | MP | NC | NW | WC |
|---|---|---|---|---|---|---|---|---|---|---|
| TB symptom 5 years and older screened in facility rate (%), 2017/18 | 73.1 | 65.1 | 82.4 | 81.6 | 86.9 | 82.1 | 72.5 | 50.5 | 61.9 | 41.0 |
| TB symptom child under 5 years and older screened in facility rate (%), 2017/18 | 64.6 | 50.4 | 76.7 | 66.7 | 91.6 | 62 | 57.1 | 34.1 | 48.9 | 39.6 |
| TB clients initiated on treatment rate (%), 2017/18 | 91.0 | 81.7 | 95.4 | 83.4 | 89.7 | 100.7 | 94.4 | 83.0 | 96.9 | 107.3 |
| TB/HIV co-infected client on ART rate (%), 2017 | 89.1 | 96.8 | 90.8 | 87.7 | 87.3 | 93.4 | 97.3 | 96.3 | 87.6 | 77.4 |
| TB Rifampicin resistant confirmed client rate (%) | | | | | | | | | | |
| 2016 | 6.2 | 6.2 | 5.2 | 5.7 | 7.7 | 5.3 | 7.8 | 5.5 | 5.1 | 5.0 |
| 2017 | 6.9 | 6.3 | 5.8 | 6.1 | 9.5 | 5.3 | 10.1 | 5.8 | 5.6 | 5.2 |
| TB Rifampicin resistant confirmed treatment start rate (%), 2017 | 34.0 | 30.5 | 37.0 | 38.2 | 30.7 | 37.0 | 38.0 | 35.4 | 48.5 | 31.3 |
| TB client treatment success rate (%), 2016 | 81.7 | 83.2 | 80.2 | 84.4 | 82.9 | 80.6 | 82.2 | 77.0 | 78.4 | 80.3 |
| TB client loss to follow up rate (%), 2016 | 6.9 | 6.8 | 5.7 | 6.2 | 5.0 | 4.3 | 6.0 | 10.3 | 7.2 | 11.0 |
| TB death rate (%), 2016 | 6.6 | 6.3 | 10.1 | 5.8 | 5.4 | 11.5 | 7.4 | 7.7 | 10.2 | 3.8 |

Source: Health Systems Trust, 2019

In 2016, the TB death rate in KZN had remained unchanged from that of 2015 at about 5.4 per cent – one of the lowest rates in the country, second only to the WC at 3.8 per cent. Approximately 89.7 per cent of all KZN health facility clients who tested positive for TB were initiated on treatment in 2017/18. About 87.3 per cent of clients who were found to be co-infected with TB and HIV were on antiretroviral treatment in 2017. Of those clients who tested positive for TB in KZN facilities in 2017, 9.5 per cent were found to be Rifampicin-resistant cases. The prevalence of these "drug-resistant" cases had increased from 7.7 per cent in 2016.

### 3.7.1.2 Human Immunodeficiency Virus (HIV)

KZN continued to increase the proportion of HIV+ clients remaining on antiretroviral treatment in 2017/18. The rate increased to 64.6 per cent from a rate of 61.3 per cent in 2016/17, which in itself was an increase of 8.7 percentage points from 52.6 per cent in 2015. This means that more people may survive or be able to work longer, and as such continue to contribute to the economy (Table 3.11).

**Table 3.11: HIV health indicators, 2017/18**

|  | SA | EC | FS | GP | KZN | LP | MP | NC | NW | WC |
|---|---|---|---|---|---|---|---|---|---|---|
| **Clients remaining on ART rate (%)** | | | | | | | | | | |
| 2016/17 DHIS | | 53.8 | 58.6 | 45.6 | 61.3 | 68.6 | 56.7 | 69.3 | 46.9 | 54.8 |
| 2017/18 DHIS | 58.9 | 57.6 | 66.7 | 50.1 | 64.6 | 72.6 | 60.3 | 71.1 | 49.1 | 58.8 |

Source: Health Systems Trust, 2019

### 3.8    Crime

Table 3.12 reflects crime categories prevalent in KZN between the years 2015 and 2018. *Drug-related crime* remained the leading crime category in KZN in 2017/18 with a 7.1 per cent increase in the number of cases from 2016/17. This was followed by *Theft not mentioned elsewhere* and *burglary at residential premises*. It is a well-known behavioral fact that drug addicts often steal in order to fund their drug habits. It could, therefore, be expected that with an increase in drug-related crime, burglary and theft would also be a prominent feature on the crime list.

Drug abuse amongst African youths makes them vulnerable to numerous threats. Many easily succumb to crime and violence. In South Africa, drug abuse is on the rise. In 2012, the World Health Organisation (WHO) reported that 15 per cent of South Africa's population had a drug problem, giving it a reputation as one of the drug capitals of the world. The South African Depression and Anxiety Group in 2013 noted that illegal drug consumption in South Africa is double the global norm (Ettang 2017). According to the United Nations Office on Drugs and Crime (2014), drug use continues to exert a significant toll on the economy, with valuable human lives and productive years of many persons being lost. It is therefore highly disconcerting that drug-related crime has escalated to the levels that it has over such a short period of time within the province.

**Table 3.12: Crime levels and growth rates in KZN, 2015 to 2018**

| Crime Category | April 2015 to March 2016 | April 2016 to March 2017 | April 2017 to March 2018 | Comparison 2016/17 with 2017/18 | |
|---|---|---|---|---|---|
| | | | | Case Difference | % Change |
| **CONTACT CRIMES ( CRIMES AGAINST THE PERSON)** | | | | | |
| Murder | 3 929 | 4 014 | 4 382 | 368 | 9.2% |
| Sexual Offences | 8 947 | 8 484 | 8 759 | 275 | 3.2% |
| Attempted murder | 4 041 | 3 914 | 4 099 | 185 | 4.7% |
| Assault with the intent to inflict grievous bodily harm | 28 665 | 26 824 | 26 693 | -131 | -0.5% |
| Common assault | 23 703 | 22 285 | 22 842 | 557 | 2.5% |
| Common robbery | 7 524 | 7 305 | 6 596 | -709 | -9.7% |
| Robbery with aggravating circumstances | 21 061 | 22 327 | 21 543 | -784 | -3.5% |
| **Total Contact Crimes ( Crimes Against the Person)** | **97 870** | **95 153** | **94 914** | **-239** | **-0.3%** |
| **SOME SUBCATEGORIES OF AGGRAVATED ROBBERY** | | | | | |
| Carjacking | 2 493 | 3 029 | 2 698 | -331 | -10.9% |
| Robbery at residential premises | 4 082 | 4 255 | 4 174 | -81 | -1.9% |
| Robbery at non-residential premises | 2 825 | 2 951 | 3 047 | 96 | 3.3% |
| Robbery of cash in transit | 21 | 25 | 30 | 5 | 20.0% |
| Bank robbery | 0 | 1 | 3 | 2 | 200.0% |
| Truck hijacking | 71 | 81 | 52 | -29 | -35.8% |
| **CONTACT-RELATED CRIMES** | | | | | |
| Arson | 825 | 699 | 679 | -20 | -2.9% |
| Malicious damage to property | 14 709 | 14 010 | 12 958 | -1 052 | -7.5% |
| **Contact-Related Crimes** | **15 534** | **14 709** | **13 637** | **-1 072** | **-7.3%** |
| **PROPERTY-RELATED CRIMES** | | | | | |
| Burglary at non-residential premises | 11 656 | 11 253 | 10 756 | -497 | -4.4% |
| Burglary at residential premises | 42 429 | 41 013 | 38 545 | -2 468 | -6.0% |
| Theft of motor vehicle and motorcycle | 8 673 | 8 413 | 8 240 | -173 | -2.1% |
| Theft out of or from motor vehicle | 17 896 | 16 854 | 16 344 | -510 | -3.0% |
| Stock-theft | 5 731 | 5 959 | 6 322 | 363 | 6.1% |
| **Property-Related Crimes** | **86 385** | **83 492** | **80 207** | **-3 285** | **-3.9%** |
| **OTHER SERIOUS CRIMES** | | | | | |
| All theft not mentioned elsewhere | 43 573 | 42 577 | 39 615 | -2 962 | -7.0% |
| Commercial crime | 11 395 | 12 405 | 12 308 | -97 | -0.8% |
| Shoplifting | 13 648 | 12 302 | 11 620 | -682 | -5.5% |
| **Total Other Serious Crimes** | | 67 284 | 63 543 | -3 741 | -5.6% |
| **Total 17 Community Reported Crimes** | **268 405** | **260 638** | **252 301** | **-8 337** | **-3.2%** |
| **CRIME DETECTED AS A RESULT OF POLICE ACTION** | | | | | |
| Illegal possession of firearms and ammunition | 3 908 | 4 000 | 4 418 | 418 | 10.5% |
| Drug-related crime | 46 354 | 50 429 | 53 987 | 3 558 | 7.1% |
| Driving under the influence of alcohol or drugs | 12 052 | 13 403 | 18 218 | 4 815 | 35.9% |
| Sexual Offences detected as a result of police action | 2 561 | 3 558 | 3 520 | -38 | -1.1% |
| **Crime Detected As A Result Of Police Action** | **64 875** | **71 390** | **80 143** | **8 753** | **12.3%** |

Source: SAPS, 2018

The abuse of drugs poses a threat to the social health of communities as it has the potential to cause an increase in the incidences of violent crime, and predisposes communities to the health risks of HIV and hepatitis C where the use of injectable drugs, specifically the sharing of needles, is concerned. *Assault with the intent to inflict grievous bodily harm* and *Robbery with aggravating circumstances*[17] have also proven to be a major problem in KZN compared to other provinces. This could be seen as a natural progression when considering the high

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[17] A robbery in which a firearm or other dangerous weapon is wielded, grievous bodily harm is inflicted or is threatened (www.ru.ac.za) [Accessed, 30 January 2015].

incidences of drug-related criminal offences, and the violent nature that drug-influenced people assume. Data related to crime statistics for the main towns and cities in KZN is presented in the Appendix (Table A3.2 to A3.10).

## 3.9    Access to basic services

### 3.9.1    Access to electricity

While the availability of electricity by itself is not a panacea for the economic and social problems facing Africa, the supply of electricity is nevertheless believed to be a necessary requirement for Africa's economic and social development (Wolde-Rufael 2006). It is a major input to industry for production, and output can be severely stunted without it, which would adversely affect economic growth.

A more noble reason for ensuring the supply of safe and reliable electricity, however, is that of promoting social development in the communities through infrastructure delivery; and household infrastructure in particular. With access to electricity, households can benefit through lighting; this will enable children of school-going age to complete homework, care-givers can complete household chores such as cooking so the family can be fed properly. Electricity also serves as a safety mechanism through government installing street lights to promote visibility.

Due to the looming power crisis with Eskom, however, alternative energy sources need to be introduced by government to the poor and needy, as electricity supply has become unreliable. These renewable energy resources may be expensive to install, but they are cheaper to maintain and environmentally friendly, which contributes to sustainable development. KZN was trailing behind most other provinces in the country in respect of connecting households with electricity in 2016. Even so, 88.3 per cent of KZN households now have access to electricity.

**Figure 3.8: Share of households with electrical connections by provinces, 2007 and 2017**
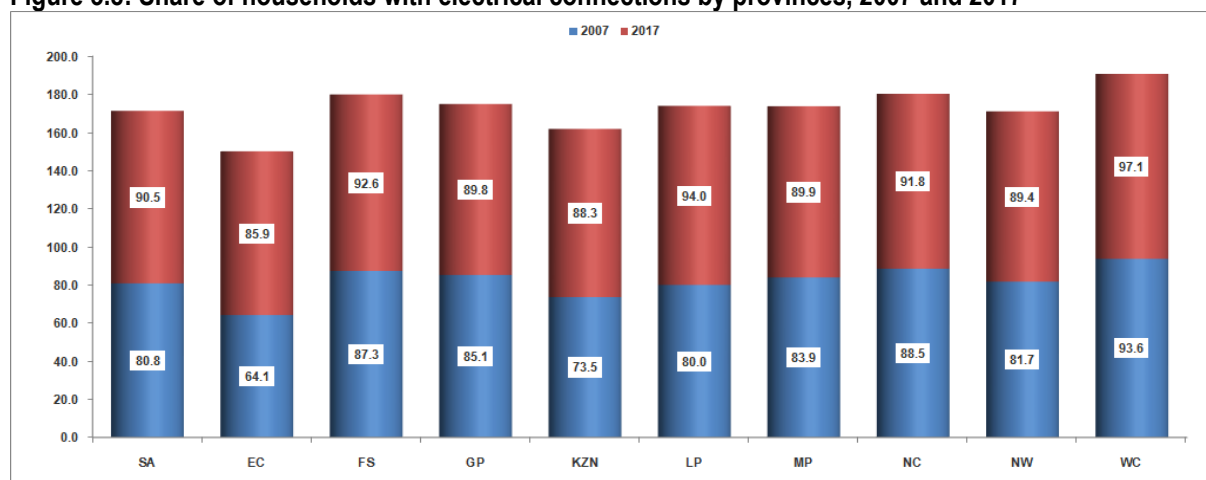


Source: IHS Markit, 2019

### 3.9.2 Access to water and sanitation

There is a growing body of evidence that the benefits of invested efforts in the water and sanitation sector do not reach those who are most in need. It is those who are easier to reach who benefit the most. In contrast, the vulnerable population groups – the poor, the furthest in terms of distance, those living in informal settlements, those working in the informal sector, people with disabilities - experience difficulty in accessing water and sanitation services. Stark disparities exist across regions, between urban and rural areas, and between the rich and the poor.

The provision of dependable water supplies can have a strong positive effect on food security and income generation for rural households. Substantial livelihood gains are likely to be made by releasing labour time normally spent on obtaining access to water, making this labour available for production. Improved access to water can also open up production opportunities that are dependent on the resource as an input. There is evidence that where water is more readily available, it is used for productive uses for example irrigation of small farms, commercial vegetable gardens and community gardens, thus providing an opportunity to increase nutritional intake.

Water is a critical input to the agricultural sector. It is an essential input for the survival of both livestock and crop, and by implication for food security for human beings and animals. The UN estimates that by 2050, world agriculture will need to produce 60 per cent more food globally, and 100 per cent more in developing countries to sustain the growing population. It is further estimated that industry, energy, and households together account for 30 per cent of water demand. More developed countries have a much larger proportion of freshwater withdrawals for industry than less developed countries, where agriculture dominates.

**Figure 3.9: Share of households with piped water at or above RDP level by provinces, 2007 and 2017**
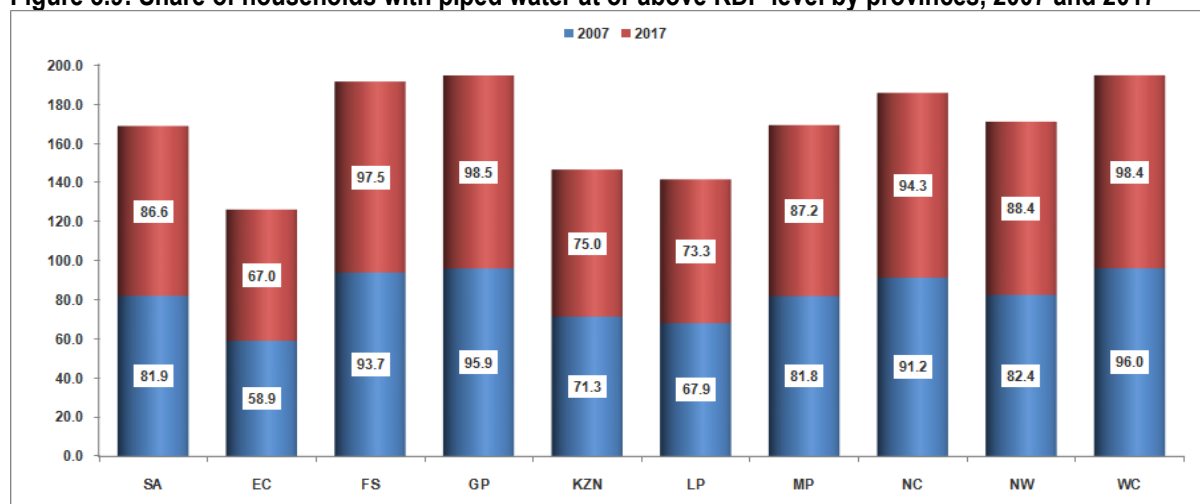


Source: IHS Markit, 2019

The high rate of urbanisation further exacerbates the problem for municipalities, who require water for sanitation and aiming to prevent or eradicate slums. Environmental sustainability for communities therefore hinges mainly on

the provision of housing, water and sanitation services. Sanitation[18] is the safe removal of human waste as well as the maintenance of hygienic conditions.

The relationship between adequate sanitation and health is well documented. Slum dwellers have higher rates of child malnourishment; prevalence of diarrhoea, malnutrition and hunger; prevalence of HIV and AIDS; and, as a result, lower life expectancy (Isunju, Schwartz et al. 2011). The Global Burden of Disease study undertaken by the World Bank indicates that 15 per cent of all deaths in children below 5 years of age in low- and middle-income countries are directly attributable to diarrhoeal disease. Close to 90 per cent of the diarrhoeal disease burden is caused by unsafe sanitation, water and hygiene. KZN had one of the lowest proportions of households with access to piped water and hygienic toilets in the country, at 75.0 per cent and 79.1 per cent, respectively.

**Figure 3.10: Share of households with hygienic toilets by provinces, 2007 and 2017**
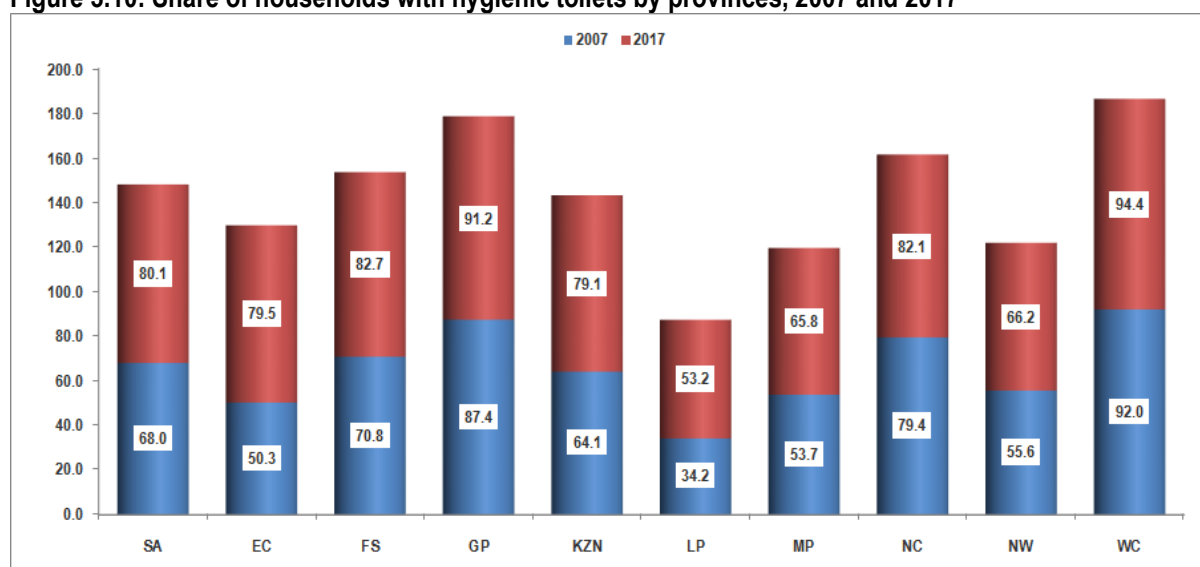


Source: IHS Markit, 2019

### 3.10    Conclusion

Levels of deprivation within KZN are on the increase as indicated by the proportions of people living in poverty in 2017 versus in 2016. Income distribution remains a pertinent problem within the province as much of the wealth remains within the hands of the White and Asian segments of the population. Most African households earn a low income, which is barely enough to sustain their existence. This in turn leads to high poverty levels, and a greater burden on government to offer social safety nets in the form of human settlements, water and sanitation, school and health infrastructure, and social grants. Access to income is the key which unlocks opportunities for the provincial populace, through adequate levels of skills and education in the relevant fields of study- those which have the potential to unlock growth for the South African economy.

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[18] http://www.who.int/topics/sanitation/en/ [Accessed 30 January 2015]

Although there is an improvement in the matric pass rate, it should be celebrated with caution given the matric pass requirements which is significantly low (40 per cent home language, 40 per cent in two other subjects, 30 per cent for four other subjects and must pass at least 6 out 7 subjects). Assuming the percentage pass requirements are increased to 50 per cent, there will be a significant decline in the matric pass rate. It should be also noted that there is a very high probability that some of the learners who obtained bachelor pass at minimal level do not have the required points for university entrance. Although there are alternative academic institutions that can accept these matriculants to pursue skills courses at Technical and Vocational Education and Training (TVET) colleges, but the bachelor level achieved make them see themselves as ready for university education as they perceive TVET to be low level.

Further, some of those who make it to the university level have to undergo one year bridging course before starting their first year of the chosen degree. This shows lack of coordination between basic education and higher education. The cause for such incoordination is driven by the desire to get results in terms of numbers while creating a vast number of people who will neither be in the labour force nor tertiary education. This raises the question of whether matric results can be used as a good proxy for requisite achievement in core areas of knowledge and competence.

# Chapter 4:  Economic Review and Outlook

## 4.1  Introduction

Both the World Bank (2019) and the International Monetary Fund (IMF, 2019) are indicating that the global economic outlook for 2019 has deteriorated, while global trade growth has slowed to well below 2017 averages. The primary sources of risk to the global outlook are the outcome of trade negotiations, mainly between the United States (US) and China as well as the direct financial conditions that are likely to take place in 2019. Should the countries resolve their differences without raising disruptive trade barriers further and market sentiment recovers, then improved confidence and more accessible financial conditions could reinforce economic performance to lift growth in 2019 and 2020. However, the balance of risks remains skewed to the downside (IMF, 2019).

The IMF (2019) warns that any failure to resolve differences that inherently increase tariff barriers would lead to higher costs of imported intermediate and capital goods and higher final goods prices for consumers. Beyond these direct impacts, higher trade policy uncertainty and concerns over escalation and retaliation would lower business investment, disrupt supply chains, and slow productivity growth. Meanwhile, the World Bank (2019) has issued a stark warning on the impact of the US and China trade war, which is likely to cause a global recession by 2020.

The World Bank further argues that the outlook for the global economy has darkened due to tightened financing conditions, moderated industrial production, trade tensions that have intensified, and some large emerging market and developing economies that have experienced significant financial market stress. Being faced with these headwinds, the recovery in emerging market and developing economies has lost momentum.

Subsequently, growth forecasts for 2020 have been revised down for most of the world's major economies. However, global output is expected to strengthen in 2021, as the decline in advanced economies with the easing of the US fiscal stimulus. This will further be intensified by the fading of the favourable spillovers from US demand to trading partners which is expected to be offset by a pick-up in emerging market and developing economies (World Bank, 2018).

Disturbingly, international trade and investment have slowed down, trade tensions remain eminent, and a substantial number of large emerging markets underwent severe financial pressures in 2018. The pickup in economies that rely heavily on commodity exports is anticipated to be much slower than projected at the beginning of 2018. Growth in many other economies is expected to decelerate. Another course for concern is the projected downside risks to the world economy, which are expected to be more acute, including the threat of *"disorderly"* market movements and an escalation of trade disputes.

The downward risk was also echoed by the World Economic Forum (2018), which cautions that threats such as extreme weather events, resultant natural disasters, cyber-attacks, data fraud or theft, failure of climate change mitigation, illicit trade asset bubbles in major economies and other economic challenges need to be managed

appropriately to avoid a global recession. These risks are indeed complex and interconnected; they, therefore, require long-term planning, decisive execution and efficient use of increasingly scarce resources. Therefore, there is a need to put long-term prospects for political stability and global economic performance.

Also, debt vulnerabilities in emerging markets and developing countries have increased, while rising borrowing costs and the trade war between the US and China and the volatility in the financial markets have adversely affected the outlook for global growth. Faced with these challenges, the recovery in emerging market and developing economies has lost momentum, thus hindering the world's progress in reducing extreme poverty, particularly in low-income countries (World Bank and IMF, 2019).

Taking into account both the global and national economic performance, this chapter provides an economic review and outlook of the province of KZN. The chapter begins with an economic review and outlook from global, national and provincial levels. This is then followed by a brief discussion of the sectorial analysis including capital formation and tourism. The chapter concludes by providing a summary of international trade at both national and provincial levels.

## 4.2    Global economic review and outlook

In 2016, the world economy slowed down to 3.3 per cent due to the surprise outcome of the United Kingdom (UK) Brexit referendum in June. Nonetheless, the economy of the UK strengthened moderately to 3 per cent in 2017 as supported by a notable rebound in global trade. Further, it was driven by an investment recovery in advanced economies, continued strong growth in emerging Asia, a notable upswing in emerging Europe, and signs of recovery in several commodity exporters (IMF, 2018). Both, figure 4.1 and the table 4.1 further show that output growth was higher among the Emerging Market and Developing Economies (EMEDs) at 4.7 per cent, followed by Sub-Saharan Africa (SSA) at 2.7 per cent in 2017.  Over the same year, the advanced economies continued to reflect a slow economic activity at 2.3 per cent compared to other regions (Table 4.1).

**Table 4.1: World economic estimates and projections (percentages), 2016 to 2020**

| | World economic review and outlook | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | IMF | | | | | World Bank | | | | |
| | 2016 | 2017 | 2018 | 2019f | 2020f | 2016 | 2017 | 2018 | 2019f | 2020f |
| **World** | 3.3 | 3.7 | 3.7 | 3.5 | 3.6 | 2.3 | 3.0 | 3.0 | 2.9 | 2.8 |
| **Advanced Economies** | 1.6 | 2.3 | 2.3 | 2.0 | 1.7 | 1.6 | 2.3 | 2.2 | 2.0 | 1.6 |
| US | 1.6 | 2.3 | 2.9 | 2.5 | 1.8 | 1.6 | 2.3 | 2.9 | 2.5 | 1.7 |
| Euro Area | 1.7 | 2.4 | 1.8 | 1.6 | 1.7 | 1.6 | 2.4 | 1.9 | 1.6 | 1.5 |
| Japan | 0.9 | 1.7 | 0.9 | 1.1 | 0.5 | 1.0 | 1.7 | 0.8 | 0.9 | 0.7 |
| **Emerging countries** | 4.1 | 4.7 | 4.6 | 4.5 | 4.9 | 3.4 | 4.3 | 4.2 | 4.2 | 4.5 |
| Russia | -0.6 | 1.5 | 1.7 | 1.6 | 1.7 | -0.6 | 1.7 | 1.6 | 1.5 | 1.8 |
| China | 6.7 | 6.9 | 6.6 | 6.2 | 6.2 | 6.7 | 6.8 | 6.5 | 6.2 | 6.2 |
| India | 6.6 | 6.7 | 7.3 | 7.5 | 7.7 | 7.0 | 6.7 | 7.3 | 7.5 | 7.5 |
| Brazil | -3.5 | 1.0 | 1.3 | 2.5 | 2.2 | -3.4 | 1.0 | 1.2 | 2.2 | 2.4 |
| **Sub-Saharan Africa** | 1.6 | 2.7 | 2.9 | 3.5 | 3.6 | 1.5 | 2.4 | 2.7 | 3.4 | 3.6 |
| **South Africa** | 0.3 | 1.3 | 0.8 | 1.4 | 1.7 | 0.4 | 0.8 | 0.9 | 1.3 | 1.7 |

*Note:* **f, represents forecast**

Source: IMF and World Bank, 2019

Figure 4.1 depicts the regional gross domestic product (GDP) growth rates from 1993 to 2017. The global economic growth contracted considerably in 2009 due to the global financial crisis, which affected all regions. Advanced economies suffered substantially from the financial meltdown, such that economic activity contracted by an average of 3.3 per cent. This was closely followed by the world output, which plummeted to the extent that recorded a negative growth rate of 0.1 per cent, down from a broad-based growth of 3 per cent in 2008.

Interestingly, over the same period of global recession, the emerging market and developing economies (EMDEs) and Sub-Saharan African (SSA) regions, startlingly recorded positive growth rates of 2.8 per cent and 3.8 per cent, respectively. However, the world economic growth together with all regions experienced a quick recovery between 2010 and 2011 driven mainly by vigorous countercyclical responses enforced by the Group of Twenty (G20)[19] countries.

For 2019, the global economic growth rate is expected to slow down slightly to 3.5 per cent, compared to 3.7 per cent estimated in 2018. This rate is, however, projected to expand marginally, to 3.6 per cent in 2020. The sluggish global economic performance is mainly due to the decline in advanced economy growth with the un-winding of the United States (US) fiscal stimulus. Specifically, growth in advanced economies is projected to slow down from an estimated 2.3 per cent in 2018 to 2 per cent in 2019 and 1.7 per cent in 2020 (Table 4.1).

**Figure 4.1: Regional GDP growth rate (1993 – 2017)**
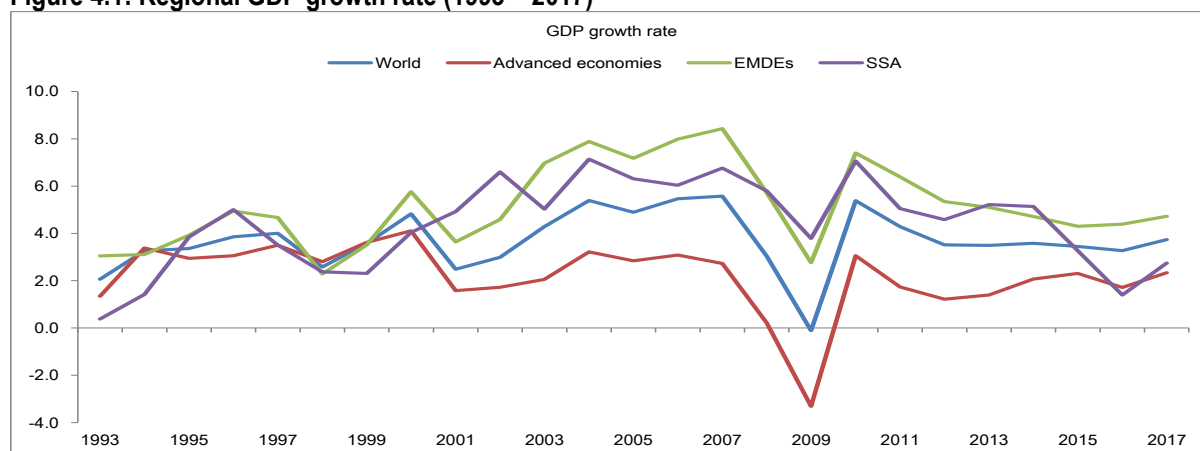


Source: IMF, 2018 & 2019

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[19]. The G20 membership comprises a mix of the world's largest advanced and emerging economies, representing about two-thirds of the world's population, 85 per cent of GDP and over 75 per cent of global trade. The members of the G20 are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States and the European Union (*http://g20.org.tr/about-g20/g20-members/*). [Accesssed on 21 January 2019]

***Economic outlook for Emerging Market and Developing Economies (EMEDs)***

Output has contracted in some commodity exporters that experienced declines in commodity production, and Russia is no exception (World Bank, 2019). However, as outlined by the OECD (2018)[20] in Russia, growth has been resilient, supported by private consumption and exports; and thus expanded moderately at a 1.7 per cent pace in 2018. It is nevertheless projected to slow down to 1.6 per cent in 2019 before accelerating slightly back to 1.7 per cent in 2020.

As indicated by the (World Bank 2019), if a trade war between the US and China contributes to a global slowdown, the spillovers effects on EMDEs could be overwhelming. To this end, the IMF (2019) has since revised downward its economic growth forecast for the EMDEs due to the expected negative impact of the trade measures implemented on economic activities in China and other emerging economies in Asia. The EMDEs are expected to grow at a rate of 4.5 per cent in 2019, slightly below 4.6 per cent estimated in 2018.

In China, growth is estimated to have slowed to a still robust 6.6 per cent in 2018, compared, with 6.9 per cent in 2017. Growth in China is supported by resilient consumption. A rebound in private fixed investment, however, helped offset a decline in public infrastructure and other state spending. As expected, industrial production and export growth have decelerated, reflecting easing global manufacturing activity (World Bank, 2019). Despite the fiscal stimulus that offsets some of the impact of higher US tariffs, China's economy is projected to slow due to the combined influence of needed financial regulatory tightening and trade tensions with the US. As a result GDP growth is expected to drop slightly to 6.2 per cent in 2019 and 2020.

India's economy is poised to remain robust and pick up to 7.5 per cent and 7.7 per cent in 2019 and 2020, respectively, benefiting from lower oil prices and a slower pace of monetary tightening (World Bank, 2019). The OECD (2018)[21] expects the Indian economy to be supported by the high spending on investment by the business sectored and strong export earnings. This improvement will be more significant, especially as the country anticipated to intensify the implementation of the past structural reforms including the new Insolvency and Bankruptcy Code, smoother implementation of the Goods and Services Tax (GST), better roads and electricity and bank recapitalisation.

