



Macro-Economic Analysis

SUSTAINABLE RESOURCE MANAGEMENT

Enquiries: Marumo Mosenogi

Tel: 018 - 388 4373

Email: mmosenogi@nwpg.gov.za

April 2014

ECONOMIC UPDATE

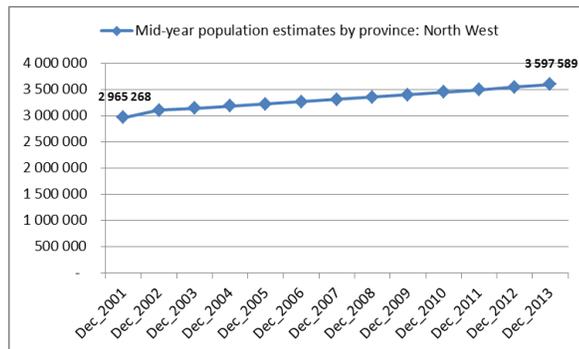
North West Socio-Economic Overview

Demographics

Population

North West province is a home of 3 597 million South Africans. This is only 7 percent of the national population estimate. The provincial population grew from 2 965 million in 2001 to the current 3 597 million by the end of 2013.

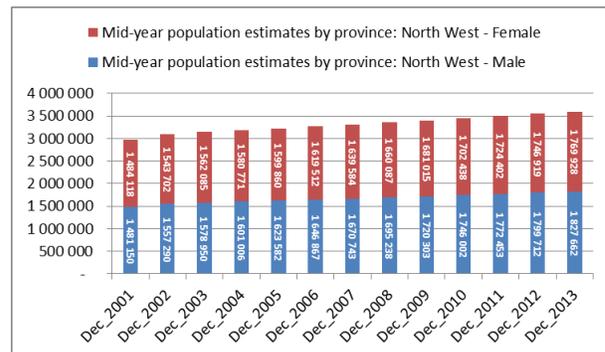
Figure 1: Mid-year Population Estimate for NWP



Source: IHS Global Insight (2013)

In 2001, there were more females than males, 1 484 million and 1 481 million respectively. The structure of the population changed from 2002, where the number of males was exceeded than the number of females. Currently the province has 1 827 million and 1 769 million respectively. The gap between the genders has gradually increased since 2002.

Figure 2: Mid-year Population Estimates by Gender



Source: IHS Global Insight (2013)

There are pros and cons of population growth. Firstly, population growth can benefit a growing economy as there is now a bigger pool of skills or human resource to be utilized in the economy. The disadvantage is that population growth can put a strain on existing public infrastructure such as roads, schools, clinics and bulk infrastructure such as water provision which subsequently increases the fiscal pressure.

Development

The following development indicators: **Poverty** focusing on the number of people living below 1\$ and 2\$, **Population Density** and **Urban population**, are evaluated for the North West province.

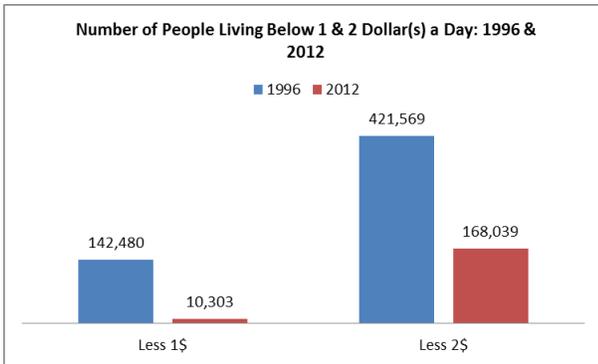
Poverty

According to figure 3 below, poverty has significantly decreased from 1996 to 2012. The number of people living below 1\$ a day reduced from 142,480 in 1996 to 10,303 in 2012 while those living on less than 2\$ a day decreased from 421,569 to 168,039 in 1996 and 2012 respectively. This shows that various government interventions such as social grants and job creation



measurably impacted people’s lives in the North West Province.