The output growth in Brazil was lacklustre at 1.3 per cent in 2018, reflecting a truckers' strike mid-year and heightened policy uncertainty. The output growth in Brazil improved from two consecutive years of contraction thereby recording a 1 per cent growth in 2017. The economy of Brazil is, however; expected to gain momentum during 2019 and 2020 due to fiscal reforms that are implemented expeditiously, and that a recovery of consumption and investment, resulting from improving confidence and investor sentiment. The recovery on consumption and

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[20] OECD (2018): *Russian Federation - Economic forecast summary,* (November 2018), Available online*:* http://www.oecd.org/russia/russian-federation-economic-forecast-summary.htm , [Accessed 22 January November 2019]
[21] OECD (2018), *India - Economic forecast summary (November 2018*)**,** Available online: http://www.oecd.org/india/india-economic-forecast-summary, [Accessed 22 January November 2019]

investment is expected to offset the negative growth effect of reduced government spending (World Bank, 2019). In addition GDP performance will be supported by the recovering credit and greater policy certainty as a new administration takes office while, monetary policy is projected to tighten during 2019 as the economy gathers momentum (OECD, 2018)[22].

### *Economic outlook for Sub-Saharan Africa*

Economic growth in Sub-Saharan Africa (SSA) region showed a moderate rebound from a subdued increase of 1.6 per cent in 2016, thereby growing by 2.7 per cent in 2017. The region is expected to further pick up from 2.9 per cent in 2018 to 3.5 per cent in 2019, rising to 3.6 per cent in 2020 The World Bank (2019) is of the view that diminished policy uncertainty and improved investment in large economies, together with continued robust growth in non-resource- intensive countries will enhance the economic performance in SSA. The World Bank further warned that external headwinds have intensified, as growth among main trading partners moderates, global financial conditions tighten, and trade policy uncertainty persists.

Among the largest economies within the region, economic growth in Nigeria is expected to rise from 0.8 per cent in 2017 to 1.9 per cent and 2 per cent in 2018 and 2019, respectively. The country is projected to expand further to 2.2 per cent in 2020, supported by the recovering oil production and prices. In Angola, the growth forecast has been upgraded to 2.9 per cent in 2019, moderating to an average of 2.7 in 2020 (World Bank, 2019).

### *Risks to the global outlook*

The primary sources of risk to the global outlook are the outcomes of trade negotiations and the direction financial conditions that will take place in 2019. The trade tensions have intensified especially as the cooperative approach to reduce trade costs and resolve disagreements without raising tariff and nontariff barriers seem not to be working. The failure to resolve disagreements challenge is exacerbated by the US imposing tariffs on a variety of imports and trading partners undertaking retaliatory measures (IMF, 2019).

As correctly pointed out by the IMF (2018), an increase in trade barriers disrupt global supply chains, which have become an integral part of production processes in the past decades, and slows down pace of the spread of new technologies, ultimately lowering global productivity and welfare. Further, the impact of trade measures could be intensified regionally if they also weigh on investor confidence and reduces foreign direct investment. The World Bank also argues that in the extreme case scenario, further escalation of trade tensions, coupled with a downturn in confidence and investment, could reduce global exports by up to 3 per cent and global income by 1.7 per cent over the medium term. The largest decline, of up to 3.5 per cent of income would be felt in China.

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[22] OECD (2018), *Brazil - Economic forecast summary (November 2018)*, Available online: http://www.oecd.org/brazil/brazil-economic-forecast-summary, [Accessed 22 January November 2019]

The World Bank has since warned that the escalating trade tensions involving major economies could spread globally. Subsequently, an intensification of trade tensions, coupled with further rise in policy uncertainty could affect business and financial market sentiment, trigger financial market volatility, and slow investment and trade. Most regions are therefore vulnerable to sudden shifts in policy, which could result in fiscal slippage, reduced investment due to policy uncertainty, and weaker potential growth resulting from insufficient structural reforms.

The current faster-than-anticipated monetary policy tightening in advanced economies would also adversely affect the global financial conditions. With the high public and corporate debt levels in many countries, especially in emerging economies, would be exposed to vulnerabilities that have built up over the years, thus affecting confidence, and eventually undermine investment. Therefore, a further tightening of global financial conditions could be triggered by rising inflation, swelling fiscal deficits and the financial stress, especially in many parts of emerging markets and dolloping economies. These dire financial conditions could lead to a further pressure on regional exchange rates and asset prices. High debt levels and external vulnerabilities among developing economies could increase the impact of external shocks such as a sudden stop in capital flows or a rise in borrowing costs. If a combination of downside risks were to materialise, it could trigger an even sharper slowdown in regional growth (World Bank & IMF, 2019).

Other Europe-specific factors that could give rise to broader risk aversion include the rising possibility of a disruptive no-deal Brexit from the European Union (EU). In the absence of an approved withdrawal agreement, the exit of the UK from the EU could be accompanied by significant disruptions to activity in the short term and lasting economic losses over the medium term. Another concern about the global economic outlook relates to the assertion that systemic financial stability risk which is a deeper than initially envisaged World Global Outlook in June 2018 (World Bank, 2019).

Finally, the persistent severe weather conditions appear to be becoming more frequent, with particularly serious consequences for vulnerable EMDEs. The disruptive weather patterns are also problematic for countries with large agricultural sectors dependent on rainfall, including many in SSA and South Asia. In these affected countries, the shortage of agricultural produce coupled with higher food price increases could severely impact poverty.

## 4.3    South African economic review and outlook

The national GDP growth rate averaged at 0.3 per cent in 2016, the lowest since the global financial crisis of 2008. The domestic growth outlook has remained sluggish and depressed, thereby plunging into a technical recession in the first half of 2018 but recorded a positive 2.2 per cent in the third quarter of 2018. The growth rate in South Africa (SA) is estimated to have declined from 1.3 per cent estimated in 2017 to 0.8 per cent in 2018. However, it is expected to recover moderately to 1.4 per cent in 2019 and expand slightly to 1.7 per cent in 2020. Ideally, SA needs a sustained growth of at least 5 per cent to make a meaningful reduction in the unemployment

rate, which is currently at 27.1 per cent.[23]

Data from Statistics South Africa (Stats SA, 2019 a, b & c) show that, there was a positive economic performance in the final quarter of 2018 for the retail sector, coupled with growth in manufacturing. However, a weak performance in the mining industry weighs against the better performance of these sectors and had a negative impact. Subsequently, both the South African Reserve Bank (SARB, 2019) and National Treasury (2019) estimate a growth rate of 0.7 per cent in 2018.

Seemingly, the South African economy continues to baffle with the persistent legacy of slow economic activity, which started after the global financial crisis. As observed in table 4.1 this challenge persists in spite of moderate recovery in most of its peers, particularly the BRICS[24] and the robust global economic activity. The improved economic climate globally, particularly, major trading partners are supposed to spur economic benefits to the domestic economy. However, the economy of SA seem not have benefited from this improved global economic activity.

**Figure 4.2: South African GDP growth rate and GDP-per capita, 1996 - 2019**
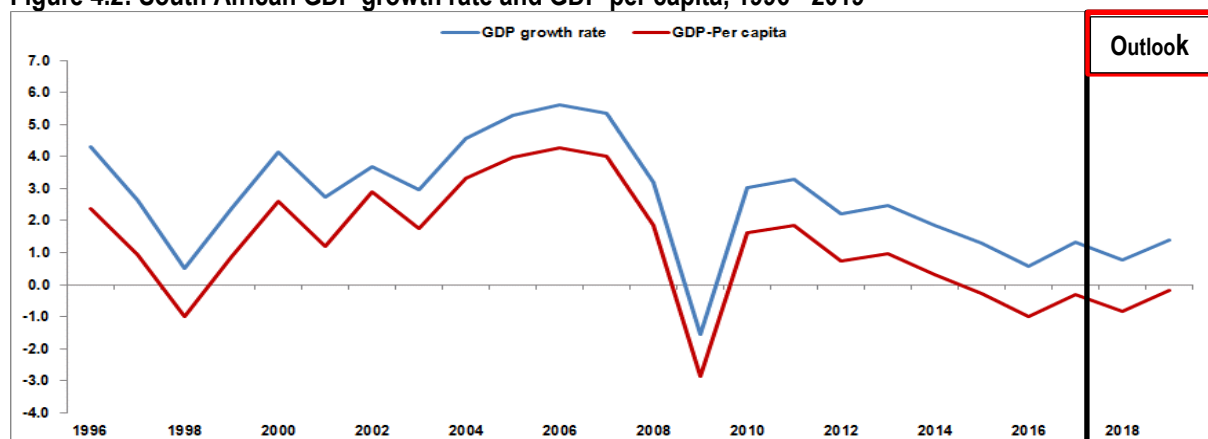


Source: Stats SA, 2018

Figure 4.2 depicts SA's (GDP) growth rate and GDP-per capita from 1996 to 2019. The post-crisis period has been characterised by consistent economic slump, such that the economy could not reach its potential growth realised prior to the financial crisis that is envisioned in the National Development Plan (NDP). The output growth has remained subdued since 2013 without a significant increase. On average the domestic economy has grown by 2 per cent since 2010. This trend is pertinent to the GDP-per capita, which recorded an average growth of 0.5 per cent over the same period.

Measures to stimulate the economy have been pronounced by the national government, with more attention directed at infrastructural development through the infrastructure fund, easing of visa regulations to enable business travel and thus stimulate tourism sector, inject public spending on agriculture, and re-develop township

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[23] See Chapter 5 of this publication
[24] The BRICS countries are Brazil, Russia, India, China and SA.

economies, among others. This is further underpinned by the recently initiated investment strategy aiming to attract both foreign and domestic private investment.

In addition, working together with the private sector, in January 2019, government established the Public-Private Growth Initiative (PPGI) in an effort to revive the economy. This is the collaboration between Government and Business Unity SA (Busa), which has raised a concern that the country continues to lose billions of rands in direct investment and the capacity to create millions of jobs due to policy confusion and weak government support.

*Composite business cycle indicators for SA*

The strained economic outlook for SA is further confirmed by the SARB's composite leading business cycle indicator (BCI)[25], which remained low at 105.5 in November 2018, compared 105.6 in November 2017. The SARB cites among others the twelve-month percentage changes in job advertisement space and in the composite leading BCI for SA's major trading-partner countries as the major contributors to the lower composite leading business cycle indicator in 2018.

*Business Confidence Index*

The SA's business confidence index (BCI) as calculated by the South African Chamber of Commerce and Industry (SACCI) ended at an average of 95.2 in 2018, below the baseline mark of 100 points. The lower merchandise export volumes, the decreased real value of building plans passed, and fewer new-vehicle sales, and the weaker rand exchange rate drove down the index. The subdued confidence by the business sector is primarily due to investors' seeing activity in the real economy remaining sluggish.[26] This lower recording is also corroborated by the Rand Merchant Bank (RMB) / Bureau of Economic Research's (BER) BCI, which stood at 31 in the fourth quarter of 2018, far below the minimum desired 50 points.[27]

*Purchasing Managers' Index*

The Purchasing Managers' Index (PMI) is an indicator of economic health for manufacturing and service sectors. The purpose of the PMI is to provide information about current business conditions to company decision makers, analysts and purchasing managers. The seasonally adjusted Absa PMI edged lower to 49.9 index points in January 2019, down from 50.7 in December 2018. 50.7, the first time since May 2017 that the index breached the neutral 50 mark. A score below 50 indicates contraction in the sector.

Despite the decline, the index remains two points above the average recorded in 2018, which suggests the sector

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[25] The business cycle indicators (BCI) are a composite of leading, used to forecast changes in the direction of the overall economy of a country. See the SARB Composite business cycle indicators for SA, released on 22 January 2019, Available online: https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/9048/Composite%20Business%20Cycle%20Indicators%20%E2%80%93%20January%202019.pdf, accessed on 19 February 2019
[26] SACCI (2019). *South African Chamber of Commerce and industry,* Business Confidence Index, available online: http://www.sacci.org.za/bcinew, accessed on 19 February 2019
[27] See the RMB/BER, available online https://www.ber.ac.za/Home/, accessed on 19 February 2019

started the year on a fairly solid footing. Manufacturing PMI in SA averaged 51.06 from 1999 until 2019, reaching an all time high of 60.87 in April of 2002 and a record low of 35.09 in April of 2009.[28] Manufacturing, which accounts for about 13 per cent of the national GDP, had a strong start to the fourth quarter of 2018 with growth of 3 per cent in October and 1.6 per cent in November 2018.

*Consumer Confidence Index*

After falling sharply from an average of above 20 points in the third quarter of 2018, the FNB/BER CCI held steady at 7 points in the fourth quarter of 2018. Nevertheless, the latest reading is still above the long-run average reading for the CCI, suggesting that most consumers are fairly optimistic with respect to the outlook for the SA economy and their own household finances. However, demand for a more enduring and significant improvement in consumer spending to take hold, household income and credit growth will also need to accelerate.[29]

Although the elevated consumer confidence level suggests that consumers remain most willing to spend their money, this does not necessarily imply that actual consumer spending remained robust during the second quarter. Household income levels and/or access to credit would have had to improve in conjunction with the positive sentiment to see strong household expenditure growth during the second quarter. However, further investor-friendly reforms are urgently needed to boost economic growth and household income levels.

*Final household consumption expenditure*

Table 4.2 illustrates macroeconomic performance and projections from 2015 to 2021. Final consumption expenditure by households increased moderately from 0.7 per cent in 2016 to 2.2 per cent in 2017. The domestic economy is driven largely by consumption, as it comprises the largest share of the national GDP at an average of slightly above 60 per cent. According to National Treasury (2019), household expenditure grew by 2.3 per cent in the first half of 2018, supported by a higher consumer confidence, whilst lower food inflation and a stronger rand boosted purchasing power and demand for durable and semi-durable goods.

The report maintains that consumption by households is further supported by a moderate recovery in wage and employment growth and further improvements in household credit growth. Further, growth in households' consumption expenditure is estimated to have reached 1.5 per cent in 2018, rising to 1.3 per cent and 2 per cent in 2019 and 2020, respectively.

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[28] See the RMB/BER, available online https://www.ber.ac.za/Home/, accessed on 19 February 2019
[29] Trading Economics (2019), *South Africa Consumer Confidence,* Available online: https://tradingeconomics.com/south-africa/consumer-confidence, accessed on 19 February 2019

**Table 4.2: Macroeconomic performance and projections, 2014 to 2020**

| | Actual | | | Estimate | Forecast | | |
|---|---|---|---|---|---|---|---|
| | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| Final consumption expenditure by households: Total (PCE) | 1.8 | 0.7 | 2.2 | 1.5 | 1.5 | 2.0 | 2.3 |
| Final consumption expenditure by government | -0.3 | 1.9 | 0.6 | 0.9 | 0.2 | 0.9 | 0.7 |
| Gross fixed capital formation (Investment) | 3.4 | -4.1 | 0.4 | -0.2 | 1.5 | 2.1 | 3.0 |
| Gross domestic expenditure (GDE) | 2.1 | -0.9 | 1.8 | 1.2 | 1.3 | 1.9 | 2.2 |
| Exports of goods and services | 2.8 | 1.0 | -0.1 | 2.0 | 2.3 | 2.7 | 2.8 |
| Imports of goods and services | 5.4 | -3.8 | 1.6 | 3.8 | 1.7 | 3.2 | 3.3 |
| **Real GDP growth** | **1.3** | **0.6** | **1.3** | **0.7** | **1.5** | **1.7** | **2.1** |
| GDP inflation | 5.1 | 6.8 | 5.5 | 5.8 | 5.8 | 5.4 | 5.3 |
| **Gross domestic product at current prices (R billion)** | **4 051.4** | **4 350.3** | **4 651.8** | **4 957.9** | **5 323.1** | **5 708.1** | **6 135.9** |
| Headline CPI inflation (Dec 2012=100) | 4.6 | 6.3 | 5.3 | 4.7 | 5.2 | 5.4 | 5.4 |
| Current account balance (percentage of GDP) | -4.6 | -2.8 | -2.4 | -3.5 | -3.4 | -3.8 | -4.0 |

Source: National Treasury, 2018

### 4.3.1 Inflation and Monetary policy

*Global inflation rate*

The US is anticipated to steadily tighten its monetary policy stance should any inflation pressure arise amid solid growth and historically low unemployment. The large and pro-cyclical fiscal[30] stimulus also places an additional burden on the Federal Reserve to raise interest rates to keep inflation expectations stable around the targeted rate and prevent the economy from overheating.

The output gap remain closed and unemployment is still low in the UK, however, modest tightened monetary policies may be significantly required while ensuring that it remains flexible to respond to changing conditions associated with the Brexit negotiations (IMF, 2018). Contrary, In East Asia and Japan, monetary policies are expected to remain accommodative.

Table 4.3 depicts global inflation rates from 2013 to 2019. The global inflation rate accelerated by 0.3 percentage points from 3 per cent in 2016 to 3.3 per cent in 2017. The IMF (2018) forecasts inflation to rise further to 4.2 per cent in 2018, before moderating slightly to 3.6 per cent in 2019. Moreover, this trend is anticipated to spread over to all regions, largely reflecting recent increases in commodity prices. In advanced economies, inflation is projected to rise moderately thereby average at 2 per cent in both 2018 and 2019, up from 1.7 per cent in 2017. Inflation in EMDEs is expected to increase to 5.7 per cent in 2018 and drop somewhat to 4.7 per cent in 2019. In the SSA region, inflation pressures have broadly moderated with annual inflation anticipated to decelerate to 8.8 per cent in 2018 and 8.2 per cent in 2019, respectively.

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[30] Inherently, pro-*cyclical fiscal* policy stance refers to a government's decision of opting to increase its spending and reduce taxes during an *economic* boom, but reduce spending and increase taxes during a recession.

**Table 4.3: Global inflation rates 2013 – 2019**

| | Average 1996 - 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 f | 2019 f |
|---|---|---|---|---|---|---|---|---|
| **World** | 4.8 | 3.3 | 2.9 | 2.8 | 3.0 | 3.3 | 4.2 | 3.6 |
| **Advanced economies** | 2.0 | 1.3 | 0.7 | 0.5 | 1.5 | 1.7 | 2.0 | 2.0 |
| **EMDEs** | 8.3 | 4.9 | 4.7 | 4.6 | 4.2 | 4.5 | 5.7 | 4.7 |
| **SSA** | 12.2 | 6.1 | 6.0 | 8.0 | 12.5 | 10.1 | 8.8 | 8.2 |

*Note* **: f, represents forecast**

Source: IMF database (WEO April 2018)

### South African inflation rate

Figure 4.3 illustrates headline inflation rate[31] from 2005 to 2017. The headline inflation recorded an estimated average rate of 5.3 per cent, thereby remaining within the upper band of the inflation targeting of 3 per cent to 6 per cent, for the whole forecasting period. This trend was pertinent to core-inflation[32], which averaged at 4.8 per cent. The favourable inflation was supported by low food prices as drought dissipates and resilient rand exchange rate against major currencies. In food and non-alcoholic beverages (NAB), inflation moderated from 10.6 per cent in 2016, down to 6.9 per cent in 2017.

**Figure 4.3: Consumer price index (CPI) headline inflation rate, 2005 - 2017**
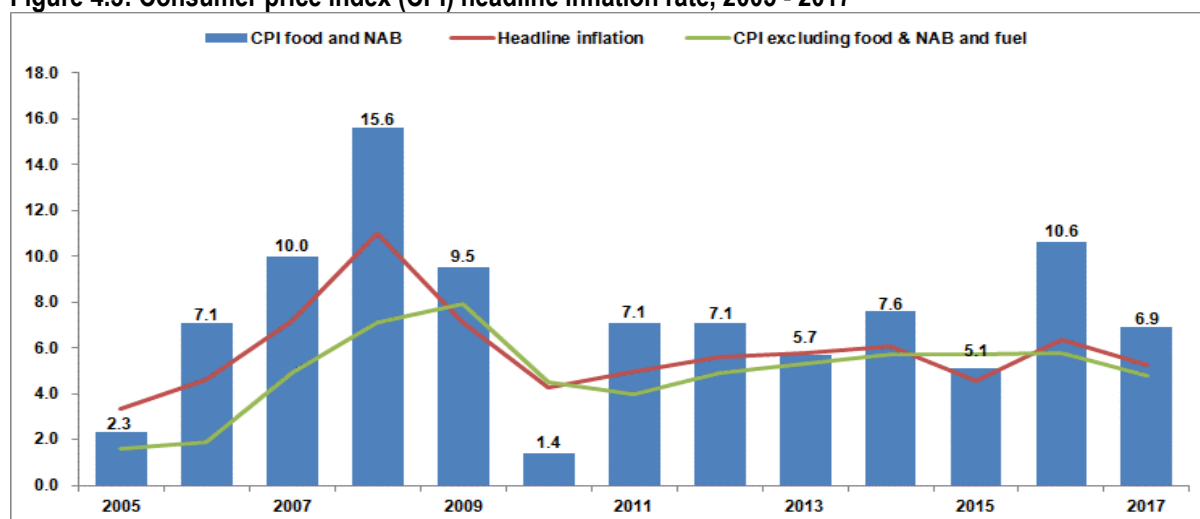


Source: IMF database, 2018 and SARB database

Consequently, the SARB reduced repurchase (repo) rate by 0.25 basis points from 7 per cent to 6.75 per cent mid-year in 2017 (SARB, 2017). Nonetheless, inflation remain sustainably below the upper end of the targeted band in 2018 and expected to average at 4.8 per cent, before accelerating to 5.7 per cent in 2019 (SARB, 2019). The

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[31] Headline inflation measures the total increase in prices within an economy, including prices of commodities such as food and energy such as oil and fuel, which tend to be much more volatile and prone to inflationary spikes.
[32] Core-inflation generally is the change in costs of goods and services, but does not include those items from the food and energy sectors. This measure of inflation these items because their prices are much more volatile.

upward revision of the inflation rate forecast was influenced by the weaker rand exchange rate and higher fuel prices. The core-inflation is projected to record on average, 4.4 per cent and 5.6 per cent in 2018 and 2019, respectively. However, in November 2018, the SARB (2018) increased the repo rate by 25 basis points to 6.75 per cent, citing the weaker exchange rate and the impact of higher crude oil prices that have contributed to increasing inflation since March 2018. At the same time, domestic growth remains weak.

*Regional inflation rate*

The sustainable headline inflation rate was also realised across SA, such that other provinces recorded inflation below the mid-point of the targeted range. Figure 4.4 displays headline inflation rate by province in January 2018 and January 2019. The figure shows that Western Cape (4.6 per cent) and Gauteng province (4.1 per cent) recorded higher inflation above the national average of 4.0 per cent and the rest of other provinces (Stats SA, 2019). Inflation rate in these provinces (WC and GP) was also higher during the previous year, where each recorded 5.2 per cent and 4.4 per cent, respectively. Other provinces such as Northern Cape, North West and Mpumalanga reported considerably low inflation rates at 3.7 per cent, 3.3 per cent and 3.7 per cent respectively. The province of KZN also recorded low inflation rate at 3.6 per cent, followed by Limpopo province at 3.5 per cent and Free State at 4.1 per cent.

**Figure 4.4: Consumer Price Index (CPI) for provinces in January 2018 and January 2019**
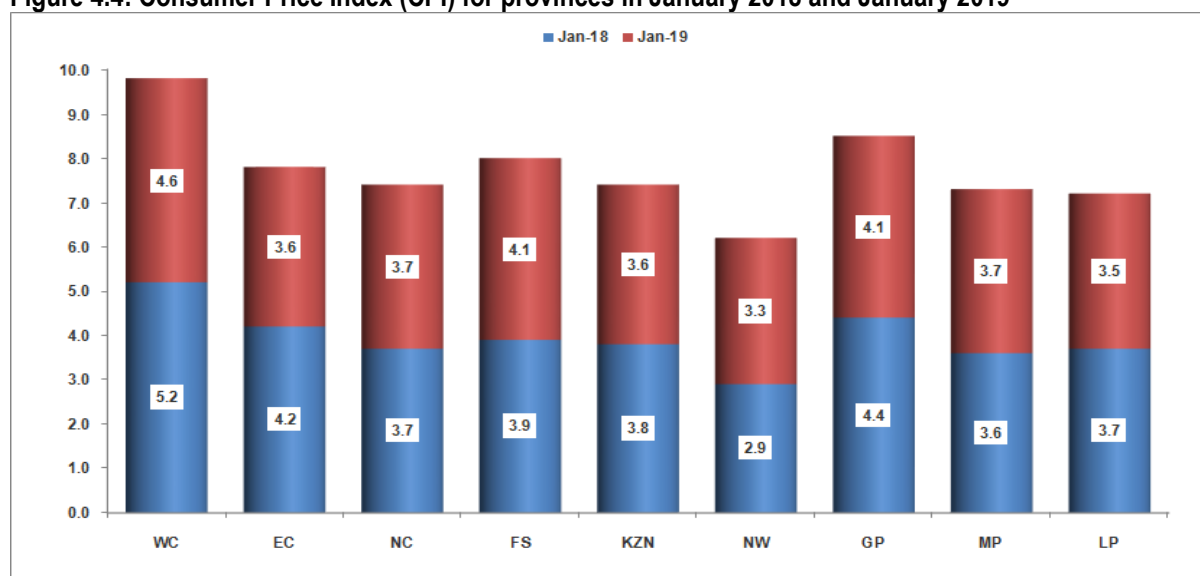


Source: Stats SA, 2019

*Risks to the national outlook*

The national economic outlook is exposed to numerous risks emanating from both local and international developments. The upside risks include a steadfast implementation of reforms to build on positive announcements, but the scope for comprehensive measures may be constrained by the electoral calendar. External downside risks arising from tighter monetary, financing conditions and capital outflows are significant. Growth remains fragile and exposed to policy uncertainty and external risks. External downside risks relate to an increase in oil prices and

foreign trade tensions. Furthermore, higher interest rates in Europe and the US could affect the financial markets and the exchange rate through capital outflows.

A constrained consumer, a buckling mining sector and continued load shedding will weigh on growth. However, while attending the 2019 Mining Indaba earlier in February 2019, the President, Cyril Ramaphosa was on record allaying investor jitters in the mining industry, emphasising that expropriation of land without compensation would not involve taking away investors' land. The president assured investors that the government was working on a clear plan to address problems that had beleaguered Eskom, including brain drain, the implementation of tight control on its cost structure, improving operational efficiency and the ongoing load shedding which are thwarting the already crippling economy.

The President further made a commitment that the government will announce a plan for Eskom before the end of February 2019. The power utility expects a loss of around R20 billion for the 2018/19 financial year and has about R419 billion of debt. Another concern raised about Eskom is its application for a 15 per cent increase annually for the next three years, commencing from the 2019/20 Medium Term Expenditure Framework (MTEF). The requested 15 per cent by Eskom works out to be a cumulative 45 per cent over three years.

Investment and the service sector will be the main drivers of growth. Despite the favourable political environment, policy uncertainties remain, such as the governance issues of state enterprises. On the upside, a quick implementation of proposed structural reforms could reduce remaining policy uncertainties and stimulate domestic demand through higher-than-expected investment. The RMB (2019) report also cites that the lack of efficient infrastructure is one of the biggest impediments to business on the continent, and SA is not immune.

As discussed in chapters three and five of this publication, over an above these critical risks, SA is still faced with the challenges of creating more jobs, particularly for the youth. The country also needs to address high levels of unemployment, poverty, inequality and the re-ignition of inclusive economic growth that will attract private investment but also ensuring that all South Africans share the benefits, irrespective of their race, age or gender.

*Credit rating agencies*

In April 2017 both S&P Global and Fitch Ratings downgraded SA's long-term foreign currency rating to sub-investment grade. The third of the big global agencies, Moody's, has however kept the country's rating one notch above sub-investment grade. The rating agencies are all expected to give updates after the tabling of the national budget for the 2019 MTEF period or soon after the General elections that will be held in May 2019. Nonetheless as warned by Moody's in November 2018, the real pressure facing any government is the need to stimulate the economy. The rating agency's greatest concern is the country's anemic growth prospects, coupled with the need for fiscal restraint, tight monetary policy and ongoing global market volatility.

Moody's is the only major credit rating agency to still classify SA's long-term foreign-currency debt as investment grade, though it has recently highlighted some concerns over the economic and fiscal outlook. Similar to other credit rating agencies, Moody's maintains a stable outlook for the rating but in October 2018 it cited a weaker fiscal outlook as credit negative. However, in January 2019 Moody's indicated that the economy of SA is likely to recover in 2019, albeit at a slow pace.

The radical and vigorous implementation of the stimulus package a pronounced by the President in September 2018 and the improvement in revenue collection would play a vital role in boosting economic performance. At the State of the Nation Address (SONA), the President also indicated that the Public Private Growth Initiative, stewarded by Minister in the Presidency Nkosazana Dlamini-Zuma, is going to be a key growth driver to boost the country's struggling GDP growth.

Another challenge is debt-to-GDP, which if not properly managed, could take the country into a fiscal cliff[33]. The major problem about fiscal cliff is its detrimental effect on an already shaky economy, which could take the country into recession as households' incomes would be dropping, increasing the already stubbornly high unemployment rates, and undermining both consumer and investor confidence. At the same time, fiscal cliff would significantly reduce tax revenue, thus affecting government spending on the social programmes, especially for the poor.

## 4.4     KZN economic review and outlook

Figure 4.5 displays regional gross domestic product (R-GDP) growth rates in KwaZulu-Natal (KZN) from 1997 to 2020. Despite the eloquently published global financial crisis that took the world economy into recession in 2008, economic growth in KZN has deteriorated considerably since 2011, where it recorded a broad-based average growth rate of 3.7 per cent. In 2017, the provincial economy grew moderately by a seasonally adjusted 1.4 per cent, rising from a disappointing 0.7 per cent in reordered in 2016. The moderate improvement in KZN's economic activity in 2017 was supported by the favourable weather conditions, which resulted in higher agricultural production and thus a significant contribution to real R-GDP.

Despite the moderate rise in 2017, economic growth remains unacceptably below 5 per cent which is envisioned in the Provincial Growth and Development Plan (PGDP) that was revised in 2018. It is also notable from figure 4.5 that between 2011 and 2017, the economy of the province grew at a moderate average rate of an estimated 2 per cent. This subdued economic performance is overwhelmingly devastating, especially, that KZN is the second largest economic hub in SA in terms of GDP contribution. It further affects impacts negatively on the capacity to create employment opportunities and absorption of new entrants in the labour market as outlined in chapter five of this publication. Subsequently, the unemployment rate remains persistently and unacceptably high, particularly among the youth.

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[33] Fiscal cliff generally refers to a combination of increasing tax rates and cutting government spending.

Considering that lower-than-expected real R-GDP growth in the first half of 2018 was experienced, the provincial economic outlook has weakened somewhat, with economic growth expected to remain modest at 1.2 per cent and pick up to 1.8 per cent in 2019. Although growth rates in the province are projected to be on an upward trajectory, they are still below the average potential 3.5 per cent and 5 per cent growth targeted in the PGDP. The PDGP aims for an inclusive expanded and sustained economic output, which is the fundamental driver for job creation and economic growth.

**Figure 4.5: Economic growth rate in KZN and SA, 1996 to 2020**
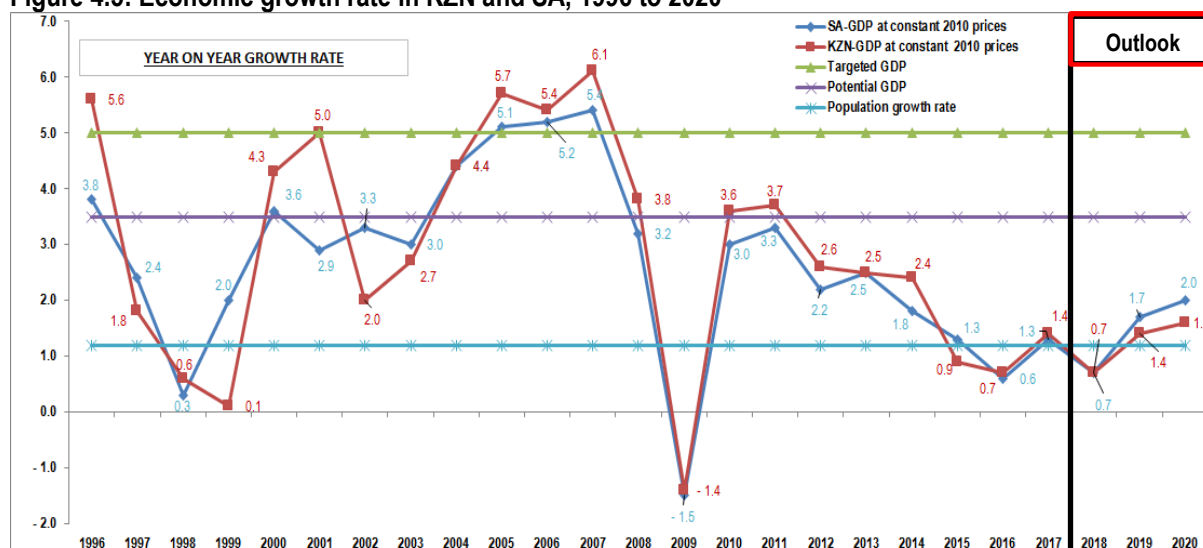


Source: IHS Markit, 2019

The total GDP generated in 2017 amounted to approximately R498.490 billion, which translates to 16 per cent of the national output, thereby making KZN the second largest economy after Gauteng (GP) at 35.2 per cent, and followed by the Western Cape (WC) at 13.8 per cent (Figure 4.6).

The provincial economy is driven mainly by the eThekwini metro[34] and other district municipalities especially those dominated by urban areas. EThekwini contributes the most substantial proportion of R-GDP at 61 per cent, which is attributable to different economic activities such as tourism, harbour ports, and sugar refinery industry, among others. UMgungundlovu and King Cetshwayo follow at 10.5 per cent and 6.9 per cent, respectively. As pertinent across the country, district municipalities that are mostly rural contribute smaller proportion to the provincial R-GDP due to limited economic activities and low employment rates. The least contributing districts are Umzinyathi, Harry Gwala and Umkhanyakude at the estimated rate of 1.5 per cent, 1.7 per cent and 2.5 per cent, respectively (Figure A4.1 in appendix A).

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[34] KZN province has one metro (eThekwini) and ten district municipalities which are: Ugu, uMgungundlovu, uThukela, uMzinyathi, Amajuba, Zululand, uMkhanyakude, King Cetshwayo and iLembe.

**Figure 4.6: Percentage share of the national real GDP by provinces, 2017**
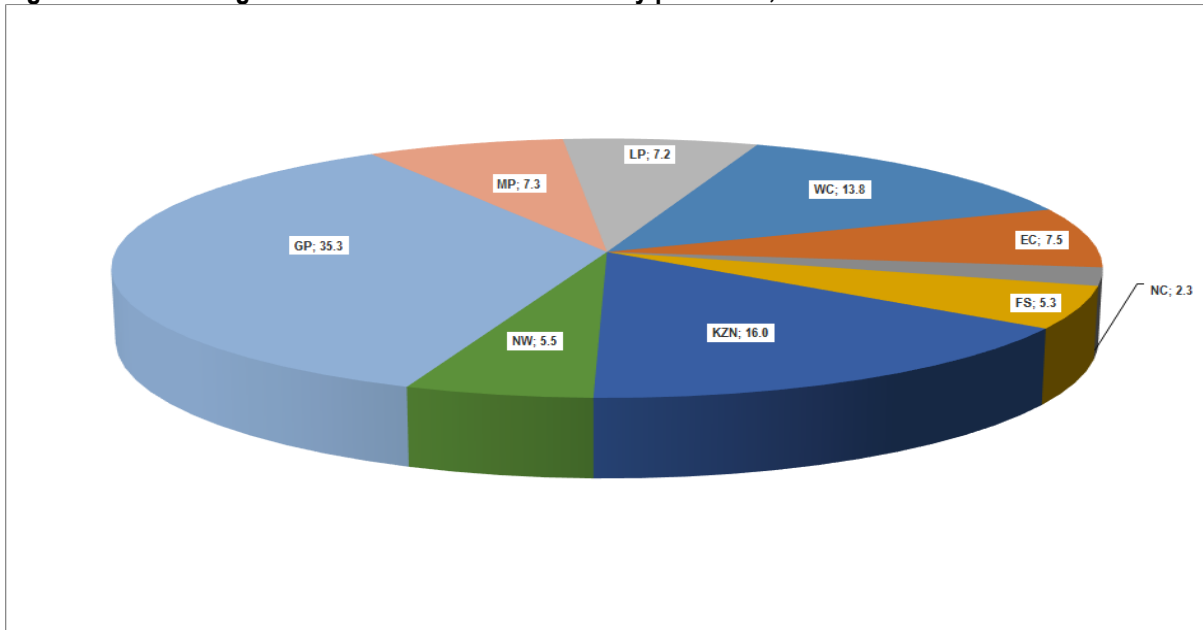


Source: IHS Markit, 2019

Given the economic activities that take place within eThekwini[35], it is interesting to note that the total provincial output is predominantly concentrated in the eThekwini Metro at 61.3 per cent. This is followed by uMgungundlovu at 10.2 per cent and King Cetshwayo at 6.8 per cent. The least contributing districts are Umzinyathi, Harry Gwala and Umkhanyakude at the estimated rate of 1.5 per cent, 1.7 per cent and 2.4 per cent, respectively (Figure A4.1 in the appendix A).

## 4.5    Sector performance and contribution to GDP

Table 4.5 depicts sector contribution to R-GDP between 2010 and 2020. The table shows that most economic activities that contribute towards the provincial GDP are in the tertiary sector. This sector contributed 63 per cent to R-GDP in 2018; moderately up from 61.1 per cent in 2010, which is mainly driven by the *community* services (20.6 per cent), *finance* (16.8 per cent) and *trade* (14.2 per cent). The community services that contributes the most, include government services rendered to the communities in line with legislative mandates. It is worrying, however, that the provincial economy is concentrated on the services sector that include government where there is no profit expected but only service rather than the production industries such as manufacturing and agriculture labour-intensive sectors.

The secondary sector contributed 22.4 per cent to the R-GDP in 2017, declining slightly from 23.9 per cent in 2010. The industries that contributed to the decline were *manufacturing* which recorded a decrease of slightly above 1 percentage point over the period, followed by the *electricity* with a 0.4 percentage point decrease. The significant

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[35] KZN province has one metro (eThekwini) and ten district municipalities which are: Ugu, uMgungundlovu, uThukela, uMzinyathi, Amajuba, Zululand, uMkhanyakude, King Cetshwayo and iLembe.

deterioration in the manufacturing industry was primarily driven by *other non-metallic mineral products*, recorded an annual average growth rate of -0.9 per cent between 2007 and 2017. *Metal products, machinery & household appliances* also dropped by an annual average growth rate of 0.7 per cent over the same period (Table A4.3 in Appendices).

The *construction* industry recorded a marginal increase from 4.2 per cent in 2010 to 4.3 per cent in 2017. Encouragingly, the *primary* sector also improved, albeit marginally from 5.9 per cent in 2010 to 6 per cent in 2017, supported by *fishing & operation of fish farms* (5.5 per cent), *forestry & logging* (3.6 per cent) and *agriculture & hunting* (2.6 per cent) (Tables 4.5 & A4.3 in Appendices). Thus the agricultural industry improved considerably in 2017 when compared to 2015, whereby drought engulfed most parts of the country including KZN, thereby impeding crop plantation.

Table A4.1 in the appendices indicates that the average annual growth rate by the primary sector in KZN is estimated at 4.1 per cent, compared to the national average rate of 2.6 per cent, between 2007 and 2017. The highest average growth rate of 6 per cent was recorded in the King Cetshwayo District Municipality, while Amajuba registered the lowest rate at -0.3 per cent, over the same period.[36] The unprecedented average growth rate in King Cetshwayo was to a large extent due to the *fishing & operation of fish farms* (6 per cent*), forestry & logging* (4.1 per cent), and *mining of metal ores* (3.4 per cent).

**Table 4.4: Sector contribution to GDP in KZN, 2010 to 2020**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Outlook | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | | | | | | | | | | 2019 | 2020 |
| **Primary Sector** | **5.9** | **6.1** | **6.1** | **6.2** | **6.5** | **6.0** | **5.5** | **6.0** | **5.8** | **5.8** | **5.9** |
| Agriculture | 4.1 | 4.3 | 4.3 | 4.4 | 4.7 | 4.3 | 3.8 | 4.1 | 4.0 | 4.0 | 4.1 |
| Mining | 1.8 | 1.8 | 1.7 | 1.8 | 1.9 | 1.8 | 1.7 | 1.8 | 1.8 | 1.8 | 1.8 |
| **Secondary Sector** | **23.9** | **23.7** | **23.5** | **23.3** | **23.1** | **22.7** | **22.7** | **22.5** | **22.4** | **22.4** | **22.3** |
| Manufacturing | 17.3 | 17.2 | 17.1 | 16.9 | 16.6 | 16.4 | 16.4 | 16.2 | 16.2 | 16.2 | 16.1 |
| Electricity | 2.4 | 2.4 | 2.3 | 2.2 | 2.2 | 2.1 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Construction | 4.2 | 4.1 | 4.1 | 4.2 | 4.3 | 4.3 | 4.3 | 4.3 | 4.2 | 4.2 | 4.1 |
| **Tertiary Sector** | **61.1** | **61.3** | **61.5** | **61.5** | **61.7** | **62.3** | **62.9** | **62.8** | **63.0** | **63.0** | **63.2** |
| Trade | 14.1 | 14.2 | 14.4 | 14.2 | 14.1 | 14.3 | 14.5 | 14.3 | 14.2 | 14.2 | 14.2 |
| Transport | 11.1 | 11.1 | 11.1 | 11.1 | 11.2 | 11.3 | 11.3 | 11.4 | 11.3 | 11.5 | 11.7 |
| Finance | 16.3 | 16.4 | 16.3 | 16.3 | 16.3 | 16.5 | 16.7 | 16.8 | 16.8 | 17.0 | 17.2 |
| Community services | 19.6 | 19.6 | 19.7 | 19.8 | 20.0 | 20.2 | 20.4 | 20.4 | 20.6 | 20.3 | 20.0 |

Source: IHS Markit, 2019

Agriculture reported a moderate annual average growth rate of 3 per cent over the ten year period under review (2007 to 2017), supported by improvement realised in *fishing & operations of farms* at 5.6 per cent, and *forestry and logging* (3.6 per cent) (tables 4.4 and A4.3 in appendices). The negative growth rate in 2016 was due to the contraction in *agriculture & hunting* (-8.3 per cent), *forestry & logging* (-6.5 per cent) and *fishing & operation of fish*

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[36] KZN consists of eleven district municipalities including eThekwini one Metropolitan Municipality.

*farms* (-4.5 per cent) (Tables A4.1 & A4.2 in appendices). These negative growth rates were pertinent across all district municipalities.

The manufacturing industry grew by 0.5 percentage points over the same period (Table A4.1 and A4.3, in appendices), driven mainly by ailing economic activity in most sub-industries, particularly due to some *non-metallic mineral products* (-0.9 per cent) and metal products, *machinery and household appliances* (-0.8 per cent). Similar to most industries, a substantial proportion of manufacturing production contributed towards the total provincial real R-GDP comes from eThekwini Metro at 10.7 per cent and King Cetshwayo at 1.6 per cent (Table A4.1, appendix). Manufacturing production in uMgungundlovu grew by 0.9 per cent, followed by eThekwini at 0.7 per cent over the ten year period in consideration. The key sectors contributing to these growth rates in both districts are food, beverages and tobacco products, textiles, clothing and leather goods, wood and wood products, and fuel, petroleum, chemical and rubber products. (Table A4.3, in appendices).

The electricity sector suffered a major setback and contracted by an annual average growth rate of -1.3 per cent over the period under review (Table A4.1), due to *electricity, gas, steam a& hot water* which declined by 1.3 per cent. This growth rate is estimated to have shrink marginally to 0.4 per cent in 2017 (Table A4.2, in appendices). Construction was the fastest growing sector (3.6 per cent) over the same period (Table A4.1, in appendices), but contracted by 0.1 per cent in 2017 (Table A4.2, in appendices). A moderate growth rate, above the provincial aggregate level in *construction* in 2017, was only recorded in Zululand District Municipality (0.9 per cent). Growth rates for the remaining districts range between negative and less than 0.5 per cent, with eThekwini and Ugu recording -0.3 per cent and -0.1 per cent, respectively (Table A4.2, in appendices).

Trade showed a positive average growth rate of 2.2 per cent over the ten years under review. The moderate performance in trade over the ten year period was enhanced by the *retail trade & repairs of goods* at 3.2 per cent, *sale & repairs of motor vehicles*, *sale of fuel* at 2.2 per cent, and *hotels & restaurants* at 1.2 per cent (Tables A4.3, in appendices). This solid and moderate trend was, however, abruptly interrupted and plummeted 0.4 per cent in 2017, due to the contraction of 6.5 per cent on *wholesale & commission trade*, and 1.9 per cent on sale and repairs of motor vehicles, sale of fuel.

The *transport* industry grew by 2.2 per cent over the ten-year period, driven mostly by the *post & telecommunication* sub-industry at 5 per cent, followed by *air, transport & transporting activities* (4.1 per cent) (Table A4.3, in appendices). However, the industry is estimated to have recorded an average growth rate of 1.5 per cent in 2017, as most sub-industries posted slow production over the period. *Finance* (2.6 per cent) was one of the fastest growing sectors in the province but slowed down to 1.5 per cent in 2017 (Tables A4.1 and A4.2). The robust performance in the finance sector was by far supported by growth in the *finance & insurance sub-sector* at 3.5 per cent and other business activities at 2.4 per cent (Table A4.3, in appendices).

*Community services* displayed a robust growth of 3.1 per cent over the period under review, but this slowed down to a moderate 1.1 per cent in 2017 (Table A4.1, in appendices). In terms of sector contribution towards provincial real R-GDP, *community services* make up an estimated 20.4 per cent (Table 4.5).

## 4.6 Gross Fixed Capital Formation

Gross Fixed Capital Formation (GFCF), alludes to the net increase in both the physical quantum and pecuniary value of capital assets – including but not limited to, buildings, the construction of roads, railways, schools, offices, hospitals, and plant and equipment. Also, the measurement relates to both private and government sector investment.

Table 4.5 illustrates the GFCF Quarter-to-quarter percentage change at seasonally adjusted annualised rates in in 2017 and the first three quarter of 2018.

**Table 4.5: Quarter-quarter percentage change at seasonally adjusted annualised rates**

| Sector | 2017 | | | | Year* | 2018 | | |
|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | | Q1 | Q2 | Q3 |
| Private business enterprises | 1.3 | -0.2 | -4.9 | 9.9 | 1.2 | -3.9 | -2.8 | -4.0 |
| Public corporations | -16.5 | -0.7 | -2.6 | 12.2 | -1.3 | -3.6 | 2.4 | -13.3 |
| General government | -1.9 | 0.4 | 6.0 | -6.4 | -0.7 | -1.3 | 3.7 | 1.1 |

Source: Stats SA and SARB, 2018

Figure 4.7 shows Real GFCF by general government, public corporations, and private business enterprises over the period 2010 through 2017.

**Figure: 4.7: Real GFCF by General government, Public corporations, and private business enterprises**
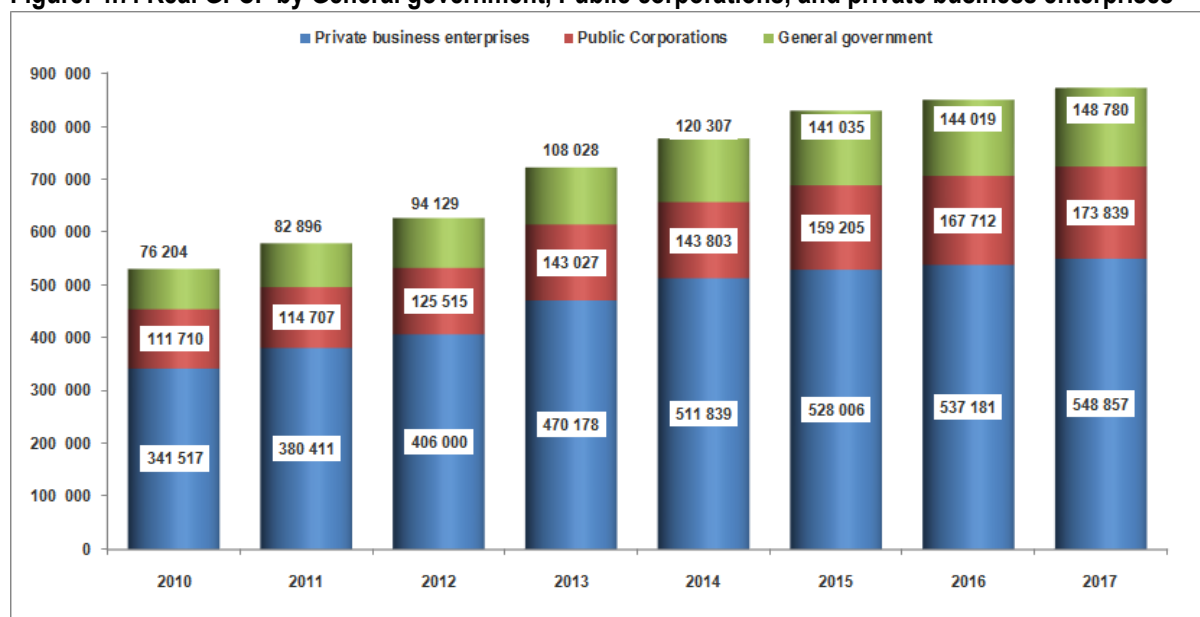


Source: SARB, 2018

*Private Sector*: At a national level; at the end of the third quarter of 2018, Real GFCF reflected a decrease in fixed investment spending by the private sector equating to negative 4 per cent; this following decreases of negative 3.9 and negative 2.8 per cent in the first and second quarters of the year, respectively. The decline in expenditure on GFCF in the third quarter can mainly be ascribed to reduced spending on non-residential buildings and transport equipment (South African Reserve Bank (SARB), Quarterly Bulletin, December 2018). Whilst reasons are varied, the decrease in private investment spending could broadly be ascribed to reduced investor confidence.

As an aside, there was substantial Private Sector investment in the fourth quarter of 2017 of 9.9 per cent; this compared to negative investment spending in the second (-0.2 per cent) and third (-4.9 per cent) quarters of that year. The increase in private investor spending related primarily to expenditure on transport equipment, and plant and machinery (SARB, Quarterly Bulletin, June 2018).

*Public Corporations (State Owned Enterprises)*: In respect of public corporations, real capital outlays decreased substantially in the third quarter of 2018 from positive 2.4 per cent in the second quarter to negative 13.3 per cent in the third quarter (South African Reserve Bank (SARB), Quarterly Bulletin, December 2018) .The decrease is mainly due to negative revenue generation in state-owned entities. These include but are not limited to ESKOM, South African Airways (SAA), Denel, and the South African Broadcasting Corporation (SABC).

The three tiers of government, being *National, Provincial and Local*: Spending on GFCF in the third quarter of 2018 saw positive GFCF growth of 1.1 per cent. This resulted from increased government spending on transport equipment and construction works (SARB, Quarterly Bulletin, December 2018). It should, however, be noted that due to the constrained fiscal environment coupled with frequent under-spending (against budget) on the part of provincial and local government, some large infrastructure projects were placed on hold.

Figure 4.8 illustrates the Growth in GFCF and GDP-R in KZN over the period 2006 through 2017.

**Figure 4.8 Growth in Total Fixed Investment (GFCF) and GDP-R in KZN, 2006-2017**
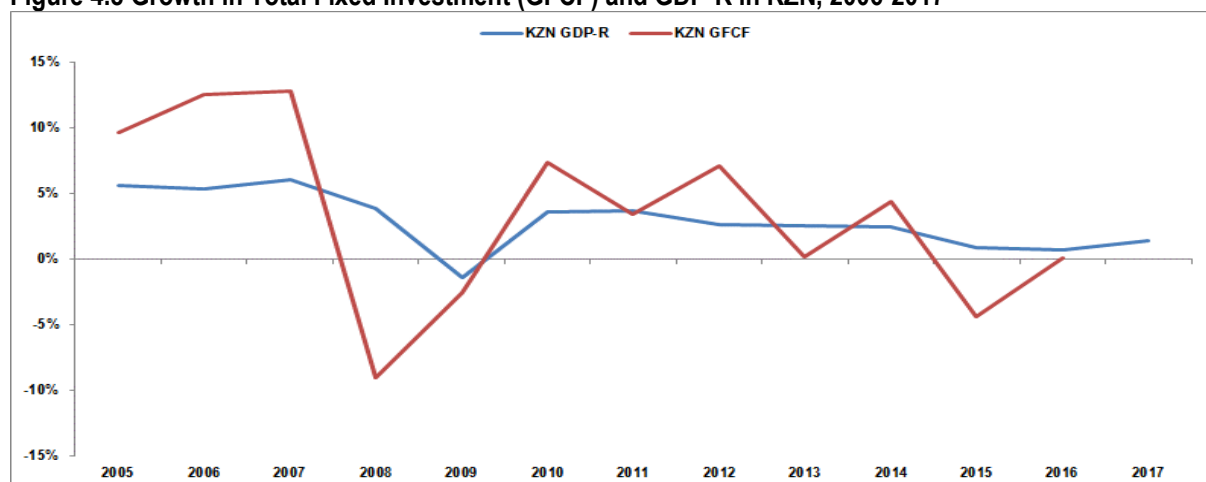


Source: Quantec, 2018

Prior to the global financial crisis of 2008, GFCF and GDP-R in the province experienced relatively high growth, but by 2009 the collateral effects of the financial crises driven – primarily by injudicious loans on the part of US financial institutions – were felt internationally. At a provincial level, both the aforementioned variables witnessed a substantial decline, with GFCF dropping from 12.85 per cent in 2008 to negative 9.02 per cent in 2009, and GDP- R decreasing from 3.85 per cent in 2008 to negative1.36 per cent in 2009.

In contradistinction, the period 2009 through 2011 saw a notable increase in GFCF (-2.55 per cent in 2010 to 7.4 per cent in 2011), this being largely due to infrastructural investment relating to the 2010 Soccer World Cup, and the ensuing capital projects which accompanied it.

**Figure 4.9: Fixed investment in KZN as a percentage of Real GDP, 2005-2017**
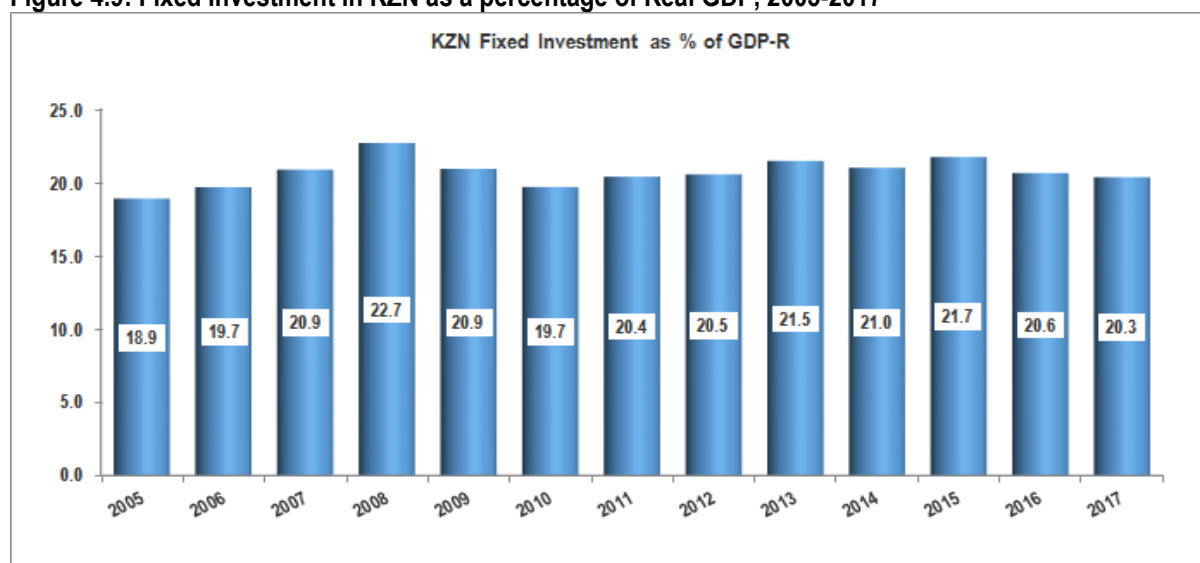


Source: Quantec, 2018

Driven by a mix of socio-political and socio-economic uncertainty, the period 2015 through 2017 has seen reduced investor confidence. This in turn translated into a decrease in GFCF, from a positive 4.37 per cent in 2015 to a negative 4.35 per cent in 2016. Although, there was a minimal increase in 2017, GFCF remained low at a lacklustre 0.06 per cent.

Figure 4.9 shows fixed investment in KZN as a percentage of GDP-R over the period 2005 to 2017.

In the early 1980's the average investment spend in South Africa approximated 30 per cent of GDP, this contracted to 16 per cent in the early 2000's (National Development Plan (NDP), 2030). Fixed investment in KZN averaged 20.1 per cent during the period 2005 through 2017; somewhat below the target set by the NDP whereby "GFCF needs to reach 30 per cent of GDP by 2030 in order to see a sustained impact on growth and household services" (NDP, 2030).

In accordance with the NDP, and in order to achieve this goal, the 2035 Provincial Growth and Development Strategy (KZN PGDS, 2035), has put in place *Strategic Objective 1.3:* to *Enhance Spatial Economic Development*.

This objective, has as one of its indicators: *Government and private sector capital investment in both 'brownfield' and 'greenfield'[37] economic projects.*

Currently (2018), there are a number of key infrastructural projects that have either commenced or are imminent, most notably:

- Blythdale Coastal Estate situated in KwaDukuza Municipality is a property and hotel development project. This is a private sector investment, with the rand value approximating R15 billion. Both debt and equity investor partners are being sought – i.e. government, private sector, and economic development agencies. To date, funding in excess of R500 million has been invested in the project. In respect of job creation, 110 000 construction jobs and 15 000 permanent jobs are anticipated to be created through this project (Trade and Investment KwaZulu-Natal (TIKZN) Investment opportunities 2018/19).

- Dube TradePort Special Economic Zone (SEZ)[38] which is situated in eThekwini : This project has the following as its targeted sectors:
  - Medical and pharmaceutical production and distribution;
  - Electronics manufacturing and assembly;
  - Aerospace and aviation-linked manufacturing and related services;
  - Agriculture and agro-processing; Clothing and textiles; and
  - Automotive manufacturing and assembly

  The project has R2.7 billion of secured private sector investment, targeting R18 billion of investment over the next five years. In respect of job creation, as at July 2018, 3 112 permanent jobs had been created by operational investors. It is projected that over the next five years, 4 792 permanent jobs, and 10 401 temporary jobs will have been created.

- Durban Waterfront Project based in eThekwini. This is a R35 billion project, which aims to create a "world-class" beachfront ambience. It will include a mix of residential units, business outlets and restaurants, 5 to 6 star hotels, A and B-grade office blocks, and a beachfront promenade with public amenities. The development is funded by a Malaysian company and a local Broad-based Black Economic Empowerment (BBBEE) company. Other funding partners include government and shareholders. To date, approximately R550 million has been spent on the project, mainly in respect of bulk infrastructure development. It is anticipated that the overall development will create 11 000 construction jobs and 6 750 permanent jobs (TIKZN, KZN Investment Opportunities 2018/19).

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[37] Whereas a Brownfield project relates to the enhancement of an existing site – i.e. where a building already exists, etc., a Greenfield project pertains to new capital infrastructure on a virgin site.

[38] In respect of bulk infrastructural installation, government as the owner of the property is responsible for this.
Funding is made available through the SEZ fund and KZN provincial government funding. Serviced land is made available to private sector through lease agreements" (TIKZN, KZN Investment Opportunities 2018/19).

- Finningley Eco Estate in Umdoni Municipality: This project entails "the integrated transformation of 3 000 ha of agricultural land for the development of a resort, school, research facilities, racetrack, airport, residential estate, and agricultural and industrial development" (TIKZN, KZN Investment Opportunities 2018/19). The investment value of the development is estimated at R50 billion, and is to be financed by government, local and international investors. At full development, it is anticipated that the project will yield 95 000 construction jobs, and over 277 000 operational jobs.

It is likely that these projects will have a beneficial impact on both the GDP and job creation in the province.

## 4.7 Travel and tourism

The decades subsequent to 1970 have seen Travel and tourism internationally evolving into a leading economic sector by way of contribution to GDP, employment and investment. Statistics published by the World Travel and Tourism Council (WTTC) 2018 indicate that in 2017, the sector contributed US$8.272 trillion equating to 10.4 per cent of global GDP; this being the combined spend on direct, indirect and induced tourism activities. Whilst the three components are not mutually exclusive they can be broadly delineated as follows:

The *direct contribution* to GDP includes accommodation, transportation and travel, entertainment, visitor attractions, food and beverage, cultural activities and sport and recreation, and government "individual" spending for posterity on cultural and recreational sites – i.e. museums and national parks. The *indirect contribution* extends to the "spill-over" effect of the purchase of goods and services external to the sector, such as, printing and publishing, marketing and promotion, construction, fuel sales, maintenance, cleaning, security services, investment spending i.e. – the purchase of an aircraft or the construction of a new hotel, and government "collective" spending (tourism marketing and promotion, aviation, resort area security services, etc.) among others. The *induced contribution* "measures the GDP and jobs supported by the spending of those who are directly or indirectly employed by the Travel and tourism industry" (WTTC, 2018). The contribution of tourism to GDP and employment is discussed at global, national and provincial (with particular emphasis on KwaZulu-Natal) levels below.

### 4.7.1 World travel and tourism

According to the WTTC, 2018, travel and tourism contributed a considerable amount of US$8.272 trillion towards global GDP in 2017, this despite, political uncertainty, terrorist attacks, health pandemics, etc. The growth in this industry is expected to remain robust in 2018, with growth in GDP projected to rise by 4 per cent to an estimated US$8.605 trillion in that year. The WTTC report of 2018 alludes to the industry's direct contribution to global GDP growth in 2017 being 3.2 per cent or US$2.570 trillion, and this is forecast to rise by 4 per cent in 2018 to an estimated US$2.674 trillion. It is projected that over the period 2018 through 2028 Travel and tourisms direct contribution to global GDP will rise by 3.8 per cent to an approximate US$3.890 trillion. Over the period 2012

through 2018[39], visitor exports[40] grew from US$1.221 trillion to US$1.553 trillion, respectively. This is further expected to reach US$2.311 trillion by 2028 (WTTC, 2018).

Generally, there is a positive correlation between growth in tourism and growth in employment. In this regard, at a global level, 2017 saw the industry employing 313 million individuals in total (direct, indirect and induced employment); a substantial increase from that of 2016, where the industry's total contribution to employment was 306 million jobs. It is anticipated that the number of jobs created in 2017 (313 million) will rise to 414 million by 2028 (WTTC, 2018). The estimated number of persons directly employed in Travel and tourism in 2018 was 121 million, this is projected to increase to 150 million in 2028.

Capital investment within the industry amounted to US$882 billion in 2017 rising to an estimated US$925 billion in 2018. This is projected to show growth of 4.3 per cent over the period 2018 to 2028 (ten year period) reaching US$1.408 trillion in the outer year. The growth suggests that there is a positive view on the benefits of Travel and tourism and the relative stability it has to offer.

Despite the sector being negatively susceptible to health and safety concerns, recent-past and current growth internationally, is indicative of tourism's resilience. Internationally, the top ten global destinations, in terms of the number of visitors to these countries in 2017 were France (86.9 million), Spain (81.8 million), USA (75.9 million), China (60.7 million), Italy (58.3 million), Mexico (39.3 million), the UK (37.7 million), Turkey (37.6 million), Germany (37.5 million), and Thailand at 35.4 million (United Nations World Trade Organisation (UNWTO) Tourism Highlights, 2018 Edition). Being a conduit of job creation and a significant contributor to GDP; meaningful benefits accrue to those economies which capitalise on their tourism market.

### 4.7.2    Travel and tourism in SA

Out of the 185 countries, South Africa is ranked 107th in terms of its total contribution to GDP in 2017. According to the WTTC (2018), the total contribution of Travel and tourism to GDP was R412.5 billion or 8.9 per cent of GDP in 2017. GDP growth of 2.9 per cent is projected for 2018 (R424.4 billion), rising by a further 3.5 per cent over the ten year period 2018 to 2028 to an estimated R598.6 billion. The direct contribution of Travel and tourism to GDP in 2017, saw the country contributing 2.9 per cent of GDP or R136 billion. It is estimated that this will rise by 2.4 per cent in 2018 to R139.3 billion, increasing by a further 3.6 per cent over the ten year period 2018 through 2028 to R197.9 billion.

In terms of employment, South Africa directly supported some 727 000 jobs in 2017, rising to a projected 734 000 in 2018. It is anticipated that by 2028 this sector will directly employ 980 000 persons (WTTC, 2018). In 2017, the

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[39] The amount in 2018 constitutes an estimated amount
[40] Spending within the country by international tourists.

country employed a total[41] of 1 530 500 persons. The creation of future jobs by the industry as a whole is projected to grow by 3.3 per cent in 2018 to an estimated 1 530 300 jobs, rising further over the ten year period 2018 through 2028 to a projected 2 082 200 (WTTC, 2018).