Figure 3: No. of People Living Below 1 & 2 \$ (s) per day

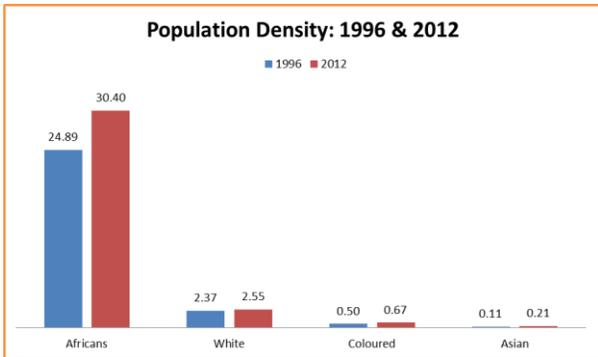


Source: IHS Global Insight (2013)

Population Density

Population density measures the concentration of people in a region by dividing the population of the region by the area size of that region. Noting that South Africa and the North West Province in particular are dominated by Africans, this racial group occupies a large portion of land in the province. The amount of land occupied by this race has increased from 24.89 to 30.40 km square between 1996 and 2012 which shows a significant growth in land occupation by Africans compared to other races.

Figure 4: Population density (number of people per km²)



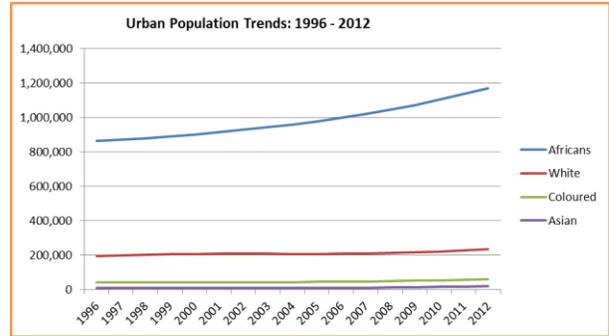
Source: IHS Global Insight (2013)

Urban Population

Since 1996, the number of Africans living in urban areas has steadily increased while other races experienced a very minimal increase in urban population. This to some extent can be alluded to

open market in property purchases and other factors such broad economic participation by Africans since the advent of democracy.

Figure 5: Urban Population by Race in the NWP



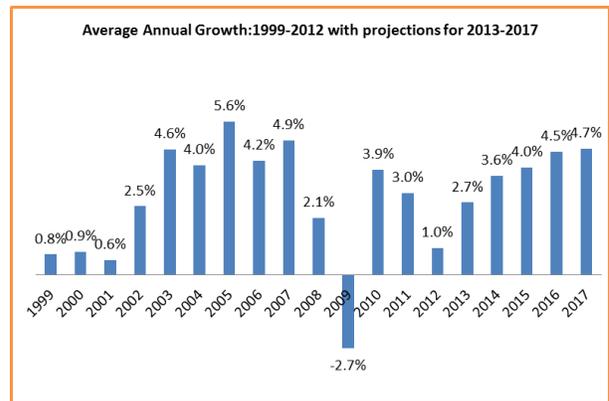
Source: IHS Global Insight (2013)

Economy: North West

The North West Consumer Price Index (CPI) increased from 5.3% in February 2014 to 5.7% in March 2014. This indicates a slight increase in the cost of living for consumers in the North West Province.

Economic Growth remained subdued since the 2008 economic recession. Annual GDP growth registered a negative 2.7% in 2009 followed by an increase to 3.9% in 2010. The province realized decline in average annual growth thereafter recording 3.0% and 1.0% in 2011 and 2012 respectively.

Fig.6: Average Annual Growth in the North West Province



Data Source: IHS Global Insight (2013)

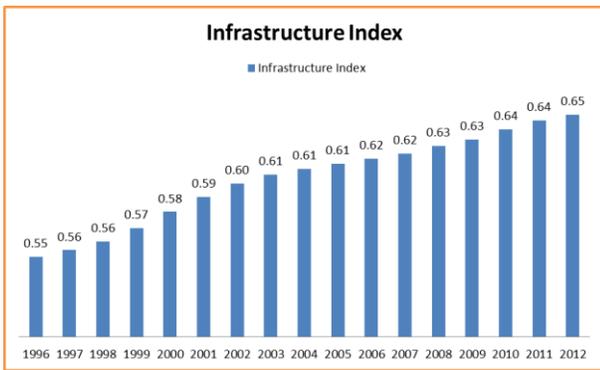
As indicated in figure 6 above, average annual growth for North West is projected to increase from 2.7% in 2013 to 4.7% in 2017.



Infrastructure Index

The index figure ranges from 0 to 1, with zero indicating that all households in the selected province have no infrastructure of any kind whatsoever. In this case, every household has no toilet, no refuse removal, no electrical connection and no piped water infrastructure. In reality, no province of this nature exists in South Africa. A value of one, on the other hand, indicates that all households have access to the minimum or basic level of service. Practically this means that every household has at least a ventilation improved pit latrine, refuse removal by authorities, a basic electrical connection and piped water within 200 meters of their yard.