The introduction of new visa regulations in October 2014, which required children under the age of 18 travelling in and outside of the country to carry unabridged birth certificates detailing information of both parents, and requiring visitors to South Africa to apply for a visa in person at South African embassies, had a far reaching negative effect on the tourism industry and consequently on the economy as a whole in 2015. These Laws have since (in the case of unabridged birth certificates) and continue to be amended. With regard to minors, children travelling over South African borders must "have their parents' identification and citizenship details printed in their passports" (Revisions to South Africa's amended visa regulations, 2016), along with parental consent affidavits if travelling unaccompanied; unabridged birth certificates are no longer required.

Further, during the President's announcement of his economic recovery plan on 21 September 2018, it was acknowledged that the current visa laws and regulations have made travel to South Africa more prohibitive. In this regard it was stated that over the next few months the list of countries requiring visa's to South Africa would be reviewed and an e-visa pilot would be introduced. In addition, visa requirements for highly skilled foreigners would be revised (Tourism Update, 21 September 2018).

**Figure 4.10: Number of tourists from ten leading overseas countries, July 2017 and July 2018**
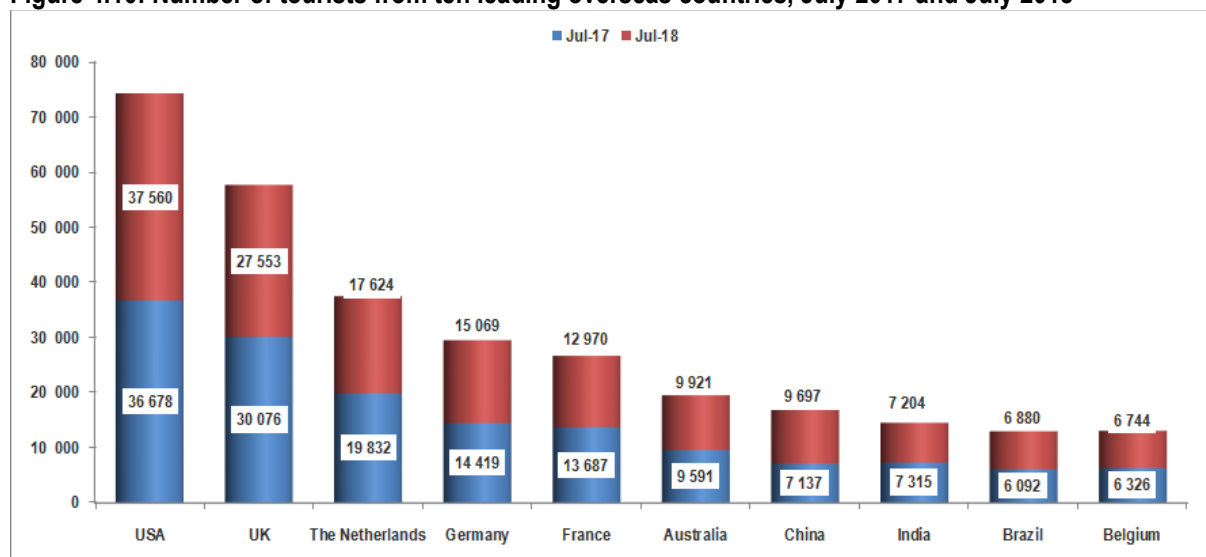


Source: Stats SA, 2018

Figure 4.10 shows the number of foreign tourists visiting South Africa and the ten leading countries from which they hail from in July 2017 and July 2018. The figure further shows that the greatest number of tourists visiting South Africa came from the Unites States of America (USA) in both 2017 (36 678) and 2018 (37 560). This was

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[41] Inclusive of all direct and indirect jobs associated with the industry.

followed in July 2018 by the United Kingdom (UK) at 27 533 visitors, and the Netherlands at 17 624 tourists arriving in the country. Upon comparing figures in July 2017 to July 2018, the number of tourists increased for six out of the ten leading overseas countries, these being the USA, Germany, Australia, China, Brazil and Belgium. The remaining four countries saw a moderate to significant decline, namely the UK (30 076 to 27 533), the Netherlands (19 832 to 17 624), France (13 687 to 12 970), and India (7 314 to 7 204). Some of the main reasons for the decline in tourism from these overseas markets included visa regulations, perceptual crime, and the water crisis in the Western Cape.

**Figure 4.11: Number of tourists from the ten leading SADC countries, July 2017 and July 2018**
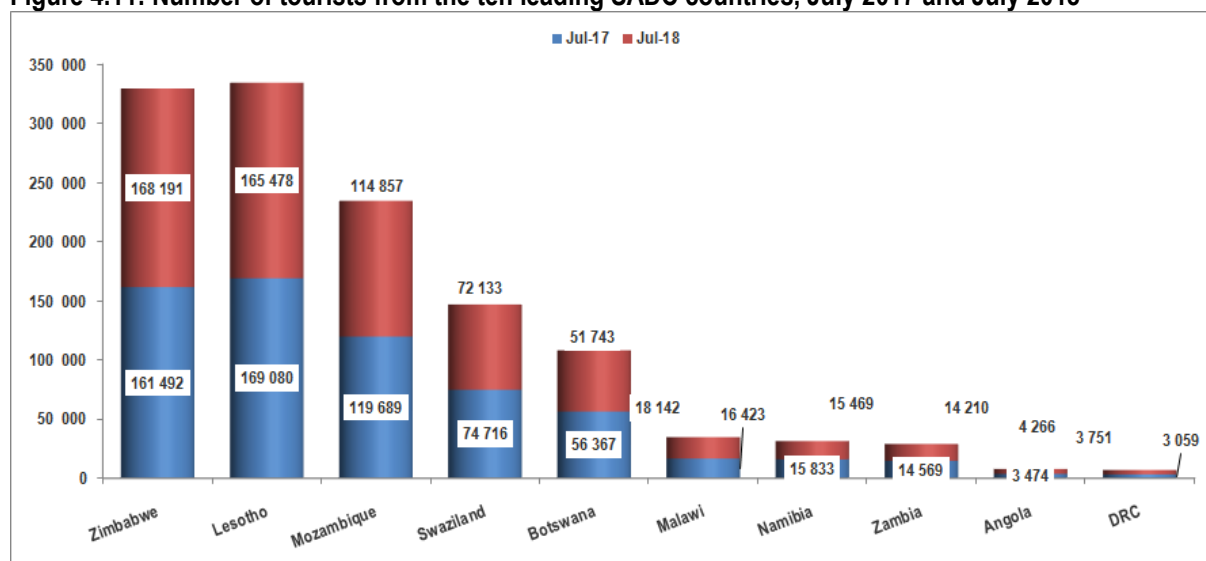


Source: Stats SA, 2018

Figure 4.11 shows the number of tourists visiting South Africa from the ten leading SADC countries in July 2017 and July 2018. The figure shows that Zimbabwe had the highest number of tourists visiting South Africa in July 2018 at 168 191 persons; this compared to July 2017 where it only had 161 492 visitors to the country, thus placing it second in the top ten SADC country rankings after Lesotho at 169 080 in that year. After Zimbabwe, the highest number of tourists visiting SA in July 2018 came from Lesotho at 165 478 and Mozambique at 114 857. When comparing figures from July 2017 to July 2018, the number of tourist visits to South Africa increased in only four of the ten countries, these being, Zimbabwe, Malawi, Angola and the Democratic Republic of Congo (DRC). The remaining six, namely Lesotho, Mozambique, Swaziland, Botswana, Namibia and Zambia all showed moderate to substantial decreases. Angola had the largest growth in the number of tourists visiting SA at 22.8 per cent, while Botswana had the lowest growth at -8.2 per cent[42].

### 4.7.2.1 Visitor exports and investment

Visitor export refers to money spent by foreign visitors to a country. This is a key component of the direct contribution of Travel and tourism. In 2017, visitor exports to South Africa generated R126.7 billion, which

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[42] Growth is calculated as current (July 2018) less previous (July 2017), divided by July 2017, times 100.

amounted to 9.2 per cent of total exports in that year. In 2018 visitor exports are projected to grow by 3.4 per cent, whilst over the ten year period 2018 through 2028 growth of approximately 11.4 per cent is anticipated (WTTC, 2016).

Tourism has also attracted capital investment both directly and indirectly to South Africa. In 2017, capital investment within the sector amounted to R71 billion (8.2 per cent of total investment), rising by an estimated 3.4 per cent in 2018. By 2028 capital investment within the Travel and tourism industry is projected to amount to R112.7 billion.

### 4.7.3    Travel and tourism in KZN

KwaZulu-Natal (KZN), at approximately 1.9 million people, was South Africa's third top domestic tourism source market in 2017 after Gauteng (6.2 million) and Limpopo (3.6 million) (Zulu Kingdom, 2018). KZN as a province hosts some of the most popular tourists' attractions in South Africa. The spectacular Drakensberg Mountains provide not only fantastic scenery, but also tourists can enjoy hiking, water rafting, a number of hotels and bed and breakfasts (B&Bs). The golden beaches of the Indian Ocean with its warm current, run from the north to the south coast and have a number of areas with shark nets, making water sports safe. Most notably, the KZN coastline has nine Blue Flag beaches[43], these being Westbrook Beach on the North Coast, uShaka Beach in Durban, and Lucien, Marina, Ramsgate, Southport, Umzumbe, Trafalgar and Hibberdene Beaches all on the South Coast. Ushaka Marine World is a venue where tourists can enjoy Zulu culture, a water world, an aquarium, restaurants and shopping. The northern part of the province is home to both private and public game reserves such as the luxurious Phinda Private Game Reserve and the KZN Wildlife Hluhluwe Game Reserve, where tourists can spot the Big Five (leopard, lion, elephant, buffalo and rhino). The area also hosts the world heritage site of the iSimangaliso wetlands which has been declared by the United Nations Educational, Scientific and Cultural Organisation (UNESCO) as being one of the Worlds Heritage sites.

The Oribi Gorge, in the south of the province is a must see, with spectacular views, scenery, and a number of sporting activities, such as rock climbing, abseiling and "the wild swing". The province is home to historic battle fields relating to the Anglo-Boer War, the Battle of Isandlwana (between AmaZulu and the British), and the Battle of Blood River. Tourists can visit the "Battlefields" in Dundee with guided tours.

Some of the major infrastructure investments in respect of tourism promotion include:

- Durban Waterfront Project based in eThekwini. This is a R35 billion project, which aims to create a "world-class" beachfront ambience. It will include a mix of residential units, business outlets and restaurants, 5 to

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[43] "The Blue Flag programme, is an eco-award given to beaches that meet specific, strict standards of excellence in safety, cleanliness, provision of amenities, environmental information and management. It is managed internationally by the Foundation for Environmental Education (FEE) and locally, by the Wildlife and Environmental Society of South Africa (WESSA). Acquiring Blue Flag status helps to encourage improved ecosystems and environmental management by municipalities and the safer, cleaner and better managed facilities enhance tourism" (Coast KZN: http://www.coastkzn.co.za/blue-flag-beaches).

6 star hotels, A and B-grade office blocks, and a beachfront promenade with public amenities (TIKZN, KZN Investment Opportunities 2018/19).

- Durban Eye/Wheel based in eThekwini: This is a R375 million project for the construction of a "giant observation Ferris Wheel" that will offer a 360 degree panoramic view of Durban and its coastline. It will consist of 27 fully enclosed air conditioned cabins which will hold 16 passengers each. The wheel will also offer two wheel chair friendly cabins, VIP cabins and cocktail-accessible cabins (TIKZN, KZN Investment Opportunities 2018/19).

- Mkhuze Airport City Development based in uMkhanyakude District Municipality. This project is valued at an estimated R2.8 billion and is aimed at creating both an airport and developing a precint around the airport that will provide aviation services in order to make the project both profitable and sustainable. The uMkhanyakude region is home to numerous game reserves, including the luxurious White Elephant tented camp. The construction of an airport will allow for easy access for tourists.

### 4.7.3.1    Total tourism spend as a percentage of GDP in KZN

In 2017 the number of people directly employed in the Travel and tourism sector in KZN equated to approximately 81 022, whilst the industry's total contribution to employment within the province was estimated at 162 044. In 2017, tourism's direct contribution to GDP in KZN was R9.4 billion while the total contribution to GDP was approximated at R18.8 billion (Zulu Kingdom, 2018).

**Figure 4.12: Total tourism spend as a percentage of GDP in KZN, 2008 to 2017**
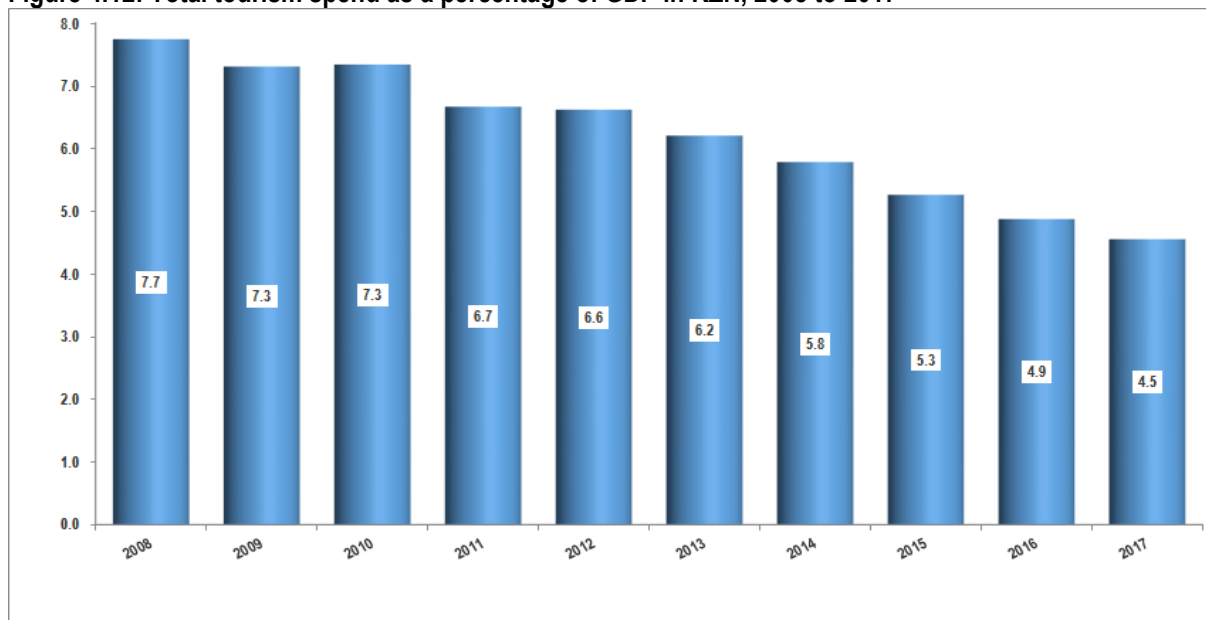


Source: IHS Markit, 2019

Figure 4.6 shows the total tourism expenditure as a percentage of GDP in KZN over the period 2008 through 2017. The spending on tourism in the province showed a decreasing trend over the ten year period under review from

7.7 per cent in 2008 to 6.6 per cent in 2012, dropping substantially to 4.5 per cent in 2017. The reason for this is that GDP is increasing at a much faster pace than the corresponding increase in tourism.

### 4.7.3.2 Tourists visiting KZN by country of origin

Figure 4.13 shows the number tourists from the top ten countries across the globe who visited KZN in 2017. Six of the ten are from outside Africa; these being the United Kingdom, the USA, France, the Netherlands, and India. The remaining four countries come from within Africa and are, Swaziland, Botswana, Lesotho, and Zimbabwe.

The highest proportion of visiting tourists from outside South Africa are from Swaziland at 35.9 per cent (292 038 people). The highest proportion of visiting tourists from overseas came from the UK at 6.7 per cent (54 644 persons), followed by Germany (6.2 per cent or 50 636 people), the USA (5.6 per cent or 45 602 tourists), France (4.5 per cent or 36 683 people), the Netherlands (3.8 per cent or 30 647 persons) and India (1.9 per cent or 15 080 people).

**Figure 4.13: KZN's top foreign tourism markets by country of origin in percentages, 2017**
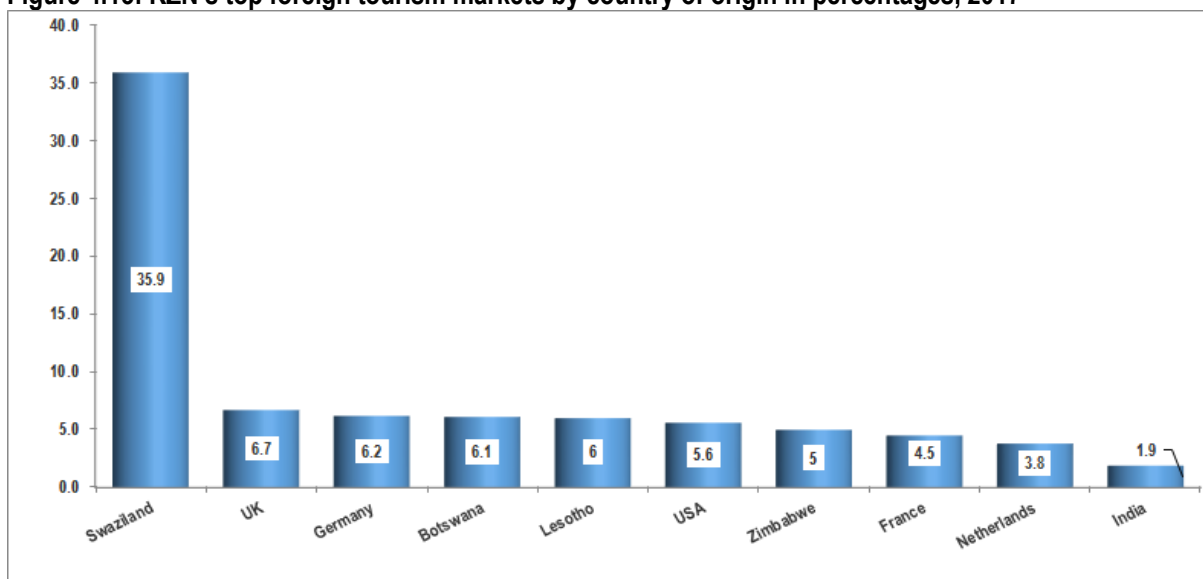


Source: Zulu Kingdom, 2017

### 4.8 International trade

International trade has strengthened substantially over the past decades as most countries increasingly joined the World Trade Organization (WTO), which promotes trade liberalisation and free trade. Trade liberalisation involves the removal of trade barriers or restrictions in order to ensure free flow of goods amongst countries. The importance of international trade in stimulating economic growth was first suggested by the Mercantilists view and later augmented by Adam Smith and David Ricardo. These great scholars noted that production costs are relatively different among countries due to uneven distribution of resources and costs of production factors, differences in production technology and efficiency, as well as comparative costs, among others. Adam Smith noted that despite

these differences in production costs, countries can benefit from trade by specializing on commodities in which they have absolute advantage and thus exchange with their trading partners. Other trade theories for factor endowment are Hecksher-Ohlin (HO Model) and later Samuelson (HOS model) are an improvement on the original work done by the former (Adam Smith and David Ricardo).

The trade patterns are explained primarily by the trade policies, legislative frameworks, and agreements that regulate the flow of goods and services among the countries engaging in trade. The trade policies may differ for each trade relationship depending on the types of goods or services that are being traded. Generally, trade policies should put the interest of the country concerned first while ensuring that trade is balanced, fair and beneficial. If trade policies seem to be unreasonable and undermine national interest or harm domestic industries of other trading partners, it can result in trade restrictions and thus trade conflicts.

South Africa has made significant progress towards improving international trade since the adoption of trade liberalisation in 1995 by joining the World Trade Organisation (WTO). The country has diversified and reinforced strong relationships with other regions through, for example; engaging in regional trade agreements and trade blocs like the Southern African Customs Union (SACU) as well as the Southern African Development Community (SADC). These regional trade blocs have the primary aim of economic co-operation, removal of tariffs and barriers to trade.

Further, the country has developed strong partnerships by joining Brazil, Russia, India and China (BRICS) while the EU is still South Africa's major trading partner through a Preferential Trade Agreement (PTA), whilst BRICS is still catching up (Onyekwena, 2014). This supports firms and consumers in South Africa to gain from imports through lower prices and a greater variety of goods and services, while exporters achieve economies of scale and increased competition due to trade which can spur innovation and productivity growth.

South Africa is one of the beneficiaries of the African Growth and Opportunity Act (AGOA) which was introduced in the year 2000 by the Clinton administration to boost trade and investment in granting Africa duty-free access to 6,500 exported products. The purpose of this legislation was to assist the economies of the Sub-Saharan Africa and to improve economic relations between the United States (US) and the region (African Growth and Opportunity Act, 2000). After completing its initial 15-year period of validity, the AGOA legislation was extended on 29 June 2015 by a further 10 years, to 2025. The South African economy benefits mainly from the export of steel and aluminium to the United States (US). However, the US market for steel and aluminium in the US was threatened by the US imposing 25 per cent tariffs on steel and 10 per cent on aluminium products, and later in the year 2018 granted exemptions to some major exporting nations of steel, including South Africa. The exemption of tariffs on these products will contribute towards ensuring that jobs in companies producing these products are retained.

While it is important to acknowledge the remarkable progress the country has made with regard to international trade, it, however, remains with a huge challenge of reducing the current account deficit. This requires extreme

production of exportable goods and competitiveness of domestic exports so as to ensure that exports exceed imports and thus shrink the deficit. However, the exchange rate also plays a major role in this dynamic process. It is seen as an adjustment parameter to manage the transfer from a change in the capital account to the corresponding change in the current account. The improvement in the current account surplus depends mainly on the attraction of both local and international investments, which will ensure an increase in output for both domestic and international markets. It therefore becomes imperative that policy makers continue to establish and reinforce sound corrective measures aimed at boosting business confidence, and ensuring policy and political certainties in order to encourage both domestic and foreign direct investments.

This section therefore provides a rigorous analysis of international trade with reference to trade war, exports, imports, percentage share of the South African exports by provinces, as well as exports as a percentage of GDP-R. International trade is one of the factors that make KZN a key contributor to SA's economy. This is no surprise given that the province is home to the busiest and largest ports of Durban and Richard's Bay. This section thus predominantly concentrates on KZN, which is the second largest contributor to the economy of the country; it further reports on national issues related to international trade.

### 4.8.1 Trade tension between the US and China

Trade war refers to an intense international conflict where countries interact, bargain and retaliate primarily over economic objectives directly related to the traded goods of their economies. Countries use restrictive policies to block the free flow of goods or services. The most common protectionist policy that countries use during the course of trade conflicts is the import tariffs. As much as the imposition of import tariffs is anticipated to benefit the importing country, however, it can lead to retaliation from the exporting country concerned and thus causing a trade war.

The risk to the global economic environment has intensified as the trade tension between the US and China continues. The trade disagreements emanated from concerns raised by US's policymakers regarding the imbalance of trade which is unfair as well as China's damaging trade policies towards the US economy. In this regard, the US policymakers believe that other countries' policies especially China, impede US economic interests and result in job shedding in some sectors. Further, the criticism relates largely to a huge trade deficit in the US that has cumulatively widened over the past decades. According to the US International Trade Commission (2018), the US's trade deficit with China alone has increased cumulatively from US$10.4 billion in 1990 to US$375.2 billion in 2017 which is larger than that of US's five largest trading partners, namely Mexico (-$71 billion), Japan (-$69 billion), Germany (-$64 billion) and Vietnam (-$38 billion). As argued by the US policymakers, the deficit reflects the imbalance in trade policies whereby China benefits more than the US. The cumulative increase in the trade imbalance emanated from the US companies relocating to China for cheap labour.

The US policy makers argue that the deficit reflects a shift in the global production and the emergence of complex supply chains, where China is often the final point of assembly for export-oriented multinational firms that source

goods from different countries. The major areas of concern raised by these policymakers and stakeholders include the following: China's alleged widespread cyber economic espionage against US firms; relatively ineffective record of enforcing intellectual property rights; discriminatory innovation policies; mixed record on implementing its World Trade Organisation (WTO) obligations and extensive use of industrial policies to promote and protect industries favoured by the government and interventionist policies to influence the value of its currency.

### 4.8.2    Trade tension and its effect to SA

The South African economy is an open economy, which strengthened markedly since the first democratic transition in 1994. According to the South African Revenue Service (SARS) (2018), China and the US are the largest trading partners for SA. China is the first largest export market for SA as it constitutes 9.2 per cent of total exports, followed by the US at 7.4 per cent[44]. As indicated above, the import tariffs are directed at steel products, which indicates a risk to the national economy as an exporter of steel. SARS (2018) showed that products such as iron and steel exports to the US amounted to R10.2 billion whilst exports to China was R9.3 billion during the first half of 2018.

China is the largest import market for South Africa at 17.1 per cent, whereby machinery was the largest imported product at R58.5 billion. The US, on the other hand, is the fifth largest source of imports for the national economy at 5.4 per cent[45]. Machinery was the largest merchandise imports from the US at R11.2 billion from January to July 2018. Therefore, trade conflicts between these economies has a spill-over effect to SA.

Given the trade relations that SA holds with the rest of the world, particularly the US and China, the trade conflicts have spill-over effects to the domestic economy through the value chain. The negative effects associated with the trade war include deteriorating export volumes, high import prices, exchange rate volatility and capital outflows, among others.

### 4.8.3    Current account of the balance of payments

Table 4.6 provides the balance of payments on the current account in 2017 and the first, second and the third quarters of 2018. It can be observed from the table that the South African current account deteriorated from a deficit reported in 2017 which averaged at R110 billion to a revised deficit of R177 billion in the third quarter of 2018. In addition SA's trade surplus narrowed from R38 billion in the second quarter of 2018 to R14 billion in the third quarter of the same year, as the value of merchandise imports increased more than that of merchandise and net gold exports. The shortfall on the servics, income and current transfer account narrowed in the third quarter of

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[44] The largest products that South Africa export to China include mineral products, products iron & steel and textiles whilst largest imported products include machinery, textiles, products iron & steel, chemicals, and plastics & rubber. The largest products that South Africa export to US include precious metals, products iron & steel and vehicles aircraft $ vessels whilst largest imported products include machinery, chemicals, and vehicles aircraft & vessels.

[45] South African Revenue Services (2018). Merchandise trade statistics. Available online: http://www.sars.gov.za/ClientSegments/Customs-Excise/Trade Statistics/Pages/default.aspx Accessed on: [29 August 2018]

2018, but by less than the deterioration in the trade balance. This resulted in the deficit on the current account of the balance of payments improving somewhat to R177 billion in the third quarter of 2018 (SARB, 2018).

**Table 4.6: Balance on current account (R billion, seasonally adjusted and annualised), 2018**

| | 2017 | | Year | 2018 | | |
|---|---|---|---|---|---|---|
| | **3rd Qrt** | **4th Qtr** | | **1st Qtr** | **2nd Qtr** | **3rd Qtr** |
| Merchandise Exports | 1 102 | 1 168 | 1 108 | 1 051 | 1 120 | 1 239 |
| Net Gold exports | 68 | 79 | 66 | 77 | 70 | 73 |
| Merchandise imports | -1 077 | -1 158 | -1 102 | -1 143 | -1 152 | -1 298 |
| **Trade balance** | **93** | **89** | **73** | **-15** | **38** | **14** |
| Net service, income and current transfer payments | -191 | -211 | -183 | -204 | -206 | -191 |
| **Balance on current account** | **-98** | **-122** | **-110** | **-219** | **-167** | **-177** |
| As a percentage of GDP | -2.1 | -2.6 | -2.4 | -4.6 | -3.4 | -3.5 |

Source: SARB Quarterly Bulletin, December 2018

The value of total merchandise exports accelerated by 6.6 per cent (R1 051 billion to R1 120 billion) between the first and the second quarter of 2018 to 10.6 per cent (R1 120 billion to R1 239 billion) between the second and the the third quarter of the same year. This improvement was supported by all three major export categories of mining, manufacturing and agriculture. The increase in the exports of mining was driven by pearls, precious amd semi-precious stones, mineral products as well as base metals and articles of base metals. A significant incerease in the export value of manufactured goods in the third quarter of 2018 was supported by vehicles and transport equipment, machinery and electrical equipment as well as paper and paper products. Lastly, the value of agricultural exports rose significantly, driven by exports of fruit and vegetable products, largely reflecting higher exports of citrus and maize (SARB, 2018).

### 4.8.4    International commodity prices

Figure 4.14 shows international commodity prices from 2011 to 2018 for gold, iron ore, platinum and coal. All these commodities have declined over the period 2011 to 2015. However, notable increases for coal, gold, iron ore and platinum were recorded for 2016 and 2017. The significant increase of 17 per cent in coal prices for the third quarter of 2017 came from a strong demand from China, due to hot summer weather, restocking, and various supply constraints. China has also been a major driver of tighter metals supply giving a surge of 13 per cent to the price of iron ore. Gold and platinum prices advanced at 2 and 1 per cent, respectively, in the third quarter of 2017 on solid investment demand stemming from a weaker U.S dollar and escalating geopolitical tensions between the United States and the Democratic People's Republic of Korea (World Bank, 2017). The SARB (2017) echoed the same sentiment by noting the increases in prices of most international commodities for the third quarter of 2017, in particular those of metals and minerals and, to a lesser extent, energy. However, the bank reports that despite the higher commodity prices, global inflationary pressures remained subdued.

The improvement in the price of commodities after nearly six years comes as a relief to many countries, especially Africa. Commodity prices are considered useful economic indicators since they possess some leading indicator properties. For example, they can provide a useful indication of the likely future price, or cost pressures, in the economy. The commodity price movements provide a good indication of the nature of shocks facing an economy, since they are determined on the international market (Rangasamy, 2008).

However, mixed trends in international commodity prices in 2018 reflected the stronger US dollar and concerns over international trade disputes. According to the SARB (2018), the US dollar price of a basket of domestically produced non-gold export commodities declined marginally by 1 per cent in the third quarter of 2018, as the decline in the international prices of copper, nickel and platinum more than offset increases in commodities such as iron ore and coal. The platinum price has been markedly low in the face of muted demand for the metal. SA has the largest global platinum reserves and is the largest producer of the metal, accounting for more than 70 per cent of mined platinum. The SARB (2018) further reveals that the US dollar price of gold declined by 7.2 per cent from US$1 306 per fine ounce in the second quarter of 2018 to US$1 213 in the third quarter.

**Figure 4.14: Real percentage change in selected commodity prices, 2011 to 2018 (US dollar indices: 2011 = 100)**
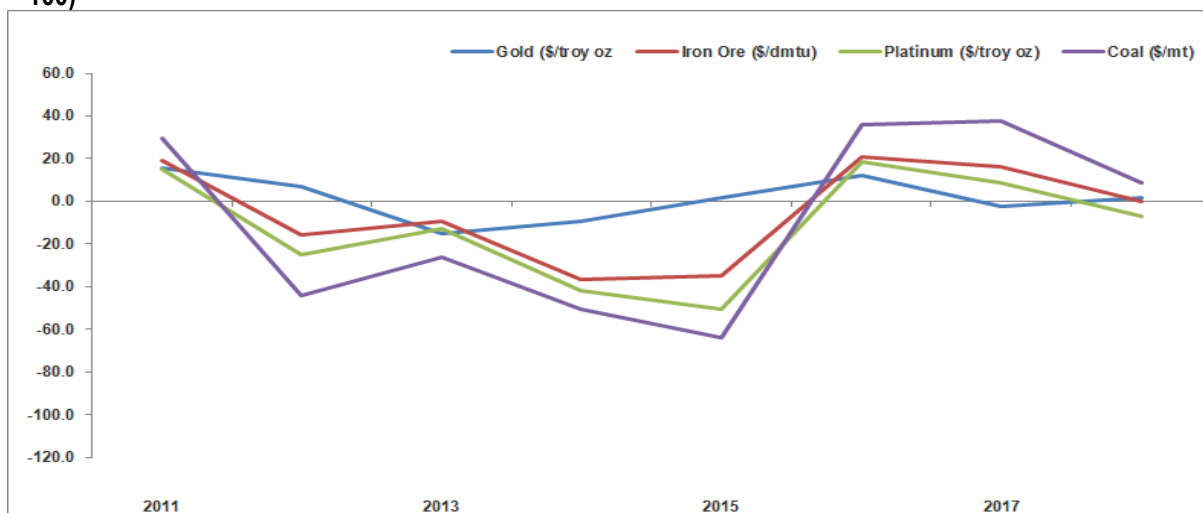


Source: World Bank, 2018 and Own calculations

According to the United Nations Commodities and Development Report (2017), commodity price shocks and volatility have direct impacts on the livelihoods of poor households in developing countries, regardless of whether they depend on commodity exports or imports. The report suggests that diversifying the economy away from the commodity sector may not be the only policy needed to strengthen resilience and promote development. The key challenge lies in a lack of structural transformation and economic diversification by commodity export- and import dependent developing countries in their efforts to achieve sustainable and inclusive development.

### 4.8.5    South Africa and KwaZulu-Natal exports

South Africa's exports comprise mostly of mineral products, precious metals, vehicles and aircraft vessels, iron and steel products, machinery and chemicals. The German brands such as Bavarian Motor Works (BMW) and Volkswagen (VW) have manufacturing plants in South Africa. Most of the car parts for these cars are imported into South Africa in order to manufacture or assemble cars which are then either sold domestically or exported.  A significant percentage of these vehicles are exported to Europe and the US (table 4.5). However, it is interesting to note that approximately 42 per cent of manufactured exports were destined for Africa followed by Europe (29.7 per cent). If African countries can broaden intra Africa trade there is a great potential for building sustainable economic development and economic integration.

The highest percentage of South Africa's exports emanate from mining as per the table 4.5. In order to benefit more from mining, the economy should relook at exporting raw resources by encouraging resources beneficiation in order to reach it optimal benefits. Approximately 10 per cent of exports is from agriculture. This is very low given the potential the country can achieve if it produced up to its optimal capacity. It is important to encourage agro-processing and beneficiation of agricultural products with the motive of improving food security and also supply international markets.

It is clear that trade is evenly distributed amongst various world regions. The well diversified international market as per table 4.7 has to be commended with regard to risk mitigation should the preferences change regionally.

**Table 4.7: South Africa's merchandise exports in 2017**

|  | R millions | Percentage of total | | | | | |
|---|---|---|---|---|---|---|---|
|  | Total | USA | China | Asia* | Africa | Europe | Other |
| **Manufacturing** | **455 196** | **7.7** | **2.6** | **12.4** | **42.9** | **29.7** | **4.6** |
| Vehicles and transport equipment | 141 181 | 11.7 | 0.1 | 10.9 | 19.8 | 51.1 | 6.3 |
| Vehicles | 75 145 | 19.4 | 0.0 | 16.5 | 6.8 | 49.8 | 7.5 |
| **Mining** | **542 149** | **9.0** | **17.6** | **37.0** | **15.2** | **20.3** | **1.0** |
| Base metals and articles of base metals | 140 687 | 12.8 | 11.7 | 29.7 | 22.0 | 19.5 | 4.3 |
| Iron and steel | 80 412 | 12.7 | 14.5 | 31.4 | 17.2 | 20.7 | 3.5 |
| Steel | 25 421 | 10.8 | 1.0 | 23.8 | 42.5 | 17.2 | 4.7 |
| Aluminium | 20 828 | 23.9 | 0.9 | 38.6 | 5.4 | 26 | 5.1 |
| **Agriculture** | **86 765** | **3.0** | **2.9** | **25.2** | **30.5** | **35.5** | **2.9** |

\*    Excluding China
Source: SARS, Stats SA and SARB, 2018

Table 4.8 shows the value of exports in SA by province for the years 2007 and 2017. Although exports in KZN have been trending behind that of the GP, they have doubled to an estimated R142.9 billion in 2017 from an estimated R70.7 billion in 2007. This is a contribution of 19.4 per cent as a proportion of GDP as compared to 47.8 per cent recorded by GP in 2017. This constitutes 12 per cent of South African exports which is second after GP (65.9 per cent). It has to be noted that given the comparative advantage of the province of KZN with regard to

having the largest and busiest ports as indicated above, the province has the potential of increasing its exports even further[46]. However, the WC is close behind KZN constituting 10.8 per cent of South African exports.

**Table 4.8: South African exports by provinces, 2007 and 2017**

| | 2007 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Exports (R1000) | % Share of South African exports | Exports as % of GDP | Exports (R1000) | % Share of South African exports | Exports as % of GDP |
| **South Africa** | 553 315 999 | **100.0** | **26.2** | 1 191 658 171 | **100.0** | **25.6** |
| Eastern Cape | 35 288 311 | 6.4 | 21.0 | 51 711 173 | 4.3 | 14.7 |
| Free State | 3 977 793 | 0.7 | 3.5 | 7 693 579 | 0.6 | 3.3 |
| Gauteng | 328 468 330 | 59.4 | 45.5 | 785 461 118 | 65.9 | 47.8 |
| **KwaZulu Natal** | 70 706 194 | **12.8** | **20.5** | 142 901 059 | **12.0** | **19.4** |
| Limpopo | 9 930 371 | 1.8 | 7.1 | 14 139 344 | 1.2 | 4.2 |
| Mpumalanga | 7 903 097 | 1.4 | 5.4 | 19 223 215 | 1.6 | 5.6 |
| North West | 32 165 689 | 5.8 | 26.6 | 24 259 997 | 2.0 | 8.9 |
| Northern Cape | 8 109 803 | 1.5 | 16.9 | 17 645 836 | 1.5 | 17.6 |
| Western Cape | 56 766 412 | 10.3 | 18.6 | 128 622 851 | 10.8 | 20.3 |

Source: IHS Markit, 2019

### 4.8.6    South Africa and KwaZulu-Natal imports

Imports to South Africa declined by 25.8 percent month-over-month to R85.58 billion in December 2018, the lowest amount since July 2017. Lower purchases were registered for machinery and electronics (-31 per cent), mineral products (-16 per cent), original equipment components (-44 per cent), chemical products (-24 per cent) and base metals (-38 per cent). The most important import partners were: China (16.1 per cent of total imports), Germany (8.1 per cent), the US (6.3 per cent), Saudi Arabia (4.8 per cent) and Nigeria (4.3 percent)[47].

**Table 4.9: Percentage share of South African imports by provinces, 2007 and 2017**

| | 2007 | | 2017 | |
|---|---|---|---|---|
| | Imports (R1000) | % Share of South African imports | Imports (R1000) | % Share of South African imports |
| **South Africa** | **571 512 004** | **100.0** | 1 094 510 375 | **100.0** |
| Eastern Cape | 35 894 349 | 6.3 | 56 971 306 | 5.2 |
| Free State | 2 577 821 | 0.5 | 5 651 586 | 0.5 |
| Gauteng | 325 285 804 | 56.9 | 687 878 801 | 62.8 |
| **KwaZulu Natal** | 72 818 853 | **12.7** | 137 909 780 | **12.6** |
| Limpopo | 4 056 038 | 0.7 | 1 560 818 | 0.1 |
| Mpumalanga | 2 098 466 | 0.4 | 6 464 522 | 0.6 |
| North West | 2 715 018 | 0.5 | 6 623 924 | 0.6 |
| Northern Cape | 626 973 | 0.1 | 2 362 004 | 0.2 |
| Western Cape | 125 438 682 | 21.9 | 189 087 634 | 17.3 |

Source: IHS Markit, 2019

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[46] It must be noted that some of the commodities are produced from other provinces yet exported in KZN via the ports of Durban and Richards Bay

[47] https://tradingeconomics.com/south-africa/imports

Table 4.9 depicts the value of imports and percentage share of South African imports by provinces in 2007 and 2017. KZN imported an estimated value of R137.9 billion worth of goods in 2017 which grew by 89.4 per cent from imports realised in 2007 (R72.8 billion). As expected GP was the largest importer with an estimated value of R687.9 billion in 2017 which was 62.8 per cent of South African imports. In contrast, the province of KZN (12.6 per cent of South African imports) had the third largest imports after GP and the WC (17.3 per cent of South African imports). The lowest contributor of all the provinces was LP with a mere 0.1 per cent of South African imports.

## 4.9 Conclusion and policy recommendations

As indicated by the World Bank (2019), the increased frequency in inclement weather events raises the possibility of large swings in food prices, which could further deepen poverty. Considering the essential role played by equitable growth in alleviating poverty and increasing shared prosperity, EMDEs can only surmount this challenging economic climate by maintaining a sustained economic momentum and achieving long-term growth, having readied themselves for the intermittent turbulences. These turbulences include but are not limited to the trade tensions, geopolitical risks, and the effects of global warming. Restructuring fiscal and monetary policies, nurturing human capital, promoting intra-Africa trade, and addressing the challenges posed by sometimes-large informal sectors, are also essential considerations in enhancing economic performance.

Despite the numerous economic challenges facing the country, it is vital that public debt be kept at sustainable levels, and that it be serviced at all reasonable cost. By increasing the effectiveness of resource mobilisation, public spending, as well as strengthening debt management and transparency, SA can reduce the possibility of costly debt stress, support financial sector development, and reduce macroeconomic volatility.

The country-appropriate policy mix would balance reforms such as improving tax administration, making the labour market more flexible in line with the minimum wage that took effect in January 2019, and strengthening regulatory enforcement with improved service need to be thoroughly implemented.

As outlined by both the President in the State of the Nation address and the Minister of Finance while tabling the 2019 Budget, the government needs to prioritise spending on infrastructure. Therefore the government's commitment to contribute more than R100 billion into the Infrastructure Fund over a ten year period and its use of the same to leverage financing from the private sector and development finance institutions will prove essential in combatting the current sluggish economic performance. These infrastructure investments will also help grow the economy and create employment in construction and other sectors.

# Chapter 5:    Labour Markets

## 5.1    Introduction

The South African economic landscape is highly industrialised which by no doubt makes it one of the economic hubs for the African continent. However, it continues to grapple with high unemployment rates, low absorption rates (LAR) and low labour force participation rates (LFPR). These undesirable labour market indicators emanate from numerous factors including lacklustre economic activity, unskilled labour force, wage rigidities, and structural changes in the entire economy, among others. In particular, the domestic economy has remained somewhat subdued in the post-financial crisis period, which contributes to its inability to generate employment opportunities for the growing labour force. Disturbingly, unemployment is unacceptably high among young people of the working age population, whereby people with less than matric comprises the largest part of the total unemployment.

These challenges are pertinent to provinces within the country including KwaZulu-Natal (KZN). The province of KZN has a huge number of non-economically active population which shows that the largest proportion of working age population is neither employed nor unemployed. It is within this backdrop that the province has high expanded unemployment rate which is almost doubled to the official unemployment rate. Further, unemployment in the province is high among district municipalities that are in rural areas due to limited economic activities, lack of economic infrastructure and highly unskilled labour force, among others.

This chapter discusses in depth the labour market dynamics for KZN in relation to SA and other provinces and make recommendations thereof.  The analysis begins by discussing developments regarding employment growth, employment by industries and unemployment rate. Similar topics are covered also when discussing provincial labour force characteristics. This is followed by labour market indicators for district municipalities which covers employment, LAR, LFPR, job scarcity and unemployment. The chapter conclude by providing a review of labour productivity and remuneration for KZN, before summarizing the chapter with recommendations based on information discussed in the earlier sections.

## 5.2    National labour dynamics

Table 5.1 depicts quarterly labour force characteristics for South Africa between fourth quarter 2017 and fourth quarter 2018. It is evident from the table that the national economy lacks the capacity to create job opportunities in order to absorb new jobseekers. The table also shows that employment increased by 0.9 per cent from 16.4 million in the third quarter of 2018 to 16.5 million in the fourth quarter of the same year. When compared to the same period in 2017, employment accelerated by 2.2 per cent from 16.1 million in the last quarter of 2017 to 16.5 million in the last quarter of 2018. Due to slow economic growth at 0.5 per cent, on average the total number of people employed averaged at 41 973 in the past three years starting from the first quarter of 2016. The largest

employment increase was last recorded in the third quarter of 2013 with 344 000 persons employed. Therefore, the total number of people employed averaged at 124 500 between first quarter 2013 and fourth quarter 2015 (Table, A5.1). Among the factors that induce robust employment growth was moderate economic growth during this period as it averaged at 1.9 per cent.

**Table 5.1 Labour force characteristics in SA, 2017: Q4 to 2018: Q4**

| | Oct-Dec 2017 | Jan-Mar 2018 | Apr-Jun 2018 | Jul-Sep 2018 | Oct-Dec 2018 | Qtr-to-qtr change | Year-on-Year change | Qtr-to-qtr change | year-on-year change |
|---|---|---|---|---|---|---|---|---|---|
| | Thousand | | | | | | | Percentage | |
| **South Africa** | | | | | | | | | |
| **Population 15-64 yrs** | **37 525** | **37 678** | **37 832** | **37 985** | **38 134** | **149** | **608** | **0.4** | **1.6** |
| **Labour force** | **22 051** | **22 358** | **22 370** | **22 589** | **22 668** | **79** | **617** | **0.3** | **2.8** |
| Employed | 16 171 | 16 378 | 16 288 | 16 380 | 16 529 | 149 | 358 | 0.9 | 2.2 |
| Unemployed | 5 880 | 5 980 | 6 083 | 6 209 | 6 139 | -70 | 259 | -1.1 | 4.4 |
| Not economically active | 15 474 | 15 320 | 15 462 | 15 395 | 15 466 | 70 | -9 | 0.5 | -0.1 |
| **Rates (%)** | | | | | | | | | |
| Unemployment rate | 24.1 | 26.7 | 27.2 | 27.5 | 27.1 | -0.4 | 0.4 | | |
| Employed/ population rate (Absorption) | 43.1 | 43.5 | 43.1 | 43.1 | 43.3 | 0.2 | 0.2 | | |
| Labour force participation rate | 47.6 | 59.3 | 59.1 | 59.5 | 59.4 | -0.1 | 0.6 | | |

Source: Stats SA, 2018

The subdued employment growth is also evident from low absorption and labour force participation rates. The labour absorption rate[48] (LAR), which measures the extent to which the people of the working age population are absorbed in the economy, was recorded at 43.3 per cent in the fourth quarter, up from 43.1 per cent in the second quarter of 2018. It accelerated also by 0.2 percentage points from 43.1 per cent a previous year. A low LAR can be attributed to slow economic performance that cannot generate enough employment opportunities for the labour force, together with lack of skills among people of the working age that makes them unemployable. The labour force participation rate[49] (LFPR), on the other hand, measures the extent to which those in the working age cohort participate in any economic activities. The table shows the moderation of 0.1 percentage point from 59.5 per cent in the third quarter to 59.4 per cent in the fourth quarter of 2018. However, it increased slightly by 0.6 percentage points from 47.6 per cent during the same period in 2017. It is evident from the LFPR and not-economically active population which stood at 15.5 million in the fourth quarter of 2018 (Table 5.3).

### 5.2.1. Employment by industries

Table 5.2 depicts national employment by industry from the fourth quarter of 2017 to the fourth quarter 2018. Employment gains recorded between the third and fourth quarters of 2018 were largely driven by finance and other business services, private households, and manufacturing. Finance and other business services industry, recorded

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[48] The labour absorption rate (LAR) is defined as the percentage of the working-age population that is currently employed. It provides an alternative indication to the unemployment rate regarding the lack of job opportunities in the labour market.
[49] The labour force participation rate (LFPR) shows the extent to which the working age population is economically active. It comprises of people who are actively participating in the economy be they either employed or unemployed, and excludes those non-economically active.

largest employment gains with 109 000 more persons employed, followed by private households and manufacturing with 65 000 and 48 000 people employed. Despite substantial employment gains in these industries, other industries experienced job shedding where community and social services, transport and construction recorded largest job losses by 51 000, 30 000 and 21 000, respectively.

**Table 5.2: National employment by industry**

| Industry | Oct-Dec 2017 | Jul-Sep 2018 | Oct-Dec 2018 | Qtr-to-qtr change | Year-on-year change | Qtr-to-qtr change | Year-on-year change |
|---|---|---|---|---|---|---|---|
| | Thousand | | | | | Per cent | |
| Total | 16 171 | 16 380 | 16 529 | 149 | 358 | 0.9 | 2.2 |
| Agriculture | 849 | 842 | 849 | 7 | 0 | 0.9 | 0.0 |
| Mining | 411 | 406 | 438 | 31 | 27 | 7.7 | 6.5 |
| Manufacturing | 1 791 | 1 719 | 1 766 | 48 | -24 | 2.8 | -1.4 |
| Utilities | 149 | 156 | 134 | -22 | -16 | -14.2 | -10.5 |
| Construction | 1 390 | 1 502 | 1 481 | -21 | 91 | -1.4 | 6.5 |
| Trade | 3 240 | 3 305 | 3 320 | 14 | 79 | 0.4 | 2.4 |
| Transport | 1 001 | 996 | 965 | -30 | -36 | -3.1 | -3.6 |
| Finance and other business services | 2 373 | 2 502 | 2 611 | 109 | 238 | 4.4 | 10.0 |
| Community and social services | 3 691 | 3 675 | 3 624 | -51 | -67 | -1.4 | -1.8 |
| Private households | 1 270 | 1 267 | 1 332 | 65 | 62 | 5.1 | 4.9 |

Source: Stats SA, 2018

Employment increased by 358 000 persons in the fourth quarter of 2018 when compared to the previous year where it was recorded at 16.2 million. Most employment gains emanated from the finance and other business services with 238 000 more people employed, followed by construction (91 000) and trade (79 000). The job shedding recorded in industries such as community and social services was 67 000 people, with transport and manufacturing shedding 36 000 and 24 000 respectively.

### 5.2.2    Unemployment

Figure 5.1 illustrates national official unemployment rate from the first quarter of 2015 to the fourth quarter of 2018. The country continues to grapple with high rate of unemployment which indirectly contribute to other socio-economic challenges such as high poverty levels and crime. According to SARB (2015), unemployment has been fluctuating around 25 per cent over the past two decades without a significant decline. It should further be noted that SA has the highest unemployment rate when compared to other emerging market economies (EMEs) such as Brazil, Russia, and China. The figure shows that unemployment rate decreased from 27.5 per cent in the third quarter of 2018 to 27.1 per cent during the fourth quarter of the same year. Therefore, the total number of people unemployed decreased from 6.2 million to 6.1 million between the third and fourth quarters of 2018. As indicated in the previous section, high unemployment rate in the country is attributable to slow economic performance and lack of skills among the workforce.

However, government in collaboration with other stakeholders continues to establish various programs aiming to tackle this challenge. Given the fact that unemployment is high among young people of the working age, most initiatives such as Youth Employment Service (YES) are therefore directed at improving youth employability. These programs are aiming to intervene by persuading corporates to commit to providing learnerships to first-time jobseekers. Other initiatives that were agreed upon during the employment summit was to increase workplace equality, upgrading skills and education, among others.

**Figure 5.1: National unemployment rate**
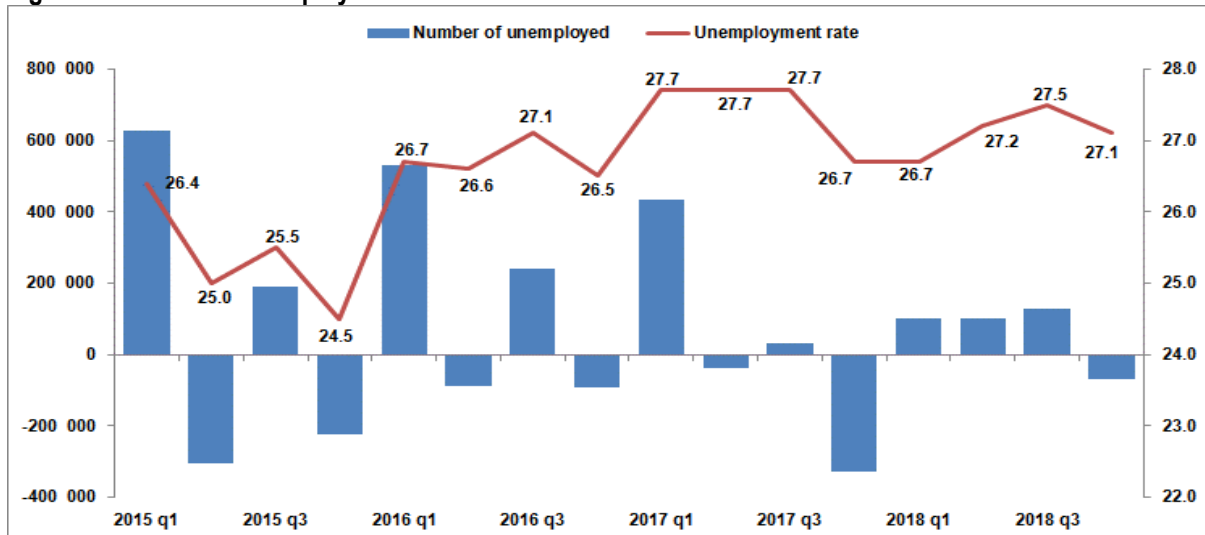


Source: Stats SA, 2018

Workplace collaboration is required to reduce the wage and skills gap while improving productivity, which can be identified in more worker-friendly ways through collaborative problem-solving methods, amongst others. This recognises that specific needs vary by workplace, with areas for improvement ranging from work re-organisation to enhance career mobility and create more opportunities for semi-skilled and skilled workers; to greater transparency around pay in large organisations; to continued support for joint ownership by workers and communities; to upgrading supervisory, communication and mediation practices.

### 5.2.3    Unemployment by age and gender

According to Stat SA (2018), women experienced high unemployment at 29.5 per cent compared to their men counterparts at 25.1 per cent during the fourth quarter of 2018. The report further indicates that unemployment rate among women has been consistently high without a significant decline since 2011. The persistently higher unemployment rate among women is further highlighted by a low absorption rate at 37.6 per cent compared to that of men at 49.2 per cent during the same period. Therefore, it is important for government to implement measures to encourage women to participate in economic activities in order to reduce levels of unemployment rate among women. This should include measures to encourage young women to participate in business by creating an environment conducive for SMMEs to thrive.

Disturbingly, unemployment rate is shockingly high among young people in the country when compared to the elder people of the working age cohort. The quarterly labour force survey (QLFS) published by Stats SA (2018) shows that 54.7 per cent of young people aged between 15 and 24 were unemployed during the fourth quarter of 2018, followed by those aged between 25 and 34 years at 33 per cent. This contrast with unemployment rate among those aged above 35 years which is relatively low. For instance, unemployment rate was low among people aged between 55 and 64 years at 10 per cent in the fourth quarter of 2018 (Stats SA, 2018). High unemployment among young people is attributable to different factors including, but not limited to, low level of education, low level of skills, slow economic performance, mis-match between high wage requirements and labour productivity, among others.

The QLFS further highlights that low level of education contribute immensely towards high unemployment rate as it remained high among people who have less-than matric education level at 32 per cent, followed by those who have matric only, at 28 per cent during the fourth quarter of 2018. Conversely, unemployment was relatively low among graduates at 6.7 per cent. Hence, one of the strategies to reduce unemployment rate in the country particularly among young people, must include measures to fight against drop-out rate at schools and in tertiary education. It is undeniable that most young people who dropped-out from school before matric remain unemployed as they do not have the necessary skills required by the labour market. The drop-out rate as highlighted in chapter three of this publication indicated that approximately 53.6 per cent of learners who started grade ten in 2016 did not write the National Senior Certificate (NSC) matric examination in 2018.

Although unemployment is still low among graduates, however, 6.7 per cent is huge for unemployed graduates as they are in possession of various degrees and national diplomas. The unemployment rate among graduates might increase if not addressed because the factors that contribute to their unemployability will continue to affect new entrants and thus increase the number of unemployed graduates. Most graduates remain unemployed due to no or limited working experience compared to what is required in the labour market in order to get employed on full time occupations. Further there seem to be a mismatch between the qualifications and the needs of the economy. Students must therefore be guided towards attaining skills and qualifications that the economy needs

## 5.3    Provincial labour dynamics

Table 5.3 illustrates quarterly labour force characteristics for KZN from the fourth quarter of 2017 to the fourth quarter of 2018. The province experiences a similar challenge to national whereby the economy could not generate enough job opportunities to absorb new entrants. The table shows that employment rate remained unacceptably low in the province as it increased by 0.5 percentage point from 2.64 million in the third quarter to 2.65 million in the fourth quarter 2018. Low employment rate can be attributed to different factors including lacklustre economic activity, and lack of skills among the workforce especially the youth. As highlighted in Chapter Four of this publication, the provincial economic performance is unappealingly subdued and projected to remain constrained throughout 2018. The lack of skills among young people especially those who have less than matric level contribute

largely to high unemployment because they are unemployable. This is evident from high number of non-economically active population which was estimated at 3.5 million in the fourth quarter of 2018 thereby indicating that a larger proportion of the working age population is not involved in any economic activity. In this regard, policymakers should pay attention to basic education systems particularly the causes of school drop-outs and further establish measures to ensure that school leavers get access to TVET colleges in order to gain technical skills such as sewing, brick laying, boiler making, plumbing, and electrical studies, among others.

However, KZN was among the seven provinces that recorded employment gains with 13 000 more people employed. The provinces that recorded largest employment increases above KZN include, Gauteng (GP) with 86 000, followed by Free State (FS) (33 000) and Western Cape (WC) (26 000). Other provinces recorded employment losses whereby Eastern Cape (EC) had the largest job shedding at 15 000 while North West (NW) recorded 6 000 job losses. When compared to the same period in 2017, the provincial employment increased in six provinces where KZN recorded the second largest employment gains with 135 000 more people employed, after GP with 172 000 people employed.   During the same period, employment losses were recorded in NW (27 000) and EC (16 000) (Stats SA, 2018).

**Table 5.3 Labour force characteristics in KZN, 2017: Q3 to 2018: Q3**

| | Oct-Dec 2017 | Jan-Mar 2018 | Apr-Jun 2018 | Jul-Sep 2018 | Oct-Dec 2018 | Qtr-to-qtr change | Year-on-Year change | Qtr-to-qtr change | year-on-year change |
|---|---|---|---|---|---|---|---|---|---|
| | Thousand | | | | | | | Percentage | |
| **KZN** | | | | | | | | | |
| **Population 15-64 yrs** | **6 948** | **6 975** | **7 002** | **7 029** | **7 055** | **27** | **107** | **0.4** | **1.5** |
| **Labour force** | **3 310** | **3 368** | **3 349** | **3 420** | **3 561** | **141** | **251** | **4.1** | **7.5** |
| Employed | 2 513 | 2 617 | 2 620 | 2 635 | 2 648 | 13 | 135 | 0.5 | 5.4 |
| Unemployed | 797 | 751 | 729 | 786 | 913 | 128 | 116 | 16.2 | 14.6 |
| Not economically active | 3 638 | 3 607 | 3 653 | 3 608 | 3 494 | -114 | -144 | -3.2 | -3.9 |
| Rates (%) | | | | | | | | | |
| Unemployment rate | 24.1 | 22.3 | 21.8 | 23.0 | 25.6 | 2.6 | 1.5 | | |
| Employed/ population rate (Absorption) | 36.2 | 37.5 | 37.4 | 37.5 | 37.5 | 0.0 | 1.3 | | |
| Labour force participation rate | 47.6 | 48.3 | 47.8 | 48.7 | 50.5 | 1.8 | 2.9 | | |

Source: Stats SA, 2018

Other labour market indicators also reveal a bleak picture about the capacity of the provincial economy to create employment to keep pace with the growing labour force. For instance, the LAR was recorded at 37.5 per cent in the third and fourth quarter of 2018. It has remained low for the entire period under review as the table shows that it was 36.2 per cent in the fourth quarter 2017. A low LAR emanates from lack of skills or slow economic growth as discussed in the previous sections. Therefore, the policy makers should continue to implement policies aiming to improve skills among the workforce and also promote measures to ensure sustainable economic growth. KZN was among the provinces that recorded the lowest LAR such as EC at 32.2 per cent, North West (NW) at 37.7 per cent and LP at 39.3 percent. The provinces that recorded the largest LAR was WC, GP and MP, at 54.8 per cent, 50.3 per cent and 42.6 per cent, respectively (Stats SA, 2018)

The LFPR, on the other hand, increased from 48.7 per cent to 50.5 per cent between the third and fourth quarters of 2018. This concurs with the high number of non-economically active population as it shows that a larger proportion of the working age cohort is not participating in any economic activity. Disturbingly, KZN recorded the second lowest LFPR after LP at 47.1 per cent. The provinces that have the highest LFPR include GP at 70.9 per cent, followed by WC at 67.9 per cent and FS at 63.2 per cent (Stats SA, 2018).

### 5.3.1    Employment by industries in KwaZulu-Natal

Table 5.4 provides a review of employment by industries in KZN from 2007 to 2017. The table shows that the provincial employment is concentrated predominantly in the services sector. In 2017, the tertiary sector contributed 74.6 per cent towards the provincial employment, with largest proportion emanating from the community services and trade at 23.8 per cent and 21.6 per cent, respectively. These industries have recorded a continuous increase over the past decade starting in 2007. The community services industry contributed 17.1 per cent in 2007 whilst trade stood at 20.7 per cent. Trade is among the important sectors within the provincial economy given the two busiest harbor ports of Durban and Richard's Bay where most goods and services coming to the country are being transferred to the relevant places or those leaving the country are shipped to their destinations.

However, it is undesirable to depend largely on the services, particularly the community services sector for employment opportunities. Ideally, government should create an environment conducive enough for the private sector to create job opportunities for the labour force rather than relying on government to create employment opportunities. Government must focus on creating a conducive environment for the put sector to create more jobs among the labour intensive industries in the secondary sector such as manufacturing and construction. This could play a fundamental role in increasing the production of exportable products and thus widen the export base, whilst opening more job opportunities.

**Table 5.4: Provincial employment by industries from 2007 to 2017 and average between 1996 and 2006**

| | Average 1996 - 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Primary Sector** | **12.3** | **9.4** | **7.4** | **6.1** | **5.3** | **4.9** | **4.6** | **4.6** | **4.8** | **5.4** | **5.6** | **5.5** |
| Agriculture | 11.9 | 9.0 | 7.1 | 5.8 | 5.0 | 4.5 | 4.2 | 4.2 | 4.4 | 5.0 | 5.2 | 5.1 |
| Mining | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| **Secondary Sector** | **24.0** | **21.5** | **22.0** | **22.3** | **22.6** | **22.7** | **22.0** | **21.8** | **21.8** | **21.5** | **20.6** | **20.0** |
| Manufacturing | 17.6 | 14.6 | 14.3 | 14.2 | 14.2 | 14.0 | 13.6 | 13.3 | 13.0 | 12.6 | 12.2 | 12.0 |
| Electricity | 0.5 | 0.4 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.3 |
| Construction | 5.8 | 6.6 | 7.3 | 7.8 | 8.1 | 8.2 | 8.1 | 8.1 | 8.4 | 8.6 | 8.1 | 7.6 |
| **Tertiary Sector** | **63.7** | **69.1** | **70.5** | **71.7** | **72.2** | **72.4** | **73.4** | **73.5** | **73.4** | **73.1** | **73.9** | **74.6** |
| Trade | 20.7 | 22.7 | 22.4 | 21.8 | 21.8 | 21.9 | 22.0 | 21.8 | 21.8 | 21.9 | 21.9 | 21.6 |
| Transport | 5.0 | 5.6 | 5.9 | 6.3 | 6.5 | 6.8 | 6.9 | 6.8 | 6.4 | 6.0 | 5.9 | 6.0 |
| Finance | 12.0 | 13.5 | 14.0 | 14.3 | 14.3 | 14.1 | 14.0 | 13.8 | 13.3 | 13.1 | 13.5 | 14.1 |
| Community services | 17.1 | 18.0 | 18.5 | 19.3 | 20.0 | 20.6 | 21.5 | 22.3 | 22.9 | 23.3 | 23.7 | 23.8 |
| Households | 9.0 | 9.3 | 9.6 | 9.9 | 9.5 | 9.0 | 9.0 | 8.9 | 8.9 | 8.8 | 8.9 | 9.0 |

Source: IHS Markit, 2019

Disturbingly, primary sector is the least contributor to provincial employment at 5.5 per cent, with the largest employment share employment largely driven by agriculture at 5.1 per cent. Employment in the agricultural sector

has, however, declined considerably when compared to 2007 where it was recorded at 9 per cent. The province should continue to implement policies and strategies that seek to promote agricultural sector development. The sector does not only contribute to employment, but it has a direct impact on food security as most people rely on agricultural production to supplement their food sources. As the province experiences a high rate of poverty and food insecurity, agriculture should be the focal point for all projects aiming to reduce poverty and promote food security. The province has vast hectors of land and generally good rainfalls. Primary agriculture as well as agro-processing must be pursued. This will bring development to the rural areas of our Province.

### 5.3.2 Unemployment in KwaZulu-Natal

The total number of people unemployed increased markedly by 16.2 per cent from 786 000 in the third to 913 000 in the fourth quarter of 2018. This translates to an increase in official unemployment rate from 23 per cent to 25.6 per cent. Compared to the same period in 2017, the official unemployment rate accelerated by 14.6 per cent from 797 000 in the fourth quarter of 2017 to 913 000 in the fourth quarter of 2018. Although still below the national average and other provinces, unemployment rate in the province is of a serious concern as it has been high for a number of years without a significant decline. This is by no surprise given a very low LAR and LFPR which shows low absorption rates and labour force participation rates within the province. Unemployment rate in the province is relatively higher among females than their male counterparts. In 2017, unemployment among females was estimated at 24.1 per cent whilst it stood at 23.3 per cent among males (Figure A5.2).