Figure 7: Infrastructure Index for NWP: 1996 - 2012



Source: IHS Global Insight (2013)

The Infrastructure index graph above clearly indicates a level of improvement on provision of basic infrastructure by government between 1996 and 2012. The index shows that service provision moved from 0.55 to 0.65 over the period under observation.

South African Economy

SA CPI

South African annual consumer prices accelerated for the fourth straight month in March of 2014 to a six-month high 6%. On a monthly basis, prices advanced 1.3%, the fastest pace in five years.

Year-on-year, prices of restaurants and hotels recorded the highest increase (8.3%), followed by food (7.2%) and transport (6.9%).

The food and non-alcoholic beverages index increased by 1.4% between February 2014 and March 2014. The following components increased: sugar, sweets and

desserts (3.7%), vegetables (3.3%), fruit (2.1%), milk, eggs and cheese (1.9%), oils and fats (1.7%), bread and cereals (1.2%), fish (1.0%), meat (0.8%), cold beverages (0.7%) and other food (0.2%). In contrast, cost of hot beverages fell 0.4 p percent, Trading Economics (2014).

The alcoholic beverages and tobacco index increased by 2.0 percent; the housing index rose 0.9 percent, mainly due to a 1.3 percent increase in actual rentals for housing and a 1.4 percent increase in owners' equivalent rent.

The transport index advanced 1.6 percent between February and March, mainly due to a 36c/litre increase in the price of petrol and education prices increased sharply by 8.7 percent.

According to Trading Economics (2014), the provinces with an annual inflation rate lower than or equal to 6% were Western Cape (6.0%), Free State (6.0%), Gauteng (6.0%), Northern Cape (5.9%), North West (5.7%) and Mpumalanga (5.7%). Limpopo (7.2%), Eastern Cape (6.5%) and KwaZulu-Natal (6.3%) recorded higher inflation rates.

Figure 8: South African Inflation Rate: 2012-2014



This clearly indicates that generally, the cost of living is increasing in South Africa. Because inflation reduces the real value, or purchasing power, of money,



consumer choice in terms of products and service to consume will go a long way as cost saving mechanism.

SA GDP

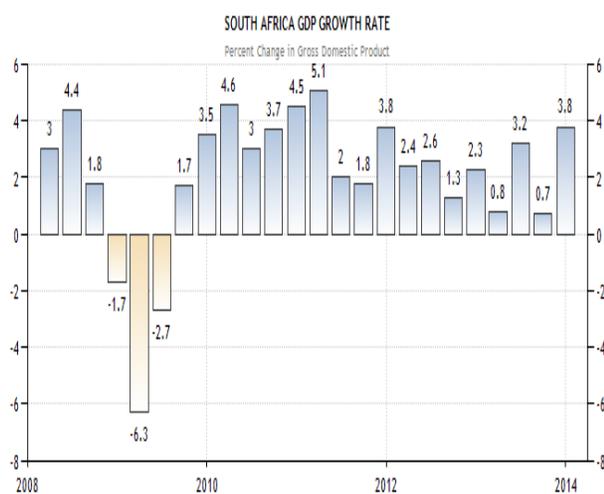
According to trading economics (2014), South African economic growth quickened to a better-than-expected annualized rate of 3.8% over the previous quarter (Quarter 4 of 2013), as both mining and manufacturing sectors grew at double-digit rates. In 2013, the economy grew a meager 1.9 percent.

GDP growth rate for the Fourth Quarter (Q4¹) was the largest in two years and went up significantly from 0.7% annualized growth rate in the third quarter.

The largest contribution to the quarter-on-quarter growth came from the manufacturing industry which grew at an annualized 12.3 percent, due to higher production of food and beverages; petroleum, chemical products, rubber and plastic products; and motor vehicles, parts and accessories.

The mining sector grew at an annualized 15.7 percent respectively, boosted by higher production of gold, platinum and diamonds.

Figure 9: SA GDP Growth Rate 2008 to 2014



¹ Q1, Q2, Q3 & Q4 refers to Quarter 1,2,3 & 4 respectively.