**Table 5.2: Unemployment rate (official and expanded unemployment) in KZN, 2016: Q1 to 2018: Q4**
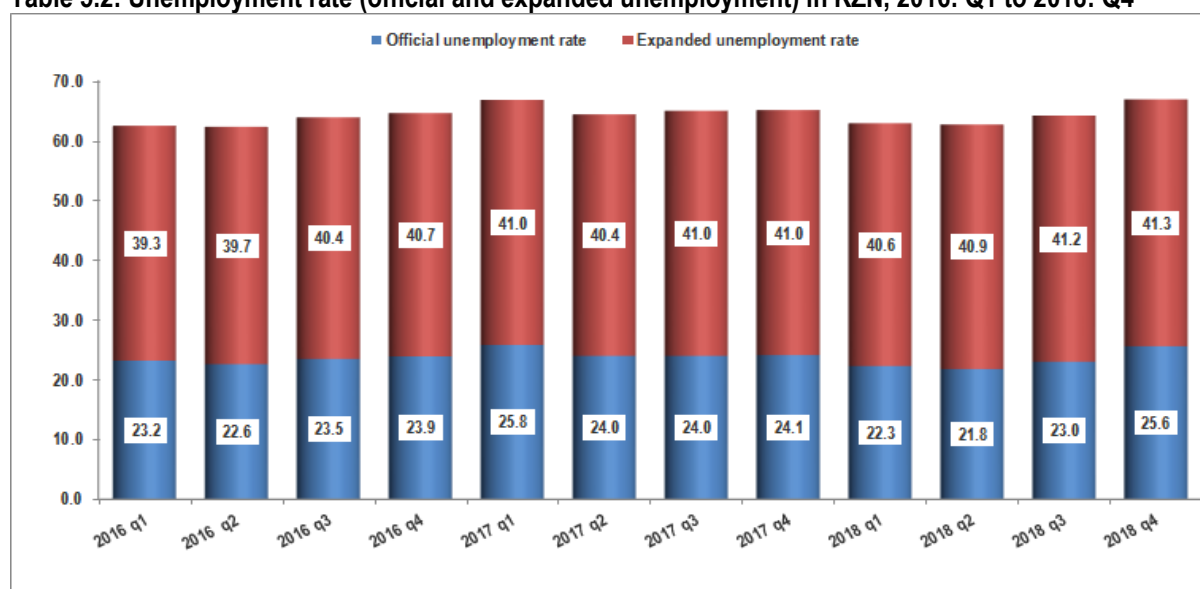


Source: Stats SA, 2018

However, government continues to enforce initiatives aimed to tackle the challenge of high unemployment, particularly among the youth population. For instance, in the 2018 State of the Province Address (SOPA), the premier of KZN proposed the establishment of KZN Youth Fund (KZNYF) program as a means to promote youth

owned businesses within the province. According to the Premier, the fund is sought to assist qualifying youth owned businesses with necessary financial support and other capital or equipment required for proper operational structures of their businesses. This initiative emanated from a realization that SMMEs have a potential to generate much needed employment and thus contribute towards GDP growth in the province. Further, it has been noted that most small businesses collapse at an early stage of operation due to lack of financial support, entrepreneurial and business management skills, information regarding entering the export market, and high competition within industries in which they operate , among others. Therefore, the KZNYF will address these challenges and assist young people with the necessary financial support and create a conducive environment for SMMEs to thrive.

The provinces that recorded the lowest official unemployment rate was LP at 16.5 per cent, WC at 19.3 per cent and NC at 25 per cent. The provinces that had the highest official unemployment rates above the national average during the fourth quarter of 2018 include EC, FS and MP at 36.1 per cent, 32.9 per cent and 32 per cent, respectively. In KZN, the expanded[50] unemployment rate increased by 0.1 percentage point form 41.2 per cent to 41.3 per cent between the third and fourth quarters of 2018. This is by no surprise given a high number of people who are neither employed nor unemployed which is currently estimated at 3.5 million. The provinces that recorded high rates of expanded unemployment was EC at 46.8 per cent, followed by NW at 42.9 per cent and FS at 41.3 per cent (Stats SA, 2018).

## 5.4 Labour dynamics for district municipalities

### 5.4.1 Employment for district municipalities

Table 5.5 presents formal, informal and total employment by district municipalities in 1996, 2007 and 2017. As expected, formal employment outweighs informal employment in almost all district municipalities within the province including the metro. However, it should be noted that higher concentration on formal employment might lead to jobseekers spending longer periods searching from formal employment instead of venturing into informal employment or opening their own businesses. Instead, informal employment should be promoted in order to cater for the unskilled labour force which is unemployable in formal occupations.

The metro recorded a substantial increase in formal employment from 801 985 people employed in 1996 to 1 million and 1.1 million in 2007 and 2017, respectively. Informal employment, on the other hand, was estimated at approximately 76 897 in 1996 which increased in subsequent years reaching 181 847 in 2007, before increasing further to 211 503 in 2017. Therefore, eThekwini recorded the largest number of people employed totaling 1.3 million people in 2017, up from 1.2 million in 2007. Higher employment corresponds with enormous economic activity taking place within the Metro as indicated in Chapter four of this publication that a great proportion of provincial GDP is generated within eThekwini. UMgungundlovu have the second largest total employment with

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[50] Expanded unemployment rate does not distinguish between active and discouraged job-seekers, but instead count all people without jobs as unemployed.

310 324 of people employed in 2017. Total employment in the district increased from 212 566 that was recorded in 1996 to 272 361 in 2007. Similar to the Metro, uMgungundlovu is the second major economic hub within the province with its contribution to provincial GDP of approximately 10.5 per cent, which indicates that higher employment corresponds with economic activity taking place in the district.

**Table 5.5: Employment by district municipalities**

|  | Formal Employment | | | Informal employment | | | Total employment | | |
|---|---|---|---|---|---|---|---|---|---|
|  | 1996 | 2007 | 2017 | 1996 | 2007 | 2017 | 1996 | 2007 | 2017 |
| eThekwini | 801 985 | 1 034 242 | 1 105 448 | 76 897 | 181 847 | 211 503 | 878 882 | 1 216 089 | 1 316 952 |
| Ugu | 69 766 | 102 103 | 114 721 | 13 099 | 26 606 | 29 959 | 82 865 | 128 709 | 144 680 |
| uMgungundlovu | 187 001 | 227 526 | 258 017 | 25 565 | 44 835 | 52 307 | 212 566 | 272 361 | 310 324 |
| uThukela | 63 162 | 93 442 | 95 003 | 11 573 | 25 125 | 23 050 | 74 734 | 118 567 | 118 053 |
| uMzinyathi | 26 973 | 38 869 | 41 899 | 6 377 | 10 809 | 11 804 | 33 351 | 49 678 | 53 702 |
| Amajuba | 66 191 | 77 402 | 78 100 | 11 632 | 20 963 | 18 974 | 77 823 | 98 365 | 97 073 |
| Zululand | 49 406 | 73 238 | 74 848 | 10 958 | 20 728 | 21 049 | 60 364 | 93 967 | 95 896 |
| uMkhanyakude | 28 186 | 53 042 | 56 494 | 6 775 | 16 461 | 16 239 | 34 962 | 69 503 | 72 733 |
| King Cetshwayo | 91 257 | 150 311 | 156 641 | 13 612 | 30 905 | 33 594 | 104 870 | 181 216 | 190 235 |
| iLembe | 64 315 | 89 984 | 104 770 | 13 267 | 23 007 | 27 658 | 77 582 | 112 991 | 132 428 |
| Harry Gwala | 30 222 | 55 856 | 60 583 | 9 015 | 16 732 | 16 544 | 39 237 | 72 589 | 77 126 |

Source: IHS Markit, 2019

Other district municipalities especially those located in rural areas continue to show low rates of employment which, is not surprising given lack of economic activities, poor economic infrastructure, and highly unskilled labour force in these areas. It is within this background that most people, particularly the youth, migrate to other districts or other provinces within the country looking for employment opportunities thereby causing a negative net-migration. UMzinyathi district recorded the lowest total employment with 53 702 people employed in 2017. Employment in this district has been increasing steadily in subsequent periods starting from 33 351 in 1996 to approximately 49 678 in 2007. This was followed by uMkhanyakude district with 72 733 people employed in 2018 (Table 5.5).

### 5.4.1.1   Employment by industries for district municipalities

Table 5.6 illustrates employment for districts by industries in 2017. Similar to national and provincial levels, the tertiary sector remain the largest employer in all districts across the province.  The largest industries that contribute substantially to employment level include community services and trade. In 2017, the largest proportion of employment in eThekwini emanated from the trade and community services at 22.3 per cent and 22.2 per cent, respectively. The reliance to the services sector for job opportunities is undesirable. The emphasis should be placed on labour intensive sectors such as the secondary and primary sectors. These sector have a capacity to absorb more labour and produce exportable products. The secondary sector was the second largest contributor to employment in all districts, with iLembe at 29.5 per cent of employment generated by the sector. In whereby Harry Gwala at the primary sector 12.2 per cent this being the largest employment generating sector.

**Table 5.6: District employment by industries, 2017**

| | eThekwini | Ugu | Mgungundlov | uThukela | uMzinyathi | Amajuba | Zululand | uMkhanyakude | .ing Cetshwayo | iLembe | Harry Gwala |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Primary Sector** | **2.3** | **8.7** | **8.4** | **9.3** | **9.8** | **4.1** | **7.4** | **7.5** | **9.3** | **9.3** | **12.2** |
| Agriculture | 2.2 | 7.8 | 8.2 | 8.9 | 9.1 | 3.9 | 6.8 | 6.3 | 7.8 | 9.0 | 12.0 |
| Mining | 0.1 | 1.0 | 0.2 | 0.4 | 0.7 | 0.2 | 0.6 | 1.2 | 1.6 | 0.4 | 0.2 |
| **Secondary Sector** | **20.6** | **18.0** | **18.1** | **19.1** | **16.9** | **19.8** | **15.5** | **14.2** | **21.0** | **29.5** | **17.0** |
| Manufacturing | 13.3 | 10.5 | 11.0 | 10.5 | 7.7 | 13.1 | 7.2 | 4.0 | 11.8 | 17.6 | 6.6 |
| Electricity | 0.3 | 0.3 | 0.4 | 0.4 | 0.3 | 0.3 | 0.4 | 0.3 | 0.3 | 0.3 | 0.2 |
| Construction | 7.0 | 7.2 | 6.7 | 8.2 | 8.8 | 6.4 | 7.9 | 9.8 | 8.9 | 11.6 | 10.2 |
| **Tertiary Sector** | **77.1** | **73.3** | **73.5** | **71.6** | **73.3** | **76.2** | **77.1** | **78.3** | **69.6** | **61.1** | **70.8** |
| Trade | 22.3 | 22.9 | 19.3 | 22.6 | 20.4 | 25.0 | 20.9 | 20.8 | 19.8 | 20.2 | 20.4 |
| Transport | 6.9 | 5.1 | 4.8 | 4.4 | 4.4 | 6.7 | 5.4 | 4.4 | 6.8 | 4.4 | 4.2 |
| Finance | 16.3 | 10.9 | 12.8 | 10.5 | 10.2 | 14.8 | 12.9 | 9.6 | 12.8 | 11.3 | 8.5 |
| Community services | 22.2 | 24.2 | 26.7 | 27.6 | 29.4 | 22.1 | 30.2 | 35.2 | 23.1 | 16.6 | 27.8 |
| Households | 9.5 | 10.1 | 9.9 | 6.5 | 9.0 | 7.5 | 7.6 | 8.2 | 7.2 | 8.6 | 9.9 |

Source: IHS Markit, 2019

## 5.4.2 Unemployment by district municipalities

The unemployment rate is high among the district municipalities especially those that are more rural. Table 5.7 depicts unemployment rate by districts from 2007 to 2017. In 2017, the district municipalities that recorded considerably high unemployment rate include Zululand, uMkhanyakude and Amajuba at 36.6 per cent, 36.4 per cent and 35 per cent, respectively. These districts have recorded high rate of unemployment consistently throughout the ten year period under review. It should be noted, however, that the scourge of higher unemployment rate in these districts is influenced by limited economic activities and low-skilled workforce. In terms of economic performance, Chapter four of this publication highlight the fact that these districts are the least contributor to the provincial GDP growth. Therefore, as the Okun's law suggests unemployment is likely to be high when economic growth is low or negative (Okun, 1962). Similar to national and provincial levels, the scourge of high unemployment rate among district municipalities persists in spite of different initiatives aimed at addressing the lack of skills in the workforce, particularly the youth population. The public and private sectors have been committed to providing skills through internship and graduate programmes. However, high unemployment rate observed in the past five years shows that policymakers should continue working hard to promote inclusive economic growth that will fuel more job opportunities.

EThekwini Metro recorded the lowest unemployment rate at 15.7 per cent over the same period. This is followed by uMgungundlovu and iLembe at 24.3 per cent and 25.6 per cent, respectively. As the major economic hub of the province with its largest proportion to the regional GDP (FigureA4.1), the Metro has maintained the lowest unemployment consistently throughout the period from 22.2 per cent in 2007. The most common economic activities taking place within the Metro that contribute to GDP and thus employment growth includes, but not limited to, harbor ports, tourism attractions, and manufacturing industries.

**Table 5.7: Unemployment by district municipalities, 2007 to 2017**

|  | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| eThekwini | 22.2 | 18.6 | 16.7 | 15.9 | 15.2 | 15.0 | 14.6 | 14.7 | 15.8 | 16.3 | 15.7 |
| Ugu | 30.9 | 26.9 | 24.8 | 24.2 | 24.0 | 25.1 | 26.4 | 26.7 | 26.0 | 27.2 | 29.0 |
| uMgungundlovu | 26.2 | 22.8 | 21.1 | 20.8 | 20.7 | 21.3 | 22.4 | 22.6 | 22.0 | 22.9 | 24.3 |
| uThukela | 34.3 | 30.3 | 28.4 | 28.0 | 27.9 | 29.2 | 30.8 | 31.2 | 30.5 | 31.8 | 33.9 |
| uMzinyathi | 36.2 | 31.2 | 28.3 | 26.8 | 25.8 | 27.0 | 28.7 | 29.2 | 28.7 | 30.2 | 32.0 |
| Amajuba | 34.6 | 30.5 | 28.4 | 27.9 | 27.7 | 29.2 | 31.0 | 31.7 | 31.8 | 33.4 | 35.0 |
| Zululand | 37.7 | 33.2 | 30.8 | 30.0 | 29.5 | 31.1 | 33.0 | 33.5 | 33.1 | 34.7 | 36.6 |
| uMkhanyakude | 35.0 | 31.5 | 29.9 | 30.0 | 30.5 | 31.8 | 33.5 | 33.9 | 33.4 | 34.8 | 36.4 |
| King Cetshwayo | 30.0 | 26.3 | 24.5 | 24.0 | 24.0 | 25.4 | 26.9 | 27.3 | 26.8 | 27.9 | 29.5 |
| iLembe | 26.7 | 23.2 | 21.4 | 20.9 | 20.7 | 21.8 | 23.2 | 23.4 | 22.7 | 23.9 | 25.6 |
| Harry Gwala | 32.2 | 28.2 | 26.1 | 25.5 | 25.2 | 26.5 | 28.1 | 28.4 | 27.5 | 28.6 | 30.4 |

Source: IHS Markit, 2019

Notwithstanding low unemployment rate in urban districts, government in collaboration with other stakeholders should continue implementing pro-growth policies such as improving economic infrastructure in rural arears, promoting Small, Medium and Micro Enterprises (SMMEs) through skills development initiatives and improve and expand Technical and Vocational Education and Training (TVET) colleges, among others. Further, emphasis should be given on promoting education for scarce skills in order to ensure that more people get absorbed in labour-intensive industries such as mining, manufacturing, construction and agriculture, among others.

## 5.5     Labour force participation rate

A lower LFPR indicates a decrease in the number of persons who are economically active, hence a rise in the number of discouraged work seekers, and the opposite is expected with a higher LFPR. Technically, this leads to a decrease in the labour force as the discouraged workers are counted as neither employed nor unemployed. Table 5.8 depicts the LFPR for district municipalities from 2007 to 2017. In 2017, eThekwini had the highest LFPR at 39.2 per cent, followed by iLembe and Amajuba at 30.4 per cent and 28.2 per cent, respectively. The highest LPFR in these districts, particularly the Metro, shows that most people of the working age cohort are actively involved in different economic activities. The district municipalities with the lowest LFPR were uMzinyathi and uMgungundlovu at 17.6 per cent, followed uMkhanyakude at 18.2 per cent.

**Table 5.8: Labour force participation rate, 2007 to 2017**

|  | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| eThekwini | 44.7 | 44.3 | 42.5 | 40.3 | 39.7 | 39.7 | 39.9 | 40.0 | 39.4 | 39.1 | 39.2 |
| Ugu | 27.5 | 27.3 | 26.1 | 24.7 | 24.4 | 24.8 | 25.7 | 26.9 | 24.1 | 27.7 | 28.1 |
| UMgungundlovu | 38.8 | 38.5 | 36.8 | 34.9 | 34.1 | 34.4 | 36.7 | 37.5 | 37.8 | 37.8 | 17.6 |
| UThukela | 25.9 | 25.2 | 23.6 | 21.8 | 21.1 | 21.5 | 22.3 | 23.4 | 24.1 | 24.4 | 24.5 |
| UMzinyathi | 19.1 | 18.5 | 17.2 | 15.7 | 15.1 | 15.3 | 15.9 | 16.8 | 17.3 | 17.5 | 17.6 |
| Amajuba | 31.4 | 30.4 | 28.3 | 26.1 | 25.1 | 25.3 | 26.1 | 27.3 | 27.8 | 28.1 | 28.2 |
| Zululand | 20.7 | 20.1 | 18.7 | 17.1 | 16.6 | 16.8 | 17.5 | 18.5 | 19.1 | 19.4 | 19.5 |
| UMkhanyakude | 19.1 | 18.6 | 17.3 | 15.9 | 15.4 | 15.7 | 16.3 | 17.2 | 17.8 | 18.0 | 18.2 |
| King Cetshwayo | 28.4 | 28.0 | 26.5 | 24.8 | 24.4 | 24.7 | 25.6 | 26.8 | 27.6 | 27.9 | 28.1 |
| ILembe | 29.8 | 29.7 | 28.5 | 27.1 | 26.8 | 27.1 | 27.9 | 29.2 | 30.0 | 30.3 | 30.4 |
| Harry Gwala | 23.6 | 23.2 | 21.8 | 20.4 | 20.0 | 20.3 | 21.1 | 22.2 | 22.9 | 23.2 | 23.3 |

Source: IHS Markit, 2019

## 5.6    Labour absorption rate

Table 5.9 shows LAR for district municipalities from 2007 to 2017. The LAR is relatively high among district municipalities that are in urban areas compared to those in rural areas. As expected, eThekwini metro reported the highest LAR at 34.1 per cent, which is attributable to various economic activities concentrated in the metro such as tourism attractions, busiest harbor ports and manufacturing industries, among others. However, the LAR has revolved around 35 per cent without a significant increase since 2010.  Nonetheless, uMgungundlovu district recorded the second highest LAR at 28 per cent which also emanates from economic activities taking place within the district.  Similar to the Metro, LAR in uMgungundlovu has been fluctuating around 28 per cent without a significant change.

**Table 5.9: Labour absorption rate, 2007 to 2017**

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| eThekwini | 36.2 | 37.6 | 36.9 | 35.3 | 35.1 | 34.6 | 35.0 | 35.0 | 34.2 | 33.8 | 34.1 |
| Ugu | 19.0 | 20.0 | 19.6 | 18.7 | 18.5 | 18.4 | 18.7 | 19.5 | 20.1 | 20.1 | 19.7 |
| UMgungundlovu | 28.4 | 29.6 | 28.9 | 27.5 | 27.0 | 26.6 | 27.0 | 27.9 | 28.6 | 28.5 | 28.0 |
| UThukela | 17.6 | 18.3 | 17.6 | 16.4 | 15.9 | 15.6 | 15.9 | 16.6 | 17.2 | 17.1 | 16.7 |
| UMzinyathi | 10.2 | 10.6 | 10.2 | 9.6 | 9.3 | 9.1 | 9.2 | 9.7 | 10.0 | 9.9 | 9.7 |
| Amajuba | 20.1 | 20.8 | 20.0 | 18.6 | 18.0 | 17.5 | 17.6 | 18.2 | 18.5 | 18.3 | 18.0 |
| Zululand | 11.9 | 12.4 | 11.9 | 11.1 | 10.8 | 10.6 | 10.7 | 11.2 | 11.6 | 11.5 | 11.3 |
| UMkhanyakude | 11.6 | 12.0 | 11.4 | 10.5 | 10.1 | 10.0 | 10.1 | 10.6 | 11.0 | 10.9 | 10.7 |
| King Cetshwayo | 19.9 | 20.8 | 20.2 | 19.0 | 18.6 | 18.4 | 18.7 | 19.5 | 20.2 | 20.1 | 19.8 |
| ILembe | 19.9 | 20.7 | 20.3 | 19.4 | 19.2 | 18.9 | 19.2 | 19.9 | 20.6 | 20.4 | 20.1 |
| Harry Gwala | 15.6 | 16.2 | 15.8 | 14.9 | 14.6 | 14.4 | 14.6 | 15.3 | 16.0 | 15.9 | 15.6 |

Source: IHS Markit, 2019

The lowest LAR was recorded in uMzinyathi at 9.7 per cent, uMkhanyakude at 10.7 per cent and Zululand at 11.3 per cent. Low LAR indicates the lack of local economies to create employment and thus absorb more jobseekers. Similar to other labour market indicators, low LAR in rural areas result from limited economic activites and less-skilled workforce. The poor economic performance among these districts was reflected in Chapter four of this publication which highlighted uMzinyathi and uMkhanyakude as the least contributors to provincial GDP growth. These factors contribute to a large extent towards the widening gap between outward and inward migration in these districts with the outmigration outweighing the inward migration because young people migrate to other districts or leave the province to look for employment opportuninties.

## 5.7    Job scarcity in KwaZulu-Natal and district municipalities

Table 5.10 depicts job scarcity in KZN and district municipalities from 2007 to 2017. The table shows that job scarcity in KZN increased from 22.7 per cent in 2016 to 23.9 per cent in 2017. Job scarcity has maintained an upward trend since 2012 where it was recorded at 20.2 per cent. Despite the upward trend, it has not reached the highest rate of 26.9 per cent recorded in 2007. The high rate of job scarcity is attributable to various factors including slow economic performance, low labour absorption rate, and labour force participation rate. Economic

performance has been relatively subdued for both national and provincial levels, which contributes to the inability of economic sectors to absorb new jobseekers.

**Table 5.10: Job scarcity in KZN and districts, 2007 to 2017**

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **KwaZulu-Natal** | **26.8** | **22.9** | **20.8** | **20.0** | **19.6** | **20.2** | **20.8** | **21.3** | **21.6** | **22.7** | **23.9** |
| eThekwini | 19.1 | 15.2 | 13.2 | 12.4 | 11.7 | 12.9 | 12.4 | 12.3 | 13.1 | 13.6 | 13.2 |
| Ugu | 30.9 | 26.9 | 24.8 | 24.2 | 24.1 | 25.8 | 27.2 | 27.7 | 27.2 | 28.4 | 29.9 |
| uMgungundlovu | 26.7 | 23.2 | 21.5 | 21.1 | 21.0 | 22.8 | 23.8 | 24.1 | 23.7 | 24.6 | 25.9 |
| uThukela | 32.0 | 27.6 | 25.4 | 24.8 | 24.7 | 27.1 | 28.8 | 29.2 | 28.5 | 29.9 | 32.0 |
| uMzinyathi | 46.6 | 42.6 | 40.3 | 39.2 | 38.7 | 40.5 | 41.9 | 42.4 | 42.1 | 43.3 | 44.8 |
| Amajuba | 35.8 | 31.6 | 29.5 | 28.8 | 28.5 | 30.9 | 32.7 | 33.3 | 33.3 | 34.9 | 36.4 |
| Zululand | 42.5 | 38.2 | 36.0 | 35.2 | 35.0 | 37.1 | 38.9 | 39.3 | 39.0 | 40.5 | 42.1 |
| uMkhanyakude | 38.9 | 35.5 | 33.9 | 33.8 | 34.5 | 36.4 | 38.1 | 38.6 | 38.2 | 39.5 | 41.0 |
| King Cetshwayo | 29.8 | 25.8 | 23.8 | 23.5 | 23.8 | 25.5 | 26.9 | 27.3 | 26.9 | 28.0 | 29.5 |
| iLembe | 33.5 | 30.5 | 28.9 | 28.4 | 28.2 | 30.2 | 31.4 | 31.7 | 31.5 | 32.5 | 33.9 |
| Harry Gwala | 34.0 | 30.0 | 27.9 | 27.1 | 26.9 | 29.2 | 30.7 | 31.0 | 30.3 | 31.3 | 33.0 |

Source: IHS Markit, 2019

In 2017, all the district municipalities reported high rate of job scarcity above the provincial average. The table reveals that job scarcity was considerably higher among districts that are predominantly rural such as uMzinyathi at 44.8 per cent, Zululand at 42.1 per cent, and uMkhanyakude at 41 per cent. This trend of high job scarcity in rural areas dates back to 2007 where uMzinyathi recorded 46.6 per cent, followed by Zululand and uMkhanyakude at 42.5 per cent and 38.9 per cent, respectively. The main causes of high job scarcity in these rural district municipalities include, but not limited to, limited economic activities, low economic infrastructure development, and low-skilled workforce. These factors were also cited the main drivers of high unemployment rate in rural areas (Table 5.7). Nonetheless, eThekwini Metro and uMgungundlovu had the lowest job scarcity at 13.2 per cent and 25.9 per cent, respectively. Low job scarcity in these district municipalities is attributed to various economic activities which attract highly skilled labour force from other districts within the province and other parts of the country.

## 5.8    Labour remuneration and productivity in KwaZulu-Natal

Remuneration (real wage), and productivity are some of the most important economic indicators or measures in an economy. Productivity measures the output produced by workers in various sectors of the economy while remuneration is the cost of producing that output in the form of salaries and wages (Wakeford, 2004). The real output per hour worked is determined by the basic factors of production which is technological progress, the quantity of labour, physical capital, human capital and natural resources (Timmer and Van Ark, 2005) .The marginal productivity theory proposes that exceedingly productive employees are highly remunerated, and less productive employees are less remunerated. At the macroeconomic level, an increase in remuneration is expected to increase the cost of labour force and therefore cause factor of substitution from labour to capital. This could increase

marginal productivity and, hence, average labour productivity output. Therefore, it is hypothesized that real wages are positively affected by productivity (Goh, 2009).

Figure 5.3 illustrates the trends for labour productivity and remuneration in KZN, between 2007 and 2017. The figure shows that the labour remuneration has been relatively higher than the productivity over the period. In 2007, the labour remuneration was higher at 8.4 per cent whilst productivity remained low at 0.9 per cent. Both labour remuneration and productivity revealed a downward trend since 2010 where it was estimated at 13.4 per cent and 7.8 per cent, respectively. In 2017, the labour remuneration stood at 6.3 per cent whilst productivity remained at 0.3 per cent. In an ideal situation, labour productivity should be higher than the remuneration level in order to increase the willingness to absorb more labour into the economy. In line with the economic theory, higher productivity above the remuneration level ensures that the costs associated with employing additional labour into the firm would be less than the revenue. Hence, the economy can continue absorbing additional employees into the labour market.

**Figure 5.3: Labour remuneration and productivity in KZN, 2007 to 2017**
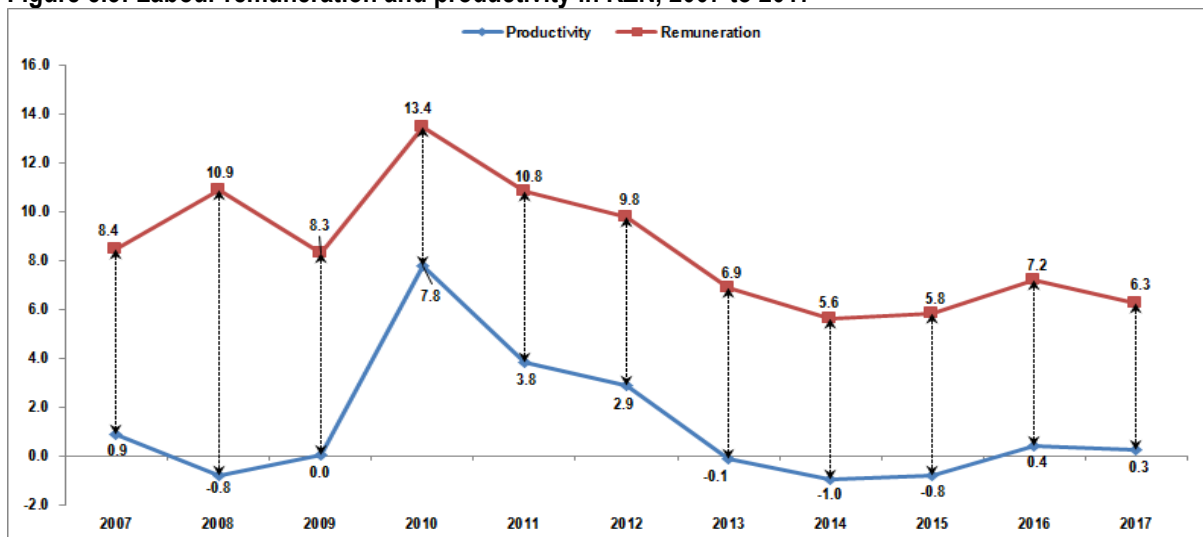


Source: IHS Markit, 2019

In KZN, there is a huge gap between productivity and remuneration. Productivity in the province is exceptionally low compared to the remuneration level. This shows that more work needs to be done in the province in terms of skills development in order to ensure that at least those working do not get retrenched while making efforts to absorb the new entrants into the labour market.

**5.9     Conclusion**

The main focus of this chapter was to provide an in-depth analysis of labour dynamics from three spheres namely, national, provincial and local level in order to understand the progress made so far in reaching the strategic goals regarding employment growth and reducing unemployment as stipulated in the National Development Plan (NDP), Provincial Growth Development Strategy (PGDS).  Disturbingly, the chapter reveal a bleak picture about labour

characteristics within the country whereby employment growth remain subdued whilst unemployment rate continue to accelerate above the average of our peers especially the BRIC countries. Employment increased by 0.9 percentage points between the third and fourth quarters of 2018 (Stats SA, 2019). Unemployment rate declined moderately by 1.1 per cent during the same period. Further, it was discovered that unemployment is prevalent among young people, women, and people with less than matric education level. This implies that a great deal of attention should be directed at policies that seek to promote education, skills development and women empowerment by encouraging women to participate in businesses. With regards to education, as noted in chapter three of this publication that school drop-out rate is high which by no doubt contribute to the huge number of non-economically active population. Therefore, it is important to deal decisively with basic education system and improve the quality of education in TVET colleges in order for school leavers to gain technical skills and thus get absorbed in the labour market.

KZN is no exception to the challenges facing the country in terms of unemployment as it increased by 2.6 per cent between the third and fourth quarters of 2018. Therefore, the province should pay particular attention to its basic education system. It is also noted that employment in KZN is predominantly driven by the tertiary sector with the largest share contributed by the community services and trade. The tertiary sector has a low capacity to employ more people and only requires high skilled labour compared to other sectors. The province should turn-around its focus in terms of employment creation and promote employment from the labour intensive industries in the primary and secondary sectors as this may contribute to increased employment growth, expand the export base and stimulate economic growth. Further, as unemployment in the province emanates largely from rural areas due to limited economic activities, poor economic infrastructure and lack of skilled labour force, it is important to improve local economic development.

# Appendix A: List of additional Figures and Tables

**Table A3.1: Crime in Dundee, 2015 to 2018**

| Crime Category | April 2015 to March 2016 | April 2016 to March 2017 | April 2017 to March 2018 | Comparison 2016/17 with 2017/18 | |
|---|---|---|---|---|---|
| | | | | Case Difference | % Change |
| **CONTACT CRIMES ( CRIMES AGAINST THE PERSON)** | | | | | |
| Murder | 52 | 78 | 74 | -4 | -5.1% |
| Sexual Offences | 171 | 161 | 180 | 19 | 11.8% |
| Attempted murder | 92 | 85 | 77 | -8 | -9.4% |
| Assault with the intent to inflict grievous bodily harm | 472 | 451 | 524 | 73 | 16.2% |
| Common assault | 593 | 697 | 616 | -81 | -11.6% |
| Common robbery | 110 | 115 | 99 | -16 | -13.9% |
| Robbery with aggravating circumstances | 518 | 631 | 567 | -64 | -10.1% |
| **Total Contact Crimes ( Crimes Against the Person)** | **2 008** | **2 218** | **2 137** | **-81** | **-3.7%** |
| **SOME SUBCATEGORIES OF AGGRAVATED ROBBERY** | | | | | |
| Carjacking | 25 | 38 | 27 | -11 | -28.9% |
| Robbery at residential premises | 97 | 138 | 91 | -47 | -34.1% |
| Robbery at non-residential premises | 65 | 47 | 65 | 18 | 38.3% |
| Robbery of cash in transit | 1 | 1 | 0 | -1 | -100.0% |
| Bank robbery | 0 | 0 | 0 | 0 | 0 Cases |
| Truck hijacking | 0 | 0 | 0 | 0 | 0 Cases |
| **CONTACT-RELATED CRIMES** | | | | | |
| Arson | 10 | 7 | 11 | 4 | 57.1% |
| Malicious damage to property | 369 | 366 | 354 | -12 | -3.3% |
| **Contact-Related Crimes** | **379** | **373** | **365** | **-8** | **-2.1%** |
| **PROPERTY-RELATED CRIMES** | | | | | |
| Burglary at non-residential premises | 195 | 155 | 196 | 41 | 26.5% |
| Burglary at residential premises | 992 | 986 | 832 | -154 | -15.6% |
| Theft of motor vehicle and motorcycle | 81 | 97 | 105 | 8 | 8.2% |
| Theft out of or from motor vehicle | 268 | 274 | 280 | 6 | 2.2% |
| Stock-theft | 8 | 5 | 22 | 17 | 340.0% |
| **Property-Related Crimes** | **1 544** | **1 517** | **1 435** | **-82** | **-5.4%** |
| **OTHER SERIOUS CRIMES** | | | | | |
| All theft not mentioned elsewhere | 877 | 905 | 879 | -26 | -2.9% |
| Commercial crime | 214 | 236 | 236 | 0 | 0.0% |
| Shoplifting | 441 | 288 | 300 | 12 | 4.2% |
| **Total Other Serious Crimes** | **1 532** | **1 429** | **1 415** | **-14** | **-1.0%** |
| **Total 17 Community Reported Crimes** | **5 463** | **5 537** | **5 352** | **-185** | **-3.3%** |
| **CRIME DETECTED AS A RESULT OF POLICE ACTION** | | | | | |
| Illegal possession of firearms and ammunition | 80 | 64 | 53 | -11 | -17.2% |
| Drug-related crime | 1 342 | 1 201 | 1 413 | 212 | 17.7% |
| Driving under the influence of alcohol or drugs | 253 | 171 | 111 | -60 | -35.1% |
| Sexual Offences detected as a result of police action | 0 | 17 | 4 | -13 | -76.5% |
| **Crime Detected As A Result Of Police Action** | **1 675** | **1 453** | **1 581** | **128** | **8.8%** |

Source: SAPS, 2018

## Table A.3.2: Crime in Durban, 2015 to 2018

| Crime Category | April 2015 to March 2016 | April 2016 to March 2017 | April 2017 to March 2018 | Comparison 2016/17 with 2017/18 | |
|---|---|---|---|---|---|
| | | | | Case Difference | % Change |
| **CONTACT CRIMES ( CRIMES AGAINST THE PERSON)** | | | | | |
| Murder | 55 | 57 | 43 | -14 | -24.6% |
| Sexual Offences | 96 | 86 | 80 | -6 | -7.0% |
| Attempted murder | 18 | 32 | 53 | 21 | 65.6% |
| Assault with the intent to inflict grievous bodily harm | 282 | 303 | 228 | -75 | -24.8% |
| Common assault | 544 | 494 | 594 | 100 | 20.2% |
| Common robbery | 533 | 542 | 424 | -118 | -21.8% |
| Robbery with aggravating circumstances | 1 024 | 1 120 | 1 170 | 50 | 4.5% |
| **Total Contact Crimes ( Crimes Against the Person)** | **2 552** | **2 634** | **2 592** | **-42** | **-1.6%** |
| **SOME SUBCATEGORIES OF AGGRAVATED ROBBERY** | | | | | |
| Carjacking | 29 | 66 | 67 | 1 | 1.5% |
| Robbery at residential premises | 9 | 7 | 5 | -2 | -28.6% |
| Robbery at non-residential premises | 97 | 149 | 197 | 48 | 32.2% |
| Robbery of cash in transit | 2 | 2 | 1 | -1 | -50.0% |
| Bank robbery | 0 | 0 | 0 | 0 | 0 Cases |
| Truck hijacking | 0 | 0 | 0 | 0 | 0 Cases |
| **CONTACT-RELATED CRIMES** | | | | | |
| Arson | 0 | 0 | 0 | 0 | 0 Cases |
| Malicious damage to property | 309 | 367 | 257 | -110 | -30.0% |
| **Contact-Related Crimes** | **309** | **367** | **257** | **-110** | **-30.0%** |
| **PROPERTY-RELATED CRIMES** | | | | | |
| Burglary at non-residential premises | 650 | 525 | 470 | -55 | -10.5% |
| Burglary at residential premises | 161 | 171 | 144 | -27 | -15.8% |
| Theft of motor vehicle and motorcycle | 618 | 727 | 643 | -84 | -11.6% |
| Theft out of or from motor vehicle | 1 223 | 1 451 | 1 613 | 162 | 11.2% |
| Stock-theft | 0 | 0 | 0 | 0 | 0 Cases |
| **Property-Related Crimes** | **2 652** | **2 874** | **2 870** | **-4** | **-0.1%** |
| **OTHER SERIOUS CRIMES** | | | | | |
| All theft not mentioned elsewhere | 2 865 | 2 776 | 2 387 | -389 | -14.0% |
| Commercial crime | 1 050 | 985 | 911 | -74 | -7.5% |
| Shoplifting | 1 426 | 1 309 | 1 129 | -180 | -13.8% |
| **Total Other Serious Crimes** | **5 341** | **5 070** | **4 427** | **-643** | **-12.7%** |
| **Total 17 Community Reported Crimes** | **10 854** | **10 945** | **10 146** | **-799** | **-7.3%** |
| **CRIME DETECTED AS A RESULT OF POLICE ACTION** | | | | | |
| Illegal possession of firearms and ammunition | 28 | 48 | 53 | 5 | 10.4% |
| Drug-related crime | 1 724 | 1 969 | 2 025 | 56 | 2.8% |
| Driving under the influence of alcohol or drugs | 994 | 1 601 | 2 687 | 1 086 | 67.8% |
| Sexual Offences detected as a result of police action | 410 | 291 | 298 | 7 | 2.4% |
| **Crime Detected As A Result Of Police Action** | **3 156** | **3 909** | **5 063** | **1 154** | **29.5%** |

Source: SAPS, 2018

**Table A3.3: Crime in Jozini, 2015 to 2018**

| Crime Category | April 2015 to March 2016 | April 2016 to March 2017 | April 2017 to March 2018 | Comparison 2016/17 with 2017/18 | |
|---|---|---|---|---|---|
| | | | | Case Difference | % Change |
| CONTACT CRIMES ( CRIMES AGAINST THE PERSON) | | | | | |
| Murder | 11 | 17 | 12 | -5 | -29.4% |
| Sexual Offences | 62 | 57 | 55 | -2 | -3.5% |
| Attempted murder | 18 | 12 | 9 | -3 | -25.0% |
| Assault with the intent to inflict grievous bodily harm | 172 | 152 | 167 | 15 | 9.9% |
| Common assault | 44 | 43 | 34 | -9 | -20.9% |
| Common robbery | 20 | 22 | 16 | -6 | -27.3% |
| Robbery with aggravating circumstances | 64 | 46 | 40 | -6 | -13.0% |
| **Total Contact Crimes ( Crimes Against the Person)** | **391** | **349** | **333** | **-16** | **-4.6%** |
| SOME SUBCATEGORIES OF AGGRAVATED ROBBERY | | | | | |
| Carjacking | 6 | 4 | 1 | -3 | -75.0% |
| Robbery at residential premises | 16 | 17 | 20 | 3 | 17.6% |
| Robbery at non-residential premises | 27 | 17 | 7 | -10 | -58.8% |
| Robbery of cash in transit | 0 | 0 | 1 | 1 | 1 Case Higher |
| Bank robbery | 0 | 0 | 0 | 0 | 0 Cases |
| Truck hijacking | 0 | 0 | 0 | 0 | 0 Cases |
| CONTACT-RELATED CRIMES | | | | | |
| Arson | 14 | 5 | 8 | 3 | 60.0% |
| Malicious damage to property | 48 | 58 | 41 | -17 | -29.3% |
| **Contact-Related Crimes** | **62** | **63** | **49** | **-14** | **-22.2%** |
| PROPERTY-RELATED CRIMES | | | | | |
| Burglary at non-residential premises | 64 | 50 | 52 | 2 | 4.0% |
| Burglary at residential premises | 123 | 150 | 153 | 3 | 2.0% |
| Theft of motor vehicle and motorcycle | 7 | 4 | 3 | -1 | -25.0% |
| Theft out of or from motor vehicle | 20 | 24 | 29 | 5 | 20.8% |
| Stock-theft | 22 | 15 | 17 | 2 | 13.3% |
| **Property-Related Crimes** | **236** | **243** | **254** | **11** | **4.5%** |
| OTHER SERIOUS CRIMES | | | | | |
| All theft not mentioned elsewhere | 97 | 112 | 113 | 1 | 0.9% |
| Commercial crime | 58 | 81 | 66 | -15 | -18.5% |
| Shoplifting | 14 | 12 | 18 | 6 | 50.0% |
| **Total Other Serious Crimes** | **169** | **205** | **197** | **-8** | **-3.9%** |
| **Total 17 Community Reported Crimes** | **858** | **860** | **833** | **-27** | **-3.1%** |
| CRIME DETECTED AS A RESULT OF POLICE ACTION | | | | | |
| Illegal possession of firearms and ammunition | 23 | 11 | 12 | 1 | 9.1% |
| Drug-related crime | 9 | 17 | 28 | 11 | 64.7% |
| Driving under the influence of alcohol or drugs | 131 | 47 | 79 | 32 | 68.1% |
| Sexual Offences detected as a result of police action | 0 | 0 | 0 | 0 | 0.0% |
| **Crime Detected As A Result Of Police Action** | **163** | **75** | **119** | **44** | **58.7%** |

Source: SAPS, 2018

## Table A3.4: Crime in Kokstad, 2015 to 2018

| Crime Category | April 2015 to March 2016 | April 2016 to March 2017 | April 2017 to March 2018 | Comparison 2016/17 with 2017/18 | |
|---|---|---|---|---|---|
| | | | | Case Difference | % Change |
| **CONTACT CRIMES ( CRIMES AGAINST THE PERSON)** | | | | | |
| Murder | 22 | 24 | 29 | 5 | 20.8% |
| Sexual Offences | 46 | 46 | 65 | 19 | 41.3% |
| Attempted murder | 8 | 14 | 15 | 1 | 7.1% |
| Assault with the intent to inflict grievous bodily harm | 199 | 192 | 222 | 30 | 15.6% |
| Common assault | 75 | 62 | 108 | 46 | 74.2% |
| Common robbery | 32 | 41 | 33 | -8 | -19.5% |
| Robbery with aggravating circumstances | 87 | 84 | 77 | -7 | -8.3% |
| **Total Contact Crimes ( Crimes Against the Person)** | **469** | **463** | **549** | **86** | **18.6%** |
| **SOME SUBCATEGORIES OF AGGRAVATED ROBBERY** | | | | | |
| Carjacking | 4 | 6 | 6 | 0 | 0.0% |
| Robbery at residential premises | 20 | 16 | 14 | -2 | -12.5% |
| Robbery at non-residential premises | 12 | 13 | 11 | -2 | -15.4% |
| Robbery of cash in transit | 0 | 0 | 0 | 0 | 0 Cases |
| Bank robbery | 0 | 0 | 0 | 0 | 0 Cases |
| Truck hijacking | 0 | 0 | 0 | 0 | 0 Cases |
| **CONTACT-RELATED CRIMES** | | | | | |
| Arson | 7 | 3 | 3 | 0 | 0.0% |
| Malicious damage to property | 87 | 80 | 76 | -4 | -5.0% |
| **Contact-Related Crimes** | **94** | **83** | **79** | **-4** | **-4.8%** |
| **PROPERTY-RELATED CRIMES** | | | | | |
| Burglary at non-residential premises | 56 | 50 | 48 | -2 | -4.0% |
| Burglary at residential premises | 319 | 338 | 328 | -10 | -3.0% |
| Theft of motor vehicle and motorcycle | 20 | 22 | 18 | -4 | -18.2% |
| Theft out of or from motor vehicle | 310 | 366 | 381 | 15 | 4.1% |
| Stock-theft | 39 | 31 | 22 | -9 | -29.0% |
| **Property-Related Crimes** | **744** | **807** | **797** | **-10** | **-1.2%** |
| **OTHER SERIOUS CRIMES** | | | | | |
| All theft not mentioned elsewhere | 230 | 226 | 216 | -10 | -4.4% |
| Commercial crime | 115 | 166 | 138 | -28 | -16.9% |
| Shoplifting | 98 | 118 | 161 | 43 | 36.4% |
| **Total Other Serious Crimes** | **443** | **510** | **515** | **5** | **1.0%** |
| **Total 17 Community Reported Crimes** | **1 750** | **1 863** | **1 940** | **77** | **4.1%** |
| **CRIME DETECTED AS A RESULT OF POLICE ACTION** | | | | | |
| Illegal possession of firearms and ammunition | 19 | 14 | 10 | -4 | -28.6% |
| Drug-related crime | 283 | 189 | 227 | 38 | 20.1% |
| Driving under the influence of alcohol or drugs | 243 | 49 | 98 | 49 | 100.0% |
| Sexual Offences detected as a result of police action | 1 | 0 | 0 | 0 | 0.0% |
| **Crime Detected As A Result Of Police Action** | **546** | **252** | **335** | **83** | **32.9%** |

Source: SAPS, 2018

**Table A3.5: Crime in KwaDukuza, 2015 to 2018**

| Crime Category | April 2015 to March 2016 | April 2016 to March 2017 | April 2017 to March 2018 | Comparison 2016/17 with 2017/18 | |
|---|---|---|---|---|---|
| | | | | Case Difference | % Change |
| CONTACT CRIMES ( CRIMES AGAINST THE PERSON) | | | | | |
| Murder | 52 | 78 | 74 | -4 | -5.1% |
| Sexual Offences | 171 | 161 | 180 | 19 | 11.8% |
| Attempted murder | 92 | 85 | 77 | -8 | -9.4% |
| Assault with the intent to inflict grievous bodily harm | 472 | 451 | 524 | 73 | 16.2% |
| Common assault | 593 | 697 | 616 | -81 | -11.6% |
| Common robbery | 110 | 115 | 99 | -16 | -13.9% |
| Robbery with aggravating circumstances | 518 | 631 | 567 | -64 | -10.1% |
| **Total Contact Crimes ( Crimes Against the Person)** | **2 008** | **2 218** | **2 137** | **-81** | **-3.7%** |
| SOME SUBCATEGORIES OF AGGRAVATED ROBBERY | | | | | |
| Carjacking | 25 | 38 | 27 | -11 | -28.9% |
| Robbery at residential premises | 97 | 138 | 91 | -47 | -34.1% |
| Robbery at non-residential premises | 65 | 47 | 65 | 18 | 38.3% |
| Robbery of cash in transit | 1 | 1 | 0 | -1 | -100.0% |
| Bank robbery | 0 | 0 | 0 | 0 | 0 Cases |
| Truck hijacking | 0 | 0 | 0 | 0 | 0 Cases |
| CONTACT-RELATED CRIMES | | | | | |
| Arson | 10 | 7 | 11 | 4 | 57.1% |
| Malicious damage to property | 369 | 366 | 354 | -12 | -3.3% |
| **Contact-Related Crimes** | **379** | **373** | **365** | **-8** | **-2.1%** |
| PROPERTY-RELATED CRIMES | | | | | |
| Burglary at non-residential premises | 195 | 155 | 196 | 41 | 26.5% |
| Burglary at residential premises | 992 | 986 | 832 | -154 | -15.6% |
| Theft of motor vehicle and motorcycle | 81 | 97 | 105 | 8 | 8.2% |
| Theft out of or from motor vehicle | 268 | 274 | 280 | 6 | 2.2% |
| Stock-theft | 8 | 5 | 22 | 17 | 340.0% |
| **Property-Related Crimes** | **1 544** | **1 517** | **1 435** | **-82** | **-5.4%** |
| OTHER SERIOUS CRIMES | | | | | |
| All theft not mentioned elsewhere | 877 | 905 | 879 | -26 | -2.9% |
| Commercial crime | 214 | 236 | 236 | 0 | 0.0% |
| Shoplifting | 441 | 288 | 300 | 12 | 4.2% |
| **Total Other Serious Crimes** | **1 532** | **1 429** | **1 415** | **-14** | **-1.0%** |
| **Total 17 Community Reported Crimes** | **5 463** | **5 537** | **5 352** | **-185** | **-3.3%** |
| CRIME DETECTED AS A RESULT OF POLICE ACTION | | | | | |
| Illegal possession of firearms and ammunition | 80 | 64 | 53 | -11 | -17.2% |
| Drug-related crime | 1 342 | 1 201 | 1 413 | 212 | 17.7% |
| Driving under the influence of alcohol or drugs | 253 | 171 | 111 | -60 | -35.1% |
| Sexual Offences detected as a result of police action | 0 | 17 | 4 | -13 | -76.5% |
| **Crime Detected As A Result Of Police Action** | **1 675** | **1 453** | **1 581** | **128** | **8.8%** |

Source: SAPS, 2018

**Table A3.6: Crime in Ladysmith, 2015 to 2018**

| Crime Category | April 2015 to March 2016 | April 2016 to March 2017 | April 2017 to March 2018 | Comparison 2016/17 with 2017/18 | |
|---|---|---|---|---|---|
| | | | | Case Difference | % Change |
| **CONTACT CRIMES ( CRIMES AGAINST THE PERSON)** | | | | | |
| Murder | 50 | 42 | 40 | -2 | -4.8% |
| Sexual Offences | 109 | 133 | 91 | -42 | -31.6% |
| Attempted murder | 62 | 58 | 49 | -9 | -15.5% |
| Assault with the intent to inflict grievous bodily harm | 401 | 392 | 359 | -33 | -8.4% |
| Common assault | 511 | 559 | 574 | 15 | 2.7% |
| Common robbery | 95 | 105 | 85 | -20 | -19.0% |
| Robbery with aggravating circumstances | 215 | 309 | 235 | -74 | -23.9% |
| **Total Contact Crimes ( Crimes Against the Person)** | **1 443** | **1 598** | **1 433** | **-165** | **-10.3%** |
| **SOME SUBCATEGORIES OF AGGRAVATED ROBBERY** | | | | | |
| Carjacking | 8 | 11 | 12 | 1 | 9.1% |
| Robbery at residential premises | 32 | 56 | 26 | -30 | -53.6% |
| Robbery at non-residential premises | 15 | 38 | 36 | -2 | -5.3% |
| Robbery of cash in transit | 0 | 0 | 0 | 0 | 0 Cases |
| Bank robbery | 0 | 0 | 0 | 0 | 0 Cases |
| Truck hijacking | 4 | 4 | 2 | -2 | -50.0% |
| **CONTACT-RELATED CRIMES** | | | | | |
| Arson | 8 | 5 | 8 | 3 | 60.0% |
| Malicious damage to property | 203 | 211 | 184 | -27 | -12.8% |
| **Contact-Related Crimes** | **211** | **216** | **192** | **-24** | **-11.1%** |
| **PROPERTY-RELATED CRIMES** | | | | | |
| Burglary at non-residential premises | 214 | 168 | 170 | 2 | 1.2% |
| Burglary at residential premises | 439 | 429 | 441 | 12 | 2.8% |
| Theft of motor vehicle and motorcycle | 62 | 59 | 35 | -24 | -40.7% |
| Theft out of or from motor vehicle | 290 | 236 | 238 | 2 | 0.8% |
| Stock-theft | 117 | 145 | 146 | 1 | 0.7% |
| **Property-Related Crimes** | **1 122** | **1 037** | **1 030** | **-7** | **-0.7%** |
| **OTHER SERIOUS CRIMES** | | | | | |
| All theft not mentioned elsewhere | 862 | 959 | 913 | -46 | -4.8% |
| Commercial crime | 145 | 149 | 100 | -49 | -32.9% |
| Shoplifting | 453 | 334 | 247 | -87 | -26.0% |
| **Total Other Serious Crimes** | **1 460** | **1 442** | **1 260** | **-182** | **-12.6%** |
| **Total 17 Community Reported Crimes** | **4 236** | **4 293** | **3 915** | **-378** | **-8.8%** |
| **CRIME DETECTED AS A RESULT OF POLICE ACTION** | | | | | |
| Illegal possession of firearms and ammunition | 61 | 64 | 52 | -12 | -18.8% |
| Drug-related crime | 123 | 170 | 130 | -40 | -23.5% |
| Driving under the influence of alcohol or drugs | 315 | 345 | 205 | -140 | -40.6% |
| Sexual Offences detected as a result of police action | 1 | 0 | 1 | 1 | 1 |
| **Crime Detected As A Result Of Police Action** | **500** | **579** | **388** | **-191** | **-33.0%** |

Source: SAPS, 2018

## Table A3.7: Crime in Newcastle, 2015 to 2018

| Crime Category | April 2015 to March 2016 | April 2016 to March 2017 | April 2017 to March 2018 | Comparison 2016/17 with 2017/18 | |
|---|---|---|---|---|---|
| | | | | Case Difference | % Change |
| **CONTACT CRIMES ( CRIMES AGAINST THE PERSON)** | | | | | |
| Murder | 18 | 24 | 19 | -5 | -20.8% |
| Sexual Offences | 61 | 47 | 48 | 1 | 2.1% |
| Attempted murder | 38 | 25 | 31 | 6 | 24.0% |
| Assault with the intent to inflict grievous bodily harm | 354 | 311 | 231 | -80 | -25.7% |
| Common assault | 410 | 419 | 416 | -3 | -0.7% |
| Common robbery | 121 | 101 | 101 | 0 | 0.0% |
| Robbery with aggravating circumstances | 212 | 228 | 187 | -41 | -18.0% |
| **Total Contact Crimes ( Crimes Against the Person)** | **1 214** | **1 155** | **1 033** | **-122** | **-10.6%** |
| **SOME SUBCATEGORIES OF AGGRAVATED ROBBERY** | | | | | |
| Carjacking | 4 | 3 | 2 | -1 | -33.3% |
| Robbery at residential premises | 29 | 24 | 22 | -2 | -8.3% |
| Robbery at non-residential premises | 24 | 35 | 24 | -11 | -31.4% |
| Robbery of cash in transit | 0 | 0 | 0 | 0 | 0 Cases |
| Bank robbery | 0 | 0 | 0 | 0 | 0 Cases |
| Truck hijacking | 1 | 0 | 1 | 1 | 1 Case Higher |
| **CONTACT-RELATED CRIMES** | | | | | |
| Arson | 6 | 2 | 0 | -2 | -100.0% |
| Malicious damage to property | 178 | 152 | 132 | -20 | -13.2% |
| **Contact-Related Crimes** | **184** | **154** | **132** | **-22** | **-14.3%** |
| **PROPERTY-RELATED CRIMES** | | | | | |
| Burglary at non-residential premises | 239 | 237 | 165 | -72 | -30.4% |
| Burglary at residential premises | 500 | 583 | 481 | -102 | -17.5% |
| Theft of motor vehicle and motorcycle | 100 | 75 | 59 | -16 | -21.3% |
| Theft out of or from motor vehicle | 404 | 395 | 287 | -108 | -27.3% |
| Stock-theft | 49 | 57 | 61 | 4 | 7.0% |
| **Property-Related Crimes** | **1 292** | **1 347** | **1 053** | **-294** | **-21.8%** |
| **OTHER SERIOUS CRIMES** | | | | | |
| All theft not mentioned elsewhere | 802 | 755 | 733 | -22 | -2.9% |
| Commercial crime | 384 | 453 | 526 | 73 | 16.1% |
| Shoplifting | 316 | 296 | 324 | 28 | 9.5% |
| **Total Other Serious Crimes** | **1 502** | **1 504** | **1 583** | **79** | **5.3%** |
| **Total 17 Community Reported Crimes** | **4 192** | **4 160** | **3 801** | **-359** | **-8.6%** |
| **CRIME DETECTED AS A RESULT OF POLICE ACTION** | | | | | |
| Illegal possession of firearms and ammunition | 16 | 13 | 20 | 7 | 53.8% |
| Drug-related crime | 357 | 482 | 595 | 113 | 23.4% |
| Driving under the influence of alcohol or drugs | 189 | 205 | 283 | 78 | 38.0% |
| Sexual Offences detected as a result of police action | 1 | 1 | 0 | -1 | -100.0% |
| **Crime Detected As A Result Of Police Action** | **563** | **701** | **898** | **197** | **28.1%** |

Source: SAPS, 2018

**Table A3.8: Crime in Pietermaritzburg, 2015 to 2018**

| Crime Category | April 2015 to March 2016 | April 2016 to March 2017 | April 2017 to March 2018 | Comparison 2016/17 with 2017/18 | |
|---|---|---|---|---|---|
| | | | | Case Difference | % Change |
| **CONTACT CRIMES ( CRIMES AGAINST THE PERSON)** | | | | | |
| Murder | 34 | 30 | 41 | 11 | 36.7% |
| Sexual Offences | 65 | 61 | 54 | -7 | -11.5% |
| Attempted murder | 17 | 21 | 33 | 12 | 57.1% |
| Assault with the intent to inflict grievous bodily harm | 193 | 181 | 183 | 2 | 1.1% |
| Common assault | 458 | 358 | 357 | -1 | -0.3% |
| Common robbery | 348 | 275 | 301 | 26 | 9.5% |
| Robbery with aggravating circumstances | 461 | 486 | 457 | -29 | -6.0% |
| **Total Contact Crimes ( Crimes Against the Person)** | **1 576** | **1 412** | **1 426** | **14** | **1.0%** |
| **SOME SUBCATEGORIES OF AGGRAVATED ROBBERY** | | | | | |
| Carjacking | 13 | 41 | 20 | -21 | -51.2% |
| Robbery at residential premises | 12 | 8 | 18 | 10 | 125.0% |
| Robbery at non-residential premises | 48 | 42 | 37 | -5 | -11.9% |
| Robbery of cash in transit | 0 | 1 | 0 | -1 | -100.0% |
| Bank robbery | 0 | 0 | 0 | 0 | 0 Cases |
| Truck hijacking | 1 | 1 | 1 | 0 | 0.0% |
| **CONTACT-RELATED CRIMES** | | | | | |
| Arson | 1 | 3 | 1 | -2 | -66.7% |
| Malicious damage to property | 205 | 168 | 174 | 6 | 3.6% |
| **Contact-Related Crimes** | **206** | **171** | **175** | **4** | **2.3%** |
| **PROPERTY-RELATED CRIMES** | | | | | |
| Burglary at non-residential premises | 391 | 416 | 395 | -21 | -5.0% |
| Burglary at residential premises | 260 | 158 | 128 | -30 | -19.0% |
| Theft of motor vehicle and motorcycle | 138 | 90 | 114 | 24 | 26.7% |
| Theft out of or from motor vehicle | 766 | 478 | 599 | 121 | 25.3% |
| Stock-theft | 0 | 1 | 0 | -1 | -100.0% |
| **Property-Related Crimes** | **1 555** | **1 143** | **1 236** | **93** | **8.1%** |
| **OTHER SERIOUS CRIMES** | | | | | |
| All theft not mentioned elsewhere | 1 202 | 1 022 | 1 011 | -11 | -1.1% |
| Commercial crime | 353 | 480 | 360 | -120 | -25.0% |
| Shoplifting | 718 | 742 | 531 | -211 | -28.4% |
| **Total Other Serious Crimes** | **2 273** | **2 244** | **1 902** | **-342** | **-15.2%** |
| **Total 17 Community Reported Crimes** | **5 610** | **4 970** | **4 739** | **-231** | **-4.6%** |
| **CRIME DETECTED AS A RESULT OF POLICE ACTION** | | | | | |
| Illegal possession of firearms and ammunition | 31 | 45 | 38 | -7 | -15.6% |
| Drug-related crime | 1 259 | 1 477 | 1 852 | 375 | 25.4% |
| Driving under the influence of alcohol or drugs | 165 | 166 | 143 | -23 | -13.9% |
| Sexual Offences detected as a result of police action | 461 | 876 | 523 | -353 | -40.3% |
| **Crime Detected As A Result Of Police Action** | **1 916** | **2 564** | **2 556** | **-8** | **-0.3%** |

Source: SAPS, 2018

**Table A3.9: Crime in Port Shepstone, 2015 to 2018**

| Crime Category | April 2015 to March 2016 | April 2016 to March 2017 | April 2017 to March 2018 | Comparison 2016/17 with 2017/18 | |
|---|---|---|---|---|---|
| | | | | Case Difference | % Change |
| **CONTACT CRIMES ( CRIMES AGAINST THE PERSON)** | | | | | |
| Murder | 51 | 33 | 49 | 16 | 48.5% |
| Sexual Offences | 86 | 91 | 75 | -16 | -17.6% |
| Attempted murder | 43 | 42 | 32 | -10 | -23.8% |
| Assault with the intent to inflict grievous bodily harm | 278 | 271 | 287 | 16 | 5.9% |
| Common assault | 356 | 334 | 337 | 3 | 0.9% |
| Common robbery | 104 | 82 | 93 | 11 | 13.4% |
| Robbery with aggravating circumstances | 204 | 174 | 200 | 26 | 14.9% |
| **Total Contact Crimes ( Crimes Against the Person)** | **1 122** | **1 027** | **1 073** | **46** | **4.5%** |
| **SOME SUBCATEGORIES OF AGGRAVATED ROBBERY** | | | | | |
| Carjacking | 9 | 11 | 7 | -4 | -36.4% |
| Robbery at residential premises | 28 | 24 | 32 | 8 | 33.3% |
| Robbery at non-residential premises | 33 | 24 | 41 | 17 | 70.8% |
| Robbery of cash in transit | 0 | 0 | 0 | 0 | 0 Cases |
| Bank robbery | 0 | 0 | 0 | 0 | 0 Cases |
| Truck hijacking | 1 | 1 | 1 | 0 | 0.0% |
| **CONTACT-RELATED CRIMES** | | | | | |
| Arson | 3 | 6 | 3 | -3 | -50.0% |
| Malicious damage to property | 86 | 80 | 110 | 30 | 37.5% |
| **Contact-Related Crimes** | **89** | **86** | **113** | **27** | **31.4%** |
| **PROPERTY-RELATED CRIMES** | | | | | |
| Burglary at non-residential premises | 256 | 201 | 160 | -41 | -20.4% |
| Burglary at residential premises | 681 | 602 | 602 | 0 | 0.0% |
| Theft of motor vehicle and motorcycle | 36 | 67 | 62 | -5 | -7.5% |
| Theft out of or from motor vehicle | 186 | 161 | 213 | 52 | 32.3% |
| Stock-theft | 4 | 8 | 8 | 0 | 0.0% |
| **Property-Related Crimes** | **1 163** | **1 039** | **1 045** | **6** | 0.6% |
| **OTHER SERIOUS CRIMES** | | | | | |
| All theft not mentioned elsewhere | 563 | 488 | 569 | 81 | 16.6% |
| Commercial crime | 281 | 331 | 387 | 56 | 16.9% |
| Shoplifting | 322 | 261 | 258 | -3 | -1.1% |
| **Total Other Serious Crimes** | **1 166** | **1 080** | **1 214** | 134 | 12.4% |
| **Total 17 Community Reported Crimes** | **3 540** | **3 232** | **3 445** | 213 | 6.6% |
| **CRIME DETECTED AS A RESULT OF POLICE ACTION** | | | | | |
| Illegal possession of firearms and ammunition | 42 | 29 | 26 | -3 | -10.3% |
| Drug-related crime | 393 | 537 | 605 | 68 | 12.7% |
| Driving under the influence of alcohol or drugs | 195 | 235 | 283 | 48 | 20.4% |
| Sexual Offences detected as a result of police action | 547 | 669 | 732 | 63 | 9.4% |
| **Crime Detected As A Result Of Police Action** | **1 177** | **1 470** | **1 646** | **176** | **12.0%** |