SA Unemployment

According to StatsSA Quarterly Labour Force Survey (QLFS), 2013:Q4 (2014) the decline in the official unemployment rate from 24,5% between 2012:Q3 to 24,1 % in 2013:Q4 was mainly due to unemployment rate decreases in six provinces. The highest decreases were observed in Northern Cape, Eastern Cape and Western Cape. In 2013:Q4, Free State had the highest official unemployment rate (33,0%), while Limpopo had the lowest official unemployment rate (16,9%).

In comparison to the same period last year, the official unemployment rate for North West Province increased from 23,2% in 2012:Q3 to 27,3% in 2013:Q4.

Table 1: Unemployment: 2012 – 2013 on Quarterly Basis

	Official unemployment rate					Expanded unemployment rate				
	Oct-Dec 2012	Jul-Sep 2013	Oct-Dec 2013	Qtr-to-qtr change	Year-on-year	Oct-Dec 2012	Jul-Sep 2013	Oct-Dec 2013	Qtr-to-qtr change	Year-on-year
	Per cent		Percentage points			Per cent		Percentage points		
South Africa	24,5	24,5	24,1	-0,4	-0,4	35,1	34,9	34,0	-0,9	-1,1
Western Cape	23,4	23,1	21	-2,1	-2,4	25,1	25,3	22,1	-3,2	-3,0
Eastern Cape	29,5	30,4	27,8	-2,6	-1,7	45,8	44,2	43,3	-0,9	-2,5
Northern Cape	28,3	27,9	24,9	-3	-3,4	34,9	35,9	34,8	-1,1	-0,1
Free State	32,7	33,7	33	-0,7	0,3	39,6	40,8	40,9	0,1	1,3
KwaZulu-Natal	21,9	20,6	19,9	-0,7	-2	38,4	37,2	36,2	-1,0	-2,2
North West	23,2	26,5	27,3	0,8	4,1	40,7	42,6	42,2	-0,4	1,5
Gauteng	23,5	24,3	25,2	0,9	1,7	28,7	29,1	28,9	-0,2	0,2
Mpumalanga	29,1	26,5	27,2	0,7	-1,9	43,4	40,2	40,2	0,0	-3,2
Limpopo	19,1	17,2	16,9	-0,3	-2,2	38,0	38,9	36,1	-2,8	-1,9

Source: StatsSA QLFS, Q4:2013 (2014)

The expected reduction in South African unemployment rate from 34,9% & to 34,0% between 2013:Q3 and 2013:Q4 was mainly due to unemployment rate decreases in seven provinces. The highest decreases were observed in Western Cape, Limpopo and Northern Cape. Eastern Cape (43,3%), North West (42,2%) and Free State (40,9%) had the highest expanded unemployment rate, while Western Cape had the lowest expanded unemployment rate of 22,1% in Quarter of 2013.

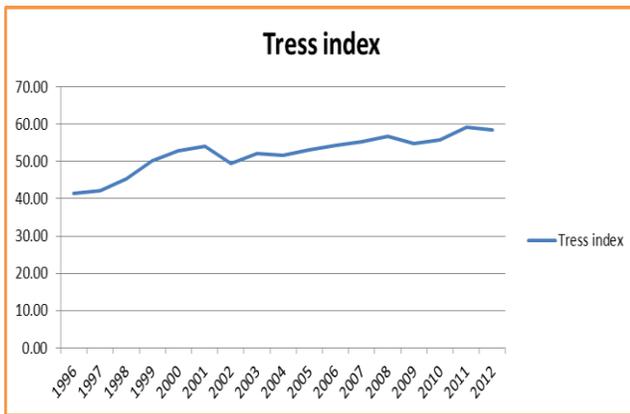
North West Provincial Tress Index

The Tress index is estimated by ranking the nine sectors according to their contribution to Gross Value Added



(GVA) and then adding the values cumulatively and indexing them. The index provides insight into the level of concentration (or diversification) within an economic region. A Tress index value of 0 means that all economic sectors in the region contribute equally to GVA, whereas a Tress index of 1 means that only one economic sector makes up the whole GVA of the region.

Fig. 7: Provincial Tress Index: 1996 - 2012



Data Source: IHS Global Insight (2013)

The tress index for the North West Province has been on the increase since 1996 to 2010 and a slight decrease has been recorded between 2011 and 2012. The index shows that there are few economic sectors such as mining and community services which dominate the economy of the province. On the basis of this, the province needs to identify new measures to ensure economic diversification.

Reference

1. www.tradingeconomics.co.za (2014)
2. Statistics South Africa, (2014), Quarterly Labour Force Survey.
3. IHS Global Insight (2013)