Source: SAPS, 2018

**Table A3.10: Crime in Vryheid, 2015 to 2018**

| Crime Category | April 2015 to March 2016 | April 2016 to March 2017 | April 2017 to March 2018 | Comparison 2016/17 with 2017/18 | |
|---|---|---|---|---|---|
| | | | | Case Difference | % Change |
| CONTACT CRIMES ( CRIMES AGAINST THE PERSON) | | | | | |
| Murder | 16 | 15 | 24 | 9 | 60.0% |
| Sexual Offences | 66 | 60 | 87 | 27 | 45.0% |
| Attempted murder | 21 | 11 | 18 | 7 | 63.6% |
| Assault with the intent to inflict grievous bodily harm | 291 | 246 | 253 | 7 | 2.8% |
| Common assault | 280 | 231 | 210 | -21 | -9.1% |
| Common robbery | 96 | 94 | 96 | 2 | 2.1% |
| Robbery with aggravating circumstances | 89 | 86 | 97 | 11 | 12.8% |
| **Total Contact Crimes ( Crimes Against the Person)** | **859** | **743** | **785** | **42** | **5.7%** |
| SOME SUBCATEGORIES OF AGGRAVATED ROBBERY | | | | | |
| Carjacking | 2 | 1 | 2 | 1 | 100.0% |
| Robbery at residential premises | 11 | 7 | 21 | 14 | 200.0% |
| Robbery at non-residential premises | 12 | 17 | 13 | -4 | -23.5% |
| Robbery of cash in transit | 0 | 0 | 0 | 0 | 0 Cases |
| Bank robbery | 0 | 0 | 0 | 0 | 0 Cases |
| Truck hijacking | 0 | 0 | 1 | 1 | 1 Case Higher |
| CONTACT-RELATED CRIMES | | | | | |
| Arson | 1 | 0 | 1 | 1 | 1 Case Higher |
| Malicious damage to property | 163 | 123 | 101 | -22 | -17.9% |
| **Contact-Related Crimes** | **164** | **123** | **102** | **-21** | **-17.1%** |
| PROPERTY-RELATED CRIMES | | | | | |
| Burglary at non-residential premises | 134 | 121 | 97 | -24 | -19.8% |
| Burglary at residential premises | 363 | 345 | 335 | -10 | -2.9% |
| Theft of motor vehicle and motorcycle | 50 | 42 | 29 | -13 | -31.0% |
| Theft out of or from motor vehicle | 288 | 243 | 217 | -26 | -10.7% |
| Stock-theft | 86 | 103 | 138 | 35 | 34.0% |
| **Property-Related Crimes** | **921** | **854** | **816** | **-38** | **-4.4%** |
| OTHER SERIOUS CRIMES | | | | | |
| All theft not mentioned elsewhere | 634 | 630 | 544 | -86 | -13.7% |
| Commercial crime | 220 | 192 | 218 | 26 | 13.5% |
| Shoplifting | 194 | 184 | 152 | -32 | -17.4% |
| **Total Other Serious Crimes** | **1 048** | **1 006** | **914** | **-92** | **-9.1%** |
| **Total 17 Community Reported Crimes** | **2 992** | **2 726** | **2 617** | **-109** | **-4.0%** |
| CRIME DETECTED AS A RESULT OF POLICE ACTION | | | | | |
| Illegal possession of firearms and ammunition | 52 | 36 | 46 | 10 | 27.8% |
| Drug-related crime | 186 | 256 | 422 | 166 | 64.8% |
| Driving under the influence of alcohol or drugs | 141 | 162 | 215 | 53 | 32.7% |
| Sexual Offences detected as a result of police action | 0 | 2 | 1 | -1 | -50.0% |
| **Crime Detected As A Result Of Police Action** | **379** | **456** | **684** | **228** | **50.0%** |

Source: SAPS, 2018

**Figure A4.1: Percentage share of the provincial real GDP by district municipality, 2017**
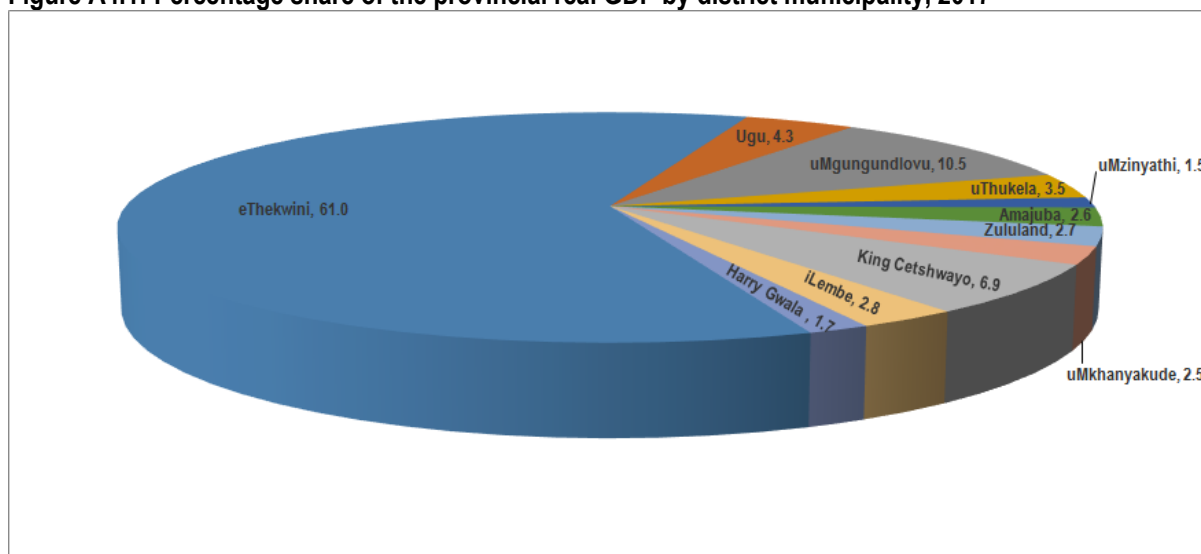


Source: IHS Markit, 2018

**Table A4.1: Sub-sector's average annual growth rates in KZN, 2007 to 2017**

| | South Africa | KZN | Ethekwini | Ugu | uMgungundlovu | Uthukela | Umzinyathi | Amajuba | Zululand | Umkhanyakude | King Cetshwayo | iLembe | Harry Gwala |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Primary Sector** | **1.1** | **3.5** | **3.7** | **3.0** | **5.1** | **2.9** | **5.4** | **0.8** | **2.0** | **1.7** | **4.0** | **3.1** | **4.3** |
| Agriculture | 1.9 | 2.8 | 3.4 | 3.2 | 3.6 | 1.7 | 2.7 | 0.7 | 1.1 | 2.4 | 3.2 | 2.6 | 2.8 |
| Mining | -0.8 | 0.7 | 0.3 | -0.2 | 1.5 | 1.2 | 2.7 | 0.1 | 1.0 | -0.7 | 0.8 | 0.5 | 1.4 |
| **Secondary Sector** | **5.1** | **5.1** | **6.3** | **5.2** | **6.7** | **0.3** | **3.3** | **-3.0** | **-1.0** | **2.6** | **4.1** | **3.3** | **4.6** |
| Manufacturing | 0.9 | 1.0 | 1.3 | 1.1 | 1.4 | 0.3 | 0.5 | -1.9 | -1.1 | 0.4 | 0.6 | 0.6 | 1.0 |
| Electricity | -0.5 | -1.1 | -0.5 | -0.8 | 0.2 | -3.7 | -1.3 | -3.6 | -2.8 | -1.9 | -1.3 | -1.6 | -1.1 |
| Construction | 4.7 | 5.1 | 5.6 | 5.0 | 5.1 | 3.7 | 4.2 | 2.5 | 2.8 | 4.0 | 4.8 | 4.3 | 4.7 |
| **Tertiary Sector** | **11.1** | **11.6** | **12.4** | **12.6** | **13.2** | **8.1** | **11.3** | **3.9** | **3.3** | **11.0** | **10.2** | **11.2** | **11.9** |
| Trade | 2.5 | 2.7 | 2.7 | 3.3 | 3.3 | 2.0 | 2.7 | 1.0 | 1.2 | 2.4 | 3.0 | 2.6 | 2.9 |
| Transport | 2.6 | 2.8 | 3.1 | 3.2 | 3.1 | 1.1 | 2.0 | 0.3 | -0.1 | 2.1 | 2.1 | 2.0 | 2.6 |
| Finance | 3.2 | 3.1 | 3.0 | 3.0 | 3.5 | 3.2 | 4.5 | 1.7 | 1.5 | 4.4 | 2.5 | 4.3 | 3.8 |
| Community services | 2.9 | 3.1 | 3.6 | 3.1 | 3.4 | 1.8 | 2.2 | 0.9 | 0.7 | 2.1 | 2.7 | 2.2 | 2.7 |

Source: IHS Markit, 2018

**Table A4.2: Sub-sector's growth rates, 2016 to 2017**

| | South Africa | KZN | Ethekwini | Ugu | uMgungundlovu | Uthukela | Umzinyathi | Amajuba | Zululand | Umkhanyakude | King Cetshwayo | iLembe | Harry Gwala |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Primary Sector** | **22.3** | **16.4** | **21.6** | **17.6** | **21.0** | **4.3** | **4.6** | **2.8** | **1.0** | **19.5** | **30.2** | **25.3** | **17.9** |
| Agriculture | 17.7 | 10.4 | 8.5 | 9.5 | 11.3 | 9.0 | 12.5 | 9.1 | 11.6 | 11.5 | 11.4 | 8.0 | 12.2 |
| Mining | 4.6 | 6.0 | 13.1 | 8.2 | 9.7 | -4.7 | -7.9 | -6.3 | -10.6 | 8.0 | 18.8 | 17.4 | 5.7 |
| **Secondary Sector** | **-0.3** | **-0.5** | **-2.0** | **-0.1** | **1.0** | **3.2** | **3.5** | **4.1** | **2.9** | **3.3** | **1.9** | **0.4** | **1.6** |
| Manufacturing | -0.2 | 0.0 | -0.7 | 0.6 | 0.8 | 0.2 | 2.7 | 3.5 | 2.1 | 2.4 | 1.7 | 1.0 | 0.8 |
| Electricity | 0.2 | -0.4 | -1.0 | -0.6 | -0.3 | 2.9 | 0.0 | 0.1 | 0.1 | 0.1 | -0.2 | -0.5 | 0.2 |
| Construction | -0.3 | -0.1 | -0.4 | -0.1 | 0.5 | 0.1 | 0.8 | 0.4 | 0.7 | 0.8 | 0.4 | 0.0 | 0.6 |
| **Tertiary Sector** | **3.3** | **3.8** | **2.3** | **4.2** | **6.3** | **4.7** | **7.1** | **8.6** | **7.1** | **10.9** | **6.1** | **7.8** | **6.7** |
| Trade | -0.6 | -0.4 | -0.7 | -0.4 | 0.3 | 0.1 | 1.2 | 0.8 | 1.6 | 0.7 | 0.1 | -0.2 | -0.3 |
| Transport | 1.5 | 1.5 | 1.2 | 2.0 | 2.4 | 1.6 | 2.6 | 2.2 | 2.2 | 2.4 | 2.0 | 1.8 | 2.5 |
| Finance | 1.9 | 1.5 | 1.0 | 1.5 | 2.0 | 1.9 | 1.8 | 4.4 | 2.3 | 5.8 | 2.7 | 5.1 | 2.8 |
| Community services | 0.6 | 1.1 | 0.8 | 1.1 | 1.6 | 1.1 | 1.5 | 1.3 | 1.0 | 2.0 | 1.4 | 1.2 | 1.7 |

Source: IHS Markit, 2018

**Table A4.3: Sub-sector's average annual growth rate in KZN, 2007 to 2017**

| | KZN | Ethekwini | Ugu | uMgungundlovu | Uthukela | Umzinyathi | Amajuba | Zululand | Umkhanyakude | King Cetshwayo | iLembe | Harry Gwala |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Agriculture and hunting | 2.6 | 2.9 | 2.6 | 3.6 | 1.5 | 2.5 | 0.6 | 1.2 | 2.3 | 3.0 | 2.9 | 2.7 |
| Forestry and logging | 3.6 | 3.9 | 3.6 | 4.4 | 2.5 | 3.6 | 1.1 | 1.9 | 3.5 | 4.0 | 2.8 | 3.6 |
| Fishing, operation of fish farms | 5.5 | 5.6 | 5.3 | 6.2 | 4.3 | 4.7 | 3.6 | 3.2 | 5.1 | 5.8 | 5.6 | 5.8 |
| Mining of coal and lignite | -1.2 | 0.3 | 0.0 | 0.7 | -1.1 | 0.1 | -2.4 | -1.5 | -0.3 | 0.3 | 0.0 | 2.1 |
| Mining of gold and uranium ore | -6.8 | -14.7 | -3.3 | -2.7 | -3.4 | -3.5 | -4.5 | -13.3 | -4.3 | -3.0 | -3.5 | -3.3 |
| Mining of metal ores | 4.5 | 4.7 | 4.4 | 4.8 | 3.9 | 5.4 | 3.2 | 3.2 | 4.1 | 4.7 | 4.5 | 4.7 |
| Other mining and quarrying (incl 22) | 1.6 | 1.8 | 1.5 | 2.0 | 0.8 | 0.8 | 0.0 | 0.3 | 1.1 | 1.8 | 1.6 | 1.4 |
| Food, beverages and tobacco products | 0.6 | 0.8 | 0.2 | 0.9 | -0.3 | 0.2 | -1.5 | -1.3 | 0.1 | 0.6 | 0.8 | 0.2 |
| Textiles, clothing and leather goods | 0.8 | 0.8 | 0.7 | 1.3 | 0.6 | 1.0 | -0.8 | -0.9 | 0.5 | 1.3 | 0.9 | 0.8 |
| Wood and wood products | 0.6 | 0.8 | 0.2 | 0.9 | -0.1 | 0.7 | -1.4 | -1.3 | 0.1 | 0.4 | 0.6 | 0.5 |
| Fuel, petroleum, chemical and rubber products | 1.1 | 1.1 | 0.9 | 2.0 | 0.8 | 0.8 | -0.7 | -0.8 | 0.6 | 1.3 | 1.2 | 0.7 |
| Other non-metallic mineral products | -0.9 | -0.8 | -1.0 | -0.6 | -2.0 | -1.5 | -2.9 | -3.1 | -1.2 | -0.8 | -0.7 | -1.3 |
| Metal products, machinery and household appliances | -0.7 | -0.4 | -0.9 | -0.3 | -1.1 | -1.3 | -2.4 | -2.7 | -1.0 | -0.6 | -0.6 | -0.7 |
| Electrical machinery and apparatus | 1.4 | 1.4 | 1.1 | 1.7 | 0.8 | 1.0 | -0.5 | -0.8 | 0.9 | 1.4 | 1.3 | 0.7 |
| Electronic, sound/vision, medical & other appliances | 3.2 | 3.2 | 2.9 | 3.5 | 2.7 | 2.6 | 1.3 | 0.9 | 3.0 | 3.2 | 3.3 | 3.0 |
| Transport equipment | 0.7 | 0.6 | 1.4 | 2.0 | 1.1 | 1.8 | -0.3 | -0.5 | 1.3 | 1.6 | 1.7 | 1.1 |
| Furniture and other items NEC and recycling | 0.3 | 0.4 | 0.0 | 0.7 | -0.3 | -0.1 | -1.6 | -1.6 | -0.2 | 0.4 | 0.3 | -0.3 |
| Electricity, gas, steam and hot water supply | -1.4 | -0.8 | -1.8 | -0.2 | -4.2 | -2.3 | -3.4 | -3.7 | -2.6 | -1.5 | -1.4 | -1.7 |
| Collection, purification and distribution of water | -1.1 | -0.7 | -1.1 | -0.2 | -2.5 | -1.8 | -2.7 | -2.7 | -2.3 | -0.8 | -1.3 | -0.9 |
| Construction | 3.6 | 4.1 | 3.0 | 3.6 | 2.4 | 2.5 | 1.1 | 1.1 | 2.4 | 3.2 | 3.2 | 2.9 |
| Wholesale and commission trade | 0.6 | 0.0 | 1.9 | 2.5 | 1.3 | 1.5 | 0.1 | 0.1 | 1.6 | 2.0 | 2.2 | 1.8 |
| Retail trade and repairs of goods | 3.2 | 3.3 | 3.1 | 3.7 | 2.6 | 2.8 | 1.3 | 1.4 | 2.5 | 3.3 | 3.3 | 3.0 |
| Sale and repairs of motor vehicles, sale of fuel | 2.2 | 2.5 | 1.6 | 2.2 | 1.1 | 1.5 | -0.2 | -0.2 | 1.3 | 1.8 | 1.9 | 1.2 |
| Hotels and restaurants | 1.2 | 1.3 | 1.0 | 1.8 | 0.0 | 0.9 | -0.7 | -0.8 | 0.8 | 1.3 | 1.3 | 2.2 |
| Land and Water transport | 1.1 | 1.5 | 0.5 | 1.2 | 0.2 | 0.2 | -1.2 | -1.2 | 0.2 | 0.8 | 0.8 | 0.6 |
| Air transport and transport supporting activities | 4.1 | 4.1 | 4.2 | 4.8 | 3.9 | 4.4 | 2.4 | 2.3 | 4.3 | 4.4 | 4.6 | 4.6 |
| Post and telecommunication | 5.0 | 4.8 | 5.5 | 6.0 | 4.9 | 5.3 | 3.7 | 3.6 | 5.2 | 5.5 | 5.7 | 5.5 |
| Finance and Insurance | 3.5 | 3.5 | 3.5 | 4.0 | 3.1 | 3.4 | 1.8 | 1.4 | 2.8 | 3.7 | 3.8 | 3.3 |
| Real estate activities | 1.5 | 1.0 | 0.9 | 2.1 | 3.7 | 5.6 | 2.2 | 1.5 | 4.2 | 1.2 | 4.0 | 4.5 |
| Other business activities | 2.4 | 2.6 | 2.1 | 2.7 | 1.7 | 1.8 | 0.4 | 0.2 | 1.4 | 2.3 | 2.3 | 2.0 |
| Public administration and defence activities | 3.4 | 3.7 | 3.4 | 3.9 | 2.9 | 2.8 | 1.5 | 1.0 | 2.8 | 3.6 | 3.5 | 3.4 |
| Education | 1.6 | 2.2 | 1.3 | 1.9 | 0.7 | 0.6 | -0.5 | -0.6 | 0.6 | 1.3 | 1.3 | 1.3 |
| Health and social work | 3.3 | 3.4 | 3.2 | 3.8 | 2.7 | 2.6 | 1.5 | 1.1 | 2.2 | 3.2 | 3.3 | 3.2 |
| Other service activities | 3.7 | 4.0 | 3.2 | 3.8 | 2.6 | 2.9 | 1.4 | 1.1 | 2.6 | 3.4 | 3.5 | 3.3 |

Source: IHS Markit, 2018

## Table A4.4: Annual growth rates in KZN, 2016 to 2017

| | KZN | Ethekwini | Ugu | uMgungundlovu | Uthukela | Umzinyathi | Amajuba | Zululand | Umkhanyakude | King Cetshwayo | iLembe | Harry Gwala |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Agriculture and hunting | 7.5 | 6.8 | 7.3 | 7.9 | 7.8 | 8.3 | 7.7 | 7.9 | 7.9 | 7.6 | 7.2 | 7.8 |
| Forestry and logging | 17.0 | 15.9 | 17.1 | 17.0 | 16.8 | 17.9 | 17.1 | 16.9 | 17.0 | 17.1 | 16.4 | 17.3 |
| Fishing, operation of fish farms | 14.3 | 14.0 | 14.3 | 14.8 | 14.7 | 14.9 | 14.8 | 15.1 | 15.0 | 14.7 | 14.5 | 15.1 |
| Mining of coal and lignite | -13.6 | -13.9 | -13.9 | -13.8 | -13.8 | -12.4 | -13.5 | -13.8 | -13.9 | -13.8 | -13.9 | -9.1 |
| Mining of gold and uranium ore | -3.8 | -8.5 | -2.9 | -2.9 | -2.9 | -2.9 | -3.0 | -7.1 | -3.0 | -2.9 | -2.9 | -2.9 |
| Mining of metal ores | 39.1 | 39.3 | 39.3 | 39.0 | 39.2 | 29.1 | 39.2 | 39.2 | 39.3 | 39.2 | 39.3 | 36.4 |
| Other mining and quarrying (incl 22) | 7.3 | 7.3 | 7.3 | 7.3 | 7.4 | 6.3 | 7.4 | 7.4 | 7.3 | 7.3 | 7.4 | 7.1 |
| Food, beverages and tobacco products | 2.4 | 2.1 | 2.6 | 3.1 | 2.9 | 3.3 | 2.9 | 3.3 | 3.3 | 2.9 | 2.4 | 3.3 |
| Textiles, clothing and leather goods | -3.5 | -3.7 | -3.1 | -2.6 | -3.3 | -2.2 | -2.8 | -2.5 | -2.5 | -2.9 | -3.0 | -2.5 |
| Wood and wood products | -2.9 | -3.2 | -2.4 | -2.2 | -2.5 | -1.5 | -2.4 | -2.3 | -2.1 | -2.5 | -2.6 | -2.0 |
| Fuel, petroleum, chemical and rubber products | -3.4 | -3.6 | -3.0 | -2.7 | -3.1 | -2.2 | -2.6 | -2.3 | -2.3 | -2.7 | -2.9 | -2.6 |
| Other non-metallic mineral products | 9.2 | 8.9 | 9.2 | 10.0 | 9.7 | 9.8 | 9.9 | 10.1 | 10.2 | 9.8 | 9.5 | 10.0 |
| Metal products, machinery and household appliances | 4.9 | 4.4 | 4.9 | 5.3 | 4.8 | 5.3 | 5.3 | 5.5 | 5.7 | 5.3 | 5.2 | 5.5 |
| Electrical machinery and apparatus | -7.3 | -7.5 | -7.1 | -6.6 | -7.1 | -6.4 | -6.7 | -6.5 | -6.3 | -6.7 | -6.9 | -6.9 |
| Electronic, sound/vision, medical & other appliances | -1.5 | -1.7 | -1.2 | -0.7 | -1.2 | -0.8 | -0.8 | -0.6 | -0.3 | -0.8 | -1.2 | -0.5 |
| Transport equipment | 0.0 | -0.2 | 0.5 | 1.0 | 0.5 | 1.8 | 0.9 | 1.1 | 1.2 | 0.9 | 0.5 | 1.0 |
| Furniture and other items NEC and recycling | 0.8 | 0.6 | 1.0 | 1.6 | 1.1 | 1.9 | 1.5 | 1.6 | 1.8 | 1.4 | 1.2 | 1.4 |
| Electricity, gas, steam and hot water supply | 0.1 | -0.6 | -0.1 | 0.4 | 4.6 | 0.6 | 0.2 | 0.5 | 0.6 | 0.1 | -0.2 | 0.5 |
| Collection, purification and distribution of water | -1.4 | -1.9 | -1.4 | -1.1 | -0.7 | -0.7 | -1.0 | -0.7 | -0.5 | -1.1 | -1.4 | -0.7 |
| Construction | -0.1 | -0.4 | -0.1 | 0.5 | 0.1 | 0.8 | 0.4 | 0.7 | 0.8 | 0.4 | 0.0 | 0.6 |
| Wholesale and commission trade | -6.4 | -6.8 | -6.1 | -5.6 | -5.8 | -5.4 | -5.6 | -5.5 | -5.4 | -5.8 | -6.1 | -5.7 |
| Retail trade and repairs of goods | 3.4 | 3.1 | 3.5 | 4.1 | 3.8 | 4.4 | 4.0 | 4.3 | 4.4 | 3.9 | 3.6 | 4.1 |
| Sale and repairs of motor vehicles, sale of fuel | -1.9 | -2.1 | -1.8 | -1.2 | -1.6 | -0.9 | -1.4 | -1.1 | -1.0 | -1.3 | -1.8 | -1.5 |
| Hotels and restaurants | 0.5 | 0.2 | 0.5 | 1.1 | 1.2 | 1.6 | 1.1 | 1.4 | 1.3 | 1.0 | 0.6 | 1.6 |
| Land and Water transport | 1.1 | 0.8 | 1.3 | 1.7 | 1.2 | 2.0 | 1.6 | 1.8 | 2.0 | 1.6 | 1.3 | 1.9 |
| Air transport and transport supporting activities | 0.9 | 0.7 | 1.3 | 1.8 | 1.2 | 2.4 | 1.6 | 1.8 | 1.9 | 1.7 | 1.2 | 2.1 |
| Post and telecommunication | 3.1 | 2.8 | 3.4 | 4.0 | 3.6 | 4.3 | 3.9 | 4.1 | 4.0 | 3.7 | 3.4 | 4.0 |
| Finance and Insurance | -1.7 | -1.9 | -1.5 | -0.9 | -1.3 | -0.5 | -1.0 | -0.7 | -0.5 | -1.0 | -1.4 | -1.0 |
| Real estate activities | 5.5 | 5.0 | 4.2 | 6.1 | 5.5 | 3.0 | 8.1 | 3.3 | 9.1 | 5.5 | 8.0 | 9.3 |
| Other business activities | 2.4 | 2.1 | 2.6 | 3.2 | 2.9 | 3.4 | 3.1 | 3.4 | 3.6 | 3.0 | 2.7 | 3.2 |
| Public administration and defence activities | -3.2 | -3.6 | -3.2 | -2.7 | -3.0 | -2.3 | -2.7 | -2.4 | -2.3 | -2.9 | -3.0 | -2.6 |
| Education | 1.5 | 1.1 | 1.6 | 2.0 | 1.8 | 2.2 | 2.0 | 2.3 | 2.4 | 1.7 | 1.6 | 2.2 |
| Health and social work | 3.2 | 2.8 | 3.3 | 3.8 | 3.5 | 4.0 | 3.8 | 4.1 | 4.2 | 3.6 | 3.4 | 3.9 |
| Other service activities | 2.9 | 2.6 | 2.9 | 3.5 | 3.2 | 3.7 | 3.4 | 3.7 | 3.8 | 3.4 | 3.0 | 3.5 |

Source: IHS Markit, 2018

## Table A4.5a: Sector contribution to provincial GDP by rural district municipalities in KZN, 2007 and 2017

| | Sectors contribution to GDP | | Percentage share of KZN sectors by districts | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | KwaZulu-Natal | | Ethekwini | | uMgungundlovu | | Amajuba | | King Cetshwayo | | iLembe | |
| | 2007 | 2017 | 2007 | 2017 | 2007 | 2017 | 2007 | 2017 | 2007 | 2017 | 2007 | 2017 |
| **Primary Sector** | **5.7** | **6.0** | **0.8** | **0.9** | **0.7** | **0.9** | **0.6** | **0.4** | **1.0** | **1.1** | **0.3** | **0.4** |
| Agriculture | 3.7 | 4.1 | 0.5 | 0.6 | 0.7 | 0.8 | 0.1 | 0.1 | 0.4 | 0.4 | 0.3 | 0.3 |
| Mining | 2.0 | 1.8 | 0.3 | 0.3 | 0.1 | 0.1 | 0.4 | 0.3 | 0.6 | 0.7 | 0.0 | 0.0 |
| **Secondary Sector** | **25.3** | **22.5** | **15.7** | **14.4** | **2.1** | **2.0** | **0.8** | **0.6** | **2.3** | **2.0** | **0.9** | **0.8** |
| Manufacturing | 18.8 | 16.2 | 12.2 | 10.7 | 1.4 | 1.3 | 0.7 | 0.4 | 1.9 | 1.6 | 0.8 | 0.7 |
| Electricity | 2.8 | 2.0 | 1.4 | 1.0 | 0.4 | 0.3 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 |
| Construction | 3.6 | 4.3 | 2.2 | 2.7 | 0.4 | 0.4 | 0.1 | 0.1 | 0.2 | 0.3 | 0.1 | 0.1 |
| **Tertiary Sector** | **59.9** | **62.8** | **37.9** | **40.2** | **6.1** | **6.7** | **1.6** | **1.4** | **3.2** | **3.3** | **1.2** | **1.3** |
| Trade | 14.0 | 14.3 | 9.1 | 9.2 | 1.3 | 1.4 | 0.3 | 0.3 | 0.6 | 0.7 | 0.3 | 0.3 |
| Transport | 11.1 | 11.4 | 7.5 | 7.8 | 1.0 | 1.1 | 0.3 | 0.2 | 0.7 | 0.7 | 0.2 | 0.2 |
| Finance | 15.9 | 16.8 | 10.9 | 11.5 | 1.5 | 1.6 | 0.4 | 0.4 | 0.7 | 0.8 | 0.4 | 0.4 |
| Community services | 18.9 | 20.4 | 10.4 | 11.7 | 2.3 | 2.6 | 0.6 | 0.6 | 1.1 | 1.1 | 0.4 | 0.4 |

Source: IHS Markit, 2018

**Figure A5.1: Total employment in SA, 2016:Q1 to 2018:Q4**
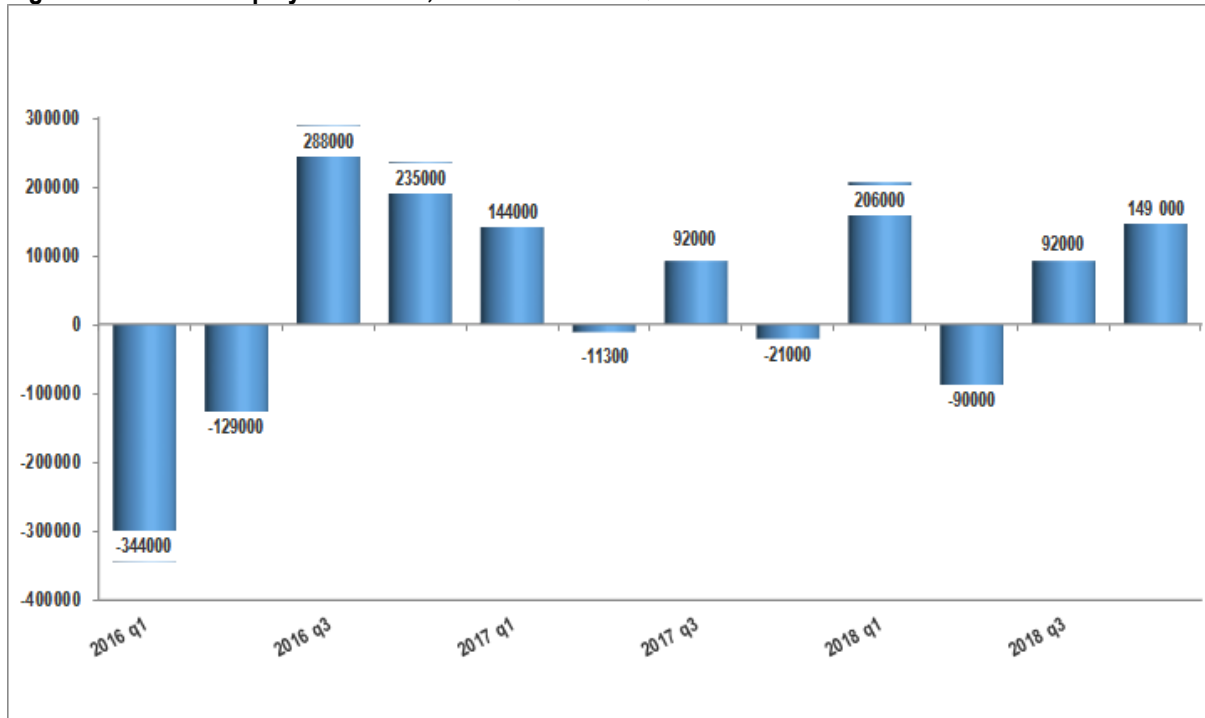


Source: IHS Markit, 2018

**Figure A5.2: Unemployment distribution by gender in KZN 2007 to 2017**
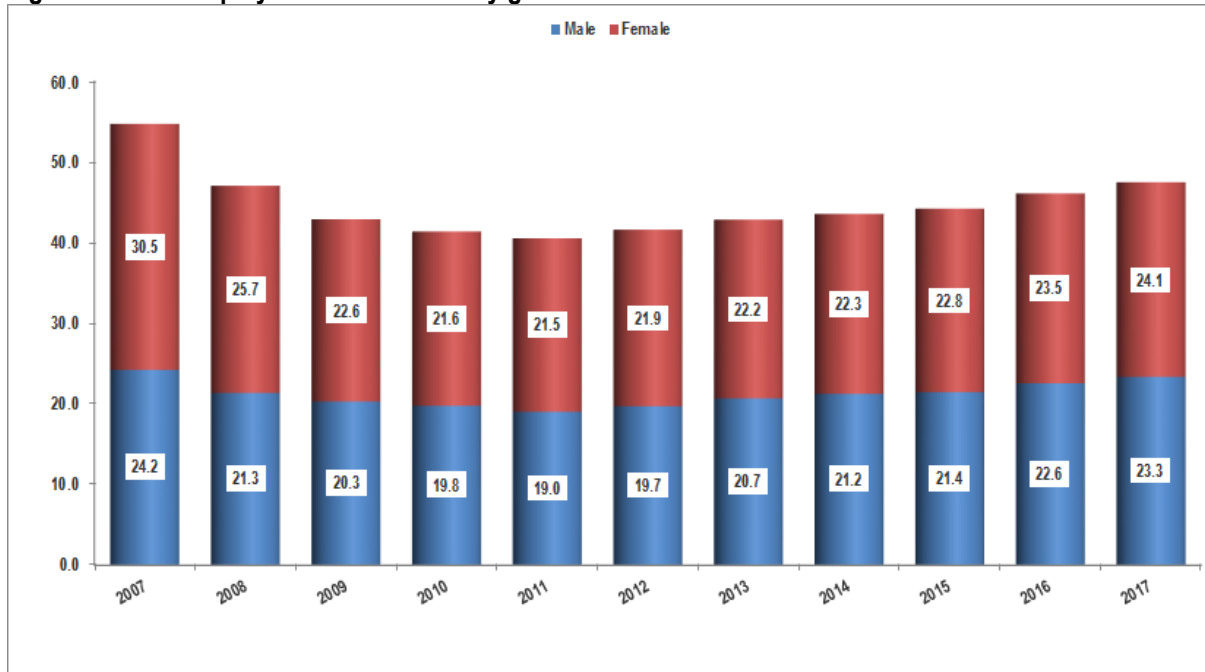


Source: IHS Markit, 2018

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